LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Agenda Item #13
Executive Officer Report
Draft 2015 Municipal Service Review and Sphere of Influence Study of Five Independent Special Districts Located in the Central and Southern Salinas Valley

AGENDA
ITEM
NO. 13

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION
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KATE McKENNA, AICP
Executive Officer

DATE: December 7, 2015

TO: Chair and Members of the Formation Commission

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: 2015 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY OF FIVE INDEPENDENT SPECIAL DISTRICTS LOCATED IN THE CENTRAL AND SOUTHERN SALINAS VALLEY

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission receive a report by the Executive Officer, conduct a public hearing, and adopt a Resolution (Attachment 1) to:

1. Find the draft Study exempt from the California Environmental Quality Act (CEQA) as "information collection" under Section 15306 of the State CEQA Guidelines and based on the determination that this action does not have the potential for causing a significant effect on the environment (Section 15061(b)(3));
2. Adopt the *2015 Municipal Service Review and Sphere of Influence Study* for the Soledad-Mission Recreation District; Greenfield Public Recreation District; Greenfield Memorial District; San Lucas County Water District, and San Ardo California Water District;
3. Based on the Study's recommended determinations, affirm the currently adopted Spheres of Influence of these districts, with no changes.
4. Authorize the Executive Officer to proceed with implementing two follow-up actions:
    a. Develop a program of continuing educational and training outreach to assist special district staff and board members countywide, and
    b. Participate in developing a workshop with Greenfield-area local agencies—including the City of Greenfield, the County of Monterey, the Greenfield Cemetery, Fire Protection, Memorial, and Public Recreation Districts, and other interested parties—to explore potential opportunities for greater efficiencies of service delivery.

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and Spheres of Influence of all cities and special districts. In accordance with the Commission's adopted work program,

LAFCO staff has prepared a comprehensive study of the five independent special districts listed above.

As described in the attached study, each of the districts is carrying out its mission and providing valued services to the community it serves, though often grappling with substantial difficulties. The Districts are not currently proposing any boundary or Sphere modifications, and no such changes are recommended by LAFCO staff. Key findings and recommended "post-study" follow-up actions are presented in the study's Executive Summary.

Agency Coordination and Public Notice

Because no changes are proposed to any of the districts' existing Spheres of Influence, State law and LAFCO's locally adopted policies require no public notice or hearing for this agenda item. However, as a "best practice," a hearing notice for this Study was published in the November 12 issue of the Monterey County Weekly for the December 7 LAFCO meeting. Courtesy copies of the notice were also sent to known interested parties. Staff coordinated on earlier drafts of the Study with representatives from each of the districts to help ensure accuracy and completeness. The public review draft is available for download from LAFCO's web site.

Respectfully Submitted,

Kate McKenna, AICP
Executive Officer

Attachments:
1. Draft Resolution
2. *2015 Municipal Service Review and Sphere of Influence Study*

CC:
Frances Bengston, Executive Director, Soledad-Mission Recreation District
Pete Perez, Board Member, Greenfield Public Recreation District
Kelly Falsey, Program Manager, Greenfield Memorial District
Susan Madson, General Manager, San Lucas County Water District
William Kanthack, General Manager, San Ardo California Water District
Susan Stanton, City Manager, City of Greenfield
Rich Foster, Fire Chief, Greenfield Fire Protection District

Prepared by: Darren McBain, Senior Analyst

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Agenda Item #13.1

Draft LAFCO Resolution

Making Determinations Adopting a 2015 Municipal Service Review and Sphere of Influence Study of Independent Special Districts Located in the Central and Southern Salinas Valley

RESOLUTION NO. 15-XX

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY MAKING DETERMINATIONS ADOPTING A 2015 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY OF INDEPENDENT SPECIAL DISTRICTS LOCATED IN THE CENTRAL AND SOUTHERN SALINAS VALLEY

RESOLVED, by the Local Agency Formation Commission of Monterey County, State of California, that:

WHEREAS, State law requires that the Commission conduct periodic reviews and updates of the Sphere of Influence of each city and district in Monterey County (Government Code section 56425); and

WHEREAS, State law further requires the Commission to update information about municipal services before, or in conjunction with, adopting a Sphere update (Government Code section 56430); and

WHEREAS, the subject study pertains to the following independent special districts: **Soledad-Mission Recreation District, Greenfield Public Recreation District, Greenfield Memorial District, San Lucas County Water District, and San Ardo California Water District;** and

WHEREAS, none of the subject districts is proposing modifications to its existing boundaries or Sphere of Influence; and

WHEREAS, LAFCO staff has met and consulted with representatives of the districts, and other known interested parties, and has received written information regarding current and expected growth boundaries, the location and characteristics of disadvantaged unincorporated communities, planned and present capacity of public facilities, adequacy of public services, financial ability to provide services, opportunities for shared facilities and services, government structure, and operational efficiencies; and

WHEREAS, the information gathered has provided the basis for preparation of a Municipal Service Review and Sphere of Influence Study and the Executive Officer has furnished a copy of this Study to each person entitled to a copy or expressing interest in receiving a copy; and

WHEREAS, the Commission has heard from interested parties, considered the Study and the report of the Executive Officer, and considered the factors determined by the Formation Commission to be relevant to this matter, including, but not limited to, factors specified in Government Code sections 56425(e) and 56430(a), and the Formation Commission's policies;

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

Section 1. The foregoing recitals are true and correct.

Section 2. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, the Commission finds that the Municipal Service Review under consideration is categorically exempt from the provisions of CEQA as "Information Collection" under Section 15306 of the CEQA Guidelines.

Section 3. In evaluating the districts' Spheres of Influence, the Commission has conducted a review of the services provided by the districts. This service review was conducted in accordance with Government Code section 56430. The analysis, conclusions and recommendations in this review were prepared with information provided by, and in consultation with, the districts. Data sources are available for review in the office of the Commission.

Section 4. In evaluating the service review, the Commission has considered a written statement of its determinations in accord with Government Code section 56430(a). These determinations, included in the Municipal Service Review and Sphere of Influence Study, are made with respect to each of the following seven areas:

a. Growth and Population Projections for the Affected Area.

b. The Location and Characteristics of any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence.

c. 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.

d. Financial Ability of Agencies to Provide Services.

e. Status of, and Opportunities for, Shared Facilities.

f. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.

g. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

Section 5. In evaluating the districts' Spheres of Influence, the Commission has considered a written statement of its determinations, in accord with Section 56425(e) of the Government Code. These determinations, included in the Study, are made with respect to each of the following four areas and are incorporated by reference into this resolution.

a. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands.

b. The Present and Probable Need for Public Facilities and Services in the Area.

c. The Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or is Authorized to Provide.

d. The Existence of any Social or Economic Communities of Interest in the Area if the Commission Determines That They Are Relevant to the Agency.

Section 6. The Commission has considered, as a part of its deliberations, all oral presentations and written communications received prior to the close of the public meeting.

Section 7. In accordance with Government Code section 56430, the Commission hereby approves the Municipal Service Review and Sphere of Influence Study for the Soledad-Mission Recreation District, Greenfield Public Recreation District, Greenfield Memorial District, San Lucas County Water District, and San Ardo California Water District.

Section 8. Based on the Study's recommended determinations, the Commission hereby affirms and updates the District's currently adopted Sphere of Influence, with no changes.

Section 9. The Commission authorize the Executive Officer to proceed with implementing two follow-up actions:

a. Develop a program of continuing educational and training outreach to assist special district staff and board members countywide, and

b. Participate in developing a workshop with Greenfield-area local agencies—including the City of Greenfield, the County of Monterey, the Greenfield Cemetery, Fire Protection, Memorial, and Public Recreation Districts, and other interested parties—to explore potential opportunities for greater efficiencies of service delivery.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 7th day of December, 2015 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Joe Gunter, Vice Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete copy of the original resolution of said Commission on file within this office.

Witness my hand this _____ day of December, 2015

By: _____
Kate McKenna, AICP, Executive Officer

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Agenda Item #13.2

2015 Municipal Service Review and Sphere of Influence Study of Five Independent Special Districts Located in the Central and Southern Salinas Valley

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2015 Municipal Service Review and Sphere of Influence Study

Independent Special Districts in the Central and Southern Salinas Valley:

- Soledad-Mission Recreation District
- Greenfield Public Recreation District
- Greenfield Memorial District
- San Lucas County Water District
- San Ardo California Water District

Public Review Draft – December 7, 2015

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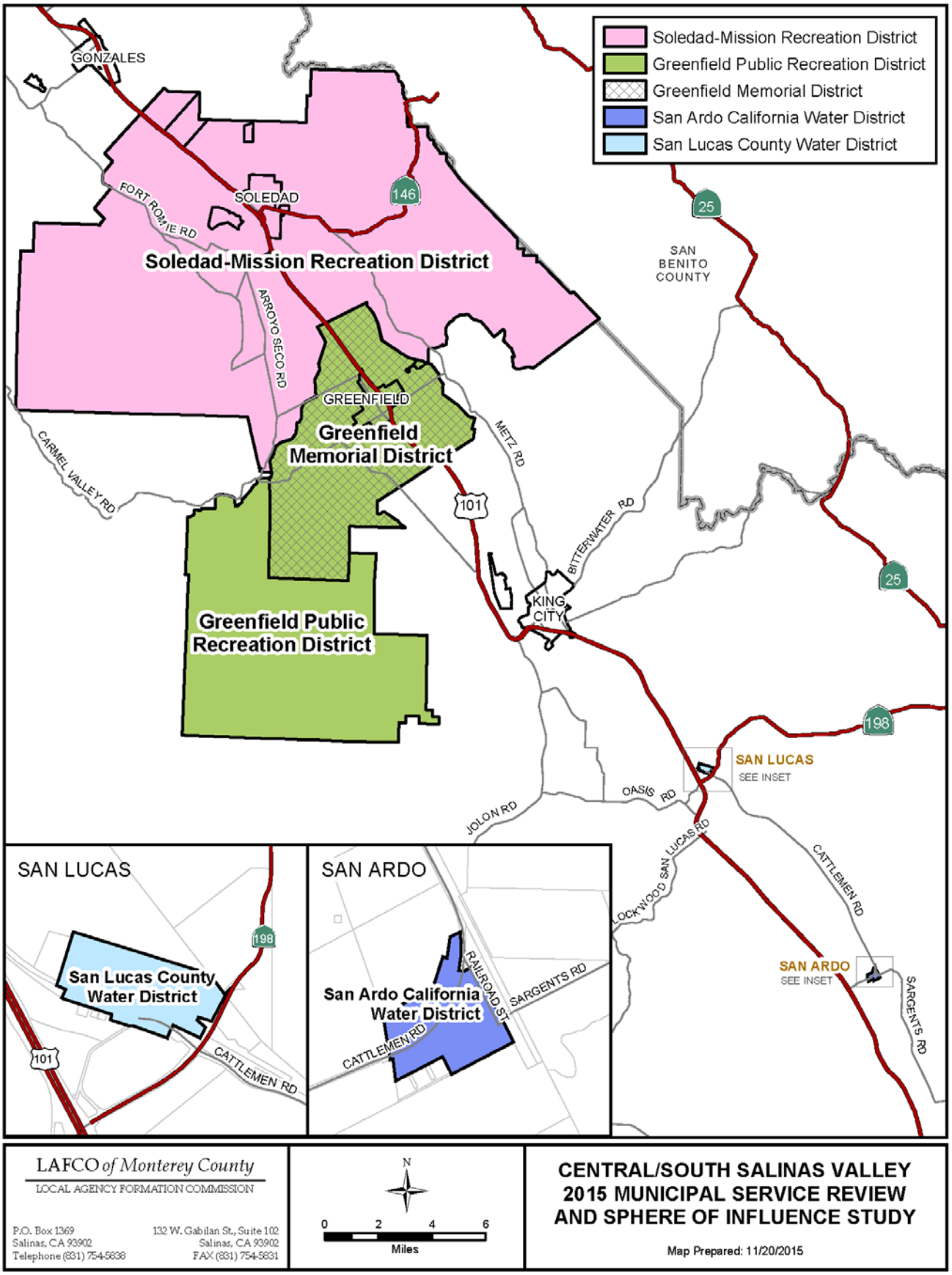
Soledad-Mission Recreation District
Greenfield Public Recreation District
Greenfield Memorial District
San Ardo California Water District
San Lucas County Water District
GONZALES
SOLEDAD
146
25
FORT ROMIE RD
Soledad-Mission Recreation District
SAN BENITO COUNTY
ARROYO SECO RD
GREENFIELD
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METZ RD
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101
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SEE INSET
SARGENTS RD
SAN LUCAS
San Lucas County Water District
SAN ARDO
San Ardo California Water District
RAILROAD ST
SARGENTS RD
CATTLEMEN RD
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CENTRAL/SOUTH SALINAS VALLEY
2015 MUNICIPAL SERVICE REVIEW
AND SPHERE OF INFLUENCE STUDY
Map Prepared: 11/20/2015

EXECUTIVE SUMMARY

INTRODUCTION

This report provides information about the services and boundaries of the following five special districts that provide services in the central and southern Salinas Valley area of Monterey County.

- **Soledad-Mission Recreation District**
- **Greenfield Public Recreation District**
- **Greenfield Memorial District**
- **San Lucas County Water District**
- **San Ardo California Water District**

The area within the current study includes areas of the Salinas Valley south of Gonzales, extending to the San Luis Obispo County line. As of the 2010 census, the total population served by these five districts was approximately 37,000, representing about 9% of the overall population of Monterey County.

These districts were grouped into this study based on their geographic proximity to one another. These five districts represent all the independent special districts in the central and southern Salinas Valley that were not addressed in one of the following current and recent subject-specific LAFCO studies: LAFCO is currently completing, under separate cover, a study of all cemetery districts in Monterey County, including the Salinas Valley. In March 2012, the Commission approved a study of all agencies that provide fire protection and emergency medical services in Monterey County.

This report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. State Law (the Cortese-Knox-Hertzberg Act, Government Code section 56425(e)) requires that the Commission conduct periodic service reviews and updates of the Spheres of Influence of all cities and special districts in Monterey County. The report is also intended to inform the general public about the districts' services and accomplishments, as well as the challenges they experience in the course of carrying out their work. In addition, the process of carrying out this study served as an outreach opportunity with a goal of assisting districts to operate efficiently and in compliance with State laws.

