



San Luis Obispo Local Agency Formation Commission Meeting Agenda May 18, 2023, 9:00am

MEETING

MAY 18, 2023 – 9 A.M.
BOARD OF SUPERVISORS
CHAMBERS
COUNTY GOVT. CENTER
1055 MONTEREY STREET,
SAN LUIS OBISPO, CA 93408

CONTACT

ROB FITZROY
EXECUTIVE OFFICER
805-781-5795
FAX 805-788-2072
SLO.LAFCO.CA.GOV

COMMISSIONERS

DEBBIE ARNOLD, CHAIR, COUNTY
JIMMY PAULDING, COUNTY
STEVE GREGORY, CITY
ED WAAGE, CITY
MARSHALL OCHYLSKI, SPECIAL DISTRICT
ROBERT ENNS, SPECIAL DISTRICT
HEATHER JENSEN, PUBLIC
DAWN ORTIZ-LEGG, COUNTY ALTERNATE
CHARLES BOURBEAU, CITY ALTERNATE
ED EBY, SPECIAL DISTRICT ALTERNATE
DAVID WATSON, PUBLIC ALTERNATE

MEETING PARTICIPATION

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

Other Notes:

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



MEETING AGENDA

Pledge of Allegiance

Call to Order/Roll Call

Selection of the 2023 Vice-Chair

Approval of the Minutes: April 20, 2023 **(Pages 3 - 11)**

Non-Agenda Public Comment Period

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

Informational Matters

A-1: Oceano Community Services District Request for Divestiture of Fire Authority Application Status Update and Discussion (Recommend Receive and File) **(Pages 12 - 118)**

Regular Matters

B-1: Policies, Procedures & By-Laws Manual Update (Recommend Review and Approve) – Consideration of Proposed Updates to Policies, Procedures & By-Laws Manual **(Pages 119 - 186)**

B-2: Final Fiscal Year 2023-2024 Budget and Work Plan (Recommend Review and Approve) – Consideration of adoption, by resolution, of the Final FY 2023-2024 Budget and Work Plan **(Pages 187 - 201)**

Closed Session

C-1: Pursuant to Government Code Section 54957 – Public Employee Regular Annual Performance Evaluation | Title: Executive Officer

Commissioner Comments

Legal Counsel Comments

Executive Officer Comments

Adjournment



**SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
APRIL 20, 2023, MEETING MINUTES**

Call to Order

The San Luis Obispo Local Agency Formation Commission (LAFCO) meeting was called to order at 9:00 a.m. on Thursday, April 20, 2023, by Chairperson Ed Waage in the Board of Supervisors Chambers at the County Government Center in San Luis Obispo, California.

Roll Call

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

Absent: Commissioners Steve Gregory, Heather Jensen, and Marshall Ochylski, and Alternate Commissioners Charles Bourbeau and Dawn Ortiz-Legg

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

Selection of the 2023 Chair and Vice-Chair

Chairperson Waage asked for a motion to nominate Chair for 2023.

Chairperson Waage nominated **Vice-Chair Arnold** as Chair of the Commission for 2023.

Commissioner Paulding seconded the motion.

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

AYES: Chairperson Waage, Commissioners Paulding, Eby, Enns, Watson, and Vice-Chair Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

Chairperson Waage explained that the Public member has chosen to defer their position as Vice-Chair to the Special District member and recommended postponement of the selection of the 2023 Vice-Chair until the meeting of May 18, 2023, when both Special District members will be present.

Presentation of a Certificate of Appreciation to Chair Ed Waage for his service as Chair

Mr. Fitzroy presented **Commissioner Waage** with a Certificate of Appreciation for his service as Chair in 2022.

New Commissioners / Elections Updates

Mr. Fitzroy welcomed Commissioner Paulding to the Commission, provided updates in regard to the Special District elections, and announced Commissioner Ochylski and Alternate Commissioner Eby's reelections.

Approval of the Minutes: December 15, 2022

Chairperson Arnold announced the consideration of approval for the December 15, 2022, Regular Meeting Minutes.

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

Chairperson Arnold asked for Commissioner comments or a motion to approve the minutes.

Commissioner Watson motioned to approve the minutes.

Commissioner Waage seconded the motion.

AYES: Commissioners Watson, Waage, Eby, and Chairperson Arnold

NAYS: None

ABSTAINING: Commissioner Paulding

NOTE: Commissioner Enns was unintentionally omitted from the roll call vote.

The motion was passed.

Non-Agenda Public Comment Period

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

Consent Agenda

A-1: Second Quarter Fiscal Year 2022-2023 Budget Status and Work Plan Report (Recommend Review and Approve)

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

Chairperson Arnold asked for Commissioner motion to approve the Second Quarter Fiscal Year 2022-2023 Budget Status and Work Plan Report.

Commissioner Waage motioned to approve staff recommendation.

Commissioner Paulding seconded the motion.

AYES: Commissioner Waage, Paulding, Eby, Watson, and Chairperson Arnold

NAYS: None

ABSTAINING: None

NOTE: Commissioner Enns was unintentionally omitted from the roll call vote.

The motion was passed.

Informational Matters

B-1: Notice of Petition of Landowner Application for LAFCO File No. 1-R-23 Sphere of Influence Amendment and Annexation No. 4 to County Service Area 12 (Recommend Receive and File)

Ms. Bing presented the item.

Chairperson Arnold opened the item for Commissioner questions.

Commissioner Watson asked if the project has been referred to CSA 12 and if they have responded.

Mr. Fitzroy confirmed referral of this project to CSA 12 and responded that no response has been received to date.

Commissioner Watson asked for clarification on the 60-day termination period process.

Mr. Fitzroy provided clarification.

Commissioner Paulding asked staff to update commissioner names on the staff report.

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

Chairperson Arnold announced the item was received and filed.

Regular Matters

C-1: LAFCO File No. 1-R-22 Annexation #12 to County Service Area 18 (Windmill Way) One-Year Time Extension Request to Allow Additional Time for Condition Compliance (Recommend Review and Approve)

Mrs. Marquez-Vawter presented the item.

Chairperson Arnold opened the item for Commissioner questions.

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

Chairperson Arnold asked for Commissioner motion to approve a one-year time extension for LAFCO File No. 1-R-22 to comply with required Conditions of Approval as established by LAFCO Resolution 2022-08.

Commissioner Waage motioned to approve staff recommendation.

Commissioner Watson seconded the motion.

AYES: Commissioner Waage, Watson, Enns, Eby, Paulding, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

C-2: Comprehensive Application Update and Minor Fee Schedule Update (Recommend Review and Approve)

Mr. Fitzroy presented the item.

Chairperson Arnold opened the item for Commissioner questions.

Commissioner Waage shared appreciation for the work effort.

Commissioner Watson commented on the application and inquired about use of outside consulting.

Mr. Fitzroy replied and recommended further discussion during Item C-4.

Commissioner Enns complimented staff effort.

Chairperson Arnold thanked staff.

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

Chairperson Arnold asked for Commissioner motion to approve the proposed Comprehensive Application Update and Minor Fee Schedule Update.

Commissioner Enns motioned to approve staff recommendation.

Commissioner Watson seconded the motion.

AYES: Commissioner Enns, Watson, Eby, Paulding, Waage, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

C-3: LAFCO File No. 3-S-23 Municipal Service Review and Sphere of Influence Study for Heritage Ranch Community Services District (Recommend Review and Approve)

Mr. Fitzroy and **Mrs. Marquez-Vawter** presented the item.

Commissioner Enns asked for clarification regarding future water demand.

Mrs. Marquez-Vawter responded to questions and provided comment.

Mr. Fitzroy added that the General Manager of Heritage Ranch Community Services District, **Scott Duffield**, was in attendance and would be available for questions.

Mrs. Marquez-Vawter continued presenting the item.

Chairperson Arnold opened the item for Commissioner questions and invited **Scott Duffield** to the podium.

Scott Duffield, the General Manager of Heritage Ranch Community Services District, thanked

staff and provided comment on future water demand and supply.

Commissioner Watson inquired about the timeline of the wastewater rate study.

Scott Duffield responded to questions and provided comment.

Commissioner Paulding asked about rationale for recommending deactivation of latent powers.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Arnold inquired about wildland fire mapping in Heritage Ranch Community Services District.

Scott Duffield responded to questions and provided comment.

Commissioner Eby asked about shortfall in future water supply.

Scott Duffield responded to questions and provided comment.

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

Chairperson Arnold asked for Commissioner motion to approve the first action which finds the project to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15061(b)(3).

Commissioner Paulding motioned to approve the first action.

Commissioner Waage seconded the motion.

AYES: Commissioner Paulding, Waage, Enns, Eby, Watson, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

Chairperson Arnold asked for Commissioner motion to approve the second action to approve by resolution the Heritage Ranch Community Services District Municipal Service Review and Sphere of Influence Study.

Commissioner Paulding motioned to approve the second action.

Commissioner Waage seconded the motion.

AYES: Commissioner Paulding, Waage, Enns, Eby, Watson, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

C-4: Third Quarter Fiscal Year 2022-2023 Budget Status and Work Plan Report (Recommend Review and Approve)

Mr. Fitzroy presented the item.

Chairperson Arnold opened the item for Commissioner questions.

Commissioner Watson inquired about use of outside consultants.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Waage commented on the addition of the Clerk Analyst position and asked about timing on the Oceano Community Services District Divestiture of Fire Authority application.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Paulding alerted staff to potential inquiries regarding merger between the City of Grover Beach and Oceano Community Services District and thanked staff for providing a memo related to the merger process.

Mr. Fitzroy provided comment.

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

Chairperson Arnold asked for Commissioner motion to approve the Third Quarter Fiscal Year 2022-2023 Budget Status and Work Plan Report

Commissioner Watson motioned to approve staff recommendation.

Commissioner Waage seconded the motion.

AYES: Commissioner Watson, Waage, Enns, Eby, Paulding, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

C-5: Proposed Fiscal Year 2023-2024 Budget and Work Plan (Recommend Review and Approve)

Mr. Fitzroy presented the item.

Chairperson Arnold opened the item for Commissioner questions.

Commissioner Waage asked about financial health of Special Districts.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Eby inquired about interest rates on reserve funds.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Arnold opened the item for public comment.

Public Comment

Mark Miller, resident of Cayucos, provided comment on the financial audit and formation of the Cayucos Sanitary District Reorganization.

Public Comment Closed

Mr. Fitzroy responded to questions and provided comment.

Commissioner Enns provided comment regarding the Cayucos Sanitary District Reorganization.

Commissioner Waage provided comment regarding the financial audit.

Chairperson Arnold asked for Commissioner motion to approve the first action to approve the Proposed Fiscal Year 2023-2024 Budget and Work Plan.

Commissioner Waage motioned to approve the first action.

Commissioner Enns seconded the motion.

AYES: Commissioner Waage, Enns, Eby, Paulding, Watson, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

Chairperson Arnold asked for Commissioner motion to approve the second action which directs the Executive Officer to distribute the Proposed Budget and Work Plan to contributing agencies per the Cortese Knox Hertzberg Act, and set the Final Budget and Work Plan hearing for May 18, 2023.

Commissioner Waage motioned to approve the second action.

Commissioner Paulding seconded the motion.

AYES: Commissioner Waage, Paulding, Enns, Eby, Watson, and Chairperson Arnold

NAYS: None

ABSTAINING: None

The motion was passed.

Commissioner Comments: **Commissioner Enns, Paulding, Watson, Waage, and Chairperson Arnold** provided comment and thanked staff.

Legal Counsel Comments: None

Executive Officer Comments: **Mr. Fitzroy** thanked Commissioners and provided comment regarding future commission meetings.

Adjournment: With no further business before the Commission, the meeting adjourned at 10:42 a.m. until the next meeting of the Commission in the Board of Supervisors Chambers at the County Government Center in San Luis Obispo.

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

Respectfully submitted,
Morgan Bing, LAFCO Clerk Analyst



San Luis Obispo Local Agency Formation Commission

COMMISSIONERS

Chair

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 18, 2023

**SUBJECT: OCEANO COMMUNITY SERVICES DISTRICT DIVESTITURE
APPLICATION STATUS UPDATE**

RECOMMENDATION

Receive and file a status update of the proposed divestiture of fire authority application for the Oceano Community Services District.

BACKGROUND

On February 6, 2023, the San Luis Obispo Local Agency Formation Commission (LAFCO) received a proposal application from Oceano Community Services District (OCSD) to divest their fire authority. This report is intended to provide the Commission with an overview of the circumstances surrounding the request for divestiture and the status of the application. No actions or decisions are requested of the Commission at this time. As of March 7, 2023, the divestiture application remains on hold pending additional information, detailed further in this report.

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande, the City of Grover Beach, and the OCSD. The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated fire and emergency medical services to approximately 40,000 residents. Each member agency pays a respective share of the costs associated with operation of the FCFA.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the JPA (Second Amendment) was approved that altered the funding formula used to determine each member community's share

of the FCFA's costs and ensure funding is consistent with the Strategic Plan. These alterations would go into effect if OCSO was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The special tax measure requirement was integrated into the FCFA agreement and necessary because OCSO did not have any other funding source to pay for the additional costs associated with the new funding formulas to pay for new equipment, staffing, etc. The sole funding source for fire service for OCSO is property tax. Unlike the cities or the county, other funding sources such as sales, transient occupancy, and other taxes are not available to special districts like OCSO. As such, the only way in which additional revenue can be generated is by passage of a special tax.

OCSO placed a special tax measure on the March 2020 ballot. Even though over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax, and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSO to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually. Had the measure been successful, OCSO would have been able to increase revenue such that it would continue to be a part of FCFA.

Following the outcome of the OCSO's 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. The Third Amendment also required the OCSO to place a new special measure on the ballot. Measure A-22 was placed on the ballot in Oceano by OCSO in June 2022. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022.

With the failure of Measure A-22, the Third Amendment states that the OCSO will cease to be a member of the JPA effective June 30, 2023, primarily because OCSO will not be able to pay its contractually obligated share to FCFA.

CURRENT LEVELS OF SERVICE WITHIN OCSO

OCSO is currently allocated just over \$1 million in property tax from the County. This funding currently does not provide sufficient revenue to keep the OCSO fire station open 24/7, hence the need, in part, for the aforementioned special tax measures. Currently, the OCSO station can only be staffed with two positions for one of three shifts each week, or "1/3 of the time". When the OCSO station is closed, service to Oceano is provided by FCFA with staff stationed at either the Arroyo Grande or Grover Beach locations. When the OCSO station is open, FCFA can cover 99% of the entire OCSO service area within 7 minutes. However, when the OCSO station is closed, the other FCFA stations can cover 30% of the OCSO service area within 7 minutes. In addition, when the OCSO station is closed, this impacts the number of available engine companies for Arroyo Grande and Grover Beach, as well as increases response times to all communities served by FCFA.

It is important to note that mutual aid response is provided to FCFA by CAL FIRE (nearest stations in Pismo Beach and Nipomo) when warranted. Should an incident require a mutual aid request for additional resources to CAL FIRE, those resources could be dispatched from anywhere in San

Luis Obispo County, Santa Barbara County, or the City of Santa Maria. The need for mutual aid typically arises during a major incident.

RESOLUTION OF APPLICATION FOR DIVESTITURE

As a result of the failed ballot measures, contractual obligations under the Third Amendment of the JPA agreement, insufficient revenue, and undesirable existing levels of service, the OCSD Board of Directors passed a Resolution of Application on January 11, 2023, to divest its fire authority (See Attachment A – Resolution of Application). The Resolution of Application includes a “Plan for Services”, as required by government code section 56824. The Plan for Services proposes that the County of San Luis Obispo become the successor agency and assume responsibility to provide fire service within the Community of Oceano. LAFCO referred the proposal application and accompanying documents to the County, as well as other agencies affected by the proposed action including Arroyo Grande and Grover Beach.

The proposal would transfer all available revenues from property taxes available for fire protection services to the County. In addition, all existing Development Impact Fees collected and those collected in the future would transfer to the County to be used to improve facilities or replace equipment related to development. OCSD would make a no-cost lease available to the County for those facilities currently utilized to provide fire protection services on OCSD property located at 1655 Front Street in Oceano (FCFA Station 3). The Oceano Fire Station could remain the primary response station for service calls within the Oceano community. Fire engine/apparatus could remain located in the current Oceano Fire Station. There would be no transfer of OCSD employees related to the divestiture of fire protection services as all employees of FCFA are employees of the City of Arroyo Grande. However, OCSD will be responsible to pay its share of any CALPERS unfunded accrued liabilities for the period it was a member of FCFA.

Because the County is proposed to be the successor agency, the County is currently evaluating the proposed Plan for Services prepared by OCSD and considering various options. Ultimately, County staff will present various options to the Board of Supervisors for consideration. Once staff is provided direction by the Board of Supervisors, further collaboration with LAFCO, OCSD, and the affected cities will continue. As of the date of this report, it is tentatively expected that the Board of Supervisors will agendize a discussion on this matter in June 2023. As more information becomes available, we will keep the Commission and interested parties informed.

Simultaneously, Arroyo Grande and Grover Beach are actively evaluating various scenarios for their respective City Councils to consider. The cities have hired a consulting firm with expertise in fire protection and service to evaluate and provide options to address OCSD’s withdrawal from the FCFA. OCSD no longer being a party to FCFA could have significant financial impacts to Arroyo Grande and Grover Beach because they would no longer receive revenue from OCSD and therefore operational costs would be proportionately higher. Fiscal impacts could potentially be in the millions of dollars annually.

WHAT HAPPENS ON JULY 1, 2023?

As stated, due to the requirements of the Third Amendment of the JPA agreement, OCSD will no longer be a part of the FCFA come July 1, 2023. In addition, it is not expected that the divestiture will be considered by LAFCO by that time, particularly since the successor agency, i.e. the County, needs sufficient time to evaluate and consider options. As such, numerous questions have arisen about what will happen come July 1, 2023. While OCSD will no longer be a member of FCFA, Arroyo Grande and Grover Beach will likely allow OCSD to contract back to FCFA on a short-term basis until the divestiture is resolved. In other words, it is likely levels of service will remain the same, depending on the agreement reached, for the time being until a decision has been made by LAFCO on the divestiture and the accompanying final Plan for Service. It is possible that OCSD and the cities do not come to an interim agreement. In such a scenario, it is possible the Oceano station would close permanently and Oceano would be served by the nearest County Fire / Cal Fire station, as the Community of Oceano is within unincorporated area and therefore is considered a state responsibility area for fire service response.

IMPACTS AND POTENTIAL OUTCOMES

While the outcomes of OCSD no longer being a member of FCFA remain to be determined, below is a list of potential outcomes. These outcomes are only listed herein for discussion purposes, it is possible other alternatives or variations of these outcomes are identified.

1. County becomes successor agency to provide fire service and utilizes existing County Fire / Cal Fire resources to provide services from the nearest existing County Fire / Cal Fire station.
 - This would potentially increase financial impacts to Arroyo Grande and Grover Beach as they would no longer receive funding from property taxes collected within the Oceano area, and would be responsible for continuing to provide fire service to their respective cities. Initial impacts are expected to be \$2.5 to \$3.5 million annually, this assumes that OCSD would contract back for at least one year and contribute approximately \$1 million.
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - May result in decreased level of service due to increased response times

2. County becomes successor agency and utilizes the existing Oceano fire station and staffs the station to accommodate a desired level of service but does not contract with the FCFA.
 - This would potentially have similar financial impacts noted above in Outcome #1 to Arroyo Grande and Grover Beach as they would not receive property tax revenue from the County.
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - May result in similar or improved levels of service within Oceano

3. County becomes successor agency and agrees to contract with FCFA
 - This would potentially have an improved financial impact to Arroyo Grande and Grover Beach as they would receive revenue from the County and costs would be more evenly distributed
 - County would assume additional financial obligations under this scenario but costs would be offset by re-allocation of existing property taxes within Oceano
 - Depending on funding provided by County, this could improve levels of service for Oceano primarily but ancillary improvements to Arroyo Grande and Grover Beach because resources from their respective stations would not be as strained when calls for service are received

LAFCO AUTHORITY, PROCESS, AND APPLICATION STATUS

In general, LAFCO exercises its regulatory authority when presented with a proposal for a “change of organization” of a governmental agency under the provision of the Cortese, Knox Hertzberg Act Gov. Code Section 56000. In this circumstance, OCSD has proposed a “change of organization” to divest their fire authority. The agencies requesting the change of organization are also responsible for presenting a proposal consistent with the government code, including preparation of any studies, materials, and importantly a Plan for Service. While the OCSD proposal affects multiple governmental agencies, the ultimate decision to conditionally approve or deny the divestiture resides with LAFCO. The current proposal and associated Plan for Service will be the basis for decision making and evaluated against various factors LAFCO is required by law to consider. A critical component that will determine how this proposal moves forward is related to the County’s willingness to become the successor agency and the associated Plan for Services they will prepare and propose to LAFCO.

The OCSD application for divestiture is currently on hold pending critical information, primarily a decision from the County on becoming the successor agency (See Attachment B – Information Hold Letter). Once a decision is reached by the County, and LAFCO staff have sufficient information to continue processing the application, staff will analyze the proposal against applicable regulations and LAFCO policies. Once the application is deemed complete for processing, LAFCO will set the item for a publicly noticed hearing. As of this date, it is not known when the item will be set for a LAFCO hearing.

NEXT STEPS

As the above discussion indicates, this circumstance is complicated and the final outcome could take a variety of forms. The next steps would likely include execution of an agreement, if all parties consent, between OCSD, Arroyo Grande, and Grover Beach to allow OCSD to contract back with FCFA for service on an interim basis, consideration by the Board of Supervisors of the proposal to become the successor agency, and if agreed upon, the level at which the County is willing to fund fire protection service, and lastly, once those aspects are resolved, continued processing by LAFCO and ultimately a LAFCO hearing to consider the divestiture request.

COMMISSION DISCUSSION

At today's meeting, the Commission may ask questions and provide comment on this topic to staff as well as agency representatives. No actions or decisions are requested of the Commission at this time.

Attachment A: Oceano Community Services District Resolution

Attachment B: LAFCO Information Hold Letter

Attachment A

Oceano Community
Services District
Resolution

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO: 2023 - 03**

**A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE
OCEANO COMMUNITY SERVICES DISTRICT APPROVING INITIATION OF
PROCEEDINGS FOR DIVESTITURE OF FIRE PROTECTION SERVICES**

WHEREAS, the Oceano Community Services District was formed in 1981 by a reorganization dissolving County Service Area No. 13, Oceano Lighting District, Oceano Beach Lighting District, Oceano Sanitary District, Oceano Fire Protection District; and

WHEREAS, the Oceano Community Services District Board of Directors desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for divestiture of Fire Protection Services; and

WHEREAS, this resolution is submitted to comply consistent with Government Code Section 56700 and 56824.10 et seq; and

WHEREAS, notice of the public hearing to consider this resolution was given pursuant to Government Code Section 56153, 56154, and 56654; and

WHEREAS, the nature of this proposal is for divestiture of Fire Protection Services within the territory of the Oceano Community Services District; and

WHEREAS, the territory proposed for divestiture is inhabited. A description and map of the boundaries of the territory are attached hereto as Exhibits A and B, and are incorporated herein by this reference; and

WHEREAS, the proposal for divestiture and transfer of Fire Protection Services are described in the Plan for Services attached hereto as Exhibit C; and

WHEREAS, LAFCO will assume Lead Agency status, responsible for compliance with the California Environmental Quality Act (CEQA) and the Oceano Community Services District shall pay for any studies needed to comply with CEQA; and

WHEREAS, the proposed divestiture is subject to the following terms and conditions:

1. That all Oceano Community Services District real and personal property currently being utilized for Fire Protection Services will be made available via lease at no cost to the successor agency; and
2. That all Development Impact Fee cash on hand and due but uncollected, be transferred to the successor agency; and

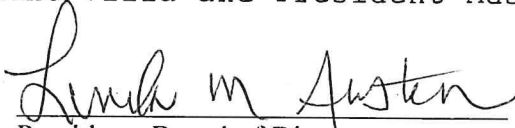
3. That 83.5% of the Oceano Community Services District ad valorem property tax revenues (approximately \$1,050,000) be permanently transferred to the successor agency upon the effective date of the divestiture.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Oceano Community Services District that:

1. The foregoing recitals are true and correct.
2. The Oceano Community Services District can no longer meet the needs and requirements for the purpose of providing Fire Protection Services.
3. This Resolution of Application is approved, and hereby requests that LAFCO proceed with the processing of this divestiture as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

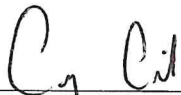
PASSED AND ADOPTED by the Board of Directors of the Oceano Community Services District on January 11, 2023, by the following vote:

AYES: Director Varni, Director Gibson, Director Joyce-Suneson,
NOES: NONE / Vice President Villa and President Austin
ABSTAIN: NONE
ABSENT: NONE



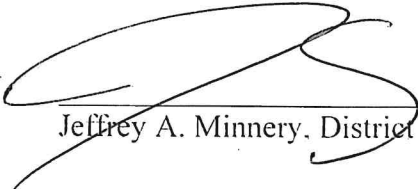
President, Board of Directors
of the Oceano Community Services District

ATTEST:



Board Secretary of the
Oceano Community Services District

APPROVED AS TO FORM:



Jeffrey A. Minnery, District Counsel

EXHIBIT A

LEGAL DESCRIPTION

PROPOSED
OCEANO COMMUNITY SERVICES DISTRICT
BOUNDARY DESCRIPTION

Beginning at the southwesterly corner of the Town of Grover, according to the map thereof recorded in Book A of Maps at Page 6, San Luis Obispo County Records, said point also being on the boundary line of the City of Grover City and the mean high tide line; thence along the boundary line of the City of Grover City over the following courses numbered 1 through 10:

- 1) S 69°15' E along the southerly line of said Town of Grover, 2,188 feet, more or less, to a point on the westerly line of the Southern Pacific Railroad Company's right-of-way, said westerly line also being the easterly line of Vista Del Encanto, Subdivision No. 2, according to the map thereof recorded in Book 5 of Maps at Page 3, San Luis Obispo County Records;
- 2) S 21°00'30" E, 2,461 feet, more or less, along the westerly line of said right-of-way to a point which bears West from the northwesterly corner of Lot 4 of Pismo Beach Gardens No. 2 according to the map thereof recorded in Book 3 of Maps at Page 49, San Luis Obispo County Records;
- 3) East 107 feet, more or less, across said railroad right-of-way, 100 feet wide, to the easterly right-of-way line of said railroad, said line also being a common line with the westerly line of that certain parcel described in the deed from Oscar Huber to Charles Linebarger, recorded in Volume 105 of Deeds at Page 347, San Luis Obispo County Records, said parcel being a portion of Lot 15 of Harris' Subdivision of the Rancho El Pismo according to the map thereof recorded in Book A of Maps at Page 157, San Luis Obispo County Records;
- 4) S 21°00'30" E, 190 feet, more or less, along said common line to the beginning of a curve;

Doc. No. 57777
Recorded 12/18/80
Vol. 2293 p. 144-150

CERTIFIED BY COUNTY SURVEYOR

- 5) Southeasterly along said curve, tangent to the last mentioned course and concave to the northeast with a radius of 5,800 feet through a central angle of $11^{\circ}16'$, an arc distance of 1,140 feet, more or less, to a point on the westerly prolongation of the northerly line of Lots 18 and 17 of Rio Vista Dell, according to the map thereof recorded in Book 3 of Maps at Page 98, San Luis Obispo County Records;
- 6) N $81^{\circ}47'$ E 356.6 feet along said prolongation and along said northerly line of Lots 18 and 17, as shown on said map, to the northeasterly corner of said Rio Vista Dell Subdivision, said corner also being the southeasterly corner of that certain parcel of land conveyed to John Loosemore by deed dated April 19, 1921, and recorded in Volume 145 of Deeds at Page 75, San Luis Obispo County Records;
- 7) N $36^{\circ}43'$ W, as shown on said map, 180 feet, more or less, along the northwesterly prolongation of the northeasterly line of said Rio Vista Dell Subdivision, said line also being the easterly line of said land conveyed to John Loosemore, to a point on the southerly line of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, described in the deed from Oscar Huber to Charles Linebarger, said point also being the northeast corner of that parcel of land conveyed to John Loosemore;
- 8) N $83^{\circ}43'$ E, 1,202 feet, more or less, along said southerly line to the southeast corner of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, said point also being on the south line of The Pike as shown on the map of Pismo Beach Gardens, recorded in Book 3 of Maps at Page 45, San Luis Obispo County Records;
- 9) N $83^{\circ}43'$ E, 78 feet along the south line of The Pike as shown on said map to a point on the easterly line of the herein above mentioned Lot 15 of Harris' Subdivision of the Rancho El Pismo;

- 10) N 89°45' E, 2,958 feet, more or less, along the southerly line of The Pike, 50 feet wide, according to said map, to a point on the southerly prolongation of the easterly line of Lot 16 of said Pismo Beach Gardens, at which point said boundary line of the City of Grover City bears north along the southerly prolongation of the easterly line of said Lot 16.

- 11) Thence, leaving the common line with said City boundary and continuing N 89°45' E, 577 feet, more or less, along said southerly line of The Pike and its easterly prolongation to a point on the southerly prolongation of the easterly line of Lot 19 and the westerly line of Tract 80 as recorded in Book 5 of Maps at Page 91, San Luis Obispo County Records, said point being an angle point in the boundary line of the City of Arroyo Grande;

thence along the boundary line of said City of Arroyo Grande over the following courses numbered 12 through 18:

- 12) N 89°45' E, 130 feet, more or less, along the easterly prolongation of the southerly line of The Pike, said line being also the northerly boundary line (blue border) of Tract No. 708 as recorded in Book 9 of Maps at Page 75, San Luis Obispo County Records, to the northeast corner of said tract, said corner being 10' westerly of and at right angles to the centerline of 24th Street as shown on said tract;

- 13) S 00°01' E 20 feet to a point which is 45 feet at right angles southerly of the easterly prolongation of the centerline of The Pike, as shown on said map of Tract No. 708, and on the westerly prolongation of the southerly line of The Pike as said line is shown on the aforementioned map of Pismo Beach Gardens;

- 14) N 89°45' E, 520 feet, along said westerly prolongation and the southerly line of The Pike as same existed on March 10, 1980, said line being also the northerly line of Lot E of the

Subdivisions of Property of E. L. Warner recorded in Book B of Maps at Page 50, San Luis Obispo County Records, to the northeast corner of said Lot E, said northeast corner being also the northwest corner of Lot F of said map and the northwest corner of the boundary of Tract No. 244, a subdivision of Lot F, recorded in Book 6 of Maps at Page 87, San Luis Obispo County Records;

- 15) South 817.24 feet, the bearing and distance shown on said Tract No. 244, along the westerly boundary of said Lot and Tract to the southwest corner thereof;
- 16) N 89°10'00" E, 566.48 feet along the southerly line of said Lot and Tract and the easterly prolongation thereof across Elm Street (26th Street) to a point on the easterly line of said street as shown on said Tract No. 244;
- 17) N 0°14'30" W, 742 feet, more or less, along the easterly line of Elm Street (26th Street) to its intersection with the southerly line of The Pike;
- 18) N 89°47'30" E, 2,638 feet, more or less, along the southerly line of The Pike and its easterly prolongation to a point on the easterly line of Halcyon Road, said southerly line being 25 feet at right angles southerly of and parallel with the centerline of The Pike as shown on Tracts 456, 498, 463, and 282 recorded in Book 8 Page 56, Book 8 Page 42, Book 8 Page 24, and Book 6 Page 99, respectively, of Maps, San Luis Obispo County Records, at which point said boundary line of the City of Arroyo Grande bears north along the easterly line of Halcyon Road;
- 19) Thence leaving the common line with said City of Arroyo Grande boundary S 0°07'15" E, 2,592 feet, more or less, along said easterly line of Halcyon Road and its southerly prolongation to its intersection with the centerline of the Arroyo Grande Creek Channel, the map of

which is on file in the Office of the County Engineer of San Luis Obispo County;

thence along the centerline of said channel over the following courses numbered 20 through 27:

- 20) S 18°55'15" W, 351 feet, more or less, to the beginning of a curve;
- 21) Southwesterly along said curve, tangent to the last mentioned course and concave to the northwest with a radius of 400 feet through a central angle of 45°43', an arc distance of 319.16 feet;
- 22) Tangent to said last mentioned curve S 64°38'15" W, 1,395.27 feet to the beginning of a curve;
- 23) Southwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northwest with a radius of 2,000 feet through a central angle of 25°29'45", an arc distance of 899.97 feet;
- 24) Tangent to said last mentioned curve N 89°52' W, 3,191.20 feet to the beginning of a curve;
- 25) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northeast with a radius of 3,000 feet through a central angle of 34°50'30", an arc distance of 1,824.31 feet;
- 26) Tangent to said last mentioned curve N 55°01'30" W, 403.63 feet to the beginning of a curve;
- 27) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the southwest with a radius of 4,000 feet through a central angle of 12°30', an arc

distance of 873 feet, more or less, to a point of intersection with the westerly line of that property conveyed to Clayton L. Conrow, et ux., by deed recorded in Volume 502 of Official Records at Page 18, San Luis Obispo County, said point being southeasterly along the westerly continuation of said curve an arc distance of 1,041 feet, more or less, with a central angle of 14°55', from the westerly end of said curve (total central angle of curve is 27°25' and total arc distance is 1,914.04 feet);

- 28) thence leaving the centerline of said Arroyo Grande Creek Channel South 483 feet, more or less, along the westerly line of said Conrow property;
- 29) thence S 33°30' E, 66 feet, more or less, along the southwesterly line of said Conrow Property, to a point on the southerly line of Franklin Avenue, 40 feet wide, as said street is shown on the map of Beckett's Oceano Park Subdivision recorded in Book 1 of Records of Survey at Page 105, San Luis Obispo County Records;
- 30) thence West 560 feet, more or less, along said southerly line and the westerly prolongation thereof to a point on the westerly line of 10th Street (formerly Fourth Street), 70 feet wide, as said street is shown on the Map of Subdivision No. 1 Oceano Beach recorded in Book A of Maps at Page 149, San Luis Obispo County Records, and on said map of Becketts Oceano Park Subdivision;
- 31) thence N 0°45' W, 2 feet, more or less, along said westerly line to the northeast corner of Lot 36, Block 5, of said Map of Subdivision No. 1 Oceano Beach, said corner being on the southerly line of Franklin Avenue;
- 32) thence S 89°57' W, 604 feet, more or less, along said southerly line and the westerly prolongation thereof to the westerly line of Third Street, 40 feet wide, as shown on said Map of Subdivision No. 1 Oceano Beach;

- 33) thence N 1°33' W, 826 feet, more or less, along said westerly line to a point of intersection with the aforementioned centerline of Arroyo Grande Creek Channel, said point being N 82°26'30" W, 149 feet, more or less, along said centerline from the westerly end of the aforementioned 4000 foot radius curve;
- 34) thence N 82°26'30" W, 2,139 feet, more or less, along said centerline and its prolongation to a point on the aforementioned mean high tide line, said point being the approximate southwest corner of Lot D as shown on the Map of Subdivision No. 2 Oceano Beach recorded in Book A of Maps at Page 150, San Luis Obispo County Records;
- 35) thence northwesterly 6,300 feet, more or less, along said mean high tide line and the westerly lines of Lots D, E, and F of said map and Lots G, H, and I of the Map of Subdivision No. 3 Oceano Beach recorded in Book A of Maps at Page 151, San Luis Obispo County Records, to the aforementioned southwesterly corner of the Town of Grover and the point of beginning.

