

**2016 MUNICIPAL SERVICE REVIEW  
AND SPHERE OF INFLUENCE STUDY**

**Spreckels Community Services District**

**Spreckels Memorial District**



Adopted by the Commission  
March 28, 2016

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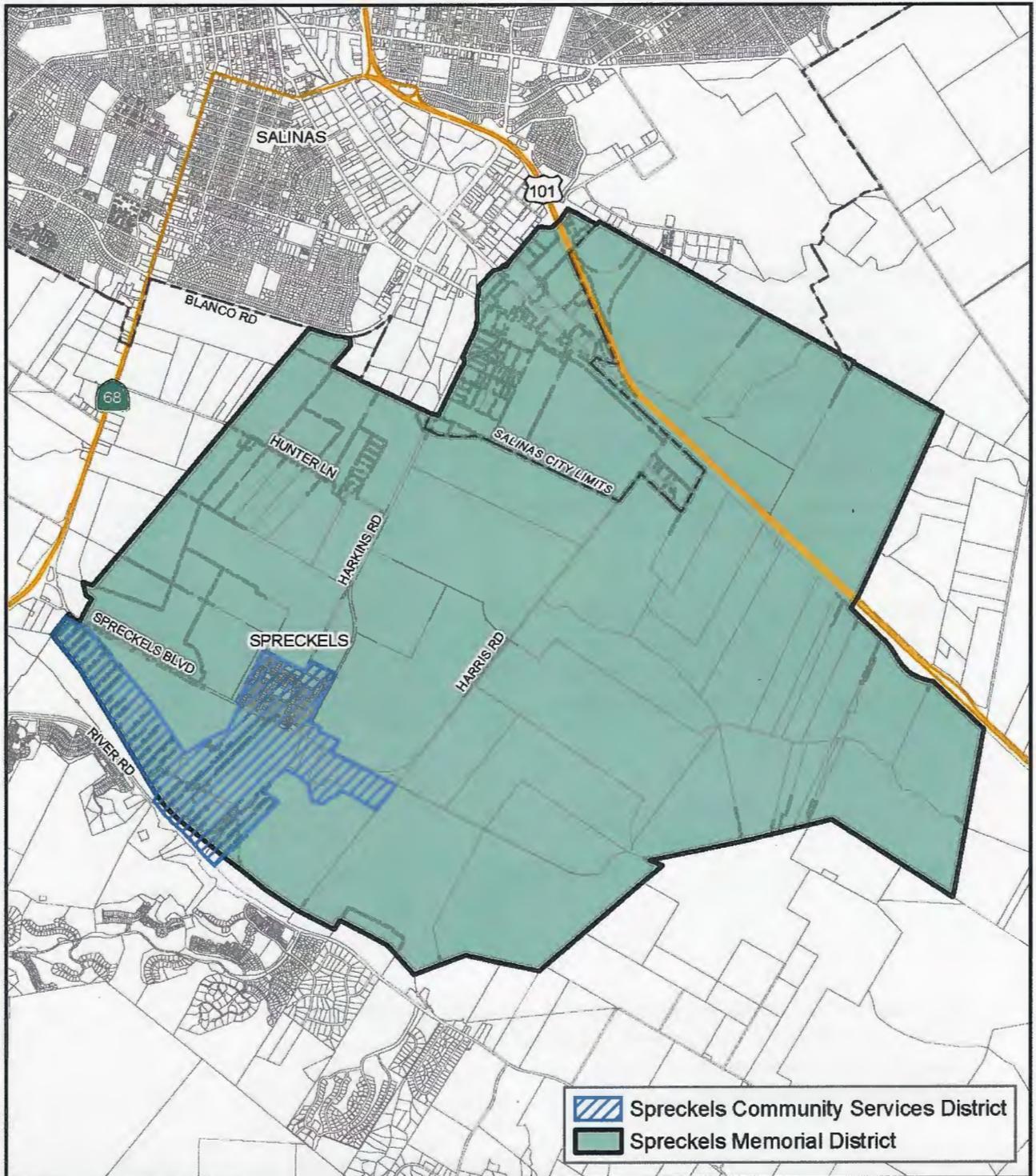
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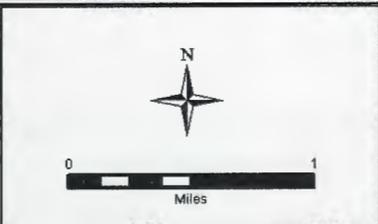
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Cover Photo an aerial photo of the Town of Spreckels courtesy of Google Earth, 2016



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**BOUNDARIES OF THE  
 SPRECKELS COMMUNITY  
 SERVICES AND MEMORIAL  
 DISTRICTS**

Map Produced: 3/8/2016

## EXECUTIVE SUMMARY

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### INTRODUCTION

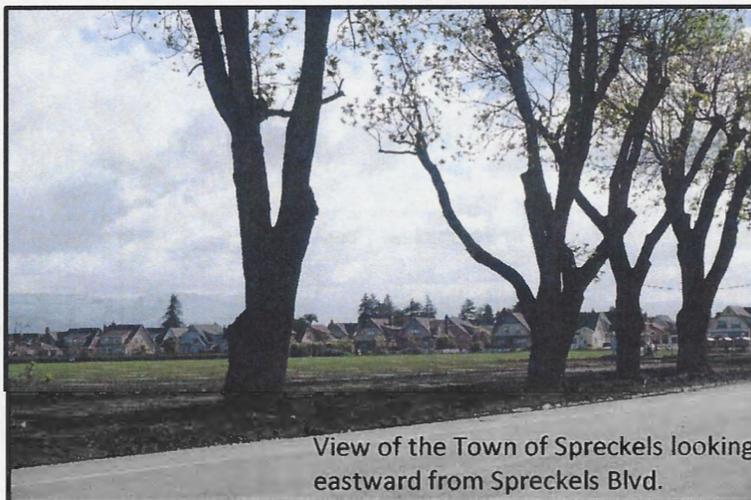
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This report provides information about the services and boundaries of the two independent special districts that serve the unincorporated Spreckels community:

- The **Spreckels Community Services District** provides storm water drainage, street lighting, garbage and trash collection, street sweeping and sidewalk and alley maintenance. Local voters granted this District the power to provide water and sanitary sewer services in 1989, but those services are not actively used by the District and are instead provided by private entities. This study encourages the District to explore its authority to provide public water and sanitary sewer services.
- The **Spreckels Memorial District** owns and operates the Spreckels Veterans Memorial Building and the Veterans Memorial Park.

Each of the districts is centered on the historic unincorporated community of Spreckels, with a population of approximately 700, located about two miles south of Salinas. The community was founded as a “company town” housing workers for the adjacent Spreckels Sugar Company refinery. As shown on the map on the previous page, the Spreckels Community Services District contains the historic community plus a relatively small area of agricultural fields and agribusiness parcels to the south. The Spreckels Memorial District covers this area, plus a large area of agricultural land and several rural residential parcels to the north and east. The Memorial District also includes contains, within its northern boundary, 613 acres that have been annexed to the City of Salinas and developed with industrial uses.

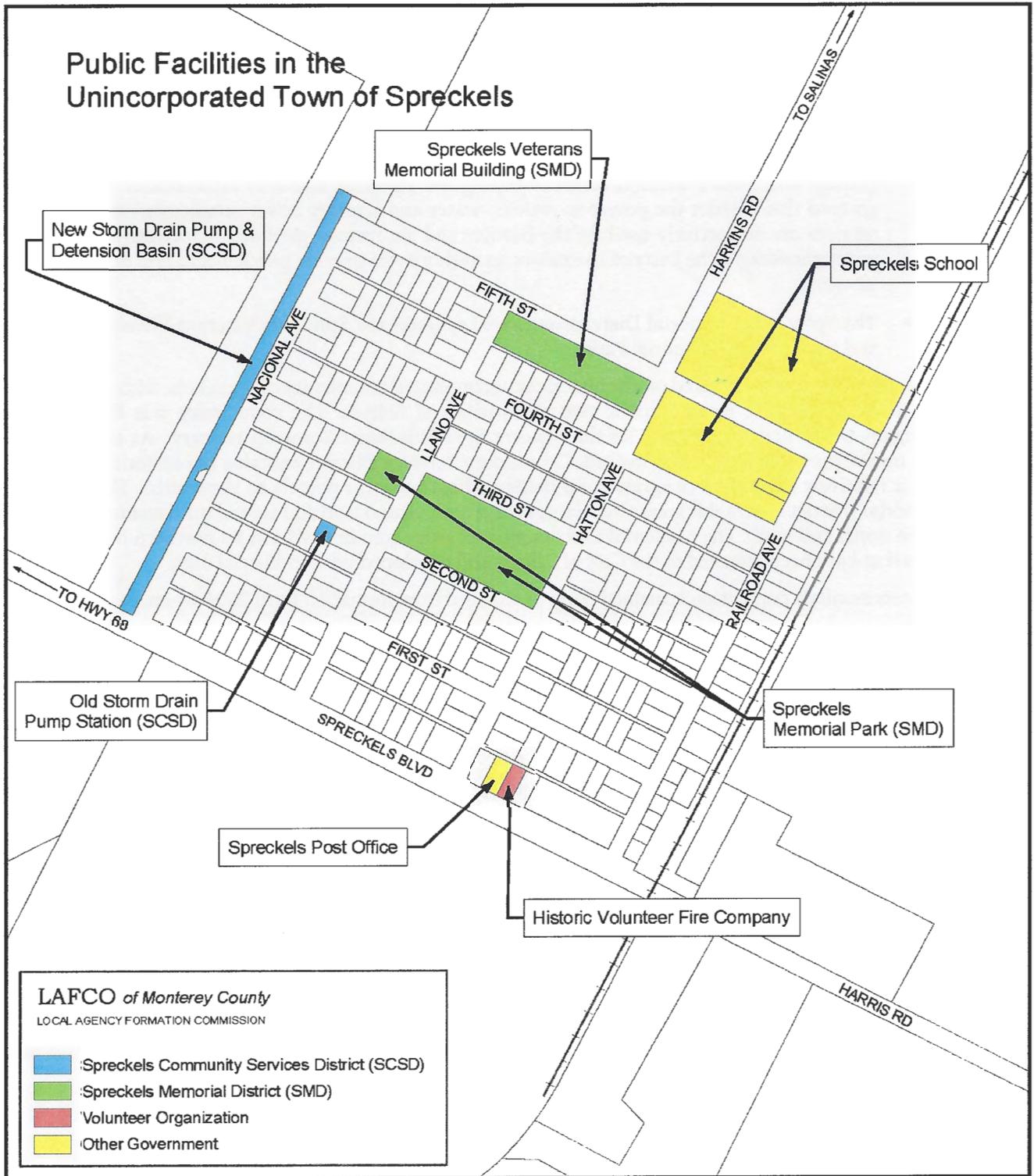
The community’s population remained fairly unchanged from formation until 2004 when, based on a 1907 parcel map, the County of Monterey approved the development of 73 single-family houses on the west side of the town. As a result, the 2010 U.S. Census registered a 39% increase in Spreckels’ population from 485 people in 2000 to 673 in 2010. In 2015, the County approved a 100-unit agricultural employee housing complex designed to accommodate between 200 and 800 workers primarily during the harvest season from April through November. This housing is now under construction. Some agricultural land around the existing Tanimura & Antle facility, to the south of the Town of Spreckels, is zoned for “agricultural industrial” uses. Additional industrial and residential development could occur in the area, although there are currently no plans pending.



