

# LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

## 2024 Municipal Service Review and Sphere of Influence Study:

- Soledad Community Health Care District
- Soledad-Mission Recreation District
- Soledad Cemetery District



Adopted by the Commission on June 24, 2024

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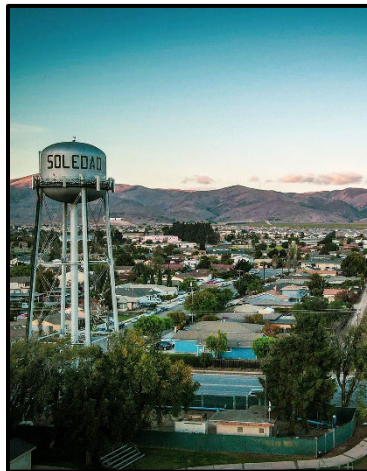
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# Executive Summary

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

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## Introduction and Background

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### Study's Scope

This study provides information about the operations, services, and spheres of influence<sup>1</sup> of the:

- Soledad Community Health Care District,
- Soledad-Mission Recreation District, and
- Soledad Cemetery District.

This study meets LAFCO's requirements, under state law, for conducting periodic service reviews and sphere of influence studies. The study also addresses the Cemetery District's critical lack of compliance with state laws and best practices for administering public agencies.

The study does not include the City of Soledad (for which LAFCO completed an MSR/SOI study in December 2022) or the Mission Soledad Rural Fire Protection District, which was included in LAFCO's 2020 countywide study of all special districts that provide fire protection and emergency medical services.<sup>2</sup> Both of these approved studies are available under the Studies & Maps tab on LAFCO's web site.

### District Formation

The three districts in this study were formed in either 1926 or 1937 (Cemetery), 1948 (Health Care), and 1962 (Recreation), pre-dating the statewide advent of LAFCOs in 1963, but occurring after the City of Soledad's incorporation in 1921.

### City-Centered Independent Special Districts

Along with the neighboring Greenfield area about nine miles to the south, Soledad is one of the two primary examples in Monterey County of an incorporated city overlaid by independent special districts that serve the city plus the outlying rural unincorporated area. This arrangement does exist in other areas of Monterey County; for example, the Gonzales and King City areas both have cemetery districts, and the Gonzales community also has a rural fire protection district that surrounds the city. But Soledad and Greenfield have the most overlying special districts (Soledad has recreation, cemetery, and health care districts that overlie the city. Greenfield has overlying recreation, cemetery, and memorial districts).

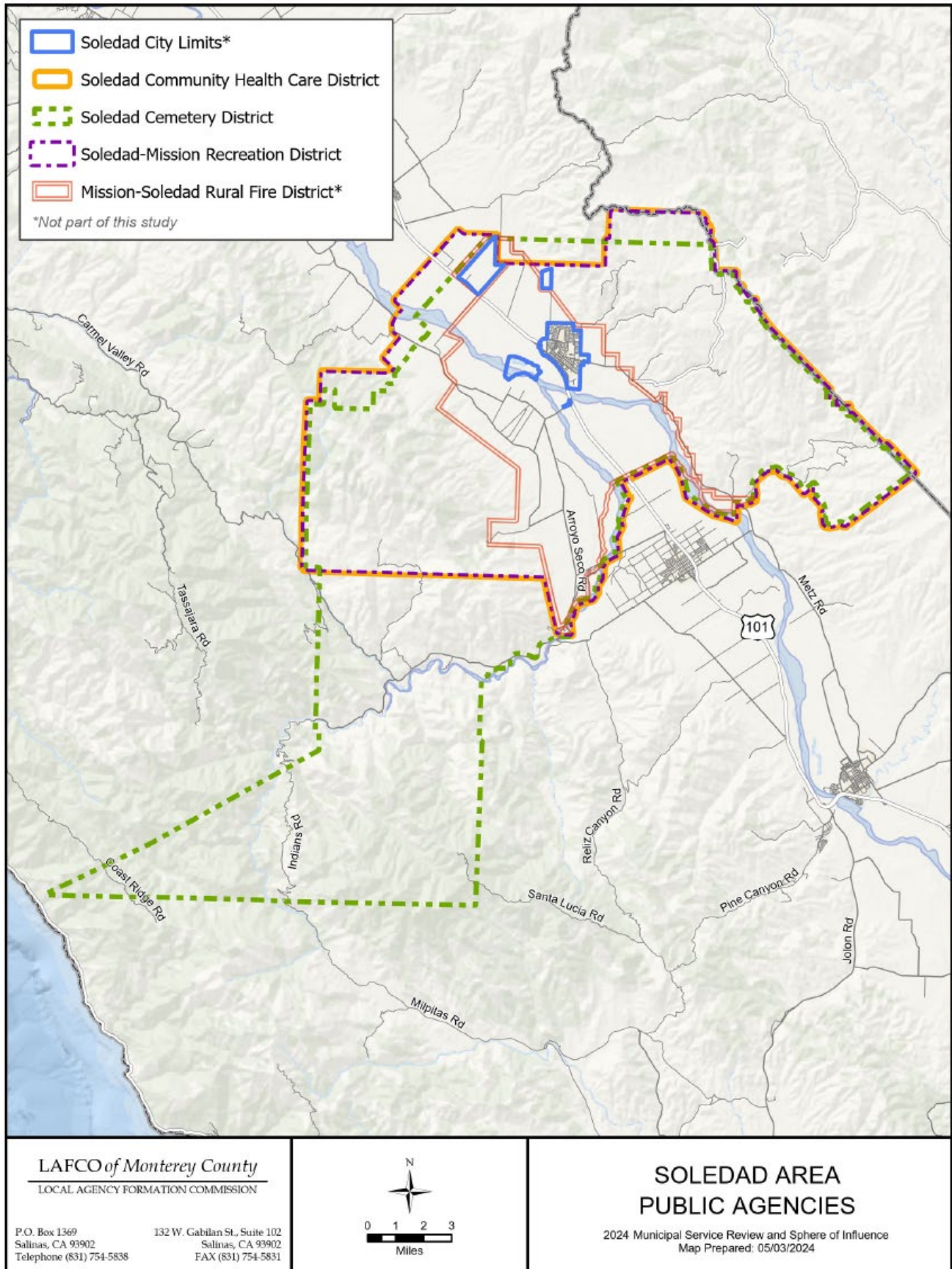
This study's recommended actions include encouraging the Recreation and Cemetery Districts to consider funding a feasibility study – in coordination with the City of Soledad – to evaluate potential future City-District integration options. One possibility would be for the City to administer and operate district services, by contract, on behalf of these two districts in the future. This recommendation echoes the recommendations in LAFCO's approved, December 2023 municipal service review and sphere of influence study for the City of Greenfield and the Greenfield Recreation, Cemetery, and Memorial Districts.

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

<sup>2</sup> Operationally, the Fire Protection District is a function of the City of Soledad. The City contracts with Cal Fire to receive fire protection and emergency medical services. The City extends these services to the unincorporated area outside the city, within the Fire District's boundaries, in exchange for receiving most of the District's annual revenues.

# Soledad-Area Public Agencies



## Soledad-Area Special District Facilities



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## Introduction and Background (continued)

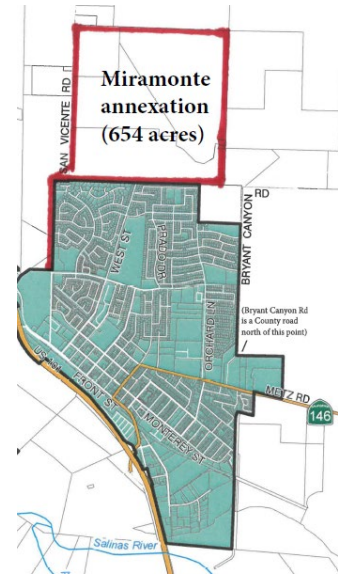
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### Scale of Budgets and Operations

Although the three district boundaries are similar, the Health Care District is much larger of an organization than the other two districts in terms of budget and operations. The Health Care District's approximately \$16.3 million in annual revenues and expenditures are about 20 times higher than those of the Recreation District and on the order of 100 times higher than for the Cemetery District.

### Soledad: A High-Growth Community

Regional growth projections identify higher-than-average growth in the Soledad area through 2045. The great majority of this growth will likely occur within the City of Soledad, not in the unincorporated area, given that the County has not designated the rural area for growth and development. In 2022, LAFCO approved the Miramonte annexation to the City of Soledad, which is anticipated to increase the number of housing units in the city by about 58%. However, buildout of this project is an incremental and long-term process that may take 20 to 40 years or more.



### Population Served

Each of these three districts in this study has essentially the same population within district boundaries, consisting of a total of about 25,400 people as described below:

- About 24,200 people within the Soledad city limits, representing about 95% of the in-district population. This figure includes approximately 16,400 in “main” Soledad and an incarcerated population of about 7,800 in the Soledad correctional facilities; and
- About 1,200 people in the unincorporated rural area surrounding the City of Soledad (about 5% of the overall total)

The correctional facilities are an outlying “island” of the city and are included in the city’s population count. However, the incarcerated population has little, if any, contact with the facilities and services of the three districts in this study. In this regard, the in-district population that is able to be served by the three districts is, in effect, closer to 17,600 (16,400 in main Soledad + 1,200 in the unincorporated county). This population is about the same size as Greenfield to the south, and about double the size of Gonzales to the north.

As Soledad-area future growth takes place mostly within city limits, the current in-district City-County population breakdown (about 95% city, 5% county) will continue to skew more toward the city.

The districts can and do serve additional people who reside outside district boundaries in the larger South County community. This particularly true for the Health Care District, as discussed further in this study.

### A Range of Governance Models

The three districts serve the same in-district population, but with different systems for determining how board members are selected to represent the populace. The Health Care District’s board is directly elected. As provided by state law, the Cemetery District’s board is appointed by the County board of supervisors, even though in this instance most of the in-district population are city residents. The Recreation District is a hybrid model, appointed partly by the City and partly by the County.

### Existing Boundaries and Spheres of Influence

Boundaries of the districts are similar to each other, except that the Cemetery District extends much further into a mostly uninhabited area to the southwest. The Districts are large in geographic scope, covering about 177 square miles each (276 sq mi for the Cemetery District), of which only about three square miles are in

“main” Soledad. However, each district’s facilities and services are located in a compact area of central Soledad, within the city limits.

None of the Districts currently has a sphere of influence designated beyond the jurisdictional boundaries. All three districts in this study are a type of service provider where people generally visit a specific district-owned facility to receive services – as opposed to the district exclusively providing its services to a fixed geographic area (as would be typical for a fire protection or wastewater district, for example). It is noteworthy that the Health Care District has expressed a strong commitment to using – and expanding – its mobile clinic service to directly extend District health services out into the local communities where the needs exist. But, for the most part, people come to these three district’s facilities for services, and the services are available to all – not exclusively the in-district population, although the districts may charge lower in-district fees.

Even in this more fluid context, District boundaries remain relevant, in that they delineate the area in which District residents are eligible to vote for – and serve as – district board members. Boundaries also establish the area in which a portion of the 1% annual property tax goes to fund part of special districts’ annual budgets, as well as the area in which an agency may propose a parcel tax, bond measure, or similar revenue enhancements. LAFCO’s sphere of influence designations indicate areas where cities and special districts may intend to expand their agency boundaries within an approximately 20-year time horizon.

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## Key Findings

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

1. **The Soledad Community Health Care District and the Soledad-Mission Recreation District are effectively delivering services and carrying out their purposes. In contrast, the Soledad Cemetery District is not being managed in an effective, transparent, or legally compliant manner.**

The Health Care and Recreation Districts are professionally managed by full-time staff, and are reliably delivering high-quality services to the community. However, the Cemetery District has demonstrated deficiencies in meeting its fiduciary, legal, and administrative duties.

2. **The Soledad-area agencies within this study generally appear to be financially stable.**

Each of the districts is financially solvent and appears to have positive earnings in the current fiscal year. However, the districts have experienced challenges with maintaining positive income in some recent prior years, and some future challenges remain – including Medi-Cal related debt service which will end in the coming fiscal years when all open settlements are closed (Health Care District) and needs for reinvestment in the district’s physical facilities (Recreation District).

For the Cemetery District, a key problem is that no recent financial statements or prior-year audits are available. Budgets need to be adopted and financial audits need to be completed to verify the revenue received and how these public funds are being managed. However, the district does not appear to be experiencing financial hardship. Property tax revenues are providing a reliable and consistent income stream.

3. **Future Soledad-area growth and development will increase demands for district services.**

Buildout of the Miramonte annexation, and other development projects, is an incremental and long-term process that may take 20 to 40 years or more, but will steadily increase the demand for services provided by the districts in this study. The districts are mostly going to be “on their own,” financially speaking, to adapt and respond to the increasing service demands. Property tax revenues will increase with community growth and development. However, the three districts currently have no impact fees such as those the nearby cities have established, and which can range from about \$25,000 to \$35,000 for a single-family house.



