

COUNTY SERVICE AREAS

ADOPTED

SPHERE OF INFLUENCE UPDATE

MUNICIPAL SERVICE REVIEW



PREPARED BY:

SAN LUIS OBISPO

LOCAL AGENCY FORMATION COMMISSION

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SAN LUIS OBISPO COUNTY SERVICE AREAS

SPHERE OF INFLUENCE UPDATE

MUNICIPAL SERVICE REVIEW

CHAPTER 1 - INTRODUCTION

This is the Sphere of Influence Update and Municipal Service Review for the County Service Areas (CSA's) which are governed by the Board of Supervisors and managed by the County Public Works Department. The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for all applicable jurisdictions in the County. A Sphere of Influence is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality". A SOI is generally considered to be a 20-year growth boundary for a jurisdiction. The Act further requires that a *Municipal Service Review* be conducted prior to, or in conjunction with, the update of a Sphere of Influence. The CSA's and their active services to be addressed include the following:

Table 1-1: County Service Areas-Location and Functions

County Service Area	Location	Active Functions/Powers
Nipomo Lighting	Nipomo	Street Lighting
CSA 1	Nipomo	Wastewater, Drainage, Street Lighting
CSA 7	Oak Shores	Wastewater and Roads
CSA 9	Los Osos	Roads, (Medical/Fire (zone I only))
CSA 10*	Cayucos	Water and Street Lighting
CSA 12	Lopez Water Sales	Water
CSA 16	Shandon	Water, Street Lighting
CSA 18	San Luis Obispo Country Club	Wastewater
CSA 21	Countywide Road Maintenance	Roads
CSA 22	San Luis Obispo Airport Area	Water, Wastewater, Specific Plan Financing
CSA 23	Santa Margarita	Water, Drainage, and Street Lighting
County Flood Control and Conservation District – Water and Drainage Countywide. Flood Control services are not considered a District under LAFCO's jurisdiction		

* Was also addressed in the Cayucos Special Districts report adopted in January 2015

Also, included in this review is the Nipomo Lighting District which is governed by the County Board of Supervisors. The functions listed for each of the existing County Service Areas are considered to be active powers. The functions that are not listed are latent powers that would require LAFCO approval for activation prior to a CSA using

that function. The County Flood Control and Conservation District is not considered a Special District and is not subject to LAFCO's authority.

County Service Areas are governed under Government Code Sections 25210.1–25338. The governing body, which is established by law to administer the operation of a County Service Area, is the Board of Supervisors. The intent of the County Service Area law is to give an alternative method for providing governmental services by counties within unincorporated areas, many of which have had large population growth as well as commercial and industrial development (25210.1). It also provides for services to be provided in small rural communities.

Functions of a CSA may be established to provide the following types of extended services within an unincorporated area (25210.4 - 25210.4(b)). The active powers for CSAs are listed above in Table 1-1. A latent power or function listed below may be added to a CSA with approval from LAFCO:

- A. Extended police protection;
- B. Structural fire protection;
- C. Local park, recreation, or parkway facilities and services;
- D. Extended library facilities and services;
- E. Television translator station facilities and services;
- F. Low-power television services; and
- G. Any other governmental services, referred to as miscellaneous extended services, which the county is authorized by law to perform, and which the county does not also perform to the same extent on a county-wide basis both within and outside city boundaries. These other governmental services shall include but not be limited to the following:
 - 1. Water service;
 - 2. Sewer service;
 - 3. Pest or rodent control;
 - 4. Street & highway sweeping;
 - 5. Street & highway lighting;
 - 6. Refuse collection;
 - 7. Garbage collection;
 - 8. Ambulance service;
 - 9. Planning for a part of the County by a planning agency;
 - 10. Soil conservation & drainage control;
 - 11. Animal control;
 - 12. Services provided by a municipal advisory council;
 - 13. Transportation services;

14. Geologic hazard abatement;
15. Road construction, improvement and maintenance;
16. Interment pursuant to the Cemetery District Law.

Under Government Code 56036, a County Service Area is defined as a “special district”. CSA’s are also known as dependent districts. To activate a latent power, the District’s legislative body is required to comply with Government Code Section 56824.12. A resolution of application and a plan for services must be submitted to LAFCO as part of the application to activate a latent power.

LAFCO’s Role. The fundamental role of the Local Agency Formation Commission, LAFCO, is to implement the CKH Act, consistent with local conditions and circumstances. LAFCO’s decisions are guided by the CKH Act, found in Government Code 56000, et. seq. The major goals of LAFCO as established by the CKH Act include:

- ▶ To encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state;
- ▶ To promote orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
- ▶ To discourage urban sprawl;
- ▶ To preserve open-space and prime agricultural lands by guiding development in a manner that minimizes resource loss
- ▶ To exercise its authority to ensure that affected populations receive efficient governmental services;
- ▶ To promote logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide necessary services and housing;
- ▶ To make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies and to shape their development so as to advantageously provide for the present and future needs of each county and its communities;
- ▶ To establish priorities by assessing and balancing total community services needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial

resources;

- ▶ To determine whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary, consider reorganization with other single purpose agencies that provide related services;
- ▶ To update SOIs at least every five years thereafter, or as needed; and
- ▶ To conduct a review of all municipal services by county, jurisdiction, region, sub-region or other geographic area prior to, or in conjunction with, SOI updates or the creation of new SOI's.

Municipal Service Review. The Sphere of Influence Update and Municipal Service Review for the County Service Areas have been prepared in accordance with Section 56430 of the California Government Code. The Service Review evaluates the public services provided by the CSAs under the administration of the County Public Works Department. The legislative authority for conducting Service Reviews is provided in Section 56430 of the CKH Act. The Act states, "in order to prepare and to update Spheres of Influence in accordance with Section 56425, LAFCO's are required to conduct a service review of the municipal services provided in the County or other appropriate designated area..." A Service Review must have written determinations that address the following factors in order to update a Sphere of Influence. Information and written determinations regarding each of the above factors is provided in the Service Review for public review and comment as well as for the Commission's consideration.

SEVEN SERVICE REVIEW FACTORS

1. **Growth and Population projections for the affected area**
2. **Location and characteristics of any disadvantaged unincorporated communities**
3. **Present and planned capacity of public facilities and adequacy of public services including infrastructure needs or deficiencies**
4. **Financial ability of agencies to provide services**
5. **Status of, and opportunity for, shared facilities**
6. **Accountability for community service needs including governmental structure and operational efficiencies**
7. **Any other matter related to effective or efficient service delivery, as required by commission policy**

SAN LUIS OBISPO COUNTY SERVICE AREAS

CHAPTER 2- SPHERE OF INFLUENCE UPDATE

This chapter summarizes the Special Districts operated by the County Public Works and recommends an update of the Sphere of Influence for each one of the County's Districts. An important tool used in implementing the CKH Act is the adoption of a Sphere of Influence (SOI) for a jurisdiction. A SOI is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI represents an area adjacent to a district where a jurisdiction might reasonably be expected to provide services over the next 20 years. This chapter, along with the following Municipal Service Review, provides the basis for updating the CSAs Spheres of Influence, which is required to be updated every five years. This Sphere of Influence Update addresses the key factors called for in Cortese/Knox/Hertzberg Act by referring to information contained in the Service Review. Also, the following written determinations are addressed according to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act:

- Present and planned land uses in the area:

The CSAs are anticipated to continue services at current levels with the possible exception of CSA 16, Shandon, where a new community plan may increase the need for services. Also, CSA 18 SLO Country Club could provide services to a nearby subdivision proposal for 13 lots.

- Present and probable need for public facilities and services in the area:

CSA 1 is recommended for dissolution because the services can be provided by another service provider. CSA 17 was dissolved in 2015. CSA's 16 and 23 may need to expand their water services capabilities to accommodate future services.

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

The present capacities of the facilities are adequate to provide services to the CSA's. The County calls for capital improvements and regular maintenance of facilities to maintain adequate service levels.

- Existence of social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:

Each place that is served by a CSA has a unique mix of social and economic communities of interest. The CSA provides services to these communities of interest such as businesses, non-profits, churches, and schools.

- The present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The CSA's have a variety of economic diversity that lives within the communities and surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The CSA's do not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

The Special Districts that follow are not recommended for any increases in the Sphere of Influence except CSA 18 SLO Country Club, and a small reduction for CSA 10 Cayucos. Generally, the Spheres of Influence for each District are recommended to remain the same. CSA 18's Sphere of Influence is conditioned to add Tract 2429 Jack Ranch if all required steps are completed through the County.

Table 2-1: County Service Recommended Sphere of Influence

County Service Area	Location	SOI Status
Nipomo Lighting	Nipomo	No Change to the SOI. Zero = dissolution
CSA 1	Nipomo	No Change to the SOI. Zero = dissolution
CSA 7	Oak Shores	SOI inside the service area means area for detachment based on a financial nexus study
CSA 9	Los Osos	No Change
CSA 10	Cayucos	Remove northern area. Reduce by 38 acres. SOI inside the service area means area for detachment
CSA 12	Lopez Water Sales	No Change
CSA 16	Shandon	No Change Based on an analysis of a future water supply source to accommodate the General Plan and comply with a future Groundwater Sustainability Plan the SOI could become consistent with URL.
CSA 18	San Luis Obispo Country Club	Add APN 044-081-040
CSA 21	Countywide Road Maintenance	No Change. Automatic detachment when added to City or District with road authority
CSA 22	San Luis Obispo Airport Area	No Change to the SOI. Zero = dissolution
CSA 23	Santa Margarita	No Change

NIPOMO LIGHTING DISTRICT

The Nipomo Lighting District was formed in 1947 to install street lights along Highway 101 where it bisects the community of Nipomo. The Board of Supervisors is the governing body for the Lighting District which provides for the cost of maintenance and operation of lights. Four zones of benefits were formed in 1974-75 corresponding to zones in CSA No.1. The zones of benefit A-D were transferred to CSA No.1 in 1984 for operation and maintenance activities. Upon formation the District encompassed an area extending from the Pacific Ocean to Cuyama and ranging from Arroyo Grande to the Santa Barbara County line. In 1984 a large portion was detached from the district that never received services nor was anticipated to receive in the future. In 1983 LAFCO determined that the District should eventually be dissolved and that the Nipomo CSD would eventually provide lighting services to the community. A zero Sphere of Influence was approved by LAFCO in 1984. The District was reduced in size from 89,000 acres to 2,000 acres. This reduced the service area to a smaller more discreet area where the street lights were located. The Lighting District provides for maintenance and electricity for 95 street lights primarily in the downtown of Nipomo. In 2013, LAFCO approved a 50 acre annexation of Tract 1747 located on the perimeter of the town of Nipomo and along the west side of Thompson Avenue.

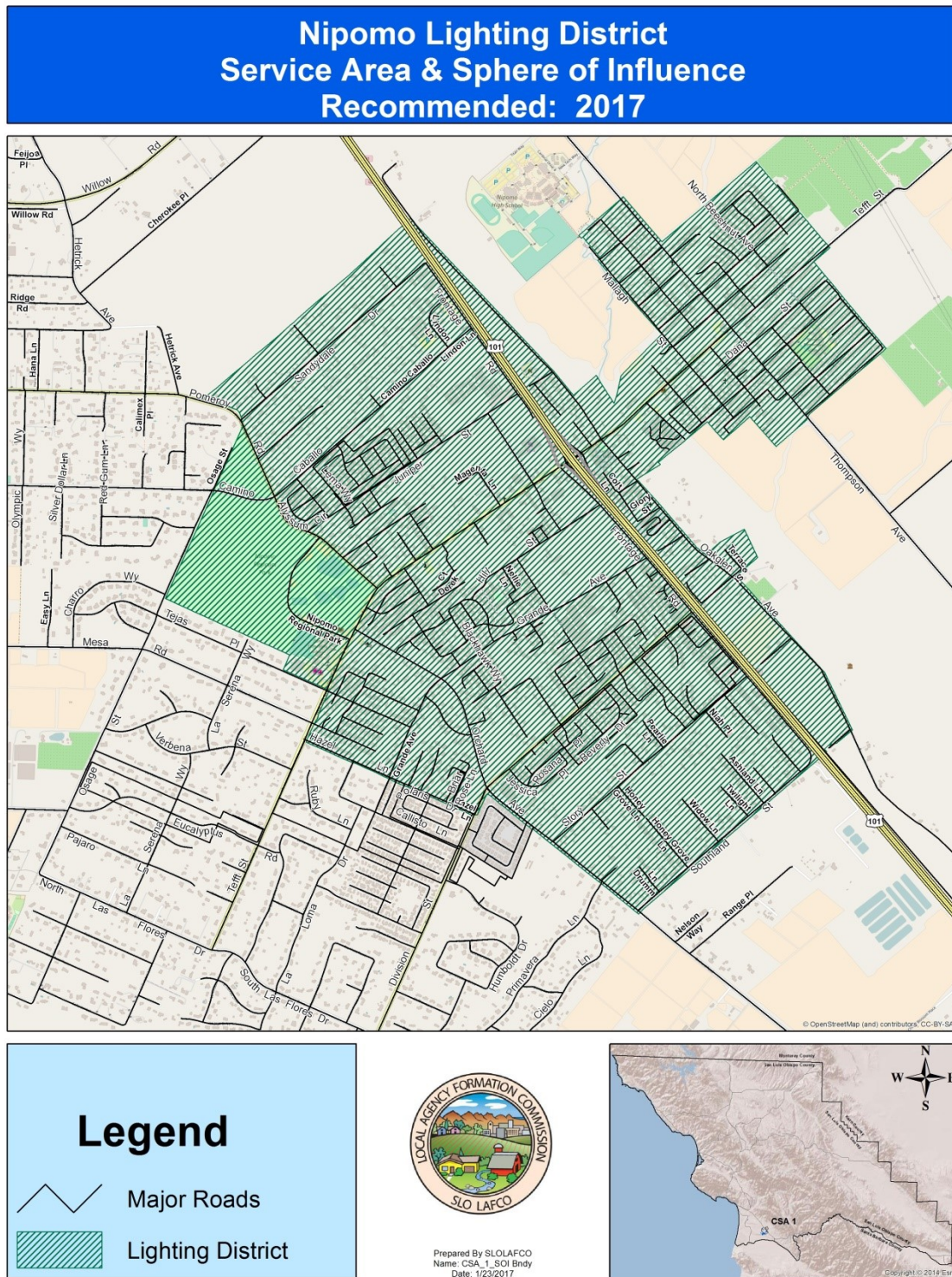
The Lighting District is funded by property taxes, homeowners' property tax relief funds, a special tax from Zone E and Tract 1747, interest and occasional grant funds. In the FY2016-17 the District's budget was for \$220,684 with \$41,652 of the revenue from property taxes or special assessment tax. Other funds come from reserves designated for the purpose, the Olde Towne Community Group, and the Community Development Block Grant (CDBG) program. Most of the funding of the lighting district is derived from the property taxes with some one-time funds being garnered through grant programs. The funds are used to pay for the electricity used to operate the lights and regular maintenance activities. According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan; Residential and Commercial;
- The present and probable need for public facilities and services related to the Lighting District will remain unchanged;
- The present capacity of the public facilities are adequate to provide lighting to the service area;
- Social or economic communities of interest exist in the area that benefit from the lighting district's services.

- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. The “zero” Sphere of Influence for the Nipomo Lighting District shown in Figure 2-1 should be maintained to facilitate eventual dissolution of the District with the provision of lighting services ultimately provided by the Nipomo CSD.

