

City of Arroyo Grande City of Grover Beach Oceano Community Services District and South San Luis Obispo County Sanitation District

ADOPTED

SPHERE OF INFLUENCE UPDATE
MUNICIPAL SERVICE REVIEW



PREPARED BY:

SAN LUIS OBISPO

LOCAL AGENCY FORMATION COMMISSION

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SAN LUIS OBISPO LOCAL AGENCY FORMATION COMMISSION

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CHAPTER 1 - INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

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 every five years or as needed. 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 a 20-year, long-range planning tool. The Act further requires that a Municipal Service Review (MSR) be conducted prior to, or in conjunction with, the update of a Sphere of Influence. The MSR evaluates the capability of a jurisdiction to serve their existing residents and future development in their Sphere of Influence.

Sphere of Influence

"...a plan for the probable physical boundary and service area of a local agency or municipality..."

Chapter Two is the Sphere of Influence Update and describes the requirements of the Cortese-Knox-Hertzberg Act. It also makes recommendations for updating the Spheres of Influence for each of the jurisdictions. The Sphere Update is based upon Municipal Service Review Chapters Three, Four, Five Six and Seven that analyze each jurisdiction's capability to provide services to existing and future residents. These Sphere of Influence Updates and Municipal Service Reviews have been prepared for the following agencies: City of Arroyo

Grande, City of Grover Beach, Oceano Community Services District and the South San Luis Obispo County Sanitation District in accordance with Section 56430 of the California Government Code. A new Chapter 7 has been added that discusses fire services in the area provided by Five Cities Fire Authority under a Joint Powers Agreement. The update of the Sphere of Influence for these jurisdictions recognizes the existing circumstances and recommends no changes to the SOIs (a "Status Quo" recommendation) with the exception of a few small existing back yards along Virginia Dr. be added to the City of Arroyo Grande's Sphere of Influence.

The legislative authority for conducting Service Reviews is provided in section 56430 of the CKH Act. The Act states, ("That in order to prepare and to update Spheres of Influence in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the County or other appropriate area designated by the Commission ...") A

Service Review must have written determinations that address the legislative factors in order to update a Sphere of Influence.

Information that addresses each of the seven factors is provided in Chapters 3, 4, 5 & 6 – the Municipal Service Reviews for each jurisdiction. A new Chapter 7 has been added that discusses fire services in the area provided by Five Cities Fire Authority under a Joint Powers Agreement for the communities of Arroyo Grande, Grover Beach, and Oceano. The seven factors are listed below, and Written Determinations for each factor are found in each chapter.

SERVICE REVIEW & SPHERE OF INFLUENCE UPDATE PROCESS

The process for updating the Agencies Sphere's of Influence includes several steps:

1. Gathering and compiling information regarding the jurisdictions service capability.
2. Update of City/County Memorandum of Agreement (MOA) regarding SOI boundaries and development provisions for the Sphere of Influence area.
3. Preparation and release of a Public Review Draft Sphere of Influence Update and Municipal Service Review. Completion of the environmental review process consistent with the California Environmental Quality Act (CEQA). Public Review and Comment period for all documents.
4. If agreed to, City and County approval of a Memorandum of Agreement (Appendix B). LAFCO is required by the CKH Act to give "great weight" to an agreement between the City and the County when considering the Sphere of Influence Update.
5. LAFCO consideration of Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, and Environmental Review documentation.

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**

Current LAFCO Action. LAFCO is being asked to consider the following actions as a part of this Sphere of Influence Update:

1. Approve and adopt the environmental documentation pursuant to CEQA;
2. Approve the Municipal Service Reviews found in Chapters Three-Arroyo Grande, Four-Grover Beach, Five-Oceano Community Services District, Six-South San Luis Obispo Sanitation District and Seven-Five Cities Fire Authority of this document; and
3. Approve and adopt the Sphere of Influence Updates for each of the jurisdictions in Chapter Two of this document.

Environmental Determination

The California Environmental Quality Act ("CEQA") requires that the Commission undertake and review an environmental analysis before granting approval of a project, as defined by CEQA. The MSR's are categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation Section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded."

Furthermore, the SOI updates qualify for a general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3), which states: "The activity is covered by the common sense that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." There is no possibility that the MSR or SOI updates would have a significant effect on the environment because there are no land use changes associated with the documents. If the Commission approves and adopts the MSR's and SOI updates and determines that the project are exempt from CEQA, staff will prepare and file a notice of exemption with the Clerk of the County of San Luis Obispo, as required by CEQA Regulation Section 15062.

EXECUTIVE SUMMARY

The following is a summary of the key information contained in the Sphere of Influence Update and Municipal Service Review completed for the Cities of Arroyo Grande and Grover Beach, the community of Oceano Community Services District and the South San Luis Obispo County Sanitation District. The seven factors that are required to be addressed by the CKH Act are covered in this summary section. The analysis in the chapters that follow evaluates and addresses the factors unique to LAFCO's role and decision-making authority pursuant to the CKH Act.

- ❖ **Chapter Two** focuses on the actions being proposed for each jurisdiction's Sphere of Influence and includes maps showing the proposed Sphere of Influence. This chapter effectively proposes the update of the Spheres of Influences based on the information found in the Municipal Service Review chapters that follow. The only change is the proposed addition of an existing residential area along Virginia Drive to the City of Arroyo Grande's Sphere of Influence.
- ❖ **Chapter Three** is the Municipal Service Review for the City of Arroyo Grande and addresses the seven factors required by the CKH. A small 6 existing residences in Study Area 5 is proposed to be added to the City's Sphere of Influence further detail is provided in Chapter Two.
- ❖ **Chapter Four** is the Municipal Service Review for the City of Grover Beach and addresses the seven factors required by the CKH. No changes are proposed for the City's Sphere of Influence.
- ❖ **Chapter Five** is the Municipal Service Review for the Oceano Community Service District and addresses the seven factors required by the CKH. No changes are being recommended for the Sphere of Influence (SOI). More detail can be found in Chapter Two.
- ❖ **Chapter Six** is the Municipal Service Review for the South San Luis Obispo County Sanitation District and addresses the seven factors required by the CKH. The Sphere of Influence for the District largely follows the SOI boundaries of the

jurisdictions that are under contract with the District. The small area proposed to be added to the City of Arroyo Grande is already included in the Districts service area. More detail can be found in Chapter Two.

- ❖ **Chapter Seven** is a new Chapter that covers the Five Cities Fire Authority (FCFA) this Chapter is not a mandated Municipal Service Review for the FCFA. The Chapter is provided as information that documents the challenges that face fire service in the area. This Chapter provides a baseline for discussions and does not presume to provide a simple solution. Rather, it focuses on the need to increased cooperation, coordination, and commitment of the various entities to craft a solution that meets the fire service's needs in the future.

REGIONAL ISSUES

The following is a summary of issues that are relevant to the Five Cities area, and if further explored could help improve public services to the residents of the area.

Chapter Seven - Fire Services. The three agencies; City of Arroyo Grande, City of Grover Beach, and Oceano Community Services District have formed a Joint Powers Authority to provide fire and emergency response services in 2010. The Agencies contract with the Five Cities Fire Authority to provide emergency response and other fire services for the area residents. The communities benefit from the consolidation of resources that come with having a Joint Powers Agreement (JPA). With the JPA the Five Cities Fire Authority is able to enhance its presence in the Five Cities area to respond to emergency situations through three fire stations and eight on duty firefighters. Additionally, the Authority employs 24 full time firefighters and 3 part time firefighters. The Authority also has automatic-aid agreements with CALFIRE. The result of the JPA is more efficient fire and safety services to the residents at a similar cost. Oceano CSD considered a parcel tax ballot measure for 2020 to provide fire department funding to meet their Five Cities Fire Authority obligation to fund 3 full-time firefighters on duty daily at the Oceano fire station. This ballot measure did not receive the required two-thirds approval needed on March 3, 2020.

The jurisdictions should continue to work to provide consolidated fire protection service in the area within the context of the Joint Powers Agreement (Five Cities Fire Authority). It may make sense at some point to pursue the formation of a Fire Protection District; however the current

JPA is providing effective and efficient service to the area. There may be funding and jurisdictional issues related to forming a district that require study and evaluation. Renegotiation of the funding formula for Five Cities JPA or reducing expenditures should be further explored to keep fire service ongoing. As a final resort Oceano CSD could divest its fire authority under LAFCO action at which time the County or other jurisdiction would take over fire services in Oceano.

Wastewater Services and Opportunity for a Recycled Water Program. The three agencies also operate under contract with the South San Luis Obispo County Sanitation District (SSLOCSD) for wastewater services. South San Luis Obispo County Sanitation District (SSLOCSD) is responsible for the treatment of sewage and wastewater in Arroyo Grande, Grover Beach and Oceano. Operation of the SSLOCSD is overseen by a Board of Directors that includes representatives from the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The SSLOCSD's sewage treatment facility is located on a 7.6-acre site between the Oceano Airport and the Arroyo Grande Creek Channel, in unincorporated Oceano. The sewage collected by Arroyo Grande, Grover Beach, and Oceano are transported through their own collection system to the plant, via trunk sewers that are owned and operated by SSLOCSD. SSLOCSD wastewater facilities are capable of processing five million gallons of wastewater per day.

Recycled water whether through the Central Coast Blue Project or some other project could provide an opportunity for the Five Cities area to supplement their water supplies, add an additional local source, and reduce the wastewater released to the Ocean. If treated to appropriate standards additional domestic uses could be applicable. Recycled water could be piped to irrigate agricultural activities, or re-injected into the groundwater basin to maintain or increase reliability.

The jurisdictions in the area, including the City of Pismo Beach, are work together to develop a recycled water program titled Central Coast Blue project to help maintain the health of the Tri-Cities Groundwater Basin and enhance the reliability and sustainability of their future water supply.

CHAPTER 2 SPHERE OF INFLUENCE UPDATE

The Sphere of Influence Chapter describes the requirements of the Cortese-Knox-Hertzberg Act and provides background regarding the existing SOI for each jurisdiction. It also identifies the Study Areas that were evaluated in determining the SOI’s, the City-County agreement for Arroyo Grande, and the LAFCO staff recommendation for each jurisdiction. Also covered are the factors that are required by CKH for establishing a SOI. The Staff Recommendation is to maintain the existing SOI for City of Grover Beach, Oceano CSD, and South San Luis Obispo County Sanitation District and add a few small existing back yards along Virginia Dr. to the City of Arroyo Grande.

CHAPTERS 3, 4, 5, & 6 MUNICIPAL SERVICE REVIEW

1. Growth & Population

City of Arroyo Grande

According to the 2010 US Census, the City of Arroyo Grande has a population of 17,252. Today the population has increased to 17,876. Total housing units were estimated to be 7,627 units. According to American Community Survey 5-year estimates (2013-2017) the City’s housing units have increased to 7,847. The City estimated build-out population within the current City limits is estimated to be 20,000. This assumes an existing population of 17,876, plus 1,000 infill units occupied at a rate 2.3 people per unit. The City’s population grew 8.8% from 2000 to 2010 and 3.4% from 2010 to 2019. The following table shows the past census data and uses demographic information from the City’s 2010 Urban Water Management Plan.

**Table 1-1: Historical & Projected Population Growth
Arroyo Grande California: Census and UWMP Data**

	2005 ⁽¹⁾	2010 ⁽²⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾	2035 ⁽²⁾
Population	16,599	17,252	17,731	18,624	19,157	19,822	20,000
10 Year Increase	-	653	479	893	533	665	178
10 year Avg. Increase	-	3.7%	2.7%	4.7%	2.7%	3.3%	<1%
Average per Year	-	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City’s 2015 Urban Water Management Plan

Over the past 40 years, the City experienced periods of high residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s averaged over 5% per year, growth rates over the 1980s averaged just over 4% per year, but during the 1990s, growth slowed to about 1% per year. In the 2000s, growth continued about 1%. Between 2000 and 2016, the City's population grew at a similar rate to the County as a whole, adding 1,880 residents or an annual growth rate of 0.74 percent over a 16-year period. Population growth slowed down in between 2010 and 2016 with the addition of 500 residents in a 6-year period.

City of Grover Beach

According to the 2010 US Census, the City has a population of 13,156. Today the population has increased to 13,524. Total housing units were estimated to be 5,748 units. According to Beacon Economics update estimates the City's housing units have had a modest increased to 5,770 units. The City's population grew by 0.7% from 2000 to 2010 and 0.3% from 2010 to 2019.

In the draft 2015 Urban Water Management Plan, the City of Grover Beach estimates that 13,156 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units is 5,748 with an average household size of 2.29 persons and an occupancy rate of about 89%. The City's Urban Water Management Plan projects the current City limit and Sphere of Influence boundaries to yield a population of 15,000 persons.

In summary, the City's slow growth rate is likely to continue based on the current General Plan/Local Coastal Plan and shrinking land availability for residential development. The table below is taken directly from the Urban Water Management Plan and shows historic and projected growth rates:

**Table 1-2: Historical & Projected Population Growth
Grover Beach California: Census and UWMP Data**

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽¹⁾	2005 ⁽¹⁾	2010 ⁽¹⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	8,827	11,656	13,067	13,248	13,156	13,950	14,400	14,700	15,000
5 Year Increase	--	2,829	1,411	181	-92	794	450	300	300
5 year Avg. Increase	--	32%	12%	1.3%	-9.2%	6%	3.2%	2%	2%
Average per Year	--	3.2%	1.2%	<1%	-0.1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Land Use Element

Oceano Community Services District

According to the 2010 US Census, Oceano had a population of 7,277. Total housing units were estimated to be 3,117 units. The estimated build-out population within the current service area is estimated to be 9,228. This assumes an existing population of 7,286, plus 11 infill residential units occupied at a rate 2.8 people per unit. Oceano's population grew less than 1% per year from 2010 to 2020.

In the 2019 Water Master Plan, Oceano CSD estimates that 8,714 people are served by the District. The District provides water services outside of its CSD boundary through outside agreements or service arrangements that pre-date the need for agreements. In 2010, the U.S. Census stated the total number of dwelling units as 3,117 with an average household size of 2.8 persons and an occupancy rate of about 98%. Oceano's Water Master Plan projects the current Service Area and Sphere of Influence boundaries of the CSD could grow to a population of 10,133 persons by 2030.

The table below is taken directly from the Water Master Plan and shows historic and projected growth rates:

**Table 1-3: Historical & Projected Population Growth
Oceano California: Census and WMP Data**

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2030 ⁽²⁾
Population	4,551	6,169	7,260	8,324	8,863	9,141	10,033
10 Year Increase	--	1,618	1,091	1,064	539	278	892
10 year Avg. Increase	--	35%	17%	14%	6%	3%	9.7%
Average per Year	--	3.5%	1.7%	2.9%	1.2%	<1%	<1%

(1) Source: U.S. Census

(2) Source: Oceano CSD 2019 Water Master Plan

Oceano's growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County's Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the 2014 certified Housing Element the County estimates a total of 11 new dwelling units as a realistic build-out.

South San Luis Obispo County Sanitation District

The South San Luis Obispo County Sanitation District serves the communities of Arroyo Grande, Grover Beach, Oceano, and Halcyon. According to the 2010 US Census, the population of the communities served was 38,506. Total housing units were estimated to be 14,887 units. The estimated build-out population within the current District service area is estimated to be 44,800. The District's population grew at just over a half percent per year from 2000 to 2010.

2. Infrastructure Needs & Deficiencies Location and characteristics of any 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. 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 agency or property owners.

The Five Cities area has a variety of economic diversity that resides within the City limits and/or surrounding area including within the Spheres 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. The Cities of Grover Beach, Arroyo Grande surround the community of Oceano. Oceano is currently considered a disadvantaged community with median housing income of \$39,000; however, the Community Services District currently also provides the needed resources of water and sewer along with other basic infrastructure to all residents. In 2017, the Rural Community Assistance Corporation prepared an Income Survey for Oceano. Oceano's Sphere of Influence is coterminous with its service area. Therefore, the present and probable need for public facilities and services contiguous to the sphere of influence do not exist.

3. Infrastructure Needs & Deficiencies

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City or service area 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 are proposed by the jurisdiction or property owners. In the case of this SOI Update, it is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities for the Cities of Arroyo Grande and Grover Beach and the Community of Oceano CSD and South County Sanitation District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the jurisdiction to expand such resources and services in line with increasing demands.

Water

Arroyo Grande. In 2019, the City of Arroyo Grande reported annual water use of 2,212 acre-feet. The City's current population is 17,876 with the current per capita water use at 113 gallons per capita per day. If the City is successful in implementing recycled water and conservation measures (outlined in the 2015 UWMP) to comply with Senate Bill 7, demands may be reduced. The water supply question in Arroyo Grande is tied to presently available resources and the

likelihood that future resources can be developed or obtained to meet additional City growth. Generally, the City appears to have available resources to meet current demand for areas within the City limits and means or mechanisms to increase the water supply for the existing SOI areas at the present time. Annexations of land to the City will be required to prove the availability of water resources are sustainable, adequate, and reliable prior to an annexation being approved by LAFCO.

Grover Beach. In 2019, the City of Grover Beach reported annual water use of 1,187 acre-feet.

The City's current population is 13,524 with the current per capita water use at a relatively moderate 126 gallons per capita per day. Under the existing General Plan, the City's build-out would increase water demand by an estimated 370 afy. The total water demand is estimated to be 1,557 afy in 20 years.

Oceano. In 2019, the Oceano CSD reported annual water use of 680 acre-feet. The District's

Table 1-4 - Future Available Water Supply & Demand			
Source	Allocation Arroyo Grande AFY	Allocation Grover Beach AFY	Allocation Oceano CSD AFY
Groundwater-Santa Maria	1,323	1,198	900
Groundwater-Pismo	160	0	0
Lopez Water	2,290	800	303
State Water Project	0	0	750
Recycled Water	0	0	0
Additional Source (Lopez Surplus)	varies	varies	varies
Total	3,773	1,998	1,953

goal is to use 5-15% less of total water usage under an advisory and volunteer basis.

Source: Urban Water Management Plans, 2015

Wastewater

The communities of Arroyo Grande, Grover Beach, and Oceano each collect and transport wastewater to the South County Sanitation District's (SSLOCS) treatment plant in Oceano. Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. The WWTP is presently operating at about 52% of permitted capacity.

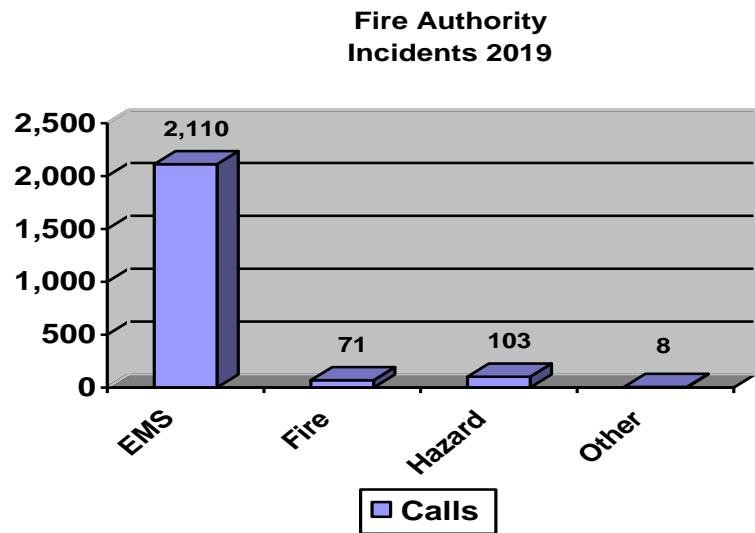
Roads

The Circulation Elements for Arroyo Grande and Grover Beach were adopted in 2001 and 2005, respectively. The adopted Circulation Element reflects the General Plan Land Use Elements. This coordinated approach enabled the City to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the respective City’s circulation system.

According to the San Luis Obispo Council of Government’s (SLOCOG) 2019 Regional Transportation Plan a significant increase in traffic volume on Highway 101 from El Campo Rd. to Oak Park is projected from the 2015 number of 62,000 average daily trips to 65,000 average daily trips in 2045. The segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2015 number of 12,000 average daily trips to 13,000 average daily trips in 2045. This segment provides access to the commercial, district of Oceano, Grover Beach, and Pismo Beach.

Fire

The Cities of Arroyo Grande, Grover Beach and the Oceano CSD contracts with the Five Cities Fire Authority to provide emergency response and other fire services for the area residents. The Authority operates three stations and provides Fire Prevention oversight as well as Fire Investigation expertise throughout the Authority.



Police

The City of Arroyo Grande provides law enforcement services for the residents of the City. The Arroyo Grande Police Department has 29 dedicated full-time employees with a budget in fiscal year 2020 of approximately \$6.8 million. In addition, the Department has 7 part-time employees

and many community volunteers who assist the organization by participating in several programs such as Citizens Assisting Police, the South County Police Volunteers, Police Chaplain, Citizen Academy, Explorer Post and the Community Advisory Council.

The City of Grover Beach provides law enforcement services for the residents of the City. The Grover Beach Police Department has an authorized number of sworn staff of 21 officers and a support staff of 10 people. The City has added its first sworn officer position in over 15 years. The budget was increased based on the recommendations of a department audit completed in 2018. The increases include adding a 1.0 FTE Sergeant position beginning in January 2020 to enhance field and detective supervision and increasing two part-time positions (0.75 FTE Cannabis Detective and 0.5 FTE Property/Records Technician) to full-time 1.0 FTE positions. 50% of the new Sergeant position and the full-time Cannabis Detective position would be paid for by cannabis permit fees. In FY19/20 the approved budget was \$4,545,287.

The Oceano Community Services District funded the construction of the Sheriff's South Station that opened in October, 2002. This Station represents a law enforcement presence that previously did not exist in Oceano. The Sheriff had maintained a substation in Oceano in the early 1990's, but the station was moved to the Arroyo Grande area due to facility availability. The construction of the South County Station brings the Sheriff closer to not only the Community of Oceano, but also to other South County unincorporated areas. The South County Station is located at 1681 Front Street, Oceano. The South Station serves the communities of Oceano, Nipomo, Huasna, rural Arroyo Grande, New Cuyama, and Lopez Lake, totaling 950 square miles.

4. Financing Constraints & Opportunities

The Five Cities area, like most communities, requires new development projects, and in particular annexations, to "pay their own way". At the time an annexation is considered for any of the SOI properties, the jurisdiction may require an economic analysis to be prepared to identify a cost-benefit breakdown of the proposed land uses and projects. The agencies have in place capital improvement plans, development impact fees, developer required mitigation in the form of infrastructure improvements required to serve new projects, and similar programs to monitor public service needs of new development. It is reasonable to conclude that the

jurisdictions endeavor to avoid long-term financial obligations for a capital improvement or maintenance of new development projects, such as those that would occur in the SOI areas.

The two primary General Fund revenue sources for the City of Arroyo Grande, Property Tax and Sales Tax, are projected to increase by 4.25% for Property tax 3% for TOT and 1% increase in Sales tax when compared to estimated revenues for FY 17-18. The projected June 2020 Fund Balance of the General Fund is \$2,263,094, which equals approximately 11.5% of General Fund appropriations, slightly below the City's minimum policy level of 15%. About 80% of the City's general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes.

The two primary General Fund revenue sources for the City of Grover Beach, Property Tax and Sales Tax, are projected to increase when compared to estimated revenues for FY 17-19. The June 2019 Fund Balance of the General Fund was \$3.25 million, which equals approximately 26% of General Fund appropriations, above the City's minimum policy level of 20%. About 65% of the City's general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes. The City also adopted a cannabis tax in 2018 which is anticipated to bring \$1,500,000 in revenue during FY 19-20.

About 69% of Oceano CSD's revenues come from charges and other fees and about 31% from local property taxes. In 2019, these revenues are expected to be around \$3,303,799. Property tax revenues make up \$1,044,680 while charges and fees are \$2,302,016. Property tax revenues are used to fund fire and lighting services in Oceano.

The South San Luis Obispo County Sanitation District uses a variety of revenues sources to fund the organization including; Service Charges received from the jurisdictions to fund operations (\$5,168,000), Connection Fees which are committed directly to the Expansion Fund, and Interest Income (\$96,000) and fund balances at the end of the year that are transferred to the Replacement Fund (\$0).

5. Opportunities for Shared Facilities

The annexation of the SOI areas may lead to shared roadway infrastructure with the County and

the State. The communities include opportunities to created shared facilities such as:

- ▶ Central Coast Blue (Regional Recycled Water Facility)
- ▶ Roadway connections
- ▶ Coordinated open space preservation
- ▶ Linkages between City and County recreational trails
- ▶ Preservation and enhancement of Agricultural Lands
- ▶ Parks

In the case of roadways and creek trails, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and will aid in emergency response times.

Coordination of open space corridors that cross over the proposed City-County limit lines will enhance the viability of habitat from the area and preserve these important related habitats and agricultural lands for generations to come.

6. Accountability in Government Structure

The City Councils' and District Board of Directors are elected in compliance with California Election Laws. The jurisdictions comply with the Brown Act Open-Meeting Law and provide the public with ample opportunities to obtain information about agency issues, including website and phone access. The websites contain a wealth of information about all of the jurisdictions departments and services. The Arroyo Grande City Council holds regular meetings at 6:00 p.m. on the second and fourth Tuesdays of each month in the Council Chambers, at 215 East Branch Street. The Grover Beach City Council holds regular meetings at 6:00 p.m. on the first and third Mondays of each month in the City Hall Council Chambers, at 154 S. Eighth Street. The Oceano Board of Directors holds regular meetings at 6:00 p.m. on the second and fourth Wednesdays of each month in the OCSD Meeting Room, at 1655 Front Street. The Sanitation District holds its regular meetings at 6:00 p.m. on the first and third Wednesdays of each month in the Oceano Board Room, at 1655 Front Street.

RECOMMENDATION

Based upon the information contained in Chapters 2 SOI Update and MSR Chapters 3, 4, 5, 6, & 7 of this document, it is recommended that the Spheres of Influence be updated to retain the existing coterminous SOI boundaries of Grover Beach, Oceano CSD and South County Sanitation District. The City of Arroyo Grande should add Study Area 5- Virginia Drive. Chapter 2, Sphere of Influence Update, provides more detailed information regarding the basis for this recommendation and written determinations.

The following additional recommendations are based on the Municipal Service Reviews prepared for the four agencies in the Five Cities area. These recommendations are not obligatory, but are intended to encourage the orderly development and efficient provision of service in the area:

1. The jurisdictions should continue to work to provide consolidated fire protection service in the area within the context of the Joint Powers Agreement (Five Cities Fire Authority). It may make sense at some point to for Oceano CSD to pursue divestiture of fire service, if the County or other public agency is able and willing to provide this service.
2. The jurisdictions in the area, including the City of Pismo Beach, should work together to develop Central Coast Blue Project to help maintain the health of the Tri-Cities Groundwater Basin and enhance the reliability and sustainability of their future water supply.
3. The Cities of Arroyo Grande and Grover Beach should continue to evaluate the consolidation of police services in the area. This would likely result in fiscal savings for the jurisdictions while maintaining the adequate levels of services in the area.
4. The South San Luis Obispo County Sanitation District should continue to implement the redundancy project that has been adopted by the Board of Director's.

Figure 1-1 – Recommended Sphere of Influence

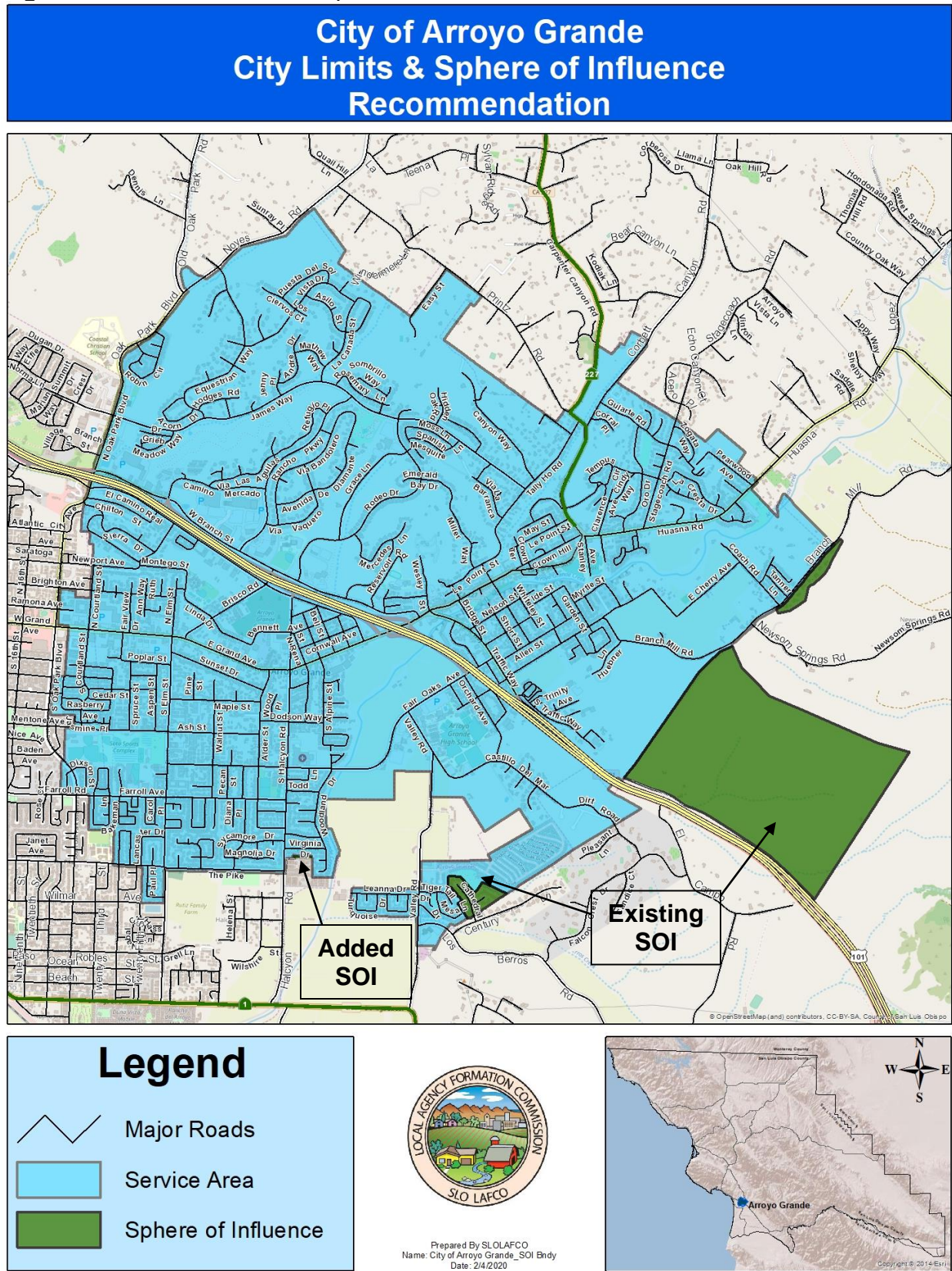
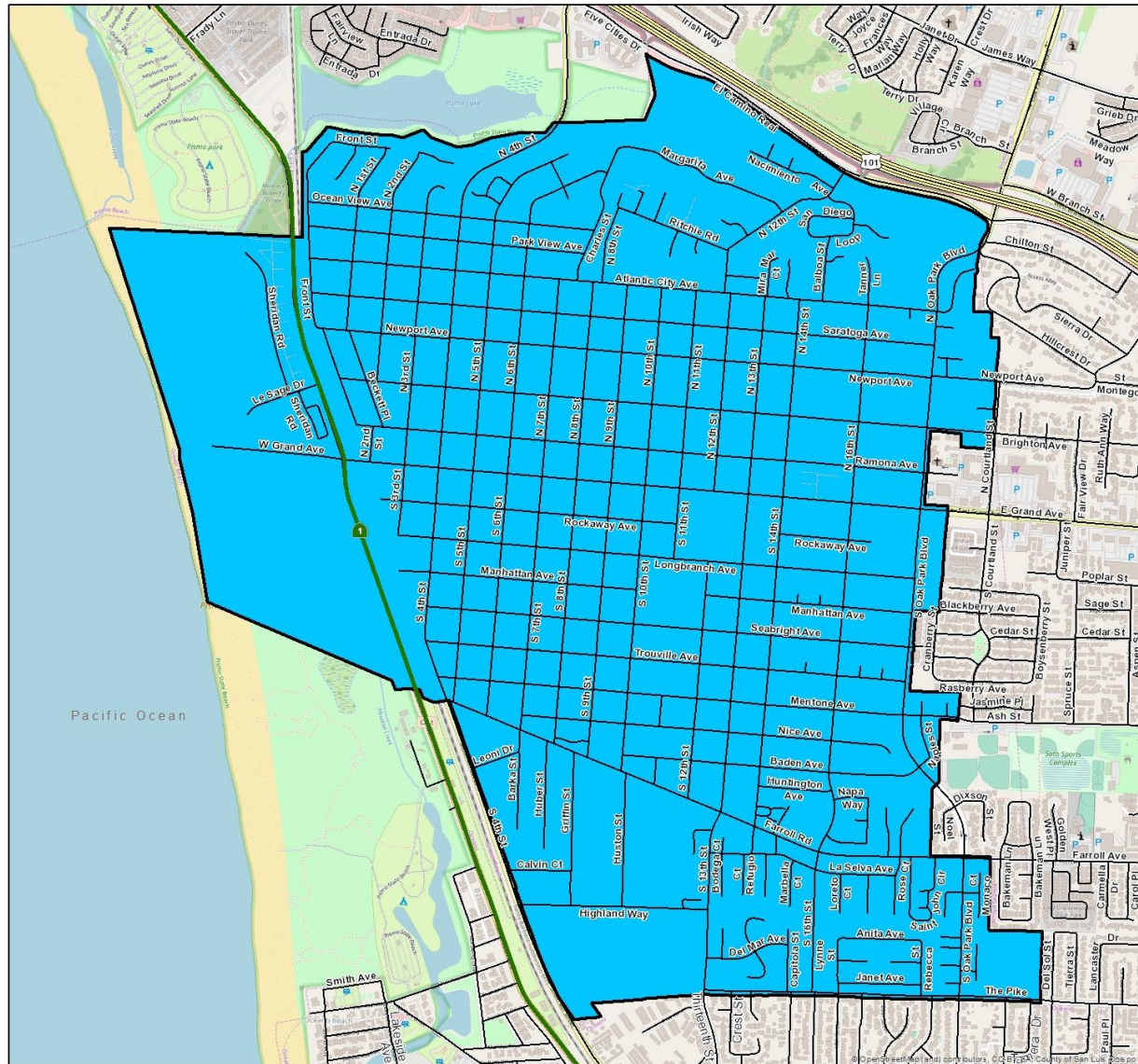


Figure 1-2 – Recommended Sphere of Influence

City of Grover Beach City Limits & Sphere of Influence Recommendation



Legend

- Major Roads
- Service Area
- Sphere of Influence (Same as Service Area)



Prepared By SLOLAFCO
Name: City of Grover Beach_SOI Bndy
Date: 2/4/2020

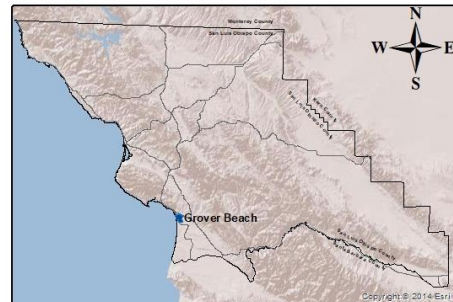
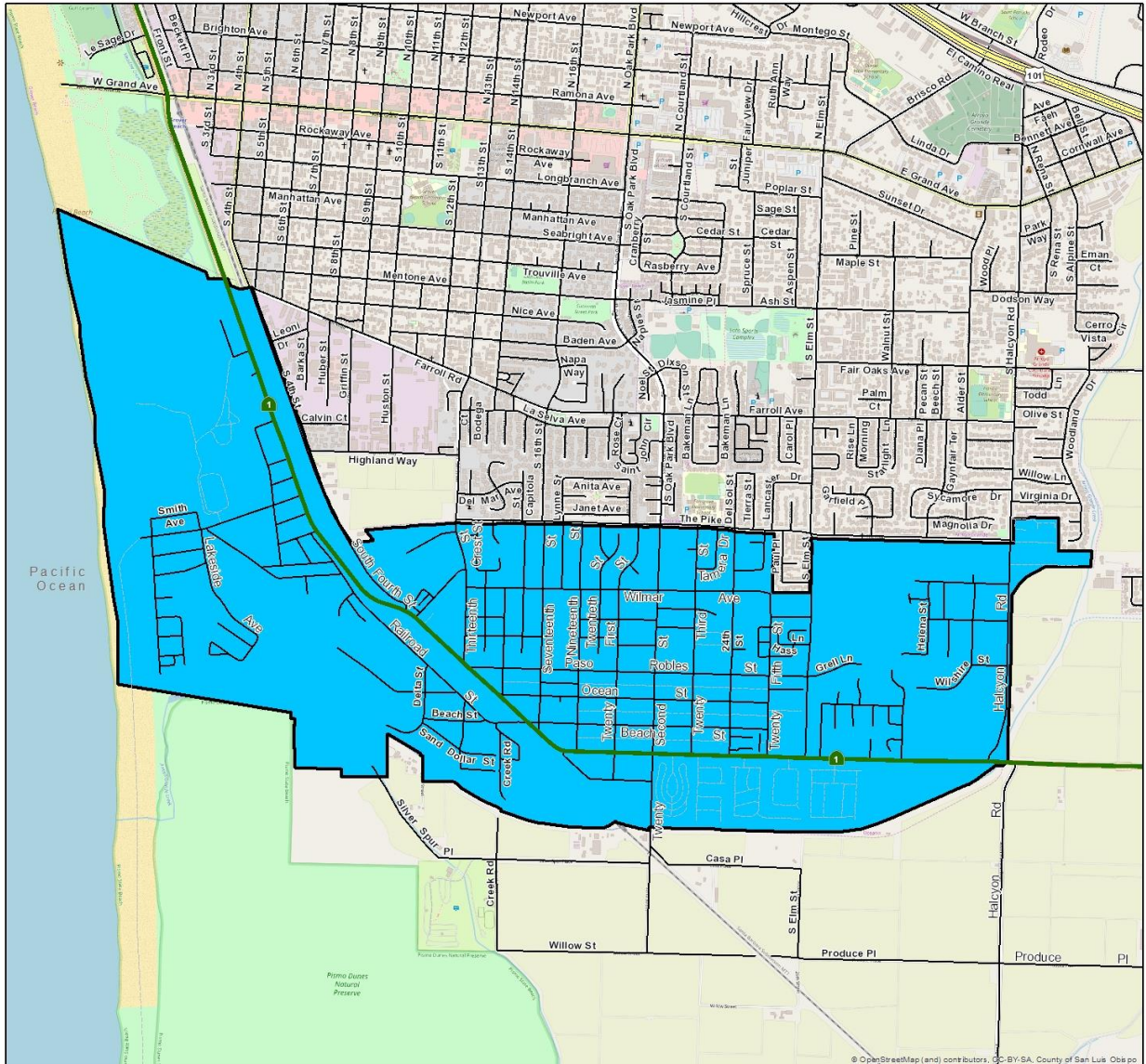


Figure 1-3 – Recommended Sphere of Influence

Oceano Community Services District Service Area & Sphere of Influence Recommendation



Legend

- Major Roads
- Service Area
- Sphere of Influence
(Same as Service Area)



Prepared By SLOLAFCO
Name: Oceano_SOI Bndy
Date: 2/4/2020

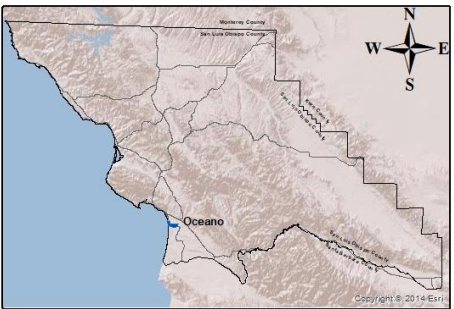
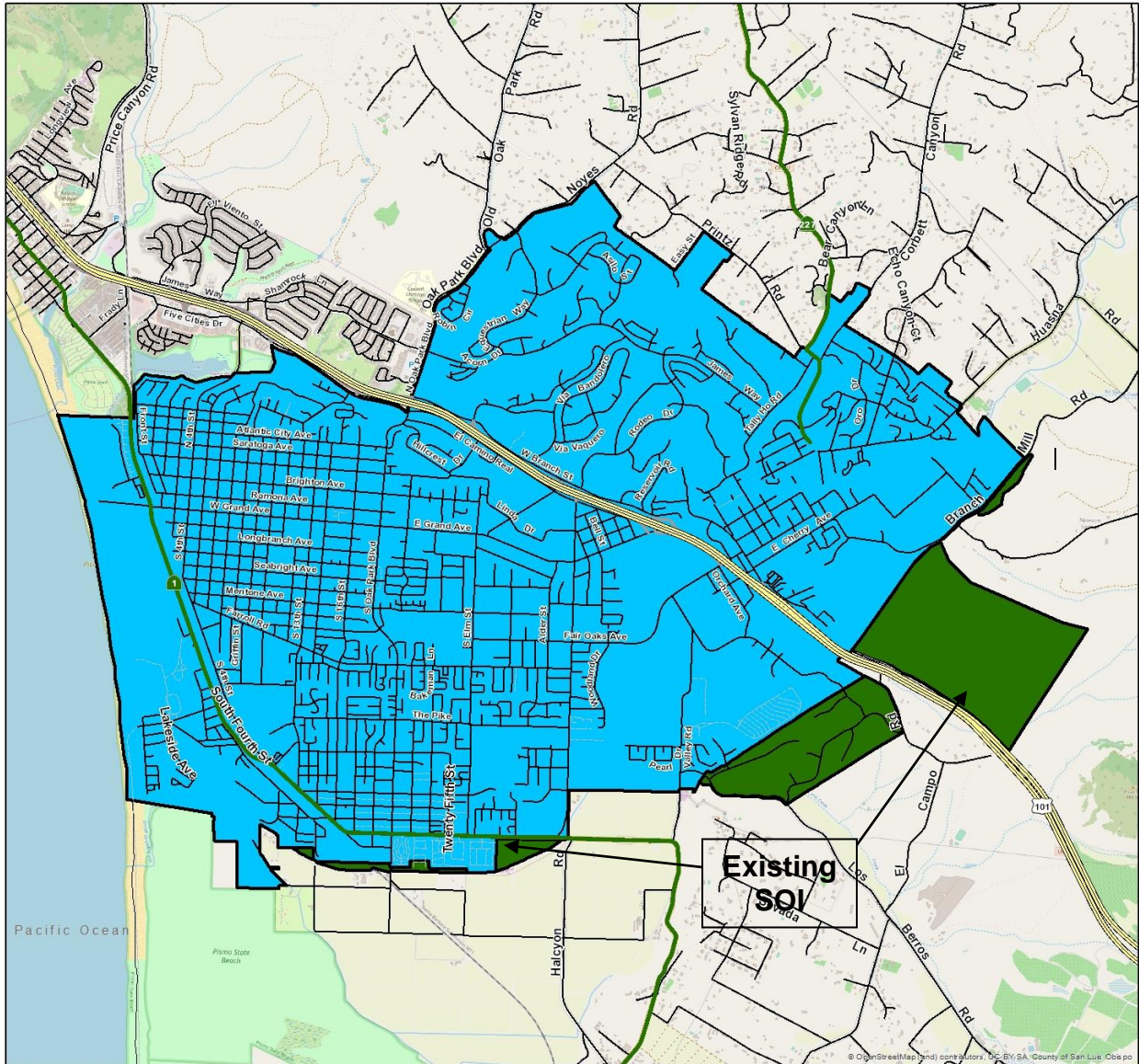


Figure 1-4 – Recommended Sphere of Influence

South San Luis Obispo County Sanitation District Service Area & Sphere of Influence Recommendation

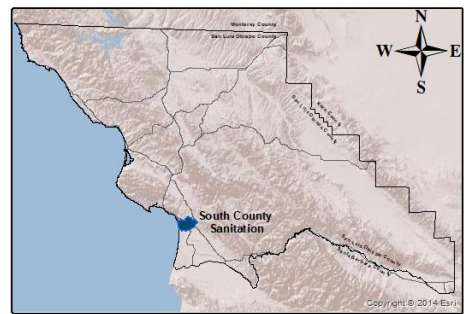


Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: South County Sanitation_SOI Bndy
Date: 2/14/2020



CHAPTER 2

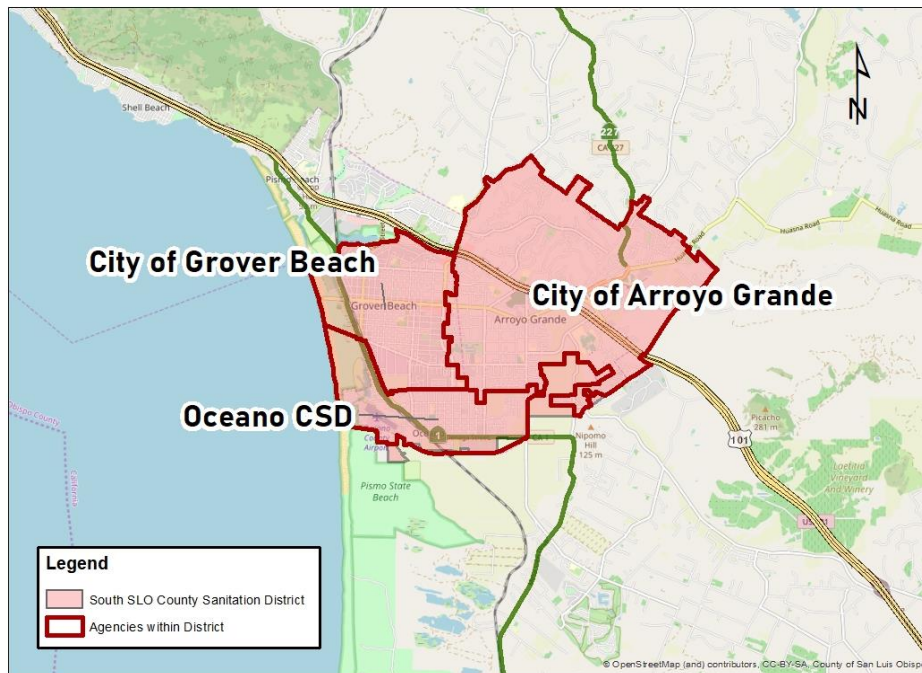
SPHERE OF INFLUENCE UPDATE

City of Arroyo Grande, City of Grover Beach, Oceano Community Services District, and the South San Luis Obispo County Sanitation District.

INTRODUCTION

The Sphere Update is based upon the following Municipal Service Review chapters three, four, five, six and seven that analyze each jurisdictions capability to serve existing and future residents. The SOI Update and Service Review were prepared to meet the requirements of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH).

Figure 2 - 1



The area being studied is often referred to as the Five Cities area. As can be seen in the above aerial photograph, the jurisdictions are closely linked geographically. The total area is an estimated 9.4 square miles: the City of Arroyo Grande 5.45 square miles, the City of Grover Beach 2.25 square miles and the unincorporated community of Oceano 1.7 square miles. These three jurisdictions are responsible for providing most of the public services to these communities. The South San Luis Obispo County Sanitation District provides wastewater treatment services to all three jurisdictions. In Oceano, the County provides services related to land use development, roads, streets and police.

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 include:

- Encouraging orderly growth and development which are essential to the social, fiscal, and economic well being of the state;
- Promoting orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
- Discouraging urban sprawl;
- Preserving open space and prime agricultural lands by guiding development in a manner that minimizes resource loss;
- Promoting 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;
- Making studies and obtaining and furnishing information which will contribute to the logical and reasonable development of local agencies and shaping their development so as to advantageously provide for the present and future needs of each county and its communities;
- Determining 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;
- Updating SOIs every five years or as necessary.

To carry out the CKH Act, LAFCO has the power to conduct studies, approve or disapprove proposals, modify boundaries, and impose conditions of approval on proposals. Existing law does not provide LAFCO with direct land use authority, although some of LAFCO's discretionary actions consider land use in the decision making process. LAFCO is expected to weigh, balance, deliberate, and set forth the determinations of a specific action when considering a proposal.

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 city or district where a jurisdiction might be reasonably expected to provide services over the next 20 years. This chapter, along with the following Municipal Service Review chapters, provides the basis for updating the Spheres of Influence for the jurisdictions, which is required to be updated every five years or as needed.

This Sphere of Influence Update chapter addresses the key factors called for in the Cortese/Knox/Hertzberg Act by referring to information contained in the Service Review. Also, the following written determinations must be addressed according to section 56425(e)(1-4) of the Cortese/Knox/Hertzberg Act:

- Present and planned land uses in the area, including agriculture, and open space lands;
- Present and probable need for public facilities and services in the area;
- Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide; and
- Existence of social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
- The present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

EXISTING SPHERE OF INFLUENCE

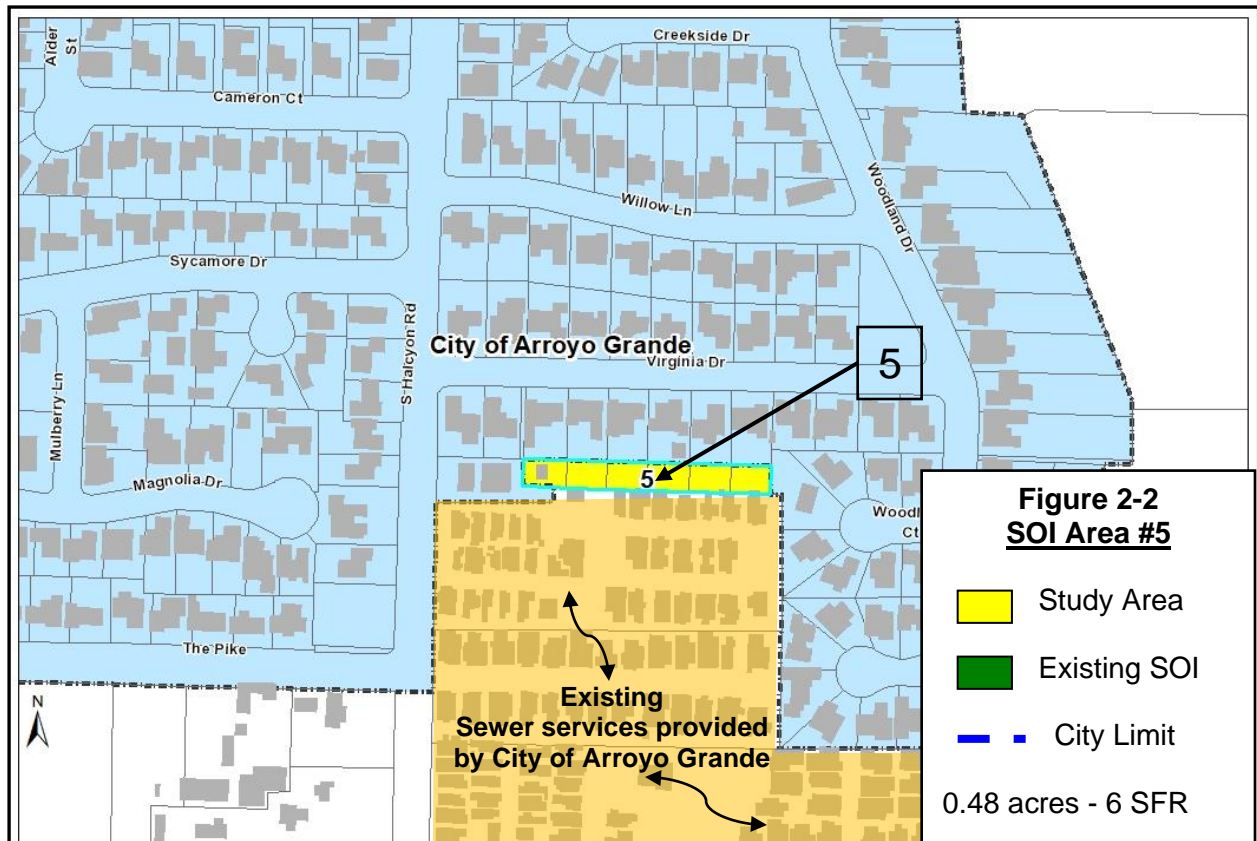
CITY OF ARROYO GRANDE

Arroyo Grande's existing Sphere of Influence includes approximately 185-acre agricultural parcel (Fredericks) and 200-acre Williams property (agricultural parcel) located adjacent to the Fredericks property and Highway 101 along the City's southeastern border which was added in 1998 and 2003 respectively. Tract 1724 was also added to the City's Sphere of Influence in 2003. The Newsome Springs area (Tract 1551) was added in 2012. These sites are already developed subdivision with single-family residences on larger lots. LAFCO staff evaluated the existing sphere properties as well as the following new Study Area with regard to updating the Sphere of Influence:

1. SOI Study Area #5 – Virginia Drive (Located in SLO County; Not within the SOI).

These six parcels are located south of Virginia Drive and east of Halcyon. This area contains approximately 0.48 acres of already developed parcels. The homes have already been built and receive services from the City of Arroyo Grande. The area is essentially the back yards of the homes fronting Virginia Dr.

City/County MOA. This area should be included in the SOI.

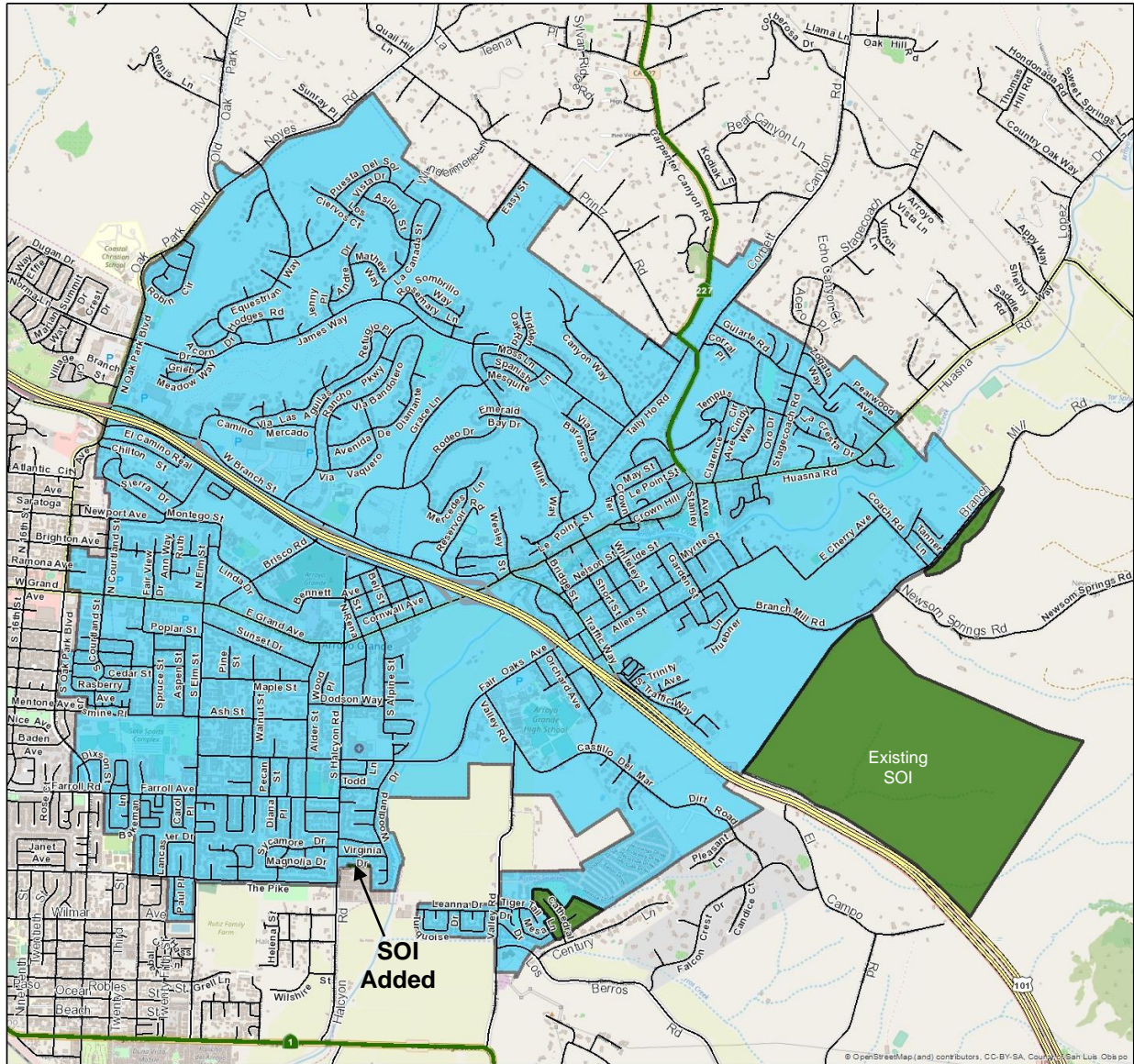


LAFCO Staff Recommendation. The SOI should include Study Area Five. Staff recommendation is to add Study Area 5. Virginia Drive is an existing subdivided tract with 6 existing residences served by the City. The area is essentially the back yards of the homes fronting Virginia Dr. Improved service may be achieved if these properties were within the City of Arroyo Grande.

The above actions are recommended by LAFCO staff and have been agreed to in concept by the County and the City of Arroyo Grande in a Memorandum of Agreement (MOA). The Memorandum of Agreement contains provisions for the future development of the areas in the City’s Sphere of Influence. It also further defines the roles and responsibilities of the agencies with regard to future services. Figure 2-3 shows the recommended Sphere of Influence.

Figure 2-3 – City of Arroyo Grande

City of Arroyo Grande City Limits & Sphere of Influence Recommendation



Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: City of Arroyo Grande_SOI Bndy
Date: 2/4/2020



Memorandum of Agreement

The City Council of Arroyo Grande will schedule the Memorandum of Agreement (MOA) between the City of Arroyo Grande and the County of San Luis Obispo when recovered from COVID-19. The Board of Supervisors will schedule the MOA after the City's adoption. The Draft MOA is included with this report in Appendix B. The major addition would be the inclusion of property tax negotiation provision. Other formatting and wording that does not change the intent are included. The CKH Act requires that this agreement be given "great weight" by the Commission in making its decision regarding the update of the City's SOI. The existing agreement adopted in 2012 is similar in nature. The City and the County tentatively agreed upon the extent of the City's Sphere of Influence, the provisions for developing the SOI and a referral area. The general approach of the MOA is to ensure improved coordination and cooperation between the City and County on the future planning and development of the areas within the City's SOI boundary. Key provisions of the MOA include the following:

Orderly Development/Phasing. In general, the SOI areas shall be developed in a phased manner, with the SOI area closest to the City (Fredericks) being considered first and the Williams property being considered after the Frederick project receives approval and is annexed into the City. Alternatively, a different phasing plan may be considered if it enhances the orderly and logical development of the area.

Agriculture and Open Space. The City and the County will work together to permanently preserve agricultural and open space resources in the SOI area using the City's and County's Agricultural Element policies, Strategic Growth principles, and the Conservation and Open Space Element (COSE) policies. The criteria contained in the COSE and Agriculture Element, and the pertinent policies in the City's General Plan, shall be used in developing the preservation policies and programs. A Transfer of Development Credits program may be used to encourage a density bonus as an incentive to property owners and developers

Guiding Principles for Future Development. The City and County agree that the following principles should help guide development that is proposed within the City's Sphere of Influence. The following goals shall be considered:

- a. *Direct development toward existing incorporated areas and unincorporated urban areas with logical infrastructure connections*

Phase urban development in a well-designed manner, first using vacant or underutilized “infill” parcels and lands next to or near existing development and adjacent infrastructure. Include a range of land uses and housing types and densities affordable to a wide range of incomes.

- b. *Create walkable and transit friendly neighborhoods that have logical connections to other parts of the City*

Area proposed for future growth should address roadway distances that would connect the new areas of development together with the existing City and would promote maximum connectivity between different land uses through walkways, bike paths, transit, or other means.

- c. *Provide for a variety of transportation choices that are feasible and financially viable*

Ensure adequate densities of development that are conducive to supporting transit service.

- d. *Create a range of housing opportunities and choices*

Future development plans should clearly define a program for including a balanced variety of housing types; one that includes multi-family development and options for higher-density housing. The development should maximize the opportunities to offer a greater range of housing choices that are affordable to people with a variety of income levels.

- e. *Use land more efficiently*

The proposed development should be designed in a way that encourages transit, walkability and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop compact neighborhoods that contain residential uses that are affordable by design and efficient in land and energy consumption and 2) minimize the number of large lots by encouraging a variety of housing densities.

- f. *Improve the regional or sub-regional jobs/housing balance*

Plan for land uses that provide opportunities for employment and in particular, explore creating opportunities for head-of-household jobs.

Property Tax Agreement. Prior to processing an annexation, the City and County are required to approve a property tax agreement. The City and County may use the existing Master Agreement for negotiations, or they may consider a separate agreement that specifies a different property tax allocation formula. This is allowed under the revenue and tax code of the State of California.

Conditions of Approval

The following conditions of approval are adopted based on the Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, and public input and to reflect the current situation.

WATER

- a. As a condition of an annexation application being filed with LAFCO, the City shall document with a water supply analysis that an adequate, reliable, and sustainable water supply is available and deliverable to serve the areas proposed for annexation.

AGRICULTURE & OPEN SPACE

- a. The City shall identify all agricultural and open space lands to be protected in the SOI areas when preparing land use plans.
- b. Prior to LAFCO filing the certificate of completion (if an annexation is approved), conservation easement(s) shall be recorded on the deed(s) of the properties affected by the annexation specifying the areas to be protected in perpetuity.

Present and Planned Land Use

The present and planned uses are described in detail in Chapter Three factor number one, Growth and Population, of this document. The present and planned land uses for the City of Arroyo Grande are well defined in the City's General Plan that was updated in 2001. Overall, the City is prepared to meet the challenges of future growth having a General Plan that clearly identifies community goals, objectives, policies and standards. This policy document provides for the logical and orderly growth of the City over the next 20 years.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Three, the Infrastructure Needs and Deficiencies section. Small existing buildout Virginia Drive residences proposed for addition to the Sphere of Influence which would not increase the current need for services significantly.

The water analysis completed in Chapter Three identifies the need for development of supplemental water supplies and increased conservation over the next 20 years. The City is aware of this constraint and working towards managing the water resource issue. The City is well positioned, both financially and operationally, to meet the current and future needs of residents. The City would provide water, sewer and other services including road infrastructure to the SOI properties if annexed.

Present Capacity of Public Facilities and Adequacy of Public Services

The City's current supply is estimated at 3,813 afy. The projected demand for the City at build out and including the SOI areas is 3,628. This is a thin margin for error in terms of the water supply and future annexations. However, if conservation is effective the City should be able to manage its water resources.

The City is participating in the JPA for Fire services.

Social and Economic Communities of Interest

The Sphere of Influence areas for the City of Arroyo Grande are linked to the City's social and economic communities of interest. The Sphere areas would rely on the City for customers and employees if commercial development occurs. Where residential development is proposed, the City provides places for shopping and services for the people living in those areas. Areas to recreate, schools, places of worship and cultural events would also be available to the areas in the Sphere of Influence that include residential development. The City may also gain sales and property taxes advantages when these areas are annexed.

Present and Probable need for Public Facilities and Services of Disadvantaged Unincorporated Communities

The City of Arroyo Grande has a variety of economic diversity that lives within the City limits 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. The City of Arroyo Grande Sphere of Influence does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

CITY OF GROVER BEACH

No changes are recommended to Grover Beach's Sphere of Influence because of the well-defined area of land occupied by the City. Figure 2-4 show the recommended SOI, Grover Beach is bordered by the cities of Pismo and Arroyo Grande to the north and east respectively, by the Oceano Community Services District to the south and the Pacific Ocean to the West. The City is providing its residents with adequate services and is striving to improve and increase the level of services. This is evident in the recently approved budget documents and capital improvement plans. The City is continuing to improve its service delivery system by reviewing how services are provided and how the systems can be improved. The Municipal Service Review chapter contains information related to the service capability of the City for existing residents.

Present and Planned Land Use

Chapter Four of this document discusses present and planned land uses in detail under factor number one, Growth and Population. The present and planned land uses are defined in the City's General Plan Land Use Element that was updated in 2012. The City's Housing Elements was updated in 2009 and the Circulation Element of the General Plan was updated in 2005. The City is preparing to meet the challenges of future growth within their existing boundaries. The City has not requested an increase to their Sphere of Influence and LAFCO staff is not recommending an expansion. The Sphere is proposed to remain coterminous to the City Limits.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Four, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

The water analysis completed in Chapter Four identifies the need for development of supplemental water supplies and increased conservation over the next 20 years. The City is aware of this constraint and working towards managing the water resource issue by implementing conservation measures that are defined in their Urban Water Management Plan when necessary. The Water Management Plan was updated in 2010 and the City continues to closely monitor the water situation.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Four, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

There is no Sphere of Influence areas proposed for the City of Grover Beach; therefore this factor does not need to be addressed.

Present and Probable need for Public Facilities and Services of Disadvantaged Unincorporated Communities

The City of Grover Beach has a variety of economic diversity that lives within the City limits 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 City of Grover Beach Sphere of Influence is coterminous with its City limits and therefore does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

Figure 2-4 Grover Beach



OCEANO COMMUNITY SERVICES DISTRICT

No changes are recommended to Oceano CSD's Sphere of Influence. Figure 2-5 show the recommended SOI. The District is providing its residents with adequate services and is striving to improve and increase the level of services, particularly for fire service. A ballot measure to increase assessment fees to increase participation and continue to part of the Five Cities Fire Authority is scheduled in March 2020. Unfortunately, this ballot measure did not receive the required two-thirds approval. Otherwise it is evident in the recently approved budget documents and capital improvement plans that the District strives to improve services. The District is continuing to improve its service delivery system by reviewing how services are provided and how the systems can be improved. The Municipal Service Review chapter contains information related to the service capability of the District for existing residents.

Present and Planned Land Use

In Chapter Five of this document factor number one, Growth and Population, present and planned land uses are discussed in detail. The present and planned land uses are well defined in the Oceano Specific Plan prepared by the County and adopted by the Board of Supervisors in 2002. The Specific Plan establishes the vision and goals for the community and prioritizes the key issues. The Plan also provides for public improvements through the adoption of policies and programs designed to address certain issues in the community.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Five, the Infrastructure Needs and Deficiencies section, factor number three. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly. The District is well prepared to provide services to existing and future residents.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Five, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

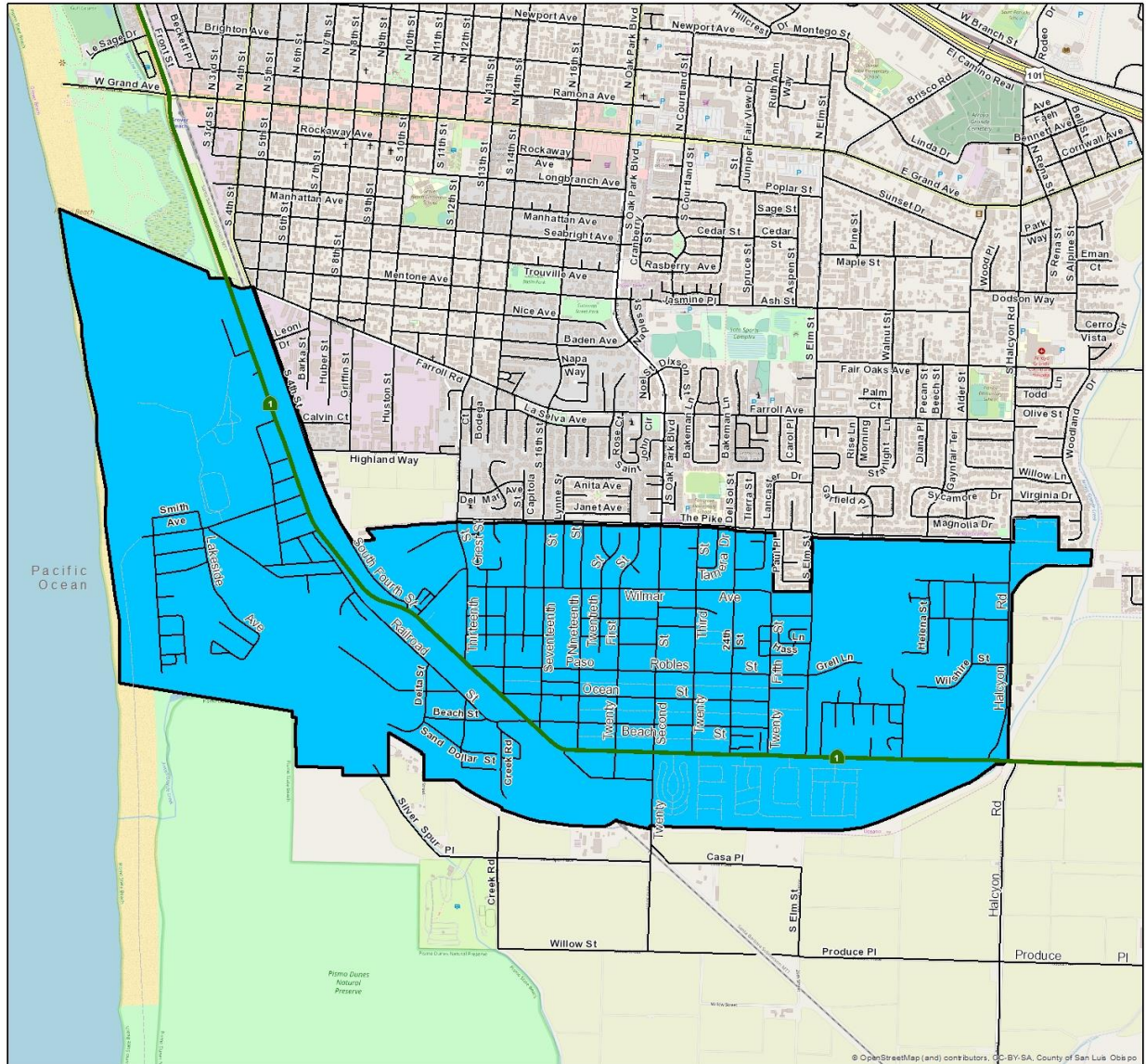
The Sphere of Influence area proposed for addition to the District could rely on either the community of Oceano, City of Grover Beach or the City of Arroyo Grande for social and cultural linkages.