Area within boundary is 1,085 acres, more or less, or 1.70 square miles.

PROPOSED
OCEANO COMMUNITY SERVICES DISTRICT
BOUNDARY DESCRIPTION

Exhibit "A"

Beginning at the southwesterly corner of the Town of Grover, according to the map thereof recorded in Book A of Maps at Page 6, San Luis Obispo County Records, said point also being on the boundary line of the City of Grover City and the mean high tide line; thence along the boundary line of the City of Grover City over the following courses numbered 1 through 10:

- 1) S 69°15' E along the southerly line of said Town of Grover, 2,188 feet, more or less, to a point on the westerly line of the Southern Pacific Railroad Company's right-of-way, said westerly line also being the easterly line of Vista Del Encanto, Subdivision No. 2, according to the map thereof recorded in Book 5 of Maps at Page 3, San Luis Obispo County Records;
- 2) S 21°00'30" E, 2,461 feet, more or less, along the westerly line of said right-of-way to a point which bears West from the northwesterly corner of Lot 4 of Pismo Beach Gardens No. 2 according to the map thereof recorded in Book 3 of Maps at Page 49, San Luis Obispo County Records;
- 3) East 107 feet, more or less, across said railroad right-of-way, 100 feet wide, to the easterly right-of-way line of said railroad, said line also being a common line with the westerly line of that certain parcel described in the deed from Oscar Huber to Charles Linebarger, recorded in Volume 105 of Deeds at Page 347, San Luis Obispo County Records, said parcel being a portion of Lot 15 of Harris' Subdivision of the Rancho El Pismo according to the map thereof recorded in Book A of Maps at Page 157, San Luis Obispo County Records;
- 4) S 21°00'30" E, 190 feet, more or less, along said common line to the beginning of a curve: _____

- 5) Southeasterly along said curve, tangent to the last mentioned course and concave to the northeast with a radius of 5,800 feet through a central angle of $11^{\circ}16'$, an arc distance of 1,140 feet, more or less, to a point on the westerly prolongation of the northerly line of Lots 18 and 17 of Rio Vista Dell, according to the map thereof recorded in Book 3 of Maps at Page 98, San Luis Obispo County Records;
- 6) N $81^{\circ}47'$ E 356.6 feet along said prolongation and along said northerly line of Lots 18 and 17, as shown on said map, to the northeasterly corner of said Rio Vista Dell Subdivision, said corner also being the southeasterly corner of that certain parcel of land conveyed to John Loosemore by deed dated April 19, 1921, and recorded in Volume 145 of Deeds at Page 75, San Luis Obispo County Records;
- 7) N $36^{\circ}43'$ W, as shown on said map, 180 feet, more or less, along the northwesterly prolongation of the northeasterly line of said Rio Vista Dell Subdivision, said line also being the easterly line of said land conveyed to John Loosemore, to a point on the southerly line of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, described in the deed from Oscar Huber to Charles Linebarger, said point also being the northeast corner of that parcel of land conveyed to John Loosemore;
- 8) N $83^{\circ}43'$ E, 1,202 feet, more or less, along said southerly line to the southeast corner of the hereinabove mentioned portion of Lot 15 of Harris' Subdivision, said point also being on the south line of The Pike as shown on the map of Pismo Beach Gardens, recorded in Book 3 of Maps at Page 45, San Luis Obispo County Records;
- 9) N $83^{\circ}43'$ E, 78 feet along the south line of The Pike as shown on said map to a point on the easterly line of the hereinabove mentioned Lot 15 of Harris' Subdivision of the Rancho El Pismo;

10) N 89°45' E, 2,958 feet, more or less, along the southerly line of The Pike, 50 feet wide, according to said map, to a point on the southerly prolongation of the easterly line of Lot 16 of said Pismo Beach Gardens, at which point said boundary line of the City of Grover City bears north along the southerly prolongation of the easterly line of said Lot 16.

11) Thence, leaving the common line with said City boundary and continuing N 89°45' E, 577 feet, more or less, along said southerly line of The Pike and its easterly prolongation to a point on the southerly prolongation of the easterly line of Lot 19 and the westerly line of Tract 80 as recorded in Book 5 of Maps at Page 91, San Luis Obispo County Records, said point being an angle point in the boundary line of the City of Arroyo Grande;

thence along the boundary line of said City of Arroyo Grande over the following courses numbered 12 through 18:

12) N 89°45' E, 130 feet, more or less, along the easterly prolongation of the southerly line of The Pike, said line being also the northerly boundary line (blue border) of Tract No. 708 as recorded in Book 9 of Maps at Page 75, San Luis Obispo County Records, to the northeast corner of said tract, said corner being 10' westerly of and at right angles to the centerline of 24th Street as shown on said tract;

13) S 00°01' E 20 feet to a point which is 45 feet at right angles southerly of the easterly prolongation of the centerline of The Pike, as shown on said map of Tract No. 708, and on the westerly prolongation of the southerly line of The Pike as said line is shown on the aforementioned map of Pismo Beach Gardens;

14) N 89°45' E, 520 feet, along said westerly prolongation and the southerly line of The Pike as same existed on March 10, 1980, said line being also the northerly line of Lot E of the

Subdivisions of Property of E. L. Warner recorded in Book B of Maps at Page 50, San Luis Obispo County Records, to the northeast corner of said Lot E, said northeast corner being also the northwest corner of Lot F of said map and the northwest corner of the boundary of Tract No. 244, a subdivision of Lot F, recorded in Book 6 of Maps at Page 87, San Luis Obispo County Records;

- 15) South 817.24 feet, the bearing and distance shown on said Tract No. 244, along the westerly boundary of said Lot and Tract to the southwest corner thereof;
- 16) N 89°10'00" E, 566.48 feet along the southerly line of said Lot and Tract and the easterly prolongation thereof across Elm Street (26th Street) to a point on the easterly line of said street as shown on said Tract No. 244;
- 17) N 0°14'30" W, 742 feet, more or less, along the easterly line of Elm Street (26th Street) to its intersection with the southerly line of The Pike;
- 18) N 89°47'30" E, 2,638 feet, more or less, along the southerly line of The Pike and its easterly prolongation to a point on the easterly line of Halcyon Road, said southerly line being 25 feet at right angles southerly of and parallel with the centerline of The Pike as shown on Tracts 456, 498, 463, and 282 recorded in Book 8 Page 56, Book 8 Page 42, Book 8 Page 24, and Book 6 Page 99, respectively, of Maps, San Luis Obispo County Records, at which point said boundary line of the City of Arroyo Grande bears north along the easterly line of Halcyon Road;
- 19) Thence leaving the common line with said City of Arroyo Grande boundary S 0°07'15" E, 2,592 feet, more or less, along said easterly line of Halcyon Road and its southerly prolongation to its intersection with the centerline of the Arroyo Grande Creek Channel, the map of

which is on file in the Office of the County Engineer of San Luis Obispo County;

thence along the centerline of said channel over the following courses numbered 20 through 27:

- 20) S $18^{\circ}55'15''$ W, 351 feet, more or less, to the beginning of a curve;
- 21) Southwesterly along said curve, tangent to the last mentioned course and concave to the northwest with a radius of 400 feet through a central angle of $45^{\circ}43'$, an arc distance of 319.16 feet;
- 22) Tangent to said last mentioned curve S $64^{\circ}38'15''$ W, 1,395.27 feet to the beginning of a curve;
- 23) Southwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northwest with a radius of 2,000 feet through a central angle of $25^{\circ}29'45''$, an arc distance of 899.97 feet;
- 24) Tangent to said last mentioned curve N $89^{\circ}52'$ W, 3,191.20 feet to the beginning of a curve;
- 25) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the northeast with a radius of 3,000 feet through a central angle of $34^{\circ}50'30''$, an arc distance of 1,824.31 feet;
- 26) Tangent to said last mentioned curve N $55^{\circ}01'30''$ W, 403.63 feet to the beginning of a curve;
- 27) Northwesterly along said last mentioned curve, tangent to the last mentioned course and concave to the southwest with a radius of 4,000 feet through a central angle of $12^{\circ}30'$, an arc

distance of 873 feet, more or less, to a point of intersection with the westerly line of that property conveyed to Clayton L. Conrow, et ux., by deed recorded in Volume 502 of Official Records at Page 18, San Luis Obispo County, said point being southeasterly along the westerly continuation of said curve an arc distance of 1,041 feet, more or less, with a central angle of $14^{\circ}55'$, from the westerly end of said curve (total central angle of curve is $27^{\circ}25'$ and total arc distance is 1,914.04 feet);

- 28) thence leaving the centerline of said Arroyo Grande Creek Channel South 483 feet, more or less, along the westerly line of said Conrow property;
- 29) thence S $33^{\circ}30'$ E, 66 feet, more or less, along the southwesterly line of said Conrow Property, to a point on the southerly line of Franklin Avenue, 40 feet wide, as said street is shown on the map of Beckett's Oceano Park Subdivision recorded in Book 1 of Records of Survey at Page 105, San Luis Obispo County Records;
- 30) thence West 560 feet, more or less, along said southerly line and the westerly prolongation thereof to a point on the westerly line of 10th Street (formerly Fourth Street), 70 feet wide, as said street is shown on the Map of Subdivision No. 1 Oceano Beach recorded in Book A of Maps at Page 149, San Luis Obispo County Records, and on said map of Becketts Oceano Park Subdivision;
- 31) thence N $0^{\circ}45'$ W, 2 feet, more or less, along said westerly line to the northeast corner of Lot 36, Block 5, of said Map of Subdivision No. 1 Oceano Beach, said corner being on the southerly line of Franklin Avenue;
- 32) thence S $89^{\circ}57'$ W, 604 feet, more or less, along said southerly line and the westerly prolongation thereof to the westerly line of Third Street, 40 feet wide, as shown on said Map of Subdivision No. 1 Oceano Beach;

- 33) thence N 1°33' W, 826 feet, more or less, along said westerly line to a point of intersection with the aforementioned centerline of Arroyo Grande Creek Channel, said point being N 82°26'30" W, 149 feet, more or less, along said centerline from the westerly end of the aforementioned 4000 foot radius curve;
- 34) thence N 82°26'30" W, 2,139 feet, more or less, along said centerline and its prolongation to a point on the aforementioned mean high tide line, said point being the approximate southwest corner of Lot D as shown on the Map of Subdivision No. 2 Oceano Beach recorded in Book A of Maps at Page 150, San Luis Obispo County Records;
- 35) thence northwesterly 6,300 feet, more or less, along said mean high tide line and the westerly lines of Lots D, E, and F of said map and Lots G, H, and I of the Map of Subdivision No. 3 Oceano Beach recorded in Book A of Maps at Page 151, San Luis Obispo County Records, to the aforementioned southwesterly corner of the Town of Grover and the point of beginning.

Area within boundary is 1,085 acres, more or less, or 1.70 square miles.

Exhibit "A"

Annexation No. 5

**To The Oceano Community Services District
San Luis Obispo County, California**

A portion of Lot 109 of the Subdivisions of the Ranchos Corral de Piedra, Pismo, and Bolsa de Chamisal, in the County of San Luis Obispo, State of California, as per map filed in Book A, Page 65 of Maps in the Office of the County Recorder of said County, said portion being the land described in the deed recorded in Book 1524 at page 575 of Official Records in the Office of the County Recorder of said County, and Parcel 1 of Parcel Map CO-68-69 as per map filed in Book 3, Page 32 of Parcel Maps in the Office of the County Recorder of said County, and Parcel 1 of Parcel Map CO-70-51 as per map filed in Book 5, Page 1 of Parcel Maps in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at the southwesterly corner of said Parcel 1 of Parcel Map CO-68-69, also being on the existing Arroyo Grande City limit line, and also being the easterly right of way line of the 60 foot wide Halcyon Road as shown on said Parcel Map;

Thence along the said City limit boundary and the westerly line of said Parcel 1, North 211.49 feet to the northwesterly corner of said Parcel 1;

Thence continuing along the said City limit line and the northerly line of said Parcel 1, East 200.00 feet to an angle point in the said northerly line;

Thence continuing along the said City limit line and the northerly line of said Parcel 1, North 25.00 feet to an angle point in the said northerly line;

Thence leaving said City limit line and along the said northerly line, East 375.00 feet to an angle point in the westerly boundary line of Tract 551 in the City of Arroyo Grande, as per map filed in Book 8, Page 72 of Maps in the Office of the County Recorder of said County, said point also being on the said City limit line;

Thence continuing along the said City limit line and the said northerly line, north 89°33'59" east 25.23 feet to an angle point in the said westerly boundary line of Tract 551;

Thence continuing along the said City limit line and the line common with said Parcel 1, and the land described in said deed, and the said westerly boundary line of Tract 551, south 00°00'01" east 437.32 feet to the southeasterly corner of the land described in said deed and also being on the northerly line of Parcel 1 of Parcel Map CO-70-51;

Thence continuing along the said City limit line and the said northerly line, north 89°38'00" east 444.80 feet to the northeasterly corner of said Parcel 1;

Thence leaving said City limit line and along the easterly line of said Parcel 1, south 05°43'12" west 225.67 feet to the southeasterly corner of said Parcel 1;

Thence along the southerly line of said Parcel 1, south 89°38'00" west 1022.90 feet to the southwesterly corner of said Parcel 1, also being a point in the current Ocean Community Services District's boundary line, also being a point on the said easterly right of way line of the 60 foot wide Halcyon Road;

Thence continuing along the westerly line of said Parcel 1, and the current Ocean Community Services District's boundary line, and the said easterly right of way line north 00°00'00" east 224.40 feet to the southwesterly corner of the land described in said deed;

Thence continuing along said Ocean Community Services District's boundary line and the westerly line of land described in said deed, north 00°00'00" east 200.00 feet to the Point of Beginning.

Containing 11.3 acres of land, more or less.



Joseph T. Morris

Joseph T. Morris P.L.S. 6192 exp 3/2010

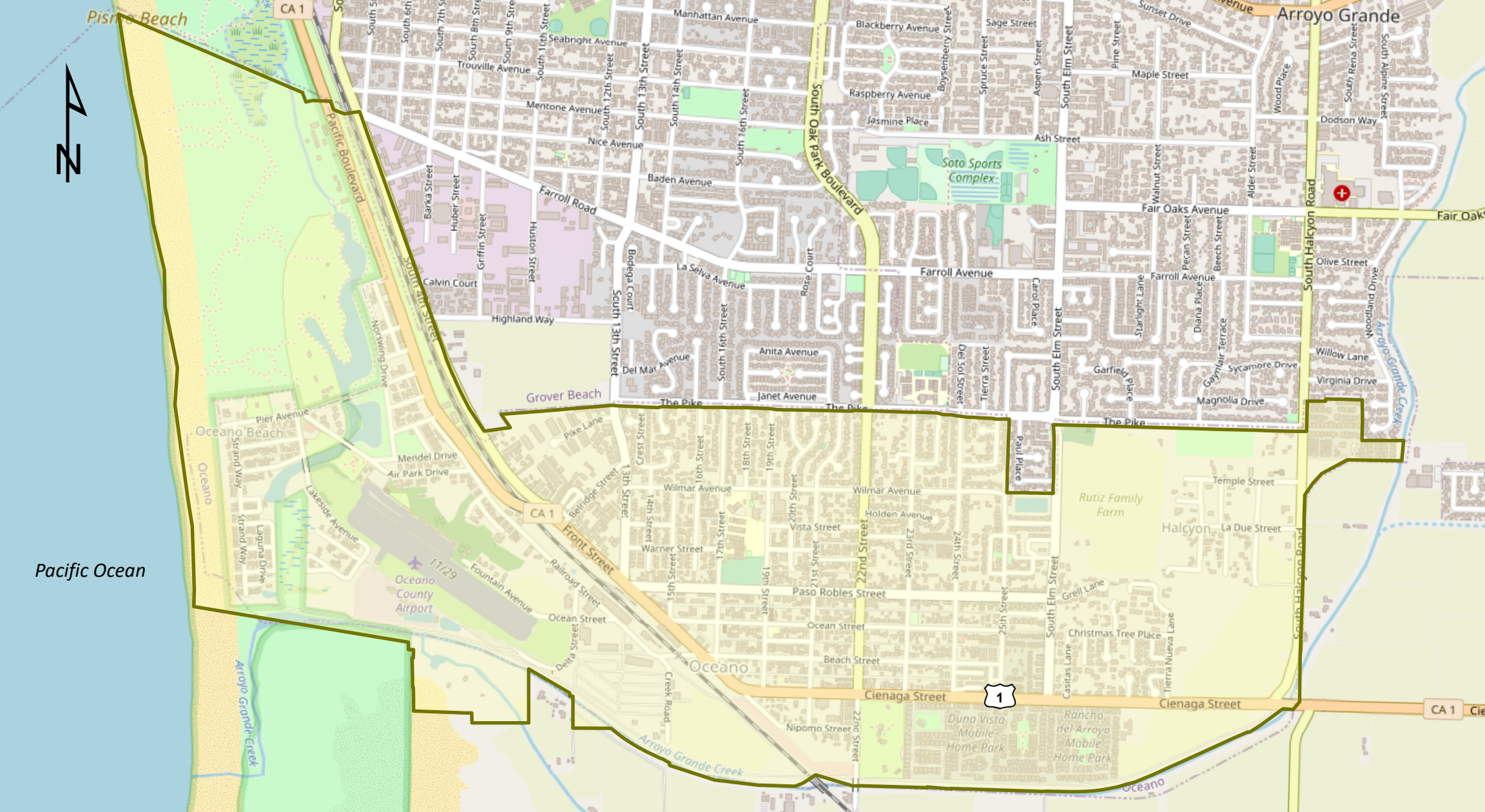
Date: September 1, 2009

APPROVED COUNTY SURVEYOR
By: *Daniel J. Morrison*
Date: *9/27/09*
San Luis Obispo County Dept. of Public Works

END OF DOCUMENT



EXHIBIT B

MAP OF SERVICE AREA BOUNDARIES

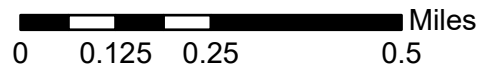


Oceano Community Service District

LAFCO Boundaries

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

Latest SOI Approval: Jul 2020



Prepared By SLOLAFCO
 Name: Oceano CSD
 Date: 3/25/2022
 Attachment - Resolution A-1-28

EXHIBIT C

Oceano Community Services District

Divestiture of Fire Protection Services

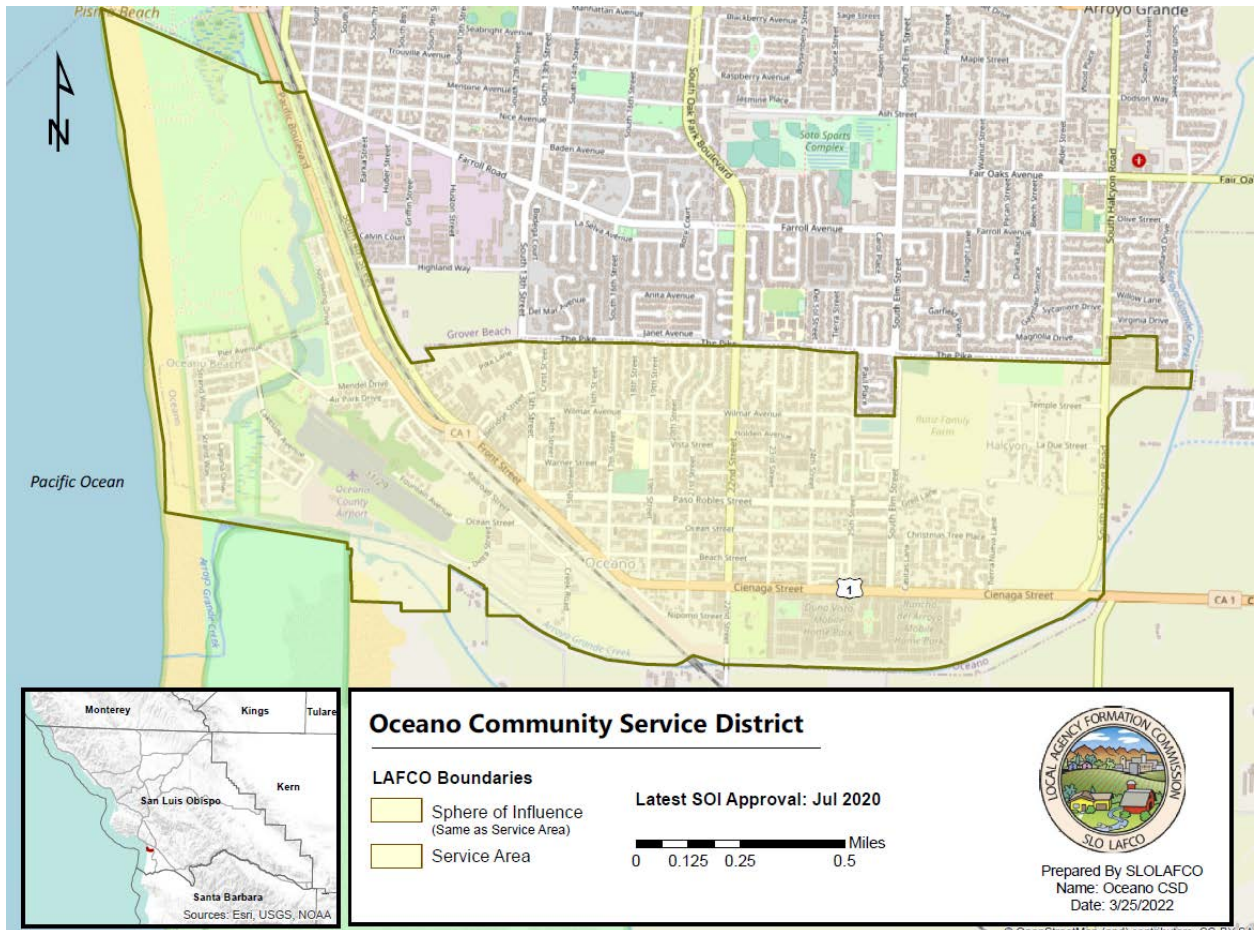
Plan for Services - January 2023

Contents:

1. Introduction & Background
2. Description of Services
 - a. Current Level of Fire Protection Services
 - b. Proposed Level of Fire Protection Services
3. Existing Service Providers and Fiscal Impact
4. Financing Plan

1. Introduction & Background:

The Oceano Community Services District (OCSD) was formed in 1981 by a reorganization (LAFCO Resolution 80-6) that combined the all-volunteer Oceano Fire Protection District, Oceano Beach Lighting District, Oceano Lighting District, Oceano Sanitary District, and County Service Area No. 13. The Oceano Fire Protection District had been in existence since 1947. The OCSD provides property tax supported services (fire protection, lighting, and parks & recreation) and enterprise fee supported services (water, wastewater collection, and solid waste). A five-member elected Board of Directors oversees the affairs of the District. See the figure below showing the current jurisdictional boundaries of OCSD.



A Fire Department Consolidation Feasibility Study was completed in 2005 which concluded that stand-alone fire departments are not cost effective and that Oceano, the cities of Grover Beach (GB) and Arroyo Grande (AG) should consolidate into one agency for fire protection services. In 2008, the OCSD Fire Oversight Committee directed efforts to consolidate with GB and AG. The Five Cities Fire Authority (FCFA), a Joint Powers Authority (JPA) was formed in 2010 and has been providing fire protection services for OCSD, GB, and AG ever since.

FCFA operates as a single fire agency utilizing fire stations and equipment from the three member agencies. FCFA has a three-member Board of Directors comprised of an elected official from each agency. The Fire Chief reports to the Board of Directors and administers all three fire stations. Funding for the FCFA is based on a negotiated cost formula between the member agencies.

In 2017 the FCFA Board adopted a five-year strategic plan that had a staffing plan which was prioritized to initially transition from part-time reserve firefighters to full-time firefighters over a three-year period. At the end of the three-year period, the Arroyo Grande and Grover Beach stations would have 3 full-time staff, and the Oceano station

2 full-time staff daily. The strategic plan also called for other positions, and the establishment of an equipment replacement program. The initial two phases of the three-year prioritization were accomplished (6 of 9 positions transitioned).

The FCFA strategic plan has resulted in significant cost increases to fund the additional career positions. However, due to insufficient resources, the OCSD station currently can only be staffed with two positions for one of three shifts each week. When the OCSD station is closed, service to Oceano is provided by FCFA with staff stationed at the GB and AG stations.

When the OCSD station is open, additional jurisdictional response is provided to Oceano from FCFA stations in GB and AG. Automatic aid is provided to FCFA by CAL FIRE (nearest stations in Pismo Beach and Nipomo). Should an incident require a mutual aid request for additional resources, those resources could be dispatched from anywhere in San Luis Obispo County, Santa Barbara County, or the City of Santa Maria.

The sole funding source for fire service is property taxes. Unlike the Cities or the County, other funding sources such as sales, transient occupancy, cannabis, and other taxes are not available to special districts like OCSD. In March of 2020, the OCSD placed a special tax measure (Measure A-20) on the ballot to fund its share of the JPA costs. The measure called for an annual special tax of \$180 per parcel to generate almost \$410,000 in additional funding. That measure failed to garner the necessary 2/3 majority vote to pass. A similar measure was placed on the June 2022 ballot (Measure A-22) and it also failed to pass.

Due to the inability of OCSD to fund its share of JPA costs, the OCSD will cease to be a member of the FCFA on July 1, 2023, and fire protection services for Oceano will need to be provided by another method. This would leave GB and AG as the remaining agencies of FCFA. The existing JPA would need to be revised if those agencies desired to keep a JPA as opposed to returning to stand alone fire departments.

2. Description of Services

a. Current Level of Fire Protection

The FCFA provides emergency and non-emergency fire protection services within OCSD boundaries. Service calls within OCSD boundaries average about 550 per year and account for less than 16% of the total calls for FCFA. Calls are assigned to the closest available apparatus based on GPS coordinates. The County prepared a Special Districts Fire Protection Study in 2018. The section covering OCSD is attached as Attachment 1. That report stated that the appropriate response time for Oceano would be based on the County Fire urban standard of 7 minutes. When the OCSD station is open, FCFA can cover 99% of the entire OCSD service area within 7 minutes. However, when the OCSD station is closed, the other FCFA stations can cover 30% of the OCSD service area within 7 minutes and 95% of the OCSD service area within 8 minutes. The study also concluded

that if the OCSD station was closed and service was provided from the CAL FIRE stations in Pismo Beach or on the Nipomo Mesa, those stations are too far away to provide an appropriate level of response to Oceano.

As indicated earlier, the OCSD only has sufficient funding to staff and keep the OCSD station open one of three (1/3) shifts each week resulting in reduced service levels in Oceano. In addition, this has the impact of increasing simultaneous service calls for the stations that are open in GB and AG by reducing the number of available engine companies, but also increases response times to all communities served by FCFA.

b. Proposed Level of Fire Protection

The complete divestiture of fire protection services by OCSD from its jurisdictional boundaries would transfer all fire protection services to the County of San Luis Obispo (County) as the successor agency. The County could provide service to Oceano as it currently does for other unincorporated areas of the County through the County Fire Department. County Fire could utilize its existing contract with CAL FIRE as it does in other communities, or it could have the option to contract with a reconstituted FCFA to provide service in Oceano.

The current available revenues from property taxes collected would transfer to the County to fund fire protection services. In addition, all existing Development Impact Fees collected and those collected in the future would transfer to the County to be used to improve facilities or replace equipment related to development. The OCSD would also make available through a no cost lease to the County, those facilities currently utilized to provide fire protection services on OCSD property located at 1655 Front Street in Oceano (FCFA Station 3).

The Oceano Fire Station could remain the primary response station for service calls within the Oceano community. Fire engine/apparatus could remain located in the current Oceano Fire Station. The types and quality of fire protection services would be similar to the existing services, however, the level of fire protection services provided to the community could be enhanced as the County's financial ability to provide additional staffing is much greater than OCSD is able to provide currently.

There will be no transfer of OCSD employees related to the divestiture of fire protection services as all employees of FCFA are employees of the City of Arroyo Grande. However, OCSD will be responsible to pay its share of any CALPERS unfunded accrued liabilities for the period it was a member of FCFA. The OCSD will provide fire protection services for the community of Oceano until the effective date of the divestiture. There will be no laws, ordinances, rules, or regulations of the OCSD related to fire protection services remaining in effect after the effective date of the divestiture.

In summary, the proposed divestiture will potentially provide for a higher level of fire service than what currently exists as the County has more funding options available to it than the OCSD. This may provide for the ability to keep the Oceano fire station open more shifts than the current single shift per week.

3. Existing Service Providers and Fiscal Impact

The FCFA is the only existing service provider of fire protection services in Oceano apart from the automatic and mutual aid provided by County Fire. County Fire would be the only option to provide fire protection services in Oceano other than FCFA.

The estimated cost of fire protection services for the citizens of Oceano would be \$1,050,000 annually and be covered by the current property taxes available for fire protection services. The Special Districts Fire Protection Study in 2018 estimated that it would cost the County an additional \$600,000 annually above the property tax revenues to fully staff and operate the Oceano station. Thus, the County of San Luis Obispo would have a fiscal impact as the successor agency.

4. Financing Plan

The financing plan outlined below is based on the estimated costs outlined in the Special Districts Fire Protection Study in 2018 and inflated to July 2023 based on the Consumer Price Index. It assumes the County provides fire protection services and utilizes its current contract with CAL FIRE to staff the Oceano station with two full-time firefighters on duty daily with support by reserves or paid call firefighters plus station operating costs. However, there could also be an option to contract with a reconstituted FCFA depending on future decisions by the Cites of GB and AG. This could bring the estimated cost of service lower.

Estimated Annual Cost	\$1,850,000
Property Tax Transfer	\$1,050,000
Additional County Funding Needed	\$800,000

In addition, there would be a one-time transfer of all Public Facility Fees on hand from the OCSD to the County of approximately \$210,000. The County would then receive all Public Facility Fees collected on new development in Oceano. These fees can be used to fund upgrades to the facilities or new equipment related to new development. The

latest Public Facility Fee report for OCSD calculates that these fees can fund 44% of any facility upgrades or new equipment.

