

CSA 5 – Canon del Sol  
FAQs

**1. Why is CSA 5 – Canon del Sol (CDS) facing a 20% rate increase next year?**

A retaining wall at the wastewater treatment plant required emergency repair last winter, which was completed by the County using a hired contractor between September 2023 – December 2023. The retaining wall construction required more funds than available in the CSA 5 – CDS reserves, resulting in a \$27,702.25 budget deficit for Fiscal Year (FY) 23-24. The proposed 20% rate increase results in a positive balance in FY 24-25 and begins rebuilding the CSA 5 – CDS reserve fund. A budget summary with projected line-item expenditures for FY 23-24, 24-25 and 25-26 can be found [here](#).

**2. Why didn't the CDS Homeowners Association (HOA) replace the retaining wall itself without engaging the County?**

The retaining wall concerns were first noted by the County's wastewater treatment operator in 2020 and brought up to HOA representatives at that time. The HOA did express an interest in pursuing permitting and construction of a new retaining wall but did not make any progress over the following three years. In 2023 the retaining wall had deteriorated to the point where it endangered treatment plant staff and the ongoing operation of the plant itself. In addition, the California State Water Board staff had noted the retaining wall failure in its 2022 inspection and that it must be addressed to continue wastewater treatment system operation. County staff provided the HOA a date of August 2023 to begin construction, or it would need to undertake emergency repairs which began in September 2023. Please see County correspondence to the HOA summarizing this timeline [here](#).

**3. The proposed 20% rate increase will result in increased reserves over time. Can the County reduce the rate increase and instead let the HOA hold a reserve fund for emergency expenditures?**

Per California Govt. Code § 25214(b), "A county service area shall be deemed to be a 'special district whose affairs and finances are under the supervision and control of the board...'. This means that all finances need to be held by the County and CSA Board of Directors. If the HOA would like to control the reserve fund, they would need to dissolve the CSA and assume responsibility for the entire wastewater treatment plant operation.

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In addition, the State Water Quality Control Board has confirmed that any entity holding a wastewater treatment permit must show that they have sufficient funding to address maintenance, operations, and emergency circumstances. For this reason, the permit holder (County) must hold all funds.

**4. Is CSA 5 – CDS required to hold a minimum amount in reserves?**

There is no codified minimum reserve amount for a CSA, but the emergency retaining wall repair illustrates the importance of having a healthy reserve fund for emergencies. Since the development of the current proposed budget for Fiscal Year 2024-25, the County’s insurance deductible has increased to \$35,000. It was previously \$5,000. For this reason, County staff recommends maintaining a minimum \$35,000 reserve fund.

**5. Can CDS HOA avoid such a large rate increase by paying the deficit in a lump sum?**

Theoretically, it would be possible for the HOA to pay the budget deficit of \$27,702.45 as a lump sum instead of via the proposed 20% rate increase. To achieve this, the lump sum from the HOA would need to be accepted as ‘unanticipated revenue’ by the County Board of Supervisors to be reflected in the CSA’s budget. Because the rates must be approved prior to the end of the Fiscal Year (June 30), the CSA would have needed to accept the ‘unanticipated revenue’ at least 15 weeks ago to meet the Board of Supervisor meeting and Proposition 218 deadlines.

**6. Once the rate is increased, can it be decreased again after CSA 5 – CDS builds a healthy reserve balance?**

Yes, but it may take several years until a rate reduction is advisable. As shown in the 2-year budget projection, with the proposed one-time 20% rate increase CSA 5 – CDS will not cross the \$35,000 minimum reserve threshold until FY 26-27. As standard practice, CSA rates are increased on an annual basis by the Consumer Price Index (CPI) to compensate for inflation and cost of living adjustments– this has ranged between 2.0% and 4.9% over the past 5 years. Therefore, by the time CSA 5 – CDS can consider reducing their rates, they will be close to the appropriate rate at that future date.

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**7. Where can I find historical CSA 5 – CDS budget data?**

As requested by the CSA 5 HOA reps, the County has assembled 16 years of expenditure data that can be found [here](#).

**8. Is the proposed CSA 5 – CDS rate increase following Proposition 218 requirements?**

Yes, under section 25215 of the Government Code, whenever the Board of Supervisors determines that the amount of revenue available to a county service area is inadequate to meet the costs of operating and maintaining the services and facilities that the county service area provides, the Board may raise revenues, consistent with the requirements of Article XIII D of the California Constitution.

