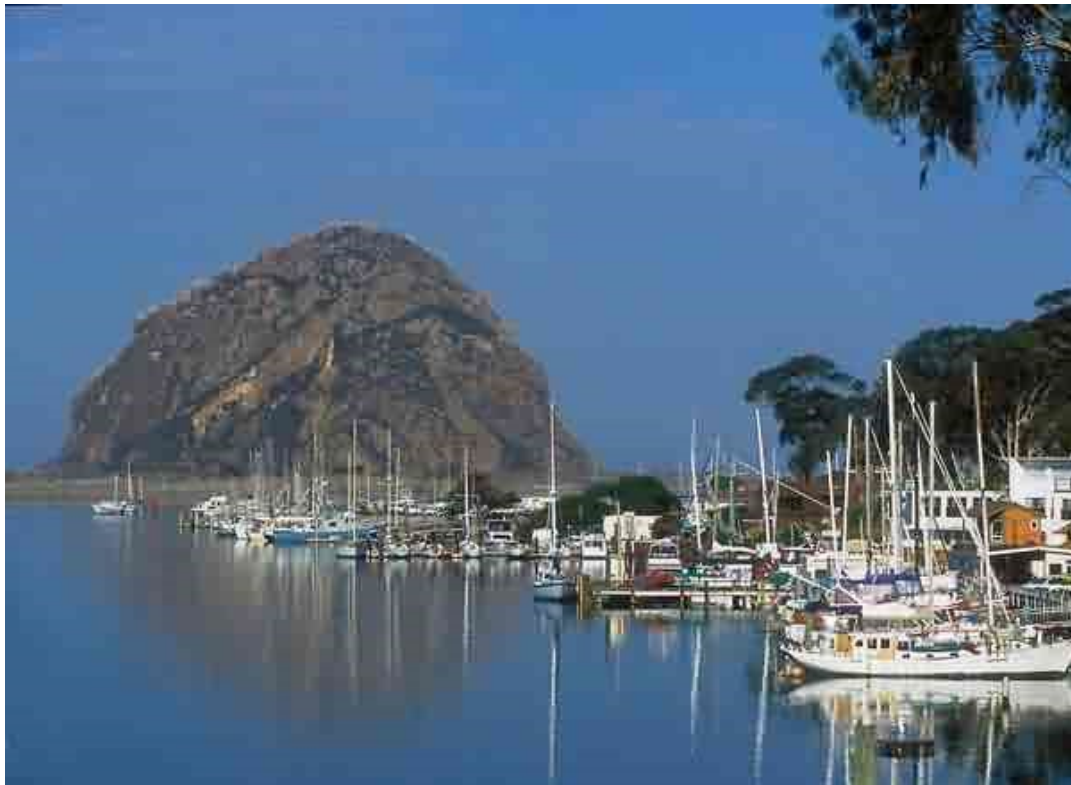


# **CITY OF MORRO BAY**

**ADOPTED  
SPHERE OF INFLUENCE UPDATE  
MUNICIPAL SERVICE REVIEW**



**PREPARED BY:  
SAN LUIS OBISPO  
LOCAL AGENCY FORMATION COMMISSION  
AUGUST 17, 2017**

## **SAN LUIS OBISPO LOCAL AGENCY FORMATION COMMISSION**

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# CHAPTER 1 - INTRODUCTION & EXECUTIVE SUMMARY

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## INTRODUCTION

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for all applicable jurisdictions in the County every five years or as needed. A Sphere of Influence is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI is generally considered a 20-year, long-range planning tool. The Act further requires that a Municipal Service Review (MSR) be conducted prior to, or in conjunction with, the update of a Sphere of Influence. The MSR evaluates the capability of a jurisdiction to serve their existing residents and future development in their Sphere of Influence.

### **Sphere of Influence**

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

Chapter Two is the Sphere of Influence Update and describes the requirements of the Cortese-Knox-Hertzberg Act. It also makes recommendations for updating the Spheres of Influence for the City of Morro Bay. The Sphere Update is based upon Chapter three in the Municipal Service Review that analyzes the jurisdiction's capability to provide services to existing and future residents. The SOI Update and Municipal Service Review are prepared to meet the requirements of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH). The Sphere of Influence Update and Municipal Service Review discuss the City of Morro Bay in accordance with Section 56430 of the California Government Code. The San Luis Obispo LAFCO's Municipal Service Review Guidelines were used to develop information, perform analysis and organize this study. The update of the Sphere of Influence for the City recognizes the existing circumstances and recommends no changes to the SOIs at this time.

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

Information that addresses each of the seven factors is provided in Chapters 3 – the Municipal Service Review. The seven factors are listed below, and Written Determinations for each factor are found after each section.

LAFCOs are encouraged to compile a variety of information in preparing a Service Review. LAFCOs also may use a significant proposal (general plan update, master plan, specific plan, etc.) as a way to compile the information needed for a Service Review. Administrative, organizational, and financial information is also collected and evaluated.

## **SERVICE REVIEW & SPHERE OF INFLUENCE UPDATE PROCESS**

The process for updating the Agency's Spheres of Influence includes several steps:

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

### **SEVEN SERVICE REVIEW FACTORS**

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

**Past LAFCO Actions.** The last SOI Study for Morro Bay was completed in 2007 which included a significant reduction and evaluation of many of the same study areas. The SOI totals approximately 100 acres. Since that time no proposals or changes to the General Plan have been considered. In 2016, the City started a comprehensive update to its General Plan primarily looking within its city limit boundaries to establish policies. Appendix C contains a table that shows the latest LAFCO actions regarding the City.

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

1. Approve and adopt the environmental documentation pursuant to CEQA;
2. Approve the Municipal Service Review found in Chapter Three of this document; and
3. Approve and adopt the Sphere of Influence Update for the City of Morro Bay in Chapter Two of this document.

## **Environmental Determination**

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

Furthermore, the SOI update qualify for a general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3), which states: "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." There is no possibility that the MSR or SOI update would have a significant effect on the environment because there is no land use changes associated with the document. If the

Commission approves and adopts the MSR's and SOI update and determines that the project is exempt from CEQA, staff will prepare and file a notice of exemption with the Clerk of the County of San Luis Obispo, as required by CEQA Regulation Section 15062.

The study of impacts associated with the Sphere of Influence is often speculative since it is unclear what type of project might be proposed or if an area will even be annexed in the future. The City or County studies impacts comprehensively when a project-specific environmental review is completed. The City is in the process of preparing a Facilities Master Plan and Environmental Impact Report for a wastewater and future reclamation facility in study area three with the potential for alternative sites in study areas one and two. LAFCO may use these documents in any future action before LAFCO if deemed appropriate.



## EXECUTIVE SUMMARY

The following is a summary of the key information contained in the Sphere of Influence Update and Municipal Service Review completed for the City of Morro Bay. The seven factors that are required to be addressed by the CKH Act are covered in this summary section. The analysis in the chapter that follows evaluates and addresses the factors unique to LAFCO's role and decision-making authority pursuant to the CKH Act. The following is a summary of the key information contained in this Service Review:

### 1. Growth & Population

According to the 2010 US Census, the City had a population of 10,234. Total housing units were estimated to be 6,689 units. The City's estimated build-out population within the current City limits is estimated to be 12,200. At 1.9 persons per household and an 80% occupancy rate the average estimated population would be approximately 12,200 at build-out. In the 2015 Urban Water Management Plan, the City of Morro Bay estimates that 10,608 people lived in the City. The City's Urban Water Management Plan projects the current City limit boundaries to yield a population of 12,200 persons. The 2015 UWMP based its projections from the City's General Plan.

**Table 1-1: Historical & Projected Population Growth**

	1980 <sup>(1)</sup>	1990 <sup>(1)</sup>	2000 <sup>(1)</sup>	2010 <sup>(2)</sup>	2015 <sup>(2)</sup>	2020 <sup>(2)</sup>	2025 <sup>(2)</sup>	2030 <sup>(2)</sup>	2035 <sup>(2)</sup>
Population	9,064	9,664	10,350	10,608	10,224	10,244	10,482	10,778	11,078
10 Year Increase	--	600	686	258	-364	20	238	296	300
10 year Avg. Increase	--	6.2%	6.6%	2.4%	-3.5%	<1%	2.2%	2.7%	2.7%
Average per Year	--	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

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

**Housing Units and Growth Projections.** In 2010, the City's Public Services Department estimated the City is about 95% built out with a potential for approximately 504 new dwellings in the community at this time. Under the certified Housing Element 2009 the City estimates a total of 504 units as a realistic build-out based on 80% of existing zoning at maximum densities.

The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out.

**Table 1-2: Build-out Summary: Vacant Land within City plus Expansion & SOI**

<b>Zone</b>	<b>Description</b>	<b>Acres</b>	<b>Approx. Units</b>	<b>Population</b>
R-A	Low-density Residential	103	302	574
R-1/R-2	Low/Medium-density Residential	13.76	76	144
R-4	High-density Residential	5.73	108	205
<b>Total Vacant Sites within City Limits</b>		<b>122.49</b>	<b>486</b>	<b>923</b>

Source: City of Morro Bay 2016.

## **2. Infrastructure Needs & Deficiencies Location and Characteristics of any Disadvantaged Unincorporated Communities**

LAFCO is responsible for determining the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. If a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to disadvantaged unincorporated communities within the sphere of influence or contiguous to the sphere of influence, it is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations are proposed by the agency or property owners. Morro Bay's Sphere of Influence does not have any disadvantage communities that have a present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

## **3. Infrastructure Needs & Deficiencies**

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City and in the Sphere of Influence. It is important that the infrastructure and resource capacities be adequate and reliable when revisions to the SOI and annexations are proposed by the City or property owners. In the case of this SOI Update, it is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the City of Morro Bay. LAFCO

accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with future demands.

## Water

The City of Morro Bay's Water supply can come from three sources: Morro & Chorro watersheds (groundwater), from State Water Project (SWP) since 1997, and Desalination plant. The City has been receiving State Water since 1997 and it has become the primary source of water for the City. The groundwater and desalination sources have become secondary supplies used on occasion when needed by the City. The table below shows the City's current water supply situation.

**Table 1-3 – Morro Bay Current Water Supply**

Source	Amount (acre feet)
Groundwater (pumping rights)	1,724
Morro           581	
Chorro        1,143	
Recycled Water	0
Desalination	645
SWP	1,313
<b>Total</b>	<b>3,682</b>

In 2015, the City reported annual water use of 1,074 acre-feet. The Supply/Safe Yield available to the City is currently estimated at 3,105 acre-feet per year. The City anticipated future water demand to be 1,452 acre-feet per year at build out under the existing General Plan.

## Wastewater

Morro Bay operates the wastewater treatment facility under a Joint Powers Agreement (JPA) with the Cayucos Sanitary District. The City and Cayucos Sanitary District had decided to build individual plant to serve their needs, with the City continuing to upgrade the wastewater treatment plant to full secondary treatment and to provide tertiary filtration capacity of 1.5 million gallons per day. The current treatment system has the capacity to process 2.06 million gallons per day of wastewater on an average dry day. The system is operating at 56% of capacity with an estimated 1.15 million gallons per day currently being processed at the treatment facility.

The new plant will have less rated capacity based on extensive population projections developed for this project.

## **Roads**

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was updated in 2004 along with other elements in the General Plan but never certified. The City is current undertaking a new comprehensive update to its General Plan.

According to the San Luis Obispo Council of Government's (SLOCOG) 2014 Regional Transportation Plan a significant increase in traffic volume on Highway 1 is projected from the 2008 number of 23,100 average daily trips to 28,000 average daily trips in 2035. The Level of Service in the Morro Bay area on Highway 1 is expected to drop to LOS D. The North Coast segment of the route is projected to increase very modestly as development is expected to be minimal on the North Coast.

## **Harbor**

The City provides boater assistance, water emergency response, and facilities maintenance for the regional harbor facility within city limits. Morro Bay Harbor is designated as " a state harbor of refuge" by special legislation and the home of USCG station Morro Bay with 35 federal personnel providing marine security for Diablo canyon and the California coastline between Monterey and Santa Barbara. The Harbor Department includes a staff of 5.75 employees with a budget of about \$1.6 million.

## **Fire**

The Department maintains two stations located in the City. Station 53 is the operational station and is located at 715 Harbor Street. This station has been newly constructed/remodeled and is staffed daily. The other station (#54) is located on 460 Bonita Street and is un-staffed and is used to store equipment and vehicles. The Department responded to 1,908 calls in 2014. The Department has 10.5 full-time employees that work from one fire station.

## **Police**

The Morro Bay provides law enforcement services for the residents of the City. The Police Station is located at the corner of Santa Rosa and Walnut. The total budget for the Police

Department for fiscal year 2016-17 is \$3.2 million. The Morro Bay Police Department consists of 20 employees, 16 of which are sworn police officers. The Department is divided into two bureaus, with a Police Captain commanding each.

#### **4. Financing Constraints & Opportunities**

The City prepared a ten-year budget forecast to provide a long-term perspective and help identify the structural imbalances. Indicators of the City's financial condition include pension and pent-up labor demand, unfunded replacement costs and deferred maintenance concerns for fiscal years 2016-2017. About 75% of the city's services can be funded under its current revenues. The City has been proactive in addressing the financial situation by setting aside reserves that have been used in making it through this period of financial challenge. In prior years, the City anticipated that a fiscal crisis might be looming and prepared by ensuring its reserves were funded at the level required by the budget policies. The City managed the current situation by taking several actions; 1) not filling several vacant positions, 2) eliminating several authorized positions, and 3) using reserves to address the revenue shortfall.

Measure Q, a local ½ percent sales tax was reauthorized by the voters in 2006. The projected revenue is expected to generate \$800,000 annually. This is a General Fund tax and has no sunset date. The General Fund comprises 70% of the City's total expenditures. The 2016-2017 Budget Plan falls short by \$3 million dollars of the desired services. The City is looking to sustain its current level of lean services over the next 5 to 8 years. The City has made budget adjustment while building the reserves to meet the policy level of 27%.

#### **5. Opportunities for Shared Facilities**

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

- ▶ Roadway connections
- ▶ Coordinated open space preservation
- ▶ Linkages between City and County recreational trails
- ▶ Preservation and enhancement of Agricultural Lands
- ▶ A regional Reclamation Facility, or joint facility

In the case of roadways and creek trails, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and will aid in emergency response times. The County has, on occasion, collected impact fees for a City that is affected by a project in the unincorporated areas. This type of coordination can lead to a reduction of impacts and a more positive solution to the problem of development on the City's fringe.

## **6. Accountability in Government Structure**

The City Council is elected in compliance with California Election Laws. The City complies with the Brown Act Open-Meeting Law and provides the public with ample opportunities to obtain information about City issues, including website and phone access. The City's website contains a wealth of information about all of the City's Departments and services. The City Council holds regular meetings at 6:00 p.m. on the second and fourth Mondays of each month in the Veteran's Memorial Hall. All Council meetings are televised live and videotaped for later playback.

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

## **REGIONAL ISSUES**

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

**Wastewater Treatment.** An emerging issue is beginning to occur for communities to provide a higher level of treatment. Tertiary level of treatment or the potential for reclaimed water from wastewater is quickly becoming the focus of many communities. Not only does the reuse of wastewater flows benefit the environment but the potential shortages in water supply and the reliance on groundwater in the region could be addressed. Costs associated with joint or regional facilities to provide these services have caused friction such that the surrounding communities are building separate facilities. This may lead to a lost opportunity to provide a regional benefit. The North Coast and its communities should give special attention in this area so that at some point in the future the opportunity to consolidate wastewater services is not lost. The jurisdictions should continue to work to provide and meet regional standards for wastewater treatment and services to their residents. However, greater study and evaluation on

coordination and cost sharing should be addressed to ensure these services are efficiently being handled.

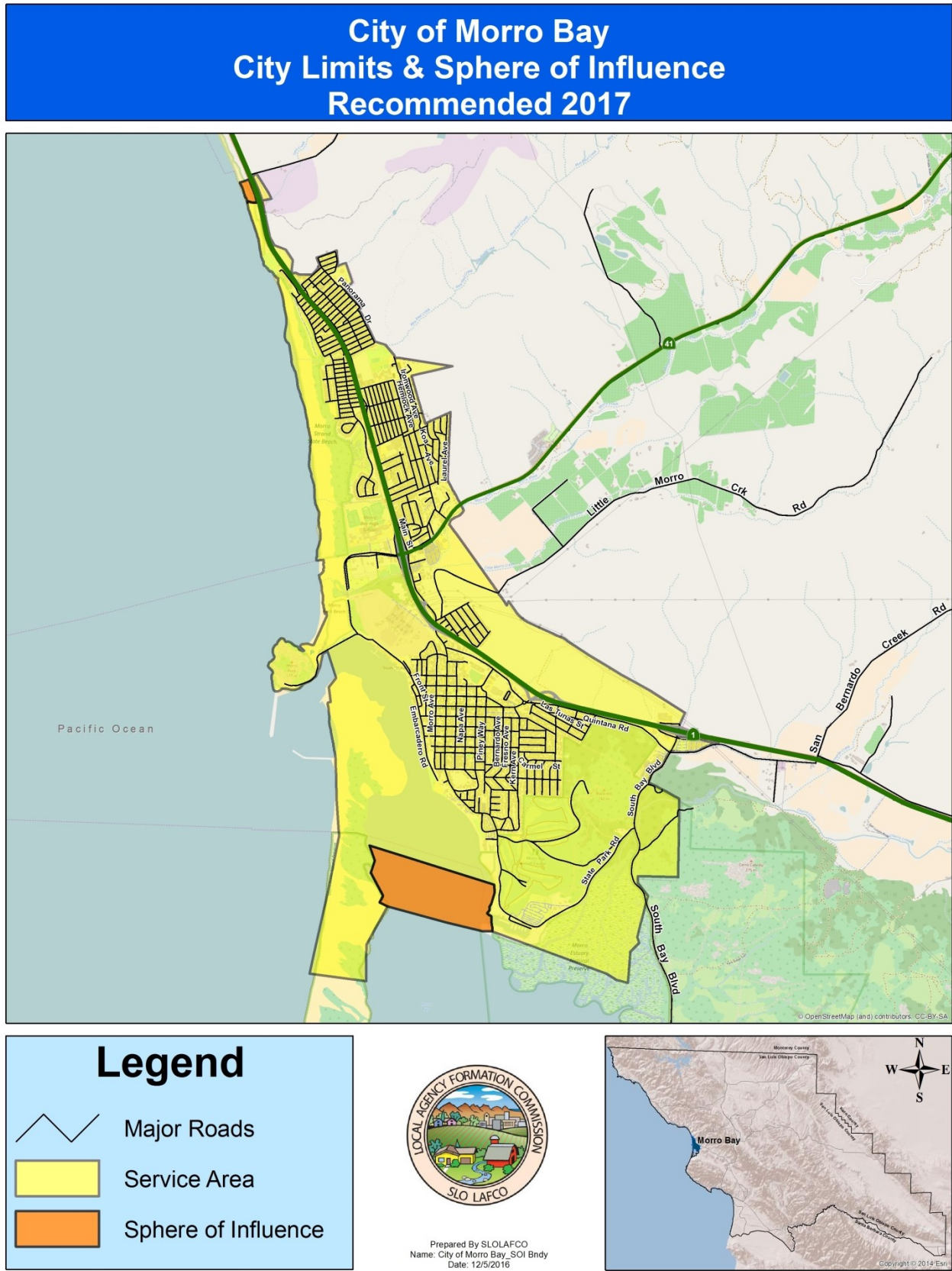
## **RECOMMENDATION**

Based upon the information contained in Chapters 2 and 3 of this document, and the environmental determination, it is recommended that the Morro Bay Sphere of Influence remain unchanged and be re-adopted by LAFCO which includes the public lots owned by the city and public lots that may be created in the future pursuant to the memorandum of agreement. Chapter 2, Sphere of Influence Update, provides more detailed information regarding the basis for this recommendation.

## **CHAPTER 2 SPHERE OF INFLUENCE UPDATE**

The Sphere of Influence Chapter describes the requirements of the Cortese-Knox-Hertzberg Act and provides background regarding the existing SOI for the City. It also identifies the Study Areas that were evaluated in determining the SOI's, the City-County agreement for Morro Bay, and the LAFCO staff recommendation. The MOA for the City of Morro bay can be found in Appendix B as well as summarized in this chapter. Also covered are the factors that are required by CKH for establishing a SOI. The Staff Recommendation is to maintain the existing SOI for City of Morro Bay.

Figure 1-1 – Recommended Sphere of Influence





# **CHAPTER 2**

## **Morro Bay – SPHERE OF INFLUENCE UPDATE**

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### **INTRODUCTION**

This Sphere of Influence (SOI) Update chapter is prepared for the City of Morro Bay and is based upon the following Municipal Service Review (Chapter 3) that analyzes the City's capability to serve existing and future residents. The SOI Update and Service Review were prepared to meet the requirements of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH). The fundamental role of the Local Agency Formation Commission, LAFCO, is to implement the CKH Act, consistent with local conditions and circumstances. LAFCO's decisions are guided by the CKH Act, found in Government Code 56000, et seq. The major goals of LAFCO include:

- Encouraging orderly growth and development which are essential to the social, fiscal, and economic well-being of the state;
- Promoting orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
- Discouraging urban sprawl;
- Preserving open space and prime agricultural lands by guiding development in a manner that minimizes resource loss;
- Promoting logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide necessary services and housing;
- Making studies and obtaining and furnishing information which will contribute to the logical and reasonable development of local agencies and shaping their development so as to advantageously provide for the present and future needs of each county and its communities;
- Determining whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary, consider reorganization with other single purpose agencies that provide related services;
- Updating SOIs every five years or as necessary.

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

An important tool used in implementing the CKH Act is the adoption of a Sphere of Influence (SOI) for a jurisdiction. A SOI is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI represents an area adjacent to a city or district where a jurisdiction might be reasonably expected to provide services over the next 20 years. This chapter, along with the following Municipal Service Review, provides the basis for updating the City of Morro Bay's Sphere of Influence, which is required to be updated every five years or as needed.

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

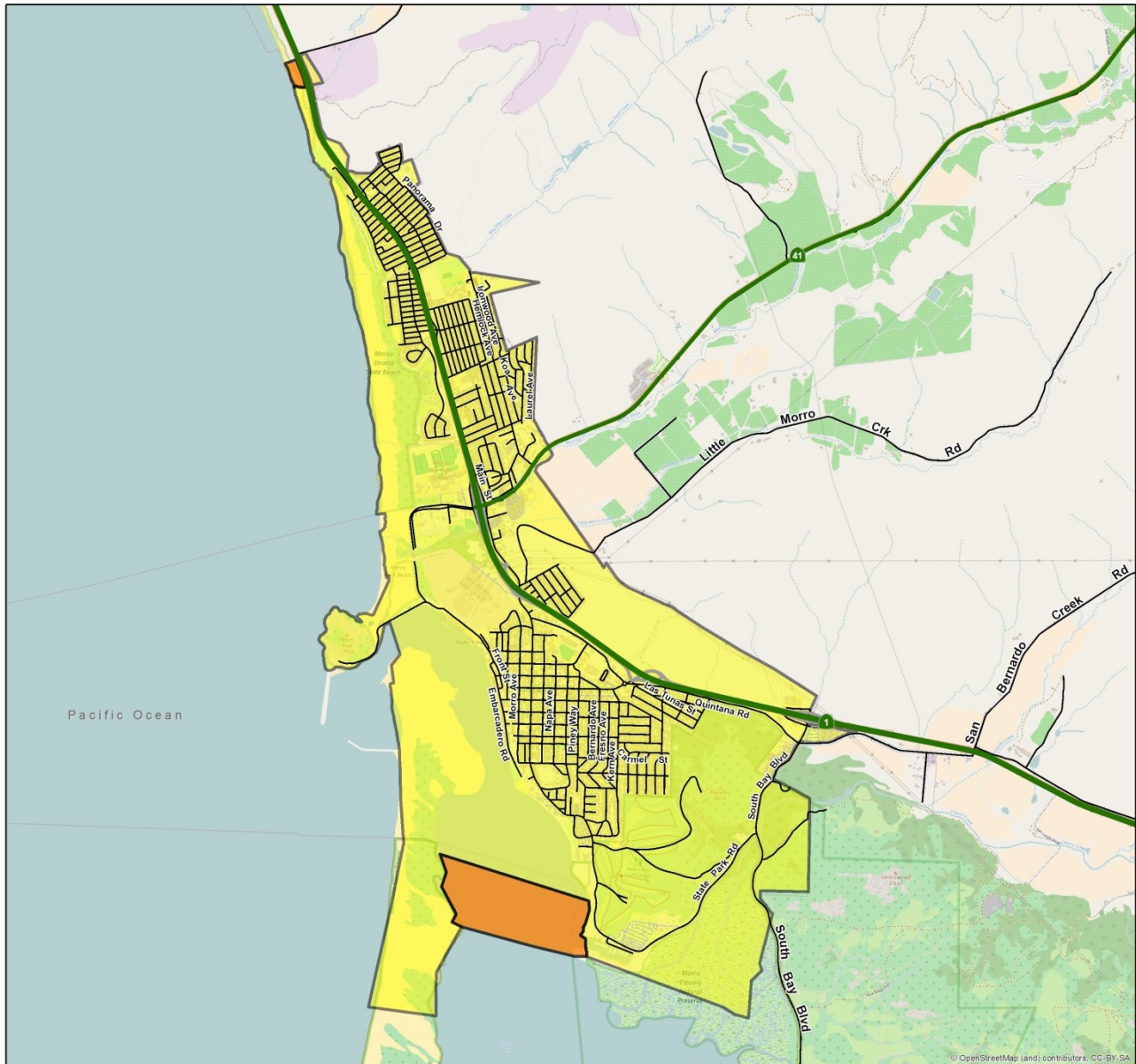
- Present and planned land uses in the area, including agriculture, and open space lands;
- Present and probable need for public facilities and services in the area;
- Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide; and
- Existence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

## **EXISTING SPHERE OF INFLUENCE**

The City's existing Sphere of Influence is approximately 100+/- acres beyond the City limits and includes two general areas one within the bay south of town adjacent to the marina and the other north of town along the beach. The map on the next page shows the existing Sphere of Influence of the City.

Figure 2-1 – Morro Bay’s SOI

# City of Morro Bay City Limits & Sphere of Influence Adopted: October 2007

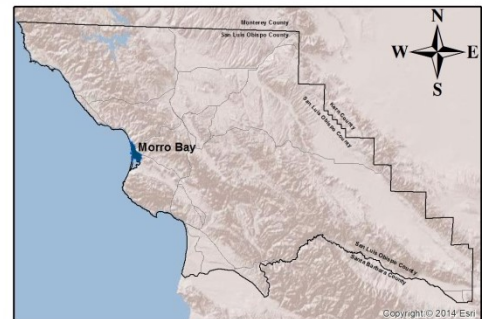


### Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO  
Name: City of Morro Bay\_SOI Bndy  
Date: 10/31/2016



## SPHERE OF INFLUENCE STUDY AREAS

For analysis purposes, the City of Morro Bay and LAFCO staff prepared a map that included the existing SOI properties and two additional areas to be considered as the Study Areas for the Sphere of Influence. The Study Areas are used to help analyze and identify which properties should remain/ be included and which should be excluded from the Sphere of Influence. A summary of the Study Areas are listed in the table below:

**Table 2-1: Study Areas**

Study Areas	Acreage	Land Use/Zoning	Existing Land Use	Build-Out Potential
#1 Righetti Ranch	301	Agriculture	Residential/Grazing	2 units
#2 Rancho Colina	199	Agriculture/Rec	Grazing/MHP	2 units
#3 Tri-W Property	396	Agriculture	Grazing	2 units

Source: SLO County Planning & Building Department, General Plan.