REPORT OVERVIEW AND ORGANIZATION

This **Executive Summary** includes a brief introduction to the current study, the study's key findings, and actions that the Commission is being recommended to take.

The **District Profiles** chapter contains individual profiles for each of the five subject districts, highlighting each agency's specific characteristics, governance, services, finances, opportunities, and challenges.

The **Determinations** chapter provides recommended Municipal Service Review and Sphere of Influence determinations pertaining to all of the five districts. The chapter is organized by the statutory determinations required for all Municipal Service Reviews and Sphere of Influence studies pursuant to the Cortese-Knox-Hertzberg Act. No Sphere changes have been requested by the districts or determined by staff to be warranted at the present time. The recommended action is to affirm the districts' existing Spheres of Influence.

KEY FINDINGS

Following are the key findings of this report:

1. **Independent special districts are key service providers to local communities.**

   Each of the districts is a longstanding and committed part of the community it serves. The districts provide valuable services to their communities. In some unincorporated areas, the district may serve as community members' primary means to interface with local government and to come together in a public setting.

2. **Districts' operations face significant challenges and struggle with financial viability.**

   District operations are experiencing significant financial pressures from limited and reduced property tax revenues, higher employment costs (benefits, insurance), lack of growth in user fees, and other factors. Most districts' physical facilities are older buildings that are in need of, or have already undergone, costly renovations and upgrades in order to remain functional and code-compliant. Districts have also experienced challenges with retaining full boards of directors and full staffing levels.

3. **South County districts are resilient and adaptable.**

   Most of the studied districts have existed for at least 50 years and have withstood numerous challenges and hardships. District board members and staff are committed to their service to the community, in some cases without compensation. District representatives remain positive and open to exploring new ways to keep their agencies operating. However, recent severe financial stresses have created uncertainty as to some districts' long-term financial sustainability.

4. **Opportunities exist for shared services and partnerships. Potential future opportunities for greater efficiency of service delivery are particularly relevant in the Greenfield area.**

   Numerous opportunities exist for the potential sharing of resources and expertise among local public agencies in order to achieve greater service efficiencies. Such arrangements might include the co-ownership or use of equipment, access to facilities, development of joint programs, or sharing of staff members among agencies. Districts are encouraged to continue to work with neighboring districts, with nearby cities, and with local nonprofits to explore potential ways of reducing costs while still retaining core services or possibly even new services. For some districts, in the longer term, consolidation between districts that have similar purposes, or consolidation with city services, may be a practical alternative for future consideration.

   Residents of the City of Greenfield receive services from the City and from four special districts: The Greenfield Public Recreation, Greenfield Memorial, Greenfield Cemetery, and Greenfield Fire Districts. The four special districts also provide services to the nearby rural unincorporated area.

   The boundaries and services of two of these districts (Greenfield Public Recreation District and Greenfield

Recommendation: "Post-Study" Greenfield-Area Workshop

In November 2015, Greenfield voters passed Measure W, a 0.75-cent sales and use tax, to provide greater general City services such as strengthened public safety, increased youth recreation programs, and other services. The future availability of funding for public service enhancements is an opportunity to bring the parties together to renew the discussion of improving service delivery efficiencies in the Greenfield area. LAFCO staff recommends that a joint workshop of City and special district representatives, to review all existing agencies' services within the Greenfield community and discuss potential future opportunities for greater efficiency, would be an appropriate and constructive follow-up action to this study. Staff proposes further coordination between LAFCO, City staff, and district representatives to develop a future workshop plan.

Memorial District) are reviewed in the current study. The Greenfield Cemetery District, with boundaries similar to the recreation district, is currently being evaluated in a separate countywide LAFCO study of all cemetery districts. The Greenfield Fire District was reviewed as part of LAFCO's 2012 countywide study of all agencies that provide fire and emergency medical services.

The two current (2015) studies discuss that agency boundaries and some of the non-fire agencies' public services overlap with services provided by the City of Greenfield and by the other districts. The studies recognize the potential that may exist for increased collaboration, in the form of shared services or facilities/equipment, sharing of staff or administrative/organizational resources, or other partnerships to meet the community's needs as efficiently and economically as possible. This issue was also highlighted in the previous (2006) LAFCO study of the Greenfield area.

5. **Requirements for public transparency and accountability have increased, and public agencies have made progress in addressing these requirements. Additional measures can and should be taken for full compliance with these requirements. LAFCO can play a role in providing continuing educational and training outreach to assist special district staff and board members.**

The Brown Act and other State laws identify numerous "transparency"- and accountability-related requirements for special districts. Basic legal requirements and/or best practices include measures such as open, publicly noticed meetings with agendas and meeting minutes, regular financial audits, annual filings of economic statements, and the adoption of bylaws.

The five studied districts generally appear to be making genuine, good-faith efforts to follow the applicable requirements, and have achieved varying levels of compliance. Where some district-specific areas of noncompliance were noted, District representatives generally welcomed LAFCO-provided templates for future board action. Districts were also receptive to information that was provided about professional development and board member training opportunities to enhance existing levels of efficiency and governmental transparency.

The districts in this study are generally behind schedule in conducting audits of District finances but have continued to submit yearly financial statements to the State Controller's Office and County Auditor as required by law. Most of the districts do not currently maintain a web site (not a legal requirement).

Recommendation: Ongoing Training and Technical Assistance Outreach to Special Districts

LAFCO staff received considerable positive feedback on the board member training and technical assistance resources that were provided to district representatives during the course of this study effort. As a follow-up step, LAFCO staff will recommend that the Commission consider a new work program item for 2016. The recommendation is to compile and distribute a suggested orientation package for new Trustees/Board members and staff members of small special districts and to establish a clearinghouse of professional development training and technical assistance resources for special districts. Depending on district representatives' interests and needs, similar opportunities may exist for an annual board member training update or other information-sharing events.

6. **Current Spheres of Influence and district boundaries are adequate.**

State law (Government Code section 56076) defines a Sphere of Influence as the plan representing LAFCO's determination for the probable physical boundaries and service area of a local agency. Each of the special districts referenced in this report has a Sphere of Influence that matches its current district boundaries. These are the same Spheres of Influence first established by LAFCO in 1983. None of the five districts has expressed an interest in making adjustments to its Sphere of Influence or district boundaries at this time. No Sphere of Influence changes or district boundary changes are

currently recommended for these five districts. However, as noted above, boundary changes or the potential future consolidation of similar-purposed nearby districts (or, potentially, affiliation with city services) may become a sensible alternative for some districts to consider in the longer-term outlook.

RECOMMENDED ACTIONS

Based on the information in this report, the Executive Officer recommends that the Commission consider and adopt a resolution to :

1. Finding that the action is exempt from provisions of the California Environmental Quality Act (CEQA) as "information collection" under Section 15306 of the State CEQA Guidelines and based on the determination that this action does not have the potential for causing a significant effect on the environment (Section 15061(b)(3));
2. Adopt the *2015 Municipal Service Review and Sphere of Influence Study* for the Soledad-Mission Recreation District; Greenfield Public Recreation District; Greenfield Memorial District; San Lucas County Water District, and San Ardo California Water District;
3. Based on the Study's recommended determinations, affirm the currently adopted Spheres of Influence of these districts, with no changes.
4. Authorize the Executive Officer to proceed with implementing two follow-up actions[1]:
    a. Develop a program of continuing educational and training outreach to assist special district staff and board members countywide, and
    b. Participate in developing a workshop with Greenfield-area local agencies—including the City of Greenfield , the County of Monterey, the Greenfield Cemetery, Fire Protection, Memorial, and Public Recreation Districts, and other interested parties—to explore potential opportunities for greater efficiencies of service delivery.

[1] As a separate follow-up action to this study, LAFCO staff is also coordinating with representatives of the Soledad-Mission Recreation District and other interested agencies in the local community to review and discuss potential future partnerships for sharing of resources and expertise, and is planning to participate in related future meetings.

Soledad-Mission Recreation District

570 N. Walker Drive, Soledad, CA 93960
(831) 678-3745

Soledad-Mission Recreation District – **At A Glance**	
Formation Date	September 11, 1962
Legal Authority	Public Resources Code, Section 5780-5780.9
Board of Directors	Five members, with four-year terms: Two members appointed by the County Board of Supervisors and three by the Soledad City Council.
District Area	Approximately 177 square miles
Sphere of Influence	Same as District
Population (2010 est.)	Approximately 16,800, including approximately 15,800 within Soledad city limits (exclusive of correctional facilities).
Budget (2015-2016 est.)	$461,750
Annual Revenue Per Capita	$27
Executive Director	Frances Bengston
Employees	Two full-time; up to 25 part-time/seasonal
Facilities	Two-acre outdoor park and indoor aquatic facility, 570 N. Walker Drive.
Website	www.soledad-mission-recreation-district.org

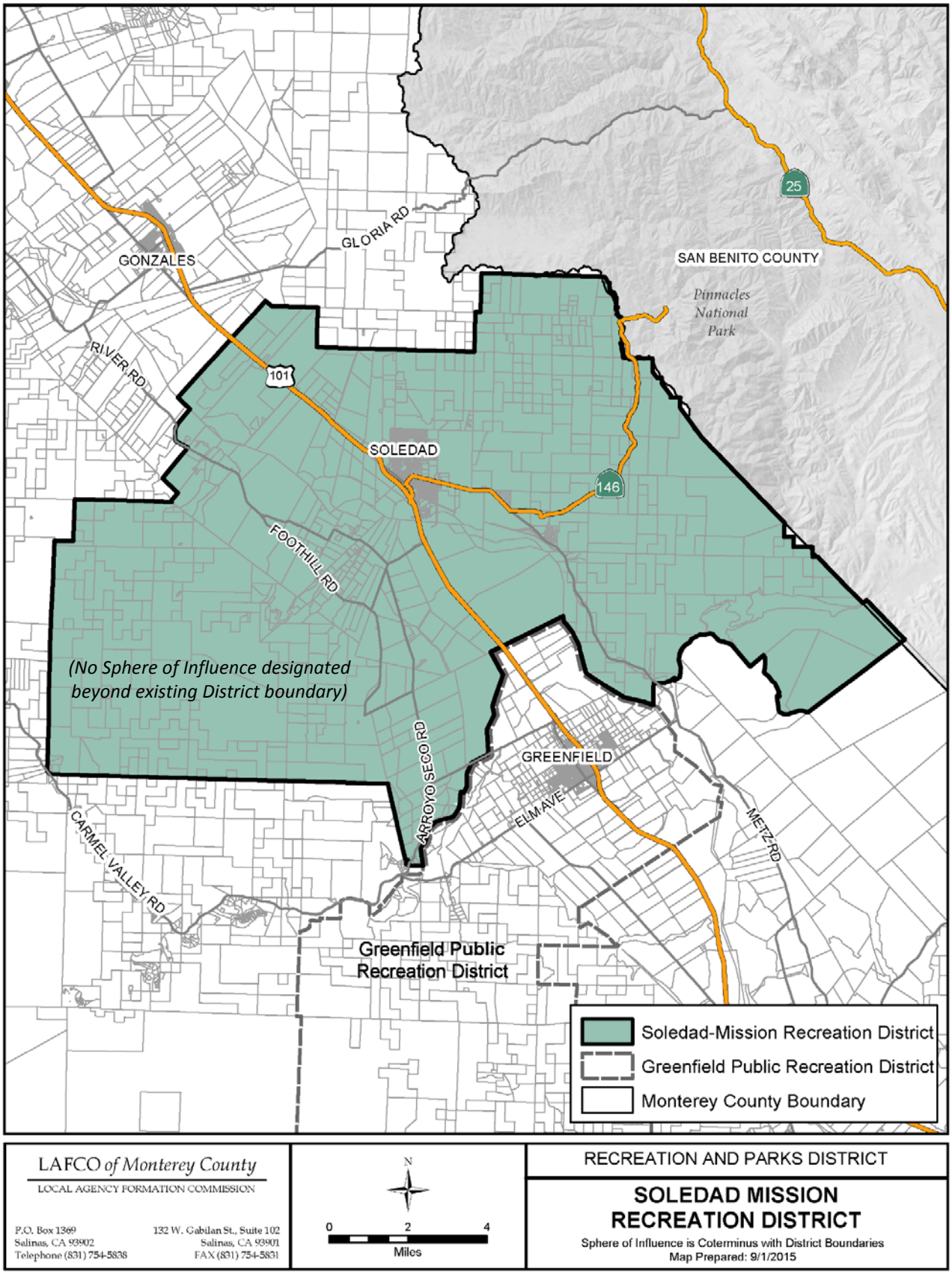
INTRODUCTION

The Soledad-Mission Recreation District is an independent special district created by special election in 1962 to provide recreational facilities and programming to Soledad and the surrounding unincorporated area. The District owns a two-acre park and an indoor pool facility.

DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE

The District's boundaries include approximately 177 square miles of lands centered on the City of Soledad. No Sphere of Influence is designated beyond existing district boundaries. The Greenfield Public Recreation District lies adjacent to part of the District's southern boundary. No other recreation-oriented special districts are in the nearby area. The City of Gonzales, about two miles to the north of the District's boundaries, provides additional recreation programs and services. With the exception of low-density housing along Arroyo Seco Road, most lands near the District's boundaries, including in San Benito County, are primarily used for agriculture.

During LAFCO's previous (2006) service review, the Soledad-Mission District's board of directors expressed concern with serving a population beyond District boundaries (discussed in the Challenges and Opportunities section, below). However, District representatives believe the current boundaries and Sphere of Influence are appropriate. LAFCO staff has reviewed this conclusion and concurs that there are no nearby areas that warrant addition to the District's boundaries or Sphere.


GONZALES
GLORIA RD
SAN BENITO COUNTY
Pinnacles National Park
25
RIVER RD
101
SOLEDAD
146
FOOTHILL RD
(No Sphere of Influence designated beyond existing District boundary)
ARROYO SECO RD
GREENFIELD
ELM AVE
METZ RD
CARMEL VALLEY RD
Greenfield Public Recreation District
Soledad-Mission Recreation District
Greenfield Public Recreation District
Monterey County Boundary
LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan St., Suite 102
Salinas, CA 93901
FAX (831) 754-5831
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2
4
Miles
RECREATION AND PARKS DISTRICT
SOLEDAD MISSION RECREATION DISTRICT
Sphere of Influence is Coterminus with District Boundaries
Map Prepared: 9/1/2015

The District owns and operates an indoor swimming pool facility and a two-acre outdoor park at 570 North Walker Drive in Soledad. The building contains a six-lane, 25-meter pool with diving boards, a wading pool, and locker rooms. The pool center can be rented for special events. The building also includes the District's office. The park, located behind the District's building, is open to the public and has a gravel track, benches, and picnic tables.

