

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Final

2014 Municipal Service Review and
Sphere of Influence Study:

Castroville Community Services District

Adopted by the Commission on March 24, 2014

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**2014 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY
FOR THE CASTROVILLE COMMUNITY SERVICES DISTRICT**

Castroville Community Services District – At A Glance	
Formation Date	1952 as Castroville Water District 2008 as Castroville Community Services District
Legal Authority	Government Code Section 61000 et seq. (Community Services District law)
Board of Directors	Five elected, at-large members, per Community Services District law
District Area	1.55 square miles, plus 1.0 square mile in the Moss Landing area (currently served by the District under contract, and proposed for consolidation into District boundaries)
Population (est.)	Approximately 7,250 within current District boundaries, plus an estimated 500 people in the Moss Landing area (see above)
Authorized Powers	Water, sewer, storm water, recreation facilities, community recreation, street lighting, street maintenance, pest control, acquisition of land for habitat mitigation
Budget (Fiscal Year 2013-2014)	\$2,359,000 anticipated income \$1,933,000 operating expenses \$ 257,000 capital expenditures
Mission Statement	The Mission of the Castroville Community Service District is to provide quality services at the highest standard in the most effective manner.
Vision Statement	Dedicated to inclusive community involvement and providing excellent customer service while being recognized as a leading resource for enhancing the Community of Castroville, Moro Cojo and Moss Landing
General Manager	J. Eric Tynan
Contact Information	11499 Geil Street Castroville, CA. 95012 831.633.2560
Website	www.CastrovilleCSD.org

EXECUTIVE SUMMARY AND RECOMMENDATIONS

This Municipal Service Review and Sphere of Influence Study provides information about the services and boundaries of the Castroville Community Services District. 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). State law also requires that, prior to adopting a Sphere of Influence,

LAFCO must conduct a review of the municipal services provided by that local agency (Gov. Code section 56430). In addition, this report informs the general public about the nature, accomplishments and challenges of a commendable local agency.

Current Boundaries and Services

From its historical origins as the Castroville Water District, the Castroville Community Services District was reorganized in 2008 as an independent special district with expanded powers to provide services related to water, sewer, storm drains, open space, and maintenance of streets and street lighting. The District now serves the unincorporated community of Castroville and a nearby residential area (Moro Cojo) and high school within its boundaries, as shown in **Figure 1**. For the most part, the District boundaries are the same as its' Sphere of Influence. Only one area is inside the current Sphere but outside the District boundaries – a “lobe” of several agricultural properties on the southwest edge of the community.

In addition to services provided to the Castroville community, the District currently operates the County-dependent Moss Landing County Sanitation District system (see **Figure 1**). The Moss Landing system is outside of the Castroville District's boundaries and Sphere of Influence, and service is provided under a contract with the County of Monterey.

Proposed Boundaries and Services

The Castroville Community Services District and the County of Monterey propose to consolidate the Castroville and Moss Landing districts. If this consolidation is approved, the Moss Landing community will be placed inside the boundaries of the Castroville Community Services District, and the Moss Landing County Sanitation District will cease to exist as a separate entity on June 30, 2014 (see **Figure 2**). The initial boundaries and Sphere of Influence of the newly consolidated District will be the same as the two existing districts. Eventually, the District may propose changes in its boundaries and the Sphere of Influence to accommodate planned revitalization and growth in Moss Landing and Castroville.

Based on a specific recommendation in the County's 2012 Moss Landing Community Plan, the Executive Officer recommends a “Future Study Area” designation now for certain industrial parcels in Moss Landing (see **Figure 2**). Under this designation, the industrial parcels would be outside of the District's Sphere of Influence, but may warrant inclusion in the Sphere in future years. Further study would need to be completed prior to inclusion. Other planned growth areas in Castroville and Moss Landing may also be considered for inclusion in the District's Sphere of Influence in the future.

The Castroville Community Services District, County of Monterey and LAFCO are coordinating to ensure a successful consolidation action. As the current operator of the Moss Landing sanitary system, the Castroville Community Services District knows firsthand the conditions and needs of the infrastructure, and has established a community rapport. As a Disadvantaged Unincorporated Community, the Moss Landing area will continue to receive services and will benefit from new opportunities to participate in District Board governance and decision-making processes.

District Capacity and Other Highlights

The District has adequate capacity to meet existing and likely future needs for providing services in Castroville and Moss Landing, and the capability to address the identified challenges. Of all of the challenges, the most serious is seawater intrusion and drought

conditions in the Salinas Valley groundwater basin. Existing District infrastructure, including wells, storage tanks, pump stations, and miles of pipelines, is in good working order. The District employs state-of-the-art technology. The District's finances are stable and responsibly managed. It consistently operates in the black and its net assets are steadily increasing. The District has accumulated substantial cash reserves to cover operational emergencies and long-term capital improvements. The Board and staff adhere to requirements for accountability, transparency and ethics, and are committed to delivery of high quality services in a cost-efficient manner. The District partners with public agencies such as the County of Monterey, Monterey County Water Resources Agency and the North County Recreation and Park District to deliver services, and extends helpful assistance to other neighboring districts.

Recommendations

Based on the analysis and recommendations in the *2014 Municipal Service Review and Sphere of Influence Study for the Castroville Community Services District*, the Executive Officer recommends adoption of a resolution to:

- a) Find that the action is exempt from provisions of the California Environmental Quality Act (CEQA) under Sections 15306 and 15061(b)(3) of the State CEQA Guidelines;
- b) Adopt the *2014 Municipal Service Review and Sphere of Influence Study for the Castroville Community Services District*; and
- c) Adopt the *Study's* determinations that support updating the Castroville Community Services District's Sphere of Influence to reflect consolidation with the Moss Landing County Sanitation District and designation of a Future Study Area on the east side of Highway 1 in Moss Landing.

