

**City of Arroyo Grande
City of Grover Beach
Oceano Community Services District and
South San Luis Obispo County Sanitation
District**

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



**PREPARED BY:
SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
NOVEMBER 15, 2012**

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CHAPTER 1 - INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

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

Sphere of Influence

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

Chapter Two is the Sphere of Influence Update and describes the requirements of the Cortese-Knox-Hertzberg Act. It also makes recommendations for updating the Spheres of Influence for each of the jurisdictions. The Sphere Update is based upon Municipal Service Review Chapters Three, Four, Five and Six that analyze each jurisdiction's capability to provide services to existing and future residents. The SOI Update and Municipal Service Review are prepared to meet the requirements of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH). These Sphere of Influence Updates and Municipal Service Reviews have been prepared for the following agencies: City of Arroyo Grande, City of Grover Beach, Oceano Community Services District and the South San Luis Obispo County Sanitation District in accordance with Section 56430 of the California Government Code. The San Luis Obispo LAFCO's Municipal Service Review Guidelines were used to develop information, perform analysis and organize this study. The update of the Sphere of Influence for these jurisdictions recognizes the existing circumstances and recommends no changes to the SOIs (a "Status Quo" recommendation) with the exception of a small existing subdivision (Tract 1551) to be added to the Arroyo Grande and South San Luis Obispo County Sanitation's Sphere of Influence.

The legislative authority for conducting Service Reviews is provided in section 56430 of the CKH Act. The Act states, ("That in order to prepare and to update Spheres of Influence in

accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the County or other appropriate area designated by the Commission ...”) A Service Review must have written determinations that address the legislative factors in order to update a Sphere of Influence.

Information that addresses each of the seven factors is provided in Chapters 3, 4, 5 & 6 – the Municipal Service Reviews for each jurisdiction. The seven factors are listed below, and Written Determinations for each factor are found in each chapter.

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

SERVICE REVIEW & SPHERE OF INFLUENCE UPDATE PROCESS

The process for updating the Agencies Sphere's of Influence includes several steps:

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

SEVEN SERVICE REVIEW FACTORS

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

City and the County when considering the Sphere of Influence Update.

5. LAFCO consideration of Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, and Environmental Review documentation.

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

1. Approve and adopt the environmental documentation pursuant to CEQA;
2. Approve the Municipal Service Reviews found in Chapters Three-Arroyo Grande, Four-Grover Beach, Five-Oceano Community Services District, and Six-South San Luis Obispo Sanitation District of this document; and
3. Approve and adopt the Sphere of Influence Updates for each of the jurisdictions in Chapter Two of this document.

Environmental Determination

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

Furthermore, the SOI updates qualify for a general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3), which states: "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." There is no possibility that the MSR or SOI updates would have a significant effect on the environment because there are no land use changes associated with the documents. If the Commission approves and adopts the MSR's and SOI updates and determines that the project are exempt from CEQA, staff will prepare and file a notice of exemption with the Clerk of the County of San Luis Obispo, as required by CEQA Regulation Section 15062.

EXECUTIVE SUMMARY

The following is a summary of the key information contained in the Sphere of Influence Update and Municipal Service Review completed for the Cities of Arroyo Grande and Grover Beach, the community of Oceano Community Services District and the South San Luis Obispo County Sanitation District. The seven factors that are required to be addressed by the CKH Act are covered in this summary section. The analysis in the chapters that follow evaluates and addresses the factors unique to LAFCO's role and decision-making authority pursuant to the CKH Act.

- ❖ **Chapter Two** focuses on the actions being proposed for each jurisdiction's Sphere of Influence and includes maps showing the proposed Sphere of Influence. This chapter effectively proposes the update of the Spheres of Influences based on the information found in the Municipal Service Review chapters that follow. The only change is the proposed addition of an existing tract to the City of Arroyo Grande's, and South San Luis Obispo County Sanitation's Sphere of Influence.
- ❖ **Chapter Three** is the Municipal Service Review for the City of Arroyo Grande and addresses the seven factors required by the CKH. A small existing subdivision Study Area 4 is proposed to be added to the City's Sphere of Influence further detail is provided in Chapter Two.
- ❖ **Chapter Four** is the Municipal Service Review for the City of Grover Beach and addresses the seven factors required by the CKH. No changes are proposed for the City's Sphere of Influence.
- ❖ **Chapter Five** is the Municipal Service Review for the Oceano Community Service District and addresses the seven factors required by the CKH. Several changes were analyzed, with no change being recommended for the Sphere of Influence (SOI). More detail can be found in Chapter Two.
- ❖ **Chapter Six** is the Municipal Service Review for the South San Luis Obispo County Sanitation District and addresses the seven factors required by the CKH. The Sphere of Influence for the District largely follows the SOI boundaries of the

jurisdictions that are under contract with the District. The small area proposed to be added to the City of Arroyo Grande is also recommended for inclusion in the Districts SOI. More detail can be found in Chapter Two.

REGIONAL ISSUES

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

Fire Services. The three agencies; City of Arroyo Grande, City of Grover Beach, and Oceano Community Services District have formed a Joint Powers Authority to provide fire and emergency response services in 2010. The Agencies contract with the Five Cities Fire Authority to provide emergency response and other fire services for the area residents. The communities benefit from the consolidation of resources that come with having a Joint Powers Agreement (JPA). With the JPA the Five Cities Fire Authority is able to enhance its presence in the Five Cities area to respond to emergency situations through three fire stations and eight on duty firefighters. Additionally, the Authority employs 17 full time firefighters and 28 reserve firefighters. The Authority also has automatic-aid agreements with CALFIRE. The result of the JPA is more efficient fire and safety services to the residents at a similar cost.

The jurisdictions should continue to work to provide consolidated fire protection service in the area within the context of the Joint Powers Agreement (Five Cities Fire Authority). It may make sense at some point to pursue the formation of a Fire Protection District; however the current JPA is providing effective and efficient service to the area. There may be funding and jurisdictional issues related to forming a district that require study and evaluation.

Wastewater Services and Opportunity for a Recycled Water Program. The three agencies also operate under contract with the South San Luis Obispo County Sanitation District (SSLOCSD) for wastewater services. South San Luis Obispo County Sanitation District (SSLOCSD) is responsible for the treatment of sewage and wastewater in Arroyo Grande, Grover Beach and Oceano. Operation of the SSLOCSD is overseen by a Board of Directors that includes representatives from the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The SSLOCSD's sewage treatment facility is located on a 7.6-acre site between the Oceano Airport and the Arroyo Grande Creek Channel, in unincorporated Oceano. The sewage collected by Arroyo Grande, Grover Beach, and Oceano are transported

through their own collection system to the plant, via trunk sewers that are owned and operated by SSLOCSD. SSLOCSD wastewater facilities are capable of processing five million gallons of wastewater per day.

Recycled water could provide an opportunity for the Five Cities area to supplement their water supplies, add an additional local source, and reduce the wastewater released to the Ocean. Qualities range from secondary quality (as defined by Title 22 CCR) to the highest level of treatment, tertiary quality for unrestricted use. The South San Luis Obispo County Sanitation District's wastewater facility has been updated to treat its effluent to secondary standards. If used for recycled water purposes, the water would need additional treatment first before becoming useable. The treated water depending on the level of treatment could be used for park and landscape irrigation (non-domestic use). If treated to tertiary standards additional domestic uses could be applicable. Tertiary recycled water could be piped to irrigate agricultural activities, or re-injected into the groundwater basin to maintain or increase reliability.

The jurisdictions in the area, including the City of Pismo Beach, should work together to develop a recycled water program to help maintain the health of the Tri-Cities Groundwater Basin and enhance the reliability and sustainability of their future water supply.

CHAPTER 2 SPHERE OF INFLUENCE UPDATE

The Sphere of Influence Chapter describes the requirements of the Cortese-Knox-Hertzberg Act and provides background regarding the existing SOI for each jurisdiction. It also identifies the Study Areas that were evaluated in determining the SOI's, the City-County agreement for Arroyo Grande, and the LAFCO staff recommendation for each jurisdiction. The Draft MOA for the City of Arroyo Grande can be found in Appendix B as well as summarized in this chapter. Also covered are the factors that are required by CKH for establishing a SOI. The Staff Recommendation is to maintain the existing SOI for City of Grover Beach and Oceano CSD and add a small existing subdivision (Tract 1551) to the City of Arroyo Grande and South San Luis Obispo County Sanitation District.

CHAPTERS 3, 4, 5, & 6 MUNICIPAL SERVICE REVIEW

1. Growth & Population

City of Arroyo Grande

According to the 2010 US Census, the City of Arroyo Grande has a population of 17,252. Total housing units were estimated to be 7,627 units. The City estimated build-out population within the current City limits is estimated to be 20,000. This assumes an existing population of 17,252, plus 1,189 infill units occupied at a rate 2.3 people per unit. The City's population grew 8.8% from 2000 to 2010. The following table shows the past census data and uses demographic information from the City's 2010 Urban Water Management Plan.

**Table 1-1: Historical & Projected Population Growth
Arroyo Grande California: Census and UWMP Data**

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	11,290	14,378	15,851	16,599	17,252	17,524	18,407	18,933	19,591
10 Year Increase	--	3,088	1,473	748	653	272	1,155	526	658
10 year Avg. Increase	--	27%	10%	4%	3.9%	1.5%	6.6%	2.8%	3.4%
Average per Year	--	2.7%	1%	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Urban Water Management Plan

Over the past 40 years, the City experienced periods of high residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s averaged over 5% per year, growth rates over the 1980s averaged just over 4% per year, but during the 1990s, growth slowed to about 1% per year. In the 2000s, growth continued about 1%.

The City's future development is limited by the land use patterns and designation in and around the City. The developed land use pattern in and around the City of Arroyo Grande will constrain population growth in the future and require that much of the new housing be higher density multiple family rather than low density single family.

City of Grover Beach

According to the 2010 US Census, the City of Grover Beach has a population of 13,156. Total housing units were estimated to be 5,748 units. The City estimated build-out population within the current City limits is estimated to be 15,076. The City's population grew by 0.7% from 2000 to 2010.

In the 2010 Urban Water Management Plan, the City of Grover Beach estimates that 13,156 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units is 5,748 with an average household size of 2.54 persons and an occupancy rate of about 89%. The City's Urban Water Management Plan projects the current City limit and Sphere of Influence boundaries to yield a population of 15,000 persons.

In summary, the City's slow growth rate is likely to continue based on the current General Plan/Local Coastal Plan and shrinking land availability for residential development. The table below is taken directly from the Urban Water Management Plan and shows historic and projected growth rates:

**Table 1-2: Historical & Projected Population Growth
Grover Beach California: Census and UWMP Data**

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽¹⁾	2005 ⁽¹⁾	2010 ⁽¹⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	8,827	11,656	13,067	13,248	13,156	13,950	14,400	14,700	15,000
5 Year Increase	--	2,829	1,411	181	-92	794	450	300	300
5 year Avg. Increase	--	32%	12%	1.3%	-0.7%	6%	3.2%	2%	2%
Average per Year	--	3.2%	1.2%	<1%	-0.1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Urban Water Management Plan

Oceano Community Services District

According to the 2010 US Census, Oceano had a population of 8,098. Total housing units are estimated to be 2,755 units. The estimated build-out population within the current service area is estimated to be 8,739. This assumes an existing population of 8,098, plus 28 infill single-family

residential units occupied at a rate 2.9 people per unit. Oceano's population grew 9% per year from 2000 to 2010.

In the 2010 Water Master Plan, Oceano CSD estimates that 8,863 people are served by the District. In 2000, the U.S. Census stated the total number of dwelling units as 2,755 with an average household size of 2.9 persons and an occupancy rate of about 98%. Oceano's Water Master Plan projects the current Service Area and Sphere of Influence boundaries to yield a population of 10,134 persons.

The table below is taken directly from the Water Master Plan and shows historic and projected growth rates:

**Table 1-3: Historical & Projected Population Growth
Oceano California: Census and WMP Data**

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2030 ⁽²⁾
Population	4,551	6,169	7,260	8,324	8,863	9,141	10,033
10 Year Increase	--	1,618	1,091	1,064	539	278	892
10 year Avg. Increase	--	35%	17%	14%	6%	3%	9.7%
Average per Year	--	3.5%	1.7%	2.9%	1.2%	<1%	<1%

(1) Source: U.S. Census

(2) Source: Oceano CSD 2010 Water Master Plan

Oceano's growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County's Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the certified Housing Element 2009 the County estimates a total of 28 new dwelling units as a realistic build-out.

South San Luis Obispo County Sanitation District

The South San Luis Obispo County Sanitation District serves the communities of Arroyo Grande, Grover Beach, Oceano, and Halcyon. According to the 2010 US Census, the population of the communities served was 38,506. Total housing units were estimated to be

14,887 units. The estimated build-out population within the current District service area is estimated to be 44,800. The District's population grew at just over a half percent per year from 2000 to 2010.