The District's building and park are located just east of downtown Soledad. YMCA South County (housed in a City-owned building), Gabilan Elementary School, and two City parks are nearby.

The District offers many group activity programs including girls softball league, summer softball clinics, fall softball clinics, adult and youth art classes, martial arts, summer day camp, movies in the park, tennis, volleyball, and adult softball and flag football. Pool activities include swim lessons, water aerobics, and similar instruction, as well as "open swim" supervised by lifeguards. Full District staffing includes two full-time positions (one position currently vacant), and up to 25 part-time seasonal employees mainly employed as lifeguards. The District also contracts for specialized skills such as martial arts instructors and softball umpires. Additional staffing and coaching occur on a volunteer basis.

GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

The District is governed by a five-member board of directors. The County Board of Supervisors is responsible for appointment of two District board members from unincorporated areas of the District. Three board members are Soledad residents who are nominated by the Soledad City Council and appointed by the Board of Supervisors. The District actively seeks to fill board member vacancies as they occur (the next round of appointments will be in 2017), and has expressed interest in participating in board member training topics such as district finance, bids and contracts, and legislative updates

The board holds open public meetings on the fourth Tuesday of each month at 7:00 pm at the District offices at the aquatic center. In conformance with Brown Act requirements, agendas are posted at the District's office and on the District's web site, www.soledad-mission-recreation-district.org. The web site includes other general public information about programs, hours of operations, pool schedule, events, facility rental, and employment. Other information of a more specialized nature, such as District partnerships, board vacancies, and compensation reports is also available.

The District prepares and approves an annual budget, and files the required financial transaction reports with the State Controller's Office. The District's finances are audited every two years. The District has experienced some difficulties staying current with its audits. Most recently, an audit was completed for Fiscal Year 2013-14. An audit for Fiscal Year 2012-13 is not available as of this writing.

The District does not currently have adopted bylaws or written policies and procedures for board governance. The District does, however, maintain written employee policy manuals. State law for recreation and park districts does not specifically require adoption of bylaws. However, adoption of bylaws, as well as written policies and procedures, can significantly help guide and structure a district's operations. The District recently compiled all previous meeting minutes and resolutions. This recordkeeping improvement may help inform development of future bylaws, policies, and procedures. Board members and management staff file the State-required Annual Statement of Economic Interests ("Form 700,") and participate in State-required ethics training requirements every two years.

FINANCE

Within a given fiscal year's budget, property taxes typically provide a little over half the District's revenues. Most of the remainder comes from swim-related and other recreational programs such as water aerobics and softball. About 10% is generated by fundraisers, concession sales, and other miscellaneous sources.

Salaries, wages, and related costs comprise about half of typical District expenses. Other main expense categories include recreation program costs, professional fees, repairs and maintenance, pool supplies, and fundraiser expenses.

Depreciation of the District's assets is a lesser, though still substantial expense (approximately $34,000 per year as of the most recent audit in 2014, representing about 7% of total District expenses). During the course of a fiscal year, the value of an agency's physical assets, such as structures and equipment, may be increased (through upgrades, expansions, or investment). Typically, the value of these assets is also depreciated over the assets' anticipated economically useful life, which is usually 20 to 40 years. Depreciation is a considerable dollar amount, but generally does not directly affect District operations. While depreciation does not reflect an "out-of-pocket" expenditure of funds, it does contribute to an incremental yearly reduction in the valuation of the District's assets.

In 2007, the District received loans totaling $605,000 for major pool renovations. Debt service on the loan is $50,253 per year, approximately $28,000 of which currently represents loan interest. The loan is scheduled to be amortized in 2028. As of June 30, 2014, a principal balance of approximately $463,000 remained outstanding on the loan.

Table 1, below, provides an overview of the District's budgets from Fiscal Year 2010-2011 to the present.

Table 1:
Soledad-Mission Recreation District
Income Summary, Fiscal Year 2010-2011 to Present

Fiscal Year, with Data Status Shown[1]	2010-11 (SCO)	2011-12 (audited)	2012-13 (SCO)	2013-14 (audited)	2014-15 (unaudited)	2015-16 (budgeted)
Total Revenues	$ 364,804	410,454	455,421	446,656	475,225	461,750*
Total Expenses Includes depreciation of physical assets (approx. $34,000 per year)	$ 401,428	416,567	455,081	505,553	467,828	498,662**
Net Income	**$ -36,624**	**-6,203**	**340**	**-58,897**	**7,397[2]**	**-36,912*** **

*May be revised upward to $477,458, pending possible District fee increases, effective January 2016.
**Actual FY15-16 expenses are likely to be lower than budgeted, due to an existing staff vacancy.
***Actual fiscal year-end outcomes are likely to result in a lower net loss; see asterisked notes above, pertaining to potential fee increases and cost savings. However, the draft 2015-16 budget does not appear to reflect reduction of principal on the $605,000 loan from 2007 (approximately $22,000 per year in recent years). The budget also does not reflect depreciation expenses (approximately $34,000 per year in recent years).

[1] SCO = Annual income and expense data (not yet audited) provided by the District to the State Controller's Office, in accordance with standard procedures for special districts.

[2] This figure does not include depreciation expense (approximately $34,000 per year)

As shown above in Table 1, the District's expenses significantly exceeded revenues in FY 2013-14. This deficit resulted in an almost 50% reduction in the District's General Fund—referring to total fund balance, not simply contingency reserves—in that year alone. Not-yet-audited FY 14-15 data indicated improved fiscal stability, with a positive year-end income of $7,397 net of debt service and capital outlay, but excluding depreciation expenses. However, the current draft budget for FY 2015-16, which has not yet been adopted as of this writing, forecasts a significant shortfall, comparable to that seen in FY 2013-14. The addition of depreciation expenses at year's end would further increase the forecasted deficit amount.

If borne out, the forecasted numbers in the current draft budget would deplete most of the District's entire remaining General Fund balance. District staff-recommended fee increases would augment income, and an existing staff vacancy, if kept unfilled, would continue to reduce projected expenses. Overall, however, the District is operating on a very thin margin with few funds remaining to cover operations and potential unanticipated needs or fluctuations.

Table 2, below, provides an overview of District assets from Fiscal Year 2010-11 to the present.

Table 2:
Soledad-Mission Recreation District
Summary of District Assets, Fiscal Year 2010-2011 to Present

Fiscal Year-End, with Data Status Shown		June 30, 2011 (SCO)	June 30, 2012 (audited)	June 30, 2013 (SCO)	June 30, 2014 (audited)	June 30, 2015 (unaudited)
Assets	"Current"[1]	Not available	167,911	Not available	91,310	Not available
	Total	$ 1,537,911	966,036	1,425,357	831,306	
Liabilities		$ 577,287	561,957	523,359	532,068	
Total Net Assets[2]		$ 960,624 (see footnote 2)	401,342	901,998 (see footnote 2)	299,238	

As of the June 30, 2014 audit, the District had total assets of about $831,000 (primarily representing valuation of the District-owned facility on North Walker Drive) and total liabilities of about $532,000, including the $463,000 balance on the 2007 loan noted earlier in this section. Cash, cash equivalents, and other available "current" assets in the District's General Fund represented a relatively small portion of the District's total assets (approximately $91,000, 58,000 of which was net of related liabilities, at the end of FY 2013-14). These current assets had been reduced by around 50% during the course of that fiscal year and are at risk of being severely impacted again in FY 2015-16 as discussed above and shown in Table 1.

At a basic level, the financial stresses resulting in the District's significant budget deficits appear to have been threefold:

- Property tax revenues declined by up to 17% in the wake of the 2008-09 real estate downturn and have only recently returned to pre-recession levels;
- While showing improvement in recent years, total income from the District's swim programs and other recreation programs has not kept pace with higher compensation-related costs—including

[1] Cash, cash equivalents, and other short-term assets are known as current assets.
[2] Asset figures from the available audit reports (2012 and 2014) are documented and appear to be accurate. The higher figures in the 2011 and 2013 State Controller's Office filings appear to be based on erroneous data.

wages, benefits and insurance costs that are partly beyond District control—and costs associated with running the District's recreation programs[1]; and

- Significant debt service costs (approximately $50,000 per year) on the 2007 pool renovation loan entered into the District's budget at a time when the District was beginning to be stressed by lower property tax revenues and higher compensation costs.

The District's finances have shown a pronounced pattern of distress in recent years, raising significant concern about the District's long-term viability. The District is actively seeking to strengthen its revenue base and reduce its costs. This issue is discussed further in the Challenges and Opportunities section.

CHALLENGES AND OPPORTUNITIES

Finances: As outlined above, financial strains in recent years have severely impacted the District's General Fund. The District has a significant capital asset in the value of its Walker Road facility. However, annual debt service on the 2007 loan, in concert with other expenses that have grown more than District income in recent years, appear to be on track to further deplete most of the District's remaining General Fund balances in the current fiscal year. "Dry Period" loans from the County of Monterey have been helpful to the District, but such transfers have been quickly depleted and have not resulted in stable revenue enhancements. The District has considered proposing a bond measure aimed at offsetting the costs of building upgrades and repairs, but ultimately determined the effort to be unlikely to succeed.

District representatives have expressed a willingness and a commitment to identify creative revenue sources and new programs to serve the community, and to bridge an existing, multi-year gap between revenues and expenses. In discussions with LAFCO staff, potential avenues toward strengthening the District's fiscal outlook have included those outlined below. LAFCO encourages the District to continue to explore these and other potential means of achieving long-term fiscal stability and sustainability.

- Shared services and other partnerships for more efficient service delivery
  - *Greenfield Public Recreation District*: As shown in Figure 1, the District's southern boundary is shared with the northern edge of the Greenfield Public Recreation District. Some District programs also extend beyond District boundaries. For example, the Soledad District's softball program for girls includes residents of the Greenfield Public Recreation District, whose softball program is more expensive due to Greenfield schools charging facility fees for the use of fields. Conversely, the Greenfield Recreation District also charges the Greenfield schools for certain uses of the District facilities.

    An opportunity may exist to coordinate activities and/or access to facilities between the two recreation districts and the local schools in such a way as to minimize costs and logistics. Other efficiencies may be achievable through outsourcing, shared administrative oversight and staffing, or other similar combining of resources. No boundary adjustments between the two adjoining recreation districts are currently being requested by District representatives or recommended by LAFCO staff. In the longer term, however, potential future consolidation of the two recreation districts may emerge as a practical and desirable option for sustaining the services that the districts provide to their communities.
  - *City of Soledad/YMCA facility*: As shown in Figure 2, the District's facilities are located next door to a City of Soledad-owned building currently leased to the Central Coast YMCA nonprofit organization. According to the City's web site, YMCA offerings at this site include group exercise classes, youth sports, child care, day camps, school break camps, youth programs, teen programs,

[1] By January 2016, the state minimum wage will have increased by 25% ($2.00) per hour in the 18 months since July 2014. This increase substantially impacts the District's expenditures for part-time seasonal employees.

a weight room, indoor basketball and other seasonal recreation options. The adjacency of the two recreational facilities was noted in the previous (2006) service review. Similar to the Greenfield Public Recreation District, the City/YMCA facility continues to represent a potential opportunity for increased future efficiencies through sharing of staffing, programs, and other resources.

- *Other community partnerships:* Additional opportunities may exist to share resources and expertise with other interested local agencies. Relevant groups include some that may be less traditionally or directly associated with recreation but whose missions and underlying objectives are related. For example, the Soledad Community Health Care District takes an expansive view of carrying out its health care mission and strives to be active in the community, as reflected in its partnerships with local schools, the nonprofit Clinica de Salud, and others. As of this writing, LAFCO staff is currently coordinating with representatives of the Soledad-Mission Recreation District and other interested agencies in the local community for future discussions of potential partnerships for sharing of resources and expertise.

- Comprehensive fee study. District management has expressed interest in obtaining a professional third-party review of its existing fee structure as a near-term priority. A comprehensive fee study, typically followed up by development of a strategic plan for implementing the study's findings, is a powerful tool for aligning District services and programs with existing and potential future revenue streams. A fee study and strategic plan may provide great value in helping to stabilize and strengthen the District's financial outlook.

  The District is cautious in its efforts to increase revenues. Daily user fees were increased by a dollar in 2014, the first increase in recent memory. At the time of LAFCO's 2006 service review, the District's board of directors expressed concern that many of its customers live outside the District (primarily in Chualar, Arroyo Seco, and Lockwood at that time). The District's indoor aquatic center is a regional draw because it has a longer operating season (approximately March through October, with fluctuations) than other pools in the region, which are generally open only during the summer months.

  Property taxes typically account for approximately half of the District's overall annual revenues, and in effect subsidize use of the District's facilities and services by non-District residents. In 2009, the District instituted an additional $5 non-resident fee per program or monthly pass. However, non-resident surcharges provide less than 1% of the District's annual revenues. The District's board of directors is currently considering staff-recommended, across-the-board user fee increases that would add approximately $15,000 to the current fiscal year's project revenues. If approved, these fee enhancements, though modest, would help offset the current impact of recent statewide minimum wage increases.

- Other potential revenue enhancements and cost savings: Fundraising and donations, net of related expenses, provide approximately 3% of annual District revenue. Fundraising activity is primarily conducted by the girls' softball program. Concerted efforts at fundraising, with a wider reach beyond the softball program, may be a possibility for the District to explore further. The District's web site may also become a valuable platform to enhance the District's future fundraising activities. In an effort to reduce utility costs, which comprise about 15% of total District expenses, the District has expressed interest in installing solar water heating or other solar power generation for its pool facility. The District hopes to obtain grant-writing assistance from a third party to identify feasible funding possibilities to offset the equipment's capital cost.