Figure 2-1



COUNTY SERVICE AREA 1 ZONES A, B, C, D, E, & F - NIPOMO

County Service Area No.1 was formed by a Board of Supervisors resolution in 1961 to serve areas located in the unincorporated community Nipomo. At the time of formation, the District's sole purpose was to provide drainage services to the Galaxy Park Mobile Home Community. Today, the powers being executed by CSA 1 include:

- Sewer and septic tank maintenance
- Storm Drainage
- Street Lighting
- Parkway Maintenance

The other powers that could be provided by a CSA are considered latent and would need to be activated through an action by LAFCO. The total area served is estimated to be about 1,000 acres. CSA 1 provides services to the following zones:

- CSA No. 1 (Nipomo Mesa Area) - storm drainage, sewer collection facilities, street lighting, collection of sewer service charges to pay NCSD.
- Zone A (Galaxy Park-Tract 1898) - sewer collection facilities, storm drainage, street lighting, collection of sewer service charges to pay NCSD, parkway maintenance for Tract 1898 only
- Zone B (Nipomo Palms) - storm drainage, street lighting
- Zone C (Montecito Verde) - storm drainage, street lighting
- Zone D (Black Lake Estates) - storm drainage, street lighting
- Zone E (Tracts 626 and 631) - inactive
- Zone F (Tract 618) - maintenance sewer collection facilities

Zones of Benefit A-D were established between 1970-1974 to provide specialized drainage maintenance and periodic pumping of centrally located septic tanks to developments in the area. In 1984 the parent CSA 1 and Zones A, B, and D assumed provision of street lighting services that had previously been provided to these areas by the Nipomo Lighting District. Zones of benefit B, C, and D exist as islands located within the boundaries of the Nipomo Community Services District (CSD) which provides their water service. These zones were created as an interim measure to provide necessary drainage and sewer services until the CSD began servicing them. This transfer of duties never occurred. In 1972 LAFCO enacted a moratorium on the establishment of any further zones of benefit of CSA 1 located within Nipomo CSD. Sewage from zones A and F is processed by the Nipomo CSD's wastewater facility and funds are transferred to the NCSD for this service.

Zone E, established to provide septic tank maintenance to Tracts 631 and 626 was never activated. Zone F provides septic tank maintenance to Tract 618. In 2004, zone F was connected to the NCSD for disposal of wastewater.

Three of the four zones providing sewer maintenance service (Zones A, B, and D) connected to the Nipomo CSD sewer treatment facility in 1986.

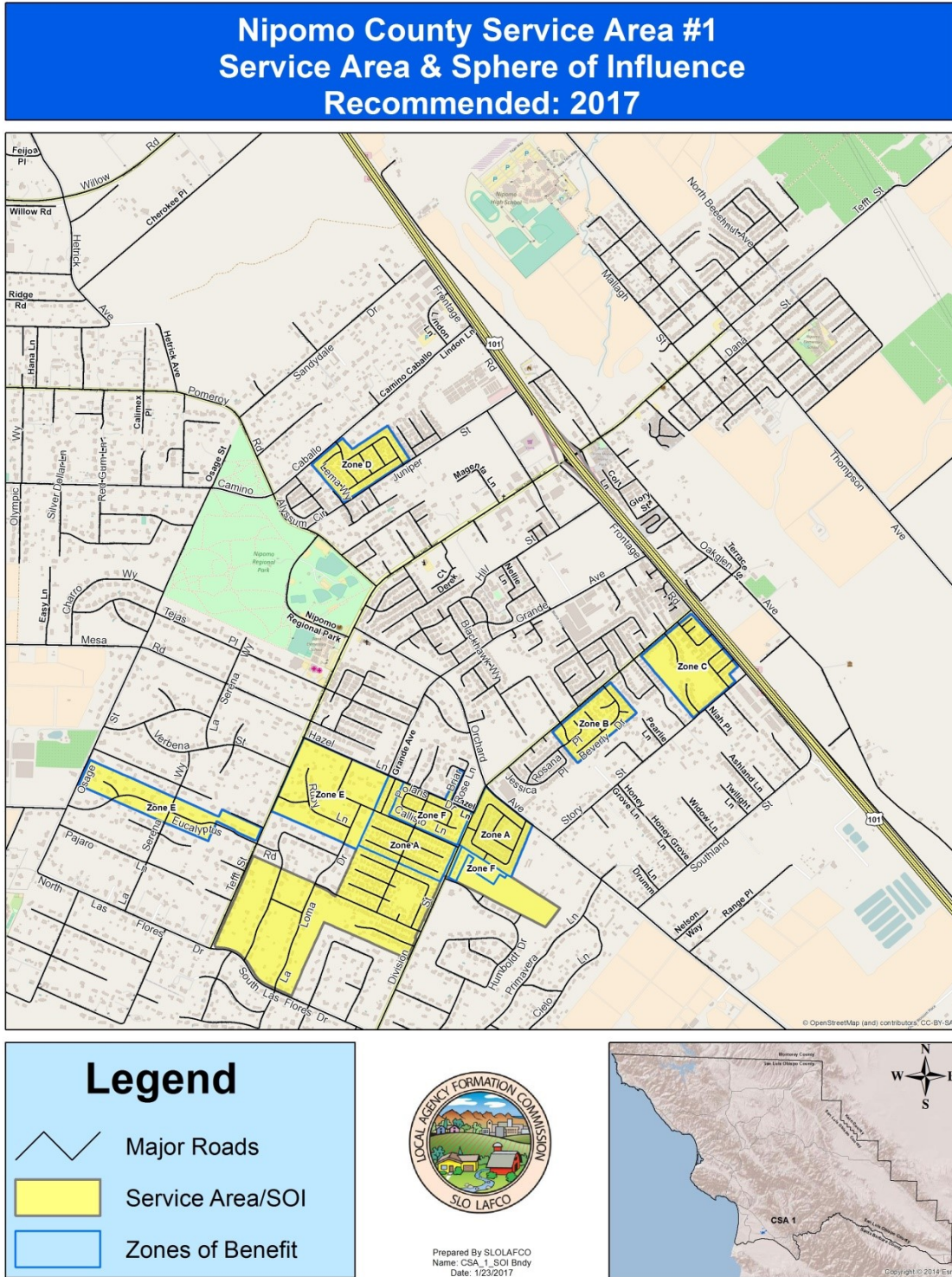
In March 1983, LAFCO adopted a zero sphere of influence for CSA 1. The adopted sphere of influence excludes inactive Zone E, indicating that detachment is appropriate. The zero sphere of influence indicates that the services currently provided by CSA 1 should be assumed by another agency (in this case the Nipomo Community Services District) and that ultimately CSA No.1 should be dissolved. Dissolution would occur when the Nipomo CSD attained the ability to assume CSA No.1 functions without jeopardizing the CSD's ability to provide adequate water and sewer services to residents.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan-Residential
- The present and probable need for public facilities and services related to CSA 1 will remain unchanged;
- The present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest exist in the area that benefit from the various services.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. The “zero” Sphere of Influence for County Service Area 1 and its zones of benefit shown in Figure 2-2 should be maintained to facilitate eventual dissolution of the service area with the provision of drainage, sewer, parkway and lighting services ultimately provided by the Nipomo CSD.

Figure 2-2



COUNTY SERVICE AREA 7, ZONES A, B AND C - OAK SHORES

County Service Area Seven was formed in 1967 by the Board of Supervisors to provide sewage treatment and road maintenance services to the unincorporated community of Oak Shores located on the north shore of Lake Nacimiento. The total acreage of the District is 6,336 acres. Zone A (a zone of benefit) was established in 1976 to assess residents of Oak Shores a monthly fee to maintain the sewer collection and treatment system. Zones of Benefit include the following:

- Zone A (Village of Oak Shores) - Sewer Service
- Zone B (entire service area-excluding Zone A & C) - Road maintenance
- Zone C (Tract 2162 Phases II - IV) Sewer Service

The current active powers of CSA 7 include sewer and road maintenance. The other powers that could be provided by a CSA are considered latent and would need to be activated through an action by LAFCO. The total area served is estimated to be about 1,000 acres.

According to the County's 2014-2016 Resource Summary Report the Oak Shores County Service Area operates a wastewater collection, treatment and disposal system that serves the community of Oak Shores on the northern shore of Lake Nacimiento approximately 550 connections. The treatment plant has a design flow of 0.40 MGD; current (2015) average daily flows are 0.140 MGD, or 35% of design capacity. Because of more stringent effluent regulations and future population growth, the CSA is investigating the need for improvements to the wastewater treatment system. The first step will involve an analysis of the current treatment plant and recommendations on what upgrades should be made to comply with future discharge regulations and to insure adequate capacity.

Two discharge violations occurred during the period 2012-2014. In April, 2013, debris caused a 420- gallon spill onto an unpaved surface. In November, 2013, a leak in a force main cased a 500-gallon spill. No surface water bodies were affected in either case. No levels of severity are recommended for either collection or treatment. There were no discharge violations reported for the period of 2014-2016.

In order to be built out to the 1,786 units proposed in the General Plan, the sewer treatment facilities may need to be upgraded. Financing of these improvements is an issue that has yet to be resolved. Infrastructure planning that outlines needed improvements and methods for funding these improvements would need to occur before full build-out of the General Plan could happen.

The revenue sources for CSA 7 include Property Taxes, Home Owners Property Tax Relief, service charges, and interest. Zone A and the remainder of the District,

designated Zone B, are taxed for construction, maintenance and operation of a road system.

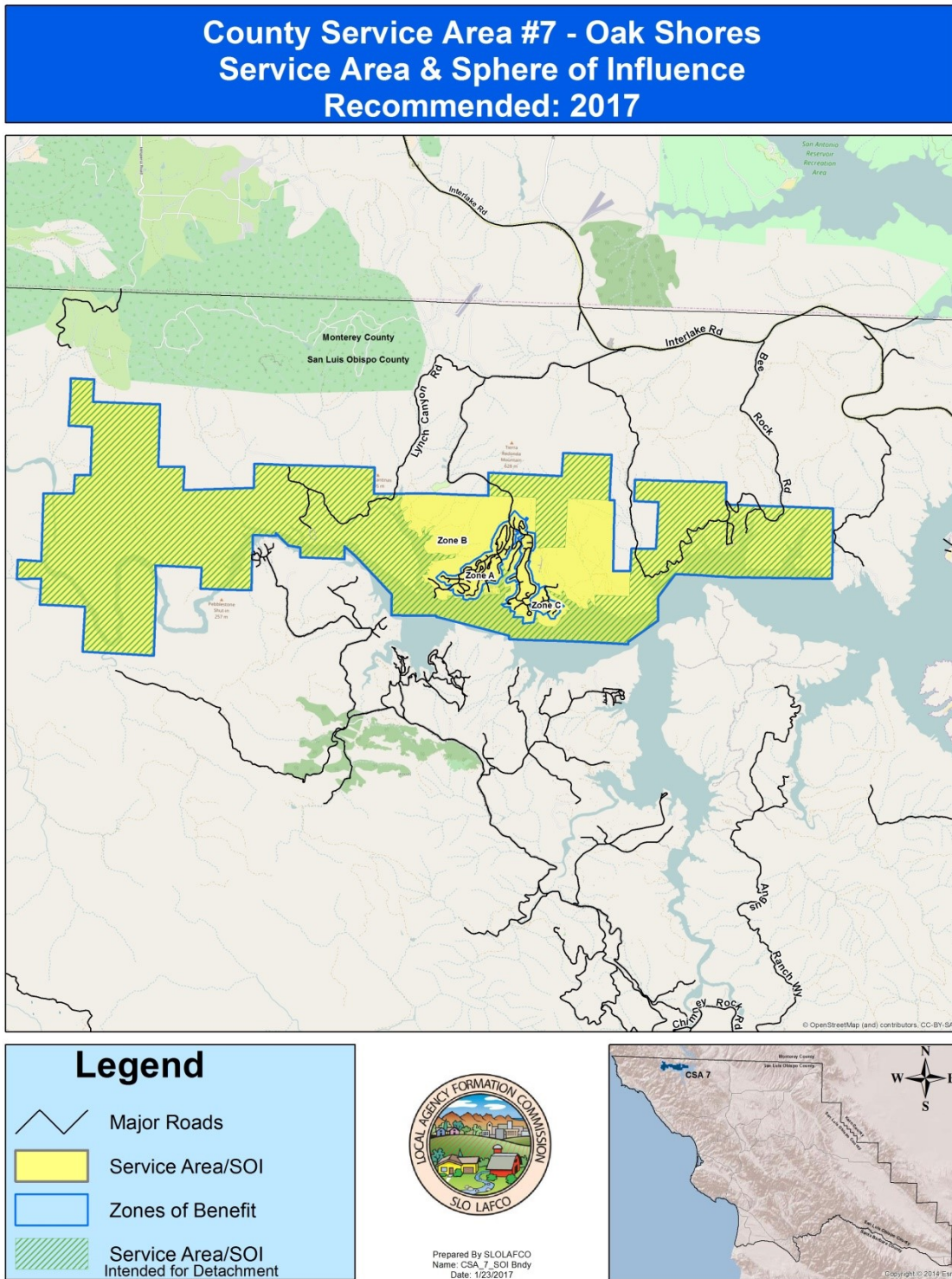
Road construction and maintenance activities have been limited to grading and maintaining an approximately two-mile stretch of road west of Bee Rock Road. Due to limited finances and sparse development, there is little potential for Zone B to provide road services to other areas within its boundaries. This is the reason to reduce the service area to the Village Reserve Line designated in the Nacimiento Area Plan. A financial nexus study should be prepared for emergency access road to define the appropriate boundary.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain Residential as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. That the Sphere of Influence remains as previously designated; coterminous with the Oak Shores Village Reserve Line as delineated in the Area Plan. This indicates that the service area outside the Sphere of Influence should be detached from the District. A fiscal analysis that identifies potential revenue impacts from detaching a portion of the service area that is within Zone of Benefit B should be completed by the County. Upon completion of such an analysis, the Board of Supervisors should consider initiating a proposal to detach properties by filing an application with LAFCO.

Figure 2-3



COUNTY SERVICE AREA 9 & 9I-Los Osos

County Service Area 9 was created in 1973 and provides services to the South Bay, comprising the communities of Los Osos, Baywood Park, Cuesta-by-the-Sea, and surrounding area. In 1998, most of the services provided by CSA 9 were transferred to the Los Osos Community Services District.

The only services currently provided by CSA 9 and CSA 9I are road maintenance and fire/medical protection. Road maintenance is provided throughout the town and area while fire and/medical protection services are provided in the area east of the Los Osos Creek. CSA 9I reimburses the Los Osos CSD to provide for the fire and medical protection services in the area east of Los Osos Creek. Other powers are considered latent and must be activated with LAFCO approval prior to providing other services.

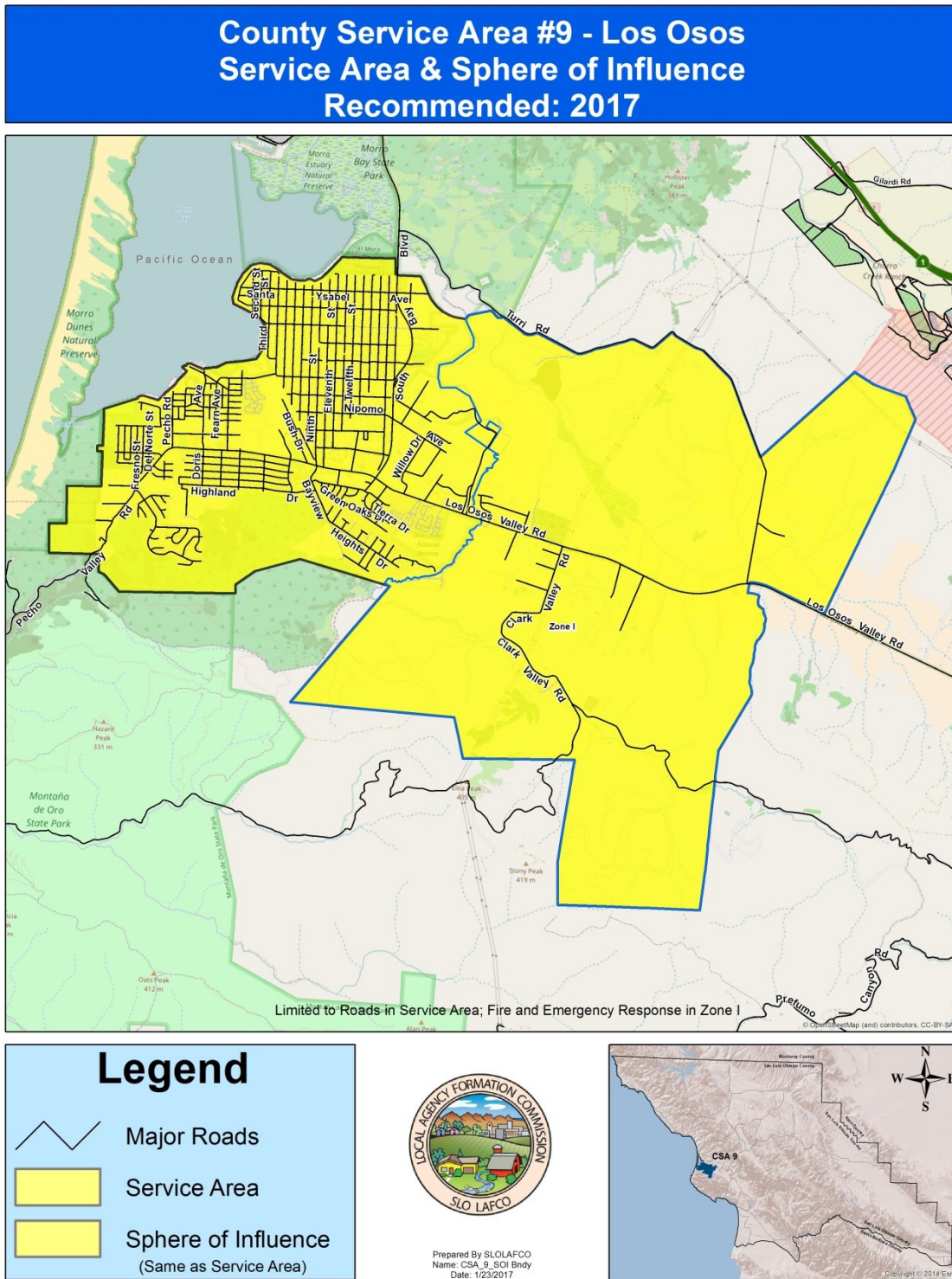
The Los Osos CSD provides most of the needed municipal services to the residents of Los Osos. While CSA 9 may not be needed to provide services to the Community of Los Osos, the CSA is useful in assisting the CSD in providing fire and emergency medical services to residents.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. The Service Area boundary and Sphere of Influence remains conterminous.

