

2024

Commissioners

Chair

Kimbley Craig
City Member

Vice Chair

Wendy Root Askew
County Member

Mary Adams
County Member

Mike Bikle
Public Member, Alternate

Matt Gourley
Public Member

David Kong
Special District Member, Alternate

Mary Ann Leffel
Special District Member

Chad Lindley
Special District Member

Chris Lopez
County Member, Alternate

Ian Oglesby
City Member

Anna Velazquez
City Member, Alternate

Counsel

Reed Gallogly
General Counsel

Executive Officer

Kate McKenna, AICP

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838

www.monterey.lafco.ca.gov

AGENDA
LOCAL AGENCY FORMATION
COMMISSION
OF MONTEREY COUNTY

Regular Meeting
Monday, October 28, 2024
3:00 P.M.

Board of Supervisors Chambers
First Floor
Monterey County Government Center
168 West Alisal Street,
Salinas, California

This meeting will be conducted in person at the Monterey County Government Center, Salinas. The Public may attend the meeting, participate by Zoom app, or view the meeting on LAFCO's YouTube channel.

Instructions for Remote Public Participation

1. **To Participate in the Meeting:** Use the Zoom app on your smart phone, laptop, tablet or desktop and click on this link: <https://montereycty.zoom.us/j/98228893780>

The meeting ID is: [982 2889 3780](https://montereycty.zoom.us/j/98228893780). There is no password. To make a public comment, please “Raise your Hand.” Please state your first and last name before addressing the Commission.
2. **To View this Meeting:** Please click on the following link to the LAFCO of Monterey County YouTube site: <https://www.youtube.com/channel/UCIF6pPx2hn3Ek94Wg0UI7QA>.

Then click on the Live Stream of the scheduled meeting.
3. **To Participate by Phone:** Please call: +1 669 900 6833
Enter the meeting ID: [982 2889 3780](https://montereycty.zoom.us/j/98228893780) when prompted. There is no participant code – just enter the meeting id and the pound sign # after the recording prompts you. To make a public comment by phone, please push *9 on your phone keypad. Please state your first and last name before addressing the Commission.
4. **To Make Public Comments Via Email:** Written comments can be emailed to the Clerk to the Commission at: malukis@monterey.lafco.ca.gov. Please include the following Subject Line: “Public Comment – Agenda Item #__”. Written comments must be received by noon on day of the meeting. All submitted comments will be provided to the Commission for consideration, compiled as part of the record, and may be read into the record.

PLEASE NOTE: If all Commissioners are present in person, public participation by Zoom is for convenience only and is not required by law. If the Zoom feed is lost for any reason, the meeting may be paused while a fix is attempted but the meeting may continue at the discretion of the Chairperson.

AGENDA

REGULAR COMMISSION MEETING

Monday, October 28, 2024

Call to Order

Roll Call

Pledge of Allegiance

General Public Comments

Anyone may address the Commission briefly about items not already on the Agenda.

Consent Agenda

All items on the Consent Agenda will be approved in one motion and there will be no discussion on individual items, unless a Commissioner or member of the public requests a specific item to be pulled from the Consent Agenda for separate discussion.

CEQA: Consent Agenda items are not projects under California Environmental Quality Act Guidelines Section 15378, unless otherwise noted.

1. [Approve Draft Minutes from the September 23, 2024 Regular LAFCO Commission Meeting \(pg. 7\).](#)
Recommended Action: Approve minutes.
2. [Approve Draft Notes from the September 26, 2024 LAFCO Budget & Finance Committee Meeting \(pg. 12\).](#)
Recommended Action: Approve notes.
3. [Accept the September 30, 2024 Draft Balance Sheet and Income Statement \(pg. 16\).](#)
Recommended Action: Accept statements for information only.
4. [Approve and Authorize the payoff of Unfunded Pension Liabilities \(pg. 21\).](#)
Recommended Actions (By Budget & Finance Committee): Adopt a Resolution to authorize the lump sum payoff of LAFCO's unfunded pension liabilities, as follows:
 - a. Pay-off the Classic Miscellaneous Plan unfunded pension liability balance by November 1, 2024 in the approximate amount of \$45,071 from equity in the Unreserved Fund Balance; and
 - b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by November 1, 2024 in the approximate amount of \$5,828 from equity in the Unreserved Fund Balance.
5. [Authorize the Executive Officer to execute Amendment #3 to the Best Best & Krieger LLP Agreement for Specialized Attorney Services, Increasing Attorneys' Authorized Budget by \\$75,000 \(pg. 24\).](#)
Recommended Actions: Authorize Agreement Amendment #3 with Best Best & Krieger LLP to provide funding for continued legal representation of LAFCO in litigation with the Monterey Peninsula Water Management District (MPWMD) (Case No. 22CV000925).
6. [Approve City of Soledad – Miramonte Annexation Time Extension \(pg. 26\)](#)
Recommended Actions: Approve a one-year time extension (to December 31, 2025).
7. [Accept Status Report on Annual Work Program Implementation \(pg. 31\).](#)
Recommended Action: Accept report for information only.

New Business

8. [Accept Status Report on Activities of the California Association of Local Agency Formation Commissions \(pg. 39\).](#)

Recommended Action: Accept report for information only.

9. [Consideration of a draft 2024 Municipal Service Review and Sphere of Influence Study for the Seven Monterey Peninsula-Area Cities: Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea \(pg. 41\).](#)

Recommended Actions:

1. Receive a report from the Executive Officer;
2. Receive public comments;
3. Provide for questions or follow-up discussion by the Commission;
4. Consider a Public Review Draft Municipal Service Review and Sphere of Influence Study for the Seven Monterey Peninsula-Area Cities (Marina, Seaside Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea – **Attachment 1**); and
5. Consider and adopt a resolution (**Attachment 2**) to:
 - a. Find adoption of the study and its recommended actions exempt from provisions of the California Environmental Quality Act (CEQA);
 - b. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
 - c. Affirm the currently adopted spheres of influence of all seven Peninsula-area cities (Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea) with no changes at this time;
 - d. Encourage the Cities of Marina, Seaside, Monterey, and Carmel – along with the County of Monterey and special districts such as Monterey County Regional and Cypress Fire Protection District – to consider consulting about future growth and development on the existing city edges. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges;
 - e. Encourage the City of Marina to clarify, as part of its current General Plan update process, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO remove northern East Garrison from the City's sphere of influence as part of a future comprehensive sphere amendment (following completion of the City's General Plan update); and
 - f. Encourage the City of Monterey to continue to explore ways to partner with local agencies such as Monterey County Regional Fire District, Cypress Fire Protection District, Monterey Peninsula Airport District, and Del Rey Oaks, as well as the California Department of Transportation (Caltrans), regarding fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor as needs and opportunities evolve in the future.

10. [Consideration of a draft 2024 Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts \(pg. 98\).](#)

Recommended Actions:

1. Receive a report from the Executive Officer;
2. Receive public comments;
3. Provide for questions or follow-up discussion by the Commission;
4. Consider a Public Review Draft Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts (**Attachment 1**); and

5. Consider and adopt a resolution (**Attachment 2**) to:
 - a. Find adoption of the study and its recommended actions exempt from provisions of the California Environmental Quality Act (CEQA);
 - b. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
 - c. Affirm the currently adopted spheres of influence of the San Lucas and San Ardo Water Districts, with no changes;
 - d. Encourage the San Lucas and San Ardo Water Districts to complete capital improvement programs and rate studies to assess future costs of service provision and establish appropriate customer rates; and
 - e. Authorize the Executive Officer to proceed with a range of corrective measures to address the San Lucas and San Ardo Water Districts' noncompliance with state legal requirements and best practices, as identified in the study.

Executive Officer's Communications

The Executive Officer may make brief announcements about LAFCO activities, for information only.

Commissioner Comments

Individual Commissioners may comment briefly on matters within the jurisdiction of LAFCO. No discussion or action is appropriate, other than referral to staff or setting a matter as a future agenda item.

Public Comments on Closed Session Items

Closed Session

- II. [Pursuant to Government Code Section 54956.9 \(d\)\(1\), the Commission will confer with legal counsel regarding existing litigation: Monterey Peninsula Water Management District v. Local Agency Formation Commission of Monterey County; Commissioners of the Local Agency Formation Commission of Monterey County; and DOES 1 through 20, \(Monterey County Superior Court Case No. 22CV000925\) \(pg. 127\).](#)
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

The Commission Recesses for Closed Session Agenda Item

Closed Session may be held at the conclusion of the Commission's Regular Agenda, or at any other time during the course of the meeting, before or after the scheduled time, announced by the Chairperson of the Commission. The public may comment on Closed Session items prior to the Board's recess to Closed Session.

Reconvene on Public Agenda Items

Roll Call

Read Out from Closed Session by LAFCO General Counsel

Read out by General Counsel will only occur if there is reportable action (s).

Adjournment to the Next Meeting

The next regular LAFCO Meeting is scheduled for **Monday, December 2, 2024 at 3:00 p.m. at the Monterey County Government Center.**

The Political Reform Act requires that a participant in a LAFCO of Monterey County proceeding who has a financial interest in a change of organization or reorganization proposal and who has made a campaign contribution of more than \$250 to any

commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the meeting.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the LAFCO of Monterey County website at www.monterey.lafco.ca.gov.

AMERICANS WITH DISABILITIES ACT (ADA): All regular and special meeting agendas and associated reports are available at www.monterey.lafco.ca.gov. Any person with a disability under the ADA may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations must be made with LAFCO of Monterey County staff at (831) 754-5838 at least three business days prior to the respective meeting.

2024

Commissioners

Chair

Kimbley Craig
City Member

Vice Chair

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Regular Meeting DRAFT MINUTES
**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

Scheduled for Adoption October 28, 2024

Monday, September 23, 2024

All Commissioners and public participated in the meeting on Monday, September 23, 2024 in person.

Call to Order

The Local Agency Formation Commission was called to order by Chair Craig at 3:00 p.m.

Roll Call

Commissioner Adams
Commissioner Bikle
Commissioner Gourley
Commissioner Kong
Commissioner Leffel
Commissioner Lindley
Commissioner Oglesby
Commissioner Velazquez
Vice Chair Root Askew
Chair Craig

- arrived at 3:04 .m.

Members Absent (Excused Absence)

Commissioner Lopez

Staff Present

Kate McKenna, Executive Officer
Darren McBain, Principal Analyst
Jonathan Brinkmann, Senior Analyst
Safarina Maluki, Clerk to the Commission/Office Administrator

Also Present

Reed Gallogly, General Counsel

Pledge of Allegiance

Commissioner Lindley led the Commission in the Pledge of Allegiance.

General Public Comments

Anyone may address the Commission briefly about items not already on the Agenda.

There were public comments from Virginia Chang Kiraly.

Consent Agenda

All items on the Consent Agenda will be approved in one motion and there will be no discussion on individual items, unless a Commissioner or member of the public requests a specific item to be pulled from the Consent Agenda for separate discussion.

1. Approve Draft Minutes from the June 24, 2024 Regular LAFCO Commission Meeting.
Recommended Action: Approve minutes.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378)
2. Receive Draft Balance Sheets and Income Statements for June, July and August 2024 (pg. 12).
Recommended Action: Accept statements for information only.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
3. Consider Confirm the Chair's nominations for the Public Employee Annual Performance Appraisal Program Process Review Ad Hoc Committee (pg. 24).
Recommended Action: Confirm the Chair's nominations for the Ad hoc Committee.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).
4. Accept Report on Activities of the California Association of Local Agency Formation Commissions.
Recommended Action: Accept report for information only.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

There were no public or commissioner requests to pull items for separate discussion.

Commissioner Action:

Upon motion by Commissioner Leffel, seconded by Commissioner Root Askew, the Commission approved and adopted Consent Agenda Items #1 -4 by a voice/roll call vote:

Motion Carried (Roll Call Vote):

Roll Call

Commissioner Adams
Commissioner Gourley
Commissioner Leffel
Commissioner Lindley
Commissioner Oglesby
Vice Chair Root Askew
Chair Craig

AYES: Commissioners: Adams, Gourley, Leffel, Lindley, Oglesby, Vice Chair Root Askew, Chair Craig
NOES: Commissioners: None
ALTERNATES: Commissioners: Bikle, Kong, Velazquez (Non-Voting)
ABSENT: Commissioners: Lopez
ABSTAIN: Commissioners: None

Old Business

5. Consider LAFCO Annual Work Program Implementation Status Report (pg. 29)
Recommended Action: Receive a report from the Executive Officer for information only or provide general direction.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

Senior Analyst Brinkmann presented the report.

Commissioner Root Askew thanked staff for the report.

There were no comments from the public.

The Commission unanimously received the report for information only.

Public Hearing

6. Consider City of Greenfield's Apple Avenue Annexation of approximately 18.7 acres.
Recommended Actions:
 - a) Receive a report from the Executive Officer,
 - b) Open the public hearing and receive any public comments,
 - c) Provide for questions or follow-up discussion by the Commission, and
 - d) Move to approve a resolution to consider the mitigated negative declaration and subsequent addendum that the City prepared, pursuant to CEQA, to address the proposal's potential environment effects; approve the City's proposed annexation and related special district detachments; and waive Conducting Authority ("protest") proceedings for this proposal, as authorized by State law.

Principal Analyst Darren McBain presented the staff report and answered Commissioner questions.

There were public comments from Brent Slama.

There were comments from Commissioners Leffel and Oglesby.

Commissioner Actions:

Upon motion by Commissioner Gourley, seconded by Commissioner Leffel, the Commission approved the City of Greenfield's annexation and related special district detachments and waived Conducting Authority ("protest") as authorized by State law.

The Motion Carried (Roll Call):

AYES:	Commissioners: Adams, Gourley, Leffel, Lindley, Oglesby, Vice Chair Root Askew, Chair Craig
NOES:	Commissioners: None
ALTERNATES:	Commissioners: Bikle, Kong, Velazquez (Non-Voting)
ABSENT:	Commissioners: Lopez
ABSTAIN:	Commissioners: None

Executive Officer's Communications

The Executive Officer may make brief announcements about LAFCO activities, for information only.
None.

Commissioner Comments

Individual Commissioners may comment briefly on matters within the jurisdiction of LAFCO. No discussion or action is appropriate, other than referral to staff or setting a matter as a future agenda item.

Commissioner Leffel provided an update on the Monterey Peninsula Regional Airport renovation.

Public Comments on Closed Session Item

There were no public comments on closed session item.

Commissioner Oglesby recused from the Closed Session Item #7.

Commissioner Adams recused from the Closed Session Item #7.

The Commission Recesses for Closed Session Agenda Item

Closed Session may be held at the conclusion of the Commission's Regular Agenda, or at any other time during the course of the meeting, before or after the scheduled time, announced by the Chairperson of the Commission. The public may comment on Closed Session items prior to the Board's recess to Closed Session.

The Commission ADJOURNED to Closed Session at 3:22 p.m.

Reconvene on Public Agenda Items

The Commission reconvened to open session at 3:34 p.m.

Roll Call

Commissioner Gourley
Commissioner Leffel
Commissioner Lindley
Vice Chair Root Askew
Chair Craig

Read Out from Closed Session by LAFCO General Counsel

Read out by General Counsel will only occur if there is reportable action (s).

General Counsel Reed Gallogly advised that there were no reportable items.

Adjournment to the Next Meeting

Chair Craig adjourned the meeting at 3:36 p.m.

The next Regular LAFCO Meeting scheduled for **Monday, October 28, 2024 at 3:00 p.m. at the Monterey County Government Center (168 W. Alisal Street, Salinas).**

The Political Reform Act requires that a participant in a LAFCO of Monterey County proceeding who has a financial interest in a change of organization or reorganization proposal and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.

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DRAFT

**2024
Committee**

Chair

Mary Ann Leffel
Special District Member

Chris Lopez
County Member, Alternate

Ian Oglesby
City Member

Counsel

Reed Gallogly
General Counsel

Executive Officer

Kate McKenna, AICP

132 W. Gabilan Street, #102
Salinas, CA 93901

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Salinas, CA 93902

Voice: 831-754-5838

Draft Meeting Notes
**LAFCO Budget & Finance Committee
Meeting**

Scheduled for Approval on October 28, 2024

**Thursday, September 26, 2024
2:00 p.m. – 3:30 p.m.**

**LAFCO OFFICE
132 W. Gabilan Street, Suite #102
Salinas, California**

Call to Order

The Budget and Finance Committee of the Local Agency Formation Commission of Monterey County was called to order by Chair Leffel at 2:10 p.m.

Roll Call

Commissioner Lopez
Commissioner Oglesby
Chair Leffel

Staff and Contractors Present

Kate McKenna, AICP, Executive Officer
Jonathan Brinkmann, Senior Analyst
Safarina Maluki, Clerk to the Commission/Office Administrator

Public Comments

Anyone may address the Committee briefly concerning items not already on the agenda.

There were no public comments for items not on the agenda.

New Business

1. Consider Draft Year-End Financial Statements for Period Ending June 30, 2024 (pg. 4).
Recommended Action: Discuss report and recommend Commission approval of the quarterly financial statements.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

Jonathan Brinkmann, Senior Analyst provided an overview and summary of the draft year-end financial statements for the period ending June 30, 2024.

The Committee discussed the report.

Chair Leffel requested that a footnote be included to describe transfers to/from the Unreserved Fund Balance.

Chair Leffel requested that the updated financial reports reflecting LAFCO's fourth quarter interest income from funds invested in the County Treasury be provided to the B&F Committee, along with an explanation of why the fourth quarter income is recorded in the prior fiscal year.

There were no public comments.

Committee Action:

This item was for information only.

2. Consider Actuarial Report on Government Accounting and Financial Reporting for Post-Employment Benefits Other than Pension (OPEB) Liability, as required by Statement 75 of the Government Accounting Standards Boards (GASB), for the Fiscal Year ending June 30, 2024 (pg. 20).
Recommend Action: Discuss report for information only.

Jonathan Brinkmann, Senior Analyst provided the report.

The Committee discussed the report.

There was no public comment.

Committee Action:

This item was for information only.

3. Consider CalPERS Retirement Plan Actuarial Valuation Reports for Fiscal Year Ending June 30, 2023, dated July 2024. (pg. 64).

Recommended Action: Discuss reports and recommend that the full Commission authorize the pay-off of unfunded pension liabilities at its next regular LAFCO meeting, as follows:

- a. Pay-off the Classic Miscellaneous plan unfunded pension liability balance by November 1, 2024 in the approximate amount of \$45,071 from equity in the Unreserved Fund Balance; and
- b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by November 1, 2024 in the approximate amount of \$5,828 from equity in the Unreserved Fund Balance.
(CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

Jonathan Brinkmann, Senior Analyst provided the report.

The Committee discussed the report.

There was no public comment.

Committee Action:

Upon motion from Commissioner Lopez, seconded by Commissioner Oglesby, the Committee recommended that the full Commission approve the pay-off of unfunded pension liabilities at the Regular LAFCO meeting on Monday, October 28, 2024.

Motion Carried. (Voice Vote):

AYES: Commissioners Lopez, Oglesby, Leffel
NOES: None.
ALTERNATES: None.
ABSENT: None
ABSTAIN: None.

Executive Officer Announcements

The Executive Officer may provide oral or written announcements about current LAFCO activities, for information only.
None

Adjournment

Chair Leffel adjourned the meeting at 2:53 PM.

The next Budget & Finance Committee Meeting is scheduled for **Thursday, November 14, 2024 – 2:00 PM at the LAFCO Office, 132 W. Gabilan Street, Suite #102, Salinas, CA.**

The Political Reform Act requires that a participant in a LAFCO of Monterey County proceeding who has a financial interest in a change of organization or reorganization proposal and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.

Budget & Finance Committee Draft Meeting Notes
September 26, 2024

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DRAFT

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

DATE: October 28, 2024

TO: Chair and Members of the Formation Commission

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: September 2024 Draft Balance Sheet and Draft Income Statement

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

These reports are for information only.

EXECUTIVE OFFICER'S REPORT:

Attached are the draft Balance Sheet and draft Income Statement for September 2024. These reports were prepared by CliftonLarsonAllen, LLP. Income and expenses are normal for this period.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

- 3.1 Draft Balance Sheet as of September 30, 2024, prepared on October 21, 2024, CliftonLarsonAllen, LLP.
- 3.2 Draft Profit & Loss Statement through September 30, 2024, prepared on October 21, 2024, CliftonLarsonAllen, LLP.

LAFCO of Monterey County
Balance Sheet
As of September 30, 2024

10/21/24
Accrual Basis

Sep 30, 24

ASSETS

Current Assets

Checking/Savings

1007 · Wells Fargo Checking	214,222.26
1010 · Cash Co. Treasury	
1012 · Designated Cash Litigation Resv	267,109.43
1013 · Designated Cash - Accrued Leave	83,046.97
1014 · Designated Cash-Post Retirement	102,716.00
1015 · Designated Cash-Contingency	282,764.00
1010 · Cash Co. Treasury - Other	854,992.79

Total 1010 · Cash Co. Treasury 1,590,629.19

Total Checking/Savings 1,804,851.45

Other Current Assets

1400 · Prepaid Insurance	9,413.88
1405 · Prepaid Expenses	10,051.28

Total Other Current Assets 19,465.16

Total Current Assets 1,824,316.61

Fixed Assets

1500 · Equipment	2,185.00
1525 · Computer Equipment	15,099.37
1530 · Office Furniture	40,517.62
1550 · Accumulated Depreciation	-57,230.07

Total Fixed Assets 571.92

Other Assets

1800 · Deferred Outflows-PERS Contrib.	219,515.31
1805 · Deferred Outflows-Actuarial	180,786.40
1810 · Deferred Outflows-OPEB Contrib	1,848.00
1815 · Deferred Outflow-OPEB Actuarial	24,393.00
1900 · Operating Right of Use Asset	118,329.93

Total Other Assets 544,872.64

TOTAL ASSETS 2,369,761.17

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2000 · Accounts Payable	-42.77
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Total Accounts Payable -42.77

Other Current Liabilities

2220 · Accrued Leave	83,046.97
2410 · Post Retirement (GASB 75)	102,716.00
2200 · Payroll Liabilities	168.00
2601 · Current Portion Lease Obligat.	28,452.05

Total Other Current Liabilities 214,383.02

Total Current Liabilities 214,340.25

Long Term Liabilities

2400 · Net Pension Liability/(Asset)	105,833.03
2500 · Deferred Inflow-GAB68 Actuarial	39,984.22
2505 · Deferred Inflows-OPEB Actuarial	43,426.00
2600 · Operating Lease Liability	92,126.38

Total Long Term Liabilities 281,369.63

Total Liabilities 495,709.88

LAFCO of Monterey County
Balance Sheet
As of September 30, 2024

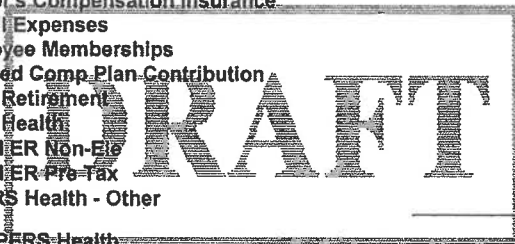
10/21/24
Accrual Basis

	<u>Sep 30, 24</u>
Equity	
3700 · Invested in Capital Assets	571.92
3710 · Encumbered Funds	16,404.02
3800 · Reserve for Litigation	267,109.43
3810 · Reserve for Contingency	282,764.00
3850 · Unreserved Fund	457,684.49
Net Income	849,517.43
Total Equity	<u>1,874,051.29</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,369,761.17</u></u>

DRAFT

LAFCO of Monterey County
Profit & Loss
 July through September 2024

	Jul - Sep 24
Ordinary Income/Expense	
Income	
4205 · County Contributions	371,898.00
4210 · City Contributions	371,898.00
4220 · District Contributions	371,897.94
4300 · Interest	3.73
Total Income	1,115,697.67
Expense	
7300 · Depreciation	272.00
6000 · Employee Salaries	
6002 · Regular Earnings	159,402.00
6004 · FORA Admin Earnings	0.00
Total 6000 · Employee Salaries	159,402.00
6100 · Employee Benefits	
6013 · Post Retirement Healthcare	471.00
6010 · Accrued Leave	-518.94
6007 · Management Expense Allowance	
6011 · Management Car Allowance	1,200.00
6007 · Management Expense Allowance - Other	150.00
Total 6007 · Management Expense Allowance	1,350.00
6102 · Worker's Compensation Insurance	763.47
6101 · Payroll Expenses	2,463.91
6103 · Employee Memberships	340.00
6104 · Deferred Comp Plan Contribution	9,882.93
6105 · PERS Retirement	18,860.02
6110 · PERS Health	
6111 · Med ER Non-Ele	1,884.00
6112 · Med ER Pre-Tax	9,506.27
6110 · PERS Health - Other	81.47
Total 6110 · PERS Health	21,471.74
6130 · Insurance	
6139 · STD	288.18
6131 · LIFE	375.60
6132 · ADD	24.63
6133 · Dental	1,847.60
6134 · Vision	320.60
6135 · LTD	1,338.06
Total 6130 · Insurance	4,194.67
7294 · Accrued Leave Reserve	0.00
6100 · Employee Benefits - Other	700.00
Total 6100 · Employee Benefits	59,978.80
7000 · Postage and Shipping	260.47
7010 · Books and Periodical	238.00
7030 · Copy Machine	657.74
7060 · Office Supplies	206.47
7080 · Computer Hardware/Peripherals	300.00
7100 · Computer Software	159.99
7105 · Meeting Broadcast Services	1,000.00
7110 · Property and Gen Liability Ins	1,962.45
7120 · Office Maintenance Services	375.00
7150 · Training, Conferences & Wrkshps	180.00
7170 · Rental of Buildings	8,553.03
7200 · Telephone Communications	801.22
7242 · Outside Prof Svc-Accounting	16,300.00
7248 · Outside Prof Svc-Annual Audit	1,500.00
7245 · General Legal Services	775.60



10/21/24
Accrual Basis

LAFCO of Monterey County
Profit & Loss
July through September 2024

	<u>Jul - Sep 24</u>
7260 • Legal Notices	229.50
7280 • LAFCO Memberships	8,316.00
7290 • Litigation Reserve	4,711.97
Total Expense	266,180.24
Net Ordinary Income	849,517.43
Net Income	849,517.43

DRAFT

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Attachment:

1. Draft Resolution 24-XX Pension Liability Payoff in Fiscal Year 2024-2025

Links to the two CalPERS reports and supplemental information are available at:
<https://www.co.monterey.ca.us/government/government-links/lafco/current-agenda-and-meeting-packet>).

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

RESOLUTION NO. 24-XX

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION

CURRENT SHARE OF PENSION LIABILITY PAYOFF IN FISCAL YEAR 2024-2025

WHEREAS, these proceedings are taken in conformance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Local Agency Formation Commission of Monterey County adopted the Fiscal Year 2024-2025 budget on April 22, 2024, and

WHEREAS, the Budget & Finance Committee of the Local Agency Formation Commission of Monterey County met on September 26, 2024 to consider CalPERS pension actuarial valuation reports measured as of June 30, 2023 and dated July 2024, and recommended the lump sum payoff of LAFCO's current share of the unfunded accrued pension liabilities consistent with LAFCO's pay-as-we-go practices; and

WHEREAS, CalPERS provided supplemental information based on an assumed payment by November 1, 2024, and equity funds are available in the Unreserved Fund Balance for this purpose;

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

1. The Commission authorizes the Executive Officer to pay-off LAFCO's current share of the CalPERS unfunded accrued pension liability by November 1, 2024 in the amount of \$45,071 for Classic Miscellaneous Plan Members, and a payment in the amount of \$5,828 for PEPRA Miscellaneous Plan Members, from equity funds in the Unreserved Fund Balance.

UPON MOTION of Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 28th day of October 2024 by the following vote:

AYES:	Commissioners:
NOES:	Commissioners:
ABSENT:	Commissioners:
ABSTAIN:	Commissioners:

By: _____
Wendy Root Askew, Vice Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete record of said Commission's actions.

Witness my hand this 28th day of October 2024.

By: _____
Kate McKenna, AICP, Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 Fax (831) 754-5831
www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: October 28, 2024
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Jonathan Brinkmann, Senior Analyst
SUBJECT: Amendment #3 to the Best Best & Krieger LLP Agreement for Specialized Attorney Services, Increasing Attorneys' Authorized Budget by \$75,000
CEQA: Not a project under California Environmental Quality Act Guidelines Section 15378.

SUMMARY OF RECOMMENDATION:

It is recommended that the Commission authorize the Executive Officer to execute Amendment #3 (Attachment 1) to the LAFCO-Best Best & Krieger LLP (BBK) Specialized Attorney Services Agreement to fund LAFCO's continued legal representation in litigation with the Monterey Peninsula Water Management District (MPWMD) (Case No. 22CV000925).

EXECUTIVE OFFICER'S REPORT:

Discussion

In consultation with LAFCO General Counsel, staff has prepared Amendment #3 to the LAFCO-BBK Specialized Attorney Services Agreement. The proposed amendment will supplement funding available for BBK to represent LAFCO in current litigation. The increase will cover BBK's costs in defending LAFCO as the appeal moves forward.

