



LAFCO - San Luis Obispo - Local Agency Formation Commission
SLO LAFCO - Serving the Area of San Luis Obispo County since 1963

TO: MEMBERS, FORMATION COMMISSION

FROM: DAVID CHURCH, AICP, EXECUTIVE OFFICER *DC*

DATE: JANUARY 15, 2015

SUBJECT: 2014 ANNUAL REPORT AND WORK PLAN FOR 2015

RECOMMENDATION. It is respectfully recommended that the Commission receive, provide feedback, and file the 2014 Annual Report (Exhibit A) and the Work Plan for 2015 (Exhibit B).

DISCUSSION. The Annual Report (Exhibit A) and Work Plan (Exhibit B) provides the Commission with information regarding the proposals and work completed in 2014 (a look back) and what's on the horizon in the coming year 2015 (a look forward). The Annual Report summarizes the Commission's key accomplishments, actions and items considered throughout the year. The Work Plan for 2015 identifies the Proposals and Sphere of Influence/Municipal Service Review Updates that we envision working on in the coming year.

The Commission has considered a number of important action and informational items this past year. Each Commissioner has dedicated their time, hard work and commitment to San Luis Obispo LAFCO and its mission. We appreciate each Commissioner's vision, thoughtful questions, and careful attention to detail in making decisions. The "LAFCO Hat" point-of-view is a critical part of a Commissioner's job that helps us achieve LAFCO's goals and make carefully considered and independent decisions.

LAFCO Staff Analyst Mike Prater and Clerk Donna Bloyd have provided high levels of service and have been committed and hardworking in completing their responsibilities. They have served the Commission, the public, agencies, and other stakeholders in a positive and thoughtful manner. Their efforts are much appreciated and enable San Luis Obispo LAFCO to provide excellent service.

Ray Biering, LAFCO Counsel, provided LAFCO with excellent advice over the last year and his years of experience are a great benefit to LAFCO and the Public.

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Exhibit A
San Luis Obispo
Local Agency Formation Commission
Annual Report - 2014
January through December

Did someone say water?

This last year, many of the topics of discussion for LAFCO centered on the issue of water. We have covered a number of water-related matters and provided sound information that has helped LAFCO and the public work through the issues in an informed manner. From the Heights annexation to the City of Arroyo Grande which results in a net reduction in water demand for the City of Arroyo Grande, to the potential formation of a Water District in the North County, the Commission has provided a forum to discuss these issues in a respectful, in-depth, and solution-oriented manner.

We have also looked at the broader issues of the drought and how it might impact jurisdictions' abilities to provide water service in the future. The past year has been one of rising to the challenge of addressing the water issues in a manner that is balanced and objective. As you will find below, the Commission has provided careful guidance not only on the topic of water, but also in the consideration of a number of other proposals and Sphere of Influence and Municipal Services Review Updates. Working together with Cities, the County, Districts and Land Owners we have accomplished LAFCO's mission of providing for orderly development and efficient services, as well as, the preservation of open space and agricultural land. The list of the highlights is found below and a meeting-by-meeting summary of the year follows.

When you place all of these activities end-to-end, the year has been very busy and productive. It has been a pleasure to serve the Commission this past year. We thank you for that opportunity and look forward to what promises to be an exciting and interesting 2015.

2014 HIGHLIGHTS

During 2014, San Luis Obispo LAFCO evaluated and approved a number of proposals, provided information and assistance to the public, and considered a number of status reports. The Commission also adopted Sphere of Influence Updates and Municipal Service Reviews, and participated in CALAFCO legislative and annual conference program activities.

Proposals

- **Approval of Busick/Vista Heights Annexation.** The Commission conditionally approved the 48-acre annexation to the City of Arroyo Grande based on a water conservation plan that will reduce overall water consumption by the City. LAFCO

and the City required that a open space easement be recorded on the property to preserve 15 acres of oak trees and open space on the property. 31% of the site.