Figure 2-4



COUNTY SERVICE AREA 10 & 10A-CAYUCOS

County Service Area No.10 CSA No. 10 was formed by resolution of the Board of Supervisors in 1965 in order to perform the functions of the Cayucos Highway Lighting District in the community of Cayucos. In 1972, powers were extended to include park maintenance and recreation (presently not provided). Services were expanded in 1994 to include water services to the Cayucos Strand Area, that were previously provided by County Waterworks District No. 8, and to operate a water treatment facility that services the entire community of Cayucos under contract with the two private water companies and the cemetery. County Service Area 10 also provides street lighting services and pays the energy cost on 193 street lights.

CSA 10A serves approximately 752 customers from its system comprised of connection of Whale Rock Reservoir and two standby wells, a 210,000-gallon storage tank and a distribution system. The district's water source is Whale Rock Reservoir, which supplies an entitlement of 600 acre-feet to the community of Cayucos. CSA 10A is allocated 190 acre-feet. CSA 10 also has 40 afy of Nacimiento Water Project via exchange for additional Whale Rock water. The water system (then Waterworks District 8) was refurbished in 1972 upon petition of local residents. Improvements included water line replacement program, including new additional tank (and replacement of existing) that begun in 2014 and is ongoing.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. The Sphere of Influence should remove the northern area. Also the northern and southern areas are recommended for detachment.

Figure 2-5



COUNTY SERVICE AREA 12-LOPEZ WATER SALES

County Service Area No.12 was established by Board of Supervisors resolution in 1966 to act as a contracting agency with San Luis Obispo Flood Control and Water Conservation District Zone 3 for acquisition and distribution of Lopez Reservoir water to the Avila Beach area.

The CSA receives an annual water entitlement from Zone 3 of 337 acre-feet, which it in turn sells to public agencies and private property owners. Sub-lesors of Lopez water from CSA No.12 include: the Port San Luis Harbor District, the City of Pismo Beach, and the Avila Beach Community Services District. It should be noted that the amounts each agency receives changes based on need and supply availability. Although public agencies could legally contract for water directly with Zone 3, CSA No.12 has always served as the primary contracting public agency for Lopez water. Private property owners may not contract directly with Zone 3 for Lopez water and therefore, require the CSA's contracting ability.

In July 1983 LAFCO adopted a sphere of influence for CSA No.12 that includes private property owners that may need CSA services in the future (the San Luis Bay Estates property) and excludes the non-contiguous strip of CSA No.12 comprising the Port San Luis Harbor District facilities.

According to the County's 2014-2016 Resource Summary Report the State Water Project provides water to the Avila Beach CSD, Avila Valley MWC, and San Miguelito MWC. CSA 12 is not a State Water contractor but uses the same Lopez system. The SWP is considered a supplementary source of water since hydrologic variability, maintenance schedules, and repair requirements can cause reduced deliveries or complete shutdown of the delivery system. Since delivery to the Central Coast began, the SWP has provided between 50 and 100 percent of the contracted allocations, but recently, the drought coupled with pumping restrictions in consideration of endangered species habitat lowered that amount to 5 percent in 2014. Lopez Lake Reservoir supplies water to Avila Beach CSD, Avila Valley MWC, and CSA 12. In December, 2014, the County Flood Control and Water Conservation District Zone 3 adopted The Low Reservoir Response Plan which will help ensure a reliable water supply to Lopez Lake customers, including CSA 12. With Lopez at 20% capacity all SWP subcontractors are allocated their allotment.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

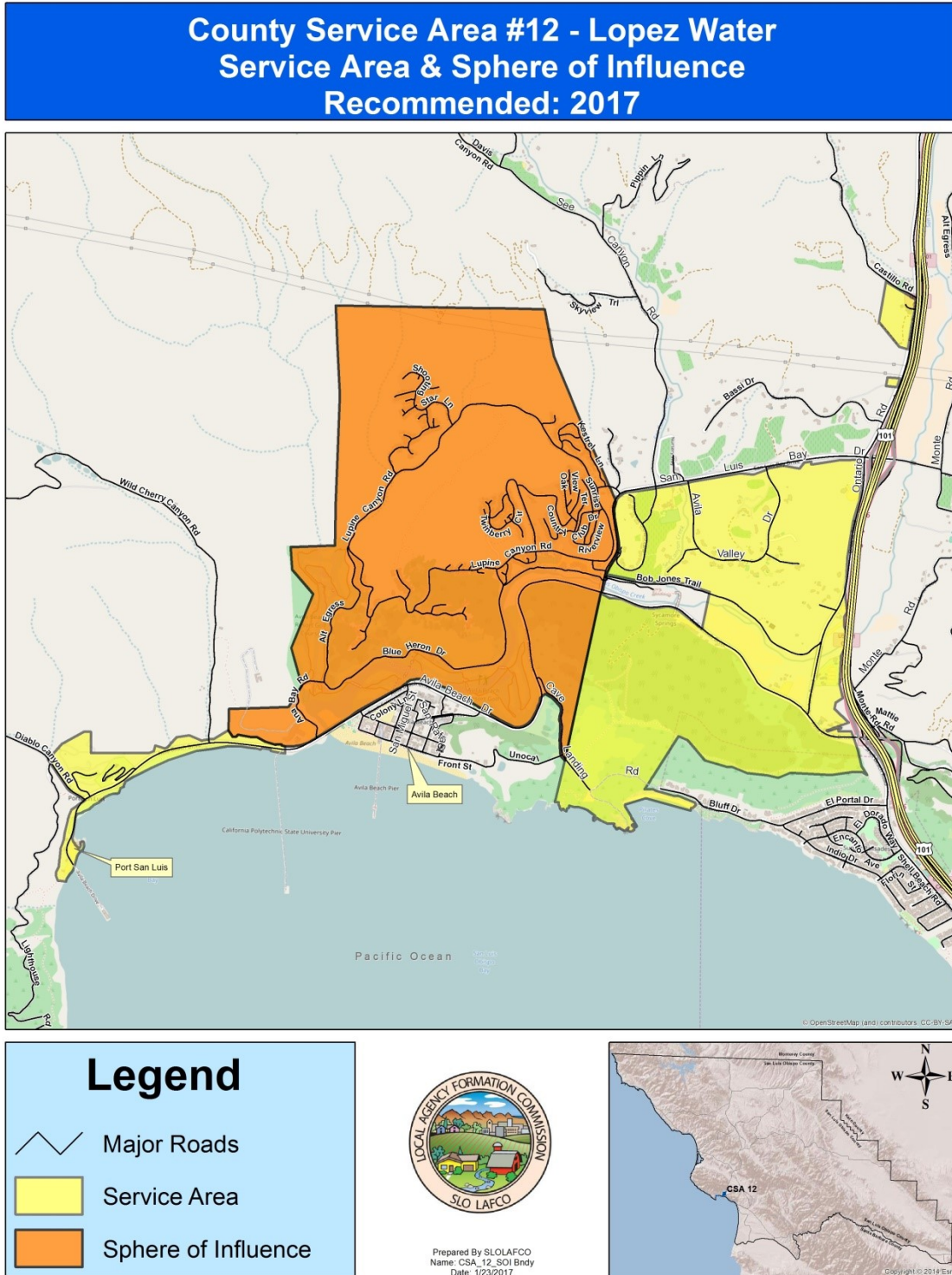
- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and

capital improvement programs completed by the County Department of Public Works;

- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. The Sphere of Influence remains unchanged from its current location.

Figure 2-6



COUNTY SERVICE AREA 16-SHANDON

County Service Area No.16 was formed by an election in 1968. Prior to formation the area was served by Shandon Public Highway District and 17 informal localized water associations. The service area was formed to provide a single governmental entity able to provide water, sewer, lighting, and fire service. County Service Area 16 provides the community of Shandon with water and lighting services. Other powers are considered latent and would require LAFCO approval prior to the CSA exercising those functions. The existing boundary includes the downtown area and residential areas of Shandon. In 2003, LAFCO updated the sphere of influence for CSA No.16 coterminous with the Urban Reserve Line. The County completed an area plan for Shandon that could significantly change the boundaries of the Community.

The Community Plan for the town of Shandon could result in up to 1,874 new residential units increase the population by approximately 6,761 residents. When added to the existing population of approximately 1,365 Shandon's total population is estimated to be 8,126 residents.

The comprehensive community-based plan will be used to guide future growth in and around the community of Shandon. The plan addresses the community vision, population, infrastructure, transportation, economic development, public and health services, recreation and conservation areas, and protection of agricultural and environmental resources.

An Environmental Impact Report and Market Study have been completed for the study area. The EIR looks at existing conditions in and around the community with respect to limitations such as traffic, water, sewer, biology, agriculture, and cultural resources among other things. The Market Study looks at what business and economic opportunities there may be for the town based on certain assumptions related to growth and population.

Shandon receives fire protection service from the California Department of Forestry and Fire Protection, which operates the Shandon Fire Station (Station 31), located at 501 Centre Street within the CSA boundary. The CSA does not contract for fire service; resident volunteer firefighters assist CALFIRE. Fire protection is provided by a modified staffing arrangement that is commonly known as the "Amador Plan". During the declared fire season (May 15 to November 15), Station 31 is staffed with a minimum of three personnel, consisting of a company officer and two firefighters. This staffing is funded by CALFIRE. During non-fire season, San Luis Obispo County pays for additional service charges incurred by CALFIRE to keep the station staffed with at least two firefighters. However, CALFIRE/ San Luis Obispo County Fire Department have indicated that current staffing levels do not meet staffing goals to serve the existing population of Shandon.

Groundwater from the Paso Robles Groundwater Basin is the primary source of water; CSA 16 has an allocation of 100 AFY of State Water Project water (but no drought

buffer). Improvements to the water system including the water tank and upgrading of the towns water distribution system. CSA 16's existing water facilities in the community include a 212,000 gallon storage tank, two groundwater wells with a total flow of 800 gallons per minute (gpm), a 10-inch transmission main to deliver water from the tank to the downtown area, and a distribution network.

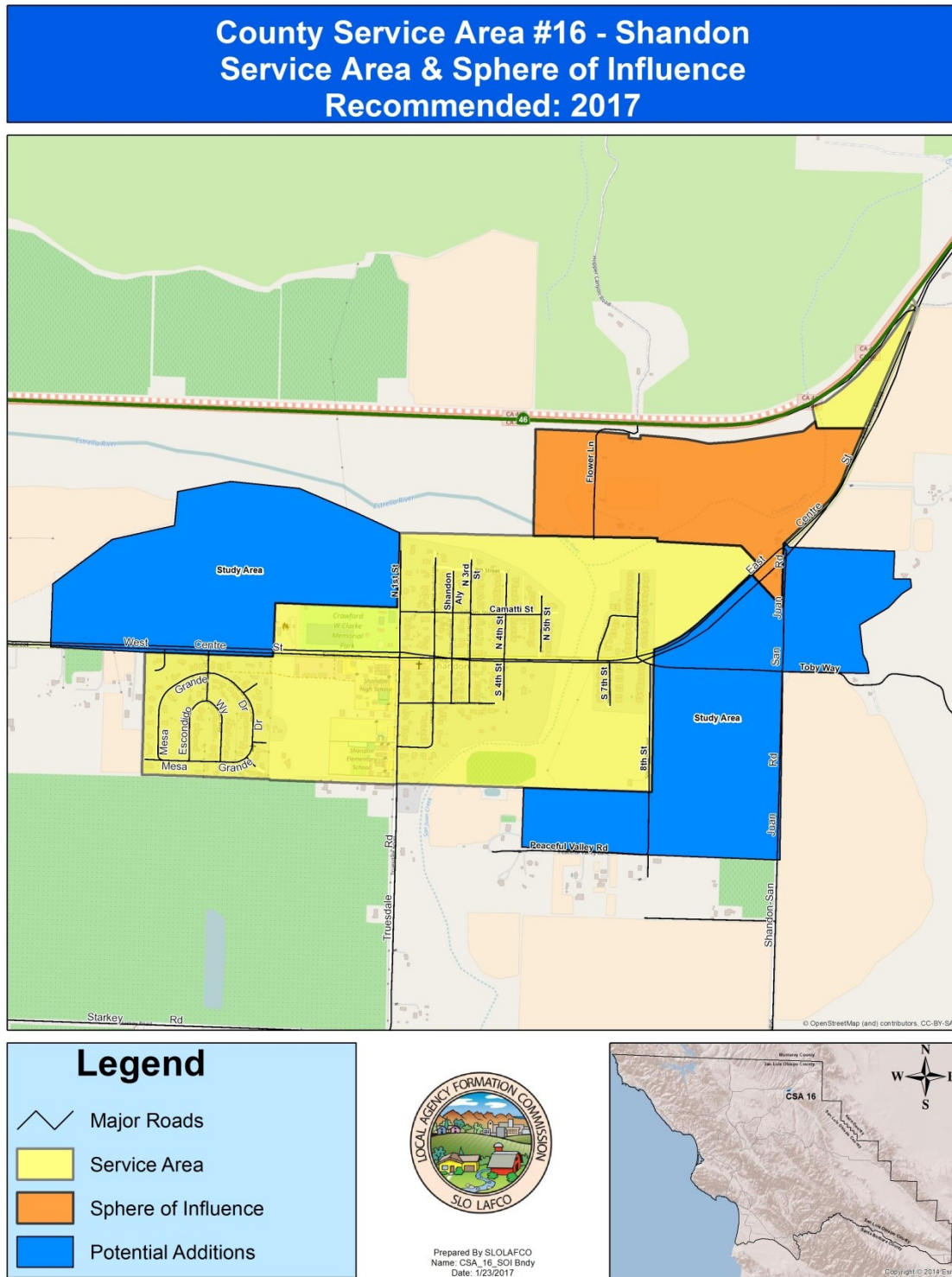
The Community Plan proposes construction of a community sewer system and tertiary wastewater treatment facility in two phases. Each phase would provide capacity for 0.5 million gallons per day (mgd). A per capita loading of 80 gallons per day was assumed, which correlates to each 0.5 mgd phase being able to serve a population of approximately 5,000 people. Each 0.5 mgd phase would require approximately 4.6 acres of treatment ponds, 2.5 acres of percolation/storage ponds, and 50 acres of spray fields. A 1.0 mgd treatment facility would be required to serve the projected 20 year build out of the proposed Community Plan. Wastewater powers are considered latent and would require LAFCO approval prior to the CSA exercising this function.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide current services, but future buildout would require upgrades;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- The Shandon area has been identified as a disadvantaged unincorporated community.