The initial agreement budget was \$75,000. In 2022 and 2023, the Commission authorized two separate amendments for \$75,000 each to increase BBK's budget to \$225,000. The proposed amendment will add another \$75,000 to BBK's contract, for a total not to exceed budget of \$300,000.

Fiscal Impact

Funds for this purpose are available in Account 3800 (Reserve for Litigation).

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachment: Draft Amendment #3 to the LAFCO-BBK Specialized Attorney Services Agreement

AMENDMENT NO. 3 TO LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
AGREEMENT FOR SPECIALIZED ATTORNEY SERVICES

This Amendment No. 3 to Specialized Attorney Services Agreement is made and entered into this ___ day of October, 2024 between the Local Formation Commission of Monterey County (“LAFCO”) and Best Best & Krieger LLP, A Limited Liability Partnership (“ATTORNEYS”).

Whereas, LAFCO and ATTORNEYS have heretofore entered into a Specialized Attorney Services Agreement (“Agreement”) executed April 26, 2022 to provide services for a term ending upon final disposition of the litigation *Monterey Peninsula Water Management District v. Local Agency Formation Commission of Monterey County; Commissioners of the Local Agency Formation Commission of Monterey County; and DOES 1 through 20* (Monterey County Superior Court Case No. 22CV000925.)

Whereas, LAFCO and ATTORNEYS have heretofore entered into amendment #1 in October 2022 and amendment #2 in July 2023 to revise the budget for services pursuant to this Agreement.

Whereas, LAFCO desires to amend the provisions of the Agreement to revise the budget for services pursuant to this Agreement.

Whereas, ATTORNEYS are desirous of these changes as well.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and in the Agreement, LAFCO and ATTORNEYS agree as follows:

Section 3 of the Agreement is hereby amended to read:

- 3.02. Budget. ATTORNEYS and LAFCO agree that the budget for services pursuant to this Agreement shall be revised and shall not exceed the sum of \$300,000. ATTORNEYS and LAFCO shall revise the budget as necessary to reflect additional fees and expenses required for services, and this Agreement shall be amended accordingly to provide such budget increases. Proposed budget increases must be approved by LAFCO before increased charges or expenditures are accrued. ATTORNEYS shall notify LAFCO General Counsel in writing when 50% and 75% of the Budget has been spent. If LAFCO does not approve additional fees and expenses required by the project beyond the initial and revised budget, LAFCO hereby consents to ATTORNEYS’ withdrawal as counsel in the matter.

Except as herein stated, all other terms, provisions, and exhibits in the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, LAFCO and ATTORNEYS have executed this Amendment No. 3 to the Agreement as of the day and year first written above.

LAFCO OF MONTEREY

BEST BEST & KRIEGER LLP

By _____

By _____

Kate McKenna, AICP
LAFCO Executive Officer

Paula C. P. de Sousa
Partner

DATED: _____

DATED: _____

APPROVED AS TO FORM

REED W. GALLOGLY, LAFCO General Counsel

By _____

Reed W. Gallogly
LAFCO General Counsel

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: October 28, 2024
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Jonathan Brinkmann, Senior Analyst
SUBJECT: **Time Extension for the City of Soledad’s Miramonte Annexation (LAFCO file #20-01)**
CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

It is recommended that the Commission authorize the LAFCO Executive Officer to approve a one-year time extension (Attachment 1) of the Commission’s approval of the Miramonte annexation.

EXECUTIVE OFFICER’S REPORT:

Summary

On December 19, 2022, the Commission approved the City of Soledad’s Miramonte Annexation. The approved proposal consists of annexation of approximately 654 acres to the City of Soledad for future residential and commercial development, along with detachment from the Mission-Soledad Rural Fire Protection District and Resource Conservation District of Monterey County.

In a letter dated October 11, 2024 (Attachment 2), the applicant (City of Soledad) requested a one-year time extension until December 31, 2025. One of the Commission’s conditions of approval included fulfillment of agricultural mitigation for 462 acres to the satisfaction of the LAFCO’s Executive Officer for loss of prime agricultural lands. Following the Commission’s approval of agricultural mitigation guidelines in February 2024, the landowner is now considering a phased approach to obtain the conservation easement for the project’s initial phases. The City and the landowner plan to return to LAFCO next year with a plan detailing how to phase the project and secure the needed conservation easements.

State LAFCO law (the Cortese-Knox-Hertzberg Act, section 57001) provides that:

- “If a certificate of completion for a change of organization or reorganization has not been filed within one year after the commission approves a proposal for that proceeding, the proceeding shall be deemed terminated unless prior to the expiration of that year the commission authorizes an extension of time for that completion. The extension may be for any period deemed reasonable to the commission for completion of necessary prerequisite actions by any party.”

LAFCO staff recommends that the Commission authorize the Executive Officer to approve (Attachment 1) the City’s requested one-year time extension – to **December 31, 2025** – for finalizing and recording a Certificate of Completion for this approved annexation.

Next Steps

Staff will continue to work with the City and property owner to achieve compliance with the condition of approval. We will continue to keep the Commission informed of progress toward finalizing this significant annexation.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Kate McKenna". The signature is written in a cursive style with a large initial "K" and "M".

Kate McKenna, AICP
Executive Officer

Attachments:

1. Draft one-year time extension – to **December 31, 2025** – for completion of the annexation
2. City of Soledad letter requesting a one-year extension for the Miramonte annexation, dated October 11, 2024



October 11, 2024

Local Agency Formation Commission of Monterey County

Attn: Kate McKenna, Executive Officer, AICP and Darren McBain, Principal Analyst
132 W. Gabilan Street
Salinas, CA 93902

RE: Miramonte Annexation Extension Request

Dear Ms. McKenna and Mr. McBain,

On behalf of the City of Soledad, I am writing to formally request a one-year extension until December 31, 2025 to record the agricultural conservation easement and complete the annexation process for Miramonte. The City is grateful for LAFCO's support of the Miramonte Annexation and while we have made significant progress in moving the project forward, we are still negotiating the Development Agreement. Understandably, the Developer does not want to make a huge financial investment in securing the agricultural conservation easement without the assurances provided in a Development Agreement.

Background

On December 19, 2022, the Local Agency Formation Commission of Monterey County (LAFCO) conditionally approved the City of Soledad's application for a sphere of influence amendment and annexation of lands totaling approximately 654 acres for a project known as Miramonte consisting of single and multi-family housing, affordable housing and neighborhood retail. One of the conditions of annexation was fulfillment of agricultural mitigation for 462 acres to the satisfaction of the LAFCO's Executive Officer for loss of prime agricultural lands. With LAFCO's approval of an agricultural mitigation policy, the Developer is considering a phased approach to secure the conservation easement for the initial phases of the project. Early next year, we anticipate coming back to LAFCO with a plan on how to phase this project and secure the necessary conservation easements.

Status

The City and Developer have been working diligently finalize infrastructure standards and cost assumptions. On April 3, 2024, the Master Plans for the Water and Sanitary Sewer Systems were approved to include Miramonte. On May 1, 2024, the Storm Drain Master Plan was approved to include Miramonte. On July 17, 2024, the City Council approved a contract with Kimley Horn to update the City's Development Impact Fees to include Miramonte. The City has also been working with the developer to implement and clarify the Mitigation Monitoring and Reporting Program and to ensure the project pays its fair share for offsite traffic impacts. The City is also close to finalizing the Miramonte Landscaping and Parks Master Plan and resolving costs for the police/fire substation.

The City was on schedule to bring the Development Agreement to the Council in early December. Unfortunately, in July 2024, Ariana Mora, the key Project Coordinator resigned to take a position with the City of Pacific Grove. Unfortunately, the City has not found a replacement for Ariana and as a result, progress has been delayed. Although this unexpected loss has delayed the project roughly 3 to 4 months, the City has refocused staffing resources and increased our contract with EMC for planning support to expeditiously complete the needed technical analyses required to finalize the Development Agreement. Consequently, we are projected to bring the Development Agreement to the City Council for consideration by March 2025.

Importance of Development Agreement and Next Steps

As noted above, the Developer has been responsive, and their consultants have followed up on City requests for more information to assist with the Development Agreement process. The City recognizes that given escalating development costs, it is challenging for the Developer to pay upfront for the agricultural conservation easements without the certainty of a Development Agreement. Thus, the need for an extension.

Although the City is requesting another extension, we are confident that this can be resolved well before December 31, 2025. In fact, the Developer is prepared to quickly complete the purchase of this easement upon approval of the Development Agreement. Since the agricultural conservation easement needs to be recorded prior to the recording of the Certificate of Completion for annexation, the City is requesting a 1-year extension to ensure these documents are properly recorded.

Thank you for your consideration of this request. Please reach out to me at mhuntera@cityofsoledad.gov if you need additional information or if there is anything else I need to submit to request this extension. We are hoping this can be considered at the October 28, 2024 meeting.

Sincerely,



Megan Hunter, City Manager

As authorized through the Commission's approval of the Study, LAFCO staff coordinated with District representatives on compliance progress-review in September and October 2024. As recommended by the Study, the District hired legal counsel from County Counsel's Office, a new General Manager, and a new Grounds Keeper. The District is working with County Counsel to obtain District financial records from the previous bookkeeper and to complete the annual District compensation report for the previous fiscal year as required by the State Controller's Office. The Cemetery District Board has been working to improve its relationship with the community by posting meeting agendas and inviting community members to each Board meeting. As a result of these efforts, community attendance at District Board meetings has increased.

Remaining first priority actions for the District include adopting a current Fiscal Year (FY) 2024-2025 budget and hiring a firm to complete financial audits for FY 2022-2023 and 2023-2024. Remaining second priority actions are completion of required Form 700 filings, ethics and harassment prevention training, and a District website that meets state laws requirements.

The District has made satisfactory progress for this reporting period. Staff will continue to monitor progress and provide additional status reports to the Commission until compliance is met with state legal requirements and best practices.

Three Greenfield Area Special Districts Status

As part of the 2023 Study of five Greenfield area public agencies, the Executive Officer was authorized to continue to coordinate with the Greenfield Memorial, Public Recreation, and Cemetery Districts. The purpose of our continued involvement is to ensure implementation of corrective measures to address lack of compliance with state legal requirements and best practices.

All three districts have retained legal counsel services from the County of Monterey. LAFCO staff met with Deputy County Counsels Shane Strong and Robert Brayer in April 2024 to receive an update on completion of the identified corrective measures. Coordination with counsel is on-going.

As of this writing, the three Districts adopted FY 2023-2024 budgets and FY 2024-2025 budgets. The Recreation and Cemetery Districts hired a firm to complete financial audits for FY 2020-2021 and 2021-2022 at their June meetings. The Memorial District hired an auditing firm to complete financial audits for the same time periods in December 2023. All three districts are targeting completion of financial audits by the end of 2024. All three districts now meet website requirements and adopted Bylaw amendments that promote compliance with training requirements. The Districts are nearing completion of required Form 700 filings and required trainings for ethics and harassment prevention.

For next steps, LAFCO staff will continue to monitor completion of required corrective measures by the districts. We will also schedule a meeting among representatives of the City of Greenfield and the three special districts to discuss preparation of a district-funded feasibility study. The study would evaluate and recommend service delivery improvements such as the successful City-Fire District service agreement model.

3. Other Future Anticipated Agenda Items

Proposals on File and In Progress

1. Mission Soledad Rural Fire Protection District: Sphere amendment and annexation of Paraiso Springs Resort (portion). Application status is incomplete.

The County approved the Paraiso Springs project in 2019, and a portion of the site needs to be annexed to the local fire district to comply with a County condition of approval. LAFCO received the District's application in January 2022 and determined that the application is incomplete.

The application had recently been inactive for more than six months. However, after staff communicated pending next steps to move toward termination of the inactive application per LAFCO policy, the District began re-engaging to address items in the completeness letter. The

District's progress in the past month includes payment of a requested LAFCO fee deposit and addressing incomplete items in the plan for providing services.

Potential Applications Under Discussion (Pre-Application)

1. City of Gonzales: Vista Lucia and Puente del Monte potential annexation projects, and Corda Road potential out-of-agency service extension.

- (a) Vista Lucia and Puente del Monte projects: Annexation of some or all of an approximately 1,300-acre area placed in the City's sphere in 2014. In total, the two projects would approximately double the existing City limits.

City and LAFCO staff met in April 2024 to confer about LAFCO's comment letter on a Draft Environmental Impact Report (EIR) for the Vista Lucia project (Fanoe-owned lands of approximately 768 acres). The City anticipates submitting an annexation application for the Vista Lucia project by spring 2025. Staff will prepare an MSR study for the City of Gonzales to coincide with the City's anticipated Vista Lucia annexation application. The timing will depend upon when we receive the application with information needed for the study.

The City is also working on a specific plan and an EIR for the Puente del Monte project (Jackson- and Rianda-owned lands, approximately 547 acres). There is no anticipated timeline for receiving an annexation application.

- (b) Corda Road existing farmworker housing: Potential out-of-agency service extension seeking to connect to the City's water system. The site is located at the intersection of Corda Road and Alta Street approximately three-quarters of a mile northwest of the City.

This site is not anticipated to be part of a future LAFCO annexation application since it is located outside of the City's sphere of influence and permanent agricultural edge, which was established through the 2014 City-County Memorandum of Agreement. Preliminary coordination among the City and the property owner is underway.

2. Monterey Peninsula Airport District: Detachment from the City of parcels owned by the Monterey Peninsula Airport District. Most Airport District-owned parcels are in the unincorporated County. Several outlying parcels along Highway 68 are in the City of Monterey. The District is interested in detaching these parcels from the City to eliminate a split in underlying city-county jurisdictions as the airport develops new facilities according to its master plan. LAFCO staff are participating in coordination meetings with Airport, City, and County representatives, most recently in January 2024.

3. Marina Coast Water District: Potential sphere of influence and annexation of approximately 47 parcels comprising several thousand acres. Areas under discussion for potential inclusion in an application include: MCWD's Armstrong Ranch property (north of the Marina Municipal Airport), a portion of the Bureau of Land Management (BLM) Fort Ord National Monument, Fort Ord Dunes State Park, and approximately a dozen areas within the jurisdictional boundaries of Marina, Seaside, and the County of Monterey on the former Fort Ord.

The potential application is intended to include areas that MCWD owns, MCWD currently serves, or MCWD has an agreement to serve, contain MCWD infrastructure, and would be consistent with MCWD's plans and policies. LAFCO staff met with MCWD representatives, most recently in September 2024, and continue to coordinate with them to refine the future proposal's scope.

4. City of Soledad: Potential sphere of influence amendment and annexation of a 4.4-acre parcel (Britton site) at the corner of San Vicente Road and Gabilan Drive, adjacent to existing city limits. The site, which is currently in agricultural production, is within the area designated for future growth in the 2016 City-County memorandum of agreement.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Kate McKenna". The signature is written in a cursive style with a large initial "K" and "M".

Kate McKenna, AICP
Executive Officer

Attachment: Adopted Annual Work Program for Fiscal Year 2024-2025

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

ADOPTED WORK PROGRAM

FISCAL YEAR 2024-2025

Adopted: On March 25, 2024

1. APPLICATION PROCESSING FUNCTIONS		
TASK	STATUS	COMMENTS
Process applications for boundary changes in a responsive, professional and efficient manner. For a current list, please see the monthly Executive Officer’s Reports on Anticipated Agenda Items and Special Studies.	Ongoing	Priority fast-tracking is given to applications for economic development, affordable housing, public health and safety, or other urgent needs.
Provide Commission with legally defensible recommendations and alternatives, and alert to litigation risks, liabilities and alternatives associated with potential actions.	Ongoing	Current litigation is with MPWMD related to a 2022 Commission action.

2. MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE STUDIES		
TASK	STATUS	COMMENTS
<p>Prepare updated LAFCO studies (Municipal Service Reviews / Sphere of Influence Studies) for local agencies. Priorities for FY 24-25:</p> <ol style="list-style-type: none"> 1. Completion of LAFCO studies for Soledad-area local agencies and the seven Monterey Peninsula cities (carryover from the FY 23-24 work program, as needed). 2. Update LAFCO studies for: <ul style="list-style-type: none"> • Cities of Gonzales, Salinas, and King City • Water districts: San Lucas, San Ardo • Wastewater (sanitation) districts: Boronda, Pajaro, Seaside County, and Monterey Regional County (a function of MIW) • Monterey Regional Waste Management District • County Service Areas (all) 3. Update LAFCO studies for other agencies, as time permits 	Ongoing	<p>State law requires periodic LAFCO review of all local agencies’ services and spheres of influence.</p> <p>Priorities and schedule are flexible to accommodate agencies’ needs and other work program tasks, such as the processing of City, County, or District applications.</p>
Develop a local policy on Disadvantaged Urban Communities (DUCs) to support the Commission’s work on municipal service reviews, spheres of Influence and annexations.	New	
Coordinate with local agencies and oversight agencies to follow up on LAFCo study determinations and recommendations	As Needed	Compliance follow-up is underway for Greenfield - area agencies (per a 2023 LAFCO study)
Develop and update Commission policies, procedures, applications, maps and flowcharts for spheres of influence, annexations, reorganizations, and other boundary changes for cities and districts.	As Needed	

3. GOVERNMENT AND COMMUNITY RELATIONS

TASK	STATUS	COMMENTS
Respond to daily requests for information and assistance from public and public agencies	Ongoing	
Continue to coordinate with Santa Cruz and Monterey County stakeholders on issues related to the new Pajaro Valley Health Care District.	As needed	Issues of boundaries, services and operations will affect North County residents and Salinas Valley Health.
Post public information on the LAFCO website. Review website layout, graphics, and content for an improved public experience and ADA compliance. Also review and update brochures and fact sheets.	Ongoing	
Initiate informal meetings to discuss budget and policy issues with Cities, Special Districts and County. Provide timely notice of issues and opportunities to participate in LAFCO process.	Ongoing	
Attend meetings as requested by the County of Monterey. Provide support for appointment of County members to LAFCO.	As needed	
Attend meetings as requested by Cities, the City Managers Group, and Mayors Association. Provide support for the appointment of City members to LAFCO.	As needed	
Attend meetings as requested by individual special districts. Attend quarterly Special Districts Association meetings. Attend quarterly Special Districts General Managers' Group meetings. Provide support for the nomination and election of special district LAFCO members.	Quarterly and as needed	
Provide support for appointment of public members to LAFCO.	As needed	
Encourage and initiate early LAFCO participation in sphere of influence updates, City general plan updates, City-County-District dialogues, and environmental review activities that affect government boundaries & services.	Ongoing	For example, LAFCO staff is participating in community meetings about the Salinas General Plan update process.
Participate in regional activities for which LAFCO has indirect or direct responsibilities, as required by State law.	Ongoing	For example, LAFCO staff engages in AMBAG processes for regional housing, growth forecasts, and transportation planning issues.
Participate in community and statewide educational opportunities to promote understanding and dialogue.	Ongoing	For example, the Civil Grand Jury requests an annual LAFCO presentation. Also, the EO presented at the California American Planning Association conference in 2023.
Facilitate constructive discussions with small cities & districts seeking options for governance and the efficient, effective delivery of services. LAFCO is a clearinghouse for technical, financial and legal resources.	Ongoing	In recent years, LAFCO has assisted agencies in Greenfield, Soledad, Spreckels, North Monterey County areas.

4. COMMISSION AND COMMITTEE FUNCTIONS		
TASK	STATUS	COMMENTS
Provide support to ten regularly scheduled Commission meetings, special meetings as needed, and Committee meetings, including the provision of public notices, agenda packets, meeting broadcasts, minutes and resolutions.	Ongoing	Commission and Committee meetings are held in-person, with in-person and remote options for the public.
Hold agenda review sessions with Chair.	Ongoing	
Conduct new Commissioner election, appointment, and orientation processes.	As needed	
Continue to participate in CALAFCO conferences, workshops, and courses. Continue to support Monterey LAFCO's representative on the CALAFCO Board of Directors. Continue to participate in the CALAFCO legislative process to ensure that local interests are coordinated with policies and activities of the statewide organization. Continue to monitor state legislation. Continue to provide feedback to legislators and CALAFCO. Continue to provide monthly CALAFCO report to Commission. Continue to update local policies and procedures for consistency with approved legislation.	Ongoing	
Support all required Commissioner needs for bi-annual ethics/harassment training and annual economic interests reporting.	As needed	Primary responsibility is for Public Members.

5. ADMINISTRATIVE AND HUMAN RESOURCES MANAGEMENT		
TASK	STATUS	COMMENTS
Maintain the staff timekeeping, cost tracking, and invoicing for applications.	Ongoing	
Conduct review of Policies and Procedures for all LAFCO administrative and human resources functions.	Annual	
Identify and support staff training needs and opportunities, including professional certification, technical training, and ethics/harassment compliance.	Ongoing	
Conduct a periodic review of job classifications and salary ranges.	As needed	
Conduct a periodic review and continue implementation of LAFCO's Records Management Policy, including conversion of paper records to searchable electronic format. This multi-year task is carried out by in-house staff.	As needed	Policy update is underway in FY 23-24. Completed conversion project for 60 years of files.

6. FINANCIAL MANAGEMENT

TASK	STATUS	COMMENTS
Review and update the application-processing fee schedule and hourly staffing rates.	As needed	Update is underway in FY 23-24.
Compile financial policies into a chapter of the LAFCO administrative policies and procedures.	As needed	Update is underway in FY 23-24.
Continue to coordinate with the County Auditor to obtain local agency contributions to LAFCO.	Annual	
Complete audit for Fiscal Year 2023-2024.	Annual	LAFCO has received the highest possible audit rating each year since 2005.
Conduct review of Benefits, Services and Supplies with the goal of continuing to control costs.	Annual	
Develop a three-year financial forecast to project upcoming needs and to provide the resources to meet these needs.	Annual	This tool is for informal use by the Budget & Finance Committee.

Various LAFCO Executive Officers, volunteer staff to the CALAFCO Board, and at least four CALAFCO Board Members challenged the changes to CALAFCO's Legislative Model. At its September 30 special meeting, after extensive comment and discussion, the CALAFCO Board passed a motion to:

- Reconsider the Legislative Committee Policy;
- Reinstate the Legislative Committee as it was;
- Refrain from any new contracts with the legislative advocate until directed by the Board; and
- Consider this issue again at the 2025 Strategic Planning Review, relative to the efficiency and effectiveness of the legislative structure.

Approval of a Bylaws Amendment Proposal regarding Director Attendance

At its July 19 regular meeting, the CALAFCO Board approved a proposed change in Bylaws regarding the number of meetings that a CALAFCO Board member can miss from three (current) to two (proposed). In accordance with the Bylaws, at the CALAFCO Conference Annual Business Meeting on October 17, members adopted the proposed change to the Bylaws.

2025 CALAFCO Annual Conference

Next year's CALAFCO Annual Conference will be held at Wyndham Bayside in San Diego from October 22 to 25, 2025.

Legislative Activities

The CALAFCO-sponsored bill SB 1209 (Cortese), which would give LAFCOs explicit authority to require indemnification as part of the LAFCO application process, passed the State Legislature on August 26, 2024 and was signed by Governor Gavin Newsom on September 28, 2024.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 www.monterey.lafco.ca.gov

DATE: October 28, 2024
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Darren McBain, Principal Analyst
SUBJECT: Consideration of a 2024 Municipal Service Review and Sphere of Influence Study for the Cities of Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea
CEQA: Categorical Exemption, California Environmental Quality Act Guidelines Sections 15306 and 15061(b)(3)

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission:

1. Receive a report from the Executive Officer;
2. Receive public comments;
3. Provide for questions or follow-up discussion by the Commission;
4. Consider a Public Review Draft Municipal Service Review and Sphere of Influence Study for the Seven Monterey Peninsula-Area Cities (Marina, Seaside Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea – Attachment 1); and
5. Consider and adopt a resolution (Attachment 2) to:
 - a. Find adoption of the study and its recommended actions exempt from provisions of the California Environmental Quality Act (CEQA);
 - b. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
 - c. Affirm the currently adopted spheres of influence of all seven Peninsula-area cities (Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea) with no changes at this time;
 - d. Encourage the Cities of Marina, Seaside, Monterey, and Carmel – along with the County of Monterey and special districts such as Monterey County Regional and Cypress Fire Protection District – to consider consulting about future growth and development on the existing city edges. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges;
 - e. Encourage the City of Marina to clarify, as part of its current General Plan update process, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO remove northern East Garrison from the City’s sphere of influence as part of a future comprehensive sphere amendment (following completion of the City’s General Plan update); and

- f. Encourage the City of Monterey to continue to explore ways to partner with local agencies such as Monterey County Regional Fire District, Cypress Fire Protection District, Monterey Peninsula Airport District, and Del Rey Oaks, as well as the California Department of Transportation (Caltrans), regarding fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor as needs and opportunities evolve in the future.

EXECUTIVE OFFICER'S REPORT:

Overview of the Study

State law requires LAFCOs to periodically review the services and spheres of influence of all cities and special districts. Consistent with the Commission's adopted work program, staff has prepared a comprehensive study of the seven Monterey Peninsula-area cities.

Key findings are on page 5 of the draft study. Overall, the Peninsula cities are effectively providing municipal services and facilities to their communities in an open, accountable, and fiscally responsible manner. The study discusses that substantial population growth is projected to occur over the next 25 years, especially in the City of Marina. However, most city growth and development appears likely to occur on sites that are already within existing city limits.

No sphere of influence changes are being requested by the cities, or recommended by staff, at this time. However, the cities, the County of Monterey, and local special districts could benefit from consulting with each other about potential urban development in the unincorporated county, along some of the city edges. Potential future growth in the Highway 68 corridor will increase needs for fire protection and emergency medical services. Opportunities exist for collaborative partnerships, among the local agencies in the area, for providing these services.

Recommended Actions

Recommended actions are listed above (a. through f.) and are on page 9 of the draft study. The study recommends that the Commission affirm the existing spheres of influence of the seven Peninsula-area cities. In addition, the study encourages the Peninsula-area cities – working with the County and other agencies – to consider several actions as outlined above (consultations and a potential memorandum of agreement regarding development on the existing city edges; clarifying northern East Garrison's status in Marina's General Plan; continuing to explore potential partnerships for fire protection and emergency medical response in the Highway 68 corridor). The context for these recommendations is further discussed in the study's Key Findings and in the individual city profiles.

California Environmental Quality Act (CEQA) Compliance

Pursuant to Section 15306 of the California Environmental Quality Act ("CEQA") Guidelines, the study qualifies to be determined categorically exempt, in that the Study consists of basic data collection, research, management, and resource evaluation activities; and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment.

Agency Coordination and Public Review

Preparing this draft study has been a collaborative process. LAFCO staff gathered information from the cities' websites and met with city staff representatives to gain additional perspective on city services, facilities, goals, and challenges. Staff developed an initial draft and shared it with the city representatives. Staff then integrated the cities' feedback into a second administrative draft for additional comments and suggestions. During this process, LAFCO also coordinated with management staff of other public agencies including the County of Monterey, the Monterey Peninsula Airport District, and Monterey County Regional Fire District.

Staff posted the public review draft study to LAFCO's website on Tuesday, October 22, and provided email notifications to commissioners, the cities, and other known interested parties. Subsequently, the City of Monterey requested a minor edit to page 35 of the draft MSR, as shown below and within **Attachment 1**.

- “City staff have also expressed that, because of an on-site gate location, responding run times from the ARFF station to certain areas of the airport property (short- and long-term parking lots, airport terminal, rental car center, and traffic control tower) will increase as it requires off-airport travel through the Casanova Oak Knoll neighborhood, resulting in longer emergency response times to those specific locations.”

LAFCO staff is supportive of this change, given that the above statement conveys the City's point of view on an operational aspect of a service that the City is providing. The Airport District management does not agree that timely emergency response to any areas of the airport requires off-airport travel; this is mentioned on page 35 of the MSR. However, the City–Airport District service agreement remains an established and successful partnership.