- **Approval of Annexation No. 24 to the Templeton Community Services District – Creekside.** A 24 acre District owned parcel just east of the town of Templeton was added to the District. The property has two District operated wells located on the property. A Permit was approved by the County to allow the construction of a Fire Training facility. Prime Agricultural land must be set aside on 1 acre preserved per 1 acre developed basis.
- **Approval of Annexation No. 89 to the City of Paso Robles – Ernst 1-R-13.** This 1.4 acres parcel was immediately west of the City limits and south of Pacific Avenue on which half of a single family home was situated. The other half of the home was situated on 1.1 acres within the City limits. The house was split by the City/County limit line.
- **Approval of Ground Squirrel Hollow Community Services District - Activation of Solid Waste Power.** Approximately nine thousand dollars (\$9,000) in annual franchise fees would be transferred from the County to the GSHCSD. A protest process was noticed and conducted with only one protest being received. The District's Solid Waste power has been activated.
- **Dissolution of County Service Area 17- California Valley 4-R-14.** The County initiated the proposal to dissolve CSA 17. The District had not provided services in many years, fully re-paid all debt financing, and was no longer needed for the provision of services.

Sphere of Influence Updates

- **Approval of Coastal CSD SOI/MSR Update.** The Coastal CSD's Sphere of Influence and Municipal Services Review was updated in August 2014. Water and wastewater service capabilities were studied to an increased level for the Coastal CSDs of Cambria, Los Osos, and Avila Beach. The Cambria Healthcare District was also reviewed. The Sphere of Influence for each jurisdiction remained unchanged.
- **Approval of Special Districts SOI/MSR Update.** The Special District's Sphere of Influence and Municipal Services Review was updated in November 2014. The Sphere of Influence was maintained for Garden Farms Community Water District, Port San Luis Harbor District, Santa Margarita Fire Protection District, Coastal San Luis Obispo Resource Conservation District, and the Upper Salinas/Las Tablas Resource Conservation District.



Other Key Activities

- **Water Status Reports:** These reports were submitted in February, March and April and May of 2014. The topics covered included the Drought and local response, Governing Structures for Groundwater Basins, the Formation Process for a California Water District, AB 2453, Pavly/Dickinson/Groundwater Bills, and the Formation Process for the Paso Robles Basin Water District under AB 2453.
- **Paso Robles Water Basin District Formation.** Staff has also worked with other groups and the public offering information regarding formation process of a district, LAFCO's role in the formation, as well as other pertinent information.
- **2014 LAFCO Directory of Local Agencies.** The Directory provides basic information about the public jurisdictions (Cities and Special Districts) delivering services to the residents in San Luis Obispo County. The Directory includes an up-to-date map for each jurisdiction that shows the existing service boundary and the Sphere of Influence, as well as water and sewer rates. It also contains a history of the annexations for each jurisdiction.
- **Special District Representative.** LAFCO Staff is in the process of completing the election process for the Special District position held by Marshall Ochylski. This process involves noticing the 35 Special Districts about the position and requesting nominations and then sending out a ballot for voting to the Special Districts if two or more candidates are nominated. The election is being conducted via electronic mail and ends on January 31, 2014.
- The **LAFCO Website** has been updated and is being maintained by the LAFCO Clerk to be information rich and user friendly. Donna Bloyd, the LAFCO Clerk has been working diligently to maintain and improve the website. We continue to work on it to make sure it is meeting the needs of the public, applicants, and other LAFCO stakeholders. Please visit the LAFCO website at www.slolafo.com. Any suggestions for improvement are welcome.
- **CALAFCO** is the statewide organization of LAFCOs and is dedicated to meeting the continuing educational needs of staff and tracking legislative activity in Sacramento. The SLOLAFCO EO serves as one of the Deputy Executive Officers to the Board of Directors of CALAFCO and coordinated the CALFCO University classes over this last year and participated in the planning for the Annual Conference and the Staff Workshops.



