

# LAFCO *of Monterey County*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Final

## 2014 Municipal Service Review and Sphere of Influence Study:

### City of Gonzales

Adopted by the Commission on September 22, 2014

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**2014 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY  
FOR THE CITY OF GONZALES**

City of Gonzales – At A Glance	
<b>Incorporation Date</b>	January 1947
<b>Legal Authority</b>	Government Code Title 4 (General Law City)
<b>City Council</b>	Mayor and four City Council Members elected at-large; Mayor has a 2-year term and Council Members have staggered four-year terms
<b>City Area</b>	1,267 acres (1.98 square miles) within the City Limits and an additional 53 acres within the City's current Sphere of Influence. 2014 Sphere of Influence proposal: an additional 2,038 acres beyond existing City Limits
<b>Population</b>	8,383 (January 1, 2014 California Department of Finance estimate)
<b>Budget (Fiscal Year 2014-2015)</b>	\$ 13,946,908
<b>Vision Statement</b>	Gonzales will continue to be a safe, clean, family-friendly community, diverse in its heritage and committed to working collaboratively to preserve and retain its small town charm.
<b>Mission Statement</b>	The City Council and Staff of the City of Gonzales will realize our vision by providing the leadership, commitment and resources necessary to provide excellent services that enhance the quality of life of our diverse community.  City services will be delivered in a cost-effective, respectful and friendly manner to insure the safety and well-being of the residents and the promotion of business, recreational, housing and employment opportunities in an environmentally sustainable manner.  Strong fiscal policies allow us to provide appropriate infrastructure for Public Safety, Housing, Recreation, Environment and Education.
<b>City Manager</b>	René L. Mendez
<b>Contact Information</b>	P. O. Box 647 147 Fourth Street Gonzales, CA 93926
<b>Website</b>	<a href="http://www.ci.gonzales.ca.us">http://www.ci.gonzales.ca.us</a>

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## EXECUTIVE SUMMARY AND RECOMMENDATIONS

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This Municipal Service Review and Sphere of Influence Study provides information about the services and boundaries of the City of Gonzales. The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and special districts in Monterey County (Gov. Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430). The last service review of the City was completed in September 2010, as part of a review of all Salinas Valley cities.

### City Services

The City of Gonzales, located within the fertile Salinas Valley, provides a full range of municipal services to its approximately 8,400 residents. The City is efficiently managed, with adequate reserves and stable year-over-year and General Fund expenditures. In recent years, the City has successfully developed an ag-industrial economic base that provides opportunities for significant employment and investment in the City. The City administration has shown a serious commitment toward implementing sustainability practices through a comprehensive “Gonzales Grows Green Sustainable Community Initiative” (“G<sup>3</sup>”) that aims to promote economic viability, environmental responsibility, and social equity. The City’s General Plan includes policies intended to ensure adequate service provision for future residents and employment centers.

### Current City Boundaries and Sphere of Influence

The City’s Sphere of Influence was last updated in April 1997 to implement the General Plan adopted in 1996. No Sphere amendments have been processed since then, but there have been several annexations, including two areas, totaling approximately 215 acres, approved in 2006. Except for vacant land in those two annexation areas, the existing City limits are largely built out. The current Sphere contains approximately 50 acres outside of the City limits and is not adequate for the City’s probable long-term expansion needs.

### 2010 General Plan and 2014 City-County Memorandum of Agreement

In 2010, the City of Gonzales adopted a comprehensive General Plan update that focuses substantial future urban development to the east of Highway 101, thereby enabling preservation of the majority of the most productive agricultural soils near the City. In addition to conserving and protecting agriculture and open space resources, the General Plan contains policy and implementation programs to guide land use development projects, maintain the safety and welfare of Gonzales citizens, guide the cost effective and efficient delivery of public infrastructure and services, and enhance community sustainability efforts. The General Plan’s certified Final Environmental Impact Report (EIR) includes numerous mitigation measures that will help ensure implementation of the City’s General Plan policies. The planning horizon of the General Plan is long term, extending beyond a 20-year time frame.

In March and April 2014, in fulfillment of State law requirements for a City-County consultation process prior to a City’s application for a Sphere of Influence amendment, the County of Monterey and the City each acted to enter into a Memorandum of Agreement in support of implementing the City’s adopted 2010 General Plan.

The City-County MOA is an exemplary model of interagency cooperation and good government. The MOA’s fundamental objective is to balance the preservation of open space and prime agricultural lands with the need for orderly City growth. It delineates a large portion of the General Planning area as the City’s proposed Sphere of Influence. However, it also provides for permanent agricultural edges to be provided along the City’s north, south, and west edges, growing the City toward the foothills and protecting the highest-quality agricultural lands in lower-lying areas. As part of the agreement, the City

will provide for a clear, logical urban boundary on the City's southern edge by amending its General Plan to remove previously planned urban land use designations south of Gloria Road. The MOA commits Gonzales to establish a comprehensive mitigation program for the loss of agricultural lands within the City's urban growth area. These agricultural measures will be implemented as part of Specific Plan processes, and will be detailed in future annexation applications to LAFCO. The MOA identifies compact, sustainable, "City-centered," Specific Plan-based development as the City's guiding vision for development of future neighborhoods. It also contains agreements designating truck routes, developing a Traffic Impact Fee Program, and requiring the accrual of property tax benefits to the County for any City annexations inconsistent with the MOA.

State law provides that "The Commission shall give great weight to the agreement [City-County consultation MOA] to the extent that it is consistent with Commission policies." LAFCO staff has reviewed the MOA for consistency with LAFCO of Monterey County's locally adopted policies for Spheres of Influence. This consistency finding can be made due to a balance of important public tradeoffs and benefits that the MOA will accomplish over time. Accordingly, the MOA provides a strong basis for delineating a large portion of the Gonzales General Planning area as the City's Sphere of Influence.

### City's Sphere of Influence Proposal

In July 2014, the City submitted a proposal for a Sphere of Influence amendment consistent with the Gonzales 2010 General Plan and the 2014 City-County MOA. The City's proposal would add approximately 2,038 acres to its Sphere of Influence. The City's Sphere expansion proposal is divided into three areas<sup>1</sup>:

1. 1,907 acres to the east of the existing City boundary and Sphere of Influence. This area is contained within the City's Urban Growth Boundary designated in the Gonzales 2010 General Plan. (Following discussions with the County, the City is removing the Urban Growth designation from 182.5 acres that had been designated in the General Plan.);
2. Approximately 97.6 acres of land on the City's west side, south of Gonzales River Road, that is planned for conversion from agricultural use to commercial and industrial use, and
3. A 5.5-acre parcel, adjacent to the City's wastewater treatment plant, planned for a future plant expansion.

On balance, the City of Gonzales' Sphere of Influence proposal is reasonable in the comprehensive context of the City-County MOA, the adopted General Plan policies and the certified EIR. It is also consistent with AMBAG growth projections, the Cortese-Knox-Hertzberg Act, LAFCO's legislative purposes and the Commission's locally adopted policies. These conclusions are discussed in more detail in this study.

### Recommended Actions

The *2014 Municipal Service Review and Sphere of Influence Study* for the City of Gonzales evaluates the City's proposal in relation to likely future needs for urban services and boundaries. Based on the analysis and recommendations in the study, the Executive Officer recommends adoption of a resolution to:

- Find the Study exempt from provisions of the California Environmental Quality Act (CEQA) under Sections 15306 and 15061(b)(3) of the State CEQA Guidelines; and
- Approve the 2014 Municipal Service Review and Sphere of Influence Study for the City of Gonzales.

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<sup>1</sup> The listed acreages of the three areas do not add up to the total Sphere of Influence expansion of 2,038 acres. The City's application lists an additional 28 acres that is attributed to rights of way.