Alternative Actions:

In lieu of the recommended actions, the Commission may direct changes to the attached draft resolution or the study. Any major changes to the resolution or the study would require that this agenda item be continued for further coordination and review.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

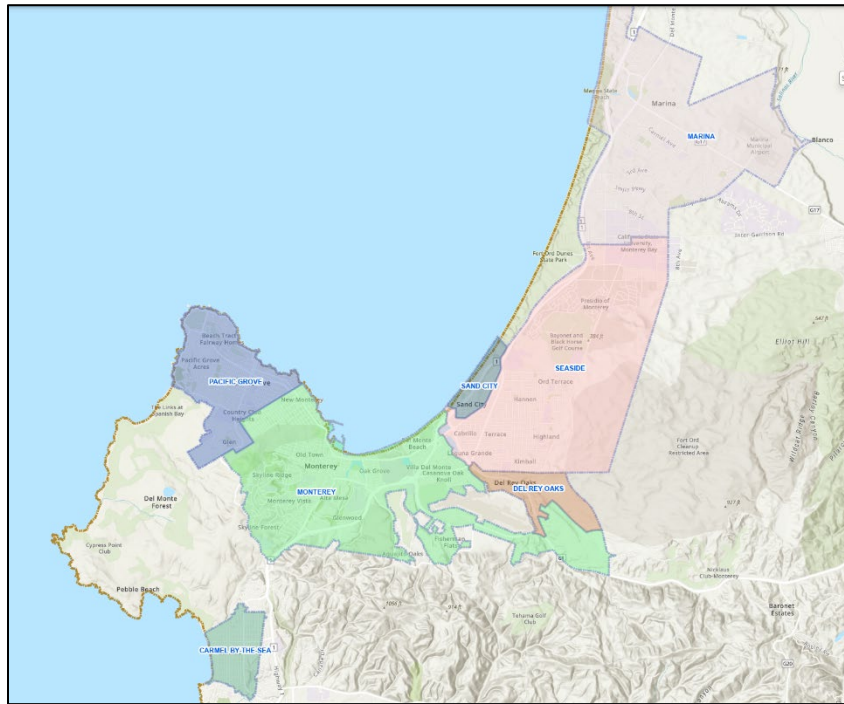
Attachments:

1. Public Review Draft – 2024 Municipal Service Review and Sphere of Influence Study
2. Draft Resolution

2024 Municipal Service Review and Sphere of Influence Study:

Monterey Peninsula–Area Cities

- Marina
- Seaside
- Sand City
- Del Rey Oaks
- Monterey
- Pacific Grove
- Carmel-by-the-Sea



Public Review Draft – October 23, 2024

COMMISSIONERS

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Executive Summary

Introduction and Background

This study provides information about the operations, services, and spheres of influence¹ of the seven Monterey-Peninsula area cities, listed below in a roughly north-to-south order:

- Marina
- Seaside
- Sand City
- Del Rey Oaks
- Monterey
- Pacific Grove
- Carmel-by-the-Sea

The seven cities have a combined population of about 100,000 in an approximately 32-square-mile area. Marina was incorporated as a city in 1975. The other six cities were incorporated between 1850 (Monterey) and 1960 (Sand City), predating the statewide advent of LAFCOs in 1963. The Peninsula-area cities directly provide a wide range of municipal services to their residents. (Note: Although LAFCOs are legally charged with regulating the services that special districts provide, this is not the case with cities. Statewide, all cities are able to provide any municipal services without LAFCO oversight).

Regional public agencies provide additional services to both city residents and the nearby unincorporated communities. These regional agency services pertain to the regional airport, regional parks, landfill and recycling facilities, the Moss Landing harbor, regional transit, health services, mosquito abatement, and water resources management. These services extend to residents of some or all of the seven cities, depending on each regional agency's boundaries.²

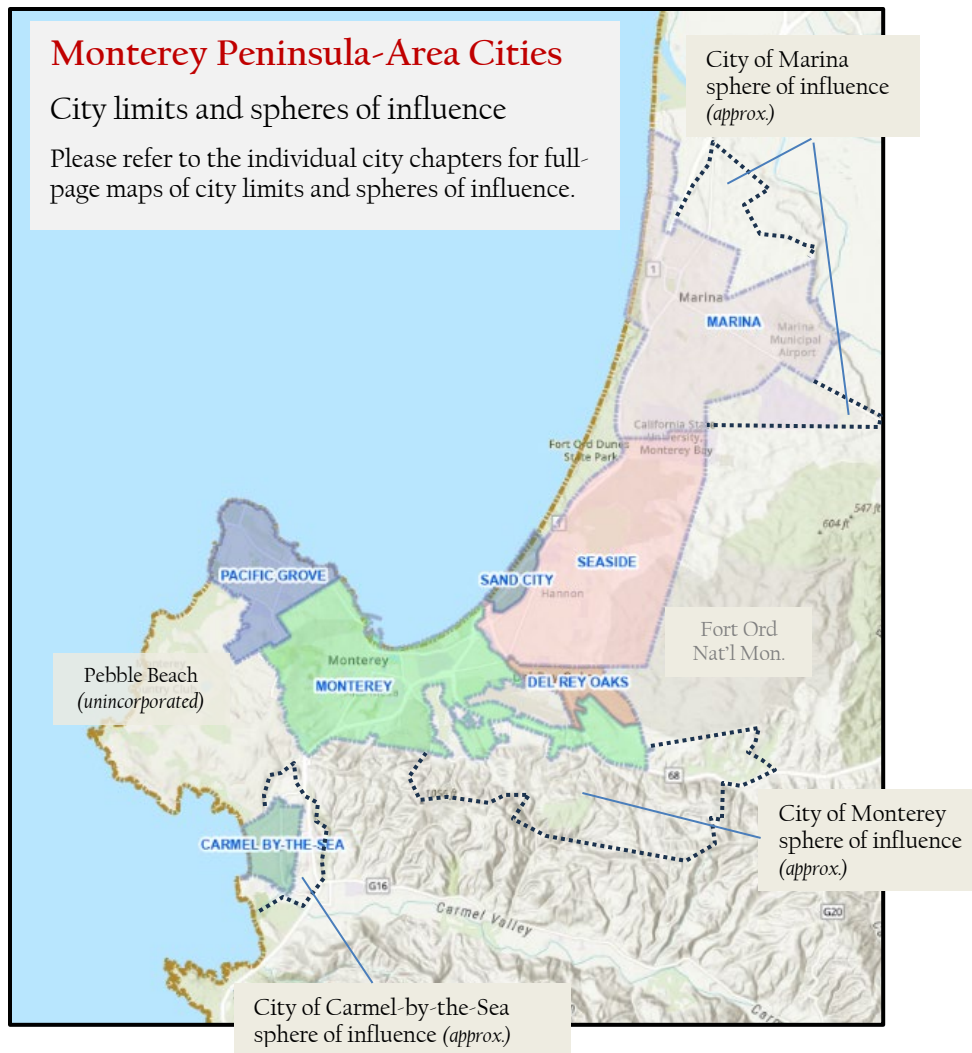
Monterey, Seaside, and Marina's city fire departments provide fire protection/prevention and emergency medical response services to their own residents. In addition, under existing contracts, Monterey provides these services to the cities of Carmel, Pacific Grove, and Sand City, Monterey Peninsula Airport District, and U.S. Navy's La Mesa Village; and Seaside provides these contractual services to Del Rey Oaks. Unincorporated communities adjacent to the seven Peninsula areas are within the boundaries of several fire protection services districts (North County, Monterey County Regional, Cypress, and Pebble Beach Community Services District). These districts and the cities provide additional emergency response to each other's service areas, as needed, under existing mutual and automatic aid agreements.

Marina Coast Water District provides water service to Marina and to areas of Seaside, Del Rey Oaks, and Monterey that were formerly part of Fort Ord. Water service to the balance of the Peninsula area is provided by the California American Water Company (Cal Am, an investor-owned public utility) – with the exception of Sand City, which has its own water supply source in a city-owned desalination plant. Cal-Am's water service is constrained by State Water Resources Control Board Order WR 95-10, which determined that approximately 70% of the Cal Am supply was based on unlawful diversion from the Carmel River. Order WR 95-10 imposed a constraint on new development by requiring that any new water supply be used to reduce diversions from the Carmel River prior to allowing new users. Marina Coast also provides wastewater collection services within its district boundary, primarily to City of Marina residents but also other portions of the former Fort Ord.

Wastewater treatment to most of the Peninsula communities is provided by Monterey One Water, which – as a joint powers authority rather than a special district – is not regulated by LAFCO. Wastewater from the City of Carmel-by-the-Sea, along with Carmel Valley and Pebble Beach unincorporated communities, is pumped to Carmel Area Wastewater District's treatment plant.

¹ A Sphere of Influence is defined by LAFCO of Monterey County as "A plan for the probable physical boundaries and service area of a local agency, as determined by LAFCO ([California Government Code] section 56076). The area around a local agency eligible for annexation and extension of urban service within a twenty-year period."

² Maps of all special districts' boundaries and spheres of influence are available on LAFCO's website.



Key Findings

The following key findings highlight the study’s most significant observations and conclusions.

1. The cities are efficient and effective service providers.

The seven Monterey Peninsula-area cities are reliably and consistently delivering public services to their residents in a responsive and accountable manner. The cities are professionally administered and are guided by duly elected city councils.

Aging city facilities are a recognized issue. There are significant, ongoing needs for costly reinvestment to maintain a high level of city services. The cities monitor the capacity of their public facilities and the adequacy of public services through the adoption and implementation of General Plans, annual budgets, and capital improvement programs. Where opportunities exist, the cities partner with each other, and with regional service providers (special districts and JPAs) to achieve efficiencies and economies of scale.

2. Substantial population growth is projected through 2050, especially in Marina.

AMBAG’s current (*September 20, 2024*) draft Regional Growth Forecast anticipates that the Peninsula-area cities’ total population will increase from about 99,200 in 2023 to about 119,845 in 2050. AMBAG is forecasting much higher growth – in terms of a percentage increase – for the seven Peninsula cities (+20.8% overall) than for both Monterey County and the tri-county region (+6% overall for each).

More than half of this population increase is projected to occur within the City of Marina. The second-highest population increase is anticipated to occur in the City of Monterey, with the third-highest being in Seaside. However, it is worth noting that, between 2010 and 2023, the seven Peninsula cities' total population actually shrank by about 2.1% (from 101,274 to 99,181). Marina and Sand City are the only two cities whose populations grew during this period. The largest population decreases were in Carmel, Seaside, and Monterey (-16.6%, -8.6%, and -2.2%, respectively).

3. Anticipated future growth and development is mostly within existing city limits.

Unlike in the Salinas Valley cities, growth and development for the Monterey Peninsula-area cities in the foreseeable future will take place mostly within the city limits as they currently exist. Only three of the seven Peninsula cities (Marina, Monterey, and Carmel) have a sphere of influence beyond the existing city limits. These SOIs were designated by LAFCO in the 1980s and have remained mostly unchanged – with very few sphere amendments or annexations – since that time. Also dissimilar from the Salinas Valley cities, lands within the Marina, Monterey, and Carmel SOIs are largely either already developed or have other significant constraints such as a low property-tax base or a voter-approved growth moratorium in place. Partly for these reasons, these three cities do not currently anticipate any significant near-term annexations of areas within their existing SOIs. The City of Marina is currently updating its General Plan and may request one or more sphere amendments when that process is complete.

The other four cities (Seaside, Sand City, Del Rey Oaks, and Pacific Grove) do not have a sphere of influence designated beyond existing city limits. In general, these cities are either completely or mostly surrounded by other cities or public lands, and therefore have little or no opportunity to expand. One exception is that part of Seaside is bordered by potentially developable lands to the northeast (the former Monterey Downs site, although no development is anticipated there in the near term).

Undeveloped sites that are designated or planned for development appear to provide many years of future growth capacity within existing city boundaries. Marina and Seaside appear to have the most vacant land available for development within city limits. Sand City and Del Rey Oaks also have significant areas of undeveloped land, and Monterey has a large sphere of influence (i.e., potential future city expansion area) with several large undeveloped parcels in the Highway 68 corridor.

4. No sphere of influence changes are currently needed.

No sphere of influence changes are currently being requested by the Cities, or recommended by LAFCO staff. About a third of the unincorporated East Garrison community is currently within Marina's sphere as designated by LAFCO in the 1980s, when this area was still part of an active military base. The rest of East Garrison is outside the city's sphere. LAFCO should comprehensively review and update Marina's sphere, including potential removal of the East Garrison portion and addition of other areas, after the city has completed its General Plan update process, which is currently in progress. No significant annexations are anticipated by the Cities within the existing SOIs. However, the Cities are considering several minor boundary adjustments that this study has helped identify and address.

5. Unincorporated development in the cities' spheres of influence is a potential disincentive to city annexations and orderly city growth. This study recommends City-County consultation, with participation by affected special districts – and a potential memorandum of agreement (MOA) about future development along the existing city edges. These discussions could help provide guidance and more certainty to the agencies, communities, and landowners, going forward.

As stated above, most future growth and development for the Peninsula-area cities, in the near future, is anticipated to take place within the existing city limits. A relatively small amount of new development may occur within cities' spheres of influence. However, it is not necessarily the case that city annexation will take place before such development occurs. The County of Monterey's current draft Housing

Element update (in progress) identifies several unincorporated housing opportunity sites within the existing spheres of Marina, Monterey, and Carmel, as well as an area that Marina has identified as a potential future sphere amendment (UC MBEST Center East).³

The County has a right to allow development to occur within its permitting jurisdiction, in accordance with its adopted General Plan. The County, as with the cities, also has obligations to provide development capacity for new housing pursuant to the Regional Housing Needs Allocation. Under the Affirmatively Furthering Fair Housing policy mandates of the federal Fair Housing Act, the County has a responsibility to ensure that new unincorporated housing and other development is fairly distributed throughout all areas of the county, including the Peninsula area – much of which is within cities. The County’s identification of opportunity sites is also guided by access to public services and infrastructure, as well as County policy objectives such as a preserving agriculture, open space, and natural habitats. For all these reasons, it is logical that some of the County’s housing opportunity sites and other development parcels would be located near the cities. In addition, the Marina, Monterey, and Carmel sphere designations have been in place for about 40 years with no definitive movement toward annexing these areas into the cities since then.

However, the Marina, Monterey, and Carmel sphere designations are intended to reflect those cities’ long-term expansion and direction of growth. County development occurring in a city’s sphere could potentially lead to projects that conflict with the city’s plans and goals. Development projects that obtain all needed services and entitlements in the county may also pose an unintended obstacle to orderly and efficient city growth by reducing the number of sites available to be developed post-annexation, or by channeling city growth around sites that were already developed under county jurisdiction.

The potential concerns outlined in the previous paragraph exist on a limited scale and do not require any sphere changes or other LAFCO actions. It is also important to note that the County does reach out to consult with the affected city, on a project-by-project basis, when an unincorporated development project is being proposed within a city’s sphere of influence. But to address this subject in a more comprehensive and proactive way, one of this study’s recommendations is that the County of Monterey and the Cities of Marina, Seaside, Monterey, and Carmel consider consulting specifically about future growth and development on the existing city edges. The parties could consider entering into a memorandum of agreement – similar, in concept, to the City-County MOAs adopted for the Greenfield, Gonzales, and Soledad areas between 2013 and 2016. Such an MOA could establish agreed-upon principles on matters such as whether development projects in a city’s sphere should be able to occur under county jurisdiction in some situations, or require annexation into the city first.

Consultations and a potential MOA could involve each of the four cities individually, or one agreement for all the cities as a group. This process could also include participation by affected special districts such as Monterey County Regional Fire District and Cypress Fire Protection District. These agencies currently provide vital services to unincorporated areas adjacent to cities, including areas within the designated spheres of influence of Marina, Monterey, and Carmel. In the future, a large annexation to one of the cities – and detachment from the district – would materially affect the district’s operations and property tax base. Including these agencies in consultations regarding city-edge development could provide greater clarity and certainty as the agencies strategize for their long-term financial resiliency.⁴

³ The County’s adopted General Plan also – in concept – provides for substantial development to occur directly adjacent to Seaside (the former Monterey Downs project, now defunct). However, this site is not within the city’s designated sphere, is not identified as a housing opportunity site in the County’s draft Housing Element, and appears unlikely to be developed in the foreseeable future.

⁴ The recommended consultations and a potential MOA regarding future development on the existing city edges are a suggestion that is intended to aid long-term planning. This recommendation does not bind or commit any agency

6. Significant future growth and development in the Highway 68 corridor – including in the City of Monterey’s designated sphere of influence – will increase needs for fire protection and emergency medical services.

The Highway 68 corridor contains a large amount of existing residential and commercial development, both within the City of Monterey and in the unincorporated county. In addition, the City of Monterey’s designated sphere of influence (i.e., future growth area) extends easterly along Highway 68 to York Road. Although much of the city’s sphere has already been developed under County jurisdiction, significant additional development is anticipated to occur in the future.

Unincorporated residential and commercial areas along the 68 corridor are within the boundaries of Monterey County Regional Fire District and – to a smaller extent – Cypress Fire Protection District. Future growth and development will increase demands on these agencies as well as on the City of Monterey’s fire and medical services.

The City provides automatic aid and mutual aid to unincorporated areas along the Highway 68 Corridor. The City also provides fire and medical response to the Monterey Peninsula Airport District by contract. Depending on a service call’s location, the City’s fire engine located at the airport is often the closest fire response company to an emergency in the 68 corridor. However, large areas of the 68 corridor are outside the city limits or the city’s sphere of influence. Potential enhancements to fire protection facilities and/or emergency vehicle access to keep pace with evolving needs and opportunities in the 68 corridor should continue to involve partnerships among the City, other local agencies in the nearby area, and potentially Caltrans.



(the Cities, the County, or special districts). State law does require City-County consultation prior to amending a city’s sphere of influence. In addition, when annexation to a city is proposed, LAFCOs require analysis of the proposal’s conformance to a wide range of requirements of state law and the commission’s locally adopted policies. Among many other factors, LAFCO must consider and make determinations regarding “The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county” (Government Code Section 56668[c]). The CEQA environmental clearance and LAFCO’s review of a future city annexation will also need to address any potential effects that may be associated with land designations changing from a State Responsibility Area to a Local Responsibility Area (LRA).

Recommended LAFCO Actions

Based on the analysis and in this study, the Executive Officer recommends adoption of a resolution to:

1. Find that, pursuant to Section 15306 of the California Environmental Quality Act (CEQA) Guidelines, the service review and sphere of influence study is categorically exempt, in that the study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment;
2. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
3. Affirm the currently adopted spheres of influence of all seven Peninsula-area cities (Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea) with no changes at this time;
4. Encourage the Cities of Marina, Seaside, Monterey, and Carmel – along with the County of Monterey and special districts such as Monterey County Regional and Cypress Fire Protection District – to consider consulting about future growth and development on the existing city edges. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges;
5. Encourage the City of Marina to clarify, as part of its current General Plan update process, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO remove northern East Garrison from the City's sphere of influence as part of a future comprehensive sphere amendment (following completion of the City's General Plan update); and
6. Encourage the City of Monterey to continue to explore ways to partner with local agencies such as Monterey County Regional Fire District, Cypress Fire Protection District, Monterey Peninsula Airport District, and Del Rey Oaks, as well as the California Department of Transportation (Caltrans), regarding fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor as needs and opportunities evolve in the future.

Note: The City and the other local agencies mentioned above are only responsible to provide fire protection and emergency medical response in their respective jurisdictions but could potentially benefit from a cooperative funding agreement, joint powers authority, other collaborative service delivery model, or additional emergency vehicle access. Participation in any future discussions or agreements would be at the discretion of the agencies themselves.



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City Profiles

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City of Marina

Incorporated	1975
Land Area within City Limits (approx.)	8.9 square miles
Designated Sphere of Influence (beyond city limits)	Approximately 2,750 acres / 4.3 square miles
Population Includes portion of CSUMB within Marina	Current: 22,269 (as of 2023) Projected: 27,568 – 2030 31,706 – 2040 34,305 – 2050 <i>(data source: AMBAG)</i>
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$70.0 million

Municipal Services

The City of Marina directly provides a range of public services and facilities, including a municipal airport. Marina residents receive water and wastewater collection services through the independent Marina Coast Water District. Marina is also within the boundaries of the Monterey Regional Waste Management District, the Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, Moss Landing Harbor District, and Northern Salinas Valley Mosquito Abatement District. Part of Marina is also within Salinas Valley Health’s district boundary.

Marina is rapidly growing. Marina is one of only two cities – along with much smaller Sand City – whose populations actually grew between 2010 and 2023. Marina added about 2,551 residents (12.9% total growth) during that period. According to AMBAG’s current draft regional growth forecast through 2050, Marina is the main growth center not only for the Monterey Peninsula but for the county as a whole. Marina’s projected total population growth (+12,043 through 2050) is numerically higher than for any other city in Monterey County. As a percentage, Marina’s projected 54% cumulative growth through 2050 is exceeded only by Sand City (+168%). Some current and recent major development projects in Marina city limits include the Dunes on Monterey Bay, Sea Haven, the Promontory, and Armstrong Station.

New growth generates one-time development impact fees and raises the City’s annual property tax revenues. However, these funding streams have not necessarily kept pace with the needs for streets, parks, and other community facilities such as the public safety (combined police and fire) station and city hall.

On July 23, 2024, the City Council held a study session to provide direction on potentially placing a general obligation bond measure – in the range of \$20 million to \$60 million – on the November 2024 ballot to finance construction of new public facilities. A majority of the Council voted to direct city staff to prepare a \$50 million bond measure for possible placement on the November 2024 general election ballot. A two-thirds majority of Marina voters will be needed to pass the bond measure under current state law. If the ballot measure ultimately passes, then property owners will be assessed for bond costs that vary depending on a property’s value. For example, bond repayment would cost an estimated \$272 per year for the owners of a median single-family house with an assessed valuation of \$497,000.

City Boundaries and Sphere of Influence

Lands within the city limits total about 5,740 acres. LAFCO designated Marina's sphere of influence was in 1982 and amended it in 1985. There have been no sphere changes and no annexations since that time.

Existing Sphere: Beyond the current city limits, the adopted sphere consists of two unincorporated areas, further described below. The City of Marina is currently engaged in updating its General Plan, a process that is anticipated to extend over the next one to two years. The current draft General Plan update anticipates that both areas will remain in the city’s sphere.

- 1) **About 1,500 acres north of the city limits:** Formerly part of the Armstrong Ranch, this site is now owned by RAMCO Enterprises. This area was included within the City's original Sphere of Influence in 1982. Previously used mostly for grazing, much of the site has been converted to active row crop production over the last approximately five years.

Prior to the closing of Fort Ord, this area was considered the most logical direction of Marina's growth. The City of Marina could consider proposing to annex this area. However, in 2000, Marina voters adopted an Urban Growth Boundary Initiative (in effect, a moratorium on developing this area). The voter-adopted initiative encouraged efficient growth patterns and concentrated future development within, and adjacent to, existing developed areas. The initiative prohibited most new development in this area, except for park and open space uses. Originally set to expire in 2020, the initiative's expiration date was extended to 2040 in a 2020 citywide ballot measure.



After developing lands within the existing city limits, this area remains a logical and potentially feasible direction for Marina's future growth. Retaining this area in the city's sphere is also consistent with a LAFCO policy that encourages future urban uses to be served by one municipal government rather than multiple special districts (as would be the case if potential future development were to occur in the unincorporated county).

Farmland considerations: As non-irrigated grazing and/or fallowed land, this area is neither currently nor previously designated as Prime or Important Farmland by the State of California's Department of Conservation. However, its current use—partially in active cultivation of strawberries or other high-value row crops—indicates that at least some of this area is viable as agricultural land. If annexation of this area for urban development is proposed in the future (presumably sometime after 2040), LAFCO will consider the annexation proposal's impacts to any agricultural resources, along with potential mitigation actions.

Proximity to landfill and wastewater treatment facilities: Parts of this area are directly adjacent to the Regional Waste Management District's (ReGen Monterey) Eco-Park (landfill, composting, and recycling facilities) and Monterey One Water's wastewater treatment and recycling operations. For many years, residents have objected to foul odors pervading this general area. Quality-of-life conflicts impact existing and potential future residential development and could also potentially compromise the long-term viability of these significant public facilities. In December 2023, a City-commissioned study confirmed that the public sites – and not nearby agriculture – were the main source of the odor problems. The study recommended odor mitigation measures, such as enhanced coverage of composting operations, which are being implemented.

Monterey County Regional Fire District: MCRFD provides fire and emergency medical response throughout the City's sphere of influence. This specific area was annexed to the Fire District's boundaries in 2018. City annexations typically – but do not necessarily – involve detachment from a fire protection district. In the event of a future annexation to Marina, the proposal's potential financial and operational impacts on the Fire District – as well as potential impacts to levels of service – will need to be analyzed and considered. However, because of the approved Urban Growth Boundary Initiative, annexation of this area appears unlikely to be proposed through at least 2040.

2) About 1,250 acres of the former Fort Ord, generally located between Imjin Parkway, Reservation Road, and Inter-Garrison Road.

Existing land uses within this area include the former Fort Ord landfill, Ord Market gas station and convenience store, CSUMB's East Campus Housing area, open-space parcels, and the northern approximately one-third (70 acres) of the unincorporated East Garrison community.



Parts of this area were proposed for annexation in 1985 and again in 1991, but in both instances the application was withdrawn before proceeding to a public hearing. The Whispering Oaks business park was proposed as a County development project in the southwest corner of this area in the early 2000s but is no longer planned. LAFCO staff met with representatives of Marina and CSUMB to discuss annexation of most of this area (not East Garrison) in 2009 and 2017. However, no definitive steps toward annexation have occurred since then.

City management staff has indicated that the City remains interested in annexing portions of this overall area, particularly around the Ord Market site, where a future mixed-use development is planned. One important constraint on annexation and development is the prevalence of an endangered plant species (sand gilia) and associated requirements to identify and set aside suitable acreage for mitigation. In addition, an extremely low tax base – due to CSUMB's East Campus housing being publicly owned – means that very little property tax revenue would become available to help fund City services following annexation.

All of this area is within the boundaries of Monterey County Regional Fire District. If and when any areas are proposed for annexation to the City of Marina – and detachment from MCRFD – in the future, state law requires LAFCO to analyze potential impacts associated with the jurisdictional change. The effects of detachment from MCRFD could include levels of service (a change from Advanced Life Support to Basic Life Support response), financial impacts to the Fire District's tax base, or other potential impacts.

A portion of this area (Frederick Park II) appears to meet the statewide definition of a disadvantaged unincorporated community, or DUC, based on median household income criteria. Under state law, if a greater-than-ten-acre area adjacent to a DUC is proposed for annexation to a city, an annexation application for the DUC must also be filed. This subject is further discussed in the **Determinations** section of this study.

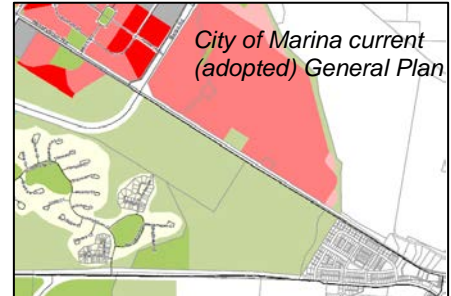
East Garrison subarea: The sphere of influence's line bisecting the East Garrison community is unintentional and unplanned. The designation appears to have been determined simply by extending the sphere to the point where Reservation Road and Inter-Garrison Road met. LAFCO amended Marina's sphere in this way in 1985, when East Garrison was still part of an active military installation – i.e., long before East Garrison was planned or developed as a civilian residential community. All or most of East Garrison's main developed area may have been located north of Inter-Garrison Road at that time.



East Garrison, in its modern form, was planned, approved, and built as an unincorporated community with most municipal services to be provided by its own dedicated community services district (an independent

public agency with an elected board of directors). LAFCO approved formation of the East Garrison CSD in 2005. Since that time, the County of Monterey Board of Supervisors has served as the CSD's interim governing body, with most services and management provided by County Public Works staff.⁵ This arrangement was intended to be an interim, short-term solution. However, it remains in effect unless and until a majority of registered voters in East Garrison vote for the CSD to become independent from the County. To date, the voters have declined to do so twice, in 2017 and 2022.

Marina's current adopted General Plan shows northern East Garrison as being within the sphere of influence, as amended by LAFCO in 1985, but no planned future land-use designation is shown. In recent years, some East Garrison residents have expressed interest in annexing to the City of Marina. East Garrison residents who support annexing to the city may feel an affiliation with the Marina community in general, or believe that the City of Marina would be able to provide public infrastructure and services at a lower cost than the rates currently charged by the County of Monterey. No formal steps have been taken, by the city or by residents, to propose annexation.⁶



The existing sphere designation – with about a third of East Garrison within the City's sphere – is essentially an outdated designation. It does not reflect decisions made, over the last 20 years, to develop East Garrison as a semi-autonomous community that will eventually have its own independent community services district providing comprehensive municipal services. Leaving part of East Garrison in the City's sphere is inconsistent with LAFCO policies that promote logical and orderly growth and discourage dividing a community.

The City's current General Plan does not identify a future land-use designation for any part of East Garrison, as noted above. The City is currently working on a comprehensive update of its General Plan. The process is anticipated to be complete sometime in 2026. After the public process is complete and the City adopts the new General Plan, the City may request that LAFCO amend the City's sphere to reflect the updated General Plan.

Based on the facts discussed above, one of this study's recommended LAFCO actions is to encourage the City of Marina to clarify, as part of its General Plan update, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO un-designate the northern third of East Garrison from the City's sphere of influence. This change should occur as part of a future comprehensive sphere amendment (following completion of the City's General Plan update). LAFCO could potentially take this area out of the City's sphere now. However, staff recommends that LAFCO defer on revising the sphere of influence until after the City's General Plan process is complete – including identifying other potential City expansion areas – so LAFCO can consider amending the City's sphere in a single, comprehensive action. City staff has reviewed this recommendation and affirmed that the East Garrison will be discussed with the city's General Plan Advisory Committee and City Council as part of the city's current process.