SUMMARY OF MEETINGS IN 2014

January

- January started with updating LAFCO's Policies and Procedures. Each LAFCO is required, by the Cortese-Knox-Hertzberg Act of 2000, to establish written policies and procedures that encourage and provide for well-ordered and efficient urban development patterns as well as the preservation of open space and agricultural land. Minor changes and clarifications were made.

A small annexation (Ernst) was approved to the City of Paso Robles to clean up a house split by the City Limit line. The Commission approved the second quarter budget status report. A Legislative update was also reviewed. The 2014 work plan was submitted as well. Discussion of the Los Robles Del Mar lawsuit was on the agenda for closed session.

February

- February's agenda included the approval of the Policies and Procedures Update that was discussed in January. Also considered was the activation of the Solid Waste power for the Ground Squirrel Hollow Community Services District. Continued Legislative update was reviewed. A number of Bills were discussed in the Staff Report. The Commission was briefed regarding the State and Local water circumstances. The Los Robles Del Mar lawsuit was on the agenda for closed session.

March

- In March the Commission approved the Ground Squirrel Hollow Community Services District-Activation of Solid Waste Power. The Commission considered and approved the 2014 Local Directory Update. The Commission considered a Water Status Report regarding governance options, Bulletin 118 water agency types, and other groundwater information. The Commission completed the Executive Officer's annual performance review. The Los Robles Del Mar lawsuit was on the agenda for closed session.

April

- The Commission approved the Budget for the upcoming fiscal year 2014-15. The Commission received an update regarding Coastal Community Services Districts Sphere of Influence Update and Municipal Service Review. The Commission held a water study session on governance options. The Third Quarter FY 2013/14 Budget Status Report was received by the Commission. The Commission took action to support CALAFCO bills regarding Omnibus and JPA's requesting the Executive Officer to write a letter of support.



May

- In May a continuance was requested for the Coastal Community Services Districts Sphere of Influence Update and Municipal Service Review. Additional discussion was heard regarding the water status report. The Formation Process for a California Water District Report and AB 2453 Update was reviewed.

June

- In June the Commission heard the Coastal Community Services Districts Sphere of Influence Update and Municipal Service Review and continued the item until August for final action. A Legislative update was reviewed. A status report was reviewed of recently submitted proposals and activities including the Ernst Annexation to the City of Paso Robles, Busick SOI amendment to the City of Arroyo Grande, and the Activation of the Solid Waste Power for Ground Squirrel Hollow CSD.

August

- In August the Commission considered and filed the Final Financial Report for past Fiscal Year 2013/14. Approved the 48-acre annexation to the City of Arroyo Grande Annexation No. 31 (The Heights) to the City and the South San Luis Obispo County Sanitation District, Detachment from County Service Area 21. The Commission also approved the Coastal Community Services Districts Sphere of Influence Update and Municipal Service Review.

September

- In September the Commission approved the 24-acre annexation to the Templeton Community Services District. A status report regarding the Special Districts Sphere of Influence Update and Municipal Service Review was given. Follow-up on groundwater legislation regarding AB2453-Achadjian for the formation of the Paso Robles Basin Water District, AB 1739-Dickinson and SB 1168-Pavley, sustainable management of groundwater resources in California.

October

- The 2014 CALAFCO Conference was held in Ontario at the Airport from October 15-17. A voting delegate and alternate delegate were appointed with two Commissioners and two staff in attendance. The Executive Officer served on the conference's program committee and coordinated the groundwater session.

November

- In November the First Quarter FY 2014/15 Budget Status Report was received by the Commission. The Commission took action to dissolve County Service Area No.17. The Sphere of Influence Update and Municipal Services Review for the Special Districts were approved. The Commission also held a study session regarding the Paso Robles Water District Formation Guide.