**4. (Recreation and Cemetery Districts): Opportunities exist for increased integration with the City of Soledad or another agency.**

More than 90% of the Recreation District's in-district residents are City of Soledad residents. In 2021, the City established its own Parks and Recreation Department for the first time. The City and the District have explored different possibilities for integrating the two agencies' operations and programs, and have taken some small steps in this direction. Potential opportunities exist to more substantially integrate the two agencies. In addition, the Cemetery District has a critical need for administrative and financial oversight services, which could be provided by the City or by another public cemetery district.

Currently, three separate public agencies – the City of Soledad and the Recreation and Cemetery Districts – all own and operate park-like or recreation-oriented spaces in the Soledad community. This local government framework of a city plus two single-purpose districts results in some redundancies in administration and operations. Under a potential city-district integrated service model, a special district remains in existence as a means of collecting revenues to fund services to the unincorporated area outside the city, but the City provides the actual services to the district, by contract. The arrangement would remain in effect for as long as both the City and the district wish to continue with the contract. An arrangement of this type is a natural progression from an older multi-agency services arrangement to a more efficient city-centered approach to delivering municipal-type services.

This study recommends that the Soledad Recreation and Cemetery districts coordinate with the City of Soledad to explore potential city-district integration options. This effort could include the two districts co-funding a feasibility study to evaluate, in coordination with the City, options. Alternatively, the two districts could coordinate independently with the city. (The Recreation District and the City have already established a committee that has met since 2020 to explore possible integration options, although the committee has been inactive recently. The Cemetery District has a more immediate and pressing need for administrative and financial oversight).

This recommendation does not extend to the Health Care District. The Health Care District's facilities and services are not a municipal-type service traditionally provided by a city government, and the District is functioning capably as an independent and self-sufficient agency.

**5. The Health Care District is proposing a sphere of influence amendment to reflect the larger South Monterey County community that the District serves.**

The Health Care District is requesting that LAFCO expand the District's sphere of influence to include Chualar, Gonzales, Greenfield, King City, San Lucas, San Ardo, Parkfield, Cholame, and other South Monterey County communities within County Supervisorial District 3. The main reasons for the requested expansion are to have the District's sphere reflect the population that the District serves, and to express the District's desire to be a supportive and prominent asset in the larger South County community. Staff has reviewed the requested sphere expansion and recommends approval.

Representatives of the Recreation and Cemetery Districts believe the currently designated sphere for those agencies is adequate and appropriate. Out-of-district services appear to occur on a more limited basis for these two districts.

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## Recommended LAFCO Actions

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

1. Find that, pursuant to Section 15306 of the California Environmental Quality Act (CEQA) Guidelines, the service review and sphere of influence study is categorically exempt, in that the study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment;
2. Adopt the recommended determinations within the 2024 Municipal Service Review and Sphere of Influence Study for Soledad Community Health Care District, Soledad Recreation District, and Soledad Cemetery District;
3. For the **Soledad Community Health Care District**:
  - a) Determine the District's proposed approximately 2,100-square-mile sphere of influence amendment to be exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines, and approve the sphere amendment, and
  - b) Encourage the District to explore the possibility of establishing its own development impact fees, and to coordinate with the City of Soledad on the possibility of Health Care District participation in City-led development agreements, or any future citywide revenue enhancement measures, to partly offset the impacts of future City growth on the District's facilities and services.
4. For the **Soledad-Mission Recreation District**:
  - a) Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District's existing jurisdictional boundary), and
  - b) Encourage the District to
    - Continue to explore potential partnership opportunities with the City of Soledad for program offerings or shared services such as administrative and financial oversight, and
    - Explore the possibility of establishing its own development impact fees, and to coordinate with the City of Soledad on the possibility of Recreation District participation in City-led development agreements or future citywide revenue enhancement measures, to partly offset the impacts of future City growth on District facilities and services, and
    - Consider working with the Soledad Cemetery District to co-fund a feasibility study, in coordination with the City of Soledad, to evaluate potential City-District integration options for improving delivery of municipal services to the overall Soledad community, including the surrounding unincorporated area.
5. For the **Soledad Cemetery District**:
  - a) Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District's existing jurisdictional boundary),
  - b) Authorize the Executive Officer to proceed with a range of corrective measures to address the Cemetery District's non-compliance with state legal requirements and best practices, as detailed at the conclusion of this study's chapter for the Cemetery District,
  - c) Encourage the District to coordinate with the City of Soledad to return to holding monthly Cemetery board meetings at City Hall; consider working with the Soledad-Mission Recreation District to co-fund a feasibility study – in coordination with the City of Soledad – to evaluate potential City-District integration options; and take additional steps as outlined in this study's chapter for the Cemetery District, and
  - d) Encourage the County Board of Supervisors to consider terminating the District's board of trustees, and appointing itself as the District's board of trustees, pursuant to the process laid out in Health & Safety Code Section 9026) if the District has not substantially met State legal requirements and addressed community concerns regarding cemetery operations within approximately 6 to 12 months of this study's adoption.

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## Regulatory Framework

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This section briefly outlines basic requirements of state law, recommended best practices, and regulatory oversight roles that are applicable to public agencies in California. The Soledad Community Health Care District and the Soledad-Mission Recreation District are generally complying with legal requirements and implementing some of the recommended best practices. The Soledad Cemetery District is currently not in compliance with legal requirements and should take immediate corrective actions as discussed in this report.

### Requirements of State Law

The State Legislature has passed various laws establishing fundamental legal requirements for special districts. Many of these State laws also apply to counties and cities. To summarize, special districts must generally:

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

### Best Practices

Along with State legal requirements, local public agencies also implement best practices to promote public trust and confidence and minimize the risk of mistakes or missteps. The Special District Leadership Foundation's High Performing District checklist identifies recommended best practices in the areas of Finance and Human Resources. Some key examples include:

- **Finance:** Establish and periodically review sound fiscal and internal control policies and procedures; periodically review revenue and expenses for compliance with the adopted annual budget; approve capital improvement plans and periodically review revenue and expenses for compliance with the plans; and use a competitive process for awarding contracts
- **Human Resources:** Adopt policies and procedures establishing the processes for hiring and firing, including background checks and evaluating the performance of, and adjusting the compensation of, the general manager; review policies and procedures on an annual basis to ensure compliance with new laws.

### Regulatory Oversight

LAFCOs provide oversight of cities and special districts through conducting required periodic municipal service reviews and sphere of influence studies such as the current study. These studies of local government agencies have the goal of improving efficiency and reducing costs of providing municipal services.

Common regulatory tools for LAFCO have been to inform local agencies of their state legal requirements and provide educational resources to encourage compliance. However, when non-compliance persists, involvement of other oversight agencies may become necessary. Some of the other agencies providing oversight of local government agencies include the County Auditor-Controller, the Civil Grand Jury, and District Attorney, as well as the State Controller's Office and the Fair Political Practices Commission.

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## District Profiles

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## Soledad Community Health Care District

<b>Formation Date</b>	March 1, 1948
<b>Legal Authority</b>	Local Health Care District Law (California Health & Safety Code, section 32000, et seq.)
<b>Board of Directors</b>	Five members, elected at large to four-year terms
<b>District Area</b>	Approximately 177 square miles
<b>Sphere of Influence</b>	<u>Existing</u> : None beyond District boundaries <u>Proposed</u> : Approximately 2,100 square miles beyond District boundaries, including Chualar, Gonzales, Greenfield, King City, San Lucas, San Ardo, and other South County communities
<b>In-District Population</b>	Estimated 25,400 – includes approximately 16,400 in “main” Soledad, 7,800 inmates in the Soledad correctional facilities (not served by the District), and 1,200 in the unincorporated rural area. The District serves a larger population beyond the existing boundaries.
<b>Annual Revenues</b>	FY 2023-24, projected: \$16.3 million, net of contractual adjustments/allowances for Medicare and Medicaid programs
<b>Employees</b>	Approximately 150, per the District’s web site
<b>Address</b>	612 Main Street, Soledad, CA 93930
<b>Website</b>	<a href="http://www.soledadcommunityhealthcaredist.org">www.soledadcommunityhealthcaredist.org</a>
<b>Meetings</b>	Last Thursday of each month, except for December, at the District offices

### Summary/Background

#### Introduction

The Soledad Community Health Care District serves South County, an area and population with limited access to personal health services, and with a shortage of health professionals. In 1948, the District was formed as the Soledad Community Hospital District, following the state legislature’s passage of the Local Hospital District Law. The District originally limited its services to the provision of ambulances, until 2008 when the County entered into an agreement with American Medical Response (AMR). Presently, the District operates the Soledad Medical Clinic, Women’s Health Center, and Eden Valley Care Center skilled nursing facility. Together, these sites provide comprehensive community-based health care services.

The District’s Soledad Medical Clinic is the main health care facility located in the Soledad community. The District is one of only two health care districts in Monterey County. The other is Salinas Valley Health (SVH, formerly Salinas Valley Memorial Healthcare System) which owns and operates one of the four acute-care hospitals in Monterey County. SVH’s hospital in Salinas is an approximately 25-mile driving distance from Soledad.

Local Health Care District Law allows health care districts to establish and operate a wide variety of health facilities and services. Districts can provide outpatient medical procedures, retirement programs, chemical dependency programs, ambulance service, diagnostic and testing facilities, health education programs, wellness and prevention programs, and other similar services. Unlike cities or most special districts, health care districts are unique in that state law allows them to provide their services and facilities either within or outside their district boundaries or sphere of influence.

During the COVID-19 pandemic, the District provided testing, health services, and vaccinations to those within District boundaries and beyond. District staff set up tents in the Clinic’s parking lot to provide both drive-up testing and walk-in exam rooms for patient services. The District provided vaccines to over 600

educators from nearby school districts, and conducted several additional mass vaccination clinics for farmworkers and childcare providers. District staff maintained continual operations despite the risk to team members. During the outbreak, the District incurred added costs for personal protective equipment, overtime, and incentives related to staffing shortages.

Recognizing that health care is a critical need in the Soledad area, the federal government has designated the Soledad area as a Medically Underserved Area with a Medically Underserved Population. These designations identify areas and populations that have limited access to personal health services. Medically Underserved Populations may include groups that face economic, cultural, or linguistic barriers to health care. The District is continuing to seek a further designation as a Federal Qualified Health Center. This designation will improve cash flow and help support expansion of District facilities and services by providing access to additional federal grants and reimbursement payments.

### Facilities and Services

The District's facilities are located within a 3.5-acre campus at the corner of Main Street and Regina Street in central Soledad.

The **Soledad Medical Clinic** is a 5,200-square-foot rural health clinic that opened in 1989 at the current location (a previous clinic was located on East Street). This facility is the primary medical clinic in the Soledad area, providing approximately 51,000 patient visits ("encounters") per year, up from about 28,000 in 2012. The facility serves a primarily low-income and largely Spanish-speaking population.

In summer 2020, an important milestone in addressing the unique healthcare needs of women within the community was achieved with the opening of the 3,600-square-foot **Women's Health Center**. Located in a new free-standing building, it provides maternity services, obstetrics, gynecology, 2D, 3D, and 4D urogynecology, and cervical cancer screening in partnership with Natividad Hospital's medical team. In addition, the Center provides ultrasound tests, breast exams (using a state-of-the-art mammography machine; an approximately half-million-dollar investment), perinatal education, and many other services. Looking ahead to future service enhancements, District representatives have expressed that expanding pediatric care is a major priority and establishing a mobile clinic that travels outside the District to meet the needs of community members who have limited ability to travel.

The Clinic's core medical team currently includes four medical doctors, one doctor of podiatry, one nurse practitioner, and one physician assistant. Recruiting and retaining medical care providers (doctors and nurses), in a rural area, has been an ongoing challenge for the District. Services provided by the Clinic include digital x-rays, ultrasound, and a variety of laboratory tests. The District collaborates with Salinas Valley Health to refer roughly 1,000 patients a year to SVH's specialty services such as cardiology, dermatology, orthopedics, pulmonary, and sleep center. The District also receive many referrals from SVH to Eden Valley.

Medicare and Medi-Cal funds pay for most of the District's services. The District also serves patients through a variety of publicly funded programs including the Healthy Families insurance program, the Comprehensive Perinatal Services Program, and the Child Health and Disability Program. The Clinic receives financial assistance through the California Wellness Foundation to allow people without adequate financial resources to receive one medical visit each year.





In 1993, the District opened **Eden Valley Care Center**, a 59-bed skilled nursing facility. A skilled nursing facility (“nursing home”) is a health care facility that provides services to residents whose basic need is for long-term care. Eden Valley is dually licensed to accept both Medicare and Medi-Cal reimbursements, and most of the care provided at Eden Valley is paid for through these government programs. Inpatient care includes physician, skilled nursing, dietary, and pharmaceutical services. Eden Valley provides structured programs of physical, speech, and occupational therapy. When needed, Eden Valley can also provide residents and their families with access to hospice services through the Visiting Nurses Association.

