



San Luis Obispo Local Agency Formation Commission Meeting Agenda October 17, 2024, 9:00am

MEETING

OCT 17, 2024 – 9 A.M.
BOARD OF SUPERVISORS
CHAMBERS
COUNTY GOVT. CENTER
1055 MONTEREY STREET,
SAN LUIS OBISPO, CA 93408

CONTACT

ROB FITZROY
EXECUTIVE OFFICER
805-781-5795
SLO.LAFCO.CA.GOV

COMMISSIONERS

MARSHALL OCHYLSKI, CHAIR, SPECIAL DISTRICT
STEVE GREGORY, VICE CHAIR, CITY
DEBBIE ARNOLD, COUNTY
JIMMY PAULDING, COUNTY
ED WAAGE, CITY
ROBERT ENNS, SPECIAL DISTRICT
VACANT, PUBLIC
DAWN ORTIZ-LEGG, COUNTY ALTERNATE
CARLA WIXOM, CITY ALTERNATE
ED EBY, SPECIAL DISTRICT ALTERNATE
DAVID WATSON, PUBLIC ALTERNATE

MEETING PARTICIPATION

- **To submit written comment**, mention the matter or agenda item number and send via email to mbing@slo.lafco.ca.gov or fill out an online submission form on our website at slo.lafco.ca.gov, or U.S. mail at 1042 Pacific St Suite A, San Luis Obispo CA, 93401. All correspondence is distributed to each Commissioner and will become part of the official record of the Commission meeting.
- **To submit a pre-recorded verbal comment** call (805) 781-5795; state and spell your name, mention the agenda item number you are calling about and leave your comment. Your comments will be distributed to each Commissioner and will become part of the official record of the Commission meeting.
- **To provide live comment**, attend the in-person meeting and fill out a “request to speak form” provided in the front and back of the meeting room and hand it to the Commission Clerk prior to the beginning of that item. Each speaker will be limited to a three-minute presentation. During public hearings, applicants or their representatives will be given the opportunity to speak first after the staff report is given and questions of the Commission have been addressed.

Other Notes:

- In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate at this meeting, please contact the Clerk at 805-781-5795. Notification provided a minimum of 48 hours prior to the meeting will enable the Clerk to make reasonable arrangements to ensure accessibility to this meeting. Pursuant to the ADA, the meeting room is accessible to the physically disabled.
- It is required by Government Code Section 84308 that a participant in a LAFCO proceeding who has a financial interest in the decision and who has made a campaign contribution of more than \$250 to any Commissioner within (12) months prior, must disclose the contribution. If you are affected, please notify Commission Staff before the hearing.



MEETING AGENDA

Pledge of Allegiance

Call to Order/Roll Call

Approval of the Minutes: September 19, 2024 (Pages 4 - 10)

Non-Agenda Public Comment Period

This is the period in which persons may speak on items that are not on the regular agenda. You may provide public comment in one of the three methods mentioned above in the “Meeting Participation” section.

Consent Agenda

- A-1: Amendment to the 2024 Regular Meeting Calendar and Adoption of the 2025 Regular Meeting Calendar (Pages 11 - 15)**

Recommendation: It is respectfully recommended that the Commission approve, by motion, the amendment to the 2024 regular meeting calendar and the 2025 regular meeting calendar.

Regular Matters

- B-1: LAFCO File No. 1-E-23 | Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service (Pages 16 - 42)**

Recommendation:

Action 1: Motion finding the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service (LAFCO File No. 1-E-23) to be exempt from the California Environmental Quality Act pursuant to CEQA Categorical Exemption Section 15320.

Action 2: Approve, by resolution, (i) the proposed Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service, subject to conditions of approval, and (ii) authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000.

- B-2: Public Member Appointment (Pages 43 - 44)**

Recommendation: Motion to appoint a Regular Public Member to the Commission from the list of interview candidates.

- B-3: Contract for Legal Services (Pages 45 - 55)**

Recommendation: Motion to authorize the Executive Officer to execute a legal services contract with Colantuono Highsmith & Whatley, PC.



Commissioner Comments

Legal Counsel Comments

Executive Officer Comments

Adjournment



**SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
SEPTEMBER 19, 2024, MEETING MINUTES**

Call to Order

The San Luis Obispo Local Agency Formation Commission (LAFCO) meeting was called to order at 9:00 a.m. on Thursday, September 19, 2024, by Chairperson Ochylski in the Board of Supervisors Chambers at the County Government Center, 1055 Monterey Street, San Luis Obispo, CA 93408.

Pledge of Allegiance

Roll Call

Present: Chairperson Marshall Ochylski, Vice Chair Steve Gregory, Commissioners Debbie Arnold, Robert Enns, Jimmy Paulding, and Ed Waage, and Alternate Commissioners Ed Eby and David Watson

Absent: Alternate Commissioners Dawn Ortiz-Legg and Carla Wixom

Staff: Rob Fitzroy, LAFCO Executive Officer
Imelda Marquez-Vawter, LAFCO Analyst
Morgan Bing, LAFCO Analyst
Brian Hamblet, LAFCO Legal Counsel

Approval of the Minutes: August 15, 2024

Chairperson Ochylski announced the consideration of approval of the August 15, 2024, Regular Meeting Minutes.

Chairperson Ochylski asked for Commissioner comments.

Chairperson Ochylski opened the item for public comment, announcing it was closed shortly after hearing none.

Chairperson Ochylski asked for a motion to approve the minutes.

Vice Chair Gregory motioned to approve the minutes.

Commissioner Waage seconded the motion.

AYES: Vice Chair Gregory, Commissioners Waage, Arnold, Enns, Paulding, Watson, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion passed.

Non-Agenda Public Comment Period

Chairperson Ochylski opened the item for public comment, announcing it was closed shortly after hearing none.

Consent Agenda

A-1: LAFCO File No. 4-R-24 | Notice of Submittal for Petition of Application for Annexation No. 32 to Nipomo Community Services District (Robins)

A-2: Budget Adjustment to Fiscal Year 2024-2025 Budget

Chairperson Ochylski asked if Commissioners would like to pull any item from the Consent Agenda and received no reply.

Chairperson Ochylski asked for Commissioner comments.

Chairperson Ochylski opened the item for public comment, announcing it was closed shortly after hearing none.

Chairperson Ochylski asked for a motion to approve the items on the Consent Agenda.

Commissioner Watson motioned to approve the Consent Agenda.

Commissioner Arnold seconded the motion.

AYES: Commissioners Watson, Arnold, Enns, Paulding, Waage, Vice Chair Gregory, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion passed.

Regular Matters

B-1: Study Session on the Annexation of Dana Reserve Specific Plan to Nipomo Community Services District

Chairperson Ochylski announced procedures for public comment.

Mr. Fitzroy presented the item.

Chairperson Ochylski opened the item for Commissioner questions.

Commissioner Arnold asked if it would be appropriate to set a date for hearing LAFCO File No. 4-R-22.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Watson asked staff if there are any outstanding items needed prior to issuing a Certificate of Filing.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Ochylski invited the applicant to present.

Elizabeth Worthen, from NKT Development LLC, provided a presentation on the proposal.

Chairperson Ochylski opened the item for Commissioner questions.

Commissioner Paulding asked if the Northern Cities Management Area had submitted a letter to LAFCO.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Paulding inquired about the reference to the Housing and Infrastructure Framework in the staff report.

Mr. Fitzroy responded to questions, provided comment, and invited **James Worthley** to assist in answering questions.

James Worthley, Deputy Director of the San Luis Obispo Council of Governments, responded to questions.

Commissioner Paulding commented on the transportation efficiency of the project.

James Worthley provided comment.

Commissioner Paulding asked about data provided in line with LAFCO Policy 2.3.2.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Paulding commented on available data.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Watson inquired about affordable housing and funding for People’s Self-Help Housing.

Nick Tompkins, from NKT Development LLC, suggested **Ken Trigueiro** assist in answering questions.

Ken Trigueiro, President of People’s Self-Help Housing, responded to questions.

Commissioner Watson asked how the required ADUs would be developed and what the timing of the construction would be.

Andrew Fogg, the applicant’s attorney, responded to questions.

Commissioner Watson inquired about the down payment assistance program.

Nick Tompkins responded to questions.

Commissioner Watson asked for explanation of the water rate check ins.

Andrew Fogg provided comment.

Commissioner Watson asked a follow up question regarding rate payer rates.

Andrew Fogg responded to questions.

Commissioner Watson inquired about water supply for the project.

Andrew Fogg responded to questions.

Chairperson Ochylski opened the item for public comment and 29 speakers provided comment to the Commission.

Chairperson Ochylski closed public comment.

Mr. Fitzroy stated he had no additional comments.

Nick Tompkins stated he had no additional comments.

Chairperson Ochylski asked if there is a date set for a hearing for the item.

Mr. Fitzroy responded that no date has been set.

Commissioner Arnold suggested setting the hearing for the November 21, 2024, meeting.

Chairperson Ochylski provided comment.

Commissioner Arnold made a motion to direct staff to set the hearing date for the item for the November 21, 2024, meeting.

Chairperson Ochylski asked if staff had all information needed to bring the item to hearing.

Mr. Fitzroy replied that staff have all necessary information.

Commissioner Enns seconded the motion.

Commissioner Paulding stated there is a scheduling conflict for the Board of Supervisors for the November 21, 2024, meeting.

Commissioner Arnold asked if it would be possible to move the November 21, 2024, meeting to November 14, 2024.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Arnold stated there is also a meeting scheduled for December 19, 2024.

Chairperson Ochylski stated he will no longer be on the Commission at the December 19, 2024, meeting.

Mr. Fitzroy commented on the unknown availability of the Board Chambers on November 14, 2024.

Chairperson Ochylski asked staff to inquire about Board Chambers availability and bring a response back after the Closed Session.

Commissioner Arnold tabled the motion.

Chairperson Ochylski and **Brian Hamblet**, LAFCO Legal Counsel, discussed reopening public comment.