Present and Probable need for Public Facilities and Services of Disadvantaged Unincorporated Communities

The community of Oceano has a variety of economic diversity that reside within the CSD boundary and surrounding area. The Cities of Grover Beach, Arroyo Grande surround the community of Oceano. Oceano is currently considered a disadvantaged community; however, the Community Services District currently also provides the needed resources of water and sewer along with other basic infrastructure to all residents. Oceano's Sphere of Influence is coterminous with its service 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. Because the community of Oceano does not have a Sphere of Influence disadvantage community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify.

Figure 2-5 Oceano CSD

Oceano Community Services District Service Area & Sphere of Influence Recommendation

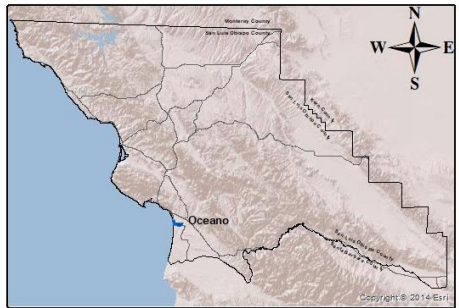


Legend

- Major Roads
- Service Area
- Sphere of Influence (Same as Service Area)



Prepared By SLOLAFCO
Name: Oceano_SOI Bndy
Date: 2/4/2020



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

No changes are recommended to South County Sanitation Districts Sphere of Influence. Figure 2-6 shows the proposed Sphere of Influence for the South County Sanitation District which provides its residents with adequate services and is striving to improve and increase the level of services. This is evident in the recently approved budget documents and capital improvement plans. The District is continuing to improve its service collection system by building a redundancy system and continuing to reviewing how services are provided and how the systems can be improved. The Municipal Service Review chapter contains information related to the service capability of the District for existing residents.

Present and Planned Land Use

The South San Luis Obispo County Sanitation District does not have land use authority for their service area. The need for District's services is dependent on the land use approvals by the Cities of Arroyo Grande and Grover Beach and the County of San Luis Obispo. This area is likely to see a steady rate of growth over the next 20 years. The City of Grover Beach has limited areas for future development and will be dependent on in-fill projects. The City of Arroyo Grande anticipates growing at a 1% growth rate over the next 20 years. Oceano is projected to grow at about a 1% growth rate as well.

Present and Probable Need for Public Services

The Sanitation District facilities are in good condition and a plan to make capital improvements is currently being implemented. The South County Sanitation District wastewater facilities are capable of processing five million gallons per day. The Long Range Plan uses 2000 as a base year for planning purposes. In 2000, the average wastewater flow per day was 2.9 million gallons, which equates to 81 gallons per person per day. The District's Long Range Plan provides for future plant improvements that will keep pace with the population growth and possible changing water quality standards in the area. The District has set aside more than \$10 million to perform major upgrades so the plant can continue to meet the needs of the residents and comply with federal and state water discharge laws over the next 20 years.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Six, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

The District serves social and economic communities in the Five Cities area and is a critical component in the regions public service infrastructure. Growth in the area is dependent on the ability of the District to serve the various jurisdictions.

Present and Probable need for Public Facilities and Services of Disadvantaged Unincorporated Communities

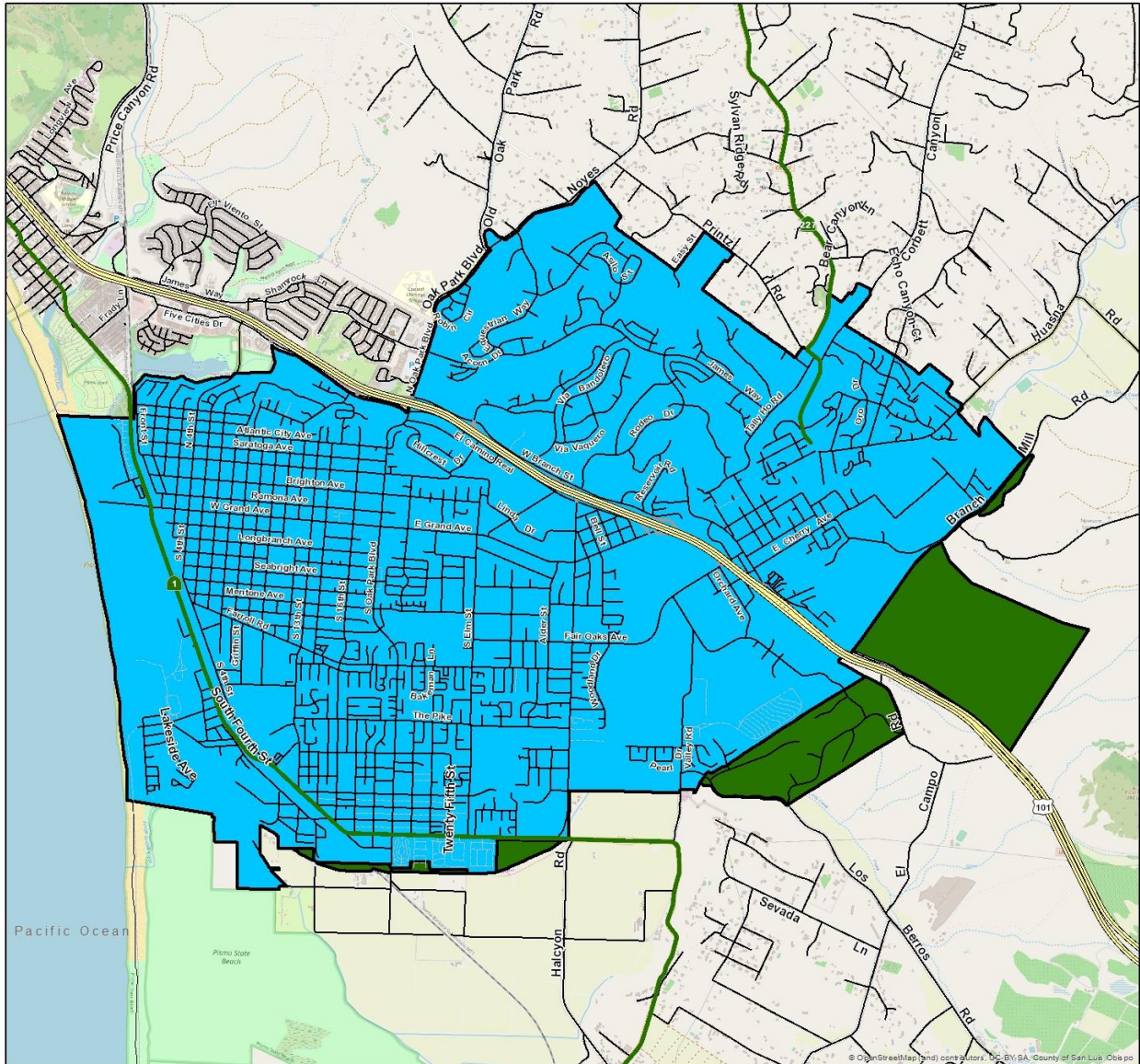
The Five Cities area has a variety of economic diversity that lives within the City limits and/or surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The SSLOCSD's Sphere of Influence does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

Local Sphere of Influence Guidelines

The Cortese/Knox/Hertzberg Act (CKH Act) requires that each commission establish written policies and procedures. The act also states that LAFCOs are to exercise their powers consistent with those polices and procedures. The San Luis Obispo LAFCO's policies encourage and provide for well-ordered, efficient urban development patterns, balanced with preserving open space and agriculture land while discouraging urban sprawl. This Sphere of Influence Update and Municipal Service Review for the Cities of Arroyo Grande and Grover Beach, Oceano Community Services District and South San Luis Obispo County Sanitation District are consistent with those policies and the purposes of LAFCO. The SOI discourages urban sprawl and encourages the preservation of open space and agriculture land. Inclusion in the jurisdiction also provides for more efficient provision of public services and is consistent with San Luis Obispo LAFCO policies.

Figure 2-6 SSLOCS D

South San Luis Obispo County Sanitation District Service Area & Sphere of Influence Recommendation

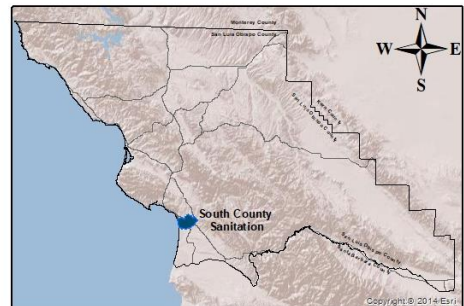


Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: South County Sanitation_SOI Bndy
Date: 2/4/2020



CHAPTER 3

ARROYO GRANDE – MUNICIPAL SERVICE REVIEW



The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the Cortese-Knox-Hertzberg Act (CKH). The Act states that, in order to update Spheres of Influence in accordance with Government Code Section 56425, LAFCOs are required to conduct a service review of the municipal services provided by the jurisdiction. The Municipal Service Review factors that need to be addressed include:

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

The above-listed factors are addressed in this chapter and written determinations are included for each factor as called for in the CKH Act.

The table below indicates both the existing and possible agencies that could provide services to the SOI area. This assumes that the properties in the SOI area are eventually annexed into the City and are not served through an Outside User Agreement or some other mechanism. Typically, upon annexation, the City provides a full array of public services to the property or area being annexed.

Table 3-1: Existing & Proposed Service Providers within SOI

Service	Existing Agency Providing Services for SOI Areas	Agency to Provide Services for SOI Areas
General Government (including Governing Board, Counsel, Assessor, Finance and General Administration)	County of San Luis Obispo	City of Arroyo Grande and County of San Luis Obispo
Water Service	Individual Wells or community water system	City of Arroyo Grande
Wastewater collection, treatment and disposal	County of San Luis Obispo Public Works or Septic Systems	City of Arroyo Grande South San Luis Obispo County Sanitation
Storm water drainage, flood control	County of San Luis Obispo Public Works	City of Arroyo Grande
Roads, Circulation, Street Maintenance Street Lighting	County of San Luis Obispo	City of Arroyo Grande
Public Transportation	SLO Transit Authority	Same
Law Enforcement and Fire Protection Services	County Sheriff/County Fire Department	City of Arroyo Grande Police and Five Cities Fire Authority
Community Development/Planning and Building Services, Code Enforcement	County of San Luis Obispo	City of Arroyo Grande
Solid Waste	County of San Luis Obispo-via contractor or individual responsibility	South County Sanitary
Parks and Recreation	County of San Luis Obispo	City of Arroyo Grande
Schools	Co. Superintendent of Schools Lucia Mar Unified School District	Same

The Arroyo Grande Sphere of Influence was most recently modified in 2015 (with an amendment and annexation for Heights at Vista Del Mar), the existing SOI also includes the Williams and Fredericks properties, Tract 1551 and Tract 1724 which are already developed subdivisions. These sites comprise the present day Arroyo Grande SOI. Figure 3-1 shows the adopted Sphere of Influence. Figure 3-2 shows the Study Areas considered under this review. Please note that a study area is intended to be analyzed for possible inclusion. The area may or may not be included in the SOI as determined by LAFCO.

Figure 3-1 - Arroyo's Existing SOI

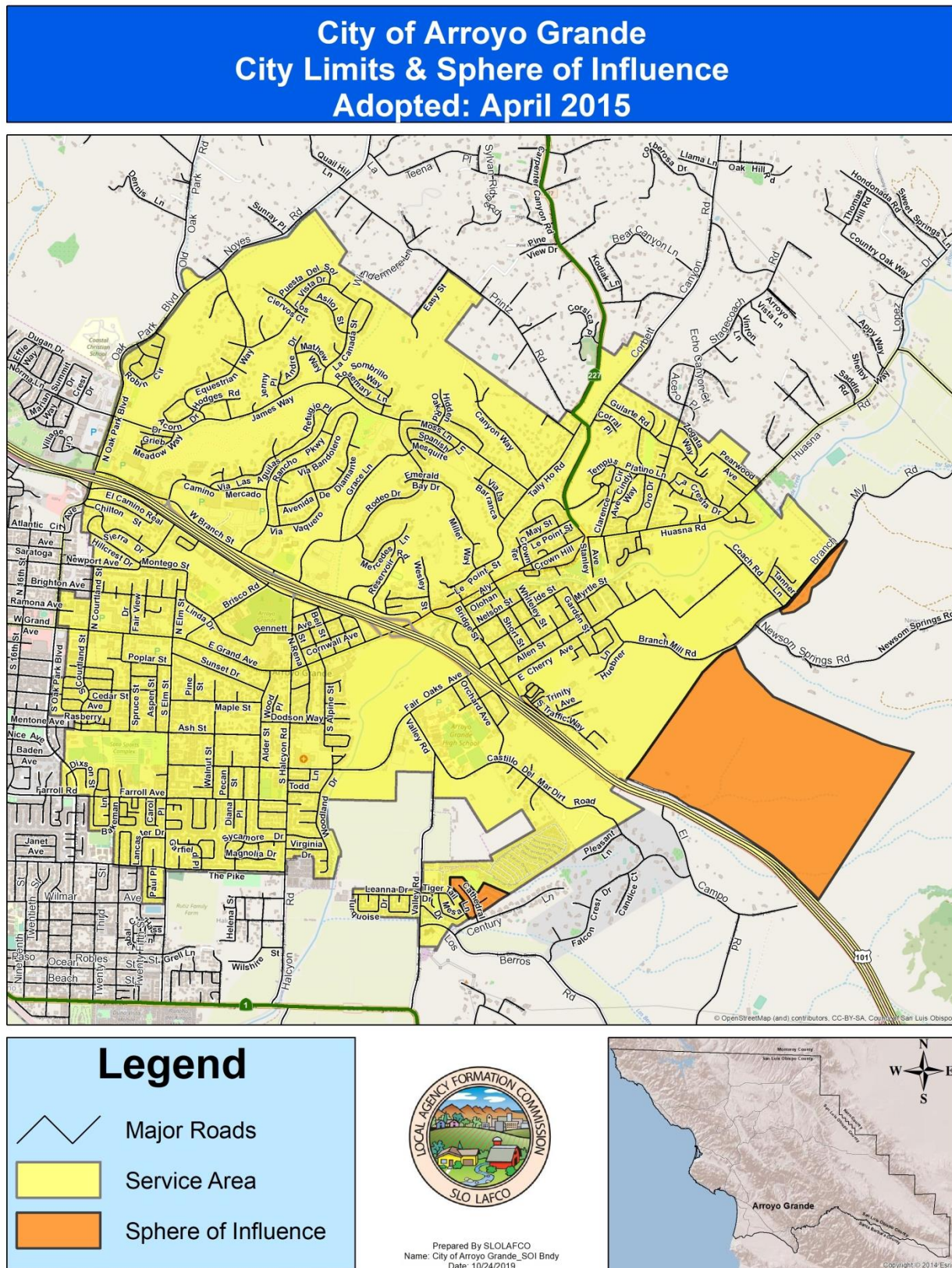
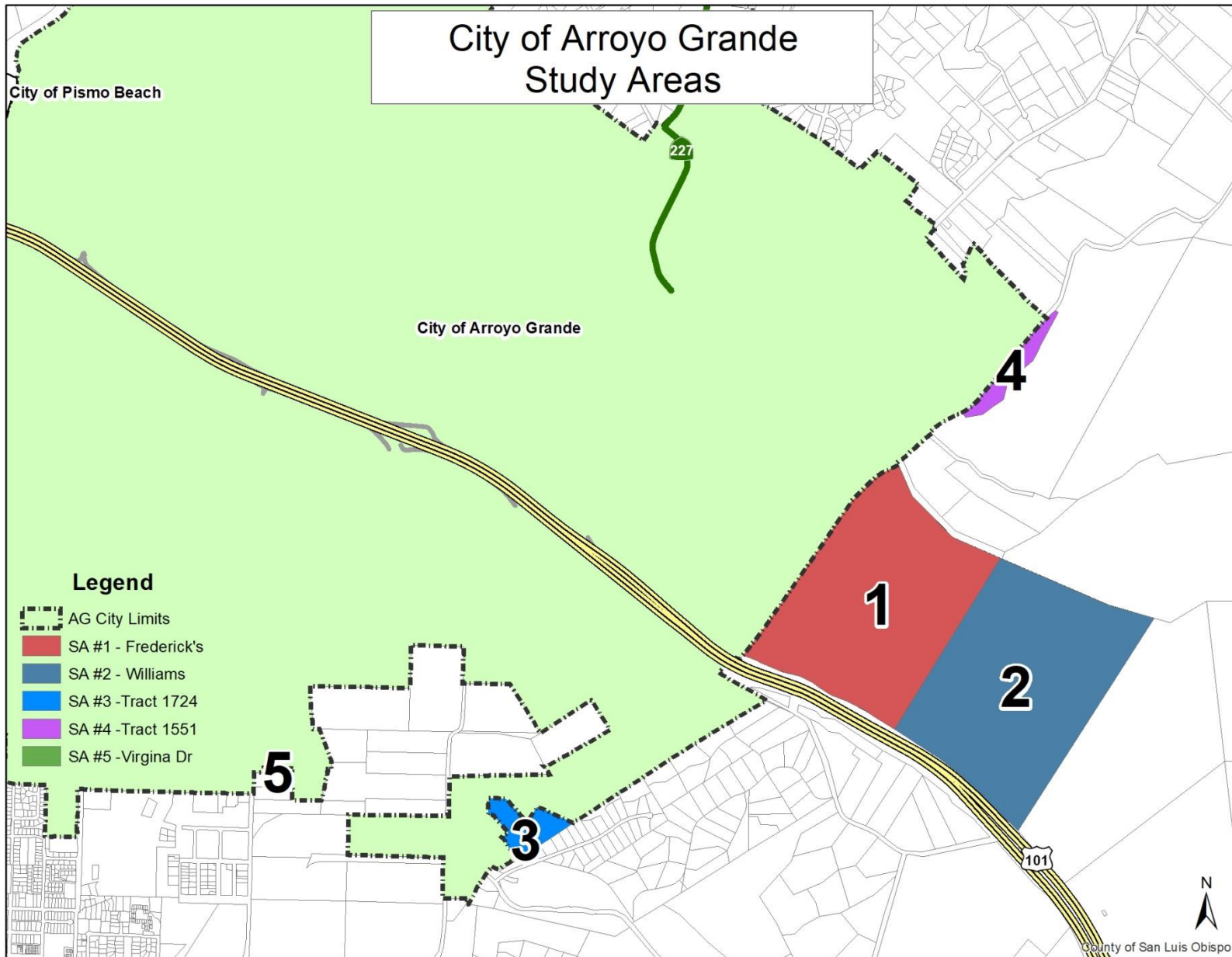


Figure 3-2 – Study Areas



3.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

Purpose: To identify future growth patterns and project population increases.

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the City of Arroyo Grande. The previous Sphere of Influence update and Municipal Service Review for Arroyo Grande provides background information. The table below summarizes proposals considered by LAFCO since 2003 to the present.

Table 3-2 –Proposals/Actions Since 2003

Date	Action	Proposal	Acreage	Status
11/15/18	Outside User	City of Arroyo Grande, and Grover Beach, Bischoff Homes outside user for wastewater	0.36	Approved
08/21/14	Annexation	Anx #31 to Arroyo Grande (Heights) approved 08/21/14	48	Approved
11/21/13	SOI	SOI Amendment for City of Arroyo Grande (Busick)	48	Approved
11/09/11	SOI/MSR	SOI Updates for Ocenao CSD, Cities of Arroyo Grande and Grover Beach & SLO County Sanitation District	NA	Completed
01/13/10	Annexation	Anx #30 to Arroyo Grande (Pearwood)	7.16	Approved 1/19/10
05/02/06	Detachment	Detachment #1 from AG (Milne)	0.08	Approved 11/17/06
12/02/03	Annexation	Anx #29 to AG	5.2	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends. Several information sources are used to characterize the growth and population factor. According to the 2010 US Census, the City had a population of 17,252. Today the population has increased to 17,876. Total housing units were estimated to be 7,627 units. According to American Community Survey 5-year estimates (2013-2017) the City's housing units have increased to 7,847. The City estimated build-out population within the current City limits is estimated to be 20,000. This assumes an existing population of 17,876, plus 1,000 infill units occupied at a rate 2.3 people per unit. The City's population grew 8.8% from 2000 to 2010 and 3.4% from 2010 to 2019.

California Department of Finance Population Estimates-2009 to 2019

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2010 census count. The table below reflects the DOF estimates for Arroyo Grande and the County of San Luis Obispo over the last decade. DOF estimates Arroyo Grande's current population as 17,876.

Table 3-3: Population Estimates

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Arroyo Grande	17,110	17,252	17,289	17,281	17,477	17,561	17,712	17,720	17,736	17,880	17,876
County Total	270,901	269,637	270,057	271,348	273,417	275,762	276,862	278,480	279,538	280,048	280,393

Source: DOF E-5 Population Estimates for Cities, Counties and State, 2009-2019

Council of Governments Population Projections-2017

The Council of Governments recently had the consulting firm of Beacon Economics update population projections for San Luis Obispo County, including the City of Arroyo Grande. The study was completed in June 2017. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County including the City of Arroyo Grande. The table on the next page comes from the data prepared by the Council of Governments:

**Table 3-4: Projected Population and Housing Growth Arroyo Grande
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040	2045	2050
Population									
Medium Scenario	17,252	17,678	18,288	18,956	19,505	19,930	20,158	20,293	20,449
Housing									
Medium Scenario	7,087	7,154	7,493	7,821	8,604	8,249	8,349	8,406	8,460

Source: U.S. Census Bureau (2010 Census), State of California, Department of Finance (2015), Beacon Economics (forecast years)

The City of Arroyo Grande is the largest of the "Five Cities" communities, and is bordered by Pismo Beach and Grover Beach on the west and northwest, and agricultural or rural residential lands on the north, east and south. The estimated 2020 population for the City is 18,288, up 1,036 residents from 2010. In 2010, there were 7,087 housing units with 2.3 persons per household and a 4% vacancy rate. By year 2020, 7,493 housing units are estimated with a current 2019 vacancy rate of 8%.

COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Arroyo Grande. The Arroyo Grande urban reserve line is coterminous with the existing City limits and also includes Tract 1724 an already developed subdivision of unincorporated lands west of Valley Road and north of Century. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County does identify the need to coordinate planning projects within Arroyo Grande's outlying regions with the City. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use. There has been substantial controversy about whether the agricultural lands should be annexed to the City, but the general plan policy calls for directing development toward marginal agricultural areas and away from prime lands.

The County's Conservation and Open Space Element (COSE) consolidated five previous individual elements (conservation and open space, historic, esthetic, and energy elements). The COSE is utilized as a tool to protect and preserve the unique community resources. The element addresses many issues with regard to conservation, development, and utilization of

natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

The General Plan identifies the type and intensity of development allowed in each of several land use categories (zoning) for County. According to the San Luis Bay Inland Plan, Arroyo Grande City limits includes substantial areas intended for urban development that could add approximately 1,700 dwelling units to the City's housing stock. The following table summarizes the zoning and acreage for the study areas that were included in the Sphere of Influence:

Table 3-5: Existing Land Use

Study Areas	Acreage	Land Use/Zoning	Existing Land Use	Build-Out Potential
#1 Fredericks	184	Agriculture	Crops	2 Residential
#2 Williams	190	Agriculture	Crops	2 Residential
#3 Tract 1724	11	Residential Suburban	Residential	27 Residential (Built)
#4 Tract 1551	10	Residential Suburban	Residential	9 Residential (Built)
#5 Virginia Dr.	0.48	Residential Multi-Family	Residential (rear lots)	6 Residential (Built)

Source: SLO County Planning & Building Department.

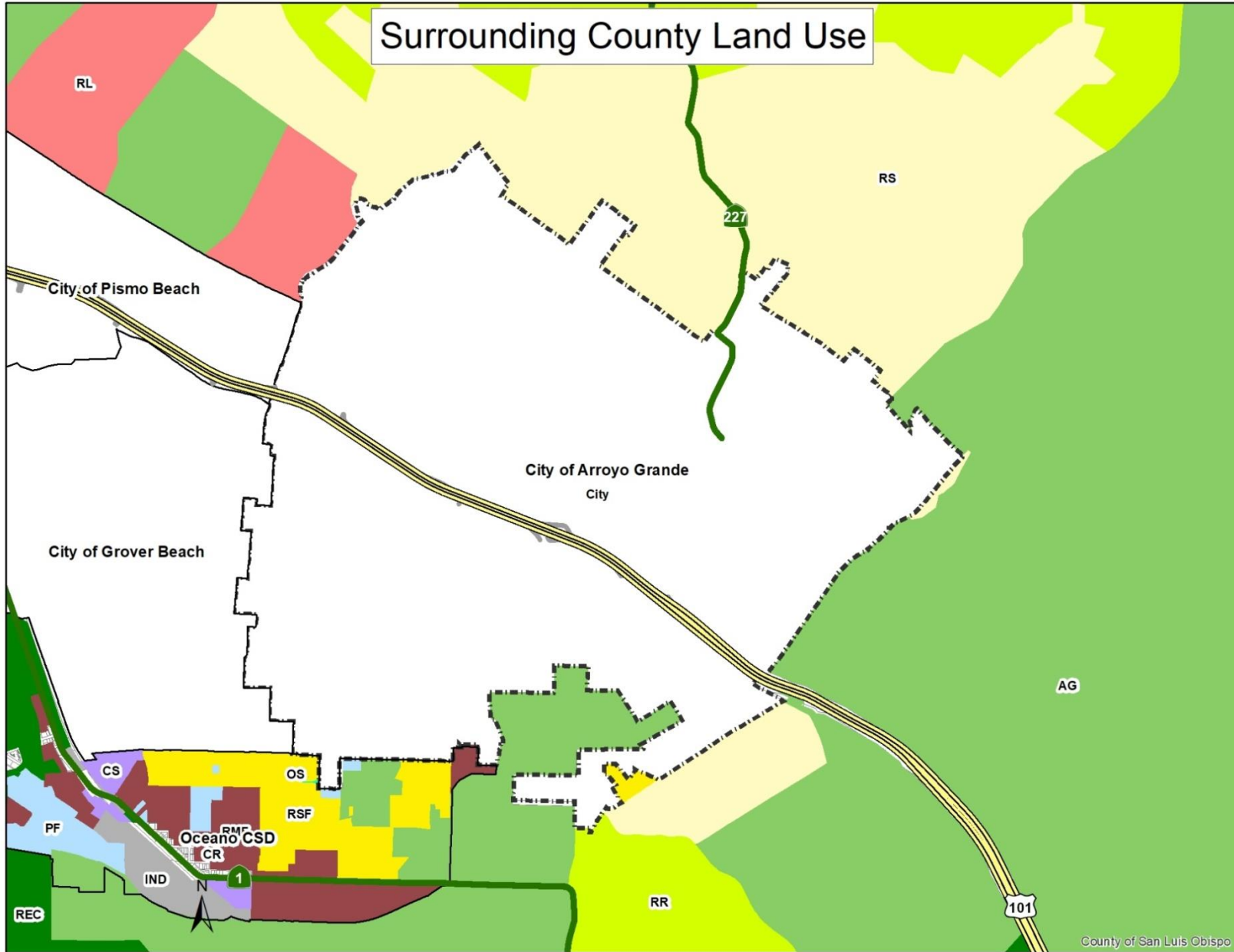
The Arroyo Grande urban reserve line is coterminous with the existing City limits, with 1 exception: a small area at the intersection of Los Berros and Valley Roads (Tract 1724). Annexations of two properties were approved within an island located between Oak Park and Brisco Road adjacent to El Camino Real. A second proposal by the City to annex the balance of the unincorporated island was approved in 1981 by LAFCO.

Arroyo Grande has been engaged in evaluating agricultural lands and means by which they can be protected. In this process they have established a policy opposing development of prime agricultural lands zoned agriculture within the city and discourages development of lands under county jurisdiction adjacent to the City. The policy is consistent with County's Land Use Element. In addition, the City's adopted general plan policies call for development to be directed toward marginal agricultural areas and away from prime lands. Coordination of city/county

programs to protect valuable farmland is needed. The Arroyo Grande General Plan states that "prime agricultural land should not be annexed to the City without a commitment on the part of the owner to place the land in agricultural preserve."

The Arroyo Grande fringe is a large area of unincorporated lands bordering the northerly portion of the City, extending from Lopez Drive to west of Oak Park Road and north beyond Corbett Canyon Road. The fringe areas have also seen considerable growth in recent years with the creation of many rural residential home sites. Since much of this fringe area lies in the watersheds above Arroyo Grande, the City's facilities are often impacted by poor land management practices in unincorporated areas.

Figure 3-3 (E) Land Use



City of Arroyo Grande 2015 Urban Water Management Plan

Housing Units and Growth Projections. In the 2015 Urban Water Management Plan, the City of Arroyo Grande estimates that 17,731 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units as 7,627 with an average household size of 2.4 persons and an occupancy rate of about 96%. The American Community Survey 5-year estimates (2013-2017) indicate the City's housing units have increased to 7,847 with an average household size of 2.4 persons and an occupancy rate of about 92%. The City's Urban Water Management Plan projects the current City limit boundaries to yield a population of 20,000 persons. The population would increase if an annexation were to occur within the 395 acre Sphere of Influence.

The table below reflects the population taken from the Urban Water Management Plan and shows historic and projected growth rates:

Table 3-6: Historical & Projected Population Growth

	2005 ⁽¹⁾	2010 ⁽²⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾	2035 ⁽²⁾
Population	16,599	17,252	17,731	18,624	19,157	19,822	20,000
10 Year Increase	-	653	479	893	533	665	178
10 year Avg. Increase	-	3.7%	2.7%	4.7%	2.7%	3.3%	<1%
Average per Year	-	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2015 Urban Water Management Plan

CITY OF ARROYO GRANDE GENERAL PLAN, 2001

The City of Arroyo Grande adopted its General Plan in 2001. Over the past 40 years, the City experienced periods of high residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s averaged over 5% per year, growth rates over the 1980s averaged just over 4% per year, but during the 1990s, growth slowed to about 1% per year. Between 2000 and 2016, the City's population grew at a similar rate to the County as a whole, adding 1,880 residents or an annual growth rate of 0.74 percent over a 16-year period. Population growth slowed down in between 2010 and 2016 with the addition of 500 residents in a 6-year period.

The City's future development is limited by the land use patterns and designation in and around the City. The developed land use pattern in and around the City of Arroyo Grande will constrain population growth in the future and require that much of the new housing be higher density multiple family rather than low density single family. The 2001 General Plan Update included mostly mixed use and Village core development opportunities. Arroyo Grande's growth is likely to come largely from within the City's existing boundaries given both land availability and long-term water source are the primary limitation of how the City can grow in the future. In 2016, the City's Community Development Department estimated the City is about 90% built out with a potential for approximately 341 new dwellings in the community at that time.

Under the Housing Element 2016 the City estimates a total of 219 new vacant land inventory potential with an additional 24 accessory dwelling unit potential and 317 opportunity sites where increased densities could occur. Outlined below under the new housing allocation the City will need to determine adequate land to accommodate 692 new dwelling units. In either case, the City of Arroyo Grande has limited potential for new residential housing within existing city limits. The City is underway determining their current vacant sites as part of their Housing Element Update. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the 2016 growth potential within the City and SOI areas.

Table 3-7 Build-out Summary: Vacant Land within City plus SOI

Area	Acres	Units	Population	Land Use
PD	7	24	57	Agriculture
GMU, OMU, MU, VC, SR	185	129	309	Mixed Use
RH	.67	7	16	Low Density
RS	5	8	36	Low Medium Density
SF	9	7	16	Medium Density
MF	27	44	105	Medium High Density
Total Vacant Sites within City Limits	233.67	219	539	
Fredericks (SOI)	184	825	1,980	Unassigned
Williams (SOI)	190	855	2,052	Unassigned
Tract 1724 (SOI)	11	27	65	Residential Suburban
Tract 1551 (Study Area 4)	10	9	22	Residential Suburban
Virginia Dr. (Study Area 5)	0.48	0	0	RMF
SOI Subtotal	395	1,716	4,119	
Total	628	1,935	4,658	

Source: City of Arroyo Grande 2016, SLO County Planning & Building Department.

Arroyo Grande Fringe. The "fringe" area is less appropriate for residential growth unless infrastructure and resources are developed, including water and road network connectivity. Future development must be responsive to the issues previously noted. This can be better accomplished if there is a closer working relationship between San Luis Obispo County and Arroyo Grande in reviewing development proposals and establishing criteria aimed at solving the issues. This area encompasses approximately 6,513 acres, with a maximum absorption capacity (i.e. the County's ability to serve the area effectively) of as many as 8,451 people, if all lots were developed to their maximum density. With this amount of potential development, the areas designated for suburban and rural residential should not be expanded any further into the surrounding agriculture and rural lands.

The Arroyo Grande Fringe Planning Area Standards require new land division applications for Residential Rural or Residential Suburban . . . "provide information to demonstrate . . . that:

- (1) adequate groundwater resources are available to serve the proposed land division , and
- (2) each proposed parcel can accommodate an individual sewage disposal (septic) system."

Unless area-wide groundwater resources are proven adequate and it is proven that ground water quality will not be adversely affected by cumulative development of greater intensity, the City interprets that existing Planning Area Standards should preclude further minimum standard new land divisions. The Arroyo Grande General Plan includes the following policies about the Arroyo Grande Fringe Area:

LU (Fringe) 1-1 County Residential Rural and Residential Suburban classified areas in the Arroyo Grande Fringe and Area of Environmental Concern should not be expanded and new areas should not be created.

LU (Fringe) 1-2 The County should require 2 ½ acre minimum parcels for all Residential Suburban Land divisions in the Arroyo Grande Fringe Area or 5-acre minimum where slopes exceed 30%.

LU (Fringe) 1-3 LAFCO and South County Sanitation District should exclude the Printz, Noyes and Oak Park Road areas from the SCSO Sphere of Influence.

LU (Fringe) 1-4 *The City, LAFCO and South County Sanitation District should expand the Sphere of Influence to the southeast to include the Williams property.*

LU (Fringe) 1-5 *The County should establish “road impact fees” for all of the Residential Rural RR and Residential Suburban RS areas in the Arroyo Grande Fringe and to the southeast of the City. The fee should be set based on cost studies to correct deficiencies already apparent on State Highway and County roads serving these areas, similar to the fees currently imposed on South County Nipomo area developments.*

LU (Fringe) 1-6 *Caltrans and the County of San Luis Obispo shall minimize further private driveways from existing parcels by requiring shared common access to adjoining parcels where feasible, and requiring new land divisions in the Residential Suburban RS to also conform to the same Planning Area standard as the Residential Rural RR regarding Highway 227 access.*

Recent Building Permit Activity

Building Permits have been compiled for Arroyo Grande from the Community Development Department. The table below shows the building permits by year from 2012 through 2019. Since 2012 the City has finalized 204 new single-family units, 68 multi-family, and 9 new commercial buildings.

Table 3-8: Building Permits Finaled 2012-2019

	SF	MF	Commercial
2019	25	0	0
2018	49	2	2
2017	38	2	2
2016	5	28	0
2015	20	0	2
2014	22	36	1
2013	20	0	2
2012	25	0	0
Total	204	68	9

Source: Arroyo Grande Community Development Department 2020

Land Use

The General Plan was last updated in 2001 which allows for new growth within the City based on an analysis of available resources (water, sewer, etc) and demand for those resources. The policies and standards in the City’s General Plan provide for growth in the current SOI if it can be demonstrated that water, sewer and other resources are available or can be made available

without adversely affecting existing residents. There are no growth limits to commercial or visitor-serving growth in place under the General Plan.

***LU 11-3.1** Limit the number of dwelling units within the City to that which is consistent with the long-term availability of resources needed to support area population and that which public services and facilities can adequately support.*

***LU 11-3.2** Permit new developments only where and when adequate water services can be provided, and the provision of adequate water service can be ensured by providing system-wide water improvements in advance of needs.*

***LU 11-3.6** Ensure that adequate sewer service capacity exists or will be available in a timely manner for a proposed development.*

It should be noted that the City's General Plan provides a clear and detailed policy base with regard to future growth and development within the City. It comprehensively addresses the various facets of development, provides clear information to the public, and gives decision-makers a sound foundation for considering future projects.

The Arroyo Grande General Plan addresses expansion and jurisdictional boundaries of the community under its **Land Use** Element. The following policies are discussed to maintain the common boundary between Arroyo Grande, Pismo Beach, Grover Beach, and Oceano:

***LU 11-5.1** Oak Park Boulevard is and shall remain the common boundary between Arroyo Grande and Pismo Beach.*

***LU 11-5.6** Oak Park Boulevard is and shall remain the approximate common boundary between Arroyo Grande and Grover Beach. Portions of the City of Grover Beach, which extend east of Oak Pak Boulevard will be evaluated by both jurisdictions and LAFCO to determine the most logical and efficient jurisdictional boundary.*

***LU 11-6.1** Generally, The Pike is and shall remain the boundary between the City of Arroyo Grande and Oceano CSD.*

As adopted in 2001, three sites are noted for consideration in the Arroyo Grande SOI (see Figure 3-2). These are the Fredericks, Williams, and Tract 1724 site (already in the SOI).

LU 11-6.10 The City of Arroyo Grande shall cooperate with the County and LAFCO to consider annexation of the Frederick/ALC property (known as Arroyo Linda Crossroads) and Williams property provided that such future City expansion provides for permanent agricultural and open space buffer adjoining Freeway 101, the east and north sides of potential urban development of the proposed Sphere of Influence area.

LU 11-6.10.1 The City of Arroyo Grande may consider the annexation of the unincorporated portion of the Arroyo Linda Crossroads and Williams properties within the proposed Sphere of Influence when all of the following findings are made:

- a) The proposed annexation will not deplete the water resources required for potential General Plan development within other parts of the City nor divert water resources needed for current and future Agriculture irrigation;*
- b) Clear compatibility exists with the community's basic identity as a rural, small town community; the goals and desires of the people and the City of Arroyo Grande as a whole; and with the community's available resources and urban services;*
- c) The proposed annexation is consistent with the goals and objectives of the 2001 General Plan Update, particularly in regard to protection of Agriculture and open space lands;*
- d) Significant economic development benefits will be derived by the City upon annexation;*
- e) Significant social and economic interdependence and interaction exist between the City and the areas proposed for annexation;*
- f) Adequate infrastructure and services have been or shall be provided in accordance with current City standards;*
- g) The proposed annexation will generate sufficient revenues to adequately pay for the provision of City services and related mitigation measures; and,*

The Branch Mill Area Tract 1551 (Located in SLO County; Within the SOI). These nine parcels are located south of Branch Mill Road and east of Newsom Springs. This area contains approximately 10 acres of an already subdivided tract. The homes have already been built. The area is Tract 1551 that was created in 1983. It is located in the County and designated "Residential Suburban" and is located in a very high fire hazard area with existing private water wells and septic systems. This area was added to the City's Sphere of Influence in 2012 because residents reported having water quality concerns with their private wells.

The Virginia Dr. Area (Located in SLO County; Not within the SOI). These six parcels are located south of Virginia Drive and east of Halcyon. This area contains approximately 0.48 acres of already developed parcels. The homes have already been built and receive services from the City of Arroyo Grande. The area is essentially the back yards of the homes fronting Virginia Dr. The recommendation is to add this area to the City's Sphere of Influence.

The General Plan also encourages "proactive planning." This is to say that the City should be establishing goals for land use and development within the City, within the planned expansion areas comprising the Sphere of Influence. The Memorandum of Agreement between the City and County provides for this type of collaboration. The Memorandum of Agreement will be reviewed and updated as part of the Sphere of Influence and Municipal Service Review process.

Housing Element. The City's current Housing Element was adopted by the City Council in March 2016. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from June 1, 2014 through June 30, 2019. In October 2019 SLOCOG approved the RHNA for the next ten year cycle period of January 2019 through December 2028. The City of Arroyo Grande will be updating their Housing Element that addresses this allocation period. The table below shows the total number of residential units (692) the City of Arroyo Grande must provide zoning for in new time period. As stated above the City's 2016 Housing Element documented land availability for 341 dwelling units. The City will need to determine adequate land to accommodate double the dwelling unit potential.

Table 3-9: 2019-2028 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	170	107	124	291	692	6.4%	
Atascadero	207	131	151	354	843	7.8%	
Grover Beach	91	57	66	155	369	3.4%	
Morro Bay	97	60	70	164	391	3.6%	
Paso Robles	356	224	259	607	1,446	13.4%	
Pismo Beach	113	71	82	193	459	4.3%	
San Luis Obispo	825	520	603	1,406	3,354	31%	
County Unincorp.	801	505	585	1,365	3,256	30.1%	
Total Units	2,660	1,675	1,940	4,535	10,810	100%	

Source: SLOCOG RHNA 2019

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every eight years (this cycle is for ten years to align with the next RTP cycle) to identify recent demographic and employment trends and can be correlated with the four-year cycle of transportation planning, which may affect existing and future housing demand and supply. For the first time in the region, the RHNA and RTP process were undertaken together in order to integrate housing, land use, and transportation planning to ensure that the state's housing goals are met and to help reduce greenhouse gas emissions (GHG) from cars and light duty trucks. The goal of integrated planning is to create opportunities for residents of all incomes to have access to jobs, housing, services, and other common needs by a variety of means, including public transit, walking, and bicycling. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City has developed a set of objectives and specific policies and programs to prepare for the production of housing in the City of Arroyo Grande.

A Housing Element is required by California law to establish policies and programs that will support the provision of an adequate housing supply for citizens of all income levels. The intent of State law is to assure that jurisdictions in the State provide adequate housing to all members of the community. While the State Department of Housing and Community Development (HCD) reviews the Housing Element to assure compliance with housing law, each jurisdiction must identify its particular issues to successfully address its housing needs.

The adopted Housing Element provides a detailed assessment of the housing stock in Arroyo Grande, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing. All of these components of the element will be re-assessed for the 10-year cycle, which are due to HCD in 2020 for review.

An understanding of existing housing conditions in the City is necessary as a basis for new Housing Element policies to guide the use and development of housing that will be adequate and affordable. In addition to this focused information, throughout the document comparisons to San Luis Obispo County demographics and statistics are used to identify possible issues or pertinent relationships. This assessment is representative of the larger area and informative of the trends the entire county is experiencing, helping to gain a better understanding of the City in a regional context.

State law is more specific about the content of Housing Elements than any other portion of the General Plan. That specificity is reflected in the detailed demographics and other data contained herein. The Housing Element is also the only part of the General Plan that is subject to mandatory deadlines for periodic updates. Except for the Local Coastal Plan, it is the only element that is subject to review and "certification" by the state.

According to the current adopted City's Housing Element an available land inventory was conducted which concludes the City has additional land available for 341 new residential units within the City Limits. The Housing Element also evaluated the City's infrastructure to accommodate these new potential residential developments. The Housing Element states that the City is at 82% capacity for water service and 60% capacity for wastewater which demonstrates the City's ability to provide these services to the 341 residential units with existing capacity. These services are further discussed in the next section. However, the City under the updated Housing Element will need to document adequate land inventory for twice the number of units as the last adoption. It is possible that this may require zone changes or greater accommodation within existing land uses. An updated review of the City's water and wastewater services may also be considered in order to accommodating the ten year cycle allocation of new housing.

The **Circulation** Element plans for improvements to the City's transportation system that will accommodate existing residents and future growth. Principals, Policies Standards, and programs supporting these goals are provided in detail in the Circulation Element.

CT 2. Attain and maintain Level of Service (LOS)'C' or better on all streets and controlled intersections.

CT 3-3 *Promote non-motorized bike and pedestrian circulation facilities to serve all areas of the City and linking with regional systems, with priority coordination with school, park, transit and major public facilities.*

CT 5-7 *Utilize assessment and improvement districts and other supplemental private funding to correct local area deficiencies such as inadequate parking, transit and streetscape enhancement or completion of local street or trail segments that benefit the area.*

The **Agricultural, Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. This Element is important in updating the Sphere of Influence because it contains detailed principals, policies, standards, and programs targeted at preserving agriculture and open space lands. It is important to note that the City has adopted a policy base with regard to preserving open space lands above the 200 foot contour line. This policy base will be referenced in the Memorandum of Agreement. Key policies include:

Ag 1-1.1 *Prime Farmland Soils shall include all land, whether a single parcel or contiguous parcels, that if irrigated, qualifies for rating as Class I or Class II in the USDA Natural Resources Conservation Service land use capability classification whether or not the land is actually irrigated, provided that irrigation is feasible. (This definition is derived from the Local Government Reorganization Act of 2000 as reorganized and amended in 2000. Section 56064(a)). Prime farmland soils shall also include farmland of Statewide importance as identified in the USDA, Natural Resources Conservation Services, outlined in the Land Inventory and Monitoring (LIM) Project Soil Survey for San Luis Obispo County, California, Coastal Part, September 1984.*

Ag 1-2 *Designate as Conservation/Open Space (C/OS) or County Rural Lands all nonprime Ag lands with important natural resource or open space values that the community intends to conserve.*

Ag 1-4.3 *Since prime farmland soils occur naturally and are geographically specific, the only means for mitigation to less than significant is preservation. The City's aim shall be to maintain contiguity of Ag and C/OS parcels and avoid fragmentation of areas having prime farmland soils. The City shall avoid development of prime farmland soil areas by directing growth potential to more suitable urban locations. Only after the imposition of available mitigation and consideration of alternatives to avoid the proposed action, may the City Council approve development on prime farmland soils subject to overriding considerations as permitted by California Government Code Section 15093.*

Ag 3-2.2 *Should landowners of parcels in this area request consideration for inclusion within the City's Sphere of Influence and/or annexation to the City of Arroyo Grande, the request shall be evaluated based on the City's criteria for Agriculture designation and zoning, and be subject to all policies and regulations pertaining to that use.*

Ag 3-10 *Where land division of an Ag designated property is proposed, the resulting parcels shall be designed to ensure the long-term protection of agricultural resources.*

C/OS 2-1 *Designate all streams and riparian corridors as Conservation/Open Space (C/OS).*

C/OS 2-4 *Identify and protect wildlife corridors that link habitat areas as Conservation/Open Space (C/OS).*

C/OS 6 *The City of Arroyo Grande shall manage land use and limit its urban development potential to that which can be sustained by the available water resources and serviced by circulation and other infrastructure.*

The Parks and Recreation, Design, and Safety Elements of the General Plan each have principals, policies, standards, and programs that provide guidance and clarification for the public and decision makers. These are important topics that the City addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike. The policies and programs in these elements would be applied to the Sphere of Influence.

The existing Sphere of Influence for the City of Arroyo Grande is estimated to have a development potential of 1,716 units. The addition of Virginia Drive parcels would not add an additional units since these lots are already developed with residential homes and are being served by the City.

The City's current General Plan is based on the ability of the City to accommodate a population of 20,000. Currently, the City's population is approximately 17,876 people. The City projects build-out no sooner than year 2035.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Growth and Population**:

1. The City's General Plan provides for the logical and reasonable growth and development of the City and was last updated in 2001. The City should consider updating the Land Use and Circulation Elements to reflect current demand and need.
2. According to the Council of Governments Population Projections the City of Arroyo Grande is projected to grow at a rate of 1% per year.
3. Development activity has decreased in the City over the past year due to the available land. This is evidenced by the building and land use permit data provided by the Community Development Department.
4. The Memorandum of Agreement between the City and County provides a mechanism for the City and the County to work together on land use projects proposed in the Sphere of Influence. The MOA would also include more specifics about the development process, and the intent of the City and County.

3.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. 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 City or property owners.

The City of Arroyo Grande has a variety of economic diversity within the City limits and surrounding area including within 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. Government Code section 56033.5 further defines it as inhabited territory; an area with 12 or more registered voters. In the analysis completed by LAFCO staff, income analysis was performed for each of the study areas using census tract income data which shows median incomes above the state median income of 67,169 at the time of this reporting. In addition, review of the State DAC Mapping Tool and CalEnviroScreen 3.0 was used to verify disadvantage status with other application of the definition. In all cases, the City of Arroyo Grande's Sphere of Influence does not qualify under the definition of disadvantaged community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Disadvantaged Unincorporated Communities**:

1. The City of Arroyo Grande's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

3.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City 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 are proposed by the City or property owners.

In making decisions LAFCO analyzes the present and long-term infrastructure demands and resource capabilities of the City of Arroyo Grande. LAFCO evaluates 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with increasing demands. The City's General Plan contemplates expansion for annexations in the future (within the existing SOI).

The most important infrastructure needs are the provision of water and wastewater services. Beyond these basic services, police and fire protection, and circulation/road services are considered high priority needs for future growth of the City.

This section evaluates the City's resources and capabilities to provide services to existing and future residents. The key topics addressed include water supply and demand, water pipeline system, sewer system capacity and condition, fire and police protection, traffic and roads, as well as, other services.

WATER

The City updated its Urban Water Management Plan in 2017. The County updated its Urban Water Management Plan in 2016. These plans, and other documents, are the basis for this section of the Municipal Service Review. A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate, reliable, and sustainable water supply be documented pursuant to LAFCO's Policies. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water.

Water Supply

The City of Arroyo Grande's Water supply comes from two primary sources: Lopez Lake Reservoir, and groundwater from the Tri-Cities Mesa - Arroyo Grande Plain sub-basin of the Santa Maria Groundwater basin .

Groundwater. The City extracts groundwater from the Tri-Cities Mesa - Arroyo Grande Plain (AGP) sub-basin of the Santa Maria Groundwater basin (SMGB). Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2005 Stipulation of the Santa Maria Groundwater Basin adjudication. The City of Arroyo Grande's allocation from this settlement was established at 1,202 acre-feet per year. Arroyo Grande pumps its allocation from the Arroyo Grande groundwater basin from six wells located in the Tri-Cities Mesa Sub Basin. The City has available an agricultural land conversion water credit that has been in place since 1983. The water usage of irrigated agricultural land that is converted to urban use by a factor of 3 acre-feet/acre/year minus the metered urban usage per acre per year after three years of recorded data. The City's extraction is limited to no more than 1,323 acre-feet per year including the Agricultural Land Use Conversion Credit. Pumping records from 2012 to 2019 are shown in the table on the next page.

The Pismo Formation is a distinct deep aquifer at the northeastern section of the City, identified in water wells along Oak Park Boulevard on the south, at Paseo Ladera Lane to the west, and along James Way to the east. Currently, the City pumps groundwater from Well No. 9 and Well No. 10, which are capable of extracting approximately 90 afy each if operated 100% of the time.

These are assumed to extract 80 afy each assuming required operational downtime. Both wells receive treatment for iron, manganese and hydrogen sulfide prior to use by the City. Water supply from the Pismo Formation is not subject to the Judgment of the SMGB. The Pismo Formation is not adjudicated and has not been identified as over drafted or projected to be over drafted by DWR. In 2003, Cleath & Associates completed a groundwater source assessment for the Oak Park area, which covers the same aquifer as the Pismo Formation. The groundwater yield for the Oak Park area was estimated to be approximately 540 afy. The City exercises an appropriate right to put the water supply from the Pismo Formation to reasonable and beneficial use. None of the City's wells in the Arroyo Grande Basin currently exceed any of the EPA's primary MCLs. The City continues to blend surface water from the Lopez WTP with the Arroyo Grande Basin groundwater to provide a more consistent water quality to its customers. The Table below illustrates the City wells and their use.

Table 3-10 Arroyo Grande Groundwater Pumped

Arroyo Grande Amount of Ground Water Pumped, AFY								
Basin	2012	2013	2014	2015	2016	2017	2018	2019
Well #1	0	0	0	0	0	0	0	0
Well #3	0	0	0	0	0	0	0	0
Well #4	0	0	0	0	0	0	0	0
Well #5	0	0	0	0	0	0	0	0
Well #7	0	0	0	0	0	0	0	0
Well #8	180	268	51	43	165	75	49	
Well #9	80	80	69	44	79	19	0	
Well #10	70	40	0	0	0	0	0	
Well #11	0	0	0	0	0	40	0	
Total	330	388	121	87	244	134	49	

Source: Arroyo Grande 2015 Urban Water Management Plan, NCMA Annual Monitoring Report

Note: Well (#1, 3, 4, 5, 7 are inactive), 8, Arroyo Grande Formation

Well #9, 10 & 11 Pismo Beach Formation

Regional Groundwater Sustainability Project (RGSP) Potential. In 2016, a Recycled Water Facilities Planning Study (RWFPS) to investigate alternatives for constructing a recycled water system was studied to produce beneficial recycled water to enhance groundwater water supply portfolio. The groundwater is intended to be replenished with recycled water. Central Coast Blue is a regional water sustainability project that is proposed to create a new, high-quality, and reliable water supply for the Five Cities communities, including Arroyo Grande, Pismo Beach, Grover Beach, and potentially Oceano. Agencies representing the Five Cities communities are

designing and building a new advanced water purification facility to create a high-quality water source to supplement local groundwater supplies, with Pismo Beach serving as the lead agency. This project will help these communities to have a more reliable supply in times of water shortage or drought.

The RWFPS was informally endorsed by all NCMA agencies. The cost of the Central Coast Blue project is broken into two phases: phase I and phase II. Phase I of the project treats Pismo Beach WWTP effluent (discharged water) and will provide 1,000 acre feet per year (AFY) of purified water for groundwater injection. This phase is projected to cost \$ 37 million in addition to the \$ 2.02 million that the City of Pismo Beach has supported to date. Phase II of the project treats SSLOCSD WWTP effluent and provides 2,500 AFY of total additional purified water for injection. This phase is estimated to cost another \$243 million.

Other agencies, including SSLOCSD, have been meeting to discuss the agencies' respective shares of the project although no formal cost-sharing agreement is in place. From those meetings, the City of Pismo Beach would likely support 16% to 20% of the overall project and accordingly receive 16% to 20% of the additional water, leaving 80% to 84% to be supported by the other agencies.

Recycled Water Potential. Recycled water qualities range from secondary quality (as defined by Title 22 CCR) to the highest level of treatment, tertiary quality for unrestricted use. Recycled water is not currently considered as a potential source of supplemental water supply for the City in the context of the Urban Water Management Plan. The South San Luis Obispo County Sanitation District's wastewater facility was updated in 1980 to treat its effluent to secondary standards. If used for recycled water purposes the water would need additional treatment first before becoming useable. The treated water, depending on the level of treatment, could have restricted use as recycled water. Use may be limited to park and landscape irrigation and given the small amount of available land it is not likely worth the effort (non-domestic use if treated versus unrestricted use with tertiary). Tertiary recycled water could be piped to irrigate agricultural, or re-injected as recycled water into the groundwater basin to maintain or increase reliability. Future reuse of the highly treated water produced by the Wastewater Treatment Facility is currently anticipated to be a portion of the City of Arroyo Grande's multi-source water plan. The City is currently considering a recycled water program and plans to pursue recycled

water in the future. The following recycled water studies have been completed with the goal of identifying potential recycled water projects, which would benefit the City:

- *Water Recycling Progress Report*, Prepared for South San Luis Obispo County Sanitation District, Prepared by John L. Wallace & Associates, February 2001
- *Recycled Water Distribution System Conceptual Plan- South San Luis Obispo County Sanitation District WWTP Technical Memorandum*, Prepared by the Wallace Group, June 2010
- *Recycled Water Distribution System Conceptual Plan- City of Pismo Beach WWTP Technical Memorandum*, Prepared by the Wallace Group, June 2010
- *Water Recycling Update report*, Prepared for South San Luis Obispo Sanitation District, Prepared by the Wallace Group, January 2009
- *San Luis Obispo County Regional Recycled Water Strategic Plan*, Prepared by Cannon, November 2014
- *Recycled Water Facilities Planning Study for the City of Pismo Beach*, Prepared by Water Systems Consulting, Inc., April 2016

Santa Maria Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria groundwater basin, which was adopted by the Courts in 2008. This issued a final decision concluding that while the Santa Maria Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term sustainability of water supplies in the NCMA.

The 2018 annual monitoring report prepared for the NCMA documents minor decline in the basin with the exception of slight increase near coastal elevation, perhaps indicating the tail end of the wet 2016-17 rainfall. Groundwater levels generally observed minor decline throughout most of the area is attributed to ongoing efforts by all NCMA agencies. These agencies have to minimize extractions compared to the drought conditions between 2007 and 2009 with some recovery in 2010 and 2011. Water quality testing in 2009 indicated a potential for seawater intrusion that had locally manifested in a few wells.

Ongoing monitoring will continue to be analyzed to determine the long-term condition of the basin. In the interim, to minimize the threat of seawater intrusion, the Northern Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

The 2018 NCMA annual report states:

“Spring 2018. In the mostly urbanized areas north of Arroyo Grande Creek, groundwater contours in the spring of 2018 generally showed a westerly to southwesterly groundwater flow. These positive groundwater gradients...ensure that flow to the ocean continues to prevent seawater intrusion.

The water elevations in the Cienega Valley are in the range of 6 to 13 feet NAVD881. These data show a slight decrease in water elevations of 1.5 to 2.2 feet from April 2017 to April 2018.

Fall 2018. Groundwater elevations in October 2018 were 4 to 29 feet lower than elevations in April 2018. The October 2018 groundwater elevations exhibited a return to the previously prevalent pumping depression in the Cienega Valley, with groundwater elevations as deep as -16 feet NAVD88.

Deep Wells. In 2018, the Deep Well Index started the year above the trigger value with an index value of over 9 feet in January. It continued to rise, reached a high over 11 feet in mid-March, and then began to decline. The index value dropped below the 7.5-foot threshold in early July. For more than 4 months, the Deep Well Index remained below the index trigger value, reaching an index value of approximately 6.5 feet in late October. In early November, the Deep Well Index began to rise and by late November 2018, it rose above the threshold value where it remained through the end of the year. The index value finished 2018 at about 9 feet NAVD88.”

The water elevation in the San Luis Obispo County monitoring well installed to monitor basin conditions along the NCMA/NMMA boundary typically exhibits regular seasonal fluctuations. Similar to 2017, the water elevation in the well remained above sea level throughout all of 2018, in contrast to the 2013 through 2016 period when the water levels in the NCMA/NMMA boundary area typically dropped below sea level in August and remained at a low elevation until early October.

Lopez Reservoir. Lopez Lake stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Pismo Beach,

CSA 12, Grover Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (Zone 3UWMP 2015), which reflects the sustainable water supply during a drought. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The City can receive an allocation of up to 2,290 acre-feet from the Lopez Reservoir. The remaining 4,200 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. Surplus water is made available to contracting agencies based on their contract percentage, when less than the safe yield is delivered in the prior year. Surplus water is not a reliable additional source of water.

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 is a wholesaler operating and managing Lopez Reservoir. Based on various levels of the reservoir, a Low Reservoir Response Plan (LRRP) was adopted in December 2014 and activated in April 2015 and terminated on March 31, 2018. The enactment of Stage 2 of the LRRP resulted in a 10% decrease in municipal and downstream releases. The County Flood Control District projects that municipal entitlements will remain constant at 4,530 AFY through 2035, and that it will be able to supply all contracted agencies with their full allocations. A surplus water supply may be available in future years, but this surplus is not a reliable source for the City to plan for from year to year.

Oceano Transfer & Water and Sewer Service Areas. The City of Arroyo Grande has had an agreement to purchase an additional 100 AFY from Oceano CSD through FY 2013-14. In January 2009, the City renewed the contract with OCSD for a 5-year period. The City purchased 100 afy for a period of 5 years. The agreement has expired and is not expected to be renewed. Although, OCSD wheels water through Arroyo Grande to serve Christie and Canyon Crest developments and 655 and 727 S. Halcyon mobile home parks. The following properties are also served water and sewer services by OCSD but are located within the City Limits; Paul Place and Russ Court and the addresses at 701,721,731,741,751,761 S. Elm Street.

Grover Beach Water & Sewer Service Areas. The City of Grover Beach provides the following areas with water which are located within the City of Arroyo Grande 158 Cranberry St. Grover Beach also provides sewer services to the Arroyo Grande City Corporation Yard at 1375 Ash Street. All of Dixon St and Noel St are in the City of Arroyo Grande however all the sewer flow goes into Grover Beach. Grover Beach receives 30.17% of each sewer bill in compensation for these connections.

Arroyo Grande Water & Sewer Service Areas outside of City Limits. The City of Arroyo Grande provides the following addresses with water service; 1208, 1216, 1222, 1250, 1264 Huasna Road. 770 S. Halcyon Road. 0 HWY 101 South. The following properties recieces water and sewer services from the City 586 & 680 Valley Road and 650 & 660 Leanna Drive. The City of Arroyo Grande provides sewer services to the following properties outside of its City limits; 158 Cranberry Street, 393 Oak Park Blvd & 391 Oak Park Blvd., along with the mobile home parks located at 655 S. Halcyon 727 S. Halcyon, and 801 S. Halcyon. The City provides sewer services only to the following properties, while Golden State Water Company provides water services; all of Cathedral Lane and Cornerstone Lane.

Below is a overview map of the various service area connections stated above.

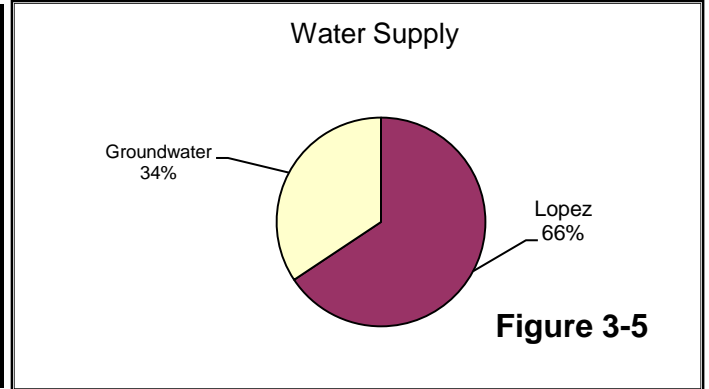
Figure 3-4 (E) Connections



The two sources of water described above are all presently supplied by the City of Arroyo Grande and delivered to their customers. The table below shows the City’s current water supply situation. The chart shows the water supply by percentage.

Table 3-11 - Arroyo Grande Current Water Supply

Source	Amount (acre feet)
Groundwater –Tri-Cities	1,323
Groundwater –Pismo Formation	160
Lopez Water	2,290
Lopez Water surplus, if available	varies
Oceano Transfer	0
Total	3,773



Arroyo Grande is not a SWP customer; however, Arroyo Grande approved a measure in 2016 authorizing the City to purchase SWP water from the FCWCD’s excess allotment on a temporary basis and only during a declared local water emergency. To date, Arroyo Grande has not declared such an emergency and has not purchased SWP water.

Table 3-12 - Future Available Water Supply

Source	Allocation AFY
Groundwater-Tri-Cities	1,323
Groundwater-Pismo Formation	200
Lopez Water	2,290
Recycled Water	0
Total	3,813

Source: City of Arroyo Grande

The demand for developments inside and outside of the City limits, along with the existing Sphere of Influence, may exceed the future supply available to the City unless a supplemental water supply is made available. Having an updated Urban Water Management Plan that contemplates the City’s water needs and outlines the necessary steps to secure a water supply system that serves the residents of Arroyo Grande is an example of long-range planning.

The table on the next page shows water production by the City of Arroyo Grande by source from 2012 to 2019. The City's Urban Water Management Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2035 the current water supply will continue to supply the same safe yields of groundwater 1,523 AFY and Lopez 2,290 AFY.

Table 3-13 Arroyo Grande Water Produced

Arroyo Grande Amount Produced, AFY								
	2012	2013	2014	2015	2016	2017	2018	2019
Wells	330	388	121	87	244	134	49	104
Lopez	2,492	2,723	2,631	2,152	1,704	2,060	2,163	2,034
Total	2,822	3,111	2,752	2,239	1,948	2,194	2,212	2,138

Source: City of AG UWMP, NCMA Annual Monitoring Report Acre Feet per Year

Zone 3 Urban Water Management Plan, 2015

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 is a wholesaler operating and managing Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 3-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2015 projected to 2040.

Table 3-14 Zone 3 Population & Projections

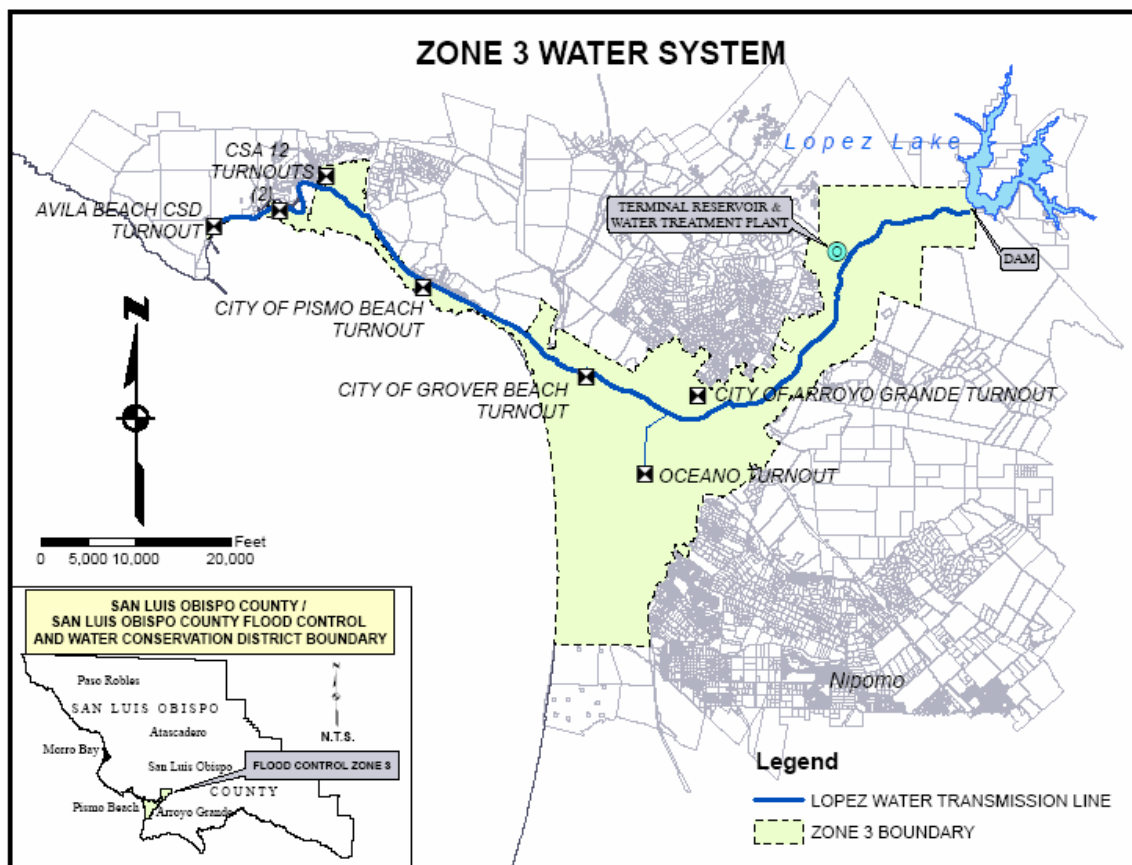
Population Projections						
Service Area Population	2015	2020	2025	2030	2035	2040
	46,003	47,250	48,358	49,915	51,677	53,344

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2015

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused the reservoir to be depleted and within the safe yield of the 8,730 AFY.. Historically, during the largest drought years on record (1989/1992 & 2012/2017) since the Reservoir has been in operation, the District has been able to deliver full allocations to contract agencies. As a result of the latest drought of 2012-2017 coupled with the mandatory downstream releases due to the dam's seismic remediation project, entitlements

were reduced by 10% in 2015. Full entitlements went back into effect when the declared drought was rescinded on March 31, 2018.. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir’s safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply available is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests.

Figure 3-6



Water Demand

The City completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the City. The City’s 2015 Urban Water Management Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2019, the City reported annual water use of 2,138 acre-feet. The City’s current service population is 17,636 with the current per capita water use at 107 gallons per capita per day. Arroyo Grande estimates that current use and projected demand are shown in table below.

Table 3-15 - Annual and Projected Demand by 2020 at a per capita of 153 (gpcd)

Estimated City Build-Out Demand	(Residential)	2,202 AFY
	(Commercial)	299 AFY
	(Landscape)	217 AFY
Subtotal		2,718 AFY

Source: City of Arroyo Grande Urban Water Management Plan, 2015

The estimated water demands for Fredericks and Williams SOI areas are shown in the table below (the demand figures only represent the properties currently within the existing SOI boundary that has the potential to increase water demands). (The tables under **Water Supply and Demand** show the demand projections for all Study Areas). As estimated in the table below, total water demands for uses of the SOI areas are estimated to be 889 acre-feet. This total breaks down as follows:

Table 3-16 - Addition of Frederick and Williams Area

Estimated City Build-Out Demand		2,718 AFY
Fredericks*	(Residential)	360 AFY
	(Visitor Serving)	38 AFY
Williams*	(Residential)	380 AFY
	(Visitor Serving)	15 AFY
	(Agricultural Land Uses)	96 AFY
Overall Build-Out and SOI Projected Water Demand		3,607 AFY

Source: City of Arroyo Grande * assumes a higher per capita demand than the City’s recent demand.

One way to address water needs within the sphere of influence area is to develop water

resources for the agricultural uses that do not require allocation of presently available domestic water supplies. This may be achieved by prioritizing groundwater resources for agriculture use, reclamation and reuse of water supplies from a wastewater reclamation program.