Figure 1  
 Map of Existing City Boundaries and Sphere of Influence

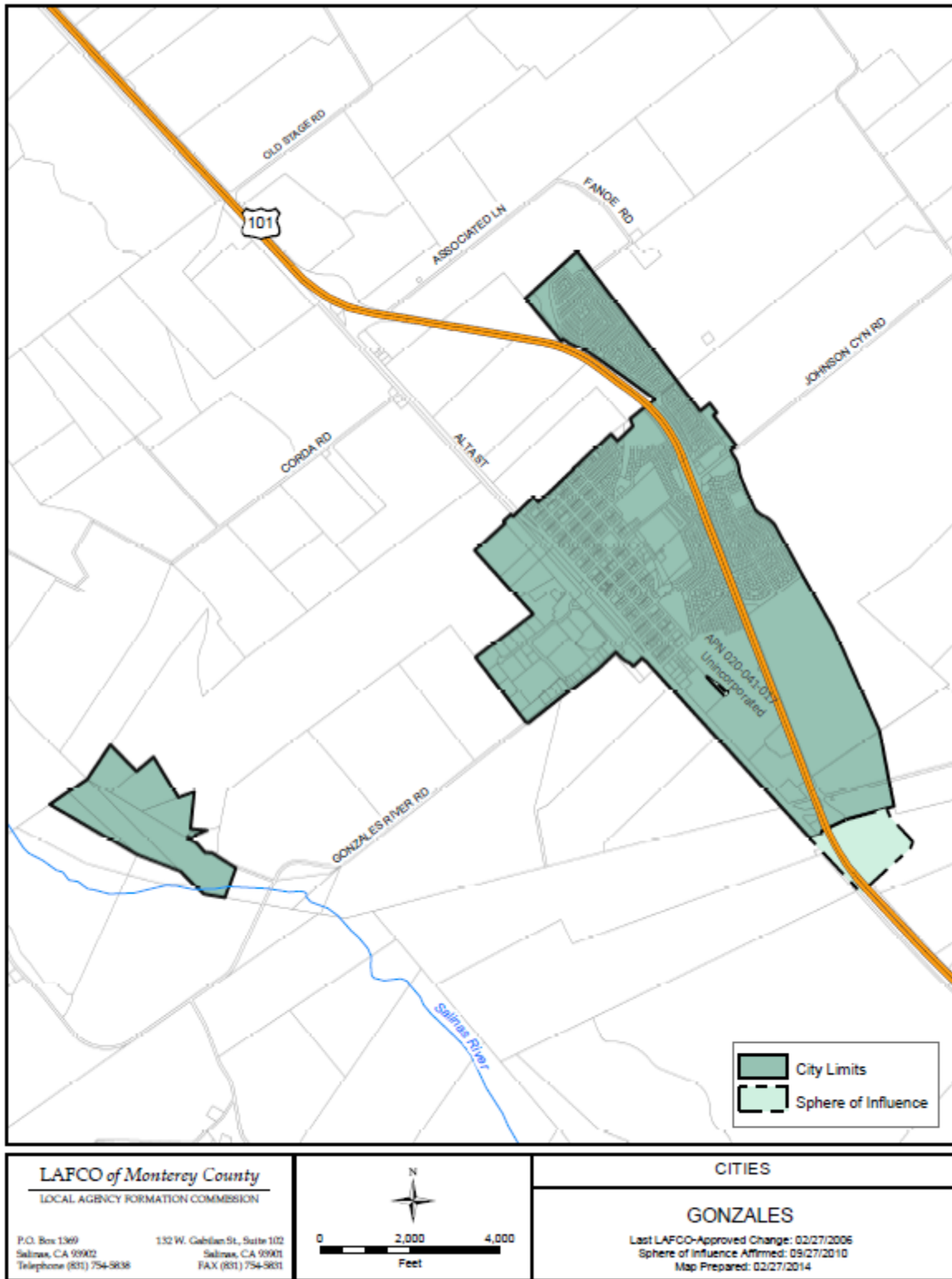
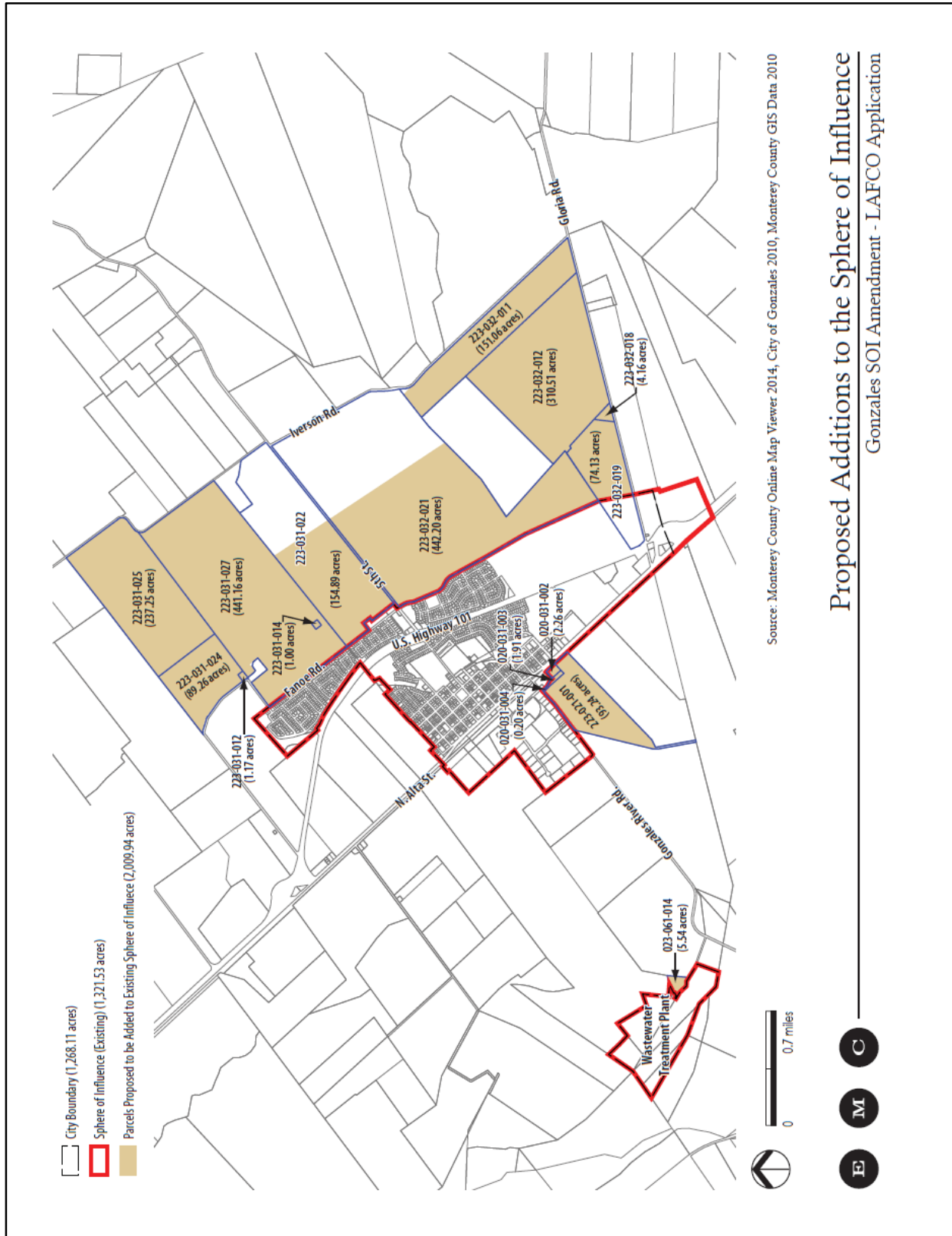


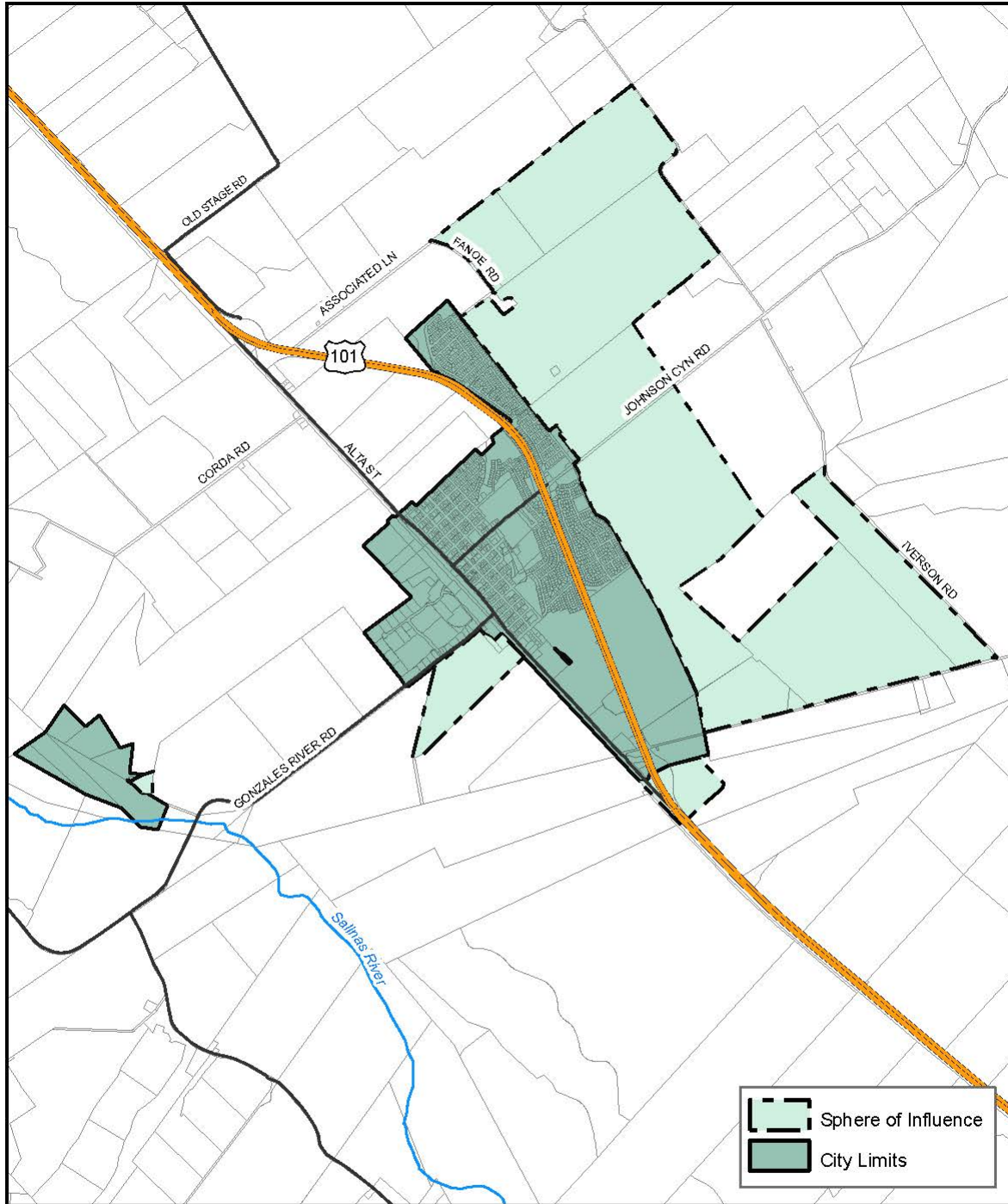



Figure 2  
Map of Proposed Additions to the Sphere of Influence



Proposed Additions to the Sphere of Influence  
Gonzales SOI Amendment - LAFCO Application