Figure 1
 Map of Existing District Boundaries and Sphere of Influence

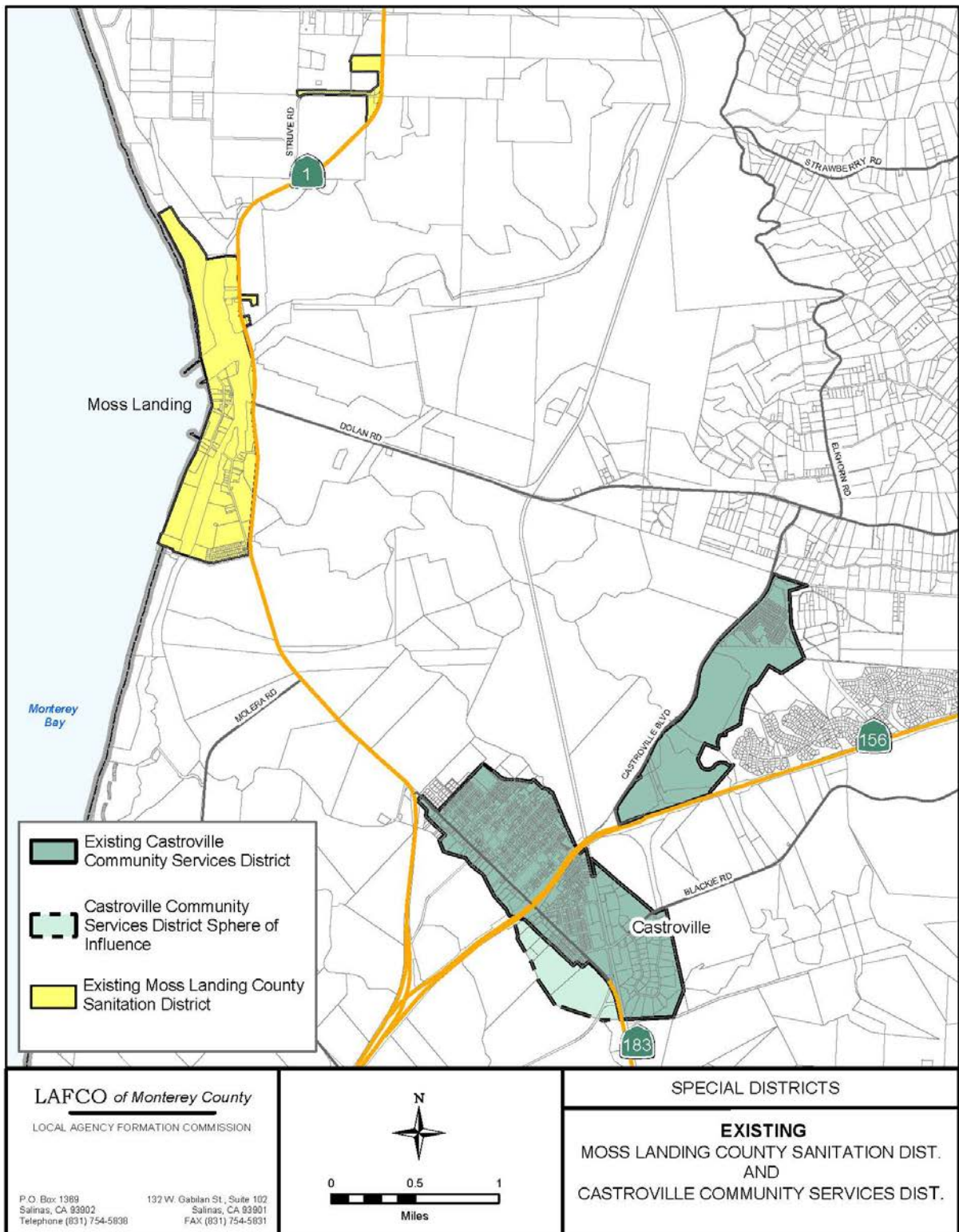
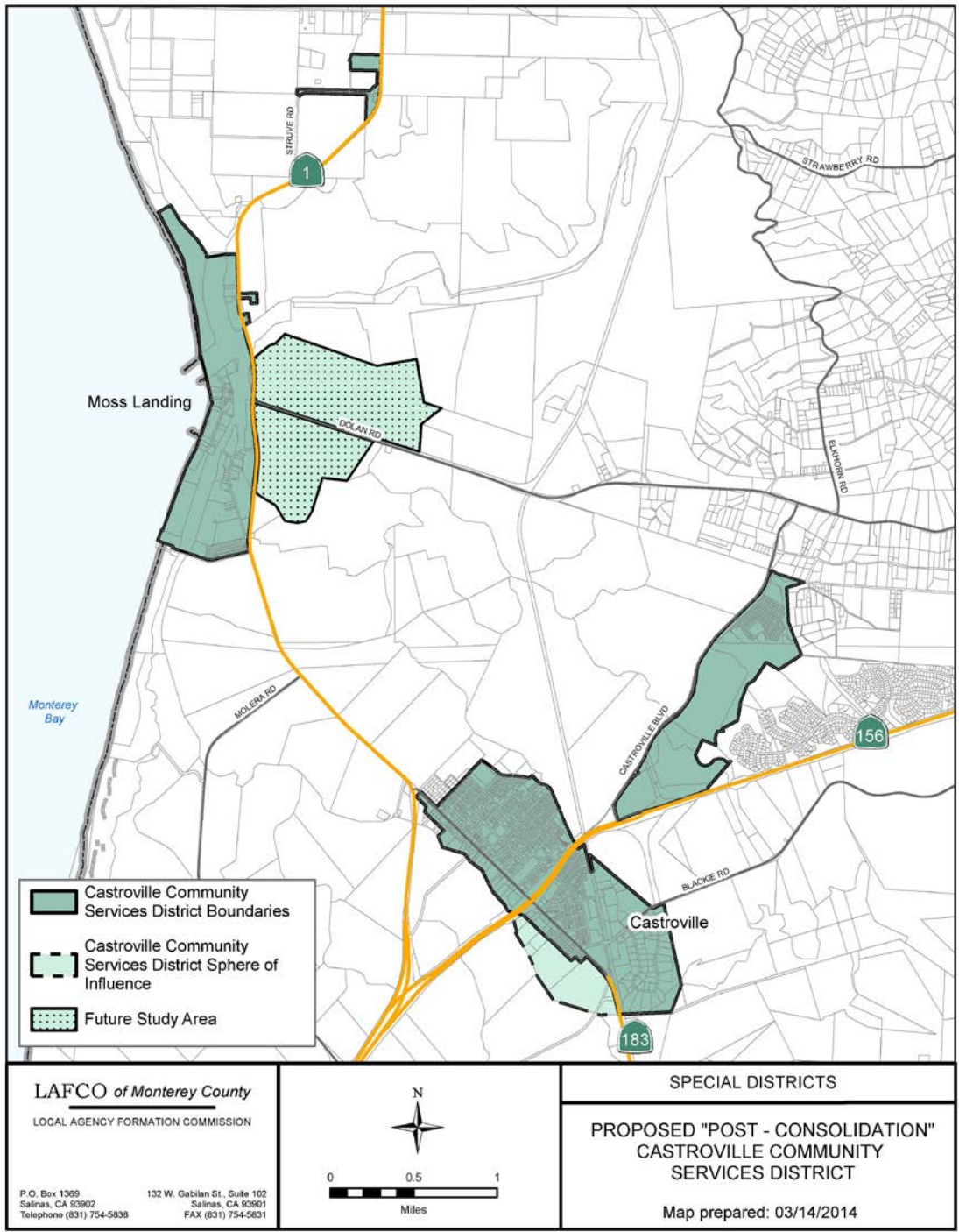