Water Conservation. The City is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. The Arroyo Grande City Council established a variety of water conservation rebate programs in advance of the recent drought, emphasized the need for Arroyo Grande residents to remain vigilant about water conservation given the susceptibility of local water supplies to drought conditions. The City Council also complemented Arroyo Grande residents who reduced overall water consumption since June of 2015 by 37%, substantially exceeding the State mandated 28% requirement. Governor Brown took action on April 7, 2017 to lift the drought emergency and State mandated water use restrictions in most California counties. The Governor's action also eliminated the State's mandate for Arroyo Grande to save 28% of its water use. Given the lifting of this mandate and the improved water supply conditions for Arroyo Grande, the City Council unanimously approved and adopted a Resolution rescinding the Stage 1 Water Shortage Emergency. The City's water conservation Ordinance 669, adopted on February 24, 2015, describes two stages of mandatory conservation, which have been incorporated into the City's Municipal Code Chapter 13.07. The City adopted Resolution 4659 on May 26, 2015 declaring that a Stage 1 Water Shortage Emergency exists throughout the area served by the City and the City implemented Stage 1 reduction measures.

Recent Drought (2011-2015). The statewide drought extended into four years. Governor Brown declared a drought emergency on January 17, 2014 and, as part of the response, directed the State Water Resources Control Board (State Water Board) to draft water conservation regulations to respond to the emergency. The State Water Board adopted regulations prohibiting water waste in July 2014, and issued directives to reduce water use statewide. In response to the continuing drought conditions, the State Water Board extended the 2014 emergency regulations and added new measures on March 17, 2015. On April 1, 2015, the Governor issued Executive Order B-29-15 mandating increased enforcement against water waste and declared a statewide water use reduction goal of 25 percent. This action was followed by the State Water Board adopting regulations that require specific water purveyors to reduce water use in a range of 8 to 36 percent compared to their 2013 water usage. The amount of the mandated reduction is dependent on the water purveyor's per capita use in 2013.

In 2016 the Governor issued Executive Order B-37-16, which set forth actions to use water more wisely, eliminate water waste, strengthen local drought resilience, and improve agricultural water use efficiency and drought planning as a way of life for Californians. In 2017 the Governor issued Executive Order B-40-17 which lifted the drought emergency in California counties except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects continue to address diminished groundwater supplies. Retains prohibition on wasteful practices and advances measures to make conservation a way of life. The order also rescinds two emergency proclamations and four drought-related executive orders.

Given continuing concerns regarding the ongoing severe drought's impact on the City's limited water supply, the City Council adopted Resolution 4766 on November 22, 2016, which provides that if certain specified water supply conditions are determined to exist ("Triggering Conditions"), that additional restrictions for the declared Stage 1 Water Shortage Emergency will be implemented in order to protect the health, safety and welfare of the citizens of the City. The City amended Chapter 13.07 to codify the three stages of action developed through Ordinance 669, Resolution 4659 and Resolution 4766. The revised Chapter 13.07 provides for the implementation of the three stages of action, Stages 1, 1B and 2, through the adoption of resolutions by the City Council. If the City determines that the desired level of water conservation is not being reached, additional conservation measures can be implemented with the direction of City Council. The City also implemented that new development be required to meet rigid standards for both inside and outside water use. The City's most recent water use estimates indicate that it is using 57% of its supply.

Water Supply and Demand

The water supply question in Arroyo Grande is tied to presently available resources and the likelihood that future resources can be developed or obtained to meet additional City growth. Generally, the City appears to have available resources to meet current demand for areas within the City limits and means or mechanisms to increase the water supply for the existing SOI areas at the present time. Annexations of land to the City will be required to prove the availability of water resources are sustainable, adequate, and reliable prior to an annexation being approved by LAFCO. The City's current supply is estimated at 3,813 afy. The projected demand for the City at build out and including the SOI areas is estimated at 3,628. This is a very thin margin for error in terms of the water supply and future annexations.

The tables on the next page provide a summary of projected densities, and water demands associated with the Study Areas.

Table 3-17 Land Use

Ownership or Project Name	Gross Acres	Net Developable Acres	Approx. Residential Density
#1 Fredericks	184	147	825
#2 Williams	190	152	855
#3 Tract 1724	11	11	27
#4 Tract 1551	10	10	9
#5 Virginia Dr.	0.48	0	0
Totals	395	320	1,716

Table 3-18 Projected Water Demand

Ownership or Project Name	Recommended Land Use	Water Demand (AFY) (1)
#1 Fredericks	Visitor-Serving	38 AFY
	Residential	360 AFY
#2 Williams	Visitor-Serving	15 AFY
	Agriculture	96 AFY(2)
#3 Tract 1724	Residential	380 AFY
	Residential	12 AFY
#4 Tract 1551	Residential	9 AFY
#5 5 Virginia Dr.	Residential	0 AFY
Totals		910

Notes: (1) Water demand estimates are derived. Residential demands vary depending on land use characteristics, but averages to 0.378 AFY per residence. Visitor-serving unit demands are 0.194 AFY per hotel room plus 5 AFY for restaurant/retail uses. Agricultural use estimates are based on local experience from similar land uses.

(2) The City does not provide agricultural water

Water Distribution and Storage System

The City's water distribution system delivers potable water through 88 miles of pipelines, six pump stations and six water tanks, and 6,783 service connections. The City's water service area population includes residents of 9 water service connections outside of City limits and excludes residents of 138 connections served by Oceano Community Service District (OCSD) in an area located in the southwest portion of the City limits. The Lopez water enters the system through two turnouts on the Lopez transmission main. The groundwater is pumped from wells and then blended with the surface water.

Water Distribution: The water distribution system was analyzed as part of the Water System Master Plan, in 2012 and includes over 464,640 feet or 88 miles of pipelines of various sizes and booster pumps throughout the city. Water pressures below 20 psi are not acceptable in a municipal water system. Normal pressures would range from about 40 to 100 psi. Pressures in the 30 to 35 range are acceptable, but less desirable. The test results found that some areas experienced less than desirable pressures during domestic demands and substandard pressures under fire flow conditions. The Water System Master Plan makes specific recommendations for capital improvements to correct problems related to the distribution system. The Capital Improvements Plan, which is considered as part of the annual budget process, allocates funds to these and other projects based upon priorities identified by the Water Master Plan.

Water Storage: The City currently operates six water tanks that serve six separate pressure zones. The Water Supply System Master Plan summarizes the pressure zones as follows:

Main Zone: Approximately 65 percent of city water use occurs within the main pressure zone. In addition, the two connections to the Lopez water system occur within the main zone. The main zone is served by three tanks with a storage capacity of 5.0 million gallons of water.

Rancho Grande Zone: Approximately 30 percent of city use occurs in this zone and it includes 1.2 million gallons of water storage capacity in one tank. The hydraulic grade is approximately 135' or 58 psi above the main zone. In 1997, the Hillcrest area on the west side of Highway 101 was added to the Rancho Grande Zone through the addition of a 12" transmission line. The Hillcrest area water system had formally operated on a hydro-pneumatic booster system. In 2000 the James way property was annexed into the city.

Oro Zone: Approximately 5 percent of city use occurs in this residential zone and it includes two tanks with a 500,000-gallon storage capacity. The hydraulic grade is the same as the Rancho Grande Zone, but the zones are not connected.

Capital Improvement Plan-Water System. The City's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. The projects have been divided into three groups, Priority A, B, and C, where Priority A projects have the highest priority. In general, Priority A projects are needed to comply with current or anticipated future regulations, correct recurring failures, address significant safety concerns (including correcting fire flow that is well under the required flow), or ensure that adequate water supplies are available to meet projected demands. Priority B projects address longer-term needs, often related to future growth or improvements that enhance system reliability or other low-level risks. Priority C projects include the recommended long-term annual or recurring projects. The City's Capital Improvement Plan contains project-by-project information and aligns with the goals of the City for project implementation.

Planned water system improvements are included in the City's Capital Improvements Program that is adopted by the City Council every June. The program is prepared in five-year increments and is updated annually.

2018/2019

- ▶ Galvanized Service Replacements - \$35,000
- ▶ Water Meter Software Upgrade - \$35,000
- ▶ Coach Rd and Garden St Pipe Bridges Eval - \$81,000

2019/2020

- ▶ Galvanized Service Replacements - \$35,000
- ▶ Water Reservoir No. 7 - \$454,400

2020/2021

- ▶ Galvanized Service Replacements - \$35,000
- ▶ Water Reservoir No. 7 - \$454,400
- ▶ Phased Main Replacements - Fair Oaks Ave, Elm St to Alder St - \$431,400

2021/2022

- ▶ Galvanized Service Replacements - \$35,000
- ▶ Phased Main Replacements - South Halcyon Road- \$716,800

2022/2023

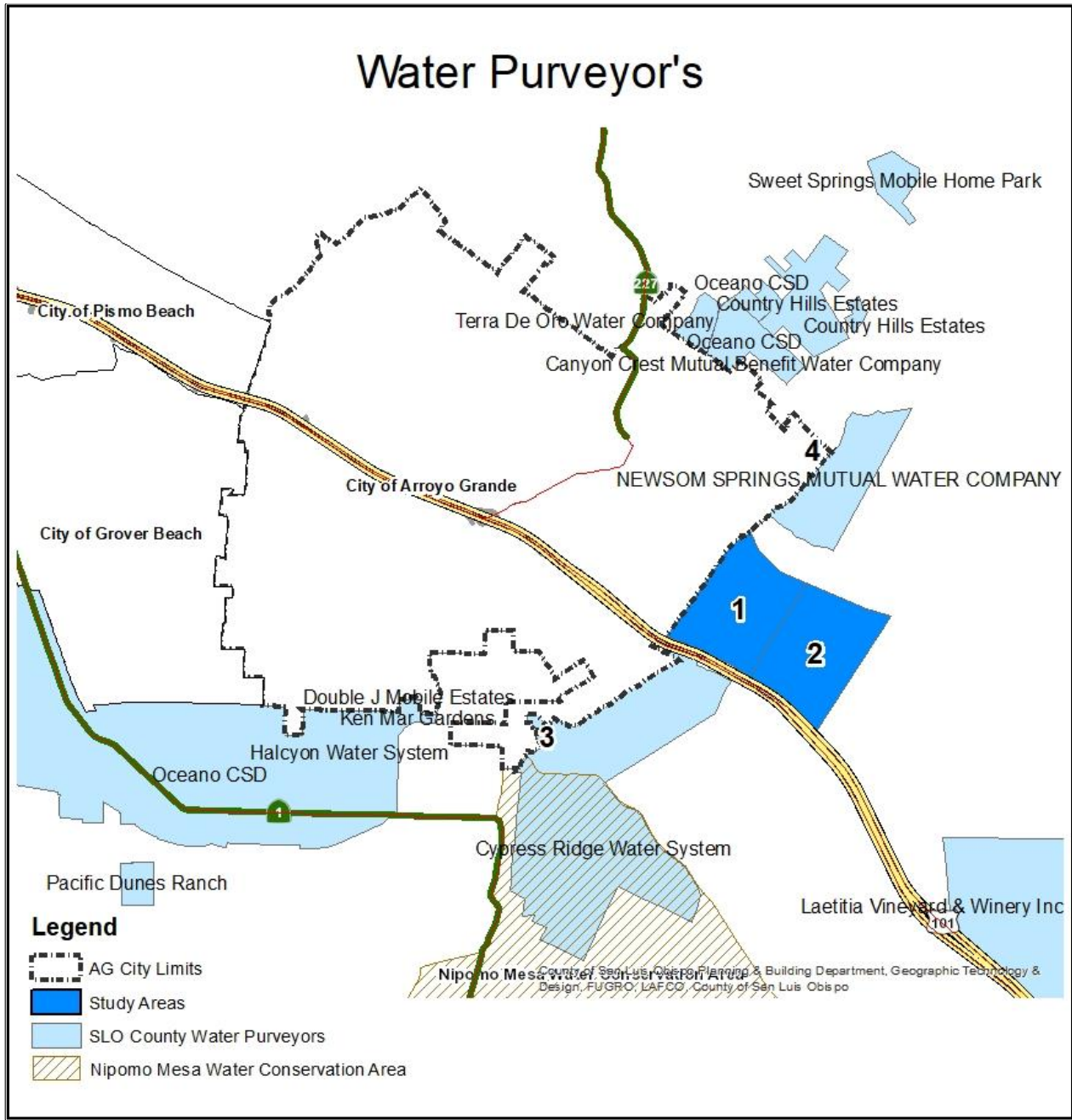
- ▶ Galvanized Service Replacements - \$35,000
- ▶ Phased Main Replacements - Cornwall Street- \$536,200

Other Water Providers

In addition to the City of Arroyo Grande, fourteen other private/public water purveyors provide water services to area residents. These providers are located outside of the City limits. The primary source for all of these other water providers is groundwater pumped water from local Groundwater Basin. One purveyor pumps groundwater from the Nipomo Mesa Conservation Area. Other water purveyor's includes:

- City of Pismo Beach
- City of Grover Beach
- Oceano CSD
- Sweet Springs Mobile Home Park
- Country Hills Estates
- Terra De Oro Water Company
- Canyon Crest Mutual Benefit Water Company
- Newsom Springs Mutual Water Company
- Double J Mobile Estates
- Ken Mar Gardens
- Halcyon Water System
- Pacific Dunes Ranch
- Laetitia Vineyard
- Golden State Water Company Cypress Ridge

Figure 3-7 Other Water Providers



WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a city-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 5.0 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 52% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a trash separator to remove the larger debris. The screened wastewater is then distributed to the

primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. Arroyo Grande collects and transports wastewater to the South County Sanitation District's (SSLOCSD) treatment plant in Oceano. The existing collection system consists of gravity sewer pipes 6-18 inches in diameter and five lift stations and force mains that convey raw wastewater to trunk sewers owned by the SSLOCSD. The SSLOCSD operates the trunk sewer lines, the treatment facility in Oceano, and the outfall line. Chapter Six of this document addresses the service review factors for the SSLOCSD. The City of Arroyo Grande contributes 47 percent of the total raw wastewater flow to the SSLOCSD, which is consistent with the city's population. The Capital Improvements are listed below:

2018/2019

- ▶ Lift Station No 1 Force Main Replacement -- \$800,000

2019/2020

- ▶ Trenchless Rehabilitation -- \$218,000
- ▶ Lift Station No 1 Replacement \$538,800 budgeted -- \$1,042,600

2020/2021

- ▶ Manhole Rehabilitation -- \$200,000

2021/2022

- ▶ Alder Street and Cameron Court -- \$235,600

- ▶ Woodland Dr and Ash Street -- \$62,700

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Arroyo Grande, Morro Bay, Pismo Beach, and Grover Beach. The sample bi-monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City.

Table 3-19 – Single-Family Water Rates FY 2019-20

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Bi-Monthly Service Meter Charge	\$27.28	\$64.00	\$59.02	\$26.84
Water (per 100 cubic feet)	\$3.97	\$6.00+	3.78	\$5.61
Other Charges	\$0.00	\$0.00	\$37.80 (Lopez Treatment)	\$0.00
Sample Bi-Monthly Bill (10 units of water)	\$66.98	\$107.40	\$96.82	\$82.94

Table 3-20 – Single-Family Sewer Rates FY 2019-20

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Flat Bi-Monthly Rate	\$67.34	\$132.80	\$4.80	\$23.00
Sewer (per 100 cubic feet water)	\$28.41	\$0.00	\$0.67	\$0.00
Other Charges	\$0.00	\$0.00	\$50.96	\$50.96
Sample bi-monthly bill (10 units of water)	\$95.75	\$132.80	\$62.46	\$73.96

Figures 3-8 and 3-9 show a rate comparison for four cities in the County. The following charts show the comparison of the cities. Overall, Arroyo Grande’s water and sewer rates for residential customers are lower than the City of Morro Bay. The charts are based upon a sample billing using “10 units” of water as a basis.

Figure 3-8

Bill Comparison - Bi-Monthly Residential Water - 10 Units
 1 unit = 100 Cubic Feet of Water

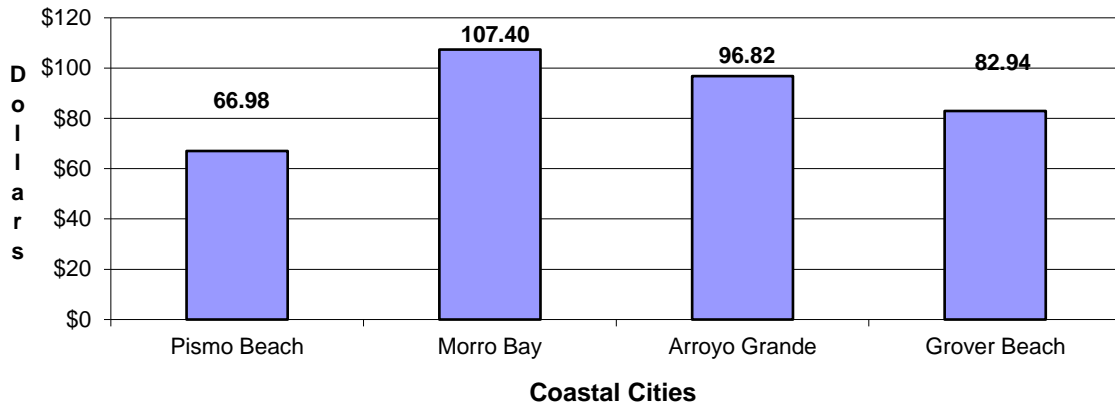


Figure 3-9

Bill Comparison - Bi-Monthly Residential Sewer - 10 Units
 1 unit = 100 Cubic Feet of Water

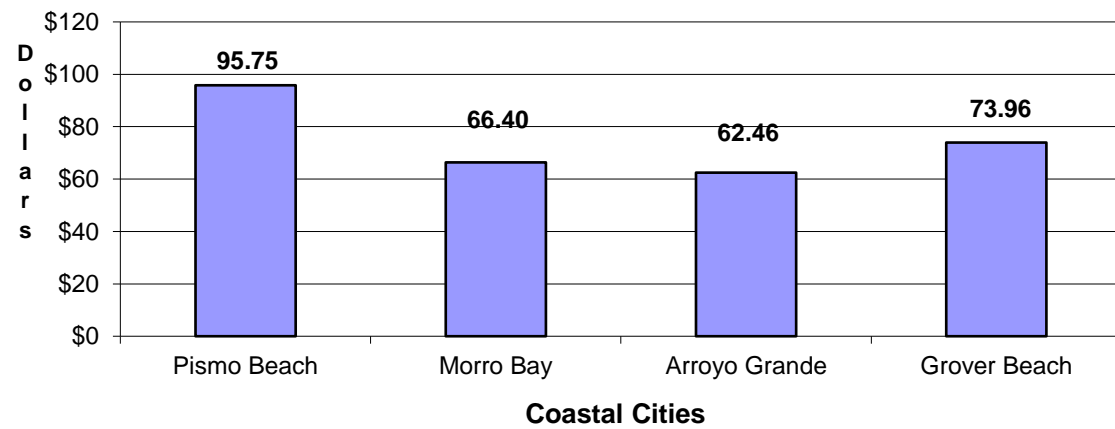
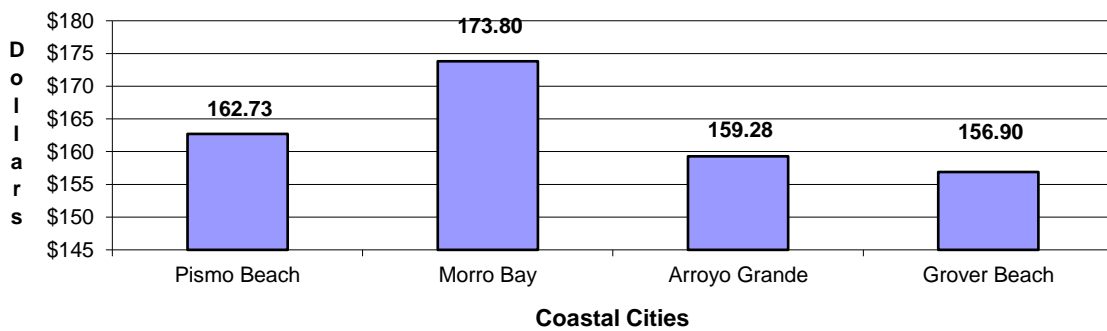


Figure 3-10

Total Comparison - Bi-Monthly Residential Water & Sewer - 10 units
 1 unit = 100 Cubic Feet of Water



Transportation - Streets – Roads

City of Arroyo Grande General Plan, Circulation Element 2001

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was adopted in 2001 along with other elements in the General Plan, in particular the Land Use Element. This coordinated approach enabled the City to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the City's circulation system.

The routes of regional significance that serve the City include US 101, Route 227, Highway 1, Oak Park Boulevard, Grand Avenue, Halcyon Road, and Corbett Canyon Road. The City is served by four major interchanges on US 101 located at Fair Oaks Avenue, Grand Avenue, Brisco/Halcyon Road, and Oak Park Boulevard. Congestion is anticipated to increase citywide and traffic increases are expected at Grand Avenue and Brisco/Halcyon interchanges. Improvements to the Brisco/Halcyon Interchange would help alleviate congestion. Below is a list of local street improvement projects proposed in the City's Capital Improvements Program. Funding for these projects is allocated based upon available funding and budget priorities.

The City's Circulation Element of the General Plan provides a policy base for the future development of the transportation system. The City's policies call for specific road standards that would provide for an efficient and functional circulation system. Some key policies include widening Highway 101 from four to six lanes, with interchange access, ensuring that levels of service are maintained on all streets and controlled intersections, improving existing multi-modal circulation systems to reduce the need for road construction, and promoting transit-oriented developments that include mixed uses.

2018/2019

- ▶ Pavement Management Program \$1,164,500 budgeted -- \$4,684,500
- ▶ Sidewalk Repairs and Improvements \$110,000 budgeted -- \$570,000
- ▶ Traffic Way Bridge Improvement Project \$391,600 budgeted -- \$6,824,800
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$50,000 budgeted -- \$650,000

- ▶ Bridge Street Bridge Rehabilitation \$2,925,100 budgeted -- \$5,850,200
- ▶ Bridge Preventive Maintenance Plan -- \$94,600
- ▶ Swinging Bridge Reinforcement -- \$73,700

2019/2020

- ▶ Pavement Management Program \$895,000 budgeted -- \$4,684,500
- ▶ Sidewalk Repairs and Improvements \$110,000 budgeted -- \$570,000
- ▶ Traffic Way Bridge Improvement Project \$391,600 budgeted -- \$6,824,800
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$100,000 budgeted -- \$650,000
- ▶ Bridge Street Bridge Rehabilitation \$2,925,100 budgeted -- \$5,850,200

2020/2021

- ▶ Pavement Management Program \$850,000 budgeted -- \$4,684,500
- ▶ Sidewalk Repairs and Improvements \$115,000 budgeted -- \$570,000
- ▶ Traffic Way Bridge Improvement Project \$391,600 budgeted -- \$6,824,800
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$100,000 budgeted -- \$650,000

2021/2022

- ▶ Pavement Management Program \$875,000 budgeted -- \$4,684,500
- ▶ Sidewalk Repairs and Improvements \$115,000 budgeted -- \$570,000
- ▶ Traffic Way Bridge Improvement Project \$650,000 budgeted -- \$6,824,800
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$200,000 budgeted -- \$650,000

2022/2023

- ▶ Pavement Management Program \$900,000 budgeted -- \$4,684,500
- ▶ Sidewalk Repairs and Improvements \$120,000 budgeted -- \$570,000
- ▶ Traffic Way Bridge Improvement Project \$5,000,000 budgeted -- \$6,824,800
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$200,000 budgeted -- \$650,000

Closure of El Campo Rd left turn – In May 2019 Caltrans constructed an operational improvement by closing a left-hand turns at the crossing of El Campo Road and Highway 101 and three other intersections between Arroyo Grande and Nipomo. Future solution for short-term and long-term safety considerations includes a fast-tracked overpass at El Campo, a J-turn including acceleration and de-acceleration lanes, lowering the speed limit on Highway 101 through this corridor, and potentially a stop light at El Campo until an overpass is built.

SLOCOG Regional Transportation Plan, 2019

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2019 Regional Transportation Plan (2019 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2019 Regional Transportation Plan a significant increase in traffic volume on Highway 101 from El Campo Rd. to Oak Park is projected from the 2015 number of 62,000 average daily trips to 65,000 average daily trips in 2045.

This increase anticipates a small increase in population due to finite developable land and tourist traffic in the South County area. The Level of Service in the Arroyo Grande area on Highway 101 is expected to increase to LOS D. The SLOCOG 2019 RTP continues to assure new improvements to the corridor will not preclude future capacity improvements, such as high occupancy vehicle lanes, managed-shoulder lanes, bus rapid transit, or other applications, as may be determined through additional analysis.

Highway 101 Corridor. The City is adjacent to the Highway 101 Freeway Corridor. In 2010, this highway carried Annual Average Daily Trips (AADT) of 61,000 and in 2016 the AADT increased to 72,000 (2010 & 2016 Caltrans counts; website). Volumes are continuing to increase with freeway volume coming from local and regional sources. This segment carries heavy commuter traffic as well as interregional and local traffic. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic. Caltrans

2001 US 101 Transportation Concept Report identified widen Highway 101 as a concept to six lanes throughout District 5 and has recently been adding operational improvements, auxiliary lanes, and ramp improvements to mitigate the need for the additional lanes. The Arroyo Grande General Plan supports a Highway 101 widening project. SLOCOG's *El Campo Road/South County Highway Access Modifications Traffic Diversion Assessment* was developed in coordination with the City of Arroyo Grande, the County of San Luis Obispo, and Caltrans. The assessment's findings support the closure of the 4 at-grade crossings located in Segment #2: El Campo Road, an unnamed private drive, Tower Grove Drive, and Hemi Road. The closure of the crossings will improve the operations and safety on this segment of U.S. Highway 101 and is an initial action in support ultimate freeway conversion. These operational improvements were implemented in May 2019. The 2019 RTP identifies a new interchange overpass in the vicinity of El Campo Rd., including frontage road connecting to Traffic Way at an escalated cost estimate of \$35 million dollars.

Other Corridors. State Route 227 and State Route 1 are the two other regionally significant roads. In 2010 and 2016 respectively, Highway One carried Annual Average Daily Trips (AADT) of 7,000 and 9,450 (2010 & 2016 Caltrans counts; website). State Route 227 is a fourteen-mile long, two- to four-lane, conventional highway. Beginning at the US101/Grand Avenue interchange in Arroyo Grande, it travels through "The Village" of Arroyo Grande, runs north through the coastal hills into the Edna Valley and feeds into Broad Street and the City of San Luis Obispo. The greatest conflicts arise as high traffic volumes must pass through the confined, commercial area of The Village. With no viable options to increase capacities within The Village, LOS F was reached in 2015. Huasna Rd. to the Arroyo Grande City limits has rising volumes due to increased residential development east of the City, but is functioning well.

Transit. SoCo Transit (administered and managed by the RTA) operates three fixed-route bus lines seven days a week; the buses operate between 6 am and 8:00 pm on weekdays, between 7 am and 8 pm on Saturdays and 7am to 5 pm on Sundays. The routes are described below.

Route 21 operates between Grover Beach, Pismo Beach, Shell Beach, and Arroyo Grande known as the Five Cities Loop Clockwise

Route 24 runs Five Cities Loop Counter Clockwise.

Route 27 runs between Grover Beach, Arroyo Grande and Oceano Clockwise. It includes an afternoon Arroyo Grande High School tripper.

Route 28 runs between Grover Beach, Oceano, Arroyo Grande and AG High Counter Clockwise.

RTA also provides regional fixed-route services within San Luis Obispo County. RTA's provides six routes. **Route 10** operates along the Highway 101 corridor between San Luis Obispo, Shell Beach, Pismo Beach, Grover Beach, Arroyo Grande, Nipomo, and Santa Maria. Operates seven days a week with less frequency on Saturdays and Sundays.

Five Cities Senior Shuttle is managed by South County Transit. The service is funded by the three cities and the County separate from the South County Transit budget. It is offered to seniors aged 65 and older. It operates in the Five Cities area of Shell Beach, Pismo Beach, Grover Beach, Oceano, and Arroyo Grande three days per week.

Fire

The City of Arroyo Grande contracts with the Five Cities Fire Authority (FCFA) to provide staffing and fire service delivery to City residents. The Arroyo Grande fire station is located at 140 Traffic Way. The Arroyo Grande station also serves as the headquarters for the Five Cities Fire Authority. Chapter 7 of this service review covers the Joint Powers Agreement for fire services from the Five Cities Fire Authority in greater detail.

The Joint Powers Agreement includes the City of Arroyo Grande, the City of Grover Beach and Oceano Community Services District. Under the JPA, the Five Cities Fire Authority has become the second largest metropolitan fire department in the County serving a population of 37,000 in a 10 square mile service area enabling it to increase its presence in the Five Cities area in response to emergency situations.

Ownership of fire apparatus and portable equipment was transferred to the JPA; however the fire station facilities remain the property of the parent organizations. The three agencies (Arroyo Grande, Grover Beach, & Oceano CSD) maintain ownership of the buildings while the Five Cities Fire Authority provides personnel and administrative infrastructure. The City requires all new development pay fees towards additional equipment and fixed facilities in order to service the new development. In annexation areas, the Authority and City will consider the need for additional fire stations, equipment and staffing.

POLICE

The City of Arroyo Grande provides law enforcement services for the residents of the City. The Arroyo Grande Police Department has 29 dedicated full-time employees with a budget in fiscal year 2019-2020 of approximately \$6.8 million. In addition, the Department has 7 part-time employees and many community volunteers who assist the organization by participating in several programs such as Citizens Assisting Police, the South County Police Volunteers, Police Chaplain, Citizen Academy, Explorer Post and the Community Advisory Council. An overview and services provided by the Department are briefly described below. The City of Arroyo Grande Police Department website is the source of the following information:

Overview: The town of Arroyo Grande was founded in 1897 in southern San Luis Obispo County. Arroyo Grande was one of the many western towns springing up along the west coast in a state that was slightly over thirty years old. Like many small western towns,

Arroyo Grande employed a night watchman to protect the community prior to the formation of a police department.

The City offices, including the Police Department operated out of a converted house at the corner of Branch and Mason Streets, across from the current former City Hall, from about 1911 until 1950. It was the 1902 home built by Tom Steel that was converted for the Cities' use at a cost of two thousand dollars. The old house provided office space for all of the city departments.

The City Hall and Police Station were moved to the site of the former City Hall on December 18, 1950. One room was used as the council chambers at night and as the Justice Court in the daytime. The Police Department had an office in the building and shared a jail cell built in the basement with the County Constable. The building remains in use as the City Hall.

The organizational structure consists of two major divisions; Patrol Services and Support Services, each led by a Commander. The remainder of the full-time team includes the Chief of Police and Executive Secretary, five Police Sergeants, five Senior Police Officers, and thirteen Police Officers.

In 2007, City and Police Department staff began the process of surveying current and future needs and studying options for expanding the current police facility. A feasibility study for expanding the police facility was conducted by an area architectural firm, and conceptual drawings for adding nearly 3500 square feet are currently under review. Finalizing plans for addressing the need for additional space in the police facility was a major goal for Chief Annibali and the expanded and renovated facility was completed in 2014. Chief Annibali retired in 2017.

In 2017, Commander Beau D. Pryor was appointed to Chief of Police. Chief Pryor began his career with the Arroyo Grande Police Department in 1994, as a part-time Reserve Police Officer. He became a full-time Sworn Police Officer in 1995. Throughout his career, Chief Pryor promoted to Senior Police Officer, Police Sergeant and Police Commander. Chief Pryor also served in a variety of specialized assignments to include Motorcycle Traffic Officer, Special Response Team member, Bicycle Patrol Officer, Field Training Officer, Detective and Detective Sergeant.

Service Levels. Service levels for Police are often measured in terms of the number of sworn officers per 1,000 people in a community. This is a general measure and should be used only as one piece of information in characterizing police service levels. Service levels vary from city to city because of minimum patrol staffing, officer safety, available back-up from surrounding law enforcement agencies, demographics, geographic features, special service needs, specific crime problems, and other factors. The following is a ratio of full-time sworn officers per 1,000 in population for the City of Arroyo Grande in 2019, calculated using the following formula:

$$17,876 \text{ population} \div 1,000 = 17.87 \text{ people}$$

$$26 \text{ sworn employees} \div 17.87 = 1.4 \text{ officers per 1000 people}$$

Nationwide the Department of Justice-FBI law enforcement statistics show the ratio to be an estimated 2.4 officers per 1000 people for communities the size of Arroyo Grande. The average officers/1,000 ratio for the seven cities in San Luis Obispo County is about 1.54 officers, with Pismo Beach being the highest at 2.79 and Atascadero the lowest at 0.95 officers/1,000.

The figures on the next page show the violent and property crime rates per 1,000 people for the City of Arroyo Grande from 2010 through 2018. Violent crimes include homicide, rape, robbery, and aggravated assault and have been steadily decreasing. Property crimes include burglary, larceny, auto theft, and arson. This information is from the California Department of Justice Crime statistics. The 2010-2018 crime statistics are based on data from the State of California’s Office of Attorney General, Department of Justice, Criminal Justice Statistics Center.

Figure 3-11: Violent Crime Rate

Source: California and FBI Crime Index Table 8, 2010-2018

City of Arroyo Grande - Violent Crime per 1000 people

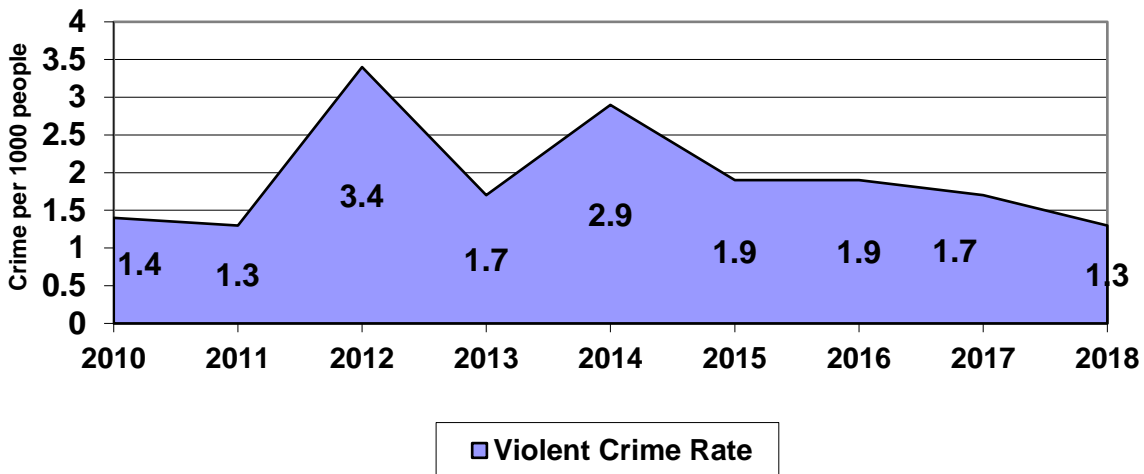
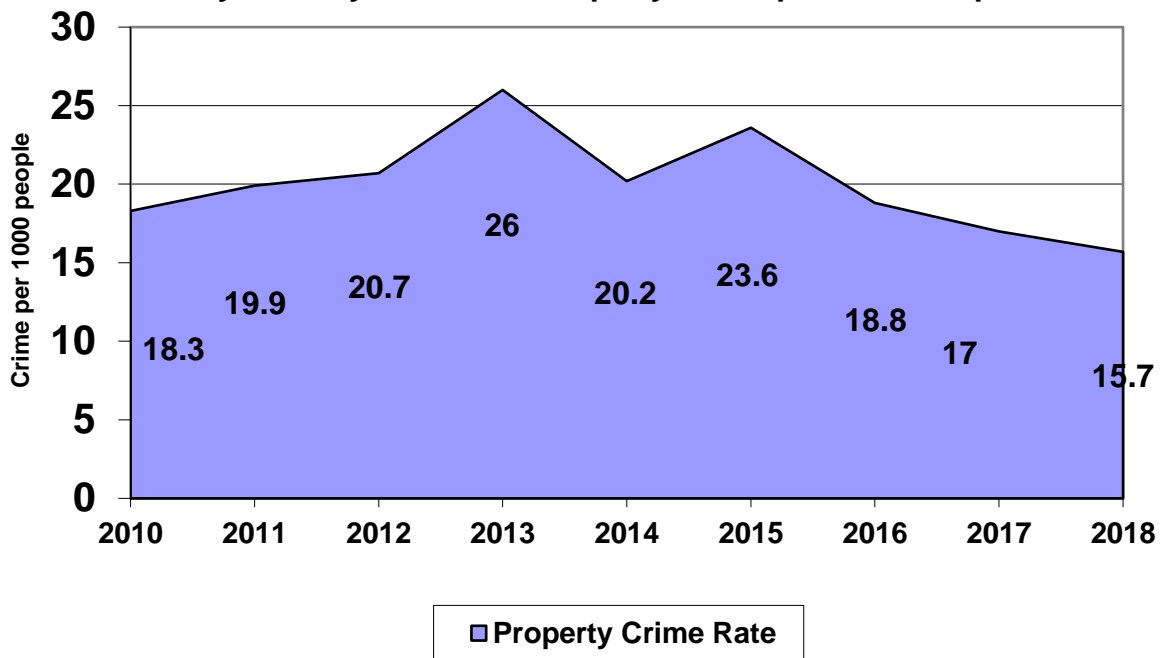


Figure 3-12: Property Crime Rate

Source: California and FBI Crime Index Table 8, 2010-2018

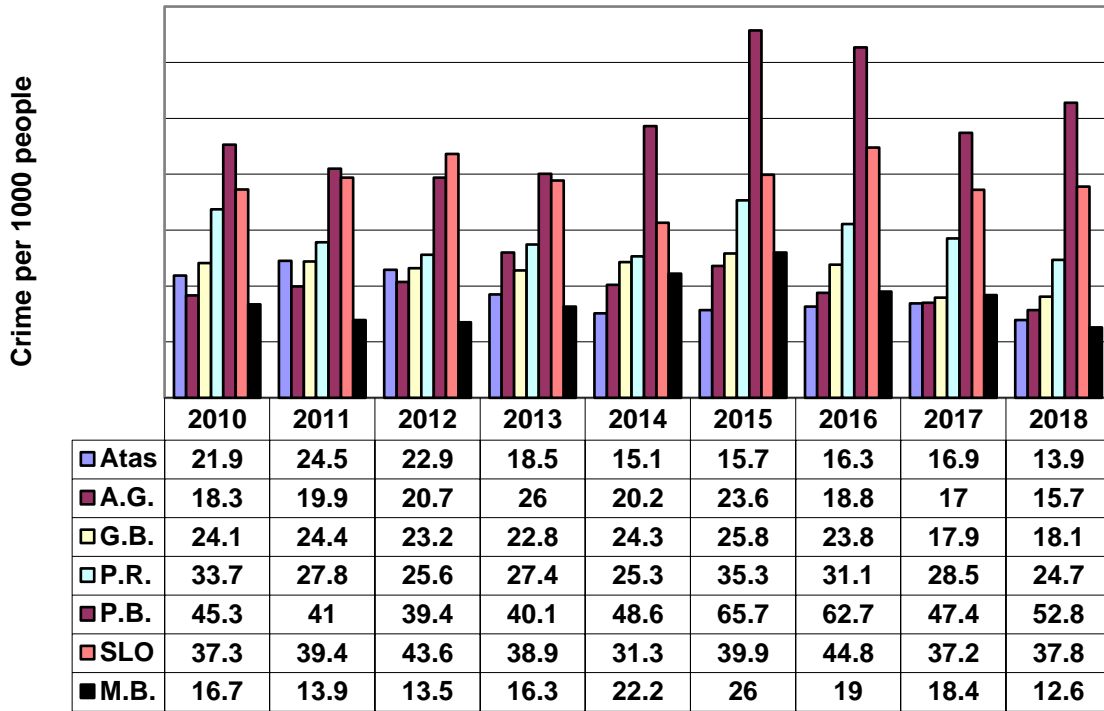
City of Arroyo Grande - Property Crime per 1000 People



The following figures show the City of Arroyo Grande property and violent crime rates compared to the other cities in the County. Property crime involves burglary, larceny, auto theft and arson. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County and cities, the crime rate shown is per 1,000 people. Arroyo Grande had a crime rate of 18.3 in 2010 and increased until 2015 when the crime dropped back down to 15.7.

Figure 3-13: Comparative Crime Rate

**City Comparisons
Property Crime per 1000 people**

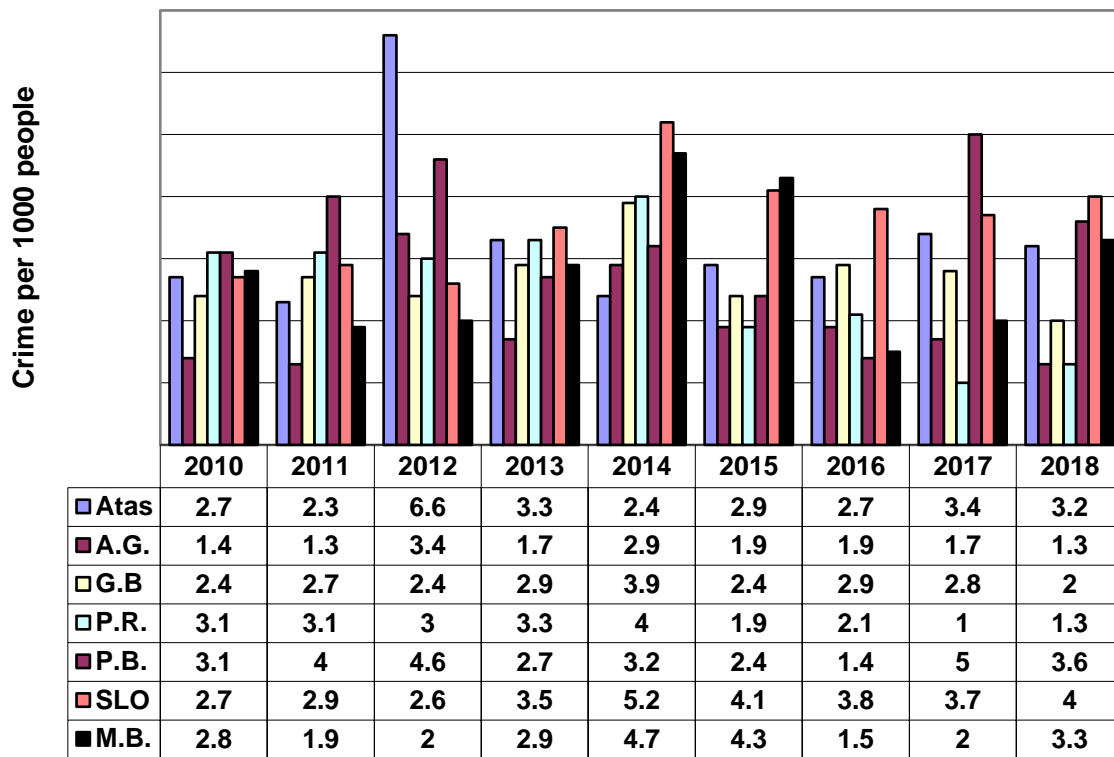


Source: DOF E4, 2018 and California Department of Justice Department

Violent crime involves homicide, rape, robbery, and aggravated assault. These statistics are from the California Department of Justice Law Enforcement Information Center and the California Department of Finance E4 report, 2017. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County cities, the crime rate shown above is per 1,000 people.

Figure 3-14: Comparative Crime Rate

**City Comparisons
Violent Crime per 1000 people**



Source: DOF E4, 2018 and California Department of Justice Department

The Police Department has met the needs of the residents and visitors by utilizing paid reserves when needed, overtime for full-time employees and by prioritizing the urgency of conflicting demands for assistance. The City's General Plan requires that all new development pay impact fees for additional equipment and fixed facilities needed to serve the new development with police services. The City also has a policy of maintaining staffing levels that enable the Police Department to give adequate attention to calls for service, to patrol and crime prevention, and to administrative requirements.

SOLID WASTE DISPOSAL

A private vendor, South County Sanitary, collects solid waste under a franchise agreement with the City. Participation in garbage collection is mandatory citywide and rates are based on volume as part of a comprehensive effort to comply with current state law for waste reduction. The landfill serving Arroyo Grande is also used by the south county communities from Avila Beach to Nipomo. Cold Canyon Landfill is located at 2268 Carpenter Canyon Road. This landfill has been expanded and currently has capacity to accept waste for at least 20 years at the current rate of disposal. The landfill has a total permitted capacity of 23,900,000 cubic yard (CY). The Cold Canyon Landfill operates with a remaining capacity of 3,915,000 tons (based on 2015 data) and annual throughput of 100,000 to 250,000 tons per year (CalRecycle 2017b). The landfill is expected to reach capacity in 2040.

SCHOOL SERVICES

School services are provided by the Lucia Mar School District. This school district services a much wider area than the City limits of Arroyo Grande. The district has eleven elementary schools, three middle schools, three high schools and one New Tech school, and one continuing school and one independent study program in the planning area. The elementary, middle and high schools also serve the unincorporated communities of Oceano, Nipomo, and the Cities of Pismo/Shell and Grover Beach. The following is a list of the twenty different schools that serve students in the area.

- Arroyo Grande High School (9-12)
- Central Coast New Tech High School (9-12)
- Lopez High School (9-12)
- Nipomo High School (9-12)
- Judkins Middle School (7-8)
- Mesa Middle School (7-8)
- Paulding Middle School (7-8)
- Branch Elementary (K-6)
- Dana Elementary (K-6)

- Fairgrove Elementary (K-6)
- Harloe Elementary (K-6)
- Grover Beach Elementary (K-6)
- Grover Heights Elementary (K-6)
- Lange Elementary (K-6)
- Nipomo Elementary (K-6)
- Ocean View Elementary (K-6)
- Oceano Elementary (K-6)
- Shell Beach Elementary (K-6)
- Adult Education (9-12)
- Lucia Mar Independent Study Program (K-12 ISP)

DEVELOPMENT IMPACT FEES

Government Code Section 66000 is intended to hold agencies to a higher level of accountability whenever charges are established, increased, or imposed and whenever updates or reviews are performed. Section 66000 requires ordinances to include language that commits the local agency to establish reasonable development charges and, if those charges are found not to be reasonable, to refund the difference. The City levies a series of development impact fees for new development to address many differing needs. All these fees are based on Government Code Section 66000 et seq., which requires the agency setting fees to (i) identify the purpose of the fee, (ii) identify the use to which the fees will be put, (iii) determine the reasonable relationship (or “nexus”) between the type of development charged the fee, the amount of the fee and its use, and (iv) determine the reasonable relationship between the need for the public facility or improvement and the project upon which the fee is imposed. Fees collected by the City include: fees in-lieu of parkland dedication, park development projects, water and sewer capacity and improvement fees, road and circulation fees, public safety fees, and general administrative capital improvement fees.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Infrastructure Needs and Deficiencies**:

Water Supply and Demand

1. The City is able to provide the services (water, sewer, police and fire) to the development within the City. The policies and standards in the City's General Plan provide for future services to be funded by the developer. Resources will be needed as projects are considered and approved by the City.
2. The City's potentially available Water Supply is estimated to be 3,813 AFY in the City's Urban Water Management Plan which was updated in 2017. The current estimated water demand within the City limits is estimated to be 2,718. The future demand within the City limits and SOI is estimated to be 3,607 AFY. Drought conditions would severely restrict the City's ability to provide water for current demand plus future demands from the SOI.
3. The City currently has an adequate water supply as a result of conservation efforts to serve the anticipated build-out within the City under its current General Plan. Properties proposed for annexation would be required to demonstrate supplemental water resources to adequately serve the development.
4. At this time, the City would likely need to obtain water supplies that are not presently available to the City of Arroyo Grande to serve the SOI areas and maintain a reliable supply for the City. These sources are available to the City on the basis of economic investment, which would likely be an obligation of the annexing territory.
5. The City's General Plan policies do not allow water services to be provided in excess of the available supply.
6. Additional infrastructure to accommodate future development will likely include expanded water supply, improved water storage and distribution facilities.

7. The Central Coast Blue recycled water project could be a new water supply source based on the economic investment of the participating partners.

Wastewater

8. The City regularly maintains the wastewater collection system, which consists of sewer pipelines, manholes, and pump stations.
9. The treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.6 million gallons per day. The system is maintained by the San Luis Obispo South County Sanitation District and is operating at 52% of capacity.

Roads and Streets

10. The City's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
11. The City improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.
12. Several transportation projects are in the planning stages and are progressing toward construction. These projects will provide for the continued upgrade of the City circulation system.

Infrastructure

13. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects and is dependent on state revenues, the local economy, budget priorities, and the availability of low-interest loans.
14. Development proposals in the Sphere of Influence would be required to extend physical infrastructure to their respective sites as needed and pay their share for facilities and other City services as a condition of project development.

15. The City continues to regularly upgrade and maintain its public facilities, including roads, water system, and wastewater treatment and collection system through its Capital Improvement Plan.
16. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities and is funded on a priority basis depending on the City's financial status.
17. The City's General Plan, Capital Improvement Plan, Circulation Element and Water Master Plan address the provision of infrastructure for water, wastewater, roads and other public facility needs.
18. Additional infrastructure to accommodate future development would likely include expanded water supply lines, improved water storage and distribution facilities, and road improvements.
19. Infrastructure is accessible to any affordable housing project that might be proposed within the City limits or in the Sphere of Influence.
20. Populations in the areas adjacent to the City are in the unincorporated County and are already served by onsite water and septic systems and County Sheriff and Fire services.

Police and Fire

21. The City of Arroyo Grande has a lower crime rate than other cities in the county and will have the opportunity to add police staff as needed to cover the sphere of influence areas.
22. The City's Police Department is adequately staffed to provide law enforcement services to its residents.
23. The City, through its participation in the FCFA JPA, continues to evaluate the level of service needed to provide adequate fire services to residents.
24. The City will have the opportunity to add police and fire staff as needed to cover the Sphere of Influence area.

3.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

Purpose: To review the City's existing financial documentation and identify any financial constraints or opportunities.

Budget

The City of Arroyo Grande's two-year budget document is well organized, thorough and clearly articulates the City's future financial plans. The City's 2018/20 Operating Budget identifies the sources of revenues, past year's accomplishments and financial performance. As part of this Service Review, budgets from the last five years have been reviewed. The budget document provides information that is divided into the following:

Budget Message

This section provides a concise overview of the budget including revenues and expenditures for the General Fund. The City's fiscal policy and General Fund budget are listed and the fund structure shown.

Fund Summaries

A summary of each fund's revenues, expenditures and fund balances is provided in the Fund Summaries section of the document. The consolidated summary of all funds along with the General Fund, Enterprise Funds, and Special Revenue Funds are found in this section.

Special Revenue Funds

Special revenue funds for the City including fire protection impact fees, police protection impact fees, public access television, park development, recreation community center fund, traffic signalization fund, Grace Lane assessment district, local sales tax, and street (gas tax) fund, etc.

Enterprise and Related Funds

These include water and sewer revenues and charges and are allocated to the following cost centers:

- Water Fund
- Water Facility Fund

- Sewer Fund
- Sewer Connection Fund
- Lopez Fund

Department Budgets

Identifies costs associated with the day-to-day operation and maintenance of the City. The budget provides the revenues and expenditures for each department for the fiscal year along with Original Budget, Final Budget, and Estimated Actual. The budget also provides prior two-year budget accomplishments and the budget highlights for the next two years.

Capital Improvement Projects

This section of the Budget lists and prioritizes the capital improvement projects for the City. It provides costs and a description of the planned projects.

The budget that is adopted is the spending plan for the City and provides a framework for the City to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees.

The City of Arroyo Grande has adopted a budget plan that resulted in a comprehensive program that involves cross trained staff to perform multiple responsibilities. The administration of the City's government includes the Legislative and Information Services Department consisting of the City Clerk and Information Technology Divisions, Administrative Services Department, Public Works Department, Community Development Department which has three divisions of Planning, Engineering, and Building and Life safety, Police Department, Fire Department contracting through Five Cities Fire Authority, and Recreation Services.

Investment and Purchasing Policies

The City has investment policies that guide the City with regard to investing the unexpended cash in the City Treasury. The primary objective of the investment policy is to enhance the economic status of the City while protecting its cash resources. Safety of the principal is the foremost objective. Investments can only be placed into those types of securities described in the Investment Policies document. The City's policies call for the portfolio to be managed in a manner responsive to the public trust and consistent with state and local regulations. The

policies limit the types of investments that can be made and further designates the appropriate investment mechanisms that may be used. The investment portfolio is to remain sufficiently liquid to enable the City to meet its cash flow requirements. The City participates in several joint-financing efforts to minimize costs, including:

- ▶ California Joint Powers Insurance Authority to provide coverage for workers compensation, liability and property insurance at the lowest possible rates.
- ▶ Lopez Flood Control Zone 3 is funded by the several jurisdictions including Arroyo Grande. These funds are being used for the Dam retrofit project that is being completed by the County.
- ▶ The City participates in an agreement with the cities of Grover Beach and Pismo Beach regarding the groundwater being shared by each those jurisdictions.
- ▶ Five Cities Fire Authority to provide fire protection services.

The City levies a series of development impact fees for new development to address many differing needs. All these fees are based on Government Code Section 66000 et seq., which requires the agency setting fees to (i) identify the purpose of the fee, (ii) identify the use to which the fees will be put, (iii) determine the reasonable relationship (or “nexus”) between the type of development charged the fee, the amount of the fee and its use, and (iv) determine the reasonable relationship between the need for the public facility or improvement and the project upon which the fee is imposed. Fees collected by the City include: fees in-lieu of parkland dedication, park development projects, water and sewer capacity and improvement fees, road and circulation fees, public safety fees, and general administrative capital improvement fees.

Annual Audits

Annual audits are required by State Law and are performed with the purpose of identifying any inconsistencies or non-compliance with legally mandated accounting requirements. As part of this Service Review, audits prepared by an independent auditor over the last two years were submitted to LAFCO by the City for review. In reviewing the audits, the City was found to be in compliance with standard accounting principals and standards. The Auditor identified no issues or financial problems and provided an “unqualified opinion” regarding the financial statement presented by the City. The following excerpt from the Independent Auditor documents the auditor’s opinion:

“In my opinion, the financial statements referred to above (not shown) present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arroyo Grande, California, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.”

An “unqualified” independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principals and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The City also posts its annual budget and audits on its website. This provides the public with easy access to the annual budget and audits. Conversely, an independent auditor would identify accounting financial concerns if these were found.

Fiscal Trend Analysis

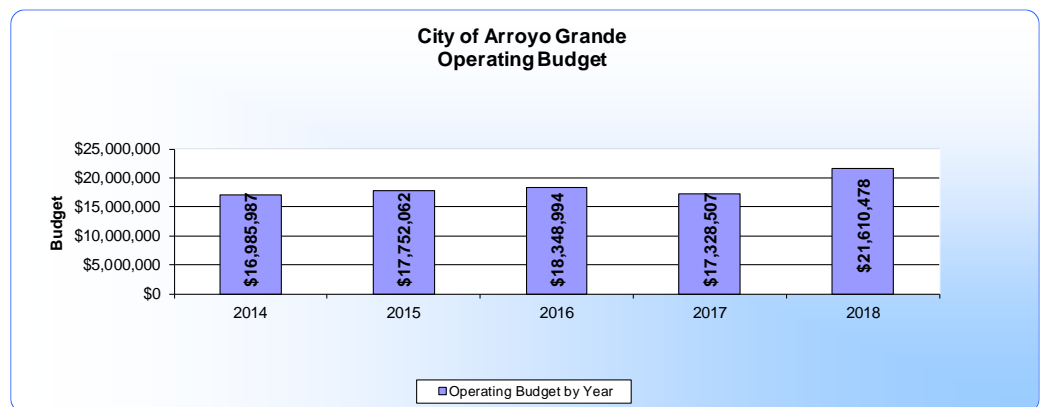
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include transit occupancy tax, sales tax, and franchise fees), reserves, long-term debt, and fund balance for each year. The information was derived from the City’s comprehensive annual financial statement for each year.

Operating Budget Figure 3-15

Formula:
Consolidated Expenditures / Fiscal year

Trend Analysis:
Monitor expenditures over time.

Source:
Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: 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.

General Fund Budget Figure 3-16

Formula:

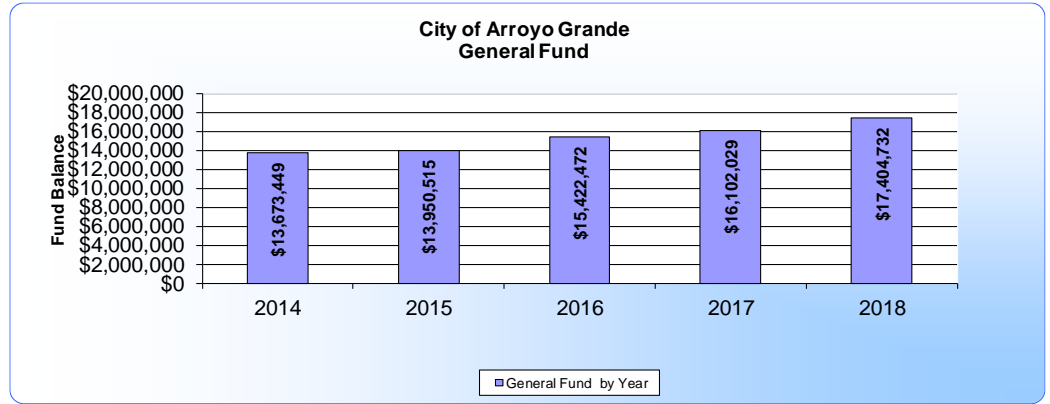
General Fund Expenditures / Fiscal year

Trend Analysis:

Monitor expenditures over time.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator refers to the General Fund expenditures Not including debt service, capital improvements or capital projects contributions. For special districts it is assumed that all expenditures (except as otherwise stated) are expenditures for services related to charges.

Property Tax Revenues Figure 3-17

Formula:

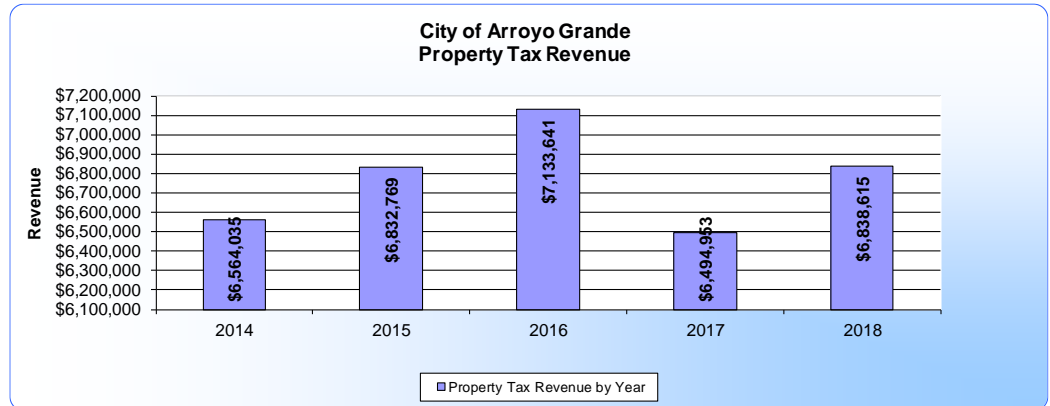
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator will have more importance for those agencies heavily reliant upon property tax revenues such as cities. 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.

Discretionary Revenues Figure 3-18

Formula:

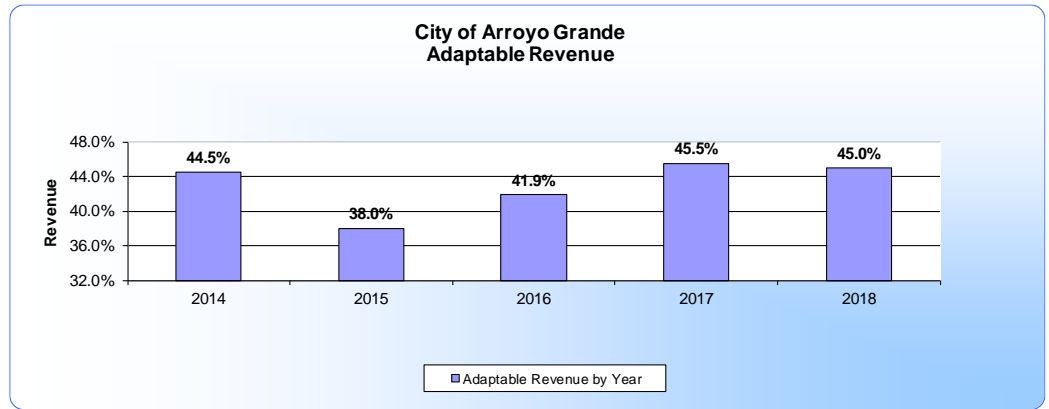
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator can help agencies determine how discretionary revenues are impacting their abilities to provide services. If revenues rely heavily on discretionary sources the agency may want to explore opportunities for increasing inelastic sources to offset the shortfalls in the inelastic revenues. Discretionary revenues consist of TOT, sales tax, and franchise fees, for special district elastic revenues also include water and sewer sales and availability.

Reserves Figure 3-19

Formula:

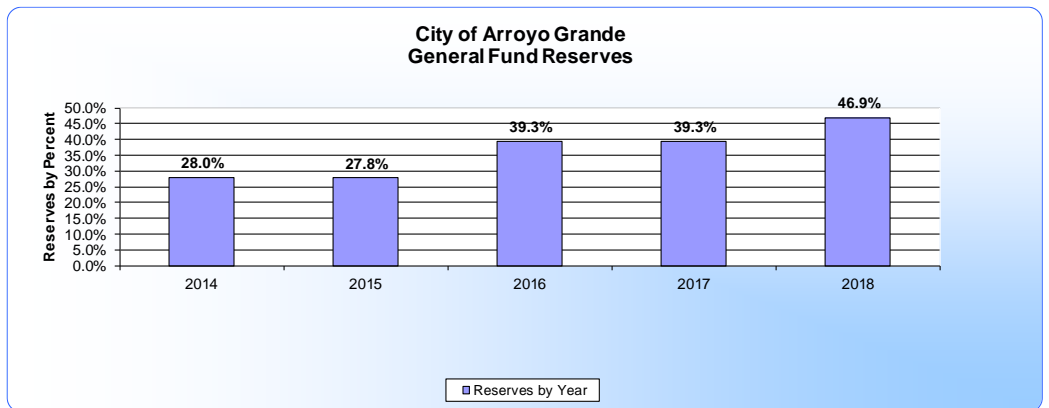
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

As the percentage of reserves increases, a local government gains its ability to respond to changing conditions and to citizens' needs and demands. Decreases in reserves may also indicate future inability to maintain or enhance service levels. For special districts reserves are a % of next FY operating budget. It should be noted that reserves for agencies with infrastructure maintenance obligations will likely exceed 100% as the agency builds the necessary reserves to upgrade and maintain infrastructure.

Long-Term Debt/Liabilities Figure 3-20

Formula:

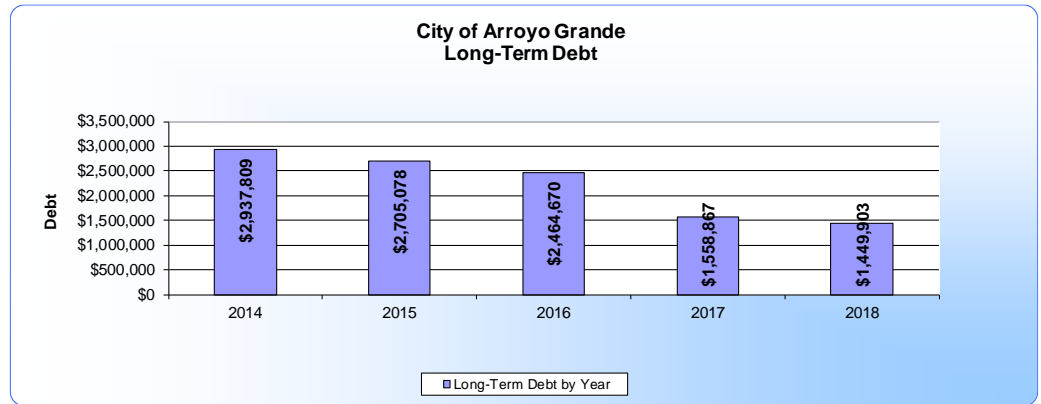
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



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.

Changes in Net Position Figure 3-21

Formula:

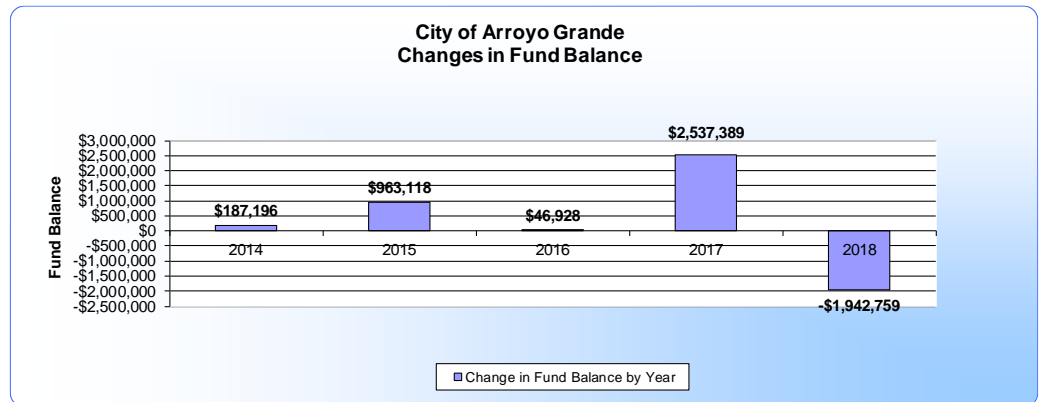
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

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

Source:

Comprehensive Annual Financial Statements: Statement of Revenues, Expenses and Changes in Fund Balance (Government Funds) Basic Financial Statements: Statement of Revenues Expenses & Changes in Net Assets



Description:

This indicator is especially important because a pattern of operating deficits of the general fund 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.

Constraints

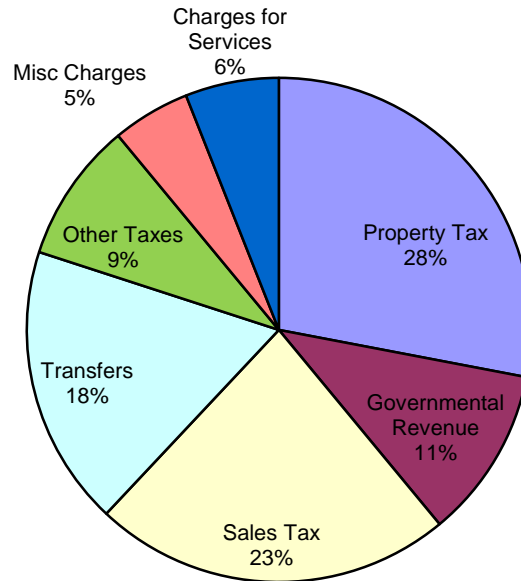
Like many jurisdictions the City of Arroyo Grande has carefully managed its financial resources. Construction of new infrastructure to serve the SOI areas presents a challenge in terms of funding such projects. Serving the SOI areas will likely require a plan for financing infrastructure improvements in these areas. This plan would address funding sources for a number of needed improvements including roads, pipeline infrastructure, water supply, and other capital improvements. Funding and timing of these improvements would require planning and investment of resources. The need to fund a future supplemental water supply is a challenge for the City. Development of the water supply, design of a system, construction of infrastructure, and continued operation and maintenance costs could be funded in a number of different ways, including the implementation of increasing water fees, development impact fees, the sale of bonds or other loan instruments.

LAFCO considers the ability of a jurisdiction to pay for improvements or services associated with future annexed sites. This planning can begin by identifying what opportunities there are to fund infrastructure and maintenance needs associated with future annexation and development. Also identifying limitations on financing such improvements, as well as the opportunities that exist to construct and maintain those improvements, is important.

Major Revenues. The two primary General Fund revenue sources for the City, Property Tax and Sales Tax, are projected to increase by 4.25% for Property tax, 3% for TOT, and 1% increase in Sales tax when compared to estimated revenues for FY 17-18. The projected June 2020 Fund Balance of the General Fund is \$2,263,094, which equals approximately 11.5% of General Fund appropriations.

About 80% of the City's general fund revenues come from the local hotel tax, sales tax revenues, franchise tax, business license tax and local property taxes. In 2017, these revenues slightly increased from the previous year property tax revenues were \$6,494,953 while sales tax revenues were \$7,699,664. The City monitors closely the major revenue sources: property, and sales tax given the economy and national events.

**Figure 3-22
Revenue Sources**



Long-Term Debts

The City has the following long-term debts:

- \$104,761 in outstanding leases for Police Fleet.
- \$310,217 leasing nineteen (19) vehicles and certain information technology equipment and services related to the implementation of a storage area network, server virtualization, and enterprise data backup solution.
- Lopez Water Maintenance Contract, estimated \$7,028,424 for debt and maintenance of Lopez Dam
- \$104,396 with the California Energy Resource Conservation and Development Commission for the purpose of funding a city-wide energy savings project.
- Net Pension Liability of \$15,435,578.
- United States Department of Agriculture loan payable of \$1,200,000 to acquire the property and office building for the relocation of the City Hall offices.

Fiscal Considerations

While residential uses generally do not cover the full cost of municipal services from property and local sales taxes that are generated, the opportunity to require privately maintained amenities, roads and open space in residential development projects, coupled with the inclusion of commercial development suggests that the SOI areas as recommended may be able to break even in terms of revenues versus costs of services. In December 2019, the median home price in the City was \$688,500. Since the property taxes are calculated based on the sales price of homes, the higher the selling price the more property tax revenue would be generated. These issues would be thoroughly analyzed as the development review process moved forward for areas located in the SOI and are considered for annexation.