Figure 3  
 Map of Proposed City Boundaries and Sphere of Influence



<p><b>LAFCO of Monterey County</b>          LOCAL AGENCY FORMATION COMMISSION</p> <p>P.O. Box 1369          Salinas, CA 99902          Telephone (831) 754-5838</p> <p>132 W. Gabilan St., Suite 102          Salinas, CA 99901          FAX (831) 754-5831</p>	<p style="text-align: center;">N</p>  <p style="text-align: center;">0      2,000      4,000          Feet</p>	<p style="text-align: center;">CITIES</p> <hr/> <p style="text-align: center;"><b>GONZALES</b></p> <p style="text-align: center;">Last LAFCO-Approved Change: 02/27/2006          Map Prepared: 09/05/2014</p>
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## HOW THIS REPORT IS ORGANIZED

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Information in this report complies with the Commission’s statutory requirements and is also intended to support the City’s mission. The report reviews the status of the City’s Sphere of Influence and boundaries. It presents a brief history of the City and describes the City’s facilities and operations, governance and finances. The report examines future challenges facing the City. It concludes with recommended determinations as required by law and with acknowledgements and source references.

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## POPULATION AND GROWTH

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The City is located along Highway 101, 17 miles south of Salinas and nine miles north of Soledad. The Southern Pacific Railroad laid tracks through the area in 1872. Later, a depot was built to service freight and passenger trains. Cattle and grain raising dominated the area until the 1890s when Swiss immigrants founded dairies. In the 1920s, dairy farming gave way to vegetable crops which thrived because of rich soils and advancements in irrigation, machinery and transportation. In January 1947, Gonzales residents voted to incorporate the City.

In 1894, the community of Gonzales had an estimated population of 500 residents. By 1960, approximately 2,100 people lived in the City. In the last fifty years, the City’s population experienced the fastest growth in the 1980s and 1990s. Over each of those two decades, the population rose in excess of 60%. The rate of growth slowed to eight percent in the early 2000s. According to the California Department of Finance, the City’s rate of population increase has slowed further since 2010.

Year	Population	Decennial Percent Increase
1960	2,138	-----
1970	2,575	20%
1980	2,891	12%
1990	4,660	61%
2000	7,564	62%
2010	8,187	8%
2014	8,383	6%

Note: All population figures are from the U.S. Census Bureau, except for 2014 which is an estimate from the California Department of Finance. The percent increase from 2010 to 2014 has been multiplied by 2.5 to extrapolate the percent increase over a ten year period.

On June 11, 2014, the Association of Monterey Bay Area Governments (AMBAG) adopted a Regional Growth Forecast through 2035. This forecast was developed to inform AMBAG’s regional planning processes and to assist local cities and special districts for local and subregional planning. AMBAG has primarily based these projections on anticipated employment growth.

As shown in table 2, below, the Regional Growth Forecast projects significant population and jobs growth in Gonzales through the year 2035 and particularly within the current decade. By 2020, the City’s population is projected to grow by 63% to 13,340. By 2035, the City’s population is projected to increase by 136% to 19,333. This population growth compares to a 19% projected increase throughout all of Monterey County (to 495,086 by 2035). Gonzales’ projected growth is also significantly higher than the projected 38% growth for the other three southern Salinas Valley cities.

AMBAG bases its projections of Gonzales’ population growth on an anticipated expansion of employment opportunities within the City. As Table 2 shows, projected job growth in Gonzales is much higher than for other nearby cities and for the County as a whole. Gonzales job growth is projected to come from build-

out of its existing industrial park and the industrial lands proposed within the expanded Sphere of Influence.

Table 2 City of Gonzales: AMBAG Projected Population Growth and Jobs Growth							
		2010	2020	2025	2030	2035	Change over Forecast Period
Monterey County (all)	Population	415,057	447,516	463,884	479,487	495,086	19.3%
	Jobs	308,400	344,500	353,600	362,900	372,800	20.1%
Gonzales	Population	8,187	13,340	13,955	16,194	19,333	136.1%
	Jobs	2,922	4,084	4,416	4,802	5,234	79.1%
Greenfield, King City, & Soledad	Population	54,942	67,225	70,509	73,433	75,857	38.0%
	Jobs	13,779	15,279	15,780	16,264	16,674	20.1%

Source: "2014 Regional Growth Forecast," Association of Monterey Bay Area Governments, Adopted June 11, 2014.

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## BOUNDARIES AND SPHERE OF INFLUENCE

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### Existing Boundaries and Sphere of Influence

In 1997, the Gonzales Sphere of Influence was updated to implement the City's 1996 General Plan. No major updates to the City's Sphere amendments have been initiated since then, although LAFCO has approved several annexations and Sphere amendments related to those parcels.

Areas that were annexed to Gonzales in 2006<sup>2</sup> remain undeveloped. The largest area, approximately 180 acres on the east side of Highway 101, is residentially zoned. The other undeveloped portion of the 2006 annexation is approximately 32 acres of industrially zoned land on the City's northwestern side. The 2010 Service Review adopted by LAFCO for the City of Gonzales stated that "except for vacant land in those two [recent] annexation areas, the city is largely built out."

The 2010 Service Review also noted that the City's Sphere contains only around 50 acres beyond existing City limits, an inadequate area to meet the City's long-term expansion needs.

The Gonzales 2010 General Plan estimated that build-out of the City's existing, 1997-established Sphere of Influence could accommodate a total City population of 12,000. This scenario would represent a population increase of about 43% from its current level of 8,400.

### The Gonzales 2010 General Plan

The City is currently proposing a 2,038-acre expansion of its Sphere of Influence. The current proposal is the product of a seven-year process for developing the City General Plan and a subsequent four-year consultation process between the City and the County of Monterey, with input from LAFCO. These processes culminated in the 2011 City adoption of the General Plan and approval of a City/County Memorandum of Agreement for Orderly Planning by the County and City in the spring of 2014.

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<sup>2</sup> Annexation and Sphere of Influence Amendment, File No. 05-13, effective February 27, 2006.

The City's 2010 General Plan contains policy and implementation programs to guide land use development projects, maintain the safety and welfare of Gonzales citizens, conserve and protect open space resources, guide the cost effective and efficient delivery of public infrastructure and services and enhance community sustainability efforts.

The Gonzales 2010 General Plan establishes a long-term, but indeterminate, planning horizon for the City in order to:

- Create a long-term vision to guide new development so that ultimately the increments of growth form into a coherent whole, becoming something more than a patchwork of large subdivisions;
- Preserve key sites essential to the long-term economic health of the City;
- Ensure a competitive market for development and avoid the monopolization of the City's future development by any one of the large landowners within the General Plan area, and
- Establish the ultimate boundaries of the City in order to identify the adjoining agricultural areas that should be reserved for permanent agricultural use.

### City/County Memorandum of Agreement (MOA)

#### City/County Consultation Process

Following City Council adoption of the General Plan, the City met with the County as required by Section 56425 of the Cortese-Knox-Hertzberg (CKH) Act. This portion of the State Government Code requires a City to meet with the County and “discuss the proposed new boundaries of the Sphere and explore methods to reach agreement on development standards and planning and zoning requirements . . . to ensure that development . . . promotes the logical and orderly development of the areas within the Sphere.”

After detailed discussions over a period of several years, the County Board of Supervisors and the City Council took separate actions to enter into a City/County Memorandum of Agreement Regarding Orderly Planning, Growth, and Development (“MOA”) in March and April 2014. The agreement is summarized in table form as Appendix 1 to this report. Its full text will be provided to the Commission under a separate cover.

#### MOA Contents

The approved City-County MOA is a significant milestone in City-County cooperation on planning-, growth-, and development-related issues resulting from the expansion of the boundaries of a City's Sphere of Influence. At its core, the MOA seeks to balance the preservation of open space and prime agricultural lands with the need for orderly City growth. Perhaps most noteworthy among its achievements, the City-County MOA for Gonzales provides for a permanent agricultural edge on three sides of the City, with long-term growth directed toward the eastern foothills, away from the highest quality farmland lower-lying areas in the Salinas Valley. Significantly, the MOA also removes the City's previously planned urban land uses south of Gloria Road, thereby clearly delineating an urban boundary between urbanized incorporated areas and open agricultural fields south of Gloria Road in the unincorporated County. The MOA commits the City to establish a comprehensive mitigation program for the loss of agricultural lands within the City's urban growth area.