EXHIBIT B

SAN LUIS OBISPO LAFCO

WORK PLAN – JANUARY 2015

This document is the Work Plan for San Luis Obispo LAFCO in 2015. LAFCO's overarching legislative goals include the following:

- **Encourage Orderly Growth and Development.** LAFCO considers proposals for the formation of new local governmental agencies including Cities and Special Districts. LAFCO is also responsible for considering annexations and detachments for agencies. LAFCO also determines the Sphere of Influence, which is a plan for the probable physical boundary of a City or Special District.
- **Promoting Efficient Provision of Public Services.** LAFCO reviews proposals based on a variety of factors including: a plan for services submitted by the agency, resource and infrastructure capacity, and the need for services.
- **Preserve Agricultural Land Resources.** LAFCO considers the impact that a proposal may have on existing agricultural lands with focus on prime agricultural lands. San Luis Obispo LAFCO has adopted specific policies regarding the preservation of agricultural resources.
- **Discourage Urban Sprawl.** Urban sprawl can best be described as irregular and disorganized growth occurring without apparent design or plan. By discouraging sprawl, LAFCO limits the misuse of land resources and promotes a more efficient system of services by local governmental agencies.

Goals in 2015

1. Serve the Commission and the public by providing accurate, clear and well-organized information for decision making.
2. Serve the Cities, County and Special Districts by providing information about LAFCO's purpose and the processes LAFCO is authorized to complete.
3. Process proposals in an efficient manner; consistent with the Cortese-Knox-Hertzberg Act, CEQA and other state laws.
4. Implement the Sphere of Influence/Municipal Service Review Update Work Plan, while working on applications and other topics at the same time.
5. Provide the Commission with regular status reports regarding upcoming proposals, Sphere of Influence Updates, Legislative Activities, and the Budget.
6. Participate in CALAFCO events to improve and enhance the Commission and Staff's expertise.
7. Inform the Commission and Public regarding the formation of Paso Robles Basin Water District.

POTENTIAL ANNEXATIONS

Several Cities may have annexation proposals on the horizon. Annexations to Special Districts are more difficult to predict. The Memorandum of Agreements between the Cities and County help set the path for these annexations by providing the provisions for development of an area. Annexation Proposals that may be on the horizon include:

- Farmhouse Lane Annexation to the City of San Luis Obispo
- Robert Hall-Vina Robles, City of Paso Robles
- Chevron Tank Farm, City of San Luis Obispo
- Eagle Ranch, City of Atascadero

It is uncertain if these will be submitted next year, but planning and environmental work is being completed on each of these proposals. LAFCO Staff continues to monitor each project and provide comments at the appropriate times.

OTHER PROPOSALS

- Formation of Paso Robles Basin Water District - The County will consider whether to submit an application to form a District to manage the Paso Robles groundwater basin. LAFCO has provided information to agencies and the public about how this process works and what are the next steps. An information guide has been prepared to help understand and clarify the formation process. Study Sessions have been completed.
- Fiero Lane Outside User Agreement-This proposal would allow properties in the Fiero Lane area in the City's Sphere of Influence to be served by the City and eventually lead to an annexation.

FOLLOW-UP ON APPROVED PROPOSALS

Several proposals were approved in 2014 and follow-up actions are being completed:

- **The Heights to the City of Arroyo Grande**-Complete the condition compliance phase of the approval including map resubmittal and open space easement approval by the City.
- **Creekside Ranch Annexation**-Complete the condition compliance phase by submitting and an easement that covers the areas indicated in the approval.
- **Dissolution of County Service Area 17**-Completion of the Protest Hearing Process. A protest hearing is scheduled for February 4, 2015.

SPHERE OF INFLUENCE/MUNICIPAL SERVICE REVIEW UPDATE

The Sphere of Influence (SOI) is a boundary that identifies areas a jurisdiction might serve over the next 20 years. The Municipal Service Review (MSR) provides information about a jurisdiction's ability to serve a particular area. The MSR is an informational document that summarizes the existing service situation of a jurisdiction. The Service Review compiles information that is provided by the jurisdiction to LAFCO.