The fiscal impact of development on a City's budget depends upon what type of development is approved residential, commercial-retail, office, hotel, or industrial. Fiscal impacts also depend on the City's financial structure. According to the California League of Cities, the Financial Structure of a City may include the following:

- City's costs of services to the development - costs vary, service levels vary - Arroyo Grande will be considering updates to its Development Impact Fees.
- City's particular mix of service responsibilities - e.g., some cities are not responsible for certain services - Arroyo Grande provides all municipal services to residents.
- City's share of property tax revenue generated - shares vary – in part based on service responsibility. – City's local taxes and rates e.g. utility tax, hotel tax, business license tax, franchise tax, sales tax, etc.- The City approved a ½ cent sales tax increase in 2006. The City estimated \$1,867,400 from this local sales tax in FY 19-20 a decrease by 7% from the prior year.

The fiscal impact of development is also dependent upon the Local Economy. Several factors affect the City's financial picture:

- Local property values, which relate to assessed valuation for taxation.
- City's capacity to capture taxable sales from the new development within its jurisdiction - its land-use mix - level and proximity of taxable sales from the new development.
- Property turnover (resale) rates - property is reassessed for taxation upon resale.

Increased revenues from new homes would be directly derived from property taxes. The likely fiscal benefits to the City from the areas annexed may include modest levels of property tax collections from residential land development or Transient Occupancy Tax if tourist-oriented development takes place. As mentioned earlier, residential uses usually do not cover the costs of serving police, fire, roads, and general government services over the long-term. Other residential income that could help offset the costs of residential development would be derived from indirect sales and use taxes and one-time development impact fees.

Likely fiscal costs to the City would typically include public maintenance of infrastructure completed for the new projects. Possible programs to minimize and off-set public maintenance costs include private maintenance through homeowner's associations, as well as public maintenance through a utility or assessment district established by the City. Assessment districts can be a valuable tool used in many communities to offset on-going maintenance costs. The use of these districts should be considered for undeveloped properties planned to be included in the City.

Reserves

The City has adopted a Fiscal Policy which includes maintaining a Fund Balance Reserve of 20% of budgeted annual operating expenditures, with a minimum of 15% in the General Fund. In addition, the City's has a goal of maintaining 5% minimum General Fund budget as a contingency reserve and contributing 10% of annual appropriations to the improvement of Infrastructure. The budget for FY 2019-20 General Fund Reserve is \$7,183,586 which equals approximately 36.5%. Healthy reserves are one indicator that the City is in sound financial condition. The combination of conservative revenue projections and holding the line on expenditures should help Arroyo Grande maintain the reserve.

The City's goal of maintaining a 20% reserve is considered a conservative level for maintaining a good credit rating, to provide for economic uncertainties, contingencies for unforeseen expenses, and cash flow requirements. The City adopts a two-year budget which forces the City to look beyond the current year and attempt to alleviate any shortfalls that may occur in the future. The two-year budget also saves time and energy of the staff as well as money. The City has balanced the last three Fiscal Years budgets while increasing their reserves.

Rates and Fees

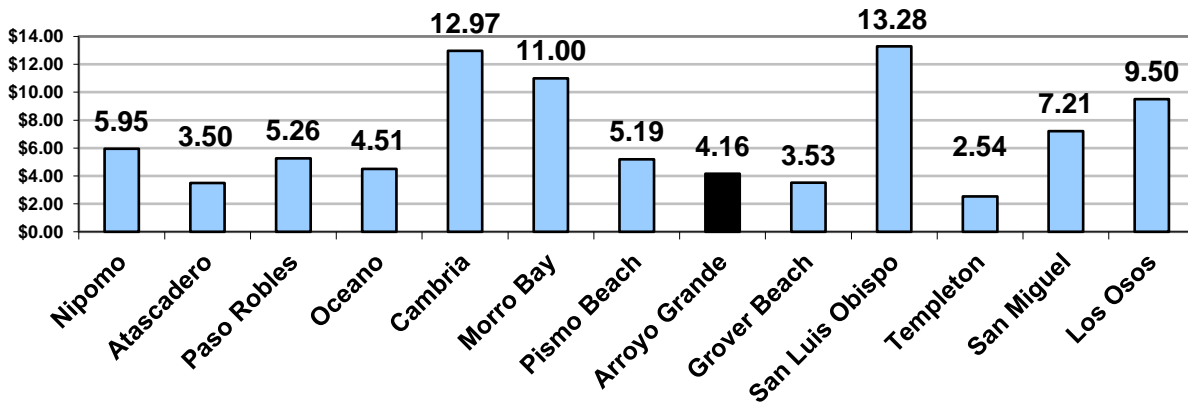
The City intends to adopt a Water and Wastewater Rate Study prepared by Tuckfield & Associates in 2020 that includes a rate structure with or without Central Coast Blue. The City’s Master Fee Schedule is updated each year, which included a fee structure for the cost of certain permits applications. The adjustment resulted in the City recouping a higher percentage of the actual expense of processing certain permits. Overall, the City carefully monitors the fees charged for services with the goal of providing a service at an equitable rate to the customers.

The City’s water and sewer services are operated as enterprise funds. This means that revenues to support operations and capital improvements are borne by the ratepayer. Water and sewer funds are reviewed based on fee studies that are conducted periodically by the City Council at a public hearing where the Council then determines the appropriate rate for service. If rate increases are needed, they are usually implemented at the beginning of the new fiscal year, July 1st, and all rates are prorated accordingly. The following is a table that compares the rates and fees of several service providers for water and sewer services:

Table 3-21: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Monthly Service Charge	\$6.25	\$22.00	\$32.00	\$27.28	\$ 29.51	\$13.42	\$21.74
Water Fee	\$0	\$2.34 (1-10 ccf)	\$6.00 (1-3 ccf)	\$3.97 (0-10 ccf)	\$3.78 (1-18 ccf)	\$3.34 (0-12 ccf)	\$6.22 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$5.26 (all ccf)	\$3.50 (11-25 ccf)	\$8.50 (4-10 ccf)	\$4.53 (11-16 ccf)	\$4.16 (19-36 ccf)	\$3.53 (13-20 ccf)	\$7.25 (6-12 ccf)
100 cubic foot = 748 gallons		\$4.90 (26-50 ccf)	\$11.00 (11-50 ccf)	\$5.19 (17-32 ccf)	\$5.55 (36+ ccf)	\$4.04 (21-42 ccf)	\$13.28 (13 + ccf)
		\$5.60 (51-75 ccf)	\$14.00 (50+ ccf)	\$6.96 (33+ ccf)		\$4.57 (42+ ccf)	
		\$7.20 (76+ ccf)					

Figure 3-23: Rates for Water Use at 20 CCF



The City of Arroyo Grande water rates are modest in comparison to others in the County.

Sewer rates are compared in the table below:

Table 3-22: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Flat Monthly Rate	\$7.80 times monthly usage	\$24.01	\$66.40	\$47.87	\$31.23	\$36.98	\$9.75	\$19.72

Because the City is largely built-out, it has limited opportunities to recover impact fees in a built-out community. Other programs defined by the City will require the annexed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. Several of these programs have been discussed and describe how the SOI/Annexation areas would comply with these requirements.

The properties in the SOI areas do not presently receive public services for which a fee is paid (such as water deliveries, wastewater service or storm drainage management). These services

in particular are not available in the SOI areas. As these areas are largely agriculturally used at this time, the impact of new services will generate fees for those services. There is no evidence suggesting that the annexation of these areas by Arroyo Grande will result in unreasonable fees for these services as properties annex and develop within the City. It is expected that fees for the SOI areas will be in line with citywide fees for such services.

The City and the County shall work together to ensure that the cost of services for the jurisdictions is equitable. The MOA will be used to further define this relationship. As stated above the City has specific policies that would require the equitable sharing of the services costs for Sphere of Influence areas.

A 10-year financial forecast predicted the city's revenues would outpace expenditures starting in 2021, leading to a surplus in funds and significant growth in its reserves over the next decade. Though both expenditures and revenue were expected to go up over the next 10 years, the forecast estimated a budget surplus each year of between \$80,000 and \$532,000 per year. The City is closely watching the assumptions made in the forecast report. The City has maintained a conservative budget while addressing the infrastructure needs.

The City retained True North Research to conduct a one-cent sales tax survey for voter support in November 2019. The survey found that about 57% of those queried said they would definitely or probably support the measure. The measure would require a simple majority to be successful.

Oceano's Measure A-20 to fund fire services will have an impact on Arroyo Grande's future finances. This measure did not receive the required two-thirds vote on March 3, 2020.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Financial Constraints and Opportunities**:

1. The City prepares a biannual budget with a mid-year update, and strives to use the best practices in managing their financial resources.
2. The City conducts bi-annual budget and goal setting workshops and encourages the public to participate in fiscal management that is integrated with long range planning, such as is the case in SOI areas.
3. The City looks to collaborate with the surrounding jurisdictions, as this has proved to be less costly to provide similar services. Examples of the City's joint efforts with other jurisdictions are previously cited in the Service Review.
4. The City has in place a variety of capital improvement plans, development impact fees, and developer-required mitigation in the form of infrastructure improvements required from new projects and similar programs to monitor public service needs of new development. It is reasonable to conclude that the City endeavors to avoid long-term City obligations for the capital improvement or maintenance of new development projects, such as those that would occur in the SOI areas.
5. There short- or long-term fiscal constraints limiting the City of Arroyo Grande's ability to serve the suggested properties within the Arroyo Grande SOI relate to pension and OPEB costs. Further study at the time of annexation should be completed.
6. The City has in place financial policies that provide a structure for responsible decision-making.
7. Rates and fees for services are established using the City's policy and procedures and special studies as the need arises.

8. The City adopted water and wastewater rates in 2016 that provided the service and usage charges.
9. The City uses the budget cycle to consider updating the fees and rates schedule that is implemented on an on-going basis.

3.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

Purpose: To identify the opportunities for jurisdictions to share facilities and resources creating a more efficient service Delivery system.

In the case of annexing new lands into a City, LAFCO can evaluate whether services or facilities can be provided in a more efficient manner if the City, County, District, and/or State are cooperatively working to construct and maintain facilities. In some cases, it may be possible to establish a cooperative approach to facility planning by encouraging the City, County and State to work cooperatively in such efforts.

The annexation of the SOI study areas to the City may lead to shared roadway infrastructure with the County and the State. The southeastern SOI (agricultural) area includes opportunities to created shared facilities such as:

- ▶ Central Coast Blue (Regional Recycled Water Facility)
- ▶ Roadway connections
- ▶ Coordinated open space preservation
- ▶ Linkages between City and County recreational trails
- ▶ Preservation and enhancement of Agricultural Lands
- ▶ Parks

In the case of roadways and creek trails, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and will aid in emergency response times. The recreational aspects of trail connections offer opportunities for the City and County to join their recreational resources not only to the benefit of the City residents, but for the general public of the County as well.

Coordination of open space corridors that cross over the proposed City-County limit lines will enhance the viability of habitat from the area and preserve these important oak woodlands and related habitat for generations to come.

The Memorandum of Agreement between the City and the County provides for future cooperation with regard to shared public facilities, land use planning and infrastructure.

Currently, there is no duplication of existing or planned facilities in the SOI study areas. The City would assume those services provided by the County in the SOI study areas as they are annexed and developed. These do not constitute (and would not in the future) duplication of services in the SOI areas, rather a transfer of services. The City works cooperatively and maintains working relationships with the following agencies:

- The City of Grover Beach and Oceano CSD for Joint Fire Services.
- The City of Pismo Beach, Grover Beach, County and Oceano CSD for water supply.
- South San Luis Obispo County Sanitation District for wastewater treatment.
- 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.
- Regional Water Quality Control Board regarding wastewater discharge
- California Department of Fish and Game to protect wildlife and environmental resources

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Opportunities for Shared Facilities**:

1. The annexation of SOI study areas to Arroyo Grande may not lead to shared infrastructure with the County, as none presently exists in these areas.
2. At present, the distinction between City and County services in the SOI study areas is clear. The City would assume those services provided by the County in the SOI study areas if they are annexed and developed. These are not now, and would not be in the future, duplication of services in the SOI areas.
3. The City works cooperatively with a variety of State and Federal Agencies to facilitate improvements that benefit the City and protect residents and visitors.
4. The City should continue to participate and fund the Central Coast Blue Project.

3.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Purpose: To review the accessibility and levels of public participation associated with the agency's decision-making and management processes.

The governing body of the City of Arroyo Grande is the City Council that is elected in compliance with California Election Laws. The City complies with the Brown Act Open-Meeting Law and provides the public with ample opportunities to obtain information about City issues, including website and phone access. The City's website contains a wealth of information about all of the City's Departments and services. The City supports directly or participates in local business groups and community promotion to the visitor industry (Conference and Visitors Bureau and Chamber of Commerce).

The City Council holds regular meetings at 6:00 p.m. on the second and fourth Tuesdays of each month in the Council Chambers, at 215 East Branch Street. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on City issues not on the agenda. All Council meetings are televised live and videotaped for later playback.

The City provides a high level of service. The City's budgeting process is based on a two-year cycle that encourages full participation by the public, advisory bodies, Department Staff and Management. Supplemental budget updates are provided as needed.

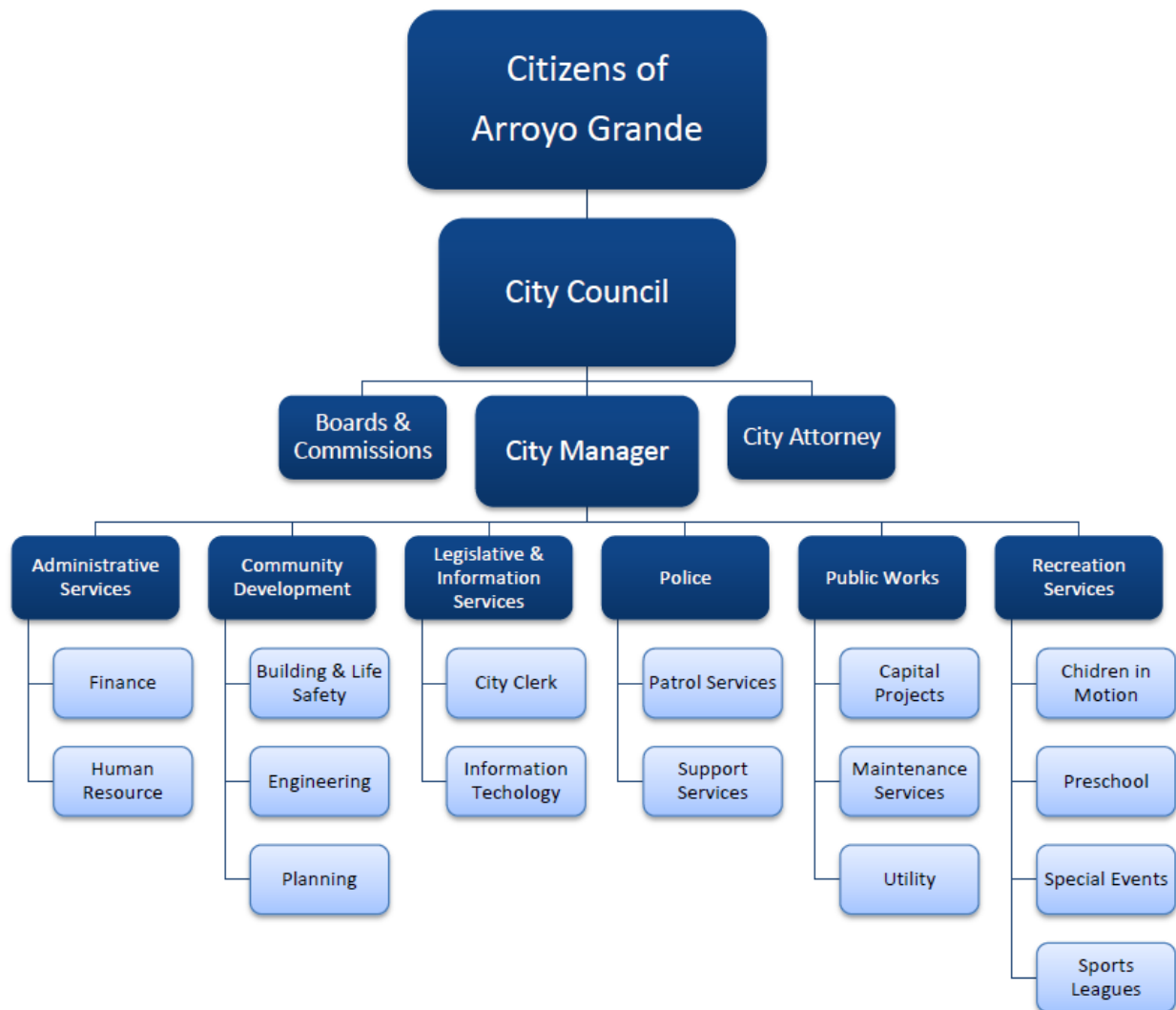
The City's organizational structure is shown in the chart found on the next page. It should be noted that the City has four advisory bodies that provide the council with a variety of recommendations on a range of topics. These bodies consist of citizens and are staffed by the relevant department:

- Planning Commission
- Architectural Review Committee
- Downtown Parking Advisory Board
- Tourism Business Improvement District (AGTBID) Advisory Board

Overall, the City is well-organized and equipped administratively to serve the recommended Sphere of Influence. The City accomplishes many goals and implements a variety of initiatives. It is apparent that City seeks to manage its resources in an efficient manner and makes every effort to carefully allocate its revenues.

The City’s Budget process is discussed in the Financial Constraints and Opportunities section of this report. The organizational chart shows a structure that is straightforward and efficient. It does not include complex decision making loops that would delay decisions.

Figure 3-24



Arroyo Grande does maintain various customer-oriented programs, including a mission statement for each City department, customer satisfaction programs, regular in-house safety training and management, and similar programs designed to enhance the experience for the City customer.

The City reports annually to the State Department of Housing and Community Development its General Plan report that describes the activities that took place to implement the City's General Plan for the year. This document is updated annually and includes a description of the program/project, key tasks completed, and summary of the year. The City produces and distributes to each resident a quarterly newsletter (Stagecoach Express) that provides relevant information about the community and City activities, although the last edition was published in 2015. The City also produces an annual sales tax report that provides information about key trends and sales tax issues. The City has a social media presence on Facebook, Twitter, and Instagram as well.

It is assumed that public participation in the planning and development process for the SOI territories would be about the same for either City or County development projects. Both the City and the County have well developed Citizen Participation programs that enable access to information and allow for citizen involvement. The City and County have a track record of extensive outreach to the community in making land use and other decisions.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Local Accountability and Governance**:

1. The City has historically made reasonable efforts to maintain a public dialogue in the community. The City's outreach program includes providing information regarding current issues of significance to the community through a variety of media. In particular, the City produces a newsletter that is distributed quarterly, has conducted workshops, and public town hall meetings to address matters for the broadest public input possible. The City conducts goal-setting meetings to establish community priorities.
2. The City has maintained relationships with local news media, providing information and/or interviews as requested. Locally elected and appointed officials pride themselves on being available to their constituencies.
3. The City conducts budget reviews and goal-setting workshops that are designed to keep the public informed regarding budgetary situations. It is possible for the public to participate in the budget hearing process. Annual audits are completed and made available to the public upon request. The City has historically dedicated one of its newsletters to budget information and a summary of revenues and expenditures in the community.
4. The City is well-organized, and is administratively capable of managing any annexations that may be proposed for the Sphere of Influence.
5. The City evaluates the services provided to residents and services that may need to be upgraded or started.
6. Long-term effects of individual annexations and development will be analyzed on a case by case basis when site-specific annexations are presented. Again, a cost-benefit analysis by Arroyo Grande should evaluate effects on both the City and County when these are prepared and submitted for review.
7. The City has updated many of its service plans, including the Urban Water Management Plan, Water Master Plan, and Housing Element of the General Plan.

3.7 OTHER MATTERS

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

See Chapter 7 related to Five Cities Fire Authority and regional fire service challenges facing the communities of Arroyo Grande, Grover Beach, and Oceano.

REFERENCES

- City of Arroyo Grande Budget FY 2017/18 & 2019/20
- Arroyo Grande Police Department Strategic Plan 2019 – 2021
- SLOCOG Regional Housing Needs Allocation, 2019
- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2019.
- California Department of Finance E-5 Report, 2017 & 2019
- City of Arroyo Grande Water & Wastewater and Storm Water Rate, 2019
- Northern Cities Management Area Annual Monitoring Report, 2016 - 2018
- City of Arroyo Grande Comprehensive Annual Financial Report FY 13 - 18
- City of Arroyo Grande 2017 Water Quality Report, 2018
- City of Arroyo Grande General Plan Annual Report, 2018
- City of Arroyo Grande Sewer System Management Plan Audit Report, 2018
- Five Cities Fire Authority Audit Report, 2017
- Beacon Economics 2050 Population, Housing & Employment Forecast, June 2017
- 2015 Urban Water Management Plan, January 2017
- City of Arroyo Grande Housing Element, 2016
- Memorandum from Geoff English, Director of Public Works & Resolution No. 4749, 2015
- Zone 3 Urban Water Management Plan, 2015
- City of Arroyo Grande Water & Wastewater Rate Draft, 2014
- City of Arroyo Grande Rate Study, 2014
- City of Arroyo Grande Water Master Plan, 2013
- City of Arroyo Grande Wastewater System Master Plan December 2012
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2009
- San Luis Obispo LAFCO, Sphere of Influence Study, 2012.
- Arroyo Grande Creek Habitat Conservation Plan, 2004
- City of Arroyo Grande General Plan, 2001
- City of Arroyo Grande, Official Website, www.arroyogrande.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.oag.ca.gov.

CHAPTER 4

GROVER BEACH – MUNICIPAL SERVICE REVIEW



The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the Cortese-Knox-Hertzberg Act (CKH). The Act states that, in order to update Spheres of Influence in accordance with Government Code Section 56425, LAFCOs are required to conduct a service review of the municipal services provided by the jurisdiction. The Municipal Service Review factors that need to be addressed include:

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

The above-listed factors are addressed in this chapter and written determinations are included for each factor as called for in the CKH Act.

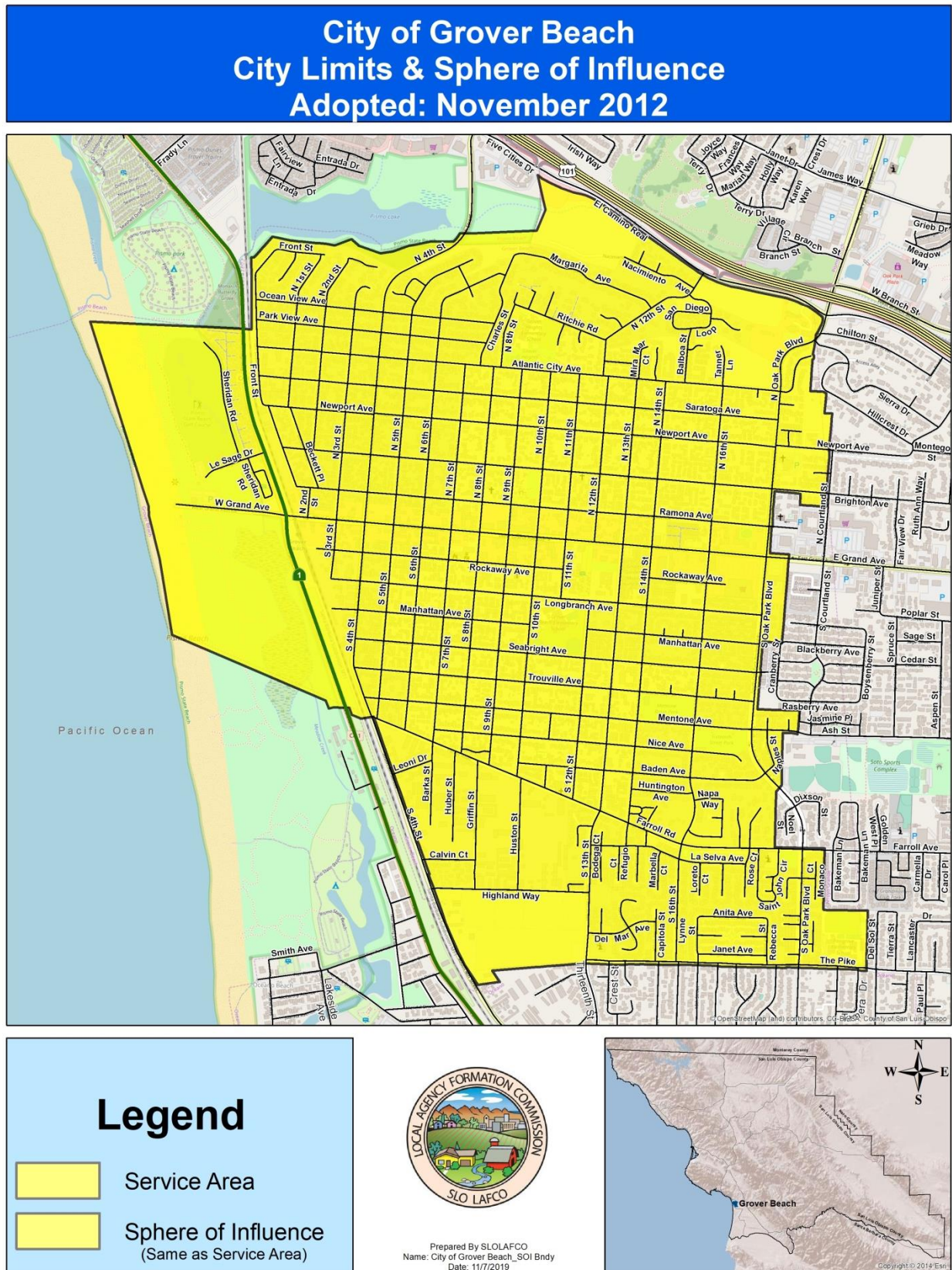
The table below indicates both the existing and possible agencies that could provide services to the SOI area. This assumes that the properties in the SOI area are eventually annexed into the City and are not served through an Outside User Agreement or some other mechanism. Typically, upon annexation, the City provides a full array of public services to the property or area being annexed.

Table 4-1: Existing & Proposed Service Providers within SOI

Service	Existing Agency Providing Services for SOI Areas	Agency to Provide Services for SOI Areas
General Government (including Governing Board, Counsel, Assessor, Finance and General Administration)	N/A No Existing SOI Areas	City of Grover Beach and County of San Luis Obispo
Water Service	N/A No Existing SOI Areas	City of Grover Beach
Wastewater collection, treatment and disposal	N/A No Existing SOI Areas	City of Grover Beach South San Luis Obispo County Sanitation
Storm water drainage, flood control	N/A No Existing SOI Areas	City of Grover Beach
Roads, Circulation, Street Maintenance Street Lighting	N/A No Existing SOI Areas	City of Grover Beach
Public Transportation	N/A No Existing SOI Areas	SLORTA
Law Enforcement and Fire Protection Services	N/A No Existing SOI Areas	City of Grover Beach Police and Five Cities Fire Authority
Community Development/Planning and Building Services, Code Enforcement	N/A No Existing SOI Areas	City of Grover Beach
Solid Waste	N/A No Existing SOI Areas	South San Luis Obispo County Sanitation
Parks and Recreation	N/A No Existing SOI Areas	City of Grover Beach
Schools	N/A No Existing SOI Areas	Co. Superintendent of Schools Lucia Mar Unified School District

The Grover Beach Sphere of Influence was most recently updated in 2012, and saw no changes do to the well-defined area of land occupied by the City. Grover Beach is bordered by the cities of Pismo Beach and Arroyo Grande to the north and east respectively, by the Oceano Community Services District to the south and the Pacific Ocean to the west. Figure 4-1 shows the adopted City limits and coterminous Sphere of Influence.

Figure 4-1 - Grover's Existing SOI



4.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

Purpose: To identify future growth patterns and project population increases.

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the City of Grover Beach. The previous Sphere of Influence update and Municipal Service Review for Grover Beach provides background information. The table below summarizes proposals considered by LAFCO since 1983 to the present.

Table 4-2 –Proposals Since 1983

Date	Action	Proposal	Acreage	Status
11/15/18	Outside User	City of Arroyo Grande, and Grover Beach, Bischoff Homes outside user for wastewater	0.36	Approved
5/18/05	Outside User	Outside User Agreement with GB & AG (S&S Homes)	11.54	Approved
3/15/96	Annexation	Anx #9 of GB to the South SLO County Sanitation District		Approved
11/19/91	Annexation	Anx to GB & detachment from AG – a parcel located at the SW corner of Oak Park Blvd. & El Camino Real	.30	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends. According to the 2010 US Census, the City has a population of 13,156. Today the population has increased to 13,524. Total housing units were estimated to be 5,748 units. According to Beacon Economics update estimates the City's housing units have had a modest increased to 5,770 units. The City's population grew by 0.7% from 2000 to 2010 and 0.3% from 2010 to 2019.

California Department of Finance Population Estimates-2009 to 2019

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2010 census count. The table below reflects the DOF estimates for Grover Beach and the County of San Luis Obispo over the last decade. DOF estimates Grover Beach's

current population as 13,533. Between January 1, 2018 and 2019 the City of Grover Beach lost 0.6 percent of its population.

Table 4-3: Population Estimates

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Grover Beach	13,278	13,156	13,226	13,252	13,446	13,486	13,528	13,654	13,677	13,617	13,533
County Total	270,901	269,637	270,644	272,357	274,144	276,248	277,219	278,405	279,538	280,048	280,393

Source: DOF E-5 Population Estimates for Cities, Counties and State, 2009-2019

Council of Governments Population Projections-2017

The Council of Governments recently had the consulting firm of Beacon Economics update population projections for San Luis Obispo County, including the City of Grover Beach. The original study was completed in June 2017. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County including the City of Grover Beach. The table below shows those results:

**Table 4-4: Projected Population and Housing Growth Grover Beach
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040	2045	2050
Population									
Medium Scenario	13,156	13,340	13,751	14,183	14,536	14,804	14,934	15,001	15,091
Housing Units									
Medium Scenario	5,111	5,115	5,327	5,529	5,689	5,812	5,878	5,920	5,963

Source: U.S. Census Bureau (2010 Census), State of California, Department of Finance (2015), Beacon Economics (forecast years)

Grover Beach is the second largest of the Five Cities area and is directly adjacent to the Pacific Ocean. The estimated 2020 population for the City was 13,751, up 595 residents from 2010 (Beacon Economics). In 2015, there were 5,115 housing units or about 2.60 persons per household.

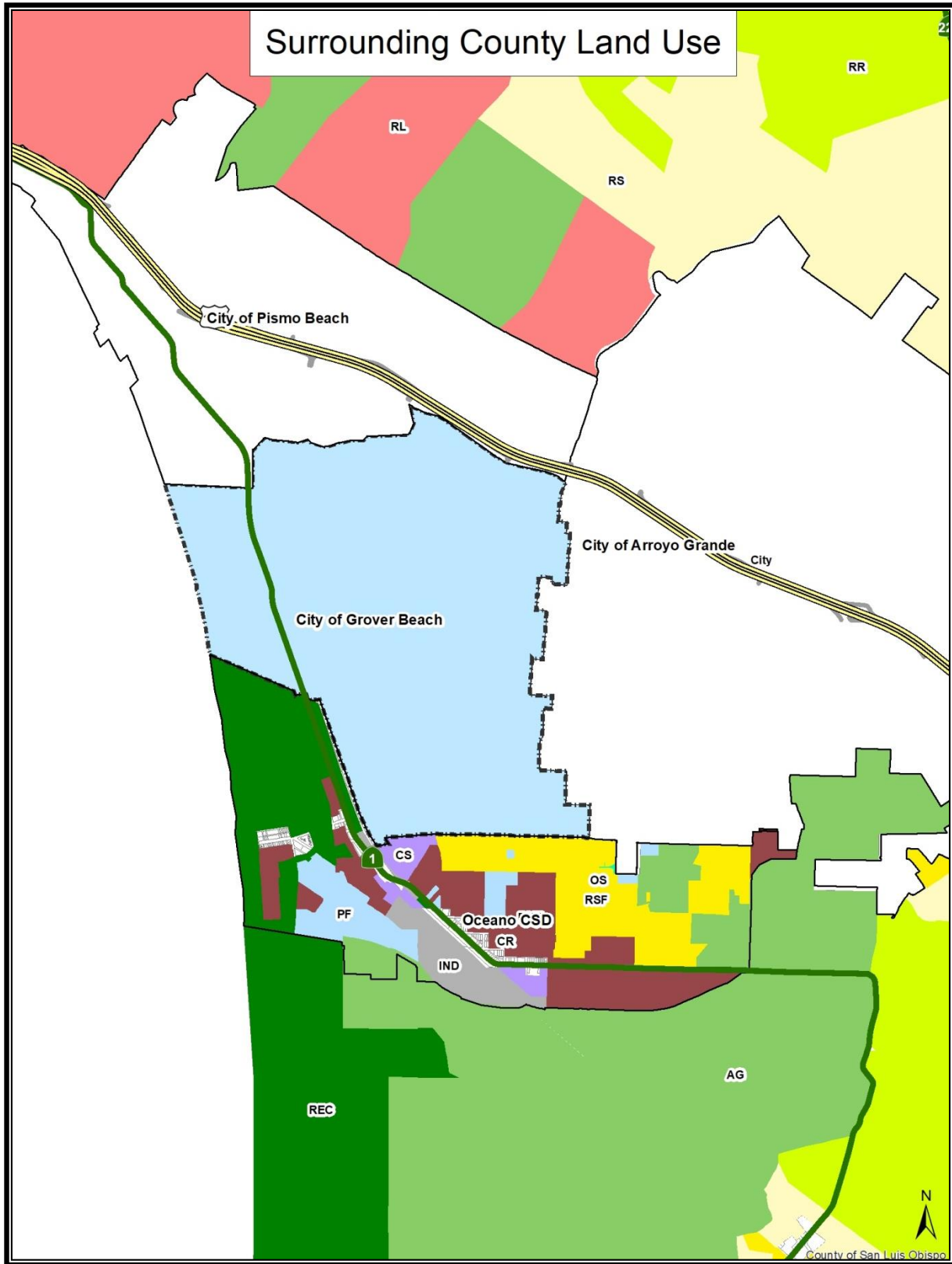
COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Grover Beach. Since Grover Beach is bordered by incorporated cities on two boundaries, its only interaction with lands under county jurisdiction occurs at its interface with the community of Oceano. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use.

The County's Conservation and Open Space Element (COSE) consolidated five previous individual elements (conservation and open space, historic, aesthetic, and energy elements). The COSE is utilized as a tool to protect and preserve the unique community resources. The element addresses many issues with regard to conservation, development, and utilization of natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

The economy of Grover Beach is directly affected by the recreation/tourism industry in the planning area since many of the visitors to Pismo State Beach come through Grover Beach. However, Grover Beach does not have many of the tourist-serving businesses (i.e., motels, RV parks, etc.) that are found in neighboring Pismo Beach. Future growth and development of Grover Beach is expected to be mainly in-fill.

Figure 4-2 (E) Land Use



City of Grover Beach Draft 2015 Urban Water Management Plan

Housing Units and Growth Projections. In the draft 2015 Urban Water Management Plan, the City of Grover Beach estimates that 13,156 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units is 5,748 with an average household size of 2.29 persons and an occupancy rate of about 89%. The City's Urban Water Management Plan projects the current City limit and Sphere of Influence boundaries to yield a population of 15,000 persons.

In summary, the City's slow growth rate is likely to continue based on the limited amount of vacant land available for residential development. The table below shows historic and projected growth rates:

Table 4-5: Historical & Projected Population Growth

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽¹⁾	2005 ⁽¹⁾	2010 ⁽¹⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	8,827	11,656	13,067	13,248	13,156	13,950	14,400	14,700	15,000
5 Year Increase	--	2,829	1,411	181	-92	794	450	300	300
5 year Avg. Increase	--	32%	12%	1.3%	-9.2%	6%	3.2%	2%	2%
Average per Year	--	3.2%	1.2%	<1%	-0.1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Land Use Element

CITY OF GROVER BEACH GENERAL PLAN, 2012

The City of Grover Beach updated and adopted its General Plan Land Use Element in 2012. The City's certified Local Coastal Program was approved in 1981 and has been updated several times. Over the past 40 years, the City experienced periods of moderate residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s and 1980s averaged just over 3% per year, but during the 1990s, growth slowed to about 1% per year. In the 2000s and 2010s, growth continued to slow to less than 1%.

Grover Beach's growth is likely to remain at a nominal level. The City's General Plan Land Use Element (Amended 2012) recognizes that a majority of the City has been developed and future development will be concentrated on vacant properties and redevelopment of underutilized properties. The certified Housing Element adopted in 2014 estimates a total of 295 new dwelling units as a realistic build-out based on an inventory of vacant and underutilized properties. The 2010 Census reports the City currently has 5,748 existing dwelling units with a population of 13,156. The Beacon Economics update estimates a modest increased population of 13,533 and 5,770 housing units. Based on the Housing Element estimate of 571 new dwelling units the total number of dwelling units could be 6,341 yielding a population of over 16,000. If the City were to growth at their maximum 2.5% growth rate allowed by the General Plan, or slightly more than 120 new units per year, build-out could occur within eight years. Growth rates closer to recent historical rates of less than 1% would prolong this period to eighteen to twenty years. Outlined below under the new regional housing needs allocation the City will need to determine adequate land to accommodate 369 new dwelling units. In either case, the City of Grover Beach has limited potential for new residential housing within existing City limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential of vacant land within the City.

Table 4-6 Build-out Summary: Vacant Land within City

Area	Acres	Units	Population	Land Use
R-1	11.38	64	166	Low Density Residential
C-P-R-1	0.68	4	10	Low Density Residential
C-R-1	0.77	5	13	Low Density Residential
C-R-2	0.77	9	23	Medium Density Residential
R-2	9.99	91	237	Medium Density Residential
C-B-O	0.66	18	46	Central Business – Mixed Use
C-1	0.15	2	5	Visitor Serving – Mixed Use
R-3	5.47	102	265	High Density Residential
Total Vacant Sites within City Limits	29.87	295	765	

Source: City of Grover Beach Housing Element 2014.

Visitor-Serving/Economy. The City attracts some tourists to the County and promotes a tourism industry that contributes economically to the County and other jurisdictions in the area. Grover Beach has an inventory of only 156 hotel rooms. The visitor accommodations in Grover Beach represent approximately 2% of the total available accommodations Countywide (EVC; 2008). In 2013, the City approved a plan by Pacifica Companies for the Grover Beach Lodge. The project is located in the City of Grover Beach between the Pacific Ocean and State Highway One, at the end of West Grand Avenue. The approximately 13.4-acre project site is within Pismo State Beach and the property is owned by the State Department of Parks and Recreation. The proposed project consists of a 144-room hotel consisting of three buildings and 4,000 square feet of meeting space and restaurant, totaling approximately 121,000 sq ft.

The City has allowed both adult (recreational) and medical commercial cannabis uses and has identified the commercial cannabis industry as an economic development opportunity. As of January 2020, the City has approved 30 cannabis businesses with 11 businesses currently operating and several additional businesses currently in the planning process. The City Council adopted Resolution 18-40 which sets the City's current commercial cannabis tax rate.

Recent Building Permit Activity

Building Permits have been compiled for Grover Beach from the Community Development Department. The table below shows the building permits by year from 2012 through 2019. Since 2012 the City has issued 126 new single-family units, 10 multi-family, and 6 new commercial buildings.

Table 4-7: Building Permits Issued 2012-2019

	SF	MF	Commercial
2019	29	1	3
2018	14	1	1
2017	11	1	0
2016	23	1	1
2015	26	4	1
2014	13	0	0
2013	6	2	0
2012	4	0	0
Total	126	10	6

Source: Grover Beach Community Development Department 2020

Land Use

The General Plan Land Use Element establishes policies and implementation measures to guide in the City limits. The Land Use Element limits residential growth at 123 units annually or at a rate of 2.5%. There are no growth limits to commercial or visitor-serving growth in place under the General Plan.

It should be noted that the City's General Plan/LCP provides a clear and detailed policy base with regard to future growth and development within the City. It comprehensively addresses the various facets of development, provides clear information to the public, and gives decision-makers a sound foundation for considering future projects.

It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

Housing Element. The City's Housing Element was adopted by the City Council and certified by the State Department of Housing and Community Development (HCD) in 2014. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2014 through June 30, 2019. In October 2019 SLOCOG approved the RHNA for the next ten year cycle period of January 2019 through December 2028. The City of Grover Beach will be updating their Housing Element that addresses this allocation period. The table on the next page shows the total number of residential units (369) the City of Grover Beach must provide zoning for in that time. As stated above the City's 2014 Housing Element documented land availability for 295 dwelling units. The City will need to determine adequate land to accommodate greater dwelling unit potential within their limit availability.

Table 3-8: 2019-2028 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	170	107	124	291	692	6.4%	
Atascadero	207	131	151	354	843	7.8%	
Grover Beach	91	57	66	155	369	3.4%	
Morro Bay	97	60	70	164	391	3.6%	
Paso Robles	356	224	259	607	1,446	13.4%	
Pismo Beach	113	71	82	193	459	4.3%	
San Luis Obispo	825	520	603	1,406	3,354	31%	
County Unincorp.	801	505	585	1,365	3,256	30.1%	
Total Units	2,660	1,675	1,940	4,535	10,810	100%	

Source: SLOCOG RHNA 2019

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every eight years (this cycle is for ten years to align with the next RTP cycle) to identify recent demographic and employment trends and can be correlated with the four-year cycle of transportation planning, which may affect existing and future housing demand and supply. For the first time in the region, the RHNA and RTP process were undertaken together in order to integrate housing, land use, and transportation planning to ensure that the state's housing goals are met and to help reduce greenhouse gas emissions (GHG) from cars and light duty trucks. The goal of integrated planning is to create opportunities for residents of all incomes to have access to jobs, housing, services, and other common needs by a variety of means, including public transit, walking, and bicycling. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City has developed a set of objectives and specific policies and programs to prepare for the production of housing in the City of Grover Beach.

A Housing Element is required by California law to establish policies and programs that will support the provision of an adequate housing supply for citizens of all income levels. The intent of State law is to assure that jurisdictions in the State provide adequate housing to all members of the community. While the State Department of Housing and Community Development (HCD) reviews the Housing Element to assure compliance with housing law, each jurisdiction must identify its particular issues to successfully address its housing needs.

The Housing Element provides a detailed assessment of the housing stock in Grover Beach, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing. All of these components of the element will be re-assessed for the 10-year cycle, which are due to HCD by mid-2020 for review.

An understanding of existing housing conditions in the City is necessary as a basis for new Housing Element policies to guide the use and development of housing that will be adequate and affordable. In addition to this focused information, throughout the document comparisons to San Luis Obispo County demographics and statistics are used to identify possible issues or pertinent relationships. This assessment is representative of the larger area and informative of the trends the entire county is experiencing, helping to gain a better understanding of the City in a regional context.

State law is more specific about the content of Housing Elements than any other portion of the General Plan. That specificity is reflected in the detailed demographics and other data contained herein. The Housing Element is also the only part of the General Plan that is subject to mandatory deadlines for periodic updates. Except for the Local Coastal Program, it is the only element that is subject to review and "certification" by the state.

According to the City's Housing Element a recent inventory of vacant and underutilized land has been conducted which concludes the City has additional land available for 295 new residential units within the City limits. The Housing Element states that the City's water capacity and wastewater capacity are not an immediate constraint to future housing development for these services.

The **Circulation** Element plans for improvements to the City's transportation system that will accommodate existing residents and future growth. Policies and programs supporting these goals are provided in detail in the Circulation Element.

**Table 4-9
CIRCULATION IMPROVEMENTS**

West Grand Avenue
SR 1 Highway to 8th Street – Enhance traffic safety, pedestrian accommodations and community character to help slow traffic
4th Street intersection – Ensure with continued improvements through this intersection, proper widening is provided that enhances safety for pedestrians, bicyclists, large truck movement and overall vehicular travel.
8th Street to 11th Street – “Construct Downtown Project”
11th Street to Oak Park Avenue – Enhance traffic safety and character to help provide a more attractive community.
Oak Park Boulevard
Brighton Avenue to Ramona Avenue – Complete 4-lane widening
Manhattan Avenue to Seabright Avenue – Complete 4-lane widening
4th Street
Trouville Avenue to The Pike – Widen and Extend to 4 lanes including realignment to align with The Pike.
The Pike
4th Street to Oak Park Boulevard – Widen and extend to 4 lanes
Traffic Signals
Atlantic City Avenue/North 4th Street
Oak Park Boulevard/Atlantic City Avenue or Saratoga Avenue
Oak Park Boulevard/Mentone Avenue
Oak Park Boulevard/Farroll Avenue
Oak Park Boulevard/The Pike
4th Street/Farroll Avenue

Source Circulation Element Table CE-1

The **Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. The Land Use Element also contains a policy on conservation and open space as follows:

***LU-16.1** Open space/resource conservation land. The City shall designate the following types of land as open space:*

a. Sensitive habitats or unique resources such as oak woodlands, riparian/creek corridors, significant wetlands and corridors which connect habitats.

Those areas which are best suited to non-urban uses due to:

- a. infeasibility of providing proper access or utilities;*
- b. excessive slope or slope instability;*
- c. wildland fire hazard;*
- d. noise exposure;*
- e. flood hazard;*
- f. scenic value;*

The Parks and Recreation, Noise, and Safety Elements of the General Plan each have policies and programs that provide guidance and clarification for the public and decision makers. These

are important topics that the City addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike.

It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

The City's current General Plan is based on the ability of the City to accommodate a population of 16,080. Currently, the City's population is approximately 13,524 people. The year in which the City reaches their projected build-out is driven by a number of factors, including economic and real-estate market conditions. The City projects build-out could be beyond the year 2050.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Growth and Population**:

1. The City's General Plan/Local Coastal Program provides for the logical and reasonable growth and development of the City and the Land Use Element was updated in 2012.
2. According to the Council of Governments Population Projections the City of Grover Beach is projected to grow at a rate of less than 1% per year.
3. Development activity will likely increase in the City over the next several years due to the economic opportunities. This is evidenced by the building permit data provided by the Community Development Department.
4. The Sphere of Influence is projected to remain the same, coterminous with the existing City boundary. Growth will occur from in-fill development and the intensification of existing land uses within the City boundaries.

4.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. 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 City or property owners.

The City of Grover Beach has a variety of economic diversity within the City limits and surrounding area including within 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. Government Code section 56033.5 further defines it as inhabited territory; an area with 12 or more registered voters. In the analysis completed by LAFCO staff, income analysis was performed for each of the study areas using census tract income data which shows median incomes above the state median income of 67,169 at the time of this reporting. In addition, review of the State DAC Mapping Tool and CalEnviroScreen 3.0 was used to verify disadvantage status with other application of the definition. Because the City of Grover Beach does not have a Sphere of Influence beyond its City limits, disadvantage community for the present and probable need for public facilities and services is not applicable.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Disadvantaged Unincorporated Communities**:

1. The City of Grover Beach's Sphere of Influence does not have a disadvantaged unincorporated community located within or adjacent to it.

4.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City 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 are proposed by the City or property owners.

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the City of Grover Beach. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with increasing demands. In the City of Grover Beach, the SOI is coterminous with the City limits and is not anticipated to expand; however, the infrastructure capability of Grover Beach to serve existing and future residents is analyzed in this report.

The most important infrastructure needs are the provision of water and wastewater services. Beyond these basic services, police and fire protection, and circulation/road services are considered high priority needs for future growth of the City.

This section evaluates the City's resources and capabilities to provide services to existing and future residents. The key topics addressed include water supply and demand, water pipeline system, sewer system capacity and condition, fire and police protection, traffic and roads, as well as, other services.

WATER

The City updated its Urban Water Management Plan in 2011. The City's draft 2015 Urban Water Management Plan is being circulated for review and adoption. The County updated its 2015 Urban Water Management Plan for Zone 3. These plans, and other documents, are the basis for this section of the Municipal Service Review. The County also updated its Water Master Plan. A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water.

Water Supply

The City of Grover Beach's Water supply comes from two primary sources: Groundwater, and Lopez Lake Reservoir.

Groundwater. The City extracts groundwater from the Tri-Cities Mesa - Arroyo Grande Plain (AGP) sub-basin of the Santa Maria Groundwater basin. Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2003 Settlement Stipulation of the Santa Maria Groundwater Basin adjudication. The City of Grover Beach's current allocation from this settlement was established at 1,198 acre-feet per year. Groundwater extractions are derived from four wells and two separate groundwater basin formations. The City manages its water supply so that additional groundwater pumping is reserved for years when the other water supplies may be in shortfall, keeping groundwater as a local reserve. Wells No. 1, No. 2 and No. 3 are shallow wells drawing water from the Paso Robles formation while well No. 4 is a deep well drawing water from the Careaga formation.

Well No. 4 meets all state and federal standards. The groundwater from the Paso Robles formation meets all state and federal standards except for nitrate concentration. The City of Grover Beach completed construction of an ion exchange water treatment plant designed to remove nitrates from the shallow well water in 1989. This allows the City to use its shallow well water to produce water straight into the water mains after it passes through the treatment plant and a chlorination station.

Additional groundwater is pumped by two irrigation wells that provide non-potable water for use on a State Parks Department golf course and a large park within the City. It is estimated that the availability of non-potable water from these wells reduces the volume of treated water required by approximately 225 acre-feet per year. The City has available an agricultural land conversion water credit that has been in place since 1991. The water usage of irrigated agricultural land that is converted to urban use is credited to the amount of water the City has available for non-agricultural use based on a 1979 Department of Water Resources report. The City's extraction is limited to no more than 1,407 acre-feet per year including the Agricultural Land Use Conversion Credit.

Grover Beach has implemented development standards that require on-site retention of storm water for new (and in some cases new and existing) impervious surface areas on a property undergoing development. Grover Beach also has modified its storm water system to direct additional flow into the Mentone storm water recharge basin. Substantial efforts to increase storm water recharge would augment the groundwater yield and could warrant provision of recharge credits among the Northern Cities. Recharge credits would be based on a mutually accepted methodology to evaluate the recharge benefits.

Santa Maria Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria groundwater basin, which was adopted by the Courts in 2008 issuing a final decision concluding that while the Santa Maria Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be found to be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term integrity of water supplies in the NCMA.

The 2018 annual monitoring report prepared for the NCMA documents a minor decline in groundwater levels in the basin with the exception of slight increase in levels near the coast, perhaps indicating the tail end of positive impacts from 2016-17 rainfall compared to the drought conditions between 2007 and 2009 with some recovery in 2010 and 2011.. Groundwater levels generally observed minor decline throughout most of the area which can be attributed to

ongoing efforts by all NCMA agencies to minimize extractions. Water quality testing in 2009 indicated the onset of seawater intrusion that had locally manifested in a few wells. Ongoing monitoring efforts are in place to assure the earliest possible detection of future seawater intrusion events. In the interim, to minimize the threat of seawater intrusion, the Northern Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

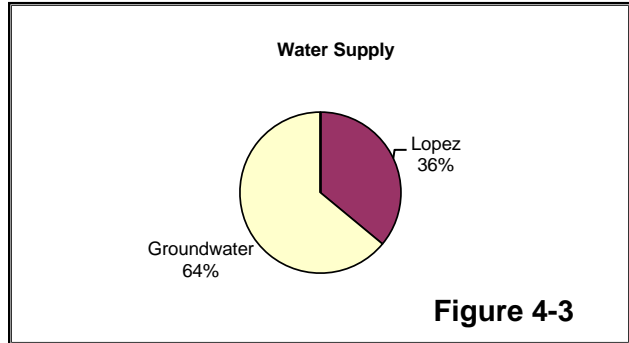
Lopez Reservoir. Lopez Lake stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Grover Beach, Avila Beach, Pismo Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (Zone 3 UWMP 2015), which reflects the sustainable water supply year over year. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The City can receive an allocation of up to 800 acre-feet from the Lopez Reservoir. The remaining 4,200 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. Surplus water is made available to contracting agencies based on their contract percentage, when less than the safe yield is delivered in the prior year. Surplus water is not a reliable additional source of water.

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 is a wholesaler operating and managing Lopez Reservoir. Based on various levels of the reservoir, a Low Reservoir Response Plan (LRRP) was adopted in December 2014 and activated in April 2015 and terminated on March 31, 2018. The enactment of Stage 2 of the LRRP resulted in a 10% decrease in municipal and downstream releases. The County Flood Control District projects that municipal entitlements will remain constant at 4,530 AFY through 2035, and that it will be able to supply all contracted agencies with their full allocations. A surplus water supply may be available in future years, but this is not a reliable source for the City to plan for from year to year.

The two sources of water described above are all presently supplied by the City of Grover Beach and delivered to their customers. The table below shows the City's current water supply situation. The chart shows the water supply by percentage.

Table 4-10 - Grover Beach Current Water Supply

Source	Amount (acre feet)
Groundwater	1,198
Lopez Water	800
Lopez Water surplus, if available	varies
Ag Credits (possible)	209
Total	2,207



The City is working with the Cities of Pismo Beach and Arroyo Grande to develop the Central Coast Blue project. The Project will provide additional treatment of wastewater from the Pismo Beach Wastewater Treatment Plant that will then be injected into the groundwater basin for future extraction via potable wells serving the three communities. The injection wells will also help to develop a barrier against future seawater intrusion. The estimated yield is as much as 3500 acre-feet per year.

The City of Grover Beach water system has three storage reservoirs or tanks with a total capacity of 1.5 million gallons. In 2015, the City’s surface and well water production was 1,252 acre-feet, which is approximately 57 percent of capacity.

If current per capita demand trends level off or reverse the demand for development within the City limits could exceed the future supply available to the City unless a supplemental water supply is made available. Having an Urban Water Management Plan that contemplates the City’s water needs and outlines the necessary steps to secure a water supply system that serves the residents of Grover Beach is a good example of long-range planning.

The Urban Water Management Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2030 the current water supply will continue to supply the same safe yields of groundwater 1,198 AFY, Lopez 800 AFY. The City looks to participate in the Central Coast Blue Project for its long-term supplemental water source.

Table 4-11 Grover Beach Water Produced

Grover Beach Amount Produced AFY					
	2015	2016	2017	2018	2019
Wells	474	434	496	416	412
Lopez	777	775	752	804	775
Total	1,252	1,209	1,248	1,220	1,187

Source: City of Grover Beach 2020, NCMA Annual Monitoring Report; AFY

Recycled Water Potential. As noted in Chapter 3 under Arroyo Grande water section recycled water the planning for alternatives has been studied for the communities in the Five Cities area. Participation in the Central Coast Blue project will likely be dependent on financial availability of the communities to fund and distribute the share of offset water from injection. All agencies, including SSLOCSD, have been meeting to discuss the agencies' respective shares of the project although no formal cost-sharing agreement is in place. The future reuse of the highly treated water produced by the Wastewater Treatment Facility is not currently anticipated to be a portion of the City of Grover Beach's multi-source water plan at this time.

The Central Coast Blue would enable the NCMA agencies to produce recycled water to augment their water supplies. Construction of the new facility will allow for the use of recycled water to recharge the groundwater basin and provide a new, drought-proof source of water supply for the area. As conceived, the project includes construction of a distribution system that will inject advanced purified water into the SMGB and will allow the NCMA agencies to increase recharge to the basin, improve water supply reliability, and help to prevent future occurrences of seawater intrusion.

Zone 3 Urban Water Management Plan, 2015

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 3-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

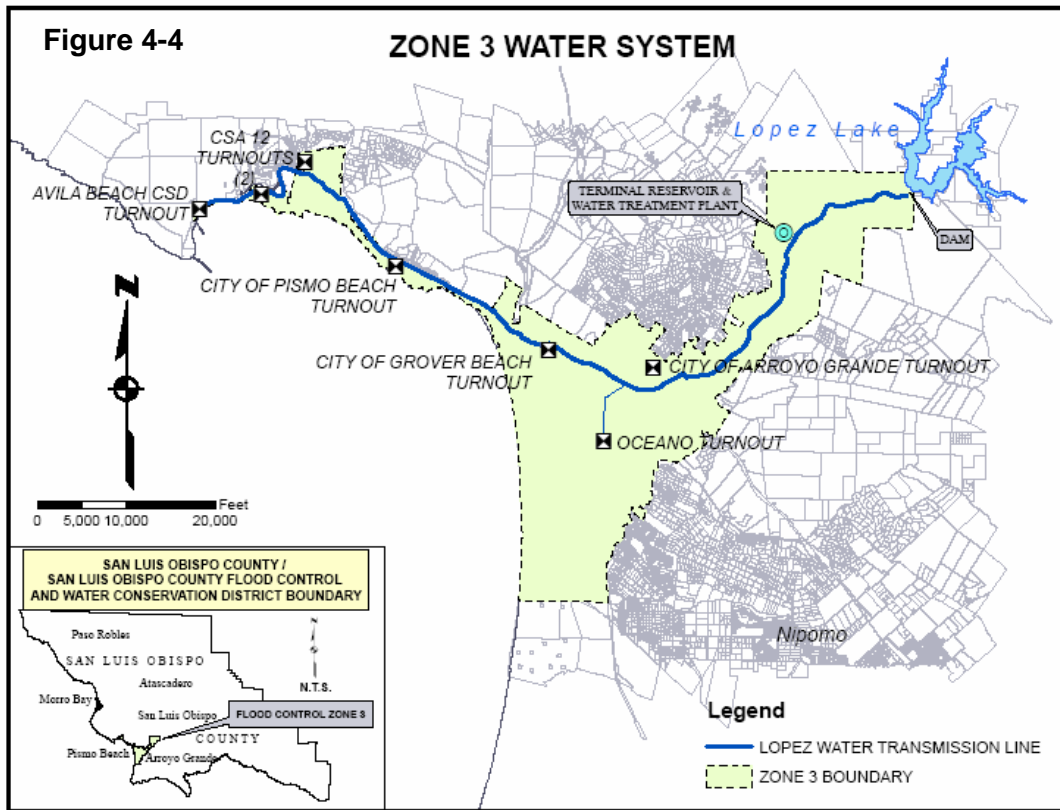
The table below shows the current and projected population served by Flood Control Zone 3 from 2015 projected to 2040.

Table 4-12 Zone 3 Population & Projections

Population Projections						
Service Area Population	2015	2020	2025	2030	2035	2040
	46,003	47,250	48,358	49,915	51,677	53,344

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2015

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused the reservoir to be depleted and within the safe yield of the 8,730 AFY. Historically, during the largest drought years on record (1989/1992 & 2012/2017) since the Reservoir has been in operation, the District has been able to deliver full allocations to contract agencies. As a result of the latest drought of 2012-2017 coupled with the mandatory downstream releases due to the dam's seismic remediation project, entitlements were reduced by 10% in 2015. Full entitlements went back into effect when the declared drought was rescinded on March 31, 2018. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir's safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply available is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests.



Water Demand

The City completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the City. The City’s draft 2015 Urban Water Management Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2019, the City reported annual water use of 1,187 acre-feet. The City’s current population is 13,524 with the current per capita water use at a relatively moderate 126 gallons per capita per day. Grover Beach demand estimates based on current use and projected population are as shown in table on the next page.

Table 4-13 - Annual and Projected Demand

Estimated City 2030 Demand	(Other)	89 AFY
	(Residential)	1,183 AFY
	(Commercial)	214 AFY
	(Industrial/Gov)	20 AFY
Subtotal		1,507 AFY

Source: City of Grover Beach draft 2015 UWMP

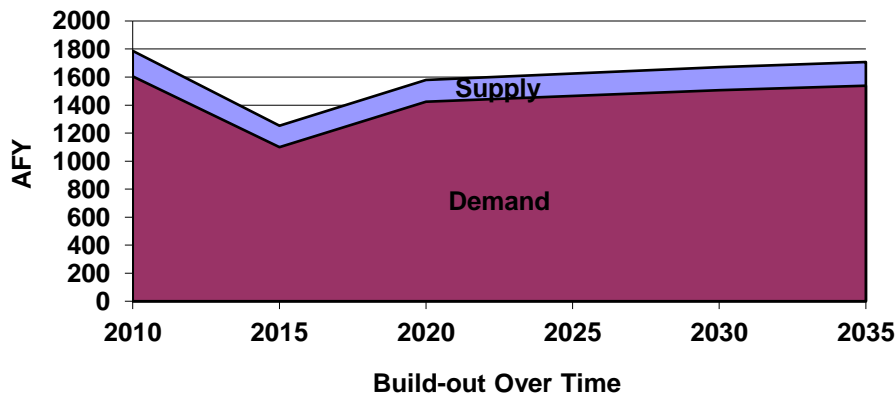
Under the existing General Plan, the City's build-out would increase water demand by an estimated 370 afy. The total water demand is estimated to be 1,557 afy in 20 years. The following table compiles information derived from the draft 2015 Urban Water Management Plan. This includes the number of connections, water use by category, and unaccounted for water estimate. This data is for the time period from 2010 to 2035.

Table 4-14 – Projected Water System Statistics¹⁾ -

USER TYPE	2010	2015	2020	2025	2030	2035
WATER USE						
SFR	1,019	665	861	887	912	932
MULTI-FAMILY	296	198	256	263	271	277
COMMERCIAL	211	156	202	208	214	219
INDUSTRIAL	17	15	19	20	20	21
LANDSCAPE	62	33	42	44	45	46
OTHER	0	33	0	0	0	0
TOTAL AFY CONSUMPTION	1,605	1,099	1,423	1,465	1,507	1,539
TOTAL AFY IN SYSTEM	1,787	1,252	1,579	1,626	1,671	1,708
CONNECTIONS						
USER TYPE	2010	2015	2020	2025	2030	2035
SFR	4,307	4,299	4,431	4,571	4,684	4,771
MULTI-FAMILY	422	4418	431	44	455	464
COMMERCIAL	365	285	700	745	790	833
INDUSTRIAL	37	34	36	39	43	45
LANDSCAPE	71	76	78	81	83	88

¹⁾ Grover Beach draft 2015 Urban Water Management Plan

Figure 4-5



Water Conservation. The City is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. In June 2014, Grover Beach declared a Stage III Water Shortage that required all water customers to reduce their water usage by 10 percent. Many of the prohibitions that had previously been voluntary since declaration of the Stage II Water Shortage Declaration became mandatory with the Stage III declaration. The declaration also provided the City with the authority to impose penalties for failure to comply with the water reduction or use prohibitions. The Stage III Water Shortage declaration, with associated prohibitions, continued throughout 2019. But, given improved groundwater conditions in response to near-average rainfall in 2018 and early 2019 it likely the mandatory reduction measures and penalties will be rescinded with final adoption of the 2015 UWMP update. These prohibitions include:

- Washing of sidewalks, driveways, or roadways where air-blowers or sweeping provides a reasonable alternative.
- Refilling of private pools except to maintain water levels.
- Planting of turf and other new landscaping, unless it consists of drought-tolerant plants.
- Washing vehicles, boats, etc. without a quick-acting shut-off nozzle on the hose.
- Washing any exterior surfaces unless using a quick-acting shut-off nozzle on the hose.
- Restaurant water service, unless requested.
- Use of potable water for construction purposes, unless no other source of water or method can be used.
- Operation of ornamental fountain or car wash unless water is re-circulated.

Grover Beach has implemented demand management rebate programs including:

- Cash for Grass Rebate Program
- Smart Irrigation Controller and Sensor Rebate Program
- Toilet Fixtures, Showerheads, and Aerators Retrofit Rebate Program
- Washing Machine Rebate Program

Recent Drought (2011-2015). See discussion in Chapter 3 related to the statewide drought declaration and executive orders issued during 2014 to 2016. In 2017, Executive Order B-40-17 lifted the drought emergency in California counties except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects continue to address diminished groundwater supplies. Retains prohibition on wasteful practices and advances measures to make conservation a way of life. The order also rescinds two emergency proclamations and four drought-related executive orders.

Water Distribution and Storage System

The City of Grover Beach provides water storage, treatment and distribution services to the residents within its boundaries. The water system consists of: (1) three storage reservoirs or tanks with a total capacity of 1.5 million gallons, (2) an ion exchange water treatment plant, (3) fifty miles of distribution pipelines, (4) boost stations, and (5) chlorination and blending facilities. The City has a program to remove and replace antiquated two-inch iron pipe distribution system. The City treats and tests all potable water and meets federal and state drinking water standards.

Capital Improvement Plan-Water System. The City's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. The City's Capital Improvement Plan contains project-by-project information and aligns with the goals of the City for project implementation.

Planned water system improvements are typically included in the City's Capital Improvements Program that was adopted by the City Council June 2018. The program is prepared in five-year increments and is updated annually.

Projects Budgeted or In Process FY 2020 - 2043

- ▶ City's participation in the Environmental Impact Report for the Regional Groundwater Sustainability Project (Central Coast Blue) -- \$405,382
- ▶ Design pump station on the Grover Beach turn-out of the Lopez waterline -- \$75,000
- ▶ Upgrade water mains - \$1,801,415

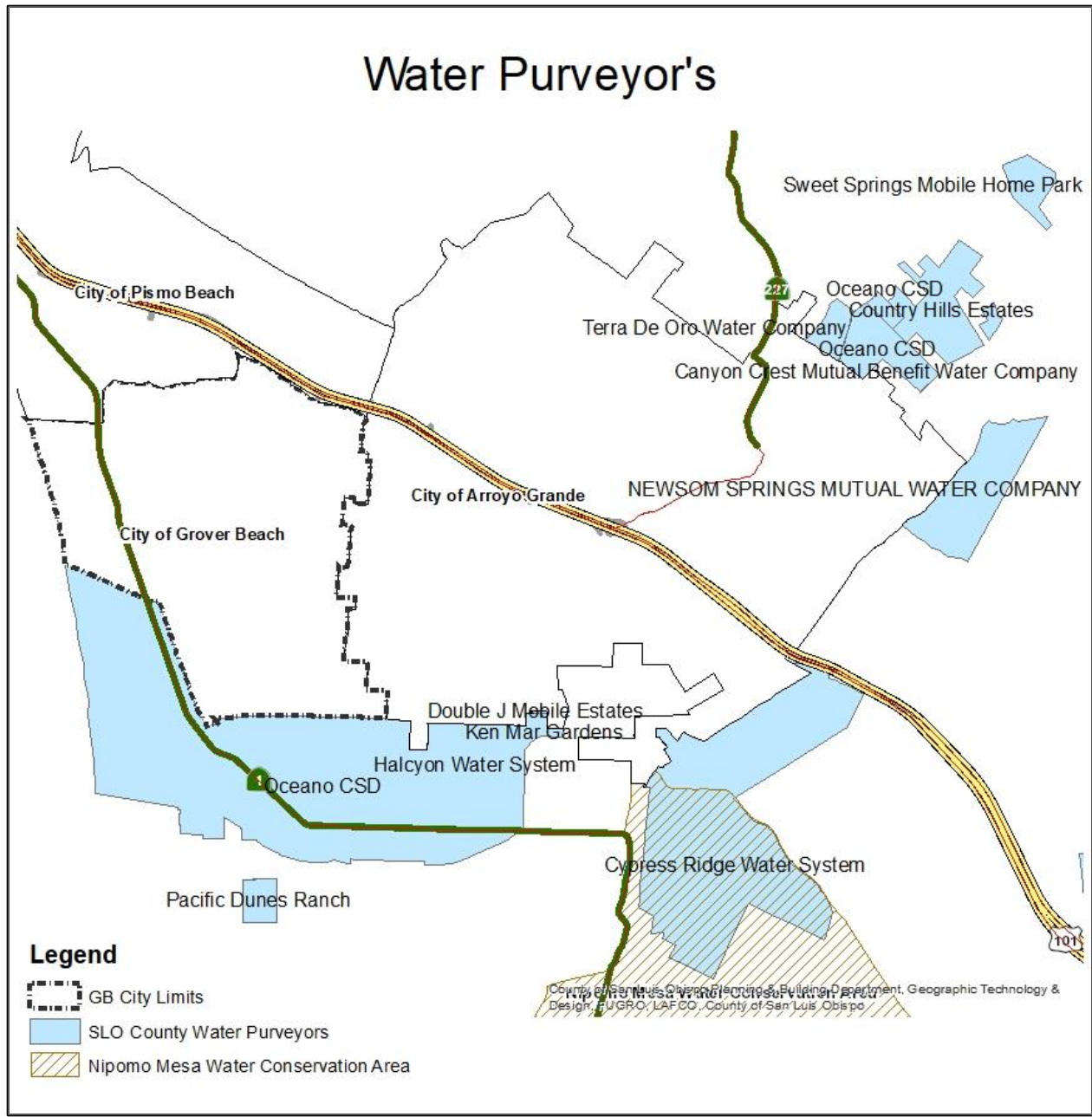
- ▶ Repair to the City's three water reservoirs -- \$10,000

Other Water Providers

In addition to the City of Grover Beach, thirteen other private/public water purveyors provide water services to area residents. These providers are located outside of the City limits. The primary source for all of these other water providers is groundwater pumped water from local Groundwater Basin. One purveyor pumps groundwater from the Nipomo Mesa Conservation Area. Other water purveyor's include:

- City of Pismo Beach
- City of Arroyo Grande
- Oceano CSD
- Sweet Springs Mobile Home Park
- Country Hills Estates
- Terra De Oro Water Company
- Canyon Crest Mutual Benefit Water Company
- Newsom Springs Mutual Water Company
- Double J Mobile Estates
- Ken Mar Gardens
- Halcyon Water System
- Pacific Dunes Ranch
- Golden State Water Company Cypress Ridge

Figure 4-6 Other Water Providers



WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a city-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.6 million gallons per day

utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off shore.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 52% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a mechanically separate to remove the larger debris. The screened wastewater is then distributed to the primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District’s Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. The City uses gravity flow pipelines and they are generally located in the street rights of way. A City’s draft wastewater master plan was used to provide analysis and is anticipated to be adopted in 2020. The City is continuing to upgrade the collection system regularly to keep up with current needs. The City recently completed \$843,784 in sanitary wastewater system improvements. One Project is currently budgeted for the wastewater system; it includes lining of existing sewer main section to eliminate sludge deposition. The Capital Improvements are listed below:

Projects Budgeted or In Process FY 2020 - 2043

- ▶ Sewer System Upgrades -- \$750,000
- ▶ Front Street Lift Station Upgrades -- \$150,000
- ▶ Lining and/or repair of damaged sewer mains Citywide -- \$400,000

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Arroyo Grande, Morro Bay, Pismo Beach, and Grover Beach. The sample bi-monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City.