SUMMARY

1. The Soledad-Mission Recreation District is carrying out its mission and is providing a variety of valued recreation services and programs to its community.
2. The District's existing boundaries and designated Sphere of Influence are appropriate and are not in need of adjustment at this time.
3. The District is generally in conformance with State directives such as open public meetings, filing of annual financial disclosures, and ethics training requirements. LAFCO encourages the District to consider adopting board policies and procedures to help guide District governance and operations.
4. The District has experienced significant financial stresses in recent years. Through proposed program fee increases, ongoing cost savings, and a potential future rate study, the District is working proactively to stabilize its finances.
5. Significant opportunities may exist for shared services and programs in conjunction with the Greenfield Public Recreation District, the City of Soledad, the YMCA, local public schools, and community nonprofit groups.

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Greenfield Public Recreation District

42603 Elm Avenue, Greenfield CA 93927
(831) 674-5375

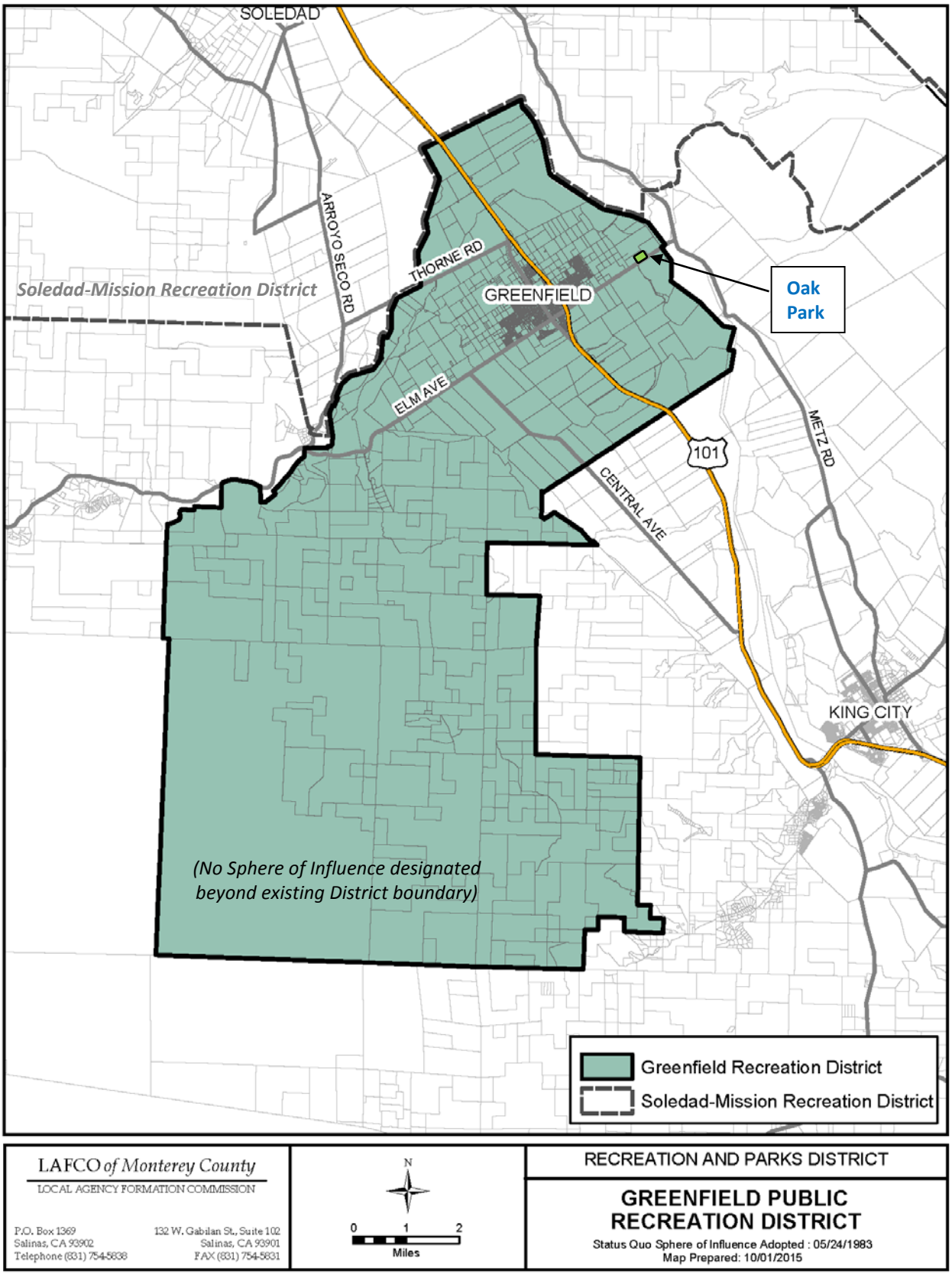
Greenfield Recreation and Park District – At a Glance	
Year Formed	1953
Legal Authority	Public Resources Code, Section 5780-5780.9
Board of Directors	Five-member Board of Directors, appointed for four-year terms
District Area	Approximately 102 square miles
Sphere of Influence	Same as District
Population (2010 est.)	17,400, including 16,300 within Greenfield city limits
Revenues (FY 2013-2014)	$171,232
Approximate Annual Revenue Per District Resident	$10
Board Member/Representative	Pete Perez
Employees	One full-time caretaker and one part-time maintenance worker.
Facilities	Oak Park (23 acres), approximately one mile east of Greenfield. Lions Club Hall, 618 Apple Avenue in Greenfield.
Website	The City of Greenfield's web site provides general information about the District: ci.greenfield.ca.us/index.aspx?page=343

Introduction

The Greenfield Recreation and Park District was formed in 1953 by the Board of Supervisors after a local election endorsed the proposal. The District's main facility is 23-acre Oak Park, located about one mile east of Greenfield. The park offers a swimming pool, tennis courts, horseshoe pits, and picnic/barbeque areas, is open to the general public, and is heavily used on weekends and holidays. The District also owns a building in town, which it leases to the Greenfield Lions Club nonprofit service organization.

District Boundaries and Sphere Of Influence

The District is approximately 102 square miles in area and is adjacent to the Soledad-Mission Recreation District to the north. The District's Sphere of Influence was established in 1983 and is the same as current District boundaries. District representatives believe the current boundaries and Sphere of Influence are appropriate. LAFCO staff has reviewed this conclusion and concurs that there are no nearby areas that warrant addition to the District's boundaries or Sphere.


SOLEDAD
ARROYO SECO RD
THORNE RD
Soledad-Mission Recreation District
GREENFIELD
Oak Park
ELM AVE
101
METZ RD
CENTRAL AVE
KING CITY
(No Sphere of Influence designated beyond existing District boundary)
Greenfield Recreation District
Soledad-Mission Recreation District
LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan St., Suite 102
Salinas, CA 93901
FAX (831) 754-5831
N
0 1 2
Miles
RECREATION AND PARKS DISTRICT
GREENFIELD PUBLIC RECREATION DISTRICT
Status Quo Sphere of Influence Adopted : 05/24/1983
Map Prepared: 10/01/2015

FACILITIES AND SERVICES

Oak Park. The District owns and operates Oak Park, located at the corner of Elm Avenue and Espinosa Road, about one mile east of Greenfield. The park is about 23 acre in size, five acres of which are unimproved. The Greenfield Cemetery District's cemetery is adjacent to the park's western edge.

Oak Park

The park functions on a local and regional level, drawing visitors from areas beyond Monterey County. Park amenities include a swimming pool, new playground equipment, two tennis courts a volleyball court, barbecue pits and picnic tables, a large covered barbecue food-serving pavilion, an expansive group picnic table area, walking paths, horseshoe pits, a wooden movie screen, a snack bar to support movie nights, and a Quonset hut formerly used by a rifle and gun club.

A caretaker/general manager occupies an on-site single-family residence with a small office and workshop. A part-time maintenance worker is also employed at the park. District representatives state that no vandalism or security issues have been problematic at the park in recent memory.

The District is certified to obtain Monterey County Probation Department labor and services as a cost-saving measure for some routine facilities work.

Lions Club Hall. The District also owns a small building that it leases to the Greenfield Lions Club nonprofit service organization (618 Apple Avenue, in a residential neighborhood within Greenfield city limits). This building, which the District received as a donation decades ago, is a former house with an open interior hall space and a kitchen. In the rear of the property is a barbeque pit pavilion and group area for events.

Lions Club Hall

GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

The District is governed by a five-member Board of Directors appointed by the County Board of Supervisors for three-year terms. Two seats are currently vacant. The board meets on the third Thursday of each month at TNT Real Estate, 140 El Camino Real in Greenfield.

The Board of Directors operates under a set of adopted bylaws, most recently amended in 2014, that address Brown Act open meeting requirements, regular meeting dates, agenda preparation and postings, terms of office, committees of the board, and other items. District representatives are considering creating a set of written policies and procedures to help guide District operations, using templates provided by LAFCO

staff. The District does not currently maintain a web site. However, the City of Greenfield's web site includes a page with basic information about the District and Oak Park: ci.greenfield.ca.us/index.aspx?page=343

The District prepares and approves an annual budget, and files the required financial transaction reports with the State Controller's Office. The District's finances are audited every two years, with the most recent audit completed in 2014 for financial data through June 2012. Board members file the State-required Annual Statement of Economic Interests ("Form 700,") and participate in State-required ethics training requirements every two years.

FINANCE

According to information supplied by the District to the California State Controller's Office and in review of the most recently completed District audit as of June 2012, approximately 75% of the District's annual revenue comes from property taxes, with the rest generated by park user fees. The District currently has no long-term debt. The District's largest operating expenses are generally payroll, insurance, and utilities (totaling approximately 70% of operating expenses in Fiscal Year 2011-2012).

Depreciation of the District's assets is also a significant expense (approximately $40,000, or about 25% of total District expenses, in FY 2011-12). During the course of a fiscal year, the value of an agency's physical assets, such as structures and equipment, may be increased (through upgrades, expansions, or investment). Typically, the value of these assets is also depreciated over the assets' anticipated economically useful life, usually 20 to 40 years. Depreciation is a substantial dollar amount, but generally does not directly affect District operations. While depreciation does not reflect an "out-of-pocket" expenditure of funds, it does result in a substantial yearly reduction in the valuation of the District's assets.

Presently, all proceeds from rental of the Lions Club Hall property return to the Lions Club and do not benefit the District financially. The District's board is exploring additional income opportunities for the Lions Club Hall. The District has increased revenues from user fees by 5% to 6% per year for several years. Although the pool was closed for repairs for one to two seasons around 2010, it is currently functional and a source of revenue. Table 1, below, provides an overview of District incomes and expenses from 2010 to the present.

Table 1:
Greenfield Public Recreation District
Income Summary, Fiscal Year 2010-2011 to Present

Fiscal Year, with Data Status Shown[1]	2010-11 (audited)[2]	2011-12 (audited)	2012-13 (SCO)	2013-14 (SCO)	2014-15 (unaudited)	2015-16 (budgeted)
Total Revenues	$ 290,561	160,305	160,041	171,232	Not available	
Total Expenses Includes depreciation of physical assets (approx. $40,000 per year)	$ 192,282	163,080	153,225	171,502		
Net Income	**$ 98,279**	**-2,775**	**6,816**	**-270**		

[1] SCO = Annual income and expense data (not yet audited) provided by the District to the State Controller's Office, in accordance with standard procedures for special districts.

[2] Revenues and (to a lesser extent) expenses were each markedly higher in FY 2010-11 due to one-time grant funds, and related significant capital outlay for facility improvements related to the swimming pool and PG&E-related upgrades, among other work.

The information that was provided to LAFCO appears to indicate a total annual Net Income that fluctuates slightly above or below the District's break-even point, with the exception of Fiscal Year 2010-11 (please refer to footnote 2 for Table 1).

Table 2, below, provides an overview of District assets from Fiscal Year 2010-11 to the present.

Table 2: Greenfield Public Recreation District Summary of District Assets, Fiscal Year 2010-2011 to Present						
Fiscal Year-End, with Data Status Shown		June 30, 2011 (audited)	June 30, 2012 (audited)	June 30, 2013 (SCO)	June 30, 2014 (SCO)	June 30, 2015 (unaudited)
Assets	"Current"[1]	133,078	160,350	Not available	Not available	Not available
	Total	**$ 607,015**	**598,618**	**581,479**	**543,571**	
Liabilities		$ 22,947	17,325	19,383	19,527	
Total Net Assets		**$ 584,068**	**581,293**	**562,096**	**524,044**	

As of the most recent audit (through June 2012), the District had total net assets of about $581,000 (including ownership of Oak Park and Lions Hall). Cash, cash equivalents, and other "current" assets totaled about $160,000, while total liabilities were only $17,325. The subsequent incremental reduction in District assets seen in 2013 and 2014 is likely due to standard asset depreciation expenses. District representatives have expressed confidence in the District's overall financial position. The pool facility at Oak Park has reopened after recent repairs and is back to being a revenue source.

CHALLENGES AND OPPORTUNITIES

Shared Services and Other Partnerships: The District shares a common boundary, and a similar mission, with the Soledad-Mission Recreation District to the north (also discussed in its own district profile within this study). In addition, the District's Oak Park is located next to the cemetery operated by the Greenfield Cemetery District. The Greenfield Memorial District owns and maintains Jim Maggini Memorial Park, about three miles from Oak Park, with a community center, basketball court, and barbeque pits. The City of Greenfield also operates nine neighborhood parks within city limits.

LAFCO's 2006 MSR for the District noted that "Cooperative arrangements between the District, the City, and/or the Memorial District may provide opportunities for the entities to improve efficiency of service." This statement remains relevant today, and could be expanded to consider the proximity of other nearby agencies such as the Soledad-Mission Recreation District and the Greenfield Cemetery District.

Some efficiencies have been jointly implemented between nearby agencies[2]. However, various other, additional opportunities for sharing of equipment, buildings, staff members, programs and other resources for greater efficiencies of service delivery may remain possible. District representatives who were consulted for this study did not perceive any viable current opportunities for increased interagency coordination of programs or services. LAFCO continues to encourage the District to explore opportunities for partnerships with nearby agencies. The idea of a partnership between the two adjacent recreation districts (Soledad-

[1] Cash, cash equivalents, and other short-term assets are known as current assets.

[2] For example, the District's on-site well at Oak Park currently provides water to the adjacent Greenfield Cemetery District facility. Discussions between the two districts explored shared services and governance structures, but did not progress further.

Mission and Greenfield), to better determine and respond to community recreational activity needs, and to coordinate activities and/or access to facilities, remains a possibility for future discussions. Other opportunities for outsourcing, shared administrative oversight and staffing, or other similar combining of resources could exist with the City of Greenfield, the Memorial District, or other agencies in the area.