Recommendation. The Sphere of Influence should remain the same. An analysis of a future water supply source to accommodate the Community Plan that is also consistent with the future Groundwater Sustainability Plan could warrant an expansion to be consistent with the Urban Reserve Line. LAFCO should monitor the buildout of the Shandon Community Plan and amend the Sphere of Influence if needed.

Figure 2-7



COUNTY SERVICE AREA 18-SAN LUIS OBISPO COUNTRY CLUB

This CSA funds wastewater treatment and disposal for the San Luis Obispo Country Club area. County Service Area No.18 was formed by the Board of Supervisors in 1970 at the request of area residents. The CSA is a single-purpose agency authorized to provide sewer service to the County Club Estates area which is subject to septic tank failures due to impervious soils.

According to the County's 2014-2016 Resource Summary Report County Service Area 18 operates a wastewater collection, treatment and disposal system that serves the Country Club Estates area south of the City of San Luis Obispo. The treatment plant has a design flow of 0.12 MGD; current (2015) average daily flows are 0.053 MGD, or 44% of design capacity and is serving approximately 881 people. Based on the projected growth in population within the service area, the plant is expected to operate well below capacity for the next five years or more. The County has no plans to expand or upgrade the collection system, treatment plant or disposal system. No levels of severity are recommended for either collection or treatment.

In February 1983 LAFCO adopted a sphere of service and sphere of influence for CSA No.18 that included within the sphere of service and sphere of influence Tract 486, located south of the service area. The Commission included the Rolling Hills subdivision north of the CSA, and the Blair residence (APN 44-181-10) located west of the service area within the sphere of influence only. The County is processing a subdivision for the Jack Ranch property located adjacent to the northwest.

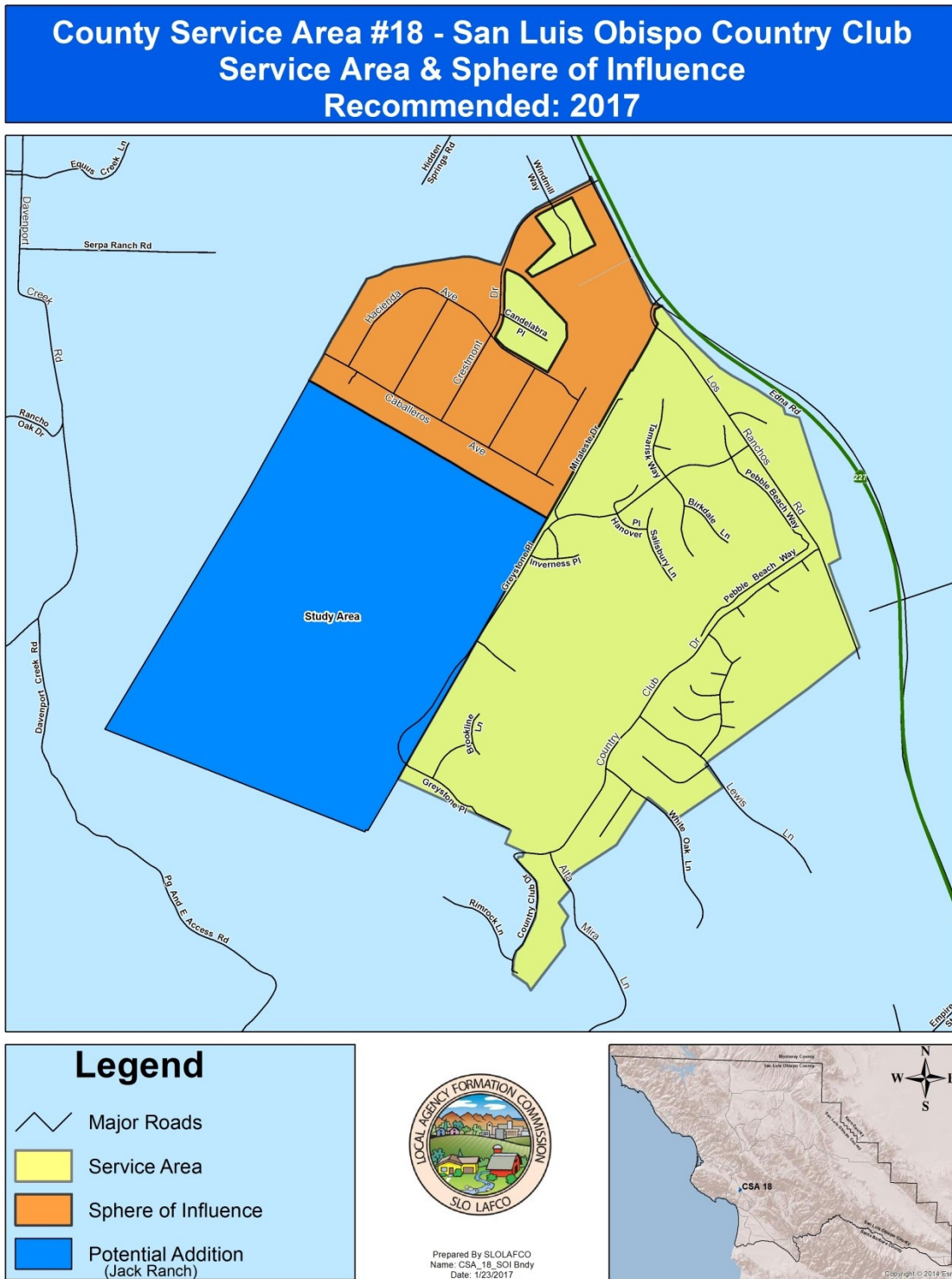
According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan. The Jack Ranch may add an additional 13 lots;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works. The Jack Ranch EIR indicates upgrades are necessary for added services;
- According to the Department of Public Works, the present capacity of the public facilities would be adequate to provide services based on conditions of approval for extending services to the Jack Ranch subdivision;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.

- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. That the Sphere of Influence expand to include Tract 2429 Jack Ranch.

Figure 2-8



COUNTY SERVICE AREA 21

The County's Cooperative Road Improvement Program was approved by LAFCO and formed by the Board of Supervisors in 1984 after LAFCO approval. CSA 21 is used for the sole purpose of financing the construction and maintenance of existing substandard roads in unincorporated county subdivisions. Special Taxes are collected to completely or partially cover the expense of improving such roads. CSA 21 essentially acts as a "bank account" for funding road construction and maintenance projects for unincorporated areas of the County.

After improving the road(s), they are accepted into the County maintained road system. Areas were typically added to CSA 21 based on a community's need and desire to upgrade their roads. This would require that LAFCO and the County Board of Supervisors to take actions to include an area in CSA 21. As part of this action, the Sphere of Influence would also be expanded to be co-terminus with the service area. In 2002, all areas outside of existing cities were annexed into CSA 21. The Cooperative Road Improvement Program improves roads to a paved standard approved by the County Public Works Director.

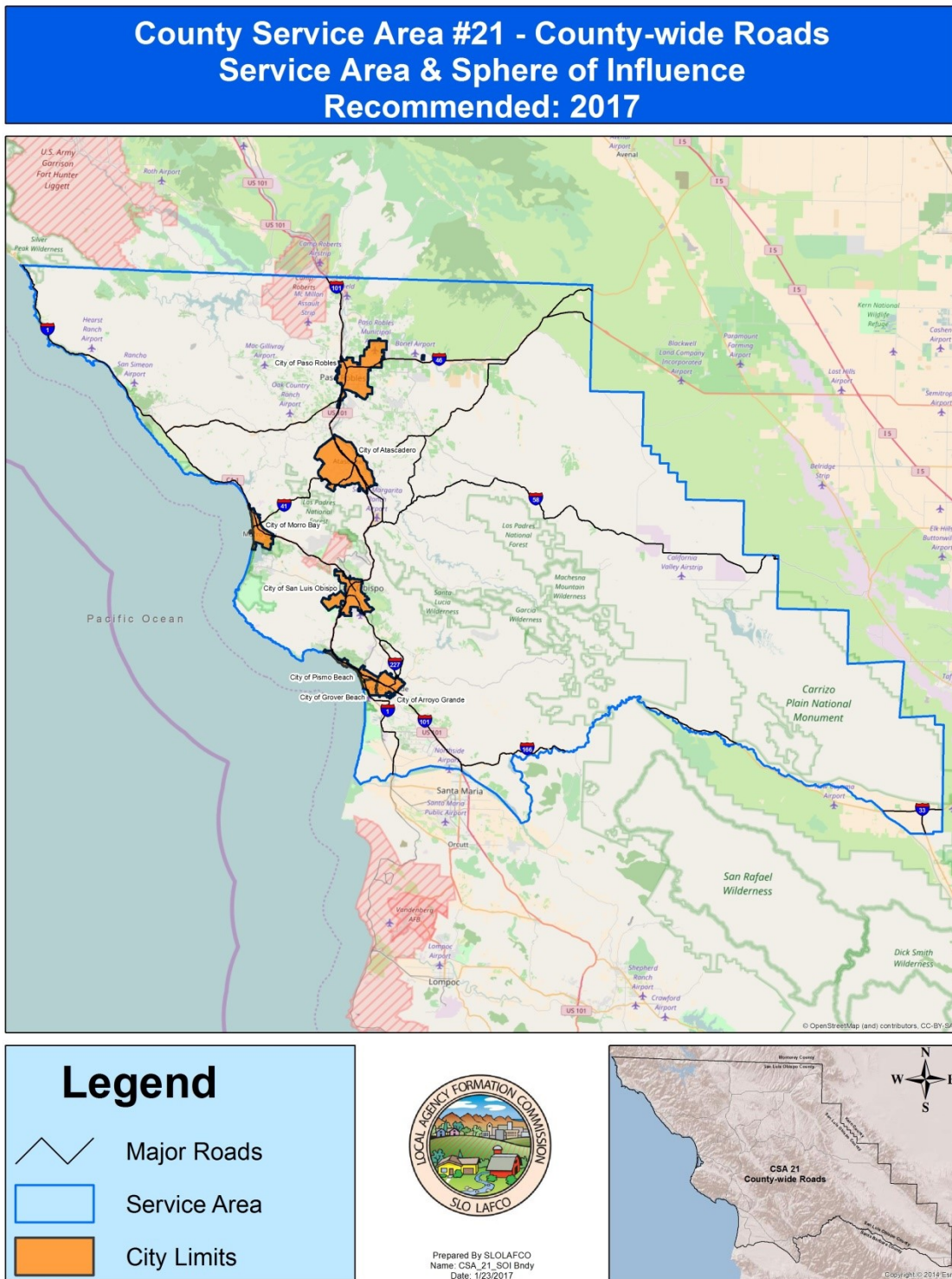
All roads improved under this program are either already in the county maintained road system or they will be accepted into the system. Residents seeking road improvement under this program will be organized into zones within the existing County Service Areas No. 9 or 21. The property owner's fund 100% of the project costs including construction costs.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- The communities of San Miguel and Oceano qualify as disadvantaged unincorporated communities.

Recommendation. The Sphere of Influence remains co-terminus with the County boundary. The service boundary does not include incorporated Cities within the County. Automatic detachment from CSA 21 happens when an annexation to a City or District with road authority occurs.

Figure 2-9



COUNTY SERVICE AREA NO. 22

County Service Area No. 22 was initiated and subsequently formed by the Board of Supervisors in 1984 after LAFCO approval. The CSA is a single-purpose agency established as a funding mechanism for preparation of a specific plan for the San Luis Obispo County Airport Area. The continued development of this rural industrial area in the absence of coordinated city and county land use policy has created area wide problems including drainage, circulation, urban services and long-range planning. The water power was added to enable the CSA to investigate a contract for Nacimiento Water if necessary.

It was envisioned that the CSA would provide financing for the improvements that would be funded by area property owners predominantly through service charges levied by CSA No. 22, and partially by increased fees for development permits in the airport area for a seven-year period following adoption of the plan. The plan itself would have been prepared by private consultants and city and county staff. CSA 22 would be dissolved at the completion of the planning effort. In 2005 the City of San Luis Obispo adopted the Airport Area Specific Plan and is proceeding with an annexation. On May 1, 2007, the City Council approved a resolution authorizing an application to the Local Agency Formation Commission for annexation of 620 acres of land in the Margarita Area and Airport Area. The City has taken the lead in annexing properties around the Airport Area.

In December 1984, LAFCO adopted a zero sphere of influence for CSA 22. This indicates that the service responsibilities of CSA 22 should be reallocated to another unit of government within a 0-to-20 year period, and that CSA 22 should be dissolved. In this instance, CSA 22 would be dissolved eventually after all properties have become part of the City of San Luis Obispo.

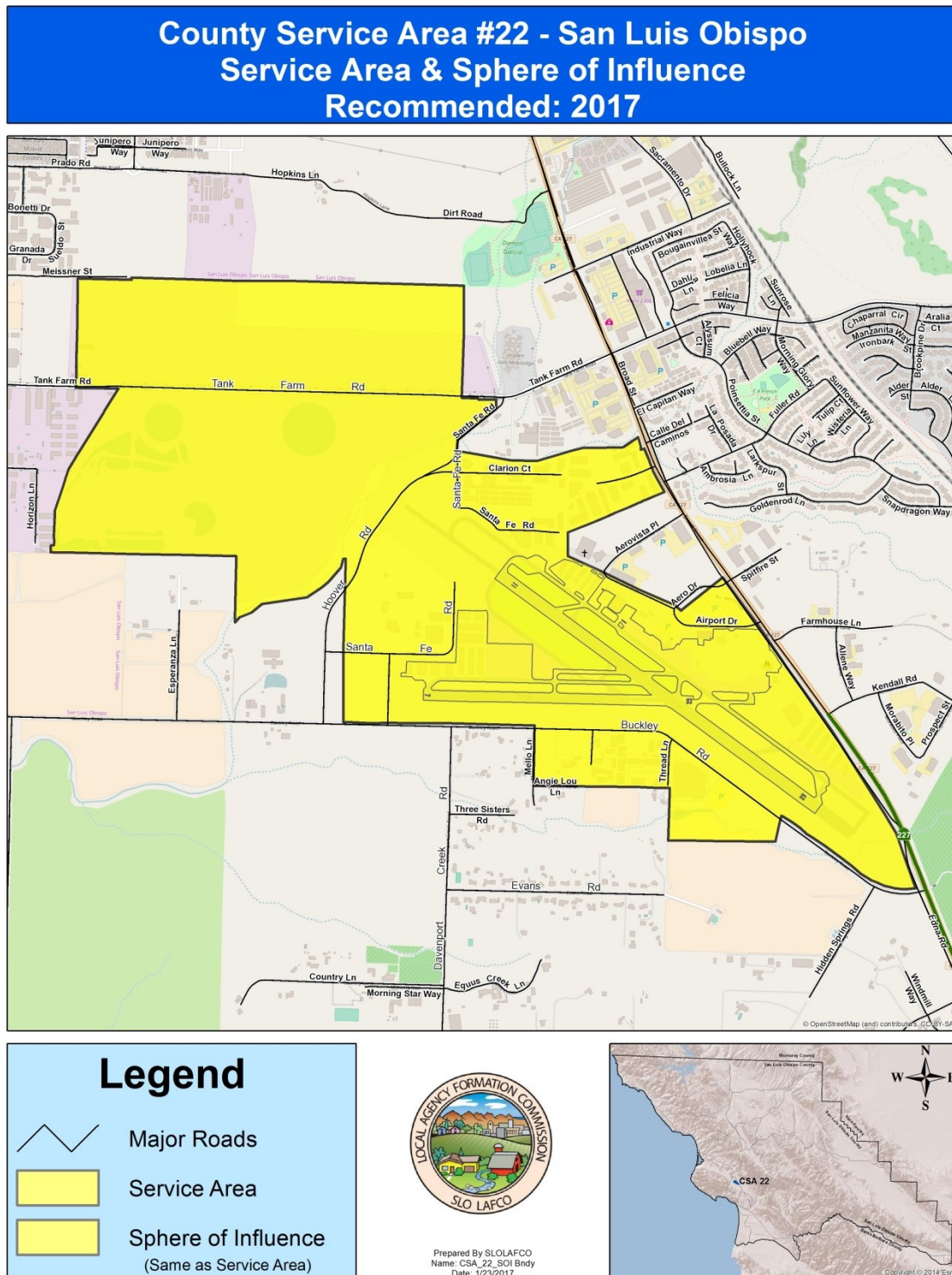
According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;

- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. That the adopted zero Sphere of Influence remains unchanged. This CSA should be dissolved. LAFCO should consider initiating dissolution.