### Governance and Staffing

The District is governed by a five-member board of directors. In-district voters elects directors on an at-large basis, to staggered four-year terms. If the number of candidates equals the number of eligible seats, or if there are no candidates, the Board of Supervisors appoints members pursuant to Elections Code section 10515. The District currently has about 150 employees, including the core medical providers mentioned on the previous page.

### **Compliance with State Legal Requirements and Best Practices**

The District is generally compliant with key requirements of state law and best practices for local government agencies. The District prepares and approves an annual budget and files the required Financial Transaction Reports with the State Controller’s Office. District audits are regularly and professionally completed. The most recent audit was completed for Fiscal Year 2022-2023.

Board meetings are open and accessible and are publicly noticed in accordance with the Brown Act. The District holds board meetings at 4:00 p.m. on the last Thursday of each month (except for December) at the District offices. Meetings are held in an accessible location as required by the Americans with Disabilities Act.

District meetings are guided by a set of adopted bylaws. The District has taken additional measures to enhance public openness and transparency, including adoption of a Brown Act Compliance Policy, Conflict of Interest Code, and Code of Ethics Policy. However, the District does not currently have any policies or practices for maintaining specifically designated financial reserves.

To provide an overall guide for the District’s actions, the Board considers and periodically approves a mission statement, vision statement, core values, and a strategic plan. The strategic plan lists the District’s strengths, weaknesses, opportunities, threats, accomplishments, positive and negative external factors, and goals. Board members receive the State-required ethics training and sexual harassment prevention training at least every two years. Board members and applicable staff submit Form 700 Statements of Economic Interests as required by the State. The District maintains a website, [www.soledadcommunityhealthcaredist.org](http://www.soledadcommunityhealthcaredist.org). The website provides comprehensive information on the District’s core services and programs, hours of operation, contact information, finances, governance, policies, and board meetings.

### **Financial Summary**

#### Overview

Operational revenue (that is, payment of fees for patient care and services at the Soledad Medical Clinic and Eden Valley Care Center) provides most of the Health Care District’s income. Non-operating revenue includes property taxes and assessments, grants, contributions, and donations.

The District sets its patient care rates and fees based on its costs and on comparable prices in the region. The District charges all patients equally based on the established pricing structure. The District then discounts these rates as required by agreements with Medicare, Medi-Cal, and private insurers. The exact reimbursement amounts vary, depending on the specific services contained in any given billing. In addition to these discounts (contractual allowances), other deductions from operating revenue include charity care and writing off debts that are unpaid and deemed uncollectable after a period of time.

Some key basic facts about the District’s finances are as follows:

- Operating revenue typically represents roughly 95% of the District’s total annual revenues (net of contractual allowances). Non-operating revenues – mainly property taxes – are about 5% of the total.
- Contractual adjustments, which mainly affect the Medical Clinic (including the Women’s Health Center) reduce the District’s overall gross operating revenues by approximately one-third.
- Around 75% of the District’s gross patient revenues come from Medicare and Medi-Cal; about 25% comes from individuals and private insurance providers.
- Approximately 60% of patient service revenues, after contractual adjustments, comes from the Eden Valley Care Center, with the other 40% coming from the Clinic.
- Eden Valley tends to operate profitably, while the Clinic operates at a deficit, partly because of contractual allowances that greatly reduce the Clinic’s gross billing amounts. In the current, in-progress fiscal year to date (Quarter 3, as of March 31, 2024; not yet audited) Eden Valley has posted a net operating income of about \$1.2 million, as compared to a net loss of about \$1.1 million for the Clinic.
- The District’s revenue cycle in any given year is typically affected by factors such as seasonal agricultural workforce movements from Monterey County to Yuma, Arizona and back; seasonal fluctuations in post-surgical rehabilitation referrals from area hospitals to Eden Valley (fewer surgeries during the summer and over the holidays); patients’ personal financial circumstances; and the availability of on-staff physicians and nurses to provide patient services.
- As of March 31, 2024, based on not-yet-audited data, the District had approximately:
  - \$6.5 million in “current” assets (largely cash or cash equivalents and patient accounts-receivable),
  - \$8.2 million in fixed assets (buildings/improvements, medical equipment net of depreciation, and
  - \$10.6 million in total liabilities, including about \$4.6 million in long-term debt.

Prior-Year Financial Deficits and Current-Year Financial Stability

The District has faced significant financial challenges in recent years. One fundamental issue is that payments from Medicare and Medi-Cal have not kept pace with the District’s actual costs of providing services, particularly at the Clinic. In the last three prior fiscal years (2020-21, 2021-22, and 2022-23), the District’s audited financial statements identified key information as summarized in the table below.

Fiscal Year	a. Beginning-of-year net position (assets minus liabilities)*	b. Net operating income or (loss)	c. Net non-operating income or (loss)	d. End-of-year change in financial net position (b + c)	e. End-of-year net position (a + d)
2020-2021	4,313,892	(1,901,718)	2,181,220 <sup>^</sup>	279,502	4,593,394
2021-2022	4,593,394	(3,021,793)	982,707 <sup>^</sup>	(2,039,086)	2,554,308
2022-2023	2,554,308	(2,036,534)	521,703	(1,514,831)	1,039,477
2023-2024 (year-to-date, as of 3/31/2024; not yet audited)	1,039,477	317,416 year-to-date as of 3/31/24	90,886 year-to-date as of 3/31/24	408,302 year-to-date as of 3/31/24	TBD; \$1,447,779 year-to-date as of 3/31/24

\* This metric includes the District’s capital assets (real property), medical equipment, and all other types of assets and liabilities.

<sup>^</sup> Non-operating income for 2020-2021 and 2021-2022 were elevated by grants and contributions of \$1.9 and \$0.7 million, respectively.

Data summarized in the table demonstrates that the District experienced substantial overall financial losses in the fiscal years ending in 2022 and 2023. These losses were mainly driven by operational losses reflecting the fact that Medicare and Medi-Cal reimbursements do not cover the District’s actual costs of providing patient care and services. This operating loss was also present in FY 2020-2021 as well as in most

prior years going back at least to the early 2000s. However, in 2020-2021 and in many of the previous years, the District had enough positive non-operating income – primarily from property taxes – to somewhat offset the operational losses, such that the District had a positive overall income.

In contrast to the previous two years of financial losses, the District adopted an essentially balanced budget for the current fiscal year (2023-2024), projecting a modest overall net gain of \$100,000 at the fiscal year's end date of June 30, 2024. The District plans to use the projected \$100,000 income for capital improvements, to be determined. If expended, these costs will bring the budget into a break-even position.

The District's most recent unaudited financial statements are for the third quarter of the fiscal year, i.e., as of March 31, 2024. As of March 31, these statements show an actual year-to-date overall net income of \$408,302 (looking across revenues and expenses from the Clinic, Eden Valley, and non-operating income such as property taxes), with the District's net position currently standing at just under \$1.5 million.

District management and the board of directors have worked diligently to control costs and achieve revenue enhancements. Several factors appear to have contributed to the District's ability to stabilize its finances. In 2020, the board appointed a new chief executive officer who has an extensive background in finance and business strategies. Since that time, occupancy ("census") at the 59-bed Eden Valley Care Center has increased from a daily average of 30 to 51 currently, resulting in higher patient revenues. The District was proactive in renegotiating prices of services and supplies.

In 2023, the District took cost-cutting steps that included reducing staff schedules to 32 hours, restructuring the way in which paid time off is calculated, and discontinuing the District's 3% match contribution to the employee retirement plan. The decision to implement these measures was difficult and controversial but was considered necessary by management to preserve the District's solvency. District management states that all staff hours have now been restored to original levels and, as the District's financial health continues to improve, the board of directors will consider reinstating the retirement match contribution. In 2024, the District took out a term loan to repay 2021 Prospective Payment System (PPS) income.<sup>3</sup> This step enabled cost savings of nearly \$74,000 a month by repaying PPS at an interest rate lower than the one provided by Medi-Cal.

#### Looking Ahead: Maintaining Financial Sustainability

In the current, in-progress fiscal year, the District appears to be making considerable progress in stabilizing its finances after two years of substantial losses as discussed above. This is a significant achievement. However, substantial financial challenges remain ahead – as for many health care districts and other types of local public agencies. As noted above, most of the District's patient care is paid by Medicare and Medi-Cal. The rates by these programs are simply inadequate to cover the District's actual costs of providing quality care. This is a fundamental and "structural" deficit problem that affects many health care providers and needs to be addressed at a federal and state level.

The District is considering proposing issuance of bond financing to generate cash revenue and help support expansion of facilities and services. The District's most successful bond measure was in 1998 (\$2.8 million in general obligation bonds for capital outlay for the construction of the Clinic and Eden Valley). One significant challenge is that the California Constitution requires a two-thirds vote for general obligation bonds proposed by a city, county, or special district. Bond proposals by an overlapping, "competing" agency – in this instance, such as the City of Soledad or the school district – can also result in "bond fatigue," making it much more difficult for subsequent bond measures to obtain voter support. Other available types of bond

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<sup>3</sup> Under PPS, Medi-Cal makes an advance payment to a healthcare agency to cover future claims. If funds are left over after claims are finalized, an agency that accepted PPS payments must either return the unspent balance to the state within 60 days or pay 7% interest on the remaining amount until fully repaid. PPS has provided a vital revenue stream to keep Clinic operations funded during cash shortfalls. However, the use of PPS funding has also contributed to the District's financial liabilities (\$10.6 million as of March 31, 2024) which must eventually be paid from cash from operations, a bank loan, or financing provided by the State. Some of the District's other financial obligations include a 2023 term loan related to completion of construction at the Women's Health Center.

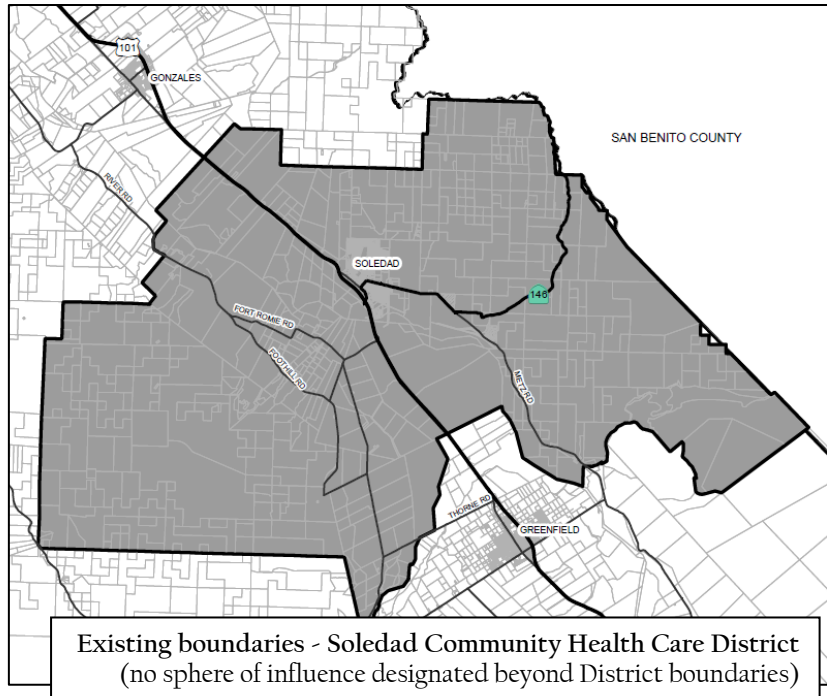
financing do not necessarily require voter approval but may involve higher interest rates or other requirements such as four-fifths district board approval.

District representatives have also expressed potential interest in the idea of generating revenues by establishing development impact fees – similar to fees imposed by cities, counties, school districts, and others – that would apply to future construction within district boundaries. The City of Soledad has grown rapidly in recent decades. Much more growth is expected in the future (LAFCO approved a 654-acre annexation to the city in 2022), which will continue to place ever-growing demands on the District’s facilities and services. Under state law, an impact fee would have to be supported by a detailed nexus study establishing how a public agency’s plans for new facilities and services would justify the proposed fees.

### Boundaries and Sphere of Influence

Boundaries of the Soledad Community Health Care District have not changed since 1948. The District has no sphere of influence designated beyond the boundaries.

The boundaries and sphere of a health care district are different from the sphere and boundaries of most special districts. Unlike most districts, a health care district does not limit its services to district residents. State law authorizes health care districts to provide services from facilities located inside or outside the district for the benefit of both the district and the population it serves.