OCSD would negotiate a lease with the County for use of all OCSD real and personal property that is currently being utilized for fire protection services by FCFA at no cost to the County other than required maintenance, repair, or replacement. The modular home currently housing firefighters at the Oceano station is reaching the end of its useful life and replacement or construction of a permanent structure will need to be addressed in the near future. OCSD would not be able to spend any funds on fire protection services, including facilities and equipment after divestiture.

OCEANO COMMUNITY SERVICES DISTRICT



KEY FINDINGS

1. **Oceano CSD** says they intend to remain with the Five Cities Fire Authority and are working on the following issues:
 - 1.1. Renegotiation of the funding formula for Five Cities JPA.
 - 1.2. Review of the Five Cities JPA strategic plan to reduce expenditures.
 - 1.3. There has been discussion by one of the other member agencies withdrawing from the JPA. If one of the other members withdraws, Oceano CSD will need to consider other delivery options.
 - 1.4. The District reports they are currently using reserve funds to fund FCFA services through FY 2019/2020 and will pursue a special tax or benefit assessment to fund service cost increases thereafter.
2. Divestiture would be an option in the event voters do not approve a special tax or benefit assessment.
3. Five Cities Fire Authority staff report difficulty utilizing reserve firefighters to augment career staff. They also report that efforts to sustain a volunteer/PCF program have been largely unsuccessful.
4. Based on the County Fire Strategic Plan service level analysis, if Oceano divested, County Fire will need to staff the Oceano fire station since there is not a reasonably proximal alternative.
5. The District did not have a specific request of the County but would like to share in any revenue enhancements opportunities and/or would like to have financial support for mobile data computers and dispatch costs

DISTRICT INTERVIEW ATTENDEES

September 20, 2018 meeting: Linda Austin, OCSD Director; Paavo Ogren, OCSD General Manager; Steve Lieberman, FCFA Fire Chief; Bob Neumann, OCSD consultant

BACKGROUND, HISTORY, AND SERVICES PROVIDED

The Oceano Community Services District (OCSD) was formed in 1981 by a reorganization that combined the all-volunteer Oceano Fire Protection District, Oceano Beach Lighting District, Oceano Lighting District, Oceano Sanitary District, and County Service Area No. 13. There is a five (5) member elected board of directors. The OCSD was formed post-Proposition 13 in 1981.

The OCSD provides property tax-supported services (fire, parks, and lighting) and enterprise services (water, wastewater, garbage and recycling). The 2018-19 OCSD budget is \$5,451,519; \$997,150 is from property taxes; the balance of the budget is from service enterprise funds and other sources.

FIVE CITIES FIRE AUTHORITY

Fire protection to Oceano CSD is from the fire station collocated with the OCSD offices and is staffed daily with a career Fire Captain and a Reserve firefighter provided by Five Cities Fire Authority.

Fire protection in OCSD is provided through the Five Cities Fire Authority (FCFA), a Joint Powers Authority (JPA) formed in 2010, which includes Oceano CSD, City of Grover Beach, and the City of Arroyo Grande. FCFA operates as a single fire agency utilizing fire stations and equipment from the three member's agencies, each of which previously operated their own separate fire departments. FCFA has a three (3) member board of directors comprised of an elected official from each of the three member agencies. The fire chief reports to the FCFA board of directors and administers all three fire stations. Funding for the FCFA is based on a cost formula agreed to by member agencies. In September 2017, the FCFA board adopted a five (5) year strategic plan that has a staffing plan for a complete phase-out of volunteer/PCF and reserve firefighters. All firefighter positions are planned to be full-time career positions and daily staffing at each fire station will be minimum of three (3) on duty. Oceano Fire Station's current daily staffing is one (1) career and one (1) reserve. The FCFA strategic plan implementation will result in a significant cost increase to OCSD to fund the additional career positions need to provide 3 career firefighters on duty daily. OCSD adopted the FCFA strategic plan in April 2018 contingent on a new Memorandum of Agreement which modified the original JPA. The modification allows for amendment of the current funding formula and establishment of procedures for a member of the FCFA to withdraw from the JPA. The amendments must be agreed upon by April 1, 2019.³⁸

The additional jurisdictional response is from FCFA stations in Grover Beach and Arroyo Grande. Automatic aid is provided to FCFA by the two City of Pismo Beach fire stations on Bello Street and Shell Beach Road and County Fire Station 22 on Highway 1. Next closest mutual aid fire stations are Cal Fire Station 20 in Nipomo and County Fire Station 62 in Avila Valley. Both Nipomo and Avila Valley area stations have approximately 15 minutes driving time to Oceano.

³⁸ 2018 Fire Service Analysis for Oceano Community Services District; Category Five Professional Consultants

FCFA reported having poor success recruiting Reserve Firefighters from Allan Hancock College Fire Academy. The FCFA strategic plan goal is to be 100% fulltime career firefighters in 5 years.

OCSD's primary funding source for their 2018-19 portion of the FCFA budget comes from property taxes in the amount of \$997,150. The budgeted amount for 2018/2019 fiscal year for fire protection is \$1,030,790. Reserve funding will be utilized to balance the budget. FCFA received a SAFER³⁹ grant that concluded in 2015 that funded additional full-time firefighters. The grant expired and no sustainable funding source was identified to continue funding and the positions were eliminated.

OCSD believes they have adequate budgetary reserve funding to carry them through 2019-20 fiscal year and to cover cost increases with the FCFA strategic plan. OCSD is considering a benefit assessment ballot measure to fund their future cost increases beyond 2019-20.

OCSD states their preferred action is to remain with the FCFA, renegotiate the JPA cost formula, determine possible cost reductions, service level changes, or new revenue options. They do not have a desire to divest fire protection to the county.

However, their caution is if the new JPA cost formula is not approved, which results in another FCFA member agency withdrawing, the JPA may not be sustainable. OCSD may not be able to afford to operate a standalone fire department. If the JPA dissolves, a new fire protection delivery plan will be required, which could include divestiture as one option.

OCEANO CSD UNIQUE RISKS AND HAZARDS

As a coastal community, Oceano is a destination for tourism, particularly as people pass through on their way to the Oceano Dunes State Vehicular Recreation Area. Tourism brings a high volume of visitors and short-term renters, which corresponds to higher emergency call volume above those caused by residents.

Due to proximity the district may respond to coastal emergencies including beach accidents and surf rescue. Specialized training and equipment are required to respond to this unique hazard.

There are vegetable packing plants in Oceano that present a special hazard of use of ammonia as a coolant for fresh vegetables. Ammonia emergencies require very specialized training.

The Union Pacific railroad runs through Oceano which presents specialized training and equipment needs to manage railroad emergencies involving freight and passenger accidents.

³⁹ SAFER Grant: Dept. of Homeland Security; FEMA, US Fire Administration grant program
Page 80 of 155

OCEANO CSD DATA SHEET

Authorizing Code	Cal. Govt. Code 61000 et. seq.
Address:	P.O. Box 599
	1655 Front Street
	Oceano CA 93475-0599
Telephone:	805-481-6730
FAX:	805-481-6836
Website:	www.oceanocsd.org
District Manager:	Paavo Ogren
Fire Chief:	Steve Lieberman (Five Cities Fire Authority)
Board Representative	Linda Austin
Board of Directors Meetings	Second and fourth Wednesday of the month at 5:30 p.m. in the OCSD Board Room
Board Members	Karen White Linda Austin Shirley Gibson Cynthia Replogle Vacant Position
Acreage	1163
Square miles	1.8
Population	7508
Number of parcels	2441
Assessed Valuation	\$627,100,773
2017/2018 Fire Actual Tot. Exp.	\$963,592
2017/2018 Property Tax: District	\$979,424
2017/2018 Property Tax: Fire	\$940,004 (96% of Property Tax)
Special Tax or Assessment	0
Number of Career/Paid personnel	19.5 (Total for Five Cities Fire Authority)
Number of Reserves	18 (Total for Five Cities Fire Authority)
Annual calls for service (2017 cy)	583 in Oceano CSD for Five Cities FA
Date of Formation	January 1, 1981

Figure 33 Oceano CSD Data Sheet

OCEANO CSD MAP

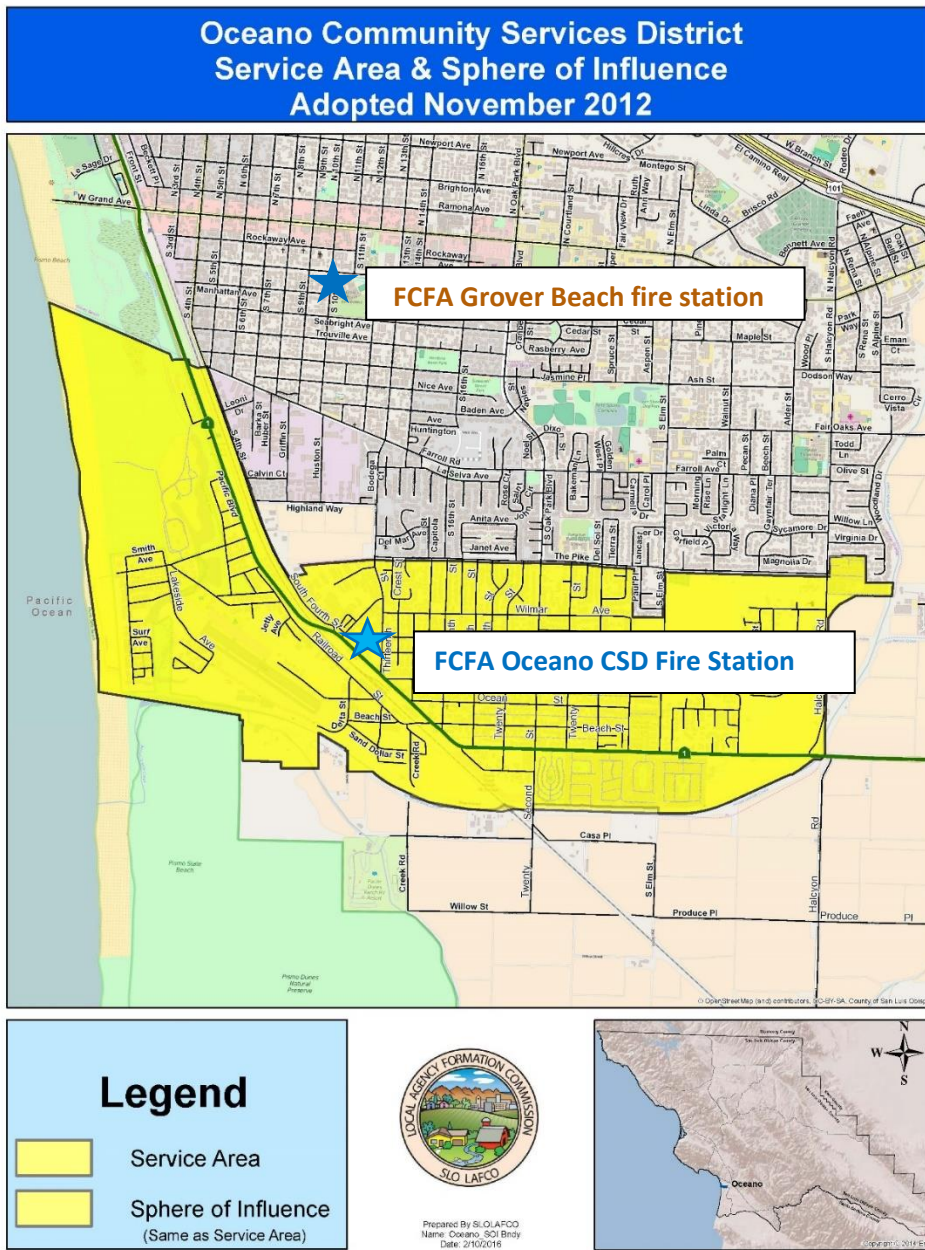


Figure 34 Map of Oceano CSD: LAFCO

LAFCO Map of Oceano CSD service area and sphere of influence⁴⁰

⁴⁰ San Luis Obispo County LAFCO

OCEANO CSD FIRE DEPARTMENT INCIDENT DENSITY

The following map represents the density of incidents in a given location of the District, known as a “heat map”. The District boundary is represented with an orange line. The shades of purple and blue represent incidents at that location. Light shades indicate few calls for service at that location, while the deep purple represents a high volume of calls at the same location. The purpose of the map is to evaluate historical incident data for planning deployment of emergency resources, including fire station placement.

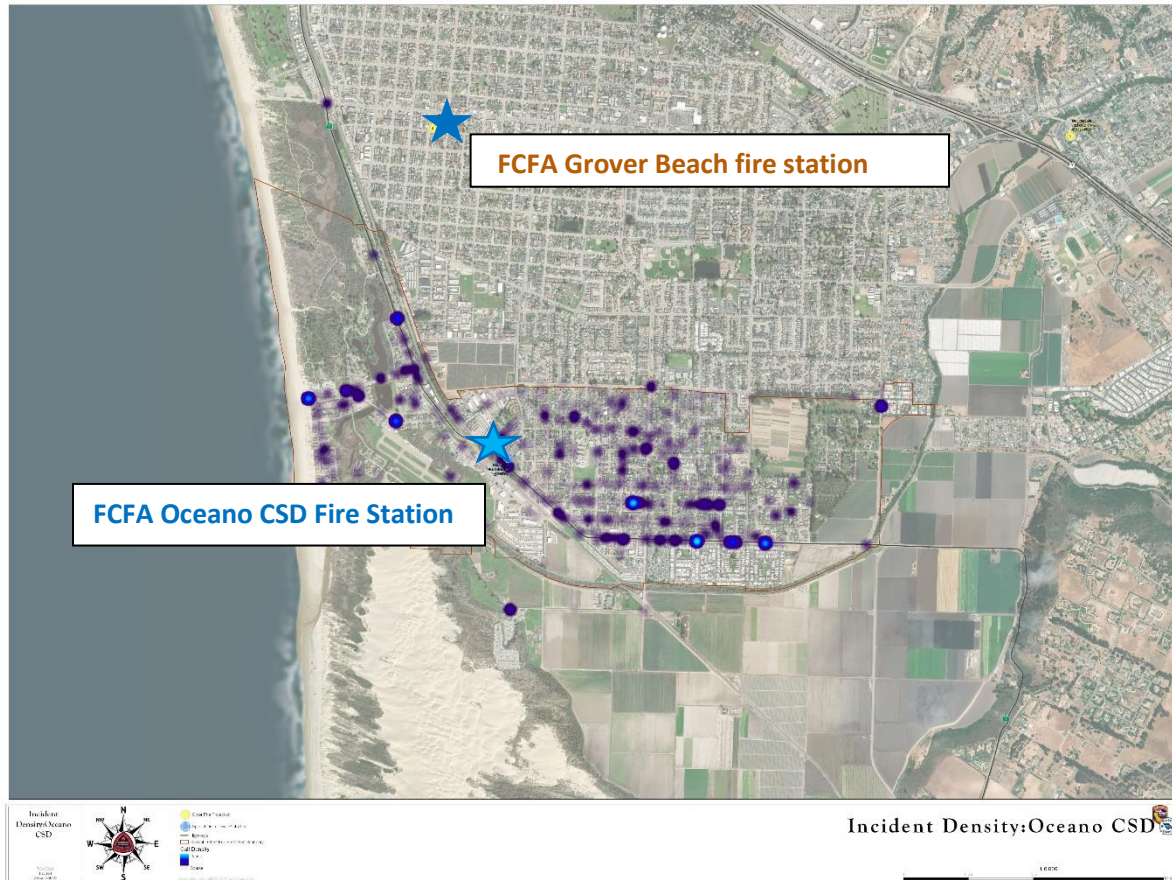


Figure 35 Heat Map of Incident locations in Oceano

RESPONSE TIME ANALYSIS: OCEANO CSD

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == mins	3 minutes	4 minutes
Suburban Standard== 8 mins	3 minutes	5 minutes

Figure 36 Service Level Analysis: Oceano

Using the County Fire service level analysis standards, Oceano CSD warrants an urban response time standard (7 minute response time). The shaded green area represents a seven-minute response, the blue shaded area represents a drive time of over four (4) minutes and under five (5) minutes, while the yellow shaded area represents a drive time of five (5) to twelve (12) minutes. In all cases, 3 minutes are added for “reflex” time. Reflex time includes the time required to dispatch the call, assemble the crew, don the appropriate gear for the response and get out the door. The resulting total response times of seven, eight and fifteen minutes are based on industry standards for urban and suburban levels of service and fire progression. While not absolute, these tools are effective for planning purposes.

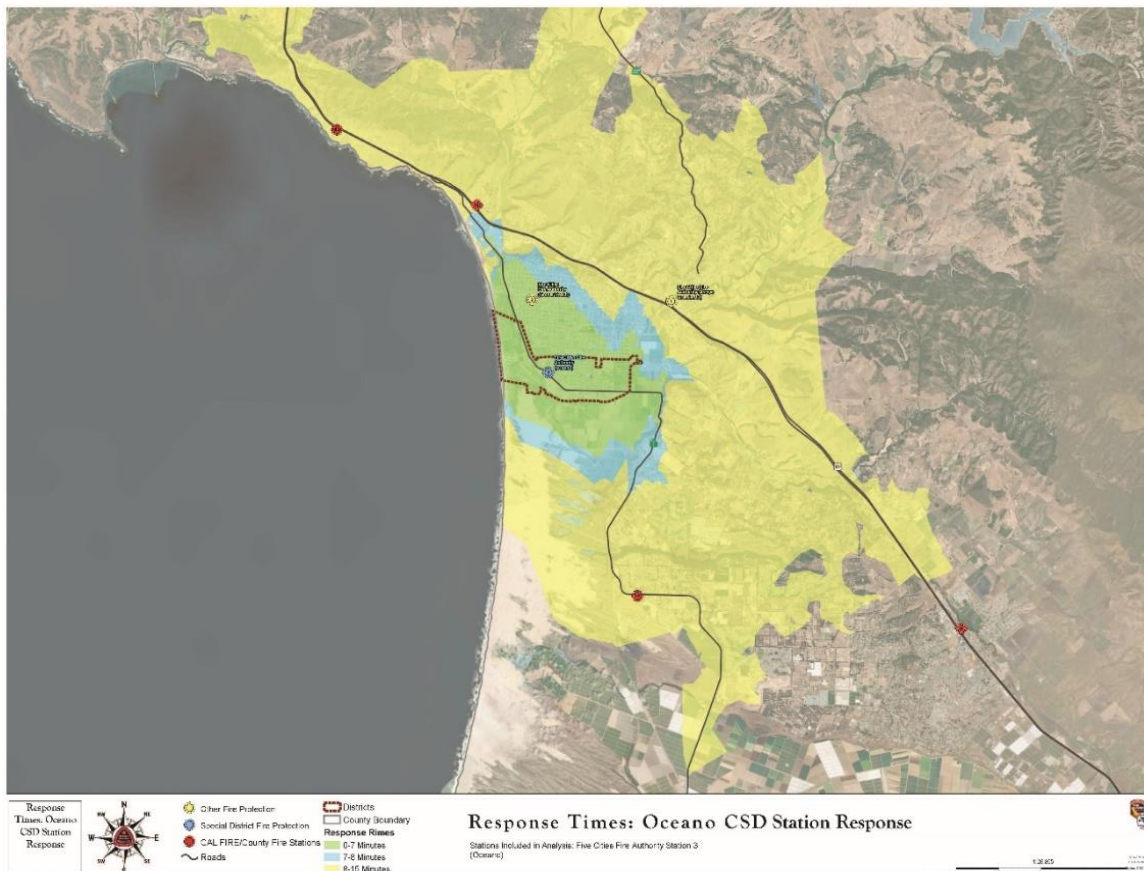


Figure 37 Response Time Analysis from Oceano Fire Station

This map represents the response times from **only** the FCFA Oceano Fire Station on Highway 1. The station can cover 99% of the district in 7 minute response time.

Automatic and Mutual Aid Response Time Analysis: Stations Near Oceano CSD

The map below represents response coverage times from adjoining fire stations as if the FCFA Oceano Fire Station were closed. The stations, primarily Grover Beach Fire Station, can cover 30% of the district in 7 minute response time, and 95% of the district in 8 minute response time.

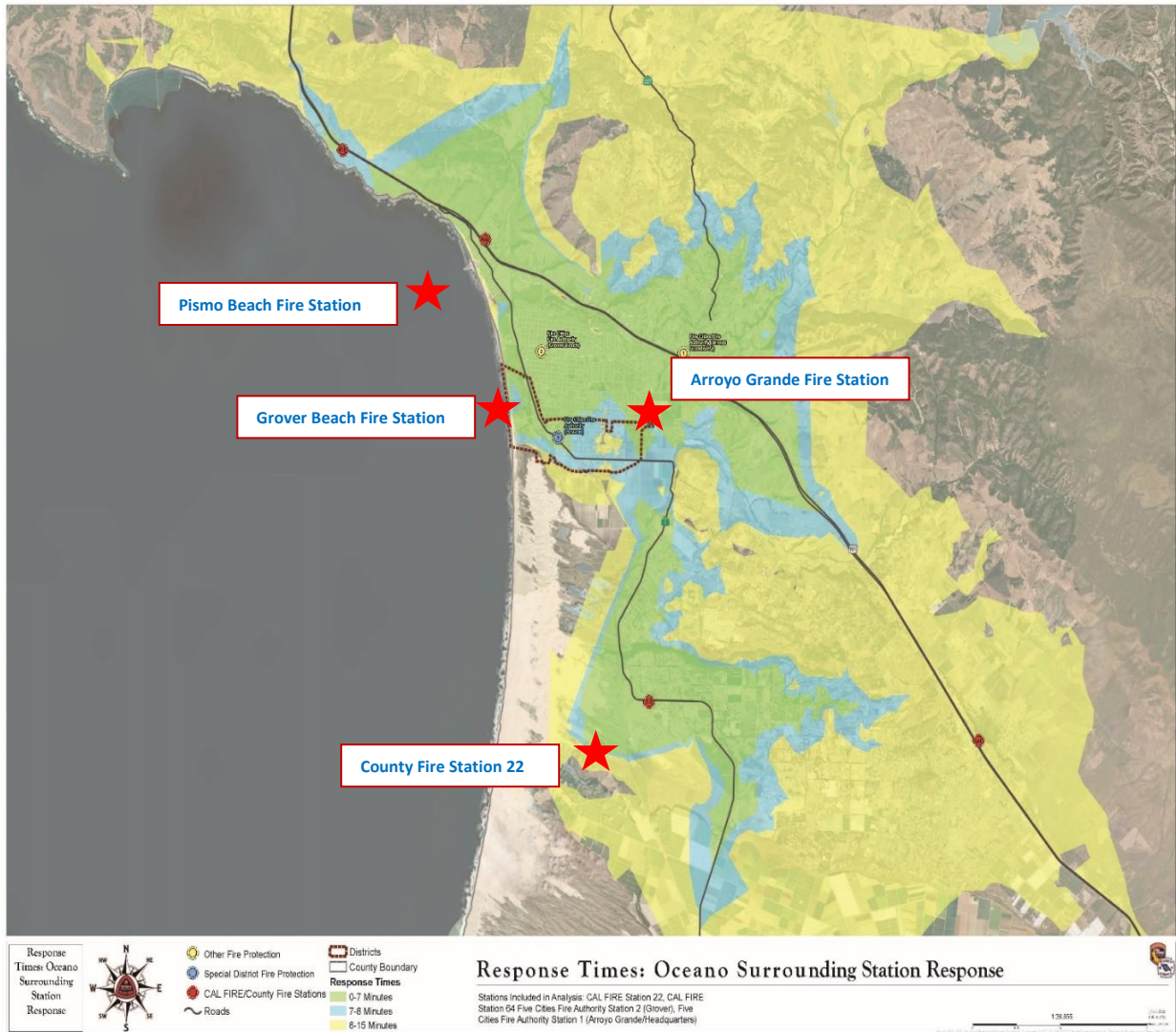


Figure 38 Response Times from adjoining fire stations

This map represents the response times from fire stations surrounding the FCFA Oceano Fire Station on Highway 1. FCFA Oceano is not represented here.

County Fire West Mesa Station 22 Response Time to Oceano

The map below reflects the response time from the closest County Fire Station (# 22 on Highway 1, West Mesa). Response time edge of Oceano CSD is 8 minutes. County Fire Station 22 is too far away to provide an appropriate level of response to the community if Oceano Fire Station were closed.

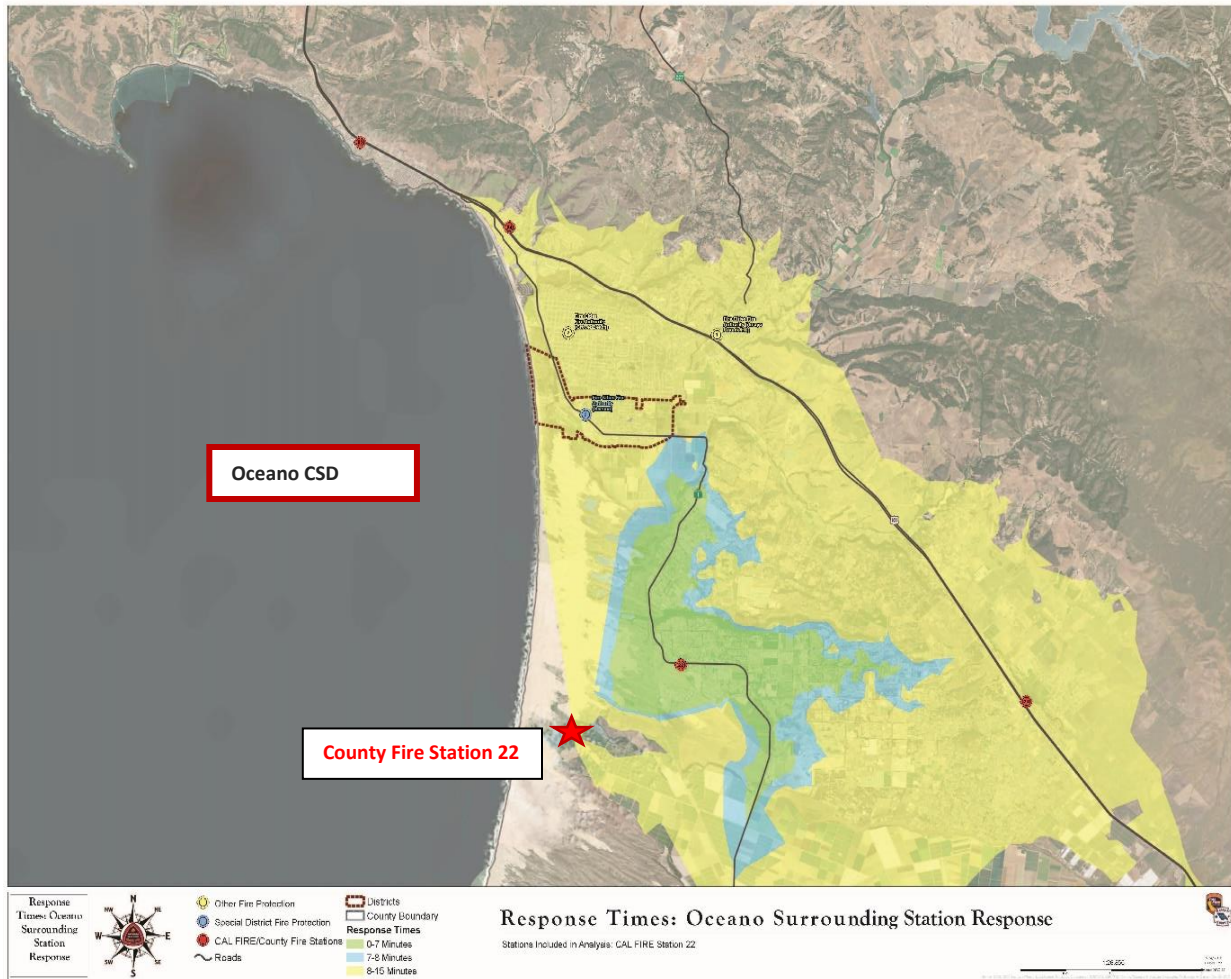


Figure 39 Response Time to Oceano from County Fire Station 22

Pismo Beach Bello Street Fire Station Response Time to Oceano

The map below reflects response time from Pismo Beach Fire Station on Bello Street. The response time edge of Oceano CSD is 8 minutes. The Pismo Beach Fire Station is too far away to provide an appropriate level of response to the community if the Oceano Fire Station were closed.

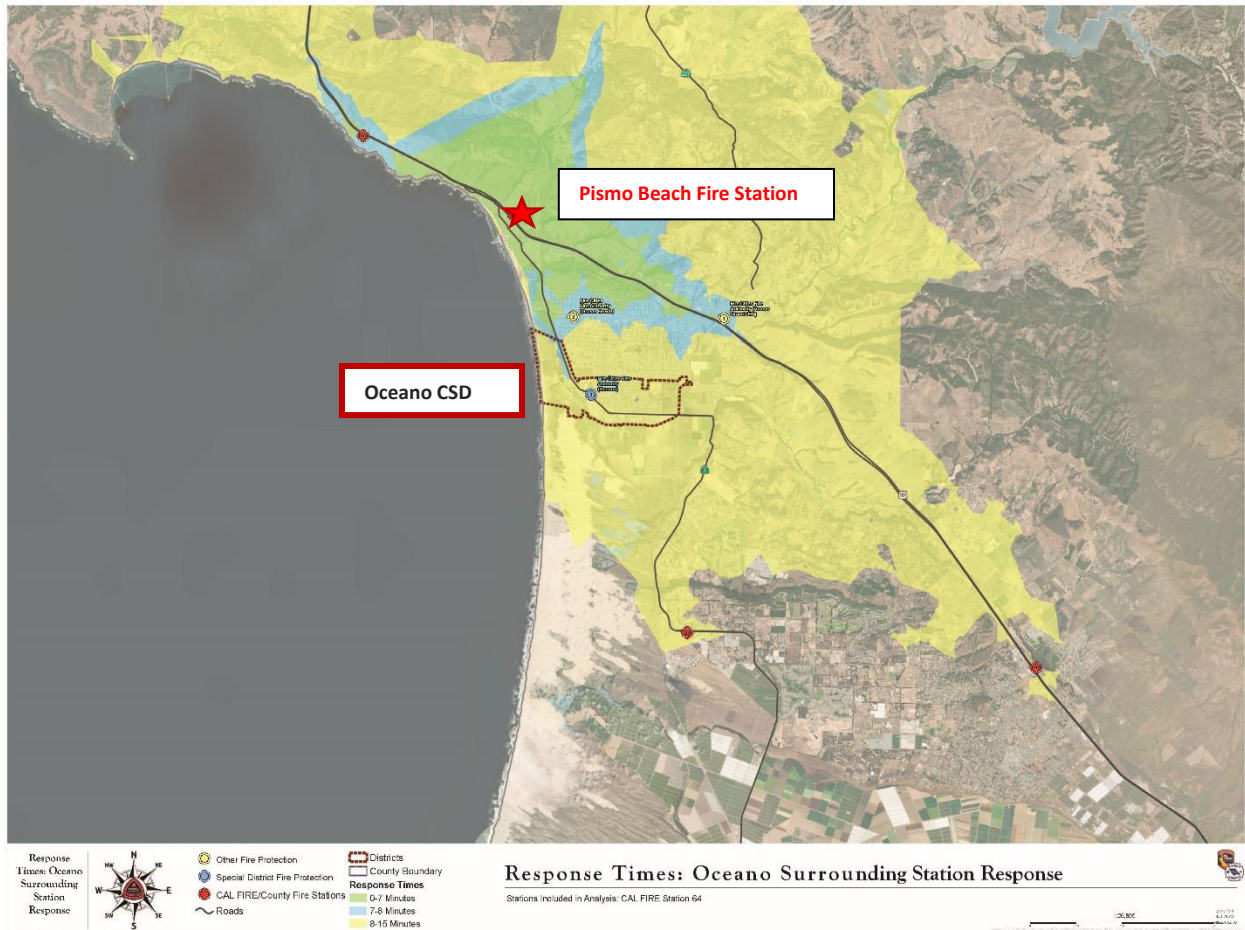


Figure 40 Response time to Oceano from Pismo Beach Fire Station on Bello Street

OCEANO CSD FUNDING

ASSESSED VALUATION⁴¹

The assessed value along with a percentage increase of growth of the district is listed in the table below. The total for San Luis Obispo County is listed as well for comparison purposes.