View of the Town of Spreckels looking eastward from Spreckels Blvd.

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

# Public Facilities in the Unincorporated Town of Spreckels



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## REPORT OVERVIEW AND ORGANIZATION

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This Executive Summary presents a brief overview of the current study, the study's key findings, and recommended actions.

The District Profiles chapter contains individual profiles for both of Spreckels districts, highlighting each agency's specific characteristics, opportunities, and challenges.

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

A brief Appendix identifies information sources and provides acknowledgements.

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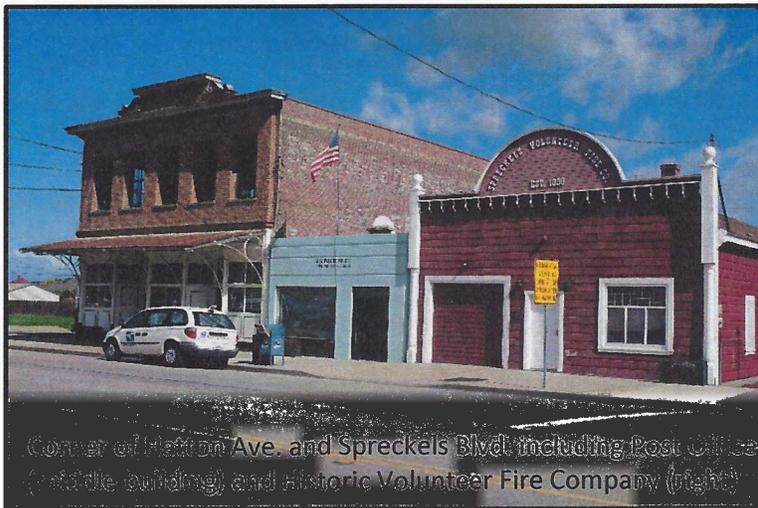
## KEY FINDINGS

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Following are the key findings of the Municipal Service Review and Sphere of Influence Study:

- I. The Spreckels Community Services District and Spreckels Memorial District provide important and valued services to the community. The two districts have distinct, separate missions but are informally connected by a common service area centered on a small, unincorporated community. Both districts share some governance and administrative functions now, and Board members have expressed interest in considering additional opportunities for a functional or full consolidation in the future.

Each of these districts is a longstanding and committed part of the Spreckels community. The two districts provide valuable services to their community, and provide an important means for Spreckels residents to interface with local government in a public setting. District representatives are committed to their service to the community.



Corner of Patton Ave. and Spreckels Blvd. including Post Office (left building) and Historic Volunteer Fire Company (right)

The Spreckels Community Services District maintains the storm drains, street lighting, sidewalks and alleys of the community, and arranges for garbage collection. This District is also authorized, but does not use, its powers to provide water and sewer-related services. Water and sewer services in Spreckels are provided by private entities. This District was formed under Community Services District Law, which empowers districts "to achieve local governance, provide needed

public facilities, and supply public services." With LAFCO approval, this type of district can perform a large number and variety of services. However, services and facilities specifically for veterans are not listed as an allowed power for community services districts.

The Spreckels Memorial District's mission is to provide the community with the amenities of a Veterans Memorial Building and a Memorial Park. (These facilities are mapped on the previous page.)

The Memorial District was formed in 1947 under the California Military and Veterans Code. The primary purpose of a memorial district is to provide buildings and facilities for the use of “veteran soldiers, sailors, and marines who have honorably served the United States.” The act also allows the District to make these services available to the general public.

Both districts are local government bodies within and surrounding Spreckels, an unincorporated community located south of Salinas and near the Salinas River. Since the populations of the two districts are small, there are limited numbers of local voters who are interested in serving on the Boards. Three individuals currently serve on both of the five-member Boards. The two districts share an office, meeting space and a part-time Business Manager / Board Clerk.

Board members of both districts are interested in exploring ways in which they can work closer together to be more efficient and effective, including the possibility of some form of consolidation if this would improve service and simplify operations. Board members have requested LAFCO’s assistance in identifying potential future consolidation options. Because of the different missions of these Boards, it is unclear if existing State law would permit a full legal consolidation action. Other options may include increased integration of district functions and boards while still maintaining two legally separate districts. Key goals of any consolidation measures would be cost savings and improvements in service delivery. LAFCO staff looks forward to working with district representatives in exploring future options.

2. **The two districts’ existing boundaries and Spheres of Influence are appropriate and not in need of adjustments at present.**

The two districts’ Spheres of Influence and boundaries are adequate to meet current needs. The District has not requested any changes. LAFCO staff concurs that no changes are currently warranted. As discussed above, the two districts are interested in exploring the feasibility of a full or partial consolidation. A consolidation proposal, if approved by LAFCO, might involve changes to existing boundaries and Spheres of Influence.

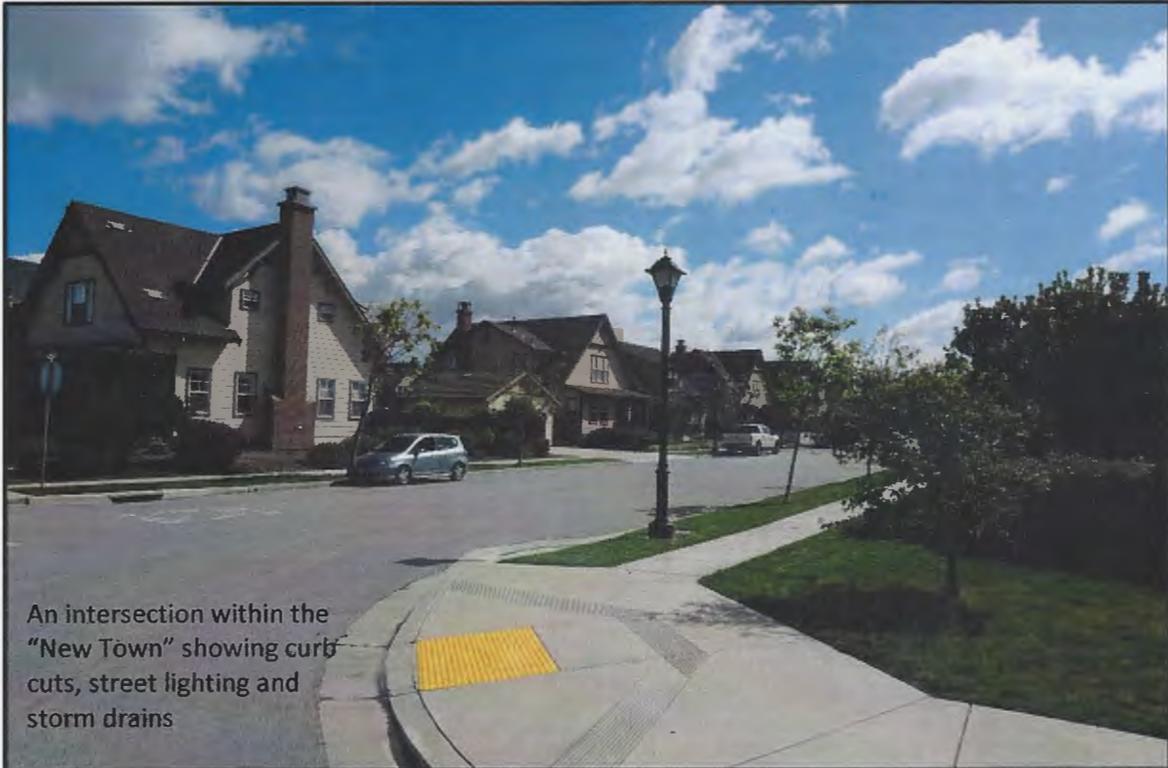
3. **The Community Services District is encouraged to explore the potential benefits of becoming active in water- and sewer-related services, and to explore the long term opportunity to connect the community’s wastewater and storm water systems to the regional wastewater treatment facility. Spreckels is a wastewater opportunity area for the regional facility.**

In 1989, Spreckels voters authorized the Community Services District to provide water and sanitary sewer services within District boundaries. To date, the District has not exercised these powers. The services are currently provided by private entities. LAFCO encourages the District to explore the long term feasibility and potential for public benefits that may result from water and/or sanitary sewer services being provided and administered under public ownership.

Also, the District is encouraged to explore the potential to eventually connect the Spreckels sanitary sewer system (currently privately owned by Cal Am) to the regional wastewater treatment facility in Marina, via a connection point south of Salinas. Such a connection would allow for a greater level of groundwater protection and an increase in reclaimed water for the region. It may also be feasible to eventually connect the District’s storm water drainage system, which does not allow storm water to be treated before it is released into the Salinas River, to the regional system. As a first step in contemplating these potential scenarios, the District may wish to request a presentation about the regional facility’s activities and opportunities for partnerships.

4. The two districts do not formally plan for long-term capital improvements. Both districts are encouraged to develop capital improvement programs and related reserve policies and funds.

Both districts currently fund capital improvements from available fund balances, rather than based on a longer-term plan supported by specifically designated reserve funds. They would benefit from having a capital improvement program that anticipates improvements needed and schedules these into future years. LAFCO also encourages the districts to develop written policies and procedures for setting aside funds restricted for planned capital improvements and for unexpected general contingencies. The Community Services District, in particular, has substantial future needs for infrastructure replacement and improvements.



An intersection within the "New Town" showing curb cuts, street lighting and storm drains

5. Both districts are working hard to correct a 10-year deficiency in budgeting, accounting and financial reporting and auditing practices. They are in the process of reconstructing financial data and obtaining audited financial reports. Based on unaudited financial data, the districts indicate that they are financially solvent and able to fund their current operations. Financial capabilities to meet future needs will become clear after audited reports are available and capital improvement planning tools are put in place.

The two districts have both been continuously operating for decades, with no known interruptions of services. However, for most of the past ten years, there have been no budgets, financial statements or reports to the State Controller. No audits of financial statements have been prepared since 2006. Based on current year budgets and unverified financial records that were recently prepared by the districts, it appears that both districts maintain adequate fund balances to support their operations. The districts' net annual income and fund balances have experienced some large year-to-year fluctuations in recent years. This is partly a result of relatively large capital improvements taking place without benefit of a longer-term plan and related reserves set aside, as discussed above.

The two Boards jointly hired a new Business Manager / Board Clerk in 2014. Along with his other responsibilities, this individual has recently reconstructed income and expense statements for the past ten years for both districts. Both districts recently hired an outside firm to prepare audits for financial years dating back to 2006. Once completed, the audit reports will provide a more complete overview of the districts' overall financial health.

Also, both districts are completing a parcel audit to review whether the correct fees related to prior voter-approved parcel-based assessments have been assessed to each parcel. This process will more precisely quantify the changes to the Community Services District budget resulting from the divestiture of fire and emergency medical services that was approved by LAFCO in December 2015.

6. **Looking ahead, the districts face several critical challenges and opportunities. The Community Services District is adjusting to the recent divestiture of its previous fire and emergency medical services. Long-term changes in the veterans' community may affect the Memorial District.**

The Spreckels Community Services District is adjusting to the divestiture of fire and emergency medical services, which was approved by LAFCO in December 2015. Before divestiture, approximately half of the District's budget was allocated to support the 118-year old Spreckels Volunteer Fire Company. The District anticipates that the financial impact of the divestiture is will not impact the District's ability to provide its other existing services. The full implementation of this change is an ongoing process. Fiscal implications of removing the income and expenses for this service from the District's budget will be more precisely quantified through a District-commissioned parcel audit that is in progress.