Figure 2
 Map of Proposed District Boundaries and Sphere of Influence



HOW THIS REPORT IS ORGANIZED

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

DISTRICT HISTORY

The Castroville Water District was formed in 1952 to serve the unincorporated community of Castroville with a reliable source of potable water. Until that time, homes and businesses were served by individual private wells. The high density of private domestic wells, coupled with active agricultural wells nearby, substantially reduced the production of private wells in the late 1940s and early 1950s. This productivity loss generated the need for formation of a public Water District.

In 2005, LAFCO approved a Sphere of Influence Amendment and Annexation for the District to expand by approximately 367 acres (LAFCO file 05-11). The expansion area included 351 acres in County Service Area 14 (CSA 14): the 256-unit Moro Cojo Subdivision, the North Monterey County High School site, and the Monte del Lago Mobile Home Park. The expansion also included 21 parcels on 16 acres in small “pockets” adjacent to District boundaries and outside CSA 14.

In 2006, the District assumed the assets and liabilities for the sewer and storm drain from CSA 14. In 2008, LAFCO approved the dissolution of the Castroville Water District and CSA 14, and the formation of the Castroville Community Services District (LAFCO file 07-03). Combining of the districts facilitated the provision of more efficient and economical delivery of services to the community. The Commission’s resolution identified the following powers for the new Community Services District: Water, sewer, storm water, recreation facilities, community recreation, street lighting, street maintenance, pest control, and acquisition of land for habitat mitigation.

In 2011, the District began operating the County-owned Moss Landing County Sanitation District’s wastewater collection system under a contract with the County. In February 2014, the District and the County of Monterey requested LAFCO approval to consolidate the two districts, with Castroville Community Services District as the successor district. This consolidation proposal (LAFCO file 14-02) will be considered by the Commission at its March 24, 2014 meeting, Agenda Item 8.

DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE

Existing Boundaries and Sphere of Influence

The District’s existing boundaries (see **Figure 1**) include almost all of the Castroville unincorporated community, with the exception of an approximately 40-acre area on the community’s northern edge, currently in agriculturally use. The District also includes a residential area and high school to the northeast of Castroville (Moro Cojo area).

The District's existing Sphere of Influence consists solely of a "lobe" of several uninhabited agricultural properties on the southwest edge of the community. The District's Sphere was established in 2008, when the former Castroville Water District merged with County Service Area 14 and reorganized as Castroville Community Services District. The District's boundaries and Sphere have remained unchanged since 2008.

Proposed Consolidation with Moss Landing County Sanitation District

Overview of Consolidation Proposal

Moss Landing County Sanitation District (MLCSD) serves the unincorporated community of Moss Landing on the west side of Highway 1, approximately 2.5 miles northwest of Castroville (see **Figure 1**). MLCSD was formed in 1976 to provide a community sewer system that replaced the individual septic tank systems that served homes and businesses until that date. Since 2011, Castroville Community Services District has operated the Moss Landing County Sanitation District's wastewater collection system under contract with the County of Monterey. In February 2014, the two agencies jointly proposed a consolidation of these two districts. After consolidation, the former MLCSD would become a fully integrated part of the Castroville Community Services District, and MLCSD would cease to exist as a separate entity, as illustrated in **Figure 2**.

Consolidated District's Sphere of Influence

Castroville Community Services District does not currently propose any other modifications to its existing Sphere, and LAFCO has not identified any other areas that warrant inclusion. The productive agricultural fields located between Castroville and Moss Landing do not require the types of services that the District provides. Their inclusion within the District could also result in unintended growth-inducement impacts. Therefore, this area has been intentionally excluded from the District's proposed post-consolidation boundaries and Sphere.