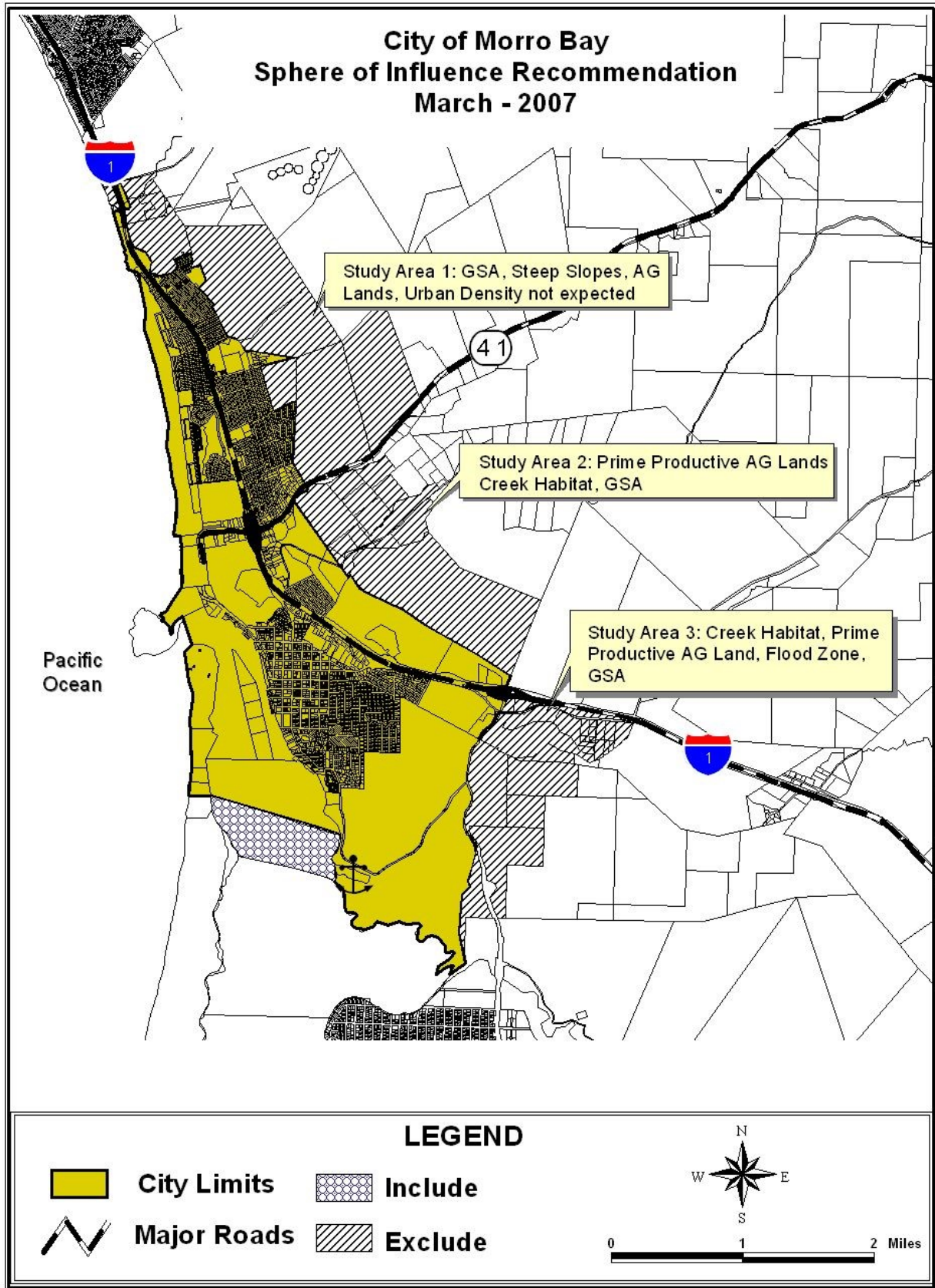
The Study Areas are described in more detail on the following pages and include: a map that focuses on the particular area, the recommendation made by LAFCO Staff and the recommendation by the MOA. The discussion addresses the size and location of the area, current zoning, possible City zoning for each area and other relevant information.

The following properties were not considered for addition into the Sphere of Influence due to resource constraints, land use issues, and/or infrastructure constraints. The 2007 SOI/MSR review studied these areas and concluded they should be excluded based on a number of constraints and information presented. Because no significant changes have occurred since 2007 these areas would not be reconsidered under this report.

**Table 2-2: City of Morro Bay 2007 Study Areas Not Reviewed Here**

Areas Studied	Description	Acres	Constraints
1	Located east of the City Limit and North of Highway 41 to Toro Creek Road. Grasslands, 17 parcels, 65% owned by Chevron, included marine terminal offices.	800	Geologic Study Area, steep, unstable hillsides, zoned agriculture
2	Located east of the City Limit and South of Highway 41 to South Bay Blvd. About 110 acres is prime agricultural lands and is in production. The Tri-W site is 394 acres and is grasslands used for grazing.	759	Geologic Study Area, steep, unstable hillsides, zoned agriculture.
3	Located south of the City and Highway 1. Includes Quintana Road. An estimated 181 acres of prime agricultural land is found adjacent and just south of Highway 101.	455	Constraints include the Chorro Creek and southern sensitive resource area, zoned agriculture

Figure 2-2 – 2007 SOI Study Areas



**East of City/Chevron Terminal (Located in SLO County; Not within the SOI)**

This Study Area was 800 acres and includes 18 parcels that are zoned agriculture. The area includes about 90 acres of prime agricultural land and much of the area has been used for grazing cattle in the past. A small patch of prime agricultural land exists adjacent to Highway 41 with a longer narrower finger extending along Toro Creek in the north. Another small finger of prime agricultural land is shown adjacent to the City and along an intermittent creek. The Marine Terminal office and drainage ponds are located on prime agricultural land. This site is in the northern part of the Study Area adjacent to Toro Creek. Most of the area (65%) is owned by Chevron. The eastern Tank Farm parcel was not included because of the unstable slopes and the ongoing cleanup of the site. The Department of Planning and Building’s Interactive GIS Website provides land use information about various areas of the County. The table shows the results of searching this mapping program and indicates if an area may have certain resources or require special consideration. This tool helps identify in general terms if an issue may need further study. The northern part of this Study Area is located within the Highway 1-Cayucos Critical Viewshed, as identified in the Estero Area Plan. This area standard has been established to protect views of this scenic coastal area. Most of this Study Area (85%) is located in a Geologic Study Area (GSA). A GSA indicates that the area may be unstable geologically and requires thorough analysis if development is proposed in the area. The studies must be completed by qualified geotechnical engineers or engineering geologist and may limit the intensity of future development in this area. In general, the Estero Area Plan submitted to the Coastal Commission for certification calls for the preservation of the agricultural resources in this area as does the City’s General Plan. The City does not currently have an adequate sewer facility to serve the area. No new development projects have been proposed in this area.

<b>STUDY AREA # 1 POTENTIAL PLANNING ISSUES</b>	
<b>Land Use</b>	
<input checked="" type="checkbox"/>	Zoned Agriculture:
<b>Combining Designations</b>	
<input checked="" type="checkbox"/>	Flood Hazard: <b>Near Toro</b>
<input checked="" type="checkbox"/>	Geologic Study Area - Landslide Risk
<input checked="" type="checkbox"/>	Geologic Study Area - Faults
<input checked="" type="checkbox"/>	Energy and Extractive Area
<b>Coastal Designations</b>	
<input checked="" type="checkbox"/>	Coastal Zone: <b>Includes small beach area</b>
<b>Emergency Preparedness</b>	
<input checked="" type="checkbox"/>	Protective Action Zones: <b>Diablo Cyn</b>
<input checked="" type="checkbox"/>	Tsunami Inundation Area: <b>Toro Creek Area</b>

**Chevron Property Tank Farm Parcels (Located in SLO County; Not within the SOI)**

The City of Morro Bay requested that the entire Chevron Property be studied as part the 2007 SOI/MSR review. The property includes 35 parcels totaling 3,200 acres owned by Chevron. About 1,065 acres of the northern holdings were outside of the previous Sphere of Influence and adjacent to and above the community of Cayucos. The portion of this area adjacent to northeast side of the City was in Study Area one as described above. The reasons for this request included greater control of the area and possible future development of the area that may need services from the City. The area consists of 3,200 acres and includes some prime agricultural land along Toro Creek. The properties are within the County’s Geologic Study Area designation because of steep slopes and the potential for landslides in the area. The area includes the Toro Creek habitat and is in the process of being cleaned up from its previous industrial use. The Site underwent clean-up and turned over to the Chevron real estate division. Chevron’s real estate division is responsible for the future use, sale or development of the property. To date, Chevron has not indicated the future land uses that might be considered for the properties.

**East of City/South of Hwy 41(Located in SLO County; Not within the SOI)**

This Study Area was 759 acres and included 6 parcels that are zoned agriculture. One parcel is 396 acres and is owned by Tri-W Enterprises. This area will be included in this report as a new Study Area for the purposes of locating a Water Reclamation Facility. The area includes about 110 acres of prime agricultural land that is mostly (90 acres) concentrated just south of Highway 41, with a small portion (20+ acres) located on the Tri-W property. The most productive area includes rotational crops and avocados and located just south of Highway 41. Rotational crops can include a variety of row crops or grains. A smaller area of prime agricultural soil land is located on the Tri-W property. Crops are not grown on this parcel but it could be used for grazing cattle. The 1,375 acre conservation easement forms the boundary on the property to the south.

The Department of Planning and Building’s Interactive GIS Website provides land use information about various planning issues. The table to the right shows the results of searching this mapping program that indicates if an area may have certain resources or require special consideration. This tool helps identify in general terms if an issue may need further study. A check-mark indicates if an issue may need further study prior to future development. It is important to note that this is a general screening tool and is not meant to replace site specific evaluation.

<b>STUDY AREA #2 POTENTIAL PLANNING ISSUES</b>	
<b>Land Use</b>	
<input checked="" type="checkbox"/>	Zoned Agriculture: <b>Conversion of Prime AG</b>
<b>Combining Designations</b>	
<input checked="" type="checkbox"/>	Flood Hazard: <b>Near Hwy 41 Morro Creek</b>
<input checked="" type="checkbox"/>	Geologic Study Area: <b>Landslide Risk</b>
<input checked="" type="checkbox"/>	Energy and Extractive Area
<b>Coastal Designations</b>	
<input checked="" type="checkbox"/>	Coastal Zone: <b>Entire Area</b>
<input checked="" type="checkbox"/>	Sensitive Habitat: <b>Morro/Little Morro Creek</b>
<b>Emergency Preparedness</b>	
<input checked="" type="checkbox"/>	Protective Action Zones:
<input checked="" type="checkbox"/>	Tsunami Inundation Area: <b>Morro Creek Area</b>

Most of this Study Area (81%) is located in what the County designates as a Geologic Study Area (GSA). Coincidentally this includes the Tri-W site in its entirety. A GSA indicates that the area may be unstable geologically and requires thorough analysis if development is proposed in the area. The studies must be completed by qualified geotechnical engineers or engineering geologist. The City has made the Tri W property a preferred site for the Water Reclamation Facility. The City will pursue purchasing a portion of the property and creating a public lot for siting the facility.

**Quintana Area to South Bay Blvd. (Located in SLO County; Not within the SOI)**

This Study Area was 455 acres and included 23 parcels with 270 acres in the northern part of the area zoned agriculture and 185 acres in the southern portion zoned open space. The adjacent property is zoned open space and is owned by State Parks. The parcels in the Study Area vary in size from less than one acre up to

<b>STUDY AREA #3 POTENTIAL PLANNING ISSUES</b>	
<b>Land Use</b>	
<input checked="" type="checkbox"/>	Zoned Agriculture: <b>restoration area</b>
<b>Combining Designations</b>	
<input checked="" type="checkbox"/>	Flood Hazard: <b>Near Chorro Creek in north</b>
<input checked="" type="checkbox"/>	Geologic Study Area - Landslide Risk
<input checked="" type="checkbox"/>	Sensitive Resource Area: <b>Chorro Creek/Estuary</b>
<input checked="" type="checkbox"/>	Energy and Extractive Area
<b>Coastal Designations</b>	
<input checked="" type="checkbox"/>	Coastal Zone: <b>Entire Area</b>
<input checked="" type="checkbox"/>	Archaeologically Sensitive Area: <b>Southern Tip</b>
<input checked="" type="checkbox"/>	Wetlands: Southern tip near Estuary
<b>Emergency Preparedness</b>	
<input checked="" type="checkbox"/>	Protective Action Zones: <b>PAZ 9</b>
<input checked="" type="checkbox"/>	Tsunami Inundation Area: <b>Chorro Creek Area up to Highway 1 and Quintana Rd</b>

105 acres. An estimated 181 acres of prime agricultural land is found adjacent and just south of Highway 101. The area is largely vacant land with the exception of the 8-10 residences located near Quintana Road and Highway 101. Several accessory buildings are also located on these properties. Small farms operate in the area. Adjacent land uses in this Study Area include land that is in under conservation or Williamson Act contract to the east, Hollister Peak to the southeast, the 1,375-acre conservation easement the boundary on the property to the north and the State Park to the west. Chorro Creek runs through the northern part of the Study Area. The future land use in the area would likely be open space. The City has considered a part of the northern area as a potential site for infrastructure related to their future wastewater system.

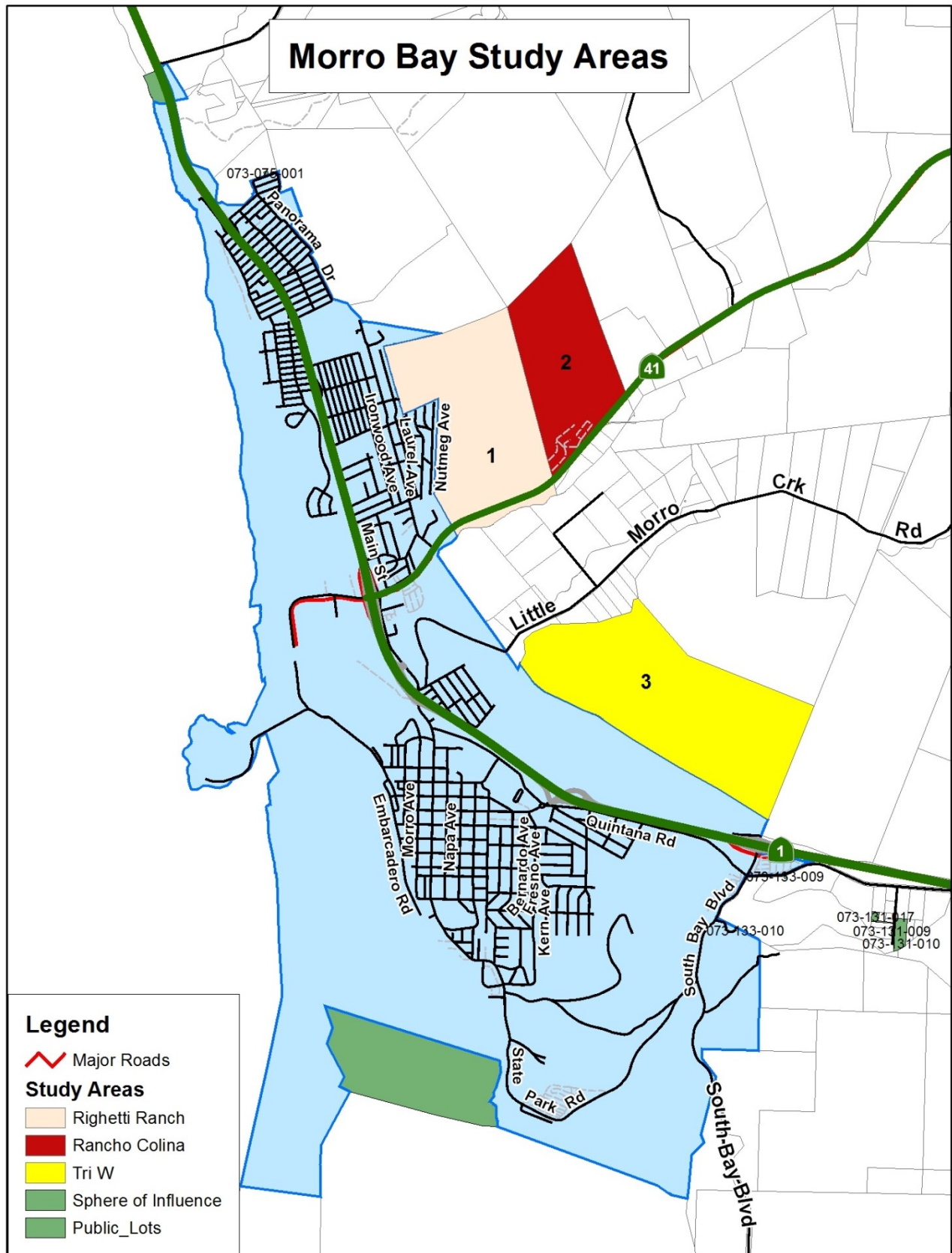
No new development projects have been proposed in this area. The Department of Planning and Building's Interactive GIS Website provides land use information about various planning issues. The table above shows the results of searching this mapping program that indicates if an area may have certain resources or require special consideration. This tool helps identify in general terms if an issue may need further study. A check-mark indicates if an issue may need further study prior to future development. It is important to note that this is a general screening tool and is not meant to replace site specific evaluation. About 222 acres (48%) is located in what the County designates as a Geologic Study Area (GSA). A GSA indicates that the area may be unstable geologically and requires geotechnical analysis if development is proposed in the area.

### **Previously Studied in 2007 Study Areas**

The above list of Study Areas that were reviewed in 2007 was not recommended to be included in the Sphere of Influence based on a number of factors. The Commission's action excluded these areas and added the two areas presented in the existing SOI map. In addition to the two areas added the Commission also clarified that the existing public lots under the City ownership were part of the City's SOI by reference. LAFCO's action also acknowledged the potential for new public lot creations that could assist the City with a future wastewater treatment facility siting. Because these areas were thoroughly studied in 2007 and the set of facts have not changed substantially these areas were not re-studied under this SOI/MSR Update with the exception of the properties along Hwy 41 and the Tri-W property with the potential for siting a future wastewater treatment facility/water reclamation facility.



Figure 2-3 – Study Areas

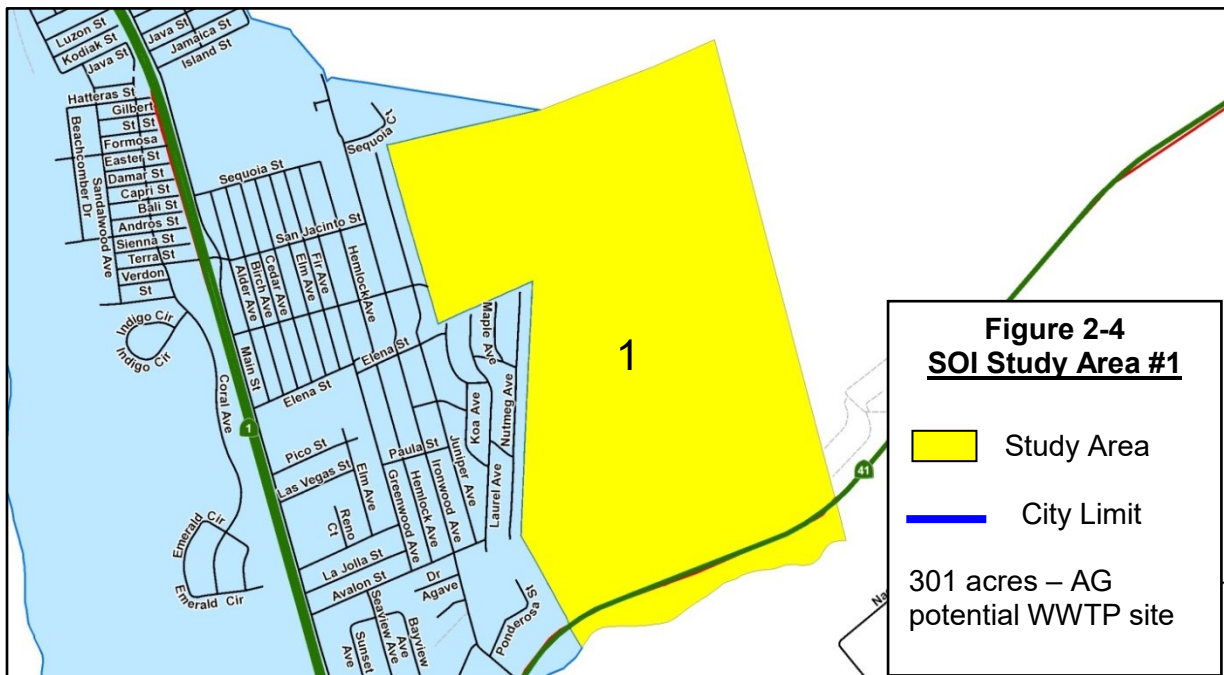


**SOI Study Area #1 – Righetti Ranch (Located in SLO County; Not within the SOI)**

The 301-acre area just east of the City limits consists of two parcels. A 43-acre parcel owned by Myers and a 251 acre parcel owned by the Righetti family. A portion of the larger property is currently leased by the City for the purposes of housing the Nutmeg Water Tanks. The California Coastal Commission has requested the City consider as an alternative the potential for an area closer to Highway 41 for the site of a new wastewater treatment and reclamation facility. The City would need to purchase or lease the property and apply for a General Plan Amendment (GPA) from the County if leased to develop a WWTP facility. If the City purchased the property, the City would need to pre-zone the site for use as a public facility before LAFCO considered any SOI or annexation amendments. The western boundary of the Righetti site is located just east of the boundary of the developed, residential areas of the City of Morro Bay. Currently, the site consists of a single-family residence and grazing areas. The land is surrounded by cropland to the south, undeveloped areas to the north and east and a mobile home park, RV park, and agricultural lands to the east.

**City/County MOA.** This area should be excluded from the SOI

**LAFCO Staff Recommendation.** The SOI should exclude Area One. The City’s primary site for a future wastewater facility is the Rancho Colina site Study Area Two. The site is zoned agriculture and within a Geological Study Area (GSA) and was evaluated thoroughly in 2007 and determined to not be recommended. If the City proposes a facility for this property a public lot could be created and consistent with LAFCO’s action previously that could be annexed under GC 56000 et seq.



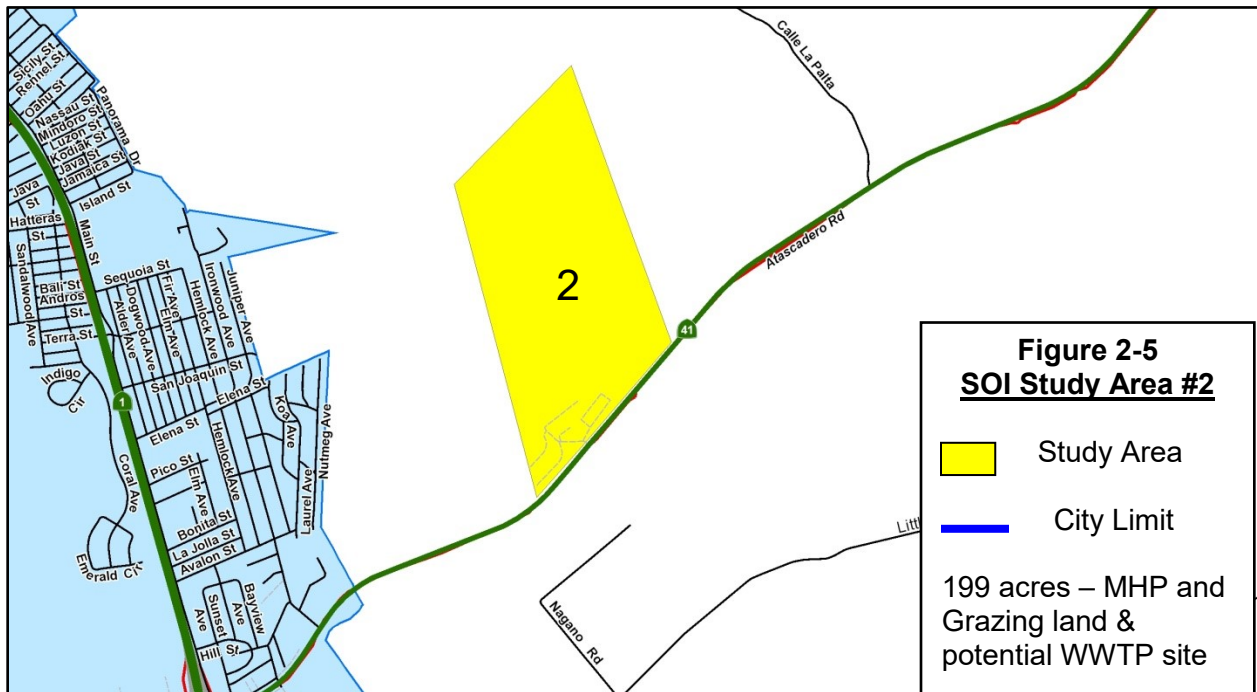
**SOI Study Area #2 – Rancho Colina (Located in SLO County; Not within the SOI).**

The Rancho Colina site is 199-acres owned by William Macelvaine. The site is located north of Hwy 41 about one mile east from the City limits and consists of a mobile home park and grazing land. The site is designated REC and AG on the northern portion of site pursuant to the County’s LCP. The site is currently developed with several facilities, including a single-family home occupied by the property owner, and by an existing wastewater treatment facility constructed in 1971, which serves the nearby Rancho Colina residential community. The City’s focus is on a roughly 10 to15-acre area in the lowest portion of the property, generally in the vicinity of the location of the existing WWTP, but could be expanded as appropriate.

**City/County MOA.** This area should be excluded from the SOI.

**LAFCO Staff Recommendation.** The SOI should exclude Area Two. This area is presently zoned agriculture and recreation with the land in grazing production and an existing mobile home park. Currently the site is identified as the primary location for a future wastewater treatment facility, if the City selects this site and builds a treatment facility a public lot could be created that is owned by the City and requested to be added to the SOI and annexed at that time.

Annexation of the entire site would not be permissible under CKH Act to have a non-contiguous boundary under private ownership. Non-contiguous annexations are only allowed for public facilities owned by the City. Since the City would need to complete a number of steps before the site could be considered for annexation, maintaining the existing SOI at this time would allow the City to complete the necessary steps before adding the property to the City limits. LAFCO continues to support the City selection of a preferred location to build a new wastewater treatment plant and would process an SOI and annexation proposal in an expedited manor.



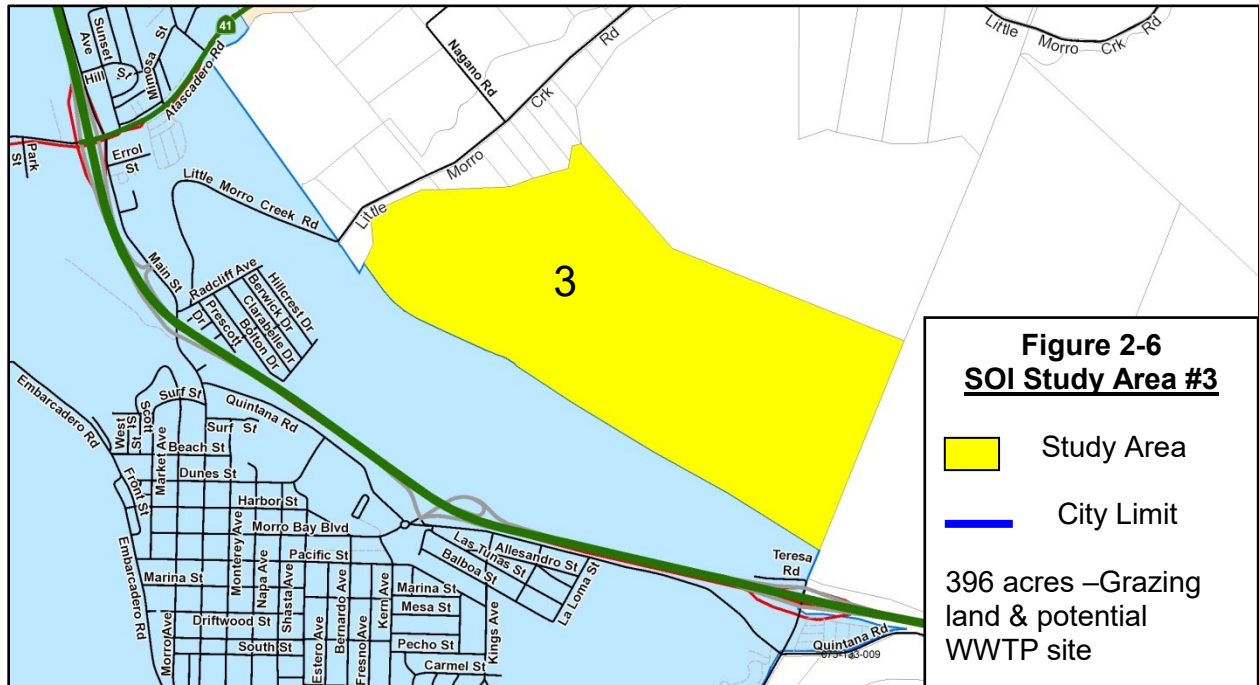
**SOI Study Area #3 – Tri-W Property (Located in SLO County; Not within the SOI).**

The Tri W site is 396-acres owned by Tri-W Enterprises. The site is located adjacent to the City limits and consists of grazing land. Most of this site is generally over 250 feet in elevation, and ranging to nearly 500 feet, which is too high in elevation to be a suitable WRF site. However, there is a significant portion of the site at lower elevation (100 to 160 feet above sea level) that has potential for development a new WRF, primarily near the eastern edge of the site, about 1,500 to 2,000 feet north of the South Bay Boulevard/SR 1 interchange. Two separate and roughly 15-acre portions of this area are considered the most viable location for a WRF within the Tri-W site.

**City/County MOA.** This area should be excluded with the exception of the public lot area from the SOI once created.

**LAFCO Staff Recommendation.** The SOI should exclude Area Three with the exception of a future public lot. This area is presently zoned agriculture and recreation with the land in grazing production. Currently the site is identified as the primary location for a future wastewater treatment facility, if the City selects this site and builds a treatment facility a public lot could be created that is owned by the City and requested to be added to the SOI and annexed at that time.

Annexation of the entire site would not be recommended under CKH Act and local policies. Non-contiguous annexations are allowed for public facilities owned by the City. Since the City would need to complete a number of steps before the site could be considered for annexation, maintaining the existing SOI at this time would allow the City to complete the necessary steps before adding the property to the City limits. LAFCO continues to support the City selection of a preferred location to build a new wastewater treatment plant and would process an SOI and annexation proposal in an expedited manor.