⁵ Monterey County Regional Fire District provides fire and emergency medical response, and would most likely continue to do so following East Garrison CSD becoming independent from the County. All of East Garrison is within the Fire District's jurisdictional boundaries, and the District has made major investments in building an East Garrison fire station (completed in 2017).

⁶ State law (the Cortese-Knox-Hertzberg Act) requires city annexations to be physically contiguous with existing city limits. Therefore, annexing any part of East Garrison to the City of Marina would necessarily involve also annexing lands between Marina and East Garrison, i.e., the former landfill, CSUMB East Campus housing, and open space/habitat parcels, as needed, to connect East Garrison all the way to the existing city limits. Annexing these areas involves several constraints, as outlined earlier in this chapter. Annexation was formally proposed, but then withdrawn, in 1985 and 1991 and has been explored several times since then but no recent proposal has come forward.

Potential future sphere of influence expansions: Marina’s current General Plan, adopted in 2000, identified three areas as potential future additions to the city’s sphere of influence:

- 1) Fort Ord Dunes State Park: Bringing this area into the city could enhance the City’s ability to apply for grant funding for to improve public access and other similar projects. The City would like to become more active in pursuing and implementing these types of public-benefit projects.
- 2) Parcels south of Inter-Garrison Road, designated for open-space uses in the City’s current General Plan
- 3) About 280 acres of undeveloped land immediately east of the MBEST Center (across Blanco Road from the existing city limits): This U.C.- and Federal government-owned land is designated in the currently adopted (2010) Monterey County General Plan for mixed-use planned development, and the County’s current draft Housing Element identifies the site for development of up to 932 housing units. The City’s General Plan designates the site for commercial and industrial uses.



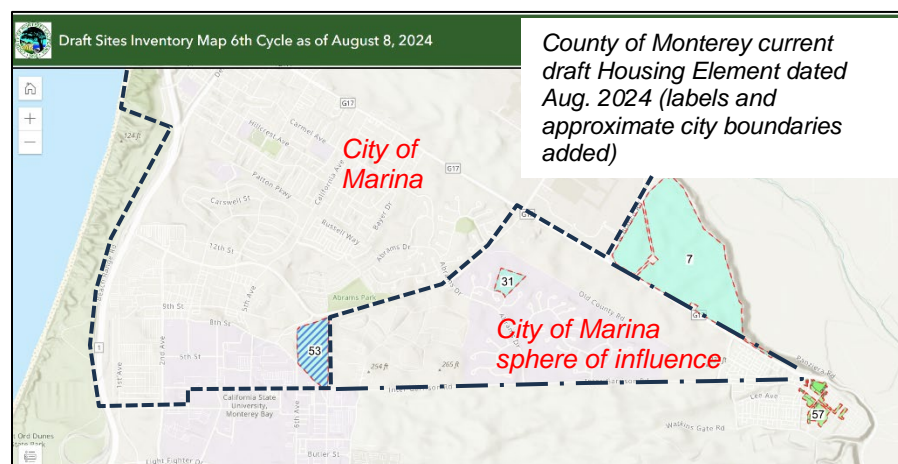
This U.C.- and Federal government-owned land is designated in the currently adopted (2010) Monterey County General Plan for mixed-use planned development, and the County’s current draft Housing Element identifies the site for development of up to 932 housing units. The City’s General Plan designates the site for commercial and industrial uses.

In effect, the MBEST East site is designated for development in both the County and the City, each with its own parameters and standards, but immediately adjacent to the city. This circumstance could form an unintended obstacle to orderly development by creating uncertainty as to what development is allowed or desired in this area. Development occurring in the County’s permitting jurisdiction could also be incompatible with some City goals, plans, or standards. One way of addressing these types of concerns would be for the City and the County to enter into a memorandum of agreement regarding growth and development on the existing city edges.. An MOA could identify additional areas where the City plans to grow in the foreseeable future (i.e., future development areas identified in Marina General Plan 2045, once it is adopted by the City Council) and could involve participation by affected special districts such as the Monterey County Regional Fire District. The idea of a potential Peninsula-area MOA is further discussed below.

The City’s General Plan update process is currently underway. The timing for completion will depend on the City’s public process and schedule. The City has the option to submit a sphere of influence amendment at any time, but is not anticipated to do so until 2026, after the General Plan update is complete. Because the City is not yet ready to initiate a sphere amendment proposal, the Executive Officer recommends that the Commission affirm Marina’s currently adopted sphere of influence with no changes at this time.

Potential Unincorporated Development in and Around the City’s Sphere of Influence

The County of Monterey’s current draft Housing Element identifies an unincorporated housing opportunity site – labeled 31 in the map to the right – within the City of Marina’s designated sphere of influence. The 13-acre site designate a total of up to 131 housing units. Another site (#7) is adjacent to the city’s sphere, in an area where the city’s General Plan



indicates the city intends to expand as discussed above. This site is designated for up to 932 housing units in the County's current draft Housing Element.⁷

The potential for unincorporated (county) development to occur along the city edges – including in a city's existing sphere of influence – is not new or unique in the local context, but it can involve certain disadvantages. If opportunity sites in a city's future growth area are developed under county jurisdiction, this can unintentionally discourage the city's orderly growth and the efficient, city-centered delivery of municipal services, as mentioned above. Unincorporated development, or development designations, within a city's sphere can potentially conflict with the city's land use goals and plans. The addition of county residents adjacent to a city can also increase demands on a variety of city services such as libraries and parks.

One possible mechanism for addressing these types of concerns would be for the City and the County – along with affected special districts such as the Monterey County Regional Fire District – to enter into a memorandum of agreement regarding future growth and development on the city edges. Among other discussion areas, the MOA could address:

- Whether, or under what circumstances, development projects in the city's designated sphere of influence should proceed under county jurisdiction or require annexation into the city first,⁸
- Potential funding agreements for city-adjacent unincorporated development to offset increased demands on city services, and
- A framework for addressing the financial effects of detaching large areas from the tax base of a regional special district such as MCRFD, at such time when city annexations occur in the future.

In addition to establishing more clarity and certainty regarding development along the city edges, these consultations and a possible MOA, would satisfy a requirement of state law for city sphere of influence amendments. The city's current General Plan update, in progress, anticipates three potential future sphere expansions (areas #1-3 on the map on the previous page). Before a city can request a sphere amendment, the Cortese-Knox-Hertzberg Act requires City-County consultation “to reach agreement on development standards and planning and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere” (Government Code Section 56425).

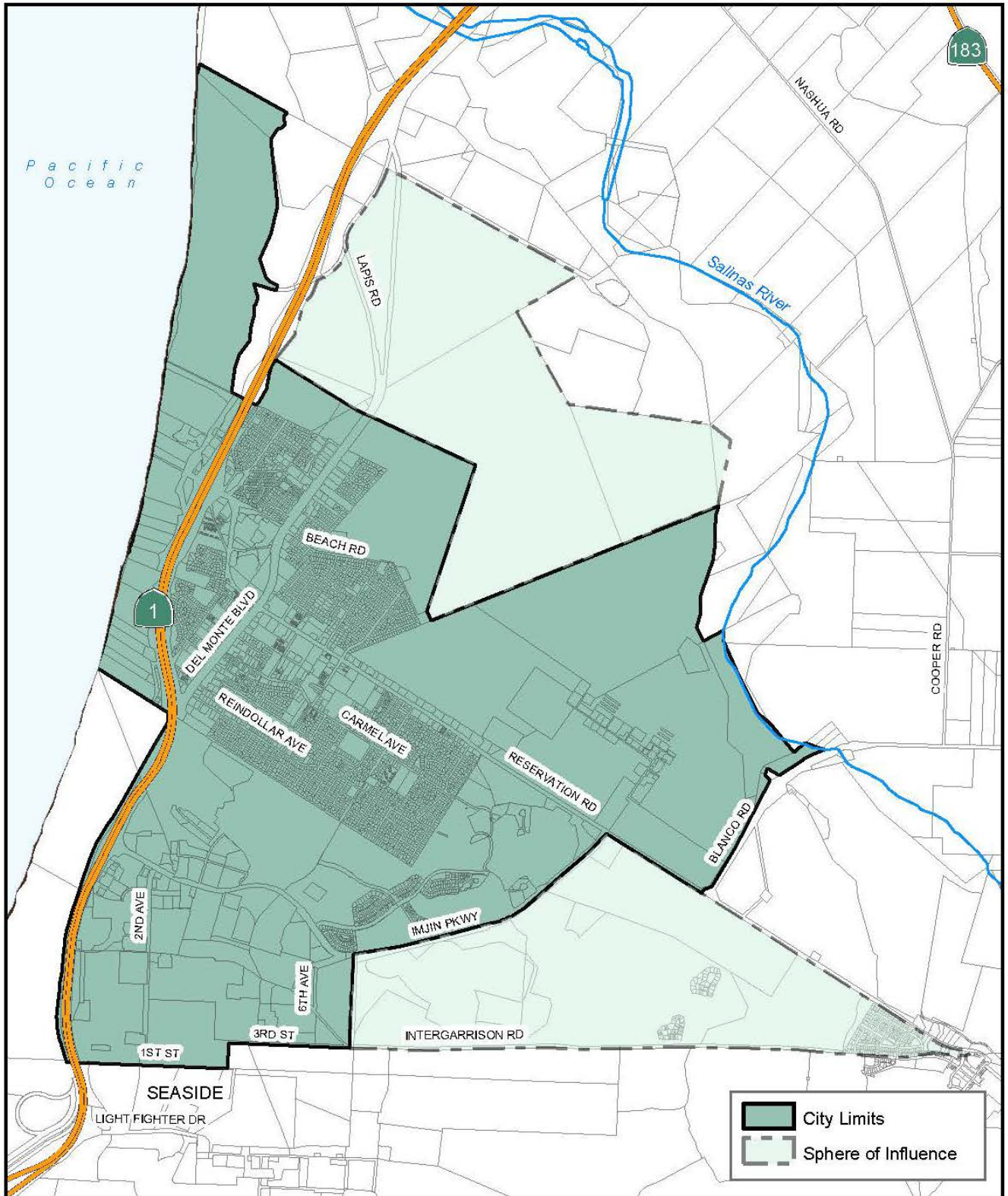
Recommended LAFCO Actions

Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

1. Reaffirm the City of Marina's currently designated sphere of influence with no changes at this time, pending completion of the City's General Plan update (in progress),
2. Encourage the City of Marina to clarify, as part of its current General Plan update process, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO remove northern East Garrison from the City's sphere of influence as part of a future comprehensive sphere amendment (following completion of the City's General Plan update), and
3. Encourage the City of Marina – along with the County of Monterey, other participating cities, and special districts such as Monterey County Regional Fire District – to consider consulting about future growth and development on the city edges, including in the city's existing and anticipated future sphere of influence. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future sphere amendments or annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges.

⁷ Site #53, owned by the U.C. Regents, is located within the city limits. However, the County's draft states that “The City of Marina has provided a letter of provision allowing the use of the site in the County's Housing Element.” County site #57, in East Garrison, is also adjacent to the city's current sphere. However, this study recommends that this area of city's sphere should be modified (removing the northern third of East Garrison from the city's sphere) following completion of the city's ongoing General Plan update, as discussed above.

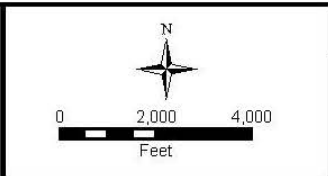
⁸ If annexation is pursued, the City and County would need to address a “no net-loss” provision of State housing law, meaning the City would need to accommodate or possibly rezone additional land if the sites identified in the County Housing Element are not developed to the projected density.



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CITIES

MARINA

Last LAFCO-Approved Change: 05/28/1985
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 12/14/2012

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City of Seaside

Incorporated	1954
Land Area within City Limits (approx.)	8.9 square miles
Designated Sphere of Influence (beyond city limits)	None
Population Includes portion of CSUMB within Seaside	Current: 30,187 (as of 2023) Projected: 30,507 – 2030 31,521 – 2040 32,626 – 2050 (data source: AMBAG)
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$81.1 million

Municipal Services

The City of Seaside directly provides a range of public services and facilities, including fire protection and emergency medical services, parks and recreation; and many others. The Seaside Municipal Water System, operated by the City, provides water to the Del Monte Heights area from an existing well. The remainder of the central core of the City is served by the California American Water Company (Cal-Am). Water service provided by Cal-Am and by the Seaside Municipal Water System currently continues to be constrained due to the overdraft status of the Seaside Basin and a determination that water was being unlawfully diverted from the Carmel River.

Water in much of the former Fort Ord area is provided by the independent Marina Coast Water District. This water supply is also constrained. Most of Marina Coast’s water comes from wells drawing from the Monterey Subbasin of the overdrafted Salinas Valley Groundwater Basin. Availability of potable MCWD water for new development projects is subject to fitting within each city’s allocated amount. However, the district is increasing its use of recycled water to offset and reduce usage of potable water from groundwater sources. LAFCO approved a major expansion of Marina Coast’s jurisdictional boundaries in 2018. In 2022, LAFCO approved annexation of the Campus Town and Parker Flats Apartments sites into Marina Coast. All of the annexed sites were already within city limits.

In the original city limits, wastewater collection services are provided by the Seaside County Sanitation District, which also provides sanitary sewer service to the Cities of Del Rey Oaks and Sand City. The City of Seaside contractually provides staff to this district. Wastewater collection within the former Fort Ord is provided by the Marina Coast Water District.

All of Seaside is within the boundaries of the Monterey Regional Waste Management District, the Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, and Northern Salinas Valley Mosquito Abatement District. The older part of the city, located to the south, is also within the Monterey Peninsula Airport District’s boundary.

The city’s current, 1970s-era fire station is located on Broadway Avenue in central Seaside. The Seaside Fire Department provides fire and emergency medical services to the City of Del Rey Oaks. The Fire Department also has automatic aid agreements with the City of Monterey and mutual aid agreements with fire service agencies countywide.

Portions of the former Fort Ord are still used by, and under the control of, the U.S. Army. In these areas of the city (the Ord



Military Community, or Presidio of Monterey Annex), much of the infrastructure and public services provided are controlled by the Army. This includes streets, police service, and – for the time being – fire protection facilities. These services are provided to the Ord Military Community by the City of Monterey under an intergovernmental support agreement between Monterey and the U.S. Department of the Army. The Presidio of Monterey Fire Department station, located on General Jim Moore Boulevard, is leased from the City of Seaside.

Seaside is the most populous city in the Monterey Peninsula area, at about 30,200 (year 2023 data). Seaside has several major development project in progress, Campus Town being the largest. Substantial additional lands available within city limits, as discussed below. However, according to AMBAG, projected population growth in Seaside is relatively modest. AMBAG projects that Seaside’s population will grow by about 2,450 people (8% overall) through 2050. This growth is comparable to Monterey County as a whole, but less than the two other relatively populous Peninsula cities – Marina (54% total growth) and Monterey (14%).

City Boundaries and Sphere of Influence

No sphere of influence is currently designated beyond city limits. The City does not anticipate any request to amend the sphere in the foreseeable future.

Some of the City’s major priority areas for new growth and development include Campus Town, The Projects at Main Gate, and Seaside Resort located in the former Fort Ord. All of these sites are within the already-existing city limits. Campus Town, the largest of these projects, proposes development of 1,485 housing units, about 200,000 square feet of commercial and office space.

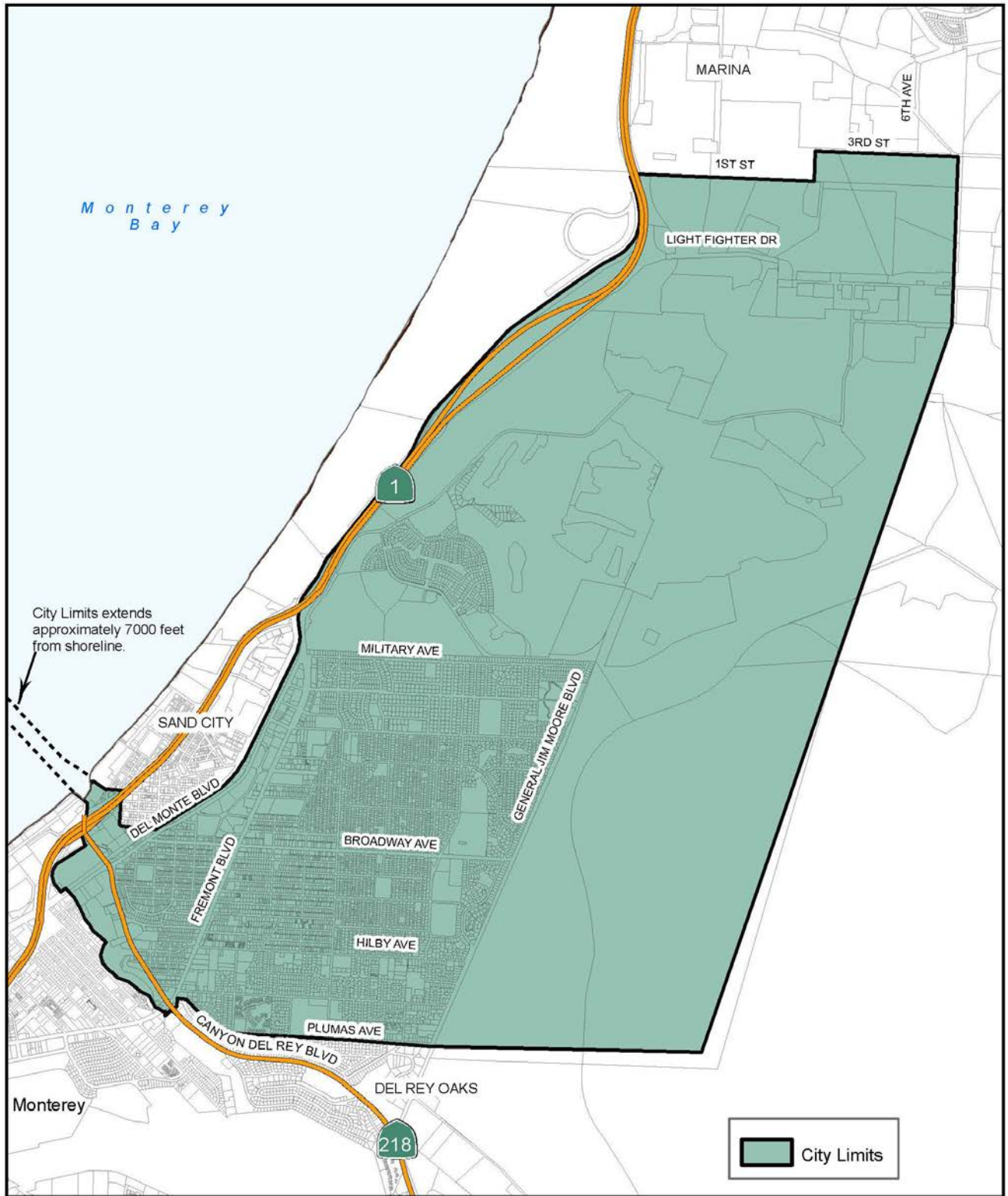


Additional sites are available within the existing city limits for longer-term future development. The largest among these is the Seaside East area, just east of General Jim Moore Boulevard. These parcels are identified as a future specific plan area in the City’s 2040 General Plan. The City’s 2024 decision to adopt the General Plan has been challenged in court by LandWatch Monterey County.

The 710-acre Monterey Downs project was proposed for development, partly in Seaside and partly in the unincorporated county, until the project was discontinued in 2016. There is also a relatively small amount of existing county development in this area, on parcels labeled Future Seaside Public Yard and Army Parcel on the map to the right.



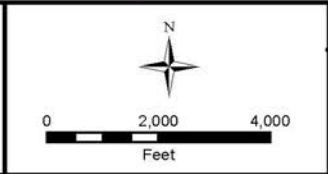
No development project is currently proposed or anticipated on the former Monterey Downs site (either in the city or the county). The City’s recently adopted General Plan does not anticipate any city expansion into currently unincorporated lands. Campus Town, Seaside East, and other undeveloped sites within the already-existing city limits appear to provide several decades, or more, of development capacity.



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CITIES

SEASIDE

Last LAFCO-Approved Change: 08/23/1983
 Sphere of Influence Affirmed: 01/31/2011
 Map Prepared: 06/22/2012

In the much longer term, the City could conceivably grow into the former Monterey Downs area (north of the Fort Ord National Monument). The County's draft Housing Element for 2023-2031 does not identify any of the former Monterey Downs parcels as a housing opportunity site. However, the County's adopted General Plan continues to designate the site for development, mostly of a single-family residential and office/R&D nature. Any potential future city expansion into this area would necessarily involve extensive city-county consultation and negotiations.

One possible future action would be for the City of Seaside – along with affected special districts and other Peninsula-area cities that interface with potential development sites in the unincorporated county – to enter into a memorandum of agreement with the County of Monterey regarding growth and development along the existing city edges. An MOA could identify any sites where the City of Seaside anticipates expanding in the long term, and consider designating these areas as a future proposed addition to the city's sphere of influence (subject to a LAFCO public hearing process). These consultations and a future MOA could include participation by nearby service districts such as Monterey County Regional Fire District.

Potential Minor Boundary Adjustments

In the future, a minor adjustment of the Seaside-Sand City boundary on three Olympia Avenue parcels (behind Home Depot) would align city boundaries with property ownership lines. City staff is aware of a few other potential minor cleanup-type sphere amendments and annexations in other areas of the city. No formal proposals have yet been initiated for any of these minor adjustments. These or other potential boundary changes will depend on the processes and schedules of the involved public agencies. Therefore, the Executive Officer recommends that the Commission affirm the City of Monterey's currently adopted sphere of influence with no changes at this time.

Recommended LAFCO Actions

Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

1. Reaffirm the City of Seaside's currently designated sphere of influence with no changes, and
2. Encourage the City of Seaside – along with the County of Monterey, other participating cities, and special districts such as Monterey County Regional Fire District – to consider consulting about future growth and development on the city edges. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future sphere amendments or annexations (if applicable), land uses, municipal finances, or other related aspects of future growth and development on the city edges.

Sand City

Incorporated	1960
Land Area within City Limits (approx.)	0.6 square miles
Designated Sphere of Influence (beyond city limits)	None
Population	Current: 378 (as of 2023) Projected: 1,025 – 2030 1,092 – 2040 1,121 – 2050 <i>(data source: AMBAG)</i>
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$13.4 million

Municipal Services

Sand City directly provides some municipal services such as law enforcement, parks, and a potable water supply. Fire protection and emergency medical response are currently provided by the City of Monterey by contract. Sanitary sewer collection and treatment are performed by Seaside County Sanitation District and Monterey One Water (a joint powers authority), respectively. Seaside County Sanitation District also provides storm drain maintenance for the city.



Sand City is within the boundaries of the following regional special districts: Monterey Regional Waste Management, Monterey Peninsula Regional Parks, Northern Salinas Valley Mosquito Abatement, Monterey Peninsula Airport, and Monterey-Salinas Transit. MST's main Peninsula-serving "Jazz" bus line terminates at Sand City's transit station on Playa Avenue, in the Edgewater Shopping Center. The future Surf! Busway and Bus Rapid Transit Project will provide service from Marina to the Peninsula. Sand City is anticipated to be the southern terminus until additional funding extends service to Monterey.

In 2010, Sand City began producing potable water through desalination. The city's desalination facility now produces up to 300 acre-feet per year of potable water. This municipal facility uses reverse osmosis technology to convert brackish water to potable water for use within the city. The plant allows the city to be independent of the moratorium on new water connections imposed on areas that must rely on Cal-Am water allocations. This project has also helped Cal-Am, the plant's contractual operator, to reduce pumping from its wells on the Carmel River, consistent with state directives. The plant also includes energy recovery devices that reduce its power needs by about 50%.



In 2022, the city was awarded State Water Resources Control Board grants to help fund a stormwater improvement project on Contra Costa and Catalina Streets. The project will capture, treat, and infiltrate stormwater, thereby reducing urban pollutants entering the Monterey Bay.

The city is planning to build a coastal recreational trail that will connect Calabrese Park and City Hall to Tioga Avenue, cross over Highway 1 to the coast, and then traverse westward through the dunes to an existing viewing platform at the end of West Bay Street. City staff is also developing plans for a new trail connecting the existing, heavily used Monterey Bay Coastal Recreation Trail through Sand City along the former railroad right-of-way now owned by TAMC. This trail segment would start from the intersection

of Canyon Del Rey and Del Monte Boulevards in Seaside (between McDonald's and Starbucks). Within Sand City, the trail will extend from Contra Costa Street northward through the disused rail corridor and along public streets, and connect back to the coastal recreational trail and transit station at Playa Avenue.



Sand City is the least populous city in Monterey County and the fifth-least populated city in California. The 2023 population was 378, up from 334 in 2010. The Sand City population is projected to increase to 1,013 by the year 2050. By percentage, this growth rate (+168%) is far higher than for any other municipality in Monterey County.

Historically, most development in Sand City has been of a commercial and industrial nature, along with a small number of single-family houses. While the residential population of the city is small, commercial and industrial land uses draw an estimated daytime population of employees and shoppers that approaches 10,000. The current Regional Housing Needs Allocation (RHNA) requires Sand City to provide capacity for at least 260 net new residential units through the year 2031. Planned future development in the city's state-certified Housing Element places an increasing emphasis on mixed-use development, including medium- and high-density housing. Future development potential is supported by the existence of a city-owned desalination plant, as mentioned above.

City Boundaries and Sphere of Influence

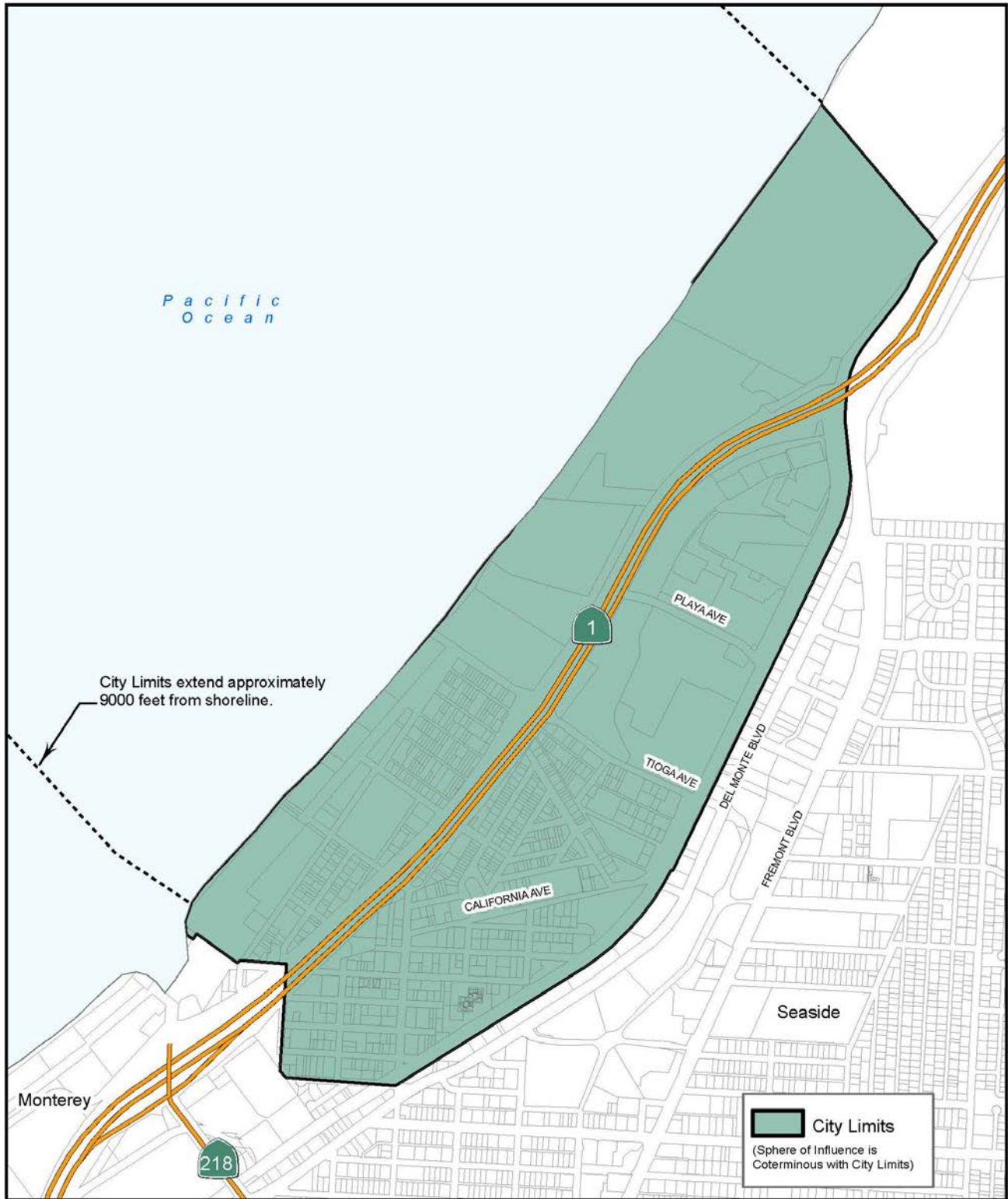
LAFCO designated Sand City's sphere of influence in 1983, with no changes since then. No sphere is designated beyond existing city limits. The city is geographically constrained on all sides. Sand City abuts Fort Ord Dunes State Park to the north and the City of Seaside to the south and east. On the west, the city faces Monterey Bay and extends about two miles into the Bay, corresponding to historic boundary lines of the 19th-century (Mexican era) rancho that included this area. No significant changes to Sand City's boundaries or sphere appear likely in the future. A potential minor boundary adjustment to align property ownership lines with city boundaries, within three parcels located at the end of Olympia Avenue behind The Home Depot, is under review by staff of Sand City, Seaside, and LAFCO.