Figure 2-10



COUNTY SERVICE AREA 23

County Service Area 23 currently provides street lighting, and water services to the unincorporated community of Santa Margarita. Other powers are considered latent and would require LAFCO approval prior to the CSA exercising those functions.

CSA 23 operates a water system consisting of two active groundwater wells and two water storage tanks currently serving to meet the needs of the approximately 1,400 Santa Margarita residents. The CSA also pays for the electricity to operate the 62 street lights in the town. The County works with a local advisory committee that advises the Board of Supervisors regarding issues related to CSA 23 and the community. The advisory board meets once a month and provides the Public Works Department with information regarding water supply alternatives, water distribution improvements, drainage problems, and other water issues. A special tax for drainage improvements was voted down by the registered voters of Santa Margarita. The Santa Margarita Fire Protection District still operates independent of CSA 23.

The County's 2014-2016 Resource Summary Report states the Atascadero Sub basin underlies the unincorporated town of Santa Margarita and surrounding rural residences and agricultural fields. The total drainage area associated with the basin consists of four watersheds that collectively drain in the northerly direction into the Salinas River. Water users in the Santa Margarita area include the unincorporated town of Santa Margarita and overlying users. Although the Santa Margarita Creek alluvial aquifer serves as the primary source of water for the town of Santa Margarita, there is no safe yield estimate. CSA 23 water demand for the previous two years was (2014) 120.2 afy and (2015) 100.2 afy with a projected 30-year buildout demand of up to 192 afy.

Santa Margarita Ranch is primarily an agricultural operation, but residential subdivisions are approved on the Ranch. The primary constraints on water availability in the Santa Margarita Groundwater Basin are physical limitations. No comprehensive studies to determine the perennial yield are known to exist. Based on an evaluation of available data used for the Santa Margarita Ranch Environmental Impact Report, however, Hopkins (2006) indicated that the average annual yield of the basin in the vicinity of the proposed Santa Margarita Ranch development may be in the range of 400 to 600 AFY.

The County's Resource Management Summary Report reports the condition of the water situation and the status of the water distribution system. Because limited information is known CSA 23's water supply was recommended to have no LOS status determination. Generally the town depends on a groundwater that is unreliable during periods of drought. The RMS report recommends that the CSA pursue Nacimiento Water in cooperation with the Santa Margarita Ranch development. Currently, there are no plans moving forward on the ranch.

In 2015, the County constructed a physical connection between an existing water transmission pipeline between Atascadero Mutual Water Company, Garden Farms CWD and the existing local water distribution system of CSA 23. The purpose of the

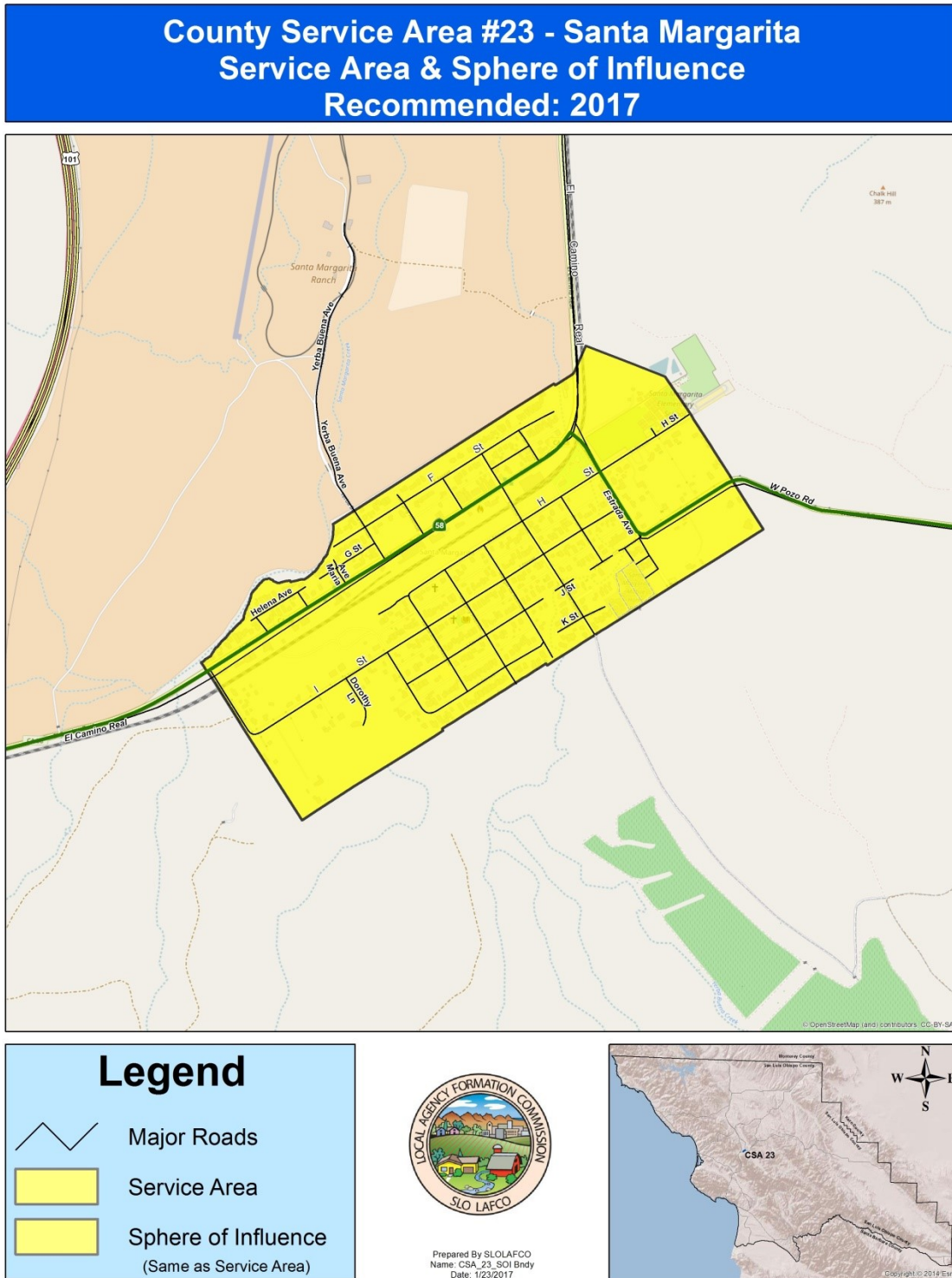
project (the Santa Margarita Emergency Intertie Project) was to provide properties within the water districts access to a reliable supply of water in the event of a drought of sufficient duration and severity which would render the existing groundwater supply insufficient.

According to section 56425(e) (1-4) of the Cortese/Knox/Hertzberg Act, the following written determinations must be addressed when updating a Sphere of Influence:

- The present and planned land uses in the area are expected to remain as designated in the General Plan;
- The present and probable need for public facilities and services are planned for through the Development and Review process for individual projects as implemented by the County Planning Department, as well as the maintenance and capital improvement programs completed by the County Department of Public Works;
- According to the Department of Public Works, the present capacity of the public facilities are adequate to provide services;
- Social or economic communities of interest that exist in the area benefit from the District's services because these services allow the Community to function and grow as is deemed appropriate through the County's General Plan and other policies.
- There are no disadvantaged unincorporated communities within the existing sphere of influence.

Recommendation. That the Sphere of Influence of CSA 23 remains unchanged.

Figure 2-11



CHAPTER 3 – MUNICIPAL SERVICE REVIEW

This Municipal Service Review (MSR) is conducted in regard to the County Service Areas (CSAs) that are managed by the County of San Luis Obispo’s Public Works Department and governed by the County Board of Supervisors. The Public Works Department is responsible for the direct oversight and management of the County Service Areas with the County Board of Supervisors acting as the governing Board. The Public Works Department has a variety of resources it uses in administering the CSAs, including financial management systems, capital project implementation, and customer service staff. This enables the County to effectively manage the CSAs serving the various communities. The table below lists the County Service Areas, the area serviced and the services that are provided.

Table 3-1: Summary of County Service Areas

District	Area Served	Services Provided
Nipomo Lighting	Nipomo	Lighting
CSA 1 Zones A, B, C, D, E, F	Nipomo	Wastewater, Street lighting, Drainage, Parkway Maintenance
CSA 7 Zones A, B, C	Oak Shores	Wastewater and Roads
CSA 9	Los Osos	Roads
CSA 9-zone I	Los Osos	Emergency Medical/Fire in outlying areas
CSA 10* Zone A	Cayucos	Water and Street Lighting
CSA 12	Lopez Water Sales	Water Sales
CSA 16	Shandon	Water, Street Lighting
CSA 18	San Luis Obispo Country Club	Wastewater
CSA 21	Countywide Road Maintenance	Roads outside of incorporated cities
CSA 22	San Luis Obispo Airport Area	Water, Wastewater, Specific Plan Financing
CSA 23	Santa Margarita	Water and Street lighting

* Was also addressed in the Cayucos Special Districts report adopted in January 2015

The Sphere of Influence Update for the CSAs (Chapter 2) does not propose expanding the CSA’s except CSA 18. Essentially the County will continue to operate and manage the CSA’s with an increase to only CSA 18 SLO Country Club’s SOI.

1. GROWTH AND POPULATION

Population of Area and Adjacent Areas: The CSAs studied in this report do not anticipate large increases in population other than potentially the town of Shandon.

Table 3-2: Anticipated Growth

CSA/District Area Served	Anticipated Growth
Nipomo Lighting Nipomo	CSA 1, the zones of benefit and Lighting District are recommended for dissolution. The Nipomo CSD is the more appropriate agency to provide these services. No future connections or increases in the provision of service are anticipated for this area.
CSA 1 and Zones A, B, C, D, E, F Nipomo	
CSA 7 and Zones A, B, C Oak Shores	CSA 7 should be reduced in size to cover only the area in the Village Reserve boundary for the community of Oak Shores and those properties that need an emergency access road. Limited water supplies and access to sewer constrain build out of Oak Shores.
CSA 10 and Zone 10A Cayucos	Significant increases in population are not anticipated to occur in this area over the next 20 years.
CSA 9 Los Osos	Significant increases in population are not anticipated to occur in this area over the next 20 years.
CSA 9 and Zone I Los Osos	
CSA 12 Lopez Water Sales	Significant increases in population are not anticipated to occur in this area over the next 20 years.
CSA 16 Shandon	Shandon may experience a significant increase in population depending on the buildout of the Shandon Community Plan.
CSA 18 San Luis Obispo Country Club	Significant increases in population are not anticipated to occur in this area over the next 20 years. Although, Tract 2429 would increase services.
CSA 21 Countywide Road Maintenance	CSA 21 will continue to meet the needs of the unincorporated areas with regard to roads based on County's CIP.
CSA 22 San Luis Obispo Airport Area	The City of San Luis Obispo is anticipated to serve this area. It is recommended that CSA 22 be dissolved at the appropriate time.
CSA 23 Santa Margarita	The Santa Margarita Ranch may develop over the next 20 years causing an increase in the population; however the ranch is outside of CSA 23.

WRITTEN DETERMINATIONS

1. The County completes Community Planning efforts for unincorporated communities that may grow in the future. The Plans typically provide detailed policies and programs that were considered by the Community through public workshops and hearings and address the future public service and infrastructure needs of a community.
2. Significant increases in population are not anticipated to occur in most of the CSA's managed by the County. In areas where significant growth might occur other service structures are anticipated to meet the need for public services.
3. The County has the administrative capability and resources to provide services to the small areas within the Spheres of Influence. Limited expansion

to CSA 18 and a small reduction in CSA 10 are recommended otherwise no expansions in the Spheres of Influence are recommended in this update.

2. Disadvantaged Unincorporated Communities

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence of a jurisdiction. If a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to disadvantaged unincorporated communities within the sphere of influence or contiguous to the sphere of influence, it is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations are proposed by the District or property owners.

The communities listed above have a variety of economic diversity that resides within the special district boundary and surrounding area. A Disadvantaged community is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The Spheres of Influence for the Special Districts do not have any disadvantage communities that have a present and probable need for public facilities and services nor do the areas contiguous to the sphere of influence qualify as a disadvantage community. Unincorporated communities which appear to meet the definition of “disadvantaged unincorporated communities” under the requirements of SB244 include Oceano, and San Miguel.

WRITTEN DETERMINATIONS

1. Each Special District has a variety of economic diversity that lives within the Districts’ service area and surrounding area including within or adjacent to the Sphere of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. Disadvantaged unincorporated communities exist for the communities of San Miguel and Oceano which are not located within or adjacent to Sphere of Influence and service areas of CSA boundaries.

3. Infrastructure Needs and Deficiencies

LAFCO is responsible for determining that an agency requesting SOI amendments is reasonably capable of providing needed resources and basic infrastructure to serve areas within the District and in the Sphere of Influence. It is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations occur. In the case of this SOI Update, it is especially prudent for LAFCO to evaluate the present and long-term infrastructure demands and resource availability of the community. LAFCO accomplishes this by evaluating: 1) the resources and services that are available, 2) the ability of the jurisdiction to provide such resources and services in line with increasing demands, and 3) the capital improvement and maintenance programs implemented by the jurisdiction.

The County Public Works Department addresses the Infrastructure Needs and Deficiencies using a variety of mechanisms:

- The County's Financial Management System (SAP System), the Utilities Division of the Department of Public Works "pre-loaded" into the system of all equipment and facilities maintained by the Division. This included all water and wastewater systems owned and operated by the County. In addition, a pre-load and programming of all required and/or necessary scheduled maintenance activities for all equipment and facilities for each water and wastewater system was conducted.
- The SAP system handles the scheduled maintenance activities. The system generates and prints out on a monthly basis for all water and wastewater systems a report. This system ensures that all scheduled maintenance for the entire County owned water and wastewater facilities are performed in accordance with manufacturer recommendations.
- It should be noted that as new equipment or facilities are added to the department's physical inventory those items are also added into the SAP system along with the recommended maintenance schedules. This ensures that maintenance for all equipment and facilities, regardless of age, is included in the system and is maintained on a regular basis thereby ensuring continuous operational capability.
- The County performs various studies and analysis regarding the need for developing new resources for specific communities. The County's Resource Management System also reports the availability of resources and the need for system delivery improvements.

Table 3-3: Water Production and Conservation Status

Name	Annual Water Production Jan-Dec 2016	Conservation Metric Usage – AFY/Customer		Source(s) of Supply	Risk Status/ Conservation needed
		Prior 5 years	Current 5 years		
CSA 10, zone A (752 customers)	127.9 AFY	0.14	0.12	Whale Rock Nacimiento	OK*
CSA 12, (21 active contracts)	158 AFY	N/A	N/A	Lopez & State Water	OK*
CSA 16 (344 customers)	113 AFY	0.43	0.38	Groundwater & State Water	OK*
CSA 23 (538 customers)	130.79 AFY	0.30	0.24	Groundwater	OK*

Source: County Public Works Water Systems Operation, 2017.

*No water waste per State Emergency Regulations

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the various county service areas. The sample monthly bill was calculated using 10 units of water as a base (i.e. 100cf = 7.48g/cf or 748 gallons). This information was gathered from Public Works staff report to the Board of Supervisors for current rate increases.

Table 3-4 – Single-Family Water Rates FY 2017-18

Rate/Fee	CSA 10	CSA 16	CSA 23
Monthly Service Meter Charge	\$63.85	\$34.83	\$34.87
Water (per 100 cubic feet)	\$6.20	\$4.18 (11ccf-16ccf) \$5.58 (>16ccf)	\$3.10
Other Charges	\$0.00	\$0.00	\$0.00
Sample Monthly Bill (10 units of water)	\$63.85	\$34.83	\$34.87

Table 3-5 – Single-Family Sewer Rates FY 2017-18

Rate/Fee	CSA 1	CSA 1A	CSA 1F	CSA 7A	CSA 18
Flat Monthly Rate	\$11.77	\$6.00	\$9.75	\$21.31	\$115.41
Sewer (per 100 cubic feet water)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Charges	\$46.63	\$46.63	\$46.63	\$0	\$0
Sample monthly bill	\$58.40	\$52.63	\$56.38	\$21.31	\$115.41

* Rates are charged annually; 12 mos. on property tax bill

WRITTEN DETERMINATIONS

1. Based on information from the Department of Public Works the County manages resources to adequately provide services to the communities served by the CSAs.
2. No additions to the SOI are proposed as a result of this Sphere of Influence Update that would increase the need for new resources and infrastructure with the exception of CSA 18 and any necessary wastewater upgrades related to Jack Ranch subdivision, if approved by the County.
3. The County has adequate and reliable resources available to meet the needs of current and future residents within the CSA's existing service boundary and the Sphere of Influence.
4. The County regularly maintains the public facilities, including the water distribution pipelines, streetlights, wastewater systems, and water well maintenance.
5. Based upon review of the available information, the CSA's facilities and practices comply with environmental and safety standards.
6. Many of the CSAs are proposed for dissolution with services being made available by another provider.