The Spreckels Memorial District notes that the number of veterans who are involved with veterans' organizations is declining both nationally and locally. This trend's impact on the District's facilities and services may be limited, in that the District provides services to veterans and non-veterans alike. In the longer term, however, a statewide decline in veteran participation may eventually call into question the stated purpose of a memorial district. The required participation of veterans on the Board of Directors may also become more difficult to attain. Changes in State legislation concerning memorial districts in general, or changes to the Spreckels Memorial District's organization, may eventually be needed.

7. **Both districts may benefit from future ongoing education and training outreach.**

In conversations with District staff and board members, LAFCO staff have learned that the Districts would welcome and benefit from a consistent source of information on State Special District requirements. Similar to other small special districts in the County, the legal, financial and practical requirements of running a local agency can be daunting. In December 2015, the LAFCO Commission authorized the LAFCO Executive Officer to develop a program of continuing educational and training outreach to assist special district staff and board members countywide. This LAFCO program, which is currently under development, could be helpful in the development and update of written policies and procedures, compliance with State local agency ethics requirements, and financial management. LAFCO staff looks forward to coordinating ongoing board member training and outreach with representatives of the Spreckels districts. Valuable assistance is also available from the California Special Districts Association (CSDA). Both districts are CSDA-member agencies, and their Business Manager has attended professional development courses.

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## RECOMMENDED ACTIONS

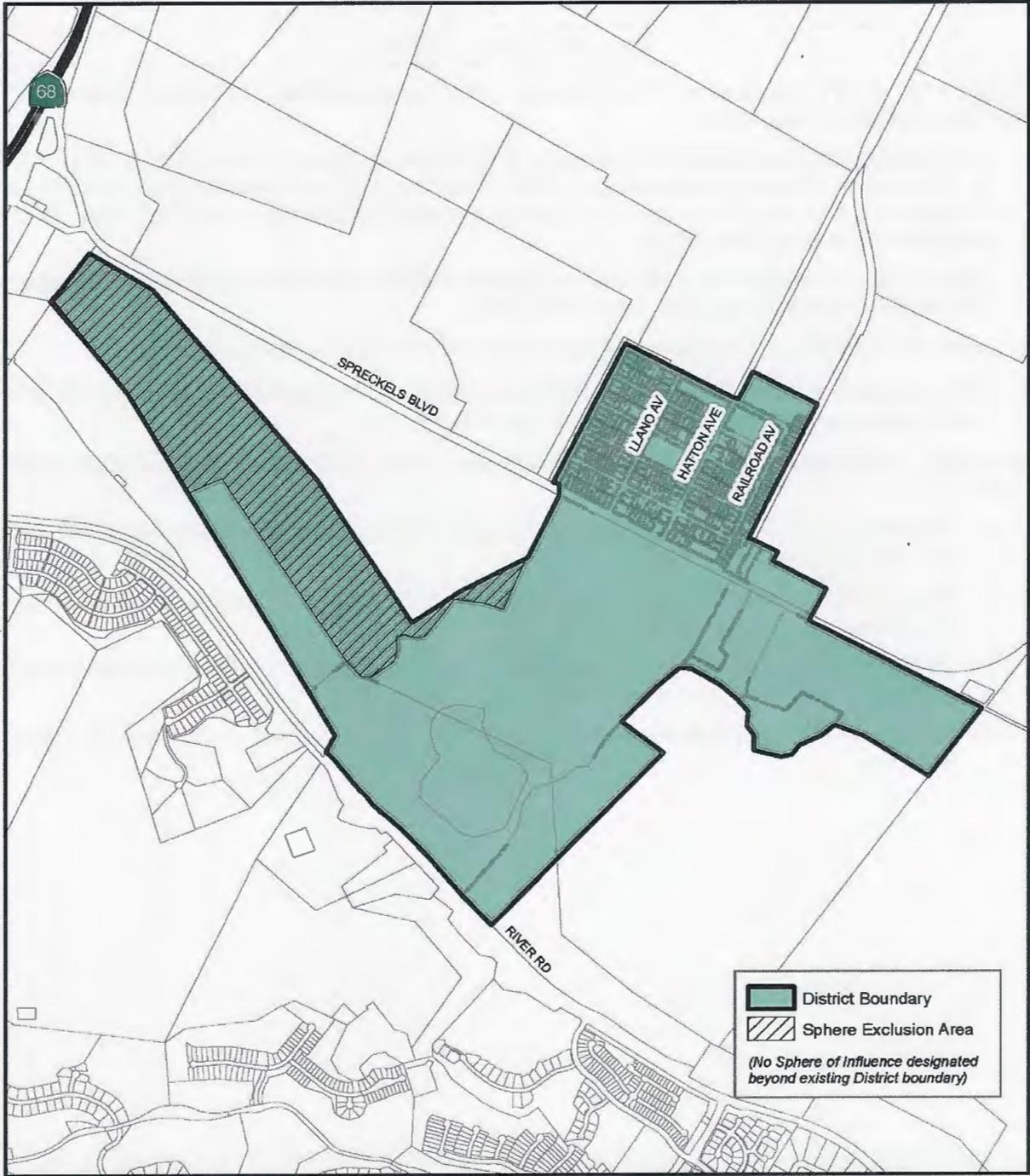
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Based on the study's recommended determinations, the Executive Officer recommends that LAFCO consider and adopt a resolution to:

1. Find that the action is exempt from provisions of the California Environmental Quality Act (CEQA) as "information collection" under Section 15306 of the State CEQA Guidelines and based on the determination that this action does not have the potential for causing a significant effect on the environment (Section 15061(b)(3));
2. Adopt the 2016 Municipal Service Review and Sphere of Influence Study for the Spreckels Community Services District and the Spreckels Memorial District;
3. Affirm the currently adopted Spheres of Influence of the two districts, with no changes;
4. Authorize the Executive Officer to assist both districts in exploring options for additional efficiency and effectiveness, including functional or full consolidation, and

In addition, LAFCO encourages the Spreckels Community Services District and the Spreckels Memorial District to:

- a) Continue to complete financial audits for the last ten years and the parcel audit, which will verify existing assessments;
- b) Further explore informal ways to work together in the interest of increasing efficiencies and providing a higher level of public service;
- c) Develop capital improvement plans and budgets, and set aside reserves for capital improvement needs and unexpected contingencies, and
- d) Develop District websites to increase the public's knowledge and involvement in District activities.



<p><b>LAFCO of Monterey County</b>          LOCAL AGENCY FORMATION COMMISSION</p> <p>P.O. Box 1389          Salinas, CA 93902          Telephone (831) 754-5838</p> <p>132 W. Gabilan St., Suite 102          Salinas, CA 93901          FAX (831) 754-5931</p>	<p style="text-align: center;">N</p>  <p style="text-align: center;">0                      2,000          Feet</p>	<p><b>COMMUNITY SERVICES DISTRICTS</b></p> <p><b>SPRECKELS COMMUNITY SERVICES DISTRICT</b></p> <p>Last LAFCO-approved change: 4/23/2007          Sphere of Influence Affirmed: 3/28/2016          Map Produced: 3/2/2016</p>
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## Spreckels Community Services District

P.O. Box 7432, Spreckels, CA 93962  
831-455-7855; Spreckelscsd.main@gmail.com

Spreckels Community Services District – At A Glance	
Formation Date	July 1, 1986
Legal Authority	Community Services District Law, California Government Code, section 61000 et seq.
District Services	Active Powers: Solid Waste (Garbage and Recycling) Collection, Street Lighting, Storm Drainage, Street Sweeping, Sidewalk and Alley Maintenance. Inactive Powers: Water, Sanitary Sewer. (Active Powers approved for termination in December 2015: Fire Protection and Emergency Medical Services)
Board of Directors	Five Directors elected to four-year terms through at-large elections
District Area	Approximately 478 acres (0.75 square mile)
Sphere of Influence	Same as District boundaries
Population (2010 U.S. Census)	673
Budgeted Income (FY 2015-16)	\$142,580 [To be adjusted; this amount included funding for fire protection services that were discontinued mid-fiscal year]
Approximate Annual Income Per District Resident	\$212
Business Manager / Board Clerk	Paul J. Ingram
Staffing	One part-time Business Manager / Board Clerk. Other District services provided by contract.

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### INTRODUCTION

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The Spreckels Community Services District was organized following the dissolution of County Service Area No. 40, which had been formed in 1965 to provide street lighting, storm drain and surface water disposal maintenance services. The formation of the District was approved to increase opportunities for local involvement in the provision of services, and to enhance local identity.

The District's active powers include solid waste collection, street lighting, storm drainage, street sweeping, and maintenance of sidewalks and alleys. The District is also authorized to provide services related to potable water and wastewater; these powers remain "inactive," as the Spreckels community's water and sewer services are currently provided by private entities. The District began providing financial assistance to the Spreckels Volunteer Fire Company in 1991. In December 2015, LAFCO approved a proposed reorganization transferring the responsibility for fire protection and emergency medical services to Monterey County Regional Fire District.

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## DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE

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The boundaries of the Spreckels Community Services District are similar to those of its predecessor, County Service Area No. 40. CSA 40 originally served only the historic Spreckels community, a census-designated place. It was expanded in the early 1980s to include the site of the sugar beet refinery, which was closed in 1982.

LAFCO first designated the District's Sphere of Influence in 1986. The most recent change to the Sphere occurred in 2007, when it was expanded to provide services for 73 new homes being developed on the western edge of the town at that time. The District has no Sphere of Influence beyond the District boundaries.

In 1986, part of one large agricultural parcel in the District was identified by LAFCO as a "Sphere Exclusion Area." LAFCO's Policies and Procedures state that areas within an agency's boundaries are excluded from its Sphere by LAFCO when detachment is appropriate because no future need is anticipated for an agency's services. "This occurs where LAFCO determines that the territory consists of agricultural lands, open space lands or agricultural preserves whose preservation would be jeopardized by inclusion within the agency's Sphere of Influence." To date, this parcel remains within the District, but does not receive District services. Staff recommends that this site be considered for detachment at such time in the future when a boundary change is under review.

District representatives believe the current boundaries and Sphere are appropriate with no modifications needed. Except as noted above, LAFCO staff agrees with this conclusion. The possibility of some form of a future consolidation with the Spreckels Memorial District is discussed in the Governance section, below.