The MOA also identifies compact, sustainable, “City-centered,” Specific Plan-based development as the City's guiding vision for development of future neighborhoods. It contains agreements designating truck routes, developing a Traffic Impact Fee Program, and requiring the accrual of property tax benefits to the County for any City annexations inconsistent with the MOA.

The MOA is structured in nine sections, reflecting the primary growth and development issues that the City and the County identified and discussed during their negotiations:

1. Logical and Orderly Development
2. Direction of Future development
3. Specific Planning Actions
4. Development Phasing and Annexations
5. Agricultural Land Compatibility
6. Agricultural Land Conservation Program
7. Traffic Mitigation Fees
8. Tax Sharing
9. Environmental Review, Public Hearing, and Decision-Making

The City-County MOA is an exemplary model of interagency cooperation and good government. As such, it was highlighted at the April 2014 California Association of Local Agency Formation Commissions (CALAFCO) staff workshop, in an educational session co-presented by the LAFCO Executive Officer and Gonzales Community development Director Thomas Truszkowski.

#### Land Swap Agreement

The MOA outlines two areas to be removed from the General Plan's "Urban Growth Area" in developing the City's Sphere of Influence proposal: an area of 182.5 acres south of Gloria Road and a 41-acre parcel on the City's northern edge, west of Highway 101. As a result of this agreement, Gloria Road will provide a clear, recognizable, and logical boundary between developed (City) and undeveloped (unincorporated) lands along the City's southern edge in the future.

To partially compensate for the removal of job-generating lands south of Gloria Road, the City and County agreed to add approximately 95 acres adjacent to existing industrial lands on the City's west side to the Urban Growth Area. The agreed-upon modifications have been incorporated into the current proposal. If LAFCO approves the Sphere of Influence amendment as proposed, the City will designate the land for future industrial and commercial uses and will make the other necessary adjustments to bring its General Plan into conformance with the MOA.

#### MOA's Conformance to Locally Adopted LAFCO Policies

The approved agreement provides a strong basis for delineating a logical and appropriate Sphere of Influence for the City of Gonzales. LAFCO staff has reviewed the City-County MOA and has determined it to be consistent with LAFCO of Monterey County's adopted Policy Guidelines for Sphere of Influence proposals. The MOA's conformance to the most applicable provisions of the Policy Guidelines is summarized below.

- "LAFCO intends that its Sphere of Influence determination will serve as a master plan for the future organization of local government within the County. The spheres shall be used to discourage urban sprawl; limit proliferation of local governmental agencies; encourage efficiency, economy and orderly changes in local government; promote compact, community centered urban development; and minimize adverse impacts on lands classified as prime agriculture." (LAFCO Policy Guideline #1 for Spheres of Influence)

*The MOA identifies specific City-County goals, objectives, and commitments that are closely aligned with LAFCO's policy language in these areas, with particular emphasis on City-centered growth and preservation of agricultural lands. As annexations are proposed in the future, subject to LAFCO review and approval, the City's adopted General Plan policies and implementing actions will help ensure that the MOA's agreed-upon terms are carried out.*

*Like the Gonzales General Plan, the MOA contains important provisions for the protection of high-quality agricultural land. The MOA bases these provisions on agricultural preservation policies contained in Implementing Actions in the City's adopted General Plan. These actions include focusing urban growth to the east to protect the highest-quality agricultural lands, encouraging agriculture as an interim use on undeveloped parcels, establishing agricultural buffers, and requiring new development to contribute to the cost of purchasing additional agricultural conservation easements beyond the permanent edges identified in the MOA.*

- “The adopted Sphere of Influence shall reflect City and County General Plans, plans of regional agencies, growth management policies, annexation policies, resource management policies, and any other policies related to ultimate boundary or service area of an affected agency unless those plans or policies conflict with the legislative intent of the Act.” (LAFCO Policy Guideline #7 for Spheres of Influence)

*The MOA is the culmination of a multiyear effort to carefully identify those areas that are most appropriate for eventual annexation and development. Under the MOA, the City has committed to modify its existing General Plan designations on several parcels in order to implement the MOA's goals. There are no anticipated conflicts with any other agency's plans, policies, boundaries, or Spheres of Influence.*

- “LAFCO will encourage those proposals where the affected jurisdiction has achieved water savings or new water sources elsewhere that will off-set increases in water use in the project site that would be caused by the proposal.” (LAFCO Policies and Procedures Part D.X: Groundwater Standards)

*The certified, program-level Environmental Impact Report (EIR) for the City's 2010 General Plan determined that the policies and implementing actions of the 2010 General Plan, in tandem with the requirements for collaborative planning and documentation of water sources (required by Senate Bill 610, including the preparation of water supply assessments), serve to protect groundwater supplies and to reduce the environmental effects associated with supplying water to the planning area to a less-than-significant level. The 2014 EIR Addendum prepared for the currently proposed Sphere expansion confirmed the potential impact to be less-than-significant.*

*No annexations or development are proposed at this time. Future annexation and development of any areas within the current Sphere expansion proposal would require preparation of a specific plan, which would include plans for services and facilities that would be required to be in compliance with the City's planning policies on water management. Preparation and approval of a “project-level,” site-specific environmental clearance will also be required. Each annexation will also be subject to LAFCO approval, including review for conformance with LAFCO's adopted groundwater management policies applicable to City annexations.*

- “Monterey County LAFCO shall consider as part of its decision whether the City in which the annexation or Sphere of Influence amendment is proposed has included certain goals, policies, and objectives into its General Plan that encourage mixed uses, mixed densities, and development patterns that will result in increased efficiency of land use, and that encourages and provides planned, well-ordered, efficient urban development patterns.” (LAFCO Policies and Procedures Part D.XIII: Efficient Urban Development Patterns)

*The adopted City of Gonzales General Plan includes a detailed framework of goals, policies, and objectives in strong support of creating a diverse, self-sustaining, vibrant, community that focuses growth inward, maintains small-town characteristics, discourages urban sprawl, and preserves the most productive lands for agricultural uses.*

- “LAFCO, in recognition of the mandated requirements for considering impacts on open space lands and agricultural lands, will develop and determine Spheres of Influence for Cities and urban

service districts in such a manner as to promote the long-term preservation and protection of this County's Resources.” (LAFCO Policy Guideline #9 for Spheres of Influence) and

“Applications... for the establishment or any change to a Sphere of Influence or urban service area shall provide for planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space and agricultural lands within those patterns.” (LAFCO Policies and Procedures Part E: Preservation of Open Space and Agricultural Lands)

*Fundamentally, the City's Sphere expansion proposal is intended to grow the City eastward in order to preserve areas of the highest-quality soils for permanent agricultural uses. Sections 5 and 6 of the MOA contain the City's goal, objectives, and commitments regarding impacts of development on agricultural lands. The identified requirements include the use of agricultural buffers, phasing, and preparation of Specific Plans (geared to unique site conditions) to minimize the impacts of development on nearby agricultural operations. To mitigate the loss of agricultural lands to future, post-annexation development, the City commits to establish an Agricultural Land Conservation Program that will require the implementation of conservation easements or other specified forms of mitigation.*

*These provisions outlined above are consistent with LAFCO's adopted policies. No lands are currently proposed for annexation or development. A specific mitigation proposal for development areas within the proposed Sphere expansion will be part of LAFCO's purview, as part of future annexation proposals, before any development of areas within the Sphere proposal may occur.*

- “Proposals must demonstrate through both quantitative and qualitative methods the relationship between the Proposal and the surplus or deficiency of local and county-wide housing supply and demand, and employment availability and creation. Additionally, the Proposal must demonstrate how its pattern of land use and transportation complements local and regional objectives and goals for the improvement of air quality and reduction of greenhouse gas (GHG) emissions and local vehicle miles traveled (VMT).” (LAFCO Policies and Procedures, Part F: Housing and Jobs)

*According to the City of Gonzales General Plan, the City has approximately 1,060 jobs and 2,070 housing units (approximate jobs-housing balance of 1:2). The City's proposed Sphere expansion would facilitate implementation of the City's General Plan, which envisions the creation of 5,400 new jobs and 7,700 new housing units by 2035. At buildout of the General Plan, there would be 6,460 jobs and 9,770 housing units (approximate jobs-housing balance of 1:1.5). Therefore, with build-out of the General Plan, the City's jobs housing balance will improve.*

*The City has planned enough housing to satisfy its share of AMBAG's regional housing needs allocation. The City prepared its Housing Element as part of the 2010 General Plan, and the State Housing and Community Development Department completed its review in 2009, in advance of City adoption of the General Plan.*

*The Gonzales General Plan calls for most future residential growth within the City to be accomplished in new neighborhoods, which will contain neighborhood commercial, schools, parks, and a mix of residential densities. The neighborhoods are to be implemented through the creation of specific plans, and designed and built on a scale that is complementary to the City's small town character. The General Plan requires the neighborhoods to fall within a range of 125 to 400 acres each; the strategy is to promote new development that retains the pedestrian-oriented characteristics of the downtown area. The improved jobs-housing balance and the planned small-scale development pattern is expected to reduce vehicle trips and associated air and greenhouse gas emissions.*

#### “Commission Shall Give Great Weight”

As outlined in the subsection above, the City/County MOA is consistent with LAFCO of Monterey County's adopted Policies and Procedures Relating to Spheres of Influence and Changes of Organization



and Reorganization. Pursuant to Section 56425 of the CKH Act, “the Commission shall give great weight to the agreement to the extent that it is consistent with Commission policies in its final determination of the City sphere.”