Agency	Secured and Utility		Growth from Prior Year		
	Assessed Valuation (after HOPTR)	Percent of Total	2015-2016	2016-2017	2017-2018
San Luis Obispo County	\$49,089,032,946	100.0000%	6.22%	5.67%	5.61%
Oceano CSD	\$627,100,773	1.2775%	4.65%	5.74%	3.86%

Figure 41 Oceano CSD Assessed Valuation

*HOPTR-Homeowners Property Tax Relief

DISTRICT PROPERTY TAX

As stated in the section regarding special district funding, the primary source of revenue for fire protection in special districts is property tax. The assessed value (chart above) and allocation formulas impact the amount of property tax allocated to the Oceano CSD.

OCEANO CSD PROPERTY TAX GROWTH TREND

Oceano CSD Property Tax⁴²

Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Property Tax Allocation	\$830,780	\$871,478	\$918,883	\$953,998
Growth from Previous Year	\$47,633	\$40,697	\$47,406	\$35,115
Incremental Growth %	6.08%	4.90%	5.44%	3.82%

Figure 42 Oceano CSD Property Tax 2014-2018

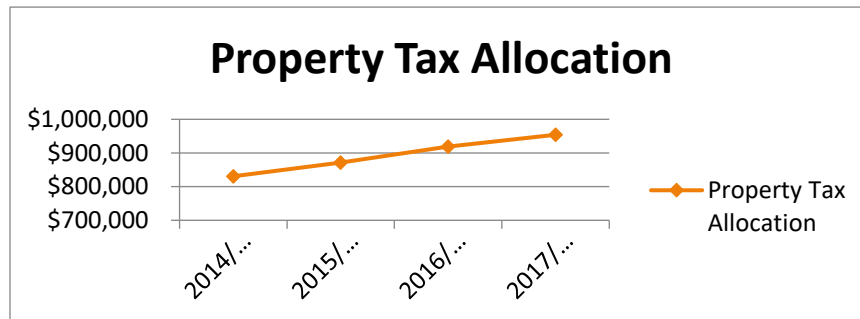


Figure 43 Oceano CSD Property Tax allocation 2014-2018

⁴¹ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors Office

⁴² San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors Office

OCEANO CSD TAX RATE AREAS⁴³

Oceano CSD has eighteen tax rate areas within the district, which are listed below along with the total taxes collected in each TRA, percentage allocated to the District, and associated dollar allocation amounts.

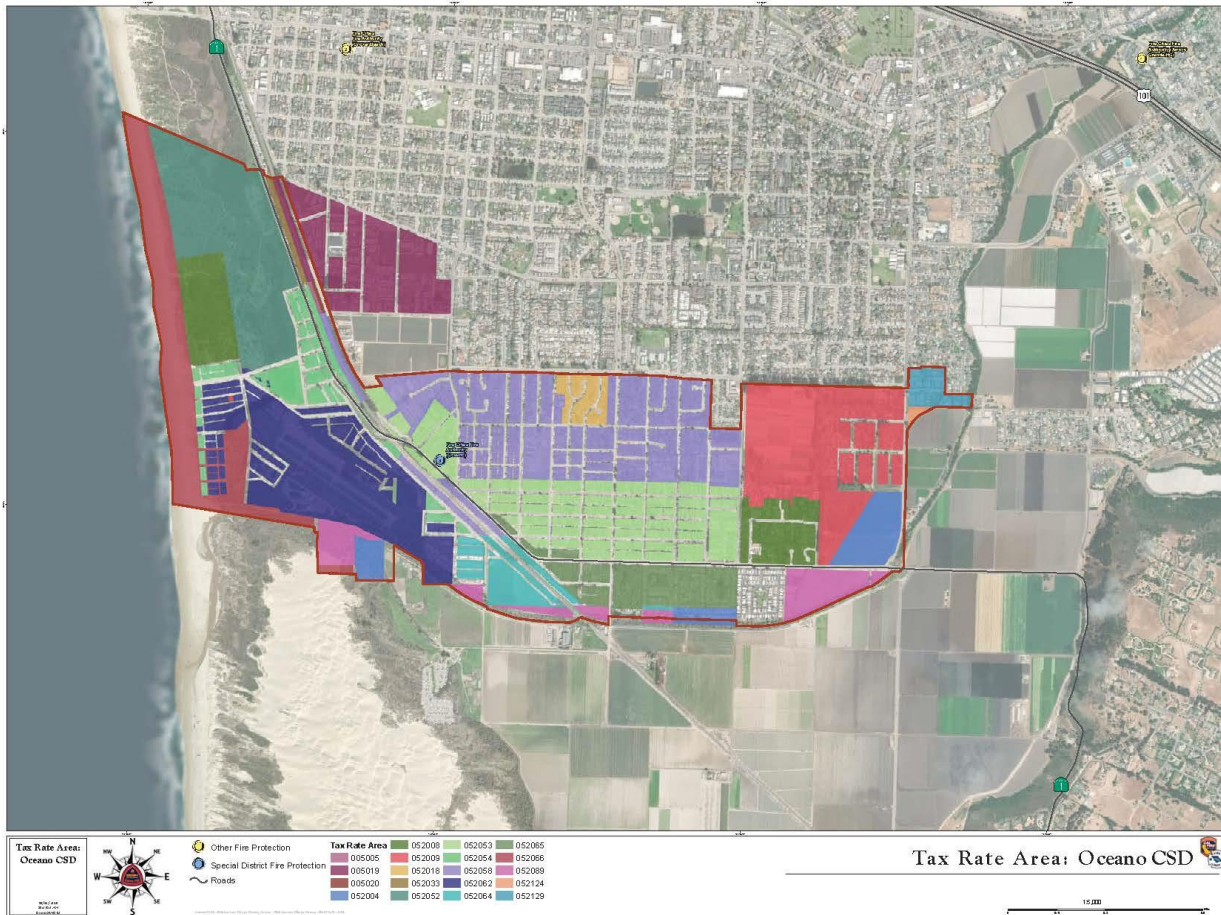
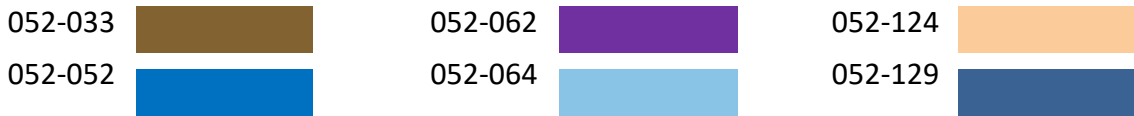


Figure 44 Map of Oceano CSD Tax Rate Areas

Tax Rate Area	Legend	Tax Rate Area	Legend	Tax Rate Area	Legend
052-004		052-053		052-065	
052-008		052-054		052-066	
052-009		052-056		052-069	
052-018		052-058		052-089	

⁴³ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collectors, Office
Page 89 of 155



Oceano CSD 2017/2018 Tax Revenue % and \$ by TRA ⁴⁴			
TRA	Percent to CSD	Total Tax for TRA	Tax Dollars to OCSD
052-004	8.33261	\$17,206	\$1,434
052-008	14.34306	\$432,791	\$62,075
052-009	9.03435	\$174,292	\$15,746
052-018	19.15994	\$214,420	\$41,083
052-033	17.52493	-\$209	-\$37
052-052	8.26971	\$2,437	\$202
052-053	15.81544	\$1,727,637	\$273,233
052-054	15.61324	\$675,359	\$105,445
052-056	7.27873	\$5,547	\$404
052-058	14.34411	\$2,141,020	\$307,110
052-062	14.86340	\$964,198	\$143,313
052-064	13.64429	\$39,044	\$5,327
052-065	15.05579	\$260,179	\$39,172
052-066	2.50356	\$7,439	\$186
052-069	6.52668	\$70,999	\$4,634
052-089	8.43659	\$16,742	\$1,412
052-124	14.78972	\$87	\$13
052-129	11.05948	\$31,400	\$3,473
TRA Count = 18	Total	\$6,780,588	\$1,004,225

Figure 45 Oceano CSD Tax Revenue % and \$ by TRA

OCEANO CSD PROPERTY TAX ALLOCATION/TAX RATE AREA PERCENTAGES

The pie chart below represents the allocation of property tax to all the agencies that receive property taxes within the 052-058 tax rate area. This tax rate area was selected as a representative example of the allocation of property tax to the District and is the tax rate area that generates the greatest tax revenue within the District.

⁴⁴ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office
Page 90 of 155

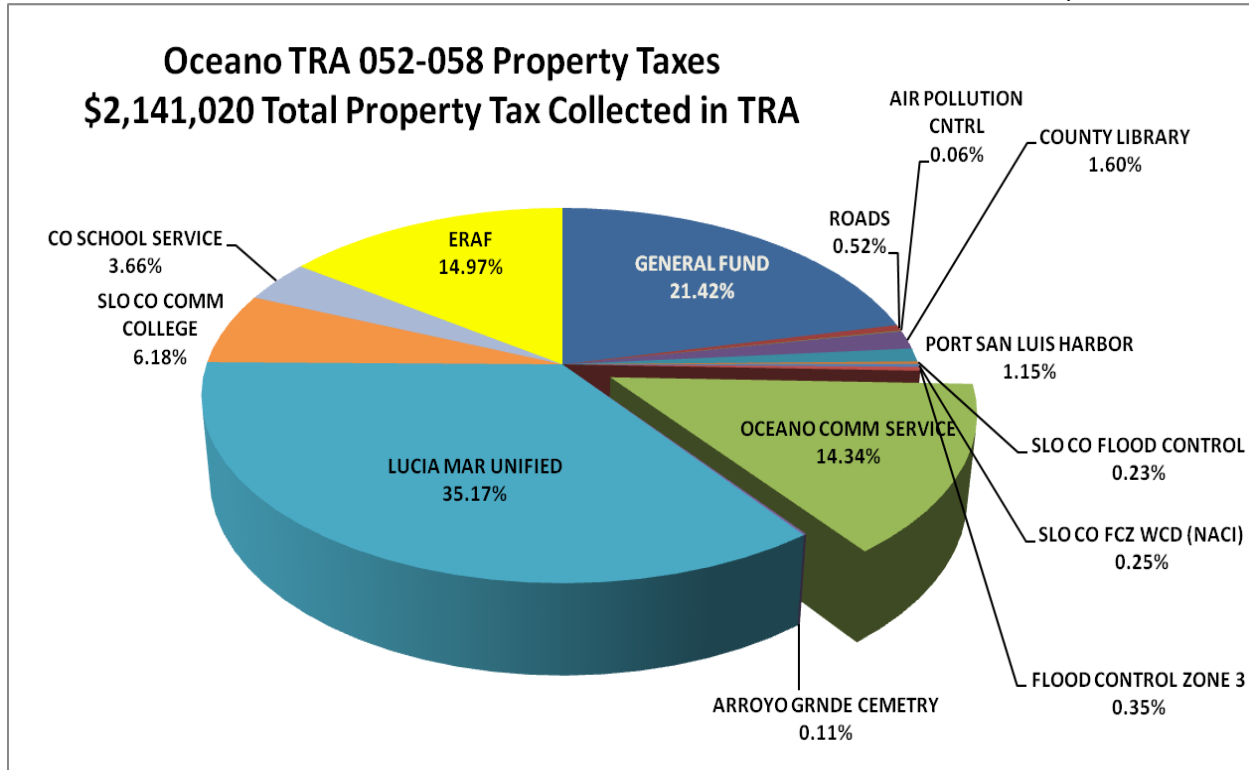


Figure 46 Oceano CSD TRA 052-058 Breakdown

Tax Rate Area 052-058 allocation between all agencies that collect property tax from the tax rate area.⁴⁵

Percentage of Property Tax Expended on Fire Protection in FY 2017/2018

Total Property Tax Received by Oceano CSD:	\$979,424
Property Tax Allocated to Fire Protection:	\$940,004
Percent of Total Allocated to Fire Protection:	96% ⁴⁶

OCEANO CSD NUMBER OF PARCELS

The number of parcels in the District impacts the ability of the District to pass a parcel based benefit assessment fee. An analysis was conducted to determine the fee burden per parcel based on generating an arbitrary amount of \$500,000 in revenue for the District. A flat fee of \$204.83 per parcel (all parcels charged the same amount) is required to generate \$500,000 in the Oceano CSD annually. Values may vary depending on number of exempt parcels.

District	Total Number Of Parcels	Per Parcel to Generate \$500,000.00
Oceano CSD	2441	\$204.83

⁴⁵ San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector’s Office

⁴⁶ Oceano CSD Financial Documents

Figure 47 Oceano CSD Parcel Count

OCEANO CSD LOCAL REVENUE ENHANCEMENT EFFORTS

Benefit Assessment District

Oceano is considering a benefit assessment district ballot measure to fund their portion of the FCFA cost. District reserves can carry them through 2020 and expectations are for the ballot measure to be voted on in 2020. If the FCFA strategic plan is implemented, OCSD estimates their annual deficit will rise from \$75,800 in year one to \$223,500 in year five.⁴⁷ Preliminary estimates show a required parcel fee of \$87.66 to generate enough revenue to meet the projected cost at year five.

SAFER Grants

Five Cities Fire Authority (FCFA) applied for a federal FEMA SAFER grant that funded additional full-time firefighters for two years. The purpose of the grant was to enable FCFA to have additional full-time firefighters on duty daily. There was no source of funding to continue funding the firefighters after the grant expired.

OCEANO CSD SIGNIFICANT COST FACTORS

Payroll

FCFA is utilizing Reserve Firefighters to augment career firefighters in an effort to reduce payroll costs until permanent funding for career firefighters is in place. The FCFA strategic plan calls for the conversion of the Reserve Firefighter program to a fully staffed career operation.

Other Post Employment Benefits (OPEB)

FCFA employees are employees of the City of Arroyo Grande and the FCFA member agencies cost-sharing formula includes payment to Arroyo Grande for employment costs. An actuary has been completed regarding the OPEB liability for the FCFA. Four retirees currently receive benefits. Payment for retiree health care is funded out of the current year budget.⁴⁸

Workers' Compensation

No significant open workers' compensation claims were reported by the District, which would be managed by the City of Arroyo Grande as the employer of the FCFA firefighters.

Retirement

The City of Arroyo Grande has a contract with Cal PERS for retirement benefits for FCFA members. The unfunded liability for the retirement plan for both safety and miscellaneous employees is estimated at \$2.2 million.⁴⁹

⁴⁷ 2018 Fire Service Analysis for the Oceano Community Services District; page 5

⁴⁸ Correspondence from Chief Lieberman, FCFA, Sept. 24, 2018

⁴⁹ Correspondence from Chief Lieberman, FCFA, Sept. 24, 2018

Liabilities

The District reported that there are not any pending lawsuits involving fire protection.

Equipment Replacement Fund

The FCFA utilizes both lease-purchase agreements and a sinking fund for significant equipment purchases. The current fund balance is \$558,000 with no contributions budgeted for 2018-19 FY; FCFA will restart sinking fund contributions in 2019-20 fiscal year⁵⁰. They have also had success with grant funding to pay for some equipment.

Facility Costs

Oceano Fire Station is part of the Oceano CSD administrative complex. Fire apparatus garage is physically in the same building as the administrative staff. On duty, crew quarters are a separate mobile home building at the rear of the property.

⁵⁰ Five Cities Fire Authority 2018-19 FY budget

OCEANO CSD FIRE DEPARTMENT BUDGET

**Oceano Community Services District
Actual Revenue and Expenditures: Fire
Based on District's Financial Documents**

	2014/2015	2015/2016	2016/2017	2017/2018
Revenue				
Property Tax	854,256	895,820	958,154	979,425
Benefit Assessment: Fire	-	-	-	-
Interest Revenue	4,053	1,600	2,609	3,400
Public Facility Fee-Fire	17,691	6,258	25,358	27,280
Weed Abatement Fees	-	-	-	-
Reimbursement for Mutual Aid	-	-	-	-
SAFER Grant	-	-	-	-
Grant: Personnel Protection	-	-	-	-
Ambulance Reimbursements	-	-	-	-
General Fund Reserve	-	-	-	-
Misc. Revenue	9,739	8,441	5,948	4,998
Total Revenue	885,739	912,119	992,069	1,015,103
Less: Lighting Fund:	37,630	41,729	45,904	39,421
Net Revenue: Fire Budget	848,109	870,390	946,165	975,682
Expenditures				
Salaries, Stipends and Benefits	6,600	6,780	7,131	7,077
Serv and Supp (Inc. FCFA contract)	758,934	789,567	814,865	841,068
Debt Payments	-	-	-	-
Capital Outlay	-	-	-	-
Administrative Costs	24,788	28,188	31,325	34,093
Reserve Designation	15,030	-	-	81,354
Total Expenditures	805,352	824,535	853,321	963,592

Five Cities Fire Authority receives the following revenues directly on behalf of all three member agencies:

- SAFER Grant: Expired in 2015
- Equipment grants
- First Responder Reimbursement: Ambulance Reimbursement
- Reimbursement for Mutual Aid/Strike Teams
- Expense recovery

These revenues are used to reimburse expenses and reduce costs on behalf of the three member agencies: Oceano CSD, City of Arroyo Grande, City of Grover Beach

Figure 48 Oceano CSD Fire Budget 2014-2018

OCEANO CSD FIRE DEPARTMENT STAFFING PLAN

Current Staffing Provides for 1 career and 1 reserve on duty daily at Oceano Fire Station

- 1 Fire Chief -FCFA
- 3 Fire Captains
- 3 Reserves (Part-time)

Recruitment and Retention

- Fulltime firefighter turnover rate is low. FCFA has existed for only 8 years
- Reserve firefighters turn over on average every 2-3 years.
- FCFA no longer recruits PCF.

Proposed FCFA Staffing Plan Provides for 3 career on duty daily plus additional chief officer and administrative support

- 1 Fire Chief-FCFA
- 3 Battalion Chiefs-FCFA
- 1 Fire Marshal- FCFA
- 1 Administrative Assistant-FCFA

For Oceano Fire Station staffing:

- 3 Fire Captain
- 3 Engineer/Driver-Operator
- 3 Firefighter

Timeline for Implementation

3 career engineers and 3 firefighter positions desired within 5 years to provide 3 career on duty daily at each fire station;

OCEANO CSD RESOURCE NEEDS

The OCSD did not make a specific request for any County financial assistance; however, they are interested in sharing any new revenue source or cost reductions for fire protection services such as dispatch cost. In the event of an FCFA member agency withdrawing from the JPA, OCSD will need to develop a new fire protection delivery system that may include divestiture as one option.

OCEANO CSD OPTIONS CONSIDERED

- Oceano CSD has no plans or intention to divest fire protection. However, their caution is if the new JPA cost formula is not approved, which results in another Five Cities Fire Authority member agency withdrawing, the JPA may not be sustainable. If the JPA dissolves, a new fire protection delivery plan will be required, which could include divestiture as one option.

- Oceano CSD is considering a new benefit assessment ballot measure for 2020 to fund extra FCFA staff; OCSD reserves can fund extra costs until 2020.

COUNTY OPTIONS IN THE EVENT OF DIVESTITURE

Level of Service Analysis

County Fire Strategic Plan Level of Service Analysis recommends an “Urban Service Level” for Oceano which equates to a 7 minute response time for 90% of the District.

Response Time	Dispatch and Get Away Time	Driving Time to Incident
Urban Standard == 7 Minutes	3 minutes	4 minutes
Suburban Standard== 8 minutes	3 minutes	5 minutes

Figure 49 Oceano CSD Service Level Analysis

Closest Existing County Station

Station 22 (West Mesa) on Highway 1 is the closest county fire station. Station 22 driving time to Oceano CSD southern boundary is 5 minutes which equates to an 8 minute response time to the southern edge of the district and greater than 8 minutes to the balance. 8 minute response time exceeds the County Fire standard for urban response time warranted for Oceano’s demographic.

The impact on the County

If Oceano CSD divests fire protection to the county, County Fire will need to staff the Oceano Fire Station to meet the response time standard. Oceano CSD’s 2018/2019 property tax revenue funding of \$957,654 (96% of total property tax of \$997,150) is not sufficient to absorb the financial impact to the County.

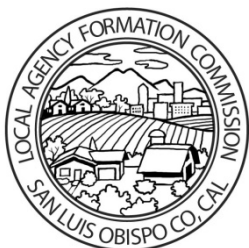
COUNTY FIRE OPTIONS

1. 2 Full-time firefighters on duty daily in Oceano:

County Fire can staff the Oceano CSD Fire Station with 2 full-time firefighters on duty daily with support by reserves or PCF’s for \$ 1.3 million plus station operating expense. If current 2018-19 FY OCSD funding allocation for fire (\$957,654) is transferred to County through a property tax exchange, there will still be insufficient funding for the fire station staffing and operation. The County will need to additionally fund approximately \$600,000 annually.

Attachment B

LAFCO Information
Hold Letter



San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL

TO: WILL CLEMENS, GENERAL MANAGER, OCSD

FROM: ROB FITZROY, EXECUTIVE OFFICER *RF*

DATE: MARCH 7, 2023

SUBJECT: DIVESTITURE - LAFCO FILE NO. 1-E-23

Mr. Clemens,

This letter is to confirm that the application for Oceano Community Services District (OCSD) Divestiture of Fire Protection Services was officially received on February 6, 2023, and was referred to other agencies involved in the process. LAFCO staff have completed an initial 30-day review of the application and find that the following items must be addressed for LAFCO to continue processing the application. The following items are required, in part, pursuant to government code section 56652.

1. The Plan for Services provided by OCSD proposes to have the County of San Luis Obispo be the successor agency to provide fire protection for the Community of Oceano. The proposal set forth would require approval by the Board of Supervisors. The County of San Luis Obispo would also need to prepare a Plan for Services. This would need to include, but is not limited to, a plan for staffing and service levels, asset allocation, pension liabilities, property tax transfer and a funding plan. LAFCO referred the divestiture application to the County of San Luis Obispo, their response to the referral is attached. Once the County has fully evaluated the proposal and placed it on the agenda for the Board of Supervisors to consider, LAFCO will continue processing the application and any resolution and plan for services prepared by the County.
2. Related to Item 1 above, should the County prepare a Plan for Services with specific terms and conditions that are not otherwise stated in the Plan for Services already submitted by OCSD, a revised Plan for Services and/or legal agreement would need to be reviewed and considered by OCSD to reflect the terms and conditions of the County's Plan for Services.
3. Government code section 56824.12 states that a Plan for Services must include the following:
 - (1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.
 - (2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

COMMISSIONERS

Chairperson
ED WAAGE
City Member

Vice-Chair
DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

The Plan for Services provided addresses some of the items above. Some of the items above will be addressed by the County's Plan for Services should it choose to be the successor agency. However, what is not addressed are alternatives to this action (see section 6). Government code section 56668, in part, requires LAFCO to consider impacts to other affected agencies. Because the proposal to divest would also affect Five Cities Fire Authority (FCFA) city members, alternatives should be identified to address those impacts.

4. FCFA, to which OCSD is a member, has a contractual obligation to all parties involved. OCSD's membership will cease on June 30, 2023. What is not clear are the implications if LAFCO has not considered the proposal by June 30, 2023. The LAFCO proceedings can take anywhere from 6-12 months depending on complexity and staff workload. It is unlikely that OCSD's proposal to divest will be resolved by June 30, 2023, particularly given that the proposal involves the County Board of Supervisors analysis, review and consideration, as well as impacts to other agencies in the FCFA, including City of Arroyo Grande and Grover Beach. We would advise that OCSD ought to operate under the assumption that LAFCO proceedings will not be completed by that date. As such, please specify what the interim plan for fire protection services will be until this action can be considered by LAFCO. Please also see the City of Arroyo Grande and Grover Beach response letters to LAFCO's referral.
5. As you are aware, the cities of Arroyo Grande and Grover beach have been actively discussing this issue and recently presented an item to their respective city councils. The cities hired a consultant, Baker Tilly, to examine impacts of OCSD withdrawal from FCFA. Preliminary results have been identified and a final report is forthcoming. LAFCO staff would like the opportunity to review that study upon its finalization in context to this proposal as it's findings would help to inform our analysis.
6. Due to the complexity of the request to divest and the number of agencies this proposal will affect, staff *may* hold a study session for the Commission to solicit feedback. The date and need of this study session is yet to be determined.
7. Please be advised that the proposed divestiture is subject to the protest proceedings per government code section 57000. This means if LAFCO were to approve the proposed

divestiture or some variation thereof, it is subject to a protest period after approval in which landowners and registered voters in the affected territory may protest LAFCO's decision. If between 25% and less than 50% of landowners and registered voters protest the action, the item must be placed on the ballot for an election. If more than 50% protest, the action taken by LAFCO will be terminated and the divestiture will not be granted.

8. Please be advised should the proposal be approved, and is not terminated due to protests, LAFCO is then required to coordinate with the State Board of Equalization (and the County) to fully complete any changes to tax rate areas as agreed upon by the executed tax exchange agreement between OCSD and the County.

This is our initial assessment of what is necessary to process this application. Other information needs or questions may arise as our review of the application continues. If you have any questions, please contact us at 805.781.5795 or email rfitzroy@slo.lafco.ca.gov.

cc. LAFCO Legal Counsel, Brian Pierik
Wade Horton, County of San Luis Obispo
Lisa Howe, County of San Luis Obispo
Whitney McDonald, City of Arroyo Grande
Matt Bronson, City of Grover Beach

Attachment A: County Referral Response

Attachment B: City of Arroyo Grande Referral Response

Attachment C: City of Grover Beach Referral Response



COUNTY OF SAN LUIS OBISPO
ADMINISTRATIVE OFFICE

Wade Horton County Administrative Officer

February 22, 2023

San Luis Obispo
Local Agency Formation Commission
1042 Pacific Street, Suite A
San Luis Obispo, CA 93401

Re: LAFCO No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

This letter is to notify the San Luis Obispo Local Agency Formation Commission that the County has reviewed the referral for LAFCO File No. 1-E-23 Oceano Community Services District Divestiture of Fire Protection Services and this letter transmits the County's comments on the application and the application process.

The Oceano Community Services District's application proposes that responsibility for fire protection services be transferred to the County of San Luis Obispo. Under California state law the provision of fire protection services in the unincorporated area of a county is a discretionary activity. As such, action on the District's request will require a formal decision of the County Board of Supervisors. The County formally requests that LAFCO pause consideration of the District's application for dissolution to allow the County Board of Supervisors time to agendize a discussion of the Districts' request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Wade Horton", written over a circular blue stamp or seal.

Wade Horton
County Administrator



CITY OF
ARROYO GRANDE
CALIFORNIA

February 24, 2023

Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Arroyo Grande (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turn around time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Arroyo Grande City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment (Attachment 1) to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Arroyo Grande City Council on August 9, 2022 (Attachment

2). The FCFA staff report (Attachment 3) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated post-employment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Arroyo Grande and Grover Beach.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing the financial impacts of OCSD's departure from FCFA, including its current funding contribution and whether it would be beneficial for FCFA to provide fire

service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Arroyo Grande City Council on February 28, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Grover Beach City Council on February 27, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Whitney McDonald". The signature is fluid and cursive, with the first name being more prominent.

Whitney McDonald
City Manager

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.

5. **Wind Down Period.**


- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

CITY OF GROVER BEACH


Caren Ray Russom, Mayor

Jeff Lee, Mayor

ATTEST:

ATTEST:


Kelly Wedmore, City Clerk

Wendi Sims, City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:


Tim Carmel, City Attorney

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

Caren Ray Russom, Mayor

ATTEST:

Kelly Wetmore, City Clerk

APPROVED AS TO FORM:

Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Hale, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



MEMORANDUM

TO: City Council

FROM: Whitney McDonald, City Manager

SUBJECT: Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement

DATE: August 9, 2022

SUMMARY OF ACTION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process for a wind-down period as defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement (JPA).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Significant staff time will be required to assist during the wind-down process and the development of a new agreement governing fire service through the FCFA.

RECOMMENDATION:

Receive an update on the results of the Oceano Fire Tax Measure A-22 from the June 2022 election and the process of the wind-down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND:

The Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Arroyo Grande (City), the City of Grover Beach, and the Oceano Community Services District (OCSD). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

Page 2

staffing levels needed to ensure appropriate levels of service for the three member agencies.

In June 2019, an amendment to the Joint Exercise of Powers Agreement (Second Amendment¹) was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also identified a defined "wind-down" process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would increase up to 2% annually.

Following the outcome of the OCSD's 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2020. Under these terms of the Third Amendment, costs to the City of Arroyo Grande for fire service were to remain the same, \$2,580,955 per fiscal year, through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the City's costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

¹ The First Amendment was a Memorandum of Agreement approved in May 2018, which was intended to facilitate a negotiation of the existing cost sharing methodology in light of the increased investment called for in the Strategic Plan.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

Page 3

ANALYSIS OF ISSUES:

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Arroyo Grande and Grover Beach may negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared on July 15, 2022, with the FCFA Board of Directors and separately with the FCFA Managers Group, comprised of the City/General Managers of the three member agencies. The FCFA staff report (Attachment 1) includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind-down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities.

In addition, a separate process will occur between the remaining FCFA member agencies of Arroyo Grande and Grover Beach to determine the desired level of fire and emergency medical services and funding needs for the respective communities. The discussions, led by the City Managers of the two cities, will include negotiations regarding potential modification or dissolution of the JPA and various options for consideration of contract service delivery. Staff will share regular updates with the City Council and will bring an agenda item on the status of this process to the Council this fall for input and direction, with an anticipated completion in early 2023, before completion of the wind down process required by the Third Amendment.

ALTERNATIVES:

The following alternatives are provided for the Council’s consideration:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 and the wind down process as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide other direction to staff.

Item 11.a.

City Council

Receive an Update Regarding the Five Cities Fire Authority (FCFA), the Results of the Oceano Fire Tax Measure A-22, and the Process for a Wind-Down Period as Defined by the Third Amendment to the FCFA Joint Exercise of Powers Agreement August 9, 2022

Page 4

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. July 15, 2022 FCFA Staff Report with Third Amendment

Item 11.a.



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** July 15, 2022

FROM: Stephen Lieberman, Fire Chief/Executive Officer

SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the “Wind Down Period.” During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:
 - Debt
 - Employment Liability
 - Pension/PERS
 - All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

June 30, 2023

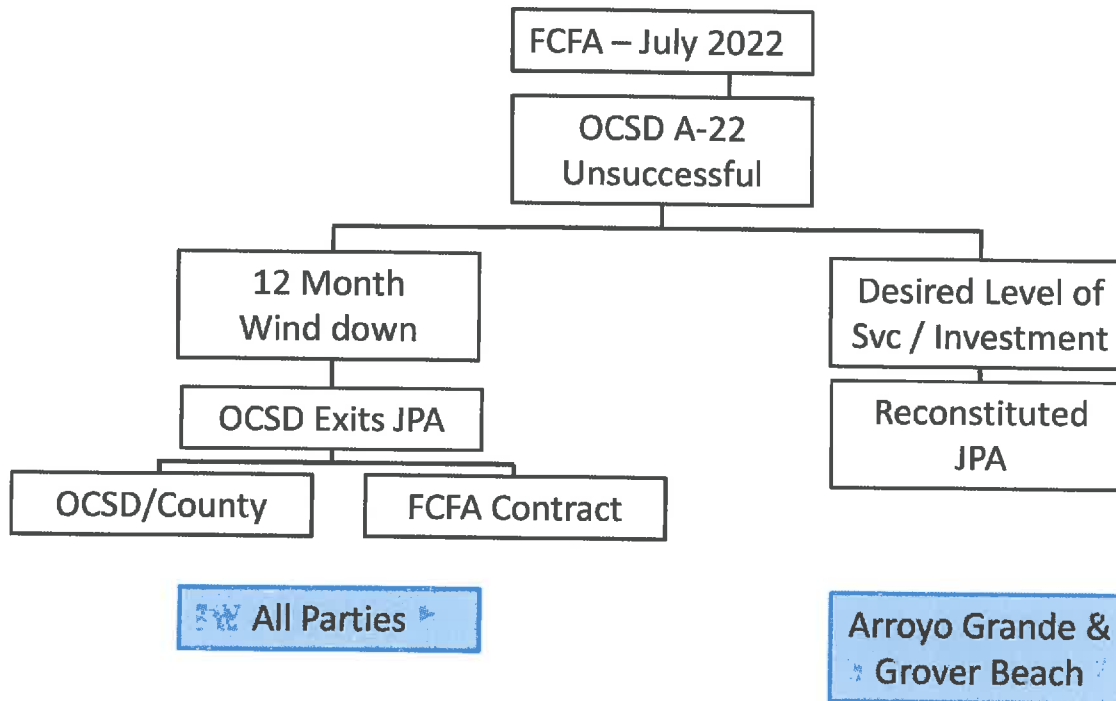
- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

Attachment 1
July 7, 2022

FCFA Wind Down Period Flow Chart



Attachment 2
July 7, 2022



City of Grover Beach

Mayor Karen Bright

Mayor Pro Tem Anna Miller

Council Member Robert Robert, Council Member Daniel Rushing, Council Member Clint Weirick

*Matthew Bronson
City Manager*

February 24, 2023

Mr. Roy Fitzroy
Executive Officer
San Luis Obispo Local Agency Formation Commission
1042 Pacific St., Suite A
San Luis Obispo, CA 93401

Re: Comments on LAFCO File No. 1-E-23 Oceano Community Services District
Divestiture of Fire Protection Services

Dear Mr. Fitzroy:

I am writing on behalf of the City of Grover Beach (City) in response to the request for comments on the Application of Divestiture of Fire Protection Services (Application) filed by the Oceano Community Services District (OCSD). We appreciate the opportunity to provide preliminary comments and to participate in the review process as appropriate. Please note that, due to the short turnaround time on the request for comments, this letter reflects the preliminary responses of staff and not the formal direction or opinion of the Grover Beach City Council.