2. Infrastructure Needs & Deficiencies Location and characteristics of any disadvantaged unincorporated communities

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

The Five Cities area has a variety of economic diversity that resides within the City limits and/or surrounding area including within the Spheres of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. None of the communities in the Five Cities area qualify under the definition of disadvantage community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

3. Infrastructure Needs & Deficiencies

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the City or service area and in the Sphere of Influence. It is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations are proposed by the jurisdiction or property owners. In the case of this SOI Update, it is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities for the Cities of Arroyo Grande and Grover Beach and the Community of Oceano CSD and South County Sanitation District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the jurisdiction to expand such resources and services in line with increasing demands.

Water

Arroyo Grande. In 2011, the City of Arroyo Grande reported annual water use of 2,922 acre-feet. The City's current population is 17,252 with the current per capita water use at a relatively low 154 gallons per capita per day. If the City is successful in implementing recycled water and conservation measures (outlined in the 2010 UWMP) to comply with Senate Bill 7, demands may be reduced. The water supply question in Arroyo Grande is tied to presently available resources and the likelihood that future resources can be developed or obtained to meet additional City growth. Generally, the City appears to have available resources to meet current demand for areas within the City limits and means or mechanisms to increase the water supply for the existing SOI areas at the present time. Annexations of land to the City will be required to prove the availability of water resources are sustainable, adequate, and reliable prior to an annexation being approved by LAFCO.

Grover Beach. In 2010, the City of Grover Beach reported annual water use of 1,788 acre-feet. The City's current population is 13,156 with the current per capita water use at a relatively moderate 121 gallons per capita per day. Under the existing General Plan, the City's build-out would increase water demand by an estimated 212 afy. The total water demand is estimated to be 1,892 afy in 20 years.

Oceano. In 2010, the Oceano CSD reported annual water use of 967.6 acre-feet. The District's goal is to use 5-15% less of total water usage.

Table 1-4 - Future Available Water Supply & Demand			
Source	Allocation Arroyo Grande AFY	Allocation Grover Beach AFY	Allocation Oceano CSD AFY
Groundwater-Santa Maria	1,323	1,407	900
Groundwater-Pismo	200	0	0
Lopez Water	2,290	800	303
State Water Project	0	0	750
Recycled Water	0	0	0
Additional Source	0	600	0
Total	3,813	2,807	1,953

Source: Urban Water Management Plans, 2010

Wastewater

The communities of Arroyo Grande, Grover Beach, and Oceano each collect and transport wastewater to the South County Sanitation District's (SSLOCSD) treatment plant in Oceano. Annual average daily flow passing through the collection system is in the order of 2.9 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. The WWTP is presently operating at about 60% of permitted capacity.

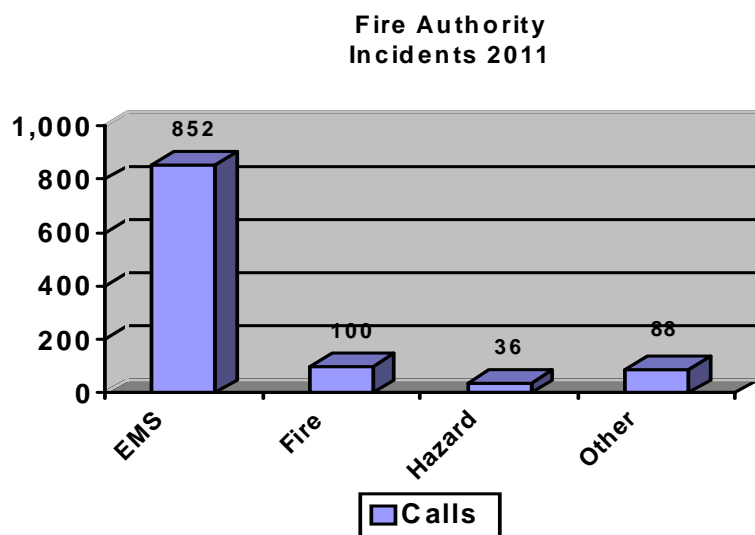
Roads

The Circulation Elements for Arroyo Grande and Grover Beach were adopted in 2001 and 2005, respectively. The adopted Circulation Element reflects the General Plan Land Use Elements. This coordinated approach enabled the City to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the respective City's circulation system.

According to the San Luis Obispo Council of Government's (SLOCOG) 2010 Regional Transportation Plan a significant increase in traffic volume on Highway 101 from El Campo Rd. to Oak Park is projected from the 2008 number of 51,667 average daily trips to 63,000 average daily trips in 2035. The segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2008 number of 10,900 average daily trips to 9,000 average daily trips in 2035. This segment provides access to the commercial, district of Oceano, Grover Beach, and Pismo Beach.

Fire

The Cities of Arroyo Grande, Grover Beach and the Oceano CSD contracts with the Five Cities Fire Authority to provide emergency response and other fire services for the area residents. The Authority operates three stations and provides Fire Prevention oversight as well as Fire Investigation expertise throughout the Authority.



Police

The City of Arroyo Grande provides law enforcement services for the residents of the City. The Arroyo Grande Police Department has 34 full-time employees with a budget in fiscal year 2012 of approximately \$5,890,173. In addition, the Department has 15 part-time employees and 52 community volunteers who assist the organization by participating in several programs such as Citizens Assisting Police, the South County Police Volunteers, Police Chaplain, Citizen Academy, Explorer Post and the Community Advisory Council.

The City of Grover Beach provides law enforcement services for the residents of the City. The Grover Beach Police Department has an authorized number of sworn staff of 19 officers and a support staff of 8 people. In FY12/13 the budget was \$3,181,406.

The Oceano Community Services District funded the construction of the Sheriff's South Station that opened in October, 2002. This Station represents a law enforcement presence that previously did not exist in Oceano. The Sheriff had maintained a substation in Oceano in the early 1990's, but the station was moved to the Arroyo Grande area due to facility availability. The construction of the South County Station brings the Sheriff closer to not only the Community of Oceano, but also to other South County unincorporated areas. The South County Station is located at 1681 Front Street, Oceano. The South Station serves the communities of Oceano, Nipomo, Huasna, rural Arroyo Grande, New Cuyama, and Lopez Lake, totaling 950 square miles.

4. Financing Constraints & Opportunities

The Five Cities area, like most communities, requires new development projects, and in particular annexations, to "pay their own way". At the time an annexation is considered for any of the SOI properties, the jurisdiction may require an economic analysis to be prepared to identify a cost-benefit breakdown of the proposed land uses and projects. The agencies have in place capital improvement plans, development impact fees, developer required mitigation in the form of infrastructure improvements required to serve new projects, and similar programs to monitor public service needs of new development. It is reasonable to conclude that the jurisdictions endeavor to avoid long-term financial obligations for a capital improvement or maintenance of new development projects, such as those that would occur in the SOI areas.

The two primary General Fund revenue sources, Property Tax and Sales Tax, are projected to decrease for the City of Arroyo Grande by 2% and 3% respectively when compared to estimated revenues for FY 11-12. The projected June 2012 Fund Balance of the General Fund is \$2,485,445, which equals approximately 19% of General Fund appropriations, slightly above the City's minimum policy level of 15%. About 70% of the City's general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes.

The same revenue sources are projected to stabilize for the City of Grover Beach when compared to estimated revenues for FY 09-10. The projected June 2011 Fund Balance of the General Fund is \$2,705,444, which equals approximately 16% of General Fund appropriations, slightly above the City's minimum policy level of 15%. About 47% of the Grover Beach's general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes.

About 75% of Oceano CSD's revenues come from charges and other fees and about 22% from local property taxes. In 2010, these revenues are expected to be around \$3,462,913. Property tax revenues make up \$778,145 while charges and fees are \$2,606,700. Property tax revenues are used to fund fire services in Oceano.

The South San Luis Obispo County Sanitation District uses a variety of revenues sources to fund the organization including; Service Charges received from the jurisdictions to fund operations (\$2,868,108), Connection Fees which are committed directly to the Expansion Fund, and Interest Income (\$102,244) and fund balances at the end of the year that are transferred to the Replacement Fund (\$6,792).

5. Opportunities for Shared Facilities

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

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

In the case of roadways, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and aid in emergency response times.

Coordination of open space corridors that cross over the proposed City-County limit lines will enhance the viability of habitat from the area and preserve these important related habitats and agricultural lands for generations to come.

6. Accountability in Government Structure

The City Councils' and District Board of Directors are elected in compliance with California Election Laws. The jurisdictions comply with the Brown Act Open-Meeting Law and provide the public with ample opportunities to obtain information about agency issues, including website and phone access. The websites contains a wealth of information about all of the jurisdictions departments and services. The Arroyo Grande City Council holds regular meetings at 7:00 p.m. on the second and fourth Tuesdays of each month in the Council Chambers, at 215 East Branch Street. The Grover Beach City Council holds regular meetings at 6:30 p.m. on the first and third Mondays of each month in the City Hall Council Chambers, at 154 S. Eighth Street. The Oceano Board of Directors holds regular meetings at 6:30 p.m. on the second and fourth Wednesdays of each month in the OCSD Meeting Room, at 1655 Front Street. The Sanitation District holds its regular meetings at 6:00 p.m. on the first and third Wednesdays of each month in the Oceano Board Room, at 1655 Front Street.

RECOMMENDATION

Based upon the information contained in Chapters 2 SOI Update and MSR Chapters 3, 4, 5, & 6 of this document, it is recommended that the Spheres of Influence be updated to retain the existing coterminous SOI boundaries of Grover Beach and Oceano CSD and that Tract 1551 be added to the City of Arroyo Grande and South County Sanitation District. Chapter 2, Sphere of Influence Update, provides more detailed information regarding the basis for this recommendation and written determinations.

The following additional recommendations are based on the Municipal Service Reviews prepared for the four agencies in the Five Cities area. These recommendations are not

obligatory, but are intended to encourage the orderly development and efficient provision of service in the area:

1. The jurisdictions should continue to work to provide consolidated fire protection service in the area within the context of the Joint Powers Agreement (Five Cities Fire Authority). It may make sense at some point to pursue the formation of a Fire Protection District; however the current JPA is providing effective and efficient service to the area.
2. The jurisdictions in the area, including the City of Pismo Beach, should work together to develop a recycled water program to help maintain the health of the Tri-Cities Groundwater Basin and enhance the reliability and sustainability of their future water supply.
3. The Cities of Arroyo Grande and Grover Beach should continue to evaluate the consolidation of police services in the area. This would likely result in fiscal savings for the jurisdictions while maintaining the adequate levels of services in the area.
4. The South San Luis Obispo County Sanitation District should continue to implement the organizational and administrative improvements that have been adopted by the Board of Director's.