### The Proposal for an Expanded Sphere of Influence

By proposing the “land swap” changes described above in the City/County MOA, the City has proposed to expand its Sphere of Influence by 2,038 acres. The proposed 2,038-acre Sphere of Influence expansion would increase the City’s total footprint (City limits + Sphere) from its current 1,320 acres to 3,358 acres. These figures translate to a **154%** net acreage increase over an approximately 20-year time horizon<sup>3</sup>. As described in the Population and Growth section, above, AMBAG is projecting a **136%** net population increase in the current (2010-2035) forecast period that has 21 years remaining.

A rough comparison of these two growth-related metrics suggests that the acreage of the City’s Sphere proposal appears somewhat higher than what might typically be warranted. However, based on the available data (AMBAG’s current employment and jobs projections) and the proportion of land the City’s General Plan designates for ag-industrial and other non-residential land uses, the City’s Sphere proposal appears roughly proportional with a traditional Sphere’s 20-year outlook. Future implementation of the current proposal will be guided by the 2014 City-County Memorandum of Agreement, described above. The MOA contains important commitments, especially with regard to permanent agricultural preservation, to ensure orderly and appropriate future growth in conformance with LAFCO’s adopted policies.

The City’s Sphere expansion is proposed in three geographic areas as shown in Figure 2 on page 9:

1. Approximately 95% of the proposed Sphere of Influence expansion is within the Urban Growth Boundary established in the Gonzales 2010 General Plan. This land, east of the City limits, is mostly designated as Prime Farmland and farmed for vegetables and row crops. Parcel sizes tend to be larger than those to the north, and there is a gentle upslope to the east. Trees are absent, save for the occasional clusters around farmhouses. The General Plan’s Environmental Impact Report identified the removal of Prime Farmland acreage in the proposed Urban Growth Area as a significant and unavoidable impact for purposes of the California Environmental Quality Act (CEQA). Measures in the General Plan and the City/County Memorandum of Agreement, outlined above, will lessen the loss of farmland.
2. Parcels containing approximately 97.6 acres on the City’s west side, south of Gonzales River Road, are proposed to provide some of the job-generation lost by removing the expansion south of Gloria Road. Similar to the south of Gloria Road area, this area is designated as Prime Farmland and is actively farmed. Subsequent to the Memorandum of Agreement, the City has modified its Sphere expansion proposal to include an additional 2.3-acre parcel (020-031-002, shown in Figure 2, above) adjacent to this subarea. The property is developed with a privately owned farmworker housing development in active use. Please refer to the Municipal Service Review Determinations section, below, for a more complete description of this site and its inclusion in the current proposal.
3. A City-owned 5.5-acre parcel adjacent to the City’s wastewater treatment facility is anticipated to be used for future expansion of the facility. In 2006, the City had proposed adding this parcel to the Sphere of Influence, and annexing it to the City. LAFCO was unable to act on this expansion

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<sup>3</sup> LAFCO of Monterey County’s locally adopted Policies and Procedures define a Sphere of Influence as “The area around a local agency eligible for annexation and extension of urban service within a twenty-year period.”

at that time because the City-prepared environmental review did not include it. Expansion of the treatment facility was subsequently included in the 2010 General Plan's Environmental Impact Report. Inclusion of this parcel in the Sphere expansion was not discussed as part of the Memorandum of Agreement.

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## SERVICES, FACILITIES, AND OPERATIONS

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The City of Gonzales is a full service City. City employees provide many services including proactive community policing; parks, recreation facilities and programs, open space; street construction and maintenance; street lighting; street sweeping; landscaping and landscape maintenance; potable water; water treatment; water conservation; sanitary sewer collection and treatment; pump station maintenance; storm drain maintenance and flood control. Volunteers, with the support of City employees, provide fire protection and emergency medical response.

The following services are provided to City residents through the work of an independent agency or private organization: cemetery maintenance and burial services; health care; library services; trash collection; recycling, and landfill operation.

The City has created the "Gonzales Grows Green Sustainable Community Initiative" ("G<sup>3</sup>"). This initiative aims to promote economic viability, environmental responsibility and social equity. The initiative outlines the unifying philosophy behind City efforts to become a green hub of environmental stewardship. The City has adopted a Sustainability Element to its General Plan, and one of the first Climate Action Plans in the County. The City actively supports the development of biodiesel and wind energy, and works to create public-private partnerships to bring energy efficiency and other cost savings measures to local businesses to improve profitability. The City also participates in a public-private partnership which produces solar energy at the City's wastewater facility and a local winery.

In July 2014, the City announced that it had begun construction of a commercial-scale wind turbine on land adjacent to the City's Agricultural Industrial Business Park, as a component of the G<sup>3</sup> program. The first of two wind turbines to be constructed by the City, the turbine is intended to provide a clean sustainable source of energy to businesses located in the Industrial Park.

The City of Gonzales currently provides adequate services to meet the needs of the population within its existing Sphere. LAFCO's 2010 Municipal Service Review for Gonzales identified no significant unmet service needs or deficiencies. Future development within the City and its Sphere will lead to population growth and the need for additional and/or expanded services. The City's General Plan includes policies intended to ensure adequate service provision for future residents. The existing tax base, and the expansion of that tax base resulting from new development, will provide funding for these services. Development impact fees will address the capital cost of new development. The extent, timing, and financing of improvements will be presented to LAFCO as part of the application process for future annexations of areas currently proposed for inclusion in the City's Sphere of Influence.

The extent of the required infrastructure expansion is outlined in the Gonzales 2010 General Plan and the General Plan's background studies. Among the areas that will require the most major investment are water, wastewater and transportation. The Environmental Impact Report for the 2010 General Plan included an analysis of the likely necessary infrastructure improvements, including expansion of the City's wastewater treatment facility.

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## GOVERNANCE / TRANSPARENCY AND ACCOUNTABILITY / SHARED SERVICES

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### Governance

The City of Gonzales is a General Law City with a Council/Manager form of government. The Mayor and four City Council Members govern the City. The Mayor is elected directly by voters every two years. Voters elect City Council Members at-large to staggered four-year terms. The City Council meets the first and third Monday of every month at 6:00 pm in the City Council Chambers in downtown Gonzales. The Council holds special meetings as necessary to provide policy direction and oversight.

### Transparency and Accountability

Each City Council meeting has a time on the agenda reserved for public comments. The Council limits closed session discussions to issues allowed by State law. Public meetings and City operations are publicized through the media, through mailings and by use of the City website. Videos of City Council meetings are available online and archived on the City's website. City offices are open to the public during normal business hours, Monday through Friday. City revenues and expenses are audited annually by a private auditing firm experienced in municipal finance.

### Shared Services

As outlined in a previous section of this Service Review, the City of Gonzales has a track record of working with local businesses through the Gonzales Grows Green program. The City also has a history of working with other local government agencies to serve residents of the South Salinas Valley. In recent years, the City and the Gonzales Unified School District have initiated joint programs and initiatives. One result of these cooperative efforts is a jointly-financed gymnasium which opened in 2010.

In July 2010, Gonzales also joined the Cities of Greenfield, King and Soledad in a cooperative agreement known as "Four Cities for Peace." This agreement strengthens existing partnerships and coordinated efforts to address the gang problem in the South Salinas Valley. Two regional California Gang Reduction, Intervention and Prevention (CalGRIP) grants from the State of California facilitate implementation of the program.

In January 2013, the Gonzales City Council approved an additional agreement with the other three South Salinas Valley cities: Soledad, Greenfield and King City. This agreement expands on previous intergovernmental efforts and commits the cities to explore shared government services. The agreement states that shared services can take different forms, such as the consolidation of existing services, sharing responsibilities for delivering services, jointly contracting for services, forming a new entity for performing common services, and sharing equipment and facilities. While this agreement does not commit the four cities to specific actions, it signifies a seriousness about exploring shared services as a way to improve public services and reduce costs. In July 2013, the City agreed to share an animal control officer with the City of King in the spirit of this agreement.

## FINANCES

The City Council has adopted a Fiscal Year 2014-2015 budget with anticipated expenditures of \$13.9 million. While this budget constitutes a decrease from the previous fiscal year, City budgets often include similar levels of fluctuation. As with many other cities, budgeting for one-time infrastructure improvements and the 2012 statewide dissolution of redevelopment agencies have created wide year-to-year variations. Municipal reserves, primarily those in the Water and Sewer Enterprise and Street Funds, cover the difference between annual revenues and expenditures to fund major multi-year public works. This allows for long-range infrastructure planning.