The County of Monterey's October 2012 Moss Landing Community Plan (public review draft) highlighted the potential reuse of the Moss Landing Business Park on the east side of Highway 1. This site, along with the Duke Energy (formerly PG&E) power plant and its switching yard, is located outside the existing Moss Landing County Sanitation District's boundaries and Sphere. These sites currently use private septic systems.

Based on the analysis and recommendations in the draft Moss Landing Community Plan, the Executive Officer recommends designating an approximately 475-acre area on the east side of Highway 1, encompassing the Moss Landing Business Park, the power plant, and the power plant switching yard, as a Future Study Area, as shown in **Figure 2**. Please refer to the Future Challenges and Opportunities section, of this report, for a detailed discussion of this recommendation.

The Future Study Area designation signifies that these sites warrant possible inclusion in the post-consolidation Castroville Community Service District's Sphere of Influence at a future time, following additional study and environmental review. Other development that is envisioned in the Castroville Community Plan may warrant an additional Future Growth Area designation, upon further study in the longer-term future.

Relationship to Other Moss Landing Service Providers

Post-consolidation, the District's near-term plans in Moss Landing are limited to sanitary

sewage collection, as currently provided under contract to MLCSD. Pajaro-Sunny Mesa Community Services District (PSMCSD) owns and operates the water distribution system in Moss Landing. Moss Landing is outside PSMCSD's boundaries and Sphere of Influence. PSMCSD's rights of ownership and operation of the water system would not be affected by Moss Landing's consolidation into the Castroville District. Similarly, the County owns and operates the Moss Landing storm drain system and would continue to do so, as this system is separate from MLCSD and is therefore not a part of the consolidation proposal.

The Castroville District would have authority to provide water services, storm drainage, or any of its other previously authorized district powers, such as street lighting, to Moss Landing once Moss Landing is within the Castroville District's boundaries. The future potential also exists for the District to eventually purchase or accept transfer of PSMCSD's Moss Landing water system from, and/or the County's storm drain system. However, the District has no current plans to do so.

LAFCO policies, based on guidance in the Cortese-Knox-Hertzberg Act, state that "Duplication of authority to perform similar functions in the same territory will be avoided," and "Proposals, where feasible, should minimize the number of local agencies and promote the use of multi-purpose agencies." After the proposed consolidation, the Castroville District, the County, and PSMCSD would each continue to have a role in providing services to Moss Landing. However, by including Moss Landing within the boundaries of a full-service Community Services District, the consolidation would enable the potential for the Castroville District to eventually become the "one stop" provider of all municipal-type services in Moss Landing. As noted above, this would entail the District's purchase of systems owned by PSMCSD and the County, and is not currently under consideration.

FACILITIES AND OPERATIONS

The District serves more than 7,250 water customers through 1,984 water connections in the Castroville community, providing approximately 800 acre-feet of water per year to government, commercial, and residential customers. The District also owns and operates sanitary sewer and storm drain systems within its boundaries. The District assesses fees for PG&E-owned street lighting within District boundaries, and also assesses user fees and provides maintenance related to open space, recreation, and street maintenance.

Well water is stored in two tanks with a combined capacity of 1.1 million gallons. The stored water is distributed to customers via an average pumping of 800,000 gallons per day. However, the District has a maximum capacity to pump up to 4.5 million gallons per day to meet peak demands, if needed. Water is treated by adding chlorine at each well site. Regular water sampling has determined that there are no contaminants, such as nitrates, that would require treatment prior to distributing supplies as potable water.

With the exception of the seawater intrusion experienced at two of wells (see Future Challenges section, below), all facilities are in good working order. District infrastructure is currently adequate to meet all existing demands. However, the need for a new well will be a near-term priority due to current drought conditions exacerbating seawater intrusion in well #3. District has prepared a draft 2014-2019 Capital Improvement Program (CIP) for water supply, distribution, wastewater collection, and storm drainage. The draft CIP, which is scheduled to be adopted in June 2014, identifies no significant unanticipated needs.

District operations are headquartered in a 3,900-square-foot office at 11499 Geil Street in

Castroville. The District employs a staff of six full-time equivalent (FTE) staff to manage and maintain facilities and services. This staff size has been constant over the past three years. Personnel include the General Manager, Assistant General Manager/Senior Operator, Operators, bookkeeper and billing clerk. Each District employee is typically provided with two educational training days each year on a topic that relates to his or her job. Similar to other local agencies of this size, the District contracts with outside sources to provide various services. The District hires contractors and consultants to provide engineering services, legal services, construction of infrastructure projects, and laboratory analyses of water samples.

GOVERNANCE / TRANSPARENCY AND ACCOUNTABILITY

Governance

The District is governed by a five-member Board of Directors that is elected at-large for four-year terms. The Board meets once per month. The Board has not adopted a planning document for the District, but relies on information in the County of Monterey General Plan when considering issues related to land use.

Transparency and Accountability

The District conducts public Board meetings once per month. Each Board meeting has a time on the agenda reserved for public comments. The Board limits closed session discussions to issues allowed by State law. Meeting agendas are posted outside the District office in accordance with Brown Act requirements. Meetings are not currently noticed in area newspapers or posted on the internet. However, the District has initiated a new web site, www.CastrovilleCSD.org. Communication messages are regularly included in water bills mailed to customers each month.

The District office is open to the public during normal business hours, Monday through Friday. The District participates with the local Water Awareness Committee, a citizens' group interested in local water issues. The District also periodically hosts large seminar sessions at its office facility that are attended by staff members of area water purveyors. The District budget is audited annually in August by a private auditing firm. Currently the firm of Porter and Company is employed to conduct audits.