Figure 1-1 – Recommended Sphere of Influence

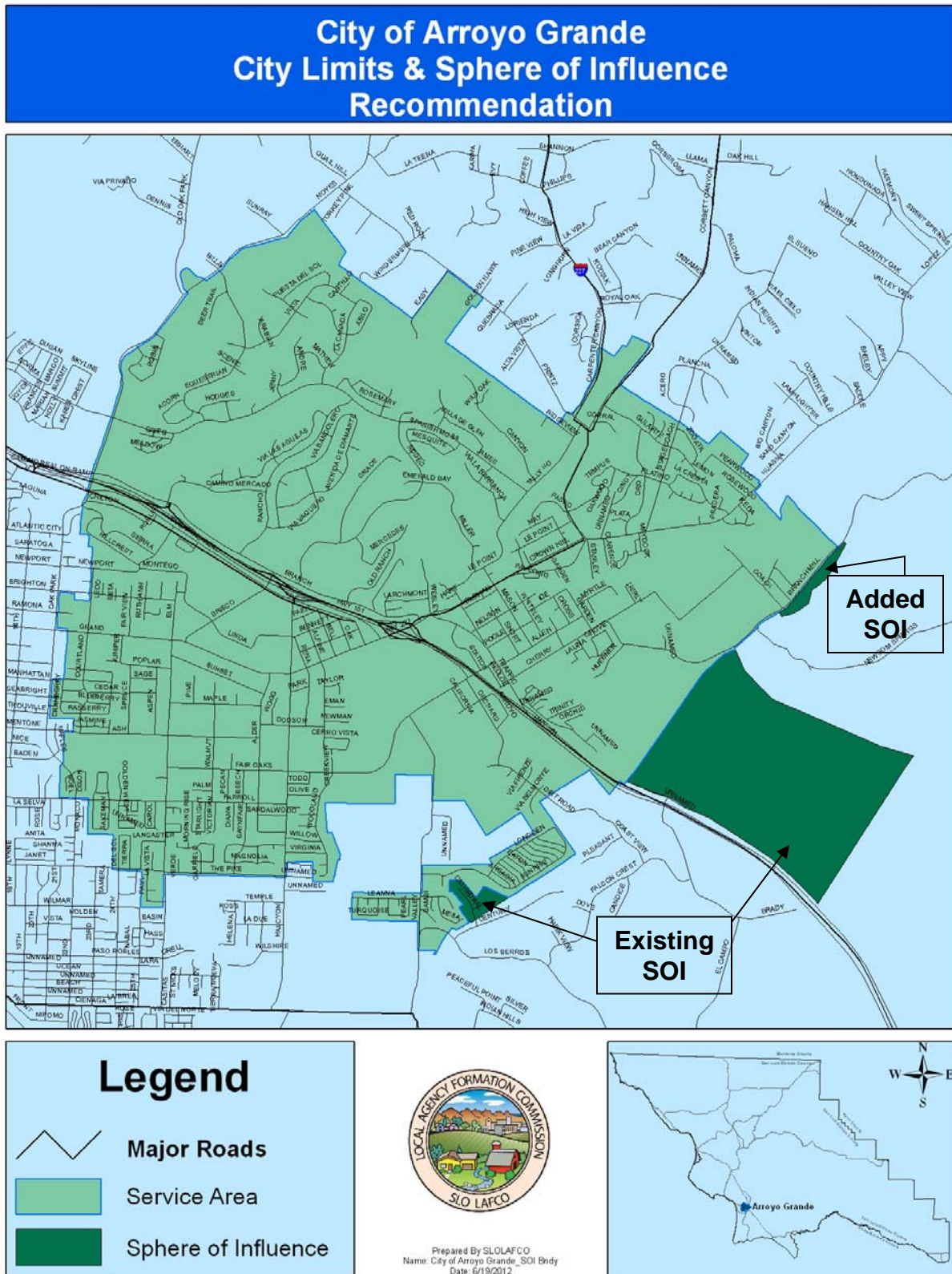


Figure 1-2 – Recommended Sphere of Influence



Figure 1-3 – Recommended Sphere of Influence



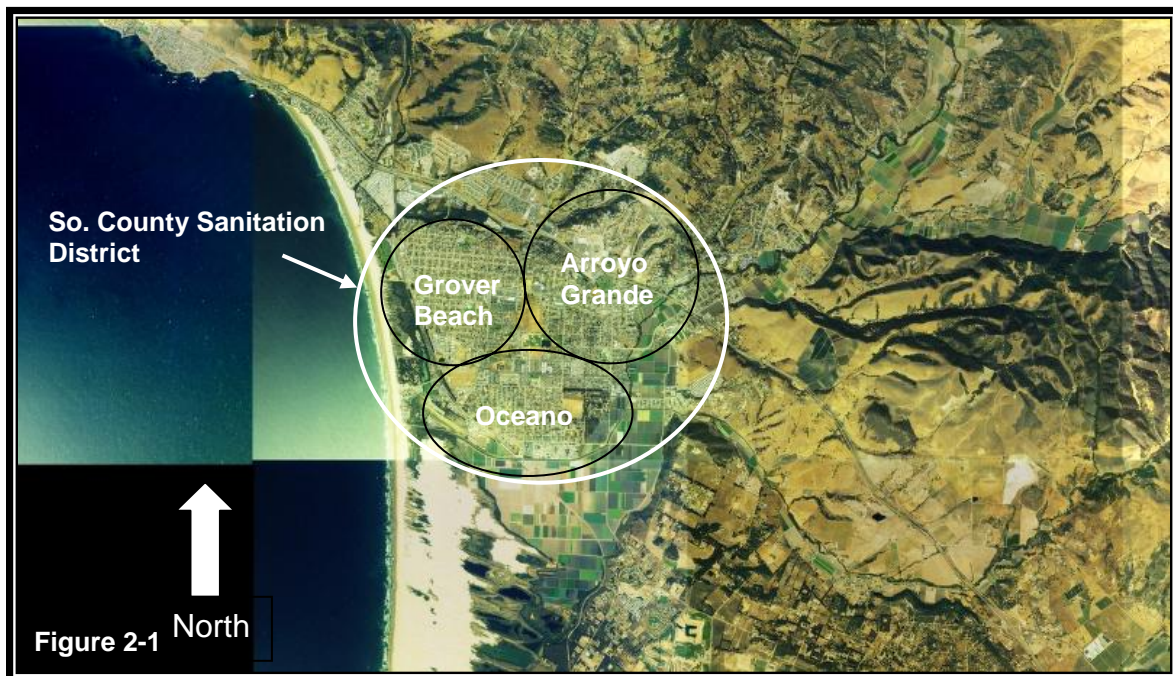
CHAPTER 2

SPHERE OF INFLUENCE UPDATE

City of Arroyo Grande, City of Grover Beach, Oceano Community Services District, and the South San Luis Obispo County Sanitation District.

INTRODUCTION

The Sphere Update is based upon the following Municipal Service Review chapters three, four, five and six that analyze each jurisdictions capability to serve existing and future residents. The SOI Update and Service Review were prepared to meet the requirements of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH).



The area being studied is often referred to as the Five Cities area. As can be seen in the above aerial photograph, the jurisdictions are closely linked geographically. The total area is an estimated 9.4 square miles: the City of Arroyo Grande 5.45 square miles, the City of Grover Beach 2.25 square miles and the unincorporated community of Oceano 1.7 square miles. These three jurisdictions are responsible for providing most of the public services to these communities. The South San Luis Obispo County Sanitation District provides wastewater treatment services to all three jurisdictions. In Oceano, the County provides services related to land use development, roads, streets and police.

The fundamental role of the Local Agency Formation Commission, LAFCO, is to implement the CKH Act, consistent with local conditions and circumstances. LAFCO's decisions are guided by the CKH Act, found in Government Code 56000, et seq. The major goals of LAFCO include:

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

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

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

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

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

EXISTING SPHERE OF INFLUENCE

CITY OF ARROYO GRANDE

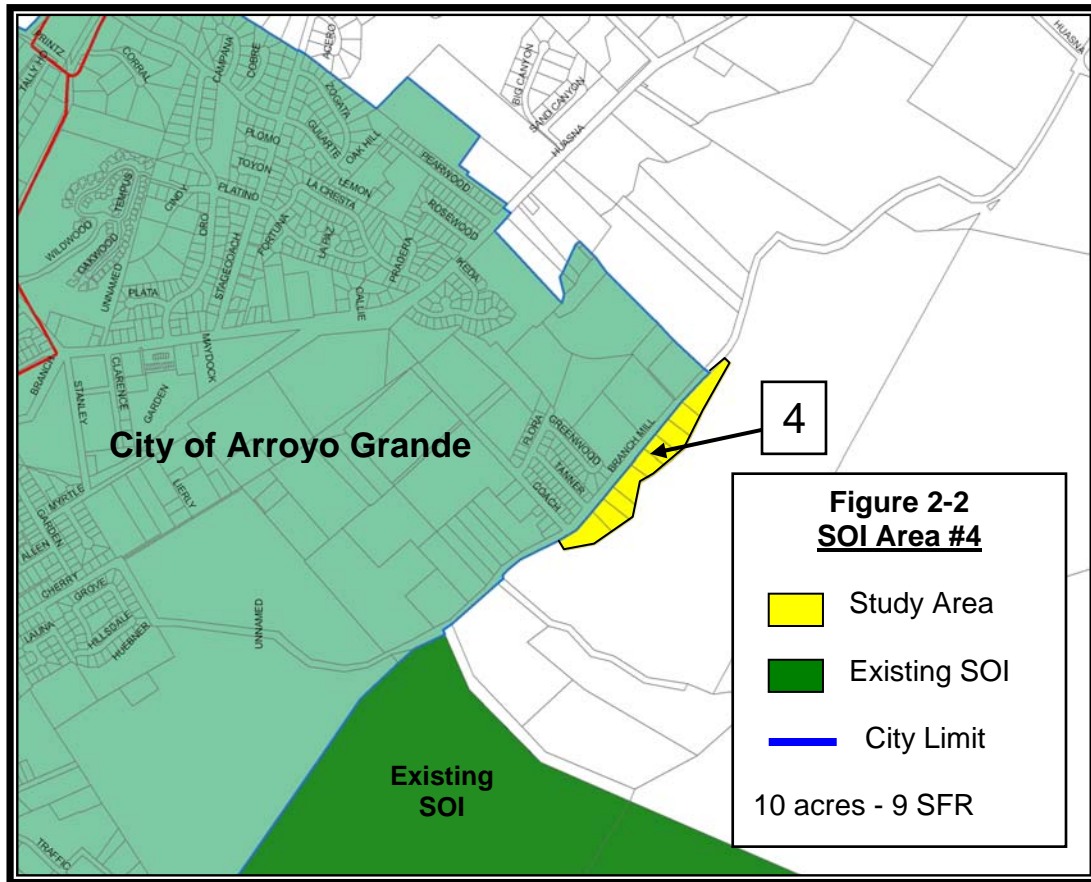
Arroyo Grande's existing Sphere of Influence includes approximately 185-acre agricultural parcel (Fredericks) and 200-acre Williams property (agricultural parcel) located adjacent to the Fredericks property and Highway 101 along the City's southeastern border which was added in 1998 and 2003 respectively. Tract 1724 was also added to the City's Sphere of Influence in 2003. The site is an already developed subdivision with single-family residences on ¼ to ½ acre lots. Tract 1724 is representative of a large lot suburban level pattern that would be appropriately served by the City because of its proximity to water and sewer infrastructure. The Pearwood site was added to the SOI and was annexed in 2010. The Mobile Home parks on Halcyon were removed from the SOI and added to the Oceano CSD in 2009. The Milne detachment was also completed in 2009. The Saint John's Church property was annexed to the City as well (a parcel east of Valley road and south of Los Berros that already has a Church operating on site). LAFCO staff evaluated the existing sphere properties as well as the following Study Area with regard to updating the Sphere of Influence:

1. **SOI Study Area #4 – Branch Mill Area (Located in SLO County; Not within the SOI).**

Tract 1551 was evaluated as Study Area 4 for possible inclusion into the City's Sphere of Influence. Tract 1551 is located in the County and not within the SOI. These nine parcels are located south of Branch Mill Road and east of Newsom Springs. This area

contains approximately 10 acres of an already subdivided tract. The area is Tract 1551 that was created in 1983. It is located in the County and designated “Residential Suburban” and is located in a very high fire hazard area with existing private water wells and septic systems. This area may benefit from City services if the residents want to be annexed into the City.

City/County MOA. This area should be included in the SOI.

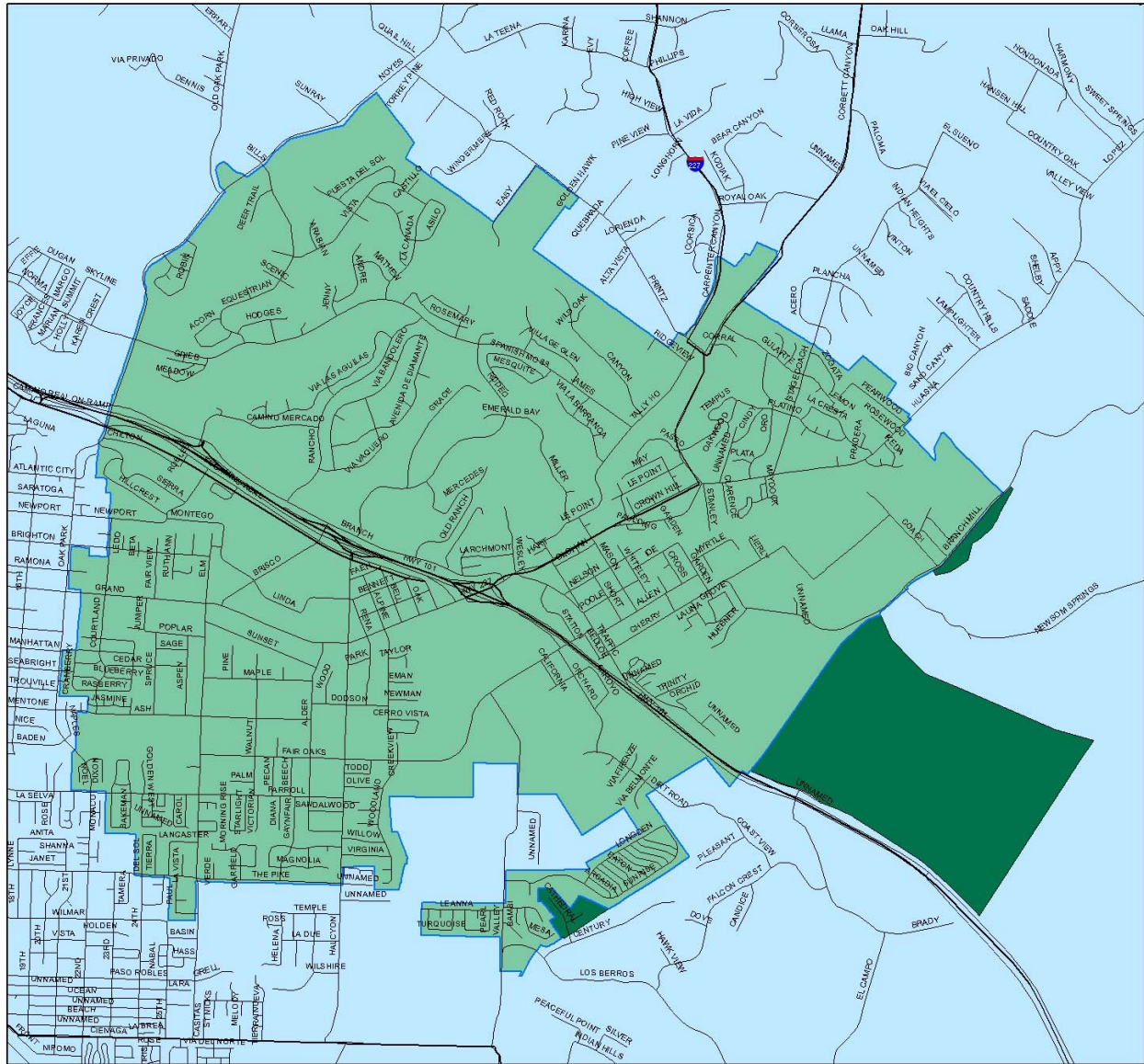


LAFCO Staff Recommendation. The SOI should include Area Four. Staff recommendation is to add Study Area 4. Tract 1551 is an existing subdivided tract with 9 residences served by existing wells and septic systems. The wells are experiencing some difficulties with contamination and providing adequate service to the area. Improved service may be achieved if services were provided by the City of Arroyo Grande.