Table 4-15 – Single-Family Water Rates FY 2019-20

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Bi-Monthly Service Meter Charge	\$27.28	\$64.00	\$59.02	\$26.84
Water (per 100 cubic feet)	\$3.97	\$6.00	\$3.78	\$5.61

Other Charges	\$0.00	\$0.00	\$37.80 (Lopez Treatment)	\$0.00
Sample Bi-Monthly Bill (10 units of water)	\$66.98	\$107.40	\$96.82	\$82.94

Table 4-16 – Single-Family Sewer Rates FY 2019-20

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Flat Bi-Monthly Rate	\$67.34	\$132.80	\$4.80	\$23.00
Sewer (per 100 cubic feet water)	\$28.41	\$0.00	\$0.67	\$0.00
Other Charges	\$0.00	\$0.00	\$50.96	\$50.96
Sample bi-monthly bill (10 units of water)	\$95.75	\$132.80	\$62.46	\$73.96

Figures 4-7 and 4-8 show a rate comparison for four cities in the County. The following charts show the comparison of the cities. Overall, Grover Beach’s water and sewer rates for residential customers are second lowest compared to other coastal cities. The charts are based upon a sample billing using “10 units” of water as a basis.

Bill Comparison - Bi-Monthly Residential Water - 10 Units
1 unit = 100 Cubic Feet of Water

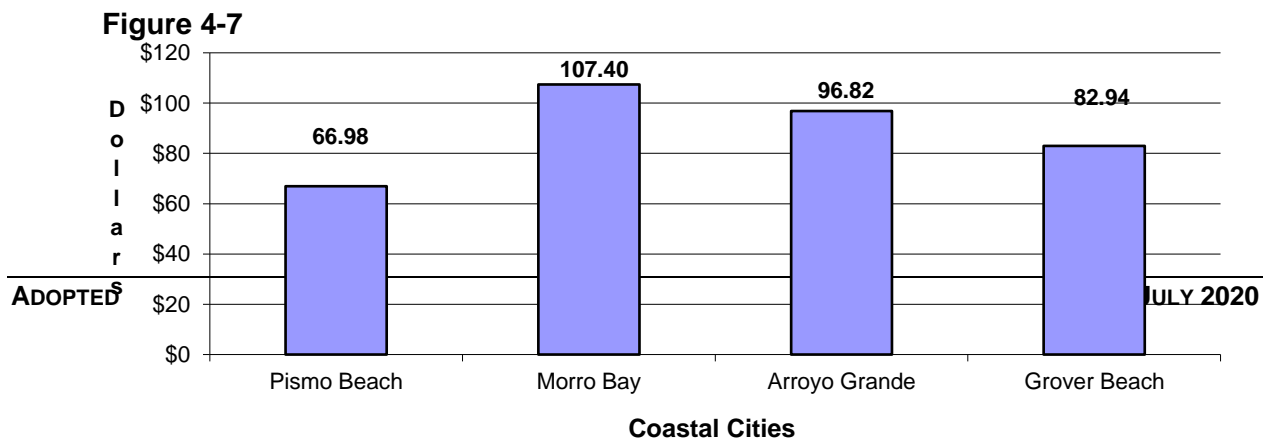


Figure 4-8 Bill Comparison - Bi-Monthly Residential Sewer - 10 Units
 1 unit = 100 Cubic Feet of Water

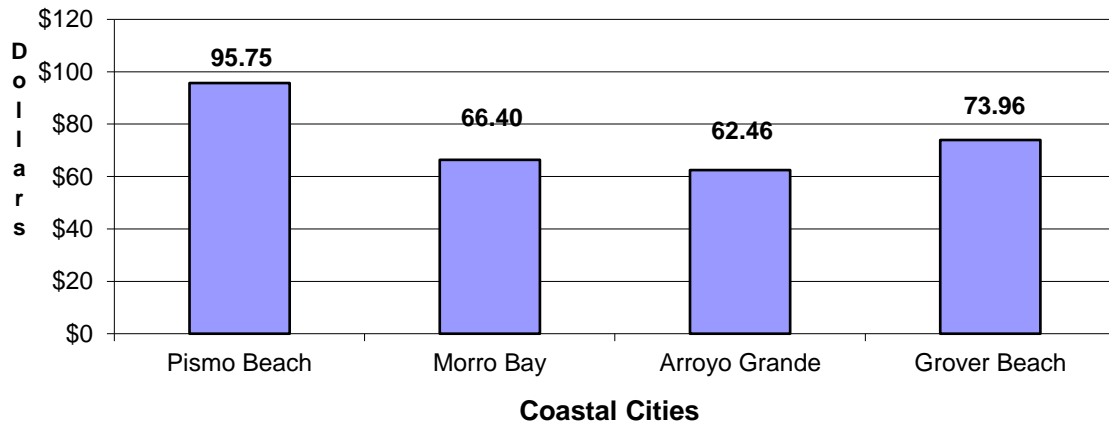
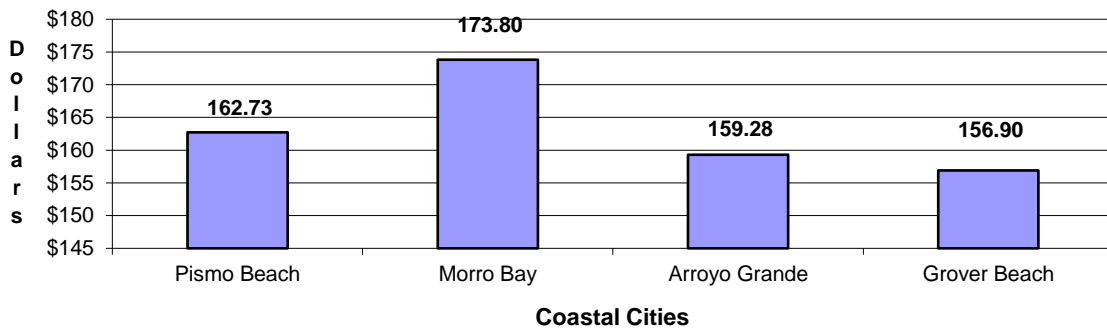


Figure 4-9 Total Comparison - Bi-Monthly Residential Water & Sewer - 10 units
 1 unit = 100 Cubic Feet of Water



Transportation - Streets – Roads

City of Grover Beach General Plan, Circulation Element 2005

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was adopted in 2005. The Land Use Element was most recently adopted in 2012 and coordinated the transportation components' with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the City's circulation system.

The routes of regional significance include Highway 1, Fourth Street from US 101, Oak Park Boulevard, the Pike, and West Grand Avenue. The City intends to improve the circulation system through continued maintenance and investment in the existing circulation system. The Circulation Element of the City's General Plan includes policies to help the City achieve that goal.

Below is a list of local street improvement projects proposed in the City's Capital Improvements Program. Funding for these projects is allocated based upon available funding and budget priorities.

2019

- ▶ South 13th Street between West Grand Avenue and Farroll Road, Long Branch Avenue between South Oak Park Boulevard and South 13th Street, Newport Avenue between Front Street and North 4th Street, North 16th Street, 3rd Street, South 8th Street, and Mentone Avenue -- \$764,138
- ▶ Long Branch Avenue, between South 3rd Street and South 10th Street -- \$1,269,571
- ▶ Newport Avenue, between North Oak Park Boulevard and North 4th Street -- \$3,500,000
- ▶ North 1st Street from Front Street to Ocean View Avenue, North 2nd Street from Ocean View Avenue North to the end of the Street, Carmelde Lane, Front Street from Ocean View Avenue to North 1st Street, and Ocean View Avenue from Front Street to North 4th Street -- \$734,134
- ▶ Parkview Avenue, between Front Street and North 4th Street, Becket Avenue, in

its entirety, North 1st Street, between Atlantic City Avenue and Oceanview Avenue, North 2nd Street, between Brighton Avenue and Newport Avenue, and Atlantic City Avenue, between Front Street and North 8th Street -- \$1,950,000

- ▶ South 16th Street, between West Grand Avenue and The Pike. -- \$150,000
- ▶ Construct and maintain sidewalks and corner ramps -- \$50,000
- ▶ Rehabilitation of local major streets according to the priorities set by City Council -- \$625,751 (order of importance: South Oak Park Boulevard, West Grand Avenue, North 4th Street, El Camino Real, Farroll Road, and The Pike)

2020

- ▶ Construct and maintain sidewalks and corner ramps -- \$50,000
- ▶ South 16th Street, between West Grand Avenue and The Pike. -- \$1,800,000
- ▶ Rehabilitation of local major streets according to the priorities set by City Council -- \$705,000 (order of importance: South Oak Park Boulevard, West Grand Avenue, North 4th Street, El Camino Real, Farroll Road, and The Pike)

2021

- ▶ Construct and maintain sidewalks and corner ramps -- \$50,000
- ▶ Rehabilitation of local major streets according to the priorities set by City Council -- \$705,000 (order of importance: South Oak Park Boulevard, West Grand Avenue, North 4th Street, El Camino Real, Farroll Road, and The Pike)

2022

- ▶ Construct and maintain sidewalks and corner ramps -- \$50,000
- ▶ Rehabilitation of local major streets according to the priorities set by City Council -- \$705,000 (order of importance: South Oak Park Boulevard, West Grand Avenue, North 4th Street, El Camino Real, Farroll Road, and The Pike)

2023

- ▶ Construct and maintain sidewalks and corner ramps -- \$50,000
- ▶ Rehabilitation of local major streets according to the priorities set by City Council -- \$705,000 (order of importance: South Oak Park Boulevard, West Grand Avenue, North 4th Street, El Camino Real, Farroll Road, and The Pike)

SLOCOG Regional Transportation Plan, 2019

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2019 Regional Transportation Plan (2019 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2019 Regional Transportation Plan the segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2015 number of 12,000 average daily trips to 13,000 average daily trips in 2045. This segment provides access to the commercial, district of Oceano, Grover Beach, and Pismo Beach. It provides access to the Grover Beach Amtrak Station. Pedestrian safety is a concern given the limited safe crossing opportunities.

Highway 1 Corridor. The City is adjacent to the Highway 1 Corridor. In 2016, this highway carried Annual Average Daily Trips (AADT) of 11,600 (2016 Caltrans counts; website). Volumes are continuing to increase with volume coming from local and regional sources. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic.

Transit. SoCo Transit (administered and managed by the RTA) operates three fixed-route bus lines seven days a week; the buses operate between 6 am and 8:00 pm on weekdays, between 7 am and 8 pm on Saturdays and 7am to 5 pm on Sundays. The routes are described below.

Route 21 operates between Grover Beach, Pismo Beach, Shell Beach, and Arroyo Grande known as the Five Cities Loop Clockwise

Route 24 runs Five Cities Loop Counter Clockwise.

Route 27 runs between Grover Beach, Arroyo Grande and Oceano Clockwise. It includes an afternoon Arroyo Grande High School tripper.

Route 28 runs between Grover Beach, Oceano, Arroyo Grande and AG High Counter Clockwise.

RTA also provides regional fixed-route services within San Luis Obispo County. RTA’s provides six routes. **Route 10** operates along the Highway 101 corridor between San Luis Obispo, Shell Beach, Pismo Beach, Grover Beach, Arroyo Grande, Nipomo, and Santa Maria. Operates seven days a week with less frequency on Saturdays and Sundays.

Five Cities Senior Shuttle is managed by South County Transit. The service is funded by the three cities and the County separate from the South County Transit budget. It is offered to seniors aged 65 and older. It operates in the Five Cities area of Shell Beach, Pismo Beach, Grover Beach, Oceano, and Arroyo Grande three days per week.

Pacific Surfliner. The “Surfliner” provides two frequencies to/from San Luis Obispo (and Grover Beach) and San Diego. The service was implemented in 1995 and has proven to be successful and popular. The service provides a convenient morning departure from Grover Beach to Santa Barbara, Los Angeles and San Diego, with an evening return. The service also includes a total of eight bus connections to meet trains that begin/end in other cities; four for the Pacific Surfliner, two for Capitol Corridor trains, and two for San Joaquin trains. The San Luis Obispo train station is staffed, whereas the platforms and stations in Grover Beach and Paso Robles are not staffed. This unstaffed station is served by four Pacific Surfliner trains and fourteen buses daily. The City of Grover Beach owns the station and recently expanding the station southward. SLOCOG secured nearly \$3 million to support the expansion, which consolidates motor coach access. LOSSAN also provided \$400,000. Train travel frequency is as follows:

**Table 4-17
Travel Time & Frequency Goal**

Corridor Segment	FY 2017-18		FY 2018-19		FY 2019-20	
	one-way travel time	# of trains	one-way travel time	# of trains	one-way travel time	# of trains
San Diego - Los Angeles	9 hrs	24 trains	6.5 hrs	26 trains	6.25 hrs	26 trains
LA - Santa Barbara/Goleta	6 hrs	10 trains	4.5 hrs	12 trains	4.25 hrs	12 trains
LA - Santa Barbara- SLO	12 hrs	4 trains	8.75 hrs	6 trains	8 hrs	6 trains

Source: SLOCOG 2019 RTP

Fire

The City of Grover Beach contracts with the Five Cities Fire Authority (FCFA) to provide staffing and fire service delivery to City residents. The Grover Beach fire station is located at 701 Rockaway Avenue. The Arroyo Grande station serves as the headquarters for the Five Cities Fire Authority. Under this service review a chapter on the Joint Powers Agreement for fire services from the Five Cities Fire Authority is discussed in greater detail.

The Joint Powers Agreement includes the City of Arroyo Grande, the City of Grover Beach and Oceano Community Services District. Under the JPA, the Five Cities Fire Authority has become the second largest metropolitan fire department in the County serving a population of 37,000 in a 10 square mile service area enabling it to increase its presence in the Five Cities area in response to emergency situations.

Ownership of fire apparatus and portable equipment was transferred to the JPA; however the fire station facilities remain the property of the parent organizations. The three agencies (Arroyo Grande, Grover Beach, & Oceano CSD) maintain ownership of the buildings while the Five Cities Fire Authority provides personnel and administrative infrastructure. The City requires all new development pay fees towards additional equipment and fixed facilities in order to service the new development. If an annexation were requested, the Authority and City would consider the need for additional fire stations, equipment and staffing.

POLICE

The City of Grover Beach provides law enforcement services for the residents of the City. The Grover Beach Police Department has an authorized number of sworn staff of 21 officers and a support staff of 10 people. The City has added its first sworn officer position in over 15 years. The budget was increased based on the recommendations of a department audit completed in 2018. The increases include adding a 1.0 FTE Sergeant position beginning in January 2020 to enhance field and detective supervision and increasing two part-time positions (0.75 FTE Cannabis Detective and 0.5 FTE Property/Records Technician) to full-time 1.0 FTE positions. 50% of the new Sergeant position and the full-time Cannabis Detective position would be paid for by cannabis permit fees. In FY19/20 the approved budget was \$4,545,287. The department operates under the direction of the Chief of Police and is divided between operations and support services. The Operations Commander is responsible for all patrol, traffic, community

activities, emergency planning and related administrative functions. The Support Services Commander is responsible for detectives, property, dispatch, records, internal affairs, and primary department administrative functions.

The Cities of Grover Beach and Arroyo Grande have over the years conducted extensive studies to consider the feasibility of consolidation of police services. Concerns for improving services through the elimination of duplicate functions were the driving factors for the studies. The concept of consolidation was hoped to increase the number of field officers and provide an increase service level of both cities. However, the consolidation concepts have never been implemented. To date, each consolidation concept looked at over the years have not turned out to be feasible.

Service Levels. Service levels for Police are often measured in terms of the number of sworn officers per 1,000 people in a community. This is a general measure and should be used only as one piece of information in characterizing police service levels. Service levels vary from city to city because of minimum patrol staffing, officer safety, available back-up from surrounding law enforcement agencies, demographics, geographic features, special service needs, specific crime problems, and other factors. The following is a ratio of full-time (21) sworn officers per 1,000 in population for the City of Grover Beach in 2019, calculated using the following formula:

$$13,533 \text{ population} \div 1,000 = 13.53 \text{ people}$$
$$21 \text{ sworn employees} \div 13.53 = 1.55 \text{ officers per 1000 people}$$

Nationwide the Department of Justice-FBI law enforcement statistics show the ratio to be an estimated 2.4 officers per 1000 people for communities the size of Grover Beach. The average officers/1,000 ratio for the seven cities in San Luis Obispo County is about 1.54 officers, with Pismo Beach being the highest at 2.72 and Atascadero the lowest at 0.95 officers/1,000.

The figures on the next page show the violent and property crime rates per 1,000 people for the City of Grover Beach from 2010 through 2018. Violent crimes include homicide, rape, robbery, and aggravated assault and have been steadily decreasing. Property crimes include burglary, larceny, auto theft, and arson. This information is from the California Department of Justice Crime statistics. The 2010-2018 crime statistics are based on data from the State of California's Office of Attorney General, Department of Justice, Criminal Justice Statistics Center.

Figure 4-10: Violent Crime Rate

Source: California and FBI Crime Index Table 8, 2010-2018

City of Grover Beach - Violent Crime per 1000 people

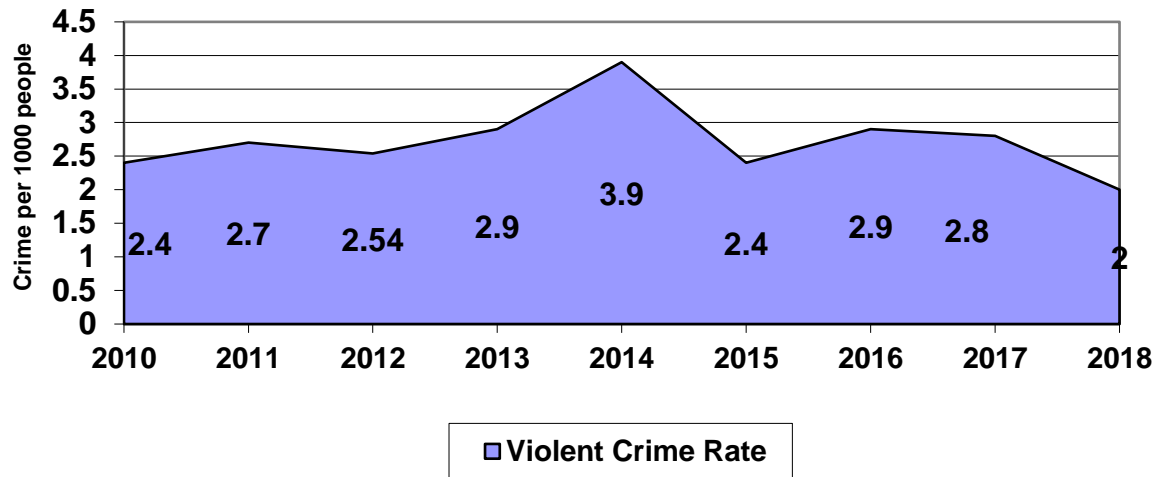
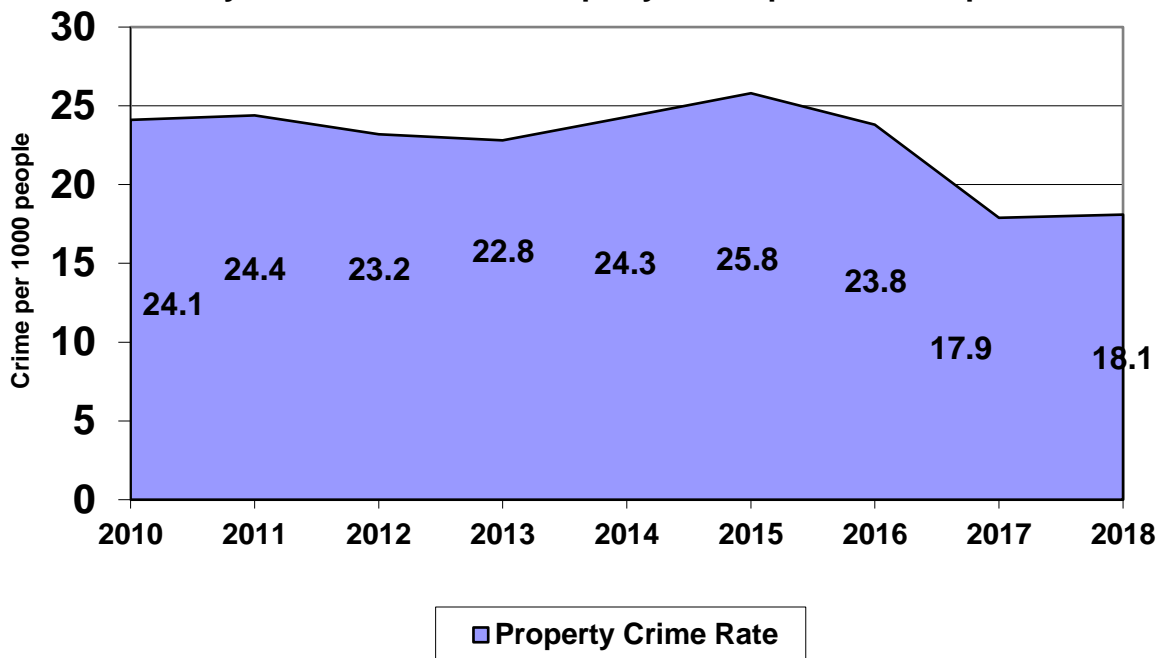


Figure 4-11: Property Crime Rate

Source: California and FBI Crime Index Table 8, 2010-2018

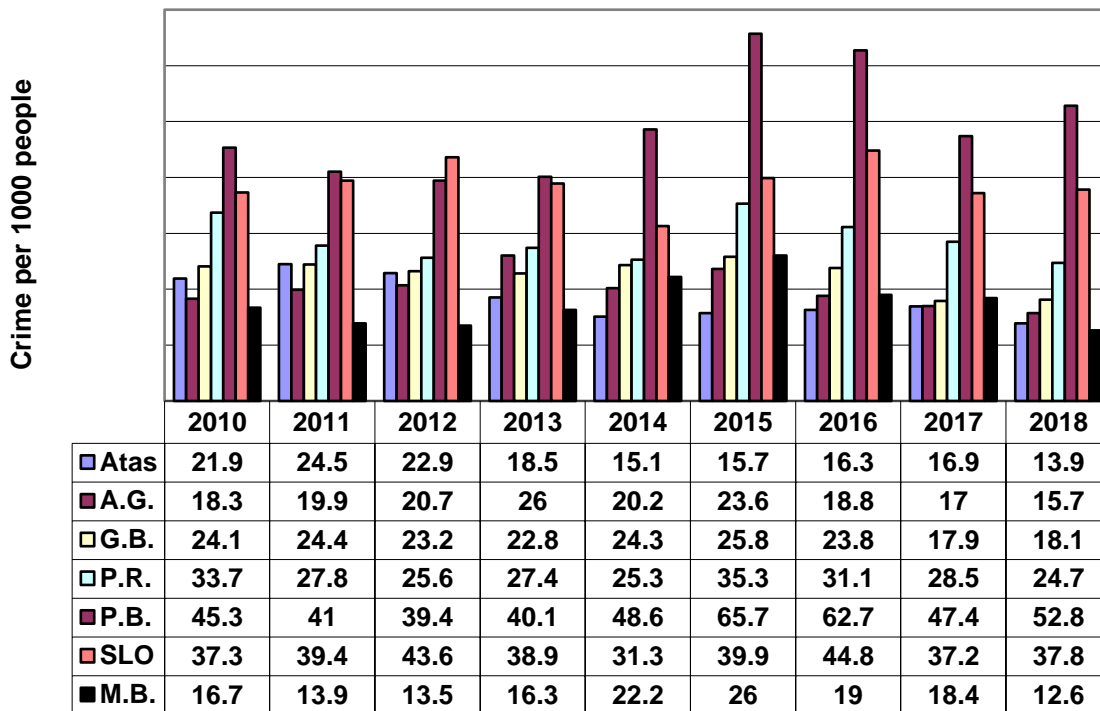
City of Grover Beach - Property Crime per 1000 People



The following figures show the City of Grover Beach property and violent crime rates compared to the other cities in the County. Property crime involves burglary, larceny, auto theft and arson. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County and cities, the crime rate shown is per 1,000 people. Grover Beach had a crime rate of 24.1 in 2010 and increased in 2015 when the crime dropped back down to 18.1.

Figure 4-12: Comparative Crime Rate

**City Comparisons
Property Crime per 1000 people**

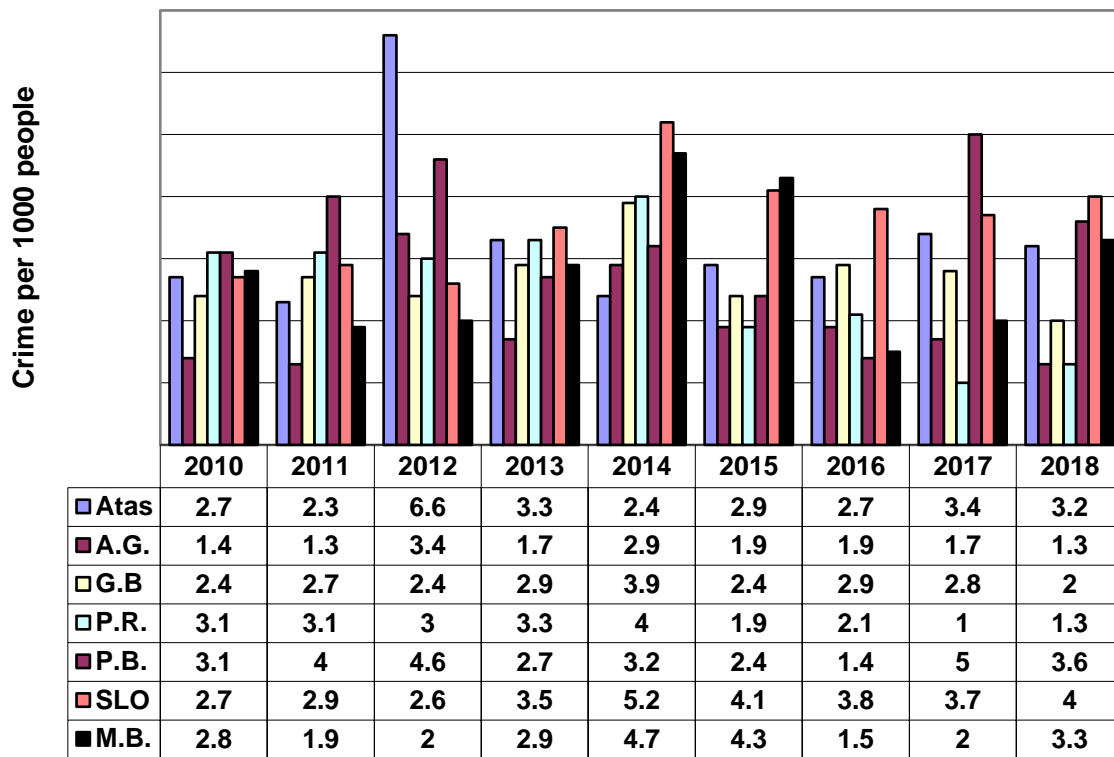


Source: DOF E4, 2018 and California Department of Justice Department

Violent crime involves homicide, rape, robbery, and aggravated assault. These statistics are from the California Department of Justice Law Enforcement Information Center and the California Department of Finance E4 report, 2017. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County cities, the crime rate shown above is per 1,000 people.

Figure 4-13: Comparative Crime Rate

**City Comparisons
Violent Crime per 1000 people**



Source: DOF E4, 2018 and California Department of Justice Department

The Police Department has met the needs of the residents and visitors by utilizing paid reserves when needed, overtime for full-time employees and by prioritizing the urgency of conflicting demands for assistance. The City requires that all new development pay impact fees for additional equipment and fixed facilities needed to serve the new development with police services. The City also has a policy of maintaining staffing levels that enable the Police Department to give adequate attention to calls for service, to patrol and crime prevention, and to administrative requirements.

SOLID WASTE DISPOSAL

A private vendor, South County Sanitary, collects solid waste under a franchise agreement with the City. The landfill serving Grover Beach is also used by the south county communities from Avila Beach to Nipomo. See Chapter 3 for greater details.

SCHOOL SERVICES

School services are provided by the Lucia Mar School District. This school district services the same area as described in Chapter 3.

DEVELOPMENT IMPACT FEES

Government Code Section 66000 is intended to hold agencies to a higher level of accountability whenever charges are established, increased, or imposed and whenever updates or reviews are performed. Section 66000 requires ordinances to include language that commits the local agency to establish reasonable development charges and, if those charges are found not to be reasonable, to refund the difference. The City levies a series of development impact fees for new development to address many differing needs. All these fees are based on Government Code Section 66000 et seq., which requires the agency setting fees to (i) identify the purpose of the fee, (ii) identify the use to which the fees will be put, (iii) determine the reasonable relationship (or “nexus”) between the type of development charged the fee, the amount of the fee and its use, and (iv) determine the reasonable relationship between the need for the public facility or improvement and the project upon which the fee is imposed. Fees collected by the City include: fees in-lieu of parkland dedication, park development projects, water and sewer capacity and improvement fees, road and circulation fees, public safety fees, storm drains, and general administrative capital improvement fees.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Infrastructure Needs and Deficiencies**:

Water Supply and Demand

1. The City is able to provide the services (water, sewer, police and fire) to the development within the City. The policies and standards contained in the City's General Plan provide for future services to be funded by the developer. Resources will be needed as projects are considered and approved by the City.
2. The City's potentially available Water Supply is estimated to be 1,252 AFY to 1,787 AFY in the City's 2015 Draft Urban Water Management Plan. The estimated water demand within the City limits by year 2035 is estimated to be 1,539 afy.
3. The City currently would have an adequate water supply to serve the anticipated 2030 population under its current General Plan to serve the area within the City limits.
4. The City's General Plan policies would not allow water services to be provided in excess of the available supply.

Wastewater

5. The City operates and regularly maintains the wastewater collection, which consists of sewer pipelines, manholes and pump stations.
6. The SSLOCSD treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.6 million gallons per day. The system is operating at 52% of capacity.
7. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects and is dependent on state revenues, budget priorities, and the availability of low-interest loans.

Roads and Streets

8. The City's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
9. The City improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.
10. Several transportation projects are in the planning stages and are progressing toward construction. These projects will provide for the continued upgrade of the City circulation system with the approval of the Street Rehabilitation and Repair Bond Fund.

Infrastructure

11. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects with amount of funding dependent on state and federal revenues, the local economy, and budget priorities.
12. Taking into consideration the City's revenue and operating constraints, the condition of the public facilities are adequately maintained; however, improvements to the wastewater collection, transportation, water storage and distribution systems, and the water supply situation, are needed for future development projects to move forward.
13. Additional infrastructure to accommodate future development may include expanded water supply, improved water storage and distribution facilities, upgraded wastewater collection facilities, and an improved transportation system.
14. The City should be able to provide the services (sewer, police and fire) to areas within the updated Sphere of Influence while continuing to adequately serve existing residents, if the policies and standards contained in the General Plan are implemented when considering annexations and development projects.

Police and Fire

15. The City of Grover Beach has an average crime rate as compared to other cities in the County but has the opportunity to add police and fire staff and facilities as needed to address future growth.
16. The City's Police Department is adequately staffed to provide law enforcement services to its residents. The City has added sworn officer positions, but will need to look at adding additional sworn officer positions to address their needs.
17. The City continues to evaluate the level of staffing and service needed to provide adequate police and fire services to residents.
18. The City is part of the Five Cities Fire Authority (Joint Powers Agreement). The Five Cities JPA provides the area with fire and emergency response services.
19. The City Council has considered but rejected proposals to merge the Arroyo Grande and Grover Beach Police Departments.
20. Merging the Police Departments may have future merit in terms of cost savings and the provision of efficient effective services.

4.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

Purpose: To review the City's existing financial documentation and identify any financial constraints or opportunities.

Budget

The City of Grover Beach's one-year budget document is well organized, thorough and clearly articulates the City's future financial plans. The budget report identifies the sources of revenues, past year's accomplishments and financial performance. As part of this Service Review, budgets from the last two years have been reviewed. The budget document provides information that is divided into the following sections:

Section 1 – City Overview

A financial overview for the City's budget process and goals are listed and includes the City profile.

Section 2 – Financial Trends

This section provides a ten year look back at revenues and expenditures for the City. The City's pension contributions rates are listed.

Section 3 – Budget Overview

This section is the overview for the City's budgeted spending plan for the upcoming year. Identifies costs associated with the day-to-day operation and maintenance of the City. The budget provides the overall revenues and expenditures for the fiscal year along with the department budget comparison.

Section 4 – Department Budgets

The budget provides the revenues and expenditures for each department for the fiscal year along with the previous two-year comparison. The budget also provides prior year budget accomplishments and the budget initiatives for the budget year.

Section 5 – Fund Information

This section of the Budget lists and summaries the general fund, special revenue funds, and enterprise funds for the City including fire development impact fee,

COPS grant, water conservation, park development, transportation fund, and street (gas tax) fund, etc.

Section 7 – Capital Projects

This section of the Budget lists and prioritizes the capital improvement projects for the City. It provides costs and a description of the planned projects.

The City has established a Financial Policy that was adopted in 1995 and updated in the 1997 fiscal year. The Fiscal Policy is used as a guideline for preparing the budget and is reviewed each year. The policies provide a framework for the City to address the following issues: Reserves, revenues, expenditures, budget policies, transfer authority, fiscal management, investments, capital assets, and capital improvements.

Investment and Purchasing Policies

The City has investment policies that guide the City Treasurer with regard to investing the unexpended cash in the City Treasury. The policy for investments in priority order is safety, liquidity and yield. The primary objective of the investment policy is the “Safety of the Principal Investments”. Investments can only be placed into those types of securities described in the Investment Policies document. The City’s policies call for the portfolio to be managed in a manner responsive to the public trust and consistent with state and local regulations. The policies limit the types of investments that can be made and further designates the appropriate investment mechanisms that may be used. The City participates in several joint-financing efforts to minimize costs, including:

- ▶ California Joint Powers Insurance Authority.
- ▶ Lopez Flood Control Zone 3 is funded by the several jurisdictions including Grover Beach. These funds are being used for the Dam retrofit project that is being completed by the County.
- ▶ The City participates in an agreement with the cities of Pismo Beach and Arroyo Grande regarding the groundwater being shared by each those jurisdictions.
- ▶ The Five Cities Fire Authority is another example of joint efforts to minimize costs. This is discussed more in Chapter 7 FCFA.

The City levies a series of development impact fees for new development to address many differing needs. All these fees are based on Government Code Section 66000 et seq., which

requires the agency setting fees to (i) identify the purpose of the fee, (ii) identify the use to which the fees will be put, (iii) determine the reasonable relationship (or “nexus”) between the type of development charged the fee, the amount of the fee and its use, and (iv) determine the reasonable relationship between the need for the public facility or improvement and the project upon which the fee is imposed. Fees collected by the City include: fees in-lieu of parkland dedication, park development projects, water and sewer capacity and improvement fees, road and circulation fees, public safety fees, and general administrative capital improvement fees.

Annual Audits

Annual audits are required by State Law and are performed with the purpose of identifying any inconsistencies or non-compliance with legally mandated accounting requirements. As part of this Service Review, audits prepared by an independent auditor over the last five years were submitted to LAFCO by the City for review. In reviewing the audits, the City was found to be in compliance with standard accounting principles and standards. The Auditor identified no issues or financial problems and provided an “unqualified opinion” regarding the financial statement presented by the City. The following excerpt from the Independent Auditor documents the auditor’s opinion:

“In our opinion, the financial statements referred to above (not shown) present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grover Beach, California, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.”

An “unqualified” independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principles and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The City also posts its annual budget and audits on its website. This provides the public with easy access to the annual budget and audits. Conversely, an independent auditor would identify accounting financial concerns if these were found.

Fiscal Trend Analysis

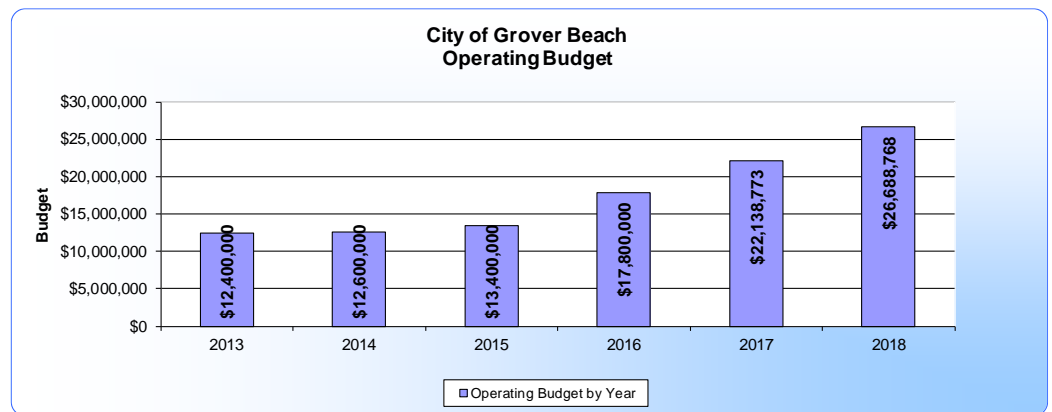
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agency’s fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include transit occupancy tax, sales tax, and franchise fees), reserves, long-term debt, and fund balance for each year. The information was derived from the City’s comprehensive annual financial statement for each year.

Operating Budget Figure 4-14

Formula:
Consolidated Expenditures / Fiscal year

Trend Analysis:
Monitor expenditures over time.

Source:
Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

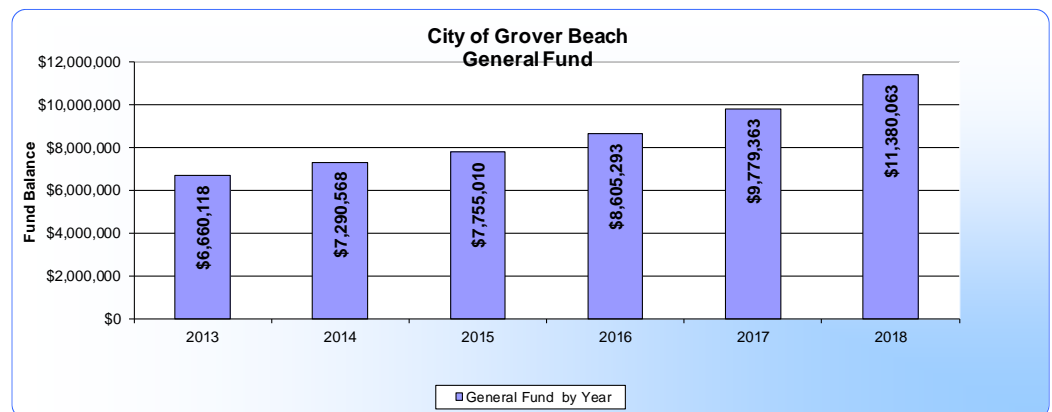
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 4-15

Formula:
General Fund Expenditures / Fiscal year

Trend Analysis:
Monitor expenditures over time.

Source:
Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator refers to the General Fund expenditures Not including debt service, capital improvements or capital projects contributions. For special districts it is assumed that all expenditures (except as otherwise stated) are expenditures for services related to charges.

Property Tax Revenues Figure 4-16

Formula:

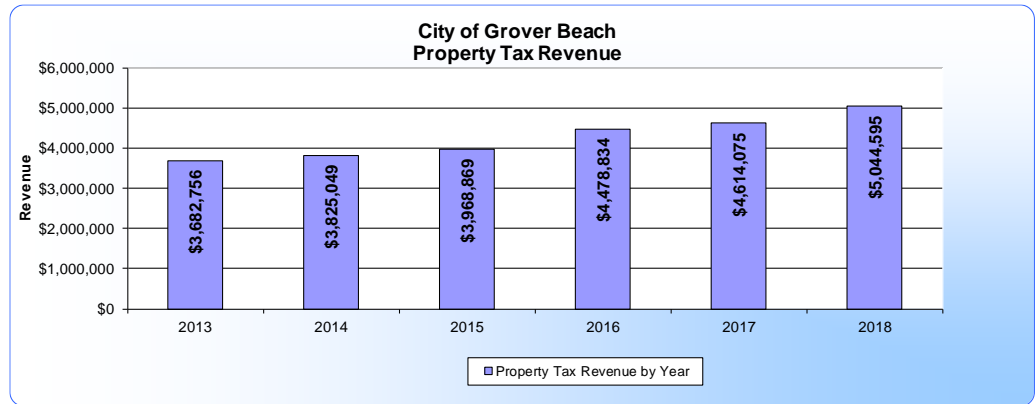
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

Comprehensive Annual Financial Statements: Statement of Activities
Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator will have more importance for those agencies heavily reliant upon property tax revenues such as cities. 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.

Discretionary Revenues Figure 4-17

Formula:

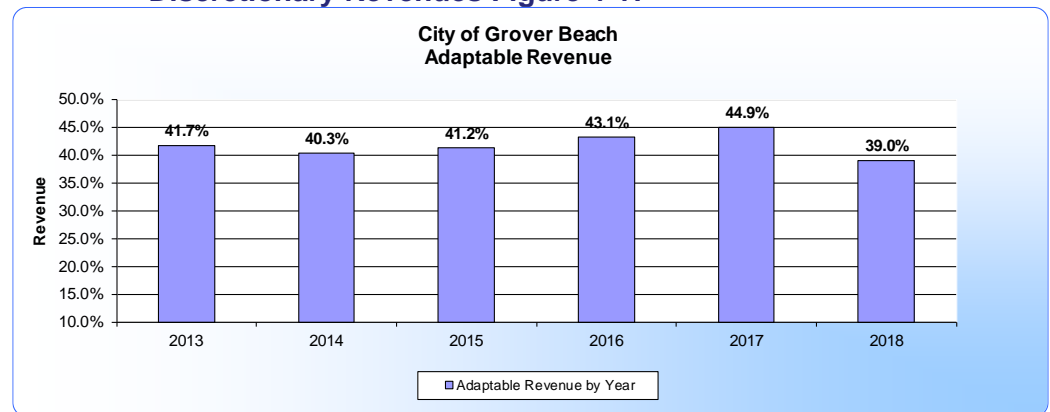
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

Comprehensive Annual Financial Statements: Statement of Activities
Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator can help agencies determine how discretionary revenues are impacting their abilities to provide services. If revenues rely heavily on discretionary sources the agency may want to explore opportunities for increasing inelastic sources to offset the shortfalls in the inelastic revenues. Discretionary revenues consist of TOT, sales tax, and franchise fees, for special district elastic revenues also include water and sewer sales and availability.

Reserves Figure 4-18

Formula:

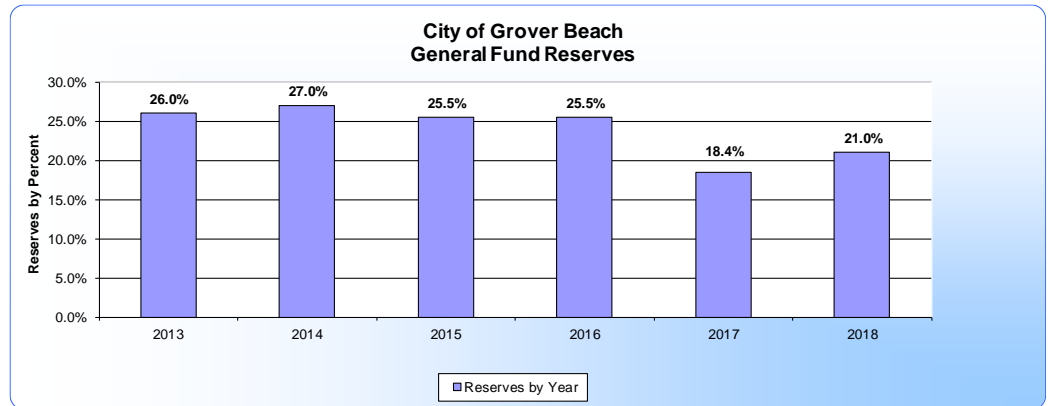
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

Comprehensive Annual Financial Statements: Statement of Activities
Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

As the percentage of reserves increases, a local government gains its ability to respond to changing conditions and to citizens' needs and demands. Decreases in reserves may also indicate future inability to maintain or enhance service levels. For special districts reserves are a % of next FY operating budget. It should be noted that reserves for agencies with infrastructure maintenance obligations will likely exceed 100% as the agency builds the necessary reserves to upgrade and maintain infrastructure.

Long-Term Debt/Liabilities Figure 4-19

Formula:

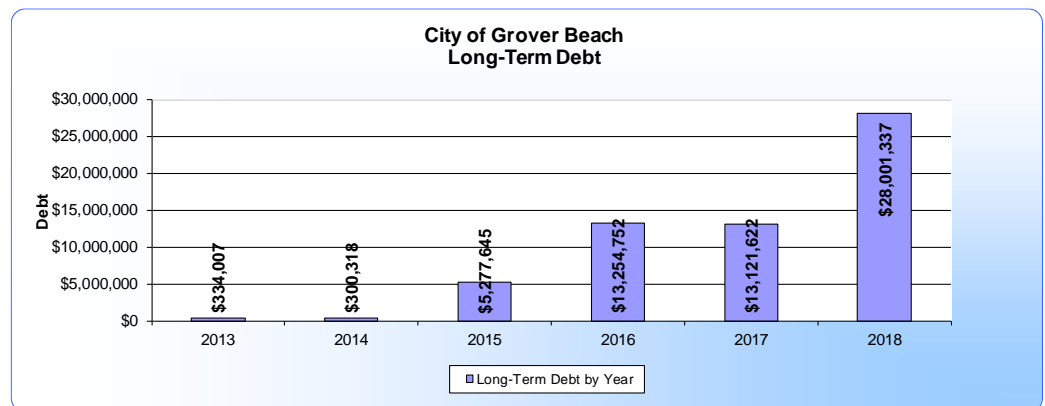
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



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.

Changes in Net Position Figure 4-20

Formula:

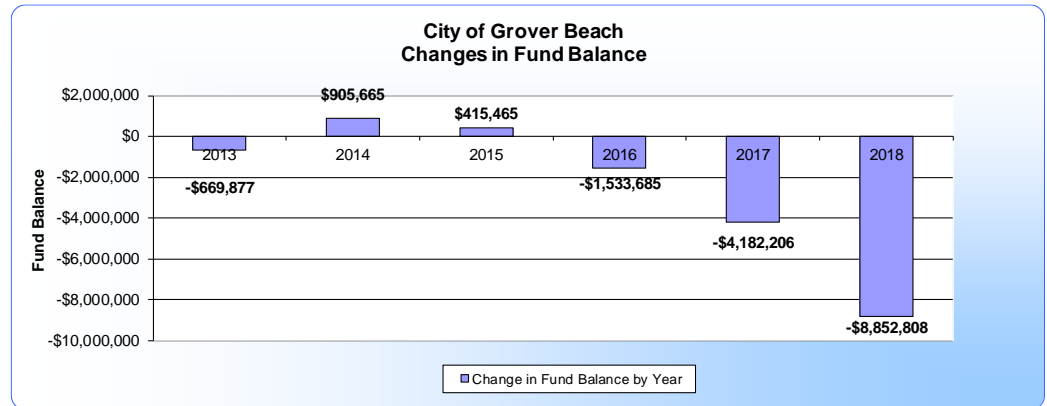
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

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

Source:

Comprehensive Annual Financial Statements: Statement of Revenues, Expenses and Changes in Fund Balance (Government Funds) Basic Financial Statements: Statement of Revenues Expenses & Changes in Net Assets



Description:

This indicator is especially important because a pattern of operating deficits of the general fund 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.

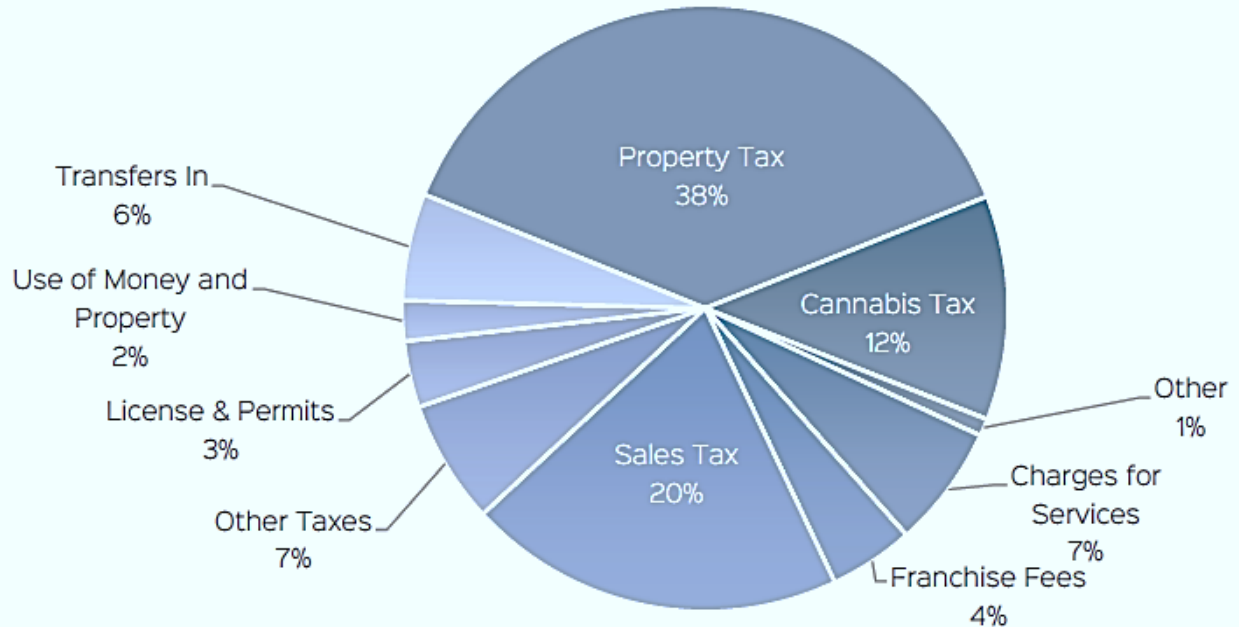
Constraints

Like many jurisdictions during difficult fiscal periods the City of Grover Beach has carefully managed its financial resources.

Major Revenues. The two primary General Fund revenue sources, Property Tax and Sales Tax, are projected to increase when compared to estimated revenues for FY 17-19. The June 2019 Fund Balance of the General Fund was \$3.25 million, which equals approximately 26% of General Fund appropriations, above the City’s minimum policy level of 20%. About 65% of the City’s general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes. In 2019, these revenues increased from the previous year property tax revenues were \$4,811,000 while sales tax revenues were \$2,523,000. The City also adopted a cannabis tax in 2018 which is anticipated to bring \$1,500,000 in revenue during FY 19-20. The City monitors closely the major revenue sources: property, sales tax, and now cannabis tax to help balance the budget. In 2014 Measure K-14 was approved for the Grover Beach Street Rehabilitation; Safety Improvement Bond Measure. In 2015, \$5M in bonds were sold with an additional \$8M in 2016 and \$15M in 2017. In 2018, the City also passed a Hotel Tax increase Measure L-18, and Business Tax Measure M-18.

**GENERAL FUND SOURCES OF REVENUES
FY 2019-20 \$12,466,624**

**Figures 4-21
Revenue Sources**



CITYWIDE SOURCES OF FUNDING

SOURCES OF FUNDING	FY 2019-20 BUDGET	% OF BUDGET
Property Tax	\$ 4,811,000	17%
Sales Tax	\$ 2,523,000	9%
Franchise Fees	\$ 565,000	2%
Transient Occupancy Tax	\$ 579,000	2%
Cannabis Tax	\$ 1,500,000	5%
Utility Users Tax	\$ 176,000	1%
Licenses & Permits	\$ 443,500	2%
Fines	\$ 90,000	0%
Use of Money and Property	\$ 340,600	1%
Other Agencies	\$ 3,575,324	13%
Charges for Current Services	\$ 6,269,404	22%
Transfers In	\$ 887,900	3%
Use of Reserves	\$ 6,802,069	24%
Citywide Sources of Funding	\$ 28,562,797	100%

Long-Term Debts

The City's enterprises had no bonded debt outstanding at the end of fiscal year 2018. The debt currently held by the Successor Agency in the amount of \$4.3 million. All required debt service payments had been made in 2019. With the sale of General Obligation Bonds approved by Measure K-14 the City issued \$28 million in long-term debt as of 2017. A State Loan agreement with California Energy Resources Conservation and Development commission for an energy savings project is due by 2026, as of 2018 loan payable was \$208,261.

Reserves

The City has adopted a Fiscal Policy which includes maintaining a General Fund Reserve of 20% Reserve; made up of 10% General Reserve, 5% Emergency Reserve, and 5% Contingency. The budget for FY 2019-20 maintains the General Fund Reserve of 20% of expenditures, and falls slightly short of the 5% Emergency Reserve. Healthy reserves are one indicator that the City is in sound financial condition. The City's Financial Policies also calls for 10% of the water and sewer funds to be set aside into reserves. These monies are used for emergency projects related to the sewer or water facilities. Over the last several years the City has been able to balance the budget, while maintaining the reserve. The combination of conservative revenue projections and holding the line on expenditures helped Grover Beach build a reserve of upwards of \$3.25 million at the end of fiscal year 2018.

The City's goal of maintaining a 20% reserve is considered a conservative level for maintaining a good credit rating, to provide for economic uncertainties, contingencies for unforeseen expenses, and cash flow requirements. The City adopts a one-year budget which produced a balance budget after temporary gaps while also producing an ending reserve that are substantially higher than City's policy. The following information is from City Adopted Operating Budget, FY 2019-20, [pie charts, pg 45].

General Fund

• Tax Revenues	36%
• Use of Reserves	24%
• Use of Money	01%
• Other Agencies	12%
• Charges for Services	22%
• Licenses, Fines	02%

Rates and Fees

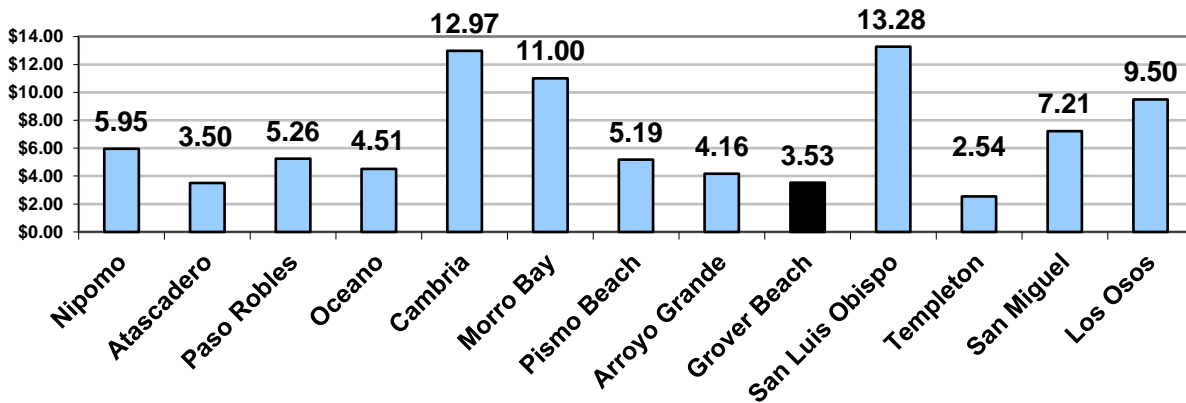
The City adopted a Water, Wastewater Rate Study prepared by Willdan Financial Services in 2016 that include a rate structure with Central Coast Blue project. The City’s Master Fee Schedule was updated in 2018 for all fees charged by the City departments for the services provided to residents. The City adjusted its fee structure by increasing the cost of certain permits applications. Overall, the City carefully monitors the fees charged for services with the goal of providing a service at an equitable rate to the customer and residents.

The City’s water and sewer services are operated as enterprise funds. This means that revenues to support operations and capital improvements are borne by the ratepayer. Water and sewer funds are reviewed annually by the City Council at a public hearing where the Council then determines the appropriate rate for service. If rate increases are needed, they are usually implemented at the beginning of the new fiscal year, July 1st, and all rates are prorated accordingly. The following is a table that compares the rates and fees of several service providers for water and sewer services:

Table 4-18: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Monthly Service Charge	\$6.25	\$22.00	\$32.00	\$27.28	\$29.51	\$13.42	\$21.74
Water Fee	\$0	\$2.34 (1-10 ccf)	\$6.00 (1-3 ccf)	\$3.97 (0-10 ccf)	\$3.78 (1-18 ccf)	\$3.34 (0-12 ccf)	\$6.22 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$5.26 (all ccf)	\$3.50 (11-25 ccf)	\$8.50 (4-10 ccf)	\$4.53 (11-16 ccf)	\$4.16 (19-36 ccf)	\$3.53 (13-20 ccf)	\$7.25 (6-12 ccf)
100 cubic foot = 748 gallons		\$4.90 (26-50 ccf)	\$11.00 (11-50 ccf)	\$5.19 (17-32 ccf)	\$5.55 (36+ ccf)	\$4.04 (21-42 ccf)	\$13.28 (13 + ccf)
		\$5.60 (51-75 ccf)	\$14.00 (50+ ccf)	\$6.96 (33+ ccf)		\$4.57 (42+ ccf)	
		\$7.20 (76+ ccf)					

Figure 4-22: Rates for Water Use at 20 CCF



The City of Grover Beach water rates are modest in comparison to others in the County.

Sewer rates are compared in the table below:

Table 4-19: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Flat Monthly Rate	\$7.80 times monthly usage	\$24.01	\$66.40	\$47.87	\$31.23	\$36.98	\$9.75	\$19.72

Because the City is largely built-out, it has limited opportunities to recover impact fees in a built-out community. Other programs defined by the City will require developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. There is no evidence suggesting that the development of these areas will result in unreasonable fees for these services. It is expected that fees will be in line with citywide fees for such services.

The City and the County shall work together to ensure that the cost of services for the

jurisdictions is equitable. It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Financial Constraints and Opportunities**:

1. The City prepares a annual budget with a mid-year update, and strives to use the best practices in managing their financial resources.
2. The City conducts annual budget and goal setting workshops that allow the public to participate in fiscal management that is integrated with long range planning.
3. The City looks to collaborate with the surrounding jurisdictions, as this has proved to be less costly to provide similar services. Examples of the City's joint efforts with other jurisdictions are previously cited in the Service Review.
4. The City has in place a variety of capital improvement plans, development impact fees, and developer-required mitigation in the form of infrastructure improvements required from new projects and similar programs to monitor public service needs of new development.
5. There are no apparent short- or long-term fiscal constraints limiting the City of Grover Beach's ability to provide services.
6. The City has in place financial policies that provide a structure for responsible decision-making.
7. Rates and fees for services are established using the City's policy and procedures and special studies as the need arises.
8. The City adopted a Master Fee Schedule in 2018 that provided the fees charged and services provided by the various City Departments.
9. The City uses the budget cycle to consider updating the fees and rates schedule that is implemented on an on-going basis.

4.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

Purpose: To identify the opportunities for jurisdictions to share facilities and resources creating a more efficient service delivery system.

In the case of annexing new lands into a City, LAFCO can evaluate whether services or facilities can be provided in a more efficient manner if the City, County, District, and/or State are cooperatively working to construct and maintain facilities. In some cases, it may be possible to establish a cooperative approach to facility planning by encouraging the City, County and State to work cooperatively in such efforts.

The City of Grover Beach coordinates closely with other jurisdictions in the area to share and maintain facilities. An important example of shared facilities is the use of the South County Sanitation District's wastewater treatment facility that serves the communities of Grover Beach, Arroyo Grande and Oceano. A council member who is appointed by the Mayor to represent Grover Beach serves on the District's Board. The three communities also agreed under a Joint Powers Agreement to share fire services by creating the Five Cities Fire Authority. Similarly, a council member represents Grover Beach serves on the Board of Directors.

The City has entered into a JPA with State Parks for a lease that would enable a beachfront lodge to be built at the end of West Grand Avenue near the beach entrance. The City is also considering their options regarding the Central Coast Blue project..

The City is involved in regional transportation planning with the San Luis Obispo Council of Governments. Their efforts in this regard have helped the City to obtain funding for a variety of regional transportation improvement projects.

The Cities of Arroyo Grande and Grover Beach, along with the Oceano Community Services District, have implemented a number of individual efficiency measures that involved coordinating and consolidating fire services. The first major step toward consolidation occurred in 2004 when the City of Arroyo Grande entered into a joint fire administration and training agreement with the City of Grover Beach. Under that agreement, Arroyo Grande provided a fire chief and Grover Beach provided a training captain. The agreement was coordinated by a Fire Oversight Committee, consisting of two city council representatives, both city managers and the fire chief. This arrangement provided the management, coordination and joint training benefits

of a single department, but allowed both agencies to maintain their identity, budget control, staffing, salaries and benefits.

In 2007, the agreement was modified to upgrade the captain position to a battalion chief, have both positions employed by the City of Arroyo Grande and share the costs of both positions. The two cities soon expanded the agreement to include sharing reserve firefighters and apparatus. Sharing a backup fire engine made it possible to sell one fire engine, and the two cities shared the revenue. Reduced maintenance also provides ongoing savings. The agreement was amended to include Oceano on a limited basis and later expanded to provide full services. The three contiguous communities receive services from a single coordinated effort.

Each of the governing boards approved proceeding to establish a Joint Powers Authority (JPA) and established July 1, 2010 which created the Five Cities Fire Authority. The cost-allocation formula is based on population, service calls, and number of stations. See Chapter 7 FCFA for a broader discussion of fire serves.

In general, there are no other public services being provided by other agencies within the City limits. Grover Beach is surrounded by the City of Pismo Beach and Arroyo Grande on north and east side and the unincorporated area of Oceano to the south which has seen very little development. The City of Grover Beach provides full services to its residents and business community.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Opportunities for Shared Facilities**:

1. The City works cooperatively with a variety of Local, State and Federal Agencies to facilitate improvements that benefit the City and protect residents and visitors.

4.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Purpose: To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.

The governing body of the City of Grover Beach is the City Council that is elected in compliance with California Election Laws. The City complies with the Brown Act Open-Meeting Law and provides the public with ample opportunities to obtain information about City issues, including website and phone access. The City's website contains a wealth of information about all of the City's Departments and services. The City supports directly or participates in local business groups and community promotion to the visitor industry (Conference and Visitors Bureau and Chamber of Commerce).

The City Council holds regular meetings at 6:00 p.m. on the first and third Mondays of each month in the City Hall Council Chambers, at 154 S. Eighth Street. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on City issues not on the agenda. All Council meetings are televised live and videotaped for later playback.

The City provides a high level of service. The City's budgeting process is based on a one-year cycle that encourages full participation by the public, advisory bodies, Department Staff and Management. Supplemental budget updates are provided as needed.

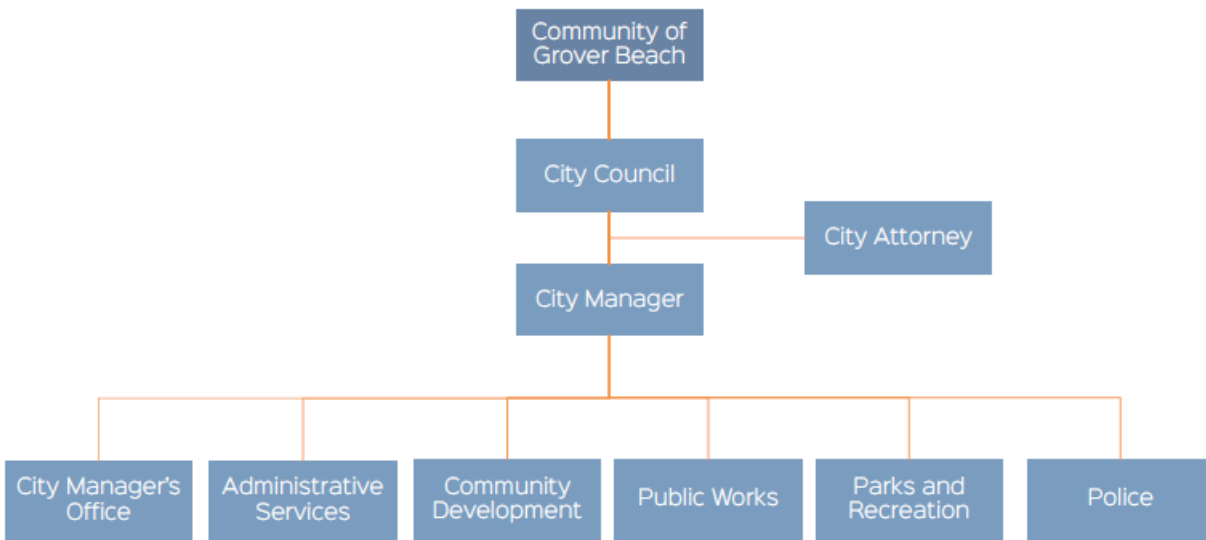
The City's organizational structure is shown in the chart found on the next page. It should be noted that the City has a number of advisory bodies that provide the council with a variety of recommendations on a range of topics. These bodies consist of citizens and are staffed by the relevant department:

- Planning Commission
- Parks, Recreation and Beautification Commission
- Citizen Oversight Committee
- Traffic Committee

Overall, the City is well-organized and equipped administratively to serve the City. The City accomplishes many goals and implements a variety of initiatives. It is apparent that the City manages its resources in an efficient manner and makes every effort to carefully allocate its revenues.

The City's Budget process is discussed in the Financial Constraints and Opportunities section of this report. The organizational chart shows a structure that is straightforward and efficient. It does not include complex decision making loops that would delay decisions.

Figure 4-23



Grover Beach does maintain various customer-oriented programs, including a mission statement for each City department, customer satisfaction programs, regular in-house safety training and management, and similar programs designed to enhance the experience for the City customer.

The City Council maintains a comprehensive Goals and Work Program that describes the goals, projects and programs to be implemented by each City Department. This document is updated annually and includes a description of the program/project to be completed.

It is assumed that public participation in the planning and development process would be about the same for either City or County development projects. Both the City and the County have

well developed Citizen Participation programs that enable access to information and allow for citizen involvement. The City and County have a track record of extensive outreach to the community in making land use and other decisions.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Local Accountability and Governance**:

1. The City has historically made broad efforts to maintain a public dialogue in the community. The City's outreach program includes providing information regarding current issues of significance to the community through a variety of media. In particular, the City has conducted workshops, and public town hall meetings to address matters for the broadest public input possible. The City conducts goal-setting meetings to establish community priorities.
2. The City has maintained relationships with local news media, providing information and/or interviews as requested. Locally elected and appointed officials pride themselves on being available to their constituencies.
3. The City conducts budget reviews and goal-setting workshops that are designed to keep the public informed regarding budgetary situations. It is possible for the public to participate in the budget hearing process. Annual audits are completed and made available to the public upon request.
4. The City has recently updated many of its service plans, including the Draft Urban Water Management Plan, Water and Sewer Master Plans, Development Code, fee and rate structures, and is in the process of updating several General Plan Elements.

4.7 OTHER MATTERS

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

See Chapter 7 related to Five Cities Fire Authority and regional fire service challenges facing the communities of Arroyo Grande, Grover Beach, and Oceano.

REFERENCES

- City of Grover Beach Draft 2015 Urban Water Management Plan, 2020
- City of Grover Beach Sewer Master Plan, 2019
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- City of Grover Beach Budget FY 2017/18 & 2019/20
- General Fund Ten-Year Fiscal Forecast: 2019-29, 2019
- SLOCOG Regional Housing Needs Allocation, 2019
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- City of Grover Beach Capital Improvement Projects, 2018
- California Department of Finance E-5 Report, 2017 & 2019
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- City of Grover Beach Comprehensive Annual Financial Report FY 13 - 18
- City of Grover Beach Fee Schedule, 2018
- City of Grover Beach Water & Wastewater Rate Study, 2016
- County of San Luis Obispo Urban Water Management Plan, 2015
- Sewer System Management Plan, 2013
- City of Grover Beach General/Local Coastal Program, 2012 (LCP 2000, CE 2005)
- San Luis Obispo LAFCO, Sphere of Influence Study, 2012.
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2009
- City of Grover Beach, Official Website, www.groverbeach.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.ag.ca.gov.

CHAPTER 5

Oceano CSD – MUNICIPAL SERVICE REVIEW



The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the Cortese-Knox-Hertzberg Act (CKH). The Act states that, in order to update Spheres of Influence in accordance with Government Code Section 56425, LAFCOs are required to conduct a service review of the municipal services provided by the jurisdiction. The Municipal Service Review factors that need to be addressed include:

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

The above-listed factors are addressed in this chapter and written determinations are included for each factor as called for in the CKH Act.

The OCSD provides the following services for the residents of Oceano:

- ❖ Water service;
- ❖ Street lighting;
- ❖ Sewage collection;
- ❖ Refuse and Garbage Collection
- ❖ Fire protection and basic life support services; and
- ❖ Parks and recreation services.

HALCYON-A SPECIAL COMMUNITY WITHIN THE OCSD

The historic site of Halcyon is an unincorporated community of approximately 125 acres located within the Oceano Community Services District service area on its eastern boundary. The area is located on the east side of Oceano and just beyond the southern border of the city of Arroyo Grande.