### Proposed Sphere of Influence Amendment

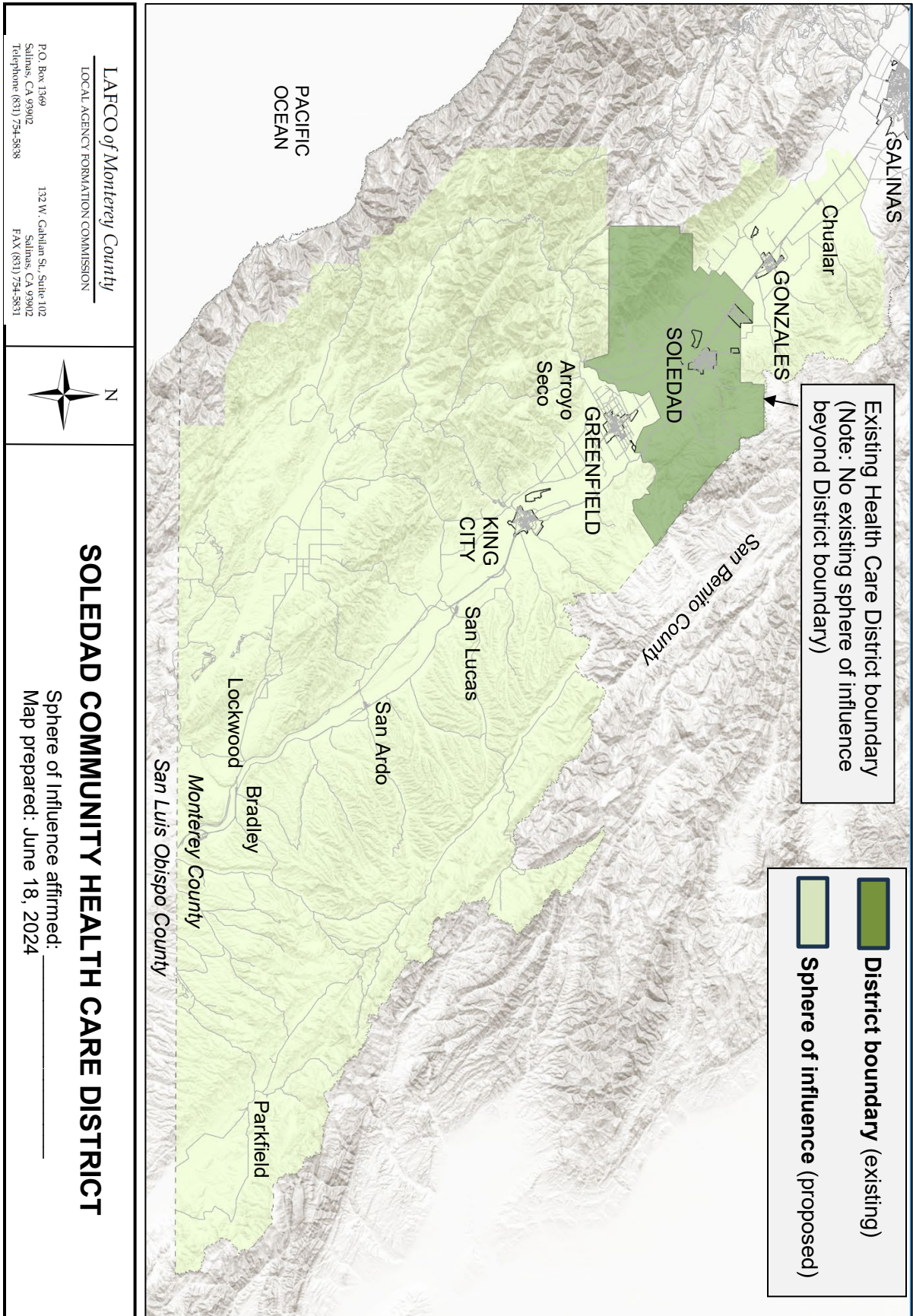
The District is proposing a sphere of influence expansion, adding the communities of Chualar, Gonzales, Greenfield, King City, San Lucas, San Ardo, and most other areas of South Monterey County to the District’s sphere. The purpose of the proposed sphere amendment is to more closely reflect the District’s actual service area, i.e., the population that is supporting and benefiting from District facilities and services. The District defines its overall service area as consisting of Primary, Secondary, and Tertiary service areas. These subareas, and the proportion of District patients residing in each of them, are as shown in the table below.

Soledad Community Health Care District facility	Primary Service Area: Within District boundaries, i.e., the area in/around Soledad	Secondary Service Area: Other parts of Monterey County	Tertiary Service Area: Outside Monterey County
Soledad Medical Clinic, incl. Women’s Health Ctr. <i>Patient visit count (% of total)</i>	34,430 (67.3%)	16,566 (32.4%)	197 (0.4%)
Eden Valley Care Center <i>Individual patients (% of total)</i>	43 (24%)	127 (71%)*	9 (5%)

\*Primarily from Salinas, Greenfield, King City, and Gonzales, in that order.

Note: Data in this table is from FY 2021-22, provided by the District.

Proposed Sphere of Influence Amendment – Soledad Community Health Care District



Residents South County areas beyond Soledad represent much of the population that comes to the District for services, as shown in the table above. (The District also provides – and is seeking to expand – a mobile clinic service that travels outside the District to meet the needs of community members who may have limited ability to travel). Fundamentally, the District’s desire to add these communities to its sphere is an expression of the District’s commitment to be prominent and supportive in meeting South County’s future health care needs. During preparation of this report, District representatives indicated that the District recognizes and embraces its emerging role as a regional health care district with a focus on clinics and nursing care.

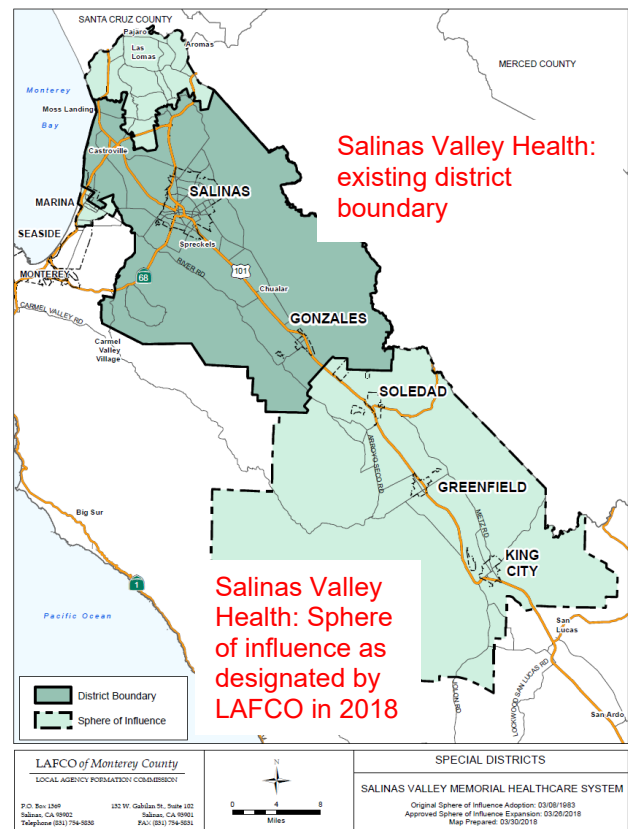
If the sphere of influence is expanded and if these areas are annexed to the District at a future date, residents would then be represented on the District’s board of directors and vote in District elections. Property owners within this expanded area would also contribute financially to the District through a portion of property tax revenues. The District is not considering any annexation proposals in the immediate future. Any proposed future annexations into the District would be subject to noticed public LAFCO hearings and protest proceedings as required by state law. Sufficient protests could terminate the action or require a public vote.

**Boundary Overlap with Salinas Valley Health**

In 2018, LAFCO approved a sphere of influence expansion for Salinas Valley Memorial Healthcare System (now Salinas Valley Health). The 2018 sphere amendment added large areas of North County and South County to SVH’s sphere as shown in light green in the map to the right. Pre-2018, SVH’s sphere included only the relatively small area between Marina and Salinas.

The Soledad District’s existing boundaries overlap with SVH’s sphere as approved in 2018. The District’s currently proposed sphere of influence amendment would increase this overlap in the areas of Chualar, Gonzales, Greenfield, and King City.

State LAFCO law (the Cortese-Knox-Hertzberg Act) does not preclude such an overlap. LAFCO staff recommends that the overlap is justifiable in this instance, in that the two healthcare districts’ services have different focuses. While SVH does operate clinics such as the Taylor Farms clinic (established in 2015) in Gonzales, Doctors on Duty, and several others, its central focus is on acute hospital care. The Soledad District’s core focus is on clinics and a skilled nursing facility (which SVH does not currently offer). In this sense, the two districts’ services are complementary, and the overlap does not represent a conflict.



**Recommended LAFCO Actions**

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

1. Determine the District’s proposed approximately 2,100-square-mile sphere of influence amendment to be exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines, and approve the sphere amendment, and
2. Encourage the District to explore the possibility of establishing its own development impact fees, and to coordinate with the City of Soledad on the possibility of Health Care District participation in City-led development agreements or future citywide revenue enhancement measures, to partly offset the impacts of future City growth on the District’s facilities and services.

## Soledad-Mission Recreation District

<b>Formation Date</b>	September 11, 1962
<b>Legal Authority</b>	Public Resources Code, Section 5780-5780.9
<b>Board of Directors</b>	Five members, with four-year terms: Typically, three City of Soledad residents and two from the District’s unincorporated area
<b>District Area</b>	Approximately 177 square miles
<b>Sphere of Influence</b>	Same as district boundaries
<b>In-District Population</b>	Estimated 25,400 – includes approximately 16,400 in “main” Soledad, 7,800 inmates in the Soledad correctional facilities (not served by the District), and 1,200 in the unincorporated rural area
<b>Annual Revenues</b>	\$862,825 (Fiscal Year 2023-2024 – projected)
<b>Employees</b>	Two full-time and approximately 25 to 35 part-time/seasonal
<b>Facilities</b>	Indoor pool and two-acre outdoor park
<b>Address</b>	570 Walker Dr. Soledad CA 93960
<b>Website</b>	<a href="http://www.soledadrec.org">www.soledadrec.org</a>
<b>Meetings</b>	Fourth Tuesdays of each month, 6:00 PM, at The Windmill restaurant (1167 Front St, Soledad)

### District Overview

#### Introduction

The Soledad-Mission Recreation District was created by special election in 1962 to provide recreational facilities and programming to Soledad and the surrounding unincorporated area. The District owns and operates an indoor pool facility at 570 North Walker Drive, within the City of Soledad. The building contains a 25-meter pool, a wading pool, and locker rooms. A two-acre park, located behind the District’s building, is open to the public and has a gravel track, benches, and picnic tables. The District’s building and park are located just east of downtown Soledad. The City Parks and Recreation Department’s Community Center is adjacent, and Gabilan Elementary School and two City parks are also nearby.

#### Facilities and Services

The District’s centerpiece has long been the aquatic facility. Completed in 1972, it is the only publicly available indoor swimming pool in the Salinas Valley south of the City of Salinas. The District also currently offers, and/or has previously offered, group activity programs such as girls’ softball league, adult and youth art classes, martial arts, summer day camp, movies in the park, tennis, volleyball, and more.

From March 2020 to June 2021, the District’s pool and related programs were closed due to the COVID-19 pandemic and shelter-in-place orders. As pandemic restriction eased in summer 2021, the District experienced a strong usership surge. However, after this initial resurgence, attendance numbers have tapered off to pre-pandemic levels. District management has suggested that one reason for the continuing decline is that local area residents are struggling with higher living costs and the effects of inflation.



For the current fiscal year to date (as of March 31, 2024, i.e., end of the third quarter) the District has logged 4,101 individual paid admissions for unstructured pool programs, 998 sessions of group swimming lessons, 525 student enrollments in after-school art programs, and various other visit counts. The District's facilities and programs are open to all. However, most participation is from Soledad-area residents. In Fiscal Year 2022-2023, the District reported non-resident fee surcharges of \$1,850 (less than 1% of total income from recreational swim and instructor-led programs). District management informally estimates that most of the pool facility's out-of-district users are from Greenfield and King City.

In the last several years, the board of directors has renewed its focus on developing a strategic approach to ensure the District's long-term viability. In 2021, the District convened a task force to obtain community ideas and perspectives. The task force's recommendations focused on improving the aquatic facility and exploring ways to enhance and expand services.

The District's pool facility is over 50 years old. The board has expressed a strong interest in both comprehensively rehabilitating the facility's systems and equipment to be more energy- and water-efficient, and in expanding the building to meet the needs of a growing community with a large youth population. In 2022, an architectural firm prepared two development concepts for consideration. The District currently estimates the full cost of this reinvestment project to be at least \$10 million to \$15 million, depending on the scope of the options eventually selected.