## Memorandum of Agreement

The City Council and County Board of Supervisors considered a Memorandum of Agreement (MOA) between the City of Morro Bay and the County of San Luis Obispo in 2007. That MOA continues to cover the areas of most interest to the City and will continue to be in place under this update. The MOA is included as Appendix B. The CKH Act requires that this agreement be given “great weight” by the Commission in making its decision regarding the update of the City’s SOI; however, the City and the County never agreed upon the extent of the City’s Sphere of Influence. The general approach of the MOA was to ensure close coordination and cooperation between the City and County on the future planning and development of the areas within the City’s interest. Key provisions of the MOA include the following:

- X Written documentation to use other jurisdictions’ services as a way to mitigate an impact to services;
- X Referral of projects in the fringe area to the City and County;
- X Inclusion of SMART growth principals;
- X Fair distribution of mitigation/impact fees;
- X Meetings among emergency response agencies to discuss impacts and fiscal issues;
- X Prior City review of projects submitted to County & written documentation that the City will not consider annexing the project; and
- X Coordination of City and County agricultural and open space policies.

The MOA enhances the communication between the City and the County and helps to clarify the process for developing the areas. Also included in the MOA are the relevant goals from the each jurisdiction’s General Plan. The major goals for establishing a Sphere of Influence for the City include:

### **CITY OF MORRO BAY GENERAL PLAN**

- ***City of Morro Bay-Goal 34: A stable, long term boundary between the City and surrounding County with extensive open lands separating the City from other urban development.***

- **City of Morro Bay-Goal 35:** *Preserve agricultural uses in and adjacent to the City with conflict resolution between agricultural and urban land uses.*

### **COUNTY OF SAN LUIS OBISPO GENERAL PLAN**

- **County of San Luis Obispo-Estero Area Plan.** *Prevent urban development outside the Morro Bay City Limits, and direct future growth onto developable, non-prime lands within the City.*
- **County of San Luis Obispo-Estero Area Plan.** *Maintain existing agricultural land use categories in order to protect agricultural resources; do not convert agricultural land to other land use categories or revise planning area standards so as to enable more intensive development.*

These goals are supported in each General Plan with policies and programs that work towards achieving these results. The Memorandum of Agreement is a way to implement both General Plans in a more coordinated manner.

**City Council Action.** The City Council approved the MOA on September 10, 2007.

**County Board of Supervisors Action.** The County Board of Supervisors approved the MOA on September 25, 2007

### **Conditions of Approval**

The following conditions of approval are adopted based on this updated Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, the environmental review, and public input and to reflect the current situation for services and protection of agricultural and open space lands.

### **WATER**

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

## **WASTEWATER**

- a) As part of an annexation application, the City shall document the progress of the currently-planned upgrade to the wastewater treatment plant in compliance with a NPDES permit.

## **AGRICULTURE & OPEN SPACE**

- a. The City shall identify all agricultural and open space lands to be protected in the annexation areas when rezoning or preparing land use entitlements for an area.
- b. Prior to LAFCO filing the certificate of completion (if an annexation is approved), conservation easement(s) or other appropriate mitigation measures as listed in LAFCO's Agricultural Policy 12, shall be recorded on the deed(s) of the properties affected by the annexation specifying the areas to be protected in perpetuity.

## **RECONSIDERING THE SOI/MSR**

- a. LAFCO would revisit the SOI upon completion of the GP/LCP and One Water Plan update.

## **PRESENT AND PLANNED LAND USE**

The land use zoning within the proposed Study Areas of the Sphere of Influence is Agriculture and Recreation. The two existing SOI areas are the beach area to the north and the Back Bay area to the south. Neither area is proposed for future development. The City's General Plan policies are being updated to manage the growth and development within these areas. Once the City identifies a site for its new wastewater treatment plant the Sphere of Influence will be considered amended.

## **PRESENT/PROBABLE NEED FOR PUBLIC SERVICES**

The present need for public services in the proposed SOI area varies in the different areas. Many of the properties' current uses are for agricultural and open space purposes. The probable need for public services in the proposed Sphere of Influence is low. Urban levels of development are not anticipated in the existing Sphere of Influence. Also, the City needs to complete the upgrade of the sewer facility and increase the reliability of its water supply.

## **Present Capacity of Public Facilities and Adequacy of Public Services**

Water supply is identified as a key issue because the City of Morro Bay primary source is the State Water Project which has not been consistently available over the last 5 years. The City's supplemental water supply is limited groundwater with potential for desalination or emergency water agreement with California Men's Colony. The City will restructure its water and wastewater rates to assist in the construction of a water reclamation facility. The City is in the planning stages of developing a new wastewater treatment facility and possibly produces some recycled water. In 2015 the City reported annual water use of 1,074 acre-feet. Under the existing General Plan, the City's build-out would demand an estimated 1,452 afy. The City, as mentioned earlier, is upgrading its wastewater facility to meet State and Regional requirements. The existing wastewater treatment plant is operated under a JPA between the City and Cayucos Sanitary District. The City and CSD have decided to go separate ways to address their wastewater needs.

## **SOCIAL AND ECONOMIC COMMUNITIES OF INTEREST**

The City of Morro Bay has a variety of social and economic communities of interest, including numerous businesses, schools, churches, public sector facilities, and other Community Service programs that serve residents. The existing social fabric of the City will not change substantially by maintaining the Sphere of Influence. Once the City further develops its new wastewater treatment plant the Sphere of Influence can be requested for change and it is likely that the facility will be positive for the community and bringing in new families and economic buying power as well as possible revenues that could help the City's budget or achieve the preservation of agricultural lands and open space around the community. Industrial, commercial, and retail areas could bring jobs and economic growth into the City. Chapter Three of this report provides information that documents the effect of the proposed Sphere of Influence on the City and evaluates the City's ability to manage future expansions.

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

The City of Morro Bay has a variety of economic diversity that lives within the City limits and surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household



income. The City of Morro Bay's Sphere of Influence does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

## **LOCAL SPHERE OF INFLUENCE GUIDELINES**

The Cortese/Knox/Hertzberg Act (CKH Act) requires that each Commission establish written policies and procedures. The Act also states that LAFCOs are to exercise their powers consistent with those policies and procedures. San Luis Obispo LAFCO policies encourage and provide for well-ordered, efficient urban development patterns, balanced with preserving open space and agriculture land while discouraging urban sprawl. This Sphere of Influence Update and Municipal Service Review for the City of Morro Bay is consistent with those policies and the purposes of LAFCO. The recommended SOI discourages urban sprawl and encourages the preservation of open space and agricultural land by maintaining the existing Sphere of Influence. Once the City further develops their new wastewater treatment plant the Sphere of Influence can be requested for change and the conditions of approval above would help further LAFCO's mission. The City and County have adopted programs and policies in their General Plans to preserve the agricultural lands and natural resources surrounding the City which is consistent with LAFCO's policies.

The following policy is a key consideration for LAFCO because it provides guidance regarding the use of General Plans when establishing a Sphere of Influence. When General Plans are inconsistent, or have conflicting policies, LAFCO is to use the Plan that is most consistent with the legislative intent of the Cortese/Knox/Hertzberg Act. In this case the County's General Plan more clearly addresses the future land uses in some of the areas considered for inclusion in the Sphere of Influence. This is particularly true in the case of the Highway 41 properties.

- a. The adopted sphere of influence shall reflect City and County general plans, growth management policies, annexation policies, resource management policies, and any other policies related to ultimate boundary area of an affected agency unless those plan or policies conflict with the legislative intent of the CKH Act (Government Code Section 56000 et seq.).

Where inconsistencies between plans exist, LAFCO shall rely upon that plan which most closely follows the legislature's directive to discourage urban sprawl, direct development away from prime agricultural land and open space lands, and encourage the orderly formation and development of local governmental agencies based upon local conditions and circumstances.

Another key LAFCO policy for consideration is found below:

1. Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency's sphere of influence unless the area's exclusion would impede the planned, orderly and efficient development of the area.

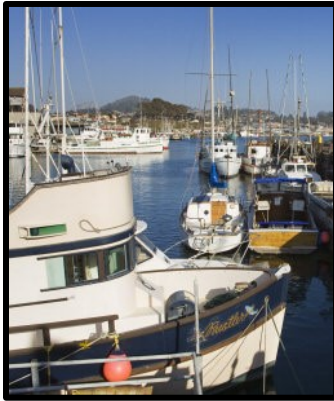
Excluding the agricultural zoned areas that has steep terrain and other service related issues does not impede the orderly and efficient development of the area. These areas have the potential to be selected as the site for the City's future wastewater treatment facility and the creation of a public lot.

If the Tri-W site, or any other, is selected as the preferred location for a wastewater treatment plant site, the area intended for public facility use shall be sized accordingly. The entire (396 acre) property shall not be included in the Sphere of Influence and any prime farmland converted shall be offset by LAFCO's 1:1 protection Policy 12 consistent with the conditions listed above. All agriculture and urban impacts shall be studied and appropriate mitigation implemented before future annexation is approved.

# CHAPTER 3

## Morro Bay – MUNICIPAL SERVICE REVIEW

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

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

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

The Morro Bay Sphere of Influence (SOI) was most recently updated in 2007, and included the reduction of the SOI in the east and the addition of two smaller areas just north and south of the City limits. The Sphere of Influence also includes any existing or future public lots owned by the City created through the County's public lot process. The two SOI areas comprise the present day Morro Bay SOI. The City also has the option of creating a public lot and this site would be added to the SOI. The purpose is to allow a public service facility to be included in the SOI. Figure 3-1 shows the adopted Sphere of Influence. Figure 3-2 shows the Study Areas considered under this review. Please note that a study area is intended to be studied for possible inclusion. The area may or may not be included in the SOI.

Figure 3-1 - Morro Bay's Existing SOI

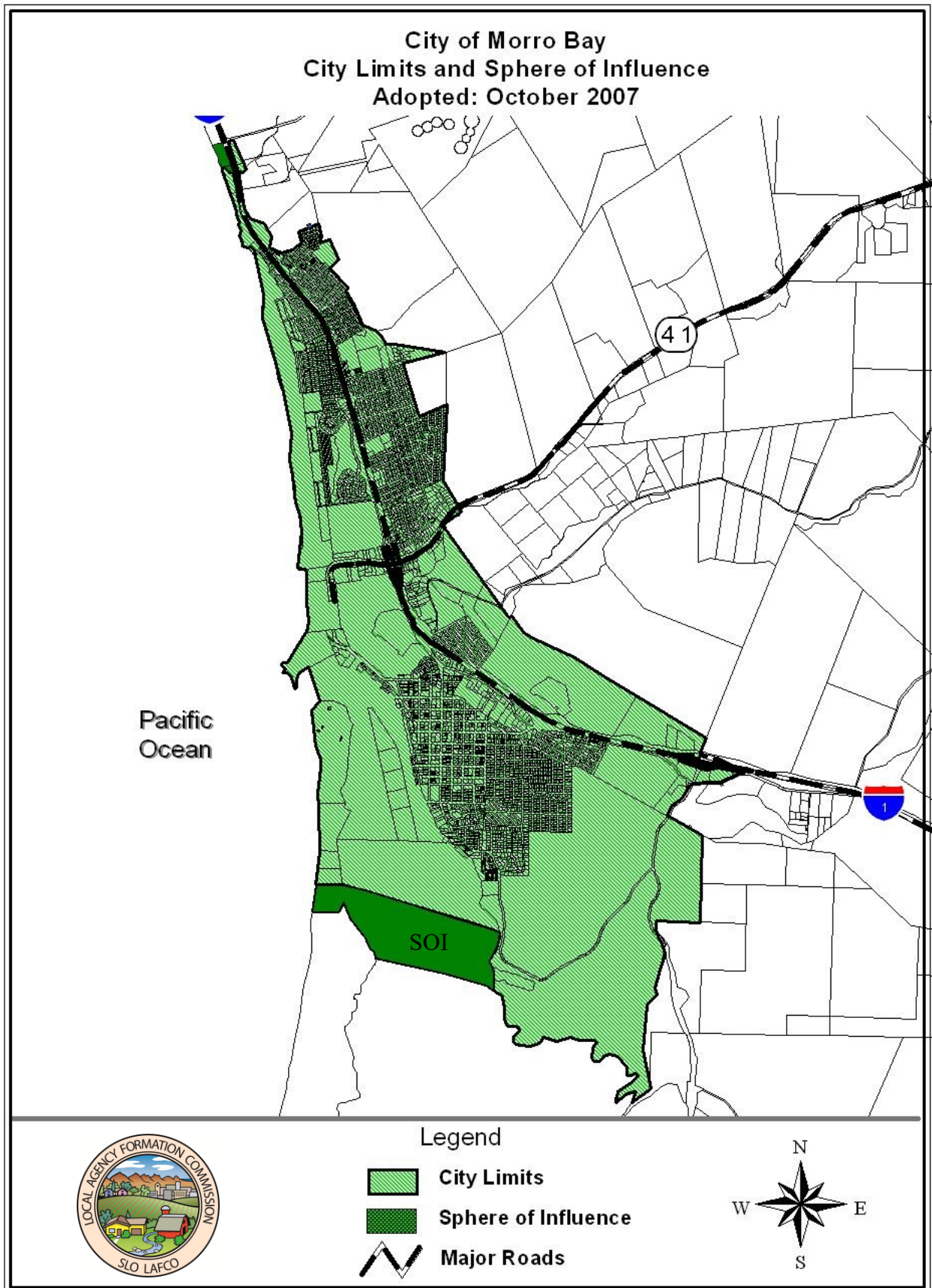
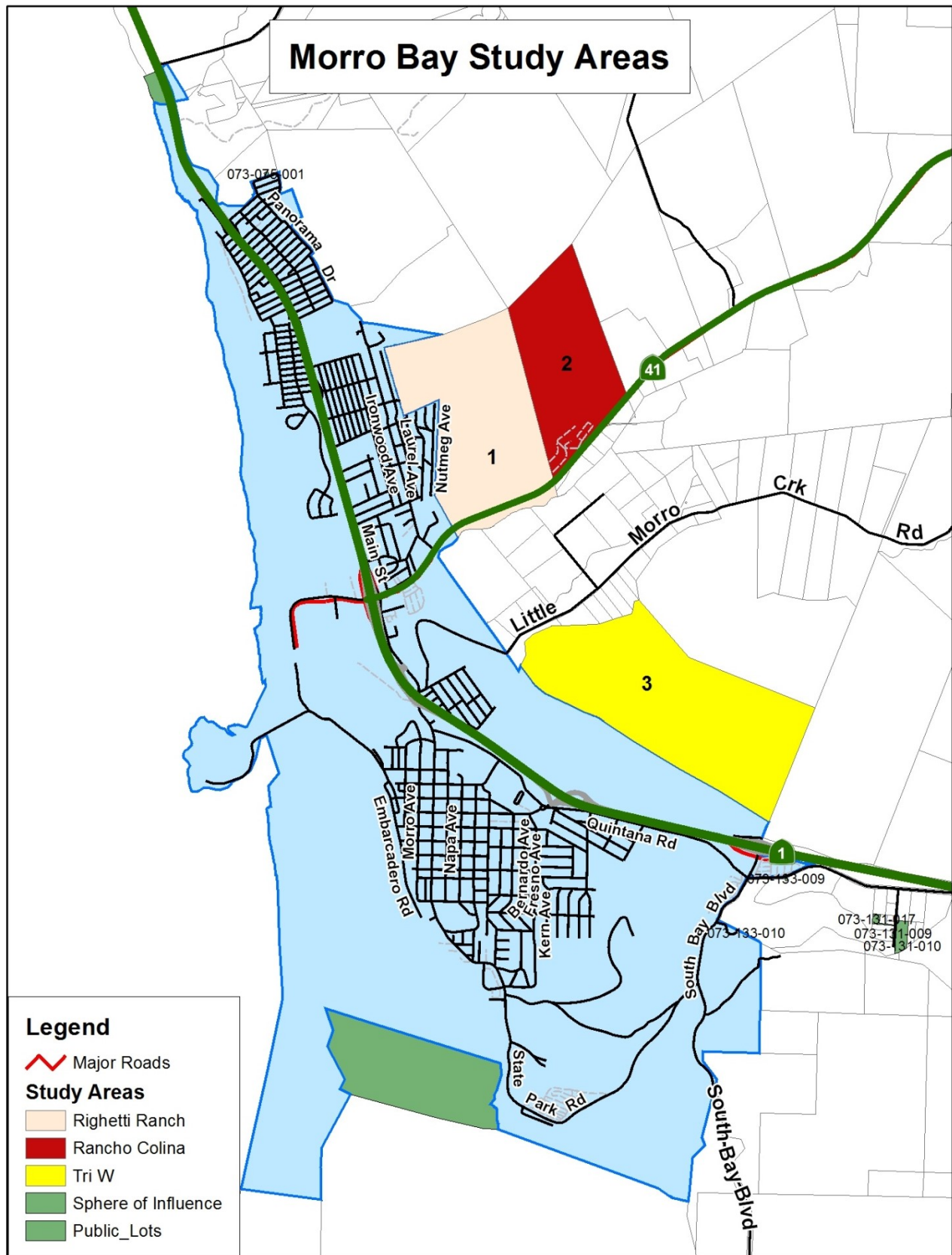


Figure 3-2 – Study Areas



### **3.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA**

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

#### **POPULATION**

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the City of Morro Bay. The previous Sphere of Influence update and Municipal Service Review for Morro Bay provides background information. The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends.

#### **US Census**

According to the 2010 US Census, the City had a population of 10,234. Total housing units were estimated to be 6,689 units. The City's estimated build-out population within the current City limits is estimated to be 12,200. At 1.9 persons per household and an 80% occupancy rate the average estimated population would be approximately 12,200 at build-out.

Most of the City's population growth occurred from 1950 to 1980. Since the late 1980's, the City of Morro Bay has experienced a slow rate of growth; less than 1% per year. From 2000 to 2010 the City's population decreased by 116 people. In summary, the City's slow growth rate is likely to continue based on the current General Plan/LCP and growth trends. The City's policies encourage in-fill development.

#### **California Department of Finance Population Estimates-2005 to 2015**

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2000 census count. The table below reflects the DOF estimates for Morro Bay and the County of San Luis Obispo over the last decade. DOF estimates Morro Bay's current population as 10,234.

**Table 3-1: Population Estimates**

	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
Morro Bay	10,270	10,521	10,485	10,521	10,576	10,234	10,294	10,274	10,234	10,194	10,152
County Total	261,699	263,939	266,043	268,636	270,901	269,637	270,305	271,483	271,754	272,773	273,792

Source: DOF E-4; E-1; P-1 Population Estimates for Cities, Counties and State, 2005-2015

\* DOF made an adjustment after the 2010 Census was released for San Luis Obispo County.

### Council of Governments Population Projections - 2011

The Council of Governments recently had the consulting firm of AECOM Technical Services update population projections for San Luis Obispo County, including the City of Morro Bay. The original study was completed in 2006 and was updated in 2011 to take into account the recent economic downturn. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County including the City of Morro Bay. The table below shows those results:

**Table 3-2: Projected Population Growth Morro Bay  
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040
LOW	10,073	10,152	10,244	10,450	10,708	10,969	11,237
MEDIUM	10,073	10,152	10,244	10,482	10,778	11,078	11,381
HIGH	10,073	10,152	10,244	10,509	10,842	11,177	11,512

Morro Bay is one of the seven cities in the county. The 2010 population for the City was 10,234, down only 116 residents from 2000. In 2010, there were 6,689 housing units with 1.9 persons per household and a 20% vacancy rate.

## COUNTY'S GENERAL PLAN

The County's San Luis Obispo Estero Planning Area of its General Plan establishes land use policy in the unincorporated areas around the City of Morro Bay. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County's URL for Morro Bay essentially encompasses the same boundary as the existing City limits. County areas within the URL have been planned for urban development, while areas outside of the urban reserve line are larger parcels. The uses of these parcels are for the production of agricultural crops. These parcels are also considered of high aesthetic value. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use.

The purpose of the Estero Area Plan is to establish a vision for the future of the Estero Planning Area that will guide development over the next 20 years. The vision described in this plan represents the desires of the affected communities, and the plan contains the policies, programs and standards to help achieve it. The planning area occupies a narrow strip along the coast north of the city of Morro Bay and south of the unincorporated community of Los Osos. Elsewhere, the planning area extends as far as seven miles inland. It includes large portions of the Morro and Little Morro Creek watersheds on the north, a portion of the Irish Hills on the south, and a portion of Cuesta College on the east. The planning area includes the city of Morro Bay and the unincorporated communities of Cayucos and Los Osos.

### Goals for the Planning Area

1. Encourage economic development that will generate local employment for residents, create an adequate supply of goods and services locally, help generate revenues to fund needed public services and facilities, and make the area more economically self-sufficient.
2. Provide sufficient areas for a variety of commercial, tourist-serving and employment-generating businesses to provide jobs for residents, generate local business activity, increase taxable sales and reduce loss of such sales to other areas, and increase transient occupancy and property tax revenues.
3. Maintain a strong agricultural sector of the economy by offering incentives and positive county programs that support agriculture.
4. Take advantage of the planning area's scenic beauty and recreational attractions to expand tourist and visitor-serving development where appropriate such as a golf course;



small-scale resort/retreat; visitor accommodations; bicycle, hiking and equestrian trails; and low-cost recreation.

5. Promote both visitor-serving development and development that serves local residents, while maintaining the small-town, rural character of the area's communities.
6. Improve commercial areas by making them more attractive and pedestrian friendly in order to attract shoppers and businesses and increase economic and general activity.

The County's Estero Area Plan envisions continued opportunities for economic vitality and growth, along with the opportunity to maintain the environmental attributes that have contributed to the area's historically healthy economy. The community's excellent living environment and educational opportunities can act to attract or retain businesses providing high quality job opportunities for local residents, enabling them to afford housing within the area, while also enhancing local tax revenues needed for public services. The planning area's goal is to maintain a rural character in harmony with agriculture, business, recreational, environmental and residential opportunities. Conservation of the area's resources is an integral part of economic development in order to have a lasting economy that is strengthened by the region's environmental assets.

### **Conservation and Open Space Element**

The County's Conservation and Open Space Element (COSE) was adopted in 2010 and consolidated five previous individual elements (conservation and open space, historic, esthetic, and energy elements). The COSE is utilized as a policy tool to protect and preserve the unique community resources. The element addresses many issues with regard to conservation, development, and utilization of natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

Figure 3-3 (E) Land Use



Development projects are sometimes approved contingent upon receiving water and sewer services from community water and sewer systems such as those operated by the City. The County's General Plan identifies the type and intensity of development allowed in each of several land use categories (zoning) for County. The following table summarizes the existing zoning and acreage for the study areas being reviewed:

**Table 3-3: Existing Land Use**

Study Areas	Acreage	Land Use/Zoning	Existing Land Use	Build-Out Potential
#1 Righetti	260	Agriculture	Residential/Grazing	2 units
#2 Rancho Colina	187	Agriculture/Rec	Grazing/MHP	2 units
#3 Tri-W Property	396	Agriculture	Grazing	2 units

Source: SLO County Planning & Building Department, General Plan.

### Williamson Act

A Williamson Act contract preserves land for a certain period of time that is used for agricultural purposes and provides the owner with a decrease in property taxes. Williamson Act contracts exist that surround the City of Morro Bay, however no contracts exist in any of the Study Areas. The Cortese-Knox-Hertzberg Act states that the Commission shall only include parcels under Williamson Act contract in a Sphere of Influence if the SOI change meets the criteria found in GC 56426.6 of the CKH Act. The Commission must find that the change in the SOI would facilitate planned, orderly and efficient pattern of land use or provision of services and the public interest in the change substantially outweighs the public interest to maintain the area in the contract.

### RMS Biennial Report – 2010-2012

The County's Resource Management System (RMS) provides information to guide decisions about balancing land development with the resources necessary to sustain such development. It focuses on, 1) Collecting data, 2) Identifying resource problems and 3) Recommending solutions.

According to the 2010-2012 Resource Management System Biennial Report, the City estimates that it now serves approximately 10,100 residents in 2012 compared to an estimated 10,152 in 2000. Over the last 12 years, it is estimated that Morro Bay's population has decreased by approximately 52 people. This equates to 0.05% of population decrease over the 12 year

period. The table below reflects the population data from the census and the County's Resource Management System Biennial Report: The year 2030 population estimate is 10,778. Buildout population is approximately 12,200.

**Table 3-4: Historical & Projected Population Growth  
Morro Bay California: Census and RMS Data**

	1990 <sup>1)</sup>	2000 <sup>1)</sup>	2010 <sup>2)</sup>	2015 <sup>2)</sup>	2020 <sup>2)</sup>	2025 <sup>2)</sup>	2030 <sup>2)</sup>
Population	9,664	10,152	10,073	10,152	10,244	10,482	10,778
5 Year Increase	--	488	-79	79	92	238	296
5 year % Incr.	--	<1%	- <1%	<1%	<1%	<1%	<1%

Sources: 1) US Census, 2) Resource Management System Biennial Report, 2010-2012

## City of Morro Bay Urban Water Management Plan, 2015

**Housing Units and Growth Projections.** In the 2015 Urban Water Management Plan, the City of Morro Bay estimates that 10,608 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units as 6,689 with an average household size of 1.9 persons and an occupancy rate of about 80%. The City's Urban Water Management Plan projects the current City limit boundaries to yield a population of 12,200 persons. The 2015 UWMP based its projections from the City's General Plan. The City of Morro Bay has not updated its General Plan since 2000s. However, the City is currently undertaking a comprehensive Plan Morro Bay study that will consider an update to the City's General Plan and Local Coastal Plan some time in 2018.

The Urban Water Management Plan estimates the population build-out for the year 2035 will be 12,255 persons. The use of 2 persons per household is based on current occupancy patterns. The table below is taken from the 2015 Urban Water Management Plan and shows historic and projected growth rates:

**Table 3-5: Historical & Projected Population Growth**

	1980 <sup>(1)</sup>	1990 <sup>(1)</sup>	2000 <sup>(1)</sup>	2010 <sup>(2)</sup>	2015 <sup>(2)</sup>	2020 <sup>(2)</sup>	2025 <sup>(2)</sup>	2030 <sup>(2)</sup>	2035 <sup>(2)</sup>
Population	9,064	9,664	10,350	10,608	10,224	10,244	10,482	10,778	11,078
10 Year Increase	--	600	686	258	-364	20	238	296	300
10 year Avg. Increase	--	6.2%	6.6%	2.4%	-3.5%	<1%	2.2%	2.7%	2.7%
Average per Year	--	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

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

### **CITY OF MORRO BAY GENERAL PLAN,**

The City of Morro Bay adopted its General Plan and Local Coastal Program in 1988 and 1982 respectively. The City is once again working to update its General Plan entitled Plan Morro Bay. The 2004 General Plan and Local Coastal Plan was submitted to the Coastal Commission for review and certification. The certification process can be lengthy and the Coastal Commission process stalled during its review. The City intends to take a fresh look at what updates are necessary to accomplish its goals and get the plan through the Coastal Commission. The changes previously proposed to the existing General Plan were largely procedural and targeted at making the plan easier to use and clarifying the intent of the General Plan and Local Coastal Plan. A key piece to the update of the General Plan/LCP was that there are no changes made to land use designations or zoning designations that resulted in increased density, increased population potential, major infrastructure upgrades, or other development. The major organizational change was bringing together the Local Coastal Program with the General Plan into a single document. An update to the City's General Plan and policies will be necessary to reflect the current studies taking place to be updated and address when the GP/LCP is completed.

Over the past 40 years, the City has experienced a slow rate of growth; less than 1% per year. From 1950 to 1980 the City's population increased at an average growth rate of 2.2% per year. In the 1980's (1980-1990) the City's population again grew at a rate of 5.4% per year. From 1990 to 2000 population growth slowed to about a rate of .7% per year. Over the past 10 years the City has grown at a very slow rate of approximately .5% per year.

Morro Bay's growth is likely to remain at a nominal level as the economic recovery continues to evolve over the next few years. In 2010, the City's Public Services Department estimated the City is about 95% built out with a potential for approximately 504 new dwellings in the community at this time. Under the certified Housing Element 2009 the City estimates a total of 504 units as a realistic build-out based on 80% of existing zoning at maximum densities.

The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The following table shows the vacant land available within the City:

**Table 3-6 Build-out Summary: Vacant Land within City plus Expansion & SOI**

Zone	Description	Acres	Approx. Units	Population
R-A	Low-density Residential	103	302	574
R-1/R-2	Low/Medium-density Residential	13.76	76	144
R-4	High-density Residential	5.73	108	205
<b>Total Vacant Sites within City Limits</b>		<b>122.49</b>	<b>486</b>	<b>923</b>

Source: City of Morro Bay 2016.

### Recent Building Permit Activity

Building Permits have been compiled for Morro Bay from the Community Development Department. The table below shows the building permits by year from 2007 through 2016. Since 2007 the City has finalized 193 new single-family units and 9 multi-family units.

**Table 3-7: Building Permits Finaled 2007-2016**

	<b>SF</b>	<b>MF</b>
2016	19	1
2015	15	1
2014	15	0
2013	10	0
2012	11	0
2011	10	0
2010	17	1
2009	16	4
2008	32	1
2007	48	1
<b>Total</b>	<b>193</b>	<b>9</b>

Source: Morro Bay Community Development Department 2016

## Land Use

The City's General Plan allows for new growth within the City based on an analysis of available resources (water, sewer, etc) and demand for those resources. The Elements of the City's General Plan have been formatted into one document that includes the Land Use Element, Circulation Element, Pubic Facilities and Services Element, Conservation and Open Space Element, Access and Recreation Element, Harbor Resources Element, and the Visual Resource and Scenic Highway Element. Each Element contains Goals, Policies, Implementation Standards, and Programs that are relevant to the particular topic.