The above actions are recommended by LAFCO staff and have been agreed to in concept by the County and the City of Arroyo Grande in a Memorandum of Agreement (MOA). The Memorandum of Agreement contains provisions for the future development of the areas in the City’s Sphere of Influence. It also further defines the roles and responsibilities of the agencies with regard to future services. Figure 2-3 shows the recommended Sphere of Influence.

Figure 2-3 – City of Arroyo Grande

City of Arroyo Grande City Limits & Sphere of Influence Recommendation

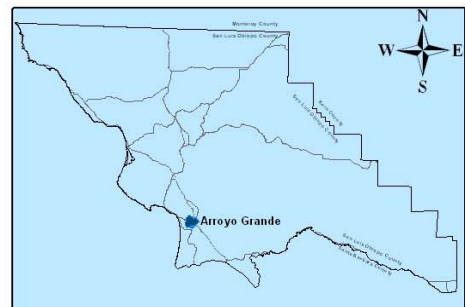


Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: City of Arroyo Grande_SOI Bndy
Date: 6/19/2012



Memorandum of Agreement

The City Council of Arroyo Grande is scheduled to consider the Memorandum of Agreement (MOA) between the City of Arroyo Grande and the County of San Luis Obispo in August 2012. The Board of Supervisors is scheduled to consider the MOA in August/September 2012. The Draft MOA is included with this report in Appendix B. The CKH Act requires that this agreement be given “great weight” by the Commission in making its decision regarding the update of the City’s SOI. The City and the County agreed upon the extent of the City’s Sphere of Influence, the provisions for developing the SOI and a referral area. The general approach of the MOA is to ensure improved coordination and cooperation between the City and County on the future planning and development of the areas within the City’s SOI boundary. Key provisions of the MOA include the following:

Orderly Development/Phasing. In general, the SOI areas shall be developed in a phased manner, with the SOI area closest to the City (Fredericks) being considered first and the Williams property being considered after the Frederick project receives approval and is annexed into the City. Alternatively, a different phasing plan may be considered if it enhances the orderly and logical development of the area.

Agriculture and Open Space. The City and the County will work together to permanently preserve agricultural and open space resources in the SOI area using the City’s and County’s Agricultural Element policies, Strategic Growth principles, and the Conservation and Open Space Element (COSE) policies. The criteria contained in the COSE and Agriculture Element, and the pertinent policies in the City’s General Plan, shall be used in developing the preservation policies and programs. A Transfer of Development Credits program may be used to encourage a density bonus as an incentive to property owners and developers

Guiding Principles for Future Development. The City and County agree that the following principles should help guide development that is proposed within the City’s Sphere of Influence. The following goals shall be considered:

- a. *Direct development toward existing incorporated areas and unincorporated urban areas with logical infrastructure connections*

Phase urban development in a well designed manner, first using vacant or underutilized “infill” parcels and lands next to or near existing development and adjacent infrastructure. Include a range of land uses and housing types and densities affordable to a wide range of incomes.

- b. Create walkable and transit friendly neighborhoods that have logical connections to other parts of the City*

Area proposed for future growth should address roadway distances that would connect the new areas of development together with the existing City and would promote maximum connectivity between different land uses through walkways, bike paths, transit, or other means.

- c. Provide for a variety of transportation choices that are feasible and financially viable*

Insure adequate densities of development that are conducive to supporting transit service.

- d. Create a range of housing opportunities and choices*

Future development plans should clearly define a program for including a balanced variety of housing types; one that includes multi-family development and options for higher-density housing. The development should maximize the opportunities to offer a greater range of housing choices that are affordable to people with a variety of income levels.

- e. Use land more efficiently*

The proposed development should be designed in a way that encourages transit, walkability and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop compact neighborhoods that contain residential uses that are affordable by design and efficient in land and energy consumption and 2) minimize the number of large lots by encouraging a variety of housing densities.

- f. Improve the regional or sub-regional jobs/housing balance*

Plan for land uses that provide opportunities for employment and in particular, explore creating opportunities for head-of-household jobs.

Conditions of Approval

The following conditions of approval are adopted based on the Sphere of Influence Update, Municipal Service Review, Memorandum of Agreement, and public input and to reflect the current situation.

WATER

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

AGRICULTURE & OPEN SPACE

- a. The City shall identify all agricultural and open space lands to be protected in the SOI areas when preparing land use plans.
- b. Prior to LAFCO filing the certificate of completion (if an annexation is approved), conservation easement(s) shall be recorded on the deed(s) of the properties affected by the annexation specifying the areas to be protected in perpetuity.

Present and Planned Land Use

The present and planned uses are described in detail in Chapter Three factor number one, Growth and Population, of this document. The present and planned land uses for the City of Arroyo Grande are well defined in the City's General Plan that was updated in 2003. Overall, the City is prepared to meet the challenges of future growth having a General Plan that clearly identifies community goals, objectives, policies and standards. This policy document provides for the logical and orderly growth of the City over the next 20 years.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Three, the Infrastructure Needs and Deficiencies section. A small existing buildout Tract 1551 is proposed for addition to the Sphere of Influence which would not increase the current need for services significantly.

The water analysis completed in Chapter Three identifies the need for development of supplemental water supplies and increased conservation over the next 20 years. The City is aware of this constraint and working towards managing the water resource issue. The City is well positioned, both financially and operationally, to meet the current and future needs of residents. The City would provide water, sewer and other services including road infrastructure to the SOI properties if annexed.

Present Capacity of Public Facilities and Adequacy of Public Services

The City's current supply is estimated at 3,873 afy. The projected demand for the City at build out and including the SOI areas is 3,727. This is a thin margin for error in terms of the water supply and future annexations. However, if conservation is effective the City should be able to manage its water resources.

The City is participating in the JPA for Fire services.

Social and Economic Communities of Interest

The Sphere of Influence areas for the City of Arroyo Grande are linked to the City's social and economic communities of interest. The Sphere areas would rely on the City for customers and employees if commercial development occurs. Where residential development is proposed, the City provides places for shopping and services for the people living in those areas. Areas to recreate, schools, places of worship and cultural events would also be available to the areas in the Sphere of Influence that include residential development. The City may also gain sales and property taxes advantages when these areas are annexed.

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

The City of Arroyo Grande has a variety of economic diversity that lives within the City limits and surrounding area including within or adjacent to the Sphere of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The City of Arroyo Grande Sphere of Influence does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

CITY OF GROVER BEACH

No changes are recommended to Grover Beach's Sphere of Influence because of the well-defined area of land occupied by the City. Figure 2-4 show the recommended SOI, Grover Beach is bordered by the cities of Pismo and Arroyo Grande to the north and east respectively, by the Oceano Community Services District to the south and the Pacific Ocean to the West. The City is providing its residents with adequate services and is striving to improve and increase the level of services. This is evident in the recently approved budget documents and capital improvement plans. The City is continuing to improve its service delivery system by reviewing how services are provided and how the systems can be improved. The Municipal Service Review chapter contains information related to the service capability of the City for existing residents.

Present and Planned Land Use

Chapter Four of this document discusses present and planned land uses in detail under factor number one, Growth and Population. The present and planned land uses are defined in the City's General Plan Land Use Element that was updated in 2010. The City's Housing Elements was updated in 2009 and the Circulation Element of the General Plan was updated in 2005. The City is preparing to meet the challenges of future growth within their existing boundaries. The City has not requested an increase to their Sphere of Influence and LAFCO staff is not recommending an expansion. The Sphere is proposed to remain coterminous to the City Limits.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Four, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

The water analysis completed in Chapter Four identifies the need for development of supplemental water supplies and increased conservation over the next 20 years. The City is aware of this constraint and working towards managing the water resource issue by implementing conservation measures that are defined in their Urban Water Management Plan when necessary. The Water Management Plan was updated in 2010 and the City continues to closely monitor the water situation.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Four, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

There is no Sphere of Influence areas proposed for the City of Grover Beach; therefore this factor does not need to be addressed.

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

The City of Grover Beach has a variety of economic diversity that lives within the City limits and surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The City of Grover Beach Sphere of Influence is coterminous with its City limits and therefore does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