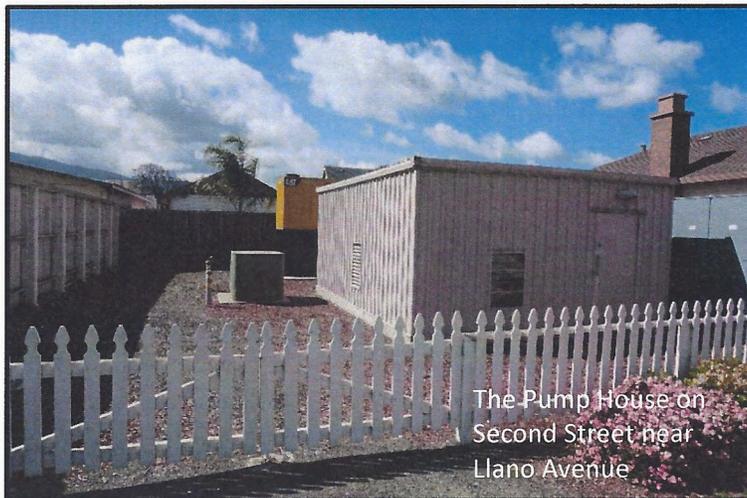
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## FACILITIES AND SERVICES

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Services currently under the jurisdiction of the Spreckels Community Services District are:

1. **Solid Waste (Garbage and Recycling) Collection:** Local governments in California have the ability to franchise which companies collect solid waste within their jurisdiction. This power was granted to the District when it was formed in 1986. The District has granted Tri-Cities Disposal the exclusive right to collect and dispose of solid waste in the district. Customers are billed for the service directly by the company.
2. **Street Lighting:** The Pacific Gas & Electric Company bills the District monthly to provide lighting. Property owners are charged user fees for this service, which are collected with property taxes.
3. **Storm Drainage:** The District is responsible for the operation and maintenance of the storm drainage system, including catch basins, collection lines, pump stations and outfall line to the Salinas River. Property owners in Spreckels are assessed user fees for this service, which are collected with property taxes. The storm drainage system is the District's primary capital asset. The system, which is not connected to any treatment processes, ultimately releases untreated storm drainage into the Salinas River.



County-owned concrete gutters are graded to direct storm water to grate-covered catch basins, which are located at appropriate points throughout town. Underground collector lines, owned and maintained by the District, lead from catch basins to the pump pit, which is in the pump house at the west end of Second Street. A steel constructed pump house contains one five-horsepower pump for summer use, two 7.5-hp pumps for winter use and necessary piping and electrical service. This pump house serves the original part of Spreckels. A separate collection and pump system was installed for the new portion of Spreckels when it was built in the early 2000's. A 24-inch diameter outfall line serves both storm drain systems and extends 4,500 feet across agricultural land and along roads and levees to the Salinas River channel.

While most of the system's drainage pipes were installed over forty years ago, the District states that they are in good condition. The pumps work effectively with the regular maintenance performed by District contractors. However, some elements of the system are obsolete. In discussions with LAFCO staff, District representatives identified the possible replacement of the existing wooden storm drainage pipes, noted above, as a near-term goal. The specific cost is unknown, but is anticipated to be significant.

The District does not currently have a capital improvement program or other strategic documents to identify and plan for future infrastructure improvements. Also, as is often the case with similar small and rural special districts, the District does not specifically designate or set aside funds for future capital projects. Therefore, this pipeline improvement project and other future infrastructure upgrades would be funded via the "general" fund balance that is available as needs and priorities arise.

4. **Street Sweeping:** The District arranges with the County for semi-annual street sweeping. This sweeping is done pursuant to State requirements for the proper maintenance of storm drainage.
5. **Sidewalk and Alley Maintenance:** In November 1996, the District, by the affirmative vote of District voters, assumed the power to repair and maintain the community's County-owned sidewalks and alleys. This additional service has been accomplished utilizing existing tax revenues; no additional assessments were included in the voter approval of this service. As noted in #3, above, the District completes infrastructure improvements as funds are available, without benefit of a formal capital improvement program or a specific "capital projects" fund budgeted in advance. About five years ago, sidewalks throughout Spreckels were made compliant with Americans with Disabilities Act requirements through the installation of sidewalk ramps at all intersections, at a cost of approximately \$200,000.
6. **Water and Sanitary Sewer Operations:** In 1989, District voters authorized the District to provide water and sewer services to the community. To date, the District has not assumed these powers, and water and sewer services continue to be provided by private entities. The agricultural firm of Tanimura & Antle currently owns the Spreckels Water Company, a public utility managed by California Water Service, a private company. The California-American Water Company ("Cal Am"), a privately-owned public utility, owns the Spreckels sanitary sewer system and ponds.

The District remains authorized to exercise its inactive powers related to water and sewer services that are currently provided privately. There are no plans or existing resources for the District to purchase the private systems and become involved in providing these services. However, the District has legal authority to exercise these powers in the future, should there be a desire—on the part of the District or the community at large—for a greater degree of public involvement regarding water and sewer services in the Spreckels community.

The existing, Cal Am-owned sewer system uses an aeration pond to treat wastewater, and is not connected to the regional wastewater treatment and water recycling facility in Marina. The District's storm drainage system currently discharges to the Salinas River. In the future, substantial environmental benefits and other potential benefits could result from connecting the sanitary sewer system, and possibly the storm water drainage system, into the regional wastewater treatment facility.

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## POTENTIAL CONNECTION TO THE REGIONAL WASTEWATER TREATMENT FACILITY

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The existing, Cal Am-owned Spreckels sewer system uses an aeration pond and is not connected to the Monterey Regional Water Pollution Control Agency (MRWPCA) sewage treatment and recycled water facility outside Marina. According to Cal Am's 2015 annual report to the California Regional Water Quality Control Board, dated January 30, 2016, the Spreckels wastewater treatment facility does not consistently conform to adopted RWQCB guidelines for maximum levels of contaminants in discharges of treated wastewater.

In 2015, as part of the permitting for Tanimura & Antle's 800-bed agricultural employee housing proposal, the County of Monterey determined that Cal Am's existing Spreckels sewer facility would likely be able to accommodate increased sewage generated by the housing project. The County's staff report also stated that "the project applicant is prepared... to connect to the regional sewage collection system if that option is available on a timely and economic basis."

The MRWPCA currently has approximately 50% capacity remaining at its regional sewage treatment plant. MRWPCA staff has informally identified Spreckels as one of several important opportunity areas for potential connection to the MRWPCA's regional sewage collection and treatment system. Any additional connections incrementally increase the amount of wastewater, which flows into the regional treatment plant and is treated to the highest standards, meeting or exceeding RWQCB regulations. The wastewater is further treated for use as recycled water for agricultural irrigation in the Castroville area, for groundwater recharge, or other beneficial uses. Related additional benefits result from reducing the amount of groundwater pumping in the region, slowing seawater intrusion into the Salinas Valley, and reducing the amount of contaminants entering the aquifer from percolation ponds and individual septic systems.

The feasibility of connecting the existing, privately owned Spreckels sewer system to the regional MRWPCA system in the future—potentially via new pipelines along Harkins Road—would be aided by the community's proximity to existing connections in Salinas, approximately 1.5 miles away. Such a connection would potentially involve a buyout of Cal Am, with potentially significant costs and negotiations. However, if a feasible acquisition of the system can be arranged, economies of scale could reduce individual ratepayer costs. LAFCO encourages the District to explore potential opportunities for connecting the existing local Cal Am sewer system to MRWPCA's regional treatment plant, working with the MRWPCA, Cal Am, and other stakeholders such as the County of Monterey Environmental Health Department and the Regional Water Quality Control Board.

Opportunities may also exist, in the future, to increase the beneficial use of storm water, which is currently collected by the Community Services District's existing storm drainage system and discharged to the Salinas River. For example, if the existing Cal Am sewer system were to be connected to the regional wastewater collection system, the existing pond would no longer be needed for sewage treatment. It may then be possible to transfer storm water to the pond for storage, groundwater recharge, or potential reuse. Collection and treatment of the "first flush" of storm water, as part of the regional wastewater system, may also become feasible in the longer term.

Substantial new funding (possibly an increased parcel-based assessment by the District, subject to Proposition 218 requirements) would need to be identified in order to implement either of the potential future projects discussed in this section.

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## GOVERNANCE /TRANSPARENCY AND ACCOUNTABILITY

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A five-member Board of Directors governs the Spreckels Community Services District. Directors are elected at-large by the community and serve staggered four-year terms. When an election is scheduled and the number of candidates equals the number of eligible seats, or if there are no candidates, the Board of Supervisors can appoint members to the District's Board of Directors, pursuant to Elections Code section

10515, and thereby avoid the expense and logistics of an unnecessary election process. While the appointment process has frequently occurred in Spreckels, recent Board vacancies have had more than one interested candidate and have been filled through an election.

The Board meets regularly every third Wednesday of the month at 6:30 pm at the Spreckels Veterans Memorial Building at 90 Fifth Street, Spreckels. The meeting location is accessible to people with physical handicaps. The District maintains a business office jointly with the Spreckels Memorial District in the Memorial Building; the office is not regularly staffed. The District posts its upcoming agenda at the Spreckels Post Office. As there is no home delivery in the Town of Spreckels, residents regularly visit this facility. The District does not maintain a web site.

The small population of the Spreckels community lends itself to there being an overlap of members on the Boards of Directors of the Spreckels Community Services and Memorial Districts. Currently, three individuals serve on the Board of Directors of both districts. This overlap helps in coordinating the activities of the two districts. For example, the two boards can easily coordinate and attain economies of scale by contracting for the services of a single auditor or a single legal counsel.

Members of the District Board have expressed interest in exploring additional ways the two districts could work together to improve efficiencies and better serve the community. Board members are open to considering some form of a consolidation of the two districts, if such a consolidation is possible under State law and feasible to implement. Alternatives to a full consolidation may exist, such as keeping two separate districts but appointing one group of individuals to serve on both boards. LAFCO staff will work with representatives of the two Spreckels districts to explore options.

The District has established some written policies and procedures in the minutes of Board meetings, notably in the minutes of the July 2, 1986 organizational meeting. The District does not compile or maintain a set of District policies and procedures. Board members are current on filing of State-required conflict of interest disclosures (Form 700). Some board members have not kept current with State-required biannual ethics training (AB 1234).

The District is a member of the California Special Districts Association, which helps it keep up to date with legal requirements and best practices. The Business Manager / Board Clerk has obtained CSDA Board Clerk certification. The District is exploring the establishment of a presence on the web, and may do so in cooperation with the Spreckels Memorial District.

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## FINANCE

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The Spreckels Community Services District has, in during the past ten years, had significant lapses in adopting annual budgets, maintaining complete financial records, performing audits as required by State law, and filing required data with the State Controller's office. The District is currently working to compile and complete an accurate records of its finances over the past decade. Based on available information, the District generally appears to be fiscally stable, insofar as the District remains solvent and has experienced no known lapses of service. However, a complete records of District finances, including audit reports, is not currently available.

In addition, the District is currently in the process of financially adjusting to the recently approved (December 2015) divestiture of the fire and emergency medical services that the District previously provided to the community, by contract with the Spreckels Volunteer Fire Company. The fire divestiture will likely reduce the District's future annual revenues and expenditures by approximately half. As discussed below, the divestiture's precise impact on the current fiscal year's budget and future budgets is in the process of being quantified.

**Adopted Current Fiscal Year (2015-2016) Budget:**

The Spreckels Community Services District’s adopted (“pre-divestiture”) budget projected income of \$142,580 in Fiscal Year 2015-16. The budgeted amounts are shown in the table below, and consist of four categories: Special Assessment (a parcel-based benefit assessment fee), Proposition 172 funds, property taxes, and the use of reserves<sup>1</sup>. Budgeted expenses included a pass-through line item for \$40,000 in Proposition 172 funding, and an additional \$34,500 in assessment monies for the Spreckels Volunteer Fire Company contract.