Although Sand City has no sphere of influence designated (or realistically possible) beyond current city limits, there are substantial sites designated for development within the existing city limits. In January 2024, construction began on a four-story, 215-room hotel on Tioga Avenue across from Costco. The project site is a portion of the city's South of Tioga specific plan area, which will eventually provide up to 356 condominium or apartment units.

Other significant potential future development projects include the Monterey Bay Shores Eco-Resort (184 hotel rooms, 184 condominiums, and a conference center) and The Collection/King Ventures hotel site (up to 342 hotel/resort rooms). Additional development capacity exists within the East Dunes Specific Plan area, which abuts the South of Tioga planning area.

Recommended LAFCO Actions

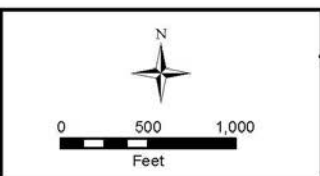
Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission reaffirm the Sand City's currently designated sphere of influence with no changes.



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CITIES

SAND CITY

Last LAFCO-Approved Change: 08/23/1983
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 06/21/2012

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City of Del Rey Oaks

Incorporated	1953
Land Area within City Limits (approx.)	1.1 square miles
Designated Sphere of Influence (beyond city limits)	None
Population	Current: 1,559 (as of 2023) Projected: 1,670 – 2030 1,850 – 2040 1,958 – 2050 <i>(data source: AMBAG)</i>
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$4.8 million

Municipal Services

The City of Del Rey Oaks directly provides some public services and facilities such as law enforcement, parks, street maintenance, and storm drain maintenance. The City of Seaside provides fire protection and emergency medical services by contract.

Within the original city limits, potable water service is provided by the California American Water Company (Cal-Am) and wastewater collection service is provided by the Seaside County Sanitation District. One city neighborhood, Carlton Drive near the Frog Pond Wetland Preserve, is on individual septic systems.

For the former Fort Ord parcels that were annexed to Del Rey Oaks in 1997, city staff anticipates that MCWD will provide water service and SCSD will provide sewer service when these parcels are eventually developed. The former Fort Ord parcels in Del Rey Oaks are within SCSD's district boundary but have not yet been annexed to MCWD. Del Rey Oaks is also within the boundaries of the Monterey Regional Waste Management District, the Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, Northern Salinas Valley Mosquito Abatement District, and Monterey Peninsula Airport District.

In March 2023, the City Council approved an agreement with the Transportation Agency for Monterey County for construction of an initial segment of the Fort Ord Regional Trail and Greenway. Construction of a 1.5-mile trail segment in Del Rey Oaks began in May 2024. When completed, this section of the FORTAG trail network will extend from Ryan Ranch, through Del Rey Oaks and Seaside, to connect with the Monterey Bay Coastal Recreation Trail.

The City is also pursuing improving the intersection of South Boundary Road and General Jim Moore Boulevard, widening and resurfacing South Boundary Road, and undergrounding utilities in this area. Del Rey Oaks received \$8 million from the now-dissolved Fort Ord Reuse Authority to partly fund these infrastructure improvements, and is looking into potential grants to fund additional remaining costs.



With currently about 1,559 residents, Del Rey Oaks has the second-smallest city population in Monterey County. The city is projected to add 402 residents by the year 2050. While numerically small, this population increase (+26% overall) is nevertheless much higher than for Monterey County as a whole (+6%).

City Boundaries and Sphere of Influence

LAFCO designated the city's sphere of influence in 1983. In 1997, 360 acres of the former Fort Ord were added to the sphere and city limits. The City owns these former Fort Ord parcels. The city is mostly built out, except for the Fort Ord lands annexed in 1997. Existing land uses in the developed area of the city consist mainly of low density single-family homes. There are also areas of medium-density housing, retail commercial, offices, and industry. The city maintains approximately thirteen acres of parkland. The Monterey Peninsula Regional Park District owns and maintains the 17-acre Frog Pond Wetland Preserve within the city.



Former Fort Ord lands annexed in 1997 have not yet been developed. Most recently in February 2023, the city published a notice of the site's availability for purchase and development. In July 2024, the city entered into an exclusive negotiating agreement with San Francisco-based developer City Ventures to evaluate the feasibility of building housing on the site.

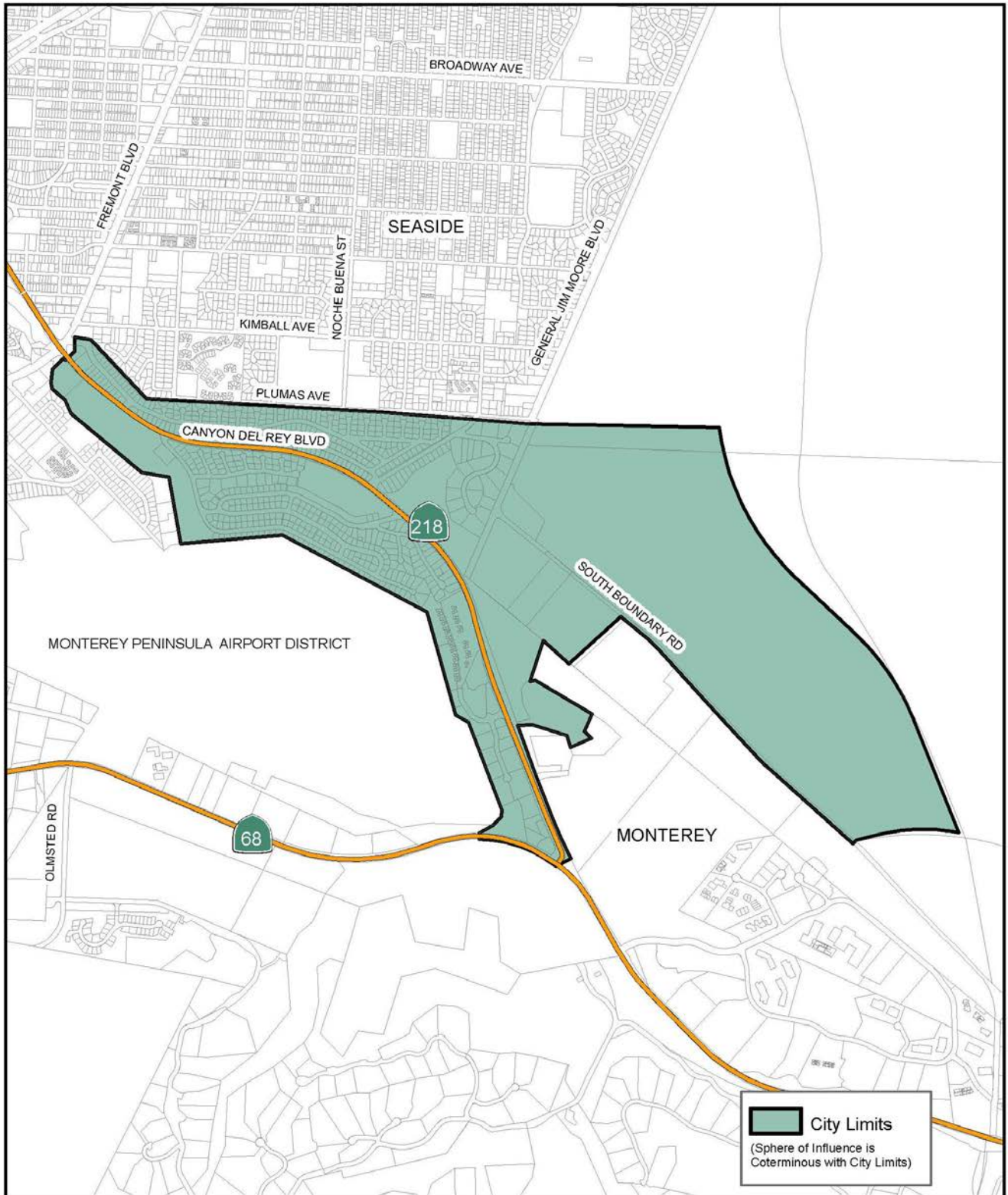
No sphere is currently designated beyond existing city limits. No further city expansion appears likely, in that the city is constrained by Seaside, Monterey, the airport property, and the Fort Ord National Monument.

City staff is aware of a potential minor cleanup-type sphere and boundary adjustment on the south side of Boundary Road, on former Fort Ord lands, that would align city boundaries with property ownership lines. This adjustment consists of detachment from the City Del Rey Oaks, and annexation to the City of Monterey, for a six-acre parcel that Monterey now owns but is still located within Del Rey Oaks City limits. This minor boundary change – or others that may arise in the future – has not yet been filed. The timing will depend on the processes and schedules of the involved public agencies (primarily the City of Monterey). Therefore, the Executive Officer recommends that the Commission affirm the City of Del Rey Oaks currently adopted sphere of influence with no changes at this time.



Recommended LAFCO Actions

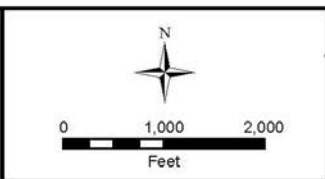
Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission reaffirm the currently designated City of Del Rey Oaks sphere of influence with no changes.



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CITIES

DEL REY OAKS

Last LAFCO-Approved Change: 07/28/2003
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 06/20/2012

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City of Monterey

Incorporated	1850
Land Area within City Limits (approx.)	8.7 square miles
Designated Sphere of Influence (beyond city limits)	Approximately 5,000 acres / 7.8 square miles
Population Includes Defense Language Institute and Naval Postgraduate School	Current: 27,189 (as of 2023) Projected: 28,714 – 2030 29,995 – 2040 30,859 – 2050 (data source: AMBAG)
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$109.2 million

Municipal Services

The City of Monterey directly provides a range of public services and facilities such as police and fire protection, recreation, harbor, cemetery, conference center, regional sports and aquatics center, library, parking, campgrounds, beaches, and wastewater collection services. Potable water service is provided by Cal-Am. Wastewater treatment is provided by Monterey One Water. Monterey is within the boundaries of the Monterey Regional Waste Management District, the Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, Monterey Peninsula Airport District, and Northern Salinas Valley Mosquito Abatement District.

Monterey is a leader in promoting government partnerships at the local and federal levels. The City provides services to government agencies as outlined below:

- Fire and emergency medical services to Carmel-by-the-Sea, Pacific Grove, Sand City, Monterey Peninsula Airport District, and U.S. Navy (Naval Postgraduate School and La Mesa Village housing)
- Fleet maintenance services to Carmel-by-the-Sea, Pacific Grove, Monterey Peninsula Regional Park District, and Monterey Peninsula Water Management District
- Maintenance, engineering, transportation planning, and forestry services (maintenance of buildings, streets, sewers, storm drains and water systems, forestry, and other special projects) to the U.S. Army at the Presidio of Monterey, Ord Military Community, and U.S. Army Signal Activity – Camp Roberts
- Internet and network service to the U.S. Navy (Naval Postgraduate School), National Weather Service, California State Parks, Monterey Peninsula Water Management District, Monterey One Water, and Monterey-Salinas Transit.
- Limited tree maintenance services to Seaside

The City's provision of services to the military has allowed Monterey to benefit from economies of scale and expand its services. In recent years, the City has annually provided approximately \$11 million in municipal services to the U.S. Army at the Presidio of Monterey, Ord Military Community, and U.S. Army Signal Activity – Camp Roberts. The existing federal contract with the Army continues to be fully funded by the federal government and provides several hundred thousand dollars in revenue annually to the City to help pay for the cost of administering the program.

AMBAG anticipates substantial growth within the City of Monterey through the year 2050. The currently projected increase of about 3,700 residents by 2050 is the second-highest in the Peninsula area, after Marina.

Aging City Facilities

The need for costly building upgrades is a substantial concern that the City of Monterey recognizes. In a February 2024 State of the City address, the city manager discussed the need to invest in upgrading or replacing city buildings such as the library (cost estimate \$20 million to \$50 million), the police and fire headquarters (up to \$150 million), and many other city facilities. The city manager also identified that the City typically allocates only about 2% of its general fund revenues to the Capital Improvement Program. He stated that this amount (about \$2 million) has remained relatively constant over the last 20 years. The City is continuing to work on identifying priority projects and funding mechanisms for aging infrastructure.

Fire Protection and Emergency Medical Services

The Monterey Fire Department currently provides fire services and emergency medical response to a wider community of about 55,000 people, about half of whom are City of Monterey residents. MFD operates out of six permanent stations: Three within the City of Monterey (on Pacific Street, Hawthorne Street, and Dela Vina Avenue), and one each in Pacific Grove, Carmel, and a new station on the north side of the Monterey Peninsula Airport District runway. At present, there is also a temporary modular building, on the south side of the airport property, which MFD operates out of during the day (8:00 AM to 8:00 PM). Fire Station 11 on Pacific Street is served by two companies (one engine and one ladder truck).

In 2022, the City hired a private consultant, Citygate Associates, to prepare a comprehensive Community Risk Assessment and Standards of Cover report for MFD. The Citygate report documented MFD's quick response times and stated, "In Citygate's more than 20 years of conducting fire service deployment studies, very few client agencies have met all the key best practice response performance measures to the same degree as the Monterey Fire Department."

Fire/EMS Services to the Monterey Peninsula Airport District

The Airport District is an independent special district that overlays much of the Peninsula area. The District's regional airport facility is mostly located in the unincorporated county, adjacent to – but outside of – the City of Monterey. A portion of the airport is located in the City of Monterey near the intersection of Olmsted Road and Highway 68. The Airport District is legally responsible for providing fire protection on the airport site, but not off-airport. The City of Monterey Fire Department provides "extraterritorial" (out-of-agency) services to the airport property by contract.

Before 2014, the Airport District operated its own fire services. Beginning in 2014, the District contracted with the City of Monterey to staffing for airport rescue firefighting (ARFF), fire protection, and emergency medical services (EMS) response. When the City of Monterey began serving as the District's Fire Department, the City hired the District's firefighters into the City's fire department. Under this cost-sharing service model, City firefighters operate out of an Airport District-owned fire station located on the airport property. The City utilizes District-owned fire vehicles to provide fire and EMS coverage both on-airport and to nearby neighborhoods located both in and outside of Monterey city limits.

Until 2023, the Airport District's former fire station was located on the south side of the runway. The District relocated the fire station to the north side of the runway after planning and constructing a new ARFF facility over the last several years. In 2022, the District initiated a Request-for-Proposals process to consider and evaluate alternative fire and EMS service providers at the relocated ARFF facility. The City of Monterey and a private firefighting company (Pro-Tec) submitted proposals. In April 2023, the District selected the City of Monterey as the fire and EMS service provider. In August 2023, the Monterey City Council and the Airport District's Board of Directors ratified an updated fire and EMS agreement to continue services.

In October 2023, the Airport District opened its new ARFF fire station facility on the north side of the airport and, in December 2023, demolished the old fire station on the south side of the airport. The Monterey Fire Department staffs the new airport ARFF fire station facility 24 hours a day.

Per the City-Airport contract for services, fire personnel at the north-side ARFF facility shall only respond to on-airport incidents, unless mutual aid is requested for an off-airport emergency. Emergency response from the new north-side ARFF fire station to areas south of the runway involves constraints that are necessary for public safety in an airport environment. For example, permission from the traffic control tower is needed to travel either across the runway or via the airport's west perimeter road. City staff have also expressed that, because of an on-site gate location, responding run times from the ARFF station to certain areas of the airport property (short- and long-term parking lots, airport terminal, rental car center, and traffic control tower) will increase as it requires off-airport travel through the Casanova Oak Knoll neighborhood, resulting in longer emergency response times to those specific locations. However, Airport District management's view is that on-airport gate access and travel are similar to when the ARFF facility was in its prior southside location, and no areas of the airport property are experiencing new access problems or delays because of the new ARFF location.

To ensure quick and appropriate response times, the City has placed a temporary modular building south of the runway near the short-term parking lot, closer and more accessible to the Airport District's facilities, as well as commercial and residential areas along the Highway 68 corridor. The City's fire personnel currently operate out of the temporary modular building from 10:00 a.m. to 7:00 p.m. From 7:00 p.m. to 10:00 a.m., fire personnel and their apparatus (fire engines, etc.) relocate to the north-side ARFF fire station.

Looking to the future, the City is researching the feasibility of developing a permanent fire station, in or near the Highway 68 corridor, to replace the temporary modular building. The City intends for the new fire station to serve – and enable shorter travel times to – both the Airport terminal areas and Highway 68 corridor. Other potential options that the City of Monterey has identified include:

- Working with the Airport District and Caltrans to explore direct emergency-vehicle-only access from the airport's west perimeter road to Highway 68, or
- Working with the Airport District and City of Del Rey Oaks to create an emergency-vehicle-only access from the east perimeter road to Del Rey Oaks, allowing direct access to Highway 218 and Highway 68. (In previous years, discussions about possibly creating an access point through Del Rey Oaks have not come to fruition, but a future agreement remains a possibility).

In the City's analysis, either of these two options would allow a Type 1 (structure fire) engine to respond from the airport's ARFF fire station to the Highway 68 corridor communities with significantly faster response times. As previously mentioned, the Airport District is only responsible for providing on-airport fire and emergency medical services. The existing facilities and service agreement are carrying out those obligations, and – on the whole – the City and Airport District have a successful, longstanding partnership.

Fire/EMS Services and Potential Growth in the Highway 68 Corridor

Monterey's current city limits extend along the Highway 68 corridor to York Road, including developed neighborhoods along Aguajito and Josselyn Canyon Roads. In addition, the city's LAFCO-designated sphere of influence – i.e., the city's future growth area – which totals about 5,000 acres, is mainly located along Highway 68. The City's General Plan, including the newly approved Housing Element, does not anticipate expanding into the sphere of influence area in the near future. However, much of the city's sphere – and beyond – in the Highway 68 corridor has already been developed under the County's jurisdiction. In the future, additional substantial growth development is likely to occur in the Highway 68 corridor as discussed in the next section, below.

The City provides automatic aid and mutual aid to unincorporated areas along the 68 Corridor, under existing, longstanding agreements among fire/EMS agencies in Monterey County. Depending on a service call's location, the City's Type 1 (structure) fire engine at the Monterey Airport's temporary location is often the closest fire response company. In the unincorporated county, Monterey County Regional Fire District's nearest station is located at Laureles Grade, six miles east of Olmsted Road.

The County of Monterey is in the process of updating its own General Plan’s Housing Element. In May 2024, an initial draft identified the potential to develop up to 1,418 housing units on several parcels in the Tarpey Flats area. These parcels are located south of the airport, within the city’s sphere of influence. In June 2024, in a Housing Element comment letter to the County, the City of Monterey expressed concern that “further development in the Tarpey Flats area would increase the demand on the City without any commitment or plan to fund fire service needs in the area or reimburse the City of Monterey for providing primary fire and emergency service response to the 1,418 units that are proposed to be built.” The letter stated that “the City requests a shared funding plan between the City and MCRFD for a new fire station and the ongoing operational costs of a new fire station in the Tarpey Flats area before any additional housing units are approved or built as presented in the draft Housing Element.” The City’s letter also expressed concern about potential impacts on other services such as law enforcement, parks, and libraries.

Subsequent to the City’s June 2024 letter, the County has removed the Tarpey Flats parcels from the revised draft Housing Element for the current (2023-2031) Regional Housing Needs Allocation housing cycle. These parcels are no longer under consideration as housing opportunity sites in the County’s revised draft Housing Element. However, in the longer-term outlook,



the Tarpey Flats area remains likely to eventually be developed. In addition, the County’s revised draft Housing Element continues to identify other Highway 68 corridor housing opportunity sites (further east, by York Road) both in and adjacent to the city’s designated sphere of influence, as discussed under the City Boundaries and Sphere of Influence section, below.

As stated earlier, the City of Monterey continues to explore ways to partner with local public agencies and potentially Caltrans regarding provision of fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor. This study’s recommended LAFCO actions include encouraging the City to continue to explore partnership opportunities in this regard.

City Boundaries and Sphere of Influence

The city limits contain a land area of approximately 8.7 square miles. The city’s sphere of influence, outside the city limits, is about 7.8 square miles. The sphere was first adopted in 1983. In 2003, LAFCO approved a sphere amendment and concurrent annexation of about 138 acres of the former Fort Ord to the city. The unincorporated sphere of influence includes older residential neighborhoods around Aguajito and Josselyn Canyon Roads. These neighborhoods are largely “built out” at low-to-medium residential densities.

Newer subdivisions (Monterra, Tehama, and Laguna Seca Ranch, Pasadera, Hidden Hills, and other neighborhoods), with some vacant parcels, are located further east within the sphere. The unincorporated sphere also includes several hundred acres of open space owned by the Pebble Beach Company and park lands owned by the County of Monterey. Nearby, and within the city limits are Montage Health’s Westland House rehabilitation and hospice care facility, and the 135-acre Old Capitol site that the Pebble Beach Company deeded to the City of Monterey in 2019 for open-space uses.

Most of this overall area has a limited potential for new, additional development. The City’s adopted General Plan, including the recent Housing Element update approved by City Council in July 2024, does not anticipate expanding into the city’s sphere of influence – or annexing into the existing unincorporated sphere – in the near future. However, City staff is aware of several potential sphere amendments, detachments, and annexations that would align city boundaries with property ownership lines. Some of these sites include:

- Monterey Peninsula Airport District: The City and the Airport District entered into a Memorandum of Understanding in August 2023 to negotiate the potential detachment of several airport-owned parcels along Olmsted Road and Highway 68
- South Boundary Road: Annexation to the city of a six-acre parcel that Monterey now owns but is still located within Del Rey Oaks City limits
- Presidio of Monterey: Annexation of a seven-acre parcel near the SFB Morse Gate (the only Presidio parcel that is not within the City of Monterey)

In addition, there is a small (four-parcel) residential area in the unincorporated area, accessed from Casanova Avenue, that could benefit from joining the City of Monterey if the residents were to express interest in doing so in the future. This area is shown in the aerial photo to the right.



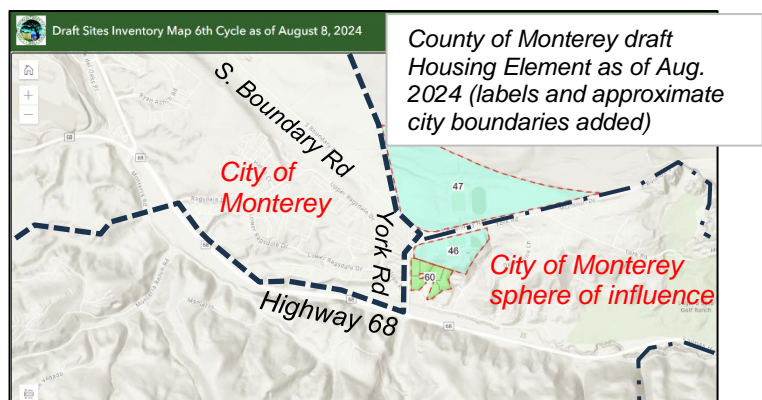
No formal proposals have yet been initiated for any of these minor adjustments. These potential boundary changes – or others that may come to light in the future – will depend on the processes and schedules of the involved public agencies. Therefore, the Executive Officer recommends that the Commission affirm the City of Monterey’s currently adopted sphere of influence with no changes at this time.

Potential Unincorporated Development in and Adjacent to the City’s Sphere of Influence

Most of the overall area within the city’s designated sphere has a limited potential for new, additional development. One exception is the Tarpey Flats area, located across Highway 68 from the airport. An initial draft of the County of Monterey’s in-progress Housing Element identified housing opportunity sites with capacity for up to 1,418 housing units at Tarpey Flats, as discussed above. The County has now withdrawn these parcels from its Housing Element. However, Tarpey Flats remains a likely long-term future development site.

In addition, the County’s current draft Housing Element identifies three Highway 68 corridor housing opportunity sites in and adjacent to the city’s designated sphere of influence, as shown in the map below. Sites #46 and 60, within the city’s existing sphere of influence, are designated in the County’s current draft Housing Element for a total of 171 housing units. Site #47, adjacent to the city’s sphere, is designated for an additional 60 units.

The potential for unincorporated (county) development occurring in and adjacent to the city’s sphere of influence is not a new or unique phenomenon. In this instance, much of the city’s sphere has already been developed under County jurisdiction. However, this type of development pattern does bring with it some disadvantages. If opportunity sites in a city’s future growth area are developed under county jurisdiction, this can unintentionally discourage the city’s orderly growth and the efficient, city-centered delivery of municipal services. Unincorporated development, or development designations, within a city’s sphere can potentially conflict with the city’s land use goals and plans. The addition of county residents adjacent to a city can also increase demands on a variety of city services such as libraries and parks.



One possible mechanism for addressing these considerations would be for the City and the County – along with regional special districts such as the Monterey County Regional Fire District – to enter into a formal memorandum of agreement regarding future growth and development on the city edges. Among other discussion areas, the MOA could address:

- Whether, or under what circumstances, development projects in the city’s designated sphere of influence should proceed under county jurisdiction or require annexation into the city first,⁹
- Potential funding agreements for city-adjacent unincorporated development to offset increased demands on city services, and
- A framework for addressing the financial effects of detaching large areas from the tax base of a regional special district such as MCRFD, at such time when city annexations occur in the future.

Recommended LAFCO Actions

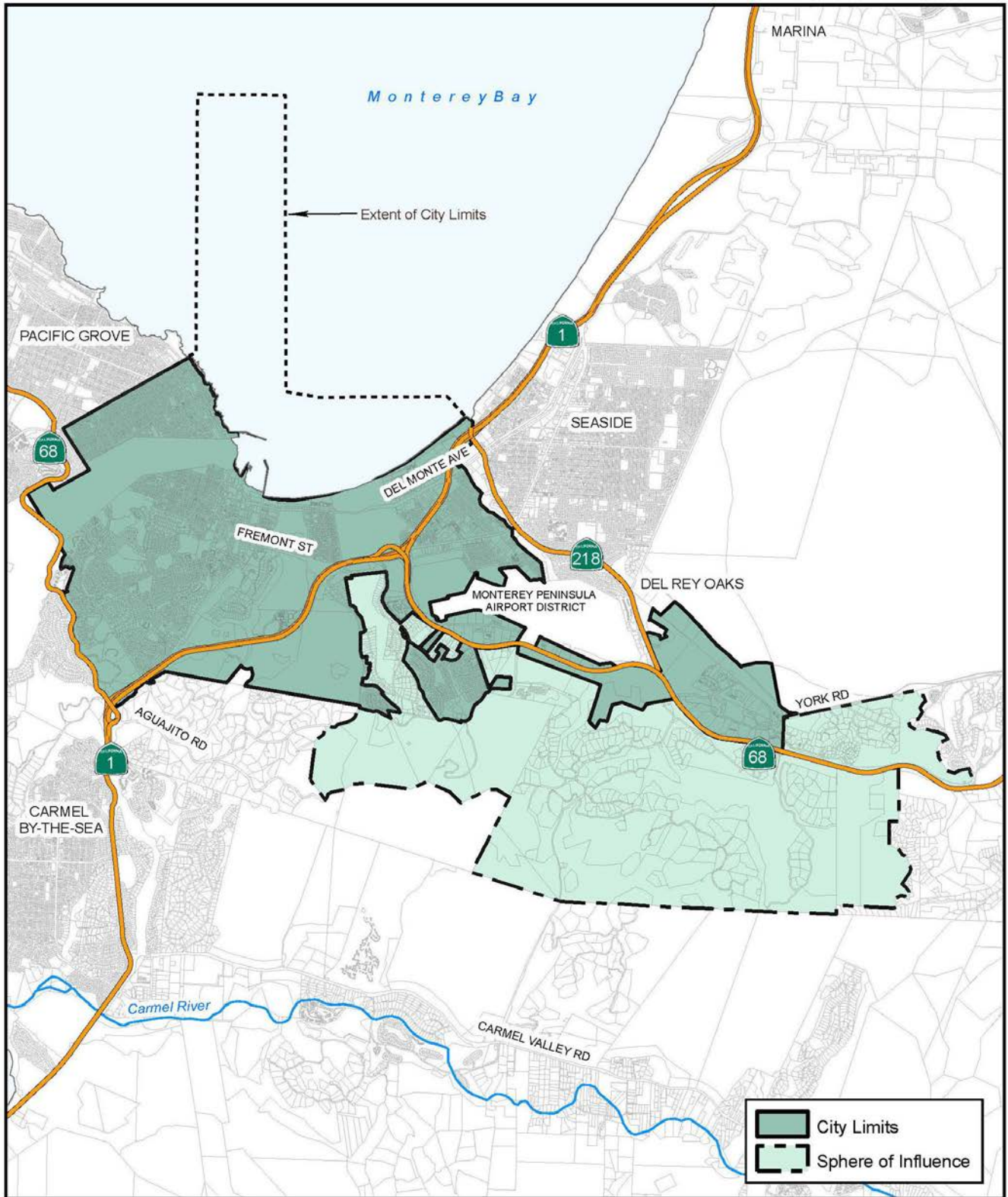
Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

1. Reaffirm the City of Monterey’s currently designated sphere of influence with no changes;
2. Encourage the City of Monterey to continue to explore ways to partner with local agencies such as Monterey County Regional Fire District, Cypress Fire Protection District, Monterey Peninsula Airport District, and Del Rey Oaks, as well as the California Department of Transportation (Caltrans), regarding fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor as needs and opportunities evolve in the future.