Commissioner Paulding inquired about additional data requests for the item.

Chairperson Ochylski and **Brian Hamblet** suggested waiting until after Closed Session.

Closed Session

C-1: Public Employee Appointment Pursuant to Government Code Section 54957

Title: Legal Counsel

Conference with Labor Negotiators Pursuant to Government Code Section 54957.6

Agency Representative: Executive Officer

Unrepresented Employee: Legal Counsel

Chairperson Ochylski introduced the Closed Session item and stated the Commission would reconvene in Open Session at 1:15 PM.

Chairperson Ochylski opened the item for public comment.

Chairperson Ochylski closed public comment and called the meeting into closed session at 11:45 AM.

At 1:15 PM; **Chairperson Ochylski** called the open session back into order.

Report on Closed Session: **Chairperson Ochylski** stated that there was no reportable action.

Regular Matters - Continued

B-1: Study Session on the Annexation of Dana Reserve Specific Plan to Nipomo Community Services District

Chairperson Ochylski stated the Commission would resume Item B-1 and asked staff about availability in the Board Chambers.

Mr. Fitzroy stated the Board Chambers is available on November 14, 2024.

Commissioner Arnold asked if the November 14, 2024, meeting is a special meeting or regular meeting.

Mr. Fitzroy provided comment.

Commissioner Arnold asked if a November 21, 2024, meeting would still be held.

Mr. Fitzroy replied no.

Commissioner Arnold, Chairperson Ochylski, and Brian Hamblet discussed reopening public comment.

Commissioner Arnold made a motion to reschedule the regular meeting for November 21, 2024, to November 14, 2024, and schedule the item for hearing on November 14, 2024.

Commissioner Enns seconded the motion.

Nick Tompkins provided comment regarding public outreach and confirmed availability to attend the November 14, 2024, meeting.

Chairperson Ochylski opened the item for public comment announcing it was closed shortly after hearing none.

Chairperson Ochylski opened the item for Commissioner comments and called for a voice vote on the motion.

The motion passed with a unanimous voice vote.

Commissioner Paulding commented on LAFCO Policy 2.3.2 and suggested that NCS D provide build-out data in line with the policy for the November 14, 2024, meeting.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Arnold suggested including the supplemental data in the staff report.

Mr. Fitzroy agreed and provided comment.

Chairperson Ochylski suggested including the applicant in the conversation and suggested including an update at the October meeting.

Commissioner Comments: **Chairperson Ochylski** thanked the public for their participation.

Legal Counsel Comments: None

Executive Officer Comments: **Mr. Fitzroy** announced the tentative schedule for upcoming hearings.

Adjournment: With no further business before the Commission, the meeting adjourned at 1:24 p.m. until the next meeting of the Commission in the Board of Supervisors Chambers at the County Government Center in San Luis Obispo.

THESE MINUTES ARE NOT OFFICIAL NOR ARE THEY A PERMANENT PART OF THE RECORD UNTIL THEY ARE APPROVED BY LAFCO COMMISSIONERS AT THE NEXT REGULAR MEETING.

Respectfully submitted,
Morgan Bing, LAFCO Analyst



San Luis Obispo Local Agency Formation Commission

COMMISSIONERS

Chairperson
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

VACANT
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CARLA WIXOM
City Member

DAVID WATSON
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Analyst

BRIAN A. PIERIK
Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 17, 2024

SUBJECT: AMENDMENT TO THE 2024 REGULAR MEETING CALENDAR AND ADOPTION OF THE 2025 REGULAR MEETING CALENDAR

RECOMMENDATION

It is recommended that the Commission take the following action:

Action: It is respectfully recommended that the Commission approve, by motion, the amendment to the 2024 regular meeting calendar (Attachment A) and the 2025 regular meeting calendar (Attachment B).

DISCUSSION

At the September 19, 2024, LAFCO Meeting, the Commission directed the Executive Officer to reschedule the November 21, 2024, regular meeting to November 14, 2024, and to include the proposed Dana Reserve Specific Plan annexation into the Nipomo Community Services District on the agenda for that meeting.

Attachment A includes an amended LAFCO meeting calendar for 2024. Attachment B includes a tentative calendar for regular LAFCO meetings for 2025. No significant changes are proposed for 2025; the Commission will continue to meet the third Thursday of each month at 9am.

ATTACHMENTS

Attachment A: Amendment to the 2024 Regular Meeting Calendar

Attachment B: 2025 Regular Meeting Calendar

Attachment A

Amendment to the
2024 Regular Meeting
Calendar



San Luis Obispo LAFCO

2024 Tentative Meeting Schedule

Board of Supervisors Chambers, County Govt. Center

1055 Monterey Street, San Luis Obispo, CA 93408

Date	Time	Status
January 18, 2024	9:00 a.m.	Concluded
February 15, 2024	9:00 a.m.	Cancelled
March 21, 2024	9:00 a.m.	Cancelled
April 18, 2024	9:00 a.m.	Concluded
May 16, 2024	9:00 a.m.	Concluded
June 20, 2024	9:00 a.m.	Cancelled
July 18, 2024	9:00 a.m.	Cancelled
August 15, 2024	9:00 a.m.	Concluded
September 19, 2024	9:00 a.m.	Concluded
October 17, 2024	9:00 a.m.	Concluded
November 14, 2024	9:00 a.m.	Tentative
November 21, 2024	9:00 a.m.	Rescheduled
December 19, 2024	9:00 a.m.	Tentative

Attachment B

2025 Regular Meeting
Calendar



San Luis Obispo LAFCO

2025 Tentative Meeting Schedule

Board of Supervisors Chambers, County Govt. Center

1055 Monterey Street, San Luis Obispo, CA 93408

Date	Time
January 16, 2025	9:00 a.m.
February 20, 2025	9:00 a.m.
March 20, 2025	9:00 a.m.
April 17, 2025	9:00 a.m.
May 15, 2025	9:00 a.m.
June 19, 2025	9:00 a.m.
July 17, 2025	9:00 a.m.
August 21, 2025	9:00 a.m.
September 18, 2025	9:00 a.m.
October 16, 2025	9:00 a.m.
November 20, 2025	9:00 a.m.
December 18, 2025	9:00 a.m.



San Luis Obispo Local Agency Formation Commission

COMMISSIONERS

Chair
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

ROBERT ENNS
Special District Member

VACANT
Public Member

JIMMY PAULDING
County Member

ED WAAGE
City Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CARLA WIXOM
City Member

DAVID WATSON
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Analyst

BRIAN A. PIERIK
Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 17, 2024

SUBJECT: LAFCO FILE NO. 1-E-23 | OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE OF FIRE PROTECTION SERVICE AND DESIGNATION OF THE COUNTY OF SAN LUIS OBISPO AS THE SUCCESSOR AGENCY FOR FIRE PROTECTION SERVICE

RECOMMENDATION

Action 1: Motion finding the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service (LAFCO File No. 1-E-23) to be exempt from the California Environmental Quality Act pursuant to CEQA Categorical Exemption Section 15320.

Action 2: Approve, by resolution, (i) the proposed Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service, as contained in Attachment A, subject to conditions of approval, and (ii) authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000.

PROJECT OVERVIEW

Project Applicant: Oceano Community Services District (OCSD)

Certificate of Filing: Issued on September 24, 2024

Acreage: Entire existing OCSD boundary, approximately 1,163 acres

Timeline of Events: On February 6, 2023, OCSD applied to LAFCO through resolution of application for divestiture of fire protection service (Attachment C).

On March 7, 2023, within the 30-day response requirement period, staff provided the applicant with a 30-day review letter placing the project on hold until the items detailed in the letter were addressed/submitted to continue processing the application.

On May 18, 2023, LAFCO held a study session for the proposed divestiture of fire protection service.

On September 12, 2023, the County of San Luis Obispo Board of Supervisors (BOS) received a report (Attachment D) on the County of San Luis Obispo's (County) option to assume fire responsibility as named in OCSD's application for divestiture and directed County staff to develop a plan for providing fire service to the community of Oceano as the successor agency.

On June 18, 2024, the BOS approved the OCSD Divestiture of Fire Protection Plan for Service (Attachment E & F) and entered into an agreement with Five Cities Fire Authority (FCFA) (Attachment G).

On July 24, 2024, the OCSD Board of Directors passed a resolution endorsing the County's Plan for Service (Attachment H).

On September 10, 2024, the BOS approved an exchange of property tax revenue and annual tax increment between the County and OCSD (Attachment I).

On September 18, 2024, OCSD approved an exchange of property tax revenue and annual tax increment between the County and OCSD (Attachment J).

On September 24, 2024, the County and OCSD entered into an agreement regarding the transfer of revenue in connection with divestiture of OCSD's fire protection service (Attachment K) and entered into an assignment agreement of OCSD's ongoing CALPERS liabilities and responsibilities following withdrawal from the FCFA Joint Exercise of Powers Agreement (JPA) (Attachment L).

On September 24, 2024, the application met submission requirements and allowed LAFCO staff to issue a Certificate of Filing.

Public Notification: Notice was placed in the Tribune on September 26, 2024, 21 days in advance of today's hearing. Notice has been sent to the applicants, the County, affected agencies, and other interested parties.

ACTION 1 | ENVIRONMENTAL DETERMINATION

Under the California Environmental Quality Act (CEQA), LAFCO is the Lead Agency for the proposed OCSD divestiture of fire protection service and designation of the County as the successor agency for fire protection service. 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 CEQA.

LAFCO proposes to Categorically Exempt the project pursuant to State CEQA Guidelines Section 15320 (changes in organization of local agencies) because the proposed divestiture would not change the geographic area where existing fire protection service is presently authorized and provided. There are no land use changes, or environmental impacts created by this proposal. If the Commission approves the divestiture, staff will file a Notice of Exemption (Attachment A, Exhibit A) as required by CEQA Regulation Section 15062.

Recommendation

Motion finding the OCSD of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service (LAFCO File No. 1-E-23) to be exempt from the CEQA pursuant to CEQA Categorical Exemption Section 15320.