Spreckels Community Services District Adopted Budget for FY 2015-16 - Income and Expense	
<b>Projected Income:</b>	
• Special Assessment	\$ 58,600
• Proposition 172 Funding	\$ 40,000
• District Share of County 1% Property Tax	\$ 25,600
• Funds from Reserves	\$ 18,380
<b>Total Income</b>	<b>\$ 142,580</b>
<b>Projected Expense:</b>	
• Proposition 172 Expenditure	\$ 40,000
• Spreckels Volunteer Fire Company Contract	\$ 34,500
• Landscape Maintenance Contract	\$15,300
• Audit Expense [Fiscal / Parcel]	\$ 12,000
• Sidewalks / Curbs / ADA	\$ 10,000
• Utilities (Power and Water)	\$7,200
• Equipment Repair / Maintenance	\$ 7,000
• Management Services	\$ 6,000
• Administration	\$ 5,580
• Tree Maintenance	\$ 5,000
<b>Total Expense</b>	<b>\$ 142,580</b>

**Note:** Budget is based on the District providing funding for fire protection and emergency medical services throughout the fiscal year. The divestiture of this power was approved by LAFCO in December 2015 and therefore the figures shown above are subject to adjustment. The “Projected Expense” category of “Administration” is composed of Board/Staff Education (\$2,000), Fund 634 Administrative Fees (\$330), General Liability Insurance (\$2,120), Membership Fees/Dues (\$630) and Office Supplies (\$500).  
**Source:** Adopted District FY 2015-16 Budget

Approximately half of budgeted District income and revenues were associated with fire protection and emergency medical services. These services were divested by LAFCO action in December 2015, pursuant

<sup>1</sup> Proposition 172 (Public Safety Augmentation Fund), a half-cent statewide sales tax approved by the electorate in 1993, is collected by the State Board of equalization and apportioned to each county based on its proportionate share of statewide taxable sales. Each county is required to deposit this revenue in a Public Safety Augmentation Fund to be allocated by the County Auditor to the county and cities within the county. The county may then, in turn, allocate funds to various special districts that provide public safety-related services. The final listed income source in the District’s adopted budget is Funds from Reserves, indicating that current income is not adequate to pay for current fiscal year expenses.

to a proposal jointly initiated by the Community Services District and the Monterey County Regional Fire District, and the District has discontinued its contract with the Volunteer Fire Company. Therefore, actual fiscal year-end District revenues and expenses will differ from the amounts projected at the time the budget was adopted.

### **Effect of 2015 Fire Divestiture**

Of the \$58,600 total Special Assessment revenue stream shown in the table above, Board members estimate that approximately \$34,500 was reserved for fire protection services. The budget projected income of \$40,000 from Proposition 172 funds. In the future, the Monterey County Regional Fire District will be able to access Proposition 172 funds for the services it is now providing in Spreckels. Fire and EMS-related budgeted revenues of \$74,500 matched the related expenses (i.e. the District's contract with the Volunteer Fire Company).

The District's share of the property taxes that are collected by the County and distributed to local agencies amounts to \$25,600. These funds do not involve monies for fire protection or emergency medical services and are therefore not anticipated to change.

The divestiture of fire and emergency medical services was a significant change to the scope of the District's responsibilities and the dollar amount of the budget. Based on the above information, the divestiture is not anticipated to be a significant impact to the District's post-divestiture ability to fund and deliver its other, "non-fire/EMS-related" District functions. However, the fact that the changeover is being implanted mid-fiscal year will possibly result in relatively complex budget adjustments during the current fiscal year.

As noted above, Board members estimate that approximately \$34,500 of the Special Assessment income is reserved for fire protection services. This amount will no longer be assessed or collected now that divestiture of the District's fire protection powers has been completed and all of Spreckels is directly served by the Monterey County Regional Fire District. Assessments for parcels that had been served by the Spreckels Volunteer Fire Company will therefore be reduced. The exact dollar amounts by which these assessments will be reduced, now that divestiture has been approved, will be determined by a detailed parcel audit that was commissioned by the District and is currently being prepared by a consulting firm. The parcel audit will determine the amounts which are currently assessed to each parcel of land and make any adjustments needed to conform to District voters' prior approvals of parcel-based benefit assessments (i.e. the Special Assessment funding component of the District's annual budget). Whether any previously collected monies will need to be refunded to property owners is also under review by the District. Initial results of the parcel audit are anticipated in May 2016.

### **Funding for Continuing/"Non-Fire/EMS-Related" District Operations**

Under the District Special Assessment, parcel assessments are much lower in the original community than in "New Town," the 73 lots developed after 2004. A draft engineer's report<sup>2</sup> calculated that the annual cost of maintaining the District services in New Town were \$1,072 per dwelling unit. Currently, the District is charging \$455.18 per dwelling in New Town, but anticipates that these assessments can be increased by the Board if actual District expenses indicate that an increase in assessments is needed. The District is subject to State-mandated Proposition 218 limitations to assessing dwellings in the Old Town a set rate of \$78.80 per year. District board members are exploring the preparation of a ballot measure to raise the Old Town limits. LAFCO encourages the District to continue pursue increasing its revenue base, particularly in the Old Town area, to bring revenues into better alignment with the actual costs of providing needed District services to the community, as well as to increase the District's ability to plan for, and fund, future infrastructure improvements.

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<sup>2</sup> Bureau Veritas (Berryman & Henigar), Engineer's Report for Fiscal Year 2007-08, Prepared for Spreckels Community Services District, July 30, 2007.

As discussed in the Facilities and Services section, above, the District performs major improvements to its infrastructure as funds become available. Monies are not budgeted in advance, and the District has no capital improvement program. Around five years ago, sidewalks throughout the entire historic town were made compliant with handicap (ADA) requirements through the installation of sidewalk ramps at all intersections. This project cost approximately \$200,000. Board members actively participated by laying out the locations of improvements. LAFCO encourages the District to explore the feasibility of preparing a forward-looking capital improvement program or other strategic planning document to proactively identify needed future infrastructure improvements. The District is also encouraged to establish written policies and procedures to specifically allocate and restrict funds for future capital expenses related to infrastructure improvements when it is feasible to do so.

**Past-Year Income, Expenses, and Fund Balance:**

The following table contains unaudited financial data provided by the District. It shows that while District income has incrementally increased over the last four fiscal years, expenses have exceeded income for three of the past four fiscal years, as well as in the current fiscal year. As a result, the cumulative reduction in the District’s fund balance was over \$175,000 in Fiscal Years 2011-12 and 2012-13. The District’s deficits during these years were largely driven by the use of fund balances to construct handicap ramps to make the town’s sidewalks compliant with the Americans with Disabilities Act (ADA)<sup>3</sup>.

Spreckels Community Services District Unaudited Summary of Income and Expense, Fiscal Years 2011-12 through 2015-16					
Fiscal Year (Data Source)	2011-12 (District Records)	2012-13 (District Records)	2013-14 (District Records)	2014-15 (District Records)	2015-16 (budgeted)
Income	\$ 111,423	\$ 119,498	\$ 124,371	\$126,652	\$ 124,200
Expense	\$ 247,660	\$ 162,981	\$ 110,885	\$135,704	\$ 142,580
NET INCOME OR (LOSS)	( \$ 136,237)	( \$ 43,483)	\$ 13,486	( \$ 9,052)	( \$ 18,380)
Fund Balance at Fiscal Year End	\$ 148,426	\$ 105,071	\$118,209	\$108,765	N/A

Note: The District budget shows the negative net income for FY 2015-16 as income from “funds from reserve.”  
Sources: Unaudited District records and Adopted District FY 2015-16 Budget

It should be noted that the dollar amount listed as fund balance in this table refers to available, “liquid” assets (cash or cash equivalents). No information is currently available regarding overall District assets (including the value of District-owned infrastructure and equipment), liabilities, and the corresponding total net position of the District. District representatives state the District has no long-term debt.

<sup>3</sup> In the four years prior to Fiscal Year 2011-12, the District reportedly operated with more than \$190,000 in cumulative positive cash flow. This increase in the District’s fund balance then enabled the District to carry out needed ADA-related sidewalk improvements. However, the establishment of a CIP (or similar plan), along with specifically setting aside a portion of the budget for capital projects, as recommended in this report, may make it possible for the District to provide for improvements to occur in a more strategic and targeted way in the future.

### Status of Financial Recordkeeping:

In the last decade, the Spreckels Community Services District has been significantly in arrears on completing state-required financial reports and audits. The most recent District audit is for the year ending June 30, 2006. State law requires that a special district furnish an annual report of all financial transactions of the local agency within seven months after the close of each fiscal year.<sup>4</sup> The law also requires that an audit be filed with the State Controller and the County Controller within twelve months of the end of the fiscal year, or years, under examination.<sup>5</sup>

The State Controller noted in a January 2014 press release that the District had failed to submit financial data to the State Controller as required by State law for at least two years. The State Controller's office has informed LAFCO that, since the press release, the District has submitted delinquent data.

The District is actively working to become current with all its financial records. The District Business Manager is preparing the necessary information to allow an outside auditor to complete the required audits from July 1, 2006 through June 30, 2015. This work will allow the public a more complete and verified assessment of the District's finances.

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## CHALLENGES AND OPPORTUNITIES

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**Fire Divestiture:** The full implementation of this change, which transferred responsibility for fire and emergency medical services from the District and the Spreckels Volunteer Fire Company to the Monterey County Regional Fire District, is an ongoing process. The District is working with the Volunteer Fire Company to implement the approved transfer of fire services, equipment and resources to the Monterey County Regional Fire District. The District is also conducting a parcel audit, which will determine if any changes need to be made to the assessments that are currently being levied on each parcel in the District.

**Infrastructure:** Some elements of the District's infrastructure (for example, a major component of the storm sewer system) are in need of replacement. Development of a capital improvement program, and related financial reserves that specifically identified and restricted, may make it possible for the District to provide for infrastructure improvements to occur in a more strategic and targeted way in the future.

**Water and Sewer Services:** Activation of the District's voter-authorized powers to provide water and sewer services, and purchase of the currently privately owned systems, could potentially increase the amount of community involvement in how local services are provided.

**Potential Connection to the Regional Wastewater Treatment Facility:** The potential exists to work with Cal Am, MRWPCA, and other stakeholders of eventually connecting the privately owned Spreckels sanitary sewer system to the MRWPCA regional wastewater treatment facility in Marina. Connecting the District's storm water drainage system to the regional plant may also be a future possibility.

**Greater Integration with Spreckels Memorial District:** The District works closely with the Memorial District. The two districts share an office and a part-time business manager / board clerk. A majority of board members also currently serve on both boards. Board members of both districts are interested in exploring additional ways to work together, including the possibility of some form of consolidation of the two districts in the future.

**Governance/Transparency:** The District is encouraged to establish a web presence, potentially jointly with the Memorial District, or in conjunction with other districts. It would be helpful for the District to compile and formalize its policies and procedures in a single policy manual. Such a manual could include

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<sup>4</sup> Government Code section 53891(a).

<sup>5</sup> Government Code section 26909(a)(2). Audits can be conducted annually, biennially or, under certain conditions, every five years. Alternatives to an audit are also outlined. None of these audit alternatives have been used by the Spreckels Community Services District.

a mission statement, board operations and a code of conduct. LAFCO encourages the District to utilize California Special Districts Association and LAFCO resources to keep current with State special district requirements, such as required AB 1234 board ethics trainings.