Castroville CSD currently serves the Moss Landing community under contract with the County. However, Moss Landing residents are unable to vote or run for the CCSD Board, because they live outside CCSD boundaries. If the currently proposed consolidation with Moss Landing County Sanitation District is approved, then all registered voters who reside in the current MLCSD boundaries would gain the right to vote for, and to be elected as, CCSD Board Directors. The currently proposed consolidation would thus expand the District's existing representation and accountability to the community it serves.

FINANCES

The District's Board of Directors has adopted a current (Fiscal Year 2013-2014) budget with anticipated total combined revenues of \$1.94 million and expenses of \$1.46 million. As outlined in this section, the District's finances are stable and responsibly managed. The District conducts annual audits. No recent audit has noted any deficiencies. The District consistently operates in the black and its net assets are steadily increasing. The District has accumulated sufficient cash reserves to cover both operational emergencies and long-term capital improvements.

Revenues and Expenses

The majority of the District’s revenue comes from user fees generated by the District’s water and sewer customers. Table 1, below, shows District revenues for Fiscal Year 2012-2013. Table 2 summarizes the District’s expenditures. These tables include both operating and non-operating revenues and expenditures.

Table 1: District Revenues (FY 12-13)	
Water	43%
Miscellaneous	37%
Sewer	8%
Property Taxes	6%
Street Lighting and Open Space	3%
Operating Grants	3%
Investment Earnings	<1%
TOTAL: \$1,937,000	

Table 2: District Expenses (FY 12-13)	
Water – Operating Costs	47%
Sewer – Operating Costs	37%
Recreation	8%
Public Works	3%
Street Lighting and Open Space	3%
Water/Sewer – Non-Operating Costs	2%
TOTAL: \$1,456,000	

Total District Income and Net Assets

At the end of each of the past three audited fiscal years, total District income has exceeded expenditures and the District’s net assets have increased accordingly. Table 3, below, combines year-end District income and year-end total net District assets. Net assets include cash and investments as well as capital assets consisting primarily of District infrastructure such as pipelines, wells, and buildings. As of Dec. 31, 2013, the District’s balance sheet included approximately \$7 million in checking/savings accounts for operational reserves and long-term capital improvements.

Table 3: District Income and Net Assets		
Fiscal Year	District Income (Change in Net Assets At End of Fiscal Year)	Net Assets at End of Fiscal Year
2012-2013	+\$481,000	\$13,843,000
2011-2012	+\$199,000	\$13,362,000
2010-2011	+\$750,000	\$13,163,000

Fiscal Year 2013-2014 Budget

For the current Fiscal Year, the District’s adopted budget includes approximately \$2,359,000 in anticipated income and \$1,933,000 in expenses, yielding an approximately \$426,000 net income. Of this amount, approximately \$237,000 is allocated to capital expenditures such as storm drain basins, street resurfacing, and equipment for pumping and treating groundwater.

FUTURE CHALLENGES AND OPPORTUNITIES

Key issues facing the District are discussed below.

Proposed Consolidation - Logistics and Infrastructure Needs

If the currently proposed consolidation with Moss Landing County Sanitation District is approved, then Moss Landing will become part of the Castroville Community Services District, which will take ownership of all MLCSD-owned infrastructure and other assets and liabilities. Consolidation of the two districts is an opportunity for the Moss Landing community to benefit from inclusion in a full-service Community Services District with a proven record of providing efficient and reliable services. Consolidation also poses two

challenges, which the District has taken into account:

Consolidation Logistics: District staff are highly knowledgeable about MLCSD's operations, as they have been operating the MLCSD system under contract since 2011. Consolidation will nevertheless require the Castroville District to undertake various administrative tasks and procedural changes. For example, the District is coordinating with the County on the formal transfer of assets and liabilities from MLCSD to the Castroville District. The District is also updating its financial procedures to separately account for Moss Landing-related revenues and expenditures. To simplify finance-related logistics, the District and the County are targeting completion of the consolidation process before June 30, 2014 in order to coincide with the new fiscal year. Post-consolidation, residents of Moss Landing District will gain the right to vote for, and serve as, members of the Castroville District's Board of Directors, beginning with the next available Board seat. No changes are proposed to the District's basic governance structure (five elected at-large Board members).

Infrastructure: MLCSD infrastructure is currently in need of several substantial repairs and upgrades, including rehabilitation or replacement of 12-16 manholes and installation of a system for the control and monitoring of the sanitation system's pumps and alarms. The Castroville District is aware of the current deficiencies and has made plans for providing the needed improvements. In addition, several known development proposals, including a new restaurant to replace the former Harbor Inn and potential development of a separate 30-room hotel, may occur in the near- to medium-term. Development of these projects would pose no undue challenges to the existing Moss Landing sanitation infrastructure or the Castroville District's ability to finance and provide services, post-consolidation. Additional, longer-term development potential outlined in the County's public review draft Moss Landing Community Plan (October 2012) is discussed in the Future Growth subsection, below.

Seawater Intrusion

The District procures its water from three wells located in the town of Castroville. These wells obtain water from the Salinas Valley groundwater basin. Like the Pajaro basin, which supplies water for other water purveyors in North County, the Salinas Valley basin experiences both overdraft and seawater intrusion. Two of the District's three wells (Wells #2 and #3) have been slightly affected by the migration of seawater intrusion eastward from the coast. To address this impact, this well has been sealed in its upper screened area so it will no longer procure water from the upper aquifer that is affected by the seawater intrusion. The well only extracts water from the lower aquifer, which has good water quality. However, seawater intrusion remains a substantial concern to the water production throughout the Salinas Valley groundwater basin.