ACTION 2 | DIVESTITURE

Background

The OCSD was formed in 1981, by LAFCO Resolution 80-6, which combined the all-volunteer Oceano Fire Protection District, Oceano Beach Lighting District, Oceano Lighting District, Oceano Sanitary District, and County Service Area No. 13. The Oceano Fire Protection District had been in existence since 1947. Currently, the OCSD is authorized to provide fire protection, lighting, parks and recreation, water, wastewater, and solid waste. Approximately 7,600 residents are served by the District.

The County completed a Fire Department Consolidation Feasibility Study in 2005, which concluded that stand-alone fire departments are not cost-effective and that OCSD and the cities of Arroyo Grande and Grover Beach should consolidate into one agency for fire protection service. The FCFA was formed on July 9, 2010, through a JPA entered into by the three agencies. The FCFA is a consolidation of three individual fire departments and historically operated out of the three existing member community fire stations. Together, the FCFA provides integrated fire and emergency medical services to approximately 40,000 residents. Each member agency pays a respective share of the costs associated with operation of the FCFA.

In 2017, the FCFA adopted a strategic plan identifying service levels and resource needs. Subsequently, the FCFA executed a second amendment, in July 2019, to the JPA agreement that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding is consistent with the Strategic Plan. The second amendment also required OCSD to place a special tax on the March 2020 ballot to fund fire service. The March 2020 ballot measure A-20 received 66.14% support falling short of passage by 11 votes. As part of a third amendment to the JPA agreement, the OCSD agreed to place a special tax measure on the June 2022 ballot, agreeing that should the measure fail, then the OCSD would cease to be a member of the JPA as of June 30, 2023. The second measure, A-22, failed with only 57.75% in support.

The FCFA's JPA was subsequently amended by the parties to terminate OCSD's participation as a member agency in FCFA commencing July 1, 2023. On June 22, 2023, the FCFA approved an

agreement with OCSO for the FCFA to continue to provide fire and emergency medical services to OCSO for a temporary 12-month period through June 30, 2024. On June 4, 2024, FCFA approved an extension agreement through December 31, 2024, with a 30-day notice option to terminate. Under the new contract, the FCFA currently staffs three engines. Two engines operate out of Arroyo Grande and one operates from the Grover Beach station. There are no engines stationed and no fire service provided from the Oceano fire station. The FCFA currently staffs two engines with three personnel and one engine with two personnel. There is no particular FCFA engine that is dedicated to Oceano response as response is provided from resources available.

Divestiture Proposal

The OCSO Board of Directors passed a Resolution of Application on January 11, 2023, to divest its fire protection service (Attachment C). The OCSO submitted the application to LAFCO on February 6, 2023. The Resolution of Application included a Plan for Service as required by Government Code Section 56824. The Plan for Service proposed that the County become the successor agency and assume responsibility for providing fire protection service within the current OCSO service area boundary (Attachment A, Exhibit B).

On September 12, 2023, the BOS provided direction to County staff to pursue a responsive Plan for Service to provide fire protection to OCSO utilizing a contract model with FCFA. On June 18, 2024, the BOS approved the responsive Plan for Service (Attachment F) and directed County staff to file the plan with LAFCO. On July 24, 2024, OCSO endorsed the County's Plan for Service via Resolution (Attachment H). The Plan for Service defines the level and mode of fire service the County will provide to OCSO if the proposal for divestiture is approved by LAFCO, and establishes conditions involving OCSO assets and liabilities.

Government Code Section 56668 identifies a number of factors that must be considered by LAFCO in reviewing a proposal. A select number of the key applicable factors for the project are discussed in the body of this staff report as well as key components of the Plan for Service which was prepared pursuant to Government Code Sections 56653 and 56824. All other remaining factors are addressed in detail in Attachment B of this staff report. The full Plan for Service can be found in Attachment F.

Level and Range of Service

Should the proposal be approved, the contract between the County and FCFA (Attachment G) to provide fire service within OCSO's current service area boundary will become effective. Currently, FCFA staffs two engines out of Arroyo Grande and one engine from the Grover Beach station. The contract will provide for delivery of all fire protection and emergency services in OCSO out of Grover Beach and Arroyo Grande Fire Stations at a minimum of two personnel per engine. There is no particular FCFA engine that is dedicated to Oceano response as response is provided from resources available.

The service area will remain the same as the current boundary of the OCSO (Attachment A, Exhibit B). The contract maintains the level of service currently provided to the OCSO. Using the County Fire Strategic Plan Level of Service Analysis standards, OCSO warrants an urban response

time standard of 7 minutes. FCFA response time to OCSO is 7-11 minutes from the Arroyo Grande Station and 7-9 minutes from the Grover Beach Station.

The County, through a contract with FCFA, will provide the following services:

1. Administration of Fire Services
2. Incident Response
3. Fire Safety Inspections/Enforcement
4. Investigations
5. Training
6. Emergency Management

Staffing & Personnel

FCFA shall provide a minimum of two personnel per engine, meeting minimum federal and state-mandated training requirements for their respective classifications and responsibilities, to provide fire service. The staff shall consist of personnel assigned at the sole discretion of FCFA but at least one member of all responding apparatus into Oceano shall be qualified as an Emergency Medical Technician. The agreement between the County and FCFA (Attachment G) also calls for the County to evaluate the feasibility and strategic benefit of funding a 3-person company to serve Oceano if County funding becomes available during the term of the agreement.

Capital Facilities & Equipment

FCFA will utilize Fire Stations Number 1 and 2 located respectively at 140 Traffic Way, Arroyo Grande, and 701 Rockaway Avenue, Grover Beach, as its primary locations for the provision of fire service and related activities. Contingent upon LAFCO approval of the divestiture, the County shall obtain fee title to Fire Station Number 3 located at 1655 Front Street, Oceano, and contingent upon successful transfer of fee title, FCFA access to or use of Fire Station number 3 may be requested by FCFA. The property transfer is expected to occur by Spring 2025. Any use agreement will be addressed by a separate lease agreement executed by both parties. Furthermore, any operational use of Fire Station No. 3 by FCFA for emergency medical services and fire suppression including all fire suppression equipment, fire engines, housing, and administrative services necessary to operate the fire station shall be addressed by a separate lease agreement executed by both parties.

The County will consider facility improvements to Station 3 as part of the County's Facility Condition Assessment Program or Capital Improvement Program in accordance with standard County procedure. If facility improvements are anticipated to be implemented, the County will consider the FCFA standards of cover analysis that will be developed in FY 2024-25 during the project.

Agreement Term and Extension/Renewal

Upon LAFCO approval of the divestiture and filing of the Certificate of Completion, the term of the agreement between the County and FCFA (Attachment G) would commence January 1, 2025. The agreement terminates on June 30, 2027. There would be two one-year extensions available unless one Party gives the other a written notice of non-renewal within 90 days of the initial term or the first extension. The agreement may be renewed upon mutual agreement of both Parties

and involve a meet and confer process regarding the terms and conditions of the renewal. The agreement can be terminated by either Party within 120 days before the termination date of the initial term and 60 days before the termination date of either extension.

Finance

The County shall compensate FCFA for all fire services performed under their agreement in a fixed annual amount of \$1,706,000 each year with annual consumer price index (CPI) increases. Services will be financed with property tax revenue transferred from OCSD to the County, impact fees, rent revenue, and additional County General Fund. The BOS passed a tax exchange resolution (Attachment I) on September 10, 2024, such that OCSD shall retain 3.85% of their current base property tax revenue and any future property tax increment associated with that percentage after transfers to the Educational Revenue Augmentation Fund (ERAF). The amount retained by OCSD will be for the continuance of operation of the District's lighting service. The remaining 96.15% base property tax revenue, and any future property tax increment associated with that percentage, will be transferred to the County. Additionally, 100% of development impact fee revenue related to the community of Oceano, rent revenue, and additional County General Fund will be available to fund operations. The annual County General Fund support is estimated to be \$310,143 in addition to property tax collected.

Assets

As stated previously, OCSD will transfer to the County fee simple ownership of the existing OCSD Fire Station and real property located at 1655 Front Street, Oceano (APN 062-271-023) including General Fund purchased items, equipment, and vehicles. Completion of the property transfer is expected in Spring 2025. As a Condition of Approval, OCSD shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Attachment F by June 30, 2025. Prior to the County assuming fire protection service, OCSD will transfer to the County 100% of Fireworks Permit revenue, Interest Income, Rental Income, and Public Facility Fees collected by OCSD between July 1, 2024, and July 1, 2025. Additionally, OCSD will remit FY 2023-2024 budgeted Sheriff Substation Maintenance in the amount of \$90,000, Fireworks Permit revenue, Interest Income, and Public Facility Fee reserves currently at \$251,302 (Attachment K).

Liabilities

The County will assume responsibility for OCSD's ongoing CalPERS unfunded actuarial accrued liability (UAAL) arising out of OCSD's participation in FCFA between June 7, 2010, and June 30, 2023, in the amount equal to 19.73% of the total (Attachment L). The Foster and Foster actuarial report dated December 15, 2023, shows OCSD's share of UAAL as of June 30, 2022, to be \$861,741. OCSD's liability is anticipated to be reduced due to reimbursement payments made after June 30, 2022, by the City of Arroyo Grande to FCFA, reducing the total UAAL of \$4,374,321 by \$982,311. Additionally, as outlined in the ongoing liabilities agreement dated June 14, 2023, OCSD's UAAL will be reduced by \$278,109 related to Capital Equipment and Vehicle Valuation credits as well as OCSD's share of FCFA's FY 2022-23 year-end fund balance estimated to be \$296,662.