4. FINANCING OPPORTUNITIES AND CONSTRAINTS

The County of San Luis Obispo Department of Public Works prepares an annual budget document for County Service Areas that is well organized and clearly articulates the CSAs financial status and future spending plans. The annual budget is prepared consistent with the State Controller's Office County Budget Act of 2010. The document provides information about revenue sources and expenditures.

The Board of Supervisors adopts the Budget each year and it is used as the spending plan for the CSAs and dependent districts. The Budget provides a framework for CSAs to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees. The County has adopted fiscal policies that guide staff in preparing the Budget and fiscal matters.

The CSAs financial constraints involve the governmental structure and the desires of the people in a community to fund certain activities by establishing assessments or fees. The laws under which a CSA is governed provide the structure for funding activities. Revenue sources for the CSAs are somewhat limited and include key sources such as property taxes for lighting, fees collected from water sales, water connection fees, and pass-through monies such as grants for the construction of capital improvements.

On the expenditures side, the CSA budget for the water services paid for by residents

and provides for lighting service using property tax. Key expenditures include routine maintenance, state water payments, accounting services, services and supplies.

Fiscal Trend Analysis

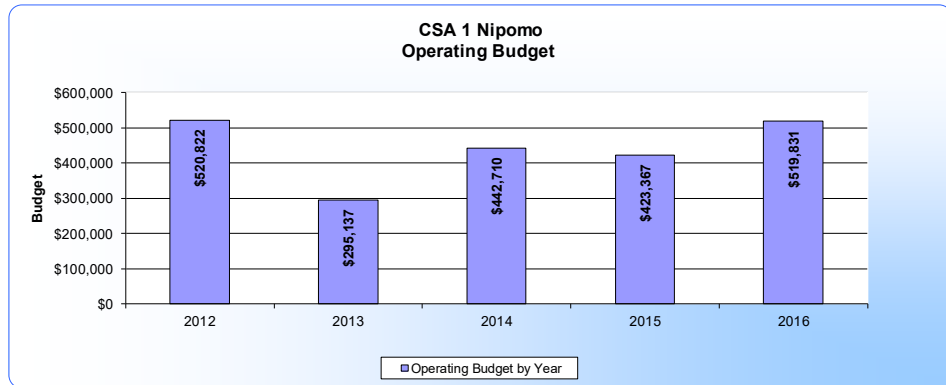
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, property tax revenues, long-term debt, and fund balance for each year. The information was derived from the County's Budget.

Operating Budget Figures 3-1 to 3-8

Formula:
 Consolidated
 Expenditures /
 Fiscal year

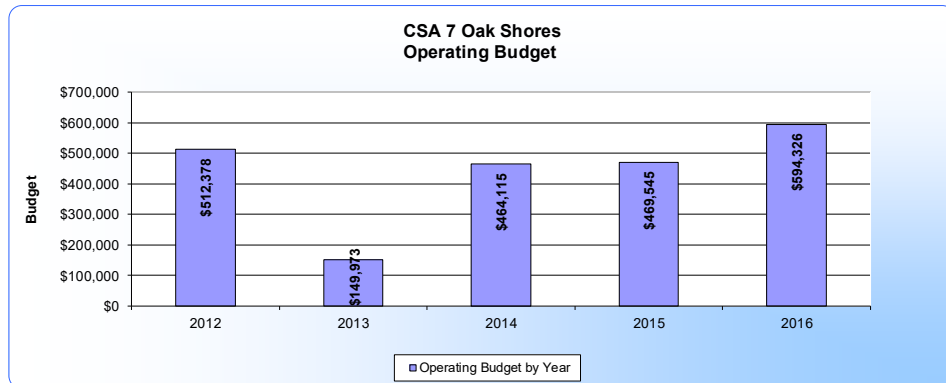
Trend Analysis:
 Monitor expenditures
 over time.

Source:
 Basic Financial
 Statements: Special
 District Budgets,
 Statement of
 Revenues, Expenses &
 Changes in Net Assets



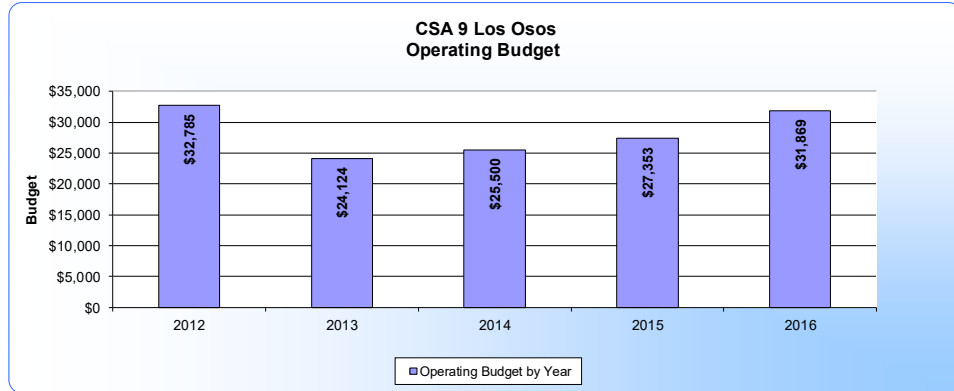
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



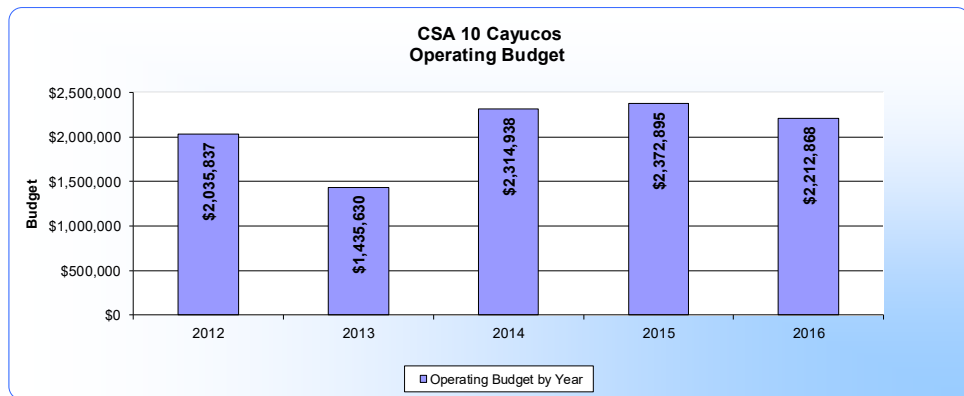
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



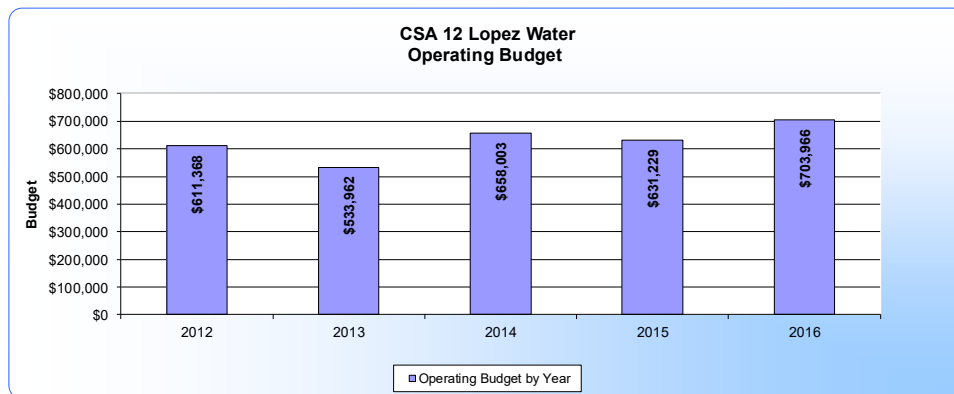
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



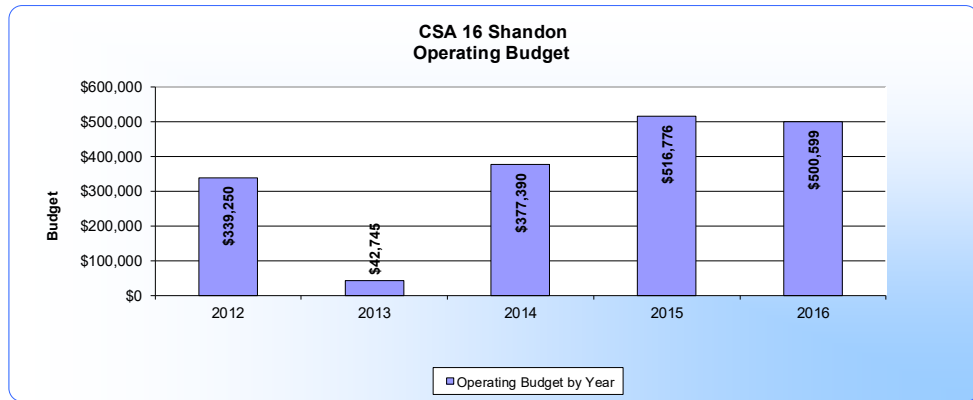
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



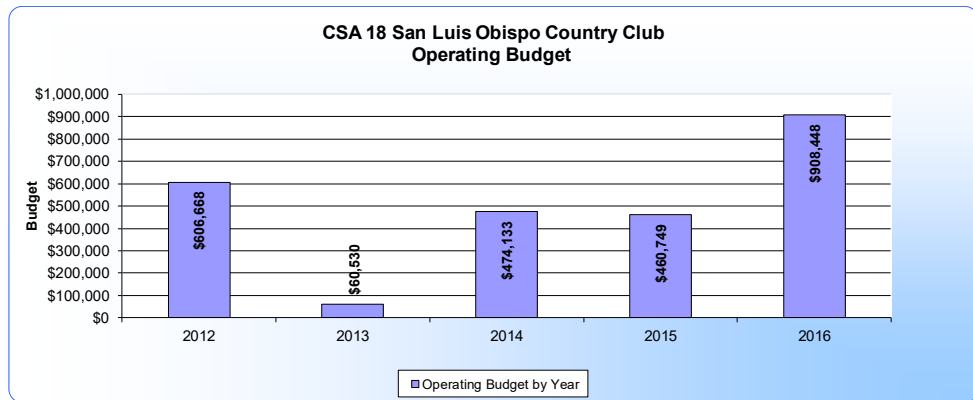
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



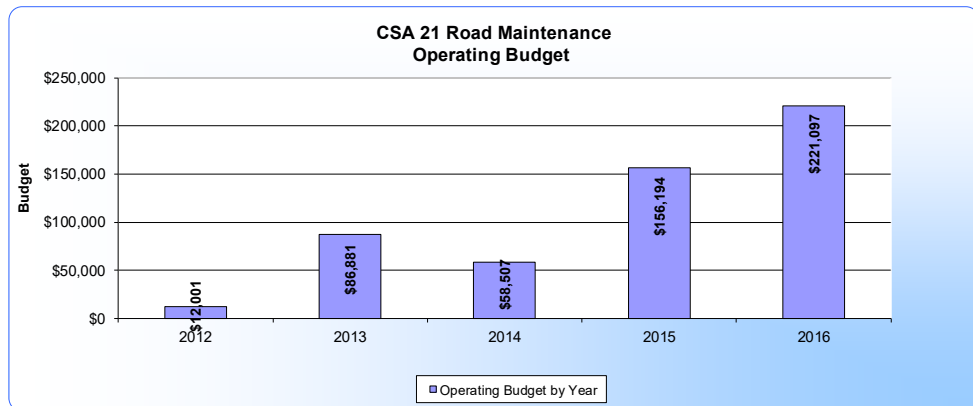
Description:

This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.



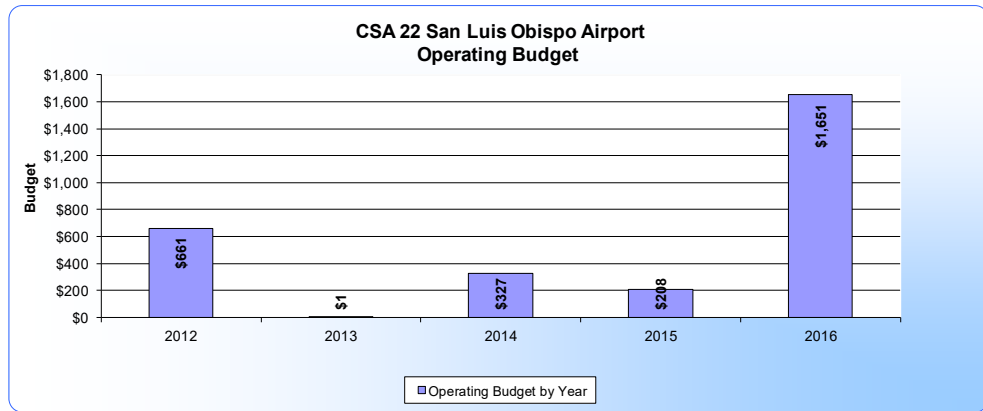
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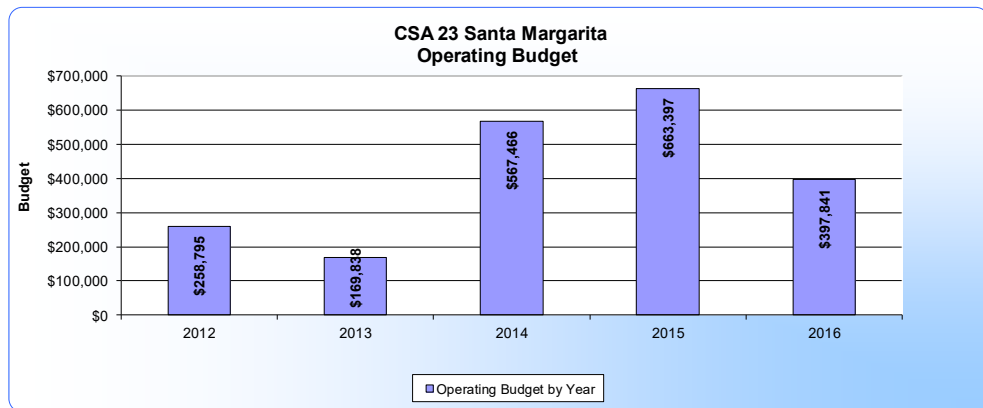
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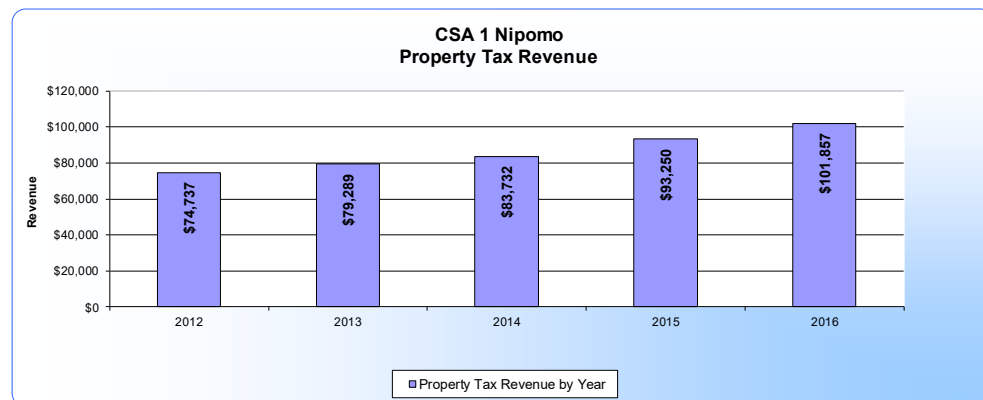
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

Property Tax Revenues Figures 3-9 to 3-14

Formula:
Property tax revenue /
Fiscal year

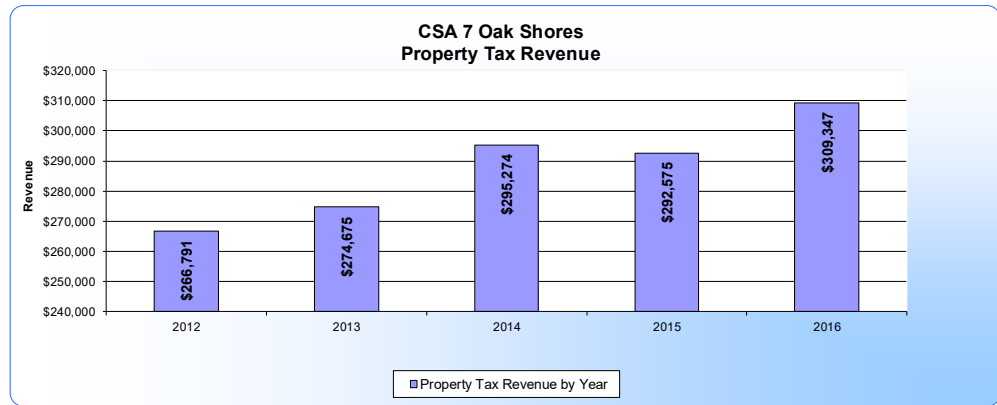
Trend Analysis:
Monitor property tax
revenues over time.