Long-term efforts by the Castroville Seawater Intrusion Program (CSIP) to reverse the migration of seawater intrusion are ongoing. CSIP is managed by the Monterey County Water Resources Agency, and includes the construction and use of a reclaimed wastewater plant that collects sewage from Castroville, Marina and Seaside. The wastewater is treated to agricultural irrigation standards and is provided to area growers in place of water from their private agricultural wells. It is unknown whether the CSIP and other efforts will be adequate to ensure a sustainable long-term water supply for the District and others with wells threatened by seawater intrusion. Prolonged drought conditions and intensification of groundwater pumping for agricultural land uses, throughout Northern Monterey County, the Salinas Valley, and northern San Luis Obispo County, present significant threats to the groundwater basin's long-term ability to provide potable water. Controversy exists as to

whether the intake for a proposed desalination plant for the Monterey Peninsula's water supply may further impact the Salinas Valley groundwater basin.

Future Growth

Monterey County's General Plan identifies Castroville as one of five unincorporated "Community Areas" (along with Boronda, Chualar, Fort Ord/East Garrison, and Pajaro) designated for the majority of future growth in the County's unincorporated area. Within its General Plan, the County has adopted the Castroville Community Plan (2007) and has circulated a public review draft Moss Landing Community Plan (2012) to provide a comprehensive planning framework guiding the future evolution of these two areas.

Castroville: Although Castroville is a designated growth center, the community is also surrounded by productive agricultural land. Full build-out of the Castroville Community Plan would involve the conversion of approximately 375 acres of these agricultural lands to urban uses, including a range of residential, mixed-use, and commercial/industrial development. Approximately 75 acres (20%) of this potential conversion acreage forms the District's current Sphere of Influence (the southwest "lobe" of parcels noted on page 9 and shown on **Figures 1 and 2**). The remaining majority of the Community Plan's proposed areas for conversion are located to the community's north and east, on lands that are currently outside the District's boundaries and Sphere of Influence.

The timing of potential development of these areas is unknown and is likely to be beyond the approximately five-year outlook of a Municipal Service Review. Consequently, the District does not currently propose to add these areas to its existing Sphere of Influence. If developed in the future, these sites would first need to be brought into the District as part of a future Sphere of Influence update and Annexation proposal. At that time, LAFCO would assess needs for service and the District's capacity to provide services—particularly potable water—for the proposed development areas.

The 2007 Community Plan evaluated its build-out impacts on infrastructure and public services. It determined that the required system improvements would include a new additional supply well, a water storage tank, extension of water service distribution lines, upsizing of water pump stations, wastewater pump station upgrades, and major flood control and storm drainage system improvements. The District is aware of these potential future impacts to its infrastructure and services. The District monitors development proposals and will make adjustments to its Capital Improvement Program if and when development of lands currently outside its Sphere and boundaries appears likely to occur in the foreseeable future.

Moss Landing: The Moss Landing Community Plan (currently in draft form) provides a framework for potential growth estimated to include an additional 359,000 square feet of commercial and industrial uses, and 39 new dwelling units. New development opportunity sites identified in the Community Plan are located on the west side of Highway 1, within the District's proposed post-consolidation boundaries.

The Community Plan also highlights reuse of the existing 300,000-square-foot Moss Landing Business Park, located on the east side of Highway 1, outside of current District boundaries. The Business Park has also been discussed as one of several potential locations for a future desalination plant.

The Community Plan's analysis of public services found that the Moss Landing County Sanitation District's wastewater flows to the regional wastewater treatment plant are

currently at, or slightly above, their approved allocation. The plant's treatment capacity was, however, found adequate to absorb current Moss Landing uses and future growth. The Community Plan also determined that the existing wastewater collection system "is capable of handling the proposed [build-out scenario] although system repairs may be necessary."

The Community Plan recommended that the County should bring into its sanitation district the Moss Landing Business Park as well as the Duke Energy (formerly PG&E) power plant and its switch yard, all of which are currently on septic systems. The Plan also recommended that the County Sanitation District should update its approved 1984 Sewer Allocation Plan to account for current uses as well as build-out of the Plan's development potential.

Based on the analysis and recommendations in the October 2012 public review draft Moss Landing Community Plan, the Executive Officer recommends designating an approximately 475-acre area on the east side of Highway 1, encompassing the Moss Landing Business Park, the power plant, and the power plant switching yard, as a Future Study Area for the post-consolidation Castroville Community Services District, as shown in **Figure 2**. After consolidation, responsibility for maintaining up-to-date wastewater treatment flow allocations for Moss Landing, along with other similar regulatory responsibilities, will transfer to the Castroville Community Services District. The District, working with the County in preparation for the proposed consolidation, has identified near-term wastewater infrastructure improvements needed in Moss Landing and has funds available to implement them. The District will continue to periodically update its Capital Improvement Program to address forecasted needs related to future Moss Landing development.

The Community Plan's analysis of public services identified significant challenges related to potable water supply. The aquifer from which water is drawn for the Moss Landing water system is impacted by seawater intrusion, resulting in chloride contamination. Furthermore, water demands resulting from the 2012 Community Plan's build-out would, according to the County's analysis, exceed available groundwater supplies and water rights. As discussed in the District Boundaries and Sphere of Influence section of this report, the Moss Landing water system is owned and operated by the Pajaro-Sunny Mesa Community Services District, not the Castroville District. Nevertheless, availability of a sustainable potable water source for the Moss Landing community is an ongoing concern and may be further exacerbated by future growth in the area.

Advances in Technology

The District office is equipped with advanced computer technology, including state-of-the-art radio control telemetry systems with internet access. This telemetry system allows operation of well pumps and booster pumps and viewing of volume levels in storage tanks from remote locations wherever there is internet access. District staff has indicated their office technology is adequate to meet the needs of the District. Staff has stated that the most important skills for them to attain in the near future will be additional computer skills to meet ongoing changes of computerized systems.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

1. Growth and Population Projections for the Affected Area

The District's current population is approximately 7,250. The District serves all residents and commercial businesses within its boundaries and has a total of 2,124 customers. Of this total, 1,448 are residential connections and 282 customers are commercial connections. Commercial customers range from small retail businesses to large agricultural service establishments for the packing and distribution of produce.