In October 2023, State Senator Anna Caballero was instrumental in securing a \$400,000 legislative earmark to help fund pool improvements and maintenance. In early 2024, the District issued a request for proposals (RFP) seeking a strategic planning consultant to explore and evaluate financing options – such as a bond measure or a proposed parcel tax – to fund facility improvements and enhance the District's services. The District had previously hired a consulting firm to prepare an economic analysis of the District's operations and financial trends but discontinued that effort in 2022.

#### Governance and Staffing

The District is governed by a five-member board of directors. Traditionally, the County Board of Supervisors appoints two District board members from unincorporated areas of the District. Three board members are Soledad residents who are appointed by the Soledad City Council. In the past, some City appointments to the District's board have also involved an approval action by the County Board of Supervisors; however, this has not been a consistent practice and does not appear to be required by state law. Board member recruitment and retention have sometimes been difficult in recent years. Currently, only three board members – two City and one County – are actively seated. Two board member seats (one each from the City and County) are vacant.

In 2023, Board member turnover and vacancies raised questions about whether the District board's traditional 3-2 composition is required by law or if it could be changed to 4-1, i.e., four City-resident board members and one County member. State law for recreation districts (Public Resources Code, Section 5780+) does not appear to include numerical provisions on this specific matter, and the District does not currently have bylaws to provide guidance on this item. However, the District is currently working with a legal firm to begin developing District bylaws. When adopted, the bylaws could include provisions clarifying this matter in the future.

The District has two full-time staff: a longtime general manager and a facilities manager. Other staffing is provided by up to 35 part-time seasonal employees mainly employed as lifeguards.

#### Potential for Increased Integration with the City of Soledad's Programs

In November 2020, voters in the City of Soledad approved Measure S, authorizing an additional sales tax of 0.5% and thereby generating an estimated \$900,000 per year, or possibly more, for recreation and related programs.<sup>4</sup> The tax went into effect in April 2021. Passage of Measure S provided funding for the City to

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<sup>4</sup> Per the November 2020 ballot language, Measure S would generate an estimated \$900,000 for “youth recreation programs and facilities, arts and science programs, senior programs and services, animal welfare programs and



establish its own Parks and Recreation Department. The City discontinued its previous contract with South County YMCA and now directly operates its own programs out of the City-owned community center located next door to the Recreation District's pool facility. The City's community center contains basketball courts and a workout room, among other amenities.

The incorporated area (city) of Soledad is fully within the Soledad-Mission Recreation District's boundaries. Residents of the "main" city, excluding the prisons, are about 65% of the in-District population. The two prison facilities, which are within city limits, represent another approximately 30%. Only about 5% of the in-District population lives in the rural unincorporated area outside the city. Thus, the City's and the District overlap and serve mostly the same population within their boundaries (in addition to people who live outside either agency).

The new city department with recreation services and programs is essentially co-located with the Recreation District, an independent special district that provides its own services and programs. The physical proximity is an opportunity for these two agencies to complement each other and provide a fuller range of offerings. However, the existence of an overlapping municipal parks department and recreation district also naturally raises the question of whether City-District integration, in some form, is feasible and possibly more efficient than the current arrangement.

There is a range of possible scenarios for integrating the City's and District's recreation programs. For example, the two agencies could coordinate on program offerings and schedules and offer a shared pass granting access to both facilities (as the City and District already do). Moving toward more integration, the two agencies could share administrative oversight – for example, one individual could serve as the director for both agencies.



The City and District could also consider entering into an agreement by which the District would completely turn its operations over to the City. In this scenario, the City could operate the District's

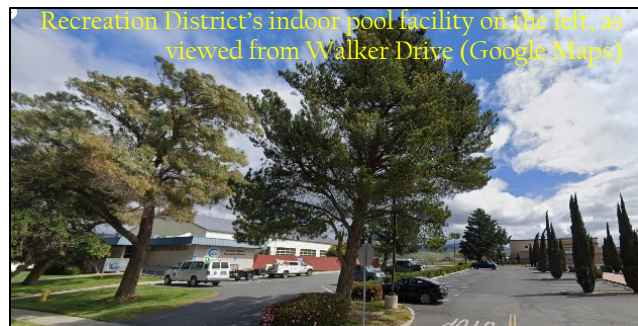
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services, daycare and other general City services." Other online sources estimate annual Measure S revenues to vary from \$950,000 to upward of \$1 million. As a sales tax enhancement, actual Measure S revenues will naturally fluctuate from year to year.

facilities on the District's behalf, in exchange for the District providing all or most of its annual revenues to the City. The District would continue to exist and maintain a board of directors, but its main function would be to collect property tax revenues from both the incorporated and unincorporated area and pass these funds through to the City. This arrangement would be similar to a model that has already long existed in Soledad, whereby the City provides fire and emergency medical services by contract to the outlying unincorporated area within the Mission-Soledad Rural Fire District, and the Fire District turns its annual revenues over to the City. A similar City-District model for fire and emergency medical services has also been in place successfully in Greenfield since 2018.

In January 2021, the City Council and the Recreation District's board held a joint meeting session to begin exploring potential City-District integration scenarios. Representatives of both agencies also met with LAFCO staff in 2021 to review organizational options for City-District integration. The two agencies formed a committee that held several meetings through summer 2022. However, to date, the City and the District generally continue to operate independently of each other. As part of this study, District representatives clearly expressed their perception that the City should more actively engage and collaborate with the District.

Some of the challenges for more substantively integrating City and District recreation services may include the relative newness of the city's department (approximately three years in existence) and the need for costly reinvestments at the District's aquatic facility. City personnel who reviewed a draft of this study also expressed potential concerns about impacts to City staffing levels and responsibility for auditing District finances in the event of a City-District integration. However, while this study was being prepared, management of both District and City expressed interest in reconvening their committee – dormant since 2022 – to continue exploring expanding City-District partnerships. It should also be noted that the City of Soledad underwent a change in leadership (new city manager) in May 2023.



The Recreation District also partners with the Soledad Unified School District for high school swim team and other programs. In 2023, diving blocks for swim team use were installed at the indoor pool. In addition to meeting a community need, the partnership between the Recreation and School Districts provides an important revenue source for the Recreation District as outlined below in the Financial Summary section.

### Compliance with State Legal Requirements and Best Practices

The District is generally compliant – or is actively working toward compliance – with key requirements of state law and best practices. The District prepares and approves an annual budget and files the required Financial Transaction Reports with the State Controller's Office. The District is currently three years behind in completing annual audits. The most recent completed audit was for FY 2019-20. The District is working with their auditor to ensure completion of audits for the fiscal years ending in 2021, 2022, and 2023. As of this study's completion in mid-June 2024, District management stated that the auditor's work is anticipated to be complete by the end of the month.

Board meetings are open and accessible and are publicly noticed in accordance with the Brown Act. District Board members receive the State-required ethics training and sexual harassment prevention training at least every two years. Board members and applicable staff submit Form 700 Statements of Economic Interests as required by the State.

The District maintains a website, [www.soledadrec.org](http://www.soledadrec.org). The website provides useful information such as the District's hours of operation, programs, contact information, finances, governance, and board meetings. As of this writing, some of the information about board vacancies and meetings is out of date. However, District staff is aware of the issue and is in the process of switching to a different web hosting service to improve the site and make the necessary updates.

The District does not currently have adopted bylaws or written policies and procedures for board governance. However, development of bylaws is in progress, in consultation with the District's legal counsel. State law for recreation and park districts does not specifically require adoption of bylaws. However, adoption of bylaws can significantly help guide and structure a district's governance in matters such as the City-County board member composition issue discussed in the Governance and Staffing section, above. The District maintains written employee policy manuals. District management is working on comprehensively updating the existing staff policy manual, in consultation with a human resources consulting firm, to stay current with evolving laws and regulations.

### Financial Summary

The District's most recent available audit (Fiscal Year 2019-2020) indicated a net position of \$452,340 as of June 30, 2020, including a total general fund balance of \$193,144. The general fund was up from \$171,333 at the end of Fiscal Year 2018-2019.

Fiscal Year	Beginning-of-year net position*	Total revenues	Total expenses	Change in net position	End-of-year net position
2019-2020 (audited)	434,996	519,547	502,203	+17,344	452,340
2020-2021 (actual)	452,340	444,664	400,931	+43,733	Not yet established by audits; \$726,063 as of 3/31/2024, per the District's most recent quarterly balance sheet
2021-2022 (actual)	Not yet established by audits	789,879	836,766	-46,887	
2022-2023 (actual)		791,037	765,418	+25,619	
2023-2024 (budgeted)		862,825	843,190	+19,635	

\* Total assets minus total liabilities; this metric includes the District's real property (land and buildings).

The District is currently three years behind in completing annual audits. However, the District has an existing contractual relationship with an accounting firm, which is working on completing the prior-year audits as discussed above.

The most recent unaudited quarterly balance sheet – as of the third quarter, ending March 31, 2024 – showed total current assets (i.e., cash and other high-liquidity assets) of \$341,401, current liabilities of \$56,675, and a net position (reflecting all assets, net of liabilities) of \$726,063.

The current adopted (FY 2023-24) budget anticipates revenues of \$862,825 and expenses of \$843,190, resulting in a projected modest net gain of about \$20,000 for the fiscal year. Based on not-yet-audited data, the District also achieved a net gain of about \$25,000 in Fiscal Year 2022-2023. However, that year's income also included about \$52,000 in COVID-19 relief funding. District management states that actual revenues in the current fiscal year are tracking somewhat below the budget's projections, but so are some District expenditure categories, particularly for hourly employee costs and utilities.

The District's finances appear to have improved substantially since LAFCO's previous (2015) municipal service review and sphere of influence study, when the District had only \$91,310 in general fund assets as of the end of FY 2013-14 (down 45% from the prior year, FY 2012-13). At that time, the District was in severe financial distress and was quickly depleting its funds due to several factors, including reduced property taxes in the wake of the recession, escalating costs, and debt service on a loan for necessary pool repairs.

Stabilizing the District's finances appears to have been made possible through a combination of increasing annual property tax revenues (up from about \$345,000 in 2019 to \$448,000 in 2024)<sup>5</sup>, higher revenues from swimming and other programs (also up about 50% in the last five years), and managing costs. An existing partnership MOU with the Soledad Unified School District has also provided revenue diversification and growth. Notably, the Recreation District's current fiscal year budget includes \$191,000 in transfers from the School District for high school swim team, summer swim programming, and summer school (up from \$32,000 five years ago). Expenses – mostly salaries, wages, and other staffing costs – have increased (up about 25% between 2019 and 2024), but have gone up at a lesser rate than the District's revenue growth.

Although the financial situation is markedly improved from 2015, the District continues to operate on a relatively tight margin. The District is covering its operating costs in the current fiscal year and in three of the four prior years (FY 2021-2022 ended with a net loss of about \$47,000). However, as outlined above, the indoor aquatic facility is an aging building in need of costly reinvestment, and current revenue sources provide very little ability to set aside any funds to build reserves for capital needs. The District does not currently have its own development impact fees – similar to fees imposed by cities, counties, and school districts – that would apply to future construction within district boundaries.

District management identified that soaring insurance costs pose an ongoing challenge, with workers compensation insurance and liability insurance having risen approximately 50% and 154%, respectively, between 2018 and 2023. The dramatic rise in liability insurance appears to stem not from issues specific to the Soledad Recreation District but, rather, from significant natural disaster-related losses across both the “pooled” insurance group and the nation at large.

### **Boundaries and Sphere of Influence**

The District's boundaries include approximately 177 square miles of lands centered on the City of Soledad. No sphere of influence is designated beyond existing district boundaries. The Greenfield Public Recreation District lies adjacent to part of the southern boundary. No other recreation districts are in the nearby area. The City of Gonzales, about two miles to the north of the District's boundaries, provides additional recreation programs and services. Except for low-density housing along Arroyo Seco Road, most lands near the District's boundaries, including in San Benito County, are mainly used for agriculture. District representatives believe the current boundaries and sphere of influence are appropriate. LAFCO staff concurs that there are no nearby areas that warrant addition to the District's boundaries or sphere.