Source:
Basic Financial
Statements: Special
District Budgets,
Statement of Property
Tax Revenue



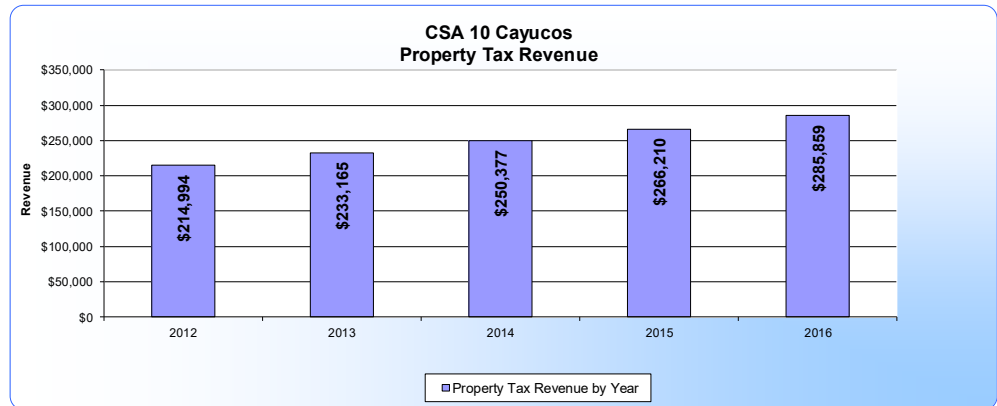
Description:

This indicator will have more importance for those agencies heavily reliant upon property tax revenues. As these revenues are closely tied to market conditions, this indicator can depict the ability of an agency to respond to economic fluctuations. The property taxes are distributed based on the calendar year and the years indicated in the chart are the ending years for each calendar year.



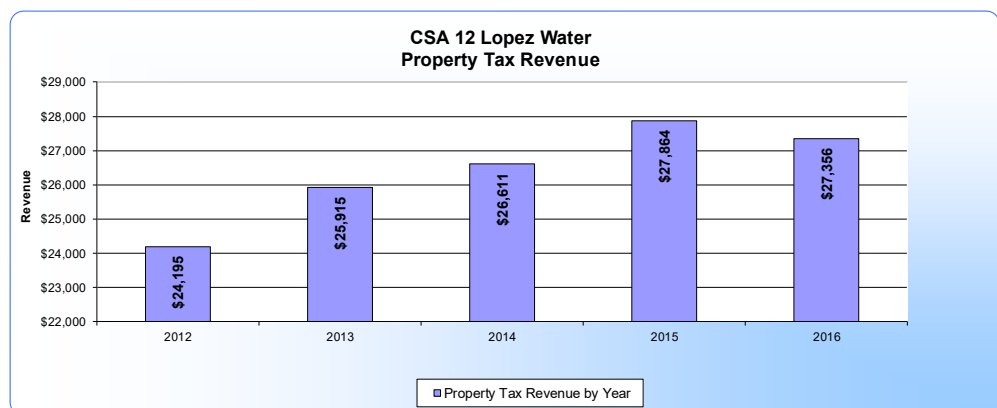
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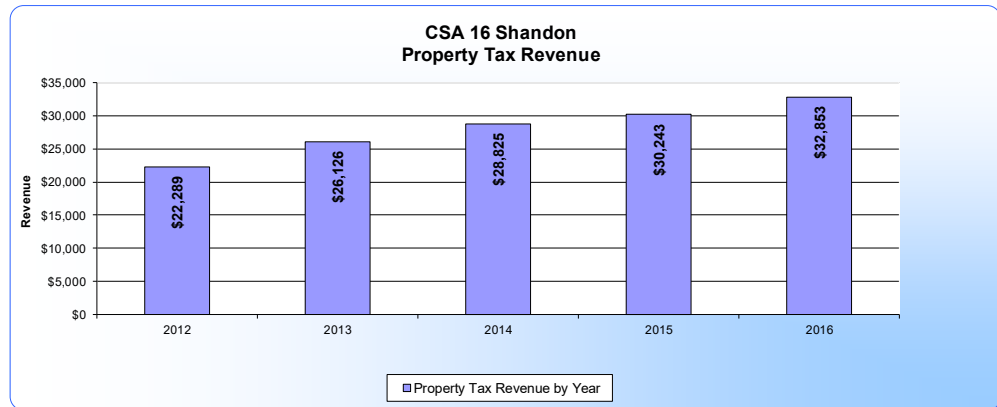
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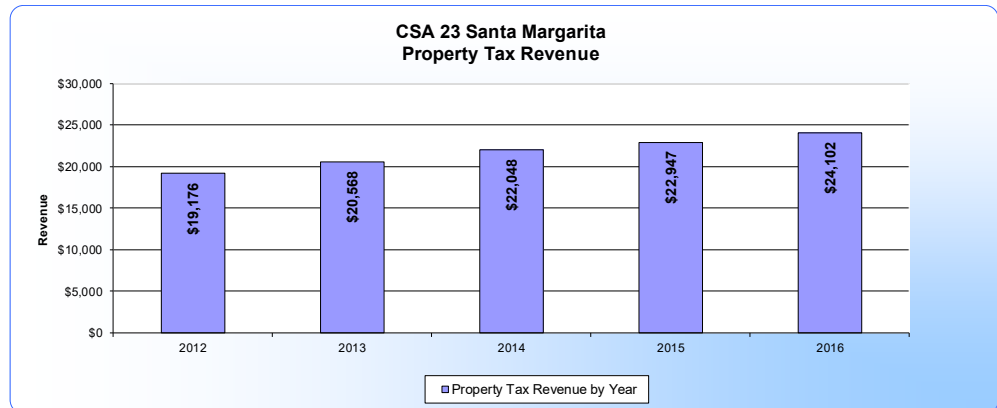
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Description:

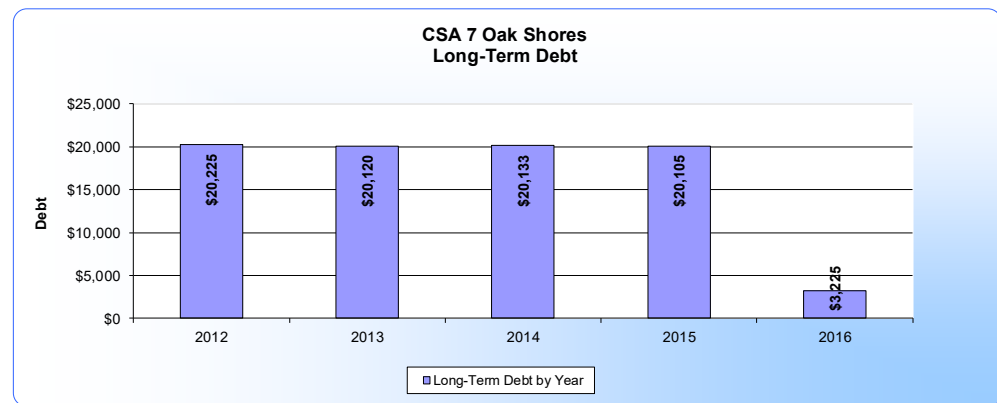
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Long-Term Debt/Liabilities Figures 3-15 to 3-18

Formula:
Current liabilities / Net operating revenues

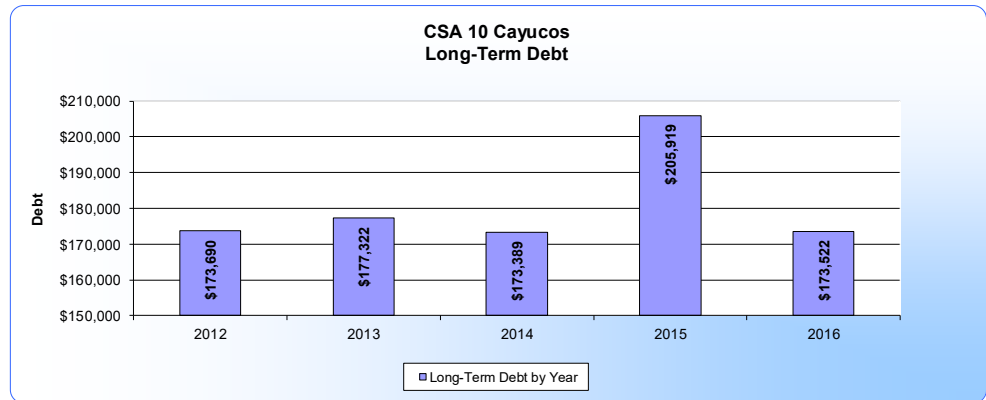
Trend Analysis:
Monitor Long-term debt at the end of the year as a percentage of net operating revenues over time.

Source:
Special District Budgets



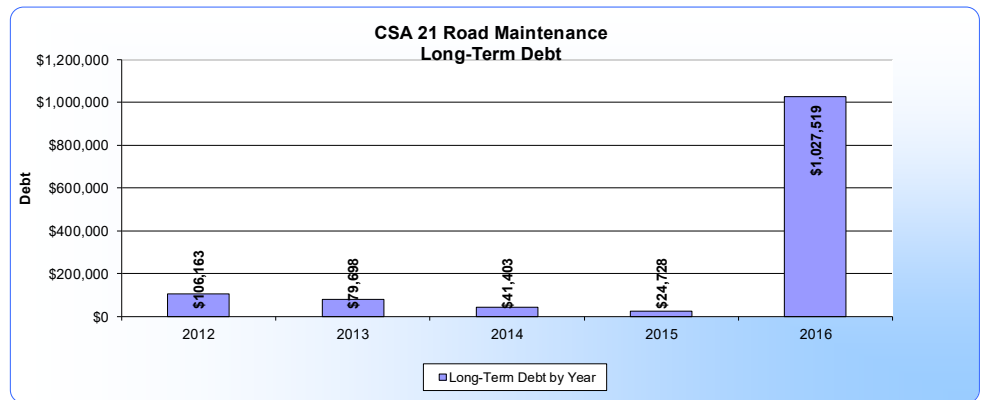
Description:

A major component of a jurisdictions liability may be long-term debt in the form of tax or bond anticipation notes. Although long-term borrowing is an accepted way to deal with uneven cash flow, an increasing amount of long-term debt outstanding at the end of successive years can indicate deficit spending problems.



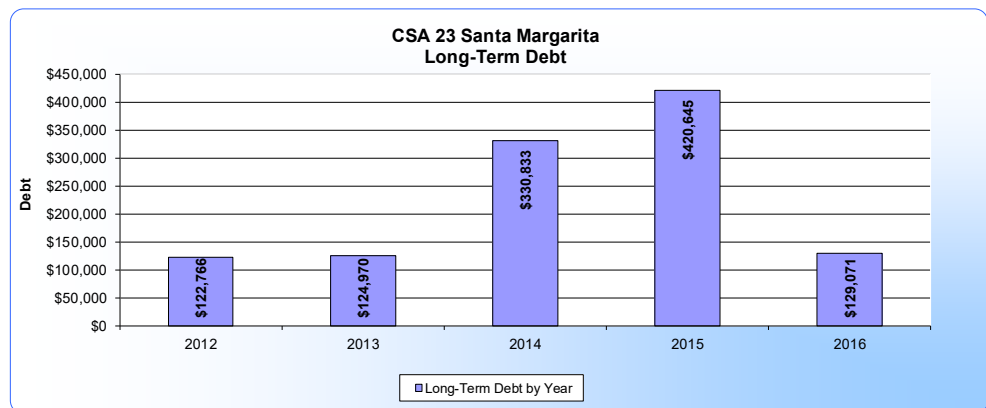
Description:

A major component of a jurisdiction's liability may be long-term debt in the form of tax or bond anticipation notes. Although long-term borrowing is an accepted way to deal with uneven cash flow, an increasing amount of long-term debt outstanding at the end of successive years can indicate deficit spending problems.



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Changes in Fund Balance Figures 3-19 to 3-27

Formula:

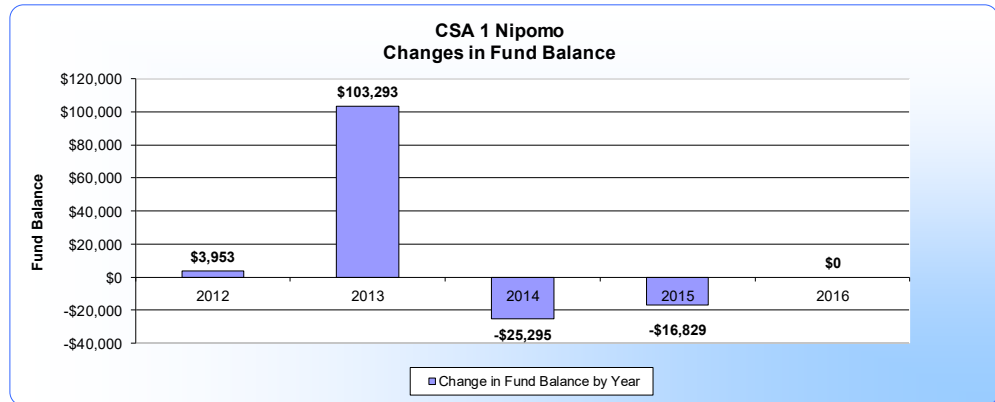
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

Monitor operating deficit or surplus as a percentage of net operating revenues.

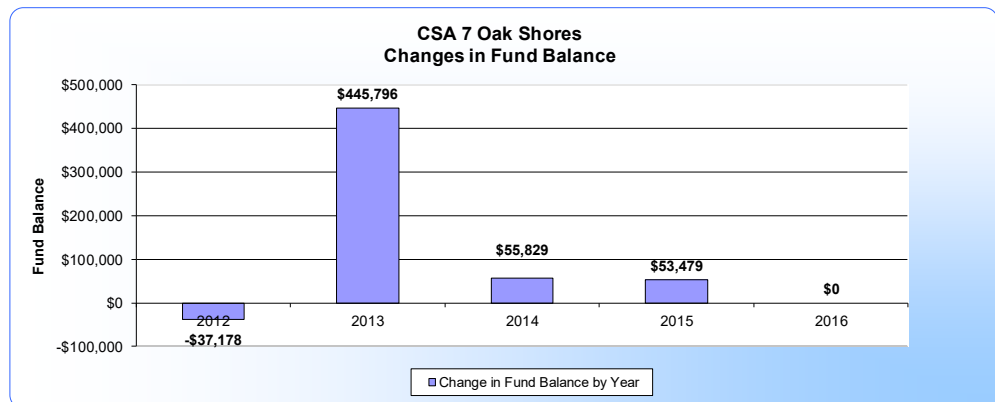
Source:

Special District Budgets: Statement of Revenues, Expenses and Changes in Fund Balance.