Population Growth: The most recent Association of Monterey Bay Area Governments studies forecast that future population growth in Greenfield will be among the robust in the county, with a total of 45% growth projected to occur between 2010 and 2035. Such growth is likely to place substantial pressure on various types of service providers in the area, including the District.

Oak Park – Potential Expansion Area: The park site includes five acres of undeveloped land, presently used for overflow parking, which the District is considering improving with additional park amenities. Mature oak trees provide shade in the area. Tent camping and a paintball attraction are being considered, although the latter's compatibility with adjacent agricultural land uses has yet to be confirmed. The possibility of a firing range somewhere on the site has also been considered. A currently unused Quonset hut at the park formerly housed a gun club, but bringing the building in to conformance with modern safety codes to reinstate such a use is thought to be cost-prohibitive.

SUMMARY

1. The Greenfield Public Recreation District is carrying out its mission and providing services to the community. Its Oak Park is an important recreational asset to the Greenfield area.
2. The District's existing boundaries and designated Sphere of Influence are appropriate and are not in need of adjustment at this time.
3. The District is generally in conformance with State directives such as open public meetings, filing of annual financial disclosures, and ethics training requirements, and has expressed interest in adopting board policies and procedures to help guide District governance and operations.
4. Based on available information, total District revenues appear to be roughly consistent with total expenses.
5. Projected population growth in the Greenfield area is likely to place additional pressure for facilities and services in the future.
6. Significant opportunities may exist for greater efficiencies of service delivery through potential future partnerships with the City of Greenfield and/or independent special districts in the nearby area such as the Greenfield Public Recreation District, the Soledad-Mission Recreation District, the Greenfield Cemetery District, local schools, or other agencies. District representatives do not perceive any viable current opportunities for increased interagency coordination of programs or services with nearby agencies. LAFCO continues to encourage the District to explore such opportunities in the future.

Greenfield Memorial District

615 El Camino Real, Greenfield, CA 93927
P.O. Box 91, Greenfield, CA 93927; (831) 674-2234

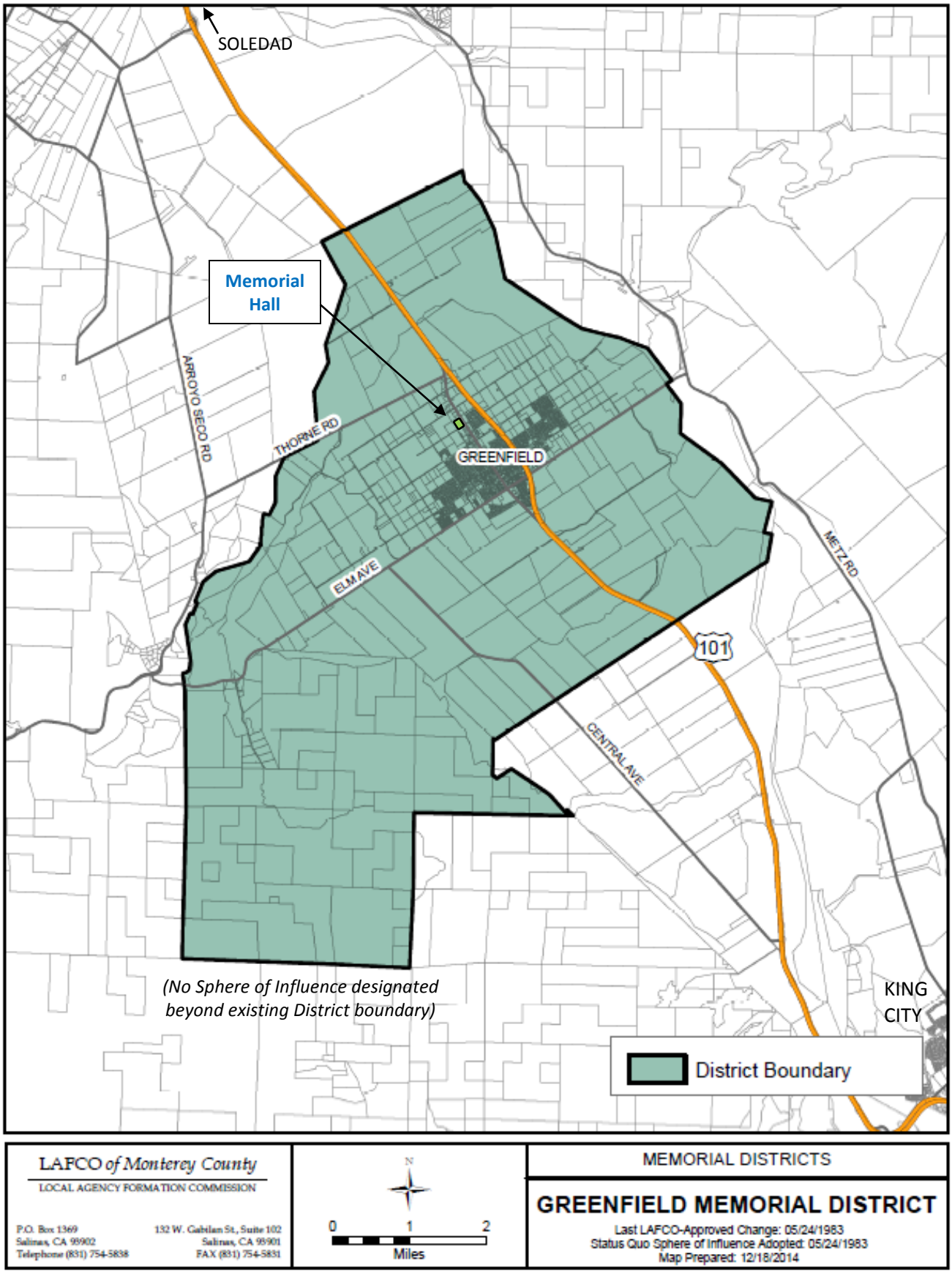
Greenfield Memorial District – At a Glance	
Formation Date	September 2, 1947
Legal Authority	Military & Veterans Code, Sections 1170-1259 et seq.
Board of Directors	Five-member Board of Directors; elected for four-year terms.
District Area	Approximately 42 square miles
Sphere of Influence	Same as District
Population (2010 est.)	17,100, including 16,300 within Greenfield city limits
Budget (FY 2015-16)	$175,500
Approximate Annual Revenue Per District Resident	$10
Program Manager	Kelly Falsey
Employees	One full time general manager; one part-time activities director
Facilities	Jim Maggini Memorial Park, 615 El Camino Real
Website	The City of Greenfield's web site provides general information about the District: ci.greenfield.ca.us/index.aspx?page=342

Introduction

The Greenfield Memorial District was formed in 1947, by local election, to provide for the construction of a memorial hall and gathering place for the American Legion, and to facilitate community activities for returning war veterans. The District's primary function is to operate and maintain the Greenfield Memorial Hall, which was completed and opened in 1956. The hall is located within the District-owned Jim Maggini Memorial Park, adjacent to Greenfield's city hall near the city's northern end.

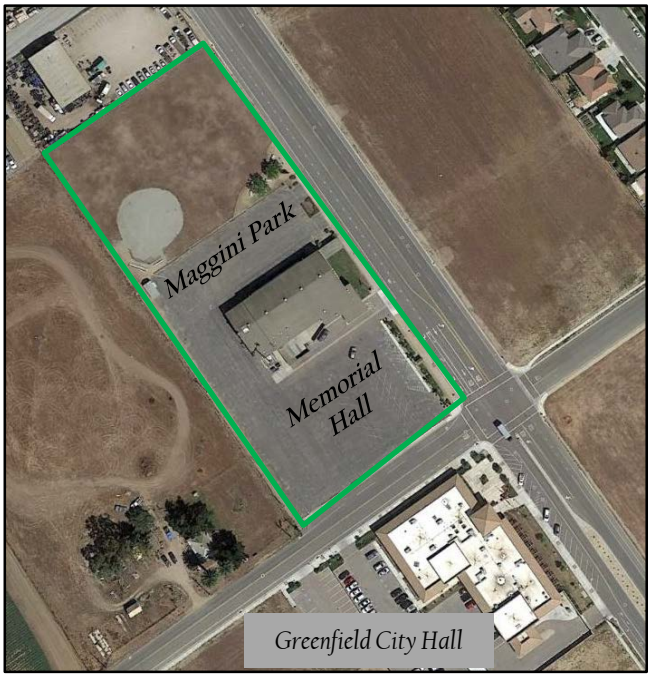
District Boundaries and Sphere of Influence

The District's boundaries encompass approximately 43 square miles of lands in and around Greenfield, and have remained unchanged since the District's formation. Its boundaries partly overlap with, but are less extensive than, the Greenfield Public Recreation District's boundaries. No other memorial districts are located in the nearby area. The District's Sphere of Influence was established in 1983 and is the same as current District boundaries. District representatives have not expressed a desire to adjust the existing boundaries or Sphere. LAFCO staff has reviewed this conclusion and concurs that there are no nearby areas that warrant addition to the District's boundaries or Sphere.


SOLEDAD
Memorial Hall
ARROYO SECO RD
THORNE RD
GREENFIELD
ELM AVE
METZ RD
101
CENTRAL AVE
(No Sphere of Influence designated beyond existing District boundary)
KING CITY
District Boundary
LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan St., Suite 102
Salinas, CA 93901
FAX (831) 754-5831
N
0
1
2
Miles
MEMORIAL DISTRICTS
GREENFIELD MEMORIAL DISTRICT
Last LAFCO-Approved Change: 05/24/1983
Status Quo Sphere of Influence Adopted: 05/24/1983
Map Prepared: 12/18/2014

FACILITIES AND SERVICES

The District's Greenfield Memorial Hall functions as a community activity center with an assembly capacity of 750 persons and a dining capacity of 500. The Memorial Hall includes an indoor basketball gymnasium that also serves as auditorium space with a stage. The hall was once the largest facility of its kind in southern Monterey County. Until the 1970s, the hall served as Greenfield's central gathering place for weddings, graduations, and quinceañeras, but it now competes with more modern group facilities in the area. The building is located within the District's Jim Maggini Memorial Park. Park amenities include a baseball diamond, barbecue patio area, and picnic tables.



The American Legion veteran organization meets once per month at the hall. The District offers one free use of the facility to per year to nonprofits such as the "Get on the Bus" program that enables children and their caregivers to visit incarcerated relatives. Weekend hall rentals remain active with private events such as baptisms and weddings. The District is working to encourage greater midweek use of the hall with programming such as yoga, youth basketball, and adult fitness. The District employs one full-time general manager/facilities keeper and recently hired a part-time activities director to enhance programs and revenues at the Memorial Hall.

Memorial Hall

GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

The District is governed by a five-member Board of Directors elected by registered voters in the District. One director seat is currently vacant. The Board of Directors meets on the first Tuesday of each month at 6:00 pm in the District's Memorial Hall.

The Board of Directors operates under a set of bylaws, adopted in February 2015, that address Brown Act open meeting requirements, regular meeting dates, agenda preparation and postings, terms of office, committees of the board, and other aspects of District governance. The District has also adopted a written

policy regarding conflicts of interest. District representatives were receptive to templates for additional policies and procedures that were provided by LAFCO staff.

The District does not currently maintain a web site. However, the City of Greenfield's web site includes a page that provides basic information about the District and the Memorial Hall facility: ci.greenfield.ca.us/index.aspx?page=3432 District staff has expressed interest in creating a web site in the near future to provide for greater public awareness of the recreation and activity programs available at the Memorial Hall. A web site would also allow a higher degree of public access to District governance information.

The District prepares and approves an annual budget, and files the required financial transaction reports with the State Controller's Office. The District's finances are audited every two years, with the most recent audit completed in 2014 for financial data through June 2012. Board members file the State-required Annual Statement of Economic Interests ("Form 700,") and participate in State-required ethics training requirements every two years.

FINANCE

Approximately 60% of the District's annual revenue comes from property taxes, with most of the other income generated by facility rentals. The District currently has no long-term debt. The District's largest operating expenditures are generally payroll and benefits, insurance, and utilities (totaling approximately 60% of operating expenses in Fiscal Year 2011-2012, and roughly consistent with recent previous years).

Depreciation of the District's assets is a lesser, though still substantial expense (approximately $12,000 per year, or about 8% of total District expenses). During the course of a fiscal year, the value of an agency's physical assets, such as structures and equipment, may be increased (through upgrades, expansions, or investment). Typically, the value of these assets is also depreciated over the assets' anticipated economically useful life, usually 20 to 40 years. Depreciation is a considerable dollar amount, but generally does not directly affect District operations. While depreciation does not reflect an "out-of-pocket" expenditure of funds, it does contribute to an incremental yearly reduction in the valuation of the District's assets.

Table 1, below, provides an overview of District revenues and expenditures from 2010 to the present.

Table 1:
Greenfield Memorial District
Income Summary; Fiscal Year 2010-2011 to Present

Fiscal Year, with Data Status Shown	2010-11 (audited)	2011-12 (audited)	2012-13 (unaudited)	2013-14 (unaudited)	2014-15 (unaudited)	2015-16 (budgeted)
Total Revenues	$ 148,255	152,606	154,476	161,426	171,468	175,500
Total Expenses Includes depreciation of physical assets (approx. $12,000 per year)	$ 153,518	164,801	154,584	173,314	170,502	180,500[1]
Net Income	**$ -5,263**	**-12,195**	**-108**	**-11,888**	**-4,801**	**-5,000** (see footnote 2)

[1] District representatives noted that actual year-end expenses are expected to be higher due to an employee pension-related issue that the District is currently working to resolve.

Table 1 indicates that the District's total expenses are consistently higher than revenues. However, it is important to recognize that these net-negative incomes do not reflect a summary of cash flows. As noted above, these figures include depreciation expenses, in accordance with the District's audit reports and standard accounting practices. However, asset depreciation on paper generally does not affect day-to-day, ongoing District operations. If depreciation were to be factored out of this analysis, the District's more tangible, "out-of-pocket" expenditures would much more closely align with revenues and would result in net-positive year-end incomes in most years.

Table 2, below, provides an overview of District assets from Fiscal Year 2010-11 to the present.