It should be noted that the City's General Plan/LCP provides a clear and detailed policy base with regard to future growth and development. It comprehensively addresses the various facets of development, provides clear information to the public, and gives decision- makers a sound foundation for considering future projects. The following are the Goals, Policies, Implementation Standards, and Programs that address the Sphere of Influence or the provision of City Services to existing and future residents. Goals, Policies, standards or programs that directly address Sphere of Influence issues will be addressed when the City completes the GP/LCP and One Water Plan updates.

## Study Areas

The areas being studied for possible inclusion into the City's Sphere of Influence are in the County's Estero Area Plan. These areas are zoned Agricultural and are currently developed with a single family residence, existing marine terminal facilities (some which are being demolished), and an existing wastewater treatment facility. These properties are not under Williamson Act contracts. Each area is described below:

**The Righetti Ranch (Located in SLO County; Not Within the SOI).** The 301-acre area just east of the City limits is owned by the Righetti family. A portion of this property is currently leased by the City for the purposes of accommodating the Nutmeg Water Tanks. The California Coastal Commission has requested the City consider this site as an alternative potential area closer to Highway 41 for the siting of a new wastewater treatment and reclamation facility. The City would potentially need to purchase or lease the property and apply for a General Plan Amendment (GPA) from the County if leased to develop a WWTP facility. If the City purchased the property, the City would need to pre-zone the site for use as a public facility before LAFCO considered any SOI or annexation amendments. Or the City could annex the property based on a zoning permit they approved in cooperation with the property owner. The western boundary of the Righetti site is located just east of the boundary of the developed, residential areas of the City of Morro Bay. Currently, the site consists of a single-family residence and grazing areas. The land is surrounded by cropland to the south, undeveloped areas to the north and east and a mobile home park, RV park, and agricultural lands to the east.

**The Rancho Colina Site (Located in SLO County; Not Within the SOI).** The Rancho Colina site is 187-acres owned by William Macelvaine. The site is located north of Hwy 41 about one mile east from the City limits and consists of a mobile home park and grazing land. The site is designated recreation and agricultural on the northern portion of site pursuant to the County's LCP. The site is currently developed with several facilities, including a single-family home occupied by the property owner, and an existing wastewater treatment facility constructed in 1971, which serves the nearby Rancho Colina residential community. The City's focus is on the roughly 10 to 15-acre area in the lowest portion of the property, generally in the vicinity of the location of the existing WWTP, but could be expanded as appropriate.



**Tri-W Property (Located in SLO County; Not within the SOI).** The Tri W site is 396-acres owned by Tri-W Enterprises. The site is located adjacent to the City limits and consists of grazing land. Most of this site is generally over 250 feet in elevation, and ranging to nearly 500 feet, which is too high in elevation to be a suitable WRF site. However, there is a significant portion of the site at lower elevation (100 to 160 feet above sea level) that has potential for development a new WRF, primarily near the eastern edge of the site, about 1,500 to 2,000 feet north of the South Bay Boulevard/SR 1 interchange. Two separate and roughly 15-acre portions of this area are considered the most viable location for a WRF within the Tri--W site.

**Housing Element.** The City's Housing Element was adopted by the City Council and certified by the State Department of Housing and Community Development (HCD) in 2010 and again in 2014. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2014 through July 1, 2019. Under the previous planning cycle the city's total number of residential units was 98 that the City of Morro Bay must provide zoning for in that time period. Under the next planning cycle January 1, 2014 through July 1, 2019 the City must provide zoning for 154 residential units. HCD completed the review and certified the Housing Element in 2014.

**Table 3-8: 2014-2019 - SLOCOG Regional Housing Needs Allocation**

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	60	38	43	101	242	5.8%	
Atascadero	98	62	69	164	393	9.5%	
Grover Beach	41	25	29	69	166	5.8%	
<b>Morro Bay</b>	<b>39</b>	<b>24</b>	<b>27</b>	<b>65</b>	<b>154</b>	<b>3.7%</b>	
Paso Robles	123	77	87	206	492	11.8%	
Pismo Beach	38	24	27	64	152	3.6%	
San Luis Obispo	285	179	201	478	1,144	27.3%	
County Unincorp.	336	211	237	563	1,347	32.5%	
<b>Total Units</b>	1020	640	720	1710	4,090	100%	

Source: SLOCOG RHNA 2013

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the

housing needs of the community. The Housing Element addresses the City's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City has developed a set of objectives and specific policies and programs to prepare for the production of housing in the City of Morro Bay.

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

The Housing Element provides a detailed assessment of the housing stock in Morro Bay, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing.

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

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

element that is subject to review and "certification" by the state. The City's Housing Element for the planning period 2014 to 2019 has been certified by the State.

According to the City's Housing Element a recent available land inventory has been conducted which concludes the City has additional land available for 507 new residential units within the City limits. The Housing Element also evaluated the City's infrastructure to accommodate these new potential residential developments. The Housing Element states that the City Council determined that there is adequate water for the buildout of the City under the current General Plan. The average consumption in 2008 according to the Water Management Plan was 122 gallons per capita per day (gpcd), which is below the 130-gpcd threshold amounts. The City estimates it is at 40% capacity for water service and 56% capacity for wastewater. The City is in the process of a major upgrade to the treatment standards. According to the annual daily flow average over five years, Morro Bay contributes to 75 percent of the flow while Cayucos accounts for 25 percent. The plant has adequate capacity through the year 2021 based on population estimates outlined in the Facility Master Plan Report. These services are further discussed in the next section.

The City's current General Plan is based on the ability of the City to accommodate a population of 12,200. Currently, the City's population is approximately 10,224 people. The year in which the City reaches their projected build-out is driven by a number of factors, including economic and real-estate market conditions. The City projects build-out no sooner than year 2035.

## **WRITTEN DETERMINATIONS**

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

1. The City's General Plan provides for the logical and reasonable growth and development of the City and is currently being updated.
2. According to both the County's Resource Management System and the Council of Governments Population Projections the City of Morro Bay is projected to grow at a rate of less than 1% per year.

3. The projected number of people in the City of Morro Bay over the next 5, 10, 15 & 20 years based on the San Luis Obispo Council of Government's 2011 Update to Long Range Socio-Economic Projections can be accommodated within the existing City limits.
4. The City's current General Plan is based on the ability of the City to accommodate a population of 12,200. Currently, the City's population is approximately 10,224 people.
5. Development of the proposed Sphere of Influence areas in the City, under its land use policies and procedures, would allow for areas to be served with City services.
6. The Memorandum of Agreement between the City and County provides a mechanism for the City and the County to work together on land use projects proposed in the Sphere of Influence. The MOA would also include more specifics about the development process, logical phasing of development, timing of infrastructure and services, and the intent of the City and County.
7. A major constraint for future growth is the water and wastewater capacity of the City.

## **3.2 LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES**

**Purpose: To identify any disadvantaged unincorporated communities.**

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

The community of Morro Bay has a variety of economic diversity that reside within the city boundary and surrounding area. A Disadvantaged community is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. Morro Bay's Sphere of Influence does not have any disadvantage communities that have a present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

### **WRITTEN DETERMINATIONS**

The following written determinations are based on the information contained in the above section regarding disadvantaged unincorporated communities:

1. The City of Morro Bay's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to its boundaries.

### **3.3 PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES, INCLUDING INFRASTRUCTURE NEEDS OR DEFICIENCIES**

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

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City and in the Sphere of Influence. It is important that the infrastructure and resource capacities be adequate and reliable when revisions to the SOI and annexations are proposed by the City or property owners.

The MSR analyzes present and long-term infrastructure demands and resource capabilities of the City of Morro Bay. LAFCO reviews and evaluates: 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with future demands.

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

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

## **WATER**

The City updated its Urban Water Management Plan in 2015. The County updated its Urban Water Management Plan in 2015. These plans, and other documents, are the basis for this section of the Municipal Service Review. The City and County are currently updating their Water Master Plans. The City is also updating a One Water Plan document to address the City's water picture under one document. The MSR will be revisited once the document is completed by the City and the data in this report will be revised to reflect this new information. The Urban Water Management Plan are due every five years, in years ending in "5" and "0" for water suppliers having more than 3,000 connections or selling at least 3,000 acre-feet of water per year. A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for probable growth and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water.

### **Water Supply**

The City of Morro Bay's Water supply can come from three sources: Morro & Chorro watersheds (groundwater), from State Water Project (SWP) since 1997, and Desalination plant. The City has been receiving State Water since 1997 and it has become the primary source of water for the City. The groundwater and desalination sources have become secondary supplies used on occasion when needed by the City. To supplement its supply, the City also contracted to receive more short-term State water from agencies that are not using their allocations.

**State Water Project.** Since 1997 the City's primary source of water has been the State Water Project. The City entered into and executed two contracts with the San Luis Obispo County Flood Control and Water Conservation District to obtain State Water. The first contract addresses the construction of facilities such as water treatment and the Chorro Valley pipeline. The second contract covers the delivery of State Water and the payment for State water facilities. Both contracts were needed to allow the City to obtain State Water.

The City's State Water entitlement is 1,313 acre-feet per year, plus an additional drought buffer of 174% which equates to a total of approximately 2,290 afy of buffer. The drought buffer helps to insure delivery of the full allocation of water from the Department of Water Resources which

may be reduced because of a drought situation. The drought buffer is an “insurance policy” for the City that increases the reliability of the State Water Project. For example, the City would still receive 100% of its allocation as long as the State deliveries on a statewide basis remain at 36% or above. The table below shows the benefits of contracting for the drought buffer.

**Table 3-9: State Water Entitlements and Drought Buffer**

Benefit of SWP Drought Buffer			
Statewide SWP Deliveries	Delivery to Morro Bay without Drought Buffer (AFY)	Delivery to Morro Bay with Drought Buffer (AFY)	Delivery to Morro Bay with Drought Buffer and Uncontracted County SWP Entitlement (AFY)
100%	1313	1313	1313
75%	985	1313	1313
50%	657	1313	1313
36%	479	1313	1313
33%	433	1187	1313
7%	92	252	1303
5%	66	180	931
4%	53	144	745

State Water is conveyed from the Coastal Branch Phase II pipeline through the Chorro Valley pipeline. The City had the foresight to upsize the pipeline from 10 to 16 inches to allow for increased deliveries that may come from other sources than just State Water. This capacity increase provides the City with water supply options in the future. However, increases in the City’s State Water allocation are not possible due to the limited capacity of the Coastal Branch Phase II pipeline, which was sized to only deliver the existing contract allocations of 4,830 afy. Analysis of the system capacity is currently underway and additional deliveries may be possible in the future. The uncertain availability of State Water is a possible constraint to future growth.

**Agreement with California Men’s Colony.** The City and the California Men’s Colony (CMC) have signed a mutual aid agreement. The agreement allows each jurisdiction to help the other during periods of water shortages. The agreement with CMC provides the City with access to water from Whale Rock and Salinas Reservoirs in emergency situations. The City would essentially borrow water from CMC and repay the loan with water from Morro Bay sources at a later date. This supply was used during the 30-day maintenance shutdown of the State Water Pipeline in 2001. The CMC water treatment facility treats water from Whale Rock, Chorro and



Salinas Reservoirs and the City is looking into a possible longer term agreement that would allow for more frequent water exchanges that benefit both the City and CMC. The existing water treatment facility could be used to treat up to 1.7 MGD (1,900 afy) for the City; however the agreement limits this supply based on an emergency situation and/or CMC demand for the water. The agreement is helpful; however it is not a reliable long-term source of water for the City.

**Desalination Plant.** In 1992 the City was facing an emergency drought situation and constructed a seawater desalination plant. Permits to construct the facility were expedited with the condition that the plant only be used during emergency drought situations. The final Environmental Impact Report evaluated the impacts of the facility for emergency and normal use of the plant. This led the Coastal Commission to approve a Local Coastal Plan Amendment that allows the City to operate the plant “as needed to ensure that the City’s minimum water quality standards are met, as routine replacement, and to offset drought conditions.”

The plant uses reverse osmosis to desalinate seawater pumped from five wells located on land near the Morro Bay Harbor. The desalination plant is capable of producing 400 gallons per minute which equates to 645 acre-feet per year. The plant has only been used on rare occasions due to the high operating costs. The plant was constructed in 1992 and was operated for several months, but was shut down because of the high operating costs. It was not used again until 1995 when it was used to supplement the water supply during a drought period. The plant was shut down from 1995-2002. The desalination plant is ready for operation as the community expands or if a supplemental water supply is needed to offset unforeseen shortages. Morro Bay’s desalination plant supplements the water supply at times during SWP shutdowns and emergencies. The City was recently re-permit the desalination plant for permanent use of saltwater wells, outfall line, and appurtenant piping for temporary use by the California Coastal Commission. With the treatment upgrade in 2009, the desalination plant can serve as a reliable source of water for Morro Bay in emergencies and perhaps as a regular source of supply.

**Groundwater.** Prior to receiving State Water, the City relied solely on the Chorro and Morro groundwater basins for its water supply. These alluvial basins are located in the Morro and Chorro Valleys and have limited storage capacity. This means that the basins can be drained after a short-term drought as was the case in the late 1980’s and early 1990’s. These basins rely on annual rainfall for recharge and replenishment which percolates into the basin and flows

to the ocean. These types of basins are similar to underground streams and are regulated by the State Water Resources Control Board (SWRCB). In 1972, the SWRCB categorized these basins as riparian underflow. The City of Morro Bay subsequently applied for appropriative water rights which were granted by the SWRCB in 1995. The Chorro Creek must be flowing at a minimum of 1.4 cubic feet per second for the City to pump from that aquifer.

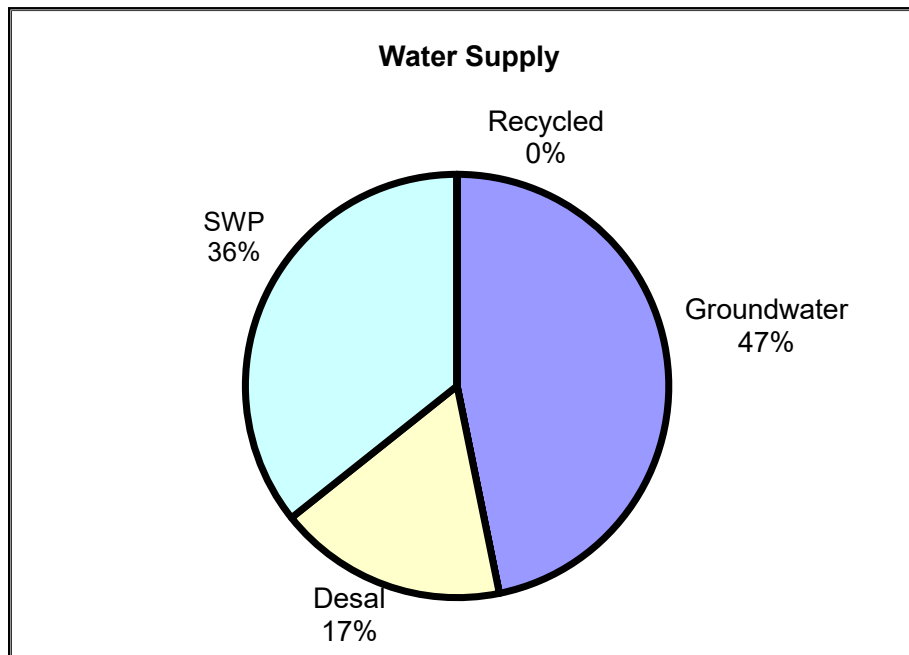
The Morro Groundwater Basin was previously unavailable to the City due to nearby methyl tertiary butyl ether (MTBE) contamination in the groundwater basin. The City began treatment for MTBE in 2002 and continued this treatment until MTBE contamination levels fell below the Regional Water Quality Control Board's (RWQCB) monitoring threshold in 2008. Since then the MTBE levels continue to remain below the RWQCB's monitoring threshold. One of the Chorro Basin wells (Well No. 8) has been abandoned and a second Chorro Basin well (Well No. 12) is out of service due to proximity to surface water and the associated water quality concerns. The City's Ashurst well field in the Chorro Groundwater Basin (consisting of wells 9, 9A, 10, 10A, and 16) was taken out of service (per direction from the California Department of Public Health) in 2009 due to nitrate contamination in the basin. The City's groundwater source does not appear to be a reliable long-term source at this point in time.

**Recycled Water.** The Morro Bay-Cayucos WWTP Facility discharges about 1.1 mgd of mixed primary and secondary treated effluent and does not currently have the ability to supply Title 22 recycled water. A *Comprehensive Recycled Water Study* was conducted jointly by the City and CSD in 1999 (Carollo, 1999). The City and CSD have decided to upgrade their WWTP's separately to provide tertiary treatment. Once the City's facility has been upgraded, there may be increased opportunities for the use of recycled water. The cost of a recycled water distribution system and water quality parameters may ultimately limit reuse.

**Table 3-10 – Morro Bay Current Water Supply**

Source	Amount (acre feet)
Groundwater (pumping rights)	1,724
Morro	581
Chorro	1,143
Recycled Water	0
Desalination	645
SWP	1,313
<b>Total</b>	<b>3,682</b>

**Figure 3-4**



The City uses an average per capita water use rate, moderated by the use of the ten-year from 1995 to 2004 to normalize weather events. The ten-year average is 125 gpcd. The 2020 water use target for the City is 113 gpcd. This water use rate is used with the City’s build-out population and current population to project the primary water supply and reliability reserve. The City’s aggressive approach to water conservation during drought years produces significant results in a relatively short period of time. The city reduced their per capita down even further in 2015 to 95 gpcd.

**County Biennial Resource Summary Report – 2010-2012**

The County Department of Planning and Building prepares the Biennial Resources Summary Report that summarizes the resource situation (including water) of Morro Bay and other incorporated cities of the County. The Report evaluates the capability of incorporated cities and unincorporated communities to provide public services. The Biennial Report uses a Level of Severity rating system for water supply and water delivery systems. The rating system for water includes evaluating the available supply and the production and distribution system for a particular jurisdiction. The following rating system is used:

The RMS utilizes three alert levels called levels of severity (LOS) to identify differing levels of resource deficiencies.

- Level I is the first alert level. Level I occurs when sufficient lead time exists either to expand the capacity of the resource, or to decrease the rate at which the resource is being depleted.
- Level II identifies the crucial point at which some moderation of the rate of resource use must occur to prevent exceeding the resource capacity.
- Finally, Level III occurs when the demand for the resource equals or exceeds its supply. It is the most critical level of concern. The County should take actions to address resource deficiencies before Level III is reached.

The following is an excerpt from the 2010-2012 Biennial Resource Summary Report for Morro Bay:

The City receives water from a variety of sources: groundwater from the Morro Creek underflow, groundwater from the Chorro Creek underflow, converted saltwater through the City’s desalination facility, and State water via the Chorro Valley pipeline. The desalination facility also treats brackish water from the Morro Creek underflow for nitrate removal. The City’s desalination plant provides water during the times that the State Water Project pipeline is undergoing annual maintenance.

Total water supply= 3,105 acre feet per year (AFY)

**Table 3-11 Morro Bay Water Use  
Estimates, AFY**

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1,423	1,475	1,400	1,384	NA	1,420	1,369	1,317	1,223	1,240

Source: 2010-2012 RMS

**Water Demand**

The City completes water demand projections in order to know how much water might be needed to serve residents, businesses and other uses as growth and development occur in the

City. The City's Urban Water Management Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool and was updated in 2015. The City has provided the following historic water demand calculations. These numbers show the City's ability to conserve water when necessary. The City's highest water use year was in 1970 with an average of 193 gallons per person per day. The City's lowest water use year was 114 gallons per person per day in the drought year of 1991. However, the City just reported a new lowest year in 2015 with a water use of 95gpcd. The table on the following pages shows the water used and rainfall from 1960 to 2015.

In 2015, the City reported annual water use of 1,074 acre-feet.

TABLE 3-12						
TOTAL HISTORIC WATER PRODUCTION & RAINFALL						
FOR THE CITY OF MORRO BAY						
YEAR	RAINFALL	CITY POP.	PRODUCTION IN ACRE FEET	PRODUCTION IN MILLIONS OF GALLONS	AVERAGE DAILY PRODUCTION IN MILLIONS OF GALLONS	AVERAGE GALLONS PER CAPITA PER DAY
1960	10.48	5599	894	291	0.8	142
1961	8.6		842	274	0.75	
1962	17.22		999	326	0.89	
1963	18.52		840	274	0.75	
1964	11.26		881	287	0.79	
1965	16.08	6,400	1000	326	0.89	140
1966	11.24	6,500	1188	387	1.06	163
1967	20.09	6,600	1194	389	1.07	161
1968	9.64	6,750	1298	423	1.16	172
1969	28.74	6,900	1255	409	1.12	162
1970	9.84	7,109	1534	500	1.37	193
1971	14.2	7,450	1533	500	1.37	184
1972	7.41	7,517	1547	504	1.38	184
1973	27.51	7,725	1424	464	1.27	165
1974	22.35	7,942	1482	483	1.38	167
1975	14.43	8,165	1510	492	1.35	165
1976	11.38	8,394	1574	513	1.41	167
1977	8.35	8,525	1249	407	1.12	131
1978	29.68	8,625	1430	466	1.28	148
1979	17.06	9,150	1614	526	1.44	157
1980	20.99	9,064	1651	538	1.47	162
1981	13.11	9,206	1727	563	1.54	168
1982	20.01	9,297	1586	517	1.42	152
1983	35.01	9435	1534	500	1.37	145

1984	10.08	9599	1669	544	1.49	155
1985	10.02	9747	1691	551	1.51	155[129]a
1986	17.17	9881	1614	526	1.44	146[120]
1987	12.29	9819	1655	539	1.48	150[127]
1988	15.01	9975	1648	537	1.47	147[124]
1989	10.88	10133	1559	508	1.39	137[118]
1990	8.78	9664	1527	498	1.36	141[115]
1991	16.01	9806	1256	410	1.12	114[92]
1992	19.63	9736	1319	430	1.18	121[98]
1993	24.21	9979	1391	452	1.24	124[98]
1994	11.05	10071	1414	462	1.26	126[106]
1995	40.01	9518	1418	462	1.27	133[110]
1996	15.47	9687	1501	462	1.34	138[110]
1997	18.56	9696	1535	489	1.37	141[115]
1998	18.01	9845	1326	432	1.18	120[102]
1999	13.11	9871	1393	454	1.24	126[108]
2000	19.63	10410	1400	456	1.25	120[103]
2001	16.04	10486	1410	459	1.26	118[107]
2002	9.36	10510	1454	474	1.3	123[108]
2003	13.75	10485	1421	466	1.28	122[108]
2004	9.48	10522	1477	481	1.32	125[105]
2005	30.19	10270	1361	444	1.22	118[106]
2006	18.9	10,491	1371	447	1.23	117
2007	7.24	10,436	1446	471	1.29	118
2008	13.34	10,548	1439	469	1.23	122
2009	12.25	10,555	1448	472	1.29	120
2010	17.26	10,608	1259	410	1.12	106
2011	12.99	10,234	1243	405	1.11	108
2012	10.16	10,327	1203	392	1.07	105
2013	4.05	10,370	1349	440	1.21	117
2014	12.62	10,234	1183	385	1.05	103
2015	8.55	10,284	1074	354	0.97	95

Source: City of Morro Bay-Public Works Department

a: [average] determined from metered water sold, not water produced

**Water Conservation.** The City has a very effective water conservation program. In 1988, the year before drought conservation measures were implemented by the City, the average number of gallons used per person per day was 147. In 1991, the third year of drought/conservation measures, water use had decreased by 23%, to 114 gallons per person per day. The City's aggressive approach to water conservation during drought years produces significant results in a relatively short period of time. The City can implement this water conservation program in drought situations by phasing in water-saving measures.

The City also recognizes the importance of long-term water efficiency by supporting programs that will enhance water supply reliability and comply with any current and/or future state mandates in water use reductions. In 2009, Senate Bill X7-7 was passed requiring water agencies to reduce per capita water use by 20 percent by the year 2020. There are three options (with a fourth being developed) on how to determine the year 2020 target for the City. Using the methodology which best corresponds to the City's situation and recognizes the City's past investment in conservation, the City's target per capita water use would be 113 gpcd which is an additional five percent reduction from 2010 per capita water use. However, the city reduced their per capita down even further in 2015 to 95 gpcd.

### Water Supply and Demand

The City's existing water supply is found adequate within its 2015 UWMP to serve the anticipated build out of its General Plan. The Supply/Safe Yield available to the City is currently estimated at 3,105 acre-feet per year. The demand in 2015 was estimated to be 1,074 acre-feet per year. The City anticipated future water demand to be 1,452 acre-feet per year at build out under the existing General Plan. However, the sources have some constraints that may limit reliability.

Water use in the City includes single-family, multi-family, commercial (includes institutional and industrial), and irrigation customers. No agricultural uses are supplied by City water and the City does not sell water to other agencies. The historical and projected number of connections and deliveries to the City's customers are presented in the table below.

**Table 3-13 Past, Current, and Projected Water Deliveries**

		Water Use Sectors				
		Single Family	Multi-Family	Commercial, Industrial, & Institutional	Irrigation	Total
<b>2005</b>	# of metered accounts	4,489	330	523	60	5,402
	Deliveries ac-ft/yr	706	105	384	19	1,214
<b>2010</b>	# of metered accounts	4,481	355	497	51	5,384
	Deliveries ac-ft/yr	653	99	489	14	1,255
<b>2015</b>	# of metered accounts	4,609	365	511	52	5,537
	Deliveries ac-ft/yr	693	105	520	15	1,334
<b>2020</b>	# of metered accounts	4,735	375	516	54	5,690

	Deliveries ac-ft/yr	695	106	521	15	1,336
<b>2025</b>	# of metered accounts	4,883	387	541	56	5,867
	Deliveries ac-ft/yr	709	108	531	15	1,364
<b>2030</b>	# of metered accounts	5,031	399	558	57	6,045
	Deliveries ac-ft/yr	733	111	549	16	1,409
<b>2035</b>	# of metered accounts	5,177	410	575	59	6,220
	Deliveries ac-ft/yr	755	115	566	16	1,452

**Notes:** Source: Morro Bay UWMP, 2010

1. Department of Water Resources, Tables 3 through 7
2. The City has no unmetered accounts

### Water Distribution and Storage System

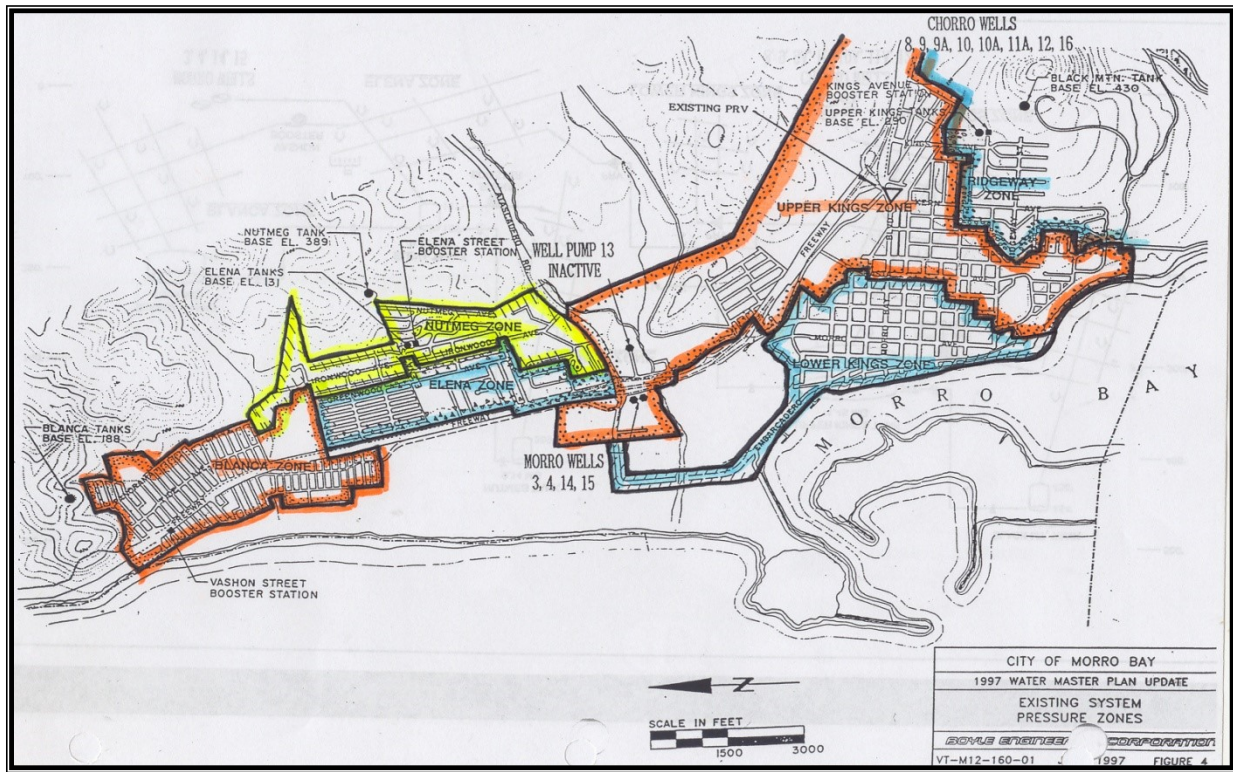
The City operates and maintains an extensive water transmission and distribution system. It consists of wells, storage tanks, pump stations, pressure relief valves and zone valves. The City is divided into six different pressure zones to ensure adequate water pressure throughout the City.