Other information from the County Planning Department, State Controller's Office, County Auditor's Office, and other agencies is also used to prepare the SOI and MSR. LAFCO Staff reviews, summarizes and evaluates the various studies and data and prepares a Draft Sphere of Influence Update and Municipal Service Review. A Municipal Service Review is prepared in accordance with Section 56430 of the California Government Code. This code section was updated in 2012 to include seven factors instead of the previous six factors. The Service Review contains written determinations that address the following seven factors. Information and written determinations regarding each of the factors is provided in the Service Review and include:

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

LAFCO compiles a variety of information in preparing a Service Review. Also, administrative and organizational information is collected and evaluated. In order to complete a review LAFCO relies on Audit Reports submitted to the County Auditor Controller's Office pursuant to state law, original formation filing documents, State Controllers Special Districts Annual Financial Reports, the General Plan, Capital Improvement Plans, various studies and information from various websites.

CITIES

The 2014 Work Plan focused on those Cities which have passed, or are approaching the five-year requirement for update. In 2015, Staff recommends beginning the update process for the Cities of Morro Bay and San Luis Obispo. Several cities are considering development plans that may lead to future annexations. Below are the cities and the five-year update schedule:

Jurisdiction	Completion Date	Update 5-Year Date	Status/Action
Pismo Beach	October 2011	October 2016	SOI/MSR/MOA Updated in 2011
Atascadero	Sept. 2011	September 2016	SOI/MSR/MOA Updated in 2011
Arroyo Grande	November 2012	February 2017	SOI/MSR/MOA Updated in 2012
Grover Beach	November 2012	February 2017	SOI/MSR Updated in 2012
Paso Robles	February 2013	September 2018	SOI/MSR Updated in 2013
San Luis Obispo	January 2006	January 2011	Start update in 2015
Morro Bay	October 2007	October 2012	Start update in 2015

Memorandum of Agreement (MOA). The MOA was developed between a City and County to improve communication and coordination in planning for future growth and development. Each City, with the exception of Grover Beach, has an MOA with the County. The Memoranda of Agreement between the City and County is reviewed and amended to reflect any changes to the Sphere of Influence and provisions that are agreed to by the County and City.

The second versions of the MOAs contain more detail about what type of development might be expected in the SOI. This helps clarify expectations and provides guidelines that help guide future projects in the SOI. The MOA has also been used to specify a particular planning process or policies for areas. Also the second versions address other issues such as water resources and agricultural/open space preservation.

DISTRICTS

The 2014 Work Plan focused on those Districts which have passed, or are approaching the five-year requirement for update. Staff recommends the schedule for updating the SOIs and MSR for the Districts be followed as shown in the table below.

COMMUNITY SERVICES DISTRICTS

Jurisdiction	Completion Date	Update 5-Year Due	Status/Action
Oceano	November 2012	Nov 2017	SOI/MSR Updated in 2012
Nipomo	May 2010	May 2015	SOI/MSR Updated in 2010
Templeton	November 2013	Nov 2018	SOI/MSR Updated in 2013
San Miguel	November 2013	Nov 2018	SOI/MSR Updated in 2013
Heritage Ranch	November 2013	Nov 2018	SOI/MSR Updated in 2013
Avila Beach	August 2014	Aug 2019	SOI/MSR Updated in 2014
Cambria	August 2014	Aug 2019	SOI/MSR Updated in 2014
Los Osos	August 2014	Aug 2019	SOI/MSR Updated in 2014
San Simeon	August 2014	Aug 2019	SOI/MSR Updated in 2014
Cal Valley (R-S)	Dec 2007	Dec 2012	<i>Start update in 2015</i>
Independence Ranch (R)	Dec 2007	Dec 2012	<i>Start update in 2015</i>
Linne (R)	Dec 2007	Dec 2012	<i>Start update in 2015</i>
Creston Hills Ranch (R)	Dec 2007	Dec 2012	<i>Start update in 2015</i>
Squire Cyn (R)	Dec 2007	Dec 2012	<i>Start update in 2015</i>
Ground Squirrel Hollow (R)	Dec 2007	Dec 2012	<i>Start update in 2015</i>

(R) These Districts provide only Road Maintenance Services.