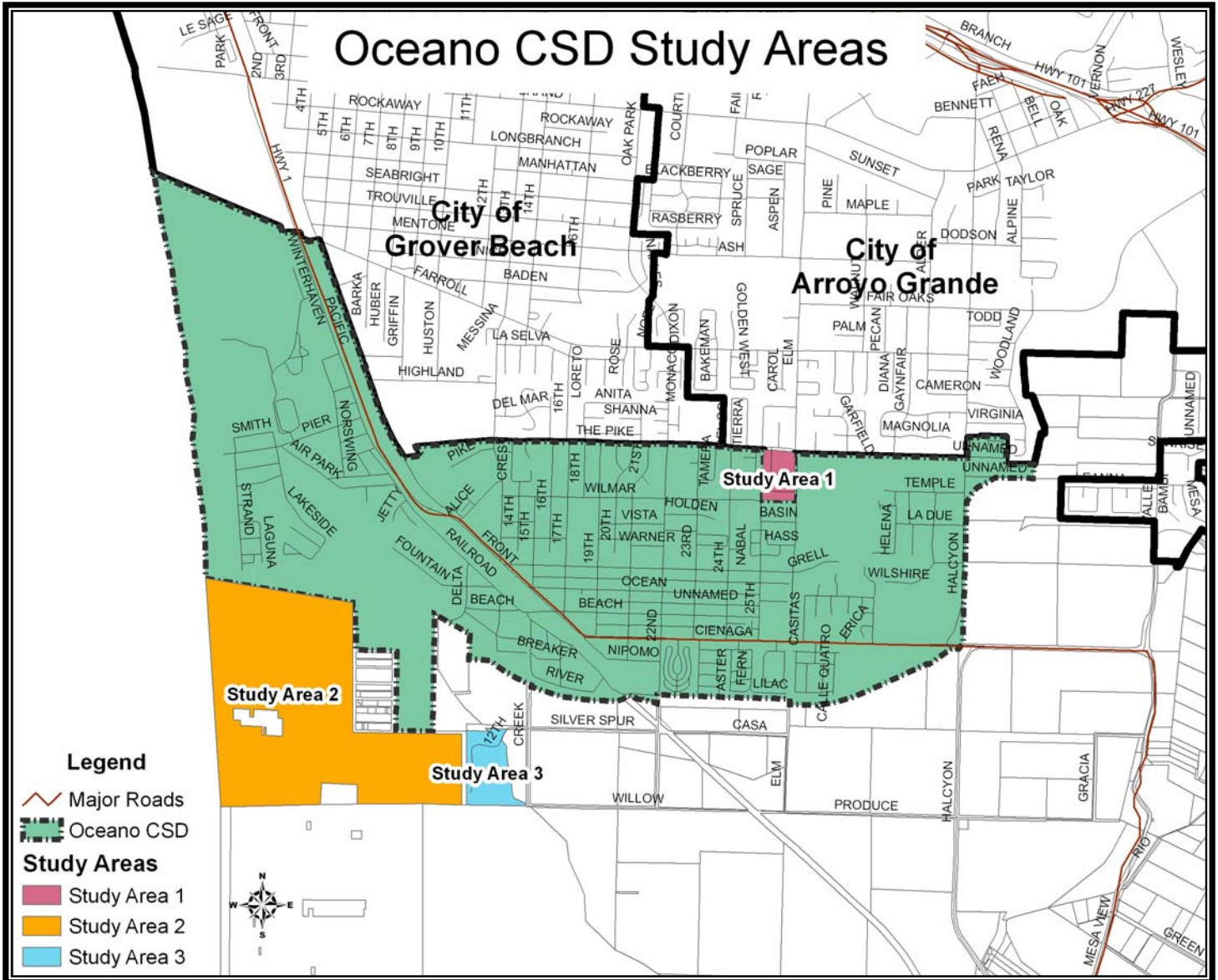
Figure 2-4 Grover Beach



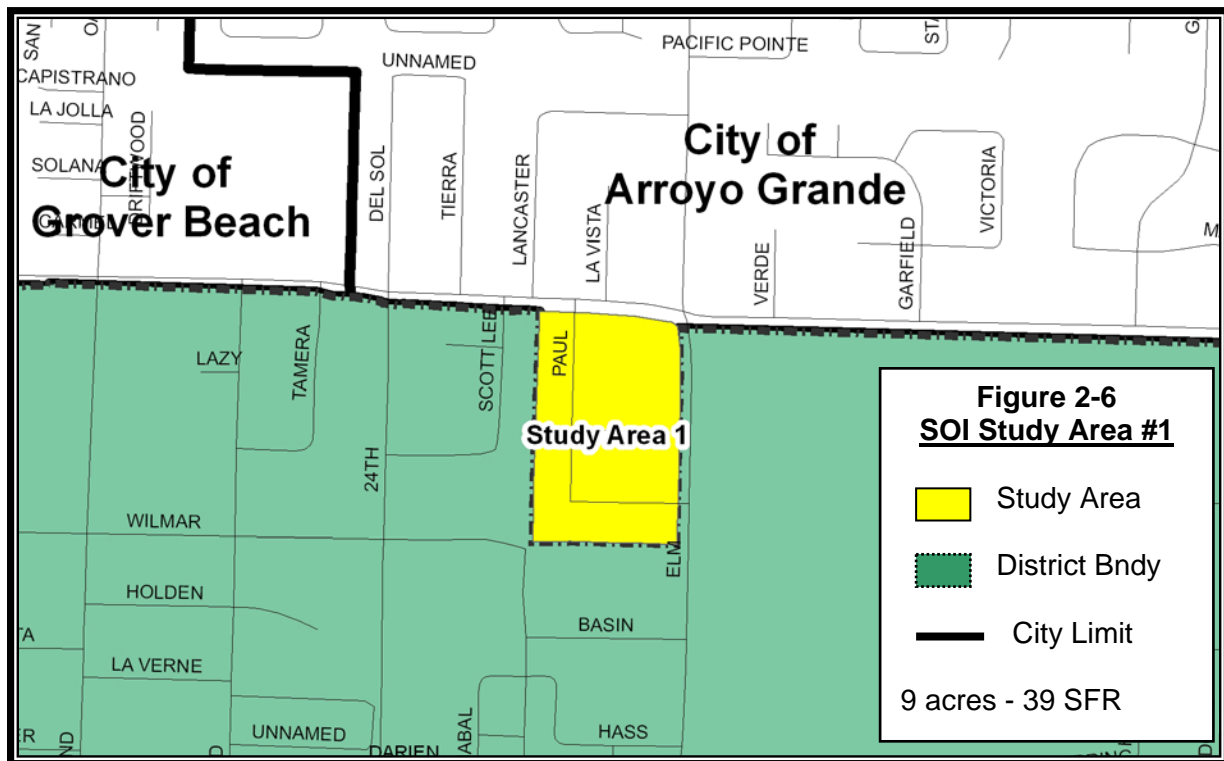
OCEANO COMMUNITY SERVICES DISTRICT

Figure 2-5 shows the existing boundaries of the District. The District's service boundary was recently expanded in 2009 to include the three Mobile Home Parks, and the triangular shaped parcel (Coker-Ellsworth) located adjacent to the northeast corner of the District. LAFCO staff evaluated the following Study Areas with regard to updating the Sphere of Influence:

Figure 2-5 Oceano CSD Boundary and Study Areas

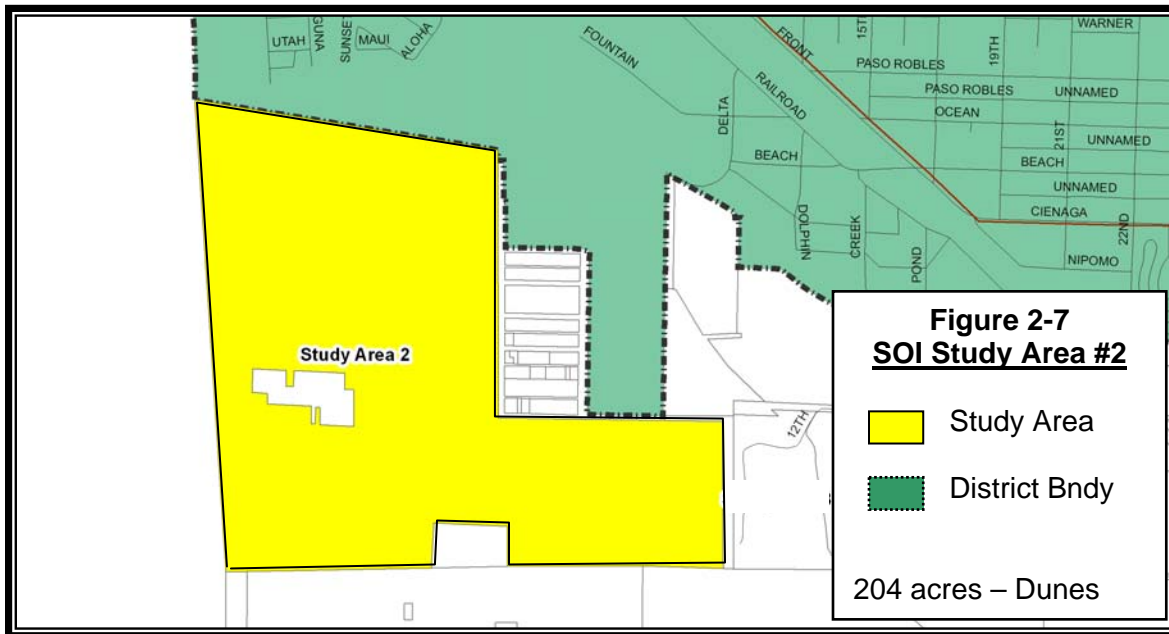


1. **SOI Study Area #1 – Tract 244 (Located in SLO County; Not within the SOI).** Study Area #1 is a nine-acre area located northeast of the District within the City limits of Arroyo Grande. The area is south of The Pike between Elm and Paul Streets. The area consists of 43 parcels with 39 residential lots zoned single-family residential, a commercial property (Seven-Eleven store), and three vacant parcels zoned mixed-use/office. The District currently provides water and sewer service to the area under an agreement with the City. The District's infrastructure is closer to the area to be able to provide service. An application for development of the vacant properties is currently being considered by the City of Arroyo Grande that would extend the City's infrastructure to be able to provide services to a portion of the area.



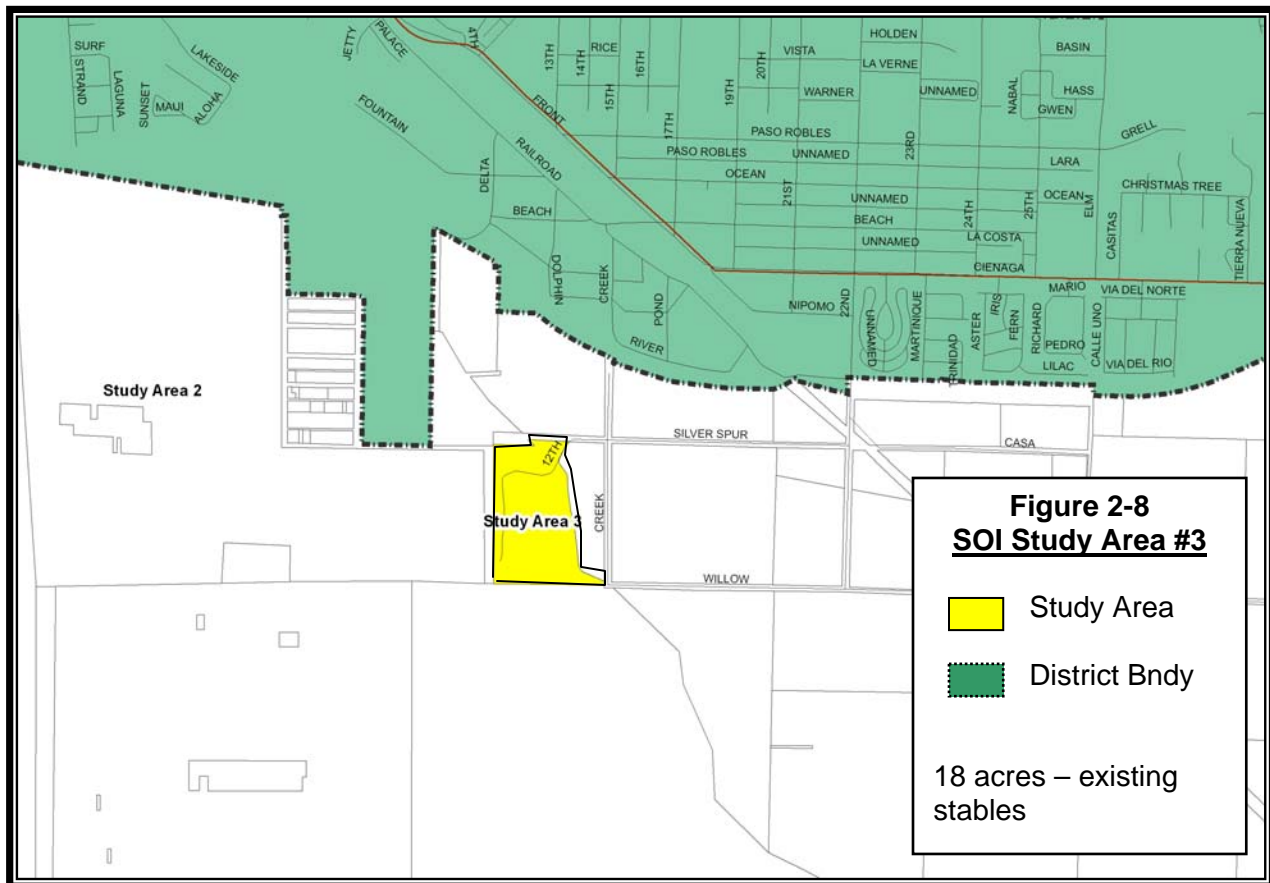
LAFCO Staff Recommendation. The Staff recommendation is to not include Study Area 1 and make no changes to the Oceano CSD's Sphere of Influence. Tract 244 is within the City of Arroyo Grande with the City providing all other city services such as police, street maintenance, drainage, etc. The vacant properties if approved for development would extend the existing infrastructure under the existing agency agreement.

2. **SOI Study Area #2 – State Parks Dunes (Located in SLO County; Not within the SOI).** Study Area #2 consists of the Oceano Dunes area of the State Parks totaling 204 acres. State Parks has contacted the District for a possible public/private partnership to build a dump station within the State Park Dunes area. Oceano CSD is the closest sewer provider for collection and infrastructure improvements which could provide needed services to the OHV Dunes recreational area.



LAFCO Staff Recommendation. The SOI should exclude Area Two. State Parks could enter into an agreement with the District to provided sewer service to the area. The recommendation is to not include the Oceano Dunes and State Park dunes to the south in the District’s SOI. It is unlikely that the District’s services (other than sewer collection services) will be needed in this area in the next 20 years to serve growth and development. This area is a heavily used recreational area that affords residents and visitors access to the Coast. This land use is unlikely to change in the next 20 years since it is a dedicated State Park.

3. **SOI Study Area #3 – Silver Spur Stables (Located in SLO County; Not within the SOI).** Study Area #3 is an existing stables consisting of 18 acres. The area is within the County agriculture Land Use designation. The owners have contacted the District for a request to provide water service to the area. The District could provide water service to the area under an outside user agreement if there is a documented threat to public health and safety. The Districts infrastructure would need to be extended to be able to provided service.



LAFCO Staff Recommendation. The SOI should exclude Area Three. The property owners should discuss the opportunities further with the District and the necessary infrastructure improvements that would be needed for an outside agreement with the District for water service. The CKH Act 56133 is being considered for legislative changes that may allow for an outside agreement with an area not within the Sphere of Influence if the need is documented and would not create significant growth to the area. If these changes are adopted by the legislators an opportunity may exist for the property to get water service from the District.