**Water Distribution.** The City's distribution system is made up of six pressure zones, five storage tanks, three booster stations, and one main pressure regulator. The water system operates in two main areas: the northern sub-area containing Blanca, Elena, and Nutmeg Zones and the southern sub-area with the Upper Kings, Lower Kings and Ridgeway Zones. These zones are in the process of being reconfigured to increase system efficiency pursuant to the recommendations found in the 1997 Water Master Plan. The City is in the process of converting to the plan-recommended pressure zone configuration but, as of the writing of this report, the system's pumps and pressure zones remain largely as described in the 1997 plan. The City has added a number of pipelines and tanks to the water system. A blending pipeline has been installed from the Morro wells to the Kings storage tanks. A 12" pipeline west of Highway 1 and north of Atascadero Road has also been installed as well as an 8" pipeline on Monterey Avenue north of Dunes Street. A pressure-regulating valve (prv) on Morro Bay Blvd. has been installed and two of the Blanca storage tanks have been replaced and upgraded. Also, the Morro wells have been rehabilitated with new pumps and motors.

**Pressure Zones.** The City's water distribution system is comprised of six pressure zones. These zones are shown on the map and help the City to maintain adequate water flow to different areas within the City.



Figure 3-5: Pressure Zones



**Storage Facilities.** The City operates and maintains five storage facilities and includes the following:

TANK	CAPACITY	CONDITION
• Upper Kings Tanks	2.5 Million Gallons	Good-Regularly Maintained
• Black Mountain Tank	.18 Million Gallons	Good-Regularly Maintained
• Elena Tanks	.12 Million Gallons	Good-Regularly Maintained
• Blanca Tanks	.61 Million Gallons	Recently Upgraded
• Nutmeg Tank	.14 Million Gallons	Good-Regularly Maintained
Total Capacity	3.55 Million Gallons	

These storage tanks are maintained on a regular basis. The five-year Capital Improvement Plan indicates that several improvements/replacements are scheduled for the above storage system.

**Booster Stations.** The City operates and maintains three booster stations: the Vashon Booster, the Elena Booster, and the Kings Avenue Booster. The City regularly maintains these

boosters. The plan is to consolidate the Blanca, Elena, and Lower Kings Pressure Zones which would eliminate the need for the Vashon Booster.

**Pipelines.** The City operates some transmission pipelines which are 10 inches or larger in diameter, however; most of the distribution lines are between 6 and 8 inches in diameter. Normally, transmission pipelines connect water supply, storage tanks, booster stations, and key points in the pressure zones. The City system is unusual in that it is set up with the water supply discharging into 6 and 8 inch lines in some locations. This is not an uncommon situation for older water systems such as the City of Morro Bay's system. Also the 6 and 8 inch lines are looped in a manner that assists in the flow of water throughout the City. The network of smaller distribution lines then transfers water to the end users. The Water Master Plan recommends a number of improvements that are still being implemented. The Capital Improvement Plan described below shows a number of those improvements.

**Capital Improvement Plan-Water System.** The City's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. The City is facing fiscal challenges in balancing the budget due to General Fund revenue shortfalls. Because of this the General Fund CIP focused on maintaining, repairing or replacing the facilities, infrastructure and equipment on an as needed basis. The City's Capital Improvement Plan contains project-by-project information and aligns with the goals of the City for project implementation. The City's approach considers the current fiscal situation and makes adjustments based on the City's ability to pay for improvements. According to City Staff, the water system has adequate funding for the needed Capital Improvement Projects.

#### **Projects Budgeted 2016/2017**

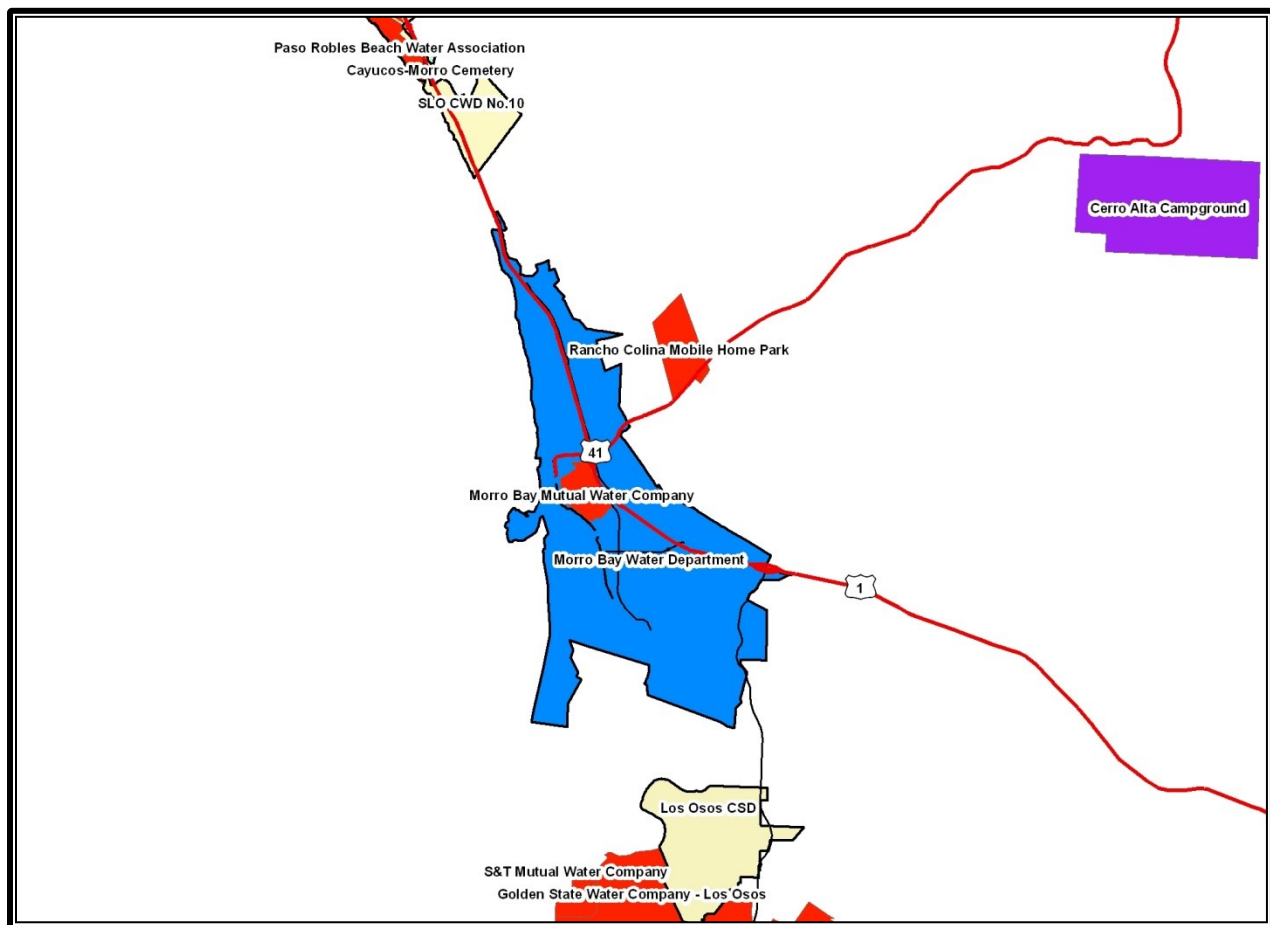
- ▶ Blanca pipeline budgeted \$250,000
- ▶ Nutmeg Tank, budgeted \$1,060,354
- ▶ Desal upgrade/energy recovery project, budgeted \$1,297,349
- ▶ Master Plan improvements, budgeted \$350,000
- ▶ Chorro Creek stream gauges budgeted \$455,660
- ▶ Brackish Water Reverse Osmosis budgeted \$?

### Other Water Providers

In addition to the Morro Bay, nine other private/public water purveyors provide water services to area residents. Some providers are located within the City limits. The primary source for all of these other water providers is groundwater pumped water from local Groundwater Basin. These include:

- Cero Alta Campground
- Rancho Colina Mobile Home Park
- Morro Rock Mutual Water Company
- Morro Bay Mutual Water Company
- SLO County Water District (CSA 10)
- Cayucos-Morro Cemetery
- Paso Robles Beach Mutual Water Association
- Los Osos Community Services District
- Golden State Water Company – Los Osos

**Figure 3-6 Other Water Providers**



## **WASTEWATER COLLECTION & TREATMENT SYSTEM**

**Facility Description.** Morro Bay operates the wastewater treatment facility under a Joint Powers Agreement (JPA) with the Cayucos Sanitary District. The Morro Bay/Cayucos Wastewater Treatment (MBCSD) facility is an advanced primary treatment plant that consists of screening, grit removal, primary clarification, trickling filters, secondary clarification, odor control, and chlorine disinfection. Wastewater contains large solids and grit that can interfere with treatment processes or cause undue mechanical wear and increased maintenance on downstream wastewater treatment equipment. To minimize potential problems, these materials are removed prior to primary treatment. Primary treatment involves the removal of floating solids and suspended solids, both fine and coarse, from raw sewage and is a means of treating urban wastewater by a physical and/or chemical process involving settlement of suspended solids, or other processes in which the incoming wastewater is processed. To avoid discharging contaminants into the ocean habitat, most sewer plants in the coastal area of California have upgraded to at least secondary treatment levels.

The City and Cayucos Sanitary District were in the process of upgrading the wastewater treatment plant to full secondary treatment and to provide tertiary filtration capacity of 1.5 million gallons per day. The tertiary filtered effluent would meet standards for disinfected secondary recycled water and as such could be used for limited beneficial uses. The project was required to be completely operational and in full compliance with state and federal permits by March 31, 2014. However, the schedule is now on hold due to the denial of the California Coastal Commission permit. The California Coastal Commission has requested alternative sites be considered, including the potential Study Areas. Since, the City and CSD has decided to go separate ways to address their wastewater needs.

**Capacity.** The treatment system currently has the capacity to process 2.06 million gallons per day of wastewater on an average dry day. The system is operating at 56% of capacity with an estimated 1.15 million gallons per day currently being processed at the treatment facility. The proposed City plant upgrade will provide tertiary filtration capacity of 1.5 million gallons per day (average dry weather flow—ADWF). The new plant will have less rated capacity based on extensive population projections developed for this project.

**Wastewater Collection.** The existing wastewater collection system within the City is made of a network of roughly 60 miles of gravity pipeline, 2.5 miles of force-main, 3 wastewater-pumping stations, and approximately 1,116 manholes, lampholes and clean-outs.

#### **Projects Budgeted 2016/2017**

- ▶ Section 6 rehabilitation, budgeted \$250,000
- ▶ Laurel easement rehabilitation, budgeted \$200,000
- ▶ Lift Station #1 rehabilitation, budgeted \$100,000
- ▶ Embarcadero rehabilitation, budgeted \$500,000
- ▶ North Main St. trunk line replacement, budgeted \$32,994
- ▶ New screening device for headworks, budgeted \$500,000
- ▶ Digester #2 cleaning and repairs, budgeted \$250,000
- ▶ Chlorine contact tank equipment replacement, budgeted \$200,000
- ▶ Preliminary facility master plan/facility master plan, budgeted \$500,000

### Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the seven cities. The sample monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City.

**Table 3-14 – Single-Family Water Rates**

Rate/Fee	Pismo Beach	Arroyo Grande	Grover Beach	Morro Bay	Paso Robles	Atascadero	San Luis Obispo
Monthly Service Meter Charge	\$32.57	\$7.19	\$10.06	\$24.18	\$0.00	\$18.00	\$8.00
Water (per 100 cubic feet)	\$2.72	\$3.42	\$3.34	\$7.00	\$4.40	\$2.10	\$7.90
Other Charges	\$0.00	\$20.33 (Lopez Treatment)	\$0.00	\$0.00	\$0.00	\$2.50 (Nacimiento)	\$9.88 (over 8 units) + 5% tax
Sample Monthly Bill (10 units of water)	\$59.77	\$61.72	\$76.86	\$71.18	\$44.00	\$41.50	\$94.66

**Table 3-15 – Single-Family Sewer Rates**

Rate/Fee	Pismo Beach	Arroyo Grande	Grover Beach	Morro Bay	Paso Robles	Atascadero	San Luis Obispo
Flat Monthly Rate	\$63.53	\$2.40	\$9.92	\$62.50	\$0	\$20.18	\$8.32
Sewer (per 100 cubic feet water)	\$0.00	\$0.67	\$0.00	\$0.00	\$7.80	\$0.00	\$9.17
Other Charges	\$0.00	\$14.86	\$14.86	\$0.00	\$0.00	\$0.00	\$0.00
Sample monthly bill (10 units of water)	\$63.53	\$23.96	\$24.78	\$62.50	\$78.00	\$20.18	\$100.02

Figures 3-10 and 3-11 show a rate comparison for all seven cities in the County. Overall, Morro Bay's water and sewer rates for residential customers are on the higher end than other county cities. The charts are based upon a sample billing using "10 units" of water as a basis.

Figure 3-7

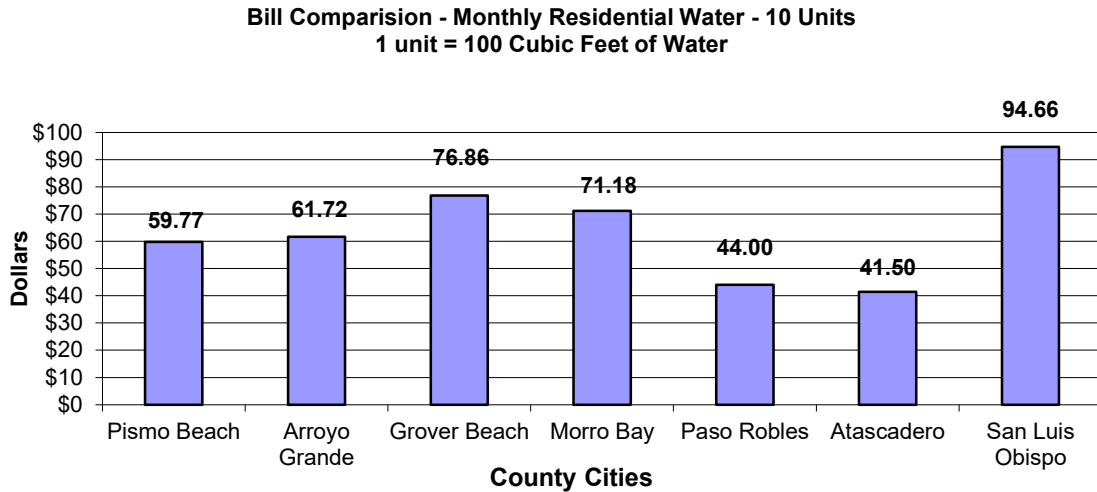


Figure 3-8

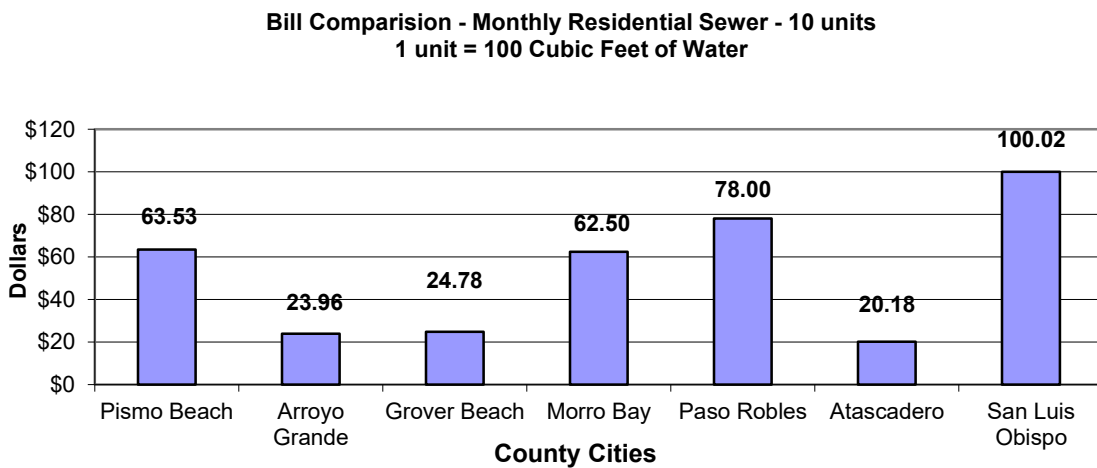
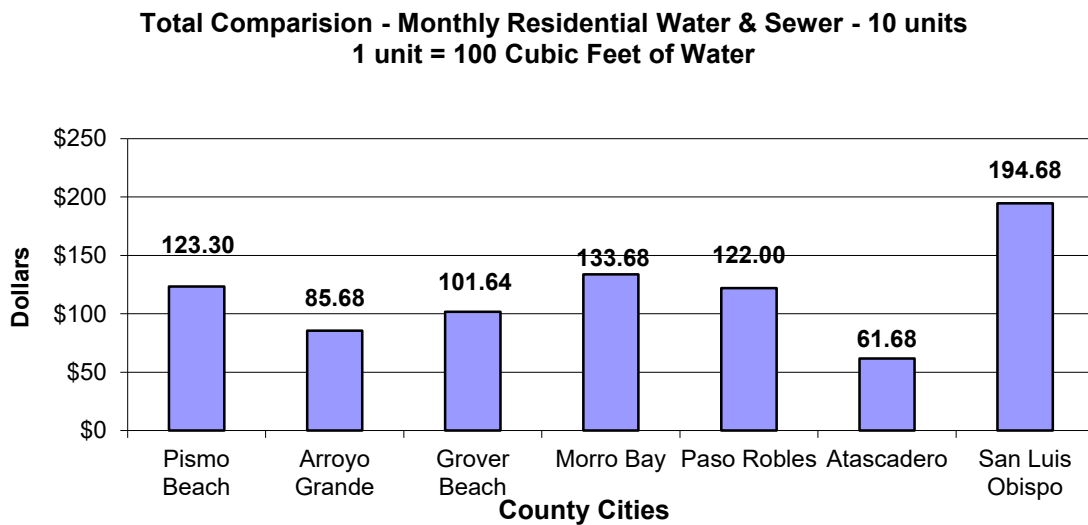


Figure 3-9



## **TRANSPORTATION - STREETS – ROADS**

### **Morro Bay General Plan, Draft Circulation Element 2004**

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was updated in 2004 along with other elements in the General Plan but never certified. The City is current undertaking a new comprehensive update to its General Plan. The Element contains goals, policies and implementation standards and programs to guide the future development of the City's circulation system.

The Circulation Element provides sound policy base for the continued improvement of the City's circulation system. The map on the next page shows the existing and proposed arterials and collector streets. Existing and proposed traffic signals are also shown.

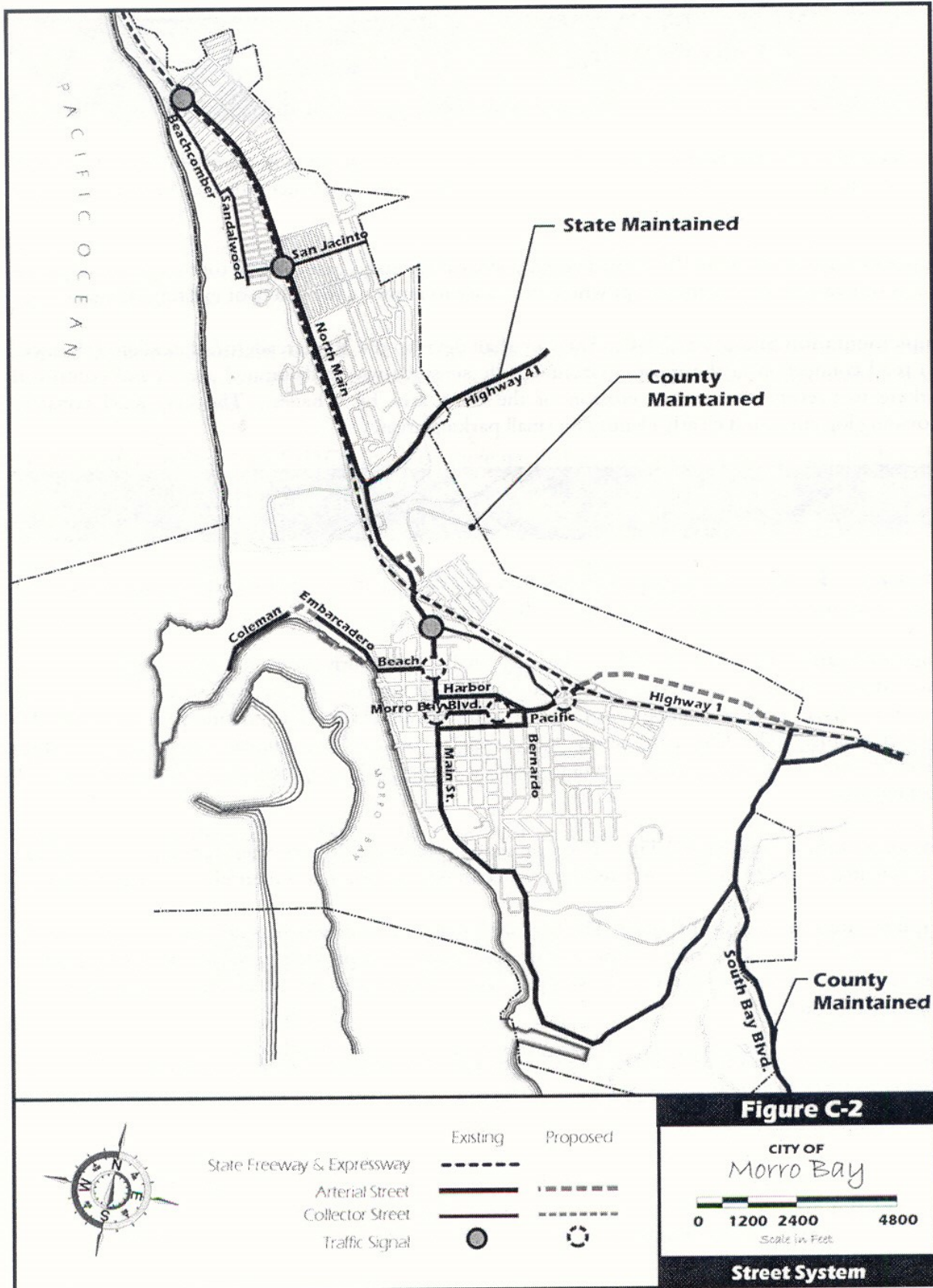
The following table shows a list of street projects that have been completed over the last five years.

**Table 3-16: CIP Street Projects**

<b><i>CIP No.</i></b>	<b><i>Dept.</i></b>	<b><i>Description</i></b>	<b><i>Current Status</i></b>
8307	Streets	STIP Street Rehab	-COMPLETED-
9825	Streets	Main Street Bike path	-COMPLETED-
n/a	Streets	Kern Street	-COMPLETED-
n/a	Streets	Beach Street	-COMPLETED-
n/a	Streets	Marina Street	-COMPLETED-
n/a	Streets	Pacific Street	-COMPLETED-
n/a	Streets	Harbor Street	-COMPLETED-
n/a	Streets	Mimosa Street	-COMPLETED-
n/a	Streets	PD Alley	-COMPLETED-



Figure 3-10 Circulation System



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

#### **Projects Budgeted 2016/2017**

- ▶ Five Year Pavement Management Plan - Street Maintenance Projects – \$250,000
- ▶ Clarabelle – \$31,724
- ▶ Driftwood – \$9,485
- ▶ Napa – \$123,285
- ▶ Pacific – \$50,125
- ▶ Piney – \$305,970
- ▶ Prescott – \$43,200
- ▶ Shasta – \$72,770
- ▶ Sienna – \$21,419
- ▶ Surf Alley – \$4,556
- ▶ Tuscan – \$13,631
- ▶ Zanzibar – \$17,525

#### **SLOCOG Regional Transportation Plan, 2014**

The most recent adopted RTP, Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2014 Regional Transportation Plan (2014 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

**Regional Improvements.** According to the San Luis Obispo Council of Government's (SLOCOG) 2014 Regional Transportation Plan a significant increase in traffic volume on Highway 1 is projected from the 2008 number of 23,100 average daily trips to 28,000 average

daily trips in 2035. The Level of Service in the Morro Bay area on Highway 1 is expected to drop to LOS D. The North Coast segment of the route is projected to increase very modestly as development is expected to be minimal on the North Coast. The SLOCOG 2014 RTP Planned improvements would be limited to enhancements such as billboard removal, Class I bike facilities, undergrounding of utilities, improvements at the Hwy1/SR41 interchange and various beautification and non-motorized transportation improvements.

**Transit.** RTA provides regional fixed-route services within San Luis Obispo County. RTA's Route 9 operates on the Highway 101 corridor between San Miguel, Paso Robles, Templeton, Atascadero, Santa Margarita, and San Luis Obispo. Route 12-A operates between San Luis Obispo, Cuesta College, Morro Bay, Baywood Park, and Los Osos. There is also one express trip (in each direction) between Los Osos, Cal Poly and San Luis Obispo on weekdays. San Luis Obispo Transit operates seven fixed-route buses and trolley, on weekdays and weekends.

**Route 12-A** operates between San Luis Obispo, Cuesta College, Morro Bay, Baywood Park, and Los Osos. There is also one express trip (in each direction) between Los Osos, Cal Poly and San Luis Obispo on weekdays.

**Route 12-B** operates between Morro Bay, Cayucos, Cambria, and San Simeon and feeds Route 12-A in Morro Bay on weekdays.

**Ride-On** a non-profit organization that provides social services clients' transportation and transportation alternatives to members of the general public to increase mobility while reducing congestion, air pollution, and parking demand. Seniors' Shuttle offers rides with advanced reservations to seniors (age 65 and over) by geographical sector; the shuttle operates between 9 am and 4 pm with coverage as follows: North Coast on Mondays and Wednesdays.

**The Trolley** - The City of Morro Bay operates three seasonal trolley routes seven days a week with extended evening hours on Fridays through Mondays with a \$1.00 cash fare. Morro Bay also operates a year-around general public paratransit service from 6:45 am to 6 pm on weekdays within the city limits. As of July 1, 2010, the paratransit service will be replaced by a weekday flex fixed route service from 6:40 am to 5:30 pm with a \$1.25 base fare for fixed route and \$2.50 base fare for the deviated service.

## **HARBOR SERVICES**

The City provides boater assistance, water emergency response, and facilities maintenance for the regional harbor facility within city limits. Morro Bay Harbor is designated as "a state harbor of refuge" by special legislation and the home of USCG station Morro Bay with 35 federal personnel providing marine security for Diablo Canyon Nuclear Power plant and the California coastline between Monterey and Santa Barbara. The Harbor Department includes a staff of 5.75 employees with a budget of about \$1.6 million. The Chief Harbor Patrol Officer and Harbor Patrol officers are City employees who respond to water emergencies outside city jurisdiction, depending on incident location and resources available. The City provides community education for boating and beach safety, and resources management; i.e. snowy plover management, state/federal/private NGO wildlife and environmental protection initiatives etc. In recent years the City has seen public demand for these services increase and along with unfunded state and federal mandates requiring additional management effort and financial resources with no associated revenues.

The federally designated navigational channels must be maintained through dredging at an approximate annual cost of \$1.5 million or the harbor would become un-navigable to most vessels. This would be a significant detriment for safety, regional vessel traffic, and the county economic environment. The city considers maintenance dredging of the harbor navigational channels as a critical service. The city maintains all waterfront public facilities such as the large T piers, and the no-cost public boat launch ramp right down to the street end docks, and these types of maintenance are very costly, requiring significant resources be dedicated for Waterfront facilities maintenance every year. The Harbor Department has the following objectives:

- To maintain all harbor facilities including responsibility for all City piers, docks, equipment and harbor patrol vessels. Maintain and enhance existing City facilities and waterfront businesses through reconstruction projects as need and funding priorities allow. Assist other City departments whenever possible in City with services. Interface with outside agencies to sustain and enhance business environment and quality of life in Morro Bay. Coordinate Federal dredging activities. Provide a clean, safe waterfront area.
- Administer tidelands lease property management program for 50 lease agreements providing annual revenues. Represent the public interest in all lease site use/agreement

negotiations and build a partnership concept with tenants through City cooperation in Embarcadero business promotion improvements.

- Responsible for general administration of the Harbor including; code enforcement of Chapter 15 of the Municipal Code, collection of user fees and providing general City business office functions in an efficient manner.
- The Harbor Patrol shall maintain equipment and City waterfront facilities at a level that reflects well on the City of Morro Bay. Provide boater assistance and water emergency response in a friendly and professional level equal to or higher than other harbors in California.