Related Space Lease Contracts

The County and OCSD will execute two space lease agreements related to the Plan for Service. The first will provide for OCSD to continue to occupy the current OCSD Administrative space at 1655 Front Street, Oceano, for a term of 20 years in the annual amount of \$116,147, with annual CPI adjustments. The commencement date will be set to the date the County obtains fee simple ownership of the existing OCSD Fire Station. The lease includes an option for OCSD to exit the lease after 10 years, and if the option is exercised, the County will have the option to purchase the Sheriff substation real property located at 1681 Front Street, Oceano, for an amount equal to the appraised land value. The second lease agreement will provide for the County Sheriff to continue to occupy the space at 1681 Front Street, Oceano for a term of 20 years in the amount of \$1 per year. The lease commencement date will be set to the date the County assumes fire responsibility for Oceano. As a condition of approval, OCSD and the County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Attachment F by June 30, 2025.

Ordinances

According to Government Code Section 61100, upon receiving LAFCO approval to provide certain specified services, the board of directors of a Community Services District may adopt an ordinance authorizing the district to provide those services. OCSD followed this process and adopted the OCSD Code of Ordinances, Title 15, Medical Emergency and Fire Response Services, to allow for the provision of fire protection service within its boundaries. Should the divestiture proposal be approved, OCSD will no longer have the authority to provide fire protection service or to enforce ordinances adopted to facilitate providing those services. Upon divestiture, the County will assume responsibility for providing fire protection service within the boundaries previously served by OCSD, and County ordinances governing the provision of fire protection service will supersede and replace those enacted by OCSD, which will become null and void. As a Condition of Approval, the OCSD Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection service and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

Alternatives

As previously described, on September 12, 2023, the BOS received a report on the County's options to assume fire responsibility and the level of fire service the County, as the successor agency, would provide to OCSD if responsibility was directed to be assumed. County staff presented the BOS with five levels of service options for consideration. These options included serving OCSD through the County Fire Department's contract with CAL FIRE at various service levels, or through a contract with FCFA. The BOS directed staff to pursue a responsive plan for service to provide fire protection to Oceano utilizing a contract model with FCFA. A summary of alternative options and their service level impacts are shown in the table below and further detailed in Attachment D.

	Responding Station	Increased Resources to Responding Station	Estimated One Time Cost	Estimated Ongoing Annual Cost	Response Time	Service Level Impact to Oceano & Surrounding Area Compared to Current Service Level
1	Nipomo 22	None	\$0	\$0	11-12 minutes as available	Significant Decrease
2	Nipomo 22	Increase from 2-0 to 3-0 staffing	\$360,000	\$1.4 M*	11-12 minutes as available	Significant Decrease
3	Nipomo 22	Add 2-0 engine company	\$1.9 M	\$2.1M*	11-12 minutes (dedicated engine)	Slight Decrease
4	Oceano	Add 2-0 engine company	\$3.5 M min	\$2.1 M	3-7 minutes	Significant Increase
5	FCFA AG/GB	Contract for 2-0 staffing	\$0	\$1.8 M	AG 7-11 minutes GB 7-9 minutes	Equivalent

*Assuming no change to Automatic and/or mutual aid agreements (potential to increase)

Protest Proceedings

Approval of the proposed divestiture would require protest proceedings under Government Code Section 57000 (“Section 57000”). Government Code Section 56881 provides, in pertinent part, that the resolution making determinations shall also do all of the following: (d) Initiate protest proceedings pursuant to Part 4 (commencing with Section 57000) in compliance with the resolution. As allowed under state law and consistent with SLO LAFCO policy section 3.3, the resolution authorizes and directs the Executive Officer to conduct proceedings pursuant to Section 57000 which includes holding a noticed hearing to accept written protest filed by registered voters and/or landowners within the affected territory. The following thresholds would apply in valuing protests and determining next steps:

- Should less than 25% of (a) registered voters and/or (b) landowners holding less than 25% of the assessed value of land within the affected territory file written protests the reorganization will be ordered without an election.
- Should 25% to 50% of (a) registered voters and/or (b) landowners holding 25% to 50% of the assessed value of land within the affected territory file written protests the reorganization will be ordered subject to an election at a future date.

- Should more than 50% of (a) registered voters and/or (b) landowners holding 50% or more of the assessed value of land within the affected territory file written protests the change of organization will be terminated.

Should the Commission proceed with approval, staff will schedule a protest hearing with the details as to time and place. Notice for the protest hearing would be provided to landowners and registered voters in a manner provided under statute no less than 21 days in advance. The Cortese-Knox-Hertzberg Act provides specific guidance regarding noticing and holding the protest hearing.

Recommendation

Approve, by resolution, (i) the proposed OCSA Divestiture of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service, as contained in Attachment A, subject to conditions of approval, and (ii) the authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000.

Conditions of Approval

1. The Oceano Community Services District and County of San Luis Obispo agree to defend, indemnify, hold harmless and release the San Luis Obispo Local Agency Formation Commission (LAFCO), its officers, employees, attorneys, or agents from any claim, action or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul, in whole or in part, LAFCO's action on the proposal or on the environmental documents submitted to or prepared by LAFCO in connection with the proposal. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorneys' fees, and expert witness fees that may be asserted by any person or entity, including the Applicant, arising out of or in connection with the application. In the event of such indemnification, LAFCO expressly reserves the right to provide its own defense at the reasonable expense of the applicant.
2. That the Executive Officer is authorized and directed to conduct protest proceedings pursuant to Government Code Section 57000.
3. The effective date of the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service shall be the date of recordation of the Certificate of Completion. The Certificate of Completion will not be filed before the protest process is completed by LAFCO.
4. Once the divestiture is effective per Condition of Approval #3, the County of San Luis Obispo will hence forth be designated as the successor agency and shall be responsible for providing fire protection service here forward within the existing District boundary as of October 17, 2024, and as depicted in Exhibit B, and as per the terms detailed in the Plan for Service contained in Exhibit C.
5. The Oceano Community Services District shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
6. The Oceano Community Services District and County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.

7. The Oceano Community Services District Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection services and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

ATTACHMENTS

Available via web links due to file size:

Attachment A: Draft LAFCO Resolution No. 2024-___ Approving the OCSD Divestiture of Fire Protection Service and Designation of the County as the Successor Agency for Fire Protection Service

Exhibit A: CEQA Notice of Exemption

Exhibit B: OCSD Boundary Map

Exhibit C: Plan for Service Prepared by the County

https://slo.lafco.ca.gov/files/a0fe6fb25/Attachment+A_Draft+Reso_OCSD+Divestiture.pdf

Attachment B: LAFCO Proposal Review of Factors - Government Code 56668

https://slo.lafco.ca.gov/files/e7e6e2e9a/Attachment+B_56668+Factors.pdf

Attachment C: Oceano Community Services District Resolution No. 2023-03

https://slo.lafco.ca.gov/files/81e2d679b/Attachment+C_OCSD+Reso+2023-03.pdf

Attachment D: County Board of Supervisors Staff Report 9-12-2023

https://slo.lafco.ca.gov/files/233ca2a0b/Attachment+D_BOS+Staff+Report+9-12-23.pdf

Attachment E: County Board of Supervisors Staff Report 6-18-24

https://slo.lafco.ca.gov/files/61aa0e8db/Attachment+E_BOS+Staff+Report+6-18-24.pdf

Attachment F: Plan for Service Prepared by the County of San Luis Obispo as the Successor Agency

https://slo.lafco.ca.gov/files/1810cf89d/Attachment+F_+County+Plan+for+Service.pdf

Attachment G: Agreement Between the Five Cities Fire Authority and County of San Luis Obispo for Provision of Fire Protection and Emergency Medical Services to Oceano

https://slo.lafco.ca.gov/files/ea83ddb48/Attachment+G_FCFA+Services+Agreement.pdf

Attachment H: Oceano Community Services District Resolution No. 2024-11

https://slo.lafco.ca.gov/files/b36709581/Attachment+H_OCSD+Reso+2024-11.pdf

Attachment I: County Board of Supervisors Resolution No. 2024-203

https://slo.lafco.ca.gov/files/bfb8d3445/Attachment+I_BOS+Reso+2024-203.pdf

Attachment J: Oceano Community Service District Resolution No. 2024-14

https://slo.lafco.ca.gov/files/122e76b9b/Attachment+J_OCSD+2024-14.pdf

Attachment K: Agreement Between the County and OCSD Regarding Transfer of Revenue in Connection with Divestiture of OCSD's Fire Protection Service

https://slo.lafco.ca.gov/files/f5e15ed53/Attachment+K_Revenue+Agreement.pdf

Attachment L: Assignment and Amendment of Oceano Community Services District's Ongoing CALPERS Liabilities and Responsibilities Following Withdrawal from the Five Cities Fire Authority Joint Exercise of Powers Agreement

https://slo.lafco.ca.gov/files/6eab01538/Attachment+L_Assignment+Agreement.pdf

Attachment A

Draft LAFCO Resolution No. 2024-___ Approving the OCSD Divestiture
of Fire Protection Service and Designation
of the County as the Successor Agency for Fire Protection Service

Exhibit A: CEQA Notice of Exemption

Exhibit B: OCSD Boundary Map

Exhibit C: Plan for Service Prepared by the County

IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Thursday, October 17, 2024

RESOLUTION NO. 2024-XX

**RESOLUTION APPROVING THE OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE OF
FIRE PROTECTION SERVICE AND DESIGNATION OF THE COUNTY OF SAN LUIS OBISPO AS THE
SUCCESSOR AGENCY FOR FIRE PROTECTION SERVICE**

The following resolution is now offered and read:

WHEREAS, on February 6, 2023, Oceano Community Services District, hereinafter referred to as the “District” applied to the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, through resolution of application for divestiture of fire protection service due to the District’s inability to fund fire protection service at the prior levels of service and proposed that the County of San Luis Obispo, hereinafter referred to as the “County”, be designated as the successor agency for fire protection service within the current District service area; and,

WHEREAS, on September 12, 2023, the County Board of Supervisors received a report on the County’s options to assume fire responsibility as named in OCSD’s application for divestiture and directed County staff to develop a plan for providing fire protection service to the Community of Oceano as successor agency; and,

WHEREAS, on June 18, 2024, the County approved the Plan for Service as the successor agency, and the District endorsed the County’s Plan for Service on July 24, 2024; and