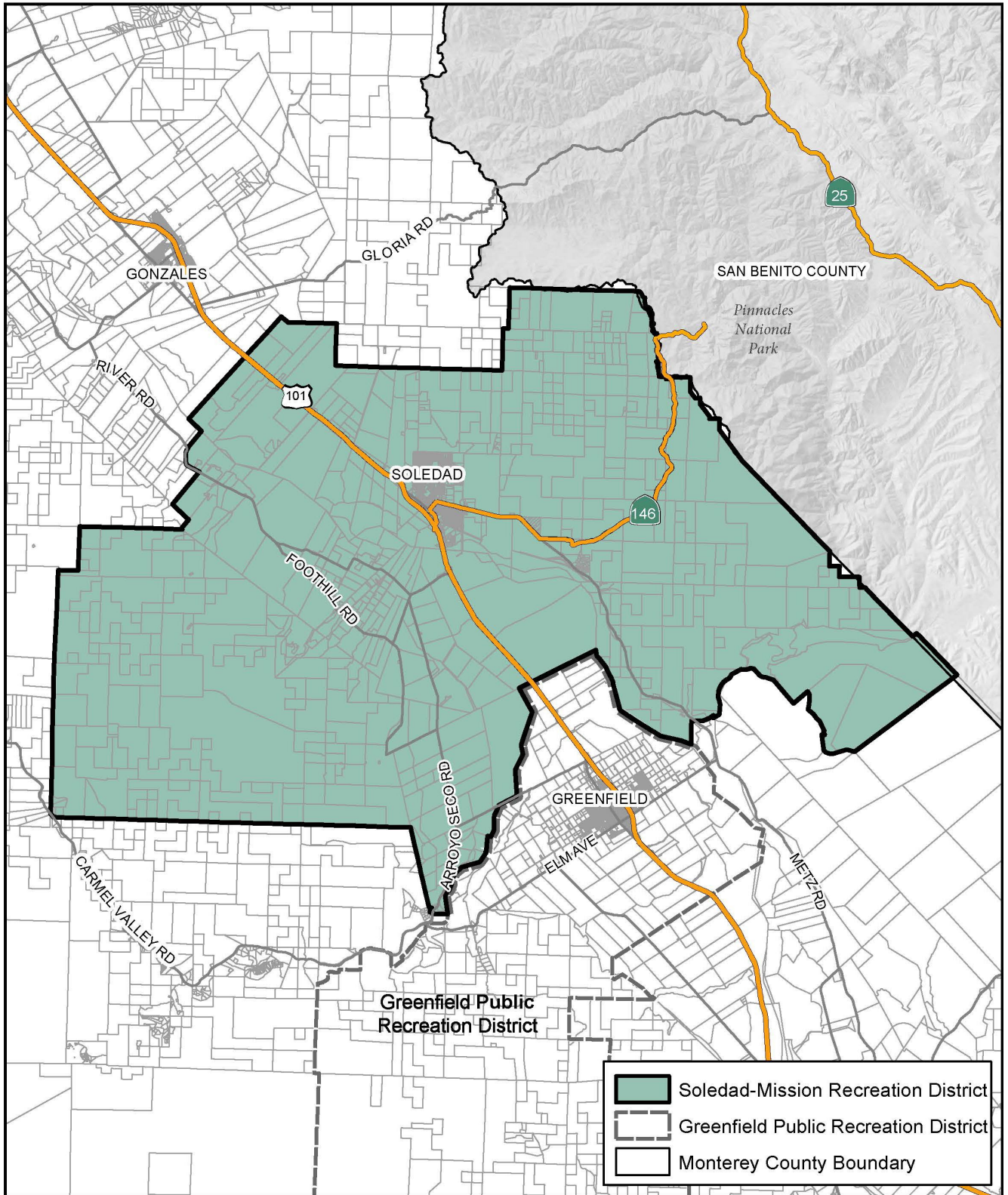
### **Recommended LAFCO Actions**

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

1. Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District's existing jurisdictional boundary), and
2. Encourage the District to:
  - Continue to explore potential partnership opportunities with the City of Soledad for program offerings or shared services such as administrative and financial oversight,
  - Explore the possibility of establishing its own development impact fees, and to coordinate with the City of Soledad on the possibility of Recreation District participation in City-led development agreements or future citywide revenue enhancement measures, to partly offset the impacts of future City growth on District facilities and services, and
  - Consider working with the Soledad Cemetery District to co-fund a feasibility study, in coordination with the City of Soledad, to evaluate potential City-District integration options for improving delivery of municipal services to the overall Soledad community, including the surrounding unincorporated area.

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<sup>5</sup> Property taxes represent about 55% of the District's projected revenues in the current year, which is roughly consistent with prior years. LAFCO's previous (2015) MSR stated: “Within a given fiscal year's budget, property taxes typically provide a little over half the District's revenues. Most of the remainder comes from swim-related and other recreational programs such as water aerobics and softball. About 10% is generated by fundraisers, concession sales, and other miscellaneous sources.”

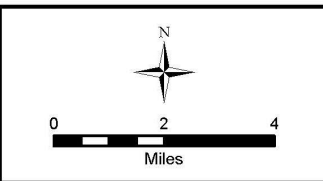


- Soledad-Mission Recreation District
- Greenfield Public Recreation District
- Monterey County Boundary

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

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 Salinas, CA 93902  
 Telephone (831) 754-5838

132 W. Gabilan St., Suite 102  
 Salinas, CA 93901  
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RECREATION AND PARKS DISTRICT

**SOLEDAD MISSION RECREATION DISTRICT**

Sphere of Influence is Coterminus with District Boundaries  
 Map Prepared: 9/1/2015, Sphere affirmed 12/07/2015

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## Soledad Cemetery District

<b>Formation Date</b>	June 14, 1937 per LAFCO's records (reportedly 1926, per the District's records)
<b>Legal Authority</b>	Health & Safety Code, Sections 9000-9093
<b>Board of Directors</b>	Five-member governing board whose members are appointed to four-year terms by the Monterey County Board of Supervisors
<b>District Area</b>	Approximately 276 square miles
<b>Sphere of Influence</b>	Same as district boundaries
<b>In-District Population</b>	Estimated 25,400 – includes approximately 16,400 in “main” Soledad, 7,800 inmates in the Soledad correctional facilities, and 1,200 in the unincorporated rural area
<b>Annual Revenues</b>	\$183,288 (Fiscal Year 2019-2020; unaudited/self-reported by the District)
<b>Employees</b>	One full-time groundskeeper
<b>Address</b>	1711 Metz Road, Soledad CA 93960
<b>Meetings</b>	Second Thursday of the month at the cemetery; recently returned to a monthly meeting schedule after a several-year period of meeting every other month

### Summary and Background

#### Introduction

The District maintains one cemetery on Metz Road, within the City of Soledad. The District provides burial space, maintenance of cemetery grounds, and opening and closing services for approximately 30 interments per year.

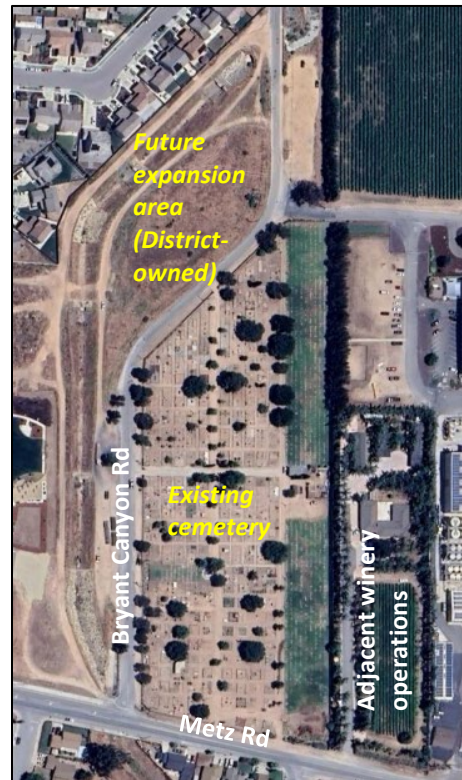
#### Facilities and Services

The cemetery was originally 8.5 acres in area. The District purchased adjacent land in 1957, increasing the total acreage to eleven. At the time of LAFCO's previous (2015) municipal service review, District representatives estimated that the cemetery had twenty years of burial capacity remaining. In 2018, the District received a donation of an approximately six-acre parcel across Bryant Canyon Road from the existing cemetery. This land donation will eventually increase the cemetery's service life and capacity. However, the District does not yet have any specific plans or a timetable for expanding the cemetery onto this site.

#### Governance and Staffing

Board member (trustee) recruitment and retention has been problematic in the recent past. Within the previous year two longtime trustees have resigned or not been reappointed. In April 2024, while this study was underway, another longtime trustee reportedly stated his intention to resign but then opted to stay. Currently, four of the five trustee seats are occupied. Two of the current trustees were appointed to the board in May 2023, one was appointed in February 2024, and one in May 2024.

The District currently has only one full-time employee, whose duties include grounds maintenance, sales, and customer-service



interactions. In previous years, the District shared a part-time general manager with the neighboring Gonzales Cemetery District. There is currently no general manager or business manager to provide administrative and financial oversight, meaning that the trustees must try to directly manage most District business. The District also currently lacks legal counsel. An independent contractor has provided bookkeeping services in several recent years. As this study was being drafted, it was unclear as to whether the bookkeeping service would be continuing with the District, going forward.

### Community Concerns

Beginning in December 2022, LAFCO staff has become aware of multiple complaints regarding cemetery maintenance and upkeep, gravesite vandalism, loud music and after-hours gatherings, as well as possible “double-selling” of cemetery plots (i.e., some cemetery plots were reportedly sold to buyers who were unable to inter family members because the same plot had subsequently been sold to someone else and then used for an interment).<sup>6</sup> Several community members also reported difficulties in being able to reach District staff or board trustees, after multiple tries, to address these and other urgent concerns. Trustees have expressed concern about the possibility of future legal actions being brought against the District stemming from these issues.

In response, in March 2023 LAFCO staff provided an orientation and training session on district responsibilities to the District’s then-current board of trustees (only one of whom is still actively serving on the board). Staff also coordinated with City representatives about the ongoing concerns regarding the Cemetery District and gave an informational presentation to the Soledad City Council in June 2023. However, the District’s governance and operational issues remain unresolved. The District remains significantly out of compliance with requirements of state law and best practices for public agencies as further discussed below.

### District Management and Governance: Options for Potential Consideration

This study’s recommended actions, at the end of this chapter, include requesting that the District take immediate action to seek entering into an administrative services agreement with a nearby public agency such as the City of Soledad or one of the neighboring public cemetery districts. This recommendation is intended to provide experienced financial management and administrative oversight, by contract, either indefinitely or for a shorter duration, as needed, for the District to stabilize its operations and procedures.

In preparing this study, LAFCO staff consulted with City of Soledad management staff on the possibility of a future contractual agreement between the City and the Cemetery District. Such an agreement could be limited high-level administrative/financial oversight or could extend to the City carrying out all the cemetery’s operations on the District’s behalf. City staff indicated that some form of contractual arrangement might be feasible subject to further study, availability of qualified City staff, adequate assurances as to the District’s financial stability, and review and approval by the City Council.

Alternatively, state law (Health and Safety Code, Section 9026) provides a mechanism by which a county board of supervisors can hold a public hearing and adopt a resolution to terminate a cemetery district’s board of trustees and appoint itself as the district’s board of trustees. This scenario is not known to have occurred in Monterey County, but it is a legally available possibility for consideration.

Formal dissolution by LAFCO is another potential option for public agencies that have persistent, unresolved issues. Following a public process (initiated by the County, the City, another neighboring public agency, private petition, or LAFCO) and approval by LAFCO of a dissolution plan, ownership and operation of the cemetery could transfer to either a public agency or a private cemetery operator.

### **Compliance with State Legal Requirements and Best Practices**

The District does not comply with essential State law requirements and best practices for special districts. The County Auditor-Controller’s records indicate that the District’s most recently submitted audit was for Fiscal Year 2018-2019. However, the audit is no longer on file at the County and has not been made

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<sup>6</sup> State law (Health and Safety Code, Section 9069 – Interment Rights) establishes that a purchaser of a burial plot in a public cemetery has a transferrable property interest that may pass to a family member or other designated successor.



available to LAFCO. The District does not currently have any agreement in place with an accounting firm to prepare audits.

The District has not adopted an annual budget for Fiscal Year 2023-24 and does not appear to have adopted a budget for the prior year. It is unclear when a budget was last adopted. State law (Health and Safety Code, Section 9070[a]) requires cemetery districts to adopt an annual budget by August 30, 2024 and forward a copy to the County Auditor-Controller.

Based on data at the State Controller's Office website, it appears that the District did not report prior fiscal year revenues, expenses, and employee compensation ("Financial Transaction Report") with the State by January of the calendar years 2024, 2023, or 2022 as required by law.

Required training on ethics and harassment prevention, and annual filing of Form 700 for all board members, have not been completed. The District's board has held some public meetings in recent years, but the number and frequency of meetings is unclear. Recent-year meetings have occurred at the District's office, which is a shed-like building on the cemetery grounds. It is unclear whether any of the District's recent meetings have complied with the Brown Act's open meeting requirements such as posting of a meeting agenda and accessibility to the public.

The District does not currently have a website (a requirement of state law for all special districts since 2020 unless a district periodically makes specific hardship findings, which the Cemetery District has not done). However, the District does have an adopted policy manual that includes meeting bylaws, a conflict-of-interest code, regulations and policies for family burial plots, and many other provisions.