As explained in Exhibit C of OCSD Resolution No. 2023-03, the Five Cities Fire Authority (FCFA) was formed on July 9, 2010, through a Joint Exercise of Powers Agreement (JPA) entered into by the City of Grover Beach, City of Arroyo Grande, and the Oceano Community Services District). The FCFA is a consolidation of three individual fire departments, operating out of the three existing member community fire stations. Together, the FCFA provides integrated and efficient fire and emergency medical services to the three communities, serving approximately 40,000 residents.

In 2017, the FCFA Board of Directors adopted a five-year Strategic Plan. The Strategic Plan outlines the investments that were deemed necessary to replace obsolete capital equipment, including fire engines and self-contained breathing apparatus, and to provide staffing levels needed to ensure appropriate levels of service for the three member agencies. In June 2019, an amendment to the Joint Exercise of Powers Agreement was approved that altered the funding formula used to determine each member community's share of the FCFA's costs and ensure funding consistent with the Strategic Plan. These alterations would go into effect if OCSD was successful in passing a special tax measure in 2020 to raise additional revenue for its fire and emergency service costs. The Second Amendment also

154 South Eighth Street ❖ Grover Beach, California 93433 ❖ www.groverbeach.org

Administrative Services/Water (805) 473-4550 ❖ City Council/City Manager (805) 473-4567 ❖ City Clerk (805) 473-4568
Community Development - Building, Planning & Economic Development (805) 473-4520 ❖ Human Resources (805) 473-4564
Parks & Recreation (805) 473-4580 ❖ Police/Non-Emergency (805) 473-4511 ❖ Public Works (805) 473-4530

identified a defined “wind-down” process and timeline should the OCSD ballot measure fail or should a member community leave the JPA or the JPA be dissolved.

As required under the Second Amendment, OCSD placed a special tax measure on the March 2020 ballot. Although over 66% of Oceano voters supported the measure, it fell 10 votes short of the 66.67% necessary to enact the special tax and the measure failed. As proposed, the special tax measure would have raised approximately \$422,000 annually for the OCSD to use for emergency and fire services to the Oceano community. This amount would have increased up to 2% annually.

Following the outcome of the OCSD’s 2020 ballot measure, the parties approved a Third Amendment to the JPA in July 2022 attached to this letter. Under the terms of the Third Amendment, costs to the three parties were fixed and were to remain the same through at least June 30, 2022. The Third Amendment also required the OCSD to place a new special tax measure on the ballot for the primary election occurring in 2022. If the measure passed, the new funding formula set forth in the Second Amendment to the JPA would take effect on July 1, 2022. If the 2022 ballot measure failed, the parties’ costs would remain at their current levels through a one-year wind down period (and related work program) that would result in the OCSD no longer being a part of the JPA, effective June 30, 2023.

Measure A-22 was placed on the ballot in Oceano by OCSD in June 2022, as required under the Third Amendment. Measure A-22 failed to gather a two-thirds majority vote, with the final results certified on July 7, 2022, as follows:

YES	775	57.75%
NO	567	42.25%

With the failure of Measure A-22, the Third Amendment states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the June 2022 election results and June 30, 2023 is defined as the wind-down period. During this time, the Cities of Grover Beach and Arroyo Grande will negotiate a new, or modified, JPA and maintain the right to use the trademark name of “Five Cities Fire Authority.” The work program elements of the wind down process include:

- A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
- An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
- An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).

A summary of the wind down process was shared with the FCFA Board of Directors on July 15, 2022, and with the Grover Beach City Council on July 25, 2022 (staff report is attached). The FCFA staff report includes the list of work program tasks, flow chart of decision making, and the Third Amendment. The FCFA Managers Group, comprised of the Fire Chief, the City Managers of Arroyo Grande and Grover Beach, and the OCSD General Manager, has been meeting regularly to oversee the implementation of the wind-down process. FCFA staff

has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis of pension liabilities. To date, a list of equipment and assets has been developed and the FCFA's actuary has determined the estimated postemployment obligations of the member agencies. The OCSD has elected to engage its own actuary to evaluate the FCFA's actuarial report. It is anticipated that any assets of the FCFA otherwise attributable to OCSD will be used to offset the total liabilities that OCSD owes to the FCFA for its share of post-retirement benefits.

The result of the Second and Third Amendments to the Joint Powers Agreement and the two failed ballot measures in Oceano has required the FCFA to operate on a fixed, flat budget since July 1, 2019, despite increasing operating costs. The FCFA's current fiscal year budget anticipates that the FCFA's fund balance will reach \$126,678, or 1.79%, of the operating budget by June 30, 2023. It is anticipated that the OCSD's withdrawal from the FCFA, in addition to the deferred investments needed to operate the agency, will result in significant cost increases to the Cities of Grover Beach and Arroyo Grande.

In addition to the wind down process, there has been a separate process underway between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) at the staff level to evaluate the desired level of fire and emergency medical services and funding needs in the respective communities. These discussions are being led by the City Managers of the two cities and initially involved work sessions with FCFA staff and treasurer about current and projected FCFA call volume and staffing and equipment needs.

Given the significance of this issue and potential costs involved, the Arroyo Grande and Grover Beach City Managers engaged an outside consultant (Baker Tilly) in October 2022 to conduct an analysis of fire services for the two cities and provide service and funding recommendations. The Baker Tilly team working on this project has extensive experience in fire services and was led by Rick Haydon, former City Manager in Santa Maria. Mr. Haydon is familiar with the local area and is also completing an organizational assessment of Grover Beach services. There were several other members of the Baker Tilly team, including Larry Waterhouse, a former fire chief in several cities in Southern California. Baker Tilly was chosen given their work with service reviews elsewhere within the Central Coast and their ability to complete this study by early 2023 to inform decisions by the two cities.

Baker Tilly's scope included a service level analysis, staffing deployment options, fiscal analysis, and review of alternative service models and governance structure. This work included reviewing financial impacts of OCSD's departure from FCFA, including its current funding contribution and the benefit for FCFA to provide fire service to Oceano under a contractual fee-for-service arrangement. Baker Tilly interviewed numerous individuals including former FCFA Board members, City Managers/OCSD General Manager, FCFA command staff, FCFA firefighters' union representatives, and others. The consulting team also reviewed numerous documents, including the Joint Powers Agreement, FCFA strategic planning materials, budgets and CalPERS information, service call data, budget information from the two cities, and other documents.

Baker Tilly has completed its assessment and is prepared to provide a presentation to the Grover Beach City Council on February 27, 2023, summarizing its recommendations for sustainable and responsive fire and emergency medical services, as well as the anticipated costs of service for both Grover Beach and Arroyo Grande. Baker Tilly will provide a similar presentation to the Arroyo Grande City Council on February 28, 2023. The recommendations are intended to be implemented beginning in FY 2023-24 to coincide with the withdrawal of the OCSD from the FCFA.

Following the presentation, Baker Tilly will prepare a written report that will be available for consideration as part of the negotiations of a future agreement for fire and emergency services between Grover Beach and Arroyo Grande. Staff for Grover Beach and Arroyo Grande will then develop proposed terms for a new agreement utilizing the information presented in the Baker Tilly report and will present those proposed terms at future City Council meetings this Spring. Information provided by Baker Tilly will also be used to develop the City's upcoming biennial budget for Fiscal Years 2023-25.

Conclusions:

- Although Oceano, Grover Beach, and Arroyo Grande share a common interest in providing efficient and effective fire and emergency response services to our adjoining communities, the OCSD is not able to raise sufficient revenue to pay for the increasing costs of these services, now or in the future.
- The parties' stated intent through the Third Amendment is that the OCSD will withdraw from the FCFA effective June 30, 2023. This intent needs to be allowed to occur.
- The fixed funding formula used over the course of the past three years is unsustainable and has created operational challenges for the FCFA.
- The OCSD's debts and liabilities to the FCFA have yet to be determined through the wind-down process and should be considered as part of LAFCo's review of the Application.
- The Baker Tilly study should be considered by LAFCo as part of its review of the Application, as it will evaluate the consequences of Oceano's exit from the FCFA and will be used by the cities of Arroyo Grande and Grover Beach to develop a new agreement for shared fire and emergency services.
- The City is open and eager to be included in discussions regarding future fire and emergency services within the Five Cities region and regarding the role of the FCFA in those services in the near and long term.

We thank LAFCo for the opportunity to provide preliminary comments on this important issue and look forward to working with LAFCo, the OCSD, the County, and Grover Beach toward a sustainable solution for fire and emergency services for our communities.

Sincerely,



Matthew Bronson
City Manager

Attachments

**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.

5. **Wind Down Period.**


- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

CITY OF GROVER BEACH


Caren Ray Russom, Mayor

Jeff Lee, Mayor

ATTEST:

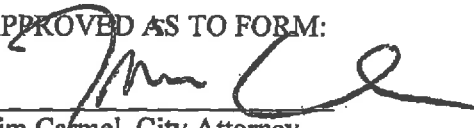
ATTEST:


Kelly Wedmore, City Clerk

Wendi Sims, City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:


Tim Carmel, City Attorney

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

Caren Ray Russom, Mayor

ATTEST:

Kelly Wetmore, City Clerk

APPROVED AS TO FORM:

Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Hale, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin
Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** July 25, 2022
FROM: Matthew Bronson, City Manager
PREPARED BY: Matthew Bronson, City Manager
SUBJECT: Five Cities Fire Authority Update

RECOMMENDATION

Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement.

BACKGROUND

On June 22, 2020, the Council approved a Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement given the narrow failure of the Oceano Community Services District (OCSD) Fire Tax Measure A-20 in March 2020. Measure A-20 would have assessed a parcel tax on Oceano properties to generate an additional \$422,000 annually for fire and emergency medical services in Oceano. The measure needed 2/3 vote and received 66.6% approval only failing by 10 votes. As a result, the Third Amendment continued the funding formulas set forth in a prior amendment with a commitment from OCSD to seek a new tax measure in 2022. This Third Amendment locked in member contributions at FY 2019-20 levels for a three-year period to provide stability in fire service costs in light of economic challenges at the time related to COVID-19. The amendment also specified a 12-month “wind down” process if the future Oceano tax measure failed which would result in OCSD no longer being a member of the FCFA Joint Powers Authority (JPA).

Measure A-22 was subsequently placed on the ballot in Oceano by OCSD in June 2022 as stipulated under the Third Amendment. The election results certified on July 7, 2022 showed the measure failed to gain a 2/3 majority similar to 2020 with a lower approval percentage of 58%. With the failure of Measure A-22, the “wind down” process goes into effect and OCSD will cease to be a member of the JPA effective June 30, 2023. Below is a summary of the major work program tasks during this wind down period as defined in the Third Amendment:

- Establish distribution of assets of the JPA
- Establish obligations of the JPA including:
 - Lease payments on equipment and apparatus
 - Unfunded PERS liabilities for disassociating or withdrawing member agency
 - Other employment-related liabilities
- Post and determine reconciliation of assets and liabilities with any party owing funds to the other(s) paying such funds to the appropriate agencies

A summary of this wind down process was shared on July 15, 2022 with the FCFA Board and separately with the FCFA Managers Group comprised of the City/General Managers of the three member agencies. The FCFA staff report is shown as Attachment 1 and includes the list of work

program tasks, flow chart of decision-making, and the Third Amendment document. Staff would defer to the Council's representative on the FCFA Board (Mayor Lee) to provide further information from the Board perspective. The Managers Group will meet regularly during the fiscal year to oversee the implementation of the wind down process and the expected dates of completion for each work program task. FCFA staff has completed much of the required inventory identification and equipment valuation and has engaged an actuary to carry out the necessary analysis on pension liabilities. Fire Chief Lieberman will be at the July 25th meeting and can provide information on this work done by FCFA staff.

In addition, there will be a separate process between the remaining FCFA member agencies (cities of Grover Beach and Arroyo Grande) about the desired level of fire and emergency medical services and funding needs in the respective communities. The discussions, led by the City Managers of the two cities, will also include negotiations regarding modification or dissolution of the JPA and potential contract service delivery. This work will incorporate the information about potential fire services options presented to the Council on October 12, 2021. This process is anticipated for completion in early 2023 with Council action that will inform the development of FY 2023-25 Council Goals and two-year budget and ensure continuous service beginning July 1, 2023. Staff will share regular updates with the Council and will bring an agenda item on the status of this process to the Council this fall for input and direction.

FISCAL IMPACT

There is no fiscal impact to this agenda item.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive an update on the results of the Oceano Fire Tax Measure A-22 on the June 2022 election and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority Joint Exercise of Powers Agreement; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. July 15, 2022 FCFA Staff Report on Measure A-22 and Wind Down Process



STAFF REPORT

TO: Chair and Board Members MEETING DATE: July 15, 2022

FROM: Stephen Lieberman, Fire Chief/Executive Officer

SUBJECT: Status Update – Oceano Measure A-22 & Wind Down Period

RECOMMENDATION

It is recommended that the Board of Directors (Board) receive an update summarizing the results of the July 2022 election, and the process for a wind down period as defined by the Third Amendment to the Five Cities Fire Authority (FCFA) Joint Exercise of Powers Agreement.

BACKGROUND

The third amendment to the FCFA JPA was executed by the member communities in 2020 following the narrow failure of Oceano Community Services District (OCSD) Measure A-20, along with the economic uncertainty associated with a global pandemic (COVID-19). The Third Amendment to the JPA directed Oceano to attempt to pass a similar revenue measure in June 2022, locked community contributions for the FCFA operating budget at FY 2019-2020 levels for a 3-year period, and defined a process should the 2022 revenue measure pass or fail.

OCSD Measure A-22

Measure A-22 failed to gather a two-thirds majority vote. Final results were certified on July 7, 2022 and reflect:

YES	775	57.75%
NO	567	42.25%

Wind Down Period

With the failure of the ballot measure, the agreement states that the OCSD will cease to be a member of the JPA effective June 30, 2023. The period between certification of the election (July 7, 2022) and June 30, 2023 is defined as the "Wind Down Period." During this time, Arroyo Grande and Grover Beach may negotiate a new or modified JPA and

maintain the right to use the trademark name of “Five Cities Fire Authority.” During this period, the communities will be involved in a work program defined in the third amendment document (Reference attachment 1). Work program components include:

- Establish the distribution of assets of the JPA
- Establish the obligations of the JPA including:
 - Lease payments on apparatus
 - Unfunded PERS liability for any disassociating or withdrawing member community
 - Other employment related liability
- Post Dissociation reconciliation of assets and liabilities. Any party owing funds to the other shall pay such funds to the appropriate agency.

ANALYSIS OF ISSUES

During the wind down period, two processes will likely occur simultaneously. The first is the actual work program defined by the third amendment. The second will be conversations between Arroyo Grande and Grover Beach to determine desired levels of fire and emergency service response, the related funding need (Reference attachment 2) and negotiations for amending the JPA to a two-party agreement, dissolution of the JPA or some other mutually agreeable JPA structure.

FCFA staff has completed much of the required inventory identification, equipment valuation, and has worked with a PERS actuary to determine initial pension liabilities. FCFA will engage the actuary to perform a more focused analysis during the wind down period.

FISCAL IMPACT

There will be expenditures required for the PERS actuarial work product. As stated in the third amendment, the Fire Chief may request additional funding if needed. Such a request would likely require approval by the governing body of one or more party.

ALTERNATIVES

The following alternatives are provided for the Board’s consideration:

1. Receive and file staff report.
2. Provide other direction to staff.

ATTACHMENTS

1. FCFA Wind Down Period Tasking
2. FCFA Wind Down Period Flow Chart
3. Third Amendment to Five Cities Fire Authority Joint Exercise of Powers Agreement

PREPARED BY

S. Lieberman, Fire Chief/Executive Officer

Wind Down Period Tasking

October 1, 2022

- Determination of equipment and physical assets

February 1, 2023

- Estimate as to the distribution of:

- Debt
- Employment Liability
- Pension/PERS
- All other post-employment obligations

March 1, 2023

- Estimate as to the distribution of all other assets

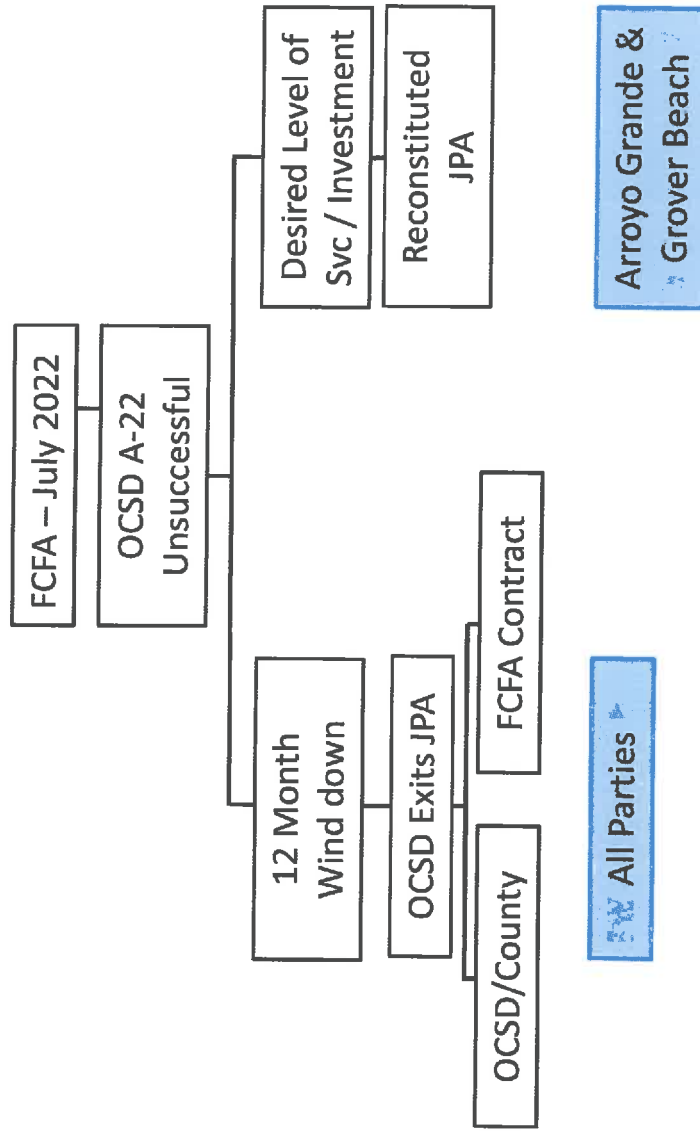
June 30, 2023

- Oceano CSD exits JPA

Prior to October 1, 2023

- Post-Dissociation reconciliation of:
 - Assets
 - Liabilities
- Any party owing funds shall pay such funds

FCFA Wind Down Period Flow Chart



**THIRD AMENDMENT TO FIVE CITIES FIRE AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT**

This Third Amendment to the Five Cities Fire Authority (“FCFA”) Joint Exercise of Powers Agreement, dated June 7, 2010 (“JPA”) (“Third Amendment”), is made and entered into as of July 1, 2020, by and between the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District (“Oceano”), which are hereinafter referred to as “Party” and “Parties.”

WHEREAS, on June 7, 2010, the Parties entered into a JPA pursuant to Section 6500 et seq. of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, for the purpose of allowing the Parties to share a combined fire department in order to provide efficient and economical fire protection services; and

WHEREAS, in or about May of 2018, the Parties executed a Memorandum of Agreement Amending the FCFA JPA (“First Amendment”) in order to provide an opportunity for the Parties to meet and confer for the purpose of considering amendments to the JPA including, but not limited to, modifications to the funding formula contained in Exhibit B of the JPA (“Funding Formula”), the provisions regarding member withdrawal, and future staffing levels beyond Fiscal Year 2018/19; and

WHEREAS, the First Amendment required the Parties to agree upon amendments to the JPA by April 1, 2019 or the JPA would terminate as of December 31, 2019; and

WHEREAS, in March of 2019, the Parties executed an extension of the First Amendment, which extended the time for the Parties to mutually agree upon JPA Amendments to October 1, 2019; and

WHEREAS, the Parties executed the Second Amendment to the JPA as of July 1, 2019 which required Oceano to undertake the legally required procedures to place a special tax on the March 2020 ballot in accordance with Government Code Section 61121; and

WHEREAS, Oceano did undertake the legally required procedures to place a special tax on the March 2020 ballot which resulted in ballot Measure A-20 falling short of passage by 10 votes (66.1% compared to the required 66.67%); and

WHEREAS, the possibility of a citizen’s initiative to place a special tax measure on the November 2020 ballot was prevented by the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the economic situation of all Parties has drastically changed due to the COVID-19 pandemic and related statewide shelter at home order; and

WHEREAS, the Parties recognize it is in the economic best interests of all Parties to allow additional time for the community of Oceano to place another special tax measure on the ballot; and

WHEREAS, the parties have met in good faith and now desire to amend the JPA.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the Parties agree as follows:

1. **Recitals.** The above recitals are true and correct and incorporated herein.

2. **Fiscal Year 2020/21 and 2021/22.** Each Parties' contributions for funding the Fiscal Year 2020/21 and 2021/22 FCFA Budget shall be:
 - A. City of Arroyo Grande \$2,580,955
45.01% _____
 - B. City of Grover Beach \$2,015,115
35.14% _____
 - C. Oceano Community Services District \$1,138,148
19.85% _____
 - D. The Fire Chief will make every effort to maintain a flat budget through the fiscal years that the funding contributions set forth in this Section 2 apply. The Parties acknowledge that use of Fund Balance may be necessary to offset unanticipated or increased costs. In the event of significant emergency costs or purchases necessary during the fiscal years during which this Section 2 applies, the Parties will consider contributing additional funding, subject to FCFA Board budgetary approval. It is acknowledged that any such additional contributions may require the approval of the governing body of one or more Party.

3. **Funding Formula.**
 - A. The Funding Formula contained in Attachment 1 to the Second Amendment to the JPA is hereby amended and replaced in its entirety as set forth in Attachment 1 to this Amendment. All references in the JPA to Attachment 1 shall refer to Attachment 1 of the Third Amendment.
 - B. The funding contributions specified in Section 2 were determined using a transitional formula that modified component 3 of the Funding Formula related to fire stations to reflect current staffing levels. The funding contributions specified in Section 2 will be used for Fiscal Years 2020/21 and 2021/22 and possibly Fiscal Year 2022/23 as provided in Section 4B.
 - C. The Funding Formula will be reviewed by the Jurisdiction every three years in the month of January, commencing 2024.

4. **Ballot Measure.**

- A. Oceano agrees to undertake the legally required procedures to place a special tax on the 2022 primary ballot in accordance with Government Code Section 61121 or Elections Code 9300-9323. Oceano will seek a special tax amount sufficient to enable Oceano to be able to fund its share of the Funding Formula taking into account the priorities of the Strategic Plan as determined by the Five Cities Fire Authority Board of Directors.

- B. If the Oceano ballot measure does not pass and Oceano is unable to fund its share of the Funding Formula, by operation of this Third Amendment and subject to the Wind Down Period (identified below), Oceano will automatically and without further action cease to be a member of the JPA on June 30, 2023. The time between when the County Clerk Recorder concludes that the Oceano ballot measure has failed and June 30, 2023 will be known as the “Wind Down Period.” Oceano agrees that should it no longer be a member agency of the FCFA, the cities of Arroyo Grande and Grover Beach may continue to operate under the trademark name of Five Cities Fire Authority with no further rights of Oceano to that name. Should the ballot measure fail, the funding obligations set forth in Section 2 above for the Fiscal Year 2021/2022 FCFA Budget, shall be the same in Fiscal Year 2022/2023.

- C. If the Oceano ballot measure passes, the Funding Formula set forth in Attachment 1 of the Third Amendment shall apply beginning in Fiscal Year 2022/23.


5. **Wind Down Period.**

- A. During the Wind Down Period, the Parties shall establish the distribution of assets currently owned and/or in the possession of the JPA, including but not limited to major pieces of apparatus and capital equipment.
- B. During the Wind Down Period, the Parties will establish the obligations of the Parties to pay future obligations that were incurred by the FCFA prior to June 30, 2022, including, but not limited to the following:
 - a. Lease payments on Engine 2 and 3; however, the Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, no Party will be obligated for future payment lease obligations for any Engine that does not remain in the custody, control, and possession of that Jurisdiction.
 - b. Withdrawal and/or dissociation of Oceano or any other Party shall not absolve such Party of liabilities arising out of the participation in the JPA incurred in the ordinary course of business. The Parties mutually agree and understand that as a result of the dissociation and/or withdrawal of Oceano or any other Party, all Parties will remain obligated to pay future FCFA employment related obligations incurred prior to June 30, 2023, including but not limited to pension/PERS, accrued fringe benefits etc.
 - c. During the Wind Down period, the FCFA will perform an unfunded actuarial accrued liability analysis to calculate Oceano or any other dissociating and/or withdrawing Parties' share of unfunded PERS liability, which will be due to the remaining JPA Parties or the City of Arroyo Grande should the JPA be dissolved.
 - d. During the Wind Down Period, the Parties will meet and confer in good faith in regard to the distribution of assets and liabilities as follows:
 - a. A determination as to the distribution of equipment and physical assets by October 1, 2022 (effective June 30, 2023).
 - b. An estimate as to the distribution of debt, employment liability, pension/PERS and other post-employment obligations by February 1, 2023 (effective June 30, 2023).
 - c. An estimate as to the distribution of all other assets by March 1, 2023 (effective June 30, 2023).
 - e. The parties mutually agree and understand that any liability related to unresolved claims or litigation existing prior to June 30, 2023 will remain the obligation of all Parties whether remaining members of the FCFA or not.
 - f. Prior to October 1, 2023, the Parties shall complete a post-dissociation reconciliation of all assets and liabilities incurred prior to June 30, 2023. Any party owing funds shall pay such funds to the other immediately upon determination. The parties agree to cooperate in completing this post closing reconciliation.

6. **Effect of Amendment.** All other provisions of the JPA shall remain unchanged and in full force and affect. To the extent there is inconsistency between this Amendment and the JPA, the terms of this Amendment shall control, including but not limited to JPA Sections 6.B, 8.B(3), and 17.
7. **Counterparts.** This Amendment may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
8. **Severability.** If any part of this Amendment is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Amendment will remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE


Caren Ray Russom, Mayor

ATTEST:


Kelly Wedmore, City Clerk

APPROVED AS TO FORM:


Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Lee, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their proper officers hereunto duly authorized.

CITY OF ARROYO GRANDE

Caren Ray Russom, Mayor

ATTEST:

Kelly Wetmore, City Clerk

APPROVED AS TO FORM:

Tim Carmel, City Attorney

CITY OF GROVER BEACH

Jeff Hale, Mayor

ATTEST:

Wendi Sims, City Clerk

APPROVED AS TO FORM:

David Hale, City Attorney

OCEANO COMMUNITY SERVICES DISTRICT

Linda Austin, President

ATTEST:

By:

APPROVED AS TO FORM:

Jeff Minnery, District Counsel

ATTACHMENT 1

FUNDING FORMULA

Should the ballot measure pass, effective July 1, 2022, the Parties shall bear the costs of the Five Cities Fire Authority according to the following formula, to be calculated every three years when the budget is prepared. If the ballot measure fails, the funding will be in accordance with Section 4.B of this Third Amendment.

1. 33.33% of costs shall be assessed among the Parties in proportion to the population of each Jurisdiction as most recently determined by the U.S. Census and any intervening estimates prepared by the California Department of Finance when the Fire Chief prepares each annual budget.
2. 33.33% of costs shall be assessed among the Parties in proportion to the number of annual service calls, calculated on a three-year rolling average in each Jurisdiction as most recently determined when the Fire Chief prepares each annual budget.
3. 33.33% of costs shall be assessed among the Parties in proportion to the number of fire stations and personnel located in each Jurisdiction.



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 18, 2023

SUBJECT: POLICIES, PROCEDURES & BY-LAWS MANUAL UPDATES

RECOMMENDATION

Action 1: Approve, by motion, the proposed updates to the Policies, Procedures & By-Laws Manual.

BACKGROUND

The Fiscal Year 2022-2023 Budget and Work Plan prioritized a work effort to update the Policies & Procedures Manual and By-Laws. The primary purpose of the update was to address policies that relate to LAFCO's indemnification policies as a result of the decision of the Court of Appeal in the case of San Luis Obispo Local Agency Formation Commission et. al. v. *City of Pismo Beach, et.al.* 61 Cal. App. 5th 595., a lawsuit which initially began in 2013 and fully concluded in 2023.

In this case, the City of Pismo Beach and Central Coast Development Company ("Central") applied to the San Luis Obispo LAFCO to annex a parcel of real property to the city. LAFCO denied the application and the City and Central brought an action to challenge that decision. LAFCO prevailed and brought an action to recover attorney fees under an indemnity agreement contained in the annexation application. The trial court granted the city and developer judgment on the pleadings because LAFCO has no authority to require such fees. LAFCO and the Special District Risk Management Authority filed an appeal.

The Court of Appeal affirmed the trial court judgment holding that: (1) the agreement was not supported by consideration, as required for a contract; (2) The Cortese-Knox-Hertzberg Act authorizing LAFCO to charge fees does not apply to post-administrative matters and (3) LAFCO had no authority under the Cortese-Knox-Hertzberg Act to require the agreement.

COMMISSIONERS

Chair

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

The results of this case necessitated various changes related to LAFCO's proposal application packets and the Policy & Procedures Manual. The LAFCO application packets have been updated accordingly, and the final necessary update to address the results of the case was to update the Policy and Procedures Manual among other updates to streamline and modernize the document. Similarly, in an effort to modernize and enhance usability, we have merged the By-Laws manual with the Policies & Procedures manual to create one document. No substantive changes to the By-Laws were made.

KEY CHANGES

The most substantive change to the Policy & Procedures Manual was specifically related to the aforementioned indemnification issue. Any policies related to indemnification in context to the application packet or cost accounting agreement have been permanently removed. Specifically, policies under Section 2.11.6 have been modified, and Policies 2.11.7, 2.11.8 (a-d) have been fully removed. Policy 2.11.6 retains some language related to indemnification because it still remains the policy of the Commission to indemnify when appropriate and allowed by law. Again however, LAFCOs are no longer allowed to require indemnification as a prerequisite for submitting an application.

The policy changes are shown below, underlined shows additions and strike-through shows permanent removals. Changes specific to indemnification can be found beginning on Page 25 of Attachment A. In addition, any substantive changes within Attachment A are shown in red for ease, and similarly, underlined shows additions and strike-through shows permanent removals.

2.11.6. To the extent allowed by law, it is the policy of this Commission that applicants for LAFCO actions shall defend, indemnify and hold harmless LAFCO ~~to the fullest extent allowed by law,~~ at the sole expense of the applicant, against any and all claims, demands, actions and/or lawsuits that may be filled against LAFCO which challenges any Commission action including, but not limited to, action on an application or proposal. (~~"Claims"~~). ~~The application shall also include an agreement by the applicant to defend, indemnify and hold harmless LAFCO to the fullest extent allowed by law, at the sole expense of the applicant, against any and all Claims ("Indemnification Agreement"). The Agreement must be signed by the applicant(s) for the application to be deemed complete.~~

~~2.11.7. Prior to the Executive Officer deeming an application complete, the applicant(s) shall submit a signed Cost Accounting and Indemnification Agreement.~~

~~2.11.8. The following policy shall be applied to any applicant and/or jurisdiction that is not in compliance with an existing LAFCO Cost Accounting and Indemnification Agreement as determined by the Executive Officer and Legal Counsel:~~

- ~~a. The LAFCO Executive Officer (EO), in consultation with Legal Counsel, shall determine, on review of an application, whether an applicant and/or jurisdiction has previously failed to comply with the LAFCO Indemnification Policy and/or the LAFCO Cost Accounting and Indemnification Agreement.~~
- ~~b. Prior to acceptance for processing of an application from an applicant and/or jurisdiction, which the EO determines to have failed to comply with the Policy and Agreement referenced in paragraph a. of this policy above, the LAFCO Executive Officer shall advise the Commission at a regularly scheduled meeting regarding the applicant's prior breach of the obligations of the Policy, Agreement, or both. The Executive Officer, in consultation with Legal Counsel, shall make a recommendation to the Commission regarding the amount of a bond or other commercially reasonable undertaking to be required of the applicant before the application will be accepted.~~
- ~~c. On the basis of the Executive Officer's recommendation, the Commission shall establish a bond or other commercially reasonable undertaking as a condition for acceptance of the application. The purpose of this security requirement is secure the obligation of the applicant to indemnify LAFCO from future liability in connection with the application. In addition, the applicant shall be required to satisfy any past due obligation owed to LAFCO from previous applications, prior to processing any new application.~~
- ~~d. Compliance with this policy does not relieve the applicant of responsibility to submit other information as requested by LAFCO to process the application, to otherwise comply with applicable law and these policies, and cure any outstanding non-compliance with the Policy and Indemnification Agreement referenced in paragraph 8 a. of this policy above.~~

Additional changes were made to the Procedures section titled "Preliminary Steps" Section 3.1.1, to align with the adopted Comprehensive Application and Minor Fee Schedule Updates that were approved by the Commission at the LAFCO April 20, 2023 meeting.