Present and Planned Land Use

In Chapter Five of this document factor number one, Growth and Population, present and planned land uses are discussed in detail. The present and planned land uses are well defined in the Oceano Specific Plan prepared by the County and adopted by the Board of Supervisors in 2002. The Specific Plan establishes the vision and goals for the community and prioritizes the key issues. The Plan also provides for public improvements through the adoption of policies and programs designed to address certain issues in the community.

Present and Probable Need for Public Services

The present and probable need for public services is described in detail in Chapter Five, the Infrastructure Needs and Deficiencies section, factor number three. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly. The District is well prepared to provide services to existing and future residents.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Five, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

The Sphere of Influence area proposed for addition to the District could rely on either the community of Oceano, City of Grover Beach or the City of Arroyo Grande for social and cultural linkages.

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

The Community of Oceano has a variety of economic diversity that lives within the districts service area and surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The Oceano CSD's Sphere of Influence is coterminous with its service area and therefore does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

The Sanitation District's Sphere of Influence is recommended to be consistent with the area jurisdiction sphere boundaries which are proposed to be expanded for the City of Arroyo Grande to include Tract 1551. Figure 2-9 shows the proposed Sphere of Influence for the South County Sanitation District which provides its residents with adequate services and is striving to improve and increase the level of services. This is evident in the recently approved budget documents and capital improvement plans. The District is continuing to improve its service collection system by reviewing how services are provided and how the systems can be improved. The Municipal Service Review chapter contains information related to the service capability of the District for existing residents.

Present and Planned Land Use

The South San Luis Obispo County Sanitation District does not have land use authority for their service area. The need for District's services is dependent on the land use approvals by the Cities of Arroyo Grande and Grover Beach and the County of San Luis Obispo. This area is likely to see a steady rate of growth over the next 20 years. The City of Grover Beach has limited areas for future development and will be dependent on in-fill projects. The City of Arroyo Grande anticipates growing at a 1% growth rate over the next 20 years. Oceano is projected to grow at about a 1% growth rate as well.

Present and Probable Need for Public Services

The Sanitation District facilities are in good condition and a plan to make capital improvements is currently being implemented. The South County Sanitation District wastewater facilities are capable of processing five million gallons per day. The Long Range Plan uses 2000 as a base year for planning purposes. In 2000, the average wastewater flow per day was 2.9 million gallons, which equates to 81 gallons per person per day. The District's Long Range Plan provides for future plant improvements that will keep pace with the population growth and possible changing water quality standards in the area. The District has set aside more than \$10 million to perform major upgrades so the plant can continue to meet the needs of the residents and comply with federal and state water discharge laws over the next 20 years.

Present Capacity of Public Facilities and Adequacy of Public Services

The present capacity of public facilities and adequacy of public services is described in detail in Chapter Six, the Infrastructure Needs and Deficiencies section. Since no changes to the Sphere of Influence are proposed, the current need for services will not change significantly.

Social and Economic Communities of Interest

The District serves social and economic communities in the Five Cities area and is a critical component in the regions public service infrastructure. Growth in the area is dependent on the ability of the District to serve the various jurisdictions.

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

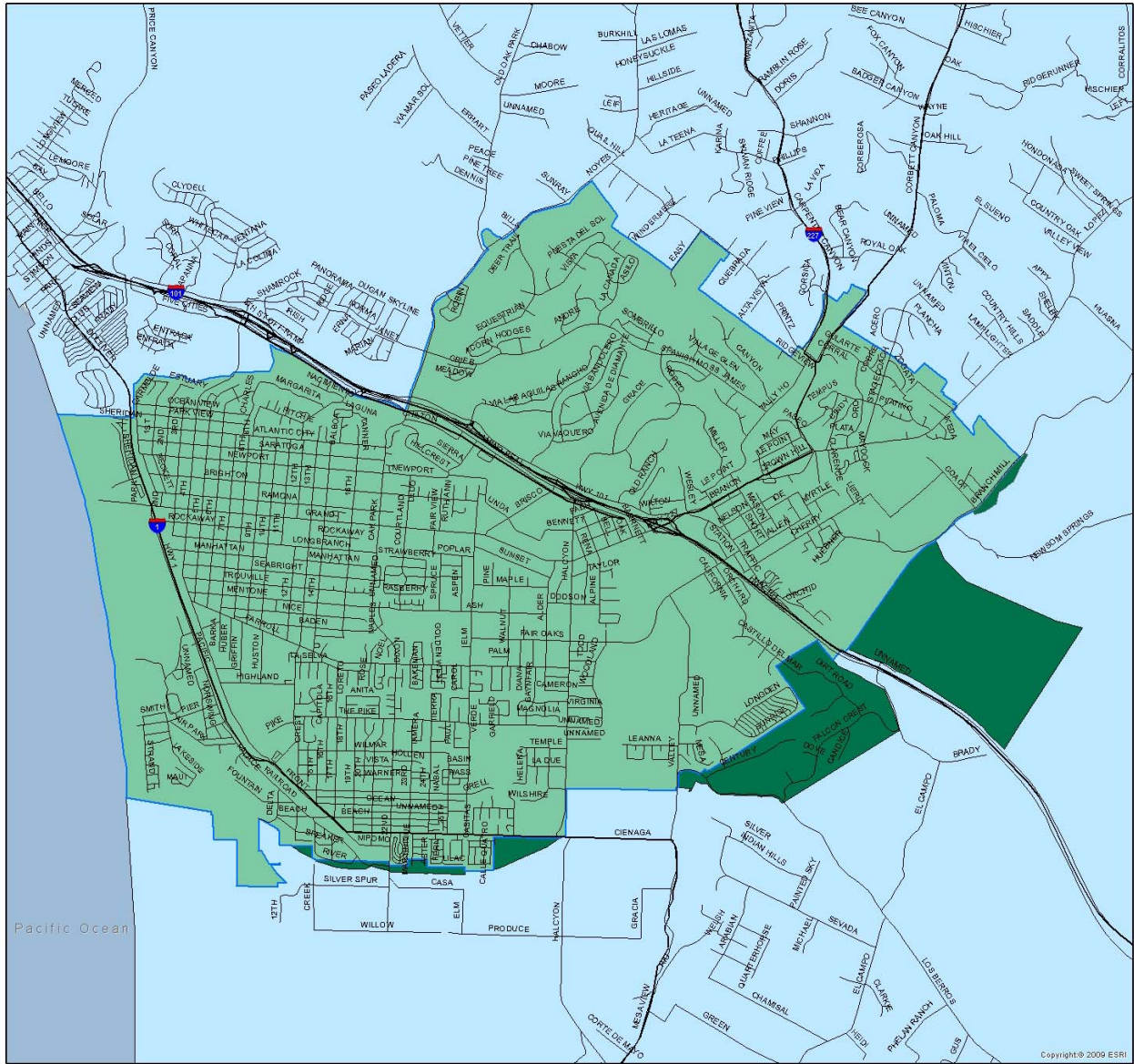
The Five Cities area has a variety of economic diversity that lives within the City limits and/or surrounding area. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The SSLOCSD's Sphere of Influence does not qualify under the definition of disadvantage community for the present and probable need for public facilities and services.

Local Sphere of Influence Guidelines

The Cortese/Knox/Hertzberg Act (CKH Act) requires that each commission establish written policies and procedures. The act also states that LAFCOs are to exercise their powers consistent with those polices and procedures. The San Luis Obispo LAFCO's policies encourage and provide for well-ordered, efficient urban development patterns, balanced with preserving open space and agriculture land while discouraging urban sprawl. This Sphere of Influence Update and Municipal Service Review for the Cities of Arroyo Grande and Grover Beach, Oceano Community Services District and South San Luis Obispo County Sanitation District are consistent with those policies and the purposes of LAFCO. The SOI discourages urban sprawl and encourages the preservation of open space and agriculture land. Inclusion in the jurisdiction also provides for more efficient provision of public services and is consistent with San Luis Obispo LAFCO policies.

Figure 2-9 SSLOCS D

South San Luis Obispo County Sanitation District Service Area & Sphere of Influence Recommendation

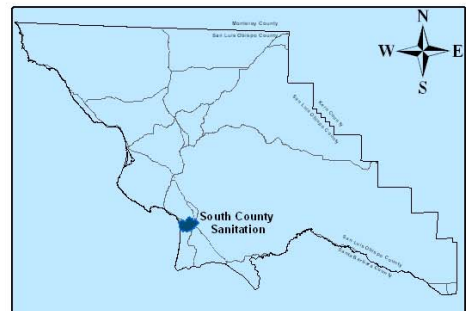


Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: South County Sanitation_SOI Bndy
Date: 6/19/2012



CHAPTER 3

ARROYO GRANDE – MUNICIPAL SERVICE REVIEW



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

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

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

The table below indicates both the existing and possible agencies that could provide services to the SOI area. This assumes that the properties in the SOI area are eventually annexed into the City and are not served through an Outside User Agreement or some other mechanism. Typically, upon annexation, the City provides a full array of public services to the property or area being annexed.

Table 3-1: Existing & Proposed Service Providers within SOI

Service	Existing Agency Providing Services for SOI Areas	Agency to Provide Services for SOI Areas
General Government (including Governing Board, Counsel, Assessor, Finance and General Administration)	County of San Luis Obispo	City of Arroyo Grande and County of San Luis Obispo
Water Service	Individual Wells or community water system	City of Arroyo Grande
Wastewater collection, treatment and disposal	County of San Luis Obispo Public Works or Septic Systems	City of Arroyo Grande South San Luis Obispo County Sanitation
Storm water drainage, flood control	County of San Luis Obispo Public Works	City of Arroyo Grande
Roads, Circulation, Street Maintenance Street Lighting	County of San Luis Obispo	City of Arroyo Grande
Public Transportation	SLO Transit Authority	Same
Law Enforcement and Fire Protection Services	County Sheriff/County Fire Department	City of Arroyo Grande Police and Five Cities Fire Authority
Community Development/Planning and Building Services, Code Enforcement	County of San Luis Obispo	City of Arroyo Grande
Solid Waste	County of San Luis Obispo-via contractor or individual responsibility	South San Luis Obispo County Sanitation
Parks and Recreation	County of San Luis Obispo	City of Arroyo Grande
Schools	Co. Superintendent of Schools Lucia Mar Unified School District	Same

The Arroyo Grande Sphere of Influence was most recently updated in 2003 (with a minor amendment in 2010 for Pearwood), and included the Williams property southeast of the City and adjacent to the Fredericks property and Highway 101, Tract 1724 an already developed subdivision, and a parcel east of Valley road and south of Los Berros (Saint John's Church). These three sites along with the Federicks property comprise the present day Arroyo Grande SOI. Figure 3-1 shows the adopted Sphere of Influence. The exclusion of the Mobile Home parks from the City and addition to the Oceano CSD also occurred in 2009 as did the Milne detachment. The Saint John's Church property has been annexed to the City as well. Figure 3-2 shows the Study Areas considered under this review. Please note that a study area is intended to be studied for possible inclusion. The area may or may not be included in the SOI.