Current trustees are aware of the urgency of addressing the compliance problems identified in this study. In discussions with LAFCO staff, a trustee acknowledged that the District needs experienced high-level oversight (general manager-type services), legal counsel, and audit services. LAFCO staff provided a referral to the County Counsel Office. County Counsel provides fee-based services, by contract, to various independent special districts – including several in the Greenfield area, prompted by LAFCO's 2023 Greenfield-area MSR – and is experienced in helping these agencies achieve compliance with legal requirements and implement best practices. The District's representative also expressed a desire to keep board trustee positions filled, re-establish regular monthly meetings, ensure posting of agendas, seek a more adequate and accessible meeting space, set up a District website, and generally make the Cemetery District a much more open and accountable asset for the Soledad community.

### **Financial Summary**

No recent annual audits, recent unaudited financial statements, or annual Financial Transaction Report filings to the State Controller's Office have been made available to LAFCO. During the preparation of this study, District representatives did not provide any current or recent basic financial statements such as a balance sheet, income statement, or check register. Current board members appear to have obtained only limited access to the District's records. Therefore, the District's most recent available – but limited – financial status is based on:

1. A previous annual filing by the District to the State Controller in 2021, reporting on Fiscal Year 2019-2020 data (i.e., unaudited/unverified data from almost four years ago)
2. The District's balance sheet as of June 30, 2023, and income statement for January through June 2023, both of which were prepared for internal use by the District's previous bookkeeping service (i.e., unaudited/unverified data). District trustees provided these documents to LAFCO staff in early May 2024. Trustees noted many apparent errors and inconsistencies in the statements. They also indicated they had questions about some of the individual financial transactions (payments) reflected in the 2023 income statement. These issues have not yet been thoroughly vetted by the District or by any accounting/auditing service.
3. Fund-balance information as of June 30, 2023, provided by the County of Monterey Auditor-Controller (the District's funds are kept on deposit in the County treasury).

In summary, because of the District’s inadequate financial oversight and recordkeeping, the District’s financial position cannot be known with any degree of certainty. The data shown in the table below is incomplete, unverified, and must be audited by a qualified accounting firm to enable a complete and accurate understanding of the District’s finances. However, the limited available information suggests that:

- The District is not operating at a deficit, i.e., revenues appear to be higher than expenses.
- The District has substantial cash on deposit in the County of Monterey treasury. In May 2024, the County Auditor-Controller’s staff informed LAFCO that the on-deposit funds were \$495,089 as of June 30, 2023. The Auditor-Controller also stated that no property tax revenue or other funds had been requested by, or transferred to, the District since at least 2020. The District’s annual allocations of property tax revenue have been accumulating in the County treasury without being transferred to the District or otherwise spent. This information suggests that the District is making routine deposits (from plot sales, burial services, etc.) into, and paying bills out of, a different account. The District’s June 30, 2023 balance sheet indicated a balance of \$127,797 at a local bank branch (Union Bank).
- The District’s endowment fund appears to be intact and healthy. LAFCO’s previous MSR for the District, in 2015, discussed that “Only the interest earned on this State-required trust fund may be used for the care, maintenance, and embellishment of the cemetery. The endowment fund principal must be maintained in perpetuity and is not available to be spent.” In 2015, the District’s (unaudited) balance sheet identified the endowment fund as \$143,265. In May 2024, the County Auditor-Controller stated that the endowment fund balance was \$269,429 as of June 30, 2023.

Fiscal Year	Revenues	Expenses	End-of-year fund balance
2018-2019 (audited)*	218,528**	Missing data (LAFCO did not receive a copy of the audit in time for the draft MSR)	
2019-2020 (unaudited)	183,288**	Missing data	401,732**
2020-2021	Missing data		
2021-2022	Missing data		
2022-2023 (unaudited)	<u>Second half</u> of the fiscal year only (Jan.- June 2023):		495,089 cash, on deposit with the County^^ 269,429 endowment (non-spendable under state law), on deposit with the County; separate acct.^ 127,797 cash, and certificate of deposit, at a bank^ 892,315 total†
	122,544^	50,674^	

\* County records show that a 2018-2019 audit was received by the County, but is no longer on file.

\*\*Unaudited data reported by the Cemetery District to the State Controller’s Office. Note: the reasons for the approximately 16% reduction in revenues from the prior year are unclear.

^Per the District’s income statement and balance sheet as of June 30, 2023 (unaudited). The District did not provide data for the first half of the fiscal year.

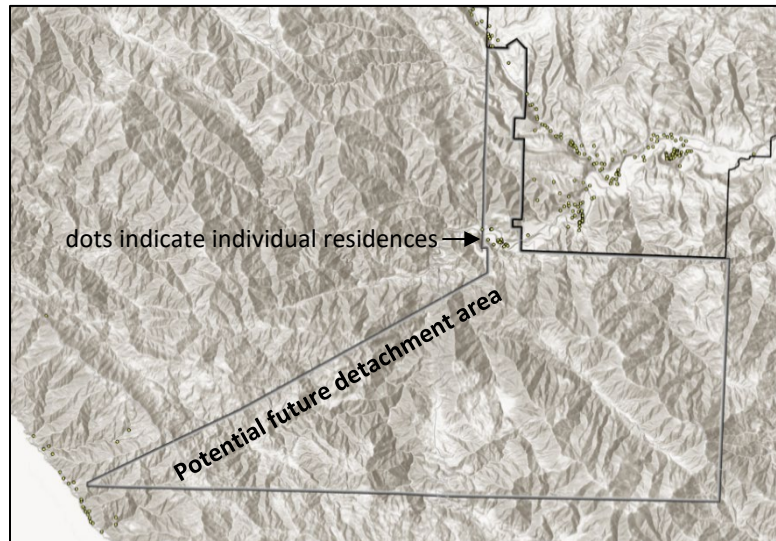
^^Per the County Auditor-Controller (email correspondence, May 2024).

† The District’s June 30, 2023 balance sheet showed “Total Bank Accounts” as \$733,354. However, this total includes an apparent error (two separate entries each in the amount of \$114,778.57). The District’s 6/30/2023 balance sheet did not specifically reference the endowment fund.

## Boundaries and Sphere of Influence

The District's boundaries include an approximately 67-square-mile area that the 2006 and 2015 MSRs incorrectly identified as being outside the District's boundaries within the sphere of influence. This area appears to have been part of the District's original boundaries as established in 1937, predating the advent of LAFCOs statewide in 1963. The area mostly consists of federally owned Los Padres National Forest lands, but also contains approximately 15 to 20 residences.

It is unclear why this mostly uninhabited area is in the Cemetery District (although not within the Soledad Recreation or Health Care Districts). There is little incentive for the Cemetery District to request detachment of this area, because of the time and expense involved and because detachment would slightly reduce the District's property tax revenues. However, in the event of a boundary change proposal sometime in the future, all or part of this area – potentially only the uninhabited portion – should be considered for detachment from the District.

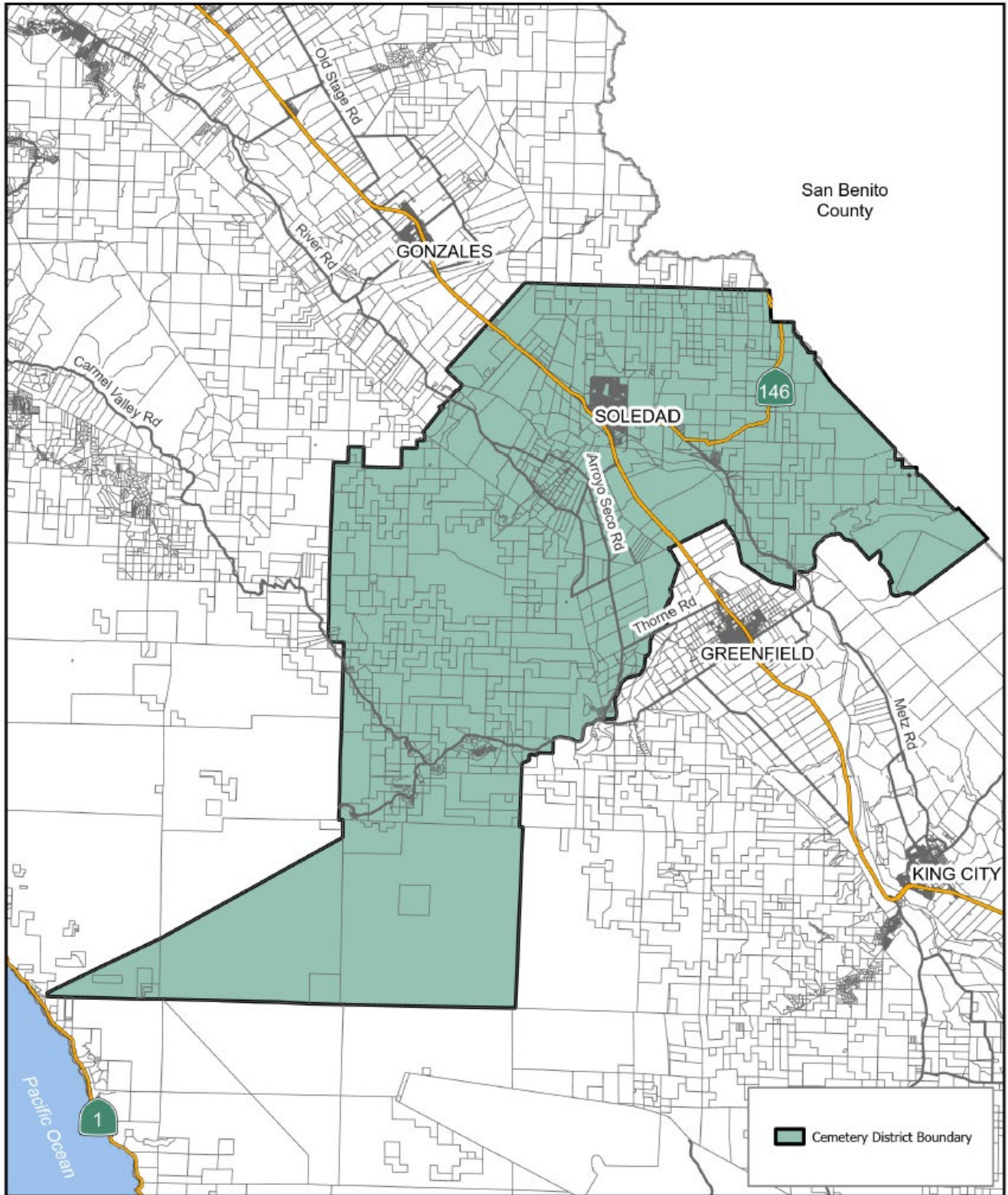


LAFCOs cannot detach lands from an agency unless a request for detachment is initiated by the agency itself, another public agency that overlaps it, or – less typically – a private petition that meets certain criteria specified in the Cortese-Knox-Hertzberg Act. No future boundary change proposals appear likely, given the adjacent boundaries of the Gonzales, Greenfield, and King City Cemetery Districts to the north and south that restrict the Soledad district's potential to expand.

## Recommended LAFCO Actions

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

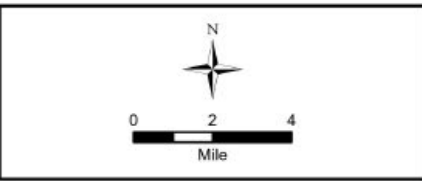
1. Reaffirm a coterminous sphere of influence (i.e., no sphere of influence beyond the District's existing jurisdictional boundary),
2. Authorize the Executive Officer to proceed with corrective measures to address the Cemetery District's lack of compliance with state legal requirements and best practices, as follows.
  - a. Request that the District, as a first priority, take immediate actions to meet legal requirements for financial management and administrative oversight:
    - Adopt an annual budget for the upcoming Fiscal Year 2024-25 by August 30, 2024 and forward a copy to the County of Monterey Auditor-Controller as required by state law for public cemetery districts (Health and Safety Code 9070(a)),
    - Retain a qualified audit consulting firm to perform financial audits for FY 2022-23 and 2023-24,
    - Retain legal counsel to provide high-level guidance on compliance with state legal requirements and potential future legal actions against the District, and
    - Seek an administrative services agreement with the City of Soledad or another nearby public agency such as the Gonzales, Greenfield, or King City Cemetery District, whereby the agency would provide administrative, financial, human resources, operational, or other services, by contract, on either an interim or long-term basis. *(list of recommendations continues, below)*



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

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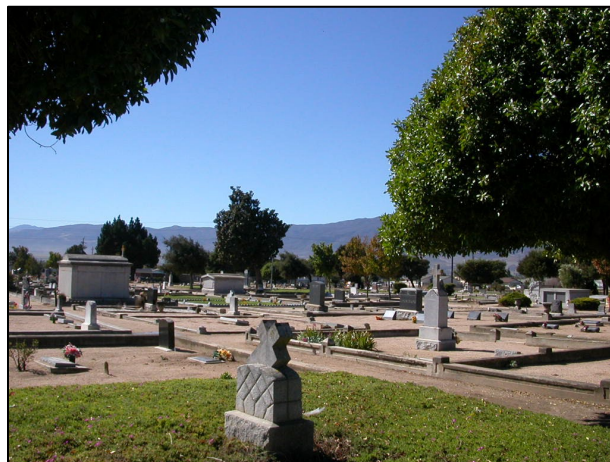