OTHER CHANGES

Other changes to the Policy & Procedures Manual generally relate to rearranging content to make the document easier to read and other formatting changes to match the new standard of LAFCO.

We have also included LAFCO's By-Laws in the Policy & Procedures Manual. No changes have occurred to any of the By-Laws, they have simply been merged into this document for ease of use and to better connect our policies with our procedures and modes of operation as required by the Cortese, Knox, Hertzberg Act.

STAFF RECOMMENDATION

Recommended Action and Options

Action 1: Approve, by motion, the proposed updates to the Policy & Procedures Manual (Attachment A)

Other Options: The Commission may also wish to provide feedback on the Policy & Procedures Manual. Depending on the complexity of the comments, staff can take direction and make the changes accordingly, or if warranted staff can return at a later date with revisions for further Commission review. The Commission may also wish to provide comment or direction on any other policy they wish to add/delete or modify.

Attachment A: Policies, Procedures & By-Laws 2023

Attachment A

Policies, Procedures & By-Laws 2023



San Luis Obispo Local Agency Formation Commission

DRAFT Policies, Procedures and Bylaws

Adopted _____, 2023

TABLE OF CONTENTS

Chapter 1	4
Introduction	4
Authority and Mandate	4
San Luis Obispo LAFCO Members	5
San Luis Obispo LAFCO Staff	6
Chapter 2	7
Commission Policies	7
2.1 General Policies	7
2.2 City Annexation Policies	9
2.3 Special District Annexation Policies	11
2.4 City Incorporation Policies	12
2.5 Special District Formation Policies	14
2.6 Sphere of Influence Policies	14
2.7 Municipal Service Review Policies	19
2.8 Memorandum of Agreement Policies	19
2.9 Agricultural Policies	20
2.10 California Environmental Quality Act Policies	22
Commission Administrative Policies	24
2.11 Application and Indemnification Policies	24
2.12 Budget Policies	26
2.13 Credit Card Policies	27
2.14 Legislative Process Participation	30
2.15 Document Retention & Destruction Policy	31
2.16 Social Media Policy	33
Chapter 3	36
Procedures	36

3.1 Preliminary Steps _____	36
3.2 LAFCO Proceedings _____	40
3.3 Conducting Authority Proceedings _____	45
3.4 Completion and Effective Date _____	46
3.5 Municipal Service Review Guidelines _____	47
3.6 Agricultural Goals & Guidelines _____	50
Chapter 4 _____	57
Bylaws _____	57
ARTICLE I - GENERAL PROVISIONS _____	57
ARTICLE II – ORGANIZATION _____	57
ARTICLE III – MEETINGS _____	60
ARTICLE IV - COMMISSION RECORDS _____	62

CHAPTER 1

Introduction

Local Agency Formation Commissions (LAFCOs) were created to help organize, manage, and regulate the provision of public services to development. LAFCOs were created in 1963 in response to the post World War II development boom and the proliferation of development and local agencies providing public services to California’s fast-growing communities. The results of this development boom became evident as more of California’s agricultural land was converted to urban uses. This premature and unplanned development pattern created inefficient and expensive systems of delivering public services using multiple small units of local government and private companies. Over the years legislation has been passed to help manage this situation. The most recent legislation is the Cortese-Knox-Hertzberg Act of 2000 (CKH Act). The Act has been amended numerous times since 2000 and is reviewed and amended each year.

Authority and Mandate

State law provides for the basic purposes of the Commission powers and duties, establishment of policies, procedures, and regulations, in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code sec. 56000 et seq., also “CKH”), as amended. Other sections of the Government Code (hereafter “GC”) also describe the Commission responsibilities. In many cases, the pertinent GC sections are cited in this Manual to explain the authority for a particular policy, standard, and procedure.

San Luis Obispo (SLO) LAFCO’s Policies & Procedures document is broken into three different sections: (1) Policies, (2) Procedures, and (3) LAFCO Bylaws. These policies and procedures reflect the legislative intent of the CKH Act and provide for its consistent implementation based upon local conditions and circumstances.

San Luis Obispo LAFCO Members

The Commission is comprised of seven regular members (two County Board of Supervisors, two City Council Members, two Special District Members, and one Public Member) and four Alternate Commissioners (one County Board of Supervisor, one City Council Member, one Special District Member, and one Public Member). The County Board of Supervisors appoints two regular representatives and one alternate representative from the County. The cities convene a special committee composed of the mayors from each city to appoint two regular and one alternate representative. The Special Districts elect representatives through a process implemented by the Executive Officer pursuant to the CKH Act. The LAFCO Commission appoints the public member representatives to serve on the Commission. The CKH Act calls upon members to use their “independent judgment” when considering LAFCO decisions. Current membership is shown below:

Regular Members	Type	Term Expiration
Robert Enns	Special District Member	December 2024
Marshall Ochylski	Special District Member	December 2022
Debbie Arnold	County Member	December 2025
Lynn Compton	County Member	December 2023
Heather Jensen	Public Member	December 2024
Ed Waage	City Member	December 2023
Steve Gregory	City Member	December 2025
Alternate Members	Type	Term Expiration
Ed Eby	Special District Member	December 2021
Dawn Ortiz-Legg	County Member	December 2023
David Watson	Public Member	December 2024
Charles Bourbeau	City Member	December 2022

San Luis Obispo LAFCO Staff

The Commission’s staff serves in an administrative capacity reviewing proposals, preparing special studies, and acting as the liaison with state and local agencies as well as the public. Staff may be contacted by phone at (805) 781-5795, through the Commission’s website at slo.lafco.ca.gov, or by the e-mail addresses listed below:

Rob Fitzroy, Executive Officer

rfitzroy@slo.lafco.ca.gov

Imelda Marquez-Vawter, Analyst

imarquez@slo.lafco.ca.gov

Morgan Bing, Clerk Analyst

mbing@slo.lafco.ca.gov

Brian Pierik, Legal Counsel

Burke, Williams & Sorensen

DRAFT

CHAPTER 2

Commission Policies

State law requires the Commission to review and make determination on all changes of organization or reorganization, determinations of spheres of influence, city protests to land conservation contracts; review general plans for cities and county; and to do studies of local agencies, recommending governmental reorganizations. The following policies have been adopted by the Commission to assist in the review of proposals and plans, and preparation of studies as necessary. The policies are addressed by issue topic. The Commission has existing policies, standards and procedures. Therefore, to the extent that CKH requires the Commission to adopt policies and procedures, the Commission already is in compliance with CKH. In furtherance of CKH, these policies, standards and procedures have been further amended as provided herein to allow the Commission to continue to exercise its powers in a manner that encourages and provides planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space lands within those patterns (Code sec. 56300(a)(b)).

2.1 General Policies

- 2.1.1. The Commission shall endeavor to balance the need to efficiently provide public services with the sometimes-competing interests of discouraging urban sprawl, preserving prime agriculture land and open space (CKH Act 56001 and 56301).
- 2.1.2. While serving on the Commission, all members shall exercise their independent judgment on behalf of the interests of residents, property owners, and the public as a whole, to implement the CKH Act (CKH Act 56325.1).
- 2.1.3. Cities and Special Districts are discouraged from annexations outside of their Sphere of Influence unless the need for services is clearly demonstrated (CKH 56375.5).

2.1.4. Jurisdictions are encouraged to create places to live that integrate various land uses as a way of providing for a diverse social and economic community.

2.1.5. The Commission prefers urban development within Cities and the Urban Reserve Line of unincorporated communities as opposed to development in the unincorporated area (CKH 56001).

2.1.6. The Commission will recognize and preserve clearly defined, long-term agricultural and open space areas established by the County or other jurisdictions to preserve critical environmental areas and to bolster local economies (CKH 56001). This may be accomplished using agricultural easements, open space easements, conservation easements, or other mechanisms, that preserve agricultural or open space lands in perpetuity.

2.1.7. The Commission discourages special districts from extending services by agreement without annexation. A municipality or district may provide new or extended services by contract or agreement outside its boundaries only if it requests and receives written approval from LAFCO (CKH 56133).

2.1.8. The Commission normally will require annexation to a municipality rather than annexation to a sanitation, sanitary, community service or water district in the unincorporated area (CKH 56001).

2.1.9. The Commission prefers the merger of a special district with a municipality upon incorporation, whenever possible, as being in the best interest of the local citizens.

2.1.10. In any proposal, the impacts on affordable housing must be considered. The Commission will consider the impact of the creation of new jobs on affordable housing stock, not only in the jurisdiction to which the annexation is proposed, but also in neighboring jurisdictions. The

agency to which the annexation is proposed should demonstrate to the Commission that the effects of the proposed project on affordable housing have been mitigated (CKH 56001).

The Commission recognizes that providing a range of housing opportunities for persons and families of all incomes is an important factor in promoting orderly development.

2.1.11. In any proposal requiring water service, the Commission requires that the agency to which the annexation is proposed should demonstrate the availability of an adequate, reliable and sustainable supply of water. In cases where a phased development is proposed, the agency should demonstrate that adequate service capacity will be provided as needed for each phase. In cases where a proposed annexation will be served by an onsite water source, the proponent should demonstrate its adequacy (CKH 56668 (k)).

2.1.12. The Commission shall review and update the spheres of influence for all applicable jurisdictions in the County every five years, or as necessary, pursuant to the CKH Act and an approved annual local work plan. (CKH 56425 (g))

2.1.13. A municipal service review shall be prepared to update the SOIs using the guidelines adopted by San Luis Obispo LAFCO and in accordance with the CKH Act.

2.1.14. The Commission shall give “great weight” to a proposal that is supported by a community’s long-range vision for its growth and development. This may include a Memorandum of Agreement that has been approved by the County and another jurisdiction regarding a Sphere of Influence or other proposal.

2.2 City Annexation Policies

2.2.1. Cities are encouraged to annex unincorporated islands as well as land that is mostly surrounded by a jurisdiction. (CKH 56001, & 56375.3).

- 2.2.2. The Commission encourages development of vacant land within a municipality over development in fringe areas and discourages strip or noncontiguous annexations to Cities (CKH 56301).
- 2.2.3. The Commission will require, as a condition to city annexation, detachment of the annexed territory from the special district where appropriate (CKH 56001).
- 2.2.4. Prior to annexation of territory within an agency's Sphere of Influence, the Commission encourages development on vacant or underutilized parcels already within the boundaries of a jurisdiction. The agency should provide LAFCO with a build-out estimate or inventory and document how it was prepared.
- 2.2.5. The boundaries of a proposed annexation must be definite and certain and must conform to lines of assessment whenever possible.
- 2.2.6. The boundaries of an area to be annexed will not result in any areas difficult to serve.
- 2.2.7. There is a demonstrated need for governmental services and controls in the area proposed for annexation.
- 2.2.8. The municipality has the resources capable of meeting the need for services in the area proposed for annexation and has submitted studies and information documenting its ability to serve.
- 2.2.9. There is a mutual social and economic community of interest between the residents of the municipality and the proposed territory.
- 2.2.10. The proposed annexation is compatible with the municipality's general plan. The proposed annexation represents a logical and reasonable expansion of the annexing municipality.

2.2.11. The Commission shall determine if a disadvantaged unincorporated community is associated with an application. If a disadvantaged unincorporated community does exist, the procedures for processing the annexation as outlined in the CKH Act shall be implemented.

2.2.12. That the City Prezone the area to be annexed and complete CEQA as the Lead Agency for the proposal and/or project. LAFCO should in most instances act as the Responsible Agency with regard to an annexation and CEQA.

2.3 Special District Annexation Policies

2.3.1. Special districts are encouraged to annex unincorporated islands as well as land that is mostly surrounded by a jurisdiction. (CKH 56001, & 56375.3).

2.3.2. Prior to annexation of territory within an agency's Sphere of Influence, the Commission encourages development on vacant or underutilized parcels already within the boundaries of a jurisdiction. The agency should provide LAFCO with a build-out estimate or inventory and document how it was prepared.

2.3.3. A demonstrated need exists for the required services and there is no reasonable alternative manner of providing these services.

2.3.4. The proposed annexation represents a logical and reasonable expansion of the district.

2.3.5. The proposed annexation reflects the plans of the adjacent governmental agencies.

2.3.6. The proposed annexation does not represent an attempt to annex only revenue producing property.

2.3.7. The proposed boundaries must be definite and certain and conform to lines of assessment whenever possible.

2.3.8. The district has the capability of meeting the need for services and has submitted studies and information documenting its capabilities.

2.4 City Incorporation Policies

2.4.1. The Commission favors annexation to an existing agency over creation of a new agency. When the formation of a new government entity is proposed, the Commission shall make a determination as to whether existing agencies can feasibly provide the service in a more efficient manner (CKH 56301).

2.4.2. Incorporation will be discouraged where a municipal government already exists adjacent to the area. Existing jurisdictional boundaries of other agencies shall be recognized and evaluated.

2.4.3. When other municipalities are adjacent, the Commission will consider as preferable, in the order listed, the following actions:

- a. Annexation to an existing municipality.
- b. Reorganization, consolidating one or more of the municipalities and the unincorporated area.
- c. Incorporation.

2.4.4. Incorporation will be given more favorable consideration if:

- a. A community is geographically located some distance from any other municipality.
- b. There is a demonstrated public need for additional governmental services and controls or a need for a higher level of some or all of those services being provided.
- c. The needed governmental services can be shown to be most quickly and economically provided by incorporation.

- d. The area to be incorporated is compact, contiguous, possesses a community identity and includes a variety of land uses that provides for a balanced community.
- e. The proposed incorporation must reflect and consider the general plan of the County and affected Cities.
- f. The proposed incorporation must not conflict with the logical growth of adjacent cities as reflected in Commission approved spheres of influence.
- g. The proposed incorporation does not represent an attempt to incorporate only revenue-producing territories to preempt neighboring cities from receiving those revenues.
- h. The proposed boundaries do not create or result in areas that are difficult to serve.
- i. The proposed boundaries must be definite and certain and wherever possible, should conform to lines of assessment and consider topographic, geographic, and historic boundaries.
- j. The effect of incorporation on a special district must be considered.
- k. Within the proposal there must be a cost-versus-benefits justification of the proposed incorporation.
- l. Sufficient revenue to supply required municipal services is evident in the incorporation proposal.
- m. Consideration will be given to the effect of incorporation upon adjacent landowners, governmental agencies, and the County.
- n. A Comprehensive Fiscal Analysis (CFA) must be completed pursuant to CKH Act 56800 and the LAFCO incorporation guidelines prepared by the State Office of Planning and Research.
- o. The incorporation would result in a similar exchange of both revenue and responsibility for service delivery between the County, the proposed municipality and other involved agencies (CKH 56815).
- p. The incorporation proposal shall fully consider the State Guidelines for incorporation. These guidelines are advisory to the Commission in the review of an incorporation proposal and should be used in preparing any incorporation proposal.

2.5 Special District Formation Policies

- 2.5.1. The Commission favors annexation to an existing agency over creation of a new agency. When the formation of a new government entity is proposed, the Commission shall make a determination as to whether existing agencies can feasibly provide the service in a more efficient manner (CKH 56301).
- 2.5.2. There is a demonstrated need for services or controls which can be provided by a special district.
- 2.5.3. There is no alternative which would provide for the required service in a more reasonable manner.
- 2.5.4. There will be sufficient revenue to adequately finance the required services or controls.
- 2.5.5. The proposal does not represent a conflict with the reasonable and logical expansion of adjacent governmental agencies.
- 2.5.6. The boundary configuration will not create or result in areas difficult to serve.
- 2.5.7. The boundaries of the proposed formation must be definite and certain and must conform to lines of assessment whenever possible. The boundaries must not conflict with boundaries of other public agencies possessing the same powers unless properly justified.

2.6 Sphere of Influence Policies

The CKH Act provides the legislative authority and intent for establishing a Sphere of Influence and is included by reference in these policies. A Sphere of Influence is the probable 20-year growth boundary for a jurisdiction's physical development. These policies are intended to be consistent with the CKH Act and take into consideration local conditions and circumstances. All procedures and definitions in the CKH Act are incorporated into these policies by reference.

- 2.6.1. LAFCO intends that its Sphere of Influence determination will serve as a master plan for the future organization of local government within the County. The spheres shall be used to discourage urban sprawl and the proliferation of local governmental agencies and to encourage efficiency, economy, and orderly changes in local government.
- 2.6.2. The Sphere of Influence lines shall be a declaration of policy which shall be a primary guide to LAFCO in the decision on any proposal under its jurisdiction. Every determination made by the Commission shall be consistent with the spheres of influence of the agencies affected by those determinations.
- 2.6.3. No proposal which is inconsistent with an agency's adopted Sphere of Influence shall be approved until the Commission, at a noticed public hearing, has considered an amendment or revision to that agency's Sphere of Influence.
- 2.6.4. 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.

In accordance with the CKH Act a municipal service review shall be conducted prior to the update of a jurisdiction's Sphere of Influence. The service review is intended to be a basis for updating a jurisdiction's Sphere of Influence.

2.6.5. LAFCO will designate a Sphere of Influence line for each local agency that represents the agency's probable physical boundary and includes territory eligible for annexation and the extension of that agency's services within a zero to twenty-year period.

2.6.6. LAFCO shall consider the following factors in determining an agency's Sphere of Influence:

- a. Present and future need for agency services and the service levels specified for the subject area in applicable general plans, growth management plans, annexation policies, resource management plans, and any other plans or policies related to an agency's ultimate boundary and service area (CKH 56425 (e)(1)).
- b. Capability of the local agency to provide needed services, taking into account evidence of resource capacity sufficient to provide for internal needs and urban expansion (CKH 56425 (e)(2)).
- c. The existence of agricultural preserves, agricultural land and open space lands in the area and the effect that inclusion within a Sphere of Influence shall have on the physical and economic integrity of maintaining the land in non-urban use (CKH 56426.5 (a)).
- d. Present and future cost and adequacy of services anticipated to be extended within the Sphere of Influence.
- e. Present and projected population growth, population densities, land uses, and area, ownership patterns, assessed valuations, and proximity to other populated areas.
- f. The agency's capital improvement or other plans that delineate planned facility expansion and the timing of that expansion.
- g. Social or economic communities of interest in the area (CKH 56425 (e)(4)).
- h. For an update of a Sphere of Influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, a written determination regarding the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing Sphere of Influence shall be prepared.

- 2.6.7. LAFCO may adopt a zero Sphere of Influence encompassing no territory for an agency. This occurs if LAFCO determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency of government. The local agency which has been assigned a zero Sphere of Influence should ultimately be dissolved.
- 2.6.8. 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.
- 2.6.9. LAFCO may adopt a Sphere of Influence that excludes territory currently within that agency's boundaries. This occurs where LAFCO determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation would be jeopardized by inclusion within an agency's Sphere of Influence. Exclusion of these areas from an agency's Sphere of Influence indicates that detachment is appropriate.
- 2.6.10. Where an area could be assigned to the Sphere of Influence of more than one agency providing needed service, the following hierarchy shall apply dependent upon ability to serve:
- a. Inclusion within a municipality Sphere of Influence.
 - b. Inclusion within a multipurpose district Sphere of Influence.
 - c. Inclusion within a single-purpose district Sphere of Influence.

In deciding which of two or more equally capable agencies shall include an area within its Sphere of Influence, LAFCO shall consider the agencies' service and financial capabilities, social and economic interdependencies, topographic factors, and the effect that eventual service extension will have on adjacent agencies.

- 2.6.11. Sphere of Influence boundaries shall not create islands or corridors unless it can be demonstrated that the irregular boundaries represent the most logical and orderly service area of an agency.
- 2.6.12. Nonadjacent publicly owned properties and facilities used for urban purposes may be included within that public agency's Sphere of Influence if eventual annexation would provide an overall benefit to agency residents.
- 2.6.13. At the time of adoption of a city Sphere of Influence LAFCO may develop and adopt in cooperation with the municipality, an urban area boundary pursuant to policies adopted by the Commission in accordance with Government Code Section 56080. LAFCO shall not consider any area for inclusion within an urban service area boundary that is not addressed in the general plan of the affected municipality or is not proposed to be served by urban facilities, utilities, and services within the first five years of the affected city's capital improvement program.
- 2.6.14. LAFCO shall review Sphere of Influence determinations every five years or when deemed necessary by the Commission consistent with an adopted work plan. If a local agency or the County desires amendment or revision of an adopted Sphere of Influence, the local agency, by resolution, may file such a request with the LAFCO Executive Officer. Any local agency or county making such a request shall reimburse the Commission for the actual and direct costs incurred by the Commission. The Commission may waive such reimbursement if it finds that the request may be considered as part of its periodic review of spheres of influence.
- 2.6.15. LAFCO shall adopt, amend, or revise Sphere of Influence determinations following the procedural steps set forth in CKH Act 56000 et seq.

2.7 Municipal Service Review Policies

The following policies are meant to guide San Luis Obispo LAFCO in the preparation of the municipal service review for jurisdictions:

- 2.7.1. The Commission shall use the Municipal Service Review Guidelines found in Chapter 3 as a framework for preparing a municipal service review for a jurisdiction.
- 2.7.2. In order to prepare an update of spheres of influence in accordance with Section 56425, the Commission shall conduct a municipal service review of the municipal services provided by the local agency or service jurisdiction.
- 2.7.3. LAFCO shall complete a municipal service reviews consistent with the provisions contained in the CKH Act including identification of disadvantaged unincorporated communities located contiguous to the Sphere of Influence of a jurisdiction.

2.8 Memorandum of Agreement Policies

- 2.8.1. LAFCO shall work together with the affected jurisdictions and facilitate a constructive dialogue of the issues related to a service review with the goal of achieving an agreement which can be given “great weight” by the Commission in its deliberations. The following steps shall be taken to encourage such discussions and develop a memorandum of agreement (MOA) between a city (or district if applicable) and the County regarding a jurisdiction’s Sphere.
 - a. Prepare agendas and facilitate initial meetings between representatives of the City, District and the County to identify potential Sphere of Influence areas and possible land use development standards. The County Agriculture Commissioner’s Office and the property owners should be included in these discussions as appropriate.
 - b. The negotiation period shall begin when the preparation of the Municipal Service Review is initiated prior to adoption of the resolution of application.

- c. LAFCO staff shall prepare a draft memorandum of agreement that includes a map of the proposed Sphere of Influence along with provisions which address development processes and/or zoning requirements.
- d. Conduct a series of meetings to discuss issues and agree to specific language provisions and SOI boundaries, if possible.
- e. Provide the jurisdictions and County with a final memorandum of agreement for a public hearing and consideration by the respective legislative bodies.
- f. If the jurisdiction and County Board of Supervisors approve the memorandum of agreement, the Commission is required to give the agreement “great weight” in making a decision regarding the Sphere of Influence.
- g. If the Sphere of Influence approved by the Commission is consistent with the agreement, the city and the county shall implement the provisions of the agreement by amending their respective general plans.
- h. If the Commission changes the Sphere of Influence agreed upon by the city and the County, the agreement shall not be implemented; however, it may be renegotiated if both parties agree to further discussions.

2.9 Agricultural Policies

The policies in this section are designed to assist LAFCO in making decisions that achieve the Goals stated in the previous section. A policy is a statement that guides decision making by indicating a clear direction on the part of LAFCO. The following policies support the goals stated above and shall be used by San Luis Obispo LAFCO when considering a proposal that would involve agricultural resources:

- 2.9.1. Vacant land within urban areas should be developed before agricultural land is annexed for non-agricultural purposes.
- 2.9.2. Land substantially surrounded by existing jurisdictional boundaries should be annexed before other lands.

- 2.9.3. In general, urban development should be discouraged in agricultural areas. For example, agricultural land should not be annexed for nonagricultural purposes when feasible alternatives exist. Large lot rural development that places pressure on a jurisdiction to provide services and causes agricultural areas to be infeasible for farming should be discouraged.
- 2.9.4. The Memorandum of Agreement between a city and the County should be used and amended as needed to address the impacts on and conversion of Agricultural Lands on the fringe of a city.
- 2.9.5. The continued productivity and sustainability of agricultural land surrounding existing communities should be promoted by preventing the premature conversion of agricultural land to other uses and, to the extent feasible, minimizing conflicts between agricultural and other land uses. Buffers should be established to promote this policy.
- 2.9.6. Development near agricultural land should not adversely affect the sustainability or constrain the lawful, responsible practices of the agricultural operations.
- 2.9.7. In considering the completeness and appropriateness of any proposal, the Executive Officer and this Commission may require proponents and other interested parties to provide such information and analysis as, in their judgment, will assist in an informed and reasoned evaluation of the proposal in accordance with these policies.
- 2.9.8. No change of organization, as defined by Government Code 56021, shall be approved unless it is consistent with the Spheres of Influence of all affected agencies.
- 2.9.9. Where feasible, and consistent with LAFCO policies, non-prime land should be annexed before prime land.
- 2.9.10. The Commission will consider feasible mitigation (found in the following guidelines) if a proposal would result in the loss of agricultural land.

2.9.11. The Commission encourages local agencies to adopt policies that result in efficient, coterminous and logical growth patterns within their General Plan and Sphere of Influence areas and that encourage protection of prime agricultural land in a manner that is consistent with this Policy.

2.9.12. The Commission may approve annexations of prime agricultural land only if mitigation that equates to a substitution ratio of at least 1:1 for the prime land to be converted from agricultural use is agreed to by the applicant (landowner), the jurisdiction with land use authority. The 1:1 substitution ratio may be met by implementing various measures:

- a. Acquisition and dedication of farmland, development rights, and/or agricultural conservation easements to permanently protect farmlands within the annexation area or lands with similar characteristics within the County Planning Area.
- b. Payment of in-lieu fees to an established, qualified, mitigation/conservation program or organization sufficient to fully fund the acquisition and dedication activities stated above in 12a.
- c. Other measures agreed to by the applicant and the land use jurisdiction that meet the intent of replacing prime agricultural land at a 1:1 ratio.

2.9.13. Property owners of agricultural lands adjacent to a LAFCO proposal shall be notified when an application is submitted to LAFCO.

2.10 California Environmental Quality Act Policies

The following policies shall be used to guide LAFCO with regard to implementing the California Environmental Quality Act (CEQA) for proposals evaluated by LAFCO.

2.10.1 The Commission shall take actions that maintain a high-quality and healthful environment for the people of San Luis Obispo County now and in the future.

- 2.10.2 The Commission shall take actions necessary to protect and enhance the environmental quality of San Luis Obispo County.
- 2.10.3 The Commission shall take actions that will provide the people of San Luis Obispo County with clean air and water, a vibrant and diverse economy, and enjoyment of aesthetic, natural, scenic, and historic environmental qualities.
- 2.10.4 The Commission shall carry out the environmental review process in an efficient, expeditious manner in order to conserve the available financial and governmental resources with the objective that these resources may be better applied toward the mitigation and avoidance of significant effects on the environment.
- 2.10.5 The Commission shall organize and write environmental documents in such a manner that they will be meaningful and useful to decision-makers and the public and consistent with CEQA guidelines.
- 2.10.6 The Commission shall consider the involvement of the public in actions affecting the environment as an essential and indispensable element of the decision-making process.
- 2.10.7 The Commission shall prefer avoidance of adverse impacts over mitigation. If, however, mitigation is necessary onsite or offsite mitigation should be fully implemented.
- 2.10.8 The Commission shall help prevent the elimination of the County's fish and wildlife species and preserve for future generation's sustainable representations of the County's native plant and animal communities.
- 2.10.9 The Commission shall balance preventing negative environmental effects while providing a decent home and satisfying living environment for every San Luis Obispo County resident.

Commission Administrative Policies

This section includes general policies, requirements and criteria, regarding the preparation and submission of an application to San Luis Obispo LAFCO.

2.11 Application and Indemnification Policies

- 2.11.1. No proposal shall be deemed complete that does not include a completed San Luis Obispo LAFCO application form accompanied by the required fees, supporting documentation, and maps as specified in the LAFCO filing requirements found in the application.
- 2.11.2. The Executive Officer or designee may, prior to deeming an application complete, require additional information, including but not limited to, complete details for plans for service, property tax redistribution agreements, and similar information necessary for the San Luis Obispo LAFCO to make informed decisions on the factors and determinations required by law.
- 2.11.3. Applications to the Commission must contain all the information and materials required by the CKH Act (G.C. §56652 and 56653), including a plan for services, as well as the applicable fees or deposit toward fees as specified by the LAFCO Fee Schedule.
- 2.11.4. Except when the Commission is the Lead Agency pursuant to the CEQA (as defined in Public Resources Code §21067) an application must also contain complete documentation of the Lead Agency's environmental determination.
- 2.11.5. Tax Exchange Agreement
 - a. No application for a change of organization or reorganization will be deemed complete and scheduled for public hearing until proof of a property tax exchange agreement, in the form of adopted resolutions, is provided by the local agencies whose service area or service responsibility will be altered by the proposed jurisdictional change pursuant to Revenue and Taxation Code Section 99(b)(6).

- b. To facilitate the tax exchange process, upon receipt of applications requiring the tax exchange agreement, LAFCO staff will provide notification of the application to the County CEO, Auditor and Assessor, the Board of Supervisors, and all affected agencies.
- c. LAFCO may request information or studies regarding the property tax exchange agreement and/or process to support the processing of the any proposal that requires such an agreement. Studies or additional information may include, but are not limited to: revenue analysis and projections, future land use studies, buildout projections, and/or other fiscal analysis.

2.11.6. ~~To the extent allowed by law, it is the policy of this Commission that applicants for LAFCO actions shall defend, indemnify and hold harmless LAFCO to the fullest extent allowed by law, at the sole expense of the applicant, against any and all claims, demands, actions and/or lawsuits that may be filled against LAFCO which challenges any Commission action including, but not limited to, action on an application or proposal (“Claims”). The application shall also include an agreement by the applicant to defend, indemnify and hold harmless LAFCO to the fullest extent allowed by law, at the sole expense of the applicant, against any and all Claims (“Indemnification Agreement”). The Agreement must be signed by the applicant(s) for the application to be deemed complete.~~

~~2.11.7. Prior to the Executive Officer deeming an application complete, the applicant(s) shall submit a signed Cost Accounting, and Indemnification Agreement.~~

~~2.11.8. The following policy shall be applied to any applicant and/or jurisdiction that is not in compliance with an existing LAFCO Cost Accounting and Indemnification Agreement as determined by the Executive Officer and Legal Counsel:~~

- ~~a. The LAFCO Executive Officer (EO), in consultation with Legal Counsel, shall determine, on review of an application, whether an applicant and/or jurisdiction has previously failed to comply with the LAFCO Indemnification Policy and/or the LAFCO Cost Accounting, and Indemnification Agreement.~~
- ~~b. Prior to acceptance for processing of an application from an applicant and/or jurisdiction, which the EO determines to have failed to comply with the Policy and~~

~~Agreement referenced in paragraph a. of this policy above, the LAFCO Executive Officer shall advise the Commission at a regularly scheduled meeting regarding the applicant's prior breach of the obligations of the Policy, Agreement, or both. The Executive Officer, in consultation with Legal Counsel, shall make a recommendation to the Commission regarding the amount of a bond or other commercially reasonable undertaking to be required of the applicant before the application will be accepted.~~

~~c. On the basis of the Executive Officer's recommendation, the Commission shall establish a bond or other commercially reasonable undertaking as a condition for acceptance of the application. The purpose of this security requirement is secure the obligation of the applicant to indemnify LAFCO from future liability in connection with the application. In addition, the applicant shall be required to satisfy any past due obligation owed to LAFCO from previous applications, prior to processing any new application.~~

~~d. Compliance with this policy does not relieve the applicant of responsibility to submit other information as requested by LAFCO to process the application, to otherwise comply with applicable law and these policies, and cure any outstanding non-compliance with the Policy and Indemnification Agreement referenced in paragraph 8 a. of this policy above.~~

2.12 Budget Policies

Government code 56381, et seq., and the following procedures guide the LAFCO Budget process:

2.12.1. The Commission shall consider and adopt annually following noticed public hearings, a proposed budget by May 1 and if necessary, a final budget by June 15.