WHEREAS, a Certificate of Filing for this proposal was signed by the Executive Officer on September 24, 2024; and

WHEREAS, the matter was set for public hearing at 9:00 AM on October 17, 2024, and the public hearing was duly conducted and determined and a decision was made on October 17, 2024; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, at said hearing this Commission heard and received all oral and written protests, objections and evidence, which were made, presented or filed, and all person’s present

were given the opportunity to hear and be heard in respect to any matter relating to the proposal and report; and

WHEREAS, the Notice of Exemption, prepared pursuant to §15062 is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) for this proposal.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by reference.
2. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of CEQA and is hereby determined to be sufficient for the Commission's actions and is incorporated by reference as Exhibit A of this resolution.
4. In approving the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service, the Commission establishes that the only functions or services provided by the District within its jurisdictional boundaries are water, wastewater, parks and recreation, lighting, and solid waste.
5. That the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service is approved with the following conditions:
 1. The Oceano Community Services District and County of San Luis Obispo agree to defend, indemnify, hold harmless and release the San Luis Obispo Local Agency Formation Commission (LAFCO), its officers, employees, attorneys, or agents from any claim, action or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul, in whole or in part, LAFCO's action on the proposal or on the environmental documents submitted to or prepared by LAFCO in connection with the proposal. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorneys' fees, and expert witness fees that may be asserted by any person or entity, including the Applicant, arising out of or in connection with the application. In the event of such indemnification, LAFCO expressly reserves the right to provide its own defense at the reasonable expense of the applicant.
 2. That the Executive Officer is authorized and directed to conduct protest proceedings pursuant to Government Code Section 57000.

3. The effective date of the Oceano Community Services District Divestiture of Fire Protection Service and Designation of the County of San Luis Obispo as the Successor Agency for Fire Protection Service shall be the date of recordation of the Certificate of Completion. The Certificate of Completion will not be filed before the protest process is completed by LAFCO.
4. Once the divestiture is effective per Condition of Approval #3, the County of San Luis Obispo will hence forth be designated as the successor agency and shall be responsible for providing fire protection service here forward within the existing District boundary as of October 17, 2024, and as depicted in Exhibit B and as per the terms detailed in the Plan for Service contained in Exhibit C.
5. The Oceano Community Services District shall transfer the fee title of 1655 Front Street as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
6. The Oceano Community Services District and County of San Luis Obispo shall execute the lease agreements for 1655 and 1681 Front Street, as per the terms of the Plan for Service contained in Exhibit C by June 30, 2025.
7. The Oceano Community Services District Board of Directors shall take action at a public hearing to rescind all ordinances related to fire protection services and make other necessary administrative changes (such as changes to the District's website) for the public's benefit to reflect the changes in fire protection responsibilities by March 31, 2025.

Upon a motion of Commissioner _____, seconded by Commissioner _____ and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Marshall Ochylski
LAFCO Chair

Date

ATTEST:

Rob Fitzroy Date
LAFCO Executive Officer

APPROVED AS TO FORM AND LEGAL EFFECT:

Brian Pierik Date
LAFCO Legal Counsel

DRAFT

Exhibit A

Notice of Exemption

Notice of Exemption

To: ✓ Office of Planning and Research
PO Box 3044, 1400 Tenth Street, Room 222
Sacramento, CA 95812-3044

From: San Luis Obispo LAFCO
Rob Fitzroy, Executive Officer
1042 Pacific St. Suite A
San Luis Obispo, CA 93401
(805) 781 – 5795
rfitzroy@slo.lafco.ca.gov

✓ County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

Project Title: LAFCO File No. 1-E-23 | Oceano Community Services District Divestiture of Fire Protection Service

Project Location: Oceano Community Services District (OCSD) is located in the southern portion of San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) took action to approve the Oceano Community Services District (OCSD) Divestiture of Fire Protection Service. Historically, OCSD has provided fire response services through a contract with Five Cities Fire Authority (FCFA). However, as the cost of providing fire service has grown, OCSD was unable to fund fire service at the prior levels of service. As a result of two failed ballot measures intended to raise revenue for fire service, OCSD Board of Directors passed a Resolution of Application to LAFCO to divest OCSD’s fire service authority. As approved, the County of San Luis Obispo will assume responsibility for providing fire service within the Community of Oceano through a contract with FCFA. The contract will provide for delivery of all fire protection and emergency services in Oceano out of the Grover Beach and Arroyo Grande fire stations, at a minimum of two personnel per engine. This contract maintains the level of service currently provided to the Community of Oceano. The staff report is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on October 17, 2024, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: Section 15320
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input type="checkbox"/> Other: The activity is not a project subject to CEQA.

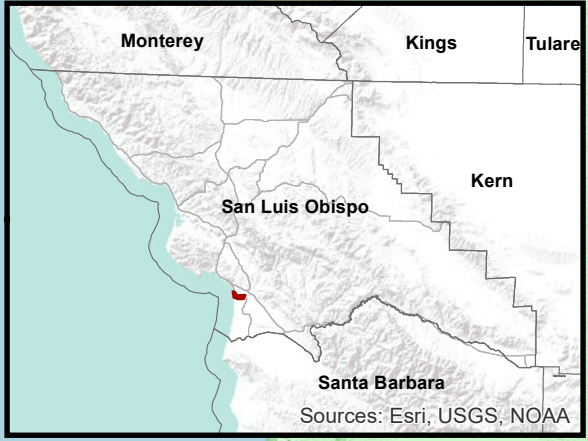
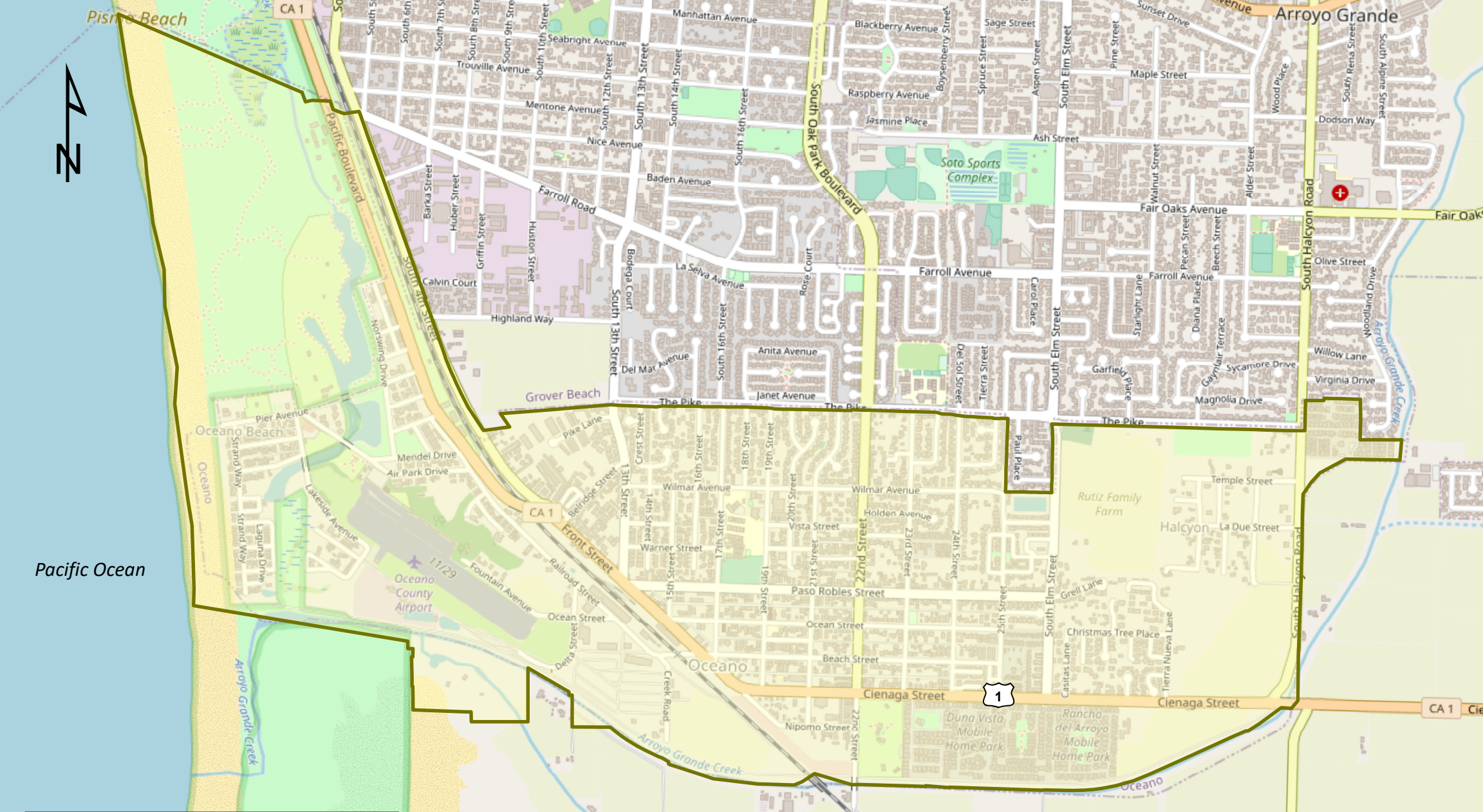
Reasons Why Project is Exempt: It has been determined with certainty that the proposal is categorically exempt pursuant to Section 15320 because the proposed divestiture would not change the geographic area where existing fire protection service is presently authorized and provided. There are no land use changes, or environmental impacts created by this proposal. LAFCO will file this Notice of Exemption upon approval of the proposal.