(Note: The City and the other local agencies mentioned above are only responsible to provide fire protection and emergency medical response in their respective jurisdictions but could potentially benefit from a cooperative funding agreement, joint powers authority, other collaborative service delivery model, or additional emergency vehicle access. Participation in any future discussions or agreements would be at the discretion of the agencies themselves); and

3. Encourage the City of Monterey – along with the County of Monterey, other participating cities, and special districts such as Monterey County Regional and Cypress Fire Protection Districts – to consider consulting about future growth and development on the city edges, including the city sphere of influence. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges.

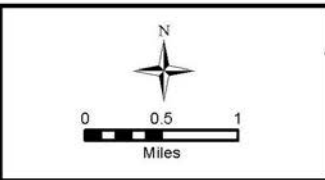
⁹ If annexation is pursued, the City and County would need to address a “no net-loss” provision of State housing law, meaning the City would need to accommodate or possibly rezone additional land if the sites identified in the County Housing Element are not developed to the projected density.



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CITIES

MONTEREY

Last LAFCO-Approved Change: 09/22/2003
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 06/20/2012

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City of Pacific Grove

Incorporated	1889
Land Area within City Limits (approx.)	2.9 square miles
Designated Sphere of Influence (beyond city limits)	None
Population	Current: 14,872 (as of 2023) Projected: 15,223 – 2030 15,602 – 2040 15,894 – 2050 <i>(data source: AMBAG)</i>
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$44.7 million

Municipal Services

The City of Pacific Grove directly provides a broad range of public services and facilities, including a municipal golf course. Fire protection and emergency medical services are provided by the City of Monterey via contract. Cal-Am – an investor-owned utility – is the water service provider.

Decades ago, Pacific Grove operated its own municipal wastewater treatment plant at Point Piños, next to the lighthouse and golf course. Most of the city’s wastewater treatment needs are now met by pumping effluent to the Monterey One Water (MIW) joint powers authority’s regional plant outside Marina. However, in 2017, the city repurposed its old treatment plant into a 250,000 gallon-per-day (125 acre-feet per year) water recycling facility. Renovating and reusing two existing tanks onsite provided 650,000 gallons of recycled water storage and eliminated the need and expense of constructing new tanks. This facility, which provides non-potable water supply for landscape irrigation uses by the city, indirectly reduces demands on Cal-Am water and potable recycled water produced by MIW.



Pacific Grove is within the boundaries of the Monterey Regional Waste Management District, Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, Monterey Peninsula Airport District, and Northern Salinas Valley Mosquito Abatement District.

Pacific Grove’s current (2023) population of about 14,900 is projected to grow to about 15,900 by 2050. By percentage, this amount of population growth (+7% overall within this interval) is about the same as for Monterey County as a whole (+6%).

City Boundaries and Sphere of Influence

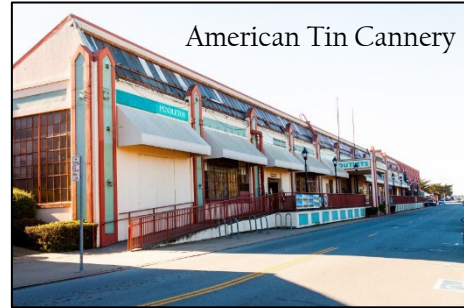
LAFCO designated Pacific Grove’s sphere of influence in 1986. No sphere is designated beyond the existing city limits. The city is constrained by the Pacific Ocean, the City of Monterey, and the Del Monte Forest (Pebble Beach) unincorporated community. Therefore, no future expansions are realistically likely.

In 2022, LAFCO approved annexation of the three-acre former Mission Linen parcel, a county island that was completely surrounded by incorporated Pacific Grove. The annexation process included successful negotiation of a memorandum of agreement between the City of P.G. and the Pebble Beach Community Services District. Under the MOA, the City and District agreed that the Mission Linen parcel would remain within PBCSD’s boundaries following annexation. The District thereby retains the site’s future

wastewater flows within the District's own wastewater collections system for producing recycled water at the Carmel Area Wastewater District's treatment plant, pursuant to established agreements and relationships between PBCSD and CAWD.

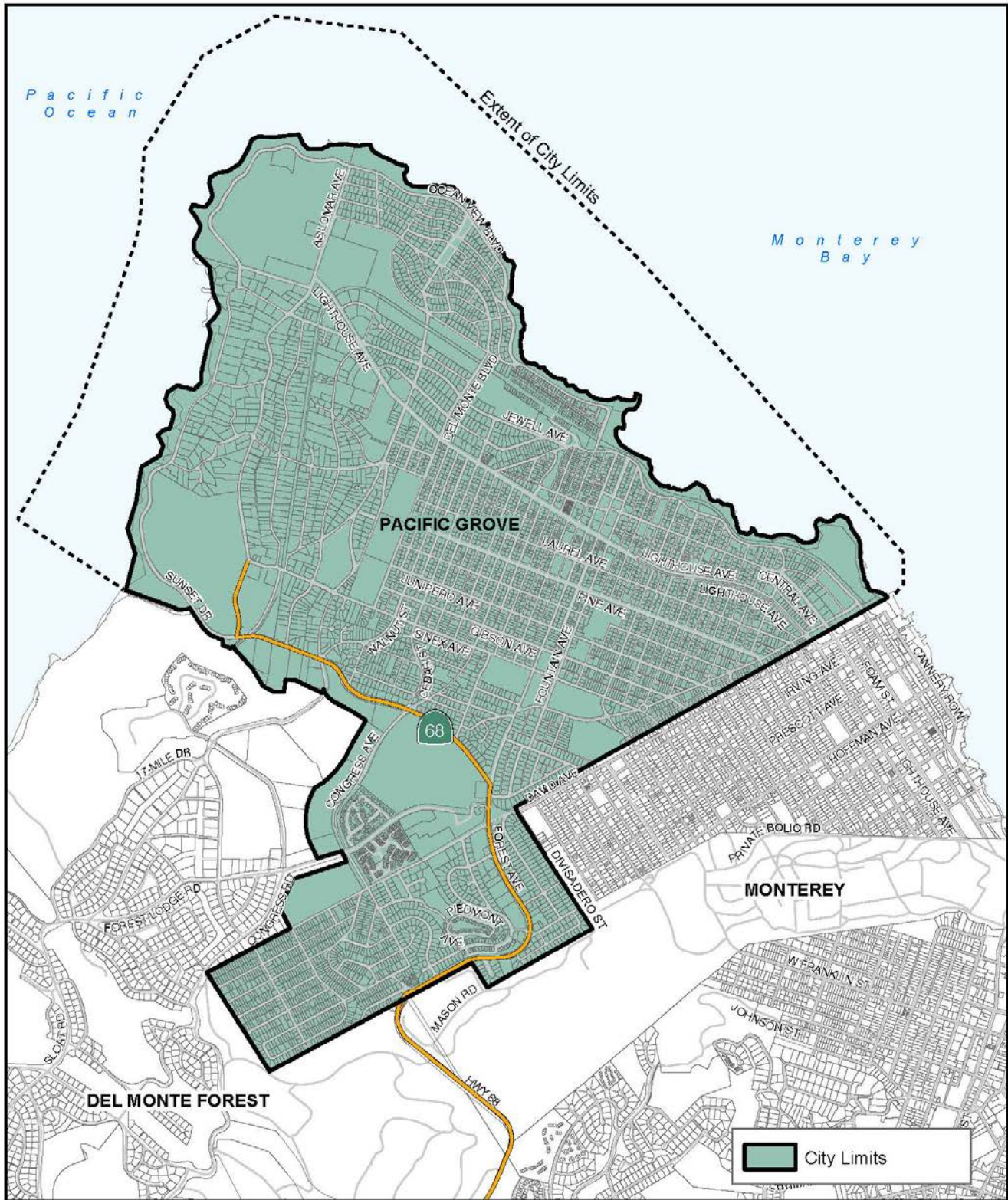


Pacific Grove is the second-oldest incorporated city on the Monterey Peninsula, and is generally built out. Along with Mission Linen, another significant development site within city limits is the 5.6-acre American Tin Cannery. This building, adjacent to Cannery Row, was constructed in 1926 as sardine can production plant. Currently an underutilized commercial center, the 225-room ATC Hotel and Commercial Project was approved by the City Council in 2022. Following an appeal, the Coastal Commission approved a reduced project in April 2024. Litigation is ongoing.



Recommended LAFCO Actions

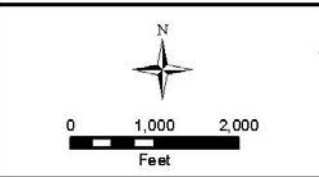
Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission reaffirm the currently designated City of Pacific Grove sphere of influence with no changes.



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CITIES

PACIFIC GROVE

Last LAFCO-Approved Change: 02/28/2022
 Map Prepared: 12/12/2022

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City of Carmel-by-the-Sea

Incorporated	1916
Land Area within City Limits (approx.)	1.1 square miles
Designated Sphere of Influence (beyond city limits)	Approximately 850 acres / 1.3 square miles
Population	Current: 3,105 (as of 2023) Projected: 2,881 – 2030 3,018 – 2040 3,082 – 2050 (data source: AMBAG)
Annual Revenues Fiscal Year 2024-2025, adopted budget	\$31.4 million

Municipal Services

The City of Carmel-by-the-Sea directly provides a variety of public services and facilities, including law enforcement, libraries, parks, and street maintenance. Fire protection and emergency medical response are provided by the City of Monterey via contract. The city administers an ambulance service. Carmel Ambulance staff are city employees who work closely with Monterey Fire staff housed at the Carmel Fire Station.

Cal-Am (an investor-owned utility) is the water service provider, and Carmel Area Wastewater District provides wastewater collection, treatment, and recycling. Carmel is within the boundaries of the Monterey Regional Waste Management District, Monterey-Salinas Transit District, Monterey Peninsula Regional Park District, Monterey Peninsula Airport District, and Northern Salinas Valley Mosquito Abatement District.

The City of Carmel-by-the-Sea provides traffic enforcement services within Pacific Grove. These two cities also cooperate on animal control and parking enforcement.

The city is currently studying options for replacing or rehabilitating the existing, 1960s-era police station. In 2023, the City Council engaged a consulting firm with expertise in law enforcement facilities. The consultants concluded that rehabilitating the existing station could cost up to \$11 million. The cost estimate for building a new station is up to \$20 million.



Carmel's population shrank considerably (by about 600 residents, or 16%) between 2010 and 2023. There are currently about 3,100 residents (2023 data). Carmel is the only Peninsula-area city whose population is projected to decrease (by 24 residents, or about 1%) through the year 2050. Nevertheless, the current Regional Housing Needs Allocation, or RHNA, requires Carmel to provide capacity for development of at least 349 net new residential units through the year 2031. The city has complied with its RHNA obligations by adopting an updated – and now state-certified – General Plan Housing Element in April 2024.

City Boundaries and Sphere of Influence

LAFCO adopted a sphere of influence for the City of Carmel-by-the-Sea in 1986. There have been no annexations or changes to the sphere since that time. The unincorporated sphere surrounds the city on

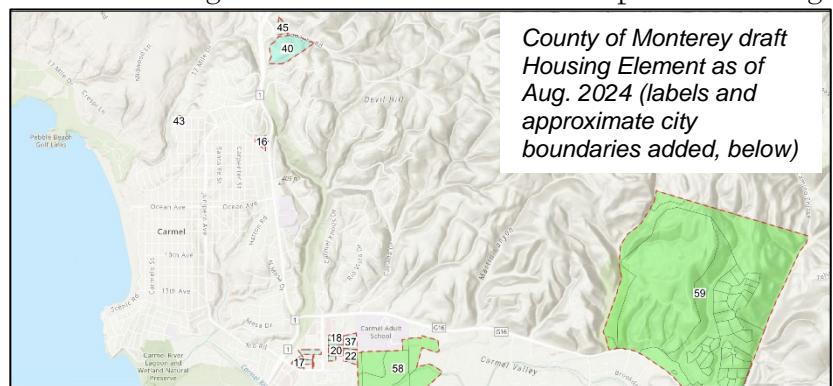
three sides and, at about 850 acres in area, is around 25% larger than the city itself. This relatively large sphere is mostly developed as single-family detached residences (unincorporated communities of Carmel Woods, Hatton Fields, Mission Fields, Mission Tract, Carmel Point, and Carmel Hills) on lots designated by the County General Plan for medium-density housing. Portions of the sphere, located south of the city limits, are designated for beach and wetlands, public/quasi-public uses, and visitor-serving uses. Parts of the sphere are located within the 100-year floodplain of the Carmel River. Areas in the city's sphere currently receive all needed municipal services through a network of public and private service providers.

For the most part, the city has no plans to either propose expansion of its designated sphere of influence or pursue annexation of areas within the existing sphere. The city may be interested in annexing a city-owned, 6.6-acre parcel (APN 009-521-002). This site, located between the Carmel Mission and the Carmel Area Wastewater District's wastewater treatment facility, is adjacent to the city limits and is within the city's designated sphere. The site is currently used by the city for storage and is not open to the public. Discussions are underway among the city, CAWD, and regional partner agencies about possibly developing this site as a passive open space (Rio Park). A publicly available open space on this site, along with improvements to CAWD's existing bridge over the Carmel River, would improve connectivity of various off-street trail systems in this area. Annexation of this site into the city is not necessarily a required element of achieving this project, but annexation could help facilitate the project moving forward. The timing of this potential annexation depends on the implementation processes and schedules of the agencies involved.

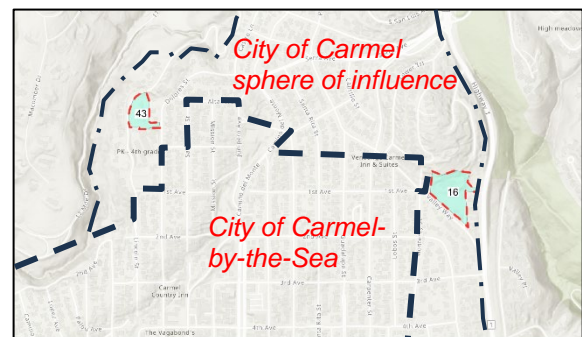


Potential Unincorporated Development in and Around the City's Sphere of Influence

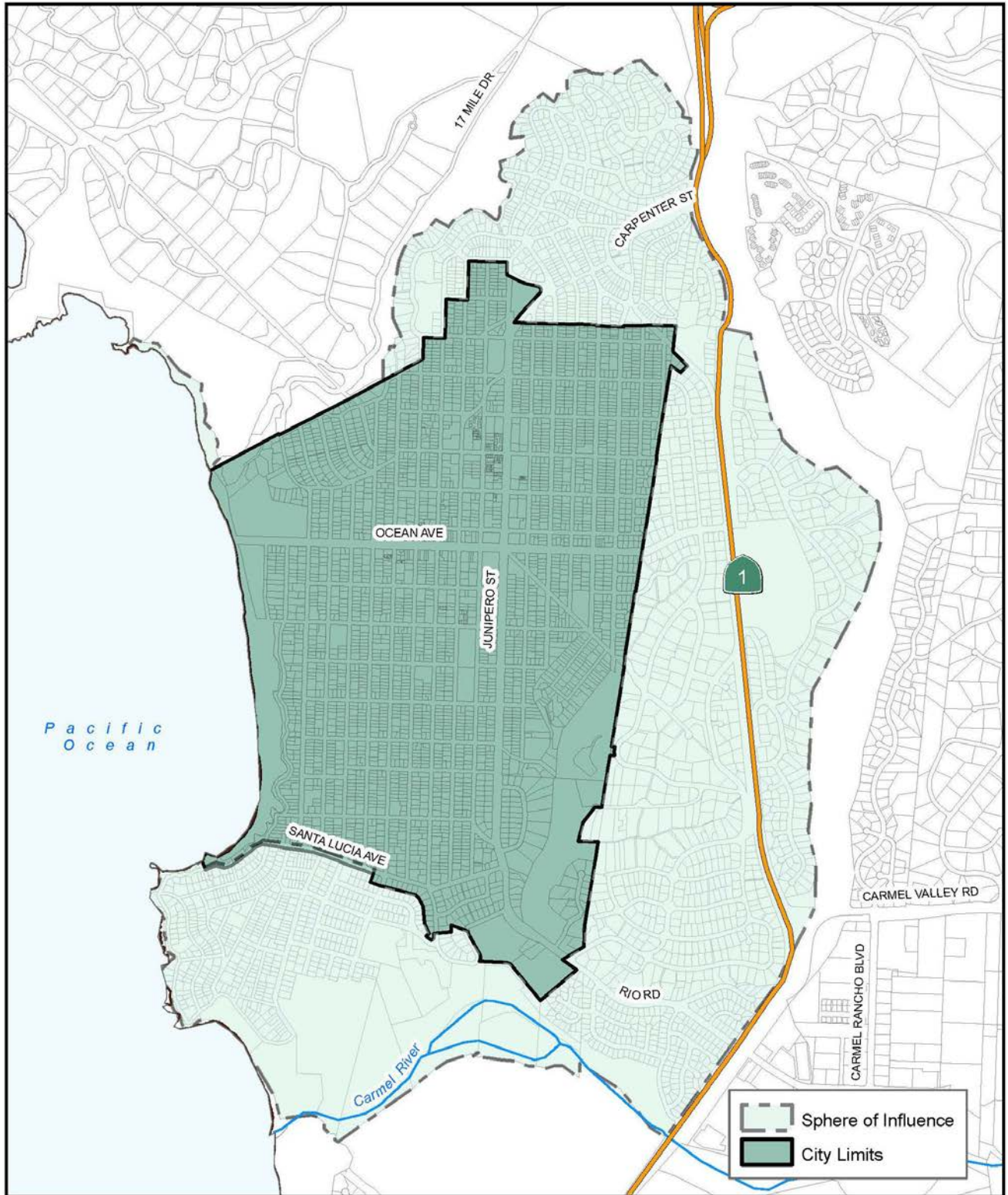
The County of Monterey's current draft Housing Element identifies 10 unincorporated housing opportunity sites in the Carmel and Carmel Valley area. Eight of these sites are located east of Highway 1, outside – but partly adjacent to – the city's designated sphere.



Two of the County's identified sites, labeled 43 and 16 in the maps to the right, are in the city's sphere. Site 43, which is just north of Stevenson Elementary School, is designated for development of 23 housing units. Site 16, across Valley Way from the existing city limits, is designated for 52 units.

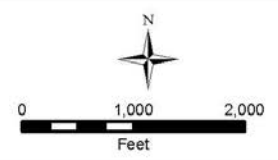


The existence of potential unincorporated (county) development in and adjacent to a city's sphere of influence is not new or unusual in the local context. Most of Carmel's existing sphere has already been developed under County jurisdiction. However, some development opportunity sites do remain. If opportunity sites in a city's future growth area are developed under county jurisdiction, this can unintentionally discourage the city's orderly growth and the efficient, city-centered delivery of municipal services. Unincorporated development, or development designations, within a city's sphere could potentially conflict with the city's land use goals and plans. The addition of county residents adjacent to a city can also increase demands on a variety of city services such as libraries and parks.



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CITIES

CARMEL-BY-THE-SEA

Last LAFCO-Approved Change: 05/27/1986
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 06/20/2012

One possible mechanism for addressing these concerns would be for the City and the County – along with regional special districts such as Cypress Fire Protection District – to enter into a formal memorandum of agreement regarding future growth and development on the city edges. Among other discussion areas, the MOA could address:

- Whether, or under what circumstances, development projects in the city’s designated sphere of influence should proceed under county jurisdiction or require annexation into the city first,¹⁰
- Potential funding agreements for city-adjacent unincorporated development to offset increased demands on city services, and
- A framework for addressing the financial effects of detaching large areas from the tax base of a regional special district such as Cypress FPD, at such time when city annexations occur in the future.

Recommended LAFCO Actions

Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

1. Reaffirm the City of Carmel-by-the-Sea’s currently designated sphere of influence with no changes, and
2. Encourage the City of Carmel-by-the-Sea – along with the County of Monterey, other participating cities, and special districts such as Cypress Fire Protection District – to consider consulting about future growth and development on the city edges, including the city sphere of influence. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges.

¹⁰ If annexation is pursued, the City and County would need to address a “no net-loss” provision of State housing law, meaning the City would need to accommodate or possible rezone additional land if the sites identified in the County Housing Element are not developed to the projected density.

Determinations

Municipal Service Review Determinations , Per Government Code Section 56430(a)

This section contains recommended Municipal Services determinations applicable to all seven cities.

1. Growth and population projections for the affected area

The Association of Monterey Bay Area Governments' (AMBAG) current draft 2026 Regional Growth Forecast projects that the population of the seven Monterey Peninsula-area cities will rise from approximately 99,200 in 2023 to about 199,845 by 2050, a 20.8% increase, which is higher than the 6% growth forecasted for both Monterey County and the tri-county region. More than half of this growth is expected to occur in Marina, followed by Monterey and Seaside. However, from 2010 to 2023, the Peninsula cities' population decreased by 2.1%, with only Marina and Sand City seeing growth.

2. Location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the sphere of influence

The Cortese-Knox-Hertzberg Act, Government Code Section 56033.5, defines a DUC as inhabited territory (with 12 or more registered voters), located in the unincorporated county, with an annual median household income that is less than 80% of the statewide annual median household income of \$85,300 (2022 data, the most recent available). There are several hundred residences in the unincorporated residential neighborhood known as Frederick Park II, which is part of California State University Monterey Bay's East Campus Housing. This overall area is adjacent to the City of Marina's city limits and within the City's sphere of influence. Frederick Park II is adjacent to uninhabited open space owned by the County of Monterey and a landfill owned by the U.S. Army to the south and west. Schoonover housing is located to the north and east.

Frederick Park II appears to meet the definition of a DUC, in that there are more than 12 registered voters and the area's 2020 median household income was less than \$25,000. The CKH Act provides that, if a city annexation greater than 10 acres is proposed adjacent to a DUC, a LAFCO cannot approve the annexation unless and until an annexation application is submitted for the adjacent DUC. Therefore, if a greater-than-10-acre area next to the Frederick Park II housing area were to be proposed for annexation to the City of Marina then, based on current income data, state law would require an annexation application to also be filed for Frederick Park II. At the time of a future annexation proposal, LAFCO will verify whether Frederick Park still meets the definition of a DUC.

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 DUCs within, or contiguous to, the sphere of influence)

The seven cities efficiently provide a wide range of municipal services and have the capacity to serve both current and future residents. The cities upgrade and maintain public facilities and infrastructure to meet residents' needs. Each city has a General Plan outlining the current and future capacity of public facilities and services. City councils annually review infrastructure needs and address deficiencies through capital and operating budgets. With moderate growth expected in Marina over the next 25 years, the city is planning for future service and infrastructure needs. Since 2022, Marina has considered a bond measure to fund new facilities, such as a senior center, fire and police stations, council chambers, and city hall. Seaside, similarly, is building a second fire station to serve new and existing development within its northern city limits. Meanwhile, in recent years, Monterey has emphasized the need to adequately fund the replacement or renovation of aging infrastructure built over 60 years ago, including the library, fire stations, police station, community centers, and other facilities.

DUC needs and deficiencies: Frederick Park II, identified as a potential DUC in the previous determination and located within the City of Marina's existing sphere of influence, has no public service needs or

deficiencies. It is adequately served by Marina Coast Water and Monterey County Regional Fire Protection Districts, which provide wastewater, water, and fire protection/emergency services.

4. Financial ability of agencies to provide services

The cities have demonstrated a financial ability to provide services within their respective city limits. The cities have generally maintained positive balances of revenues over expenses over the past five years of completed annual audits. The cities adopt balanced annual budgets and update their Capital Improvement Programs annually. Each cities' finances are reviewed annually in professionally prepared audits. This study's individual City Profiles sections provide details of the seven cities' financial status and challenges.

5. Status of, and opportunities for, shared facilities

All seven Peninsula cities collaborate with neighboring cities and public agencies to provide efficient services to residents. Fire protection services are dispatched through the County 9-1-1 system and supported by mutual aid agreements. Many cities contract with other cities or agencies for provision of water, sanitary sewer, and fire protection and emergency medical services. Monterey, in particular, is a leader in establishing government partnerships, providing contractual services to many local, regional, state, and federal agencies as described in this study's City of Monterey chapter. Seaside provides fire and emergency medical services to Del Rey Oaks and U.S. Army (Ord Military Community) under contract.

Peninsula cities participate in several joint powers authorities (JPAs), including the Transportation Agency for Monterey County, Central Coast Community Energy JPA, Monterey One Water, Monterey Bay Self Insurance Authority, Laguna Grande Regional Park JPA, and Presidio Municipal Services Agency.

Monterey and Pacific Grove Public Libraries share an online database, expanding access to library materials. Additionally, eight local agencies (Monterey, Carmel-by-the-Sea, Del Rey Oaks, Sand City, Seaside, Marina, Pacific Grove, and the County of Monterey) collaborate on a regional storm water program, meeting monthly to address urban runoff issues as part of the Monterey Regional Storm Water Management Program (MRSWMP). Regional special districts provide additional municipal services, including:

- Monterey Peninsula Airport District
- Monterey Peninsula Regional Park District
- ReGen Monterey (Monterey Peninsula Waste Management District)
- Monterey Peninsula Water Management District
- Seaside County Sanitation District
- Marina Coast Water District
- Monterey-Salinas Transit District

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

Registered voters in each city typically elect a mayor for a two-year term and four council members for four-year terms at-large. However, Pacific Grove elects one mayor and six council members at-large. Marina and Monterey recently converted to district-based elections for their four council seats, but their mayors remain elected at-large. Elections are frequently lively and active.

All cities comply with California's Brown Act, ensuring meetings are accessible, properly noticed, and provide opportunities for public comments. The cities have adopted General Plans, Capital Improvement Programs, budgets, and other studies to guide them in municipal decision-making processes. Each city maintains an informative website and adheres to State law for transparency, accountability, and ethics.

(list continues below)

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

LAFCO of Monterey County has adopted Sphere of Influence Policies and Criteria within its *Policies and Procedures Relating to Spheres of Influence and Changes of Organization and Reorganization*. These policies and criteria were adopted, in conformance with State law, to meet local needs. LAFCO has reviewed its local policies and there are no other pertinent matters.

Sphere of Influence Determinations, Per Government Code Section 56425(e)

This section provides recommended sphere of influence determinations for the seven Peninsula cities analyzed in this study.

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

Current and future land uses within the study's scope are guided by the General Plans of the County of Monterey and the seven Peninsula cities. Growth and development for the cities in the foreseeable future will take place mostly within the city limits as they currently exist.

Only three of the seven Peninsula cities (Marina, Monterey, and Carmel) have a sphere of influence beyond the existing city limits. The three cities' spheres of influence have not changed since they were approved by LAFCO in the 1980s. Areas within the three cities' spheres of influence face significant constraints to future annexation including existing development, low tax base, or, in the case of City of Marina, a voter-approved urban growth boundary moratorium in place until 2040 for areas north of the existing city limits. Development occurring on a city's edge, but in the County's jurisdiction, has the potential to disincentivize city growth and development if the development project's increased property tax revenues do not transfer to the city following annexation.

No sphere of influence changes are currently being requested by the seven cities, or recommended by LAFCO staff. Marina's sphere of influence may warrant adjustments after the City of Marina has completed its General Plan update process, which is currently in progress. In addition, no significant annexations are anticipated by the cities within the existing spheres of influence. However, the cities are considering several minor boundary adjustments that this study has helped identify and address.