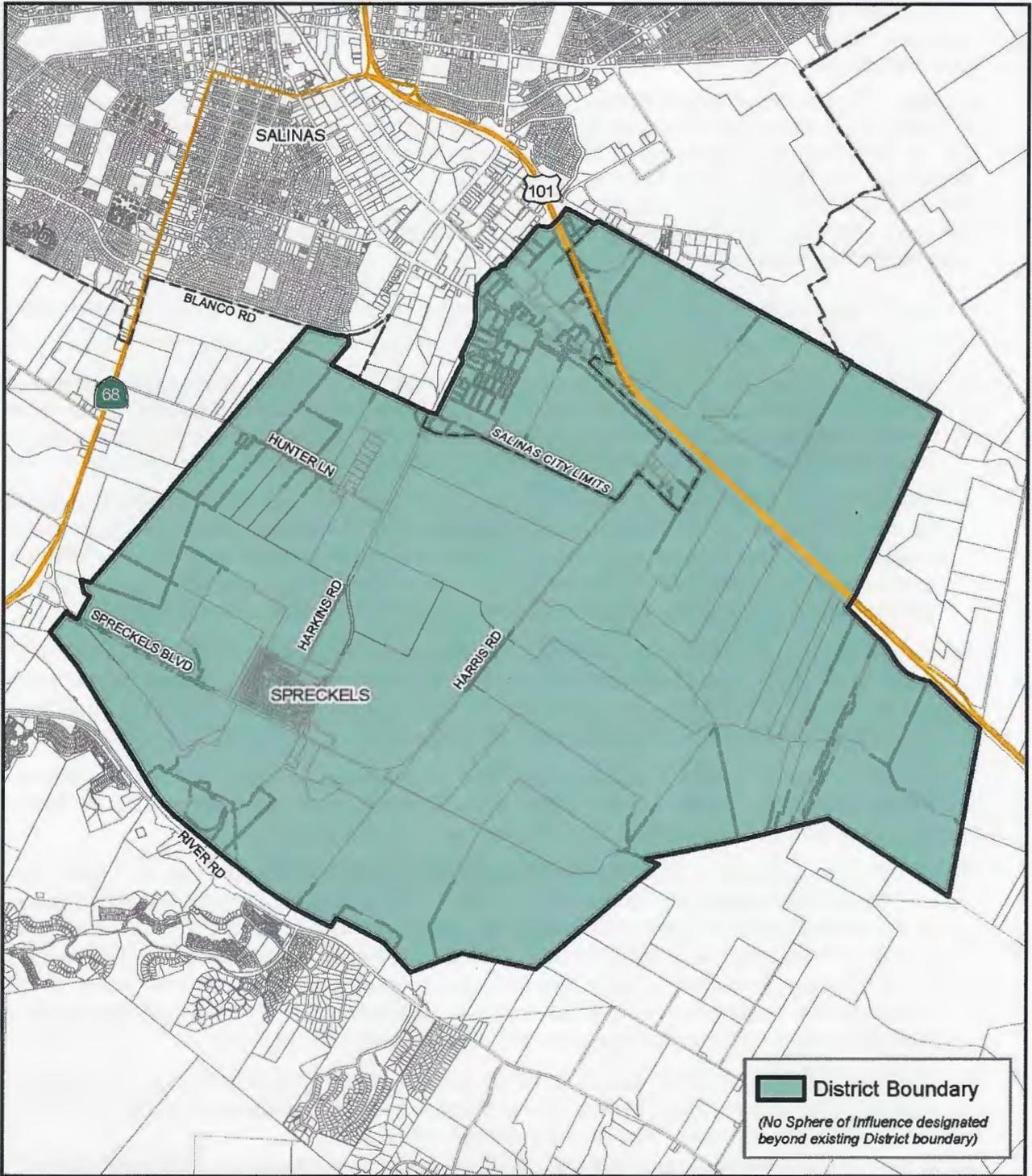
Finance: The District's Business Manager is reviewing the District's financial records to construct an accurate picture of the District's assets, income and expenses. Once this effort is completed, audit reports can be completed and submitted to the State Controller and County Auditor-Controller. LAFCO encourages the District to establish reserves for future capital improvements and for unexpected contingencies. The District is also encouraged to continue to explore potential avenues to address existing and future infrastructure needs by better aligning District revenues (particularly its parcel-based benefit assessment fee) and expenses.

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## SUMMARY

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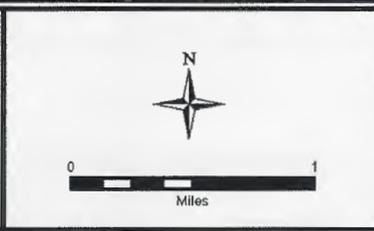
1. The Spreckels Community Services District provides a way for residents to have a say in local services through solid waste collection, street lighting, storm drainage and street sweeping. In the future, additional opportunities for public involvement with regard to water and sewer services may become possible if the District opts to activate its voter-authorized powers related to water and sewer.
2. The District's existing Sphere of Influence is adequate to meet the community's needs. No change in the District's Sphere or boundaries is anticipated by either the District or LAFCO. A previously identified area of agricultural land within the District continues to be potentially appropriate for future detachment at the time of future boundary changes to the District. A partial of full consolidation with the Spreckels Memorial District is a potential opportunity for future exploration.
3. Potential future connection of the existing privately owned sewer system, to the regional MRWPCA wastewater collection, treatment, and recycling system would offer significant environmental benefits and may also allow for reduced ratepayer costs. The District's role could include a purchase of the Cal Am system or it could be in a less-involved stakeholder role.
4. The storm drainage system, which is the District's major capital asset, is in need of reinvestment at significant cost. The system currently drains to the Salinas River and may also have the potential to connect to the regional wastewater treatment system at a future date.
5. The District currently lacks a capital improvement program to help structure and guide plans addressing future needs of the District. Infrastructure improvements are financed by available balances in the District's "general" fund, with no funds specifically set aside and restricted for future capital projects or for unanticipated needs for capital outlay. The District's parcel-based benefit assessment may be too low to adequately contribute to financing existing and future District needs. LAFCO encourages the District to develop a CIP or similar document, develop policies and procedures for financial reserves, and to explore the possibility of raising its parcel assessment.
6. The recent (December 2015) divestiture of fire and emergency medical services was a significant change to District operations. However, it is not anticipated to be a significant impact to the District's ability to fund its remaining, "non-Fire/EMS-related" services.
7. In recent years the District has not filed timely financial reporting and audit reports with the State and County. The Board is actively working to complete the delinquent financial filings and audits.



**LAFCO of Monterey County**  
 LOCAL AGENCY FORMATION COMMISSION

P.O. Box 1399  
 Salinas, CA 93902  
 Telephone (831) 754-5838

132 W. Gablian St., Suite 102  
 Salinas, CA 93901  
 FAX (831) 754-5831



**SPECIAL DISTRICTS**

**SPRECKELS MEMORIAL DISTRICT**

Formed: 3/17/1947  
 Sphere of Influence Affirmed: 3/28/2016  
 Map Produced: 3/8/2016

## Spreckels Memorial District

P.O. Box 7266, Spreckels, CA 93962  
 831-455-7855  
 Spreckelsmd.main@gmail.com

Spreckels Memorial District – At A Glance	
Formation Date	March 17, 1947
Legal Authority	Military & Veterans Code, Sections 1170-1259 et seq.
District Services	Operating and maintaining the Spreckels Veterans' Memorial Building and Spreckels Memorial Park
Board of Directors	Five-member Board of Directors; elected at-large for four-year terms.
District Area	Approximately 7,409 acres (11.6 square miles)
Sphere of Influence	Same as District boundaries
Population (2010 est.)	700
Budgeted Income (FY 2015-16)	\$226,500
Approximate Annual Income Per District Resident	\$324
Business Manager / Board Clerk	Paul J. Ingram
Staffing	One full-time Park and Memorial Building Caretaker and one part-time Business Manager/Board Clerk

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### INTRODUCTION

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The Spreckels Memorial District was established by an election in 1947. The primary objective of the District was to establish a Veterans Memorial Building through property assessments and other public monies. As the only memorial district in the greater Salinas area, the District is providing an important and locally unique service to the community. The only other memorial district in Monterey County is based in Greenfield, about 35 miles away.

In 1956, the hall was constructed on the corner of Llano Avenue and Fifth Street. In 1966 and 1974, Spreckels Corporation donated land in the center of town, which has been developed by the District as a landscaped park with both active and passive recreation areas.

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## DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE

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The District's boundaries upon formation were based on the 1947 boundaries of the Spreckels School District. These boundaries have remained unchanged over the years, even though 613 acres within the District's northern boundary have been converted from agricultural fields in the unincorporated County to industrially-zoned land within the City of Salinas. The District's Sphere of Influence is the same as the District boundaries. The Sphere has also remained unchanged since it was designated by LAFCO in 1983. The District has no plans to expand its Sphere of Influence. LAFCO staff concurs with this assessment. The possibility of some form of a future consolidation with the Spreckels Memorial District is discussed in the Governance section, below.

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## FACILITIES AND SERVICES

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The District operates and maintains the Spreckels Veterans Memorial Building and Spreckels Memorial Park. While the sixty-year-old Memorial Building requires regular maintenance, it appears to be in good physical condition. The park appears in very good condition. Both facilities are regularly used by the community.

These facilities are maintained by a single caretaker, whose compensation includes an apartment in the Memorial Building. The District is reviewing the existing employment contract, which includes no benefits, to ensure that it is consistent with all State employment requirements. The District contracts with a landscape service for park maintenance. The District Board also designates (without compensation) one of its members to look after park operations and another to oversee the Memorial Building.

The Spreckels Veterans Memorial Building is the primary meeting space in Spreckels and the surrounding area. Community members use the facility for quinceañeras, weddings, funerals and weekly jazzercise classes. The County uses the building for community meetings including those of the neighborhood design review committee. The Memorial Building is the home of Veterans of Foreign Wars Post 6849. The hall is



Spreckels Veterans  
Memorial Building

available to the public for banquets, balls, events, meetings, parties, and other private affairs. Rental rates generally range from \$550 and \$1,275, with Spreckels residents receiving a 50% discount. Most weekends are booked well in advance and many weekday evenings are also scheduled. The District is working to increase usage during the week. On average the building is now used approximately fifteen times a month.

The Memorial Building contains a 4,800 square foot auditorium with a stage, an adjacent 1,568 sq. ft. banquet room and kitchen, a 1,056 sq. ft. conference room, cloak room, barbeque pits and bar. The main auditorium has sufficient room to comfortably seat 200 people at a banquet. The Memorial Building's 1.5 acre also contains approximately 100 parking spaces.

Two blocks south of the Memorial Building, Spreckels Memorial Park covers an entire 3.2 acre city block in the center of town. Across Llano Avenue to the west, the District also maintains a 0.3 acre park annex. Spreckels Park and its annex are open to the public and provide facilities for tennis, baseball, softball, racquetball, volleyball, skateboarding, shuffleboard, handball, geocaching, basketball, running, jogging, walking, K9 training/games, and horseshoes. The park contains a central picnic area, which can be reserved by Spreckels' residents for gatherings. The Board is currently considering the future reuse of the park's handball/racquetball court, which is closed and considered unsafe. The Board may tear down this structure and replace it with another basketball court, a clubhouse, or an additional picnic area.



The District does not have a capital improvement program or funds specifically set aside and restricted for future capital expenses. The caretaker prepares a monthly list of needs for both the Memorial Building and park and the Board considers improvements on an as-needed basis. Major improvements are funded from the District's fund balance. The District makes use of private donations when these are available. It has been reported that the Tanimura Family provided some of the funds needed to install new lights in Memorial Park.

