

## Attachment B

### LAFCO Government Code Sections 56430 and 56425 (e) Factor Proposal Review

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#### LAFCO No. 2-R-23

#### Sphere of Influence Amendment and Annexation No. 1 to County Service Area 23 (111 Residential Lots in Tract 2586)

#### Government Code Section 56430 – Municipal Service Review Analysis

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To prepare for the Sphere of Influence (SOI) Amendment for County Service Area 23, the Local Agency Formation Commission (LAFCO) will rely on the San Luis Obispo County General Plan, Santa Margarita Community Plan, the Environmental Impact Report (EIR) for the Santa Margarita Ranch Agricultural Residential Cluster Subdivision Project and Future Development Program and the EIR Addendum, SCH No. 2004111112, and all associated documentation related to the County Board of Supervisors action on December 23, 2008, regarding the Vesting Tentative Tract Map 2586, which included a three-phase major agricultural cluster consistent with the Amended Project, and a Conditional Use Permit S303115U. Additionally, the Commission as part of this action, will use CSA 23's latest Municipal Service Review (MSR) adopted in August 2017 and provide an updated brief analysis of the seven MSR factors listed in 56430 (a). The required SOI factors outlined in Government Code Section 56425, subd. (e) have been analyzed and determinations have been provided in this document. The following written statements should be considered and approved by the Commission.

#### **(1) Growth and population projections for the affected area.**

**Response.** In addition to the analysis conducted through the CSA 23's 2017 MSR update the following should also be considered as part of this action. The proposed project will create 111 clustered residential lots with one single-family unit per lot, which will increase the supply of homes in the area leading to population growth. The proposed Agricultural Residential Cluster Subdivision would result in a total of 111 dwelling units and an associated population increase of 256.4 persons (2.31 people/unit<sup>1</sup>). This represents an approximate 20% increase in the existing population of the Santa Margarita community of approximately 1,291<sup>2</sup>.

#### **(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

**Response.** In addition to the analysis conducted through CSA 23's 2017 MSR update the following should also be considered as part of this action. In summary, a disadvantaged unincorporated

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<sup>1</sup> Table E-5 | Population and Housing Estimates for Cities, Counties, and the State, 2020-2024, from the State of California Department of Finance identifies the average household size in the unincorporated areas of the County as 2.31 persons per unit, May 2024

<sup>2</sup> United States Census Bureau, Santa Margarita Census Designated Place Population, 2020

community is defined as a community with an annual median household income (MHI) that is less than 80 percent of the statewide annual median household income of \$84,097<sup>3</sup> and an area that is considered to be inhabited (containing 12 or more registered voters). The estimated MHI for Census Block Group 127.05.3, which encompasses the entirety of the Community of Santa Margarita and neighboring rural areas, is \$50,625. Census Block Group 127.05.3 was also determined to be inhabited, with approximately 1,189<sup>4</sup> registered voters. Therefore, LAFCO identified one DUC at the Census Block Group level, located within and contiguous to the CSA 23's coterminous service area and sphere of influence boundaries as seen in Figure 1 below. It should be noted that the identified DUC includes some agriculture-zoned areas with no registered voters and determinations made are for the inhabited areas per State law.