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

Marina and Seaside are the main growth areas in terms of having vacant land supply available for development. However, Sand City and Del Rey Oaks also have significant areas of undeveloped land within their city limits. Undeveloped sites that are designated or planned for development within these four communities appear to provide many years of future growth capacity within the existing city boundaries.

The cities require planned developments within city boundaries to pay the infrastructure costs attributed to these developments. The necessary improvements to accommodate planned growth will be guided by the cities' adopted General Plans, development plans, circulation, water, sewer, and storm drainage master plans, and Capital Improvement Plans.

3. 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 seven cities adequately meets the needs of city residents. The cities monitor the capacity of public facilities and the adequacy of public services through the adoption and implementation of General Plans, budgets, and Capital Improvement Programs. Where opportunities exist, the cities partner with each other, and with regional service providers (special districts and JPAs) to achieve efficiencies and economies of scale.

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

Please see MSR determinations #2 and #3 above, and SOI determination #5, below. There are no other particular social or economic communities of interest in the area that have been determined to be relevant to the seven cities in this study.

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

As discussed in MSR determination #2, one area outside the City of Marina (CSUMB's Frederick Park II) appears to meet the Cortese-Knox-Hertzberg Act's definition of a DUC. The area is adequately served by Marina Coast Water and Monterey County Regional Fire Protection Districts. See MSR determination #3 for additional information.

Sources and Acknowledgements

Information that LAFCO received from representatives of the seven cities was essential in developing this study. City staff met with LAFCO staff and provided valuable input. LAFCO staff also coordinated with representatives of the County of Monterey, the Airport District, Monterey County Regional Fire District, and Cypress Fire Protection District. LAFCO's earlier Municipal Service Review and Sphere of Influence Studies provided additional background information about the City and special districts. LAFCO staff also used information provided by the Association of Monterey Bay Area Governments ("AMBAG") 2026 Regional Growth Forecast, updated through September 20, 2024.

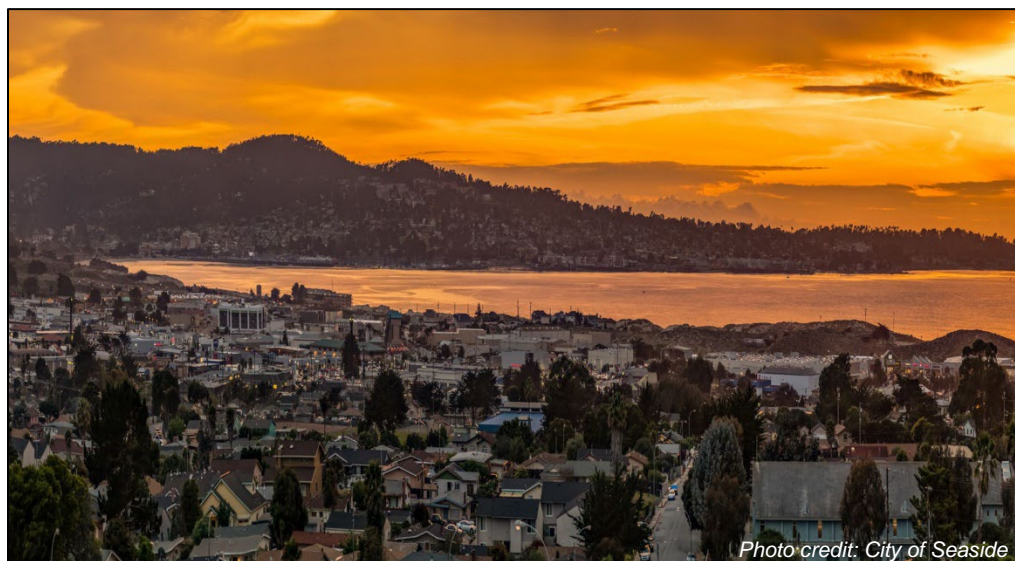


Photo credit: City of Seaside

RESOLUTION 24-XX

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY MAKING DETERMINATIONS ADOPTING THE 2024 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE CITIES OF MARINA, SEASIDE, SAND CITY, DEL REY OAKS, MONTEREY, PACIFIC GROVE, AND CARMEL-BY-THE-SEA

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

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

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

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

WHEREAS, the information gathered has provided the basis for preparation of a 2024 Municipal Service Review and Sphere of Influence Study for these cities, and the Executive Officer has furnished a copy of this study to each person entitled to a copy or expressing interest in receiving a copy; and

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

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

Section 1. The foregoing recitals are true and correct.

Section 2. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, the Commission finds that the study is categorically exempt from the provisions of CEQA, in that the Study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment.

Section 3. In preparing a municipal service review, the Commission has considered a written statement of its determinations in accord with Government Code section 56430(a). These determinations are for the three Soledad-area special districts that the study addresses.

Section 4. In evaluating the spheres of influence of these districts, the Commission has considered a written statement of its determinations, in accord with Section 56425(e) of the Government Code.

Section 5. The Commission has considered, as a part of its deliberations, all oral presentations and written communications received prior to the close of the public hearing.

Section 6. The Commission hereby adopts the 2024 Municipal Service Review and Sphere of Influence Study for the seven Peninsula-area cities and adopts the study's recommended determinations in accordance with Government Code sections 56430(a) and 56425(e), respectively, as set forth in the study.

Section 7. The Commission hereby approves the study's recommended actions as follows:

1. Find adoption of the study and its recommended actions exempt from provisions of the California Environmental Quality Act (CEQA);
2. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
3. Affirm the currently adopted spheres of influence of all seven Peninsula-area cities (Marina, Seaside, Sand City, Del Rey Oaks, Monterey, Pacific Grove, and Carmel-by-the-Sea) with no changes at this time;
4. Encourage the Cities of Marina, Seaside, Monterey, and Carmel – along with the County of Monterey and special districts such as Monterey County Regional and Cypress Fire Protection District – to consider consulting about future growth and development on the existing city edges. Following these discussions, the parties could consider entering into a memorandum of agreement addressing potential future annexations, land uses, municipal finances, or other related aspects of future growth and development on the city edges;
5. Encourage the City of Marina to clarify, as part of its current General Plan update process, that the City does not intend to annex East Garrison in the foreseeable future, and to consider requesting that LAFCO remove northern East Garrison from the City's sphere of influence as part of a future comprehensive sphere amendment (following completion of the City's General Plan update); and
6. Encourage the City of Monterey to continue to explore ways to partner with local agencies such as Monterey County Regional Fire District, Cypress Fire Protection District, Monterey Peninsula Airport District, and Del Rey Oaks, as well as the California Department of Transportation (Caltrans), regarding fire protection, emergency medical response, and emergency vehicle access in the Highway 68 corridor as needs and opportunities evolve in the future.

UPON MOTION of Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 28th day of October, 2024 by the following vote:

AYES:	Commissioners:
NOES:	Commissioners:
ALTERNATES:	Commissioners:
ABSENT:	Commissioners:
ABSTAIN:	Commissioners:

By: _____
Wendy Root Askew, Vice Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete copy of the original resolution of said Commission on file within this office. Witness my hand this 28th day of October, 2024

By: _____
Kate McKenna, AICP, Executive Officer

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

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DATE: October 28, 2024
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
PREPARED BY: Jonathan Brinkmann, Senior Analyst
SUBJECT: Consideration of a 2024 Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts
CEQA: Categorical Exemption, California Environmental Quality Act Guidelines Sections 15306 and 15061(b)(3)

SUMMARY OF RECOMMENDATIONS:

It is recommended that the Commission:

1. Receive a report from the Executive Officer;
2. Receive public comments;
3. Provide for questions or follow-up discussion by the Commission;
4. Consider a Public Review Draft Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts (**Attachment 1**); and
5. Consider and adopt a resolution (**Attachment 2**) to:
 - a. Find adoption of the study and its recommended actions exempt from provisions of the California Environmental Quality Act (CEQA);
 - b. Adopt the study and its recommended determinations in accordance with Government Code sections 56430(a) and 56425(e);
 - c. Affirm the currently adopted spheres of influence of the San Lucas and San Ardo Water Districts, with no changes;
 - d. Encourage the San Lucas and San Ardo Water Districts to complete capital improvement programs and rate studies to assess the future costs of service provision and establish appropriate customer rates; and
 - e. Authorize the Executive Officer to proceed with a range of corrective measures to address the San Lucas and San Ardo Water Districts' noncompliance with state legal requirements and best practices, as identified in the study.

EXECUTIVE OFFICER'S REPORT:

Overview of the Study

State law requires LAFCOs to periodically review the services and spheres of influence of all cities and special districts. Consistent with the Commission's adopted work program, staff has prepared a comprehensive study of the San Lucas and San Ardo Water Districts.

Key findings are on pages 7 and 8 of the draft study. To the extent possible, given the fundamental water quality problems facing the San Lucas Water District, both districts are carrying out their missions of providing water and wastewater services to their respective communities.

For both districts, the study identified noncompliance with State legal requirements and implementation of best practices. Key first-priority actions include adopting an annual budget (San Ardo Water District only) and completing audits. Second-tier priorities include filing of Form 700 statements of economic interests (San Lucas Water District only), completing annual ethics and harassment training, and compliance with website requirements (San Ardo Water District only).

Recommended Actions

Recommended actions are on page 8 of the study. In addition to the identified corrective actions to comply with state legal requirements, another recommendation includes encouraging the San Lucas and San Ardo Water Districts to complete capital improvement programs and rate studies to assess the future costs of service provision and establish appropriate customer rates.

As with the Greenfield Memorial, Cemetery, and Recreation Districts and the Soledad Cemetery District, Staff will continue to update the Commission on implementation status of the study's recommendations, along with any other significant new information about the two districts.

California Environmental Quality Act (CEQA) Compliance

Pursuant to Section 15306 of the California Environmental Quality Act ("CEQA") Guidelines, the study qualifies to be determined categorically exempt, in that the Study consists of basic data collection, research, management, and resource evaluation activities, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment.

Agency Coordination and Public Review

The attached draft study incorporates the review and feedback received from representatives of the San Lucas and San Ardo Water Districts on an earlier initial administrative draft.

To support the preparation of this administrative draft study, LAFCO engaged in a collaborative process that included meetings with representatives of both districts. This engagement ensured that their insights and concerns were effectively incorporated into the study. Following this collaboration, the administrative draft study was shared with both districts, allowing them to provide additional comments and suggestions. Staff has made this draft study available on LAFCO's website as part of the October 28 meeting agenda packet and has distributed it to all known interested parties.

Alternative Actions:

In lieu of the recommended actions, the Commission may direct changes to the attached draft resolution or the study. Any major changes to the resolution or the study would require that this agenda item be continued for further coordination and review.

Respectfully Submitted,



Kate McKenna, AICP

Executive Officer

Attachments:

1. Public Review Draft – 2024 Municipal Service Review and Sphere of Influence Study
2. Draft Resolution

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2024 Municipal Service Review and Sphere of Influence Study:

- San Lucas Water District
- San Ardo Water District



Public Review Draft as of October 23, 2024

COMMISSIONERS

Chair Kimbley Craig, City Member
Vice-Chair Wendy Root Askew, County Member
Mary Adams, County Member
Ian Oglesby, City Member
Mary Ann Leffel, Special District Member
Chad Lindley, Special District Member
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Executive Summary

This Executive Summary begins with an **Introduction and Background**, followed by **Key Findings**, **Recommended LAFCO Actions**, and **Regulatory Framework** sections.

Introduction and Background

Study's Scope

This study provides information about the operations, services, and spheres of influence¹ of the:

- San Lucas County Water District
- San Ardo California Water District

This study meets LAFCO's requirements, under state law, for conducting periodic service reviews and sphere of influence studies. The study also includes a list of recommended actions to help ensure that the two districts comply with state laws and best practices for managing public agencies.

Services Provided

The San Lucas and San Ardo Water Districts each were established with the purpose of providing water and wastewater services to their respective communities.

Water Supplies

The two districts are located in the Upper Valley Aquifer Subbasin, managed by the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA, a Joint Powers Authority that LAFCO does not regulate). This agency is tasked with developing a comprehensive groundwater sustainability plan and implementing the plan to achieve basin sustainability by 2040. According to the SVBGSA's 2022 Groundwater Sustainability Plan for the Upper Valley Aquifer Subbasin, this subbasin is not in overdraft.

Water Quality

The San Lucas Water District has historically faced water quality problems. For over ten years, the District has not had a reliable water source that consistently meets water quality standards. The community's water quality issues are due to nitrate, iron, manganese, salinity, and sulfate contaminants. These groundwater contaminants are present at levels that violate California drinking water standards. The existing water treatment system is unable to adequately mitigate these contaminants. Potential solutions are being evaluated. Additional discussion on this topic is included under the District Profile for the San Lucas Water District.

Located approximately 20 miles south of King City and 10 miles south of San Lucas, the San Ardo Water District has not historically experienced water quality issues. The Monterey County Health Department temporarily issued a do-not-drink order for the San Ardo Water District after the water system was contaminated due to flooding in 2023. The order was lifted in March 2023 after the District made emergency system repairs and testing confirmed that the water was safe to drink. The District Profile for the San Ardo Water District includes additional discussion about this topic.

¹ A Sphere of Influence is defined by LAFCO of Monterey County as "A plan for the probable physical boundaries and service area of a local agency, as determined by LAFCO ([California Government Code] section 56076). The area around a local agency eligible for annexation and extension of urban service within a twenty-year period."

San Ardo and San Lucas Water Districts



Introduction and Background (continued)

Independent Special Districts Serving Rural Communities

The San Lucas and San Ardo Water Districts exemplify the important role of independent special districts serving their respective rural communities in Monterey County. These districts play a crucial role in providing essential water and wastewater services. Similar to other areas in the county, such as Spreckels and Aromas, which also have their own special districts, these two water districts aim to ensure reliable service delivery while addressing the challenges of rural infrastructure and sustainability.

This study recommends that each district complete capital improvement programs and rate studies to assess the future costs of service provision and establish appropriate customer rates. These measures are essential to ensure adequate funding for maintaining district services for each respective community.

District Formation

The San Ardo and San Lucas Water Districts were formed in 1955 and 1965, respectively. The San Ardo Water District's formation pre-dated the creation of LAFCO's in 1963. The San Lucas Water District was one of four district formations processed by LAFCO during LAFCO's first year of operation.

Scale of District Operations

The two districts share general similarities in terms of district size, services provided, number of service connections, finances, and operations. The San Ardo Water District has approximately 161 service connections compared to San Lucas Water District's 97 service connections.

Potential Future Growth

Regional growth projections identify higher-than-average growth in central to southern Salinas Valley area through 2045. The great majority of this growth will likely occur within the cities, not in the unincorporated area. However, in 2006, the County of Monterey previously approved a 33-unit project known as Valley View affordable housing subdivision by CHISPA. The County also identified several areas as opportunity sites in the San Lucas community for growth and development in its Draft Sixth Cycle Housing Element Update as of August 2024, totaling 22 dwelling units. The County's Draft Housing Element did not identify opportunity sites in the San Ardo community.

Population Served

The two districts each serve relatively small populations within their respective district boundaries, as described below:

- The San Lucas Water District serves approximately 377 people within the unincorporated community of San Lucas
- The San Ardo Water District serves approximately 624 people within the unincorporated community of San Ardo.

Existing Boundaries and Spheres of Influence

Currently, none of the Districts has a designated sphere of influence beyond their jurisdictional boundaries. The two districts under review serve as exclusive service providers within their defined geographic areas.

District boundaries are significant as they define the area where residents are eligible to vote for and serve on the district board. These boundaries also determine where an agency can propose parcel taxes, bond measures, or similar revenue enhancements. LAFCO's sphere of influence designations indicate areas where cities and special districts may plan to expand their boundaries within an approximate 20-year timeframe.

Key Findings

The following key findings highlight the study's most significant observations and conclusions.

- 1) **To the extent possible, given the fundamental water quality problems facing the San Lucas Water District, both districts are carrying out their missions of providing water and wastewater services to their respective communities.**

The San Ardo Water District experienced temporary water quality issues when its water system was contaminated from flooding in 2023. The San Ardo Water District took immediate measures, restoring its water system with FEMA funding assistance. Both districts are providing essential services to their communities and work to address service issues when identified.

- 2) **Due to exposure to environmental risks, the San Lucas and San Ardo are considered environmental justice communities. The two districts are actively working toward addressing long-term issues of water and sewer system reliability and aging infrastructure.**

San Lucas' long-term water quality issues and San Ardo's water system's susceptibility to flooding due to climate change have exposed both communities to environmental risks. Given these conditions, both San Lucas and San Ardo are considered communities facing environmental justice issues, as described in Government Code Section 65040.12(e), experiencing unfair exposure to environmental risks due to demographics and location.

The San Lucas Water District has faced water quality challenges for over a decade due to high levels of nitrates (due to agricultural fertilizers, storm water run-off, and septic systems) and other groundwater contaminants. The San Ardo Water District's water well and sewer treatment facilities are located in a floodplain next to the Salinas River, which is vulnerable to flooding. Both districts face challenges of maintaining aging water and sewer systems that are in need of repair and/or replacement. Both districts are currently receiving assistance from the State Water Resource Control Board (SWRCB) and the Rural Community Assistance Corporation (RCAC) to help the districts plan for and fund solutions to long-term system reliability issues and needed capital improvements for their respective water and sewer systems.

- 3) **The two districts have not raised their charges, fees, and rates in more than 10 years.**

Based on available, unaudited financial information, each district has experienced some degree of deficit spending (annual expenses greater than annual income) within the last five years. As costs for both districts have increased over the last decade, the two districts' revenues (collected through the districts' charges and rates) have not increased to keep pace. Lack of increases to the districts' charges and rates has likely contributed to deficit spending. Representatives of both districts expressed an interest in moving forward with a future rate study and potentially adopting new recommended charges and rates to balance income with expenses.

- 4) **The two districts are not in conformance with several state legal requirements such as adopting an annual budget (San Ardo Water District only), completing annual audits, and ethics training requirements.**

Both districts face a significant challenge: it appears that there are no recent financial statements or audits from previous years available. It's essential for both districts to adopt balanced budgets and complete financial audits to confirm the revenue received and ensure proper management of public funds. Nevertheless, district representatives have indicated that each district maintains a positive fund balance and were committed to taking steps necessary to comply with state legal requirements.

5) No changes to the two districts' spheres of influence are recommended at this time.

The two special districts covered in this report each do not have an existing designated sphere of influence beyond their current boundaries. District representatives have not sought any amendments to their spheres. Staff recommends that no sphere changes are currently warranted.

Recommended LAFCO Actions

Based on the analysis and in this study, the Executive Officer recommends adoption of a resolution to:

1. Find that, pursuant to Section 15306 of the California Environmental Quality Act (CEQA) Guidelines, the service review and sphere of influence study is categorically exempt, in that the study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment;
2. Adopt the recommended determinations within the 2024 Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts;
3. Encourage each district to complete capital improvement programs and rate studies to assess the future costs of service provision and establish appropriate customer rates;
4. Affirm the currently adopted spheres of influence of the San Lucas and San Ardo Water Districts, with no changes; and
5. Authorize the Executive Officer to proceed with a range of corrective measures to address each district's non-compliance with state legal requirements and best practices, as follows.
 - a. Request that the two districts, as a first priority, take immediate actions to meet legal requirements for financial management and administrative oversight:
 - Adopt an annual budget for the current Fiscal Year (FY) 2024-25 (San Ardo Water District only); and
 - Retain a qualified audit consulting firm to perform financial audits for FY 2022-23 and 2023-24.
 - b. Request that the two districts, as a second-tier priority, take actions to comply with other state legal requirements:
 - Complete required Form 700 (Statements of Economic Interests filings for all Board members and any applicable staff, San Lucas Water District only);
 - Complete required ethics and harassment prevention training for Board members and staff; and
 - Comply with website posting requirements per the Brown Act and other state laws (AB 2449, San Ardo Water District only)
 - c. Request that LAFCO staff provide a Board Orientation Training/Compliance Progress-Review meeting within two months after adoption of this study;
 - d. If the two districts have not substantially met State legal requirements within approximately six months of adoption, involve other regulatory oversight agencies, as necessary, to pursue compliance with legal requirements; and
 - e. Encourage the two districts to:
 - Adopt bylaw amendments that promote compliance with training requirements,
 - Retain a qualified audit consulting firm to conduct a performance audit (evaluations of the District's fiscal practices and processes), and
 - Review and implement best practices recommended by the performance audits and in the Special District Leadership Foundation's "High Performing District" checklist

Regulatory Framework

This section offers a brief overview of the important legal requirements set by state law, recommended best practices, and the roles of regulatory oversight for public agencies in California. The San Lucas and San Ardo Water Districts are currently working towards compliance with these legal standards. The recommended corrective actions listed in this report are included to help the two districts achieve full compliance.

State Law Requirements

The California State Legislature has enacted various laws establishing fundamental legal obligations for special districts, many of which also apply to counties and cities. In summary, special districts are generally required to:

- Adopt annual budgets
- Complete financial audits
- Submit annual financial and compensation reports to the California State Controller's Office
- Maintain a website
- Hold open public meetings in accordance with the Brown Act
- Implement ethics and harassment prevention training for board members
- File an annual Form 700 (Statement of Economic Interests) by board members and key staff, and adopt a conflict-of-interest code
- Adopt Bylaws for conducting district meetings and proceedings

Best Practices

In addition to legal requirements, local public agencies are encouraged to adopt best practices that promote public trust and minimize the risk of errors or missteps. The Special District Leadership Foundation's High Performing District checklist outlines recommended practices in Finance and Human Resources.

Key examples of recommended Finance practices include: Establish and periodically review sound fiscal and internal control policies; regularly assess revenue and expenses for compliance with the annual budget; approve capital improvement plans and ensure compliance; and utilize a competitive process for awarding contracts.

Regulatory Oversight

Local Agency Formation Commissions (LAFCOs) provide oversight of cities and special districts by conducting periodic municipal service reviews and sphere of influence studies, including the current assessment. These studies aim to enhance efficiency and reduce the costs of providing municipal services.

LAFCOs commonly inform local agencies of their legal requirements and offer educational resources to promote compliance. However, if non-compliance continues, other oversight agencies may need to become involved. Additional oversight entities include the County Auditor-Controller, the Civil Grand Jury, the District Attorney, the State Controller's Office, and the State's Fair Political Practices Commission.

District Profiles

San Lucas County Water District

Formation Date	January 15, 1965
Legal Authority	Water Code, Sections 30000-33900
Board of Directors	Five-member governing board, elected or appointed for four-year terms
District Area	Approximately 93 acres
Sphere of Influence	Same as district boundaries
Population (2022 est.)	377
Annual Revenues	\$130,839 (Fiscal Year 2021-2022; unaudited/self-reported by the District)
Employees	One part-time secretary and one part-time meter reader.
Address	53365 Main Street, San Lucas, CA 93954
Meetings	Regular Board meetings are held the third Thursday of the month at 6:00 pm

Summary and Background

Introduction

The San Lucas County Water District was created through a LAFCO of Monterey County district formation process from 1964 to 1965. The District provides both potable water and wastewater services (sewage collection, treatment, and disposal) to the unincorporated community of San Lucas.

Water Quality Issues

For approximately fourteen years, the District’s customers have experienced unsafe drinking water conditions, primarily due to nitrate contaminants resulting from agricultural fertilizers, storm water runoff, and septic systems. Other drinking water contaminants include salinity, iron, manganese, and sulfate. As a result of these water quality issues, the Monterey County Health Department periodically issued do-not-drink orders when water system testing showed contaminants exceeding safety requirements. Due to these water quality issues, the District has been coordinating distribution of bottled water to the community for drinking and cooking.

To address unsafe drinking water conditions, the State Water Resources Control Board (SWRCB) and Rural Community Assistance Corporation (RCAC) are directly assisting the District to identify a permanent solution for provision of potable water to the community. The SWRCB funded a feasibility study and engineering report completed in July 2024, and hosted a San Lucas community meeting in August 2024 to present this information and request community feedback.

The feasibility study and engineering report analyzed several options addressing unsafe drinking water conditions. Alternatives included:

- 1) Consolidation/intertie with King City’s municipal water system (operated by California Water Service Company [CalWater]),
- 2) Wellhead treatment (ion exchange),
- 3) Wellhead treatment (reverse osmosis), and
- 4) Wellhead treatment with new well drilling (only an option if agreement for existing land and well use cannot be reached).

All of the proposed alternatives would include rehabilitation of the District’s water and sewer systems. Alternatives one through three have estimated capital costs of approximately \$28, \$12, and \$13 million, respectively. The SWRCB set a deadline of September 30, 2024 for the community to provide written feedback on the three alternatives. As of this writing, the District Board has not provided an official letter

or taken an official position to express support for one of the alternatives to the SWRCB. The District Board may consider taking an official position in the coming weeks or months. The SWRCB will review the community's feedback and take this feedback into consideration when making a decision on which alternative to pursue. As of this writing, the SWRCB has not provided an update as to when they intend to make their decision.

Supervisor Lopez, whose supervisorial district includes southern Monterey County and San Lucas, submitted a comment letter in support of alternative one. Supervisor Lopez supports this alternative because it would:

- Provide a permanent safe water solution by consolidating water infrastructure with the King City municipal water system (operated by CalWater),
- Result in the lowest ongoing operational cost, and
- Not raise the monthly bill for residents of the community by an exponential factor.

Recent Community Improvements

In early 2024, the County of Monterey Public Works Department completed street, sidewalk, and street light improvements for the San Lucas community. Completion of these improvements occurred after San Lucas Union School students wrote letters to Supervisor Chris Lopez (District 3) requesting safer routes to school, sidewalks, and better streets. Additionally, high-speed affordable internet was just launched in September to the community of San Lucas. The expansion of the newly built broadband network to this area was partially funded by the American Rescue Plan Act (ARPA) broadband grant awarded by the County of Monterey. These improvements have been a story of success for the community and have been widely reported by news media.

Facilities and Services

The District office is situated in a repurposed residence, which it shares with the San Lucas Cemetery District, located at 53365 Main Street in San Lucas.

The District supplies water and wastewater services to the community, relying solely on groundwater as its water source. The sewage treatment facilities, which include aeration ponds and a spray field, are located about a mile north of the District's boundaries on Highway 198. The District's water well is located approximately two miles south of San Lucas. The District's water storage tank is located several hundred feet northwest of San Lucas.

The District maintains aging infrastructure. The District's water and sewer systems were originally constructed in 1968. The District installed water system upgrades and sewage pump replacements over the last 10-20 years. However, given the current state of both systems and the significant cost estimated to address unsafe drinking water conditions, the District would rely on outside funding sources (Federal and State grant sources primarily) to fund a new safe water source and rehabilitation of water and sewer systems.

Governance and Staffing

The District is managed by a five-member board of directors. Board members are appointed by the Board of Supervisors when there are no multiple challengers for open positions. If more than two candidates seek



a single seat, an election is required. Replacing District Board vacancies has proven challenging in the past. However, as of this writing, the District Board had no vacancies. The Board of Directors meets on the third Thursday of each month at 6:00 PM at the District's office.

As is typical for small rural districts, various services are offered by consultants and contract staff on an as-needed basis. Staffing consists of several part-time positions, which include: a secretary, a meter reader, a water/wastewater system operator, a bookkeeper, and an operations and maintenance contractor. The District also contracts with an attorney for legal services as necessary. For more than a decade in some instances, unbeknownst to the District Board of Directors, a now former District employee failed to collect prior charges, fees, and rates legally owed to the District from multiple customers. The District's legal counsel is helping the District to recover these uncollected revenues to the greatest extent possible.

Compliance with State Legal Requirements and Best Practices

The District does not comply with several critical State law requirements and best practices for special districts. While it prepares and submits annual financial transaction reports to the State Controller's Office, the most recent verified, completed audit was for Fiscal Year 2015-2016, according to the Monterey County Auditor-Controller's records. Additionally, the District employs a bookkeeper for its accounting tasks but lacks an agreement with an accounting firm for annual audits. The District has an adopted annual budget for Fiscal Year 2024-25.

The District's recent meetings have complied with the Brown Act's open meeting requirements such as posting of a meeting agenda and accessibility to the public.

Currently, the District uses a Facebook page as its website. During preparation of this study, LAFCO staff informed the District that, to fully comply with state legal requirements, its website must also provide access to the District's financial transaction reports and compensation reports. District representatives responded positively to this feedback and made the required updates. The District does not have an adopted policy manual that includes meeting bylaws, regulations, policies, and other provisions.

In communications with a District Board member and staff, LAFCO communicated the urgency of addressing the identified compliance issues. District representatives acknowledged the need to complete annual audits, adopt annual budgets, submit Form 700 Statements of Economic Interests, and conduct biennial ethics and harassment prevention training, as mandated by state law.

Financial Summary

LAFCO has not received any recent audits or unaudited financial statements. Consequently, LAFCO staff relied on the District's FY 2024-2025 annual budget and annual Financial Transaction Report filings available from the State Controller's Office. During this study, District representatives did not provide any additional up-to-date financial documents, including a balance sheet, income statement, or check register. The District's funds are held at Mechanics Bank.