Rob Fitzroy, Executive Officer

Date

Exhibit B

OCSD Boundary Map



Oceano Community Services District

- LAFCO Boundaries**
- Sphere of Influence (Same as Service Area)
 - Service Area

Latest SOI Approval: Jul 2020

0 0.125 0.25 0.5 Miles



Prepared By SLOLAFCO
 Name: Oceano CSD
 Date: 3/25/2022

Exhibit C

County of San Luis
Obispo Plan for
Service

Oceano Community Services District
Divestiture of Fire Protection Services

Plan for Service

[Prepared by the County of San Luis Obispo
as the Successor Agency]



June 2024

Plan for Service

Oceano Community Services District Divestiture of Fire Protection

Background

On February 14, 2023, the County received an official notification from the Local Agency Formation Commission (LAFCO) stating that on January 11, 2023, the Oceano Community Service District (OCS D) Board of Directors voted to submit a resolution of application to LAFCO to initiate proceedings for divestiture of fire protection service. The application was filed with LAFCO on February 6, 2023, with a plan for service proposing responsibility for fire protection service be transferred to the County. LAFCO notified the County that they have begun processing the application.

On August 22, 2023, the Board of Supervisors (Board) directed staff to pursue a responsive plan of service to provide fire protection to Oceano utilizing a contract model with Five Cities Fire Authority.

OCS D staff and subcommittee participated in development of the responsive plan of service. The Oceano Community Services District submitted a letter dated in support for this plan of service, dated May 28, 2024, and attached to this plan as Exhibit B.

On June 18, 2024, the Board approved a responsive plan of service and directed County staff to file the plan with LAFCO. The plan of service defines the level and mode of fire service the County will provide to Oceano, if LAFCO approves divestiture, and establishes conditions involving OCS D assets and existing unfunded pension liability.

The Plan of Service below addresses changes to tax rate areas, OCS D assets and liabilities and fire protection service level.

Plan for Service

LAFCO uses a Plan for Services to evaluate the ability of an agency to provide services in a cost-effective manner, and to assess the benefit to be received by the area relative to alternative public agency frameworks.

This Plan for Services describes the fire protection services that the County would provide to the community of Oceano in summary form. The Plan for Service includes the following information pursuant to Government Code Sections 56653.

Government Code Section 56663 States:

1. An enumeration and description of the services currently provided or to be extended to the affected territory.
2. The level and range of those services.
3. An indication of when those services can feasibly be extended to the affected territory, if new services are proposed.
4. An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
5. Information with respect to how those services will be financed.

Description of Services

1. Description of how services will be provided and who will provide the services to the area.

Prior to exiting Five Cities Fire Authority (FCFA) JPA, Oceano fire station was partially staffed and housed one engine. On June 22, 2023, the FCFA entered into an agreement with OCSD for the FCFA to continue to provide fire and emergency medical services to OCSD for a temporary 12-month period through June 30, 2024. On June 4, 2024, FCFA approved an extension agreement through December 31, 2024, with a thirty day-notice option to terminate.

Under their current contract the FCFA staffs three engines. Two engines operate out of Arroyo Grande, and one operates from the Grover Beach station. There are no engines stationed and no fire services provided from the Oceano fire station. The FCFA currently staffs two engines with three personnel and one engine with two personnel. There is no particular FCFA engine that is dedicated to Oceano response as response is provided from resources available.

Since 1930, The County of San Luis Obispo has provided fire protection services through a contract with CAL FIRE, acting as the County's Fire Department. The County Fire Department is responsible for providing fire and related emergency services for all the unincorporated areas in the county not served by a city, or a special district.

On August 22, 2023, the Board of Supervisors (Board) reviewed the County's available service level and service delivery options to provide fire service to Oceano. Options included serving Oceano community through the County Fire Department's contract with CAL FIRE at various service levels, or through a contract with Five Cities Fire Authority. The Board directed staff to pursue a responsive plan of service to provide fire protection to Oceano utilizing a contract model with Five Cities Fire Authority.

The County has entered into a contract with FCFA to provide fire service to the community of Oceano. The contract will become effective upon LAFCO approval of the District's divestiture and terminate on June 30, 2027, with two one year options to extend. The contract cost is \$1,706,000 each year with annual CIP increases. The contract will provide for delivery of all fire protection and emergency services in Oceano out of Grover Beach and Arroyo Grande Fire Stations, at a minimum of two personnel per engine. This contract maintains the level of service currently provided to the community of Oceano.

2. The level and range of services.

The current level of service provided to the community of Oceano by FCFA will remain the same. The service area will remain the same as the current boundary of the Oceano Community Services District.

The County, through contract with FCFA, will provide the following services:

1. Administration of fire services
2. Incident Response
3. Fire Safety Inspections/Enforcement
4. Investigations
5. Training
6. Emergency Management

3. Estimated time frame for service delivery.

The County will be responsible for fire and emergency response upon LAFCO approval of OCSDs application of divestiture. Service will be provided through a contract with FCFA with an effective date of the date that LAFCO approves OCSD's application of divestiture.

4. An indication of any capital improvements, or upgrading of structures, roads, sewer or water facilities or other conditions the agency would impose or require within the affected territory prior to providing service if proposal is approved.

Upon LAFCO approval, the County will assume fire responsibility for the community of Oceano as part of the unincorporated area of the County, target commencement date of January 1, 2025, with conditions related to OCSD revenue, assets, liabilities and space lease agreements as outlined below.

Revenues

The County Administrative Office will bring a tax exchange resolution to the Board of Supervisors such that OCSD will retain 3.85% of OCSD's current AB8 Factor of .18712. The amount retained by OCSD will be for the continuance of operation of the community's lighting service.

Additionally, 100% of development impact fee revenue related to the community of Oceano will be retained by the County to fund operations.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to transfer to the County property tax revenue received by OCSD beginning July 1, 2024 through the implementation of the adjusted tax roll, at the rate described above, reduced by an amount equal to \$142,167 per month until the time that the County assumes fire responsibility for Oceano.

Assets

OCSD will transfer to the County fee simple ownership of the existing OCSD Fire Station and real property located at 1655 Front Street, Oceano (APN 062-271-023) including General Fund purchased items, equipment, and vehicles.

Prior to County assuming fire responsibility for Oceano, OCSD will transfer to the County 100% of OCSD's Public Facility Fee reserve in the amount of \$230,000 and FY 2023-24 year-end fund balance available in the amount of \$90,000 related to budgeted facility improvements.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to retain Oceano's Public Facility Fees allocation.

Liabilities

The County will assume responsibility for OCSD's ongoing CalPERS unfunded actuarial accrued liability (UAAL) arising out of OCSD's participation in Five Cities Fire Authority between June 7, 2010 through June 30, 2023, in the amount equal to 19.7% of total. The Foster and Foster actuarial report dated December 15, 2023, shows OCSD's share of UAAL as of June 30, 2022 to be \$861,741. OCSD's liability is anticipated to be reduced due to reimbursement payments made after June 30, 2022, by the City of Arroyo Grande to Five Cities Fire Authority, reducing the total UAAL of \$4,374,321 by \$982,311.

Additionally, as outlined in the ongoing liabilities agreement dated June 14, 2023 (Exhibit C), OCSD's UAAL will be reduced by \$278,109 related to Capital Equipment and Vehicle Valuation credits as well as OCSD's share of Five Cities Fire Authority's FY 2022-23 year-end fund balance estimated to be \$296,662.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into an agreement to transfer unfunded actuarial accrued liability to the County, as described above.

Related Space Lease Contracts

The County and OCSD will execute two space lease agreements related to the Plan for Service. The first will provide for OCSD to continue to occupy the current OCSD Administrative space at the 1655 Front Street, Oceano for a term of 20 years in the annual amount of \$116,147, with annual CIP adjustments. Commencement date will be set to the date the County obtains fee simple ownership of the existing OCSD Fire Station. The lease includes an option for

OCSD to exit the lease after 10 years, and if the option is exercised, the County will have the option to purchase the Sheriff substation real property located at 1681 Front Street, Oceano, for an amount equal to the appraised land value.

The second lease will provide for the County Sheriff to continue to occupy the space at 1681 Front Street, Oceano for a term of 20 years in the amount of \$1 per year. The lease commencement date will be set to the date the County assumes fire responsibility for Oceano.

Prior to County assuming fire responsibility for Oceano, the County and Oceano will enter into two space agreements, as described above.

5. A description of how the services will be financed.

The majority or all of the general fund revenues received by the District would be available to partially fund operations. Services will be financed with property tax revenue transferred from OCSD to the County, impact fees, rent revenue and additional County General Fund. It is estimated that FY 2024-25 OCSD property tax revenue will be approximately \$1.3 million. Additionally, the Public Facility Fire Fees that are collected by the OCSD will be transferred to the County.

The table below shows the revenue trends over the last four years based on the District’s financial statements.

OCSD Revenue Trends

Revenue	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	*	**
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Property Tax	1,028,371	1,081,219	1,132,291	1,182,885	1,296,431	1,337,044
Public Facility Fees	20,061	10,158	20,528	7,878	3,863	TBD
Other Sources	147,690	144,285	150,971	149,653	TBD	TBD
TOTAL	\$1,196,122	\$1,235,662	\$1,303,790	\$1,340,416	\$1,300,294	\$1,337,044

*According to County Auditor’s Office.

**For the purposes of this report, the analysis of options includes an increase in annual revenue, of which \$1,337,044 is estimated to be available to fund operations if the County were to take over fire services based on the FY 2023-24 Assessor’s Values and preliminary AB8 Calculations from Auditor’s Office.

At the time that the Board directed staff to prepare this Plan for Service, it was estimated that the ongoing annual cost of service including both contract cost and indirect County cost, would be approximately \$1,800,000, and the annual General Fund support would be \$498,783. Due to conditions in this Plan of Service including proposed lease agreements between OCSD and the County over the next 20 years, estimated impact fee revenue, and maintenance on fire related assets to be transferred to the County, the annual operating expense is estimated to be \$1.7 million, and the annual General Fund support is estimated to be \$310,143.

The Plan for Service also includes a one-time transfer of assets and liabilities from OCSD to the County; assets estimated to be valued at approximately \$2.5 million, and liabilities estimated to be valued at approximately \$2.5 million.