As required by this Article, the record owner of each parcel was given written notice by mail of the proposed assessment. Notices were mailed to residents on March 13, 2024, with revised notices that reflected a lower rate mailed out on April 1, 2024. A copy of the revised notice can be found [here](#).

As provided in the notice, property owners may protest the rate increase via mailing their written protest to *Departmental Analyst, CSA 5, Governmental Center, 701 Ocean Street, Room 410, Santa Cruz, CA 95060*, or providing verbal protest at a public hearing on the subject to be held on April 30, 2024. Only one written protest will be counted for each individual parcel, and mailed protests must be received by April 30, 2024.

If a majority protest exists upon the conclusion of the April 30, 2024, public hearing, meaning 51 percent of the 97 residents within CSA 5 – CDS boundaries, the rate increase will not be imposed.

**9. What happens if the proposed rate increase fails?**

If the proposed rate increase fails, the County cannot continue to serve CSA 5 – CDS and would begin the process of transferring wastewater treatment plant operations to the HOA at the end of the Fiscal Year, June 30, 2024.

From the Central Coast Regional Water Quality Control Board (agency that oversees and enforces our wastewater permit):

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The decision to stop sanitation services through the County CSA would have significant implications for the community and is one that should not be taken lightly or quickly. The County CSA is currently the authorized wastewater permit holder and responsible for compliance with state law through the permit. The process for another entity to obtain a permit would take a minimum of 6 months. Operating the wastewater treatment plant without an appropriate permit and/or without appropriately licensed personnel carries significant financial liability.

In accordance with California Water Code section 13350(e), section 13268(b.2) the following violations of waste discharge requirements are subject to a maximum potential liability of **\$5,000 per day of violation for each violation**.

- Facility not supervised and operated by person with appropriate grade wastewater treatment operator certificate
- Facility operating without a wastewater permit
- Facility out of compliance any of its permit requirements (water quality, disposal, monitoring and reporting requirements)

If the community wants to discuss with the Central Coast Water Board the history of the County CSA's compliance with the wastewater permit over the last 43 years or wants to learn more about what is required to obtain and comply with a wastewater permit, they can contact the following staff:

Jennifer Epp  
Central Coast Water Board  
Waste Discharge Requirements Program Manager  
[Jennifer.Epp@waterboards.ca.gov](mailto:Jennifer.Epp@waterboards.ca.gov)

Mark Lemus  
Central Coast Water Board  
Water Resources Control Engineer and Project Manager for Canon del Sol permit  
[Mark.Lemus@waterboards.ca.gov](mailto:Mark.Lemus@waterboards.ca.gov)

**10. Does the County or HOA own the wastewater treatment plant parcels and improvements?**

Preliminary research indicates the parcel where the wastewater treatment plant is located was dedicated to the County of Santa Cruz for sanitation facility purposes.

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**11. The biggest line item is Sewer M&O. What goes into that?**

Sewer M&O is critical to ensure the proper function of the treatment plant and the budget line item includes labor, equipment and overhead charges. A certified treatment plant operator is assigned to work daily at the treatment plant, and they are responsible for inspecting the leach pits, sludge handling, performing plant cleanup, recording of flows, collecting plant data (Dissolved Oxygen (DO) reading, pH readings, sludge levels and clarity) and take samples for laboratory testing. The chief treatment plant operator provides oversight of staff assigned to maintain the treatment plant, directs operational procedures, and coordinates maintenance activities to ensure the plant and treatment program comply with the State issued permit. The Sewer M&O budget line item also has direct charges applied for unforeseen incidentals that arise to ensure the continuous operation of the treatment plant. Staff hours are tracked individually for each CSA and as of April 12, 2024, the total CSA 5 – CDS Sewer M&O charges for labor, equipment and overhead totaled \$109,453.64, and charges for other direct costs and overhead totaled \$10,711.77.

It is critical that the certified wastewater professionals have discretion in utilizing the Sewer M&O budget, as they have the specialized knowledge and experience to prioritize maintenance tasks, allocate resources, and respond to emergencies or unforeseen issues. We welcome ongoing communication and engagement with the community regarding the wastewater treatment facility's maintenance and operational needs.

Labor & Equipment charges can be found [here](#).

Other Direct Charges can be found [here](#).