In 2015, the County completed an environmental review for Tanimura & Antle's agricultural employee housing, south of the historic Town of Spreckels. This review determined that the development would have a less-than-significant impact on the District's facilities. In approving this housing the County's environmental document stated that the residents of this housing will have full access to Tanimura & Antle's recreational facilities, which include a soccer field, softball field, indoor hockey rink/basketball court and gym. The County concluded that "the amenities that are offered at the project site for the agricultural employees far exceed the amenities of the Spreckels Memorial Park, therefore it is unlikely that the project's occupants will utilize Spreckels Memorial Park." The housing is currently under construction.



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## GOVERNANCE / TRANSPARENCY AND ACCOUNTABILITY

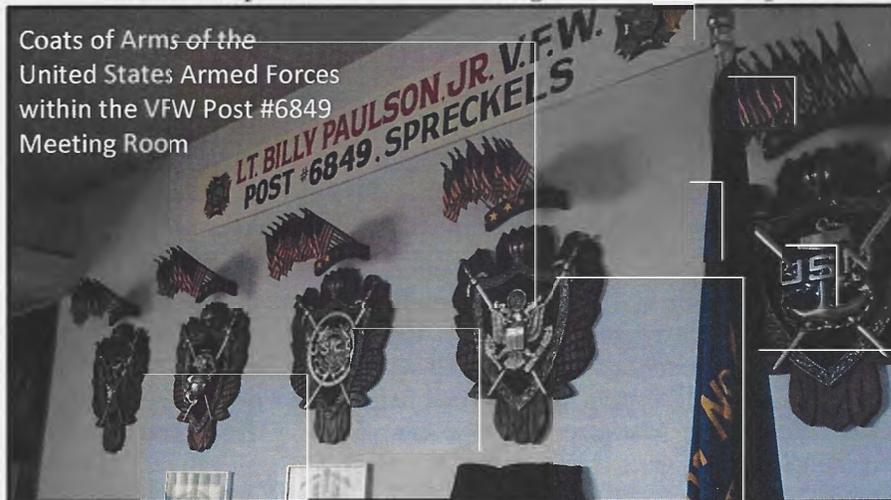
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A five-member Board of Directors governs the Spreckels Memorial District. These Directors are elected by the community and serve staggered four-year terms. There are currently no vacancies on the Board. The Board of Directors meets regularly on the first Wednesday of the month in the public meeting room of the Spreckels Memorial Building, 90 Fifth Street, Spreckels, at 6:30 in the evening. The meeting location is accessible to people with physical handicaps. The District posts its upcoming agenda at the Spreckels Post Office.

The small size of the Spreckels community lends itself to there being an overlap of members on the Boards of Directors of the Spreckels Memorial and Community Services Districts. Currently, three individuals serve on both boards. This overlap helps in coordinating the activities of the two districts. Having directors serving on both boards has helped the districts attain economies of scale, such as when they jointly contracted for the services of the same auditor or the same legal counsel.

When a Board election is scheduled, and the number of candidates equals the number of eligible seats, or if there are no candidates, the Board of Supervisors can make appointments pursuant to Elections Code section 10515. While this has frequently occurred in Spreckels, recent elections have been contended and decided by the voters.

The population of veterans is aging and recent veterans seem to be less inclined to participate in veterans' organizations. This is a challenge faced by veterans groups and organizations nationwide. This trend can be seen in membership in the Veterans of Foreign Wars, which is reported to have dropped from 2.1 million



in 1992 to 1.3 million in 2014. One of the requirements for the composition of a board for a memorial district is that "the majority of the seats on the board shall be designated for veterans."<sup>6</sup> Two of the five existing Board members are veterans. The District is encouraged to review its policies to ensure compliance with this State requirement.

Board members are current on filing Conflict of Interest disclosures (Form 700) and are working to complete current ethics trainings requirements under AB 1234.

The District adopted bylaws in 1984 and amended them most recently in 1993. No other written policies or procedures are known to exist. This document provides a framework for District operations. It needs to be updated to meet current District practices. The District is actively working to stay current with State requirements and best practices. The District has recently joined the California Special Districts Association and the Business Manager / Board Clerk has obtained CSDA Board Clerk certification. The District hired a single Park and Memorial Building Caretaker in the past year. Previous to his hiring, park caretaking duties were performed through the landscape contract.

While the District maintains a web site for the park and Memorial Building, this is not considered a "district" web site. This web site outlines resources available to the community, but does not include any

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<sup>6</sup> California Military and Veterans Code, Section 1197.

information on District Board meetings, membership, elections, agendas, budgets or activities. The District is exploring the establishment of a presence on the web, and may do so in cooperation with the Spreckels Community Services District.

Members of District Board expressed interest in exploring additional ways the two districts could work together to improve efficiencies and better service the community. Board members are interested in considering some form of consolidation of the two districts in the future if this is legally and practically feasible. LAFCO will work with the Spreckels districts to explore options.

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**FINANCE**

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The Spreckels Memorial District has, during the past ten years, had significant lapses in adopting annual budgets, maintaining complete financial records, performing audits as required by State law, and filing required data with the State Controller's office. The District is currently working to compile and complete an accurate records of its finances over the past decade. Based on available information, the District generally appears to be fiscally stable, insofar as the District remains solvent and has experienced no known lapses of service. However, a complete records of District finances, including audit reports, is not currently available.

**Adopted Current Year Budget:**

The current Spreckels Memorial District budget projects a balanced budget with \$226,500 in both income and expenses.

Spreckels Memorial District Adopted Budget for FY 2015-16 - Income and Expense	
<b>Projected Income:</b>	
• District Share of County 1% Property Tax	\$ 155,600
• Special Assessments	\$ 32,600
• Building and Park Income	\$ 20,000
• Calif. Employment Development Department Refund	\$ 18,300
<b>Total Income</b>	<b>\$ 226,500</b>
<b>Projected Expense:</b>	
• Building and Park Maintenance	\$ 71,950
• Personnel	\$ 45,730
• Administration	\$ 31,080
• Utilities	\$ 21,200
• Taxes / Fees	\$ 2,400
• Future Projects	\$ 54,140
<b>Total Expense</b>	<b>\$ 226,500</b>

Note: The categories used for "Projected Expense" were compressed by LAFCO using the 32 categories in the District budget.  
 Source: Adopted District FY 2015-16 Budget.

The primary source of income is the Memorial District's portion of the statewide annual one-percent property tax collected by counties and allocated to public agencies. In the current District budget, this source accounts for 69% of all budgeted income. The second largest income source is voter-approved Special Assessments of \$95 per parcel. The parcel assessments were approved by District voters in the 1995-96 fiscal year, again in 2000-01 and most recently in June 2009. The most recent vote was approved

by 72% of voters and does not include an expiration date. These parcel assessments are budgeted to generate 19% of district income in Fiscal Year 2016. Building and park income are projected to bring in \$20,000 in the current fiscal year, or approximately 9% of all budgeted income.

In tandem with the Community Services District, the Memorial District has commissioned a parcel audit. This audit will identify the assessments, which are now charged to property owners, and determine any changes in assessment needed to comply with voter approval. The results of this audit will begin to become available in May 2016.

Major budgeted expenses are for building and park maintenance and personnel. A significant portion of budgeted expense is also reserved for “future projects.” This line item can be considered as an anticipated increase in the District fund balance. The District does not have any known written policies or procedures that formally establish or restrict any portion of District funds specifically for future capital expenses. As noted above, the District’s finances have not been audited within the past ten years.

**Past-Year Income, Expenses, and Fund Balance:**

The following table contains unaudited financial data provided by the District. It shows that District expenses have exceeded income for each of the past four years. While the deficits were relatively minor for three of these years, Fiscal Year 2013-14 experienced a deficit of almost \$165,000. The District completed a number of improvements in that year, including the repaving of the Memorial Building’s parking lot which is estimated to have cost \$120,000.

Large fluctuations in overall District net income are related to capital improvements being made from the available “general” fund balance, as opposed to from a specifically identified reserve fund. The District’s fund balance has declined over the past four years, due to capital expenses. This arrangement is functional, as long as the fund balance can be built back up during times when capital expenditures are not needed. (As shown in a note to the following table, the District budget anticipates that the fund balance will increase by around \$54,000 in the current fiscal year.) However, LAFCO encourages the District to consider developing a capital improvement program to identify and guide the timing of the District’s future needs in a more planned and strategic way. The District is also encouraged to develop policies and procedures for establishing reserves set aside specifically for future capital expenses as well as for unanticipated contingencies.

Spreckels Memorial District Unaudited Summary of Income and Expense, Fiscal Years 2011-12 through 2015-16					
Fiscal Year (Data Source)	2011-12 (District Records)	2012-13 (District Records)	2013-14 (District Records)	2014-15 (District Records)	2015-16 (budgeted)
Income	\$ 197,957	\$ 210,194	\$ 187,045	\$ 269,282	\$ 226,500
Expense	\$ 210,282	\$ 212,870	\$ 351,716	\$ 276,333	\$ 226,500
NET INCOME OR (LOSS)	\$ (12,325)	\$ (2,676)	\$ (164,671)	\$ (7,051)	\$ 0
Fund Balance at Fiscal Year End	\$ 346,212	\$ 347,283	\$ 204,511	\$ 197,973	N/A

Note: While the Fiscal Year 2015-16 budget adopted by the Board of Directors projects a balance between income and expenses, it includes \$54,140 budgeted for “future projects.” This can be considered as projected net income and as a projected increase in the fund balance.

Sources: Unaudited District records and Adopted District FY 2015-16 Budget.

It should be noted that the dollar amount listed as fund balance in this table refers to available, "liquid" assets (cash or cash equivalents). No current information is available regarding overall District assets (including the value of District-owned infrastructure and equipment), liabilities, and the corresponding total net position of the District. District representatives state the District has no long-term debt.

**Status of Financial Recordkeeping:**

In the last decade, the Spreckels Memorial District has been significantly in arrears on completing state-required financial reports and audits. The most recent District audit is for the year ending June 30, 2006. State law requires that a special district furnish an annual report of all financial transactions of the local agency within seven months after the close of each fiscal year.<sup>7</sup> The law also requires that an audit be filed with the State Controller and the County Controller within twelve months of the end of the fiscal year, or years, under examination.<sup>8</sup>

The State Controller noted in a January 2014 press release that the District had failed to submit financial data to the State Controller as required by State law for at least two years. The State Controller's office has informed LAFCO that, since the press release, the District has submitted delinquent data.

The District is actively working to become current with all its financial records. The District Business Manager is preparing the necessary information to allow an outside auditor to complete the required audits from July 1, 2006 through June 30, 2015. This work will allow the public a more complete and verified assessment of the District's finances.

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**CHALLENGES AND OPPORTUNITIES**

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**Finance:** The Spreckels Memorial District's Business Manager is reviewing the District's financial records to construct an accurate picture of the District's assets, income and expenses. Once this is completed, audits can be completed and submitted to the State Controller and County Auditor-Controller. This work is needed to present a clear view of the District's finances. The District is encouraged to consider the development of a capital improvement program and the establishment of policies and reserves for capital improvements and unexpected contingencies.

**Greater Integration with Spreckels Community Services District:** The District works closely with the Spreckels Community Services District. The two districts share an office and a Business Manager / Board Clerk. A majority of board members also currently serve on both Boards. Board members of both districts are interested in exploring additional ways to work together, including the future possibility of some form of partial or full consolidation of the two districts. Potential consolidation scenarios may become of particular relevance to the Memorial District in the future, if long-term trends of generally lower participation rates of veterans in veterans' organizations continue.