Figure 3-1 - Arroyo's Existing SOI

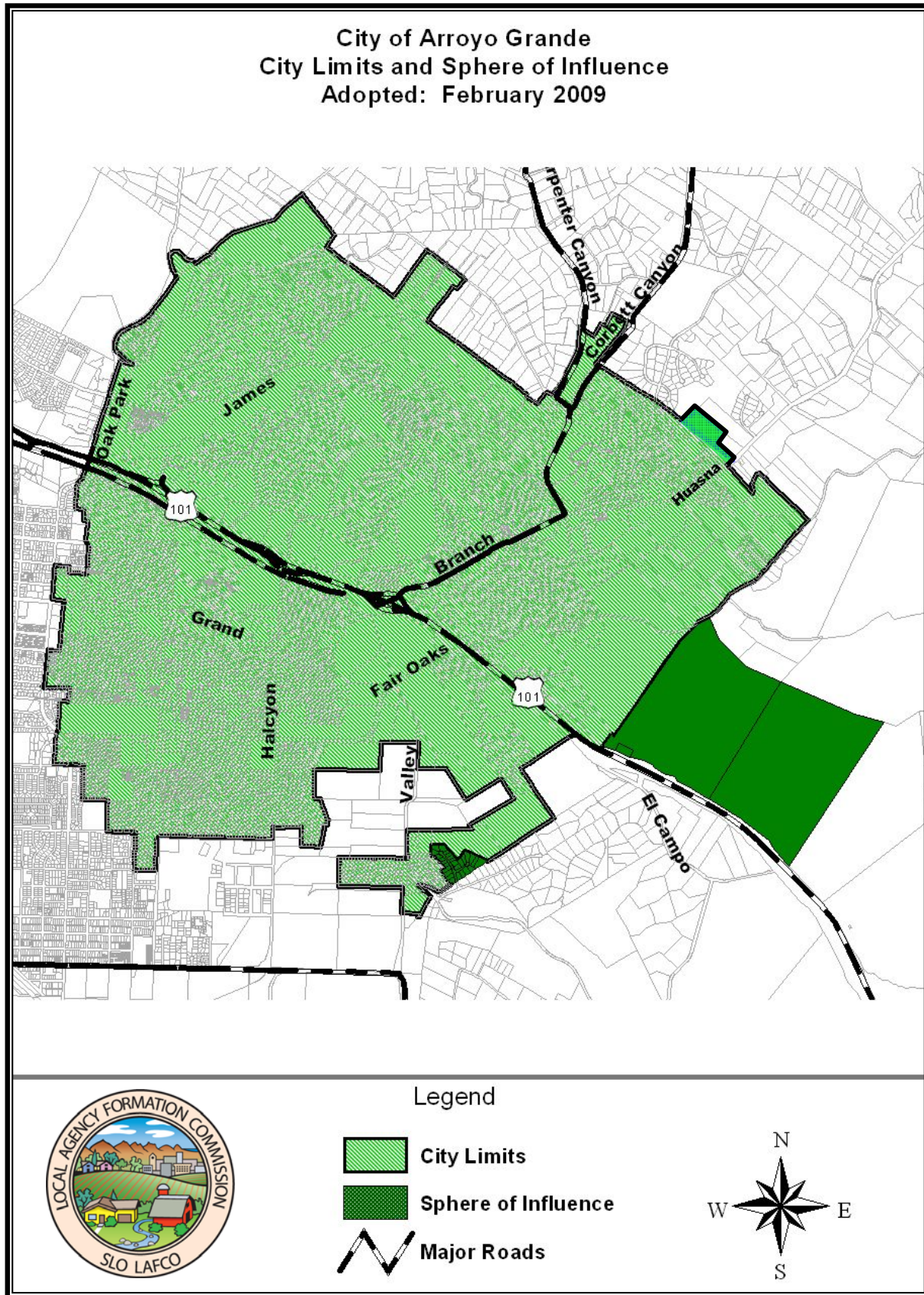
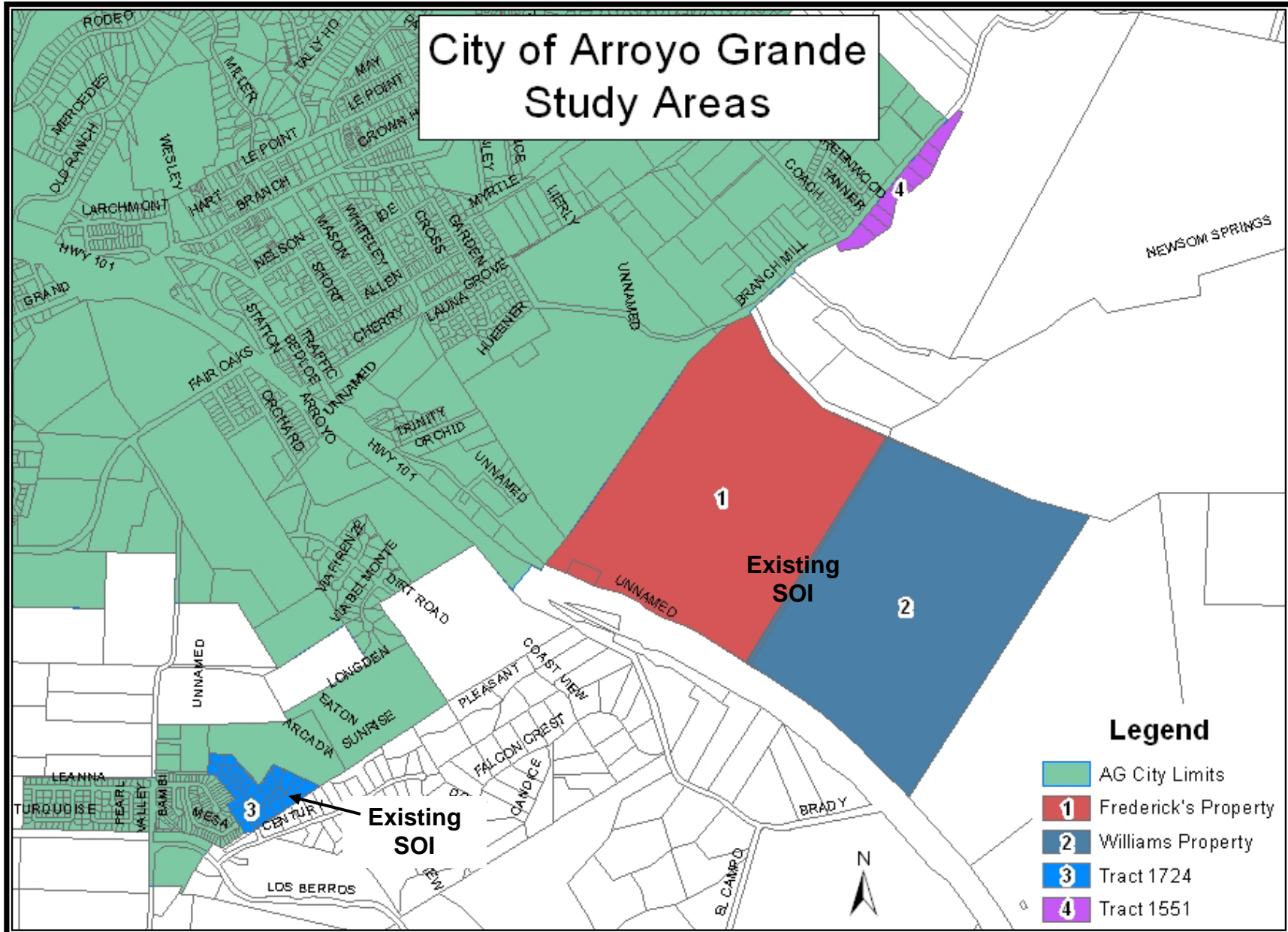


Figure 3-2 – Study Areas



3.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

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

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the City of Arroyo Grande. The previous Sphere of Influence update and Municipal Service Review for Arroyo Grande provides background information. The table below summarizes proposals considered by LAFCO since 2003 to the present.

Table 3-2 –Proposals Since 2003

Date	Action	Proposal	Acreage	Status
01/13/10	Annexation	Anx #30 to Arroyo Grande (Pearwood)	7.16	Approved 1/19/10
05/02/06	Detachment	Detachment #1 from AG (Milne)	0.08	Approved 11/17/06
12/02/03	Annexation	Anx #29 to AG	5.2	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends. According to the 2010 US Census, the City has a population of 17,252. Total housing units were estimated to be 7,627 units. The City estimated build-out population within the current City limits is estimated to be 20,000. This assumes an existing population of 17,252, plus 1,189 infill units occupied at a rate 2.3 people per unit. The City's population grew 8.8% from 2000 to 2010.

California Department of Finance Population Estimates-2000 to 2010

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2000 census count. The table below reflects the DOF estimates for Arroyo Grande and the County of San Luis Obispo over the last decade. DOF estimates Arroyo Grande's current population as 17,145.

Table 3-3: Population Estimates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Arroyo Grande	15,851	16,022	16,315	16,521	16,629	16,602	16,645	16,834	16,990	17,110	17,145
County Total	246,681	250,329	253,824	256,190	258,902	261,699	263,939	266,043	268,636	270,901	273,231

Source: DOF E-4 Population Estimates for Cities, Counties and State, 2001-2010

Council of Governments Population Projections-2011

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

**Table 3-4: Projected Population Growth Arroyo Grande
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040
LOW	17,078	17,412	18,032	18,489	19,062	19,640	20,234
MEDIUM	17,078	17,524	18,407	18,933	19,591	20,256	20,928
HIGH	17,078	17,636	18,781	19,369	20,107	20,851	21,594

The City of Arroyo Grande is the largest of the "Five Cities" communities, and is bordered by Pismo Beach and Grover Beach on the west and northwest, and agricultural or rural residential lands on the north, east and south. The estimated 2004 population for the City was 16,629, up 778 residents from 2000. In 2004, there were 7,179 housing units with 2.3 persons per household and a 4% vacancy rate.

COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Arroyo Grande. The Arroyo Grande urban reserve line is coterminous with the existing City limits and also includes Tract 1724 an already developed subdivision of unincorporated lands west of Valley Road and north of Century. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County does identify the need to coordinate planning projects within Arroyo Grande's outlying regions with the City. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use. There has been substantial controversy about whether the agricultural lands should be annexed to the City, but the general plan policy calls for directing development toward marginal agricultural areas and away from prime lands.

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

The General Plan identifies the type and intensity of development allowed in each of several land use categories (zoning) for County. According to the San Luis Bay Inland Plan, Arroyo Grande City limits includes substantial areas intended for urban development that could add approximately 1,700 dwelling units to the City's housing stock. The following table summarizes the zoning and acreage for the study areas that were included in the Sphere of Influence:

Table 3-5: Existing Land Use

Study Areas	Acreage	Land Use/Zoning	Existing Land Use	Build-Out Potential
#1 Fredericks	184	Agriculture	Crops	2 Residential
#2 Williams	190	Agriculture	Crops	2 Residential
#3 Tract 1724	11	Residential Suburban	Residential	27 Residential (Built)
#4 Tract 1551	10	Residential Suburban	Residential	9 Residential (Built)

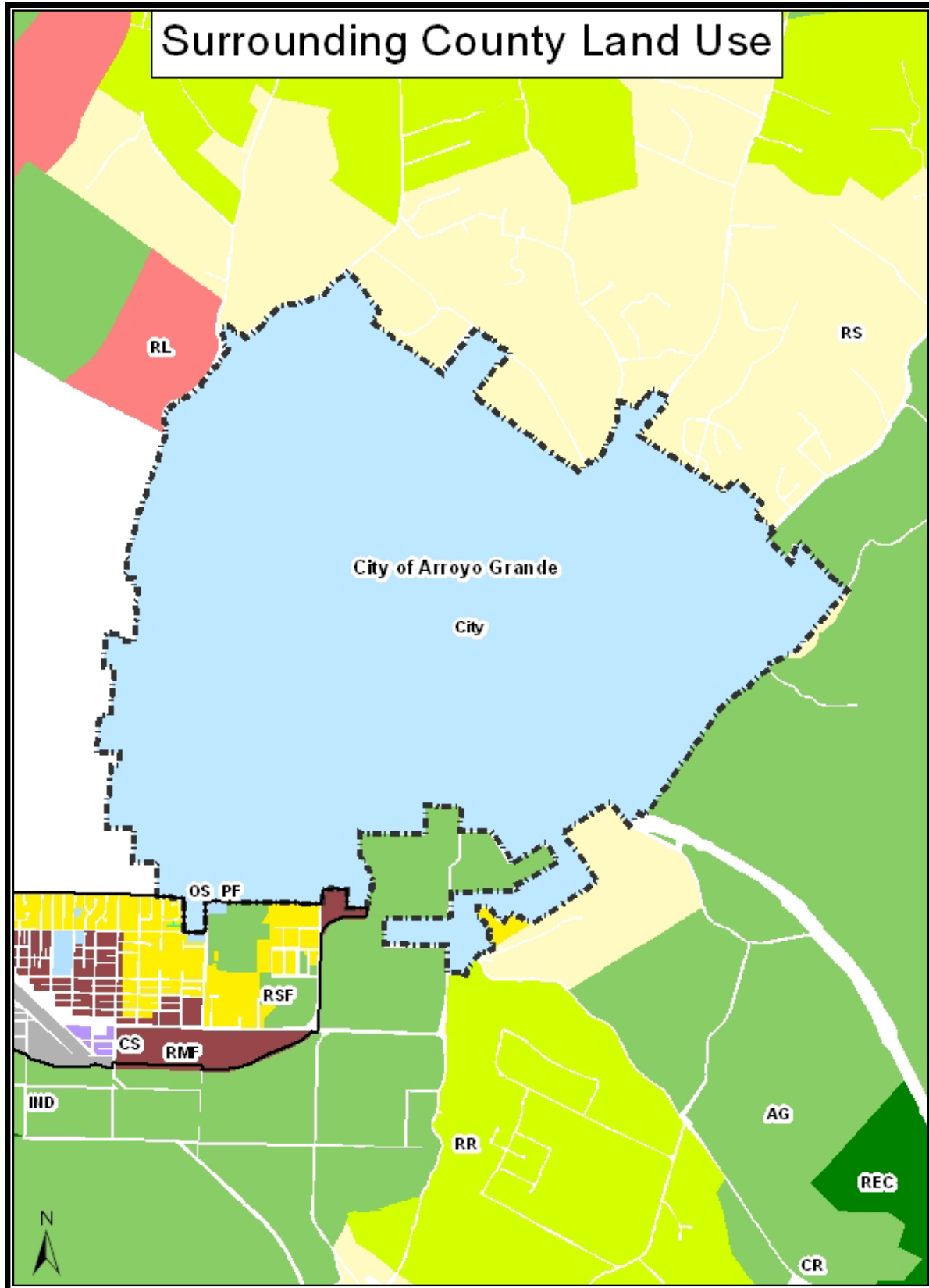
Source: SLO County Planning & Building Department.