The District relies on AMBAG population projections for future planning. Current (draft) 2014 AMBAG projections for the area that includes the District plus several residential areas outside the District, project a population increase from 10,600 as of 2010, to 14,500 by the year 2035 (37% total increase; approximately 1.25% growth per year). An undetermined portion of this projected future growth would occur within current District boundaries. Service demands from future growth, related to build-out of the County's adopted Castroville Community Plan, are discussed as a potential concern in the Future Challenges and Opportunities section of this report. However, projected future growth in the area is incremental and long-term, with no significant development currently underway or anticipated in the near term, and with no anticipated changes to existing growth trends.

Within the existing Moss Landing County Sanitation District, which would become part of CCSD if the proposed consolidation is approved, the current population is approximately 500. There are 181 sewer connections. Of these, there are 155 residential connections and 26 commercial connections. The County Public Works Department, which currently staffs MLCSD, and CSD staff who serve the area by contract, state that existing facilities adequately meet the District population's needs. The County's 2012 public review draft Moss Landing Community Plan envisions substantial infill development, mostly of a commercial and industrial nature, as discussed in the Future Challenges and Opportunities section, above. However, significant development or population growth are not anticipated in the near term. The District has capacity to provide services to the Community Plan's development sites as needs arise related to build-out of the Community Plan's development potential.

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

State law requires identification and analysis of service issues within Disadvantaged Unincorporated Communities as part of municipal service reviews and sphere of influence reviews. Disadvantaged unincorporated communities are defined as territory that constitutes all or a portion of a disadvantaged community including 12 or more registered voters or some other standard as determined by the Commission. A disadvantaged community is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income (Water Code Section 79505.5). The most recent US Census Bureau data (2008-2012 American Community Survey Five-Year Estimates) indicates that the statewide annual median household income is \$61,400. Eighty percent is \$49,120.

Median household income for the Castroville Census-Designated Place is \$52,771. The District also includes an uninhabited agricultural/industrial area to the southeast of the community centered on Commercial Parkway, and a largely residential area to the northeast of Castroville (Moro Cojo). The latter, as well as other residential portions of the Moro Cojo area that are

adjacent to the District, are part of the Prunedale Census-Designated Place. Median household income is \$75,587 for the Prunedale Census-Designated Place as a whole, and \$65,208 for the specific census tract that includes the northeast side of the District and adjacent parcels that are outside the District.

Based on the information above, none of these Castroville areas meet the definition of a Disadvantaged Unincorporated Community. No changes to the District's existing Sphere of Influence are proposed in any of these areas.

The Moss Landing community meets the definition of a Disadvantaged Unincorporated Community, in that its median annual household income is \$39,107. The MLCSD's existing boundaries include residential pockets to the north (Struve Road single-family houses and mobile homes) as well as the main community. Both of these areas would be included in the proposed consolidation into Castroville Community Services District.

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)

As discussed in this report's Facilities and Operations section, the Castroville Community Services District has adequate capacity to meet existing and likely future needs for services, both within its current District boundaries and in the Moss Landing community if LAFCO approves the pending consolidation with Moss Landing County Sanitation District. In the longer term, substantial future growth envisioned in the 2007 Castroville Community Plan may eventually be proposed on lands that are outside the District's boundaries and Sphere of Influence. Such development, were it to be proposed, would require an updated assessment of service demands and District capabilities as part of a future Sphere of Influence Amendment and related annexation proposal. In addition, seawater intrusion's impacts on groundwater resources remains a long-term concern for all water suppliers in the Salinas Valley groundwater basin.

If the consolidation is approved, Moss Landing will become part of the Castroville District. Moss Landing meets the definition of a Disadvantaged Unincorporated Community, as noted in Section #2, above. However, as discussed below, no unmet service needs or deficiencies related to sewers, water, or fire protection are known to exist within, or contiguous to, the area currently served by MLCSD. The Moss Landing area currently has adequate sewer, water, and fire protection services and will continue to receive these services, as discussed in the Future Challenges and Opportunities section of this report, if the proposed consolidation is approved and the area becomes part of the Castroville Community Services District.

The Pajaro-Sunny Mesa Community Service District owns and operates the Moss Landing water system outside its district boundaries, pursuant to a federal court order that took control of this system and several others formerly owned by Alisal Water Corporation (ALCO). PSMCSD has adequate court-ordered and approved groundwater supplies and water rights to serve existing and previously approved projects in Moss Landing. However, Moss Landing area groundwater is contaminated by seawater intrusion, and provision of a reliable long-term water supply to serve future needs is an ongoing concern.

4. Financial Ability of Agency to Provide Services

The District has established itself as a capable provider of municipal services. The Finances section of this report outlines the current financial state and financial abilities of the District.

5. Status of, and Opportunities for, Shared Facilities

The Monterey County Water Resources Agency (MCWRA) provides assistance to the District, as well as to other water purveyors within the groundwater basin, with hydrological studies and testing. This relationship is appropriate because most hydrological studies need to be conducted on a groundwater basin-wide, or “sub-basin”-wide, basis and the MCWRA has substantially more resources to provide these type of studies than the District. This relationship is expected to continue in the future.