Table 2: Greenfield Memorial District Summary of District Assets, Fiscal Year 2010-2011 to Present						
Fiscal Year-End, with Data Status Shown		June 30, 2011 (audited)	June 30, 2012 (audited)	June 30, 2013 (unaudited)	June 30, 2014 (unaudited)	June 30, 2015 (unaudited)
Assets	"Current"[1]	$ 124,961	123,634	136,557	138,007	140,479
	Total	**$ 384,429**	**371,713**	**373,405**	**363,726**	**357,115**
Liabilities		$ 12,340	11,819	13,619	15,828	14,019
Total Net Assets		**$ 372,089**	**359,894**	**359,786**	**347,898**	**343,096**

When factoring in standard depreciation of the Memorial Hall building and other depreciable assets (currently approximately $12,000 per year in addition to the expenses shown in the table above), Table 2 shows a modest year-to-year decline in the total paper value of the District's assets in recent years. This decline generally reflects asset depreciation, as discussed above. The District's general fund balance indicates a trend of stability and modest increases.

In summary, the District generally appears to be financially stable from year to year, and has funds (current assets) available for use in times of need. However, District representatives note that after payroll expenses and other fixed overhead costs, little revenue remains available for maintenance, capital improvements, or reinvestment in the property. In a departure from other recent years, the District's approved budget for Fiscal Year 2014-15 anticipated needing to draw on reserves in order to cover expected expenses. However, actual revenues (not yet audited) for FY 2014-15 were sufficient to provide a small positive net income.

CHALLENGES AND OPPORTUNITIES

Shared Services and Other Partnerships: The District serves mostly the same population as the Greenfield Public Recreation District, and the services offered by the two districts are somewhat similar. The City of Greenfield also operates nine neighborhood parks within city limits. The District's boundaries are also adjacent to those of the Soledad-Mission Recreation District, whose facility is about eight miles from Maggini Park. The Memorial District's finances are generally stable, and the District is carrying out its mission as it has done for many years as a valued member of the community. However, LAFCO encourages the District to continue to explore opportunities for greater efficiencies of service delivery through increased collaboration with the nearby special districts, the City, and other public and private

[1] Cash, cash equivalents, and other short-term assets are known as current assets.

agencies in the area. Please refer to the Greenfield Public Recreation District and Soledad-Mission Recreation District profiles within this study for additional discussion of this subject.

Memorial Hall: The District's facility was built about 60 years ago and its aging building systems and amenities are in need of reinvestment. The Memorial Hall also now experiences competition from newer activity centers and event venues in the area. District representatives believe the building needs a comprehensive renovation to increase its attractiveness as a venue for activities and special events, and to increase compliance with the Americans with Disabilities Act. The District has considered proposing a bond measure and has also explored other fundraising possibilities, but to date no funds for updating the building have been identified.

Recreational Activity Programming: The Memorial Hall is generally not being utilized to its full potential on weekdays. The District recently restructured part of the compensation package for its full-time general manager, allowing the hiring of a part-time activities director to focus on programming and to bring in additional users and revenue. The District is also planning to start hosting a web site in the near future to promote awareness of its recreational programs as well as the availability of the Memorial Hall as a special event venue.

A professional third-party review of the District's existing fees and programs may also be a useful option for the District to explore in the future. A comprehensive fee study, typically followed up by development of a strategic plan for implementing the study's findings, is a means of aligning District services and programs with existing and potential future revenue streams. A fee study and strategic plan could be of value in strengthening the District's long-term sustainability.

Population Growth: The most recent Association of Monterey Bay Area Governments studies forecast that future population growth in Greenfield will be among the robust in the county, with a total of 45% growth projected to occur between 2010 and 2035. Such growth is likely to place substantial pressure on various types of service providers in the area, including the District.

SUMMARY

1. The Greenfield Memorial District is carrying out its mission and, as the only memorial district in the central/south Salinas Valley, is providing an important and locally unique service to the community.
2. The District's existing boundaries and designated Sphere of Influence are appropriate and are not in need of adjustment at this time.
3. The District operates under adopted bylaws and is generally in conformance with State directives such as open public meetings, filing of annual financial disclosures, and ethics training requirements. LAFCO encourages the District to consider adopting additional board policies and procedures to help guide District governance and operations.
4. The District has generally been able to keep its expenditures in line with revenues in most recent years. The board and staff are striving to enhance programs in order to increase use of the Memorial Hall and strengthen the District's revenue base.
5. Significant opportunities may exist for greater efficiencies of service delivery through potential future partnerships with the City of Greenfield and/or independent special districts in the nearby area such as the Greenfield Public Recreation District, the Soledad-Mission Recreation District, the Greenfield Cemetery District, local schools, or other agencies.
6. Projected population growth in the Greenfield area is likely to place additional pressure for facilities and services in the future.

San Lucas County Water District

53365 Main Street, San Lucas, CA 93954
(831) 382-4410

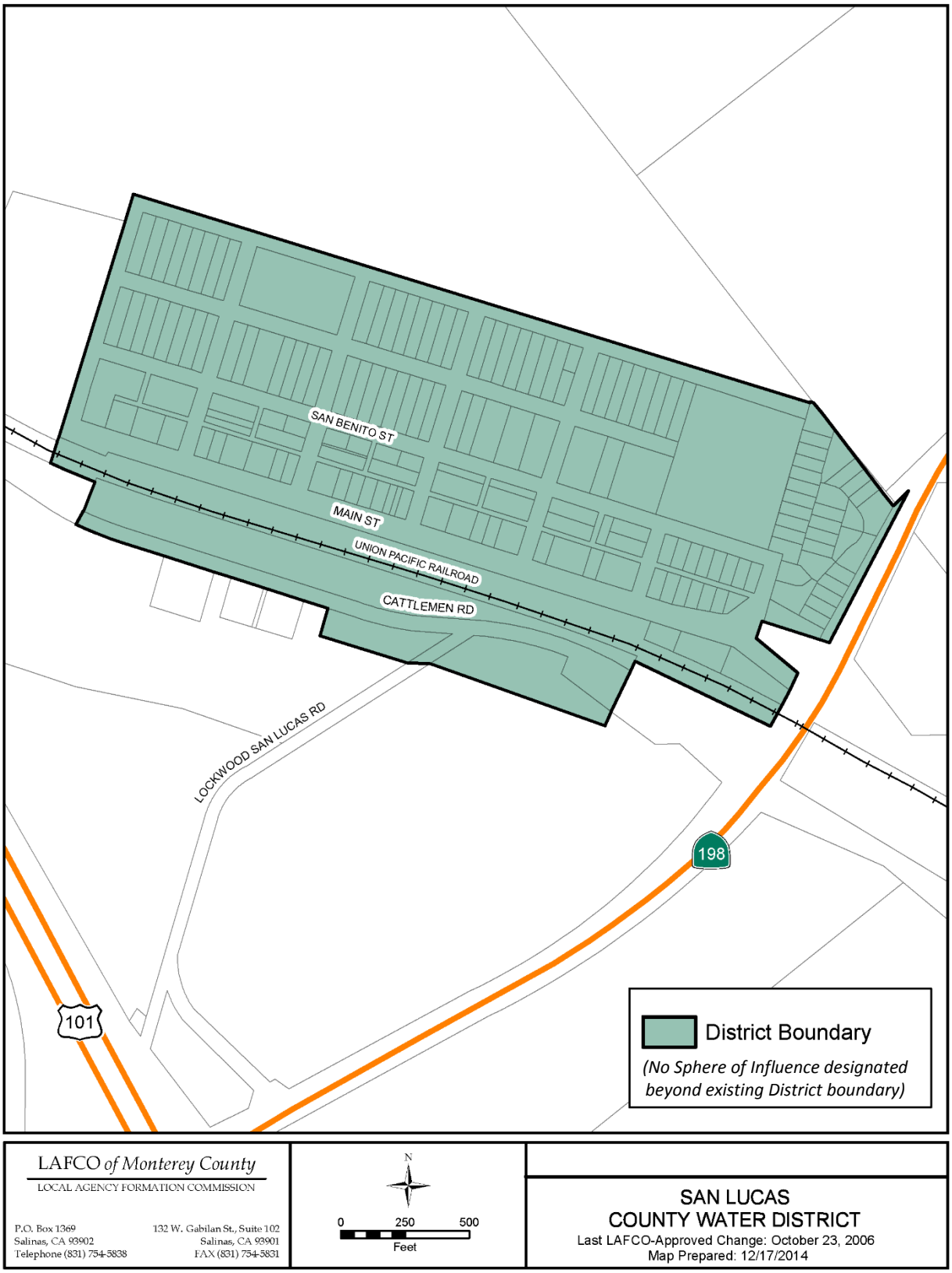
San Lucas County Water District – At A Glance	
Formation Date	January 15, 1965
Legal Authority	Water Code, Sections 30000-33900
Board of Directors	Five-member Board of Directors, elected or appointed for four-year terms
District Area	Approximately 93 acres
Sphere of Influence	Same as District boundaries
Population (2010 est.)	265
Budget (FY 2015-16)	$137,808
Approximate Annual Revenue Per District Resident	$520
General Manager	Susan Madson
Employees	One part-time general manager and one part-time meter reader
Facilities	300,000 gallon storage tank, sewage lift station, sewer ponds, spray fields.

Introduction

The San Lucas County Water District was formed in 1965 to provide both potable water and wastewater services (sewage collection, treatment and disposal) to the unincorporated community of San Lucas. Located about 10 miles south of King City in southern Monterey County, San Lucas has been described by the County as a very low-income, predominantly Hispanic farmworker community. The District presently serves 96 ratepayers, 75 of which are residential connections.

District Boundaries and Sphere of Influence

The District's boundaries are approximately 93 acres in area and remain unchanged since the District's formation. The District's Sphere of Influence was established in 1983 and is the same as current District boundaries. District representatives have not expressed a desire to adjust the existing boundaries or Sphere. LAFCO staff has reviewed this conclusion and concurs that no nearby areas that appear to be in need of District services or that would otherwise warrant addition to the District's boundaries or Sphere.



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SAN LUCAS
COUNTY WATER DISTRICT
Last LAFCO-Approved Change: October 23, 2006
Map Prepared: 12/17/2014

FACILITIES AND SERVICES

The District office is in a converted residence, the rental of which is shared with the San Lucas Cemetery District, on Main Street in San Lucas. Staffing is provided by a part-time secretary (two days per week) and a meter reader once per month. As is common for small, rural districts, various services are provided by consultants and contract staff on an as-needed basis.

The District provides water and wastewater services to the community. Groundwater is the District's sole water source. In the recent past, the District has struggled with well contamination and significant water quality issues, as discussed below in the Challenges and Opportunities section. In December 2014, a new interim/temporary well located on privately owned agricultural lands began providing potable water to the District. The District's sewage treatment facilities (aeration ponds and spray field) are located on Highway 198, about a mile beyond the District's boundaries.

San Lucas's southeast corner, looking easterly from Cattlemen Road and Lockwood-San Lucas Road

GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

The District is governed by five board members. One member seat is currently vacant. Board members are appointed by the Board of Supervisors when there are not multiple challengers for open seats on the board. If more than two candidates are interested in a single seat, then an election would be required. The Board of Directors meets on the second Thursday of the month at 6:00 pm at the District's office. A District representative noted that obtaining a meeting quorum is sometimes difficult. The District does not currently maintain a web site.

The District has a partial set of written procedures in place to guide its operations, and received templates for additional policies and procedures from LAFCO staff. District representatives expressed that the preparation of bylaws, as well as additional policies and procedures, would be of great benefit in clarifying roles and responsibilities for current and potential future board members.

The District prepares and approves an annual budget, and files financial transaction reports with the State Controller's Office. However, as of this writing, SCO filings appear to be missing revenue and expense data for Fiscal Years 2011 through 2014. The District's finances are audited every year. Board members file the State-required Annual Statement of Economic Interests ("Form 700,") and participate in State-required ethics training requirements every two years.

FINANCE

User fees are the primary source of revenue for the District's potable water services. The sewage treatment operations are primarily funded by property taxes. These two funding sources are roughly comparable in a given year.

The District's expenses are also roughly evenly divided between its water and wastewater services. The District's largest annual expense is depreciation of its water and wastewater systems infrastructure, representing about half of total expenses (around $125,000 per year). Most of the District's assets consist of its physical water and wastewater infrastructure such as water storage tanks, distribution pipes, pumps, and aeration ponds. In accordance with standard accounting practices, the economic value of these assets on paper is depreciated over the course of their typical economically useful life, which is generally anticipated to be 20 to 40 years.

Other major expenses include utilities (~10%) and management fees, professional fees, and salaries (~20%). As of the most recent audit (through June 2013), the District had about $85,000 in outstanding long-term debt. Annual debt service of approximately $5,000 is a relatively small component of the District's expenses.

Table 1, below, provides an overview of the District's annual income from 2010 to the present.

Table 1:
San Lucas County Water District
Income Summary; Fiscal Year 2010-2011 to Present

Fiscal Year, with Data Status Shown	2010-11 (audited)	2011-12 (audited)	2012-13 (audited)	2013-14 (unaudited)	2014-15 (unaudited)	2015-16 (budgeted)
Total Revenues	$ 151,814	139,311	139,382	144,666	162,619	137,808
Total Expenses Includes depreciation of physical assets (approx. $125,000 per year)	$ 248,437	276,202	248,362	242,083	132,042	137,808 (Expenditures; excludes depreciation)[1]
Net Income Includes depreciation (see Expenses note, above)	**$ -96,623**	**-136,891**	**-108,980**	**-97,417**	**10,577*** (*see footnote 1)	TBD (see footnote 1)

Table 1 shows a distinct pattern of the District's expenses being much higher than revenues. However, it is important to recognize that these net-negative incomes do not reflect a summary of cash flows. As noted above, these figures include depreciation expenses, in accordance with the District's audit reports and standard accounting practices. However, asset depreciation on paper generally does not affect day-to-day, ongoing District operations. If depreciation were to be factored out of this analysis, the District's more tangible, "out-of-pocket" expenditures would much more closely align with revenues and would result in net-positive year-end incomes in some years.

[1] Does not include depreciation of District's physical assets, which have been approximately $125,000 per year in recent years.

Table 2, below, provides an overview of District assets from Fiscal Year 2010-11 to the present.