In conclusion, due to limited financial oversight and recordkeeping, the District's financial status cannot be accurately determined. The information presented in the table below is incomplete and unverified. This financial information requires an audit by a qualified accounting firm for a full and precise understanding of the District's finances. Nonetheless, the limited information available indicates that the District may be operating at a deficit, with expenses exceeding revenues. It appears that the District has not increased its charges, fees, and rates for 15 years. To avoid operating at a deficit and to adequately fund maintenance of the District's water and wastewater systems, LAFCO recommends that the District conduct a rate study to ensure that District's charges, fees, and rates are sufficient to fund the costs of providing services.

Fiscal Year	Revenues	Expenses	End-of-year fund balance
2019-2020 (unaudited)**	\$147,973	\$243,532	Missing data (LAFCO did not receive a copy of the audit in time for the draft MSR)*
2020-2021 (unaudited)**	\$154,972	\$253,709	Missing data
2021-2022 (unaudited)**	\$130,839	\$258,663	Missing data
2022-2023 (unaudited)	Missing data		
2023-2024 (unaudited)	Missing data		
2024-2025 (budgeted)	\$149,587	\$179,979	\$15,225

* A District representative stated that an audit may have been completed in FY 2019-2020, but the District has not yet provided this information.

**Unaudited data reported by the District to the State Controller’s Office.

Boundaries and Sphere of Influence

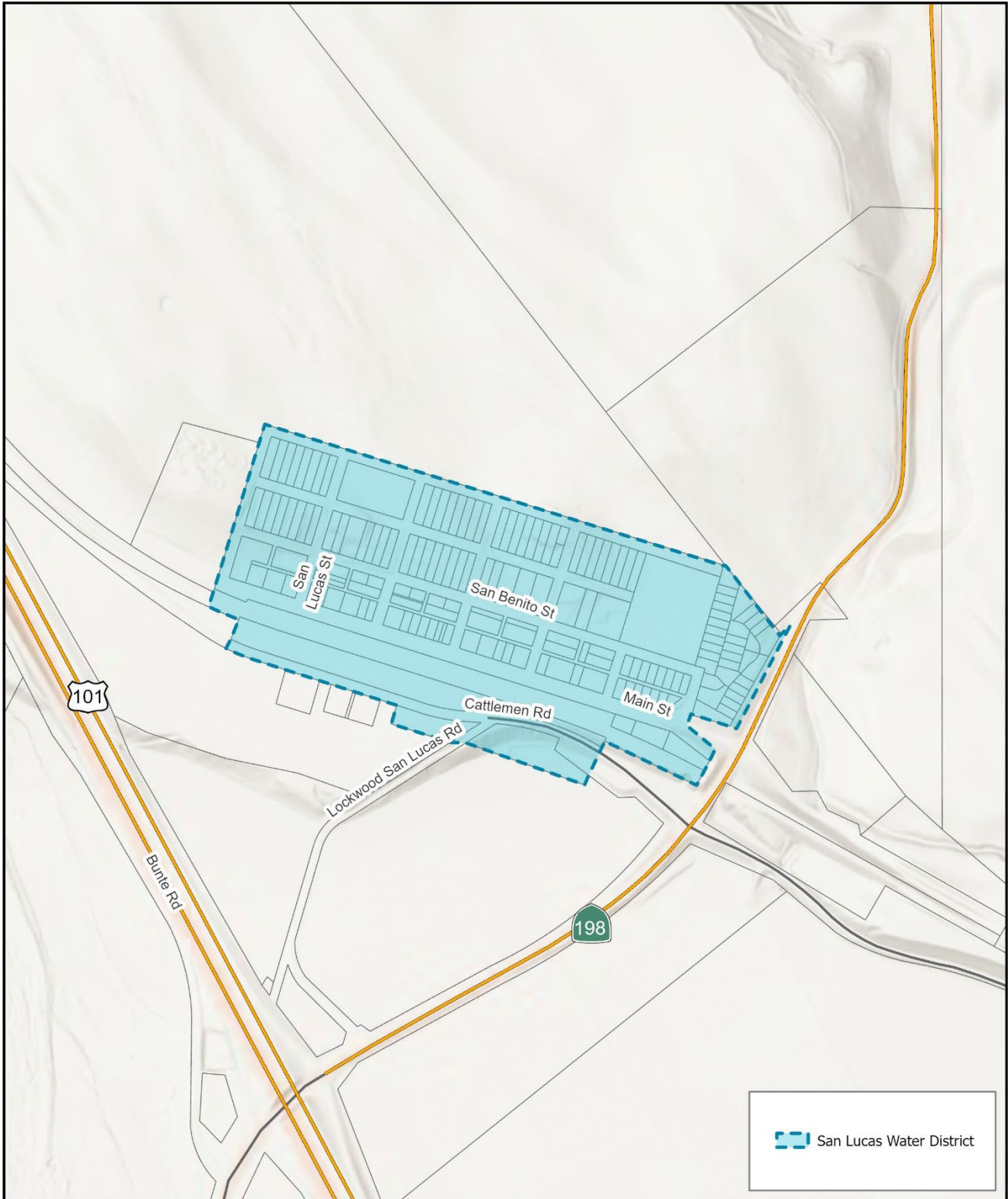
The District’s boundaries cover an area of approximately 93 acres, and its boundaries have remained unchanged since its formation. The District’s sphere of influence was established in 1983 and aligns with the current boundaries. The land surrounding the District is primarily used for agricultural purposes. District representatives have not indicated an interest in adjusting the existing boundaries or sphere of influence. LAFCO staff agrees that there are no nearby areas that warrant an expansion of the District’s boundaries or sphere.



Recommended LAFCO Actions

Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

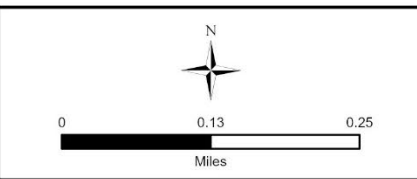
1. Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District’s existing jurisdictional boundary),
2. Authorize the Executive Officer to proceed with corrective measures to address the District’s areas of non-compliance with state legal requirements and best practices, as described in the Recommended LAFCO Actions section of this study.



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WATER DISTRICTS MAP

SAN LUCAS WATER DISTRICT

Last LAFCO-Approved Change: 02/22/1983
 Map Prepared: 10/08/2024

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San Ardo California Water District

Formation Date	September 19, 1955
Legal Authority	Water Code, Sections 34000-38500
Board of Directors	Five-member governing board, elected or appointed for four-year terms
District Area	Approximately 81 acres
Sphere of Influence	Same as district boundaries
Population (2022 est.)	624
Annual Revenues	\$150,890 (Fiscal Year 2021-2022; unaudited/self-reported by the District)
Employees	One part-time secretary, one part-time operator
Address	62543 Main Street, San Ardo, CA 93450
Meetings	Regular Board meetings are held the second Tuesday of the month at 4:00 pm

Summary and Background

Introduction

The San Ardo California Water District was formed in 1955 to provide potable water and sewer services—including sewage collection, treatment, and disposal—to the unincorporated community of San Ardo. This community is situated approximately 20 miles south of King City in southern Monterey County, one mile east of Highway 101. The District serves 161 ratepayer accounts, the majority of which are residential connections.

2023 Flooding Impacts

Due to significant rainfall in December 2022 and January 2023, flooding impacted the San Ardo community and the District. The floods led to contamination of the community’s water system, making the water unsafe for drinking or cooking. As a result, the community was without safe drinking water for several months following the flooding. The District hired various contractors to repair the District’s infrastructure damaged by the flooding and restore safe drinking water to the community. Although the Federal Emergency Management Agency (FEMA) provided significant grant reimbursement for this emergency work, the District’s emergency repair expenses exceeded FEMA’s reimbursements. The District is still working to resolve payments related to two contractors’ work.

The flooding in 2023 underscored the need for the District to safeguard its infrastructure against future flooding events. As of this writing, the District leases land from two separate landowners where its primary groundwater well and sewage treatment facilities are situated. Both facilities are located near the Salinas River, which make them vulnerable to future flooding. The District plans to develop and implement a process to evaluate the feasibility of moving the District’s infrastructure to more resilient sites better protected from future extreme weather events.

Community Improvements

Earlier this year, high-speed, affordable internet was launched in the community of San Ardo. The expansion of the newly constructed broadband network in this area received partial funding from the

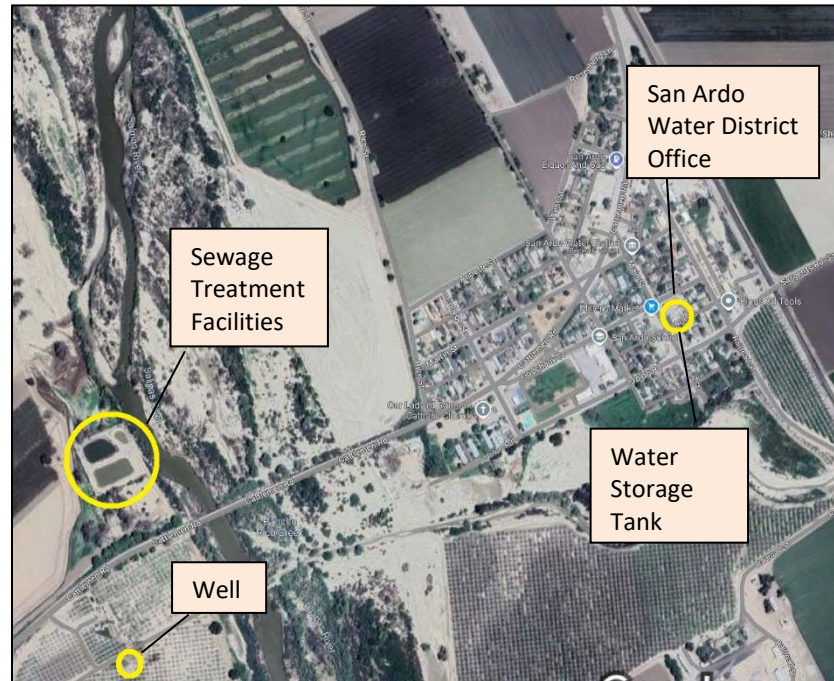


American Rescue Plan Act (ARPA) broadband grant awarded by the County of Monterey. These improvements have been celebrated as a success for the community and have garnered significant coverage from news media.

As of this writing, the County of Monterey Public Works Department is planning street, sidewalk, and street light improvements for the San Ardo community. Completion of these improvements in the next few years will enhance the condition of the community's transportation facilities, increase pedestrian safety, and help to manage storm water run-off.

Facilities and Services

The District owns and operates the infrastructure necessary for providing water and wastewater services, relying solely on groundwater as its water source. Key components of the District's water and wastewater systems include two wells (one active and one reserve), a 55,000-gallon water tank, a network of water and sewer mains located in streets and easements, and two saturation-evaporation ponds for sewage treatment and disposal. The District is housed in a small office building, converted from a residence, located on Main Street in San Ardo.



The Rural Community Assistance Corporation (RCAC) recently conducted an evaluation of the District's facilities, which found that all facilities, except for the force main, are in poor condition and require replacement. Most of the facilities have exceeded their life expectancy. Additionally, the District has deferred periodic cleaning of its water tank for a number of years. Both the primary groundwater well and wastewater treatment facilities are located within a floodplain, which is vulnerable to future flooding events. Furthermore, the district office needs to be expanded, since it is too small to comfortably accommodate meetings or support larger projects.

District representatives take pride in the strong sense of community spirit, volunteerism, and resourcefulness. Unlike the incorporated communities in the Salinas Valley, San Ardo has not faced significant development pressure. Consequently, the District has maintained a relatively stable customer base, although the seasonal movement of farm labor can cause fluctuations in the total population and household size. The nearby oil and gas industry provides stable employment, but also relies on seasonal and contract workers to meet changing demands.

Governance and Staffing

The District is governed by a five-member board of directors. Board members are appointed by the Board of Supervisors when there are no competing candidates for open positions. If more than two candidates run for a single seat, an election is held. Filling vacancies on the District Board has been challenging in the past. As of this writing, there are two vacancies due to the resignations of two board members in June 2024. The Board of Directors meets on the second Tuesday of each month at 4:00 PM at the District's office.

As a small rural special district, the District utilizes consultants and contract staff to provide various services as needed. Its staff is comprised of two part-time positions: a combined project manager/operations manager-in-training and an administrative assistant (currently vacant). Consulting/contract staff include: a meter reader, sewage plant operator, a drinking well operator, a

bookkeeper, and an auditor. The District also contracts with Baker Manoc & Jensen for legal services. The District anticipates consideration of a legal services agreement with County Counsel at its next Board meeting for additional legal services.

Over the last few years, the District has experienced challenges in recruitment and retention of its sewage plant operator position. This position is legally required for operation of the District's sewage treatment facilities. The District recently hired a new plant operator and is exploring ways to ensure that a reserve plant operator is available to ensure plant responsibilities are met in the event of an absence of the primary plant operator.

The District received technical assistance and support from various non-profits and government agencies in the past three years. Approximately three years ago, the Central Coast Rural Communities Foundation provided technical assistance to apply for grants to improve the District's aging infrastructure. RCAC is currently providing technical assistance to identify future infrastructure needs, estimate capital improvement costs, support improvement of infrastructure and financial operations, and support the District in applying for grants to fund capital improvements. RCAC is working with District staff to digitize the District's facilities and infrastructure using Geographic Information Systems (GIS) mapping.

Compliance with State Legal Requirements and Best Practices

The District is currently not in compliance with several key state law requirements and best practices for special districts. While it prepares and submits annual financial transaction reports to the State Controller's Office, its most recent audit, according to the Monterey County Auditor-Controller's Office, was for Fiscal Year 2016-2017. To assist the District with financial operations, RCAC has hired Regional Government Services (RGS) to provide temporary accounting services. RCAC is also assisting the District as it works toward hiring an auditing firm. As of this writing, the District has not adopted an annual budget for Fiscal Year 2024-2025, and it is unclear when the last budget was approved.

Recent meetings have complied with the Brown Act's open meeting requirements, including the posting of meeting agendas and ensuring public access. The District operates a Facebook page as its website. During this study, LAFCO staff informed the District that, to fully meet state legal requirements, its website must also include access to the District's financial transaction reports and compensation reports. District representatives were receptive to this feedback and agreed to implement these updates. The District has adopted bylaws, but does not have a comprehensive policy manual that includes bylaws, regulations, and other provisions. District Board members have completed annual Form 700 filings.

In discussions with a District representative, LAFCO highlighted the importance of addressing these compliance issues. District representatives are committed to coming into compliance with state legal requirements to complete annual audits, adopt annual budgets, and conduct biennial ethics and harassment prevention training, all of which are required by state law.

Financial Summary

LAFCO has not received any recent annual budgets, audits, or unaudited financial statements from the District. Consequently, LAFCO staff obtained unaudited financial information from the District's annual Financial Transaction Report filings from the State Controller's Office. During this study, District representatives did not supply any current financial documents, including a balance sheet, income statement, or check register.

In conclusion, due to insufficient financial information, the District's financial status cannot be accurately assessed. The information in the table below is incomplete and unverified, necessitating an audit by a qualified accounting firm for a comprehensive understanding of the District's finances. However, the limited information available suggests that the District may have operated at a deficit, with expenses exceeding revenues in FY 2020-2021. The District has not raised its charges, fees, or rates since 2011.

To prevent operating at a deficit and to adequately fund the maintenance of the District's water and wastewater systems, LAFCO recommends that the District complete a rate study to ensure its charges,

fees, and rates are sufficient to cover service costs. RCAC and the District have discussed the importance of completing a rate study, and RCAC appears to be willing to provide technical assistance in this area.

Fiscal Year	Revenues	Expenses	End-of-year fund balance
2019-2020 (unaudited)*	169,914	140,983	Missing data
2020-2021 (unaudited)*	141,411	175,859	Missing data
2021-2022 (unaudited)*	150,890	135,218	Missing data
2022-2023 (unaudited)	Missing data		
2023-2024 (unaudited)	Missing data		
2024-2025 (budgeted)	Missing data		

*Unaudited data reported by the District to the State Controller’s Office.

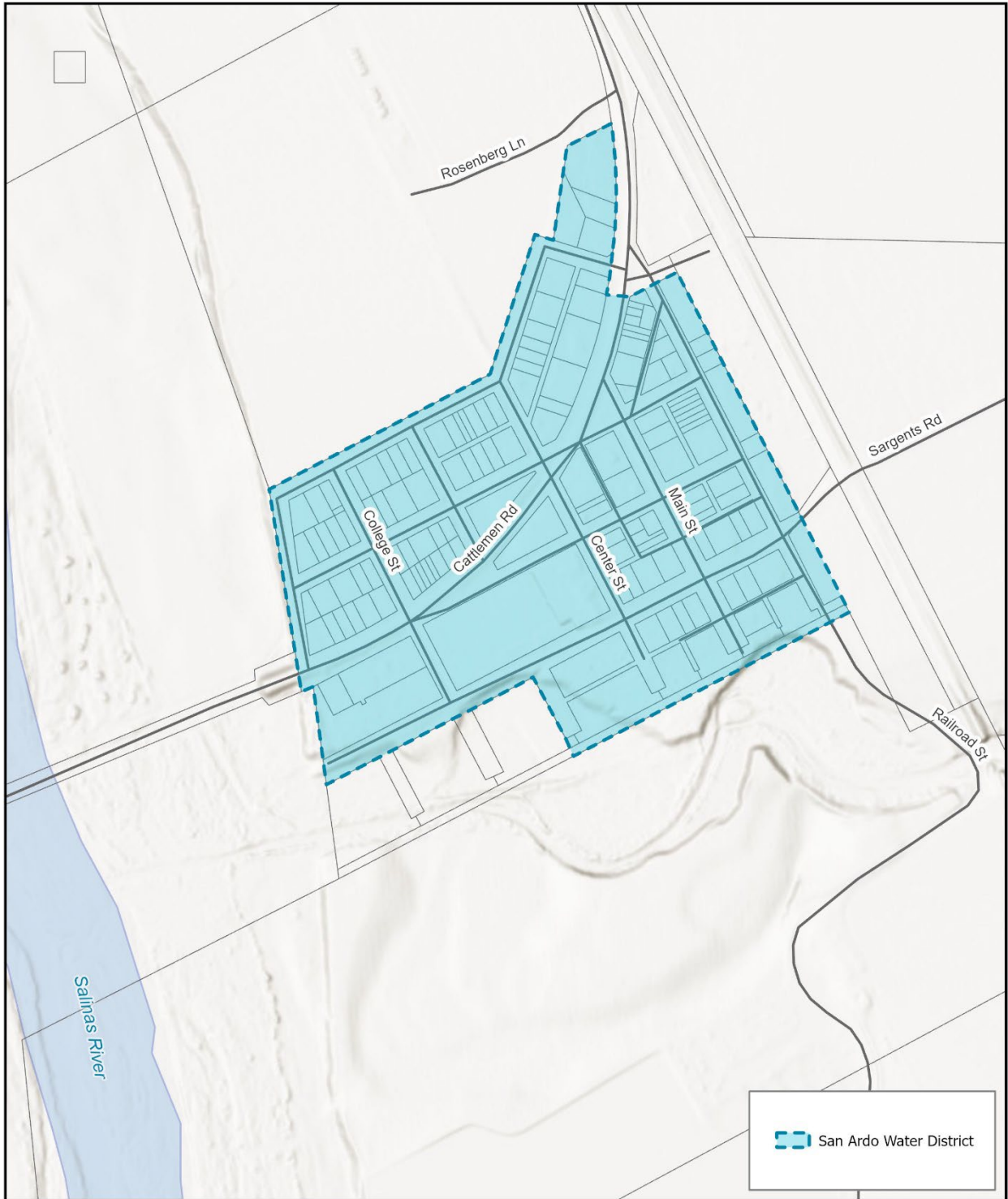
Boundaries and Sphere of Influence

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

Recommended LAFCO Actions

Based on the information and analysis in this study, the LAFCO Executive Officer recommends that the Commission:

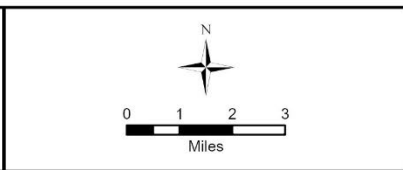
1. Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District’s existing jurisdictional boundary),
2. Authorize the Executive Officer to proceed with corrective measures to address the District’s areas of non-compliance with state legal requirements and best practices, as described in the Recommended LAFCO Actions section of this study.



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CEMETERY DISTRICTS MAP

SAN ARDO WATER DISTRICT

Last LAFCO-Approved Change: 02/22/1983
 Map Prepared: 10/07/2024

Determinations

Municipal Service Review Determinations

Per Government Code Section 56430(a)

This section contains recommended Municipal Services determinations for the San Lucas and San Ardo Water Districts.

1. Growth and population projections for the affected area

No significant population growth is currently projected for the unincorporated communities of San Lucas or San Ardo.

2. Location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the sphere of influence

State law defines DUCs as communities with an annual median household income of less than 80% of the statewide annual median household income. Census data indicate that residential areas within the San Lucas and San Ardo Water Districts' existing boundaries and spheres of influence have incomes below 80% of the statewide median income, meeting the definition of DUCs. The districts' services are available to these residents.

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 DUCs within, or contiguous to, the sphere of influence)

The two water districts have performed significant system upgrades in the past to maintain and improve water and wastewater service levels. The San Lucas Water District is in need of a permanent potable water source, and the San Ardo Water District needs to eventually relocate its primary water well and sewer treatment facilities to less flood prone areas. Both districts anticipate needing to comprehensively replace/rehabilitate their respective water and sewer systems in the foreseeable future. There are no identified DUCs within or continuous to the districts' spheres of influence that are unserved or underserved with regard to these districts' water and wastewater services.

4. Financial ability of agencies to provide services

The two water districts operate with limited funding, often relying on part-time staffing levels and dedicated volunteer efforts in order to maintain services. To varying degrees, the two districts have generally experienced financial pressures from higher employment costs (benefits, insurance), lack of growth in charges and rates, and other factors within the past decade.

It is recommended that both districts consider conducting a comprehensive rate study in the future. A rate study would seek to enhance each district's revenue base by aligning projected revenue needs with expenditures.

5. Status of, and Opportunities for, Shared Facilities

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

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

As detailed in the Executive Summary (Key Findings) and the District Profiles, state laws outline various accountability requirements for special districts. The two water districts seem to be making genuine efforts

to fulfill these requirements. In cases where specific areas of non-compliance were identified, district representatives expressed a willingness to follow LAFCO's guidance on meeting state legal obligations.

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

LAFCO staff reviewed locally adopted LAFCO policies and noted additional matters.

Sphere of Influence Determinations Per Government Code Section 56425(e)

This section provides recommended sphere of influence determinations for the three special districts analyzed in this study.

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

No changes to the existing Spheres, and no impacts to agricultural or open-space lands, are foreseen.

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

There is a demonstrated present need for the improvement of existing public facilities provided by the two districts in this study. Please refer to MSR determinations #1 and #3, above, for related discussion.

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

The facilities and infrastructure owned and operated by the two districts are generally functional and providing services in response to current needs. However, there are significant requirements for upgrades and improvements that extend beyond recent enhancements and the current scope of financial resources (see MSR determinations #3 and #4 above for further discussion).

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

As discussed under MSR determinations #2 and #3, areas within the current boundaries and spheres of influence of the two districts include communities with annual household incomes below 80% of the statewide median household income. These areas appear to meet the definition of Disadvantaged Unincorporated Communities (DUCs). These areas currently have access to district services, and there are no proposed or recommended changes to the existing services or boundaries.

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

The San Lucas and San Ardo communities each appear to qualify as Disadvantaged Unincorporated Communities (DUCs). These areas currently receive services from the two water districts examined in this study. No unmet service needs have been identified in or around these communities, and significant population growth is not expected in the near future. However, both districts have noted the need for significant capital reinvestment for future infrastructure improvements.

Sources and Acknowledgements

Information that LAFCO received from district representatives (board members and staff) was of key importance in developing this study. The two districts met with LAFCO staff and provided copies of available information and answers to technical questions. District representatives met with LAFCO staff and continued to be available for information over the phone and by email. Without their cooperation and assistance, this report would not have been possible.

LAFCO's earlier Municipal Service Review and Sphere of Influence Studies provided additional background information about the two special districts.

LAFCO staff also utilized:

- Information provided by the Association of Monterey Bay Area Governments (“AMBAG”) 2022 Regional Growth Forecast, published in June 2022; the 1990, 2000, 2010, and 2020 U.S. Censuses; and 2022 National Funeral Directors Association Cremation & Burial Report;
- The State Controller’s By the Numbers website (<https://districts.bythenumbers.sco.ca.gov/#!/year/default>);
- The State Controller’s “Special Uniform Accounting and Reporting Procedures” 2023 Edition (https://www.sco.ca.gov/Files-ARD-Local/spd_manual_2023_edition.pdf);
- The Special District Leadership Foundation’s “High-Performing District Checklist” (<https://www.co.monterey.ca.us/home/showpublisheddocument/127719/638381500908573245>);
- The California Special Districts Association’s “Special District Board Member Handbook” (<https://www.co.monterey.ca.us/home/showpublisheddocument/127717/638381500899198137>).

RESOLUTION 24-XX

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY MAKING DETERMINATIONS ADOPTING THE 2024 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE SAN LUCAS AND SAN ARDO WATER DISTRICTS

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

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

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

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

WHEREAS, the information gathered has provided the basis for preparation of a 2024 Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts and the Executive Officer has furnished a copy of this study to each person entitled to a copy or expressing interest in receiving a copy; and

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

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

Section 1. The foregoing recitals are true and correct.

Section 2. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, the Commission finds that the study is categorically exempt from the provisions of CEQA, in that the Study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment.

Section 3. In preparing a municipal service review, the Commission has considered a written statement of its determinations in accord with Government Code section 56430(a). These determinations are for the San Lucas and San Ardo Water Districts that the study addresses.

Section 4. In evaluating the spheres of influence of these districts, the Commission has considered a written statement of its determinations, in accord with Section 56425(e) of the Government Code.

Section 5. The Commission has considered, as a part of its deliberations, all oral presentations and written communications received.

Section 6. The Commission hereby adopts the 2024 Municipal Service Review and Sphere of Influence Study for the San Lucas and San Ardo Water Districts; adopts the study's recommended determinations in accordance with Government Code sections 56430(a) and 56425(e), respectively, as set forth in the study.

Section 7. The Commission encourages the San Lucas and San Ardo Water Districts to complete capital improvement programs and rate studies to assess the future costs of service provision and establish appropriate customer rates.

Section 8. In accordance with Government Code section 56425(g), the Commission affirms the currently adopted spheres of influence, as shown in maps contained within the Study, of the San Lucas and San Ardo Water Districts, with no changes.

Section 9. The Commission authorizes the Executive Officer to proceed with a range of corrective measures to address each district's non-compliance with state legal requirements and best practices, as follows.

- a. Request that the two districts, as a first priority, take immediate actions to meet legal requirements for financial management and administrative oversight:
 - Adopt an annual budget for the current Fiscal Year (FY) 2024-25 (San Ardo Water District only); and
 - Retain a qualified audit consulting firm to perform financial audits for FY 2022-23 and 2023-24.
- b. Request that the two districts, as a second-tier priority, take actions to comply with other state legal requirements:
 - Complete required Form 700 (Statements of Economic Interests filings for all Board members and any applicable staff, San Lucas Water District only);
 - Complete required ethics and harassment prevention training for Board members and staff; and
 - Comply with website posting requirements per the Brown Act and other state laws (AB 2449, San Ardo Water District only)
- c. Request that LAFCO staff provide a Board Orientation Training/Compliance Progress-Review meeting within two months after adoption of this study;
- d. If the two districts have not substantially met State legal requirements within approximately six months of adoption, involve other regulatory oversight agencies, as necessary, to pursue compliance with legal requirements; and
- e. Encourage the two districts to:
 - Adopt bylaw amendments that promote compliance with training requirements,
 - Retain a qualified audit consulting firm to conduct a performance audit (evaluations of the District's fiscal practices and processes), and
 - Review and implement best practices recommended by the performance audits and in the Special District Leadership Foundation's "High Performing District" checklist

UPON MOTION of Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 28th day of October, 2024 by the following vote:

AYES:	Commissioners:
NOES:	Commissioners:
ALTERNATES:	Commissioners:
ABSENT:	Commissioners:
ABSTAIN:	Commissioners:

By: _____
Wendy Root Askew, Vice Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete copy of the original resolution of said Commission on file within this office. Witness my hand this 28th day of October, 2024

By: _____
Kate McKenna, AICP, Executive Officer

DRAFT

CLOSED SESSION

1. Pursuant to Government Code Section 54956.9(d)(1), the Commission will confer with legal counsel regarding existing litigation: *Monterey Peninsula Water Management District v. Local Agency Formation Commission of Monterey County; Commissioners of the Local Agency Formation Commission of Monterey County; and DOES 1 through 20*, (Monterey County Superior Court Case No. 22CV000925).