### Total Expenditures and Revenues

Table 3 outlines budgeted expenditures for the most recent three years for the City's major funds. The table illustrates the wide range of urban services provided by the City. Within the overall budget revenues generally match expenditures, although shortfalls in revenues within a fiscal year can be replaced from reserves as needed. Surpluses in revenues can be added to reserves.

While the budget illustrates the City's planned expenditures, revenue and project-scheduling constraints can limit actual expenditures. Of the three years listed in Table 3, audited expenditures are only available for Fiscal Year 2012-2013. Of that year's \$10.7 million budget, the City only expended \$9.3 million, or 87% of the budgeted amount.

Table 3 City of Gonzales: Total Budgeted Expenditures Fiscal Year 2012-13 through 2014-15				
	FY 2012-2013 Adopted Budget	FY 2013-2014 Adopted Budget	FY 2014-2015 Adopted Budget	Percent of Total (FY 2014-2015)
General Fund	\$ 3,462,937	\$ 3,615,255	\$ 3,569,828	25.6%
Water Fund	\$ 1,961,454	\$ 3,705,858	\$ 2,621,922	18.8%
Public Safety Fund	\$ 556,053	\$ 561,883	\$ 510,340	3.7%
Garbage	\$ 957,336	\$ 1,057,816	\$ 1,107,620	7.9%
Community Development & Recreation	\$ 524,903	\$ 630,183	\$ 643,246	4.6%
Impact Funds	\$ 582,578	\$ 1,318,561	\$ 885,894	6.4%
Special Assessment Districts	\$ 498,442	\$ 618,552	\$ 567,893	4.1%
Sewer Fund	\$ 864,683	\$ 1,442,259	\$ 1,508,403	10.8%
Streets & Transportation	\$ 410,220	\$ 657,520	\$ 884,267	6.3%
Successor Agency	\$ 902,727	\$ 1,293,293	\$ 1,315,184	9.4%
Solar Project & Infrastructure Fund	\$ 35,000	\$ 304,365	\$ 332,311	2.4%
<b>TOTAL (budgeted)</b>	<b>\$ 10,756,333</b>	<b>\$ 15,205,545</b>	<b>\$ 13,946,908</b>	<b>100.0%</b>

## General Fund Revenues

Funding requirements strictly limit the uses of most City revenue. The General Fund budget contains funding for most routine municipal services and is the primary source of discretionary funds available to a City Council. Table 4 illustrates the General Fund's anticipated revenue sources for the most recent three years. In Fiscal Year 2014-2015, revenues are higher than normal due to the anticipated sale of surplus City real estate for \$1.4 million, which is almost 29% of all anticipated General Fund revenues. The next largest revenue sources are Other Taxes and Salinas Valley Solid Waste Authority Fee<sup>4</sup> (14%), "Sales, Use Tax, and Triple Flip"<sup>4</sup> (14%), Motor Vehicle In-Lieu / Vehicle License Fee Adjustment" (13%) and Property Taxes (10%). Revenues not needed to cover Fiscal Year 2014-2015 expenditures will expand the end-of-year fund balance and function as reserves.

	FY 2012-2013 Adopted Budget	FY 2013-2014 Adopted Budget	FY 2014-2015 Adopted Budget	Percent of Total (FY 2014-2015)
Transfers In	\$256,400	\$311,400	\$307,400	25.6%
Property Taxes	\$399,500	\$414,500	\$503,000	18.8%
Sales, Use Tax, Triple Flip	\$613,000	\$653,000	\$680,000	3.7%
Building Requirements	\$105,855	\$44,360	\$44,300	7.9%
Motor Vehicle In- Lieu/ VLF Adjustment	\$590,000	\$592,950	\$610,083	4.6%
Other Taxes and SVSWA Fee	\$481,900	\$477,000	\$692,400	6.4%
Use of Money & Property	\$97,000	\$97,000	\$1,397,000	4.1%
Police Department	\$89,850	\$179,850	\$156,550	10.8%
Fire Department	\$226,000	\$226,000	\$226,000	
Other Revenue	\$445,532	\$400,763	\$91,500	
Planning Department	\$14,200	\$27,970	\$22,200	6.3%
Recreation Services	\$130,500	\$177,262	\$130,000	9.4%
Intergovernmental, Public Works, Fines and Penalties	\$13,200	\$13,200	\$11,200	2.4%
<b>TOTAL</b>	<b>\$3,462,937</b>	<b>\$3,615,255</b>	<b>\$4,871,633</b>	<b>100.0%</b>

Source: City and Successor Agency Recommended Budgets, Fiscal Years 2012-2013 through 2014-2015

<sup>4</sup> California voters and the legislature have approved measures which redirect a portion of the sales tax from cities to the State and have replaced this amount by redirecting an equal amount of property tax back to cities. This is referred to as the "triple flip."

## General Fund Expenditures

Table 5 illustrates budgeted General Fund Expenditures over the most recent three years. The City has adopted a Fiscal Year 2014-2015 budget for General Fund expenditures of \$3,569,828. Consistent with the practice of many local jurisdictions, over 50% of these general funds were allocated for the City's Police Department. The next largest expense category, representing 10.3% of general fund expenditures is a \$367,819 debt payment for the 2011 Lease Revenue Bond loan to the Gonzales Redevelopment Agency to refinance the 2006 RDA Tax Anticipation Note. The City is working with the California Department of Finance to allow this cost as a valid obligation of the Redevelopment Agency's Successor Agency rather than the City's General Fund. If allowed, this shift would provide for potential allocation of this dollar amount to other General Fund expenditures or to reserves.

Table 5 City of Gonzales: Budgeted General Fund Expenditures by Department Fiscal Year 2012-13 through 2014-15				
	FY 2012-2013 Adopted Budget	FY 2013-2014 Adopted Budget	FY 2014-2015 Adopted Budget	Percent of Total (FY 2014-2015)
Police	\$1,715,275	\$1,809,356	\$ 1,824,292	51.1%
Public Works	\$54,570	\$65,945	\$66,764	1.9%
City Manager/Finance	\$267,530	\$289,930	\$285,691	8.0%
Fire	\$214,639	\$216,756	\$225,930	6.3%
General Gov. Bldgs. & Non- Departmental	\$168,264	\$169,081	\$163,600	4.6%
Planning	\$185,733	\$183,232	\$184,720	5.2%
City Attorney	\$15,000	\$35,000	\$45,000	1.3%
Parks, Recreation & Aquatics	\$285,723	\$299,762	\$331,109	9.3%
City Council	\$37,545	\$41,195	\$40,200	1.1%
Debt Service	\$385,819	\$385,819	\$367,819	10.3%
Building / Fire Marshall	\$132,839	\$99,179	\$34,703	1.0%
Contingency	-----	\$20,000	-----	-----
<b>TOTAL</b>	<b>\$3,462,937</b>	<b>\$3,615,255</b>	<b>\$3,569,828</b>	<b>100.0%</b>

Source: City and Successor Agency Recommended Budgets, Fiscal Years 2012-2013 through 2014-2015

## City Assets

The Basic Financial Statements for the year ending June 30, 2013 list \$62.0 million as the City's total assets and \$10.5 million as its total liabilities. Gonzales, therefore, has a "total net position" of \$51.4 million. This total net position has increased by \$7.3 million since 2010. As mentioned in the City's audit, the long-term "increases and decreases in net position may serve as a useful indicator of any improvements or deteriorations in the City's financial position." The largest portion of the City's net assets in 2013, \$37 million, reflects the City's investment in capital assets: infrastructure, land, buildings and other improvements, vehicles, and equipment.

The City's most unrestricted and liquid asset is the fund balance of the General Fund. The City's audit

states that “from an administrative standpoint, it has been the goal to maintain the fund balance [of the General Fund] at a minimum of \$1 million.” While the audit states that the General Fund balance has averaged \$994,370 since fiscal year 2009, it also states that this fund balance has decreased each of these years. As of June 30, 2013, the audit listed the General Fund balance at \$252,411, which does not include an allowance for receivables owed the City by the Successor Agency of the City Redevelopment Agency. If this adjustment is allowed, the City’s accountant estimates that the fund balance of the General Fund is between \$800,000 and \$900,000. The City is in discussions with the State to approve the allowance as an enforceable obligation of the Successor Agency. The City’s accountant estimates little change in the fund balance from June 2013 to June 2014.

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## FUTURE OPPORTUNITIES AND CHALLENGES

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The City has shown resourcefulness in providing services. The City has worked closely with neighboring cities to combat crime and is forging relationships with these cities to improve service and reduce costs. The City has also initiated the progressive “Gonzales Grows Green” program which aims to make the City a leader in green technology and reducing carbon emissions. The City’s resourcefulness will likely continue to be a resource in resolving future challenges.

The City’s location - in the heart of prime agricultural land and just 17 miles south of Salinas - positions it to take advantage of the regions strong agricultural economy. The City plans to use this advantage to attract business and to generate jobs for its growing population.

At the same time, like many California municipalities, the City struggles with a shortage of revenues to meet needs. The dissolution of the City’s Redevelopment Agency has left the City with fiscal obligations that were previously paid through redevelopment revenues. The City, and other cities throughout the State are seeking a legal and/or political solution to this problem.

The future growth and development of the City will require significant expenditures to plan, construct, and maintain the needed infrastructure. Among the major issues the City will face are:

- Water: Will There Be Enough Water to Support the Projected Urban Growth?