(R-S) California Valley provides Road Maintenance and Solid Waste Services.

Other Special Districts

There are numerous other Special Districts that are providing services to County residents and visitors. The Special Districts found below provide a variety of services including; soils management, Fire Protection, Harbor and Marine, and Healthcare and Sanitary. Each of these districts have independent Board of Directors.

Jurisdiction	Completion Date	Update 5-Year Due Date	Status/Action
Coastal San Luis RCD	Nov 2014	Nov 2019	SOI/MSR Updated in 2014
Upper Salinas/Las Tablas RCD	Nov 2014	Nov 2019	SOI/MSR Updated in 2014
Cayucos Fire	Dec 2007	Dec 2012	Public Review Draft 2014 In Process
Santa Margarita Fire	Nov 2014	Nov 2019	SOI/MSR Updated in 2014
So. County Sanitation	Nov 2012	Nov 2017	Completed
Garden Farms Co. Water District	Nov 2014	Nov 2019	SOI/MSR Updated in 2014
Cayucos Sanitary	Dec 2007	Dec 2012	Public Review Draft 2014 In Process
Cambria Healthcare	Aug 2014	Aug 2019	SOI/MSR Updated in 2014
Port San Luis Harbor District	Nov 2014	Nov 2019	SOI/MSR Updated in 2014

County Service Areas (CSA)

These special districts are governed by the County Board of Supervisors. The SOI and MSR Update will be completed for all CSAs as part of one document. This is an efficient way to update these Spheres of Influence and Municipal Services Reviews and allows for the compilation of data from the County at one time. It is anticipated to complete by end of the year 2016.

Jurisdiction	Completion Date	Update Due	Status/Action
COUNTY SERVICE AREAS			
CSA 1 – and Nipomo Lighting District	Oct 2007	Oct 2012	Start update in 2016
CSA 7 - Oak Shores	Oct 2007	Oct 2012	Start update in 2016
CSA 9 - Los Osos	Oct 2007	Oct 2012	Start update in 2016
CSA 10 - Cayucos	Oct 2007	Oct 2012	Start update in 2016
CSA 12 - Lopez Water	Oct 2007	Oct 2012	Start update in 2016
CSA 16 - Shandon	Oct 2007	Oct 2012	Start update in 2016
CSA 18 - Country Club	Oct 2007	Oct 2012	Start update in 2016
CSA 21 - Countywide	Oct 2007	Oct 2012	Start update in 2016
CSA 22 - Airport	Oct 2007	Oct 2012	Start update in 2016
CSA 23-Santa Margarita	Oct 2007	Oct 2012	Start update in 2016

MAPPING PROGRAM

LAFCO Staff (Mike Prater) continues to implement and improve LAFCO's Geographic Information Systems (GIS) mapping program. This program produces a number of important deliverables including the updated Service Areas and Spheres of Influence for all Cities, Special Districts, and County Service Areas in the County. Recently, LAFCO has been recognized by other agencies as the central keeper of boundary data. LAFCO is responsible for maintaining the boundaries for jurisdictions in the throughout the County. The Directory of Local Agencies contains maps and service information regarding these agencies and is updated every two years. The History of Annexations is an online inventory of all annexations. This inventory includes a summary map and the Certificate of Completion and Resolution. Maps are created for each annexation and Sphere of Influence Update considered by LAFCO. Mapping is a key piece of LAFCO's service capability. LAFCO Staff also participates in the Countywide GIS Committee and is helping to distribute GIS data to other jurisdictions.

CALAFCO ACTIVITIES

CALAFCO is LAFCO's statewide organization that provides educational opportunities, follows and facilitates the discussion of issues on a statewide basis. The SLO LAFCO EO serves as a Deputy Executive Officer for the CALAFCO Board of Directors and is also on the Legislative Committee. Last year he coordinated the CALAFCO University courses and this next year he will be the Program Chair for the CALAFCO annual conference. Staff and Commissioners have been involved in the continuing education process by participating in the annual CALAFCO Conference and attending the Staff Workshop.