**Fire**

The City’s Fire Department provides a full range of services including fire suppression, wild land fire response, paramedical emergency medical service, initial HAZMAT response, vehicle extrication, technical rescue and confined space response. The Fire Department is the first responder to non-law enforcement emergency incidents including those at the Power Plant. The Department responded to 1,908 calls in 2014. The Fire Department total budget for FY 16/17 is \$2,327,667.

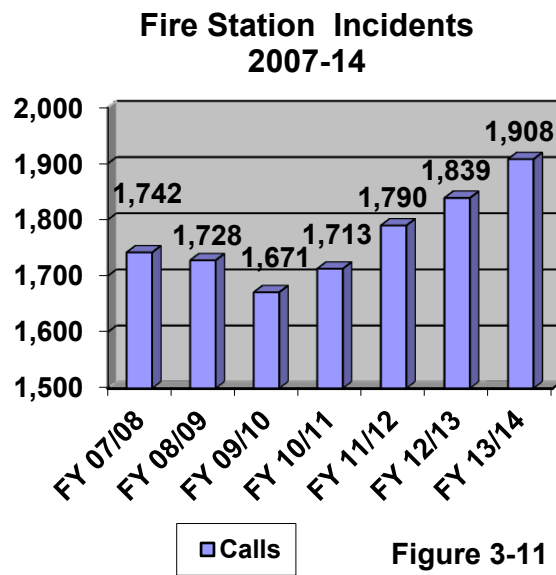


Figure 3-11

The Department maintains two stations located in the City. Station 53 is the operational station and is located at 715 Harbor Street. This station has been newly constructed/remodeled and is staffed daily. The other station (#54) is located on 460 Bonita Street and is un-staffed and is used to store equipment and vehicles.

The Department has 10.5 full-time employees that work from one fire station. The City has a minimum staffing level of two firefighter/paramedics from one station, with three staff on duty unless staff is training, on sick leave or vacation.

The City's Fire Department is able to serve the City's emergency response needs, however, expansion of the Fire Department would be considered if growth and development increase. The sales tax increase, (measure Q), provides some funding for emergency response needs; however, more financial resources may be needed to construct a new station and increase staffing levels. The Department has difficulty in responding to simultaneous calls for service.

## **POLICE**

The Morro Bay provides law enforcement services for the residents of the City. The Police Station is located on Morro Bay Blvd between Kern Ave. and Bernardo Ave. The total budget for the Police Department for fiscal year 2016-17 is \$3.2 million. The services provided by the Department are briefly described below. The Morro Bay Police Department consists of 20 employees, 16 of which are sworn police officers. The Department is divided into two bureaus, with a Police Captain commanding each.

The Operations Bureau consists of a Patrol Services Division, Traffic Safety Unit, Situation Oriented Response Team (SORT), and Neighborhood Services. In 2008 construction began on the new Emergency Communications Center located adjacent to Fire Station #1. The ECC is equipped with new state-of-the-art technology.

**Service Levels.** Service levels for Police are often measured in terms of the number of sworn officers per 1,000 people in a community. This is a general measure and should be used only as one piece of information in characterizing police service levels. Service levels vary from city to city because of minimum patrol staffing, officer safety, available back-up from surrounding law enforcement agencies, demographics, geographic features, special service needs, specific crime problems, and other factors. The following is a ratio of full-time sworn officers per 1,000 in population for the Morro Bay in 2014, calculated using the following formula:

$$\begin{aligned} 10,234 \text{ population} \div 1,000 &= 10.23 \text{ people} \\ 18 \text{ sworn employees} \div 10.23 &= 1.75 \text{ officers per 1000 people} \end{aligned}$$

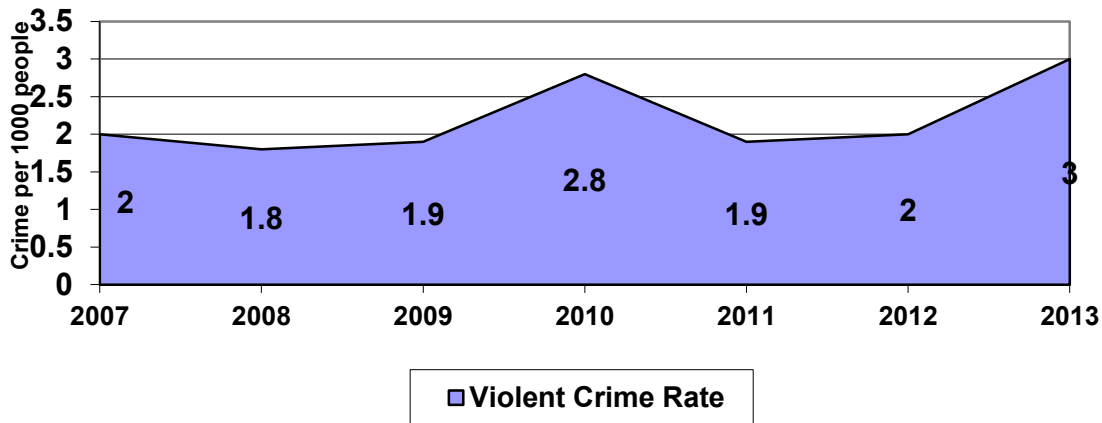
Nationwide the Department of Justice-FBI law enforcement statistics show the ratio to be an estimated two and a half officers per 1000 people for communities the size of Morro Bay. The average officers/1,000 ratio for the seven cities in San Luis Obispo County is about 1.6 officers, with Pismo Beach being the highest at 2.6 and Paso Robles the lowest at 0.90 officers/1,000.

The figures below show the violent and property crime rates per 1,000 people for the Morro Bay from 2007 through 2013. Violent crimes include homicide, rape, robbery, and aggravated assault and have been steadily decreasing. Property crimes include burglary, larceny, auto theft, and arson. This information is from the California Department of Justice Crime statistics. The 2007-2013 crime statistics are based on data from the State of California’s Office of Attorney General, Department of Justice, Criminal Justice Statistics Center.

**Figure 3-12: Violent Crime Rate**

Source: California and FBI Crime Index Table 11, 2007-2013

**Morro Bay - Violent Crime per 1000 people**



**Figure 3-13: Property Crime Rate**

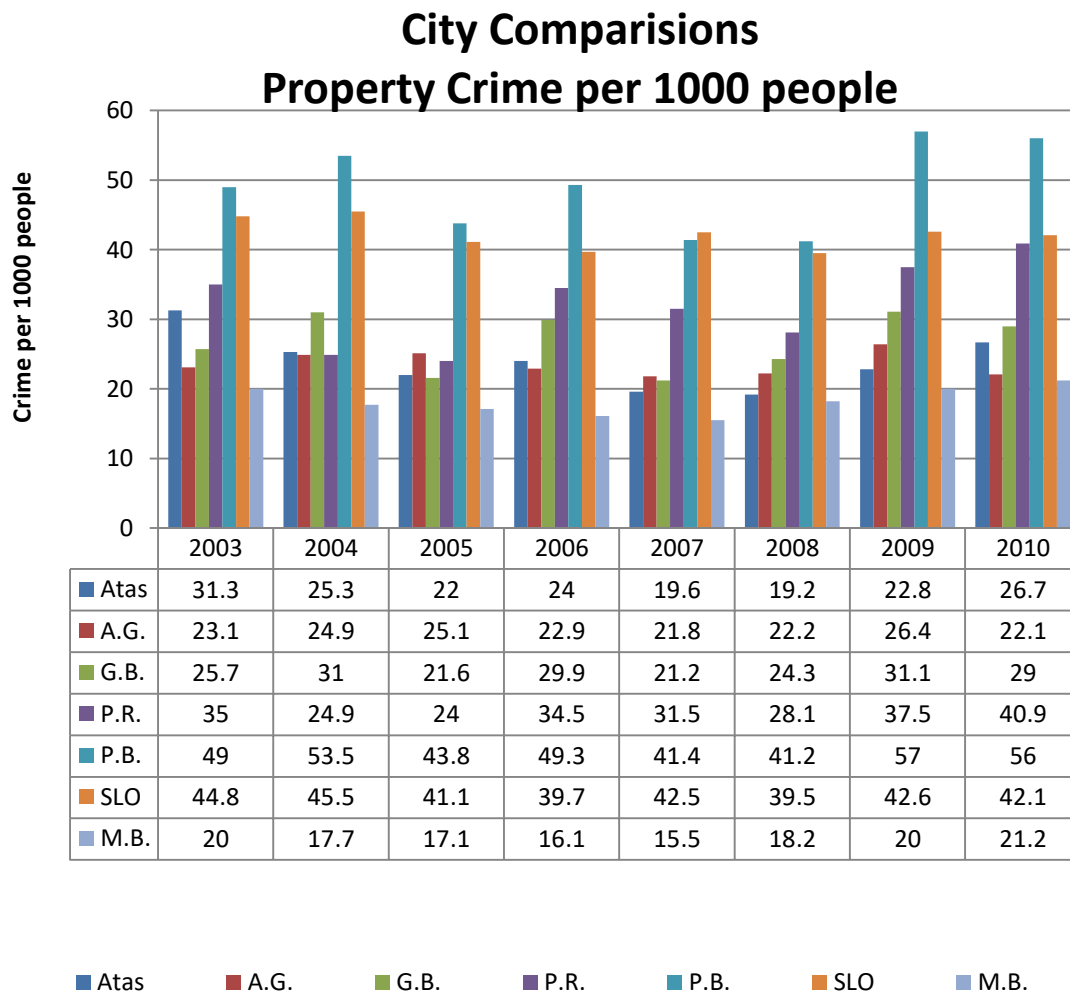
Source: California and FBI Crime Index Table 11, 2007-2013

**Morro Bay - Property Crime per 1000 People**



The following figures show the Morro Bay property and violent crime rates compared to the other cities in the County. Property crime involves burglary, larceny, auto theft and arson. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County and cities, the crime rate shown is per 1,000 people. Morro Bay had a crime rate of 20 in 2003 with a steady crime rate increased to 27.1 in 2013.

Figure 3-14: Comparative Crime Rate

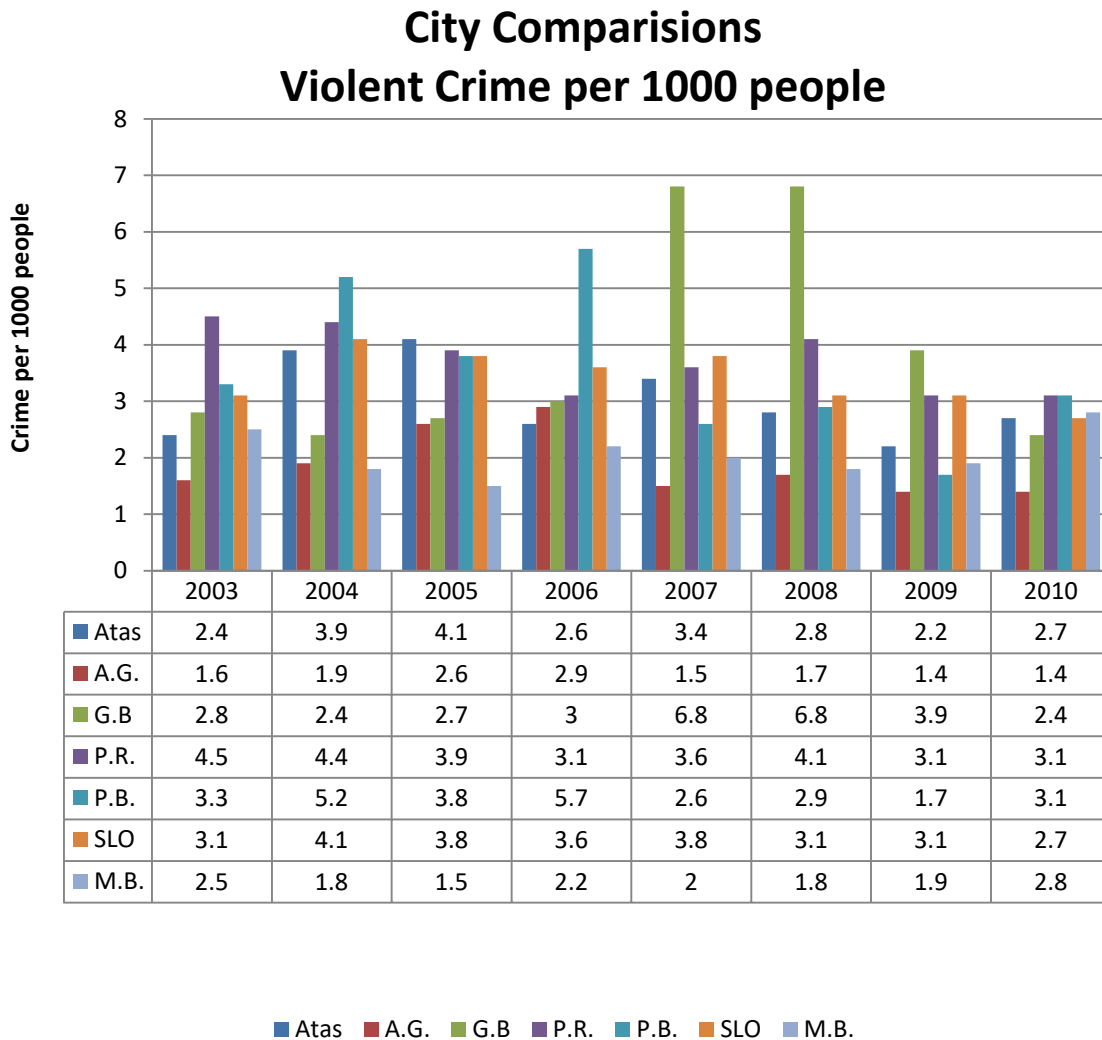


Source: DOF E4, 2010 and California Department of Justice Department



Violent crime involves homicide, rape, robbery, and aggravated assault. These statistics are from the California Department of Justice Law Enforcement Information Center and the California Department of Finance E4 report, 2010. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County cities, the crime rate shown above is per 1,000 people.

**Figure 3-15: Comparative Crime Rate**



Source: DOF E4, 2010 and California Department of Justice Department

The City's General Plan requires that all new development pay impact fees for additional equipment and fixed facilities needed to serve the new development with police services. The City also has a policy of maintaining staffing levels that enable the Police Department to give adequate attention to calls for service, to patrol and crime prevention, and to administrative requirements.

### **DEVELOPMENT IMPACT FEES**

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

## WRITTEN DETERMINATIONS

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

### **Water Supply and Demand**

1. The City is able to provide the services (sewer, police and fire) to the development within the City. However, the recent drought has significantly stretched the City's supply capabilities. The policies and standards in the City's General Plan provide for future services to be funded by the developer.
2. The Safe Yield of the City's Water Supply is estimated to be 3,105 afy in the Biennial 2010-2012 RMS. The estimated demand by the City at build out of the current General Plan is 1,452 afy.
3. The City currently has an adequate water supply to serve the City's anticipated build-out under its current General Plan. However, the City is working to increase the reliability of its supply.
4. The City's General Plan policies would not allow water services to be provided in excess of the available supply.

### **Wastewater**

5. The City operates and regularly maintains the wastewater collection and treatment system, which consists of sewer pipelines, manholes, pump stations, and a wastewater treatment facility.
6. The treatment facility has the capacity to process 2.06 million gallons per day of wastewater and is currently processing an average of 1.15 million gallons per day. The system is operating at 56% of capacity.
7. The City is in the process of planning for and eventually constructing a new facility that will provide tertiary filtration capacity of 1.5 million gallons per day. The City's future growth depends on the construction of a new facility.

8. The City regularly upgrades their current Sewer System by approving projects and allocating funds as part of their Capital Improvement Program and Plan.

### **Roads and Streets**

9. The City's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
10. The City improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan. The City is facing some challenges with adequately funding street maintenance and capital improvements. The City's FY16/17 Budget for street maintenance is funded at 33% and Capital Improvements is funded at 10%.
11. Several transportation projects are in the planning stages and are progressing toward construction. These projects will provide for the continued upgrade of the City circulation system.

### **Infrastructure**

12. Development proposals in the Sphere of Influence would be required to extend physical infrastructure to their respective sites as needed and pay their share for facilities and other City services as a condition of project development.
13. The City is in the process of upgrading and maintaining many of its public facilities, including roads, and wastewater treatment and collection system through its Capital Improvement Plan.
14. The City's General Plan, Capital Improvement Plan, and Circulation Element address the provision of infrastructure for wastewater, roads and other public facility needs.
15. The City should be able to provide the services (sewer, police and fire) to areas within the existing Sphere of Influence while continuing to adequately serve existing residents, pursuant to the policies and standards contained in the General Plan are implemented when considering annexations and development projects.

16. The City's facilities comply with environmental and safety standards and no major enforcement actions by state or federal agencies were identified.

**Police and Fire**

17. The City's Police Department is adequately staffed to provide law enforcement services to its residents given the comparable crime rate with other cities in the County. The City is facing some challenges with adequately funding police services. The City's FY16/17 Budget for police services is funded at 95%.

18. The City is facing some challenges with adequately funding fire services. The City's FY16/17 Budget for fire services is funded at 92%.

19. The City will have the opportunity to add police and fire staff as needed to serve the Sphere of Influence area if annexations are proposed.

### 3.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

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

#### **Budget**

The Morro Bay's budget document is well organized, thorough and clearly articulates the City's future financial plans. The City has established a comprehensive fiscal policy base that guides the preparation and management of the budget, identifies the City's goals and work programs, and summarizes the progress toward previously established City goals. From this policy base the City prepares the Annual Budget. The budget is a financial planning process that is based on input from the community, comprehensive fiscal information, and clearly stated documentation. The City prepared a ten-year budget forecast to provide a long-term perspective and help identify the structural imbalances.

Indicators of the City's financial condition include pension and pent-up labor demand, unfunded replacement costs and deferred maintenance concerns for fiscal years 2016-2017. The City recognizes the challenging situation is faced with. About 75% of the city's services can be funded under its current revenues. The budget projects inadequate funding to continue with some basic services and adequately maintain existing facilities, infrastructure and equipment. The budget forecast identifies four areas of concern; Police services are funded at 95% only addressing officers and not equipment or administrative staff, Fire services are funded at 92% addressing firefighters and not equipment or administrative staff, street maintenance is funded at 33%, and Capital Replacement is funded at 10%. This is a significant challenge considering that the City is anticipating two fiscal impacts of a pension contribution spike and moderate recession for 2017 leaving the City to face a very challenging financial situation.

#### **Priority Based Budget Process**

1. Identify goals and priorities in advance of preparing the budget
2. In the fall, meet with the five City advisory boards/committees to identify budget goals and priorities.
3. A list of goals and priorities is considered by the City Council for review and feedback.
4. Public Workshops are conducted with notices sent to all residents in their water bills. Purpose is to gather feedback from the residents regarding the goals and priorities.
5. Public Hearings to consider the budget are conducted.

The City has been proactive in addressing the financial situation by setting aside reserves that have been used in making it through this period of financial challenge. In prior years, the City anticipated that a fiscal crisis might be looming and prepared by ensuring its reserves were funded at the level required by the budget policies. The City managed the current situation by taking several actions; 1) not filling several vacant positions, 2) eliminating several authorized positions, and 3) using reserves to address the revenue shortfall.

In 2006, the City passed Measure Q, which enacted a general purpose ½-cent sales tax that generates more than \$800,000 annually. This is a General Fund tax and has no sunset date. The Citizens Oversight Committee was established to review the semi-annual expense report of the City relative to activities funded with the additional general purpose local sales tax monies. The City Council divides the annual revenue estimate between the departments based on the language in the measure and campaign polls, and department requests. To date these funds have been predominantly used for infrastructure and public safety.

In recent years the City Council's decisions related to pension reform have helped to ensure a balanced budget. Twenty-three percent of the City's workforce (22 employees) are now under the new pension formulas. The City conducts two goal setting workshops which resulted in 10 City goals:

1. Develop a New Water Reclamation Facility
2. Improve Streets
3. Update Plans for Current and Future Land Use Needs
4. Maintain Core Public Safety Services
5. Ensure Fiscal Sustainability
6. Support Economic Development
7. Improve City Infrastructure
8. Enhance Quality of Life
9. Boost Community Disaster Preparedness
10. Leverage Outside Resources to Support City Goals

The actions that are being implemented by the City based on the past two years of working with the employees include 1) reducing wage and benefit costs; 2) paying attention to expense control; and 3) reducing the size of the City organization.

The 2016-2017 Budget Plan falls short by \$3 million dollars to provide the desired level of services. The City is looking to sustain its current level of limited services over the next 5 to 8 years. The City has made budget adjustments while building the reserves to meet the policy level. The budget is designed to implement the Council's top priorities.

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

### **Annual Audits**

Annual audits are required by State Law and are performed with the purpose of identifying any inconsistencies or non-compliance with mandated accounting requirements. As part of this Service Review, the 2015 audit prepared by an independent auditor over the last year was submitted to LAFCO by the City for review. In reviewing the audit, the City was found to be in compliance with standard accounting principles and standards. The Auditor identified no issues or financial problems and provided an "unqualified opinion" regarding the financial statement presented by the City. The following excerpt from the Independent Auditor documents the auditor's opinion:

*"In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015."*

An "unqualified" independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principles and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The City also posts its annual budget and audits on its website. This provides the



public with easy access to the annual budget and audits. Conversely, an independent auditor would identify accounting financial concerns if these were found.

### **Constraints**

Like many jurisdictions during this difficult fiscal period the Morro Bay has carefully managed its financial resources. Construction of new infrastructure to serve the SOI areas presents a challenge in terms of funding such projects. Serving the SOI areas will likely require a plan for financing infrastructure improvements in these areas. This plan would address funding sources for a number of needed improvements including roads, pipeline infrastructure, and other capital improvements. Funding and timing of these improvements would require planning and investment of resources.

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

### **Fiscal Trend Analysis**

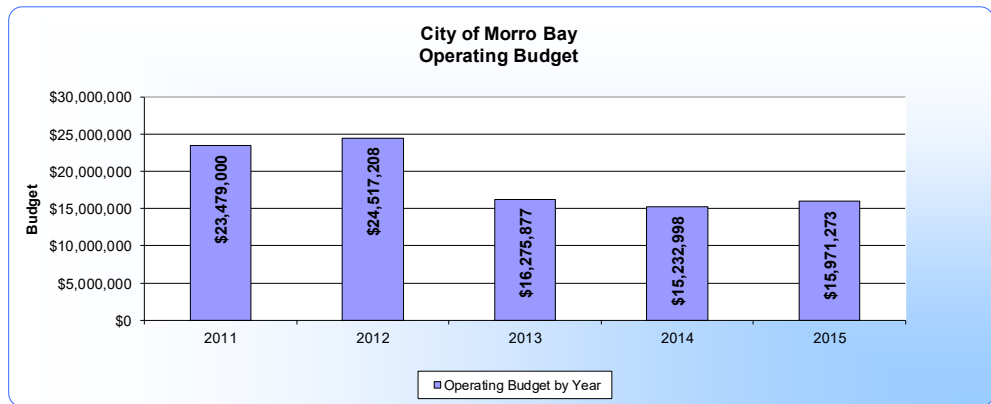
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include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

Operating Budget Figure 3-16

**Formula:**  
Consolidated  
Expenditures /  
Fiscal year

**Trend Analysis:**  
Monitor expenditures  
over time.

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



**Description:**

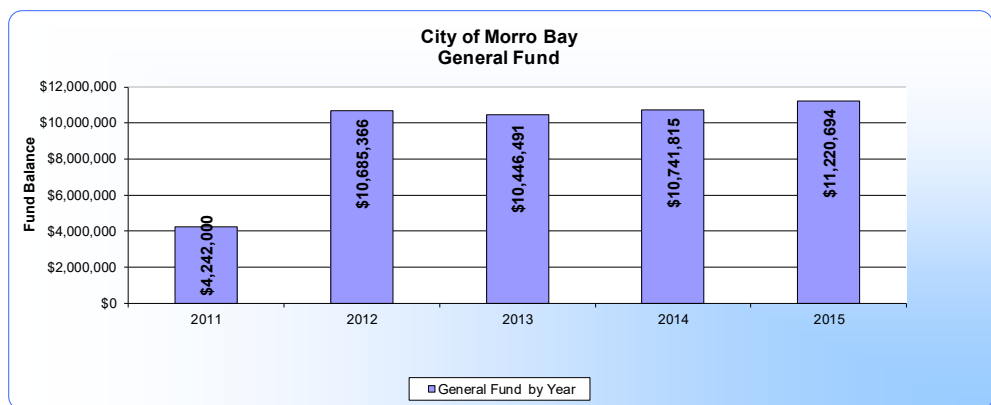
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 3-17

**Formula:**  
General Fund  
Expenditures / Fiscal  
year

**Trend Analysis:**  
Monitor expenditures  
over time.

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



**Description:**

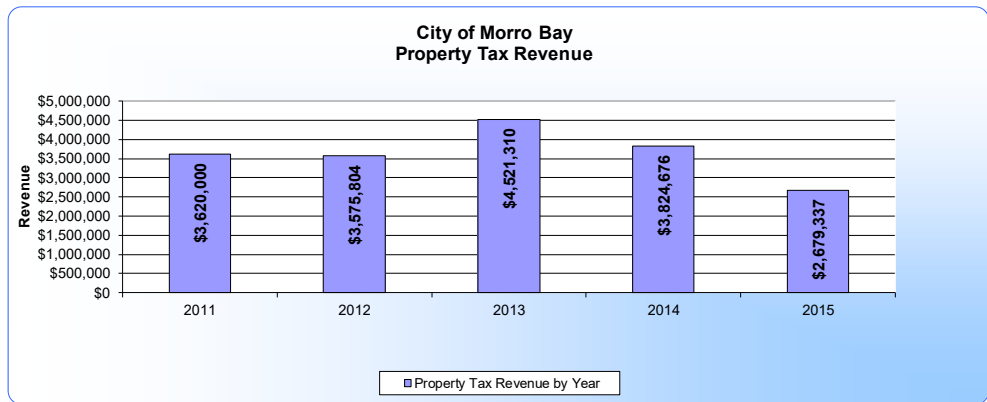
This indicator refers to the General Fund expenditures Not including debt service, capital improvements or capital projects contributions. For special districts it is assumed that all expenditures (except as otherwise stated) are expenditures for services related to charges.