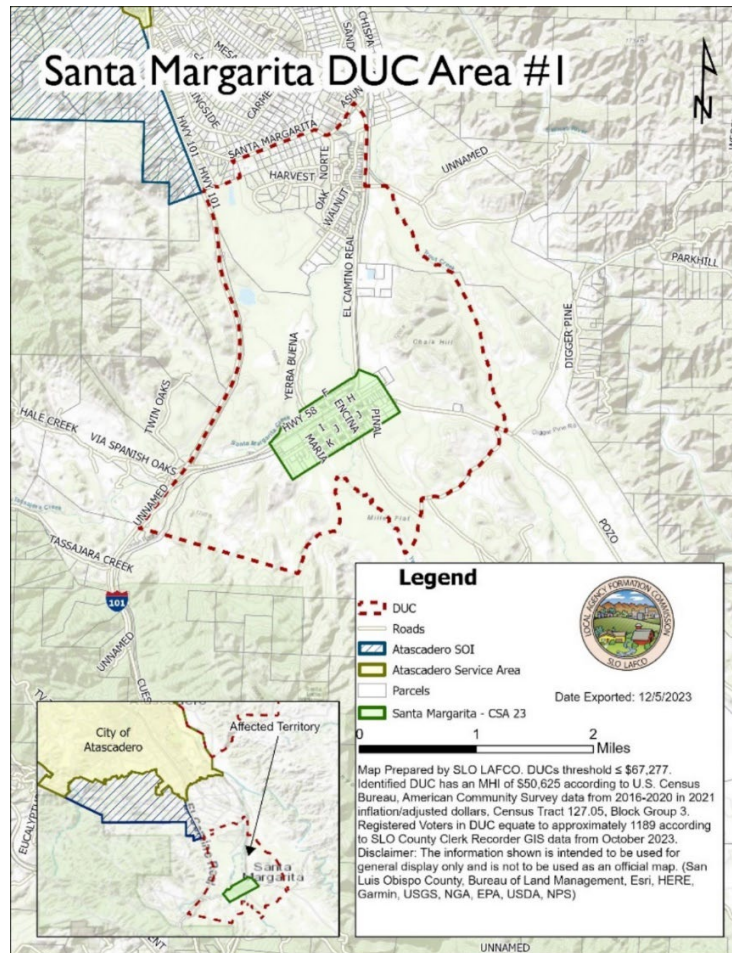
Portions of the proposed SOI Amendment & Annexation territory are within the identified DUC, although it must be emphasized that those areas are currently undeveloped and uninhabited with no registered voters; Therefore, it does not meet all the qualifications for a DUC in accordance with State law.

Figure 1: Santa Margarita Disadvantaged Unincorporated Community Area #1 Boundary Map

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<sup>3</sup> US Census, California Median Household Income 2017-2021

<sup>4</sup> SLO County Clerk Recorder Registered Voter GIS Data, October 2023



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

**Response.** In addition to the analysis conducted through CSA 23's 2017 MSR update, the following should also be considered as part of this action.

As stated in the Plan for Services issued by the County in March 2024, the County's water capacity analysis for the annexation of the 111 residential clustered lots consisted of the following:

- The total capacity/service units of the existing system is approximately 514 residential meters and 41 commercial meters with an average day demand at build-out of 210,500 gallons per day.
- The existing service units allocated approximately 502 total customers are currently served with an average consumption of 76,432 gallons per day.
- The number of service units within current boundaries anticipating future service is 555 units.
- The number of service units within the system available after providing service to areas within current boundaries that anticipate future service is 53 units.

- The number of service units required to serve the proposed project is 111 units at build-out.
- The number of service units proposed to be added to meet the demand is 111 units.

In addition, the following additional facilities and infrastructure are required to provide water service to the 111 lots and were included in the annexation agreement entered into on June 6, 2023, by and between the Santa Margarita Ranch, LLC, and the County of San Luis Obispo:

- Two additional water wells (located in a separate groundwater basin).
- The tract water distribution system with all appurtenances.
- A 6-inch bi-directional cross-connect water line sized to provide up to 200 gallons per minute, i.e., as a redundant system that can provide water in either direction between the existing CSA system and the tract water distribution system.
- Booster station with transfer pump, backup generator, Chlorine analyzers, turbidimeter, pH meter, flow meters, and control building.
- Bolted steel 288,000-gallon storage tank.
- SCADA equipment for telemetry and operations.
- Water quality sample stations at each well and tank and throughout the distribution system.
- Additionally, provisions for a future Iron and Manganese Filtration system, if, after one year of service from the Wells and a minimum of 10.6 million gallons of production from the Wells, the water produced from the wells exceeds the drinking water standard for iron and manganese.

As mentioned in the annexation agreement, the owner is required to construct all water system improvements not to be located on the Owner's Property ("Offsite Improvements") but which are necessary to connect the Owner's Improvements to the County Service Area No. 23 systems, and those improvements or additions to CSA No. 23's equipment and facilities which are determined by the CSA's Director of Public Works to be reasonably necessary.

As was previously mentioned in response (2) above, the existing CSA 23 service area and sphere of influence boundary was identified as a DUC, and the Commission is required to consider structural fire protection within or contiguous to the sphere of influence of any DUC. Portions of the proposed SOI Amendment & Annexation territory are also within the identified DUC, although it must be emphasized that the territory is currently undeveloped and uninhabited with no registered voters; Therefore, the affected territory does not meet all the qualifications for a DUC in accordance with State law.