The religious group, the Temple of the People, was founded in 1898 in Syracuse New York. Halcyon was founded in 1903 as a Theosophical intentional community and is the home and headquarters of a religious organization. The Temple is identified as historic site in the County's General Plan.

Halcyon today contains fifty-two single-family homes, of which thirty are owned by the Temple, as well as several small buildings used by the Temple, and just over one hundred residents. Almost all residents earn their living outside the community. The OCSD provides fire and to a few residences water service. The buildings in the area have septic systems and are not connected to the OCSD's sewer collection system.

The County adopted the Oceano Specific Plan in 2001. This plan exempts the area Halcyon from its standards, programs and policies. The specific plan does state that there are approximately 36 residences that could be built under current zoning in the Halcyon area. A Design Plan for Halcyon was developed by the community in 2012. It has not been approved by the County Board of Supervisors which retains land use authority over the area. The Plan is used by the Halcyon Community Association to complete its duties. The following excerpt from the plan indicates the vision for Halcyon by the land owners and residents of the area:

"The Temple, the private property owners, and the residents are united in their desire to maintain the atmosphere of a secluded rural village. The focus is on a balance of homes, open space, and trees. Development will require careful planning to maintain this balance. This historic community does not seek annexation to any city but wishes to remain part of the Oceano Community Service District and San Luis Obispo County."

The Oceano CSD may provide services to the Halcyon area as needed and requested by the community. The following documents are on file with LAFCO;

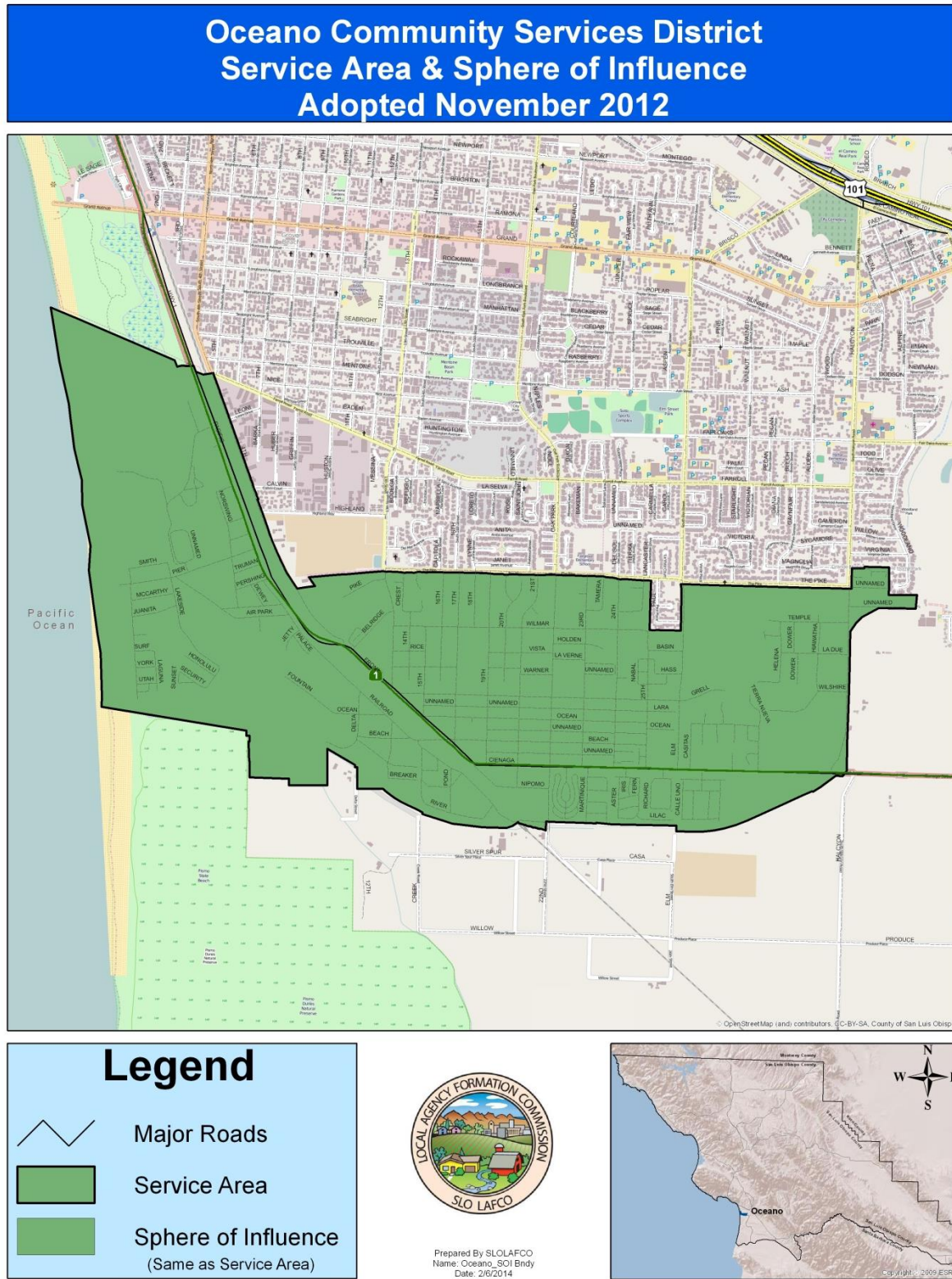
- Design Plan for Halcyon, San Luis Obispo County, California, Final Draft, March 2012, Prepared by Karen M. White

- United States Department of the Interior, National Park Service, National Register of Historic Places Registration Form

The District contracts with PG&E to provide for the operation and maintenance of existing streetlights in Oceano.

The Oceano CSD Sphere of Influence was last updated in 2012. The existing Sphere of Influence for OCSD is coterminous with its service boundary. The last annexation to the Oceano CSD occurred in 2009. Figure 5-1 shows the adopted service area and coterminous Sphere of Influence. No new Study Areas were considered under this review.

Figure 5-1 - Oceano's Existing SOI



5.1 Growth and Population Projections for the Affected Area

Purpose: To identify future growth patterns and project population increases.

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for Oceano. The previous Sphere of Influence update and Municipal Service Review for Oceano Community Services District provides background information. Additional information is included from the County of San Luis Obispo adopted Oceano Specific Plan. The table below summarizes actions considered by LAFCO since 2004 to the present.

Table 5-1 –Proposals/Actions Since 2004

Date	Action	Proposal	Acreage	Status
11/15/12	SOI/MSR	SOI Updates for Oceano CSD, Arroyo Grande, Grover Beach & SLO County Sanitation District	N/A	Conditionally approved
4/7/09	Annexation	Anx #5 to OCSD (Halcyon Estates)	11.2	Approved
4/25/05	Outside User	Outside User Agreement with Oceano CSD (Christie)	10.24	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends.

According to the 2010 US Census, Oceano had a population of 7,277. Total housing units were estimated to be 3,117 units. The estimated build-out population within the current service area is estimated to be 9,228. This assumes an existing population of 7,286, plus 11 infill residential units occupied at a rate 2.8 people per unit. Oceano's population grew less than 1% per year from 2010 to 2020.

Council of Governments Population Projections-2017

The Council of Governments had the consulting firm of Economics Research Associates update population projections for San Luis Obispo County. The primary focus was the seven cities;

however, County Planning and Building Department provided the study with population projections for the unincorporated planning areas including Oceano and surrounding area. The original study was completed in June 2017. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents population growth projections from 2010 to 2050 for San Luis Bay Coastal and South County Planning Areas in the County which include Oceano. The table below shows those results:

**Table 5-2: Projected Population Growth Oceano
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040	2045	2050
Oceano	7,277	7,328	7,496	7,871	8,265	8,442	8,636	8,710	8,778

Source: Beacon Economics (forecast years) 2017; County of San Luis Obispo Department of Planning and Building

Oceano is a small coastal agricultural community surrounded by farm fields, the dunes of the south county, incorporated cities, and the Pacific Ocean. Oceano is considered part of the Five Cities area. The community is expected to show slow and relatively steady growth through 2050. New development in Oceano will continue to be chiefly infill of vacant or underutilized parcels. The percentage of overcrowded housing units is relatively high in Oceano (18.8%). The estimated 2020 population for Oceano is 7,496, up only 219 residents from 2010. Oceano serves as the main entrance to the Nipomo- Oceano Dunes complex and the Oceano Dunes Off-Highway Vehicle Park, which provides an influx of seasonal population.

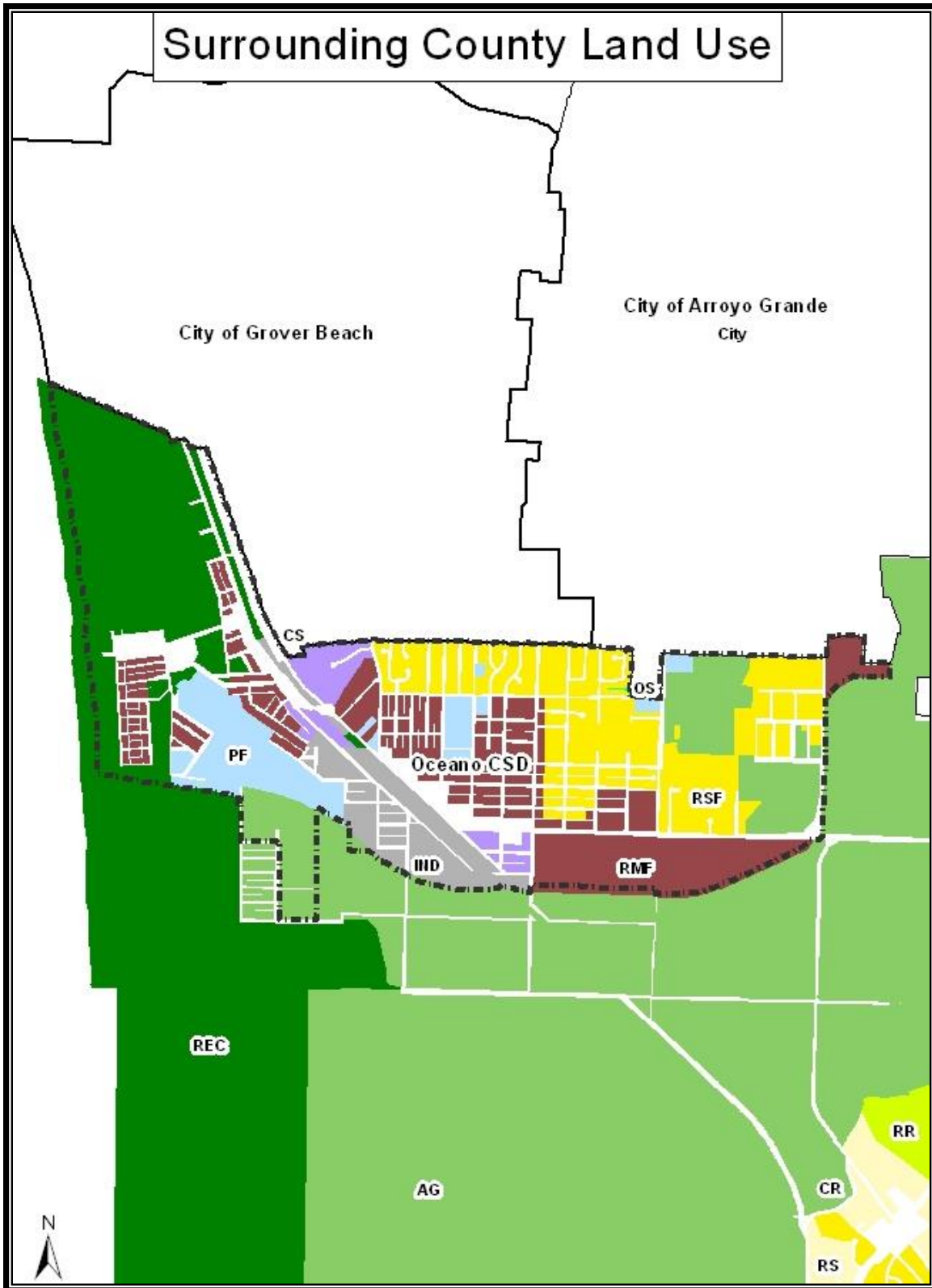
COUNTY'S GENERAL PLAN

The County's San Luis Bay Coastal and Inland Planning Area, and the South County Coastal and Inland Planning Area of its General Plan establish land use policy in the unincorporated area of Oceano and surrounding areas. The County's Oceano Specific Plan identifies where and how the County anticipates development over the next 20-years for Oceano. The County's Plans promote the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use.

The County's Conservation and Open Space Element (COSE) consolidated five previous individual elements (conservation and open space, historic, esthetic, and energy elements). The COSE is utilized as a tool to protect and preserve the unique community resources. The element addresses many issues with regard to conservation, development, and utilization of natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

The Oceano Urban Area is the unincorporated area lying south of the Pike and the cities of Grover Beach and Arroyo Grande. It extends east to Halcyon Road and is bordered on the south by Arroyo Grande Creek and on the west by the Coastal Zone, which is generally west of Highway 1. The urban area also includes the religious community of Halcyon. Oceano is expected to remain heavily dependent on the larger urban complex for commercial uses and employment opportunities. Much of Oceano is already subdivided into residential lots of various sizes. The community also has adequate existing water distribution and sewage collection systems serving the urban area, the most costly of urban services on the existing lots, as well as new subdivisions on some of the larger vacant parcels.

Figure 5-2 (E) Land Use



The San Luis Bay Inland Area Plan describes the areas as generally west of the Southern Pacific railroad is within the coastal zone. Oceano is the most southerly community in the Five-Cities area, and while it has many special facilities (i.e., Oceano Airport, Pismo State Beach, which draws over one million visitors annually), the community is heavily dependent on many commercial uses and employment uses located within the larger urban complex. The community service district boundary includes all of the area within the urban reserve line and includes two additional low density recreational areas and the Halcyon Agricultural Preserve at the corner of Highway 1 and Halcyon Road. The urban services line is coterminous with the Oceano urban reserve line and full urban services should be provided as the community grows. The residential areas of Oceano are a mixture of existing small lots and larger un-subdivided parcels. Only the Halcyon property is covered by the Agricultural land use category. The property is under an agricultural preserve contract and is expected to remain for many years. The plan has limitations on uses to minimize potential land use conflicts with intensive agricultural operations in and adjacent to the western portion of this Residential Multi-Family category. In no case, should the uses be allowed to expand beyond Arroyo Grande Creek.

County of San Luis Obispo Urban Water Management Plan, 2015

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 is a wholesaler operating and managing Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 5-6 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area). An Urban Water Management Plan (UWMP) is adopted by each water suppliers having more than 3,000 connections or selling at least 3,000 acre-feet of water per year. Oceano CSD does not meet this criteria, however the County Zone 3 does. UWMP's provide information and establish policies for meeting the current water demand and for projecting future water demand. Having an Urban Water Management Plan that contemplates the jurisdictions water needs and outlines the necessary steps to secure a water supply system that serves the residents is a key component for the water supplier and an important consideration in updating the SOI.

The table below shows the current and projected population served by Flood Control Zone 3 from 2015 projected to 2040.

Table 5-3 Zone 3 Population & Projections

Population Projections						
Service Area	2015	2020	2025	2030	2035	2040
Population	46,003	47,250	48,358	49,915	51,677	53,344

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2015

Oceano CSD Water Master Plan, 2009

Housing Units and Growth Projections. In the 2009 Water Master Plan, Oceano CSD estimates that 8,714 people are served by the District. The District provides water services outside of its CSD boundary through outside agreements or service arrangements that pre-date the need for agreements. In 2010, the U.S. Census stated the total number of dwelling units as 3,117 with an average household size of 2.8 persons and an occupancy rate of about 98%. Oceano's Water Master Plan projects the current Service Area and Sphere of Influence boundaries of the CSD could grow to a population of 10,133 persons by 2030.

The table below is taken directly from the Water Master Plan and shows historic and projected growth rates:

Table 5-4: Historical & Projected Population Growth

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2030 ⁽²⁾
Population	4,551	6,169	7,260	8,324	8,863	9,141	10,033
10 Year Increase	--	1,618	1,091	1,064	539	278	892
10 year Avg. Increase	--	35%	17%	14%	6%	3%	9.7%
Average per Year	--	3.5%	1.7%	2.9%	1.2%	<1%	<1%

(1) Source: U.S. Census

(2) Source: Oceano CSD 2009 Water Master Plan

OCEANO SPECIFIC PLAN, 2002

The County of San Luis Obispo adopted its Oceano Specific Plan in 2002. Over the last 20 years (2000 to 2020), Oceano's population has increased by approximately 2,200 people. From 1980 to 1990, the community of Oceano increased by 1,618, a 35.55% increase, an average growth rate of 3.55% per year. In the 1990's, Oceano's population increased by 1,091 residents,

a 10 year growth rate of 17.69%. The annual growth rate for that last decade (2010 to 2020) was an average of 1.77%. The projection is based on the build-out population in the Oceano Specific Plan.

Oceano’s growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County’s Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the 2014 certified Housing Element the County estimates a total of 11 new dwelling units as a realistic build-out. The Specific Plan policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within Oceano.

Table 5-5 Build-out Summary: Vacant Land within District

Area	Acres	Units	Population	Land Use
062-085-004	0.30	5	15	RMF
062-082-017	0.20	3	6	RMF
062-069-009	1.2	1	3	RSF
062-321-040	2.7	1	3	RSF
075-032-014	2.9	1	3	RSF
Total Vacant Sites within Oceano	7.3	11	30	

Source: San Luis Obispo County Housing Element 2014.

Recent Building Permit Activity

Building Permits have been compiled for Oceano from the Planning and Building Department. From 2011-June 30, 2020, 1,815 single family and 24 multi-family units were constructed. Oceano had 7,844 residents in 2018 (County Projections).

Table 5-6 New Permits

Community Oceano	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Accessory Dwelling Unit (SFD)										2	2
Guesthouse	5	14	6	7	12	10	15	13	13	1	96
Miscellaneous Mobile Home		1									1
Mobile Home	6	7	7	7	6	12	11	11	9		76

Multi-Family Dwelling			1			11		5	7		24
Secondary Dwelling	1	1		2	4	6	4	5	6		29
Secondary Dwelling-MH	2				1	1	1	2	1		8
Single Family Dwelling	92	131	215	181	188	185	303	266	198	56	1815
Total	106	154	229	197	211	225	334	302	234	59	2051

Source: San Luis Obispo County Planning and Building 2020.

Land Use

The County’s General Plan along with the adopted Specific Plan governs the development of land in the Community of Oceano. The District provides the County with comments regarding land use decisions but does not have authority over land use entitlements. The General Plan identifies the type and intensity of development allowed in each of several land use categories for Oceano.

The table below shows the Land Uses addressed by the Specific Plan. The Specific Plan was adopted in 2002 and made minor changes to the zoning in the Community. The Plan reduced the densities available for the Residential Multi-Family land use category, increased the Commercial Retail land, and reduced the available industrially zoned land. The Oceano Specific Plan identifies the following land use categories:

Table 5-7: Land Use Breakdown

Land Use Designation	Specific Plan (acres)	Percent of Total
Residential Single Family	191.60	28.34%
Residential Multi-Family 15 units/acre	212.22	31.39%
Commercial Retail	20.5331.33	3.04%
Commercial Service	47.1858.15	4.63%
Industrial	88.97	6.98%
Agricultural	25.58	8.60%
Public Facility	0.49	13.16%
Recreation		3.78%
Open Space		0.07%
	676.05	100%

Source: Oceano Specific Plan 2002

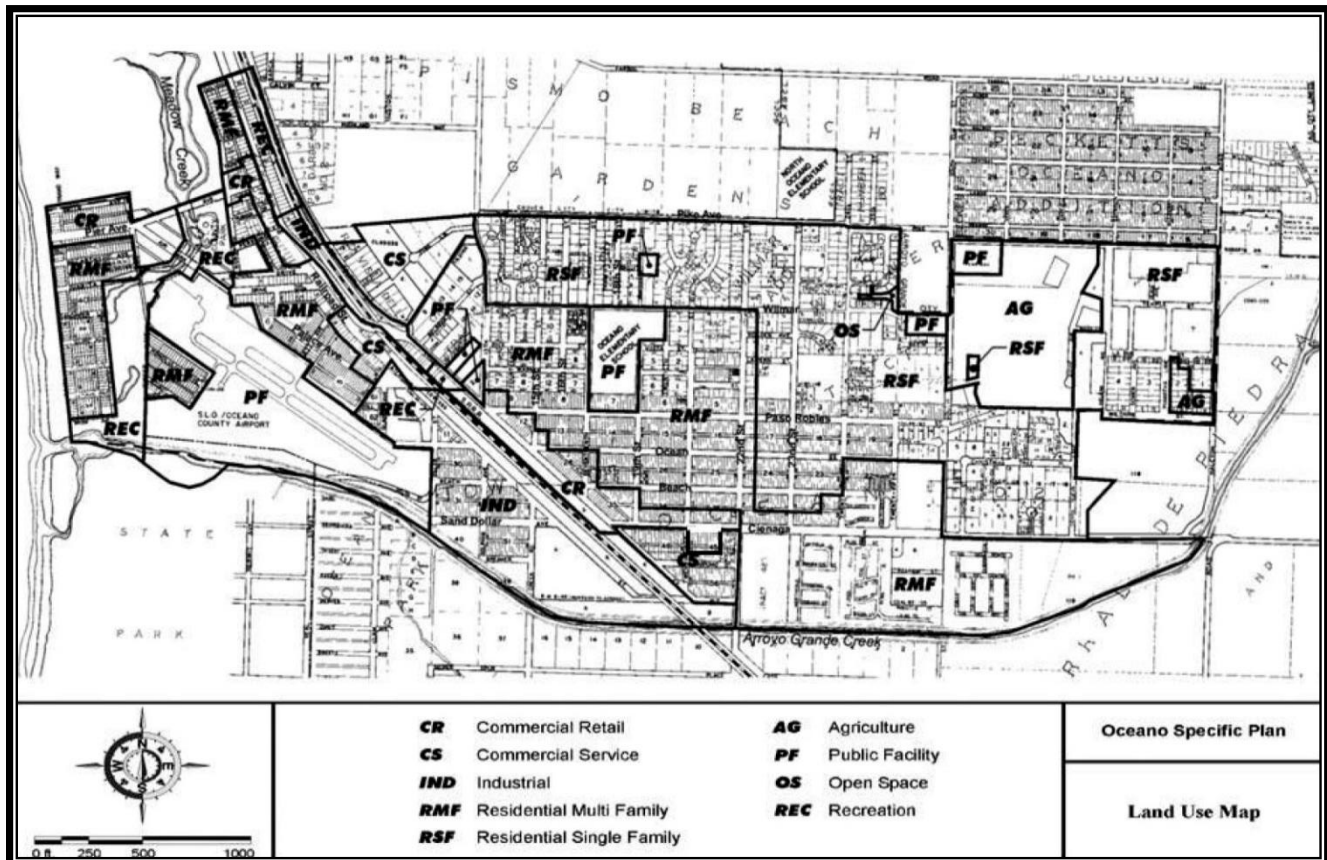
Build-out is the possible amount of development that could occur on every parcel under current planned uses allowed by the General Plan. Full build-out is rarely reached within a community because some parcels are not suitable for full development and other parcels are not developed to their maximum potential by choice of the owner. The Oceano Specific Plan reduced potential build-out to 8,739 because of the decrease in density allowed for Residential Multi-Family projects.

The following programs apply within the Oceano urban reserve line to locations in the land use categories listed.

Central Business District Plan. The Planning Department should work with the community and individual property owners to prepare a CBD plan to establish improvement and development standards for the CBD. The plan should include specific criteria and recommended implementation procedures (including any necessary LUE changes) for the following:

- a. Siting of structures, building materials, signing landscaping, parking and lighting.
- b. Rehabilitation of existing commercial uses and facades.
- c. Placement of utilities underground throughout the CBD.

Figure 5-3 Land Use



Housing Element. The County’s Housing Element was adopted by the Board of Supervisors and certified by the State Department of Housing and Community Development (HCD) in 2014. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2007 through July 1, 2014. The table below shows the total number of residential units (3,256) the unincorporated County of San Luis Obispo must provide zoning for from 2020-2028 for the new RHNA cycle.

Table 5-8: 2019-2028 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	170	107	124	291	692	6.4%	
Atascadero	207	131	151	354	843	7.8%	
Grover Beach	91	57	66	155	369	3.4%	
Morro Bay	97	60	70	164	391	3.6%	
Paso Robles	356	224	259	607	1,446	13.4%	
Pismo Beach	113	71	82	193	459	4.3%	
San Luis Obispo	825	520	603	1,406	3,354	31%	
County Unincorp.	801	505	585	1,365	3,256	30.1%	
Total Units	2,660	1,675	1,940	4,535	10,810	100%	

Source: SLOCOG RHNA 2019

The Housing Element is one of the seven State mandated elements of the General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The County has developed a set of objectives and specific policies and programs to prepare for the production of housing in the unincorporated County (including Oceano).

A Housing Element is required by California law to establish policies and programs that will support the provision of an adequate housing supply for citizens of all income levels. The intent of State law is to assure that jurisdictions in the State provide adequate housing to all members of the community. While the State Department of Housing and Community Development (HCD)

reviews the Housing Element to assure compliance with housing law, each jurisdiction must identify its particular issues to successfully address its housing needs.

The Housing Element provides a detailed assessment of the housing stock in unincorporated communities of the County including Oceano, Avila, Cambria, Cayucos, Los Osos, Nipomo, San Miguel, and Templeton. The assessment includes data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing.

An understanding of existing housing conditions in the County is necessary as a basis for new Housing Element policies to guide the use and development of housing that will be adequate and affordable. In addition to this focused information, throughout the document comparisons to State demographics and statistics are used to identify possible issues or pertinent relationships. This assessment is representative of the larger area and informative of the trends the entire state is experiencing, helping to gain a better understanding of the County in a regional context.

State law is more specific about the content of Housing Elements than any other portion of the General Plan. That specificity is reflected in the detailed demographics and other data contained herein. The Housing Element is also the only part of the General Plan that is subject to mandatory deadlines for periodic updates. Except for the Local Coastal Plan, it is the only element that is subject to review and "certification" by the state. The County's 2014 Housing Element has been certified by the State.

According to the Housing Element a recent available land inventory has been conducted which concludes the County has additional land available for 2,929 new residential units within the unincorporated County (11 units within Oceano). The Housing Element also evaluated the infrastructure to accommodate these new potential residential developments. The Housing Element states that all of the parcels identified in Oceano have water and sewer connections. Oceano is at 35% capacity for water service and 52% capacity for wastewater which

demonstrates Oceano's ability to provide these services to the 11 residential units with existing capacity. These services are further discussed in the next section.

The **Circulation** Element plans for improvements to the County's transportation system that will accommodate existing residents and future growth. Principals, Policies Standards, and programs supporting these goals are provided in detail in the Circulation Element.

The following programs apply within the Oceano urban reserve line to locations in the land use categories listed.

Communitywide

1. Street Improvements. The County Public Works Department should work with property owners and LAFCO to establish assessment districts for the installation of urban street improvements, including curbs, gutters, sidewalks and street trees, in residential areas.

2. Community Improvement. The county should work with property owners and community groups to seek grants and other funding sources to assist property owners in making needed improvements to their residences or place of business.

Oceano Specific Plan Policies and Programs:

***Program 4.** Curbs, Gutters, Sidewalks. Implement a continuous system of sidewalks through an assessment district or through money gained from grants. Make sidewalks a priority around Oceano Elementary School. Sidewalks could be a requirement for all residential areas.*

***Program 17.** Traffic Calming. Consider the use of a pedestrian crossing and signal to slow traffic and identify a preferred location for pedestrians to cross Highway One in the Downtown area.*

***Program 24.** Traffic Calming. Maintain the balance of the roadway grid in Oceano for pedestrian, bicycle and automobile flow in the community through careful consideration of the location of any stop signs, speed bumps or other traffic calming devices.*

***Program 25.** Beach Street Re-alignment & Crossings. Re-align Beach Street to provide better access to the industrial area and allow for development of the west side of Front Street. This should include pedestrian crossing and signal.*

Program 30. Bicycling. *The following improvements are recommended for improving bicycling in Oceano:*

- *Provide Class II bike lanes on 22nd Street and on at least two streets leading to the elementary school.*
- *Establish bike lanes to the beach that will not conflict with the heavy recreational vehicle use.*
- *Establish the Creek Trail so it will be compatible with bicycle use.*

Program 31. Transit. *Improve area-wide transit opportunities for Oceano. Keep fares affordable to increase availability of alternative transportation.*

The **Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. This Element is important in updating the Sphere of Influence because it contains detailed principals, policies, standards, and programs targeted at preserving open space lands. Key policies include:

Policy OS 1.7 *Open space resource protection - Protect open space resources by guiding development away from rural areas to more suitable areas.*

Policy OS 4.1 *Define urban areas to prevent sprawl - Prevent urban sprawl by maintaining a well-defined boundary between urban/village boundaries and surrounding rural areas.*

Policy OS 4.2 *Maintain community separators - Maintain permanent separations between communities in order to retain the rural character of the county.*

Policy OS 4.3 *Conversion of rural areas to Urban – Lands Limit the conversion of unincorporated rural areas to Urban Lands in accordance with the considerations for urban and village expansion in Framework for Planning of the Land Use Element.*

Policy OS 4.4 *Annexation of urban development - Urban development will be annexed to an incorporated city or an existing community services district (CSD) or County service area (CSA), specifically in the following scenarios:*

- a. Where cluster development from rural property is to be located adjacent to the urban area; or*

b. Where and when higher density development is to occur consistent with resource and service capabilities and orderly extension of urban services.

Policy OS 4.5 *Maintain large parcels - Within urban and village reserve lines, maintain large parcels, preferably at least 10 acres in size, until such time as full urban services can be provided.*

The Parks and Recreation, Agriculture, Safety, Economic, and Framework for Planning Elements of the General Plan each have principles, policies, standards, and programs that provide guidance and clarification for the public and decision makers. These are important topics that the County/CSD addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike. The policies and programs in these elements would be applied to the Sphere of Influence.

The District is authorized to provide parks and recreation services, however currently have no programs at this time other than those implemented by Lucia Mar Unified School District (LMUSD). The District holds a lease with LMUSD for the Oceano Community Center and as part of the lease requirements LMUSD utilizes the community center for recreation programs. There is a section in the lease where the District may also utilize the community center. Board direction was given to pursue the use of the community center for the maximum of 120 hours per year.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Growth and Population**:

1. The 2002 Specific Plan provides information and policy base for the improvement and future development of the Community of Oceano. The Plan is growing older nearing twenty years and should be updated to reflect current needs.
2. The Specific Plan also provides design guidelines that will govern future growth in Oceano. The Plan has provisions for adding curb, gutter and sidewalks and other drainage improvements. The Plan details transportation and circulation system improvements that will improve Oceano's traffic flow and walkability. An update to the Specific Plan should contemplate if these provisions are being met and possible other ways to enhance Oceano.
3. According to the Council of Governments Population Projections Oceano is projected to grow at a rate of less than 1% per year.
4. Development activity has remained steady in Oceano over the past several years. This is evidenced by the building and land use permit data provided by the Planning and Building Department.

5.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. 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 community of Oceano has a variety of economic diversity that reside within the CSD boundary and surrounding area. The Cities of Grover Beach, Arroyo Grande surround the community of Oceano. Oceano is currently considered a disadvantaged community with median household income of \$39,000; however, the Community Services District currently also provides the needed resources of water and sewer along with other basic infrastructure to all residents. In 2017, the Rural Community Assistance Corporation prepared an Income Survey for Oceano. Oceano's Sphere of Influence is coterminous with its service 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. Because Oceano's Sphere of Influence is coterminous, disadvantage community factor does not qualify for the present and probable need for public facilities and services.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Disadvantaged Unincorporated Communities**:

1. The Oceano Community Services District's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it that does not already receive services.

5.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the service area 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 are proposed by the District or property owners.

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the Oceano Community Services District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the CSD to expand such resources and services in line with increasing demands.

The most important infrastructure needs are the provision of water and wastewater services. Beyond these basic services, police and fire protection, and circulation/road services are considered high priority needs for future growth of the District.

This section evaluates the District's resources and capabilities to provide services to existing and future residents. The key topics addressed include water supply and demand, water pipeline system, sewer system capacity and condition, fire and police protection, traffic and roads, as well as, other services.

WATER

A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Oceano CSD has a pending update to Chapter 9 (CIP) of its 2009 Water Master Plan. The County updated its Urban Water Management Plan in 2015. These plans, and other documents, are the basis for this section of the Municipal Service Review. The County updated its Water Master Plan in 2010. Urban Water Management Plan (UWMP) are due every five years, in years ending in "5" and "0" for water suppliers having more than 3,000 connections or selling at least 3,000 acre-feet of water per year. The difference between a Water Master Plan (WMP) and UWMP are stipulated in legislation. An UWMP must meet the requirements outline in the UWMP Act whereas the WMP simulates those requirements as a comprehensive assessment of the system's current performance and its future needs. By having an effective master plan in place it will support the success of the jurisdictions water systems, although no mandated update period is required.

Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water. In this area the SOI is expected to remain unchanged, with no expansions or reductions.

Water Supply

The OCSD provides water services for the community of Oceano. There are three major water sources in the area: the Northern Cities Management Area (NCMA) of the Santa Maria Valley Groundwater Basin, the State Water Project, and Lopez Reservoir. The Oceano CSD utilizes and is allocated water from all three sources.

Groundwater. The District extracts groundwater from the Northern Cities Management Area (NCMA) of the Santa Maria Valley Groundwater basin. Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2003 Settlement Stipulation of the Santa Maria Valley Groundwater Basin adjudication. The District's allocation share is 900 acre-feet per year from this settlement. The OCSD maintains three active wells and one inactive well to extract water from the basin.

Santa Maria Valley Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria Valley groundwater basin, which was adopted by the Courts in 2008 issuing a final decision concluding that while the Santa Maria Valley Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be found to be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term integrity of water supplies in the NCMA. The annual monitoring report prepared for the NCMA documents water conditions between 2007 and 2019 with recovery in 2010 and 2011, and shows the water use among the communities by source. Water quality testing in 2009 indicated a potential for seawater intrusion that had locally manifested in a few wells. The 2019 annual report shows a significant recovery of groundwater elevations relative to 2009 and groundwater improved as early as 2010 with a collective reduction in use by the agencies. Ongoing monitoring will be analyzed to determine the long-term reliability of the basin. In the interim, to minimize the threat of seawater intrusion, the Northern Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

Lopez Reservoir. Lopez Lake stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Pismo Beach, CSA 12, Grover Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (Zone 3 UWMP 2015), which reflects the sustainable water supply year over year. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The City can receive an allocation of up to 303 acre-feet from the Lopez Reservoir. The remaining 4,220 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. Surplus water is made available to contracting agencies based on their contract percentage, when less than the safe yield is delivered in the prior year. Surplus water is not a reliable additional source of water.

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 is a wholesaler operating and managing Lopez Reservoir. Based on various levels of the reservoir, a Low Reservoir Response Plan (LRRP) was adopted in December 2014 and activated in April 2015 and terminated on March 31, 2018. The enactment of Stage 2 of the LRRP resulted in a 10% decrease in municipal and downstream releases. The County Flood Control District projects that municipal entitlements will remain constant at 4,530 AFY through 2035, and that it will be able to supply all contracted agencies with their full allocations.. A surplus water supply may be available in future years, but this surplus is not a reliable source for the City to plan for from year to year.

State Water Project (SWP). The District has purchased an allocation of 750 acre feet of State Water. The District also has 750 acre feet of State Water Drought Buffer. Water from the State Water Project and Lopez are delivered via a shared pipeline to the community of Oceano from the Lopez turnout.

State Water Project Reliability. The State of California Department of Water Resources (DWR) prepares a State Water Project Delivery Reliability Report. The 2017 report estimates the amounts of water deliveries for current (2015) conditions and projected conditions twenty years in the future. The report describes how the Department of Water Resources calculates delivery reliability for the SWP, key planning activities that may affect future SWP delivery reliability including climate change, sea level rise, vulnerability of Delta levees to failure, operation restrictions in response to decreasing populations of endangered fish species. The amount of SWP water supply delivered to the state water contractors in a given year depends on the demand for the supply, amount of rainfall, snowpack, runoff, water in storage, pumping capacity from the Delta, and legal constraints on SWP operation. Table 9-8 & 9-9 from the 2017 DWR reliability report contains the monthly and annual estimates of SWP Table A deliveries from the Delta under historic conditions. This table shows that average SWP delivery amounts have not decreased from previous years. For long term planning, it is assumed that SWP contractors will receive 15 percent of the maximum allocation in a given year.

The 2014 final allocation of 5 percent was the lowest allocation in SWP history. The final SWP allocation in 2013 was 35 percent of the SWP water contractor requests. In 2012, the first year of the ongoing drought, the final allocation was 65 percent.

The San Luis Obispo County Flood Control and Water Conservation District (District) is one of the 29 State Water Project (SWP) contractors with the California Department of Water Resources (DWR) and has a Table A water contract for a maximum annual request of up to 25,000 acre-feet (AF), depending on the amount available for delivery which varies based on hydrologic conditions, current reservoir storage, and combined requests from the SWP contractors. Similarly, the District has up to 4,830 AF of SWP water delivery obligation to local subcontractors throughout the County, depending on their request (their “water service amount”). An additional 5,707 AF of Table A water is subcontracted to those agencies as drought buffer, resulting in a total of 10,537 AF (4,830 AF + 5,707 AF) under subcontracts. The District has an additional 14,463 AF of its 25,000 AF Table A contract unsubscribed, commonly referred to as the “excess allocation.” Hydraulics, treatment plant capacity, contractual terms and conditions, and District policy impact how the excess allocation can be used. For 2019, the SWP Table A water allocation from DWR was 75%, or 18,750 AF for the District (75% of the 25,000 AF contract). This amount far exceeded the District’s 3,150 AF delivery request, allowing Oceano to receive its full request, and the District to add water to storage for delivery in future years.

The District completed a system capacity study that indicated excess pipeline capacity is available and that the Oceano segment could be upgraded to reduce pipeline constraints to address improved capacity before additional State Water can be allocated. The Board of Supervisors acting as the District is currently considering adopting policies to guide the Board in determining which jurisdictions might receive a portion of the State Water allocation that is currently unused. Additional steps would involve negotiations with the Central Coast Water Authority to determine how much State Water is available and what the buy-in costs/options might be for use of additional pipeline and water treatment plant capacity. The final step would be a revised contract negotiated between the interested communities. Each of these steps requires additional involvement and the outcome is uncertain.

Oceano Transfer. OCSD wheels water through Arroyo Grande to serve Christie and Canyon Crest developments and some areas along the southern border within the City. The average acre feet of water provided outside of the District service area is approximately 244 AFY.

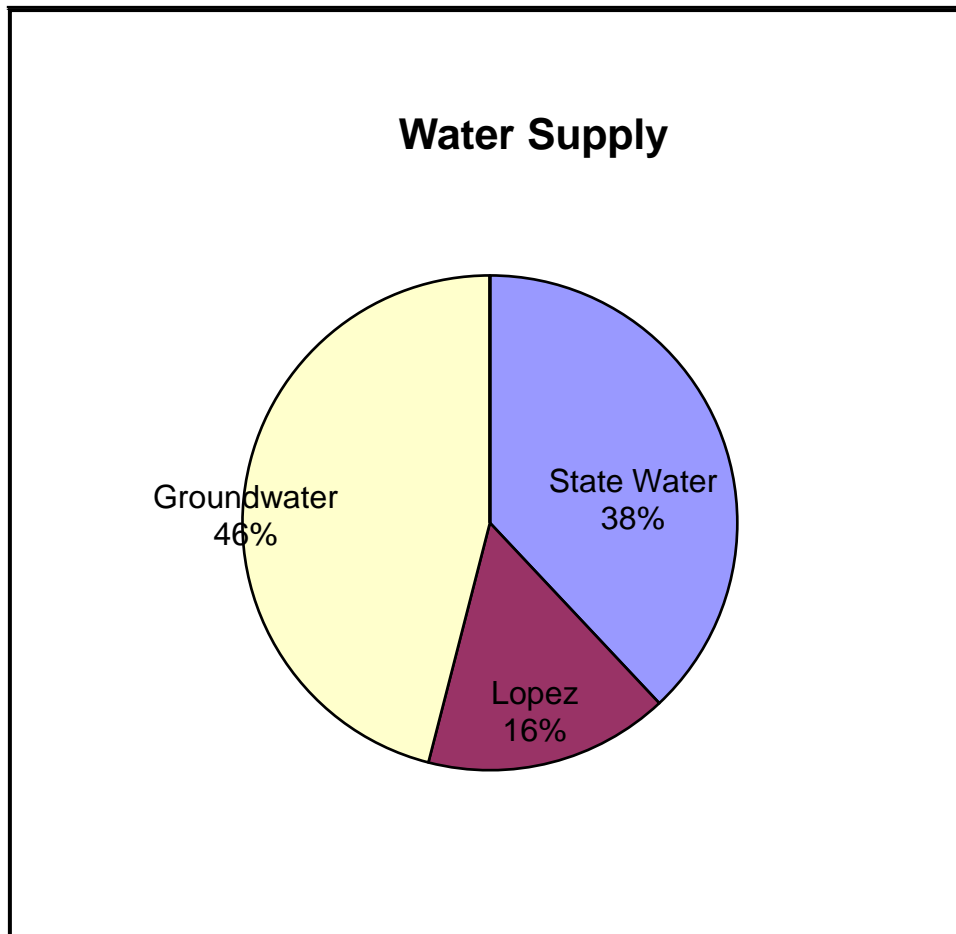
Oceano CSD appears to have excess water and passed a ballot measure in 2012 that would require Oceano voter approval before making any sale of water by the District permanent.

Before the OCSD could negotiate with others for the allocation of this excess water, the County would also need to complete the capacity study and the Board would need to adopt the policies guiding the reallocation. The table on the next page shows the District’s current water supply situation. The following chart on the next page shows the water supply by percentage.

Table 5-9 – Oceano CSD Current Water Supply

Source	Amount (acre feet)
Groundwater	900
Lopez Water	303
State Water	750
Total	1,953

Figure 5-4 Oceano CSD Current Water Supply



Recycled Water Potential. As noted in Chapter 3 under Arroyo Grande water section, recycled water planning for alternatives has been studied for the communities in the Five Cities area. Participation in the Central Coast Blue project will likely be dependent on financial availability of the communities to fund and distribute the share of offset water from injection. All agencies, including South San Luis Obispo County Sanitation District, have been meeting to discuss the agencies' respective shares of the project although no formal cost-sharing agreement is in place. The future reuse of the highly treated water produced by the Wastewater Treatment Facility is not currently anticipated to be a portion of the OCSD's multi-source water plan at this time.

The Central Coast Blue Project would enable the NCMA agencies to produce recycled water to augment their water supplies. Construction of the new facility will allow for the use of recycled water to recharge the groundwater basin and provide a new, drought-proof source of water supply for the area. As conceived, the project includes construction of a distribution system that will inject advanced purified water into the SMGB and will allow the NCMA agencies to increase recharge to the basin, improve water supply reliability, and help to prevent future occurrences of seawater intrusion.

Recycled water is another potential source of water if the South San Luis Obispo County Sanitation District's wastewater treatment facility is upgraded; this could represent a source for non-domestic uses, if treated. The District may not be in a situation that requires recycled water, however Oceano along with the City of Arroyo Grande and Grover Beach contribute wastewater to the SSLOCSD which could provide an opportunity to increase water supplies for the surrounding communities.

Table 5-10 - Future Available Water Supply

Source	Allocation AFY
Groundwater	900
Lopez Water	303
State Water Project	750
Recycled Water	0
Total	1,953

Source: Oceano CSD Water Master Plan, 2009

The table below shows water production by Oceano CSD by source from 2011 to 2019. The Water Master Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2025 the current water supply will continue to supply the same safe yields of groundwater 900 AFY, Lopez 303 AFY, and State Water 750 AFY.

Table 5-11 Oceano Water Produced

Oceano Amount Produced, AFY									
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Wells	44	59	93	259	132	5	21	246	147
SWP	750	738	750	0.0	571	668	0.0	0.0	11
Lopez	57	241	45	547	0.0	0.0	697	480	522
Total	851	1038	888	806	703	673	718	726	680

Source: Oceano CSD, 2019, 2011-2018 NCMA - Units; Acre Feet per Year

Zone 3 Urban Water Management Plan, 2015

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 3-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2015 projected to 2040.

Table 5-12 Zone 3 Population & Projections

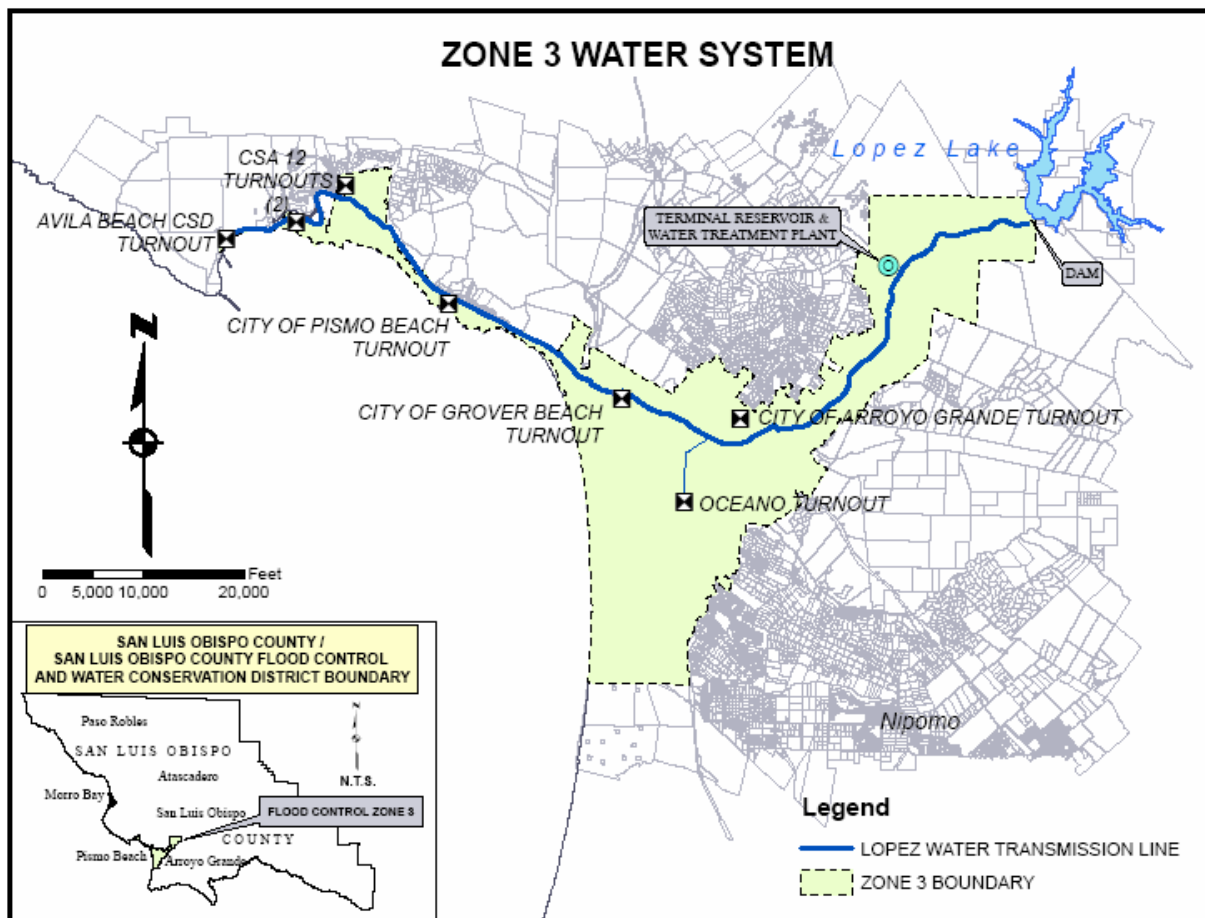
Population Projections						
Service Area Population	2015	2020	2025	2030	2035	2040
	46,003	47,250	48,358	49,915	51,677	53,344

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2015

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused the reservoir to be depleted and within the safe yield of the 8,730 AFY. . Historically, during the largest drought years on record (1989/1992 & 2012/2017) since the Reservoir has been in operation, the District has been able to deliver full allocations to contract agencies. As a result of the latest drought of 2012-2017 coupled with the mandatory downstream releases due to the dam's seismic remediation project, entitlements

were reduced by 10% in 2015. Full entitlements went back into effect when the declared drought was rescinded on March 31, 2018. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir’s safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply available is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests.

Figure 5-5 - Zone 3 Boundary



Water Demand

The District completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the

service area. The District's 2009 Water Master Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2019, the District reported annual water use of 680 acre-feet. Oceano estimates that current use and projected demand are shown in table on the next page.

Table 5-13 - Annual and Projected Demand

Annual Water Use (2019)		680 AFY
Estimated Build-Out Demand	(Residential)	84 AFY
	(Commercial)	184 AFY
Subtotal		948AFY

Source: Oceano Water Master Plan, 2009, Oceano Specific Plan EIR

Water Conservation. The District is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. The District's goal is to use 5-15% less of total water usage under an advisory and volunteer basis. The County also implemented that new development be required to meet rigid standards for both inside and outside water use.

Water Distribution and Storage System

The District's water distribution system delivers potable water through a transmission main from the four Lopez turnouts and wells to customers and fire hydrants via pump stations, water tanks, and approximately 22 miles of water distribution pipelines. The District's water is delivered through a system of local distribution lines running from municipal reservoirs located in various strategic locations. The District also receives direct water deliveries to these reservoirs from the Lopez Lake waterline that runs through town. State Water deliveries to the District occur through the Lopez Lake delivery system as well.

Water Distribution: The water distribution system was evaluated as part of the 2009 Water Master Plan update. OCSD's water distribution system includes 22.4 miles of pipeline, booster pumps, wells, valves and fire hydrants. The function of these facilities is to deliver water for customers and fire flow needs at adequate flow and pressure. A total of 3,850 feet of new water mains have been installed in the last 10 years. According to the OCSD, the water distribution system is in good condition and most areas of the District were found to have adequate

pressures under all water-demand conditions.

Water Storage: OCSD is presently served by a diverse arrangement of water storage systems. There are two above ground steel water tanks, with capacities of one million and 300,000 gallons. Some wells are supplied with (natural gas engines) emergency generators, which effectively utilize the groundwater as a storage basin. In addition, there is an emergency intertie to the City of Grover Beach water system should the need arise.

Capital Improvement Plan-Water System. The District's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. Planned water system improvements are included in the District's Capital Improvements Program that is pending adoption by the Board of Directors. The Water Master Plan has prioritized the projects that are most needed to improve the system. The CIP has identified \$4 million in total water infrastructure projects needed, of which \$1.25 million are Priority 1 projects which need to be completed in 5 years.

Projects Budgeted or In Process - Priority 1

Improvements

(Orange Figure 5-6)

- ▶ Cabrillo Hwy (Hwy 1 at 21st St.)
- ▶ Cabrillo Hwy and Front Street
- ▶ 22nd Street at Paso Robles Street
- ▶ Truman Drive
- ▶ Railroad Street Alley (Truman to Airpark)
- ▶ Norswing Drive and Pershing Drive
- ▶ Strand Way (South of Utah)
- ▶ Laguna Dr Alley (South of Utah)
- ▶ Cabrillo Hwy Alley (at 19th Street)
- ▶ Utah Ave Alley (between Strand Way and Utah)
- ▶ Pershing Drive across Hwy 1
- ▶ Tank Inspection
- ▶ Tank Re-line and Re-coat

- Priority 2 Improvements**(Green Figure 5-6)**

- ▶ Pier Avenue
- ▶ Norswing Drive Loop (North of Pier)
- ▶ Railroad Street (Creek Rd. to 17th St.)
- ▶ Creek Road (Sand Dollar to Railroad St)
- ▶ 16th Street and Warner Street
- ▶ 14th Street at Wilmar Ave
- ▶ Vista Street (19th St to 21st St)
- ▶ Warner Street (19th to 21st)
- ▶ South 4th Street Upgrade
- ▶ Temple St and Halcyon Rd
- ▶ Jetty Ave Alley (Palace Ave. to Fountain Ave.)

Priority 3 Projects (Blue Figure 5-6)

Figure 5-6 Capital Improvement Projects

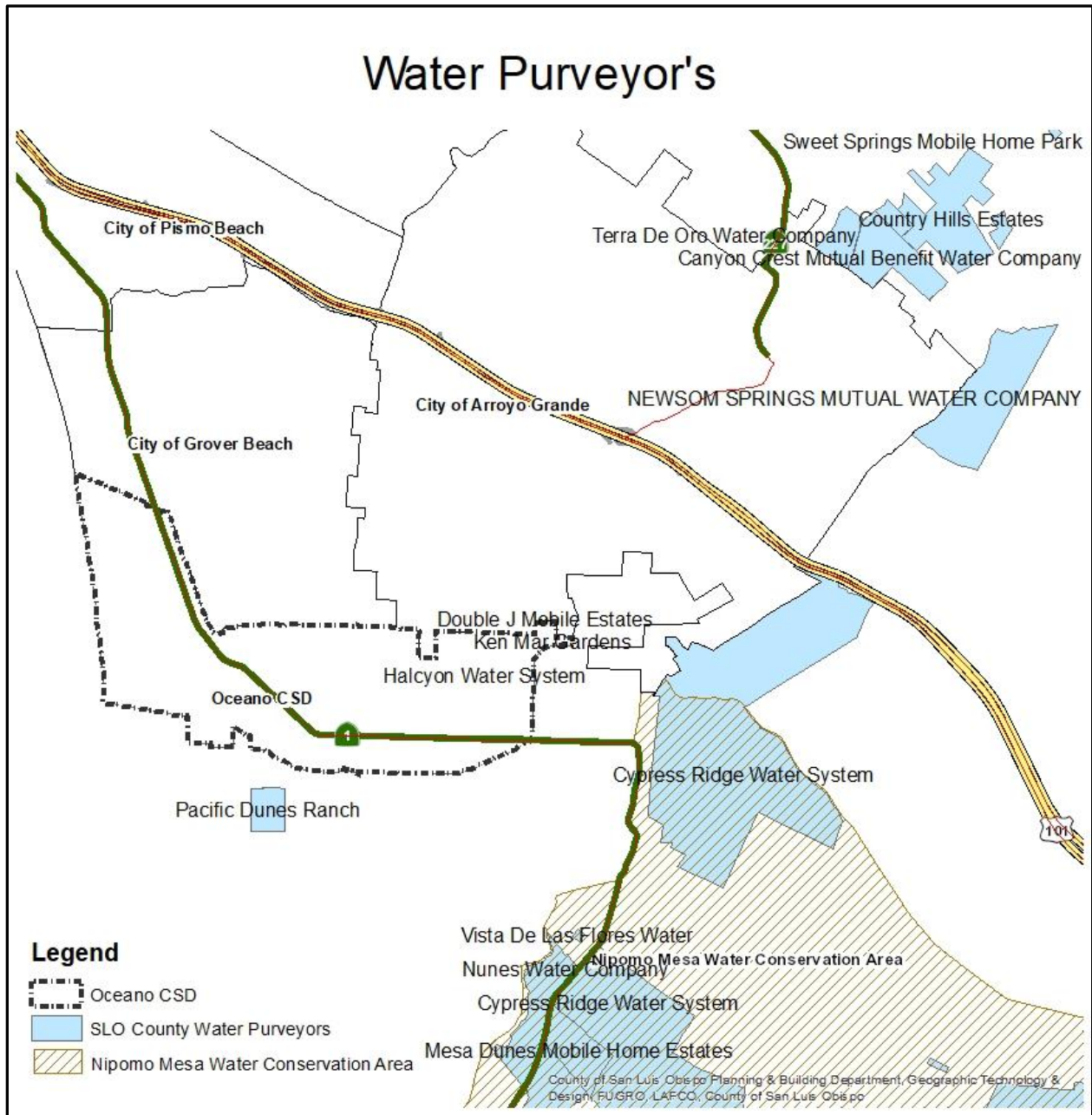
Project No.	Description	Priority	Existing (in.)	Proposed (in.)	Length (lf)	Unit Cost	Construction Cost	Soft Cost	Total Cost
1-1	Cabrillo Hwy (Hwy 1 at 21st St.)	1	2	8	650	\$150	\$97,500	\$39,000	\$136,500
1-2	Cabrillo Hwy and Front St	1	-	8	400	\$150	\$60,000	\$24,000	\$84,000
1-3	22nd Street at Paso Robles St	1	-	8	225	\$150	\$33,750	\$13,500	\$47,250
1-4	Truman Dr	1	4	8	250	\$140	\$35,000	\$14,000	\$49,000
1-5	Railroad St Alley (Truman to Air Park)	1	4,6	10	1000	\$140	\$140,000	\$56,000	\$196,000
1-6	Norswing Dr & Pershing	1	1,2	8	900	\$140	\$126,000	\$50,400	\$176,400
1-7	Strand Way (South of Utah)	1	4	8	235	\$150	\$35,250	\$14,100	\$49,350
1-8	Laguna Dr Alley (South of Utah)	1	4	8	130	\$150	\$19,500	\$7,800	\$27,300
1-9	Cabrillo Hwy Alley (at 19th St)	1	2,4	8	700	\$140	\$98,000	\$39,200	\$137,200
1-10	Utah Ave Alley (Strand Way to Utah)	1	3	8	195	\$140	\$27,300	\$10,920	\$38,220
1-11	Pershing Dr across Hwy 1	1	-	8	200	\$150	\$30,000	\$12,000	\$42,000
1-12	Tank Inspections	1	-	-	-	-	\$6,500	\$2,600	\$9,100
1-13	Tank Re-lining and Re-coating	1	-	-	-	-	\$180,000	\$72,000	\$252,000
2-1	Pier Ave (Lakeside to Hwy 1)	2	6	10	1140	\$140	\$159,600	\$63,840	\$223,440
2-2	Norswing Dr Loop (North of Pier)	2	4,-	8	1750	\$140	\$245,000	\$98,000	\$343,000
2-3	Railroad Street (Creek to 17th)	2	-	8	650	\$250	\$162,500	\$65,000	\$227,500
2-4	Creek Road (Sand Dollar to Railroad)	2	-	8	480	\$140	\$67,200	\$26,880	\$94,080
2-5	16th St at Warner St.	2	2,4,6	8	940	\$140	\$131,600	\$52,640	\$184,240
2-6	14th St at Wilmar Ave.	2	2	8	380	\$140	\$53,200	\$21,280	\$74,480
2-7	Vista St (19th to 21st)	2	2	8	480	\$140	\$67,200	\$26,880	\$94,080
2-8	Warner St (19th to 21st)	2	2	8	480	\$140	\$67,200	\$26,880	\$94,080
2-9	South 4th St Upgrade	2	2	8	200	\$150	\$30,000	\$12,000	\$42,000
2-10	Temple St and Halcyon Rd	2	-	12	1075	\$175	\$188,125	\$75,250	\$263,375
2-11	Jetty Ave Alley (Palace to Fountain)	2	-	8	650	\$150	\$97,500	\$39,000	\$136,500
3-1	La Verne Avenue (22nd to 23rd)	3	4	8	500	\$140	\$70,000	\$28,000	\$98,000
3-2	23rd Street at Wilmar Ave.	3	4	8	300	\$150	\$45,000	\$18,000	\$63,000
3-3	18th St at Wilmar Ave.	3	4	8	40	\$250	\$10,000	\$4,000	\$14,000
3-4	Laguna Dr Alley (Utah to Juanita)	3	4	8	1195	\$150	\$179,250	\$71,700	\$250,950
3-5	Utah Ave Alley (York to Utah)	3	3	8	195	\$140	\$27,300	\$10,920	\$38,220
3-6	Rochelle Way Loop	3	-	8	200	\$200	\$40,000	\$16,000	\$56,000
3-7	Security Ct at Sunset Ln	3	2	8	280	\$140	\$39,200	\$15,680	\$54,880
3-8	21st St at River Ave.	3	-	8	690	\$130	\$89,700	\$35,880	\$125,580
3-9	La Vista Ct at The Pike	3	4	8	425	\$140	\$59,500	\$23,800	\$83,300
3-10	Lancaster Dr at The Pike	3	4	8	1150	\$140	\$161,000	\$64,400	\$225,400
3-11	Trinidad Dr at Martinique	3	4	8	300	\$130	\$39,000	\$15,600	\$54,600
Subtotal	Priority 1 (Orange)	1	-	-	4885	-	\$888,800	\$355,520	\$1,244,320
Subtotal	Priority 2 (Green)	2	-	-	8225	-	\$1,269,125	\$507,650	\$1,776,775
Subtotal	Priority 3 (Blue)	3	-	-	5275	-	\$759,950	\$303,980	\$1,063,930
Total		-	-	-	18385	-	\$2,917,875	\$1,167,150	\$4,085,025

Other Water Providers

In addition to the Oceano CSD, seventeen other private/public water purveyors provide water services to area residents. These providers are located outside of the District service boundary. The primary source for all of these other water providers is groundwater pumped water from local Groundwater Basin. Five purveyors pump groundwater from the Nipomo Mesa Conservation Area. Other water purveyor's includes:

- City of Pismo Beach
- City of Arroyo Grande
- City of Grover Beach
- Sweet Springs Mobile Home Park
- Country Hills Estates
- Terra De Oro Water Company
- Canyon Crest Mutual Benefit Water Company
- Newsom Springs Mutual Water Company
- Double J Mobile Estates
- Ken Mar Gardens
- Halcyon Water System
- Pacific Dunes Ranch
- Golden State Water Company
Cypress Ridge
- Vista De Las Flores Water
- Nunes Water Company
- La Mesa Water Company
- Mesa Dunes Mobile Home Estates

Figure 5-7 Other Water Providers



WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a district-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 52% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a mechanically separate to remove the larger debris. The screened wastewater is then distributed

to the primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. The OCSD is responsible for collecting and transporting wastewater from its 2,072 lateral connections. The collection system is generally in good condition and is regularly maintained by the District. The Oceano collection system conveys wastewater from the District's service area to the South San Luis Obispo County Sanitation District trunk lines. The District utilizes a single lift station and force main as well as a variety of gravity sewer sizes and materials. The District is in the process of developing a capital improvement program to help prioritize and implement projects related to the water, sewer, and other infrastructure. The District completed the water portion of the capital improvement program in FY 19/20 and will develop the wastewater collection portion in future fiscal years.

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Pismo Beach, Oceano, Arroyo Grande, and Grover Beach. The sample bi-monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City/District.

Table 5-14 – Single-Family Water Rates FY 2019-20

Rate/Fee	Pismo Beach	Oceano	Arroyo Grande	Grover Beach
Bi-Monthly Service Meter Charge	\$27.28	\$53.56	\$59.02	\$26.84
Water (per 100 cubic feet)	\$3.97	\$3.64	\$3.78	\$5.61

Other Charges	\$0.00	\$1.80(Lopez Treatment)	\$37.80 (Lopez Treatment)	\$0.00
Sample Bi-Monthly Bill (10 units of water)	\$66.98	\$91.76	\$96.82	\$82.94

Table 5-15 – Single-Family Sewer Rates FY 2019-20

Rate/Fee	Pismo Beach	Oceano	Arroyo Grande	Grover Beach
Flat Bi-Monthly Rate	\$67.34	\$19.49	\$4.80	\$23.00
Sewer (per 100 cubic feet water)	\$28.41	\$0.00	\$0.67	\$0.00
Other Charges	\$0.00	\$0.00	\$50.96	\$50.96
Sample bi-monthly bill (10 units of water)	\$95.75	\$19.49	\$62.46	\$73.96

Figures 5-8 and 5-9 show a rate comparison for four communities in the County. The following charts show the comparison of the Five Cities area. Overall, Oceano’s water and sewer rates for residential customers is about average in the Five Cities area. The charts are based upon a sample billing using “10 units” of water as a basis.

Figure 5-8

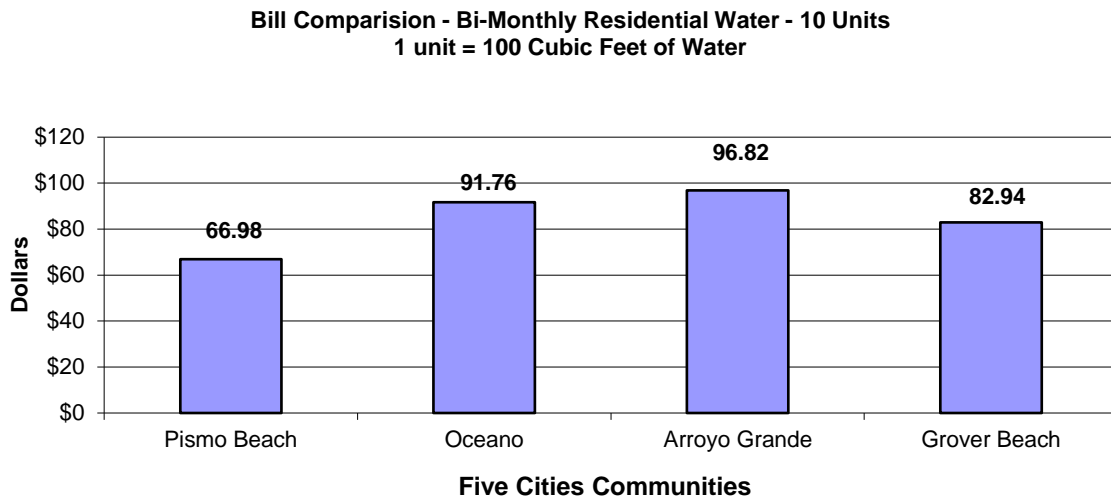


Figure 5-9

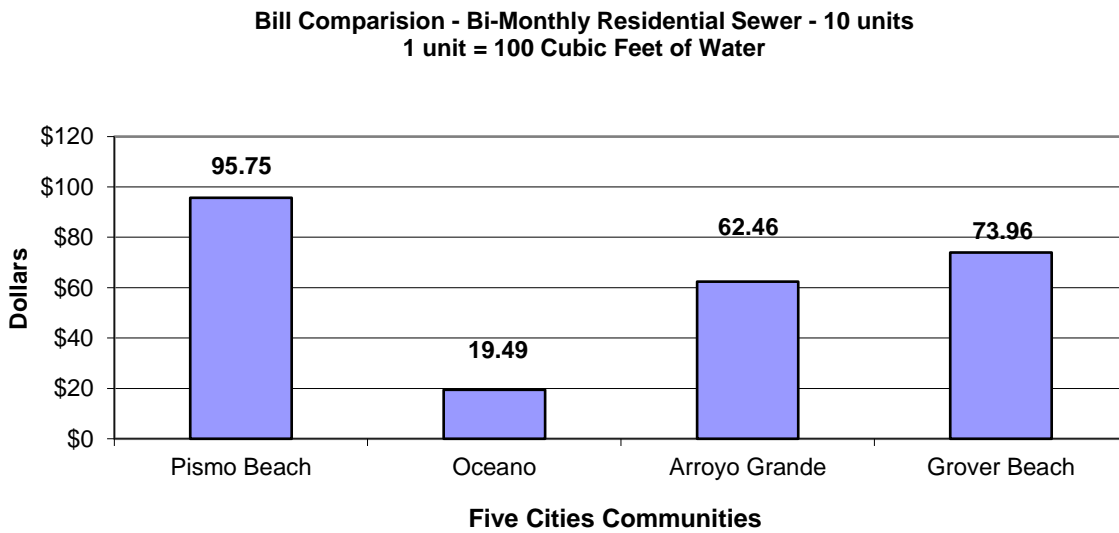
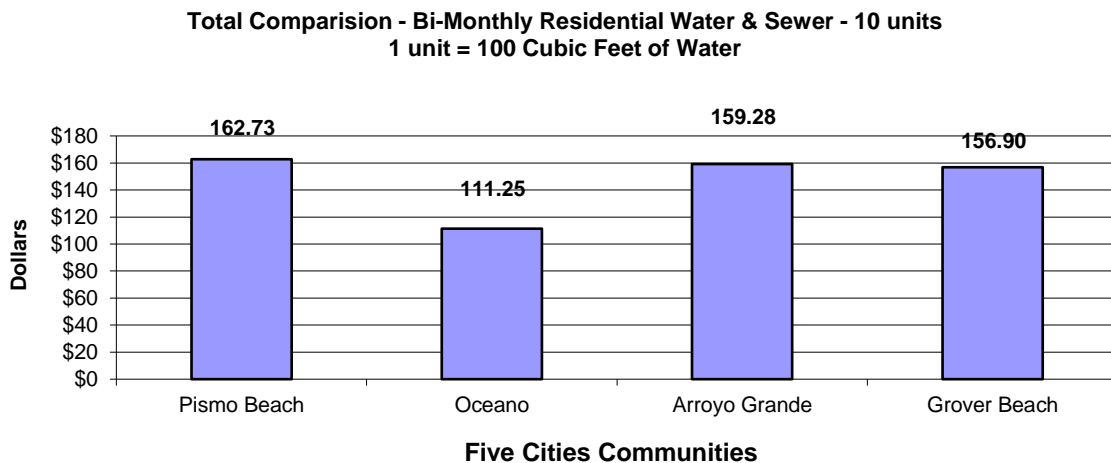


Figure 5-10



TRANSPORTATION - STREETS – ROADS

County of San Luis Obispo General Plan, Circulation Element 1979

The roads are maintained by the County of San Luis Obispo Public Works Department. The Circulation Element of the County's General Plan describes how the County will manage transportation issues as Oceano grows and develops. The Circulation Element was adopted in 1979 along with other elements in the General Plan, in particular the Land Use Element, the coordinated approach enables the County to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the County's circulation system.

Oceano is primarily a residential community that is cut by a major regional roadway, Highway 1. The bulk of the community's traffic is generated at the local residential road level and then flows to the arterials that connect to the adjacent highway. The roads and other transportation facilities within Oceano operate at relatively good service levels, except for congestion experienced during weekends, holidays and summer months on Pier Avenue at the entrance to the State Beach.