The Environmental Impact Report for the Gonzales General Plan found that anticipated development “could contribute to the further decline of the groundwater basin in coastal areas as a result of seawater intrusion.”<sup>5</sup> This impact was found to be “less than significant” due to the corresponding decrease in agricultural water use and policies and implementing actions in the General Plan, which lessen the impact. Specifically, General Plan Policy FS 2.1 requires the City to meet the water supply needs of new development without increasing the net capacity of existing groundwater wells that exist in the planning area. General Plan Implementing Action FS-2.1.1 states that the City shall “permit new development only when public water can be supplied and delivered without threatening water supply or water quality in the rest of Gonzales.”

LAFCO will require documentation of compliance with the General plan policies and implementing actions, and with requirements of the CKH Act and LAFCO’s locally adopted policies, when areas within the proposed Sphere of Influence amendment are proposed for annexation in the future. Future annexation proposal will also be subject to site-specific, project-level environmental review and mitigation requirements.

- Wastewater: Will Adequate Investment be Available to Make Needed Improvements?

In 2001, the City adopted a Wastewater System Master Plan. Phase 1 of this plan will accommodate a population of 13,000. The cost of improving the City’s treatment plant to serve

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<sup>5</sup> General Plan EIR, page 4-211.

the expected 2010 General Plan build-out population is estimated at \$25 to \$30 million, not including the infrastructure needed to pump sewage to the plant. An implementation plan for these system enhancements will be required as part of the necessary project-level CEQA clearances and Plans for Providing Services for future annexation proposals.

- **Transportation: Can Highway 101 and Local Arterials Handle the Traffic Created?**

Congestion along Highway 101 can be challenging today, especially relating to the interface between agricultural truck traffic and general traffic. A four-fold increase in Gonzales' population and increased levels of commercial/industrial activity will put additional stress on the highway, interchanges, and feeder arterials. The City is planning for the needed improvements to the highway and street infrastructure to enhance safety, quality of life and service levels. The City has also redirected most truck traffic off City streets to improve traffic flow and public safety.

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## MUNICIPAL SERVICE REVIEW DETERMINATIONS<sup>6</sup>

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### 1. Growth and Population Projections for the Affected Area

The City of Gonzales has experienced significant growth since 1980, although this growth slowed significantly following the 2008 recession. The City's existing population is approximately 8,400. Buildout of the 1996 General Plan would have provided for a total of 12,000 residents on 1,200 acres. The Gonzales 2010 General Plan provided for a potential total City population of 36,000 residents on around 3,600 acres. In accordance with the City-County MOA discussed above, the proposed Sphere of Influence expansion provides for slightly less growth acreage than anticipated in the City's 2010 General Plan. However, the amount of proposed residential acreage, and thus population growth potential, is unaffected by the MOA.

The Association of Monterey Bay Area Governments projects a City population of 19,333 by the year 2035. The proposed Sphere expansion acreage is anticipated to provide adequate capacity, within its 20-year outlook, for the projected amount of residential and non-residential growth in Gonzales.

### 2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities ("DUCs") Within or Contiguous to the Sphere of Influence

State law defines a DUC as a community with an annual median household income of less than 80 percent of the statewide annual median household income. Staff has reviewed the most recent annual median household income data at the Census Block Group level (the smallest Census data unit available), to identify areas within three miles of the City and its Sphere of Influence proposal that might meet this definition. The review identified two areas as meeting the definition of a DUC:

- Census Tract 108.04, Block Group 1, includes a northern portion of the City and an adjacent agricultural area that is outside the City Limits and Sphere of Influence. There are no developed, or developable, unincorporated parcels in this block group that would benefit from being included the City's Sphere of Influence proposal.
- Census Tract 109.00, Block Group 1, is a portion of the City of Soledad that includes the Salinas Valley State Prison and the Correctional Training Facility. Neither area is appropriate for inclusion in the City's proposed Sphere expansion.

The only developed area in the proposed Sphere expansion is an existing, inhabited farmworker

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<sup>6</sup> Sphere of Influence determinations required per Government Code section 56430.



housing development located on South Alta Street, approximately 400 feet south of Gonzales River Road (APN 020-031-002, approximately 2.3 acres). This parcel does not currently meet the strict definition of a DUC, in that the most recently reported annual median household income for the overall Census Block Group that includes this parcel was more than 80% of the statewide median. However, this farmworker housing development parcel is being included in the City's Sphere of Influence expansion proposal, in keeping with the spirit of State law requirements and good public policy. Inclusion of this parcel in the Sphere proposal is also consistent with LAFCO policies, in that future annexations of lands around the site could create an inefficient unincorporated County "island" if the farmworker housing parcel were to be excluded from the proposal.

LAFCO staff has received informal communication regarding ongoing issues related to the site's (well-based) drinking water quality and septic system performance. These issues are being managed, but would likely be more appropriately addressed, in the longer term, either by connection to municipal water and wastewater systems or by relocating the housing development to a better-served site. City staff has indicated that the City and the County have been in discussions for several years regarding potential relocation of the farmworker housing units, but lack of funding has been the main limitation.

No annexations are currently proposed in the area, the City has identified no plans to annex the housing site, and no other changes are currently proposed to the site's existing use or status. However, its inclusion in the Sphere proposal indicates that the site is likely appropriate for annexation within the Sphere's approximately 20-year time horizon. In addition, should the Commission approve the proposed Sphere expansion, and should other adjoining parcels be proposed for annexation in the future, then existing State law requirements (e.g., Government Code Section 56375) may *require* annexation of the housing site, if the housing site remains inhabited and if an updated analysis at that time determines that the site meets the definition of a DUC.<sup>7</sup>

**3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs and Deficiencies (Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in Any Disadvantaged Unincorporated Communities Within, or Contiguous to, the Sphere of Influence).**

The City of Gonzales provides a wide array of services within its boundaries as outlined in this Study. Applications for future annexations to the City, as annexations are proposed over time, will require that revenue sources will be identified to allow for the expansion of services.

**4. Financial Ability of Agency to Provide Services**

The City has established itself as a capable provider of municipal services. The Finances section of this Study outlines the City's current financial conditions and outlook.

**5. Status of, and Opportunities for, Shared Facilities**

The City works closely with the three other South Salinas Valley cities: Soledad, Greenfield and King City. The City also has a close working relationship with the Gonzales Unified School District. These relationships are reviewed in the "Governance / Transparency and Accountability / Shared Services" section of this Study.

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<sup>7</sup> As of 2011, passage of Senate Bill 244, which is now codified as Section 56375 of the CKH Act, requires LAFCOs to deny any application to annex to a city territory that is contiguous to a DUC, unless a second application is submitted to annex the DUC as well.

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

The City of Gonzales is a full service General Law City. The City Council is composed of a Mayor and four Council Members who are elected at-large. The City maintains an informative web page to inform its residents. The City operates efficiently as outlined above in the Service Review.

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

LAFCO has reviewed its local policies and there are no other pertinent matters.

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**SPHERE OF INFLUENCE DETERMINATIONS<sup>8</sup>**

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Based on the information and analysis in this Study, leading to the recommended determinations in this section, the Study provides support for the proposed Sphere of Influence expansion of the City of Gonzales.

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

Present and planned land uses, particularly within the City's proposed Sphere of Influence expansion, are discussed and evaluated in the City's adopted 2010 General Plan, the General Plan's certified Final Environmental Impact Report (EIR) and 2014 EIR Addendum, and in the approved 2014 City-County MOA for orderly planning, growth, and development based on the City's General Plan and EIR. The MOA's fundamental objective is to balance the preservation of open space and prime agricultural lands with the need for orderly City growth. The MOA provides for permanent agricultural edges to be provided along the City's north, south, and west edges, growing the City toward the foothills and protecting the highest-quality agricultural lands in lower-lying areas. The MOA provides for a clear, logical urban boundary on the City's southern edge by amending its General Plan to remove previously planned urban land use designations south of Gloria Road. The MOA commits the City to establish a comprehensive mitigation program for the loss of agricultural lands within the City's urban growth area. On balance, the City's Sphere of Influence proposal, including impacts to, and preservation of, agricultural lands is reasonable within the comprehensive context of the City-County MOA.

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

As outlined in this Study, areas within the proposed Sphere of Influence expansion are primarily agricultural lands that will only need urban services as they are incrementally annexed to the City and developed, subject to LAFCO approval. The City will be obligated to provide new and services, and enhancements to existing services, as future annexations occur. The necessary improvements will be guided by the City's adopted 2010 General Plan and certified Final EIR, the City's future preparation of Specific Plans as areas are proposed for development, and by conformance to LAFCO policies requiring a comprehensive Plan for Providing Services at the time of each future annexation proposal.

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

The present capacity of public facilities and services within the City of Gonzales adequately meets the needs of City residents. The City will undertake an expansion of these facilities and services, as needed, including a planned expansion of the City's wastewater treatment plant, when individual subareas are proposed for annexation (subject to LAFCO approval) and development. As noted in #2, above, identification and implementation of the necessary future public improvements will occur through several mechanisms. These include, but are not limited to, the City's previously adopted 2010

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<sup>8</sup> Sphere of Influence determinations required per Government Code section 56425(e).