Property Tax Revenues Figure 3-18

**Formula:**  
Property tax revenue / Fiscal year

**Trend Analysis:**  
Monitor property tax revenues over time.

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



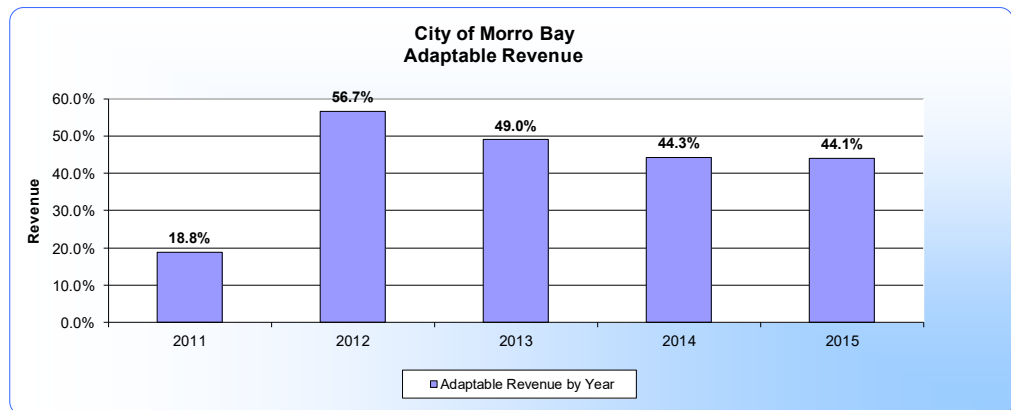
**Description:**  
This indicator will have more importance for those agencies heavily reliant upon property tax revenues such as cities. As these revenues are closely tied to market conditions, this indicator can depict the ability of an agency to respond to economic fluctuations. The property taxes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

Adaptable Revenues Figure 3-19

**Formula:**  
Adaptable operating revenues / Net operating revenues

**Trend Analysis:**  
Monitor amount of adaptable operating revenues as a percentage of net operating revenues.

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



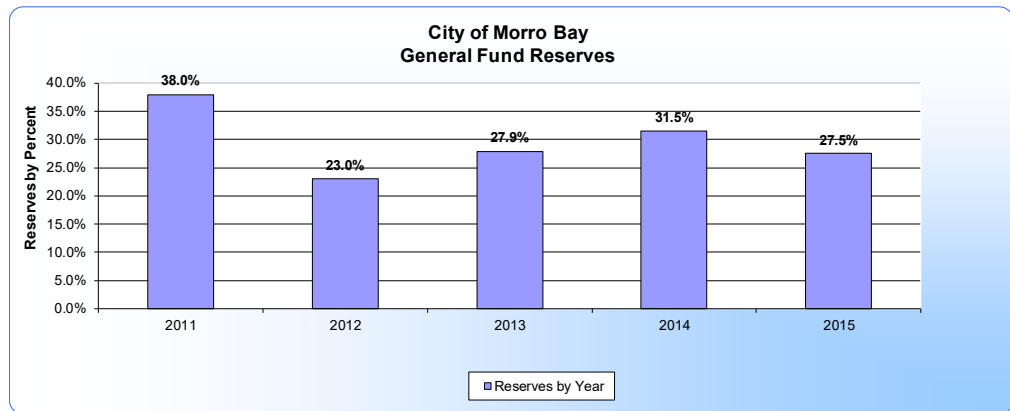
**Description:**  
This indicator can help agencies determine how adaptable revenues are impacting their abilities to provide services. If revenues rely heavily on adaptable sources the agency may want to explore opportunities for increasing inelastic sources to offset the shortfalls in the inelastic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

Reserves Figure 3-20

**Formula:**  
 Unrestricted operating revenues / Net operating or general fund expenditures

**Trend Analysis:**  
 Monitor amount of reserves as a percentage of net operating or general fund expenditures.

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



**Description:**

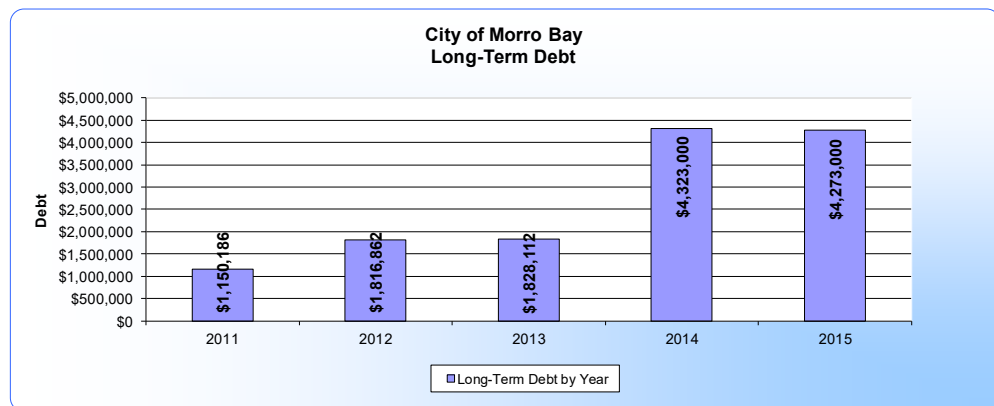
As the percentage of reserves increases, a local government gains its ability to respond to changing conditions and to citizens' needs and demands. Decreases in reserves may also indicate future inability to maintain or enhance service levels. For special districts reserves are a % of next FY operating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

Long-Term Debt/Liabilities Figure 3-21

**Formula:**  
 Current liabilities / Net operating revenues

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

**Source:**  
 Statement of Net Assets



**Description:**

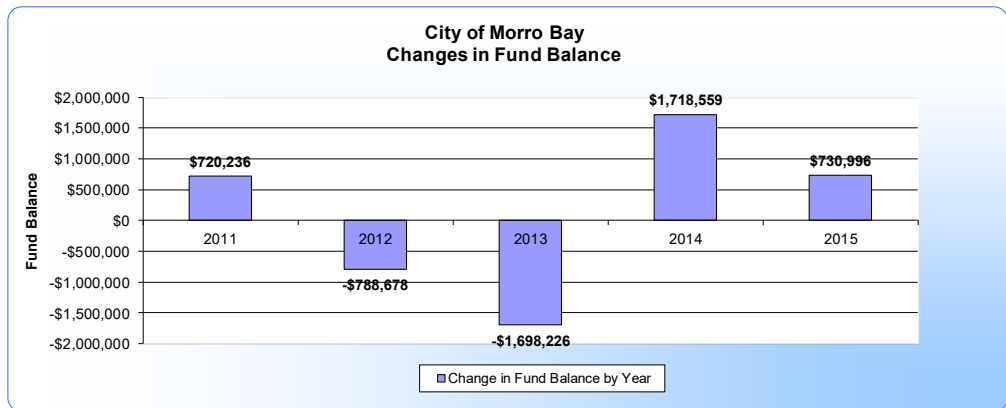
A major component of a jurisdictions liability may be long-term debt in the form of tax or bond anticipation notes. Although long-term borrowing is an accepted way to deal with uneven cash flow, an increasing amount of long-term debt outstanding at the end of successive years can indicate deficit spending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

Changes in Fund Balance Figure 3-22

**Formula:**  
General fund operating deficit or surplus / Fund operating revenue

**Trend Analysis:**  
Monitor general fund operating deficit or surplus as a percentage of net operating revenues.

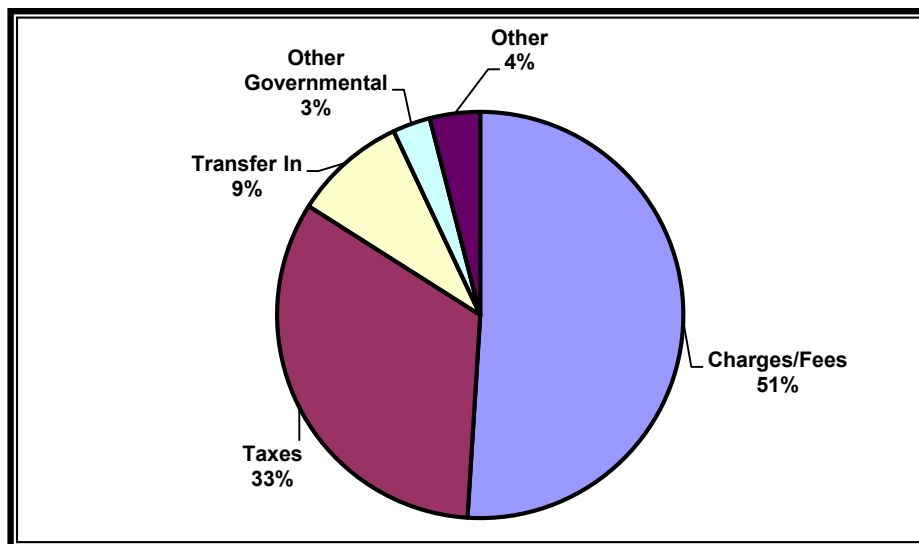
**Source:**  
Comprehensive Annual Financial Statements: Statement of Revenues, Expenses and Changes in Fund Balance (Government Funds)  
Basic Financial Statements: Statement of Revenues Expenses & Changes in Net Assets



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

**Major Revenues.** Property tax is the City’s number one General Fund revenue, accounting for 29% of General Fund sources and is expected to increase by 1% or \$3.6 million in 2016-17. Sales tax has been on the decline for the past several years. The City is anticipating a modest recovery of 2% growth or \$1.8 million in 2016-17. TOT revenues also make-up the top three revenues for the City. The City has had relative steady revenue in TOT of \$2.9 million in 2016-17.

Figure 3-23 Major sources of Revenues



### **Long-Term Debts**

The City uses debt financing only for one-time capital improvements whose life will exceed the term of the financing and where expected revenues are sufficient to cover the long-term debt. The City does not use long-term debt financing for any recurring purpose such as current operating and maintenance expenditures. At the end of the fiscal year 2015 the City had a total debt outstanding of over \$4million. The largest amounts are comprised of \$134,121 for construction of the T-Pier and other harbor improvements from 1997, \$442,828 owned for accumulated unpaid vacation, sick pay, and other employee benefits. The City maintains a double A (“AA”) rating from Standard & Poor’s.

### **Revenues**

While residential uses generally do not cover the full cost of municipal services from property taxes and local sales taxes that are generated, the opportunity to require privately maintained amenities, roads and open space in residential development projects, coupled with the inclusion of commercial development suggests that the SOI areas as recommended may be able to break even in terms of revenues versus costs of services. In December 2016, the median home price in the City was \$572,100. Since the property taxes are calculated based on the sales price of homes, the higher the selling price the more property tax revenue would be generated. These issues would be thoroughly analyzed as the development review process moved forward for areas located in the SOI and being considered for annexation.

Increased revenues from new homes would be directly derived from property taxes. The likely fiscal benefits to the City from the areas annexed may include modest levels of property tax collections from residential land development or Transient Occupancy Tax if tourist-oriented development takes place. Other residential income that could help offset the costs of residential development would be derived from indirect sales and use taxes and one-time development impact fees. Commercial uses would generate sales tax for the City.

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

The use of these districts should be considered for undeveloped properties planned to be included in the City.

Morro Bay, like most cities, requires new development projects, and in particular annexations, to “pay their own way.” At the time an annexation is considered for any of the SOI properties, the City requires an economic analysis to be prepared to identify a cost-benefit breakdown of the proposed land uses and projects.

The current Master Property Tax Agreement policy for property tax exchanges upon annexation of “raw land” allows for the County to retain all of the base property tax, with 66% of the increment being allocated to the County. The City retains 33% of the property tax increment and all of the sales tax, if any. A different tax exchange agreement can be negotiated between the City and the County if both parties agree.

Other income from residential uses would be derived from indirect sales and use taxes, as well as enterprise fund payments, and one-time development impact fees. Morro Bay would also gain sales tax and transient occupancy tax (TOT) revenues from any retail or visitor-serving uses added to the SOI sites.

### **Reserves**

The City has adopted a Fiscal Policy which includes maintaining a General Fund Reserve of 27.5% of budgeted annual operating expenditures and emergency reserves. This is considered the minimum level for maintaining a good credit rating, to provide for economic uncertainties, contingencies for unforeseen expenses, and cash flow requirements. Healthy reserves are one indicator that the City is in sound financial condition. The combination of conservative revenue projections and holding the line on expenditures has helped Morro Bay build a reserve of upwards of \$3.59 million at the end of fiscal year 2016 or 22%. The City will have met its goal for the first time since 2008. However, the City is projecting to use these reserves to balance its budget over the next 5 years.

### **Rates and Fees**

In 2009, the City retained Maximus, Inc to complete a city-wide Cost for Services Study to reflect current conditions in Morro Bay. The purpose of the study was to address the need to maintain the City’s services at levels equal to the standards set by the City Council and to

maintain effective policy and management control of City Services. As described earlier, the annexation of any site will be done through the preparation of specific plans that will include payment of annexation and development fees by the landowners, as well as requirements to install and maintain basic infrastructure to serve the developments. Impact fees for the following types of facilities and improvements were evaluated; planning, building and safety, police, fire, utilities, and recreation, (water, wastewater, transportation facilities were adjusted in 2006 with a CIP index). This study provided information and guidance to the City Council on how the City can continue as a viable financial entity, finance the services and facilities that its citizens and businesses have come to expect, and yet be able to live with budgetary limits. Using this study the City adjusted their fee structure by increasing the costs of key development applications. This adjustment resulted in the City recouping a higher percentage of the actual expense of providing and maintaining various facilities and infrastructure needs for new development.

In 2006, the City retained MuniFinancial to provide Transportation Impact Fee Justification Study. Using this study the City adjusted its fee structure by increasing the cost of new development and identifying the public facilities and costs associated with mitigating the direct cumulative impacts.

### **Water and Sewer Rates**

In 2015, the City provided water and sewer rate studies and related reports and recommendations for the City's water and sewer enterprise funds. This report provided rate increases for the FY's 2015 to 2020 to maintain reliable water and sewer service. The City will give public noticing for customers to protest the increased rates of providing water service. If the City does not receive a majority of written protest for rate increase subsequently the City will adopt new rates for water and sewer service.

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



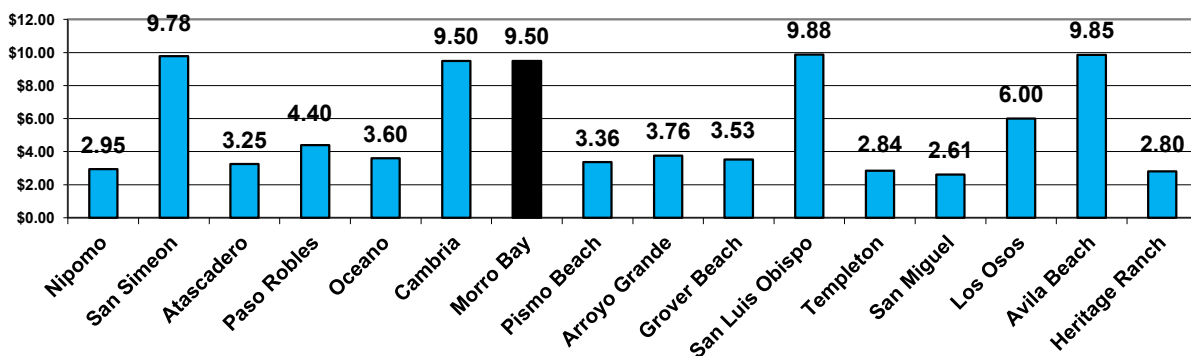
**Table 3-17: Residential Water Rates Comparison**

Rate/Fee	Paso Robles	Atascadero <sup>2)</sup>	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo <sup>1)</sup>
Monthly Service Charge	\$0.00	\$20.50	\$24.18	\$32.57	\$27.52 <sup>3)</sup>	\$10.06	\$8
Water Fee	\$0	\$2.10 (3-12 ccf)	\$4.00 (1-3 ccf)	\$2.72 (1-10 ccf)	\$3.42 (1-18 ccf)	\$3.34 (0-12 ccf)	\$7.90 (0-8 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$4.40 (all ccf)	\$3.25 (13-25 ccf)	\$7.00 (4-10 ccf)	\$3.36 (11-20 ccf)	\$3.76 (19-36 ccf)	\$3.53 (13-20 ccf)	\$9.88 (9 + ccf)
100 cubic foot = 748 gallons		\$4.80 (26-50 ccf)	\$9.50 (11-50 ccf)	\$3.97 (21-35 ccf)	\$5.02 (36+ccf)	\$4.04 (21-42 ccf)	5% utility tax
		\$5.50 (51 + ccf)	\$12.50 (50+ ccf)	\$5.43 (36 + ccf)		\$4.57 (42 + ccf)	

- 1) SLO has a 5% tax
- 2) Nacimiento Charge \$2.50
- 3) Lopez Charge

Jurisdictions that have a limited water supply, such as Morro Bay, typically have a graduated rate structure that increases significantly with higher water use. This encourages conservation on the part of the water users and discourages wasteful practices. The Morro Bay water rates are higher in comparison to others in the County. Comparing the various rates and fees, a sample bill using 20 units of water over a two-month period was calculated. In comparison, Morro Bay would have the highest water rates of all the jurisdictions:

**Figure 3-24: Rates for Water Use at 20 CCF**



**Table 3-18 – Single-Family Water Rates and Monthly Bill**

Rate/Fee	Paso Robles	Atascadero	San Luis Obispo	Cambria	Morro Bay	Pismo Beach	Arroyo Grande	Los Osos	Grover Beach	Templeton
Monthly Service Meter Charge	\$0.00	\$18.00 Up to 2 ccf	\$8.00	\$25.50	\$24.18	\$32.57	\$7.19	\$52.36	\$10.06	\$17.05 Up to 3 ccf
Water (per 1 Unit)	20 units @ \$4.40 (all ccf)	9 units @ \$2.10 (3-12 ccf)  9 units @ \$3.25 (13-25 ccf)	8 units @ \$7.90 (0-8 ccf)  12 units @ \$9.88 (9 + ccf)	4 units @ \$6.50 (1-4 ccf)  12 units @ \$8.50 (5-16 ccf)  4 units @ \$9.50 (16 + ccf)	3 units @ \$4.00 (1-3 ccf)  5 units @ \$7.00 (4-10 ccf)  10 units @ \$9.50 (11-50 ccf)	10 units @ \$2.72 (1-10 ccf)  10 units @ \$3.36 (11- 20 ccf)	18 units @ \$3.42 (1-18 ccf)  2 units @ \$3.76 (18-36 ccf)	5 units @ \$2.00 (1-5 ccf)  5 units @ \$3.75 (6-10 ccf)  10 units @ \$6.00 (11-20 ccf)	12 units @ \$3.34 (0-12 ccf)  8 units @ \$3.53 (13-20 ccf)	14 units @ \$2.13 (3-20 ccf)  3 units @ \$2.84 (20-39 ccf)
Other Charges	\$0.00	\$2.50 (3)	5% Tax	\$0.00	\$0.00	\$0.00	\$20.33 (2)	\$0.00	\$0.00	\$0.00
Sample Monthly Bill (20 units of water)	<b>\$88.00</b>	<b>\$68.65</b>	<b>\$199.25</b>	<b>\$191.50</b>	<b>\$166.18</b>	<b>\$93.37</b>	<b>\$96.60</b>	<b>\$141.11</b>	<b>\$78.38</b>	<b>\$55.39</b>

- (1) Price per unit for Dam retrofit.
- (2) Lopez Charge.
- (3) Nacimiento

Sewer rates are compared in the table below:

**Table 3-19: Single-Family Sewer Rates**

Rate/Fee	Paso Robles <sup>(1)</sup>	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande <sup>(2)</sup>	Grover Beach	San Luis Obispo <sup>(2)</sup>
Flat Monthly Rate	\$78.00	\$20.18	\$62.50	\$63.53	\$17.26	\$24.78	\$8.32

Note: (1) based on a \$7.80 per unit use @ 10 ccf (2) additional use rate may apply based on amount of water used.

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

The properties in the SOI areas do not presently receive public services for which a fee is paid (such as water deliveries, wastewater service or storm drainage management). These services in particular are not available in the SOI areas. As these areas are largely undeveloped at this time, the impact of new services will be fees for those services. There is no evidence suggesting that the annexation of these areas by Morro Bay will result in unreasonable fees for these services as properties annex and develop within the City. It is expected that fees for the SOI areas will be in line with citywide fees for such services. Largely, the annexation would be of public lots for City service purposes resulting in minimal demands.

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

## WRITTEN DETERMINATIONS

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

1. The City prepares an annual budget with a mid-year update, and strives to use the best practices in managing their financial resources.
2. The City conducts annual budget and goal setting workshops that allow the public to participate in fiscal management that is integrated with long range planning.
3. The City has in place a variety of capital improvement plans, development impact fees, and developer-required mitigation in the form of infrastructure improvements required from new projects and similar programs to monitor public service needs of new development. It is reasonable to conclude that the City endeavors to avoid long-term City obligations for the capital improvements or maintenance of new development projects, such as those that would occur in the SOI areas.
4. The City has in place financial regulations that are implemented through ordinances and resolutions. This is important because the manner of maintaining public infrastructure and maintenance services is documented and available for public inspection and scrutiny.
5. The likely fiscal benefits to the City from the proposed SOI areas could include modest levels of property tax collections.
6. Likely fiscal costs to the City would typically include public maintenance of infrastructure completed for the new projects in the SOI. Possible programs to minimize and off-set public maintenance costs include private maintenance through homeowner's associations, as well as public maintenance through a JPA or utility district established.
7. There are no apparent short- or long-term fiscal constraints limiting the Morro Bay's ability to serve the suggested properties within the SOI because they are either an existing public lot, small area of a northern beach property, or within the water of the marina. However, further study at the time of annexation should be completed.

8. The City is proactively planning for and taking actions to manage the impacts of fiscal difficulties on the City's financial resources.
9. The City has in place financial policies that provide a structure for responsible decision-making.
10. Rates and fees for services are established using the City's policy and procedures and special studies as the need arises.
11. The City completed a fee study that identified the cost of services, the subsidy a service received from the City, which resulted in establishing new fees for selected City permit applications.
12. The City uses the budget cycle to consider updating the fees and rates schedule that is implemented on an on-going basis.
13. Development impacts are used to offset the costs of building infrastructure to serve new development. New development within the SOI will be required to pay the associated costs of infrastructure and services.

### 3.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

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

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

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

- ▶ Roadway connections
- ▶ Coordinated open space preservation
- ▶ Linkages between City and County recreational trails
- ▶ Preservation and enhancement of Agricultural Lands

In the case of roadways and creek trails, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and will aid in emergency response times. The County has, on occasion, collected impact fees for a City that is affected by a project in the unincorporated areas. This type of coordination can lead to a reduction of impacts and a more positive solution to the problem of development on the City's fringe. Roads that may involve the City, County and State involvement include Highways 1, and 41. Other important City/County roadways would include South Bay Blvd.

The recreational aspects of trail connections, tied into an open space and equestrian trails, offer opportunities for the City and County to join their recreational resources not only to the benefit of the City residents, but for the general public of the County as well. Coordination of open space corridors that cross over the proposed City-County limit lines would enhance the viability of habitat from the area and preserve important habitat for generations to come.

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

The City also works cooperatively with the State Corrections Department in providing emergency water from the California Men's Colony. These relationships are cooperative and help each agency provide public services in a more efficient manner. The City also works cooperatively and maintains working relationships with the following agencies:

- CAL Fire/SLO County Fire through reciprocal Automatic Aid Agreement and all neighboring fire agencies through the San Luis Obispo Operational Area Fire and rescue Mutual Aid Operational Agreement.
- Regional Water Quality Control Board regarding wastewater discharge
- California Department of Fish and Game to protect wildlife and environmental resources.
- Cayucos Sanitary District for the operation of the existing wastewater facility.

Morro Bay operates the current wastewater treatment facility under a Joint Powers Agreement (JPA) with the Cayucos Sanitary District. Continued current operations and future dismantling are necessary as the two jurisdiction proceed with new plans to construct two separate facilities. The City and Cayucos Sanitary District have decided to build individual plant to serve their needs.

## WRITTEN DETERMINATIONS

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

1. The annexation of SOI study areas to Morro Bay may lead to shared infrastructure with the State and County if cooperative agreements can be worked out. The potential to create shared relationships for providing some services may be appropriate when providing certain services.
2. At present, the distinction between City and County services in the SOI study areas is clear. The City would assume those services provided by the County in the SOI study areas if they are annexed and developed. These are not now, and would not be in the future, duplication of services in the SOI areas.
3. The City works cooperatively with a variety of State and Federal Agencies to facilitate improvements that benefit the City and protect residents and visitors.
4. There may be opportunities for the City and County to work out cooperative service agreements for the areas proposed in the SOI (i.e. fire protection, police services, flood management, road maintenance and improvements, and recreation) because a variety of cost-sharing programs could be pursued that might be cost effective to the City and the County.
5. The City and Cayucos Sanitary District are each developing its own wastewater facility. A more cooperative approach may have resulted in shared costs and savings. However, the City and the District decided to move along separate paths when they could not agree on a number of substantive issues.



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

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

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

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

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

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

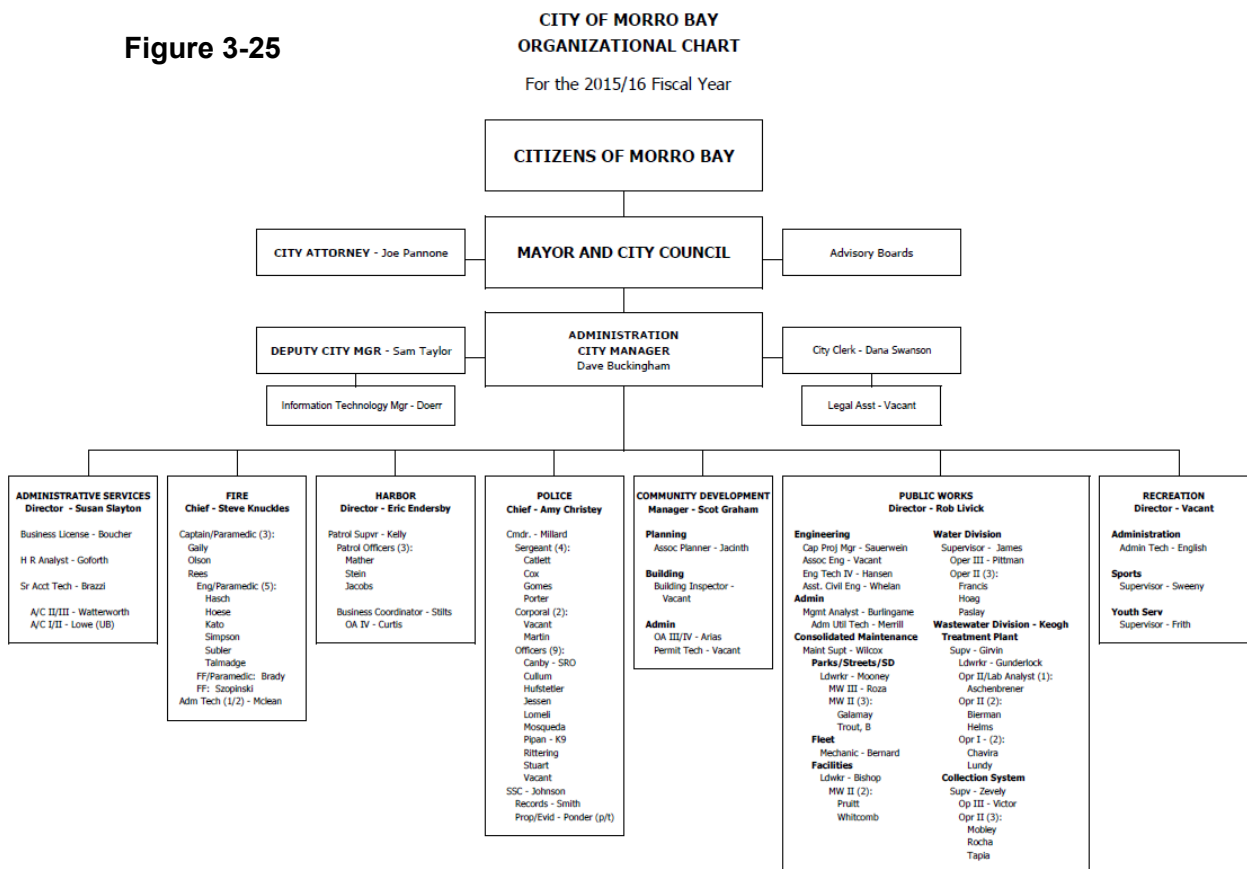
- Citizens Oversight Committee
- Harbor Advisory Board
- Public Works Advisory Board

- Planning Commission
- Recreation & Parks Commission
- Tourism Business Improvement District

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

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

Figure 3-25



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

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

## WRITTEN DETERMINATIONS

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

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

8. Because development relies on infrastructure available from the City, it is logical that the City assume the lead in planning for these SOI areas, consistent with the General Plan. It is reasonable to conclude that public services can be provided by the Morro Bay, and that those services will meet or exceed present levels of service provided in the County.
9. Public participation in the development review process may be improved if the City and County adopt a cooperative effort. This cooperation could result in heightened public involvement at both the City and County levels.

### 3.7 OTHER MATTERS

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

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

**Wastewater Treatment.** An emerging issue is beginning to occur for communities to provide a higher level of treatment. Tertiary level of treatment or the potential for reclaimed water from wastewater is quickly becoming the focus of many communities. Not only does the reuse of wastewater flows benefit the environment but the potential shortages in water supply and the reliance on groundwater in the region could be addressed. Costs associated with joint or regional facilities to provide these services have caused friction such that the surrounding communities are building separate facilities. This may lead to a lost opportunity to provide a regional benefit. The North Coast and its communities should give special attention in this area so that at some point in the future the opportunity to consolidate wastewater services is not lost. The jurisdictions should continue to work to provide and meet regional standards for wastewater treatment and services to their residents. However, greater study and evaluation on coordination and cost sharing should be addressed to ensure these services are efficiently being handled.

## REFERENCES

- Morro Bay Budget FY 2010/11 to FY 2016/17
- Morro Bay Capital Improvement Project 2016-2017, 2016
- SLO County Resource Management System Biennial Report, 2011
- SLOCOG AECOM Population & Employment Forecast, 2011
- Morro Bay Fee Schedule, 2011
- Morro Bay Urban Water Management Plan, 2010
- SLO County Conservation, Open Space Element, 2010
- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2010.
- California Department of Finance E-4 Report, 2010
- California Department of Finance E-4 Report, 2010
- SLO County Estero Area Plan, revised 2009
- San Luis Obispo County Tourism Analysis Report, 2008
- SLOCOG Regional Housing Needs Allocation, 2008
- Morro Bay LAFCO, Sphere of Influence Study, 2007.
- Morro Bay General Plan,
- Morro Bay, Official Website, [www.ci.san-luis-obispo.ca.us/](http://www.ci.san-luis-obispo.ca.us/).
- County of San Luis Obispo, Official Website, [www.slocounty.ca.gov](http://www.slocounty.ca.gov).
- San Luis Obispo Council of Governments, Official Website, [www.slocog.org](http://www.slocog.org).
- California Attorney General, Official Website, [www.ag.ca.gov](http://www.ag.ca.gov).

## NOTICE OF EXEMPTION

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

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

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

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

**PROJECT TITLE:** CITY OF MORRO BAY SPHERE OF INFLUENCE UPDATE AND MUNICIPAL SERVICE REVIEW

**Project Location and Description.** The City of Morro Bay's Sphere of Influence is not recommended to change from the existing adopted Sphere Boundary. The City's existing Sphere of Influence is approximately 100+/- acres beyond the City limits. The Sphere of Influence is a 20-year planning boundary that indicates what areas might be annexed and served by the jurisdiction in the future. These areas are recommended to remain in the SOI in part because the City envisions future growth based on its General Plan. The City is in process of preparing General Plan Update and Environmental Impact Reports for wastewater facility to be located in the study areas.

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

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

**Reasons for Exemption.** A Sphere of Influence is a plan for probable, physical boundary and service areas of a local agency or jurisdiction. As such, it does not give property inside the Sphere boundary any more development rights than what already exist. The Sphere of Influence Boundary is a long-range planning tool that assists LAFCO in making decisions about a jurisdiction's future boundary. The Sphere indicates areas that might be served by the City. It is unknown if an area will ever be annexed to the City. Also, it is often uncertain what type of precise land use is going to be proposed for a specific area. In the case of Morro Bay's Sphere of Influence Update, the boundary will not change nor has the setting changed significantly with regard to the SOI.