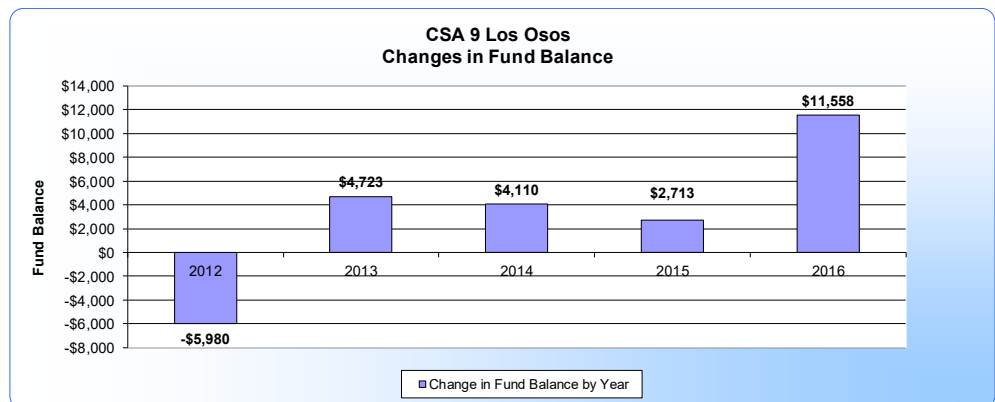
Description:

This indicator is especially important because a pattern of operating deficits of the funds can be one of the first signs of an imbalance between revenue structure and expenditures. It should be noted that it would not indicate a problem if the agency had planned the operating deficits and was deliberately drawing down reserve fund balances or using extra revenues from another fund for temporary needs.



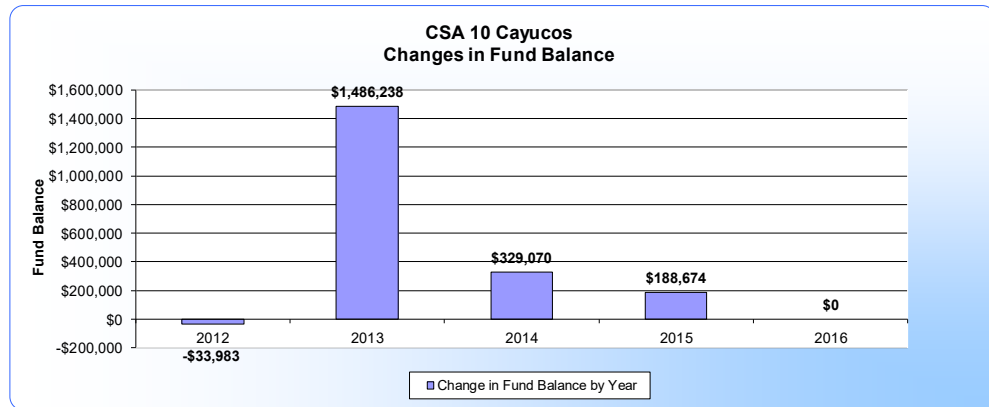
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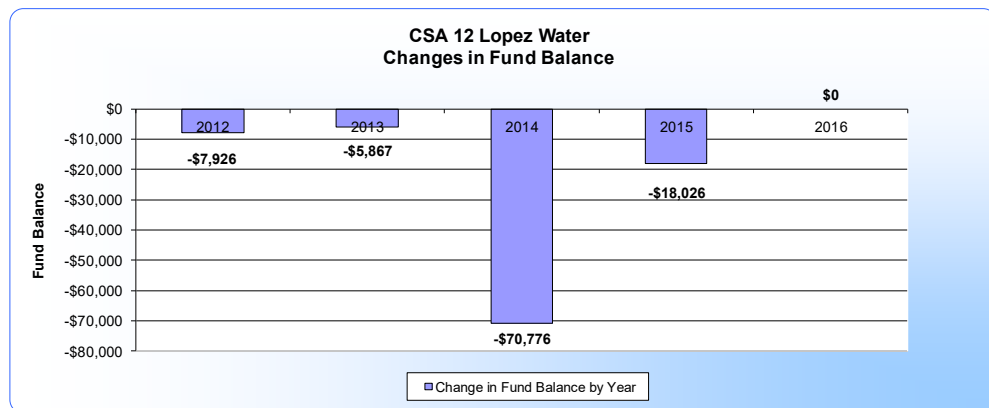
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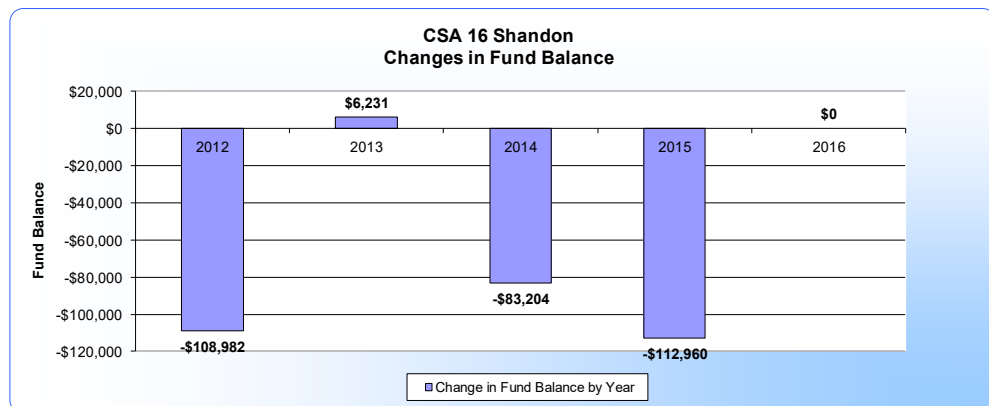
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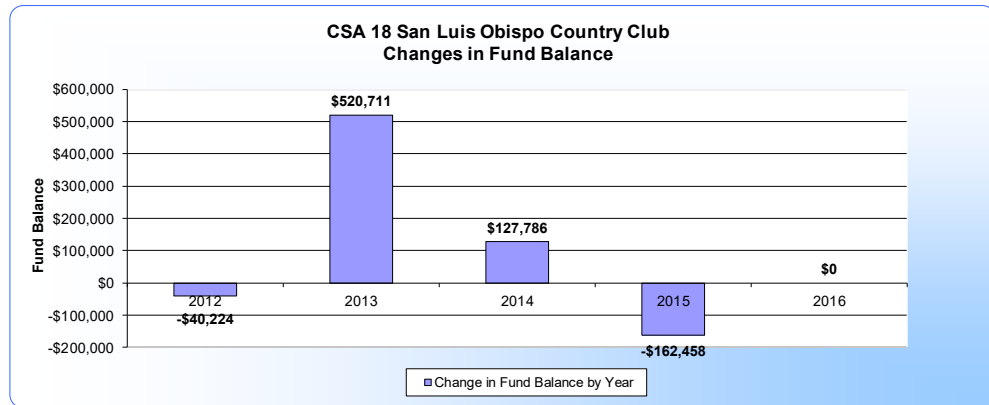
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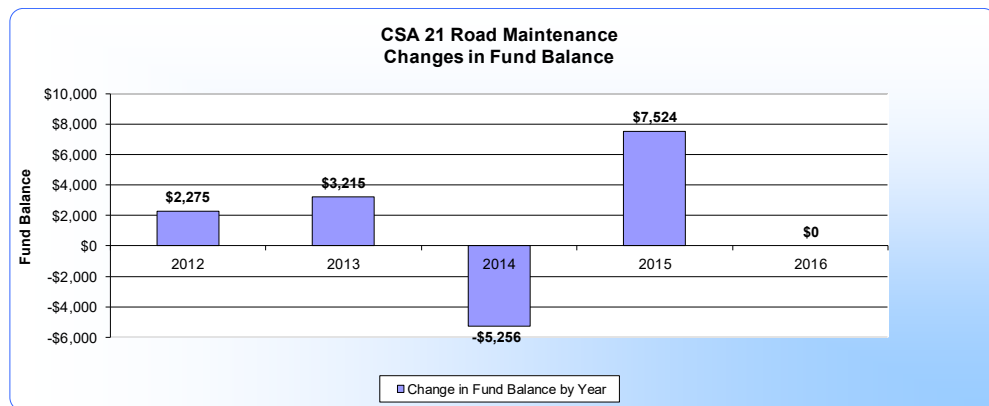
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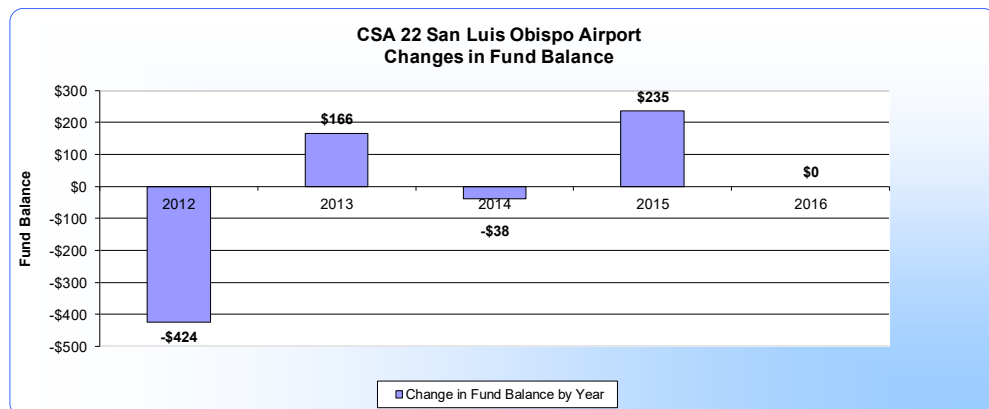
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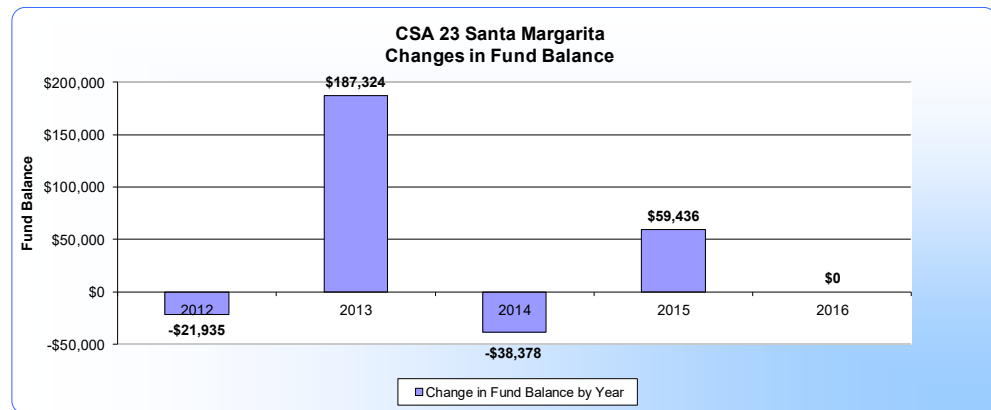
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WRITTEN DETERMINATIONS

1. The Public Works staff managing the CSAs prepares a comprehensive and thorough annual budget that clearly describes the services provided to residents and the funds expended for those services.
2. CSAs do not pay for infrastructure needed to serve new development projects. It is reasonable to conclude that the County endeavors to avoid long-term financial obligations for the capital improvement or maintenance of new development projects.
3. The CSA's, through the County of San Luis Obispo, has in place financial regulations that are codified in its implementing ordinances and resolutions.

5. OPPORTUNITIES FOR SHARED FACILITIES

In managing the CSAs the County works together with other jurisdictions to minimize costs and duplication of effort. This may lead to shared use of infrastructure with the County, Cities and other Districts. The following of are some examples of that cooperation:

- In Nipomo, CSA 1 contracts with the Nipomo CSD for the processing of collected wastewater.
- In Shandon, CSA 16 will coordinate Groundwater Management efforts with various GSA's as will CSA 23 in Santa Margarita.

In the case of roadways (CSA 21), the opportunity to coordinate connections between collector and arterial roadways could enhance regional traffic patterns, and aid in emergency response times.

The County also works cooperatively and maintains working relationships with the following agencies:

- Incorporated Cities and other Independent Districts
- Caltrans
- CAL Fire/SLO County Fire through reciprocal Automatic Aid Agreement and all neighboring fire agencies through the San Luis Obispo Operational Area Fire and rescue Mutual Aid Operational Agreement.
- Groundwater Sustainability Agencies
- Regional Water Quality Control Board (water, wastewater and drainage)
- Army Corps of Engineers
- State Parks to help manage parks and recreation resources
- California Coastal Commission for permitting in the Coastal Zone
- California Department of Fish and Game to protect wildlife and environmental resources
- US Fish & Wildlife Service
- State Historic Preservation Office
- USDA Rural Utilities
- National Marine Fisheries
- Air Pollution Control District

WRITTEN DETERMINATIONS

1. The County looks for opportunities to work with other agencies and organizations to help provide efficient services to the residents of the CSAs.

6. GOVERNMENT STRUCTURE OPTIONS

One of the most important elements of LAFCO's responsibilities is in setting logical service boundaries for communities based on their capability to provide services to affected lands.

The County Board of Supervisors prioritizes services on a county-wide basis and must make difficult decisions about where and what services are allocated a limited amount of financial resources. The preparation of Community Plans helps the County to identify community values and prioritize the capital improvement projects that need to be

completed. This type of comprehensive planning approach assists the County in improving the level of services provided to the residents of CSAs.

The dissolution of CSAs that are no longer needed should be considered by the County Board of Supervisors as recommended in Chapter 2 of this document. Several of the recommendations to dissolve a CSA were made in the 1980's and have yet to be implemented. The County should look for ways to dissolve these unnecessary government structures. Conversely where there is a need for expanded services to a community the County can request activation of a latent power.

WRITTEN DETERMINATIONS

1. CSA's that are no longer necessary should be dissolved.
2. Detachments are called for in several CSA's and should be considered by the County.

7. OTHER MATTERS

This factor allows LAFCO to discuss other issues and topics that may need to be addressed or focused on in the MSR.

None at this time.

NOTICE OF EXEMPTION

TO: Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: San Luis Obispo LAFCO
1042 Pacific Street
San Luis Obispo, CA 93401

Tommy Gong, County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93401

CONTACT: David Church, Executive Officer
(805) 781-5795

**PROJECT TITLE: SPHERE OF INFLUENCE UPDATE AND MUNICIPAL SERVICE REVIEW
COUNTY OF SAN LUIS OBISPO - COUNTY SERVICE AREAS**

Project Location and Description. This is the Sphere of Influence Update and Municipal Service Review for the County Service Areas (CSA's) which are governed by the Board of Supervisors and managed by the County Public Works Department. The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for all applicable jurisdictions in the County. A Sphere of Influence is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality". The Act further requires that a *Municipal Service Review* be conducted prior to, or in conjunction with, the update of a Sphere of Influence. The Sphere of Influence Update for the CSAs does not propose expanding any of the CSA's. Essentially the County will continue to operate and manage the CSA's without any increases to the SOIs. The Public Works Department is responsible for the direct oversight and management of the County Service Areas with the County Board of Supervisors acting as the governing Board.

Public Agency Approving Project. The Local Agency Formation Commission (LAFCO) of San Luis Obispo County will be conducted a public hearing on this item in August 17, 2017 at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center.

Environmental Determination. The purpose of the environmental review process is to provide information about the environmental effects of the actions and decisions made by LAFCO and to comply with the California Environmental Quality Act (CEQA). In this case, it has been determined with certainty that there is no possibility that the project may have a significant environmental effect on the environment and therefore it is found to be exempt from CEQA pursuant to section 15061(b)(3) of the State Guidelines. The Local Agency Formation Commission will file this Notice of Exemption upon approval of the Sphere of Influence Update.

Reasons for Exemption. It has been determined with certainty that there is no possibility that the project may have a significant environmental effect on the environment and therefore it is found to be exempt from CEQA pursuant to section 15061(b)(3) of the State Guidelines. LAFCO approval of the proposed Sphere of Influence Update and Municipal Service Review under Government Code 56000 et al. do not involve, authorize or permit the construction of any facilities associated with any subject property. The Cortese-Knox-Hertzberg Act calls for LAFCO to discourage urban sprawl, preserve open space and prime agricultural lands, promote the efficient provision of government services and encourage the orderly formation of local agencies. The Spheres of influence for the CSAs are not being expanded and some are proposed for reduction or dissolution. This being the case, the SOI Update and Municipal Service Review are consistent with the intent of the Act.

David Church, Executive Officer

Date