The County considers capital improvements on a year-to-year basis. Improvements are made as needed or required.

SLOCOG Regional Transportation Plan, 2019

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2019 Regional Transportation Plan (2019 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2019 Regional Transportation Plan the segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2015 number of 12,000 average daily trips to 13,000 average daily trips in 2045. This segment provides access to the commercial, district of Oceano,

Grover Beach, and Pismo Beach. It provides access to the Grover Beach Amtrak Station. Pedestrian safety is a concern given the limited safe crossing opportunities.

Highway 1 Corridor. The District is adjacent to the Highway 1 Corridor. In 2016, this highway carried Annual Average Daily Trips (AADT) of 11,600 (2016 Caltrans counts; website). Volumes are continuing to increase with volume coming from local and regional sources. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic.

Transit. SoCo Transit (administered and managed by the RTA) operates three fixed-route bus lines seven days a week; the buses operate between 6 am and 8:00 pm on weekdays, between 7 am and 8 pm on Saturdays and 7am to 5 pm on Sundays. The routes are described below.

Route 21 operates between Grover Beach, Pismo Beach, Shell Beach, and Arroyo Grande known as the Five Cities Loop Clockwise

Route 24 runs Five Cities Loop Counter Clockwise.

Route 27 runs between Grover Beach, Arroyo Grande and Oceano Clockwise. It includes an afternoon Arroyo Grande High School tripper.

Route 28 runs between Grover Beach, Oceano, Arroyo Grande and AG High Counter Clockwise.

RTA also provides regional fixed-route services within San Luis Obispo County. RTA's provides six routes. **Route 10** operates along the Highway 101 corridor between San Luis Obispo, Shell Beach, Pismo Beach, Grover Beach, Arroyo Grande, Nipomo, and Santa Maria. Operates seven days a week with less frequency on Saturdays and Sundays.

Five Cities Senior Shuttle is managed by South County Transit. The service is funded by the three cities and the County separate from the South County Transit budget. It is offered to seniors aged 65 and older. It operates in the Five Cities area of Shell Beach, Pismo Beach, Grover Beach, Oceano, and Arroyo Grande three days per week.

"Runabout" is the regional dial-a-ride system and serves as the ADA-compliant service to all fixed routes in the County. It is the only dial-a-ride system in the County that provides inter-city

service. The primary function of Runabout is to serve elderly and/or disabled riders, although the general public may ride when space is available. Consistent with ADA requirements, the service hours are the same as the fixed route systems.

Airport. The Oceano Airport supports a combination of recreation and commercial aviation, though the latter is a relatively small component. The Oceano County Airport Master Plan was completed in 2008 and has many improvements projected for the next 15 years. Land uses near the airport will be controlled to prevent conflicts with the safe operation of the facility. Note that the entire study area is within the Airport Review Area and land uses must be consistent with the Oceano County Airport Land Use Plan.

Fire

Oceano CSD contracts with the Five Cities Fire Authority to provide staffing and other fire services for the area residents. A fire station is located at 1655 Front Street (Station 61). The Arroyo Grande station serves as the headquarters for the Five Cities Fire Authority. Under this service review a chapter on the Joint Powers Agreement for fire services from the Five Cities Fire Authority discusses fire service in greater detail.

The Joint Powers Agreement includes the City of Arroyo Grande, the City of Grover Beach and Oceano Community Services District. Under the JPA, the Five Cities Fire Authority serves a population of 37,000 in a 10 square mile service area enabling it to increase its presence in the Five Cities area in response to emergency situations.

Ownership of fire apparatus and portable equipment was transferred to the JPA; however the fire station facilities remain the property of the parent organizations. The three agencies (Arroyo Grande, Grover Beach, & Oceano CSD) maintain ownership of the buildings while the Five Cities Fire Authority provides personnel and administrative infrastructure. The District requires all new development pay fees towards additional equipment and fixed facilities in order to service the new development. If an annexation were requested, the Authority and City/District would consider the need for additional fire stations, equipment and staffing.

Police/Sheriff.

A Sheriff's South Station opened in 2002. This Station represents a law enforcement presence that previously did not exist in Oceano prior to that time. The Sheriff had maintained a substation in Oceano in the early 1990's, but the station was moved to the Arroyo Grande area due to facility availability. The construction of the South Station brings the Sheriff closer to not only the Community of Oceano, but also to other South County unincorporated areas. This is a significant improvement for the Community of Oceano. The South Station is located at 1681 Front Street, Oceano. The South Station serves the communities of Oceano, Nipomo, Huasna, rural Arroyo Grande, New Cuyama, and Lopez Lake, totaling 950 square miles. South Station deputies work in a demanding environment and handle a high volume of calls for service. The County is divided into three areas. Each area has its own substation, which is supervised by a Lieutenant, staffed with approximately 23 deputies and two legal clerks. Although each substation is a separate entity responsible for law enforcement duties in its area, they all work together to provide the community with the best law enforcement services possible.

The California Crime Rate for the unincorporated areas of the County is the lowest in the State compared with other counties with a population of 100,000 or more. The statewide average for serious crimes per 100,000 people is 1,270; the County's crime rate was at 623/100,000 people. The Sheriff Department's goal in the South County is to provide a 10-minute response time for high priority, life-threatening calls for service.

DEVELOPMENT IMPACT FEES

Government Code Section 66000 is intended to hold agencies to a higher level of accountability whenever charges are established, increased, or imposed and whenever updates or reviews are performed. The County levies a series of development impact fees for new development to address many differing needs. All these fees are based on Government Code Section 66000 et seq., which requires the agency setting fees to (i) identify the purpose of the fee, (ii) identify the use to which the fees will be put, (iii) determine the reasonable relationship (or "nexus") between the type of development charged the fee, the amount of the fee and its use, and (iv) determine the reasonable relationship between the need for the public facility or improvement and the project upon which the fee is imposed. Fees collected by the County include: fees in-lieu of parkland dedication, park development projects, road and circulation fees, and public safety fees.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Infrastructure Needs and Deficiencies**:

Water Supply and Demand

1. The District is able to provide the services (water, sewer, fire) to the residents and businesses within the service area.
2. The District's potentially available Water Supply is estimated to be 1,953 AFY in the Water Master Plan which was updated in 2009. The estimated water demand within the service area is estimated to be 948 AFY at full build-out.
3. The District currently has an adequate water supply to serve the anticipated build-out under the current General Plan.

Wastewater

4. The District operates and regularly maintains the wastewater collection, which consists of sewer pipelines, manholes, pump stations, and transports wastewater to the South San Luis Obispo County Sanitation District treatment facility.
5. The treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.6 million gallons per day. The system is operating at 52% of capacity.

Roads and Streets

6. The District is not responsible for the construction or maintenance of roads and streets in Oceano. This responsibility lies with the County of San Luis Obispo, Public Works Department.
7. The District continues to advocate for the upgrading and maintenance of the roads and streets in Oceano via development proposals that pay their share for facilities and other services as a condition of project development.

8. The County's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
9. The County improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.

Infrastructure

10. The District continues to regularly upgrade and maintain its public facilities, including water system, and wastewater collection system through its Capital Improvement Plan.
11. The Specific Plan identifies drainage as a key problem that must be addressed. The Plan calls for a community wide study of drainage issues to assess problem areas and develop solutions.
12. Additional infrastructure to accommodate future development would likely include expanded water supply lines, improved water storage and distribution facilities, upgraded wastewater facilities, and road improvements.
13. The District should be able to provide the services (water, sewer, and fire) while continuing to adequately serve existing residents.

Police and Fire

14. The County of San Luis Obispo Sheriff's Department provides adequate law enforcement services.
15. The District continues to evaluate the level of service needed to provide adequate fire services to residents of Oceano.
16. The District Special Tax ballot measure for fire service in March 2020 did not receive the required two-thirds vote needed.
17. The District is part of the Five Cities Fire Authority under a Joint Powers Agreement with the Cities of Arroyo Grande and Grover Beach that provide fire and safety services to the residents.

5.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

Purpose: To review the City's existing financial documentation and identify any financial constraints or opportunities.

Budget

The 2019-20 budget is organized and clearly articulates the District's future financial performance plans. It also contains the budget for each service provided and a salary schedule. The document provides information that is divided into the following sections:

- Section 1, Budget Summaries
- Section 2, General Fund
- Section 3, Administrative Budget
- Section 4, Fire Budget
- Section 5, Lighting Budget
- Section 6, Facilities Fund
- Section 7, Water Fund
- Section 9, Wastewater Fund
- Section 7, Garbage Fund
- Section 8, Equipment Fund

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

Fiscal Trend Analysis

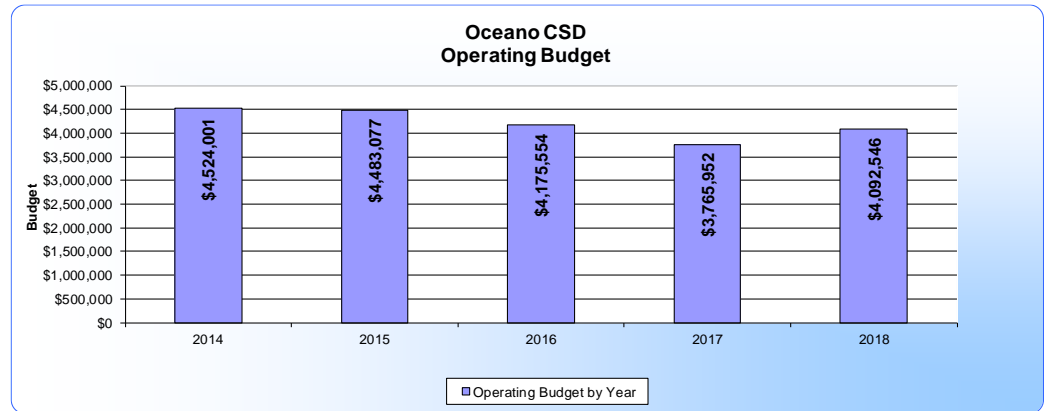
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include transit occupancy tax, sales tax, and franchise fees), reserves, long-term debt, and fund balance for each year. The information was derived from the District's comprehensive annual financial statement for each year.

Operating Budget Figure 5-11

Formula:
Consolidated
Expenditures /
Fiscal year

Trend Analysis:
Monitor expenditures
over time.

Source:
Comprehensive Annual
Financial Statements:
Statement of Activities
Basic Financial
Statements: Statement of
Revenues, Expenses &
Changes in Net Assets



Description:

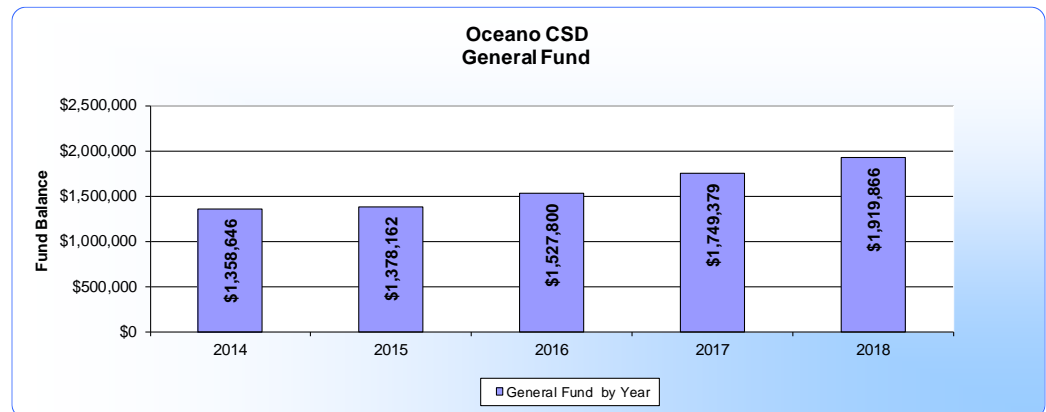
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 5-12

Formula:
General Fund
Expenditures / Fiscal
year

Trend Analysis:
Monitor expenditures
over time.

Source:
Comprehensive Annual
Financial Statements:
Statement of Activities
Basic Financial
Statements: Statement of
Revenues, Expenses &
Changes in Net Assets



Description:

This indicator refers to the General Fund expenditures Not including debt service, capital improvements or capital projects contributions. For special districts it is assumed that all expenditures (except as otherwise stated) are expenditures for services related to charges.

Property Tax Revenues Figure 5-13

Formula:

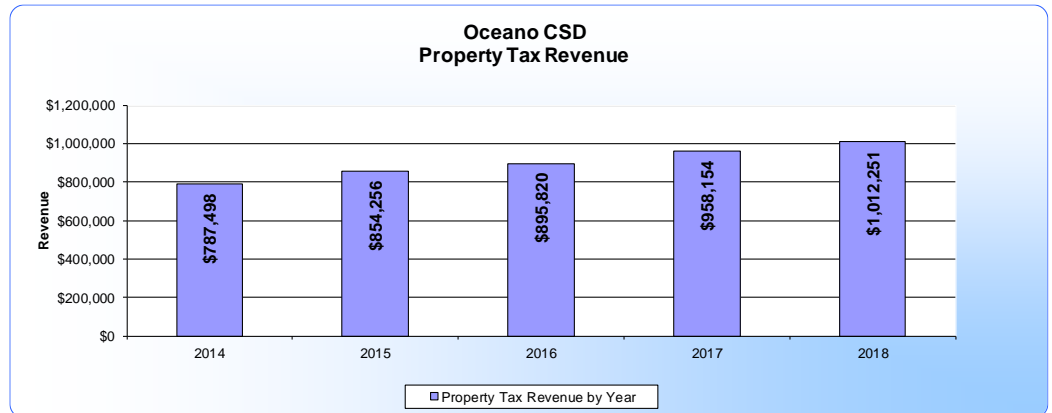
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

Comprehensive Annual Financial Statements:
Statement of Activities
Basic Financial Statements:
Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator will have more importance for those agencies heavily reliant upon property tax revenues such as cities and some districts. 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.

Discretionary Revenues Figure 5-14

Formula:

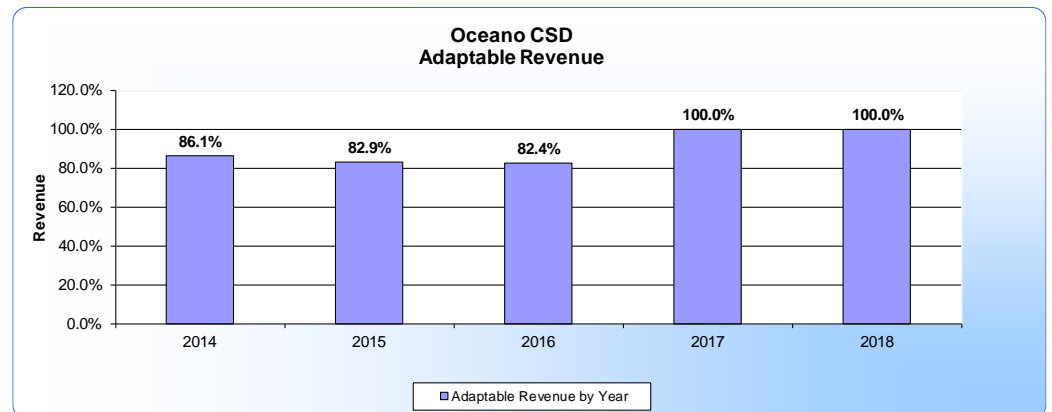
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

Comprehensive Annual Financial Statements:
Statement of Activities
Basic Financial Statements:
Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator can help agencies determine how discretionary revenues are impacting their abilities to provide services. If revenues rely heavily on discretionary sources the agency may want to explore opportunities for increasing inelastic sources to offset the shortfalls in the inelastic revenues. Discretionary revenues consist of TOT, sales tax, and franchise fees, for special district elastic revenues also include water and sewer sales and availability.

Long-Term Debt/Liabilities Figure 5-15

Formula:

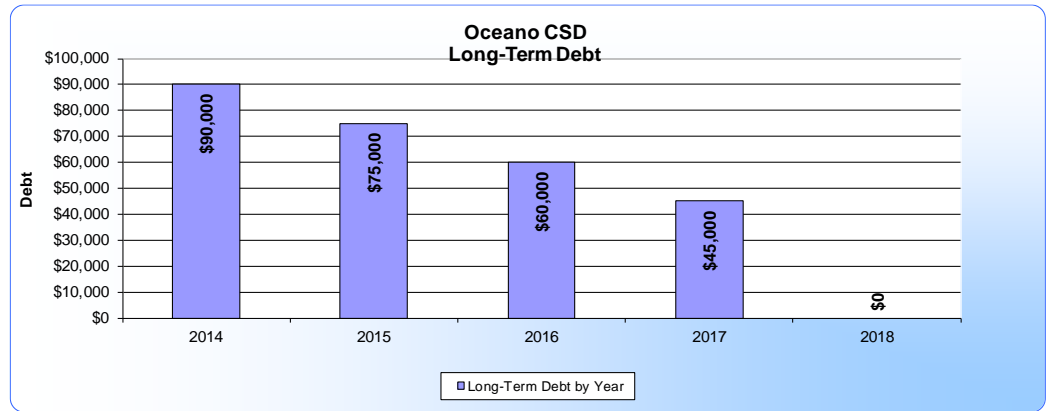
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



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.

Changes in Net Position Figure 5-16

Formula:

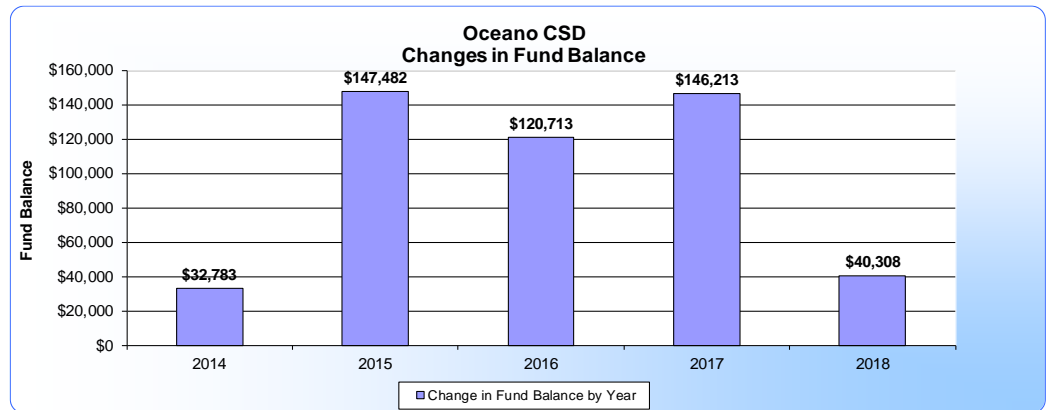
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

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

Source:

Comprehensive Annual Financial Statements: Statement of Revenues, Expenses and Changes in Fund Balance (Government Funds) Basic Financial Statements: Statement of Revenues Expenses & Changes in Net Assets



Description:

This indicator is especially important because a pattern of operating deficits of the general fund 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.

Constraints

The District’s financial constraints involve the governmental structure and the desires of the people in the community to fund certain activities by establishing assessment districts or fees. This is evident in the Districts effort to pay for fire services. The laws under which a Community Service District is governed provide the structure for funding activities and services. Revenue sources for the OCSD are diverse and can include key sources such as property taxes, fees

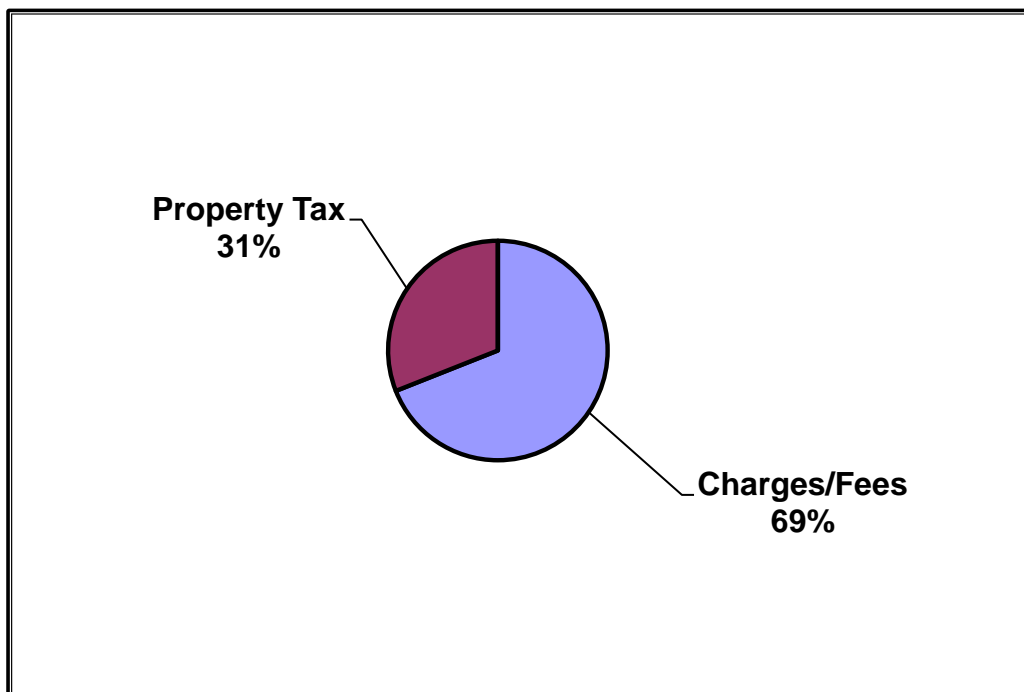
collected from water sales, water connection fees, state water project connection fees, sewer fees and connections, and pass-through monies such as grants.

On the expenditures side, the District budget for the services paid for by residents and provides for other expenses using property tax and, if appropriate, designated reserve accounts.

LAFCO considers the ability of a jurisdiction to pay for improvements or services associated with future growth. This planning can begin by identifying what opportunities there are to fund infrastructure and maintenance needs as well as services associated with future development and possible annexation. Also identifying limitations on financing such improvements, as well as the opportunities that exist to construct and maintain those improvements, is important.

Major Revenues. About 69% of the District's revenues come from charges and other fees and about 31% from local property taxes. In 2019, these revenues are expected to be around \$3,303,799. Property tax revenues make up \$1,044,680 while charges and fees are \$2,302,016.

Figure 5-17
Revenue Sources



Rates and Fees

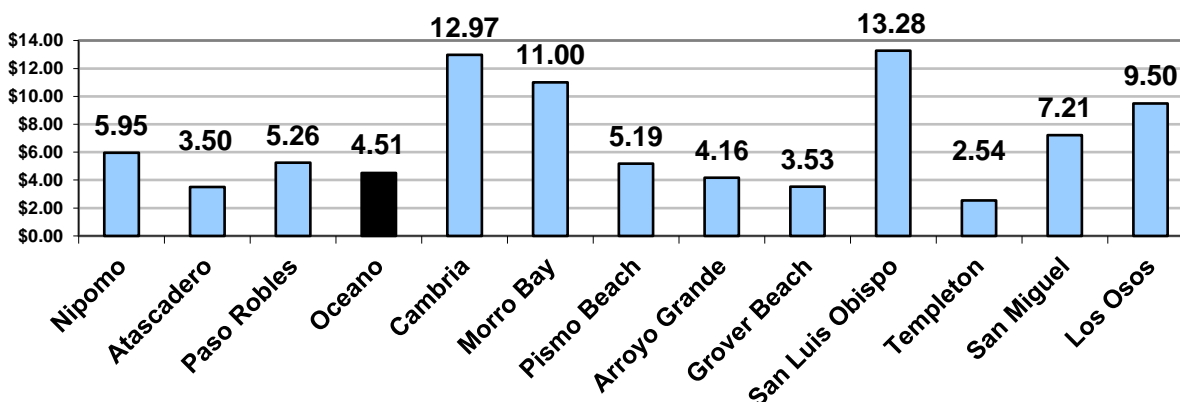
In 2009, the District retained Tuckfield & Associates to provide rate studies and related reports and recommendations for the District’s water and wastewater enterprise funds. This report provided a list of capital improvements to maintain a reliable water and wastewater service. The District is continuing to use this study to adjust its fee structure for wastewater service. In 2015, the District prepared its own rate study for water service and adjusted water rates accordingly. The District will again prepare a water rate study in 2020 and adjust water rates through the Proposition 218 process.

The District’s water and sewer services are operated as enterprise funds. This means that revenues to support operations and capital improvements are borne by the ratepayer. Water and sewer funds are reviewed annually by the District Board at a public hearing where the Board then determines the appropriate rate for service. If rate increases are needed, they are usually implemented at the beginning of the new fiscal year, July 1st, and all rates are prorated accordingly. The following is a table that compares the rates and fees of several service providers for water and sewer services:

Table 5-16: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Monthly Service Charge	\$6.25	\$22.00	\$32.00	\$27.28	\$29.51	\$13.42	\$26.78	\$21.74
Water Fee	\$0	\$2.34 (1-10 ccf)	\$6.00 (1-3 ccf)	\$3.97 (0-10 ccf)	\$3.78 (1-18 ccf)	\$3.34 (0-12 ccf)	\$3.64 (7-12ccf)	\$6.22 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$5.26 (all ccf)	\$3.50 (11-25 ccf)	\$8.50 (4-10 ccf)	\$4.53 (11-16 ccf)	\$4.16 (19-36 ccf)	\$3.53 (13-20 ccf)	\$4.03 (13-18 ccf)	\$7.25 (6-12 ccf)
100 cubic foot = 748 gallons		\$4.90 (26-50 ccf)	\$11.00 (11-50 ccf)	\$5.19 (17-32 ccf)	\$5.55 (36+ ccf)	\$4.04 (21-42 ccf)	\$4.51 (19-24 ccf)	\$13.28 (13 + ccf)
		\$5.60 (51-75 ccf)	\$14.00 (50+ ccf)	\$6.96 (33+ ccf)		\$4.57 (42+ ccf)	\$4.74 (25+ ccf)	
		\$7.20 (76+ ccf)						

Figure 5-18: Rates for Water Use at 20 CCF



The Oceano water rates are modest in comparison to others in the County.

Sewer rates are compared in the table below:

Table 5-17: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Flat Monthly Rate	\$7.80 times monthly usage	\$24.01	\$66.40	\$47.87	\$31.23	\$36.98	\$9.75	\$19.72

Because the District is largely built-out, it has limited opportunities to recover impact fees. Other programs defined by the County will require developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. It is expected that fees will be in line with district-wide fees for such services and no evidence exist suggesting that the development of these areas will result in unreasonable fees.

The District and the County shall work together to ensure that the cost of services for the jurisdictions is equitable. Future growth will occur within the District's existing boundaries from

infill development and intensification of existing land uses.

Annual Audits

Annual audits of Special Districts are required by law and are performed with the purpose of identifying any inconsistencies or non-compliance with legally mandated accounting requirements. Audits are important because an “unqualified” independent audit indicates that the organization is managing their financial resources in accordance with accepted accounting principles and standards. This is an indicator of the financial health of an organization and provides information regarding the District’s financial practices. These Audits are to be submitted to the County Auditor’s Office and LAFCO each year. The District has submitted its audits over the last five years.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Financial Constraints and Opportunities**:

1. The District prepares a comprehensive and thorough annual budget that clearly describes the services provided to residents and the funds expended for those services.
2. The District does not pay for infrastructure needed to serve new development projects. It is reasonable to conclude that the District endeavors to avoid long-term District obligations for the capital improvement or maintenance of new development projects.
3. There are no apparent fiscal constraints limiting the ability of the District to serve existing and future residents with the exception of fire services. The District considered a Prop 218 ballot measure to approve a special tax for fire services. This ballot measure did not receive the required two-thirds approval.
4. Rates and fees for services are established using the District's budget process and special studies as the need arises.
5. The District has completed the Annual Audits and has submitted to the County and LAFCO as required by law.
6. The District should complete an updated rate study and adjust water rates to help keep pace with increasing costs.
7. Should the District fail to approve an increase in revenues for fire service, then an application to divest fire authority may be submitted to LAFCO.

5.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

Purpose: To identify the opportunities for jurisdictions to share facilities and resources creating a more efficient service delivery system.

In the case of developing areas in the District, LAFCO can evaluate whether services or facilities can be provided in a more efficient manner if the District, County, District, and/or State are cooperatively working to construct and maintain facilities. In some cases, it may be possible to establish a cooperative approach to facility planning by encouraging the District, County and State to work cooperatively in such efforts.

Oceano CSD coordinates with other jurisdictions in the area to share and maintain facilities and services. An important example of shared facilities is the use of the South County Sanitation District's wastewater treatment facility that serves the communities of Grover Beach, Arroyo Grande and Oceano. A district member who is appointed by the Board to represent Oceano serves on the sanitation District's Board. The three communities also agreed under a Joint Powers Agreement to share fire services by creating the Five Cities Fire Authority. Similarly, a district member represents Oceano serves on the JPA's Board of Director's.

Currently, there is no duplication of existing or planned facilities. The District would assume those services authorized provided by the County as they are annexed and developed. These do not constitute (and would not in the future) duplication of services, rather a transfer of services.

The Cities of Arroyo Grande and Grover Beach, along with the Oceano Community Services District, have implemented a number of individual efficiency measures that involved coordinating and consolidating fire services. The first step toward consolidation of this service occurred in 2004 when the City of Arroyo Grande entered into a joint fire administration and training agreement with the City of Grover Beach. Under that agreement, Arroyo Grande provided a fire chief and Grover Beach provided a training captain. The agreement was coordinated by a Fire Oversight Committee, consisting of two city council representatives, both city managers and the fire chief. This arrangement provided the management, coordination and joint training benefits of a single department, but allowed both agencies to maintain their identity, budget control, staffing, salaries and benefits.

In 2007, the agreement was modified to upgrade the captain position to a battalion chief, which included having both positions employed by the City of Arroyo Grande and share the costs of both positions. The two cities soon expanded the agreement to include sharing reserve firefighters and apparatus. Sharing a backup fire engine made it possible to sell one fire engine, and the two cities shared the revenue. Reduced maintenance also provides ongoing savings. The agreement was amended to include Oceano on a limited basis and later expanded to provide full services. The three contiguous communities receive services from a single coordinated effort through the Five Cities Fire Authority.

Each of the governing bodies approved a Joint Powers Authority (JPA) and established the Five Cities Fire Authority in July 1, 2010. The service area includes Oceano, Arroyo Grande and Grover Beach. The cost-allocation formula is based on population, service calls, and number of stations. Joint dispatch services are being transferred to CALFIRE. Please see Chapter 7 of this Municipal Service Review for a more detailed review of the Five Cities Fire Authority.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Opportunities for Shared Facilities**:

1. The development of areas within the OCSD service boundary may lead to shared infrastructure with the County; (i.e. roads and streets a County function), Sheriff services, parks and recreational facilities. The potential to create shared relationships for providing some services is suggested and may be appropriate when providing certain services.
2. The distinction between District and County services within the service boundary is clear.
3. The District and Cities should continue to work together to provide services in an efficient manner. The District has been able to help the City of Arroyo Grande to provide water to areas within and outside the City.
4. The Five Cities Fire Authority consolidates fire and emergency services in the area allowing for a more efficient and cost effective system of service.

5.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Purpose: To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.

The governing body of Oceano is the Board of Directors that is elected in compliance with California Election Laws. The District complies with the Brown Act Open-Meeting Law and provides the public with opportunities to obtain information about community issues, including website and phone access. The District's website contains limited information about the various services. Complaints have been noted from some members of the public regarding Brown Act compliance. The District has counsel at each meeting to advise them in regards to the Brown Act.

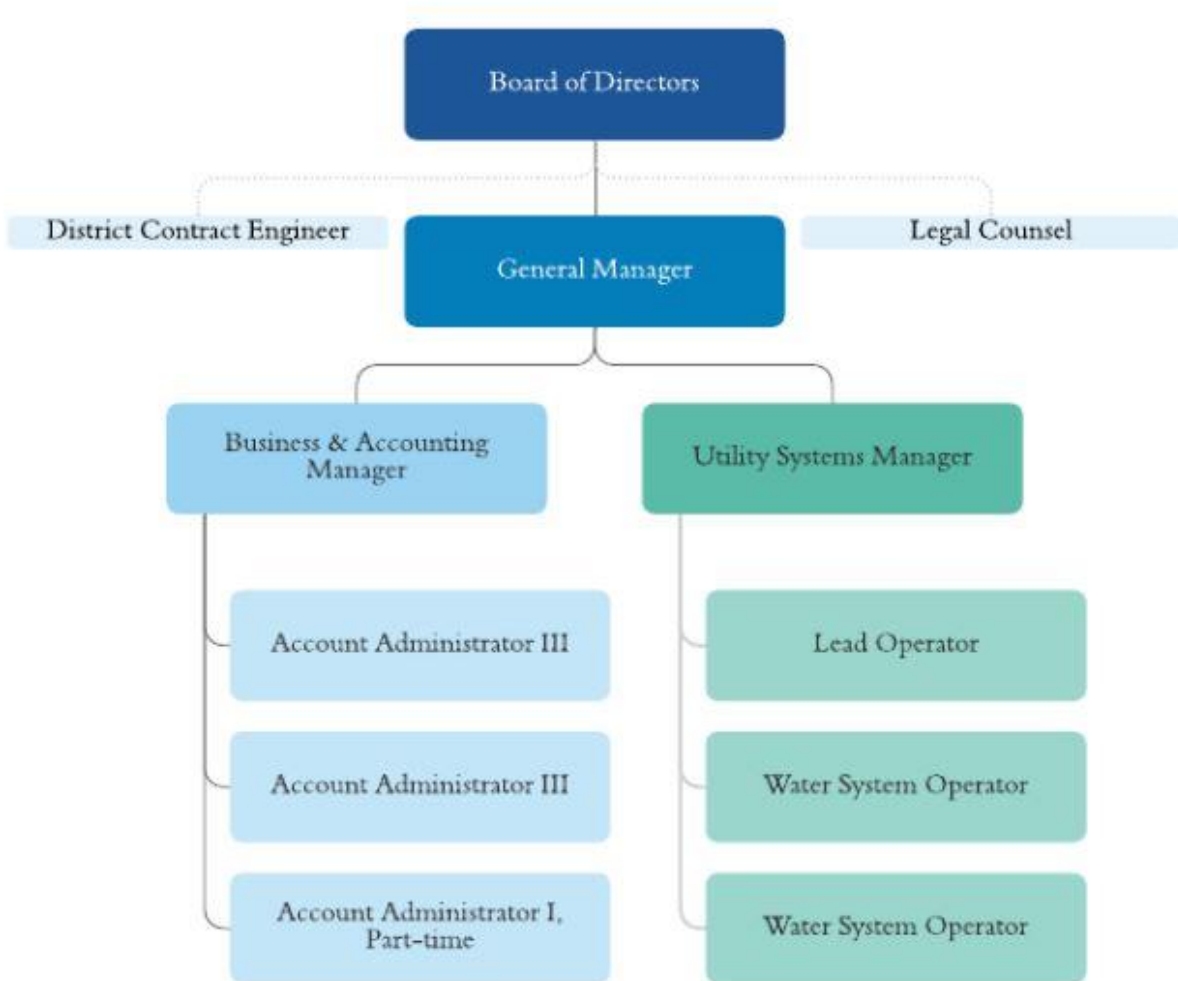
The Board of Directors holds regular meetings at 6:00 p.m. on the second and fourth Wednesdays of each month in the OCSD Meeting Room, at 1655 Front Street. Other meetings or study sessions are held as needed. A public comment period is scheduled at the beginning of each meeting for citizens to comment on District issues not on the agenda. All Board meetings are live streamed and videotaped for later playback.

The following section briefly discusses various operational and service aspects of the District. Much of the information was obtained from the District's budgets and discussions with their staff. The organizational chart on the next page shows the two major divisions of the District; the Administrative Department and the Operations Department.

The Budget includes a purpose statement for each service department or budget unit, a description of the activity or service, the personnel allocated to the tasks, and the programs being implemented by the budget unit. The OCSD has an adopted Mission Statement as well as broad goals that were re-affirmed in the budget.

Overall, the District is equipped administratively to serve Oceano. The District accomplishes many goals and implements a variety of initiatives. The District's Budget process is discussed in the Financial Constraints and Opportunities section of this report.

**Figure 5-19
Organizational Chart**



Oceano does maintain various customer-oriented programs, including regular in-house safety training and management, and similar programs designed to enhance the experience for the district customer.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding **Local Accountability and Governance**:

1. The District has historically made reasonable efforts to maintain a public dialogue regarding issues and projects of concern to the community. The District's outreach program includes information regarding current issues of significance to the community.
2. The District has maintained relationships with local news media, providing information and/or interviews as requested.
3. The District evaluates the services provided to residents and services that may need to be upgraded or started.
4. The District remains focused on providing quality water, fire, lighting, garbage and parks and recreation services to its customers.
5. The District continues to improve its website by adding more information that is accessible to the public.
6. The District has hired high quality management over the years. This has resulted in a stabilizing of the District operations and improved services for the community.

5.7 OTHER MATTERS

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

See Chapter 7 related to Five Cities Fire Authority and regional fire service challenges facing the communities of Arroyo Grande, Grover Beach, and Oceano.

REFERENCES

- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2019
- Local Hazard Mitigation Plan 2019
- Investment Policy 2019
- Oceano CSD Budget FY 2019/20
- California Department of Finance E-5 Report, 2017 & 2019
- SLOCOG Regional Housing Needs Allocation, 2019
- Recycled Water Injection Well Study 2018
- Annual Financial Audit Report FY 13 – 18
- Oceano Community Services District Median Household Income Survey, 2017
- Ca. State Water Project Annual Report Bulletin 132-16, 2017
- County of San Luis Obispo Urban Water Management Plan, 2015
- Northern Cities Management Area Annual Monitoring Report, 2016 – 2018
- County Housing Element 2014-2019, 2014
- Res 2012-03 Initiative Measure sale of permanent water, 2012
- San Luis Obispo LAFCO, Sphere of Influence Study, 2012
- Oceano Water Master Plan, 2009
- SLO County South County Inland & Coastal Area Plans, revised 2009
- SLO County Huasna-Lopez Inland Area Plan, revised 2007
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- Oceano Specific Plan, 2002
- Oceano CSD, Official Website, www.oceanocsd.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.ag.ca.gov.

CHAPTER 6

So. SLO County Sanitation – MUNICIPAL SERVICE REVIEW



The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the Cortese-Knox-Hertzberg Act (CKH). The Act states that, in order to update Spheres of Influence in accordance with Government Code Section 56425, LAFCOs are required to conduct a service review of the municipal services provided by the jurisdiction. The Municipal Service Review factors that need to be addressed include:

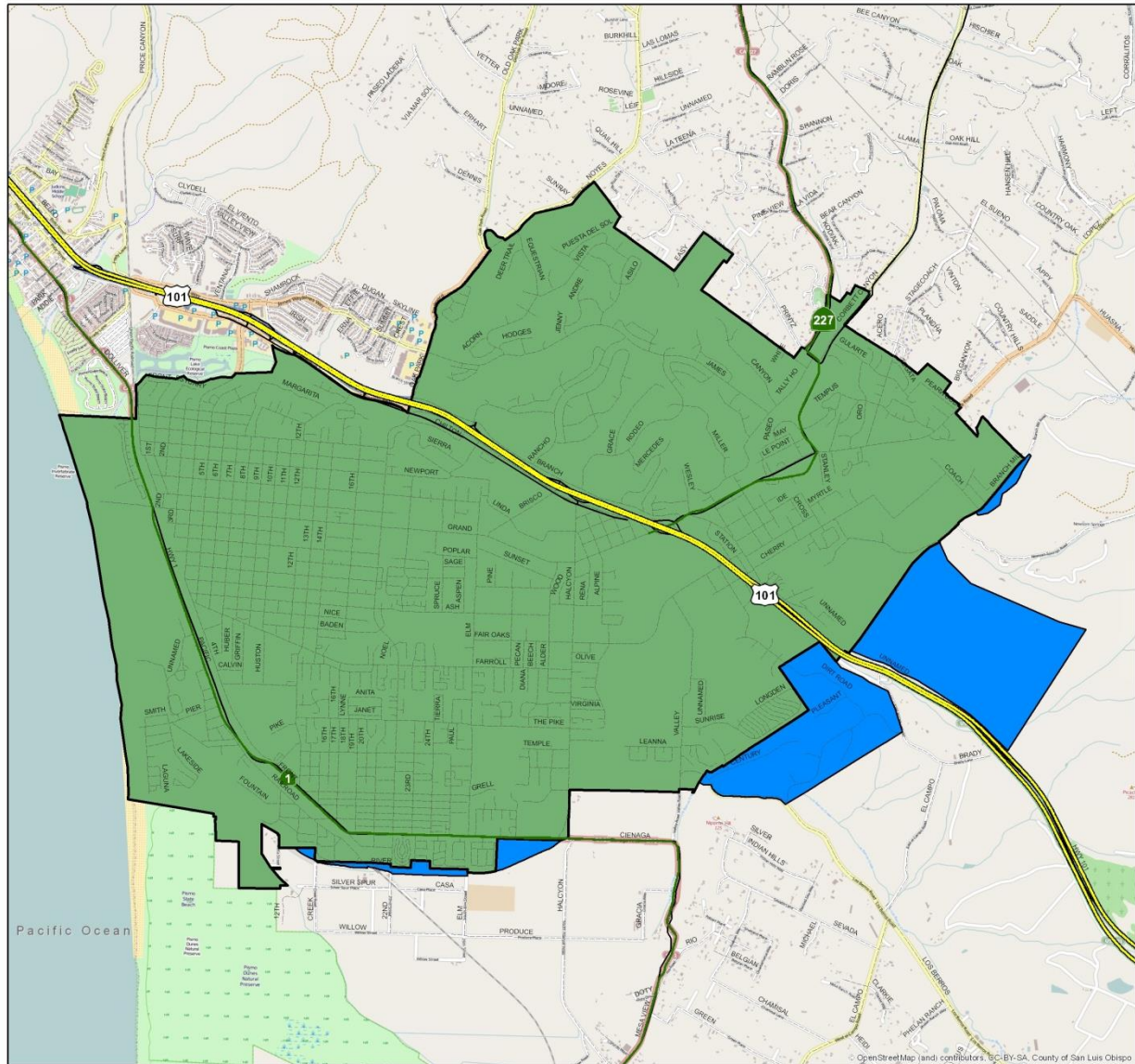
1. Growth and Population projections for the affected area
2. Location and characteristics of any disadvantaged unincorporated communities
3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
4. Financial ability of agencies 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

The above-listed factors are addressed in this chapter and written determinations are included for each factor as called for in the CKH Act.

The South San Luis Obispo County Sanitation District Sphere of Influence was most recently updated in 2012, and included areas adjacent to the City of Arroyo Grande to be similar with the SOI additions and generally coterminous with the City limits of Arroyo Grande and Grover Beach as well as the Oceano CSD. These sites comprise the present day South San Luis Obispo County Sanitation District SOI. Figure 6-1 shows the adopted Sphere of Influence.

Figure 6-1 – So SLO Co Sanitation District Existing SOI

South San Luis Obispo County Sanitation District Service Area & Sphere of Influence Adopted: November 2012

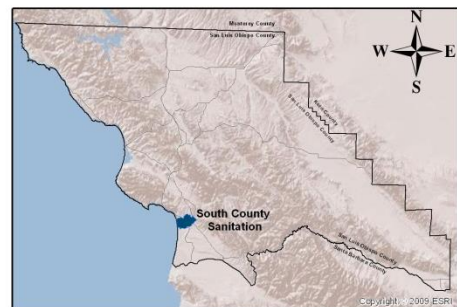


Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: South County Sanitation_SOI Bndy
Date: 2/6/2014



6.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

Purpose: To identify future growth patterns and project population increases.

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the South San Luis Obispo County Sanitation District. The previous Sphere of Influence update and Municipal Service Review provides background information. The Growth and Population factor is discussed further in this section and includes a summary of population data and land use and zoning in the area as well as growth trends.

The South San Luis Obispo County Sanitation District serves the communities of Arroyo Grande, Grover Beach, Oceano, and Halcyon. According to the 2010 US Census, the population of the communities served was 38,506. Total housing units were estimated to be 14,887 units. The estimated build-out population within the current District service area is estimated to be 44,800.

The South San Luis Obispo County Sanitation District serves the southern part of the Five Cities Area. Growth in population for the Cities of Arroyo Grande and Grover Beach and Oceano has averaged 136 people per year from 2010 through 2019. The estimated 2019 population for the District is 40,925, up 1,230 residents from 2010. In 2019, there were 16,380 housing units as a comparison.

California Department of Finance Population Estimates-2009 to 2019

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2010 census count. The table below reflects the DOF estimates for Arroyo Grande and Grover Beach and the County of San Luis Obispo over the last decade.

Table 6-1: Population Estimates

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Arroyo Grande	17,110	17,252	17,289	17,281	17,477	17,561	17,712	17,720	17,736	17,880	17,876
Grover Beach	13,278	13,156	13,226	13,252	13,446	13,486	13,528	13,654	13,677	13,617	13,533
County Total	270,901	269,637	270,057	271,348	273,417	275,762	276,862	278,480	279,538	280,048	280,393

Source: DOF E-5 Population Estimates for Cities, Counties and State, 2009-2019

Council of Governments Population Projections-2017

The Council of Governments recently had the consulting firm of Beacon Economics update population projections for San Luis Obispo County, including the Cities of Arroyo Grande and Grover Beach. The community of Oceano was estimated by the County Planning Department. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County. Consolidations of these figures are presented below for the purposes of this MSR:

**Table 6-2: Projected Population Growth Arroyo Grande, Grover Beach, Oceano
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040	2045	2050
Medium Scenario	37,685	38,346	39,535	41,010	42,306	43,176	43,728	44,004	44,318

Source: Beacon Economics (forecast years) 2017; County of San Luis Obispo Department of Planning and Building

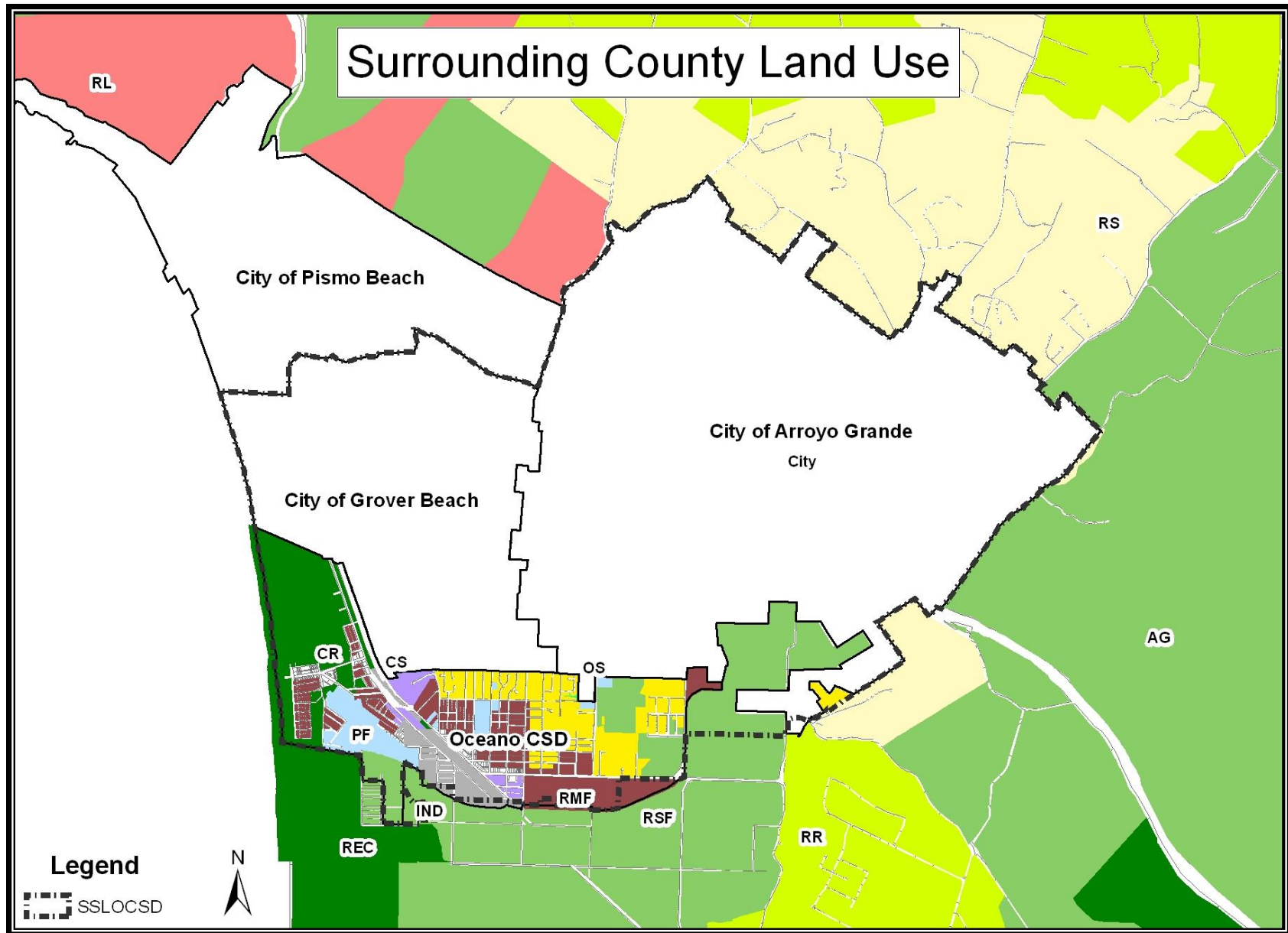
COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Arroyo Grande, Grover Beach, and the community of Oceano. The urban reserve line identifies where the County anticipates urban development

over the next 20-years. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use where urban services may already be provided.

The County's Conservation and Open Space Element (COSE) consolidated five previous individual elements (conservation and open space, historic, esthetic, and energy elements). The COSE is utilized as a tool to protect and preserve the unique community resources. The element addresses many issues with regard to conservation, development, and utilization of natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

Figure 6-3 (E) Land Use



Arroyo Grande. The Arroyo Grande urban reserve line is coterminous with the existing city limits, with 1 exception: a small area at the intersection of Los Berros and Valley Roads (Tract 1724). Annexation of two properties were approved within an island located between Oak Park and Brisco Road adjacent to El Camino Real. A second proposal by the City to annex the balance of the unincorporated island was approved later by LAFCO.

Arroyo Grande has continuously been engaged in evaluating agricultural lands and means by which they can be protected. In this process they have established a policy opposing development of prime agricultural lands zoned agriculture within the city and discourages lands under county jurisdiction adjacent to the City. The policy is consistent with County's Land Use Element. In addition, the City's adopted General Plan policies call for development to be directed toward marginal agricultural areas and away from prime lands. Coordination of City/County programs to protect valuable farmland is needed. The Arroyo Grande General Plan states that "prime agricultural land should not be annexed to the City without a commitment on the part of the owner to place the land in agricultural preserve."

Grover Beach. The Grover Beach urban reserve line does not indicate any areas proposed for expansion of the City, with one exception. There is a small area of Residential Single Family adjacent to the City limits, between Farroll Avenue and the Pike. The urban reserve line also includes the North Oceano School. The 1973 Land Use Element of the Grover Beach General Plan covers a planning area of 2,694 acres that extends as far south as the Nipomo Mesa and makes land use recommendations for the unincorporated area of Oceano. The General Plan notes that while Oceano is not in Grover Beach, "it is critical to the future development of the community. Future growth and development of Grover Beach is expected to be mainly in-fill.

Oceano Urban Area. The Oceano Urban Area is the unincorporated area lying south of the Pike and the cities of Grover Beach and Arroyo Grande. It extends east to Halcyon Road and is bordered on the south by Arroyo Grande Creek and on the west by the Coastal Zone, which is generally west of Highway 1. The urban area also includes the religious community of Halcyon. Oceano is expected to remain heavily dependent on the larger urban complex for commercial uses and employment opportunities. Much of Oceano is already subdivided into residential lots of various sizes. The community also has adequate existing water distribution and sewage collection systems serving the urban area, the most costly of urban services on the existing lots, as well as new subdivisions on some of the larger vacant parcels.

County of San Luis Obispo Urban Water Management Plan, 2015

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 3-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2015 projected to 2040.

Table 6-7 Zone 3 Population & Projections

Population Projections						
Service Area Population	2015	2020	2025	2030	2035	2040
	46,003	47,250	48,358	49,915	51,677	53,344

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2015

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused a shortage of water in the Lopez system. Historically, during the largest drought years on record (1989/1990 & 2013/2014) since the Reservoir has been in operation, the District has been able to deliver full allocations to contract agencies. In 2015, entitlements were reduced by 10% in response to the on-going drought conditions and declining reservoir levels. The reduced entitlements will remain in effect and be further restricted until the current declared drought emergency is rescinded per the Low Reservoir Response Plan.

SSLOCSD LONG RANGE PLAN, 2005

South San Luis Obispo County Sanitation District (SSLOCSD) is responsible for the collection and treatment of sewage and wastewater in Arroyo Grande, Grover Beach and Oceano. Operation of the SSLOCSD is overseen by a Board of Directors that includes representatives from the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The SSLOCSD's sewage treatment facility is located on a 7.6-acre site between the Oceano Airport and the Arroyo Grande Creek Channel, in unincorporated Oceano. The sewage collected by Arroyo Grande, Grover Beach, and Oceano are transported through their own collection system to the plant, via trunk sewers that are owned and operated by SSLOCSD.

SSLOCSO wastewater facilities are capable of processing five million gallons of wastewater per day. In 2019, the average wastewater flow per day was 2.6 million gallons, or 81 gallons per person per day. Projected population growth for Arroyo Grande, Grover Beach, and Oceano indicate that at buildout of these three communities, the average flow per day is estimated to equal 75 percent of the capacity of the system. Thus, wastewater capacity is not an immediate constraint to future housing development.

Arroyo Grande's growth is likely to come largely from within the City's existing boundaries given both the short-term and the long-term water source is the primary limitation of how the City can grow in the future. In 2016, the City's Community Development Department estimated the City is about 90% built out with a potential for approximately 341 new dwellings in the community at that time. Under the Housing Element 2016 the City estimates a total of 219 new vacant land inventory potential with an additional 24 accessory dwelling unit potential and 317 opportunity sites where increased densities could occur. Outlined below under the new housing allocation the City will need to determine adequate land to accommodate 692 new dwelling units. In either case, the City of Arroyo Grande has limited potential for new residential housing within existing city limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within the City and SOI areas.

Table 6-4 Build-out Summary: Vacant Land within City plus SOI

Area	Acres	Units	Population	Land Use
PD	7	24	57	Agriculture
GMU, OMU, MU, VC, SR	185	129	309	Mixed Use
RH	.67	7	16	Low Density
RS	5	8	36	Low Medium Density
SF	9	7	16	Medium Density
MF	27	44	105	Medium High Density
Total Vacant Sites within City Limits	233.67	219	539	
Fredericks (SOI)	184	825	1,980	Unassigned
Williams (SOI)	190	855	2,052	Unassigned
Tract 1724 (SOI)	11	27	65	Residential Suburban
Tract 1551 (Study Area 4)	10	9	22	Residential Suburban
Virginia Dr. (Study Area 5)	0.48	0	0	RMF
SOI Subtotal	395	1,716	4,119	
Total	628	1,935	4,658	

Source: City of Arroyo Grande 2020, SLO County Planning & Building Department.

Grover Beach's growth is likely to remain at a nominal level. The City's General Plan Land Use Element (Amended 2012) recognizes that a majority of the City has been developed and future development will be concentrated on vacant properties and redevelopment of underutilized properties. The certified Housing Element adopted in 2014 estimates a total of 295 new dwelling units as a realistic build-out based on an inventory of vacant and underutilized properties. The 2010 Census reports the City currently has 5,748 existing dwelling units with a population of 13,156. The Beacon Economics update estimates a modest increased population of 13,533 and 5,770 housing units. Based on the Housing Element estimate of 571 new dwelling units the total number of dwelling units could be 6,341 yielding a population of over 16,000. If the City were to growth at their maximum 2.5% growth rate allowed by the General Plan, or slightly more than 120 new units per year, build-out could occur within eight years. Growth rates closer to recent historical rates of less than 1% would prolong this period to eighteen to twenty years. Outlined below under the new housing allocation the City will need to determine adequate land to accommodate 369 new dwelling units. In either case, the City of Grover Beach has limited potential for new residential housing within existing City limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential of vacant land within the City.

Table 6-5 Build-out Summary: Vacant Land within City

Area	Acres	Units	Population	Land Use
R-1	11.38	64	166	Low Density Residential
C-P-R-1	0.68	4	10	Low Density Residential
C-R-1	0.77	5	13	Low Density Residential
C-R-2	0.77	9	23	Medium Density Residential
R-2	9.99	91	237	Medium Density Residential
C-B-O	0.66	18	46	Central Business – Mixed Use
C-1	0.15	2	5	Visitor Serving – Mixed Use
R-3	5.47	102	265	High Density Residential
Total Vacant Sites within City Limits	29.87	295	765	

Source: City of Grover Beach Housing Element 2014.

Oceano's growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County's Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the certified Housing Element 2014 the County estimates a total of 11 new dwelling units as a realistic build-out. The Specific Plan policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within Oceano.

Table 6-6 Build-out Summary: Vacant Land within District

Area	Acres	Units	Population	Land Use
062-085-004	0.30	5	15	RMF
062-082-017	0.20	3	6	RMF
062-069-009	1.2	1	3	RSF
062-321-040	2.7	1	3	RSF
075-032-014	2.9	1	3	RSF
Total Vacant Sites within Oceano	7.3	11	30	

Source: San Luis Obispo County Housing Element 2014.

Land Use

Each of the General Plans allow for new growth within the respective communities based on an analysis of available resources (water, sewer, etc) and demand for those resources. The policies and standards in the General Plans provide for growth in the current SOI (Arroyo Grande currently is the only community with an SOI) if it can be demonstrated that water, sewer and other resources are available for the developer or can be made available without adversely affecting existing residents.

Housing Elements. The Goals, Policies and Programs found in the three Housing Elements are the Housing Implementation Plan for the period from June 1, 2014 through June 30, 2019. In October 2019 SLOCOG approved the RHNA for the next ten year cycle period of January 2019 through December 2028. The table below shows the total number of residential units the City of Arroyo Grande (692), City of Grover Beach (369) and unincorporated area of the County (3,256) must provide zoning for in that time period for a total of 1,072 units. (Not all units considered will be located within the SSLOCSO service boundary, only 11 units within the unincorporated area is contemplated for Oceano).

Table 6-7: 2019-2028 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	170	107	124	291	692	6.4%	
Atascadero	207	131	151	354	843	7.8%	
Grover Beach	91	57	66	155	369	3.4%	
Morro Bay	97	60	70	164	391	3.6%	
Paso Robles	356	224	259	607	1,446	13.4%	
Pismo Beach	113	71	82	193	459	4.3%	
San Luis Obispo	825	520	603	1,406	3,354	31%	
County Unincorp.	801	505	585	1,365	3,256	30.1%	
Total Units	2,660	1,675	1,940	4,535	10,810	100%	

Source: SLOCOG RHNA 2019

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every eight years (this cycle is for ten years to align with the next RTP cycle) to identify recent demographic and employment trends and can be correlated with the four-year cycle of transportation planning, which may affect existing and future housing demand and supply. For the first time in the region, the RHNA and RTP process were undertaken together in order to integrate housing, land use, and transportation planning to ensure that the state's housing goals are met and to help reduce greenhouse gas emissions (GHG) from cars and light duty trucks. The goal of integrated planning is to create opportunities for residents of all incomes to have access to jobs, housing, services, and other common needs by a variety of means, including public transit, walking, and bicycling. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's/County's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City/County has developed a set of objectives and specific policies and programs to prepare for the production of housing in the respective communities.

A Housing Element is required by California law to establish policies and programs that will support the provision of an adequate housing supply for citizens of all income levels. The intent of State law is to assure that jurisdictions in the State provide adequate housing to all members of the community. While the State Department of Housing and Community Development (HCD)

reviews the Housing Element to assure compliance with housing law, each jurisdiction must identify its particular issues to successfully address its housing needs.

The Housing Element provides a detailed assessment of the housing stock in Arroyo Grande, Grover Beach, and Oceano, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing. All of these components of the element will be re-assessed for the 10-year cycle, which are due to HCD by mid-2020 for review.

An understanding of existing housing conditions in the City/County is necessary as a basis for new Housing Element policies to guide the use and development of housing that will be adequate and affordable. In addition to this focused information, throughout the document comparisons to San Luis Obispo County demographics and statistics are used to identify possible issues or pertinent relationships. This assessment is representative of the larger area and informative of the trends the entire county is experiencing, helping to gain a better understanding of the City/Community in a regional context.

The following section of the analysis addresses key growth and service-related questions that have been adopted by San Luis Obispo LAFCO for preparing a Municipal Service Review.

The proposed Sphere of Influence for the City of Arroyo Grande is estimated to have a development potential of 1,716 units. The SSLOCSD Long Range Plan is based on the ability of the District to accommodate a population of 44,800. Currently, the Districts population is approximately 40,925 people. The Long Range Plan addresses the issue of future growth in the area and the type of facility upgrades needed to accommodate the jurisdictions projected needs. The infrastructure of the plant is well maintained and planning for future improvement projects is well underway. Financing for such projects is available and the District has already allocated reserves towards accomplishing future plant upgrades.

The County has not approved significant development proposals within the existing Sphere of Influence of the South San Luis Obispo County Sanitation District.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Growth and Population:

1. The District's Long Range Plan evaluates the future population increases for the service area and makes recommendations based on future growth in the area. The SSLOCSD District is well prepared to deal with future growth.
2. The District should update its Long Range Plan to keep current with existing and future needs.
3. The projected number of people in the South San Luis Obispo County Sanitation District over the next 5, 10, 15 & 20 years is shown in the Table below. This information is from the San Luis Obispo Council of Government's 2017 Long Range Socio-Economic Projections:

Table 6-8 Medium Scenario Population Projections

	2015	2020	2025	2030
SSLOCSD	38,346	39,535	41,010	42,306

6.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. 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 Cities of Grover Beach, Arroyo Grande, Pismo Beach, and the community of Oceano are within the South San Luis Obispo County Sanitation District boundary or adjacent (in the case of the City of Pismo Beach) who would likely provide the needed urban services to disadvantaged community. The SSLOCSD would provide sanitation services only to those areas qualifying as disadvantaged. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. In the analysis completed by LAFCO staff, review of the State DAC Mapping Tool and CalEnviroScreen 3.0 was used to verify disadvantage status with other application of the definition. In all cases, the City of Arroyo Grande's Sphere of Influence does not qualify under the definition of disadvantaged community the City of Grover Beach does not have a Sphere nor does Oceano CSD for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding disadvantaged unincorporated communities:

1. The South San Luis Obispo County Sanitation District's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

6.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

Purpose: To identify the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and ability to provide services.

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already 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 are proposed by the District or property owners.

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the South San Luis Obispo County Sanitation District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the District to expand such resources and services in line with increasing demands.

The South San Luis Obispo County Sanitation District (SSLOCSD) operates by the regulations established in the Health and Safety Code (Sections 6400-6830). Under the Health and Safety Code the SSLOCSD could perform a variety of functions including garbage collection and disposal, sewer treatment and sewer collection systems, and storm drains and water collection. The SSLOCSD is responsible for providing wastewater treatment and disposal services to the Cities of Arroyo Grande and Grover Beach and the Oceano Community Services District. In addition, the City of Pismo Beach contracts with the District for disposal of its treated effluent through the SSLOCSD's ocean outfall line.

This section evaluates the District's resources and capabilities to provide services to existing and future residents. The key topics addressed include sewer system capacity and condition.

WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The SSLOCSD collection, treatment, and disposal facilities were originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, a chlorine contact chamber, a new centrifuge, a new centrifuge building, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 52% of permitted capacity. Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. By 2035, effluent flows are projected to increase to 3.0 mgd and 1.8 mgd for SSLOCSD and Pismo Beach, respectively, to a total of 5.3 mgd. Approximately 1.0 mgd of effluent must be maintained through the joint ocean outfall to avoid siltation in the diffusers.

A number of additional improvements have been made over the years using District staff. These include the construction of a screw conveyor for use at the centrifuge, the replacement of the barminutors with new grinder/augers, the addition of a "Teacup Degritter" for the removal of snails from the final clarifier sludge stream, and a new effluent pumping system. The Facility's one centrifuge was installed in September 2011.

Operations. The wastewater collected within the District's Trunk Sewer Line begins the treatment process in the influent pumping plant. There it is passed through a Parshall metering flume to measure the quantity of influent wastewater to the plant. Currently, average annual daily flow at the plant is on the order of 2.6 million gallons per day (mgd), with peak day dry weather flow of approximately 3.16 mgd and peak hour wet weather flows of 8.03 mgd.

Once measured, the wastewater passes through an in-channel screen to mechanically separate and remove the larger debris. Typically this debris consists of sticks, rags, large food particles, paper products, etc. The removed debris is collected, ground, and hauled offsite to a landfill for disposal. The screened wastewater is then distributed to the primary clarifiers by means of the four raw sewage pumping units located within the pumping station.

Prior to arrival at the clarifiers the wastewater enters the clarifier control box. Under normal operations, the control box is designed to separate the waste stream into equal parts for distribution into one of the two primary clarifiers. The control box has the added function of isolating flow to either of the independent clarifiers during periods of maintenance and repairs.

Clarification is achieved at the plant by means of two identical primary clarifiers; one constructed as part of the original 1965 project and the other as part of the 1990 expansion. Each primary clarifier is 55 feet in diameter with a side wall depth of 9 feet. These dimensions allow for a combined volume of 320,625 gallons. Under average annual daily flow, the combined overflow rate of the clarifiers is 610gpd/sf and the combined detention time between the clarifiers is 2.65 hours.

The clarifiers serve to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier

solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The sludge which accumulates on the bottom of the tank is raked continuously towards the center column by a steel raking mechanism. This raking mechanism forces the sludge out of the clarifier through a sludge pocket near the center of the tank. The scum is removed from the clarifier by means of a skimmer assembly attached to one of the arms of the raking mechanism. As the skimmer arm revolves around the tank, scum is guided into a trough attached to the inside of the launder wall. The scum trough removes the scum from the tank and combines it with the sludge removed by the rakes. The removed sludge and scum are pumped to the plant digesters for treatment. The clarified wastewater eventually discharges over the effluent weirs and flows to the fixed film reactor to receive secondary treatment.

Secondary biological treatment is achieved at the plant by means of a single, fixed film reactor (FFR), constructed as part of the 1986 improvement project. The FFR utilizes a bio-filtration process which removes the dissolved organic matter from the wastewater. The FFR is 117 feet in diameter with a plastic media depth of 12 feet. Wastewater is distributed over microorganisms which grow on the plastic media substrate. The microorganisms absorb the organic matter from the wastewater as their food supply, utilizing much of the suspended colloidal and dissolved organic substrate matter for bioassimilation. As organic matter and nutrients are absorbed from the wastewater, the film of microorganisms grows and thickens, periodically sloughing off the plastic media surface. Partially decomposed organic matter, excess sloughed film, and dead film is carried off with the FFR effluent for further clarification in the secondary clarifier unit.

The secondary clarifier unit, constructed as part of the 1986 improvement project, performs much the same operation as the primary clarifier. The unit is 97 feet in diameter and has a side wall depth of 12 feet. These dimensions allow for a total volume of 665,000 gallons. Under average daily flow, the overflow rate of the clarifier is approximately 393gpd/sf and the detention time is 5.5 hours.

The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through

the ocean outfall. This process occurs within the chlorine contact chamber and is achieved by the injection of sodium hypochlorite into the waste stream to kill the majority of all remaining bacteria. Once the wastewaters disinfected, it is de-chlorinated and discharged from the plant through the ocean outfall line.

Collection System

The District owns and operates nearly 9 miles of collection sewer referred to as the District Trunk Line. The purpose of this line is to allow for the collective transport of wastewater from the smaller municipal lines of the three member agencies to the final destination of the District's Wastewater Treatment Plant. The Trunk Line was initially constructed as part of the original District design of 1963. It is comprised of sewer pipe ranging in size from 15-30 inches in diameter.

The pipe segments are primarily composed of either Vitrified Clay Pipe or Asbestos Cement Pipe. Due to the naturally sloping coastal topography and owing to careful consideration and planning during the design phase of the collection system, the District's collection system operates entirely as a gravity fed sewer. As a result, the District is not dependent upon the use of pumps at any point in the collection system to convey the wastewater. The result is reduced annual operating expenses which in turn are passed directly on to the District's customers.

Annual average daily flow passing through the collection system is in the order of 2.6 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. The WWTP is presently operating at about 52% of permitted capacity.

Capital Improvement Plans/Studies. To maintain the sewer facilities the District adopts a Capital Improvement Plan each year during the annual budget process. For 2018-19 fiscal year the following projects were approved:

Projects Budgeted or In Process

- ▶ Redundancy Project impact on the floodplain

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Infrastructure Needs and Deficiencies:

Wastewater

1. The Districts facilities are in good condition due to the maintenance and repair program undertaken by the District's staff and Board.
2. The District has adequate capacity to meet the needs of their existing service area.
3. The District's Long Range Plan provides for future plant improvements but should be updated to keep pace with the population growth and possible changing water quality standards in the area.
4. The District has begun the redundancy project upgrades so the plant can continue to meet the needs of the residents and comply with federal and state water discharge laws.
5. The District intends to continue to participate in the Central Coast Blue Project.

6.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

Purpose: To review the City's existing financial documentation and identify any financial constraints or opportunities.

Budget

The District is fiscally stable having saved enough money over the years to make major upgrades while continuing to repair and maintain the treatment plant on a regular basis. The District has saved approximately \$8 million for capital projects. Most of these reserves are designated for use towards upgrades of the plant. Major plant upgrades would be paid for from these reserves and will put the plant in position to serve area residents for many years to come. The Sanitation District are partnering with the other agencies to implement the Central Coast Blue Project.