Other service providers in and near the Castroville community include North County Fire Protection District, Castroville Cemetery District and North County Recreation and Park District (NCRPD). NCRPD is an independent special district providing services to Castroville, Moss Landing, Oak Hills and parts of Elkhorn and Prunedale, along with the surrounding rural community. NCRPD operates the North County Recreation Center, Cato-Phillips Park, Crane Street Park, Japanese School Park, Rancho Moro Cojo Park and the Moro Cojo Nature Trails. Castroville CSD collects property tax revenues for recreational funding and contracts with NCRPD to provide services. For Fiscal year 2012-2013, the District provided approximately \$113,000 to NCRPD to fund recreational services.

In 2008, the Castroville Water District took over responsibilities of the former County Service Area #14 and was reorganized as a full-service Community Services District. The 2008 reorganization has provided for shared management, engineering and maintenance staff and shared office space and maintenance facilities for these services and reduced overall costs. If consolidation with the County’s Moss Landing Sanitation District occurs as planned, significant savings should similarly be realized for the Moss Landing system.

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

District residents elect the five Board of Directors members. The District meets the requirements of State law for transparency, accountability, and ethics as outlined in the Governance section of this report. The proposed consolidation with Moss Landing is an opportunity to increase the representativeness of the District’s Board of Directors, as Moss Landing residents would gain the right to vote for, and serve, as Board members. Moss Landing residents are currently served by the District under contract with the County, but have no representation on the Castroville Board. As residents of the post-consolidation Castroville Community Services District, Moss Landing voters would enjoy the same rights as all other voters in the District.

The District is currently building a web site to increase public accessibility to Board activity. www.CastrovilleCSD.org

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.

SPHERE OF INFLUENCE DETERMINATIONS¹

Based on the recommended determinations in this section, and the information in this report, this study provides support for the proposed consolidation of Castroville Community Services District and Moss Landing County Sanitation District. The proposed consolidation will result in expanding the Castroville District's boundaries and Sphere of Influence to include Moss Landing.

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

The District's existing boundaries include most of the unincorporated community of Castroville, with a mix of residential commercial, and agriculture-related industrial land uses. The District's boundaries and Sphere of Influence includes important productive farmlands in the area surrounding Castroville. The Moss Landing County Sanitation District boundaries include the Moss Landing unincorporated community and residential pockets slightly north of the main community. Planned future land uses are guided by the Castroville and Moss Landing Community Plans. Consolidation of the two Districts will not impact the physical and economic integrity of nearby agricultural lands, including agricultural lands located between Castroville and Moss Landing that are excluded from the proposed post-consolidation District's Sphere of Influence.

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

Current AMBAG projections are for population in and around Castroville to increase by approximately 37% (approximately 1.25% per year) between 2010 and 2035. Castroville is one of five unincorporated Community Areas designated for future growth in the 2010 County of Monterey General Plan. A limited area, particularly to the west of Merritt Street along the western edge of the community and District within the District's Sphere of Influence is designated for residential and mixed-use development on parcels currently used for agriculture. Other increases in demand for District services may occur through infill development.

Potential build-out of the County's adopted Castroville Community Plan, with substantial development on lands currently outside the District's Sphere of Influence, may occur in the more distant future, beyond this study's outlook. As discussed in the Future Challenges and Opportunities section of this report, LAFCO would assess the capacity to provide District services—particularly potable water—to serve major development envisioned in the Castroville Community Plan as part of a future Sphere of Influence amendment for these areas.

Planned future development envisioned in the draft Moss Landing Community Plan (359,000 square feet of commercial and industrial uses and 39 new dwelling units) would not adversely affect the District's existing services, currently operated by the District under contract with the County. Build-out of the Community Plan would not result in the need for substantial new wastewater infrastructure.

The District is aware of future growth potential identified in both the Castroville and Moss Landing subareas within its proposed post-consolidation boundaries and Sphere. The District's draft five-year Capital Improvement Program (CIP) is due to be adopted in June 2014. The CIP includes several incremental improvements and upgrades to existing facilities, and identifies no unanticipated or unmet needs.

¹ Sphere of Influence determinations required per Government Code section 56425(e).

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

Since its inception, the District has been providing comprehensive and reliable services to its customers. There are no identified unmet needs with regard to any District services. Infrastructure within existing District boundaries is in good working order, although seawater intrusion remains a long-term potential threat to operations of all water systems in the Salinas Valley groundwater basin. In the longer term, substantial future growth envisioned in the 2007 Castroville Community Plan may eventually be proposed on lands that are outside the District's boundaries and Sphere of Influence. Such development, were it to be proposed, would require an updated assessment of service demands and District capabilities.

The District has reviewed the current status of Moss Landing Sanitation District infrastructure and determined it to be financially feasible to take ownership of that system and provide the necessary repairs and upgrades. The District has significant cash reserves available to increase services within its existing boundaries or expand services to its sphere of influence, if needed.

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 District's boundaries include a relatively high concentrations of lower-income households, as discussed in the Municipal Service Review Determinations, above. However, these areas are currently being well served by the District. The Moss Landing community meets the definition of a Disadvantaged Unincorporated Community. The Moss Landing County Sanitation District's existing boundaries include residential pockets to the north (Struve Road single-family houses and mobile homes) as well as the main community. Both of these areas would be included in the proposed consolidation into Castroville Community Services District. There are no identified social or economic communities within, or contiguous to, the District's proposed post-consolidation Sphere of Influence that are unserved or underserved with regard to water, sewer, or other District services.

SOURCES & ACKNOWLEDGEMENTS

The information in this Municipal Service Review and Sphere of Influence Update was primarily developed in coordination with staff from the Castroville Community Services District. District staff met to discuss services and boundaries, answered our questions, and provided audits, budgets, Board agenda packets, and other documents. LAFCO received most of the information in this report through the verbal and written information provided by the District. Additional information was coordinated with staff from the County of Monterey Public Works Department and the Association of Monterey Bay Area Governments.