According to the hydraulic analysis conducted by the applicant and peer-reviewed by the County, the annexation of the 111 residential clustered lots within Tract 2586, would increase the water supply, fire flow pressure, available storage, and redundancy in CSA 23. In addition, CSA 23 would own and operate system improvements, which include Wells 5 and 6, a booster station, a water storage tank, and all appurtenances up to and including the water meter at each service connection. With the addition of these system improvements, annexation provides potential

benefits to all CSA 23 customers. In addition, the Tract 2586 COA adopted by the County BOS in December 2008 requires the applicant to provide for a new CalFire Fire Station to be located near the Amended Project site either through the construction of the station or through the payment of in-lieu fees, as determined in consultation with the Public Works Department and CalFire. Conditions also required on-site fire protection measures such as road widths and circulation, as well as the placement of fire hydrants and installation of automatic sprinkler systems, shall be designed with the guidance of the Fire Department. A road system that allows unhindered Fire Department access and maneuvering during emergencies shall be provided.

**(4) Financial ability of agencies to provide services.**

**Response.** In addition to the analysis conducted through CSA 23's 2017 MSR update the following should be considered as part of this action.

The Plan for Services prepared by the County for the annexation of 111 Residential Lots in Tract 2586, dated March 5, 2024, mentioned that all costs associated with the design, inspection, plan check and review and construction inspection by CSA 23 staff will be paid by the applicant per the terms and conditions of the Engineering Reimbursement Agreement dated May 28, 2020, and Annexation Agreement. In addition, the Plan for Services documented that revenue was estimated conservatively using existing CSA 23 rates and will include a service charge to build reserves for the expected replacement of the bolted tank with a welded tank. The estimated revenue generated from the proposed 111 lots will adequately cover operations, maintenance, and capital improvement costs. A zone of benefit will be established for the tract and connection fees will be paid by the owners. CSA 23 requests that LAFCO condition approval of each phase of the annexation upon a requirement that all annexed property shall pay all previously established CSA 23 fees and charges. Conditions have been incorporated into the proposal's staff report and resolution.

**(5) Status of, and opportunities for, shared facilities.**

**Response.** No additional analysis is being included in this section of CSA 23's 2017 MSR update.

**(6) Accountability for community service needs, including governmental structure and operational efficiencies.**

**Response.** No additional analysis is being included in this section of CSA 23's 2017 MSR update.

**(7) Any other matter related to effective or efficient service delivery, as required by commission policy.**

**Response.** No additional analysis is being included in this section of CSA 23's 2017 MSR update.

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**Government Code Section 56425 - Sphere of Influence Analysis**

**Sphere of Influence Amendment:** An SOI is defined by Government Code §56425 as "...a plan for

the probable physical boundary and future service area of a local agency or municipality...". An SOI is generally considered a 20-year, long-range planning tool, and a mandatory step in the process before annexation. The SOI amendment is proposed concurrently with the annexation.

**Sphere of Influence Factors.** To amend a local agency's SOI, the CKH Act requires the following five specific determinations to be considered by LAFCO per Government Code §56425 (e). The determinations, factors, and responses are provided below:

- 1. The present and planned land uses in the area, including agricultural and open-space lands.** The proposed SOI amendment pertains to a portion of Tentative Tract 2586, an Agricultural Residential Cluster Subdivision, which in part consists of 111 residential lots within the Agriculture land use category and is located south of the community of Santa Margarita southwest of West Pozo Road. The zoning will remain unchanged and will maintain agricultural land under an Agricultural Open Space Easement.
- 2. The present and probable need for public facilities and services in the area.** As stated in the attached Plan for Services, Attachment E, the applicant is requesting an amendment to the SOI and annexation into CSA 23 for water service for 111 new residential lots in three (3) phases. Each of the lots will consist of one single-family home for a total of 111 dwelling units.
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.** As stated in the attached Plan for Services, Attachment E, CSA 23 is willing and able to provide the requested water service, subject to terms and conditions of any and all annexation agreements, Engineering Reimbursement Agreement dated May 28, 2020, Plan for Services, and associated annexation documents. The following excerpts from the Plan for Services document speak to the level and range of services to be provided by CSA 23:

*Existing Infrastructure*

- CSA 23 provides potable water to the Santa Margarita community and is responsible for water supply, treatment, distribution, and resource planning. Water supply in CSA 23 is supplied from groundwater sources, is the sole water provider within its service area, and will utilize standard water services and meters.
- The existing CSA 23 water system consists of two wells, two water storage tanks, a distribution system, and an emergency intertie with Atascadero Mutual Water Company.
- The existing water system wells are adequate to supply CSA 23 with water but have been impeded by droughts in the past. The water system has been put on

mandatory water restrictions in the past but has never had to implement the emergency intertie.