Investment Policies. The District has had a requirement of setting aside the hookup and connection fees and charges to build up a reserve to complete major upgrades. This policy has resulted in a committed well-funded reserve fund that is described above. The District has also completed repair and maintenance program on an as needed basis and preventative maintenance, ensuring that the Physical Plant is well maintained over the years.

The District's annual budget contains investment policies that provide for the safe investment of funds in compliance with federal and state laws. The stated objective of the policy is to provide for the safe investment of the District's funds while allowing for liquidity and a return on investment.

Joint Financing Projects. The District is a jointly funded jurisdiction with the Cities of Arroyo Grande, Grover Beach and the Oceano CSD paying service fees to fund the operation and maintenance of the treatment facility, the main collection trunk and outfall line.

Revenue Sources. The District uses a variety of revenues sources to fund the organization including; Service Charges received from the jurisdictions to fund operations, Connection Fees which are committed directly to the Expansion Fund, and Interest Income and fund balances at the end of the year that are transferred to the Replacement Fund. The tables below show the operating revenues for the District in 2018-2019 as estimated by year end:

Table 6-9: Operating Fund 19 Revenues (FY2018-19)

Revenue	Estimated Year End Amount
Arroyo Grande Services	5,168,000
Grover Beach Services	
Oceano CSD Services	
Pismo Beach Water Mon.	
School Service	
Other Revenues	300,750
Total Revenue	5,490,350

Table 6-10: Expansion Fund 20 (FY2018-19)

Revenue	Estimated Year End Amount
Arroyo Grande Connections	66,000
Grover Beach Connections	
Oceano CSD Connections	
Interest Income	30,000
Total Revenue	96,000

Table 6-11: Replacement Fund 26 (FY2018-19)

Revenue	Estimated Year End Amount
Interest Income	0
Transfer – Operations Fund 19	0
Total Revenue	0

The revenue sources for the District is stable and are allocated to fund operations and saved for future expansion and replacement projects.

Fiscal Trend Analysis

The following charts show the fiscal trend analysis for the past four 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, elastic revenues (which include service charges), long-term debt, and fund balance for each year. The information was derived from the District's annual audit statement for each year.

Operating Budget Figure 6-3

Formula:

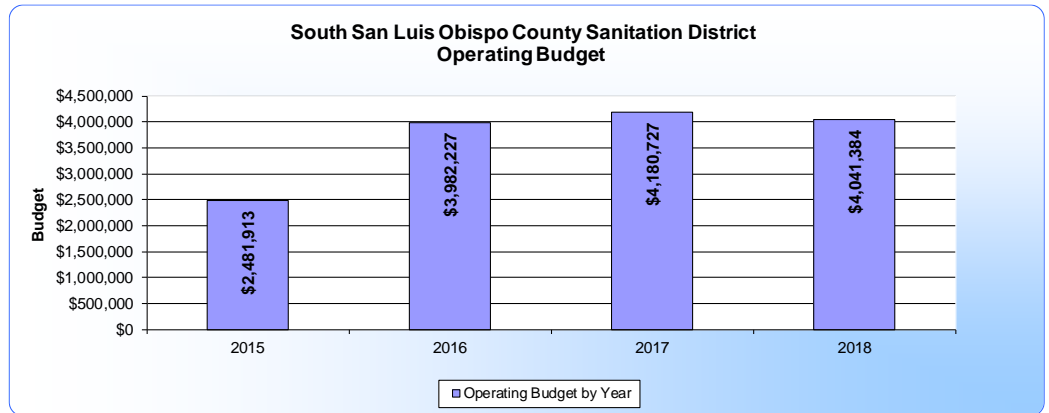
Consolidated Expenditures / Fiscal year

Trend Analysis:

Monitor expenditures over time.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: 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.

Discretionary Revenues Figure 6-4

Formula:

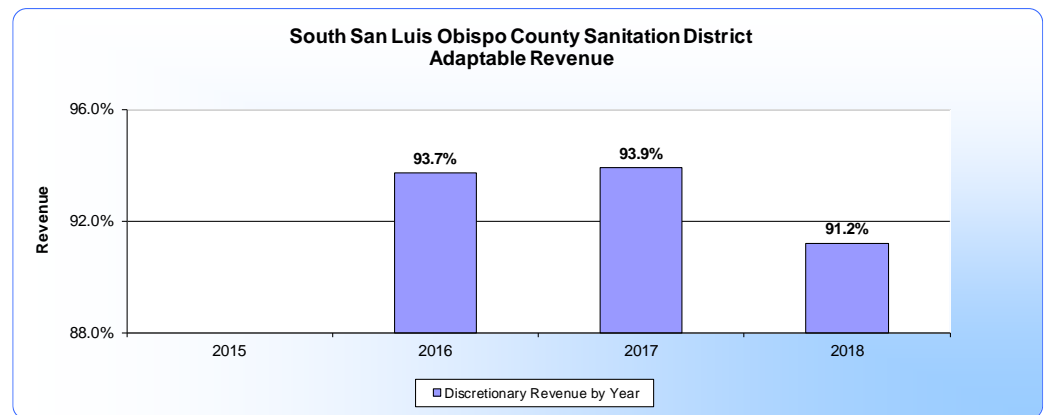
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

Comprehensive Annual Financial Statements: Statement of Activities Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

This indicator can help agencies determine how discretionary revenues are impacting their abilities to provide services. If revenues rely heavily on discretionary sources the agency may want to explore opportunities for increasing inelastic sources to offset the shortfalls in the inelastic revenues. Discretionary revenues consist of TOT, sales tax, and franchise fees, for special district elastic revenues also include water and sewer sales and availability.

Reserves Figure 6-5

Formula:

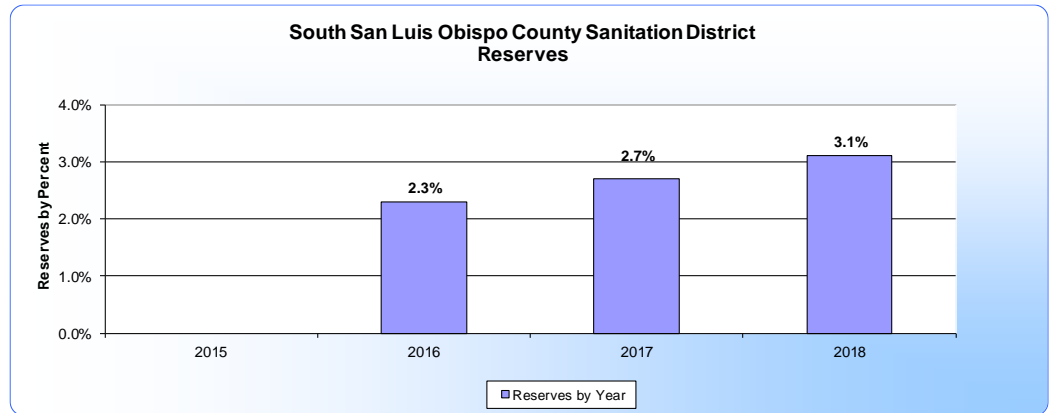
Unrestricted operating revenues / Net operating

Trend Analysis:

Monitor amount of reserves as a percentage of net operating expenditures.

Source:

Comprehensive Annual Financial Statements: Statement of Activities
Basic Financial Statements: Statement of Revenues, Expenses & Changes in Net Assets



Description:

As the percentage of reserves increases, a local government gains its ability to respond to changing conditions and to citizens' needs and demands. Decreases in reserves may also indicate future inability to maintain or enhance service levels. For special districts reserves are a % of next FY operating budget. It should be noted that reserves for agencies with infrastructure maintenance obligations will likely exceed 100% as the agency builds the necessary reserves to upgrade and maintain infrastructure.

Long-Term Debt/Liabilities Figure 6-6

Formula:

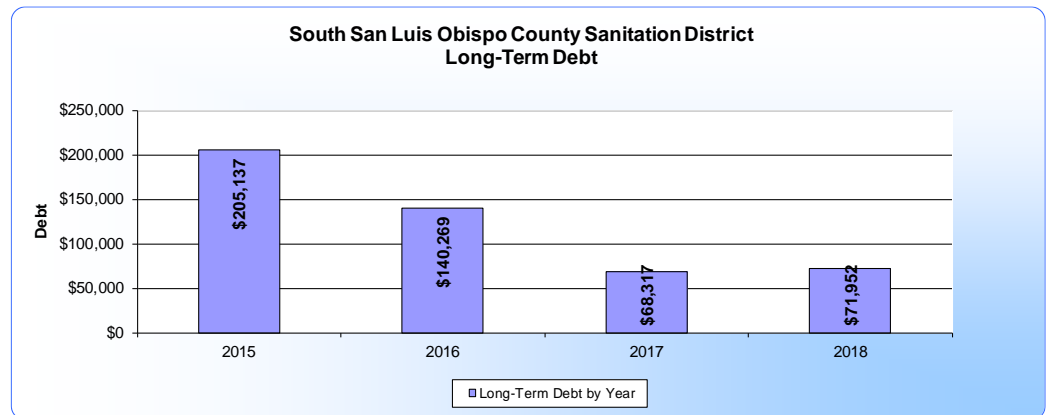
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



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.

Changes in Net Position Figure 6-7

Formula:

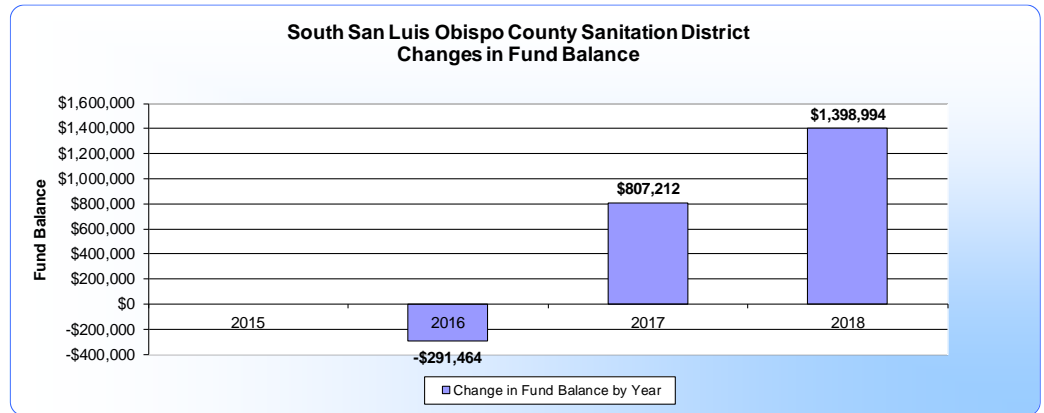
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

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

Source:

Comprehensive Annual Financial Statements: Statement of Revenues, Expenses and Changes in Fund Balance (Government Funds) Basic Financial Statements: Statement of Revenues Expenses & Changes in Net Assets



Description:

This indicator is especially important because a pattern of operating deficits of the general fund 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.

Rates and Fees

The District reviews rates during the annual budget process to ensure they adequately offset the costs of operating the plant. The latest rate increase was in 2016 based on a study prepared by Bartle Wells Associates. The rates for services within the District are not increased for existing residents as a result of future development within the District boundaries. Costs for sewer services for new developments would be fully examined during the development and review process, completed by the land use permitting jurisdiction.

Other programs defined by the District will require the newly developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. The District has been proactively working to complete reliability and redundancy upgrades to the wastewater treatment plant in order to address requirements of the RWQCB.

The various communities' sewer services are operated as enterprise funds. This means that revenues to support operations and capital improvements are borne by the ratepayer. Sewer funds and rates are reviewed annually by the various Council's/Boards at a public hearing where the appropriate rate for service is determined. If rate increases are needed, they are usually implemented at the beginning of the new fiscal year, July 1st, and all rates are prorated

accordingly. The following is a table that compares the rates and fees of several service providers for sewer services:

Table 6-12: Single-Family Sewer Rates

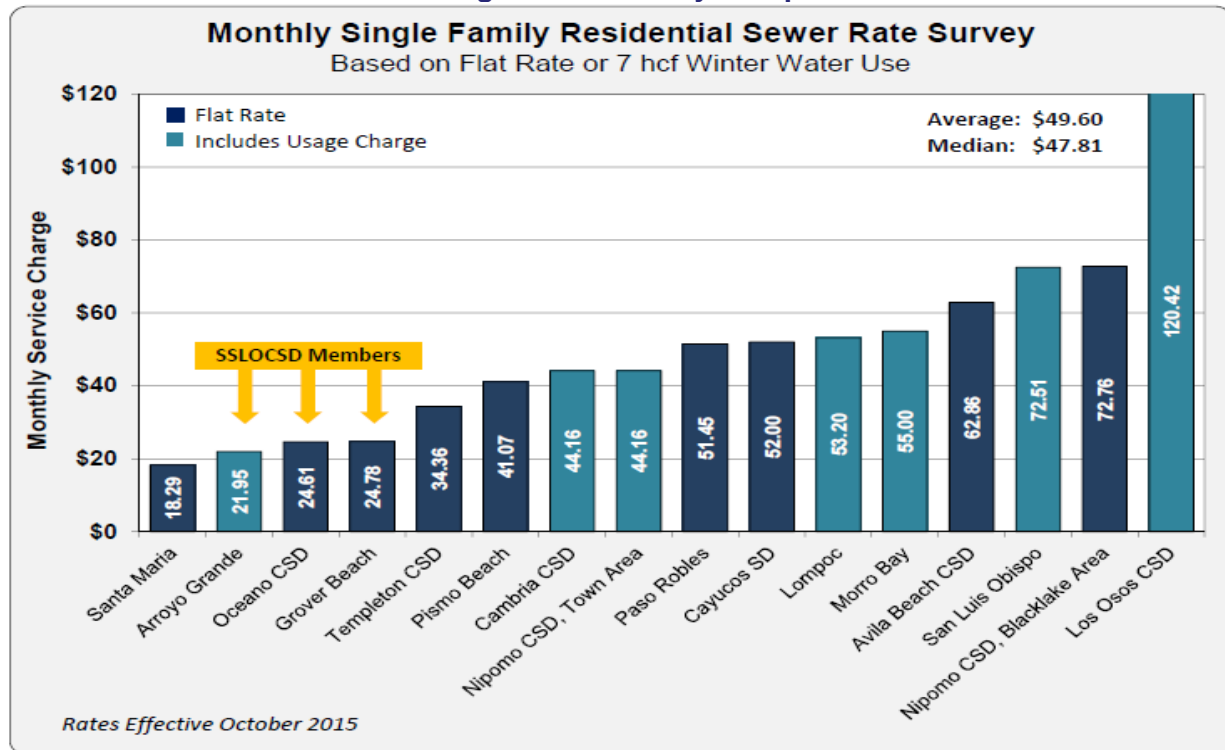
Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Flat Monthly Rate	\$7.80 times monthly usage	\$24.01	\$66.40	\$47.87	\$31.23	\$17.24	\$9.75	\$19.72

Note: SSLOCSD charge is \$25.48 for all customers + agency charge

The properties in the SOI areas do not presently receive services for which a fee is paid (such as wastewater service or storm drainage management). These services in particular are not available in the SOI areas. As these areas are largely undeveloped at this time, the impact of new services will be fees for those services. There is no evidence suggesting that the annexation of these areas will result in unreasonable fees for wastewater service as properties annex and develop within the District. It is expected that fees for the SOI areas will be in line with existing fees for such services.

The District, its member agencies and the County work together to ensure that the cost of services for the jurisdictions is equitable.

Figure 6-8 Monthly Comparison



WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Financial Constraints and Opportunities:

1. The District is in a good position having completed repair and maintenance on the Plant facilities regularly as well as set aside reserves for major upgrades and redundancy project to be completed in the future.
2. The District has limited long-term debt because it performs maintenance activities on an as needed or required basis.
3. The District reviews rates and fees on an annual basis during the preparation of their budget.

4. The District's rates have not only covered the costs of operations, but also enabled the District to prepare for the future by setting aside connection fees for replacing and maintaining the plant.
5. The District's revenue sources are stable and provide for the continued operation of the facility.
6. The District has approximately \$2 million in reserves, most of which is allocated for plant upgrades.

6.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

Purpose: To identify the opportunities for jurisdictions to share facilities and resources creating a more efficient service Delivery system.

In the case of annexing new lands into a District, LAFCO can evaluate whether services or facilities can be provided in a more efficient manner if the City, County, District, and/or State are cooperatively working to construct and maintain facilities. In some cases, it may be possible to establish a cooperative approach to facility planning by encouraging the City, County and State to work cooperatively in such efforts.

The South San Luis Obispo County Sanitation District is a good example of sharing facilities between jurisdictions. The Board of Directors consists of a representative for the Cities of Grover Beach and Arroyo Grande and the Oceano Community Services District. These are the jurisdictions that utilize the plants facilities. The District has worked with the jurisdictions to meet the current and future needs of the residents in a cost effective manner. This level of cooperation has led to financial stability, fair and consistent rates, and good service to the residents.

Currently, there is no duplication of existing or planned facilities in the SOI study areas. The City/CSD would assume the collection and transportation of wastewater service as properties are annexed and developed. The SSLOCSD would provide the wastewater treatment. These do not constitute (and would not in the future) duplication of services in the SOI areas.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Opportunities for Shared Facilities:

1. The Plant is an excellent example of jurisdictions working together to share facilities and resources.
2. The Plant provides excellent services to the area residents it serves because of the close cooperation and communication between the District and Jurisdictions.

6.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Purpose: To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.

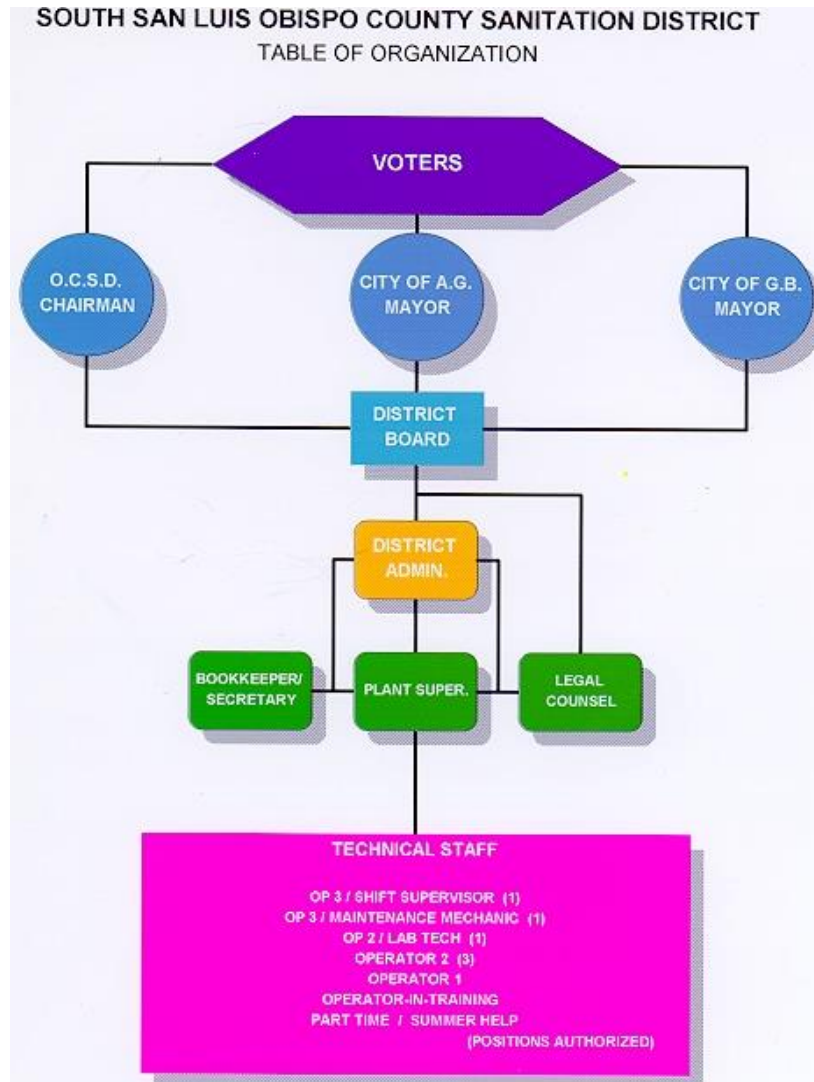
Governing Body. The three member District Board governs the operations and activities of the District. The Mayors of Grover Beach and Arroyo Grande along with the Chair for the OCSD make up the Board. The Board is appointed when the elections of the various jurisdictions is completed.

Community Outreach. The following is taken from the District's Website and shows several of the community outreach programs that the District has undertaken in recent years. The South San Luis Obispo County Sanitation District has undertaken several community service projects over the years. This in order to promote good will in the community, as well as to be a good neighbor to the residents located in the vicinity of the plant. The District maintains a website that provides good information about the district and their activities including budgets, staff reports, rates and ordinance/resolutions and bylaws.

The District holds regular meetings at 6:00 p.m. on the first Wednesdays of each month rotating every four months between July-Oct in Oceano, Nov-Feb in Grover Beach, and Mar-June in Arroyo Grande. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on District issues not on the agenda.

The District's organization structure is shown on the chart on the following page. The three member District Board governs the operations and activities of the District. The Mayors of Grover Beach and Arroyo Grande along with the Chair for the OCSD make up the Board. The Board hires the district administrator who oversees the staff.

Figure 6-9



The District has a maintenance software program that tracks equipment and operational repairs that are needed to keep the plant in good working order. The Regional Water Quality Control Board was complimentary of the way the plant was operated and viewed the District as a model in terms of compliance with water discharge regulations.

It is assumed that public participation in the planning and development process for the SOI territories would be about the same for either City or County development projects. Both the City and the County have well developed Citizen Participation programs that enable access to information and allow for citizen involvement. The City and County have a track record of extensive outreach to the community in making land use and other decisions.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Local Accountability and Governance:

1. The District provides for public access to meetings and records.
2. The District responds to customer complaints in a timely and responsive manner.
3. The District is involved with the local community by completing projects that benefit the area residents and visitors.
4. Based on a review of the District's budgets and planning documents, the District appears to be organized in an efficient and effective manner.
5. The District's staffing levels are below the industry average for operating such a facility. This is because the District hires employees with multiple skills and abilities, enabling the District cross train individuals to complete a variety of tasks and activities.
6. The District's staff consistently looks for ways to operate the plant more efficiently and effectively. These ideas are discussed in an open atmosphere that encourages continuous improvement in the operational and procedural systems.
7. The existing government structure represents an efficient and effective model for providing services the residents in the area.

6.7 OTHER MATTERS

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

Central Coast Blue Project.

Central Coast Blue is a regional water sustainability project that is proposed to create a new, high-quality, and reliable water supply for the Five Cities communities, including Arroyo Grande, Pismo Beach, Grover Beach, and Oceano. Agencies representing the Five Cities communities are designing and building a new advanced water purification facility to create a high-quality water source to supplement local groundwater supplies, with Pismo Beach serving as the lead agency. This project will help these communities to have a more reliable supply in times of water shortage or drought. The City of Pismo Beach has begun the preparation of an environmental impact report. The precise locations of the advance treatment facility location and injection wells have yet to be determined.

The cost of the Central Coast Blue project is broken into two phases: Phase I and Phase II. Phase I of the project treats Pismo Beach WWTP effluent (discharged water) and will provide 900 acre feet per year (AFY) of purified water for groundwater injection and 657 AFY after extraction from the groundwater basin. This phase is projected to cost \$ 37 million in addition to the \$ 2.02 million that the City of Pismo Beach has supported to date. Phase II of the project treats SSLOCSD WWTP effluent and provides 2,630 AFY of total additional purified water for injection and 1,920 AFY after extraction from the groundwater basin. This phase is estimated to cost another \$43 million.

Participation in the Central Coast Blue project will likely be dependent on financial availability of the communities to fund and distribute the share of offset water from injection. All agencies, including SSLOCSD, have been meeting to discuss the agencies' respective shares of the project although no formal cost-sharing agreement is in place. The future reuse of the highly treated water produced by the Wastewater Treatment Facility is not currently anticipated to be a portion of the City of Arroyo Grande's, City of Grover Beach's or Oceano CSD's multi-source water plan at this time.

REFERENCES

- SSLOCSD Budget FY 2018/19
- California Department of Finance E-5 Report, 2017 & 2019
- SLOCOG Regional Housing Needs Allocation, 2019
- Financial Statement Audits FY ending in 16-18
- Beacon Economics 2050 Population, Housing & Employment Forecast, June 2017
- Recycled Water Facilities Planning Study, WSC, 2016
- Financial Plan and Wastewater Rate Study, Bartle Wells Associates, 2016
- County of San Luis Obispo Urban Water Management Plan, 2015
- Regional Recycled Water Strategic Plan, 2014
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- San Luis Obispo LAFCO, Sphere of Influence Study, 2012.
- South San Luis Obispo County Sanitation District, Website, www.sslocsd.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.

CHAPTER 7

FIVE CITIES FIRE AUTHORITY – MUNICIPAL SERVICE REVIEW



The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the Cortese-Knox-Hertzberg Act (CKH). The Act states that, in order to update Spheres of Influence in accordance with Government Code Section 56425, LAFCOs are required to conduct a service review of the municipal services provided by the jurisdiction.

Preface

To all fire agencies in San Luis Obispo County much of what is contained in this report is not going to be new information. The challenges faced by the fire service have been accruing for many years. This report presents a theme that needs to be considered by all fire service providers. That theme is the essence of why Municipal Service Reviews are developed in the first place. There is a need for concerted, jointly supported effort for these fire agencies to work together to address current and future challenges.

The challenges that face the fire service can be grouped into three different perspectives. They are financial, operational, and political. This was identified by the Special Districts Fire Protection Study prepared for SLO County. What is important, in the context of this report, is to recognize that these factors are not independent of each other. They are linked; one is affected by the other. Service levels are a function of having sufficient funds to provide services. The use of resources by fire agencies along with many misunderstandings about how a fire agency performs, especially with respect to response times and staffing configurations, often results in political impacts that effect voter support for a specific course of action.

There have been difficult times in the past for many of the fire agencies. There are going to be difficult times in the future regarding both financial and governance issues. This MSR provides a baseline for those discussions but does not presume to provide a simple solution. Rather, it focuses on the need to increased cooperation, coordination, and commitment of the various entities to craft a solution that meets the fire service's needs in the future. In particular, the Five Cities Fire Authority is described under this Chapter to further explore fire service to the communities under this Municipal Service Review. Although the Five Cities Fire Authority is not under the jurisdiction of LAFCO, a summary of the services and challenges and potential outcomes are outlined that could be studied in greater detail or for separate actions to be taken as a result.

Summary Profile

Agency:	FIVE CITIES FIRE AUTHORITY
Function:	Fire prevention, suppression, investigation, search and rescue, hazardous materials, and first responder services
Address:	140 Traffic Way - District Headquarters Arroyo Grande, CA 93420
Website:	www.fivecitiesfireauthority.org/
Telephone:	T (805) 473-5490 - F (805) 489-0348
Fire Chief:	Steve Lieberman
Contacts email:	<i>slieberman@fivecitiesfire.org</i>
# of Employees:	38
Service Size:	10 sq. miles encompassing Arroyo Grande, Grover Beach and Oceano
Service Population:	37,000
Authority Formation:	2010 under a Joint Powers Agreement
Governing Body:	Three-member Board of Directors
Board meetings:	Held on a quarterly basis, at 154 South Eighth Street, Grover Beach, CA
Board members:	Karen White - Chair Oceano Keith Storton - Vice Chair Arroyo Grande Jeff Lee - Member Grover Beach
Staffing:	Contracted represented firefighters under MOU
Infrastructure:	Three fire stations, fire engines and firefighting equipment are under the FCFA
Budget:	\$5,855,468, FY2020
Sources of funding:	Member Agency Contributions
Administrative Policies/Procedures:	Yes
By-laws:	JPA Agreement

AGENCY DESCRIPTION

FIVE CITIES FIRE AUTHORITY (FCFA)

Background

In 2004, the City of Arroyo Grande and Grover Beach collaboratively entered an agreement to share one fire chief and training officer. This agreement was expanded over the next several years to include equipment sharing, a consolidation of the reserve firefighter program and the introduction of "boundary drops," meaning that the closest fire resource would be dispatched to a 9-1-1 call without consideration of community boundary. In 2008, the Oceano Community Services District joined the other communities and on July 9 2010, a complete fire department consolidation took place, resulting in the creation of the Five Cities Fire Authority. The Five Cities Fire Authority was created under the joint powers authority authorized by California Government Code Sections 6500 et.seq. to increase service levels to citizens and visitors, to ensure consistent and professional training standards, and to increase operational efficiencies.

The Arroyo Grande City area includes 3,800 acres, or 5.45 square miles, plus the potential Sphere of Influence area of additional 395 acres or 0.6 square miles. The City's population is 17,876.

The Grover Beach City area includes 1,478 acres, or 2.31 square miles. The City's population is 13,524. The Oceano CSD area includes 1,163 acres, or 1.55 square miles of land and 0.02 square miles of water. The CSD population is 7,600. All incorporated land is considered "local responsibility area" (LRA) for fire and not part of a "state responsibility area" (SRA)¹.

Pismo State Beach, Oceano Dunes State Recreation Area lies west of the City of Grover Beach and Oceano CSD that is overseen by the California Department of Parks and Recreation. The area to the east and south of the CSD District consists of the Arroyo Grande Creek flood plain. It is also referred to as the Cienega Valley. Oceano County Airport is a public airport located one mile west of Oceano's central business district. The airport, which is primarily used for general

¹ State Responsibility Areas (SRA) – Section 4102 of the Public Resources Code (PRC) defines "state responsibility areas" as those areas of the state for which the State has the financial responsibility of preventing and suppressing fires. Under PRC §4125 and 4126, these areas roughly correspond to vegetated lands that have watershed value. Lands in incorporated cities or owned by the federal government are excluded. Federal Responsibility Areas (FRA) Fire suppression in Local Responsibility Areas (LRA) are lands not designated as SRA or FRA.

aviation, only offers non-commercial flights. The airport is on 58 acres with a single runway and no control tower.

Major access roads include California Highways 1 and 101 and Highway 227.

Land Use and Population Forecasts

The top industries in the City of Arroyo Grande are related to education, services and health as well as arts, entertainment and recreation, and accommodation and food services. The major employers are the Arroyo Grande Community Hospital (412 employees) and Lucia Mar Unified School District (1,000 employees) both of which are also in the top twenty-five (25) employers in the County of San Luis Obispo (San Luis Obispo Chamber of Commerce 2018). In addition to these employers, tourism is also large part of the City's economic base. According the City's 2016 Housing Element of the General Plan, 85% of residents commute out of Arroyo Grande for work.

City of Arroyo Grande

According to the State Department of Finance the City of Arroyo Grande has a population of 17,876 persons and lost 4 residents from the previous year, leaving the population statically the same. Select demographic and social characteristics for the City of Arroyo Grande from the 2013-2017 American Community Survey are shown in the Table below.

Table 7-1 City of Arroyo Grande's Demographic and Social Characteristics, 2013-2015

Characteristic	City of Arroyo Grande
Gender/Age	
Male	8,716
Female	9,255
Median age (years)	48
Under 5 years	930
Under 18 years	3,366
65 years and over	4,132
Race/Ethnicity	
White	15,877
Asian	1,022
Black or African American	119
American Indian/Alaska Native	52
Hispanic or Latino (of any race)	2,980
Education	
% High school graduate or higher	95%
Disability Status	
% of Population 5 years and over with a disability	11%

Source: CA Department of Finance, U.S. Census Bureau American Community Survey 2013-2017 5-Year Estimates, www.census.gov/

The dominant land use in the City of Arroyo Grande is residential. A majority of the residential use is single family (1-unit detached) homes that are owner occupied (70%). There are very few vacant parcels within the City's boundaries and due to the community's strong feelings toward the preservation of "prime" agricultural land, it is projected that future development will be infill and revitalization of existing parcels. According to the 2001 General Plan the infill development should be located in the following areas: East Grande Avenue, El Camino Real, and south and east of the Historic Village area. The Sphere of Influence for the City includes a 184-acre and 190-acre agricultural parcels along the City's southeastern boundary.

Between 2000 and 2016, the City's population grew at a similar rate to the County as a whole, adding 1,880 residents or an annual growth rate of 0.74 percent over a 16-year period. Population growth slowed down in between 2010 and 2016 with the addition of 500 residents in a 6-year period. The estimated buildout population for the City of Arroyo Grande is 20,000 by 2040. Due to water availability the City has a population growth cap of 20,000 by 2021 and is estimated to grow its population to 18,288 by 2020 (SLO County Council of Governments 2017). The availability of both the short-term and the long-term water source is the primary limitation of how the City can grow in the future. According to the City's Urban Water Management Plan (2015) the City's projected water supply should exceed its projected water demand through the year 2035.

Oceano Community Services District

Oceano had 2,603 households in 2010 with an average household size of 2.80. The median age of Oceano residents was 35.4 years old in 2010, with diverse aging groups residing within the community:

- Median 1,738 (23.9%) individuals under the age of 18
- 747 (10.3%) people aged 18 to 24
- 2,028 (27.8%) residents aged 25 to 44
- 1,870 (25.7%) individuals aged 45 to 64
- 903 (12.4%) people were 65 years of age or older
- Female to male ratio: 100: 101.9

Existing land use within the Oceano Community Service's District is a mosaic of varying types of uses, ownership, character, and intensity. Uses include:

- Both low and medium density residential
- Agriculture
- Parks and recreation
- General commercial
- Public

The Sphere of Influence for the Oceano CSD is coterminous with its service boundary with agricultural parcels along the southern border adjacent to Arroyo Grande creek.

City of Grover Beach

The top industries in the City of Grover Beach are related to entertainment and recreation, and accommodation and food services, lodging and most recently cannabis.

According to California Department of Finance from U.S. Census Bureau's American Community Survey 5-Year Estimates (2013-2017), the total population for the City of Grover Beach was estimated at 13,524 persons. Select demographic and social characteristics for the City of Grover Beach from the 2013-2017 American Community Survey are shown in the Table below.

Table 7-2 City of Grover Beach's Demographic and Social Characteristics, 2013-2015

Characteristic	City of Grover Beach
Gender/Age	
Male	6,687
Female	6,837
Median age (years)	36
Under 5 years	1,236
Under 18 years	3,435
65 years and over	1,875
Race/Ethnicity	
White	7,952
Asian	393
Black or African American	316
American Indian/Alaska Native	101
Hispanic or Latino (of any race)	4,279
Native Hawaiian and Other Pacific Islander	126
Education	
% High school graduate or higher	85%
Disability Status	
% of Population 5 years and over with a disability	15%

Source: CA Department of Finance, U.S. Census Bureau American Community Survey 2013-2017 5-Year Estimates, www.census.gov/

The City's General Plan Land Use Element (2010) recognizes that a majority of the City has been developed and future development will be concentrated on vacant properties and redevelopment of underutilized properties. The following figures from the San Luis Obispo County Council of Governments (COG), 2050 Regional Growth Forecast for San Luis Obispo County show the projected population and housing unit growth between 2010 and 2050. According to the COG's document the City's population is projected to increase to over 15,000 residents by 2050.

The Sphere of Influence for the City of Grover Beach is coterminous with its City Limits with Oceano CSD along its southern boundary and City of Arroyo Grande along its eastern boundary and City of Pismo Beach along the northern boundary.

Water Supply

Water supply for fire suppression is provided through a system of hydrants, connected from the individual agencies that supply water within their jurisdictional boundaries.

ISO Rating

The ISO rating of the FCFA as of January 2015 is 3/9. The FCFA is scheduled for an updated rating in 2020. A company called the ISO (Insurance Services Office) creates ratings for fire departments and their surrounding communities. In the ISO rating scale, a lower number is better: 1 is the best possible rating, while a 10 means the fire department did not meet the ISO's minimum requirements.

Training Standards

California Occupational Safety and Health Administration (Cal OSHA) requires fire departments to: (1) train all employees to perform safely in hazardous job activities, and (2) train all employees to state mandated or nationally-recognized "industrial standards." With the elimination of the immunities from civil and criminal liabilities formerly granted to governmental employers in cases involving violation of workplace safety standards was removed thereby exposing a significant liability to districts. Effective in 2004, volunteer firefighters are considered to be employees which means the volunteer firefighter must be trained to the same level as the career firefighter. It is imperative that the fire authority meet their legal obligation as required by Cal OSHA in order to not only furnish a place of employment that is safe and healthful for the

employees but to also train firefighters to state-mandated or nationally recognized “industrial standards” in accordance with the expectation of the public.

Authority has no training facility; ladder training is performed at commercial business locations, roof ventilation training takes place in a small corporate yard, and required rope rescue training takes place at a fire station. A training facility that includes a training tower would allow for live fire training, rope rescue, ventilation, and search and rescue training. Additionally, a training facility with a modular classroom could provide an opportunity to host outside training and generate revenue for the organization.

Infrastructure and Facilities

FCFA currently operates and staffs three fire stations; Station 1 is located near the Village of Arroyo Grande at 140 Traffic Way; and Station 2 is located next to the City of Grover Beach’s City Hall and Police Station at 701 Rockaway Ave and Station 3 shares a building with the Oceano Community Services District at 1655 Front Street. Station 1 also houses the Fire Authority’s administrative offices. According to the 2017 FCFA Strategic Plan 2017-2022 all three stations will not need replacement or any new station added to serve the region. Fire Station #1 was built in 1980’s and remodeled in 2004. Fire Station #2, built in 1990’s, was found to be in adequate condition. Both stations are undersized for the department’s needs. Fire Station #3 is the closest to serve the Oceano Airport.

Equipment and Vehicles

The equipment and apparatus of the Fire Authority reflects its orientation towards structural fires and emergency medical services. Ownership of fire apparatus and portable equipment was transferred to the JPA; however the fire station facilities remain the property of the parent organizations. The three agencies (Arroyo Grande, Grover Beach, & Oceano CSD) maintain ownership of the buildings while the Five Cities Fire Authority provides personnel and administrative infrastructure. When the organization was formed in 2010, each member agency contributed the existing vehicles they had employed as a stand-alone fire department. The department staffs:

- Four engines that are Type I design with 500 gallons and capability to deliver 1500 GPM.

- FCFA owns and operates Truck 6645 which is similar to a fire engine in that it carries a water tank, pump and fire hose. The truck is designed with a focus on search and rescue, rooftop ventilation in the case of a fire, and extrication of victims entrapped in vehicle collisions. Truck 6645 has a 100 foot Ladder Truck with a capacity of 300 gallons and the capability to deliver 1500 GPM.
- FCFA also operates one Wildland Brush engine (Type III; called Brush 6661) with a capacity of 500 gallons and the capability to deliver 500 GPM.
- The Rescue 6653 carries specialized equipment that supports capabilities to respond to building collapse/stabilization, rope rescue, trench collapse, confined space rescue, mass casualty events and vehicle extrication.
- Associated with the Rescue 6653 is a shoring trailer loaded with lumber. There is not another vehicle like the FCFA Rescue 6653 in the southern portion of San Luis Obispo County. Both Brush 6661 and Rescue 6653 are stationed in Grover Beach Station 2.
- Patrol 6663 has a 400 gallons and the capability to deliver 220 GPM.
- The Battalion Chiefs are assigned command vehicles. They are designed to provide enhanced communications capabilities, and carry needed reference material to effectively manage an incident where it is occurring.
- Sedans are assigned to the Fire Chief and Arson Investigator.
- FCFA also operates two utility pick-up trucks.

A vehicle replacement funding program was discussed during the formation process, but never implemented. With the exception of the replacement purchase of Truck 6645 (purchased with a federal grant and matching funds from the member communities), the fleet is aged and several vehicles remain in service although their age exceeds industry standards for service life. A long term strategy remains to be defined, and as the equipment continues to age, maintenance costs increase at a significant level.

The Five Cities Fire Authority has several in-house committees, including an Apparatus Specification Committee. As part of the strategic planning process, committee members identified specific types of vehicles that would be needed in the future. Due to the age of the existing fleet, vehicle replacement funds will be more substantial in the short term. Based on a five-year average, approximately \$800,000 would need to be set aside on an annual basis and approximately \$146,000 would be needed for equipment. Based on the committee's analysis, listed below are the future vehicle needs for the organization:

<u>Frontline Apparatus</u>	<u>Fire Station #1 Arroyo Grande</u>	<u>Fire Station #2 Grover Beach</u>	<u>Fire Station #3 Oceano</u>
	Truck Wildland Engine	Type I Engine	Type I Engine USAR

<u>Reserve Apparatus*</u>	Type I Engine Type III Engine Truck
<u>Support Vehicles</u>	(2) Pick-Up Trucks (4x4 Crew Cab) 1-Ton Stake Side truck with lift gate
<u>Command Vehicles</u>	(3) Command Vehicles
<u>Arson Investigator</u>	Pick-Up with Shell
<u>Staff</u>	Fire Chief

* Assumes that front-line capabilities are maintained with redundant apparatus.

Personnel and Staffing

The FCFA currently has a total of 26 allocated full-time positions, 1 part-time with 3 reserves. Hence, at a minimum, 3 personnel are on duty daily at each station in Arroyo Grande and Grover Beach (three shifts of engine company personnel). Two are in Oceano. Five Cities Fire Authority strategic plan considers the elimination of the reserve program and replace with only career staff with an identified goal of 41 personnel. Oceano Fire Station’s current daily staffing is one (1) career and one (1) reserve. Department personnel includes a fire chief, two battalion chiefs, nine captains, six engineers, six full time and 3 part-time firefighter, and one full time administrative secretary and one part time office assistant. The Fire Authority is equipped to handle a moderate risk fire with the on-duty forces but relies on mutual and automatic aid to provide additional staffing for significant fires or emergencies. Training requirements are set by the Fire Authority and by the California State Fire Marshal’s Office. Fire and EMS training is ongoing in accordance with County and industry standards. Department personnel attend both in-house and outside class training. Reserves are paid an hourly wage. Reserve (part-time) Firefighters are required to have completed a California State Fire Marshal Fire Academy, and

have a current Emergency Medical Technician (EMT) card to be eligible for employment. Once hired, the Reserve Firefighter completes an in-house academy prior to be placed on a probationary shift assignment.

Automatic aid is provided to FCFA by the two City of Pismo Beach fire stations on Bello Street and Shell Beach Road and County Fire Station 22 on Highway 1. Next closest mutual aid fire stations are Cal Fire Station 20 in Nipomo and County Fire Station 62 in Avila Valley. Both Nipomo and Avila Valley area stations have approximately 15 minutes driving time to Oceano.

Administration, Management, and Operations

General

The Fire Chief reports to the Board of Directors and also serves as the Executive Officer for the Five Cities Fire Authority. The Administrative Services Director for the City of Arroyo Grande serves in the capacity of Treasurer to the Authority, and the Administrative Assistant for the Five Cities Fire Authority serves as Secretary/Clerk to the Board.

The Fire Chief may consult with the Executive Team, comprised of the managers from Arroyo Grande, Grover Beach and Oceano in order to discuss matters relevant to the communities or the Authority, and the managers may make recommendations to their board members, based on matters discussed. The FCFA maintains a user-friendly website with detailed information about the Fire Authority. The department's main offices are at 140 Traffic Way in Arroyo Grande and they are open to the public during the hours of 8:00 am to 5:00 pm, Monday through Friday.

Financial

General administration, payroll, banking, accounting, audit and budget, insurance, records management and labor negotiations are managed by the Fire Chief. Fire service operations are subject to the policies and procedures of the Authority, including financial safeguards, checks and balances.

Operations

Call and Response Data

The Fire Authority previously dispatched through a combined Public Safety Answering Point (PSAP) within the City of Grover Beach Police Department (GBPD). The FCFA 2018-19 Budget

called for migrating fire dispatch services to the County of San Luis Obispo ECC dispatch under CALFIRE for a slight increase in cost. This allows for a trained firefighter to triage calls. The definitions for the call categories to be used in this study are:

- Fire – Any fire response with an ignition component to any structure or improvement on any parcel. This category does not distinguish between commercial or residential, calls can be related to a vegetation or vehicle fire.
- Medical Aid – Calls requiring medical aid, not related to a structure fire but can be related to vehicle accidents.
- Haz-Mat – Calls related to hazardous materials.
- Good Intent – False Alarms accidental pulls, smoke checks, etc.
- Other – Miscellaneous calls not related to any other category.

Table 7-3: FCFA Fire Department – Call Log

Incident Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire						83		95		71
Medical Aid						2361		2371		2110
HazMat						109		134		103
Good Intent/False Alarm						935		1203		177
Other						9		35		8
Total Calls						3497		3838		3413

Maintenance and Equipment

The Fire Authority Type I engine carries standard emergency medical equipment, forcible entry tools, and extrication for use during firefighting operations and when hazardous atmospheres are encountered. The Rescue 6653 carries specialized equipment that supports capabilities to respond to building collapse/stabilization, rope rescue, trench collapse, confined space rescue, mass casualty events and vehicle extrication. Examples of other types of equipment include; Self Contained Breathing Apparatus (SCBA), Rope Rescue Systems, Thermal Imaging Cameras, Gas Monitors, Extrication Systems (“Jaws of Life”), and Heavy Duty Airbags.

The JPA agreement provides services and associated equipment by the Cities of Arroyo Grande and Grover Beach. These services include:

- Financial Services
 - Budget & Financial Planning
 - Payroll
 - Accounts Payable
- Human Resources
- Information Technology (IT)
- Legal Counsel (currently funded and paid by FCFA)

Funding and Budget

Funding for the FCFA is based on a cost formula agreed to by member agencies see Appendix A. The discussion in this section is descriptive and amounts cited are approximate, based on information provided to LAFCO or available at the time of this report from other reliable sources.

Revenues

The table below describes the revenue amounts cited are approximate, based on information provided to LAFCO or available at the time of this report from other reliable sources.

Table 7-4: FCFA Funding and Budget - Revenues

Revenues/ Budget	2011	2012	2013	2014	2015	2016	2017	2018
Member Contributions	\$3,285,531	\$3,607,400	\$3,467,600	\$3,467,600	\$3,536,951	\$3,885,400	\$4,439,392	\$4,705,730
Use of Money and Property	\$745	\$0	\$0	\$155	\$733	\$1,981	\$3,490	\$6,732
Intergovernmental	\$0	\$33,994	\$31,359	\$168,422	\$0	\$0	\$0	\$0
Grants	\$5,393	\$0	\$426,654	\$790,297	\$147,687	\$10,361	\$29,719	\$11,859
Charges for Services	\$0	\$547	\$548	\$4,116	\$4,220	\$184,607	\$212,651	\$270,816
Other	\$26,540	\$33,054	\$93,501	\$68,500	\$36,528	\$62,176	\$42,776	\$52,544

Total Revenues	\$3,318,209	\$3,674,995	\$4,019,662	\$4,499,090	\$4,144,525	\$4,144,525	\$5,047,681	\$5,047,681
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Grants

FCFA received a SAFER grant to augment staffing in their three stations (including Oceano fire station) that concluded in 2015. The grant has expired and reductions of staff occurred since FCFA member agencies were unable to provide funding for the grant-funded full-time positions.

FCFA has received multiple grants over the past five years from non-profit organizations, insurance companies, homeland security grants, and county NPP funding. Equipment purchased with these funds includes:

- Two Command Vehicles
- Firehose nozzle compliments (standardization post-consolidation)
- “Jaws of Life” extrication equipment
- Power Saws
- Portable radios and satellite phones
- Emergency operations IT equipment
- Ballistic Personal Protective equipment (Active Shooter)

Expenditures

Budget expenditure amounts for the following table were taken directly from information provided by the FCFA.

Table 7-5: FCFA Funding and Budget – Expenditures

Expenditures/ Budget	2011	2012	2013	2014	2015	2016	2017	2018
Salaries and Benefits	\$2,905,693	\$3,029,426	\$3,466,589	\$3,656,018	\$3,570,861	\$3,557,700	\$3,643,541	\$4,001,715
Services and Supplies	\$360,280	\$419,321	\$455,715	\$684,338	\$501,245	\$524,278	\$604,587	\$588,376
Capital Outlay	\$0	\$0	\$0	\$131,272	\$10,531	\$641,936	\$558,831	\$60,243
Principal and Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$326,875	\$101,197
Total Expenditures	\$3,265,973	\$3,448,747	\$3,922,304	\$4,471,628	\$4,082,637	\$4,723,914	\$5,133,834	\$4,751,531

The Fire Authority has been fortunate to receive support from local area “Friends of Five Cities Fire Authority,” as an IRS designated 501c(3) non-profit organization, Service Clubs and private citizens. These efforts to raise significant funds for the department assisted in the purchase of equipment.

Boundaries

Consolidation

The Cities and CSD has considered consolidating services with another agency on more than one occasion. As recently as 2019, the City of Arroyo Grande studied a preliminary analysis of financial operations for continuing FCFA. The City hoped to continue or improve levels of service and also realize cost savings through greater economies of scale with a larger combined fire service organization. Unfortunately, the study found that significant costs would accrue to the City because of the differences between the two agencies’ employee benefits, pension programs and other related costs.

Boundary Realignment

Annexations are unlikely to affect the fire service or directly increase revenues to the Cities or District. Land use controls under County limit the possibility for development in and around the Fire Authority boundary. Thus, typical annexations to the City or District for services to support development are extremely unlikely at this time.

Community Outreach and Involvement

A community support group was formed in 2016. “Friends of Five Cities Fire Authority,” is an IRS designated 501c(3) non-profit organization, created to raise funds, solicit grants and assist with public education in support of Five Cities Fire.

Special Assessments

Oceano CSD is considering a parcel tax ballot measure for 2020 to provide fire department funding to meet their Five Cities Fire Authority obligation to fund 3 full-time firefighters on duty daily at the Oceano fire station. No previous attempts have been made and they do not have a Mello-Roos CFD District.

If the Special Tax does not pass the Oceano CSD may consider divesting itself of its fire authority. Should this happen, fire service would likely become the responsibility of either CALFIRE under contract with the County or Five Cities Fire Authority. This ballot measure did not receive the required two-thirds approval needed on March 3, 2020.

Funding for fire services currently being paid for by the Oceano CSD would be transferred to the agency which provides the service after divestiture is completed.

WRITTEN DETERMINATIONS

The following written determinations are based on the information contained in the above section regarding Fire Service:

1. The Fire Authority's Strategic Plan increases fire service in the area with full-time career staffing and eliminating the reserve program.
2. If Oceano CSD divests its fire authority, annual staffing and operational cost to the County could potentially cost an approximately \$600,000 in addition to the current \$900,000 allocation of property tax from the District.
3. Renegotiation of the funding formula for Five Cities JPA or reducing expenditures should be further explored to keep fire service ongoing.

APPENDIX A

FCFA FUNDING FORMULA

Funding Formula:

1) 25% based on proportion of population		%	Source:
Arroyo Grande	17,736	46%	Ca Dept of Finance Jan 2017 population
Grover Beach	13,438	35%	Ca Dept of Finance Jan 2017 population
OCS D	7,286	19%	2010 Census
Total Population	38,460		
Allocation:			
Arroyo Grande	\$ 606,683		
Grover Beach	\$ 459,665		
OCS D	\$ 249,227		

2) 25% based on proportion of assessed value			Source: County Auditor/Controller Tax Rate Info & Assessed
Arroyo Grande	2,841,199,531	56%	Valuation report for 2017-18
Grover Beach	1,590,058,180	31%	Gross Secured Assessed Value for each jurisdiction
OCS D	633,230,999	13%	
Total Assessed Value	5,064,488,710		
Allocation:			
Arroyo Grande	738,043		
Grover Beach	413,041		
OCS D	164,491		

3) 25% based on fixed proportion - service levels at inception of JPA		
Arroyo Grande	36.5%	
Grover Beach	36.5%	
OCS D	27.0%	
Allocation:		
Arroyo Grande	480,185	
Grover Beach	480,185	
OCS D	355,205	

4) 25% based on proportion of service calls			Calendar 2017 total response info from Chief Lieberman
Arroyo Grande	1,987	53%	Based on situs - where call occurs, not which station respon
Grover Beach	1,198	32%	
OCS D	583	15%	
Total service calls	3,768		
Allocation:			
Arroyo Grande	693,749		
Grover Beach	418,275		
OCS D	203,551		

Haz Mat direct allocation	
Arroyo Grande	5,000
Grover Beach	5,000
OCS D	2,000

Debt service - 2nd engine allocation	
Arroyo Grande	-
Grover Beach	21,943
OCS D	12,887

Total Allocation		Allocation	Current	Variance	% Increase
Arroyo Grande	2,523,661	47.5%	2,062,347	461,314	22%
Grover Beach	1,798,108	33.9%	1,491,753	306,355	21%
OCS D	987,362	18.6%	808,530	178,832	22%
	5,309,130		4,362,630	946,500	22%



State of California - Department of Fish and Wildlife
2020 ENVIRONMENTAL FILING FEE CASH RECEIPT
 DFW 753.5a (REV. 12/01/19) Previously DFG 753.5a

RECEIPT NUMBER: 40-07202020-094
STATE CLEARINGHOUSE NUMBER (if applicable)

SEE INSTRUCTIONS ON REVERSE. TYPE OR PRINT CLEARLY.

LEAD AGENCY SAN LUIS OBISPO LAFCO	LEAD AGENCY EMAIL dchurch@slolafco.com	DATE 07/20/2020
--------------------------------------	---	--------------------

COUNTY/STATE AGENCY OF FILING SAN LUIS OBISPO	DOCUMENT NUMBER
--	-----------------

PROJECT TITLE
SOUTH COUNTY AGENCIES (ARROYO GRANDE, GROVER BEACH, OCEAN & SOUTH COUNTY SANITATION)

PROJECT APPLICANT NAME SAN LUIS OBISPO LAFCO	PROJECT APPLICANT EMAIL dchurch@slolafco.com	PHONE NUMBER (805) 781-5795
---	---	--------------------------------

PROJECT APPLICANT ADDRESS 1042 PACIFIC STREET STE A	CITY SAN LUIS OBISPO	STATE CA	ZIP CODE 93401
--	-------------------------	-------------	-------------------

PROJECT APPLICANT (Check appropriate box)

Local Public Agency
 School District
 Other Special District
 State Agency
 Private Entity

CHECK APPLICABLE FEES:

- Environmental Impact Report (EIR) \$3,343.25 \$ _____
- Mitigated/Negative Declaration (MND)(ND) \$2,406.75 \$ _____
- Certified Regulatory Program (CRP) document - payment due directly to CDFW \$1,136.50 \$ _____

- Exempt from fee
 - Notice of Exemption (attach)
 - CDFW No Effect Determination (attach)
- Fee previously paid (attach previously issued cash receipt copy)

- Water Right Application or Petition Fee (State Water Resources Control Board only) \$850.00 \$ _____
- County documentary handling fee \$ _____ \$50.00
- Other \$ _____

PAYMENT METHOD:

- Cash
 Credit
 Check
 Other
 TOTAL RECEIVED \$ _____ \$50.00

SIGNATURE X	AGENCY OF FILING PRINTED NAME AND TITLE Jennifer Anderson, Deputy County Clerk-Recorder
-----------------------	--

Filed in County Clerk's Office
 Tommy Gong
 San Luis Obispo - County Clerk-Recorder

40-07202020-094

07/20/2020
 FISH
 Pages: 3
 Fee: \$ 50.00

By jaanderson, Deputy



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
dchurch@slolafco.com

Project Title: South County Agencies (Arroyo Grande, Grover Beach, Oceano, & South County Sanitation) Municipal Service Review and Sphere of Influence Update

Project Location and Description. LAFCO has prepared a Sphere of Influence (SOI) Update and Municipal Service Review for the Cities of Arroyo Grande, Grover Beach, the Oceano CSD, and South County Sanitation District located in San Luis Obispo County. The SOI is a 20-year growth boundary that includes areas that may be served by a City or District in the future. This SOI update and Service Review recommends maintaining the same boundaries for Grover Beach, Oceano CSD, and South County Sanitation District while six existing parcels located south of Virginia Drive and east of Halcyon with single family residences are recommended to be added to the City of Arroyo Grande's sphere of influence. The Cortese-Knox-Hertzberg Act calls for the Service Review to be completed either prior to or concurrent with, the Sphere of Influence update. The Service Review evaluates the public services provided by the City's and Districts and provides the information base for updating the SOIs.

Public Agency Approving Project. The Local Agency Formation Commission (LAFCO) of San Luis Obispo County conducted a public hearing on this item in July 16, 2020, at 9:00 a.m. via ZOOM meeting in accordance with Executive Order N-29-20.

Environmental Determination. LAFCO is the Lead Agency for the proposed Sphere of Influence Update and Service Review. 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). The MSR qualifies for a Class 6 - Regulation Section 15306. Additionally, the SOI updates qualify for a general rule exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

Reasons for Exemption. The proposed Sphere of Influence Update and Municipal Services Review does not involve, authorize or permit the siting or construction of any facilities. The MSR is categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation Section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." CEQA Regulation Section 15061(b)(3) states "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." There are no land use changes or environmental impacts created or recommended by the SOI update. No changes to the Spheres of Influence for Grover Beach, Oceano CSD, or South County Sanitation District with a small addition to Arroyo Grande of an existing buildout development are recommended in the Sphere of Influence Update document.



David Church, Executive Officer

7/16/20

Date

2020 ENVIRONMENTAL FILING NOTICE OF DETERMINATION

Complete the information and submit with each set of documents presented for filing. Please provide an original set and (2) two sets of copies for filing.

Project Title: South County Agencies (Arroyo Grande, Grover Beach, Oceano, & South County Sanitation) Municipal Service Review and Sphere of Influence Update

Name of Agency filing attached document: San Luis Obispo LAFCO

The above named agency is filing as: Lead Agency Responsible Agency Trustee Agency

Address of Filing Agency: 1042 Pacific Street Ste A, San Luis Obispo, CA 93401

Document Type (check one): Environmental Impact Report Negative Declaration
 Mitigated Neg. Declaration Exemption

Project Applicant: San Luis Obispo LAFCO

Project Applicant Address: 1042 Pacific Street Ste A San Luis Obispo, CA 93401

Project Applicant Phone Number: 805-781-5795 E-Mail: dchurch@slolafco.com

Project Applicant is (check one): Local Public Agency School District Other Special District
 State Agency Private Entity

If the agency presenting this document is filing as the responsible agency, **provide a copy** of the Lead Agency's filed documents and complete the following:

Lead Agency: San Luis Obispo LAFCO

Lead Agency's Project Title: South County Agencies (Arroyo Grande, Grover Beach, Oceano, & South County Sanitation) Municipal Service Review and Sphere of Influence Update

Lead Agency's State Receipt #: N/A

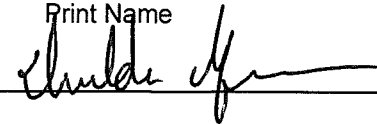
Lead Agency's Document #: N/A

Check Applicable Fees (check all that apply):

- Negative Declaration (\$2,406.75)
- Environmental Impact Report (\$3,343.25)
- County Administrative Fee (\$50.00)
- Filed by responsible agency; fees paid by lead agency (Attach a copy of Lead Agency's filing & receipt).
- Fees have already been paid (Attach a copy of the prior filing and proof of payment).
- Categorically Exempt
- Statutorily Exempt
- No Effect Determination Form

Prepared by: Imelda Marquez
Print Name

Commission Clerk IMarquez@slolafco.com
Print Title E-Mail

Signature: 

7-20-2020 805-781-5795
Date Phone #

**Draft MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF ARROYO GRANDE AND
THE COUNTY OF SAN LUIS OBISPO
REGARDING THE CITY'S SPHERE OF INFLUENCE**

This Agreement between the City of Arroyo Grande (hereafter "City") and the County San Luis Obispo County (hereafter "County") is entered into by the City on this _____ day of _____, 2020, and by the County on this _____ day of _____, 2020.

~~This Agreement is entered into on this _____ day of _____, 2012, by and between the City of Arroyo Grande (hereafter "City") and the County San Luis Obispo County (hereafter "County").~~

WITNESSETH

WHEREAS, the Cortese/Knox/Hertzberg Act ("the Act") requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence for all applicable jurisdictions in the County every five years, as needed; and

WHEREAS, the City and County entered into this Memorandum of Agreement (MOA) in 2003, and 2012 as part of updating the City's Sphere of Influence (SOI) Update; and

WHEREAS, the City and County have been working together to implement the existing MOA with regard to the SOI and specifically the Fredericks and Williams sites; and

WHEREAS, this updated MOA assists in clarifying the roles, responsibilities, and intentions of each jurisdiction and identifies the processes for working together in the future; and

WHEREAS, a Sphere of Influence is defined by Government Code 56076 as a plan for the probable physical boundaries and service area of a local agency, and pursuant to Government Code 56425 has been identified by the County of San Luis Obispo and the City of Arroyo Grande as contained in Exhibit A; and

WHEREAS, the Act further requires that a Municipal Service Review be conducted prior to or, in conjunction with, the update of a Sphere of Influence and such a Municipal Service Review has been prepared by LAFCO staff in accordance with Section 56430 of the California Government Code as a means of identifying and evaluating public services provided by the City

of Arroyo Grande and changes to the City's Spheres of Influence; and

~~WHEREAS, the Act strongly encourages the City and County to reach agreement regarding the boundaries (Exhibit A), development standards, and zoning requirements (Exhibit B) to ensure that development within the sphere occurs in an orderly and logical manner; and~~

WHEREAS, the City and County have reached an agreement regarding the Sphere of Influence boundaries (Exhibit A), and Terms and Provisions (Exhibit B); and

WHEREAS, LAFCO is required by Government Code 56425 (b) to give great weight to this agreement in making its final determination of the city's Sphere of Influence.

NOW, THEREFORE, the parties agree as follows:

1. The Sphere of Influence boundary contained in Exhibit A provides for the orderly and logical growth for the City of Arroyo Grande and represents an appropriate 20-year growth boundary based on existing information and current circumstances.
2. The Terms and Provisions contained in Exhibit B provide a framework for completing updates to the General Plans of both the City and the County for the areas in the Sphere of Influence.
3. The Terms and Provisions contained in Exhibit B are intended to provide the City and the County with the basis for developing specific land use policies and standards for the areas in the City of Arroyo Grande's Sphere of Influence and do not supersede or limit the planning or environmental review process of either jurisdiction or legally bind either jurisdiction.
4. The City and County shall use their General Plans to guide the logical and orderly development of these Sphere Areas while protecting agricultural and open space lands.

CITY OF ARROYO GRANDE

Mayor, City Council
City of Arroyo Grande

APPROVED AS TO FORM AND LEGAL EFFECT:

City Counsel
Dated:_____

ATTEST:

City Clerk
Dated:_____

COUNTY OF SAN LUIS OBISPO

Chair, Board of Supervisors

~~County of San Luis Obispo~~

ATTEST:

WADE HORTON

Ex-Officio Clerk of the Board of Supervisors

By: _____

Deputy Clerk

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL

County Counsel

By: _____

Deputy County Counsel

Dated: _____

ATTEST:

County Clerk _____

Dated: _____

EXHIBIT B
TERMS AND PROVISIONS

The following Terms and Provisions are agreed to and shall be used by the City of Arroyo Grande and the County to develop the proposed Sphere of Influence as described in Exhibit A and to update their General Plans.

1. **Intent.** It is the intent of the County and the City to work cooperatively towards the goal of developing the agreed upon Sphere of Influence (as shown in Exhibit A) in an orderly and logical manner consistent with the Cortese/Knox/Hertzberg Act, the City and County General Plans, the California Environmental Quality Act and any other applicable laws and regulations.

2. **Interagency Cooperation.** The City and the County shall work cooperatively to plan for future land uses, public services and facilities needed to improve and maintain area circulation connections, and to preserve agricultural land and open space. The County and City will consider the creation and implementation of various assessment and financing mechanisms for the construction and maintenance of public improvements, such as roads, utilities, recreation and trail improvements, parks and open space, and similar improvements that could serve visitors and residents of the City and the County. Discretionary development projects and General Plan Amendments (GPA's) that may affect each agency's jurisdiction shall be referred to the other for review and comment as early as possible in the land use process. The County shall seek the City's comments regarding these projects or GPA's in the referral area map found in Exhibit C. The City shall seek the County's comments regarding projects or GPA's that affect the unincorporated area found in Exhibit C. All such referrals shall be sent to the following contact person(s) for early review and comment:

Director of Planning and Building
County of San Luis Obispo
Department of Planning and Building
County Government Center
San Luis Obispo, CA 93408

Community Development Director
City of Arroyo Grande
Community Development Dept.
214 East Branch Road
Arroyo Grande, CA 93421

Projects and activities that affect agricultural lands and resources shall be referred to the County Agricultural Commissioner's office at the following address:

Agricultural Commissioner
San Luis Obispo County Department of Agriculture
2156 Sierra Way, Suite A
San Luis Obispo, CA 93401

The provisions mentioned above shall not supersede other methods of commenting or providing feedback regarding a proposal or project.

Development Review Coordination. Projects or GPA's proposed within the referral area shown in Exhibit C, and subject to an Initial Study under CEQA, shall cause the City and County representatives to request a meeting prior to completion of the Initial Study. The purpose would be to discuss the City's and County's General Plan policies with regard to the proposal and to identify any key issues that may need special attention during the CEQA process.

3. **Interim Development.** To the extent possible, the County shall limit the development in the Northern Arroyo Grande Fringe Area to what is allowed under current land use designations. This includes compliance with the standards regarding the Residential Rural and Residential Suburban land use categories found in the County's San Luis Bay Area Plan.
4. **City/County Shared Services, Infrastructure, and Facilities.** The County and City will evaluate the creation and implementation of various assessment and financing mechanisms to provide for the construction and maintenance of public improvements and services, such as; roads, storm water, Fire and Police emergency response, utilities, recreation and trail improvements, historical and cultural parks, and similar improvements that could serve visitors and residents of the City and the County. Special consideration shall be given to the possible development of impact fees that could assist both the County and the City in maintaining roads and other transportation infrastructure in the unincorporated area adjacent to the City where impact fees are not currently charged.
5. **Environmental Constraints.** The City and the County shall base their recommendations and decisions for the 180 acre Frederick site and the 200 acre Williams site (already within the City's SOI) on an environmental constraints analysis that studies resources such as, but not limited to, sensitive habitats, 100

year flood plain areas, agricultural lands with class I, II or III soils, open space resources, cultural resources, and areas of greater than 30% slopes. The Constraints Analysis shall be used to help prepare future plans for these SOI areas.

6. **Phasing.** In general, the SOI areas shall be developed in a phased manner, with the SOI area closest to the City (Fredericks) being considered first and the Williams property being considered after the Frederick project receives approval and is annexed into the City. Alternatively, a different phasing plan may be considered if it enhances the orderly and logical development of the area.

7. **Agriculture and Open Space.** The City and the County will work together to permanently preserve agricultural and open space resources in the SOI area using the City's and County's Agricultural Element policies, Strategic Growth principles, and the Conservation and Open Space Element (COSE) policies. The criteria contained in the COSE and Agriculture Element, and the pertinent policies in the City's General Plan, shall be used in developing the preservation policies and programs. A Transfer of Development Credits program may be used to encourage a density bonus as an incentive to property owners and developers.

8. **Land Uses.** The SOI as described in Exhibit A may include, but is not limited to residential, mixed-use, public facilities, visitor-serving, agricultural uses, and/or recreational uses. The following goals shall guide future development:
 - a. *Direct development toward existing incorporated areas and unincorporated urban areas with logical infrastructure connections*

Phase urban development in a well designed manner, first using vacant or underutilized "infill" parcels and lands next to or near existing development and adjacent infrastructure. Include a range of land uses and housing types and densities affordable to a wide range of incomes.

 - b. *Create walkable and transit friendly neighborhoods that have logical connections to other parts of the City*

Areas proposed for future growth should address roadway distances that would connect the new areas of development together with the existing City and would promote maximum connectivity between different land uses through walkways,

bike paths, transit, or other means.

- c. *Provide for a variety of transportation choices that are feasible and financially viable*

Insure adequate densities of development that are conducive to supporting transit service.

- d. *Create a range of housing opportunities and choices*

Future development plans should clearly define a program for including a balanced variety of housing types; one that includes multi-family development and options for other types of housing. The development should maximize the opportunities to offer a greater range of housing choices that are affordable to people with a variety of income levels.

- e. *Use land more efficiently*

The proposed development should be designed in a way that encourages transit, walkability and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop compact neighborhoods that contain residential uses that are affordable by design and efficient in land and energy consumption and 2) minimize the number of large lots by encouraging a variety of housing densities.

- f. *Improve the regional or sub-regional jobs/housing balance*

Plan for land uses that provide opportunities for employment and in particular, explore creating opportunities for head-of-household jobs.

- 9. **General Plan Amendment.** The City intends to complete pre-zoning, pre-annexation, and any necessary pre-general plan amendment activities prior to or concurrent with an annexation proposal being processed by LAFCO. The County intends to complete any necessary amendments to its General Plan in the San Luis Bay Area Plan to reflect the annexation of territory to the City of Arroyo Grande. The County shall also consider policies for the northern part of the City/County boundary, currently zoned Residential Suburban, that limit the intensification of land uses in the area.

10. **Zoning Requirements/Specific Plan.** A land use plan, which identifies land uses within the Sphere of Influence areas, shall be prepared and adopted by the City prior to the annexation of the property into the City. The Plan shall be prepared in accordance with the City's General Plan and subject to environmental review which shall include analysis of issues related to completing the annexation, such as a reliable and adequate water supply, sewer capacity, and other services for the proposed project. Policies in the City's General Plan may apply to the SOI area.

11. **Property Tax Agreement.** Prior to processing and annexation the City and County are required to approve a property tax agreement. The City and County may use the existing Master Agreement for negotiations, or they may consider a separate agreement that specifies a different property tax allocation formula. This is allowed under the revenue and tax code of the State of California.

EXHIBIT C - Referral Map