2.12.2. The Executive Officer shall transmit the Proposed and Adopted Budgets to the various jurisdictions (Cities, County, and Special Districts) as required in the Cortese-Knox-Hertzberg Act.

2.12.3. LAFCO will annually review and adopt a work plan to fulfill the purposes and programs of state law and local policy.

2.12.4. The Executive Officer shall submit quarterly budget reports to the Commission at LAFCO's regular meetings. A Year-End Budget Report shall be prepared and submitted to the Commission for its review. All reports shall be submitted to the County Auditor.

2.12.5. The LAFCO Executive Officer shall serve as budget administrator to prepare, present, transmit, review and monitor the LAFCO Budget.

2.12.6. The annual budget shall endeavor to include a contingency fund of at least 15% of total operating expense.

2.13 Credit Card Policies

The following conditions must be met when using the Credit Card:

2.13.1. Each single purchase may be comprised of multiple items, but the total cannot exceed the single purchase dollar limit on the Credit Card. Use of the Credit Card shall be reflected in the quarterly financial reports to the Commission.

2.13.2. The Credit Card must not be used for purchases when the Cardholder has a personal interest, or knowledge, regarding any vendor which would create a conflict of interest. An example is buying from a relative or close friend.

2.13.3. Intentional use of the Card for other than official LAFCO purposes is not allowed and such use will result in immediate cancellation of your Credit Card, possible referral to the District Attorney, disciplinary action as authorized by applicable LAFCO procedures, and personal liability to LAFCO for the amount of the purchase.

Authorized Uses

2.13.4. The Credit Card may be used to pay for authorized purchase transactions, up to \$5,000, and are made through any legal means: over the counter, by telephone, or online.

2.13.5. The Credit Card may be used to pay for purchases that are certain high value (over \$1,000) equipment (e.g. business computing devices or software); leased equipment; fixed assets; maintenance services; professional services, etc.

2.13.6. Authorized uses may be limited by the Executive Officer to specific categories or merchant types, single purchase dollar limit, and monthly spending limits.

2.13.7. The Credit Card must not be used in a manner intended to circumvent the formal procurement process or other limits imposed on the Card.

Responsibilities

2.13.8. ~~Individual~~ Authorized staff cardholders ~~s, Executive Officer, Senior Analyst, Commission Clerk,~~ are responsible for:

- a. Maintaining proper documentation and supporting receipts for all transactions.
- b. Reviewing and certifying the correctness and the business necessity of transactions listed on the monthly statements.
- c. Resolving exceptions and disputes directly with the vendors.
- d. Notifying the Executive Officer of any suspicious transactions.
- e. Establishing internal controls to ensure the proper use of Credit Cards within LAFCO, including additional restrictions on the types of purchases and dollar limits that apply to individual cardholders, and other review procedures.
- f. Reviewing monthly transaction reports to ensure overall compliance with policy, including proper disposition of exceptions.
- g. Selecting the financial institution (the bank) which provides the most cost-effective purchase card services and maintaining optimal relations with such institution. This responsibility includes regular communication and proper follow up with the bank.
- h. Administering the Credit Card Program to ensure that it is fully used and results in efficiencies in procurement and spending.

- i. Prescribing and maintaining adequate internal control over the Credit Card Program to ensure accountability. This responsibility includes setting LAFCO criteria for proper usage and regular monitoring of usage to ensure compliance with policies.

Emergency Use

2.13.9. The Credit Card may provide a mechanism for procuring goods and/or services during an emergency, disaster response, or other unforeseen events.

2.13.10. An emergency purchase may be warranted to prevent a hazard to life, health, safety, welfare, property, or to avoid undue additional cost to LAFCO, and/or disruption of service.

2.13.11. Emergency purchases of goods and services should not exceed the scope or duration of the emergency.

2.13.12. In view of the potential use of the purchase card during emergency conditions, the Executive Officer may authorize higher limits and wider purchasing scope for certain LAFCO staff who may be called on during emergencies.

2.13.13. Failure to plan for normal operations does not constitute an emergency use. Failure to plan refers to circumstances in which LAFCO personnel, in the normal course of their activities, have reasonable knowledge of a need but did not take the proper action to procure for the needs. This does not refer to unforeseen circumstances that are clearly beyond their control or knowledge.

Suspension and Revocation

2.13.14. Upon the discovery of an unusual spending pattern, the Executive Officer may temporarily suspend a cardholder's privilege until investigations are complete or exceptions are resolved.

2.13.15. LAFCO Staff are notified of all cases of suspension or revocation.

2.13.16. In addition to the revocation, the Executive Officer may authorize the referral of the case to Internal Audit or the District Attorney for investigation and/or other actions as appropriate.

List of Prohibited Purchases

2.13.17. These items are prohibited:

- Wire Transfer-Money Orders
- Cash Advances
- Convenience Checks
- Non-Financial Institutions-Foreign Currency, Money Orders, Travelers Checks
- Digital Currency
- Security Brokers/Dealers
- Savings Bonds
- Timeshares
- Betting, Casino Gaming Chips, Off Track Betting
- Fines
- Bail and Bond Payments
- Ammunition and weapons
- Hazardous materials (other than gasoline for business use)

Restricted Uses

2.13.18. The Credit Card is restricted from being used to purchase the following items:

- Splitting of purchases to circumvent the dollar limitation
- Payment of existing invoices
- The Credit Card may never be used for personal purchases

2.14 Legislative Process Participation

- 2.14.1. In situations when a legislative bill affecting LAFCO cannot be considered by the full Commission due to timing, the Executive Officer, in consultation with Legal Counsel, is authorized to provide written or email comments communicating the Commission's position.
- 2.14.2. The Chair and Legal Counsel would review the letter or email prior to it being submitted for consideration.
- 2.14.3. The Executive Officer will forward the email or letter to the Commissioners as soon as possible.
- 2.14.4. The item will be discussed at the Commission's next regular meeting.

2.15 Document Retention & Destruction Policy

2.15.1. Document Retention:

- a. Except as otherwise provided herein, and subject to the conditions contained in this policy, all original records and documents maintained by LAFCO will be retained for a period of five (5) years. A true copy of all documents shall be kept in a safe and separate place for security purposes.
- b. As used in this policy, the term "record" (or "record of proceedings") is defined to mean documents that show decisions or actions taken by the Commission in fulfillment of its statutory responsibilities. Records maintained by the Commission include the following: Records of proceedings (LAFCO application, petition or other initiating documents; statement of property valuation; statement of tax rate area assignment; indemnification and agreements to pay; Certificates of Filing and Completion; copies of public hearing notice; environmental review documents prepared for purposes of complying with the California Environmental Quality Act ("CEQA"); plan for service; map and legal description; staff reports; impartial analysis; order for change of organization/reorganization; documentation of election and results; Statement of Boundary Change; State Board of Equalization acknowledgement letter, LAFCO meeting minutes, Municipal Service Reviews) ; and Administrative/Financial documents (budgets,

accounts payable, accounts receivable, audits, invoices, ledgers, registers, reimbursements, Commissioner policies and procedures, agreements, contracts, leases, purchase orders, requisitions, recruitment/selection/resumes, claims).

2.15.2. Limited Exceptions to Five Year Retention Period:

- a. Original statements of economic interest (Form 700) will be retained by the Commission for a period of seven (7) years. Environmental review documents that are prepared by a lead agency other than LAFCO (i.e., Environmental Impact Reports and other CEQA documents that are approved or adopted by LAFCO but are not prepared by LAFCO as the lead agency for the project), will be retained by the Commission for a period of two (2) years. Environmental review and CEQA documents prepared by LAFCO as the lead agency for the environmental review of the project will be retained for a period of (5) five years.

2.15.3. Destruction Authorized Following Required Retention Period:

- a. At the conclusion of the applicable required retention period, the Executive Officer is authorized to destroy records as needed, provided that a photographic or electronic copy of the original record is first made and preserved in the manner specified in Government Code section 56382. The reproductions must be made as accessible for public reference as the original records were.

2.15.4. Social Media Records Retention Period:

- a. Social media site content is not (1) “kept”, (2) required to be kept by law, and (3) is not necessary to be kept in discharge of a public official’s duties or made/retained for the purposes of preserving content for future reference. If SLOLAFCO as a public agency is using social media for public input (for example, to solicit public input on LAFCO issues) SLOLAFCO will capture the input provided for the administrative record.

2.16 Social Media Policy

2.16.1. Purpose:

- a. To establish guidelines for the Commission's use of social media sites as a means of conveying information, including information concerning mission, meetings, activities, events, services, and current issues.

2.16.2. Definitions:

- a. The following words have the meaning as described:
 - i. "Social media sites" refers to online platforms used to create accessible, expandable, and upgradable publishing technologies through and on the internet.
 - ii. "Commission" means the San Luis Obispo Local Agency Formation Commission.
 - iii. "Commission social media sites" means social media sites including the Facebook page and Twitter page that the Commission will use to convey information.
 - iv. "Posts" or "postings" mean information, articles, pictures, videos or any other form of communication posted on Commission social media sites.
 - v. "Comment" or "Comments" mean and include any information, articles, words, pictures, videos or any other form of communicative content posted by others on Commission social media sites.

2.16.3. General Guidelines:

- a. The Commission's website (slo.lafco.ca.gov) will continue to serve as the Commission's primary location of electronic information. When possible, Commission social media sites will link to the official Commission website for documents, online services, and other necessary information.
- b. The establishment of a social media site is subject to approval by the Executive Officer, consistent with this policy. Social media site accounts will be created using an official Commission email account and will bear the name and official seal of the Commission

as applicable to the social media site. All Commission social media sites will use authorized Commission contact information for account set-up, monitoring, and access. Use of personal email accounts or phone numbers by Commission employees for the purpose of setting-up or administering a Commission social media site is prohibited.

- c. Content posted on City social media sites is subject to oversight by the Executive Officer or his designee(s).
- d. All Commission social media sites must adhere to applicable federal and state laws, and Commission regulations and policies. This includes but not limited to the California Public Records Act, the Ralph M. Brown Act, and laws and policies regarding records retention, conflicts of interest and copyright. Any content maintained on Commission social media sites that is related to Commission business, including a list of subscribers and posted communication may be considered a public record and subject to public disclosure.
- e. Commission social media sites must comply with usage rules and regulations required by the site provider, including privacy policies.
- f. Rules applicable to the use of Commission social media sites, as determined appropriate by the Executive Officer, must be made available to all Commission social media site users on each Commission social media site and on the Commission's website.

2.16.4. Content Standards and Guidelines:

- a. Any employee authorized by the Executive Officer to post items on Commission social media sites must review, be familiar with, and comply with the social media site's use policies and terms and conditions.
- b. Any employee authorized by the Executive Officer to post items on Commission social media sites must not express his or her own personal views or concerns through such postings. Postings on Commission social media sites by an authorized Commission employee must only present factual information regarding the Commission's policies and programs.

- c. Content posted to Commission social media sites should contain hyperlinks directing users to the Commission's official website for in-depth information, forms, documents or online services whenever possible.
- d. Postings may be made primarily during normal business hours. After-hours or weekend postings may be made when the news or information is relevant to an event or activity occurring, or as otherwise authorized by the Executive Officer.
- e. Postings must not contain information that is confidential as defined by any Commission policy, state law, or federal law.
- f. Postings must not contain any employee's personal information, except for the names of employees whose job duties include being available for contact by the public.

2.16.5. Comment Guidelines:

- a. Commission social media sites are intended to disseminate information and direct viewers to more in-depth information or resources on the Commission's website. Commission social media sites are not intended to provide a public forum for comments or discussion by the public.
- b. The Commission reserves the right to implement or remove any functionality of Commission social media sites, when directed by the Executive Officer. This includes, but is not limited to, the posting of information, articles, pictures, videos, comments, or any other form of communication in Commission social media sites.
- c. The Commission will continue to encourage members of the public to contact the Commission directly via phone, email or in person with questions or concerns related to Commission business. Commission social media sites will provide the public with instructions on contacting the Commission via phone, email or website.

CHAPTER 3

Procedures

The following is a general step-by-step guide to the basic procedures followed by San Luis Obispo LAFCO in considering proposed changes in local government organization. More detailed procedures can be found in the CKH Act and “A Guide to LAFCO Procedures for City and Special Districts Change of Organization and Reorganization” which are incorporated by reference into this policy document. All references in this section are to the Government Code unless otherwise specified.

3.1 Preliminary Steps

3.1.1. The four LAFCO application packets provide extensive details on submittal requirements. The four specific applications are 1) Change of Organization – Landowner Petition 2) Change of Organization – Resolution of Agency Application 3) Sphere of Influence Amendment – Includes proposals by both landowner or by resolution of agency application 4) Outside Agency Agreement – may be initiated by landowner or agency. Even though there are 4 separate applications, due to the different submittal requirements specified in CKH, the most critical distinction is whether it was submitted through a Resolution of Application or a Landowner Petition of Application. A pre-application is encouraged because it can help to expedite processing time, but this step is not required. The following are the general steps of the process for Resolution of Application and Landowner Petition of Application:

General Step by Step Process – Resolution of Application Route

1. Applicant Gathers Application Materials and Meets with Staff for a Pre-Application Meeting
2. Applicant Submits Their Application to LAFCO Through Resolution of Application
3. LAFCO Review Period Begins
4. Property Tax Negotiations between the County & Affected Agency (not applicable to Activation/ Divestiture of Power)
5. 30-Day Review – Information Hold Letter or Deemed Sufficient for Filing

6. Certificate of Filing stating when the item will be taken to the Commission
7. LAFCO Hearing. LAFCO has the authority to approve, conditionally approve or deny a proposal.
8. 30-Day Reconsideration Period
9. If Conducting Authority (Protest) Proceedings are not waived then LAFCO will conduct the protest pursuant to Part 3, Section 57000 et seq. of the Cortese-Knox-Hertzberg Act
10. Notification of Commission Action Form
11. After Condition Compliance a Certificate of Completion shall be filed with the Clerk Recorder
12. Filing With the State Board of Equalization (not applicable to Activation/ Divestiture of Power)
13. Final Notice of Completion with Affected Agencies / Interested Parties
14. LAFCO GIS Boundary Updates

General Step by Step Process – Petition of Application Route

1. When applicable, before circulating any petition for change of organization, the Applicant shall file a notice of intention with the Executive Officer.
2. Applicant Gathers Application Materials and Meets with Staff for a Pre-Application Meeting
3. Applicant Submits Their Application to LAFCO Through Petition of Application
4. LAFCO Review Period Begins
5. Notice To Commission at Next Available Commission Meeting for Applications Not Filed by Agency
6. Property Tax Negotiations between the County & Affected Agency (not applicable Activation/ Divestiture of Power)
7. 30-Day Review – Information Hold Letter or Deemed Sufficient for Filing
8. Certificate of Filing stating when the item will be taken to the Commission
9. LAFCO Hearing. LAFCO has the authority to approve, conditionally approve or deny a proposal.

10. 30-Day Reconsideration Period
11. If Conducting Authority (Protest) Proceedings are not waived then LAFCO will conduct the protest pursuant to Part 3, Section 57000 et seq. of the Cortese-Knox-Hertzberg Act
12. Notification of Commission Action Form
13. After Condition Compliance a Certificate of Completion shall be filed with the Clerk Recorder
14. Filing With the State Board of Equalization (not applicable Activation/ Divestiture of Power)
15. Final Notice of Completion with Affected Agencies / Interested Parties
16. LAFCO GIS Boundary Updates

~~Proponent reviews proposal with LAFCO staff. Although this step is not required, a brief discussion with LAFCO staff before application submittal could save the proponent time. These following steps are suggested:~~

- ~~a. Call for an appointment.~~
- ~~b. Submit the following information:
 - ~~i. Assessor's parcel numbers (APNs) for individual lots or project maps for complex proposals.~~
 - ~~ii. General plan and zoning designations.~~
 - ~~iii. Development plans, if applicable. LAFCO generally requires approved development plans, such as tentative maps, specific plans, etc., when vacant territory is proposed for annexation to a municipality or district. A key consideration of LAFCO's review of annexation requests is the timing of the action. LAFCO discourages the annexation of vacant land until it can be demonstrated that services are required. Approved development plans also provide the information necessary to evaluate a proposal. The plans show what land uses are planned, the level of services required, how services will be provided, and the conditions under which service will be extended. They also enable LAFCO to evaluate the impact of a jurisdictional change on adjacent areas.~~~~

- ~~c. LAFCO staff will review procedures, information requirements, and fees.~~
- ~~d. Proponent should obtain application forms and ascertain what environmental documentation will be necessary.~~

~~3.1.2. Proponent prepares application material for proposal. More complex proposals may need additional information, but all proposals must include the following:~~

- ~~a. A certified resolution or petition of landowners/registered voters making the application. A petition or resolution of application shall include all of the following (56700):~~
 - ~~i. State that the proposal is made pursuant to the CKH Act.~~
 - ~~ii. State the nature of the proposal and list all proposed changes of organization.~~
 - ~~iii. Set forth a legal description of the boundaries of the affected territory accompanied by a map showing the boundaries.~~
 - ~~iv. Set forth any proposed terms and conditions.~~
 - ~~v. State the reason(s) for the proposal.~~
 - ~~vi. State whether the petition is signed by registered voters or landowner(s). (Not applicable to a resolution of application.)~~
 - ~~vii. Designate not more than three persons as chief petitioners, setting forth their names and mailing addresses. (Not applicable to a resolution of application.)~~
 - ~~viii. State whether the proposal is consistent with the spheres of influence of any affected municipality or district.~~
 - ~~ix. Request that proceedings be taken for the proposal pursuant to this part.~~
 - ~~x. A resolution of application shall include a plan for services prepared according to CKH 56653.~~
- ~~b. One copy of a metes and bounds legal description of the perimeter of the subject proposal and a surveyed map that is consistent with the State's Tax and Fee Administration's requirements. A minimum of three copies should be provided and additional maps as requested.~~
- ~~c. Two copies of a vicinity map of the subject property~~

- ~~d. One copy of any environmental documents (pursuant to CEQA) associated with the proposal if, however, an environmental impact report (EIR) associated with the subject proposal was prepared, 15 hard copies of the certified EIR must be submitted with the application along with one digital copy. Only one copy of the EIR appendices is required.~~
- ~~e. One large scale topographical map of the subject property and a clear 8.5 by 11 inch map of the property.~~
- ~~f. If the proposal includes annexation to a municipality, indicate that the annexing municipality has rezoned the property, such as a city council resolution approving the rezoning.~~
- ~~g. Processing fees.~~

3.1.3. As with other public agencies, San Luis Obispo LAFCO is required to comply with the California Environmental Quality Act (CEQA) for purposes of considering the environmental impact of its actions. Each proposal must receive the appropriate environmental review for consideration by the Commission in making its decision. For a detailed discussion of environmental requirements, please refer to Section IV of these Guidelines.

3.2 LAFCO Proceedings

3.2.1. Proponent delivers a complete application to the LAFCO Executive Officer (Section 56652).

3.2.2. The LAFCO Executive Officer determines if:

- a. The application is sufficient as required by law and issues a determination on its sufficiency within 30 days of submittal.
- b. If LAFCO is to be the lead agency, then the environmental review is undertaken by LAFCO.
- c. A satisfactory exchange of property tax has taken place. Master property tax agreements may be applicable or separate property tax exchange resolutions may be required. If negotiations leading to adoption of separate resolutions are required, either the County or any affected municipality must agree to a tax exchange, or the County

negotiates a property tax exchange on behalf of any Special District (Revenue and Taxation Code Section 99).

- 3.2.3. The LAFCO Executive Officer reviews the proposal within 30 days of its receipt and either:
- a. Determines that the application is complete (if all required property tax agreements are on file) and issues a Certificate of Filing and sets the Commission hearing within 90 days; or
 - b. Determines that the application is not complete and notifies the proponent (56658).
- 3.2.4. The LAFCO Executive Officer requests review of any information for the proposal from affected County Departments, affected agencies, and other affected counties' LAFCOs (56378).
- 3.2.5. Proponents and/or LAFCO staff provides for a meeting with affected residents or landowners to give information and receive comments on the proposal (optional).
- 3.2.6. The LAFCO Executive Officer, at least 21 days prior to the date set for hearing, gives notice by:
- a. Publication in a newspaper of general circulation;
 - b. Posting near the door of the hearing room; and
 - c. Mailing/Emailing to each affected agency which contains territory or whose sphere of influence contains territory within the proposal, chief petitioner(s), persons requesting notice, each municipality within three miles, and the County in the case of incorporation or formation.
 - d. Posting on the LAFCO website at slo.lafco.ca.gov www.slolafco.com.
 - e. For proposals requiring a public hearing, mailing to each registered voter and landowner within the affected territory and within 300 feet of the exterior boundary of the property that is the subject of the hearing. (This requirement may be waived if individual notices have already been provided by the initiating agency.) If this would require that more than 1,000 notices should be mailed, notice may be provided pursuant to Section 56157.

- f. Note: Some Commission actions can be made without a noticed hearing, such as annexations and detachments with written consent of all landowners. Notice and opportunity to request a public hearing must be given to agencies whose boundaries are affected (56662 & 56663).

3.2.7. The LAFCO Executive Officer reviews the application and any comments received and prepare the written report and recommendation. The report reviews pertinent factors and policies, spheres of influence, and general and specific plans.

3.2.8. The Executive Officer shall furnish copies of mails the report at least five days prior to the hearing to each Commissioner, each person named in the application to receive a report, each affected local agency requesting a report, each agency whose boundaries or spheres of influence will be changed, and the Executive Officer of the LAFCOs of any other affected county (56665).

3.2.9. The Commission hears the proposal on the noticed date and time. The hearing may be continued for up to 70 days. The Commission must consider a number of factors and policies in compliance with state law. Among the factors considered by the San Luis Obispo LAFCO in making its determination are (56668):

- a. Population, density, land area and land use, assessed valuation, topography, natural boundaries, drainage basins, proximity to populated areas, likelihood of significant growth during the next ten years.
- b. Need for organized community services, present cost and adequacy of government services and controls, probable future needs, probable effect of change of organization and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.
- c. The effect of the proposed action or alternative actions on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the County.

- d. Conformity of the proposal to Commission policies on providing planned, orderly, efficient patterns of urban development, and with state policies and priorities on conversion of open space uses.
- e. Effect of the proposal on maintaining the physical and economic integrity of lands in an agricultural preserve in open space uses.
- f. Definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment and ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- g. A regional transportation plan adopted pursuant to Section 65080 and consistency with appropriate City or County general and specific plans.
- h. The proposal's consistency with city or county general and specific plans.
- i. The Sphere of Influence of any agency which may be applicable to the proposal being reviewed.
- j. Comments of any affected local agency or other public agency.
- k. The ability of the newly formed or receiving entity to provide the services which are the subject of the application, including the sufficiency of revenues for those services following the proposed boundary change.
- l. Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.
- m. The extent to which the proposal will assist the receiving entity in achieving its fair share of the regional housing needs as determined by the Council of Governments (COG).
- n. Any information or comments from the landowner or owners.
- o. Any information relating to existing land use.
- p. The extent to which the proposal promotes environmental justice as defined in the CKH Act
- q. Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 51178 or maps that identify land determined to be in a

state responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal.

3.2.10. At the hearing or within 35 days of the hearing, the Commission will adopt a resolution of determination taking the following actions:

- a. Approve or deny with or without conditions or revisions to the proposal. If denied, no new proposal can be made for one year unless waived by LAFCO. If the proposal included incorporation or consolidation of a municipality, no new proposal can be made for two years unless waived by LAFCO (57090);
- b. Determine if the territory is inhabited or uninhabited (inhabited territory means territory within which there reside 12 or more registered voters);
- c. Designating the Executive Officer as the Conducting Authority (56029);
- d. Assign a short-term designation; and
- e. Authorize proceedings without notice, hearing, or an election if there is 100% consent and only annexations, detachments, and CSA formations.

3.2.11. The LAFCO Executive Officer sends the Commission's resolution to the proponents, if any, and each agency whose boundaries will be changed by the proposal (56882). In the case of uninhabited territory, the Commission may waive conducting authority proceedings entirely if all of the following conditions apply (56663):

- a. The owners of land (100%) that will gain or lose territory as a result of the change of organization or reorganization have consented in writing to a waiver of conducting authority proceedings.
- b. No agency has submitted written opposition to a waiver of protest proceedings.

3.2.12. In the case of inhabited city and district annexations or detachments, or both, the Commission may waive protest proceedings pursuant to Part 4 (commencing with Section 57000) entirely if both of the following conditions apply:

- a. The Commission has provided written notice of Commission proceedings to all registered voters and landowners within the affected territory and no opposition from registered voters or landowners within the affected territory is received prior to or during the Commission's meeting. The written notice shall disclose to the registered voters and landowners that unless opposition is expressed regarding the proposal or the Commission's intention to waive protest proceedings, that there will be no subsequent protest and election proceedings; and
- b. No affected local agencies have submitted written opposition to a waiver of protest proceedings.

3.3 Conducting Authority Proceedings

- 3.3.1. If Conducting Authority Proceedings are not waived, LAFCO (the EO) sets the proposal for protest hearing within 35 days of the Commission's resolution date and gives notice. If authorized by the Commission, the protest hearing may be held without notice and hearing.
- 3.3.2. The date of the hearing shall not be less than 21 days nor more than 60 days after the date the notice is given and shall be:
 - a. Published in a newspaper of general circulation;
 - b. Posted near the hearing room door; and
 - c. Mailed to each affected agency which contains territory or whose sphere of influence contains territory within the proposal, the Executive Officers of other affected LAFCOs, chief petitioners if any, persons requesting notice, and landowners within territory to be formed into or annexed to or detached (57001, 57002 and 57025).
- 3.3.3. The Executive Officer hears the proposal at the noticed time and date. The hearing may be continued for up to 60 days. Any written protests must be filed with the Executive Officer or Commission prior to the conclusion of the hearing and must be signed, have the signature date, and address or location of the property. The value of written protests must be determined, and

action taken by LAFCO resolution to order the change, with or without an election, or terminate proceedings.

3.3.4. The Executive Officer shall perform all Conducting Authority Proceedings in accordance with the provisions of the CKH Act.

3.3.5. The Commission delegates to the Executive Officer the authority to act on matters related to the implementation of the Conducting Authority responsibilities as applicable and appropriate.

3.4 Completion and Effective Date

3.4.1. Immediately after completion of proceedings ordering a change of organization or reorganization without an election, conditions or confirming an order of a change of organization or reorganization after an election, the Executive Officer prepares a Certificate of Completion and makes the required filings (57200).

3.4.2. The Certificate of Completion is recorded with the County Recorder. If no effective date is specified in the Commission resolution, the recordation date is the effective date. A Statement of Boundary Change or Creation is issued by the Executive Officer and filed, with the appropriate fees, with the State Board of Equalization and County Assessor (57202, 57203, 57204). Property tax resolutions, if any, are forwarded to the County Auditor for property tax transfer (Revenue and Taxation Code, Section 99).

3.4.3. The Executive Officer distributes the Certificate of Completion to agencies whose boundaries are affected and affected County Departments. A Certificate of Completion may be filed after any adopted conditions of approval are met by the proponent.

3.4.4. The affected agencies recognize completion and implementation of the jurisdictional change, with regard to Property and sales tax transfers, police and fire protection responsibilities, planning and inspection controls, and other services.

3.5 Municipal Service Review Guidelines

The following questions are designated to help agencies and LAFCO compile information needed to complete municipal service reviews. Questions and Information sources will vary depending upon jurisdictions. Answers to these questions will be used by LAFCO to prepare service reviews and will be used to update jurisdictions' spheres of influence.

3.5.1 Growth and Population projections for the affected area.

- a. How does the projected growth of the proposed sphere of influence areas compare with present County land use designations?
- b. How have surrounding County land use patterns evolved and what impacts have they caused on infrastructure, e.g., roads, water, sewer, fire, police?
- c. Will changes as proposed in the sphere of influence increase pressure to develop surrounding County lands causing an increase in growth potential?
- d. Information Sources: City and County general plans, EIRS, US Census website, State Department of Finance, planning departments, Council of Governments, and economic reports.

3.5.2 For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Disadvantaged unincorporated communities, or "DUCs," are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

- a. Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?

- b. Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income)?
- c. Information Sources: City and County general plans, US Census, California Rural Legal Assistance, and Council of Governments reports.

3.5.3 Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

- a. Are the jurisdiction’s water resources and facilities adequate to serve the area in the existing boundaries? What about future growth or expansions?
- b. What is the jurisdiction’s current status with regard to wastewater collection, treatment, and disposal? What are the plans for the future?
- c. What is the present condition of the streets, roads, and circulation? Where are the problem areas and what are the future needs and plans?
- d. Does the jurisdiction have adequate police and fire resources to meet the existing needs of the community? What about future needs?
- e. Information Sources: Water master plans, urban water management plans, Department of Water Resources annual reports, wastewater master plans, general plans, EIRs, circulation elements, regional transportation plans and EIRs, capital improvement plans, Insurance Service Office (ISO) ratings, police and fire department websites, questionnaires, and interviews.

3.5.4 Financial ability of agencies to provide services.

- a. What is the current fiscal status of the jurisdiction? What are the indicators?
- b. Will the fiscal impacts of the proposed changes to the sphere of influence be greater or lesser than the fiscal benefits?
- c. Does the jurisdiction have financial reserves? If so, what percentage of the general fund do their reserves represent?

- d. How will the jurisdiction fund needed capital improvement projects, i.e., bonds, loans, other?
- e. How does the jurisdiction analyze and establish rates and fees?
- f. How will the sphere of influence action impact the rates and fees within the jurisdiction?
- g. How will the sphere of influence territories pay their share of the jurisdictions' costs for services?
- h. Information Sources: Budgets for the last three years, city managers, state and city annual reports, Department of Finance, retail sales and transient occupancy tax (TOT), city fiscal policies, development impact fee information, debt information, joint-financing efforts, and UCSB Economic Report, Budget processes, special purchasing contracts, bidding policies, service studies, and interviews rates and fees studies, EIRs, cost-of-service studies, and rates and fees policies.

3.5.5 Status of, and opportunity for, shared facilities.

- a. Does the jurisdiction share facilities with other agencies?
- b. Has either the jurisdiction or County suggested sharing facilities in the SOI/Annexation areas?
- c. Are there presently any shared relationships for services between agencies in the sphere of influence areas? Are there opportunities for sharing in the future?
- d. Is there any or will there be any duplication of facilities in the sphere of influence area?
- e. Information Sources: Capital improvement plans, shared road construction plans, open space preservation plans, City and County recreational facilities, and shared water storage and distribution facilities.

3.5.6 Accountability for community service needs including governmental structure and operational efficiencies.

- a. Does the jurisdiction strive to involve the public in decision-making?
- b. Does the jurisdiction facilitate local media coverage and public information programs?
- c. Are elected and appointed representatives accessible and attentive to their constituents?

- d. Are annual budget and audit reports available to the public?
- e. Does the jurisdiction have the administrative capacity to assume expanded responsibilities over the SOI areas without decreasing existing services?
- f. Does the jurisdiction have a customer-oriented service philosophy, including written goals and mission statements, master services plans, customer outreach programs, and an active quality control program?
- g. Does the jurisdiction maintain capital improvement programs and enterprise fund management plans?
- h. Does the jurisdiction maintain sound accounting principles and best practice fiscal management programs?
- i. Does the Jurisdiction have a reasonably good record of safety, environmental and permit compliance?
- j. How will services to the sphere of influence areas be enhanced by the jurisdiction?
- k. Will services to the sphere of influence areas proposed for exclusion be enhanced, decreased, or remain the same?
- l. Will opportunities for public participation in the development review process be enhanced in the jurisdiction or the County for the SOI areas?
- m. Information Sources: Interviews, websites, public involvement policies, public information programs, customer complaint processes, customer surveys, budgets for the last three years, city managers, state and city annual reports, fiscal management policies, and indicator reports.

3.5.7 Any other matter related to effective or efficient service delivery, as required by commission policy.

3.6 Agricultural Goals & Guidelines

The Cortese-Knox-Hertzberg Act strongly encourages the preservation of prime agriculture land. LAFCO's mission is to discourage urban sprawl, preserve open space and prime agricultural lands, promote the efficient provision of government services and encourage the orderly formation of local

agencies. In general terms, San Luis Obispo LAFCO's current policy base discourages premature conversion of agricultural lands, guides development away from existing agricultural lands and encourages the development of existing vacant lands within city boundaries prior to conversion of additional agricultural lands. The CKH Act clarified the many factors that LAFCOs must consider and balance in making decisions:

"The Legislature recognizes that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with the sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agriculture lands, and efficiently extending government services."