Table 2: San Lucas County Water District Summary of District Assets, Fiscal Year 2010-2011 to Present						
Fiscal Year, with Data Status Shown		2010-11 (audited)	2011-12 (audited)	2012-13 (audited)	2013-14 (unaudited)	2014-15 (unaudited)
Assets	"Current"[1]	$ 79,985	41,144	37,009	62,268	87,138
	Total	**$ 2,351,224**	**2,215,064**	**2,093,183**	**2,004,542**	**2,272,467**
Liabilities		$ 489,265	489,996	477,096	485,989	491,215
Total Net Assets		**$ 1,861,959**	**1,725,068**	**1,616,087**	**1,518,553**	**1,781,252**

As of the most recent audit (through June 2013), the District had total assets of almost $2.1m. Cash and other "current" assets, as a subset of total District assets, were about $37,000. Liabilities and deferred inflows totaled $477,000, or about 25% of total District assets.[2]

The District's cash, cash equivalents, and other "current" assets—although modest in size and having fluctuated in recent years as the District has grappled with well contamination challenges and also had to replace sewage pumps—is relatively stable from year to year, and does not mirror the largely depreciation-driven annual reduction in the valuation of the District's total assets.

CHALLENGES AND OPPORTUNITIES

Recent Groundwater Contamination Issues: In the recent past, the District has struggled with groundwater contamination that necessitated use of bottled drinking water in San Lucas for more than three years. In July 2011, the Monterey County Health Department issued a do-not-drink order after tests on the District's well showed nitrate levels exceeding standards. The District coordinated the distribution of bottled water to the community for drinking and cooking. Residents were still able to use the (non-potable) tap water for other purposes. Bottled water service to the community was initially paid for by the District, but then shifted to the nearby farming operation (Mission Ranch, just outside San Lucas) determined to have been responsible for the contaminants getting into the public supply.

As of December 2014, Mission Ranch has drilled a new well that meets water quality standards and is currently providing clean potable water to the community via the District's distribution pipelines. The County Health Department has issued a notice lifting the previous restrictions on use of the District's water. However, the District reports that some members of the community have expressed that they remain leery of using tap water for drinking and cooking.

Mission Ranch continues to own the new well, which is anticipated to continue to provide water to the District for a temporary, but indeterminate, period of time. In the longer term, the District and Mission Ranch seek to identify a more permanent solution, under full public ownership, for provision of potable water to the community. The County of Monterey is directly assisting the District in this effort, and helped

[1] Cash, cash equivalents, and other short-term assets are known as current assets.

[2] At present, most (about 80%) of the dollar amount classified as the District's liabilities reflects deferred revenue that was advanced to the District by a housing developer in 2013 to fund a portion of improvements to the District's pump and water delivery system. The District agreed to credit the advanced funds toward water and sewer connection fees to be charged to the subdivision in the future. This revenue will be recognized in the year it is earned.

the District obtain a grant to fund a planning/feasibility study. The study analyzed several options that included drilling a new well, acquiring permanent rights to the existing temporary well, and consolidation with another existing water service provider. As of this writing, the District's preferred option is to tie in to King City's municipal water system, which is owned and operated by California Water Service Company. The cost of connecting to the King City water system is estimated to be as much as seven million dollars, 2.5 million of which may be available through a State Water Resources Control Board (SWRCB) construction loan. The SWRCB is in the process of reviewing this preferred alternative. The County estimates that pipeline design, environmental review, and construction will take at least two years.

Aging Infrastructure: The District's initial infrastructure was installed in 1968. In April 2004, the district received an $81,600 loan and $627,500 grant to install water system upgrades, which have been constructed and are in use, providing greater water pressure and system reliability. In recent years the District has experienced costly failures of lift station pumps. During the waiting periods for pump replacement, the District had to pay for a contract septic service to empty a sewage receiving vault on a daily basis and truck the sewage uphill to the District's sedimentation ponds and spray fields along Highway 198. Additional expenses occur when water distribution lines are accidentally broken by agricultural equipment. When a break occurs, great effort and immediate attention is needed to avoid having the District's water tank completely drain out. After the recent water upgrades and replacements of sewage pumps, the District's systems are reportedly in generally good repair. Given that the District now has a new (temporary) potable water source in place, District does not expect any immediate new capital expenses due to aging infrastructure. However, the future cost of acquiring a District-owned permanent water source, as discussed above, remains a significant financial hurdle.

Governance: Difficulties with Board member attendance have sometimes resulted in meeting quorums not being met and delays in processing the public business of the District. The District's representative was receptive to templates for bylaws and written policies and procedures, and other resources such as the Board Member/Trustee Handbook from the California Special Districts Association, that were provided by LAFCO staff.

The District's finances are currently audited every year. The District's representative indicated that the possibility of switching from an annual to a biennial review cycle had been explored in the past but was determined to be unfeasible because of reporting requirements related to the use of State loan funds.

Shared Services and Other Partnerships for More Efficient Service Delivery: The Water District shares office space and limited equipment (photocopier) with the San Lucas Cemetery District. Each district pays rent to a San Lucas resident for the use of the office building. Due in part to the community's geographic remoteness, opportunities resources, or functions with other agencies are limited. The San Ardo Water District provides similar services but is located about 10 miles away and relies on a mix of contract services and volunteer efforts. No other independent special districts are located in the immediate area of this small, unincorporated rural community (the South Monterey County Fire Protection District is in the process of annexing the San Lucas area, but the annexation would result in no known changes to the Water District).

SUMMARY

1. The San Lucas Water District is carrying out its mission of providing essential water and wastewater services to the community.
2. The District's existing boundaries and designated Sphere of Influence are appropriate and are not in need of adjustment.
3. The District is generally in conformance with State directives such as open public meetings, audits, filing of annual financial disclosures, and ethics training requirements. LAFCO encourages the District to consider adopting board policies and procedures to help guide District governance and operations.
4. District finances are generally stable, with actual "out-of-pocket" expenditures (excluding asset depreciation) held lower than revenues in most recent years.
5. Groundwater contamination problems were a significant impact to District operations in recent years (2011-2014). A new well on private property provides an interim water source that has resolved the immediate public health issues. The need for a permanent water source remains a significant future financial challenge. In other respects, the District's infrastructure (water delivery and wastewater systems) are believed to be in generally good repair.
6. The District shares its office space with the San Lucas Cemetery District. Due to the San Lucas community's remote location and the services provided by the District, there are limited, if any, further opportunities to share facilities or services with any other agencies.

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San Ardo California Water District

62543 Main Street, San Ardo, CA 93450
(831) 627-2349

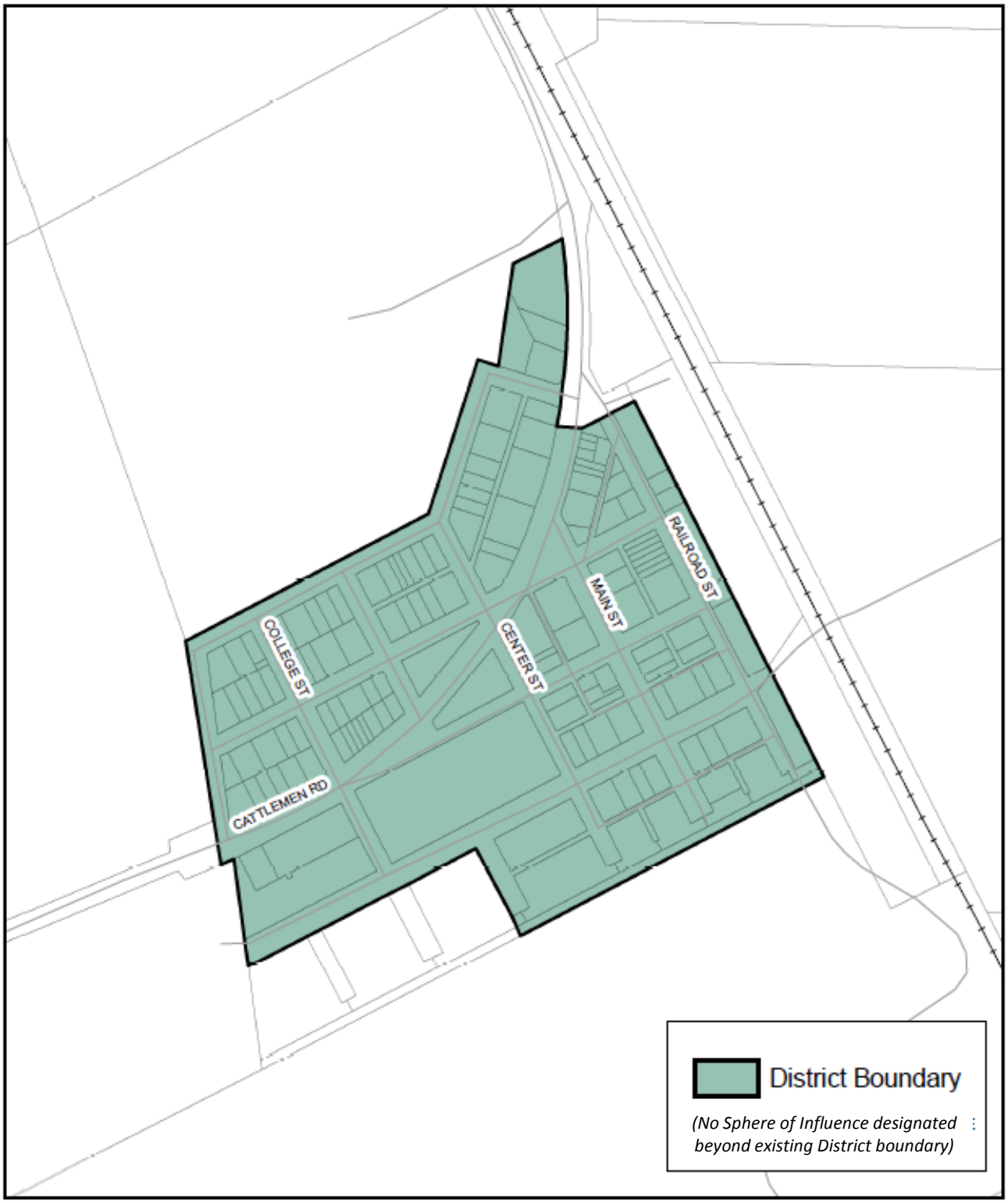
San Ardo California Water District – At A Glance	
Formation Date	September 19, 1955
Legal Authority	Water Code, sections 34000-38500
Board of Directors	Five-member Board of Directors, elected or appointed for four-year terms
District Area	Approximately 81 acres
Sphere of Influence	Same as District boundaries
Population (2010 est.)	515
Budget (FY 2015-16)	Not available
Approximate Annual Revenue Per District Resident	$215
General Manager	William (Monty) Kanthack
Employees	One part-time employee; volunteers
Facilities	One active and one reserve well, a 55,000-gallon tank, and water and sewer mains.

Introduction

The San Ardo California Water District was formed in 1955 to provide potable water and sewer services (sewage collection, treatment and disposal) to the unincorporated community of San Ardo, located about 20 miles south of King City in southern Monterey County, on mile east of Highway 101. The District serves 165 ratepayer accounts, most of which are residential connections.

District Boundaries and Sphere of Influence

The District's boundaries are approximately 80 acres in area and remain unchanged since the District's formation. The District's Sphere of Influence was established in 1983 and is the same as current District boundaries. District representatives have not expressed a desire to adjust the existing boundaries or Sphere. LAFCO staff has reviewed this conclusion and concurs that there are no nearby areas that warrant addition to the District's boundaries or Sphere.



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CALIFORNIA WATER DISTRICTS

SAN ARDO
CALIFORNIA WATER DISTRICT

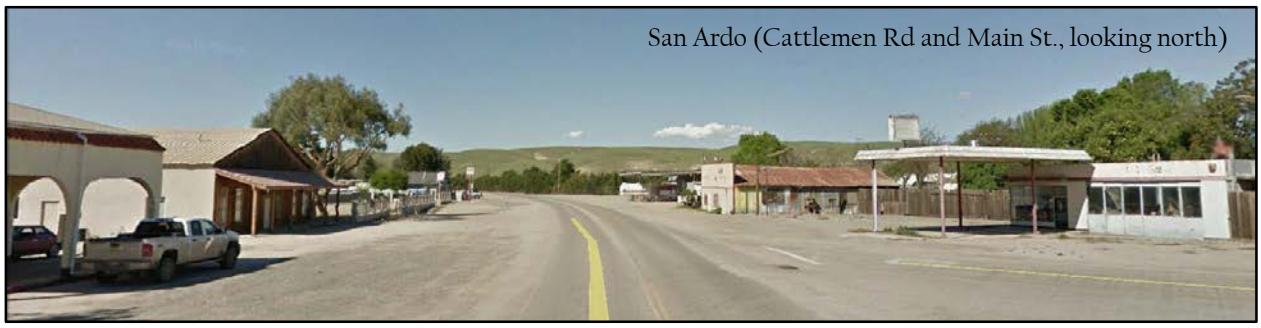
Map Prepared: 12/17/2014

FACILITIES AND SERVICES

The District owns and operates infrastructure for provision of water and wastewater services. Groundwater is the District's sole water source. Primary components of the District's water system include two wells (one active, one reserve), a 55,000-gallon water tank, a network of water and sewer mains located in streets and easements, and two saturation-evaporation ponds for sewage disposal. The District is based in a small office building (converted residence) that it owns, on Main Street in San Ardo.

Staffing is at a basic level, with one part-time office employee. The District arranges with qualified third parties to fulfill State- and County-required licensing for water and wastewater chemical testing. Many District functions, such as service calls and repairs, are performed by board members or other involved community members. District representatives are proud of the local sense of community spirit, volunteerism, and resourcefulness.

Unlike the incorporated communities within the Salinas Valley, San Ardo has not been subject to significant development pressure. As a result, the District has maintained a relatively stable number of customers, although the movement of farm labor in and out of the community may produce seasonal fluctuations in total population and persons per household.


San Ardo (Cattlemen Rd and Main St., looking north)

GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

The District is governed by a five-member Board of Trustees. The board meets on the second Tuesday of the month in the District's office. Board members are appointed by the Board of Supervisors when there are not multiple challengers for open seats on the board. If more than two candidates are interested in a single seat, then an election would be required. The District has generally been able to successfully maintain a full roster of five trustees, but in recent years few (and sometimes no) community members have expressed interest in serving on the board. District representatives state that board meetings are sparsely attended by community members.