**Governance /Transparency:** The Spreckels Memorial District is governed by a full Board of Directors with no vacancies. The District does not now meet State requirements that a majority of seats on the Board be designated for veterans. The District is encouraged to review its policies to ensure that it meets these requirements. The development of a comprehensive set of District policies and procedures would help organize District operations. The District is encouraged to maintain its bylaws consistent with current District practice. The District is encouraged to establish a web presence, potentially jointly with the Community Services District, or in conjunction with other districts. LAFCO encourages the District to

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<sup>7</sup> Government Code section 53891(a).

<sup>8</sup> Government Code section 26909(a) (2). Audits can be conducted annually, biennially or, under certain conditions, every five years. Alternatives to an audit are also outlined. None of these audit alternatives have been used by the Spreckels Community Services District.

utilize California Special Districts Association and LAFCO resources to keep up to date with State special district requirements, such as required AB 1234 board ethics trainings.

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#### SUMMARY

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1. The Spreckels Memorial District provides a home and meeting facilities for area veterans' organization, as well as recreational, leisure and meeting spaces for all local residents. As the only memorial district in the greater Salinas area, the District is providing an important and locally unique service to the community.
2. The District's existing boundaries and Sphere of Influence are adequate to meet the community's needs. The District is governed by a five-member Board of Directors, the current composition of which partly overlaps with the Spreckels Community Services District. District representatives are interested in increasing coordination with the Spreckels Community Services District and in exploring the potential of a full or partial consolidation of the two districts.
3. District representatives feel the District's facilities are adequate to meet existing and likely future needs. In 2015, the County of Monterey's environmental review for Tanimura & Antle's agricultural employee housing, determined that the development would have a less-than-significant impact on the District's recreational facilities and services (the housing has not yet been completed).
4. Site improvements are financed by available balances in the District's "general" fund, with no funds specifically set aside and restricted for future capital projects or for unanticipated needs for capital outlay. LAFCO encourages the District to consider developing a capital improvement program to help identify and guide future District needs and related expenditures.
5. In recent years the District has not filed timely financial reporting and audit reports with the State and County. The Board is actively working to complete the delinquent financial filings and audits.

# DETERMINATIONS

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## SCOPE AND SUMMARY OF RECOMMENDATIONS

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This chapter contains the recommended Municipal Service and Sphere of Influence determinations for the Spreckels Community Services District and the Spreckels Memorial District. Based on the recommended Municipal Service Review Determinations, the Executive Officer recommends that the Commission adopt the Municipal Service Review for both districts. Based on the recommended Sphere of Influence Determinations, the Executive Officer recommends that the Commission affirm the currently adopted Spheres of Influence of the Spreckels Community Services District and the Spreckels Memorial District as shown in this document.

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## MUNICIPAL SERVICE REVIEW DETERMINATIONS

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The Cortese-Knox-Hertzberg Act requires LAFCO to conduct a review of the municipal services provided by a local agency before updating its Sphere of Influence. Following is a recommended written statement of LAFCO's Municipal Service Review Determinations for the seven areas required by Government Code section 56430(a). Each recommended determination applies to both the Spreckels Community Services District and the Spreckels Memorial District. Individual district profiles of the two districts are provided earlier in this document.

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

The population of the historic unincorporated town of Spreckels grew by almost 40 percent from 2000 to 2010, primarily due to the development of 73 new detached single-family homes. The development of these homes was allowed following the County's acknowledgement of the validity of an old 1907 parcel map. While 40 percent is a large percentage increase, the population increase was only 188.

In the next few years the population of the area is again projected to increase through the construction of a 100-unit agricultural employee housing complex, which is designed to accommodate between 200 and 800 workers during the April through November harvest season. These new residents are not expected to provide a strain on District services or facilities.

Although there are no specific proposals pending, there is some potential for additional growth to occur in the area. Some agricultural land around the existing Tanimura & Antle facility, to the south of Spreckels, is zoned for Agricultural Industrial uses by the County.

### 2. The Location and Characteristics of any Disadvantaged Unincorporated Communities within or Contiguous to the Sphere of Influence.

The California Department of Water Resources<sup>9</sup> maintains a database of disadvantaged communities within the State. This database is based on the US Census American Community Survey (ACS) 5-Year Data: 2009 - 2013. This data shows that the eastern portion of historic Town of Spreckels, east of Hatton Avenue, and some of the primarily agricultural areas to the north of this are located within a Census Block Group<sup>10</sup> where incomes qualify it as a disadvantaged community. The majority of the population of this block group is located within the City of Salinas and north of both Spreckels districts. Those portions of the Block Group that are in the City of Salinas do not generally associate with the Town of Spreckels, and would not benefit significantly from inclusion in the Spheres of Influence or boundaries of the Spreckels Community Services District or Spreckels Memorial District.

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<sup>9</sup> <https://gis.water.ca.gov/app/dacs/>

<sup>10</sup> Census Tract 014500, Block Group 1.

This database shows that Spreckels itself is not designated as a disadvantaged community place. The low-income agricultural employee housing now under construction in Spreckels, although not large enough to be considered a disadvantaged unincorporated community, is currently within the Spheres of Influence and boundaries of both districts.

**3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies**

The two districts have informed LAFCO that, with some exceptions, their existing facilities, services and infrastructures are generally adequate to meet community needs. The Spreckels Community Services District is aware that the existing storm drainage pipes, which extend from the District to the Salinas River need replacement. The Spreckels Memorial District plans to demolish or replace the existing handball/racquetball court at the Spreckels Memorial Park Annex. The development of a capital improvements plan and budget would help ensure the continued adequacy of District facilities and infrastructures.

Both districts are encouraged to develop capital improvement programs and budgets to ensure that capital improvements and upgrades are made in a timely fashion. The Community Services District is encouraged to explore potential future opportunities activate its powers to provide water and sanitary sewer service to the community and to tie the Spreckels sanitary sewer and storm drainage systems into the regional wastewater treatment plant.

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

Neither district has experienced difficulties in providing services due to a lack of financial resources. The financial resources of both districts appear adequate to meet current demands. However, audits of the operations of both districts were last completed in June 2006. Completion of audits for the last ten years are needed to provide an accurate picture of district finances. Completion of the current District-authorized parcel audit will also provide information

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

The districts today share an office and a Business Manager / Board Clerk. Three individuals sit on both of the five-member district boards. This overlap increases coordination of board activities, as shown in recent joint negotiations for legal and audit services. District Directors have indicated an interest in increasing the coordination of the two districts, including the possibility of some form of consolidation if this would improve service and simplify operations. Board members have requested LAFCO assistance in exploring potential ways to move forward.

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

Each district is governed by a five-person Board of Directors, which is elected at-large from the community. Expansion of the districts beyond the Spreckels area would not meet any anticipated need. Consolidation of the districts is an option that will be further explored by the districts and LAFCO. Full legal consolidation of the two districts is complicated by the distinctly different legislation under which each District was formed.

The districts face challenges in complying with all of the State requirements for a local agency. This issue is discussed in the Service Review. The development of a program of continuing educational and training outreach, recommended by LAFCO staff and authorized by the Commission in December 2015, is in progress and will be available to assist all special districts countywide. Additional resources are available through the California Special Districts Association.

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

The Local Agency Formation Commission 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. These policies stipulate that the designation of Spheres of Influence shall avoid the creation of islands and corridors. There are currently no islands or corridors enclosed by either District's boundaries or Sphere.

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**SPHERE OF INFLUENCE DETERMINATIONS**

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Following is a recommended written statement of LAFCO's Sphere of Influence Determinations regarding the four areas required by Government Code section 56425(e). Each recommended determination applies to both the Spreckels Community Services District and the Spreckels Memorial District.

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

Land uses within the Spheres of Influence of the two districts are varied. Both districts are centered on the historic Town of Spreckels, which is a rectangular grid of fifteen blocks, with one additional long block to the east. These blocks primarily contain detached single-family homes on small parcels. The town also includes an elementary school, the Spreckels Memorial Building and Park, a post office and the historic fire house. The Community Services district also includes land to the south of the town, which contain a combination of agricultural and ag-industrial uses. The Memorial District includes additional unincorporated land to the north and east which primarily contain agricultural and rural residential uses. Within the Memorial District's northern boundary is an area, which has been annexed to the City of Salinas following the District's formation. These 613 acres have primarily been developed industrially.

One large complex for agricultural employee housing is now under construction on lands owned by the agricultural firm of Tanimura & Antle. This land, within the southern boundaries of both districts, will house between 200 and 800 workers once it is completed. Immediately south of the historic town, some agricultural land is zoned to allow agricultural-industrial development. While additional industrial and residential development may occur in the area, there are currently no plans pending.

For each of the two districts, the existing District boundaries and the Sphere of Influence are the same. In 1986, part of one large agricultural parcel in the Community Services District was identified by LAFCO as a "Sphere Exclusion Area." LAFCO's Policies and Procedures state that areas within an agency's boundaries are excluded from its Sphere by LAFCO when detachment is appropriate because no future need is anticipated for an agency's services. This parcel remains within the District, but does not receive District services. Staff recommends that this site be considered for detachment at such time in the future when a boundary change is under review.

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

The Community Services District directly provides services for storm drainage and indirectly provides for garbage and trash collection, street lighting, street sweeping, and the maintenance of sidewalks and alleys. The Memorial District provides a Veterans Memorial Building and Veterans Memorial Park. These services generally meet existing community needs. The agricultural employee housing under construction does not appear to require additional services from either district, based on the County's development review and permitting process. If additional District facilities or services are required, such as the provision of sanitary sewer services, voter approval of additional assessments may be required. Both districts are encouraged to develop capital improvement programs and budgets to

ensure that capital improvements and upgrades are planned for and achieved in a timely and orderly fashion.

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

The two districts generally have adequate facilities and services to meet the needs that they were formed to serve. Some needs for substantial near-term reinvestment (e.g., replacement of wooden piping in the Community Services District's storm drainage system) are noted. Additional facilities and/or services will need to be provided if the areas to be served is expanded, or the levels of service raised in order to meet evolving regulatory standards and best practices.

The Community Services District is encouraged to explore the potential of activating its powers to provide water and sanitary sewer services. In particular, this would allow the District to consider acquiring the privately owned Spreckels sanitary sewer system and connect it to the Regional Wastewater Treatment Facility in Marina. In the future, the potential to connect the District's storm water drainage system to the regional plan may also be possible.

**4. The Existence of any Social or Economic Communities of Interest in the Area if the Commission determines that they are Relevant to the Agency**

The Spreckels community is a geographically connected population that shares common social and economic interests. Both districts respect these boundaries. There are no other social or economic communities of interest in the area that is of concern in this Sphere of Influence Review.

## APPENDIX

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### SOURCES AND ACKNOWLEDGEMENTS

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The information contained in this Municipal Service Review and Sphere of Influence Study has been obtained from many sources. Of critical importance is the information LAFCO received in meetings with Directors from both districts. LAFCO has also relied on Paul Ingram, the Business Manager / Board Clerk of the two districts. Mr. Ingram responded to LAFCO's requests by providing answers and many District documents, including Board resolutions, by-laws, audits, current budgets and informational flyers.

Without the cooperation and assistance of the Directors and Business Manager this report would not have been possible.

LAFCO's earlier 2005-2007 Municipal Service Reviews were reviewed to provide background information. Population estimates for the districts were based on 2010 U. S. Census data. The County of Monterey's Geographic Information System (GIS) provided District acreages. LAFCO was also able to obtain valuable information on the State Controller's website.