The study of impacts associated with the Sphere of Influence is often speculative since it is unclear what type of project might be proposed or if an area will even be annexed in the future. The City or County studies impacts comprehensively when a project-specific environmental review is completed. The City is currently evaluating and preparing an Environmental Impact Report for a wastewater facility in the study areas.

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David Church, Executive Officer

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Date



# BOARD OF SUPERVISORS

COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Tuesday, September 25, 2007

PRESENT: Supervisors Harry L. Ovitt, Bruce S. Gibson, K.H. 'Katcho' Achadjian, James R. Patterson, and Chairperson Jerry Lenthall

ABSENT: None

In the matter of the Consent Agenda:

This is the time set for consideration of the Consent Agenda.

Thereafter, on motion of Supervisor Harry L. Ovitt, seconded by Supervisor K. H. 'Katcho' Achadjian, and on the following roll call vote:

AYES: Supervisors Harry L. Ovitt, K. H. 'Katcho' Achadjian, Bruce S. Gibson, James R. Patterson, Chairperson Jerry Lenthall

NOES: None

ABSENT: None

ABSTAINING: None

Consent Agenda Item B-7 is amended to change the coversheet and the budget adjustment amount to \$115,000 and replace all pages within the packet to reflect this change. Item B-8 is amended to correct the coversheet to reflect the item is continued to November 6, 2007. Item B-9 is amended by correcting the budget adjustment amount from \$151,266 to \$151,226 on the coversheet. Item B-14 is amended by replacing Exhibit B of the staff report to revise Section 4.4E with a minor edit recommended by County Counsel to strengthen the legality of the document. Item B-18 is withdrawn. Items B-22 and B-23 are added to the Consent Agenda. Consent Agenda Items B-1 through B-23 are approved as recommended by the County Administrative Officer and as amended by this Board. Further, Consent Agenda Items B-1 through B-23, as amended, are on file in the Office of the County Clerk-Recorder and are available for public inspection.

File  
9/26/2007 cmc

STATE OF CALIFORNIA )  
) ss.  
County of San Luis Obispo )

I, **JULIE L. RODEWALD**, County Clerk and ex-officio Clerk of the Board of Supervisors, in and for the County of San Luis Obispo, State of California, do hereby certify the foregoing to be a full, true and correct copy of an order made by the Board of Supervisors, as the same appears spread upon their minute book.

WITNESS my hand and the seal of the said Board of Supervisors, affixed this 26<sup>th</sup> day of September, 2007.

(SEAL) **JULIE L. RODEWALD**  
County Clerk and Ex-Officio Clerk of the Board of Supervisors

By: CM Christensen  
Deputy Clerk

7 B-1 thru B-23

9/25/2007

B-14

**MEMORANDUM OF AGREEMENT  
BETWEEN THE CITY OF MORRO BAY AND  
THE COUNTY OF SAN LUIS OBISPO**

This Agreement between the City of Morro Bay (hereafter "City") and the County San Luis Obispo County (hereafter "County") is entered into by the City on this 10th day of September, 2007, and by the County on this 25th day of September, 2007.

WITNESSETH

WHEREAS, the City and County desire to work together to address future issues regarding the development proposals that may affect both the City and the County; and

WHEREAS, the Planning Referral Area found in Exhibit A shows where development projects shall be referred to the County of San Luis Obispo and the City of Morro Bay, and the City and County have agreed to the terms and provisions found in Exhibit B of this agreement; and

WHEREAS, the City and County have reached agreement regarding the boundaries of a referral area (Exhibit A), and the Planning Processes and Procedures to be followed (Exhibit B) to ensure the orderly and logical development of the City; and

WHEREAS, the City updated the General Plan and Local Coastal Plan in 2004, and it is well organized and provides a clear policy base for growth and development within the City and defines policies that the City will implement to ensure the preservation of coastal resources, agricultural land, open space and the character of Morro Bay; and


WHEREAS, the City's updated 2004 General Plan and Local Coastal Plan, which clarifies and combines the existing 1988 General Plan and 1982 Local Coastal Plan, has been submitted to the California Coastal Commission for review and certification; and

WHEREAS, the County's General Plan Elements, Estero and Adelaida Area Plans and Local Coastal Plan contain policies that call for the preservation of coastal resources, agricultural land and open space as well as community separators that maintain a community's distinctive identity and preserve the rural character of the areas between and on the fringes of communities and cities; and

NOW, THEREFORE, be it resolved that the parties agree as follows:

1. The map found in Exhibit A provides for the referral of development projects to the City and County within the Planning Referral Area as shown;
2. The Planning Processes and Procedures contained in Exhibit B provide a framework for the City and County working together to cooperatively review the development proposals within the Planning Referral Area;
3. The Planning Processes and Procedures contained in Exhibit B are intended to provide the City and the County with the methods for developing land use policies and standards for the areas shown in Exhibit A.

4. The City's and County's General Plan and Local Coastal Plan policies shall be used to guide the logical and orderly development of these Areas while preserving the agricultural and open space lands.
5. It is the intent of the City and County to honor this agreement to the fullest extent possible.

  
\_\_\_\_\_  
Mayor, City Council  
City of Morro Bay

APPROVED AS TO FORM AND LEGAL EFFECT:

\_\_\_\_\_  
City Attorney

Dated: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

Dated: \_\_\_\_\_

JERRY LENTHALL

Chairman, Board of Supervisors  
County of San Luis Obispo

APPROVED AS TO FORM AND LEGAL EFFECT:

\_\_\_\_\_  
County Counsel

Dated: \_\_\_\_\_

ATTEST:

**JULIE L. RODEWALD**

\_\_\_\_\_  
County Clerk

By: **C.M. CHRISTENSEN**  
\_\_\_\_\_  
**Deputy Clerk**

Dated: SEP 25 2007

EXHIBIT A  
Planning Referral Area

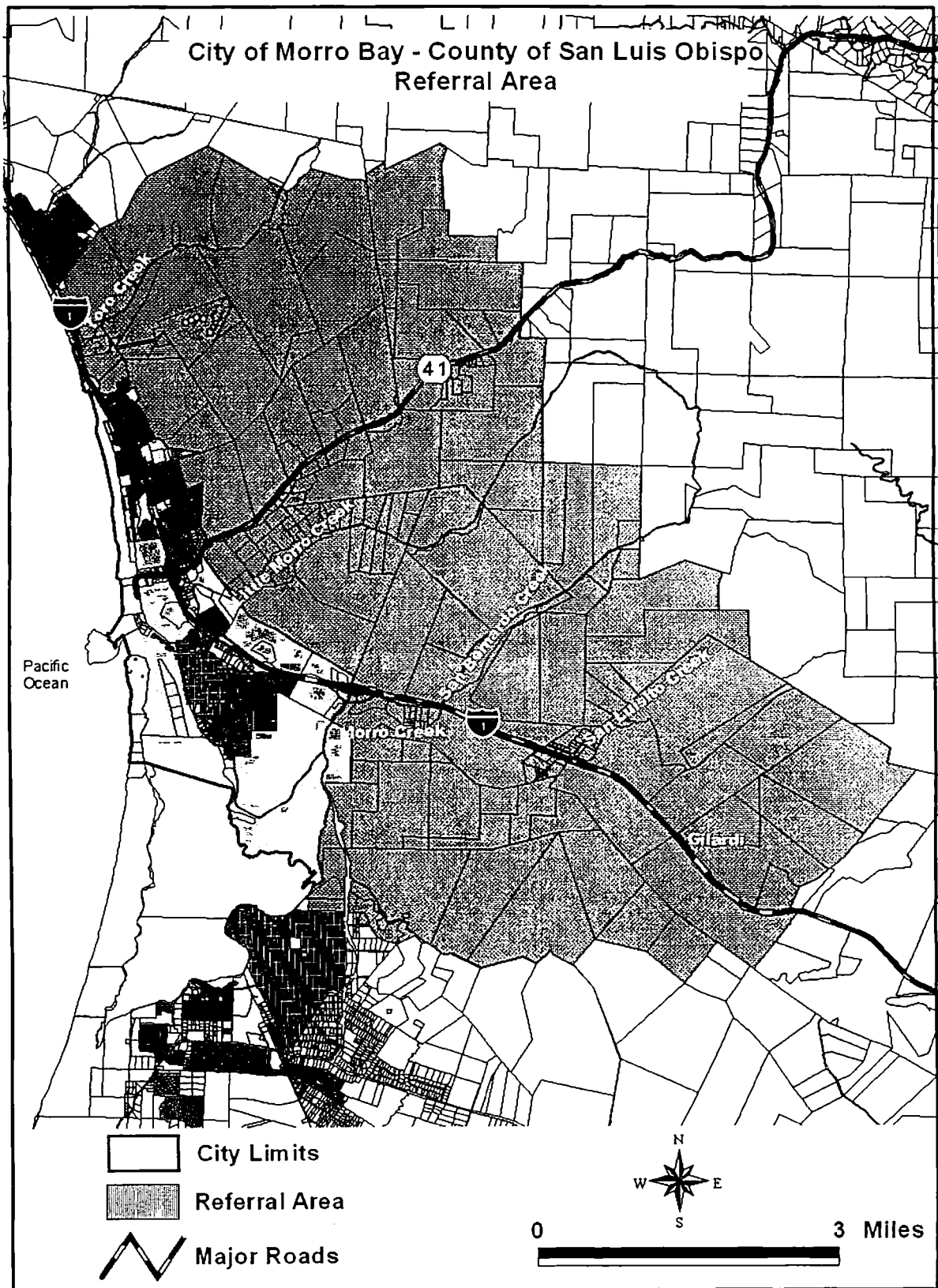


Exhibit B  
PLANNING PROCESSES AND PROCEDURES

The following processes and procedures are agreed to and shall be used by the City of Morro Bay and the County of San Luis Obispo to develop land use policies applicable to the Planning Referral Area shown in Exhibit A:

1. **Interagency Cooperation.** The City and the County shall work cooperatively to plan for future land uses and the provision of public services and facilities within the Project Referral Area. Discretionary development projects or activities and General Plan Amendments within the Planning Referral Area found in Exhibit A shall be referred to each jurisdiction for review and comment prior to action on a development proposal. The County shall seek the City's comments regarding these projects in the Planning Referral Area as defined in Exhibit A. The City shall seek the County's comments regarding projects that affect the unincorporated area found in this area. The City shall be notified of any pre-application meeting that may occur regarding a project within the referral area. When a discretionary project application is accepted for processing, it shall be referred to the following contact person(s) for early review and comment:

Division Manager, Long Range Planning  
County of San Luis Obispo  
Department of Planning and Building  
County Government Center  
San Luis Obispo, CA 93408

Public Services Director  
City of Morro Bay  
Department of Public Services  
595 Harbor Street  
Morro Bay, CA 93442

Projects and activities that effect agricultural lands and resources shall be referred to the County Agricultural Commissioner's office at the following address:

Agricultural Commissioner  
San Luis Obispo County Department of Agriculture  
2156 Sierra Way, Suite A  
San Luis Obispo, CA 93401

2. **Services.** In evaluating any development, the agency considering approval (City or County) should rely on its ability to provide the required services to that development; unless service agreements between the City and County can be arranged prior to approval. The City or County shall not presume that any public services will be provided by the other agency without documenting that such services are available and that the jurisdiction is capable of providing such services. Development/mitigation fees needed to offset the impacts from projects approved by either jurisdiction in the Planning Referral Area (**Exhibit A**) shall be collected and distributed in a fair and equitable manner.
3. **Fire and Law Enforcement Services.** Costs associated with fire and emergency response services shall be given special attention. When necessary, the County and City Planning Staff shall meet with the City's Police and Fire Chief and the

County Sheriff and Fire Department Chief regarding development in the unincorporated areas that would impact the police and fire service levels. The purpose of this meeting is to identify and discuss fiscal and service impacts of development related to police and fire services, and appropriate mitigation measures.

4. **Special Areas of Interest.** The City and County agree to the following processes and procedures for specific areas discussed:

4.1 **Chevron/Texaco Properties** is approximately 3,200 acres of land that is zoned agriculture abutting the northeast area of the City on the east-side of Highway 1. The following planning process is agreed to by the City and County:

- a. Meetings between City and County Staff to discuss the future processing of any General Plan amendments or land use proposals for the properties owned by Chevron/Texaco shall occur at the earliest possible time in the planning process. The purpose of these meetings is to discuss the potential future land uses that may be proposed for this site, to coordinate the review of land use proposals, and to coordinate the policies and standards of the respective General Plans.
- b. From these meetings, the City and County staff shall prepare a joint action plan that identifies the steps for processing any land use development projects, proposals, or activities for the Chevron/Texaco properties. The action plan shall be submitted by City and County Staff to the City Council and Board of Supervisors for consideration and adoption by resolution:
- c. The joint action plan shall discuss, but is not limited to the following issues:
  1. A description of any proposed land use changes or development proposal for the properties;
  2. Modification of the City's Sphere of Influence to include certain parcels that may eventually be served by the City;
  3. Potential Annexation of properties into the City;
  4. Agricultural and Open Space Resources;
  5. Coordination of the review of land development proposals.
  6. Services to be provided by what jurisdiction;
  7. General Plan modifications that may be necessary or required
  8. A schedule for the completion of various steps and tasks
  9. Other issues/topics as needed

4.2 **The Highway 41 Corridor** includes the Rancho Colina Mobile Home Park to the north and adjacent to the Highway, prime agricultural lands to the south, and several large lot rural homes. The area to the south and adjacent to Highway 41 is productive, prime agricultural land that shall be preserved. The Rancho Colina Mobile Home Park may need an outside user agreement to provide sewer services that would alleviate a potential threat to public health. Several individual



residences on large parcels exist in this area along Highway 41 and to the south on Little Morro Creek Road.

- a. **Rancho Colina Mobile Home Park.** If the City and property owner agree to an outside user agreement that limits the extension of services to only the existing Rancho Colina Mobile Home Park based on the potential public health threat identified by the Regional Water Quality Control Board. An outside use agreement instead of annexation to the City would discourage development of parcels in-between the City and the mobile home park, thus limiting urban sprawl and a leapfrog development pattern in the area. LAFCO would give strong preference to an outside user agreement. If the mobile home park is to be annexed to the City, a separate parcel for only the mobile home park should be created prior to annexation, unless a development plan for the balance of the parcel is being considered by the City.
  - b. **Private Residences-Highway 41/Little Morro Creek Road.** These residences on large rural lots are currently served by private water wells and on-site septic systems. Should the provision of services by the City become necessary, any water and sewer services should be sized to a capacity to serve only the existing lots unless other development plans under current zoning necessitate increased level of services from the City. To receive City services, these residences would require an amendment to the Sphere of Influence and annexation into the City for services. Alternatively, a public health and safety threat would need to be documented and an outside user agreement may be considered depending on the circumstances.
- 4.3 **Public Facilities.** The City owns, operates and constructs water tanks, water treatment facilities, wastewater treatment plants, and recreational facilities that serve City residents. These facilities are (or may be) sited on separate parcels or where a public lot is created to annex such a facility. The City owns or leases several parcels with public facilities to serve residents. The public lot process creates a lot that is sized to accommodate the particular facility located on the site and must be owned by the City. This process involves approval by the County. The following process would allow for an approved public lot that is to be used for a public facility to be included in the Sphere of Influence once the lot is created:
- a. Upon the City filing an application for a public lot to accommodate a facility that would provide services to the City, the County will expeditiously review and submit for approval the application to the Subdivision Review Board.
  - b. If the project description includes only the creation of a public lot and the details of the facility are still unknown, the County shall complete the CEQA review based on the creation of the public lot. The City shall complete the CEQA process for the detailed project description and rezoning of the area for annexation when the scope and details of the project are known. Key potential environmental impacts such as visual, cultural, and grading shall be addressed through the CEQA process by the City.

- c. A lot owned by the City, or an approved public lot created for the purpose of siting or replacing a public facility associated with the City's water and sewer services, shall be considered part of the Sphere of Influence. The City shall submit documentation to LAFCO that indicates a public lot has been created and title to the lot has transferred to the City (or the City owns the lot) for the purposes stated above and requesting that said lot be included in the Sphere of Influence. Public Lots that are currently owned by the City and used for municipal purposes may be annexed to the City pursuant to Government Code Section 56742. The following lots are included:

**City of Morro Bay - Property Inventory**

APN	Owner	Location	Street	Acreage	Use
73-075-001	City	Outside City	Blanca St.	.29 ac	Blanca Tank Site
73-133-009	City	Outside City	Quintana Rd.	.08 ac	Vacant
73-133-010	City	Outside City	St. Park Area	.08 ac	Well M-1 Site
73-131-009	City	Outside City	Chorro Ck Rd.	.37 ac	Wells 9 & 10 Site
73-131-010	City	Outside City	Chorro Ck Rd.	4.99 ac	Wells 12 & 16 Site
73-131-017	City	Outside City	Chorro Ck Rd.	1.1 ac	Well 10A Site
73-132-002	City	Outside City	Chorro Ck Rd.	.38 ac	Well 9A Site (agreement)
73-182-013	City	Outside City	Canet Rd.	.36 ac	Well 11A Site

- d. Parcels that are contiguous to City Limits, not owned by the City, and are used for public facilities, may be annexed pursuant to LAFCO policies and procedures.

4.4 The State Parks Marina and adjacent area (Exhibit C) requires regular dredging to maintain the navigation channels used by vessels to exit and enter the Marina. The City is making major improvements to the marina. To improve boater access to the newly renovated Morro Bay State Park Marina, the City proposes to deepen a portion of the entrance channel immediately west of the Marina. The deepening (to a depth of -12 ft MLLW) would be accomplished by dredging and will be a continuation of the dredging that is to occur within the Marina itself. Dredge spoils would be moved to a location that has yet to be identified. To facilitate the dredged area tie-in to the existing -12 ft isobath within the north-south channel northwest of the Marina, the proposed channel deepening extends west of the City Limit line and into County property by approximately 222 ft. The area under County jurisdiction is approximately 11,100 square feet. The marina improvement project involves approvals from the California Coastal Commission, the Army Corps of Engineers, the California State Lands Commission, California Department of Fish and Game, U.S Fish and Wildlife Service and other agencies.

- a. The City is the lead agency regarding the permitting of the marina improvement and dredging project. The County is a responsible agency and intends to help the City complete the project including mitigations as expeditiously as possible by waiving the need for County permits (such as Coastal Development Permits, Grading, etc.) regarding the dredging part of the project to the extent that such waivers are determined to be allowed by State Law and County Ordinances. The

County may not be able to waive permits for the deposition of dredge spoils on unincorporated properties.

- b. The City has initiated the preparation of Environmental Impact Report and Environmental Assessment to address potential environmental impacts associated with the proposed Marina dredging, disposal of dredge spoils and improvements. In addition, the City has conducted pre-application meetings with key regulatory agencies involved in the ultimate permitting of the project.
- c. The CEQA/NEPA documentation and approval process will address the project as a whole including the proposed dredging and deposition of dredge spoils within the County property. In addition, project related permit applications will include activities associated with the entirety of the project and be issued by the City of Morro Bay.
- d. It is the City's intent to address and incorporate the County's environmental and regulatory requirements, including analysis of consistency of the project with the County's Local Coastal Plan, within the overall project approval process. This shall ultimately be confirmed through the Coastal Commission review of the permits and documentation prepared by the City.
- e. The County shall provide any guidance regarding the issues and permitting requirements it would have the City address as it proceeds with the environmental review and permitting of the proposed project. The County shall not impose further permitting requirements unless prevented from doing so by County ordinance or State law.

5. **General Plan Coordination.** The County shall give great weight to the City's General Plan/Local Coastal Plan policies when reviewing development proposals in the City's Planning Referral Area. The City shall give great weight to the County's General Plan/Local Coastal Plan policies when reviewing development proposals in the Planning Referral Area.

6. **Agriculture and Open Space.** The City and the County shall work together to preserve the agricultural and open space resources using the City's Conservation and Open Space Element and the County's Agriculture and Open Space Policies. The criteria contained in the County's Agriculture and Open Space Element and the pertinent policies in the City's General Plan/Local Coastal Plan, shall be addressed in the preparation of any land use entitlements and Environmental Documentation.

7. **Smart Growth Principles.** Development projects proposed should be consistent with Smart Growth Principals. These principals are evident in both the City's and County's General Plans/Local Coastal Plans and adopted policies and should be thoughtfully applied to new development in the Planning Referral Area (Exhibit A). The goals associated with Smart Growth from the City's General Plan/Local Coastal Plan include:

**CITY OF MORRO BAY - KEY SMART GROWTH PRINCIPLES**

**Goal #1** Resources that are managed for the future.

**Goal #2** Agricultural buffer around the community

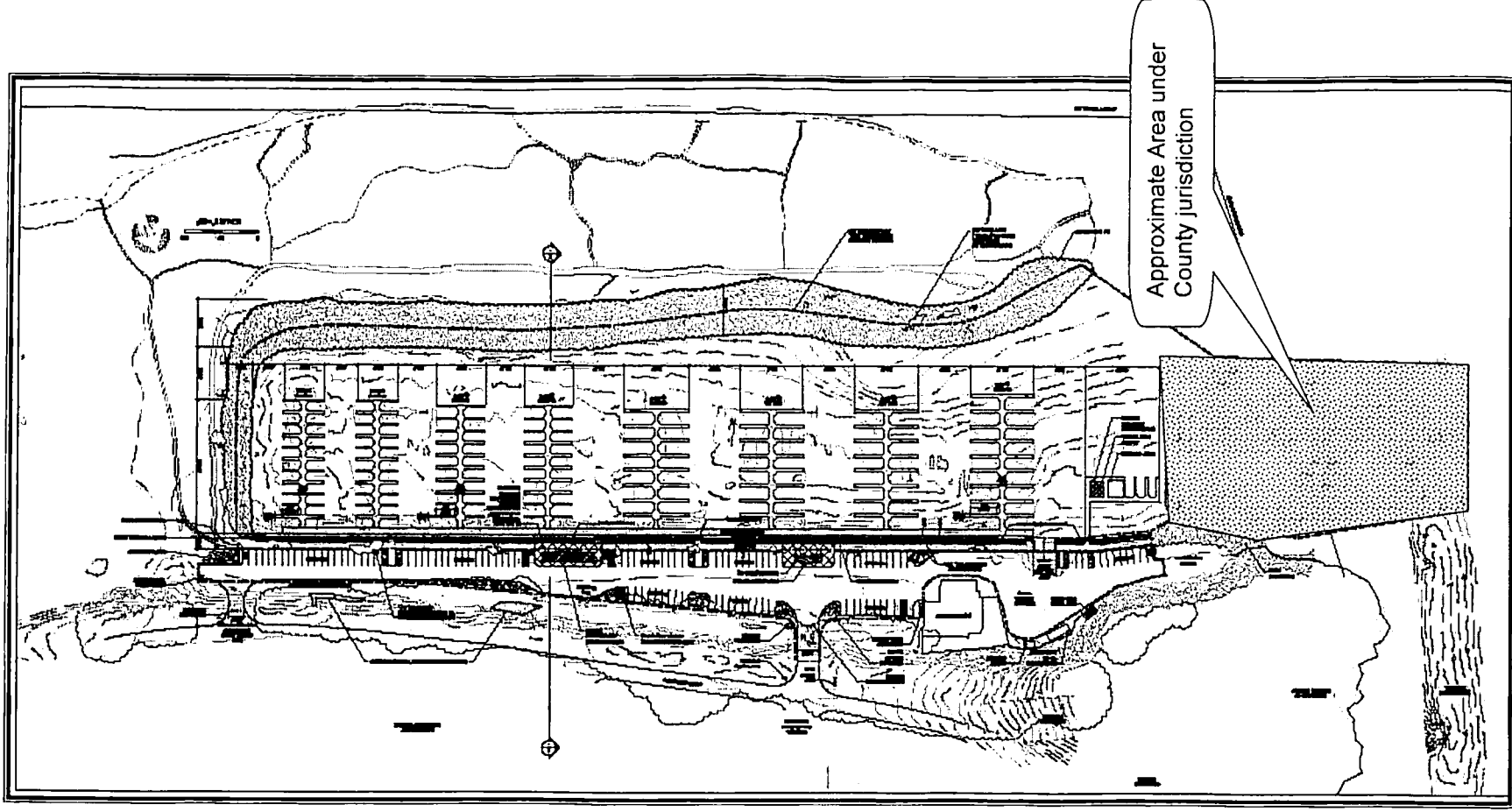
- Goal #6** A diversified economic base that provides shopping, services, clean industry, and employment opportunities for the community.
- Goal #8** Productive use of existing commercial buildings.
- Goal #9** Compatible mixed uses in specified appropriate areas.
- Goal #15** A pedestrian-friendly community.
- Goal #16** A connected pedestrian circulation system.
- Goal #19** An interconnected system of streets that avoids concentration of traffic on a few routes.
- Goal #23** A reduction in automobile use supported and promoted by safe and reliable alternatives such as walking, bicycling, car pools, and public transportation,
- Goal #34** A stable, long term boundary between the City and surrounding County with extensive open lands separating the City from other urban development.
- Goal #35** Preserve agricultural uses in and adjacent to the City without conflict between agricultural and urban uses.

**COUNTY OF SAN LUIS OBISPO-GUIDING PRINCIPLES FOR SMART GROWTH**

The County Board of Supervisors endorsed the following Smart Growth principles:

1. Strengthen Regional Cooperation
2. Preserve Open Space, Farmland, Natural Beauty and Critical Environmental Areas
3. Strengthen and Direct Development Towards Existing Communities
4. Foster Distinctive, Attractive Communities with a Strong Sense of Place
5. Provide a Variety of Transportation and Land Use Choices
6. Create a Range of Housing Opportunities and Choices
7. Encourage Mixed Land Uses
8. Create Walkable Neighborhoods and Towns
9. Take Advantage of Compact Building Design
10. Make Development Decisions Predictable Fair and Cost Effective
11. Encourage Community and Stakeholder Collaboration

Exhibit C  
Marina Dredging Area



- B-5 Submittal of a resolution recognizing the San Luis Obispo Council 1271 of the Knights of Columbus on their 100<sup>th</sup> anniversary. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)

General Services Items:

- B-6 Request to: 1) amend the fixed asset List for Fund Center 113 - General Services to add a new commercial range and oven for the San Luis Obispo Veterans Memorial Building; and 2) approve a corresponding budget adjustment in the amount of \$13,143 from Countywide Community Buildings Renovation project (WBS 350010). (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-7 Request to approve creation of the Cayucos – Hardie Park – Repair Playground Equipment Project (WBS 350065) destroyed by fire in July 2007 and a corresponding budget adjustment in the amount of \$125,000. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-8 Request that the review of Outstanding Trail Offers be continued to allow for public, Trails Committee, and Parks and Recreation Commission input. (RECOMMEND ITEM BE CONTINUED TO NOVEMBER B, 2007.)

Health Agency Items:

- B-9 Request to approve an agreement with Transitions-Mental Health Association to purchase real property for the delivery of services under the Mental Health Services Act and a corresponding budget adjustment in the amount of \$151,266 from unanticipated revenue. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-10 Request to approve renewal contracts (Clerk's File) for Fiscal Year 2007-08 with Crestwood Behavioral Health, Inc., Country Villa Merced Behavioral Center, LLC, Sylmar Health and Rehabilitation, Inc. and 7<sup>th</sup> Avenue Center, LLC to provide Mental Health Rehabilitation/Institution for Mental Disease (IMD) services. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)

Planning and Building Items:

- B-11 Submittal of a resolution approving the Open Space Agreement for Minor Use Permit (DRC2003-00095) with Karen Wikler; 2<sup>nd</sup> District. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-12 Submittal of a resolution approving an Avigation Easement from the Caritas Corporation, a California Non-Profit Mutual Benefit Corporation, for the Oceano County Airport; 4<sup>th</sup> District. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-13 Submittal of a resolution approving a Supplemental Regulatory Agreement and Declaration of Restrictive Covenants with the Caritas Corporation for Conditional Use Permit (DRC2003-00068); 4<sup>th</sup> District. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)
- B-14 Request to approve the proposed Memorandum of Agreement for the Sphere of Influence Update for the City of Morro Bay; 2<sup>nd</sup> District. (RECOMMEND APPROVAL AND INSTRUCT CHAIRPERSON TO SIGN.)

### LAFCO Actions, City of Morro Bay 1963-2016

Date	Action	LAFCO File No	Proposal	Acres
03/03/06	SOI/MSR	1-S-06	SOI Update & MSR for the City of Morro Bay Approved 10/07	N/A
09/87	Annexation	2-R-87	Anx #4 - Gist	7,800 sf
03/18/82	Dissolution	3-R-82	Dissolve CSA #15 MB - Cayucos Ambulance	
09/13/78	Annexation	18-R-78	Anx #3 - Del Mar Park	10+
03/01/77	Annexation	4-R-77	Anx #2 to MB - Denied 06/16/77	43.2
06/72	Annexation	11-R-72	Anx #2 to MB - Incomplete	
05/10/65	Annexation	File #21	Anx to MB - Hwy 1 & freeway convergence	Unkn