**CEMETERY DISTRICTS MAP**

**SOLEDAD CEMETERY DISTRICT**

Last LAFCO-Approved Change: 02/22/1983  
 Sphere of Influence Affirmed: 12/07/2015  
 Map Prepared: 05/16/2024

- b. Request that the District, as a second-tier priority, take actions to comply with other state legal requirements:
    - Complete required Form 700 (Statements of Economic Interests filings for all Board members and any applicable staff);
    - Complete required ethics and harassment prevention training for Board members and staff,
    - Comply with website posting requirements per the Brown Act and other state laws (AB 2449)
  - c. Hold a compliance progress-review meeting among LAFCO staff and District representatives approximately three months after adoption of this study;
  - d. If the District has not substantially met State legal requirements within approximately six months of adoption, involve other regulatory oversight agencies, as necessary, to pursue compliance with legal requirements; and
3. Encourage the District to:
    - Coordinate with the City of Soledad administration to return to holding monthly District board meetings at Soledad City Hall,
    - Consider working with the Soledad Recreation District to co-fund a feasibility study, in coordination with the City of Soledad, to evaluate potential City-District integration options for improving delivery of municipal services to the overall Soledad community, including the surrounding unincorporated area,
    - Adopt bylaw amendments that promote compliance with training requirements,
    - Retain a qualified audit consulting firm to conduct a performance audit (evaluations of the District’s fiscal practices and processes), and
    - Review and implement best practices recommended by the performance audits and in the Special District Leadership Foundation’s “High Performing District” checklist
  4. Encourage the County Board of Supervisors to consider terminating the District’s board of trustees, and appoint itself as the District’s board of trustees, pursuant to the process laid out in Health & Safety Code Section 9026) if the District has not substantially met State legal requirements and addressed community concerns regarding cemetery operations within approximately 6 to 12 months of this study’s adoption.



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# Determinations

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## Municipal Service Review Determinations

Per Government Code Section 56430(a)

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This section contains recommended Municipal Services determinations for the Soledad Community Healthcare, Soledad-Mission Recreation, and Soledad Cemetery Districts.

### I. Growth and population projections for the affected area

The population of these three districts is approximately **25,400**, consisting of:

- 24,200 in the City of Soledad (as of the 2022 American Community Survey update of the 2020 Census). The City's total population includes approximately 16,400 in "main" Soledad and an incarcerated population of about 7,800 in the Soledad correctional facilities; and
- 1,200 in the unincorporated rural area (approximately 5% of the overall total), with minor variations due to boundary differences among the three districts

Most population growth in Monterey County in recent decades has occurred in the cities. The Association of Monterey Bay Area Governments (AMBAG) 2022 Regional Growth Forecast projected the City of Soledad population to increase by 18% between 2020 and 2045, which is much higher than AMBAG's projection for Monterey County as a whole (11.4%).

In December 2022, LAFCO approved the 654-acre Miramonte annexation north of main Soledad's previous city limits. This development project is anticipated to add 4,137 housing units to the city (a dramatic increase of about 58%). Full build-out of this project, which has not yet commenced, may take 20 to 40 years or more.

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

The Cortese-Knox-Hertzberg Act, Section 56033.5, defines a DUC as inhabited territory (with 12 or more registered voters), located in the unincorporated county, with an annual median household income that is less than 80% of the statewide annual median household income of \$85,300 (2022 data, the most recent available).

There are approximately 100 to 200 residences in the unincorporated area within and adjacent to these districts, and most of these residences are within census block groups having median household incomes less than 80% of the statewide average.

These residences are part of a widely dispersed, rural/agricultural settlement pattern, and are generally not individually identifiable communities. However, two separate areas within the boundaries (and therefore within the spheres of influence) of all three special districts in this study do appear to meet the definition of a DUC. Both sites are in a census block group whose most recent (2022) median household income is about 64% of the statewide average. The two areas have an estimated 138 and 53 registered voters, respectively.

**A) Fort Romie;** This unincorporated settlement is located about two miles southwest of the City of Soledad. Fort Romie is. According to Wikipedia, "A post office operated at Romie from 1898 to 1900. The name honors Charles Romie, a landowner who sold the land to the Salvation Army to establish an agricultural community at the site in 1898." Today, Fort Romie appears to have about 50 households and businesses.



Homes on Colony Rd in Fort Romie (Google Maps)



**B) Camphora area – Hacienda Apartments and Eden Housing:** Hacienda Apartments is an existing, older (approximately 1950s) 24-unit farmworker housing apartment complex located approximately three miles northwest of Soledad in unincorporated Monterey County, just south of the prison site. Eden Housing’s Camphora Apartments is a 44-unit workforce housing complex built in 2016.



Camphora Apartments (source: Eden Housing)



Hacienda Apts. (L) and Camphora Apartments (R)

Under existing state law (the Cortese-Knox-Hertzberg Act), if a city annexation greater than 10 acres is proposed adjacent to a DUC, LAFCO cannot approve the annexation unless and until an annexation application is submitted for the adjacent DUC. LAFCO is unaware of any plans or interest in future annexation of areas that are adjacent to Fort Romie or Camphora into the City of Soledad.

**3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs and deficiencies (including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any DUCs within, or contiguous to, the sphere of influence)**

Soledad Community Health Care District: The Health Care District provides a range of high-quality services in modern facilities, including a Women’s Health Center that opened in 2020.

Soledad-Mission Recreation District: The Recreation District is capably providing services, centered on an indoor pool facility that is the only resource of its kind in the area. However, the pool building needs costly reinvestments.

Soledad Cemetery District: The District’s existing cemetery is nearing its capacity. An adjacent expansion parcel is available and now under the District’s ownership, but no planning or development of this parcel has yet occurred. In recent years, the District’s services and operations have been markedly deficient.

The adequacy of facilities and services for each of these three districts is discussed in more detail in the previous District Profiles section of this study.



DUC needs and deficiencies: In 2012, LAFCO approved an out-of-agency extension of City of Soledad sewer service to the Camphora Apartments parcel (the site redeveloped by Eden Housing in 2016). The older, adjacent Hacienda Apartments site is now developing problems with both wastewater and domestic water. LAFCO's May 2024 Anticipated Agenda Items report states: "The [Hacienda] apartment complex is currently served by a failing septic system and a water system that exceeds the maximum contaminant level for nitrates. In 2023, the Soledad City Council received a presentation from consultants regarding the Hacienda Apartments' water system's needs assessment, and the identified preferred feasible option for a water system consolidation. The City Council expressed concerns about the condition of the property and ensuring that the City was made whole in terms of costs. The County of Monterey would need to complete a significant amount of work for potential City extension of services to move forward. Since the apartments to be served are in the County's jurisdiction, the County will need to take the lead. As a result, the City has no plans to move forward with an out-of-agency extension of services application to LAFCO until the County prepares the necessary documents. LAFCO staff participated in an initial meeting of City, County, Central Coast Water Board, and Rural Community Assistance Corporation (RCAC) staff in 2023."

#### **4. Financial ability of agencies to provide services**

The demands on the three Soledad-area public agencies, and the financial resources available to meet those demands, vary by agency. This study's District Profiles section provides details of the three agencies' financial status and challenges.

It is important to note that, for the Cemetery District, no recent financial data was made available to LAFCO. The Cemetery District does not appear to have any internal records of financial statements after June 2023, has not filed required financial reports with the State Controller's Office, and it is unclear when the last audit was completed (possibly ten years ago or more). The Recreation District is currently three years behind on audits. Completion of annual audits is needed to provide an accurate picture of agency finances.

#### **5. Status of, and opportunities for, shared facilities**

The Recreation District and the City of Soledad's recently (2021) formed Parks and Recreation Department both provide recreation services and programs – to largely the same population base – and their buildings are in close proximity to each other. Workable opportunities may exist for greater integration of these agencies, as discussed in the Recreation Districts' agency profile, earlier in this study.

The Cemetery District currently lacks administrative and financial oversight staffing services. As an immediate priority, the District should seek to establish some form of an administrative services agreement with either the City of Soledad or one of the other cemetery districts in the area. (The District previously shared a part-time general manager with the Gonzales Cemetery District).

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

Each of the three districts has a board of directors that is either elected (Health Care District) or appointed (Recreation and Cemetery). For the Recreation and Cemetery Districts, board member recruitment and retention has been an ongoing challenge in recent years. At the time of this writing, both of these districts have only three board members actively seated, instead of the usual five as directed by state law. Being limited to three board members can make it difficult to achieve a meeting quorum and conduct district business. In addition, all three of the Cemetery District's current board members (trustees) have been on the board for one year or less. Lack of tenure on the board limits familiarity with the district's needs, goals, and practices.

The Health Care District's website provides a high level of information in the interests of public accountability about district operations and governance. The Recreation District's website is currently two years out of date with regarding to some content such as board meeting agendas, although district management is aware of the issue and working on updates. The Cemetery District, lacks a website (a requirement of state law since 2018), appears to have met only sporadically in recent years, and does not appear to have consistently prepared meeting agendas or minutes.

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

LAFCO of Monterey County has adopted Sphere of Influence Policies and Criteria within its *Policies and Procedures Relating to Spheres of Influence and Changes of Organization and Reorganization*. These policies and criteria were adopted, in conformance with State law, to meet local needs. The proposed sphere of influence amendment (Health Care District) and sphere affirmations (Recreation and Cemetery Districts) are consistent with local policies and criteria.

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

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

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

Current and future land uses within the study's scope are guided by the general plans of the County of Monterey and the City of Soledad. Areas outside the Soledad city limits are primarily farmlands and grazing-land uses. An approved 2016 City-County memorandum of agreement further provides for orderly and appropriate land use development in the Soledad area. The MOA's fundamental objective is to balance the preservation of open space and prime agricultural lands with the need for orderly city growth.

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

The Soledad area is projected by AMBAG to experience high growth through 2045. Most of the growth is likely to occur within city limits. In 2022, LAFCo approved a major annexation that is anticipated to increase the number of housing units in the city by almost 60%. The City provides a full range of municipal services and has adopted utility master plans and impact fees to ensure that developments within the city fund their share of the costs of city facilities. However, this benefit does not extend to the special districts in this study. Future population growth will place additional demands on all local agencies' facilities and services. None of the three special districts in this study collect development impact fees. However, higher property tax valuation associated with new development will provide substantial revenue growth for the agencies, particularly the Recreation and Cemetery Districts. Property taxes represent about 30 to 50 percent of these two districts' annual revenues, but only about three percent for the Health Care District.

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

The Health Care District operates modern facilities and high-quality medical services to meet the needs of the community. The Recreation District's pool is operational and providing services, but the building is an aging facility in need of modernization. The Cemetery District is approaching capacity (an adjacent District-owned expansion parcel is available) but has been derelict in administrative and financial oversight in recent years. The adequacy of facilities and services for each of these three districts is discussed in more detail in the previous District Profiles section of this study.

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

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

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

None of the three districts in this study provide water, wastewater, or fire protection facilities or services. However, as discussed in MSR determination #2, two areas outside the City of Soledad (Fort Romie and Camphora) appear to meet the Cortese-Knox-Hertzberg Act's definition of a DUC. There is a present and/or probable future need for municipal water and sewer services to be provided to the Hacienda Apartments site in Camphora due to groundwater contamination. See MSR determination #3 for additional information.

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## Sources and Acknowledgements

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Information that LAFCO received from the three special district representatives was essential in developing this study. Special district representatives, and also City staff, met with LAFCO staff and provided copies of audits, financial statements, budgets, policies and procedures, and other valuable input. LAFCO's earlier Municipal Service Review and Sphere of Influence Studies provided additional background information about the City and special districts. LAFCO staff also utilized:

- Information provided by the Association of Monterey Bay Area Governments ("AMBAG") 2022 Regional Growth Forecast, published in June 2022; the 1990, 2000, 2010, and 2020 U.S. Censuses; and 2022 National Funeral Directors Association Cremation & Burial Report;
- The State Controller's By the Numbers website (<https://districts.bythenumbers.sco.ca.gov/#!/year/default>);
- The State Controller's "Special Uniform Accounting and Reporting Procedures" 2023 Edition ([https://www.sco.ca.gov/Files-ARD-Local/spd\\_manual\\_2023\\_edition.pdf](https://www.sco.ca.gov/Files-ARD-Local/spd_manual_2023_edition.pdf));
- The Special District Leadership Foundation's "High-Performing District Checklist" (<https://www.co.monterey.ca.us/home/showpublisheddocument/127719/638381500908573245>);
- The California Special Districts Association's "Special District Board Member Handbook" (<https://www.co.monterey.ca.us/home/showpublisheddocument/127717/638381500899198137>).