6. Agency’s general statement of intent to provide services to the affected territory, indicating the agency’s capability of providing the necessary services in a timely manner to the affected territory while being able to serve all areas within its current boundaries and without lowering the level of service provided to areas currently being served by the agency.

Upon LAFCo approval of OCSD’s application of divestiture of fire authority, the County intends to assume fire authority for the community of Oceano. The County has entered into a contract with FCFA, effective upon LAFCO approval of the subject divestiture, to provide fire protection services to the community of Oceano. FCFA is currently providing

services to Oceano, and no service level change is anticipated as a result of this Plan for Service. FCFA response time to Oceano is 7-11 minutes from the Arroyo Grande Station and 7-9 minutes from the Grover Beach Station.

The Contract for services termination date is June 30, 2027, and includes two one-year options to extend. The contract cost is \$1,706,000 each year with annual CIP increases. Other operational costs to the County include facility maintenance utilities and insurance. Based on revenue and expenditure estimates it is anticipated that in the first year after divestiture, the County General Fund support will be approximately \$310,143. A summary of this Plan for Service is attached as Exhibit A.

Exhibits

A – Summary of Plan for Service

B – OCSD Letter of Support

C – FCFA OCSD Ongoing Liabilities agreement dated June 14, 2023



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 17, 2024

SUBJECT: PUBLIC MEMBER APPOINTMENT

RECOMMENDATION

It is recommended that the Commission consider taking the following action:

Action: Motion to appoint a Regular Public Member to the Commission from the list of interview candidates.

OVERVIEW

On May 16, 2024, the Commission directed the Executive Officer to initiate the recruitment process for a new regular Public Member due to the vacancy. Alternate Commissioner David Watson has served in the interim as allowed under Government Code Section 56331. The term for the Public Member seat is January 1, 2025, to December 31, 2028.

The recruitment period ran from June 12, 2024, to August 2, 2024. Seven applications were received, however, one applicant has since rescinded their application. The applications/resumes (Attachment A) were provided in the August 15, 2024 staff report where the Commission provided direction regarding the interview process. The candidates are as follows:

1. Michael Drazé
2. Roland Haga
3. James Irving
4. Mark Miller
5. Carmen Morales-Board
6. David Watson

Today, the Commission will hear a 3-minute presentation from each candidate followed by a 3-5 minute interview period to be conducted by the Commission in open session. At the conclusion of the presentations, the Commission should deliberate and select one of the candidates to sit as a Regular Public Member of the Commission.

COMMISSIONERS

Chair
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

VACANT
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CARLA WIXOM
City Member

DAVID WATSON
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Analyst

BRIAN A. PIERIK
Legal Counsel

ATTACHMENTS

Attachment A: Public Member Applications & Resumes

<https://slo.lafco.ca.gov/files/2da296340/Attachments.pdf>



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 17, 2024

SUBJECT: CONTRACT FOR LEGAL SERVICES

RECOMMENDATION

It is recommended that the Commission take the following action:

Action: Motion to authorize the Executive Officer to execute a legal services contract with Colantuono Highsmith & Whatley, PC (Attachment A).

OVERVIEW

In November 2018, the Commission appointed the law firm of Burke, Williams & Sorensen, LLP to provide legal services to the Commission and Brian Pierik of the Burke firm was designated as Legal Counsel. As discussed in the May 16, 2024, staff report, Brian Pierik is reducing the scope of his legal practice. At the May 16, 2024, meeting, the Commission provided direction to initiate a recruitment for new legal counsel. A Request for Proposals (RFP) was issued on June 4, 2024, to July 26, 2024. Five firms submitted proposals. At the September 19, 2024, meeting the Commission conducted interviews in Closed Session. The attached contract is for legal services with the firm Colantuono Highsmith & Whatley, PC. If the contract is approved today, our appointed legal counsel will be Holly Whatley of Colantuono Highsmith & Whatley, PC and she will begin providing legal services effective immediately upon execution of the agreement.

ATTACHMENTS

Attachment A: Contract for Legal Services

COMMISSIONERS

Chair
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

VACANT
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

Ed EBY
Special District Member

CARLA WIXOM
City Member

DAVID WATSON
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

Attachment A

Contract for Legal Services

**AGREEMENT BETWEEN
SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
AND COLANTUONO, HIGHSMITH & WHATLEY, PC
FOR LEGAL COUNSEL SERVICES**

THIS AGREEMENT is effective on the first day of _____ 2024 between Colantuono, Highsmith & Whatley, PC (hereinafter called "Legal Counsel"), and the San Luis Obispo Local Agency Formation Commission (hereinafter called "LAFCO").

WITNESSETH:

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56380 et seq.) authorizes LAFCO to employ or contract for professional or consulting services to carry out the functions of the Commission; and

WHEREAS, LAFCO desires the services of a law firm to provide legal representation / legal advice.

NOW, THEREFORE, IT IS MUTUALLY AGREED by and between parties as follows:

I. EMPLOYMENT OF LEGAL COUNSEL

LAFCO agrees to engage Legal Counsel and Legal Counsel hereby agrees to perform the services hereinafter set forth.

II. INTENT OF PARTIES

It is understood between parties that Legal Counsel will perform services as determined necessary by the Executive Officer and the Commission.

III. SCOPE OF LEGAL COUNSEL SERVICES

Legal Counsel shall undertake the following services:

1. Legal Counsel will be on call to answer questions from the Executive Officer and the Commission and to perform legal representation / legal advice services as requested by the Executive Officer or the Commission, on an "as-needed" basis.
2. Legal Counsel will provide regular updates to the Executive Officer and/or the Commission regarding legal representation / legal advice services when requested by the Executive Officer and/or Commission.

3. Attend all regular LAFCO meetings, special meetings, annual strategic planning sessions, and study sessions via in-person or remote in coordination with the Executive Officer.
4. Review and comment on documents prepared by LAFCO staff including staff reports, resolutions, correspondence, administrative policies, and other documents as requested and in a timely manner.
5. Perform other assignments directed by the Executive Officer or Commission within the purview of legal counsel service.

IV. ADMINISTRATOR OF AGREEMENT

The Executive Officer is LAFCO's representative (contract officer) for purposes of administering this Agreement. Holly O. Whatley (Colantuono, Highsmith and Whatley, PC), is Legal Counsel's representative for purposes of administering this Agreement and is Legal Counsel's LAFCO representative and contact person.

V. LEGAL COUNSEL'S EMPLOYEES AND EQUIPMENT

Legal Counsel agrees that it has secured or will secure at its own expense all persons, employees, and equipment required to perform the services required under this Agreement and that all such services will be performed by Legal Counsel, or under Legal Counsel's supervision, by persons authorized by law to perform such services.

VI. TERM

This agreement shall become effective upon execution by both parties and shall continue until terminated or the date of expiration. The agreement shall remain in effect until such time as it is terminated pursuant to Sections X or XI.

VII. COMPENSATION AND MANNER OF PAYMENT

Legal Counsel will be compensated only for legal representation / legal advice services described in Section III above performed at the express direction of the Executive Officer and/or the Commission. Compensation shall include only labor and expenses, to be paid as follows:

1. Labor

Compensation for labor of personnel shall be billed in accordance with the rates attached hereto as Exhibit A and shall not be amended during the term of this agreement without the written approval of LAFCO.

Compensation during travel to and from the LAFCO's offices shall be billed at

one-half the time actually incurred.

2. Expenses

Legal Counsel will also be compensated for its actual expenses incurred for materials, mileage at current IRS rates, long-distance telephone calls, and other expenses authorized by the Executive Officer and/or the Commission. Outgoing faxes will be reimbursed at \$1 per page and in-house photocopies will be reimbursed at twenty cents per page. Legal Counsel shall charge no administrative or other markup on expenses for which reimbursement is sought from LAFCO.

3. Manner of and Maximum Payment

Payment shall be made in arrears pursuant to written invoices submitted to the Executive Officer on a monthly basis. Payment shall be made within 30 days of receipt of invoices. Such payment shall constitute full and complete payment for the period covered by the invoice.

VIII. AUDIT AND INSPECTION OF RECORDS

At a time that is agreed upon by LAFCO and Legal Counsel and as often as LAFCO may deem necessary, Legal Counsel shall make available to LAFCO or its designated agents for examination all of Legal Counsel's data and records with respect to all matters covered by this Agreement, and Legal Counsel will permit LAFCO, or its designated agents, to audit, examine, and make excerpts or transcripts from such data and records, and to make audits of all invoices, materials, payrolls, records of personnel, and other data relating to all matters covered by this Agreement. Unless otherwise specified by LAFCO in writing, said data and records should be made available for examination within San Luis Obispo County for a period of two (2) years following completion of this Agreement.

IX. INTEREST OF LEGAL COUNSEL

- a. Legal Counsel covenants that he/she presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. Legal Counsel further covenants that in the performance of this Agreement, no person having any such interest shall be employed or retained under this Agreement.
- b. Except as provided in paragraph c. below, Legal Counsel agrees to not act as Legal Counsel or perform services of any kind for any LAFCO applicant without the prior written consent of LAFCO. When consent has been given, Legal Counsel shall endeavor to avoid involvement on behalf of said new client which would in any manner undermine the effective performance of services by Legal

Counsel or convey, utilize, or permit to be utilized, confidential information gained through its association with LAFCO for the benefit of any other client.

- c. Legal Counsel has informed LAFCO that it provides advisory services to the City of Paso Robles and is on the approved list of outside litigation counsel for the City of San Luis Obispo but is not currently providing such services to the City. Provided that Legal Counsel does not provide services in San Luis Obispo County which create a conflict under the Rules of Professional Conduct, or which pertain to an actual or potential application to LAFCO, Legal Counsel may continue its practice of providing legal services to local governments in San Luis Obispo County without further consent of LAFCO. Legal Counsel shall not provide services in San Luis Obispo County which create a conflict under the Rules of Professional Conduct or which pertain to an actual or potential application to LAFCO, without the informed, written consent of LAFCO.
- d. Legal Counsel agrees to alert every client for whom consent is required to this conflict of interest provision and to include language in its agreement with said client, which would enable Legal Counsel to comply fully with its terms.
- e. Legal Counsel shall recuse himself/herself from discussions or actions that may result in a financial benefit to him/her or to any governmental agency that he represents. Notwithstanding this recusal provision, at such time, if ever, LAFCO adopts a conflict of interest code, Legal Counsel shall complete and submit any Conflict of Interest Statements that may become due during the effective period of this Agreement as may be required by such code.