District representatives report that an adopted set of bylaws exists, but that the District does not currently have any written policies and procedures to help guide its operations. The District was receptive to templates for policies and procedures and other resources that were provided by LAFCO staff as part of the outreach for this study.

The District's finances are audited on an annual basis, although there appear to be some delays in their completion. According to the most recently completed audit (through June 2012), the District also adopts an annual budget. The District files financial transaction reports with the State Controller's Office (SCO). Board members file the State-required Annual Statement of Economic Interests ("Form 700,") and participate in State-required ethics training requirements every two years. The District does not maintain a web site.

FINANCES

Annual District revenue fluctuates around $100,000. The District does not receive any property tax revenues. Operating revenue is generated from service charges (water and wastewater fees, representing approximately 2/3 and 1/3 of operating revenue respectively). The District also receives non-operating rental income of about $30,000 per year from wireless communication antennas placed on District property.

Table 1, below, provides an overview of the District's finances from 2010 to the present.

Table 1
San Ardo California Water District
Income Summary; Fiscal Year 2010-2011 to Present

Fiscal Year, with Data Status Shown[1]	2010-11 (audited)	2011-12 (audited)	2012-13 (SCO)	2013-14 (SCO)	2014-15 (unaudited)	2015-16 (budgeted)
Total Revenues Includes non-operating (rental) income	$ 98,422	109,519	129,079	131,367	Not available	
Total Expenses Includes depreciation of physical assets (approx. $8,000 per year)	$ 98,375	111,176	105,799	98,848		
Net Income	**$ 47**	**$ -1,657**	**23,280**	**32,519**		

Table 1 includes all District expenses, including about $8,000 per year in depreciation of the District's infrastructure, in accordance with the reporting method used in the District's audit reports. The District's depreciation expense, representing about 7% of total expenses, is a relatively small component of the overall budget, compared to many other districts.

The District's water and sewer enterprises have experienced an operating loss of approximately $30,000 per year in its two most recently audited fiscal years (2010-11 and 2011-12). However, this operating loss was offset by a roughly equivalent rental income, resulting in total District revenues and expenses being roughly equivalent in recent years. If depreciation were to be factored out of this analysis, the District's more tangible, "out-of-pocket" operating expenditures at the end of recent fiscal years would be net-positive even without the rental income. As of the most recent audit, the District had no outstanding long-term debt.

Table 2, below, provides an overview of District assets from 2010 to the present.

[1] SCO = Annual income and expense data (not yet audited) provided by the District to the State Controller's Office, in accordance with standard procedures for special districts.

Table 2 San Ardo County Water District Summary of District Assets, Fiscal Year 2010-2011 to Present						
Fiscal Year-End, with Data Status Shown		June 30, 2011 (audited)	June 30, 2012 (audited)	June 30, 2013 (SCO)	June 30, 2014 (SCO)	June 30, 2015 (unaudited)
Assets	"Current"[1]	365,443	312,684	Not available	Not available	Not available
	Total	**$ 539,285**	**522,901**	**552,734**	**583,553**	
Liabilities		32,183	17,456	35,074	22,130	
Total Net Assets		**507,102**	**505,445**	**517,660**	**561,423**	

Somewhat unusually for a small, rural public agency, the District is quite well capitalized. As of the most recently completed audit (through June 2012), the District had roughly $313,000 in cash and cash equivalents, even after investing about $49,000 during the course of Fiscal Year 2011-12 in improvements to its capital assets and paying off a then-remaining $4,500 principal balance on a loan.

According to the District's (not-yet-audited) filings with the State Controller's Office, the District's total net assets increased by about 10% between the fiscal years ended in 2012 and 2014. District representatives state the increase likely reflects increased revenues during that time period (as reflected in table 1).

CHALLENGES AND OPPORTUNITIES

Aging Infrastructure: The District's wells have experienced no significant water quality problems. (Between 2011 and 2014, localized groundwater contamination was a significant challenge for the San Lucas Water District, 10 miles to the north). District representatives attribute their high groundwater quality to the locations of District wells upslope from potential contamination sources.

However, in order to increase reliability and enhance capacity, the District has identified a need to eventually comprehensively replace the existing water system, which experiences high levels of leaking pipelines and other problems related to aging water infrastructure. The cost of the replacement work is estimated to be between three and ten million dollars. As is common for significant water system infrastructure upgrade investments, the cost of the needed work is beyond the scope of what the District would likely be able to recoup from ratepayer fees or bond financing. The District pursues grant funding opportunities when they are identified, but has not been able to secure grant funds for replacement of its water system. During the course of the current study, District representatives were put in touch with California Rural Legal Assistance (CRLA), a statewide nonprofit group that—among many other pro bono services—assists rural special districts in identifying and pursuing grant funding opportunities.

The wastewater collection system is reportedly in a good state of repair, having already been upgraded in recent years at a relatively low cost through the use of volunteer time and resources.

District Revenues: Water rates paid by District customers depend on meter size and the amount of water

[1] Cash, cash equivalents, and other short-term assets are known as current assets.

used. District representatives state that rates have remained unchanged for many years and are not adequate to fund water system maintenance and repairs that will eventually be needed, due to the condition of the District's aging infrastructure (discussed above).

As referenced above in the Finance section, the District's rental income of about $30,000 per year appears to be essentially backfilling/"subsidizing" an annual net loss of a similar dollar amount, combined between the District's water and sewer operations. This arrangement has had close to a net-zero impact on the District's finances in recent years. However, if the rental income stream were to be lost for some amount of time, for whatever reason, the impact on the District's overall revenues would be substantial.

A professional third-party review of the District's existing fees and programs may be a useful option for the District to explore in the future. A comprehensive fee study, typically followed up by development of a strategic plan for implementing the study's findings, is a means of aligning District services and programs with existing and potential future revenue streams. A fee study and strategic plan could be of value in strengthening the District's long-term sustainability.

Governance: District representatives were receptive to templates for bylaws and written policies and procedures, as well as other resources such as the Board Member/Trustee Handbook from the California Special Districts Association, that were provided by LAFCO staff. LAFCO encourages the District to consider customizing these templates into written policies and procedures for future adoption, to help guide the District's operations and increase its level of governmental transparency. In addition, as a cost-saving measure, the District is encouraged to discuss with the County of Monterey Auditor-Controller's Office the possibility of switching from an annual to a biennial cycle of submitting audits.

Shared Services and Other Partnerships for More Efficient Service Delivery (limited potential): Due in part to its geographic remoteness, the District does not have any shared facilities, resources, or functions with other agencies. The San Lucas Water District provides similar services but is located about 10 miles away and each of the two water districts has a long history of providing for its own operational needs. The South Monterey County Fire Protection District is in the process of annexing the San Lucas area, but the annexation would result in no known changes to the water district. The San Ardo Cemetery District is the only other independent special district located in the nearby area.

SUMMARY

1. The San Ardo Water District is carrying out its mission of providing essential water and wastewater services to the community.
2. The District's existing boundaries and designated Sphere of Influence are appropriate and are not in need of adjustment.
3. Based on available information, total District revenues (including non-operating rental income) appear to be roughly consistent with total expenses. The District's most recent audit (2012) indicated a substantial general fund balance.
4. The District is generally in conformance with State directives such as open public meetings, filing of annual financial disclosures, and ethics training requirements. LAFCO encourages the District to consider adopting board policies and procedures to help guide District governance and operations.
5. District representatives have identified a need to eventually comprehensively replace the existing water system, which will be a significant financial challenge. The wastewater collection system is reportedly in a good state of repair, having already been upgraded in recent years
6. Due to the San Ardo community's remote location and the services provided by the District, there are limited, if any, opportunities to share facilities or services with any other agencies.

DETERMINATIONS

OVERVIEW AND SUMMARY OF RECOMMENDATIONS

The Cortese-Knox-Hertzberg (CKH) Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and districts in Monterey County (Government Code Section 56425). The CKH Act also requires that, prior to updating an adopted Sphere, LAFCO shall conduct a review of municipal services (Government Code section 56430).

This chapter provides recommended determinations with respect to each of the Municipal Service Review and Sphere of Influence subject areas required by the CKH Act. Each recommended determination applies to all five districts within this study. Based on the recommended determinations in this chapter, the Executive Officer recommends that the Commission approve the Municipal Service Review and affirm the currently adopted Spheres of Influence of each of the five districts.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

1. Growth and Population Projections for the Affected Area

Compared to the countywide average, projected future population growth through the year 2035 is high for Soledad and even higher for Greenfield. No significant population growth is projected for the unincorporated communities of San Lucas or San Ardo.

2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities [DUCs] Within or Contiguous to the Sphere of Influence

State law defines DUCs as communities with an annual median household income of less than 80% of the statewide annual median household income. Census block group data indicate that numerous residential areas within these five districts' existing Spheres have incomes below 80% of the statewide median income. The districts' services are available to these residents.

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 DUCs within or Contiguous to the Sphere of Influence)

Buildings owned and used by all the districts in this study are older facilities that are likely to require costly renovations or upgrades in the future in order to remain in service.

The two recreation districts' existing facilities are generally adequate to meet present levels of demand for services, with no significant capital improvements needs identified by District representatives. The Greenfield Memorial District has identified a need to make significant capital improvements to its Memorial Hall in order to attract users and strengthen its revenue base. Strong projected future population growth, particularly in Greenfield, will place increasing demands on facilities and services in the longer term.

The two water districts have performed significant system upgrades in the recent past to maintain and improve water and wastewater service levels. The San Lucas Water District is in need of a permanent potable water source, and the San Ardo Water District anticipates a need to comprehensively replace its existing water system in the foreseeable future. There are no identified DUCs within or continuous to the districts' Spheres that are unserved or underserved with regard to these districts' water and wastewater services.

4. Financial Ability of Agency to Provide Services

The five special districts included in this study are currently solvent, and are providing services in fulfillment of their missions. They operate with limited funding, often relying on part-time staffing levels and dedicated volunteer efforts in order to maintain services. To varying degrees, the districts have all generally experienced financial pressures from limited and reduced property tax revenues, higher employment costs (benefits, insurance), lack of growth in user fees, and other factors within the past five years.

A comprehensive rate study, intended to strengthen an agency's revenue base by rebalancing anticipated revenue needs and expenditures, may be an appropriate step for some districts to consider implementing in the future.

Funding for multimillion-dollar Greenfield Memorial Hall improvements and water infrastructure projects mentioned in #3, above, will be dependent on future grants, bond funds, or other funding beyond the scope of the districts' existing financial resources.

5. Status of, and Opportunities for, Shared Facilities

As discussed in the District Profiles and Executive Summary (and within the 2006 LAFCO study of Central and South Salinas valley agencies), opportunities for greater efficiency of service delivery through future use of shared services, facilities, and/or programs among various local agencies may exist in the Greenfield and Soledad areas. A future workshop focusing on agencies and services in the Greenfield area is a proposed follow-up action to this study, as discussed in the Recommended Actions section of the Executive Summary.

The San Lucas Water District currently shares office space with the local cemetery district. No other such opportunities in the San Lucas and San Ardo areas were identified.

6. Accountability for Community Service Needs, including Government Structure and Operational Efficiencies

As discussed further in the Executive Summary (Key Findings) and in the District Profiles, State laws set forth numerous accountability-related requirements for special districts. The five studied districts appear to be making good-faith efforts to meet applicable requirements, and have achieved varying levels of compliance. Where some district-specific areas of noncompliance were noted, District representatives generally welcomed LAFCO-provided templates for future board action. Most of the districts in the study do not currently maintain a web site (not a legal requirement).

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

LAFCO staff has reviewed locally adopted LAFCO policies and notes no additional matters.

SPHERE OF INFLUENCE DETERMINATIONS

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

Present and planned land uses in these five districts' current Spheres of Influence include two cities (Soledad and Greenfield), two unincorporated communities (San Lucas and San Ardo) and surrounding rural/agricultural areas. No changes to the existing Spheres, and no impacts to agricultural or open-space lands, are foreseen.

2. The Present and Probable Need for Public Facilities and Services in the Area

There is a demonstrated present need for the facilities and services provided by the districts in this study. The need for indoor recreation facilities, and programs and services for youth, including at-risk youth, is an issue of significant relevance and interest in the region.

Increased service needs resulting from projected future population growth will likely be more of a factor in Soledad and Greenfield than in San Lucas and San Ardo. Please refer to MSR determinations #1 and #3, above, for related discussion.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The facilities/infrastructure owned and operated by these five districts are generally functional and providing services in response to current needs. There are identified needs for substantial upgrades and improvements beyond those that have already been performed in recent years and beyond existing the scope of financial resources (see MSR determinations #3 and #4, above, for related discussion).

No categories of wholly unmet service needs within the districts' respective purviews were identified during this study. However, the "overlap" of some services provided by special districts and the cities, which was identified in the 2006 LAFCO study, continues to be a concern. A future workshop focusing on the potential for greater efficiency of service delivery in the Greenfield area is a proposed follow-up action to this study, as discussed in the Recommended Actions section of the Executive Summary.

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

As discussed above, portions of the five districts' present boundaries and Spheres of Influence include communities with annual household incomes less than 80% of the statewide annual median household income (DUCs). District services are currently available to these communities, and there are no proposed or recommended changes to existing district services or boundaries.

5. For an update of a sphere of influence of a city or special district that provides [municipal and industrial water], the present and probable need for those public facilities and services of any DUCs within the existing sphere of influence.

San Lucas and San Ardo each appear to meet the definition of a DUC. These areas receive existing services from the two water districts reviewed in this study. No currently unmet needs for service in or around these communities have been identified, and no significant population growth is anticipated in these areas. However, both districts have identified longer-term future infrastructure improvements that will require significant capital reinvestment.

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SOURCES AND ACKNOWLEDGEMENTS

Information that LAFCO received from district representatives (board members and staff) was of key importance in developing this study. The districts met with LAFCO staff and provided copies of audits, financial statements, budgets, policies and procedures, agendas, fee schedules. District representatives met with LAFCO staff and continued to be available for information over the phone and by email. Without their cooperation and assistance, this report would not have been possible.

Supplemental finance-related information was obtained from the State Controller's Office web site. Population estimates for the districts were calculated from 2010 U. S. Census data using the County of Monterey's Geographic Information System (GIS). Population projections were derived from the adopted 2014 Association of Monterey Bay Area Governments (AMBAG) Regional Growth Forecast. LAFCO's earlier Municipal Service Reviews and Sphere of Influence Studies provided additional background information about the districts.