General Plan and certified Final EIR, the City's future preparation of Specific Plans, and by LAFCO policies requiring a comprehensive Plan for Providing Services at the annexation stage.

**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**

The only social or economic community of interest in the area that may be relevant to the Agency or to the proposed Sphere of Influence expansion is the farmworker housing that is proposed for inclusion in the City's Sphere of Influence. This one-parcel development is located on South Alta Street, approximately 400 feet south of Gonzales River Road. The housing site's current status and needs are discussed in Municipal Review Determination #2, above.

**5. The Present and Probable Need for Sewers, Municipal and Industrial Water, and Structural Fire Protection of Any Disadvantaged Unincorporated Communities within the Existing Sphere of Influence.**

As outlined within the Municipal Service Review Determinations, above, there are no potential Disadvantaged Unincorporated Communities within the City's existing Sphere of Influence. The current status and needs of a potential DUC in the proposed Sphere expansion (the existing farmworker housing development on South Alta Street) are discussed in Municipal Review Determination #2, above.

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## SOURCES AND ACKNOWLEDGEMENTS

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The information in this Municipal Service Review and Sphere of Influence Update was primarily developed in coordination with staff from the City of Gonzales. City staff met to discuss services and boundaries, answered our questions, and provided audits, budgets, City agenda packets and other documents. LAFCO received most of the information in this report through the verbal and written information provided by the City.

While LAFCO has used a large number of written resources in the preparation of the Service Review, the following have been key:

- a. City of Gonzales, Annual Reports, 2010 through 2013
- b. Gonzales 2010 General Plan, Adopted by Gonzales City Council, January 18, 2011;
- c. Gonzales 2010 General Plan, Environmental Impact Report, City of Gonzales, July 2010 (prepared for the City by Coast Plans)
- d. City of Gonzales, Basic Financial Statements, Years Ended June 30, 2012 and 2013;
- e. City and Successor Agency Budget, Fiscal Years 2010-11 through 2014-2015, and
- f. City/County Memorandum of Agreement for Orderly Planning, April 2014.

These City documents, and others, can be found on the City website: [www.ci.gonzales.ca.us/documents.php](http://www.ci.gonzales.ca.us/documents.php)

**APPENDIX I: CITY - COUNTY MEMORANDUM OF AGREEMENT (SUMMARY)**

This table, prepared by City staff, provides a summary of the content of the City and County MOA. The Table also presents a summary of the agreement between the parties regarding each of the nine (9) planning, growth and development issues discussed by the parties during the negotiation of the MOA.

<b>SECTION 1. LOGICAL &amp; ORDERLY DEVELOPMENT</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The adoption of the City’s General Plan establishes a long range development plan for the City that identifies the “ultimate” City area that will enable the City to plan for efficient provision of public facilities and the delivery of services, provide clarity for property owners about the direction of future development and its extent, and direct development away from the best agricultural land.</p>	<p>The County recognizes that a commitment to City-Centered Growth principles implies long-term reliance on the City to accommodate housing and other urban needs, and relies on the City to be able to designate adequate land for its needs while developing in a logical, compact and orderly manner.</p>
<b>SECTION 2. DIRECTION OF FUTURE DEVELOPMENT</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City’s proposed Sphere is embodied by the General Plan “New Urban Growth Boundary”, which is the area to be developed in the long term. The City’s General Plan includes provisions for compact and sustainable growth patterns, establishing permanent urban edges, demonstrates a commitment for agricultural buffers, and mitigation of converted agricultural land.</p>	<p>The County will work with the City to manage growth, consult with the City on development projects in the nearby unincorporated area, and preserve agricultural land to maintain physical separation between Gonzales and Soledad (and the prison) to the south and Chualar to the north.</p>
<b>SECTION 3. SPECIFIC PLANNING ACTIONS</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City agrees to amend its General Plan to remove all Commercial, Industrial and Industrial (Urban Reserve) land use designations south of Gloria Road and outside of the proposed Sphere of Influence, as designated on the Effective Date of this Agreement and replace those designations with an Agricultural designation and the designation of Permanent Agricultural Edge.</p> <p>The City agrees to coordinate with the County and plan the arterial roadways along Associated Lane, Iverson Road and Gloria Road in a manner that supports the free-flow of both automobile and truck traffic, utilizing method(s) determined by a traffic engineer to be practical, including but not limited to: utilizing the existing County road as a frontage road/by-pass road, roundabouts, directional barriers or medians, trap lanes and right-turn-in and right-turn-out intersections.</p>	<p>The Parties agree that the removal of job-generating land uses south of Gloria Road weakens the housing and jobs relationship provided in the City’s General Plan, and that the relationship that currently exists in the City’s General Plan should be maintained. Therefore, in exchange for the removal of the job-generating land uses south of Gloria Road, the County agrees to allow the City to pursue the designation of Assessor Parcel number (s) 223-021-001, 020-031-003, 020-031-004 as Industrial with the designation of Permanent Agricultural Edge along the outside of the southern and western boundary to prevent future extension of urban land uses.</p>
<b>SECTION 4. DEVELOPMENT PHASING AND ANNEXATIONS</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City’s adopted 2010 General Plan focuses future urban development to the east of Highway 101 and provides for the phasing of development through the use of Specific Plans.</p> <p>The Specific Plans will promote self-contained neighborhoods that are no smaller than 125 acres and no larger than 400 acres. Accordingly, the timing of annexation applications submitted for consideration by LAFCO will be based upon the approval by the City of a Specific Plan, which includes a phasing plan, a plan for services and public facilities and financing plans that demonstrate compliance with LAFCO Standards.</p>	<p>The City shall refer proposals for the preparation of a Specific Plan within the UGB/SOI to the County Resource Management Agency (RMA) - Planning Department for informal review and comment regarding the potential impacts of the proposed project upon the adjacent unincorporated area and associated County facilities. Environmental documents associated with the Specific Plan process shall be referred to the County RMA - Planning Department for formal review and comment.</p>

<b>SECTION 5. AGRICULTURAL LAND COMPATIBILITY</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City commits to keep agricultural land, within its growth boundaries, in production as long as possible, focus long term growth to the east, ensure that adjacent land uses are compatible with agricultural land, and work with the County to separate agricultural truck traffic from local traffic.</p>	<p>The County is taking the lead in drafting a County-wide Agricultural Land Mitigation Program that address the loss of agricultural land due to the development and conversion of land to urban uses. The County is also taking the lead in drafting a County-wide Agricultural Buffer Program to ensure compatibility of urban land uses with agricultural land uses in the unincorporated area.</p>
<b>SECTION 6. AGRICULTURAL LAND CONSERVATION PROGRAM</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>Both parties intend to preserve agricultural land around the City to ensure viability of the agricultural economy. The parties agree to explore the utilization of permanent agricultural easements as a tool to assist in that goal. Within the Section, the City presents its program to mitigate loss of valuable agricultural land and provides guidance on how and when the program will be implemented.</p>	<p>The County agrees to the cessation of the City's Agricultural Land Conservation Program if permanent agricultural easements are established on the City's North, West and South boundaries.</p>
<b>SECTION 7. TRAFFIC MITIGATION FEES</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City agrees to consider adoption of the County's impact fee program, as may be amended from time to time, to fund improvements to County roads listed in the program. Until the Impact Fee is established, the City agrees to ensure that any new development project in the incorporated area, pursuant to the City's General Plan, that causes traffic impacts on local roads in the nearby unincorporated area, will pay its pro rata fair share to the County as mitigation for impacts on County roads.</p>	<p>The County agrees to prepare and consider a Traffic Impact Fee that would include a Greater Gonzales Area Zone within 18 months of the effective date of the adoption of the Sphere of Influence by LAFCO.</p> <p>The County agrees that for any development within the City's Planning Area Boundary as shown on the City's Land Use Diagram, the County will consult with the City to determine if there are traffic impacts to the City. In the event that there are traffic impacts to the City, the County will require the development to pay its pro rata fair share to the City as mitigation of impacts on City roads.</p>
<b>SECTION 8. TAX SHARING</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The City agrees, to the extent allowed by law that all local taxes, for any annexation that is not consistent with the MOA, shall not accrue to the benefit of the City.</p>	<p>The County agrees to discuss with the City the existing Master Tax Sharing Agreement prior to any annexation, except all land within the Sphere of Influence that exists today.</p>
<b>SECTION 9. ENVIRONMENTAL REVIEW, PUBLIC HEARING &amp; DECISION-MAKING</b>	
<b>CITY</b>	<b>COUNTY</b>
<p>The parties recognize the need for California Environmental Quality Act review, public hearings, and public outreach prior to any binding decisions. It recognizes that the MOA is a document that states tentative policy commitments until all legal steps have been completed.</p>	<p>See description within the City column.</p>

The full text of the MOA, and related staff reports, are available on line at:

- <https://monterey.legistar.com/LegislationDetail.aspx?ID=1685470&GUID=E99FB929-1EE6-4BC3-8595-B254723022DA> (County of Monterey)
- <http://www.ci.gonzales.ca.us/cms-assets/documents/159812-55368.04-07-14-cc-agenda-packet.pdf> (City of Gonzales)