The written goals, policies, and guidelines in this document express LAFCO's intent to more specifically address the preservation of agricultural land, consistent with current policies and LAFCO's mandate. LAFCO must consider the effect that any proposal may produce on existing agricultural lands. This is balanced with the need to ensure orderly development and the efficient provision of services to certain areas. By guiding development toward urban areas and away from agricultural land, LAFCO helps to preserve important and valuable agricultural resources.

Definitions. Several terms are important in understanding agricultural resources. These terms and definitions are found below and are applicable throughout these policies. The Cortese-Knox-Hertzberg Act has a definition for agricultural land and prime agricultural lands that may include lands other than class one or two soil classification.

56016. "Agricultural lands" means land currently used for the purpose of producing an agricultural commodity for commercial purposes, land left fallow under a crop rotational program, or land enrolled in an agricultural subsidy or set-aside program.

56064. "Prime agricultural land" means an area of land, whether a single parcel or contiguous parcels, that has not been developed for a use other than an agricultural use and that meets any of the following qualifications:

(a) Land that qualifies, if irrigated, for rating as class I or class II in the USDA Natural Resources Conservation Service land use capability classification, whether or not land is actually irrigated, provided that irrigation is feasible.

(b) Land that qualifies for rating 80 through 100 Story Index Rating.

(c) Land that supports livestock used for the production of food and fiber and that has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture in the National Range and Pasture Handbook, Revision 1, December 2003, developed pursuant to Public Law 46, December 1935.

(d) Land planted with fruit or nut-bearing trees, vines, bushes, or crops that have a nonbearing period of less than five years and that will return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than four hundred dollars (\$400) per acre.

(e) Land that has returned from the production of unprocessed agricultural plant products an annual gross value of not less than four hundred dollars (\$400) per acre for three of the previous five calendar years.

The Cortese-Knox-Hertzberg Act further describes the intent of the legislation with regard to agricultural resources in Government Code section 56377, which states:

56377. In reviewing and approving or disapproving proposals which could reasonably be expected to induce, facilitate, or lead to the conversion of existing open-space lands to uses

other than open-space uses, the commission shall consider all of the following policies and priorities:

(a) Development or use of land for other than open-space uses shall be guided away from existing prime agricultural lands in open-space use toward areas containing nonprime agricultural lands, unless that action would not promote the planned, orderly, efficient development of an area.

(b) Development of existing vacant or nonprime agricultural lands for urban uses within the existing jurisdiction of a local agency or within the Sphere of Influence of a local agency should be encouraged before any proposal is approved which would allow for or lead to the development of existing open-space lands for non-open-space uses which are outside of the existing jurisdiction of the local agency or outside of the existing Sphere of Influence of the local agency.

Government Code Section 56377 has been used by LAFCOs as the basis for developing more specific policies that address local circumstances and conditions.

Guidelines

Guidelines provide further direction regarding the application of the goals and policies but are more flexible giving LAFCO more discretion in application. These guidelines are used to advise and assist the public, agencies, property owners, farmers and other stakeholders with regard to LAFCO's expectations in reviewing a proposal that involves agricultural resources.

- 3.6.1. Applications submitted to LAFCO involving agricultural resources shall include analysis that evaluates the potential impacts (direct and indirect) of the proposal on agricultural resources. The California Environmental Quality Act (CEQA) analysis for a proposal shall

evaluate the impacts affecting agricultural resources. At a minimum the following topics should be addressed:

- a. Detailed analysis of direct and indirect impacts on agricultural resources of the site and surrounding area
- b. Potential diversion, availability and use of water that could impact agricultural lands or operations
- c. A detailed description of the agricultural resource that is affected, including but not limited to soil types, existing and potential productivity, and surrounding land uses
- d. Use of transfer of development credits programs and purchase of development credits for the preservation of agricultural land and other approved programs
- e. Analysis of mitigation measures that could offset impacts
- f. Consultation with the County Agricultural Commissioners office
- g. Williamson Act, Agricultural Easements, and other preservation programs
- h. Urban Reserve Lines, Urban Limit Boundaries and Spheres of Influence
- i. County and City General Plan Policies

3.6.2. Consider including agricultural land as defined in the Cortese-Knox-Hertzberg Act into a Sphere of Influence if the following factors are addressed:

- a. Potential impacts of the conversion of the prime agricultural land
- b. Future capability of farming activities for the site and surrounding area
- c. Existing and potential productivity of the prime agricultural land
- d. Land Preservation status: Williamson Act, easements, etc.
- e. Growth patterns in the surrounding area
- f. General Plan Policies and Standards
- g. Other relevant issues, such as potential impacts on agricultural tourism

- 3.6.3. Consider approval of proposals that convert agricultural land when the Commission finds that the proposal will lead to planned, orderly, and efficient development. A proposal leads to the planned, orderly, and efficient development if all of the following criteria are met:
- a. The land subject to the change of organization or reorganization is contiguous either to lands developed with an urban use or to lands which have received all discretionary approvals for urban development.
 - b. The proposed development of the subject lands is consistent with the Sphere of Influence of the affected agency or agencies.
 - c. The land subject to the change of organization is likely to be developed within five years.
- 3.6.4. If a LAFCO proposal involves a loss of prime agricultural lands, property owners, Cities, the County, Special Districts, Community Advisory Councils, Resource Conservation Districts, and agricultural conservation agencies should work together as early in the process as possible to adequately mitigate the impacts.
- 3.6.5. Detachment of prime agricultural lands and other open space lands should be encouraged if consistent with the Sphere of Influence for that agency.
- 3.6.6. The following factors should be considered for an annexation of prime agricultural and open space lands:
- a. The proponent of the annexation should provide a land use inventory of the jurisdiction that indicates the amount of available land within the subject jurisdiction for the proposed land use.
 - b. Evaluation of effective measures to mitigate the loss of agricultural lands, and to preserve adjoining lands for agricultural use to prevent their premature conversion to other uses. Such measures may include, but need not be limited to:

- i. Acquisition and dedication of farmland, development rights, open space and agricultural conservation easements to permanently protect adjacent and other agricultural lands within the county
 - ii. Participation in other development programs that direct development toward urban areas (such as transfer or purchase of development credits)
 - iii. Payments to responsible recognized government and non-profit organizations for the purpose of preserving agricultural lands;
 - iv. Establishment of buffers to protect adjacent agricultural operations from the effects of development
- 3.6.7. Annexation for land uses in conflict with an existing agricultural preserve contract shall be prohibited, unless the Commission finds that it meets all the following criteria:
- a. The area is within the annexing agency's Sphere of Influence.
 - b. The Commission makes findings required by Government Code Section 56856.5.
 - c. The parcel is included in an approved city specific plan.
 - d. The soil is not categorized as prime.
 - e. Mitigation for the loss of agricultural land has been secured in the form of agricultural easements to the satisfaction of the annexing agency and the County.
 - f. There is a pending, or approved, cancellation for the property that has been reviewed by the local jurisdictions and the Department of Conservation.
 - g. The Williamson Act contract on the property has not been renewed and final approval of the non-renewal has been granted.

CHAPTER 4

Bylaws

OF THE LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN LUIS OBISPO

~~Revised January 17, 2002, August 16, 2007, April 2016, and April 2020~~

ARTICLE I - GENERAL PROVISIONS

These rules and bylaws shall apply to the Local Agency Formation Commission of the County of San Luis Obispo (henceforth "Commission") and are adopted pursuant to the authority vested in the Commission by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Part I, commencing with Section 56000 of the Government Code.

ARTICLE II – ORGANIZATION

SECTION I: Composition. The Commission shall consist of seven (7) members selected as follows:

- a. Two (2) appointed by the Board of Supervisors from their own membership. The Board of Supervisors shall appoint a third (3rd) Supervisor who shall be an alternate member of the Commission. The alternate member may serve and vote in place of any Supervisor on the Commission who is absent or who disqualifies himself or herself from participating in a meeting of the Commission.
- b. Two (2) selected by the cities in the County, each of whom shall be a mayor or council member, appointed by the City Selection Committee. The City Selection Committee is encouraged to select members to fairly represent the diversity of the cities in the county, with respect to population and geography. The City Selection Committee shall also designate one (1) alternate member to the Commission in the same manner as it appoints a regular member. The alternate member shall also be a mayor or council member. If one of the regular City members is absent from a Commission meeting or disqualifies himself or herself from participating in a meeting, the alternate member may serve and vote in place of that regular City member for that meeting of the Commission.

- c. Two (2) presiding officers or members of legislative bodies of independent Special Districts, selected by the independent Special District Selection Committee. The independent Special District Selection Committee is encouraged to select members to fairly represent the diversity of independent special districts in the county, with respect to population and geography. The independent Special Districts Selection Committee shall also designate a presiding officer or member of the legislative body of an independent special district as an alternate member to the Commission in the same manner as it appoints a regular member. If one of the regular Special Districts members is absent from a Commission meeting or disqualifies himself or herself from participating in a meeting, the alternate member may serve and vote in place of that regular Special District member for that meeting of the Commission. The special district members so appointed shall be elected or appointed special district officers residing in the County but shall not be members of the legislative body of a city or county.
- d. One (1) representing the general public appointed by the other six (6) members of the Commission. The Commission may also designate one alternate public member who may serve and vote in place of a regular public member who is absent or disqualifies himself or herself from participating in a meeting of the Commission. Selection of the public member and alternate public member shall be subject to the affirmative vote of at least one of the members selected by each of the appointing authorities.

SECTION 2: Terms. The term of office of each member shall be four (4) years and until the appointment and qualification of a successor. The expiration date of the term of office of each member shall be the last Monday in December in the year in which the term of the member expires. The Clerk shall maintain a record of the Terms.

Any member may be removed at any time and without cause by the body appointing that member. If a member who is a City, County or Special District officer ceases to be an officer of a City, County, or Special District during his/her term, that member's position on the Commission shall thereafter be considered vacant.

Any vacancy in the membership of the Commission shall be filled for the unexpired term by appointment by the body which originally appointed the member whose office has become vacant.

SECTION 3. Independent Judgment. While serving on the Commission, all Commission members shall exercise their independent judgment on behalf of the interests of residents, property owners, and the public as a whole. Any member appointed on behalf of local governments shall represent the interests of the public as a whole and not solely the interests of the appointing authority.

SECTION 4. Compensation. Non-County Commission members shall receive a per diem of \$50 per meeting. All non-County Commissions shall receive mileage reimbursement at County rates existing at the time, excluding Commissioners living within five (5) miles of the meeting place.

SECTION 5: Officers. A Chairperson and Vice Chairperson shall be elected at the first meeting in each year and shall serve a one (1) year and until the election of their successors or their re-election.

The Chairperson shall be the presiding officer and shall preserve order and decorum at all meetings of the Commission. In the absence of the Chairperson, the Vice Chairperson shall assume the duties and powers of the Chairperson.

In the absence of the Chairperson and Vice Chairperson at any meeting, a Chairperson Pro Tempore may be selected to assume the duties and powers of the Chairperson.

SECTION 6: Staff. The Commission shall appoint an Executive Officer who shall conduct and perform the day-to-day business of the Commission. If a proposal is approved by the Commission, the Executive Officer shall conduct protest proceedings in accordance with Government Code Section 57000, et seq.

The Commission shall appoint Legal Counsel to advise it. The Legal Counsel shall attend Commission meetings, provide requested advice on legal matters, and represent the Commission in legal actions.

SECTION 7: Executive Committee. An Executive Committee comprised of the Commission's Chairperson, Vice Chairperson, and the Immediate Past Chairperson, will meet periodically to advise the Commission on the annual budget; overall work program; and major policy issues, including

controversial or sensitive proposals. Executive Committee items for review will be selected by the Commission, after consultation with the Executive Officer. The Executive Officer and Legal Counsel shall attend all meetings of the Executive Committee.

SECTION 8: Selection of the Public Member. When the position of public member and/or alternate public member is vacant, the Commission may choose from any of the following options for selection of a replacement:

- a. A nominating committee selected by the Commission will interview qualified candidates and select the most qualified candidates to be interviewed and voted on by the full Commission.
- b. The Executive Committee will interview qualified candidates and select the most qualified candidates to be interview by the full Commission.
- c. The full Commission will interview all candidates and select the public member(s).

SECTION 9: Attendance. Each Commissioner is expected to have regular attendance. If any Commissioner misses three consecutive regular meetings without first advising the Executive Officer prior to each missed meeting, the Executive Officer will address a letter to the appointing body requesting that a replacement be appointed.

ARTICLE III – MEETINGS

SECTION 10: Regular Meetings. Regular meetings of the Commission are scheduled for the third Thursdays of each month at 9:00 a.m. in the Board of Supervisors Chambers, County Government Center, San Luis Obispo, with the first Thursday being held open for special meetings.

SECTION 11: Special Meetings. Special meetings of the Commission may be called in the manner provided by State law. The order calling the special meeting shall specify the time and place of the meeting and the business to be transmitted and no other business shall be transmitted at that meeting.

SECTION 12: Notice. The Executive Officer shall direct posting and publication of notices on all meetings pursuant to State law.

SECTION 13: Agenda. The Executive Officer shall prepare the meeting agenda. Unless otherwise directed by the Commission, the Executive Officer shall set as many matters for hearing as can be heard.

The Executive Officer shall prepare and send copies of the staff report at least one (1) week prior to the meeting to Commissioners, proponents and all affected local agencies and any persons requesting such a report.

SECTION 14: Quorum and Majority. A majority (at least 4) of all members of the Commission concurs therein.

SECTION 15: Minutes. The Executive Officer shall cause a staff member to take and transcribe the minutes of each meeting and, whenever possible, mail copies thereof to all members prior to the next meeting. Minutes will continue to be subject to comment and objection at the following meeting before approval.

SECTION 16: Motions. The Chairperson or any other member of the Commission may introduce or second any motion.

SECTION 17: Voting.

- a. The question of approval or denial of a proposal and of all resolutions shall be by roll call vote. All other questions may be voted upon by voice vote, or may be put by the Chairperson and a unanimous vote recorded if there is no objection. A roll call vote shall be taken on any question upon demand of any member.
- b. Each roll call of the Commission shall be in alphabetical order, except that the members making and seconding the motion shall be called first and second respectively, and the Chairperson shall be called last.

- c. The alternate members qualify to vote only in lieu of the Commission membership classification they serve under.
- d. Unless otherwise provided by the City Selection Committee and the independent Special District Selection Committee in the manner required by law, a regular or alternate City or Special District member of the Commission shall be allowed the option to vote on proposals to the City or District of which such regular or alternate member is a representative.

SECTION 18: Testimony and Argument. The Chairperson may allocate and limit the time and scope of testimony from any interested party as necessary for the expedition of the Commission's business. Debate between members of the audience shall not be permitted.

ARTICLE IV - COMMISSION RECORDS

SECTION 19: Application Contents. A formal application filed with the Commission shall be accompanied by:

- a. Petition of proponent or resolution of legislative body.
- b. Maps and legal description of the proposed boundary change in a number specified by the Executive Officer.
- c. Completed justification of proposal questionnaire.
- d. Completed environmental assessment form.
- e. For local agencies or school districts filing a resolution of application, a plan for providing services pursuant to Government Code Section 56653.
- f. Filing fee or request for a fee waiver pursuant to the Commission's adopted fee schedule.
- g. Such additional data and information, as may be required by the Executive Officer, pertaining to any of the matters or factors which may be considered by the Commission.

No proposal shall be considered by the Commission for which such required items are not received.

SECTION 20: Copies of Documents on File. Any interested person may request copies of any document filed in any proceeding. The Executive Officer may charge and collect a fee to cover the cost to the Commission of making any such copies and such fees shall be deposited in the County General Fund.

DRAFT



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 18, 2023

SUBJECT: FINAL FISCAL YEAR 2023-2024 BUDGET AND WORK PLAN

RECOMMENDATION

Action 1: Approve, by resolution, the Final Fiscal Year 23-24 Budget and Work Plan (Attachment A).

Action 2: Direct the Executive Officer, by motion, to distribute the Final Budget and Work Plan to contributing agencies per the Cortese, Knox, Hertzberg Act.

Action 3: Direct the Executive Officer, by motion, to execute the agreement with the County Auditor for financial services (Attachment B).

SUMMARY

On April 20, 2023, the Commission held a duly noticed hearing for the Proposed Fiscal Year 23-24 (FY 23-24) Budget and Work Plan. A comprehensive staff report and presentation was provided, and a hearing was conducted as required by law. The Commission unanimously approved the Proposed FY 23-24 Budget and Work Plan as recommended by staff. The Proposed Budget and Work Plan was transmitted to all contributing agencies. As of the date of publication of this staff report, no comments were received from any contributing agencies. For full report of the FY 22-23 Budget and Work Plan, please refer to the previously prepared April 20, 2022, staff report, available at slo.lafco.ca.gov. Today's hearing is to consider adoption, by resolution, of the Final FY 23-24 Budget and Work Plan.

Attachment A: Resolution Approving Fiscal Year 23-24 Budget & Work Plan

Exhibit A: Final FY 23-24 Budget & Work Plan

Attachment B: County Auditor Agreement

COMMISSIONERS

Chair

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

MARSHALL OCHYLSKI
Special District Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

Attachment A

Resolution Approving Fiscal Year 23-24 Budget & Workplan

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

Date: May 18, 2023

RESOLUTION NO. 2023-__

**RESOLUTION ADOPTING THE FINAL FISCAL YEAR 2023-2024
BUDGET AND WORK PLAN**

The following resolution is now offered:

RECITALS

WHEREAS, the Executive Officer has given the notices required by law and forwarded the LAFCO budget to officers, persons, and public agencies as prescribed by law; and

WHEREAS, the matter was set for public hearing at 9:00 a.m. on Thursday, April 20, 2023, and May 18, 2023, staff reports were prepared, and the hearing was conducted as required by law, and the LAFCO Fiscal Year 2023-2024 Budget and Work Plan was considered; and

WHEREAS, at said hearing, this Commission heard and received any written protests, objections and evidence which were made, presented, or filed, and all persons present were given the opportunity to hear and be heard in respect to any matter relating to said proposed budget and work plan; and

WHEREAS, the Commission considered and approved the Fiscal Year 2023-2024 Proposed Budget and Work Plan at the April 20, 2023, meeting as recommended by staff and approved the Final Fiscal Year 2023-2024 Budget and Work Plan on May 18, 2023, as recommended by staff;

WHEREAS, the San Luis Obispo Local Agency Formation Commission finds that it can accomplish its legislative purpose and adopted work plan with the final budget as required by Cortese-Knox-Hertzberg Act by Section 56381(a); and

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

1. That the Recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by this reference.

2. That pursuant to Cortese-Knox-Hertzberg Act Section 56381(a), the Commission hereby adopts a Final Budget and Work Plan for Fiscal Year 2023-2024 as shown in Exhibit A attached hereto. The amount charged to the Cities, Special Districts and the County, after deducting fees from applications and using of fund balance available is also found in Exhibit A attached hereto. This amount will be charged to contributing agencies based on the formula and procedure contained in the Cortese-Knox-Hertzberg Act and as implemented by the County Auditor-Controller's office.
3. That the Commission finds that it can accomplish its legislative purpose and adopted work plan with the adopted budget as required by Cortese-Knox-Hertzberg Act Section 56381(a).
4. That the Executive Officer of this Commission is hereby authorized to transmit the Fiscal Year 2023-2024 Budget and Work Plan in the manner required by law.

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

AYES:

NAYS:

ABSENT:

ABSTAIN:

Debbie Arnold, Chairperson Date
Local Agency Formation Commission

ATTEST:

Rob Fitzroy Date
LAFCO Executive Officer

APPROVED AS TO FORM AND LEGAL EFFECT:

Brian Pierik Date

LAFCO Legal Counsel

DRAFT

Exhibit A



FINAL FY 23-24 Budget and Work Plan

The San Luis Obispo Local Agency Formation Commission's public budget hearings are scheduled for April 20, 2023, and May 18, 2023, as required by government code section 56381.

Approved _____, 2023

TABLE OF CONTENTS

About us	3
Commissioners	3
Alternates	3
Staff	3
Introduction	4
Mission	4
Goals	4
Priorities	4
Work plan	5
Budget	6

ABOUT US

Commissioners

Chair: Ed Waage, City Member

Vice Chair: Debbie Arnold, County Member

Jimmy Paulding, County Member

Marshall Ochylski, Special District Member

Robert Enns, Special District Member

Steve Gregory, City Member

Heather Jensen, Public Member

Alternates

Charles Bourbeau, City Member

Dawn Ortiz-Legg, County Member

Ed Eby, Special District Member

David Watson, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Analyst

Morgan Bing, Clerk Analyst

Brian Pierik, Legal Counsel

Introduction

This document represents the Fiscal Year 2023-2024 Budget and Work Plan for the San Luis Obispo Location Agency Formation Commission.

Mission

Our mission is to serve the residents of San Luis Obispo County and the State of California by discouraging urban sprawl and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

Goals

LAFCO's goals are to:

- Serve the Commission, Cities, Districts, the County, and the public by providing accurate, objective, clear, and well-organized information for decision making purposes
- Process proposal applications efficiently; consistent with the Cortese-Knox-Hertzberg Act, Local Policies and Procedures, CEQA and other applicable state laws
- Prepare Sphere of Influence/Municipal Service Review updates as necessary, while working on applications and other work efforts simultaneously
- Provide the Commission with regular status reports regarding upcoming proposals, Sphere of Influence Updates, Legislative Activities, and the Budget
- Participate in CALAFCO events to improve Commission and Staff expertise
- Inform the Commission and Public regarding various local governance issues and processes by providing regular status reports and study sessions
- Monitor the new legislation that may affect LAFCO

Priorities

Our workload prioritization is as follows:

1. Process proposal applications as mandated by statute and conduct critical operations necessary for organization to function.
2. Prepare Municipal Service Reviews every five years, as mandated by statute, based on the date a Municipal Service Review was last updated.
3. Execute special work efforts as directed by the Commission.

WORK PLAN

Project	Latest MSR Adopted	MSR Update Due Date	Status
Application Processing	N/A	N/A	Ongoing, Highest Priority
Commission Initiatives	N/A	NA	<i>Financial Audit - ETA 2024</i>
City of Paso Robles MSR	Feb-13	Feb-18	Initiated, ETA 2023
Templeton Community Services District (CSD) MSR	Nov-13	Nov-18	Initiated, ETA 2023
San Miguel CSD MSR	Nov-13	Nov-18	Initiated, ETA 2023
Avila Beach CSD MSR	Aug-23	Aug-19	Initiate 2023, ETA 2024
Cambria CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Los Osos CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
San Simeon CSD MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Cambria Healthcare District MSR	Aug-14	Aug-19	Initiate 2023, ETA 2024
Coastal San Luis Resource Conservation District (RCD) MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Upper Salinas/Las Tablas RCD MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Santa Margarita Fire District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Garden Farms Water District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Port San Luis Harbor District	Nov-14	Nov-19	Initiate 2024, ETA 2024
Cayucos Sanitary District	Jan-15	Jan-20	Initiate 2024, ETA 2025
Cal Valley CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Independence Ranch CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Linne CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Squire Canyon CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
Ground Squirrel Hollow CSD MSR	Dec-15	Dec-20	Initiate 2024, ETA 2025
City of San Luis Obispo MSR	Oct-16	Oct-21	Initiate 2025, ETA 2025
Shandon-San Juan Water District MSR	Oct-16	Oct-21	Initiate 2025, ETA 2025
City of Morro Bay MSR	Mar-17	Mar-22	Initiate 2025, ETA 2025
Estrella-El Pomar-Creston Water District MSR	Apr-17	Apr-22	Up to Date
County Service Area 1 - and Nipomo Lighting District MSR	Aug-17	Aug-22	Up to Date
County Service Area 7 - Oak Shore MSR	Aug-17	Aug-22	Up to Date
County Service Area 9 - Los Osos MSR	Aug-17	Aug-22	Up to Date
County Service Area 10 - Cayucos MSR	Aug-17	Aug-22	Up to Date
County Service Area 12 - Lopez Water MSR	Aug-17	Aug-22	Up to Date
County Service Area 16 - Shandon MSR	Aug-17	Aug-22	Up to Date
County Service Area 18 - SLO Country Club MSR	Aug-17	Aug-22	Up to Date
County Service Area 21 - Countywide Roads MSR	Aug-17	Aug-22	Up to Date
County Service Area 22 - Airport Area MSR	Aug-17	Aug-22	Up to Date
County Service Area 23 - Santa Margarita MSR	Aug-17	Aug-22	Up to Date
Adelaida Cemetery District MSR	Mar-18	Mar-23	Up to Date
Arroyo Grande Cemetery District MSR	Mar-18	Mar-23	Up to Date
Atascadero Cemetery District MSR	Mar-18	Mar-23	Up to Date
Cambria Cemetery District MSR	Mar-18	Mar-23	Up to Date
Cayucos-Morro Cemetery District MSR	Mar-18	Mar-23	Up to Date
Pleasant Valley Cemetery District MSR	Mar-18	Mar-23	Up to Date
Paso Robles Cemetery District MSR	Mar-18	Mar-23	Up to Date
San Miguel Cemetery District MSR	Mar-18	Mar-23	Up to Date
Santa Margarita Cemetery District MSR	Mar-18	Mar-23	Up to Date
Shandon Cemetery District MSR	Mar-18	Mar-23	Up to Date
Templeton Cemetery District MSR	Mar-18	Mar-23	Up to Date
Nipomo CSD MSR	May-18	May-23	Up to Date
City of Pismo Beach MSR	Sep-19	Sep-24	Up to Date
City of Atascadero MSR	Nov-19	Nov-24	Up to Date
City of Arroyo Grande MSR	Jul-20	Jul-25	Up to Date
Heritage Ranch CSD MSR	May-23	May-28	Up to Date

SLO LAFCO
FY 23-24 Budget & Work Plan

BUDGET

	Adopted FY 22-23	Projected FY 22-23 Year End	Proposed FY 23-24	Increase / Decrease From FY 22-23
Regular Ongoing Expenditures Summary	\$649,615	\$619,244	\$686,653	6%
One Time Expenditure for Financial Audit	NA	NA	\$25,000	NA
Total Expenditures with One Time Audit Expense	NA	NA	\$711,653	10%
Revenues Summary	\$649,615	\$620,405	\$711,653	10%
Services and Supplies Expenditure Details				
Computer Software	\$500	\$200	\$500	0%
Copying-Printing	\$300	\$280	\$300	0%
Meals	\$600	\$446	\$600	0%
LAFCO Insurance Policies	\$17,500	\$16,539	\$20,000	14%
Maintenance-Equipment	\$30	\$55	\$30	0%
Maintenance-Software	\$50	\$50	\$50	0%
CALAFCO/ SDRMA / Other Memberships	\$8,800	\$6,722	\$8,800	0%
Employee Mileage Reimbursement	\$200	\$0	\$200	0%
Commissioner Mileage Reimbursement	\$1,500	\$1,000	\$1,500	0%
Office Supplies	\$2,500	\$1,500	\$2,500	0%
Custodial Services	\$1,800	\$1,800	\$1,800	0%
County Auditor Services	\$8,931	\$8,931	\$9,619	8%
Legal Counsel	\$31,200	\$31,200	\$32,400	4%
Postage	\$1,000	\$800	\$1,000	0%
General Services/ Commissioner Stipends (Includes one time expenditure of \$25,000 for Audit)	\$12,000	\$6,618	\$39,000	225%
Publication & Legal Notices	\$1,000	\$700	\$1,000	0%
Training	\$5,000	\$2,000	\$5,000	0%
Office Lease	\$37,000	\$37,000	\$42,000	14%
Large Equipment	\$1,500	\$1,400	\$1,500	0%
Small Equipment	\$400	\$0	\$400	0%
Telephone / Internet	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$2,500	\$1,500	\$2,500	0%
Utilities	\$4,700	\$4,700	\$0	-100%
Board Chambers - IT Support	\$850	\$0	\$850	0%
Vehicle Allowance	\$5,400	\$5,400	\$5,400	0%
Vehicle Rental	\$500	\$500	\$500	0%
Ongoing Services / Supplies Subtotal w/o Audit	\$148,761	\$132,341	\$155,449	4%
Services/ Supplies Subtotal with One Time Audit	\$148,761	\$132,341	\$180,449	21%
Salary, Benefits and Taxes Expenditures				
Salaries	\$315,000	\$302,040	\$326,000	3%
Taxes - FICA SS Employer Match	\$19,530	\$18,726	\$20,212	3%
Taxes - Medicare Employer Match	\$4,568	\$4,380	\$4,727	3%
Pension Rate	\$88,698	\$88,698	\$102,882	16%
Pension Obligation Bond	\$16,558	\$16,558	\$17,882	8%
SDI/SUI Employer Contribution	\$1,500	\$1,500	\$1,500	0%
Health Insurance	\$45,000	\$45,000	\$48,000	7%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
Salary, Benefits and Taxes Subtotal	\$500,854	\$486,903	\$531,204	6%
Total Expenditures w/o Audit Expenses	\$649,615	\$619,244	\$686,653	6%
Total Expenditures with Audit Expenses	\$649,615	\$619,244	\$711,653	10%
Revenue Details				
Interest Earned	\$4,000	\$3,818	\$4,000	0%
Environmental Review Fees	\$3,000	\$3,000	\$3,000	0%
Sphere of Influence Fees	\$2,000	\$5,000	\$2,000	0%
Application Processing Fees	\$19,000	\$21,972	\$23,000	21%
Other Revenue (Transfer of Reserves)	\$35,000	\$0	\$60,000	71%
Agency Contributions				
Cities	\$195,538	\$195,538	\$206,551	6%
County	\$195,538	\$195,538	\$206,551	6%
Special Districts	\$195,538	\$195,538	\$206,551	6%
Total Revenue	\$649,615	\$620,405	\$711,653	10%
Reserves Fund Balance	\$301,201	\$301,201	\$241,201	-20%

Attachment B

County Auditor Agreement



April 1, 2023

To the Board of Directors and Management
 SLO County Local Agency Formation Commission (LAFCO)

We are pleased to confirm our understanding of the terms and costs of our services under this agreement for the 2023-2024 fiscal year.

Scope of Services

We will provide the following services:

1. **General Accounting** - includes use of the County’s centralized accounting system and recording of financial system entries submitted by the agency. Transactions will be reviewed for authorization by appropriate agency personnel prior to processing. In addition, access to the accounting system’s financial reports will be available to the agency as needed.
2. **Accounts Payable** - includes processing payment claims by warrant or ACH. Claims will be reviewed to validate two authorized agency signers have approved the payment prior to processing, recording and mailing payments. Any invoices submitted with payment claims will be scanned and archived for retention. Review of invoices for mathematical accuracy and appropriateness of expenditure is not part of this service agreement.
3. **Accounting Support** - includes recording your Agency’s budget, ensuring expenditures do not exceed authorized budget, responding to routine inquiries, working with external auditors, and replying to bank confirmations.
4. **Term** - Our services and responsibility end on June 30, 2024.

Our Responsibilities

Our responsibility is to perform the services enumerated above. We will not audit accounting entries, payment claims or budget transactions, nor will we validate the appropriateness of accounting transactions or claims for payment. Our service does not include annual preparation of 1099’s or preparation of payroll reports.

Our services are not designed to detect instances of fraud, noncompliance with laws or regulations or significant errors; however, we will communicate to you any known and suspected fraud, noncompliance with laws or regulations or significant errors that come to our attention.

Your Responsibilities

You are responsible for (1) ensuring all transactions are submitted and/or approved by authorized staff, (2) reviewing all transactions prior to submittal to ensure appropriateness of the expenditure, compliance with laws or regulations and to check for significant errors and fraud, (3) retaining all source documents, and (4) providing all Board authorized budgets and budget amendments. You are encouraged to routinely provide accounting reports and payment registers to your Board for review.

You agree to inform us of significant noncompliance, fraud and/or errors immediately upon discovery.

For all services we provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual who possesses suitable skill, knowledge, and/or experience to understand the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

Annual Cost and Billing

The annual cost for the services identified above is \$9,619. The cost increase over the prior year is attributed to a change in the Consumer Price Index (CPI-U) of 7.7%, based on the Los Angeles-Riverside-Anaheim region and using July as a base month. Your agency will be billed by journal entry during the first quarter of the fiscal year for the entire annual costs. A copy of the journal entry will be provided to your agency.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarized the significant terms of our agreement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements.

Sincerely,



James W. Hamilton, CPA
Auditor-Controller-Treasurer-Tax Collector

Authorized Signature Director _____ Date _____

Authorized Signature Board Chair _____ Date _____