X. TERMINATION OF AGREEMENT FOR CAUSE

If, through any cause, Legal Counsel shall fail to fulfill in a timely and proper manner his/her obligations under this Agreement, or if Legal Counsel shall violate any of the covenants, agreements, or stipulations of this Agreement, LAFCO shall thereupon have the right to terminate this Agreement by giving written notice to Legal Counsel of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. In the event that all finished or unfinished documents, data, studies, surveys, drawings, maps, reports, and other materials prepared by Legal Counsel shall, at the option of LAFCO, become its property, and Legal Counsel shall be entitled to receive just and equitable compensation for any satisfactory work completed on such documents and other materials, not to exceed the amounts payable under Section VII above.

Notwithstanding the above, Legal Counsel shall not be relieved of liability to LAFCO for damages sustained by LAFCO by virtue of any breach of the Agreement by Legal Counsel, and LAFCO may withhold any payments to Legal Counsel for the purpose of offset until such time as the exact amount of damages due to LAFCO from Legal Counsel is determined. Legal Counsel hereby expressly waives any and all claims

for damages for compensation arising under this Agreement except as set forth in this section in the event of such termination.

XI. TERMINATION FOR CONVENIENCE OF LAFCO

LAFCO reserves the right to terminate this Agreement at any time by written notice to Legal Counsel sixty (60) days prior to the date of termination thereof. LAFCO shall thereafter pay Legal Counsel for work performed to the date of termination. Such notice shall terminate this Agreement and release LAFCO from any further fee, cost, or claim hereunder by Legal Counsel other than for work performed to date of termination. In the event of termination, all finished and unfinished documents and other material shall, at the option of LAFCO, become its property.

XII. INSURANCE AND HOLD HARMLESS AGREEMENT

Legal Counsel agrees to maintain such insurance as will fully protect Legal Counsel and LAFCO from any and all claims under any workers' compensation act or employer's liability laws, and from any and all other claims of whatsoever kind or nature for the damage to property or for personal injury, including death, made by anyone whomsoever which may arise from operations carried on under this Agreement, either by Legal Counsel, any subcontractor, or by anyone directly or indirectly engaged or employed by either of them. Legal Counsel shall exonerate, indemnify, defend, and hold harmless LAFCO from and against, and shall assume full responsibility for payment of all federal, state, and local taxes or contributions imposed or required under unemployment insurance, social security, and income tax laws, with respect to Legal Counsel and Legal Counsel's employees engaged in performance of this Agreement. LAFCO and its agents, officers, and employees shall not be, nor be held liable for any claims, liabilities, penalties, fines, or forfeitures, or for any damage to the goods, properties, or effects of Legal Counsel or of any other persons whatsoever, nor for personal injury to or death of them, or any of them, caused by or resulting from any negligent act or omission of Legal Counsel or Legal Counsel's agents, employees, or representatives. Legal Counsel further agrees to indemnify, defend, and hold harmless LAFCO and its agents, officers, and employees, against and from any and all of the foregoing liabilities, and any and all costs or expenses incurred by LAFCO on account of any claim therefor. In the event that a court of competent jurisdiction should determine that LAFCO has not the authority to provide by agreement for the provision of the hereinabove-set-forth professional service, Legal Counsel nevertheless agrees to assume the foregoing obligations and liabilities, by which it is intended by both parties that Legal Counsel shall indemnify and save LAFCO free and harmless from all claims arising by reason of any negligent act or omission of Legal Counsel.

XIII. INTEREST OF LAFCO OFFICERS AND OTHERS

No officer, member, or employee of LAFCO and no member of its governing body shall participate in any decision relating to this Agreement that affects his/her

376307.2

personal interest, or the interest of any corporation, partnership, or association in which he/she is directly interested; nor shall any such person have any interest, direct or indirect, in this Agreement or the proceeds thereof.

XIV. ASSIGNABILITY

Legal Counsel shall not assign any interest in this Agreement and shall not transfer any interest in the same (whether by assignment or novation) without prior written consent of LAFCO thereto. Provided, however, that claims for money due or to become due to Legal Counsel from LAFCO under this Agreement may be assigned to a bank, trust company, or other financial institution without such approval. Notice of any such assignment or transfer shall be furnished promptly to LAFCO. Any assignment requiring approval may not be further sub-assigned without LAFCO approval.

XV. FINDINGS CONFIDENTIAL

Any reports, information, data, statistics, forms, procedures, systems, studies and any other communication or form of knowledge given to or prepared or assembled by Legal Counsel under this Agreement which LAFCO requests to be kept as confidential shall not be made available to any individual or organization by Legal Counsel without prior written approval of LAFCO unless pursuant to a valid and enforceable order of any court with jurisdiction of the matter.

XVI. OWNERSHIP, PUBLICATION, REPRODUCTION, AND USE OF MATERIAL

Any reports, information, data, statistics, forms, procedures, systems, studies and any other communication or form of knowledge given to or prepared or assembled by Legal Counsel under this Agreement which LAFCO requests to be kept as confidential shall not be made available to any individual or organization by Legal Counsel without prior written approval of LAFCO unless pursuant to a valid and enforceable order of any court with jurisdiction of the matter.

XVII. NOTICE

Any notice or notices required or permitted to be given pursuant to this Agreement may be personally served on the other party by the party giving such notice, or may be served by certified mail, postage prepaid, return receipt requested, to the following addresses:

LAFCO: Rob Fitzroy, Executive Officer
San Luis Obispo LAFCO
1042 Pacific St. # A
San Luis Obispo, CA 93401
Tel. 805-781-5795
E-mail: rfitzroy@slo.lafco.ca.gov

Legal Counsel: Holly O. Whatley
Colantuono, Highsmith & Whatley, PC
790 E. Colorado Blvd., Ste. 850
Pasadena, CA 91101
Tel. (213)-542-5704
E-mail: hwhatley@chwlaw.us

Payments shall be directed to Legal Counsel as follows:

Colantuono, Highsmith & Whatley, PC
420 Sierra College Drive, Suite 140
Grass Valley, CA 95945-5091

Either party may alter its address for notice under this Agreement by written notice to the other party at any time.

XVIII. INDEPENDENT CONTRACTOR

Legal Counsel and any agent, subcontractor, or employee of Legal Counsel shall act in an independent capacity and not as an officer or employee of LAFCO. LAFCO assumes no liability for Legal Counsel's action in performance, nor assumes responsibility for taxes, funds, payments or other commitments, implied or expressed, by or for Legal Counsel. Legal Counsel shall not have authority to act as an agent on behalf of LAFCO unless specifically authorized to do so in writing by LAFCO's Executive Officer. Legal Counsel acknowledges that it is aware that, because it is an independent contractor, LAFCO is making no deductions from its fee and is not contributing to any fund on its behalf. Legal Counsel disclaims the right to fee or benefits except as expressly provided for in this Agreement.

Legal Counsel shall provide the services required by this Agreement and arrive at conclusions with respect to the rendition of information, advice or recommendations, independent of the control and direction of LAFCO, other than normal contract monitoring; provided, however, Legal Counsel shall possess no authority with respect to any LAFCO decision beyond rendition of such information, advice or recommendations unless authorized by the Executive Officer.

XIX. EQUAL OPPORTUNITY

Legal Counsel will not discriminate against any employee, or against any applicant for such employment because of age, race, color, creed, religion, sex, or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeships.

XX. SUBCONTRACTS

None of the services covered by this Agreement shall be subcontracted or assigned without the prior written consent of LAFCO, provided however, that this provision shall not apply to secretarial, clerical, routine mechanical, and similar incidental services needed by Legal Counsel to assist in the performance of this Agreement. Legal Counsel shall not hire LAFCO's employees to perform any portion of the work or services provided for herein including secretarial, clerical, and similar incidental services except upon the written approval of LAFCO. Performance of services under this Agreement by associates or employees of Legal Counsel shall not relieve Legal Counsel from any responsibility under this Agreement.

XXI. CHANGES

LAFCO may, from time-to-time require changes in the scope of the services of Legal Counsel to be performed hereunder. Such changes, including any increase or decrease in the amount of Legal Counsel's compensation, which is mutually agreed upon by and between LAFCO, the Legal Counsel, and the Applicant shall be effective when incorporated in written amendments to this Agreement.

XXII. NOTICE OF TAXABLE POSSESSORY INTEREST

The terms of this document may result in the creation of the possessory interest. If such a possessory interest is vested in a private party to this document, the private party may be subjected to the payment of personal property taxes levied on such interest.

XXIII. APPLICABLE LAW

This Agreement shall be construed and interpreted according to the laws of the State of California.

IN WITNESS WHEREOF, LAFCO and Legal Counsel have executed this Agreement as of the date first above written.

SAN LUIS OBISPO LAFCO

**COLANTUONO, HIGHSMITH &
WHATLEY, PC**

BY _____
ROB FITZROY
Executive Officer

BY _____
HOLLY O. WHATLEY
Vice-President

DATE _____

DATE _____

Exhibit A

Advisory Hourly Billing Rates*

For general counsel services: Standard rates capped at \$315/hour.

For special legal services: Standard rates capped at \$345/hour.

“Special legal services” are those that are more complex in nature and require significant amounts of work and as approved by the Executive Officer in advance.

For legal services reimbursed by applicants: Standard rates capped at \$360/hour

Litigation Hourly Billing Rates*

Litigation Services: Standard rates capped at \$430/hour

* Beginning on July 1, 2026, the above rates will be adjusted annually based on the 12-month Consumer Price index for the Los Angeles-Long Beach-Anaheim region.