- CSA 23 wells are located within or adjacent to the Atascadero Ground Water Basin.

#### *Capacity Analysis*

- The total capacity/service units of the existing system is approximately 514 residential meters and 41 commercial meters with an average day demand at build-out of 210,500 gallons per day.
- The existing service units allocated approximately 502 total customers are currently served with an average consumption of 76,432 gallons per day.
- The number of service units within current boundaries anticipating future service is 555 units.
- The number of service units within the system available after providing service to areas within current boundaries that anticipate future service is 53 units.
- The number of service units required to serve the proposed project is 111 units.
- The number of service units proposed to be added to meet the demand is 111 units.
- The existing water capacity for CSA 23 plus the projected buildout without the project is 637,000 gallons per day.
- The projected water capacity for CSA 23 at buildout plus the Tract 2586 System would be 925,000 gallons per day.

As part of the proposal to annex into the CSA 23, additional infrastructure and capital improvement are necessary. The following additional facilities and infrastructure are required, in part, per the Annexation Agreement dated June 6, 2023, between the County and Santa Margarita Ranch LLC, to provide service to the Project:

- Two additional water wells (located in a separate groundwater basin).
- The tract water distribution system with all appurtenances.
- A 6-inch bi-directional cross-connect water line sized to provide up to 200 gallons per minute, i.e., as a redundant system that can provide water in either direction between the existing CSA system and the tract water distribution system.
- Booster station with transfer pump, backup generator, Chlorine analyzers, turbidimeter, pH meter, flow meters, and control building.
- Bolted steel 288,000-gallon storage tank.
- SCADA equipment for telemetry and operations.
- Water quality sample stations at each well and tank and throughout the distribution system.
- Additionally, provisions for a future Iron and Manganese Filtration system, if, after one year of service from the Wells and a minimum of 10.6 million gallons of production from the Wells, the water produced from the wells exceeds the drinking

water standard for iron and manganese.

4. **The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.** There are no District relevant social or economic communities of interest in the existing SOI area.
5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**
  - The CSA 23's SOI is coterminous with the District's service area boundary.
  - LAFCO staff has identified one DUC within CSA 23's SOI and service area boundary as seen on page 2 within Section 2 of the government code section 56430 analysis provided in this report. The location identified as a DUC displays characteristics of a DUC pursuant to the CKH Act of 2000. Portions of the proposed SOI Amendment & Annexation territory are within the identified DUC, although it must be emphasized that those areas are currently undeveloped and uninhabited with no registered voters; Therefore, that area does not meet all the qualifications for a DUC in accordance with State law.
  - At present time, the portions of the DUC that are located within CSA 23's coterminous SOI and service area are eligible to receive water services through the CSA, considering the District's service limitations. The portions of the DUC that are located outside of the CSA 23's current service area and SOI are not currently receiving water service from the District.
  - The type of public services and public facilities required in these areas is not anticipated to change, although the level of service demand will increase within the portion proposed for an SOI Amendment of the 111 residential lots, if/once annexed.

**Local Sphere of Influence Policies.** CKH requires that each commission establish written policies and procedures. The act also states that LAFCOs are to exercise their powers consistent with those policies 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 agricultural land while discouraging urban sprawl. The Sphere of Influence Update for CSA 23 is consistent with those policies and the purposes of LAFCO.

**Sphere of Influence Amendment Analysis and Conclusions.** The SOI amendment for CSA 23 is recommended to include the proposed annexation area. This is based on the information, application, studies, and documents provided and approved by the County, CSA 23, and contained or referenced in this Staff Report. CSA 23 has considered the impacts of this SOI amendment and annexation on its service capacities and determined that they are willing and able to provide the requested services.