The Arroyo Grande urban reserve line is coterminous with the existing City limits, with 1 exception: a small area at the intersection of Los Berros and Valley Roads (Tract 1724). Annexation of two properties were approved within an island located between Oak Park and Brisco Road adjacent to El Camino Real. A second proposal by the City to annex the balance of the unincorporated island was approved in 1981 by LAFCO.

Arroyo Grande has recently been engaged in evaluating agricultural lands and means by which they can be protected. In this process they have established a policy opposing development of prime agricultural lands zoned agriculture within the city and discourages lands under county jurisdiction adjacent to the City. The policy is consistent with County's Land Use Element. In addition, the City's adopted general plan policies call for development to be directed toward marginal agricultural areas and away from prime lands. Coordination of city/county programs to protect valuable farmland is needed. The Arroyo Grande General Plan states that "prime agricultural land should not be annexed to the City without a commitment on the part of the owner to place the land in agricultural preserve."

The Arroyo Grande fringe is a large area of unincorporated lands bordering the northerly portion of the City, extending from Lopez Drive to west of Oak Park Road and north beyond Corbett Canyon Road. The fringe areas have also seen considerable growth in recent years with the creation of many rural residential home sites. Since much of this fringe area lies in the watersheds above Arroyo Grande, the City's facilities are often impacted by poor land management practices in unincorporated areas.

Figure 3-3 (E) Land Use



RMS Annual Report-2010

The Resource Management System (RMS) provides information to guide decisions about balancing land development with the resources necessary to sustain such development. It focuses on, 1) Collecting data, 2) Identifying resource problems and 3) Recommending solutions. Arroyo Grande is one of the seven incorporated cities in the county. It covers a total area of 5.45 square miles. Arroyo Grande is a part of the “five cities” in the South County.

According to the 2010 Annual Resource Management System Report, the City estimates that it now serves approximately 17,140 residents in 2010 compared to an estimated 15,641 in 2000. Over the last 10 years, Arroyo Grande’s population has increased by approximately 1,500 people. This equates to 8.8% of population increase over the 10 year period. The table below reflects the population data from the census and the County’s 2009 Resource Management System Annual Report:

**Table 3-6: Historical & Projected Population Growth
Arroyo Grande California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	14,378	15,641	17,140	17,640	18,200	18,730	19,400
10 Year Increase	--	1,263	1499	500	560	530	670
10 year % Incr.	--	8.7%	9.5%	2.9%	3%	3%	3.5%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

City of Arroyo Grande 2010 Urban Water Management Plan

Housing Units and Growth Projections. In the 2010 Urban Water Management Plan, the City of Arroyo Grande estimates that 17,252 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units as 7,627 with an average household size of 2.4 persons and an occupancy rate of about 96%. The City’s Urban Water Management Plan projects the current City limit boundaries to yield a population of 20,000 persons. The population would increase if an annexation were to occur within the 185 acres Sphere of Influence.

The table below is taken directly from the Urban Water Management Plan and shows historic and projected growth rates:

Table 3-7: Historical & Projected Population Growth

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	11,290	14,378	15,851	16,599	17,252	17,524	18,407	18,933	19,591
10 Year Increase	--	3,088	1,473	748	653	272	1,155	526	658
10 year Avg. Increase	--	27%	10%	4%	3.9%	1.5%	6.6%	2.8%	3.4%
Average per Year	--	2.7%	1%	<1%	<1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Urban Water Management Plan

CITY OF ARROYO GRANDE GENERAL PLAN, 2001

The City of Arroyo Grande adopted its General Plan in 2001. Over the past 40 years, the City experienced periods of high residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s averaged over 5% per year, growth rates over the 1980s averaged just over 4% per year, but during the 1990s, growth slowed to about 1% per year. In the 2000s, growth continued about 1%.

The City's future development is limited by the land use patterns and designation in and around the City. The developed land use pattern in and around the City of Arroyo Grande will constrain population growth in the future and require that much of the new housing be higher density multiple family rather than low density single family. The 2001 General Plan Update included mostly mixed use and Village core development opportunities. Arroyo Grande's growth is likely to come largely from within the City's existing boundaries and remain at a nominal level as the economic recovery continues to evolve over the next few years. In 2001, the City's Community Development Department estimated the City is about 80% built out with a potential for approximately 1,429 new dwellings in the community at that time. Under the Draft Housing Element 2010 the City estimates a total of 1,352 new dwelling units as a realistic build-out. In either case, the City of Arroyo Grande has limited potential for new residential housing within existing city limits. The City's policies encourage in-fill development, mixed-use, and higher

densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within the City and SOI areas.

Table 3-8 Build-out Summary: Vacant Land within City plus SOI

Area	Acres	Units	Population	Land Use
AG	3	15	36	Agriculture
OMU,MU,VC, SR	70	893	2,143	Mixed Use
RS	137	136	326	Low Density
RS	7	15	36	Low Medium Density
SF	27	103	247	Medium Density
MF	17	130	312	Medium High Density
MFA	4	34	82	High Density
MF	0.4	26	62	Very High Density
Total Vacant Sites within City Limits	265.4	1,352	3,244	
Fredericks (SOI)	184	825	1,980	Unassigned
Williams (SOI)	190	855	2,052	Unassigned
Tract 1724 (SOI)	11	27	65	Residential Suburban
Tract 1551 (Study Area 4)	10	9	22	Residential Suburban
SOI Subtotal	395	1,716	4,119	
Total	660	3,068	7,363	

Source: City of Arroyo Grande 2010, SLO County Planning & Building Department.

Arroyo Grande Fringe. The "fringe" area is less appropriate for residential growth unless appropriate infrastructure and resources are included, including water and road network connectivity. Future development must be responsive to the problems previously noted. This can be better accomplished if there is a closer working relationship between San Luis Obispo County and Arroyo Grande in reviewing development proposals and establishing criteria aimed at solving the problems. This area encompasses approximately 6,513 acres, with a maximum absorption capacity of as many as 8,451 people, if all lots were developed to their maximum density. With this amount of potential development, the areas designated for suburban and rural residential should not be expanded any further into the surrounding agriculture and rural lands.

The Arroyo Grande Fringe Planning Area Standards require new land division applications for Residential Rural or Residential Suburban . . . "provide information to demonstrate. . .that:

- (1) adequate groundwater resources are available to serve the proposed land division , and
- (2) each proposed parcel can accommodate an individual sewage disposal (septic) system."

Unless area-wide groundwater resources are proven adequate and it is proven that ground water quality will not be adversely affected by cumulative development of greater intensity, the City interprets that existing Planning Area Standards should preclude further minimum standard new land divisions. The Arroyo Grande General Plan includes the following policies about the Arroyo Grande Fringe Area:

LU (Fringe) 1-1 County Residential Rural and Residential Suburban classified areas in the Arroyo Grande Fringe and Area of Environmental Concern should not be expanded and new areas should not be created.

LU (Fringe) 1-2 The County should require 2 ½ acre minimum parcels for all Residential Suburban Land divisions in the Arroyo Grande Fringe Area or 5-acre minimum where slopes exceed 30%.

LU (Fringe) 1-3 LAFCO and South County Sanitation District should exclude the Printz, Noyes and Oak Park Road areas from the SCSO Sphere of Influence.

LU (Fringe) 1-4 The City, LAFCO and South County Sanitation District should expand the Sphere of Influence to the southeast to include the Williams property.

LU (Fringe) 1-5 The County should establish “road impact fees” for all of the Residential Rural RR and Residential Suburban RS areas in the Arroyo Grande Fringe and to the southeast of the City. The fee should be set based on cost studies to correct deficiencies already apparent on State Highway and County roads serving these areas, similar to the fees currently imposed on South County Nipomo area developments.

LU (Fringe) 1-6 Caltrans and the County of San Luis Obispo shall minimize further private driveways from existing parcels by requiring shared common access to adjoining parcels where feasible, and requiring new land divisions in the Residential Suburban RS to also conform to the same Planning Area standard as the Residential Rural RR regarding Highway 227 access.

Recent Building Permit Activity

Building Permits have been compiled for Arroyo Grande from the Community Development Department. The table below shows the building permits by year from 2002 through 2010. Since 2002 the City has finalized 563 new single-family units, 14 multi-family, and 56 new commercial buildings.

Table 3-9: Building Permits Finaled 2002-2010

	SF	MF	Commercial
2010	14	0	3
2009	18	0	3
2008	54	0	6
2007	39	8	8
2006	65	4	10
2005	78	2	8
2004	53	0	2
2003	91	0	8
2002	151	0	8
Total	563	14	56

Source: Arroyo Grande Community Development Department 2010

Land Use

The General Plan allows for new growth within the City based on an analysis of available resources (water, sewer, etc) and demand for those resources. The policies and standards in the City's General Plan provide for growth in the current SOI if it can be demonstrated that water, sewer and other resources are available or can be made available without adversely affecting existing residents. There are no growth limits to commercial or visitor-serving growth in place under the General Plan.

***LU 11-3.1** Limit the number of dwelling units within the City to that which is consistent with the long-term availability of resources needed to support area population and that which public services and facilities can adequately support.*

***LU 11-3.2** Permit new developments only where and when adequate water services can be provided, and the provision of adequate water service can be ensured by providing system-wide water improvements in advance of needs.*

***LU 11-3.6** Ensure that adequate sewer service capacity exists or will be available in a timely manner for a proposed development.*

It should be noted that the City's General Plan provides a clear and detailed policy base with regard to future growth and development within the City. It comprehensively addresses the various facets of development, provides clear information to the public, and gives decision-makers a sound foundation for considering future projects.

The Arroyo Grande General Plan addresses expansion and jurisdictional boundaries of the community under its **Land Use** Element. The following policies are discussed to maintain the common boundary between Arroyo Grande, Pismo Beach, Grover Beach, and Oceano:

***LU 11-5.1** Oak Park Boulevard is and shall remain the common boundary between Arroyo Grande and Pismo Beach.*

***LU 11-5.6** Oak Park Boulevard is and shall remain the approximate common boundary between Arroyo Grande and Grover Beach. Portions of the City of Grover Beach, which extend east of Oak Pak Boulevard will be evaluated by both jurisdictions and LAFCO to determine the most logical and efficient jurisdictional boundary.*

***LU 11-6.1** Generally, The Pike is and shall remain the boundary between the City of Arroyo Grande and Oceano CSD.*

As adopted in 2001, three sites are noted for consideration in the Arroyo Grande SOI (see Figure 3-2). These are the Fredericks, Williams, and Tract 1724 site (already in the SOI).

***LU 11-6.10** The City of Arroyo Grande shall cooperate with the County and LAFCO to consider annexation of the Frederick/ALC property (known as Arroyo Linda Crossroads) and Williams property provided that such future City expansion provides for permanent agricultural and open space buffer adjoining Freeway 101, the east and north sides of potential urban development of the proposed Sphere of Influence area.*

***LU 11-6.10.1** The City of Arroyo Grande may consider the annexation of the unincorporated portion of the Arroyo Linda Crossroads and Williams properties within the proposed Sphere of Influence when all of the following findings are made:*

- a) The proposed annexation will not deplete the water resources required for potential General Plan development within other parts of the City nor divert water resources needed for current and future Agriculture irrigation;*
- b) Clear compatibility exists with the community's basic identity as a rural, small town community; the goals and desires of the people and the City of Arroyo Grande as a whole; and with the community's available resources and urban services;*

- c) *The proposed annexation is consistent with the goals and objectives of the 2001 General Plan Update, particularly in regard to protection of Agriculture and open space lands;*
- d) *Significant economic development benefits will be derived by the City upon annexation;*
- e) *Significant social and economic interdependence and interaction exist between the City and the areas proposed for annexation;*
- f) *Adequate infrastructure and services have been or shall be provided in accordance with current City standards;*
- g) *The proposed annexation will generate sufficient revenues to adequately pay for the provision of City services and related mitigation measures; and,*

The Branch Mill Area Tract 1551 (Located in SLO County; Not within the SOI). These nine parcels are located south of Branch Mill Road and east of Newsom Springs. This area contains approximately 10 acres of an already subdivided tract. The homes have already been built. The area is Tract 1551 that was created in 1983. It is located in the County and designated “Residential Suburban” and is located in a very high fire hazard area with existing private water wells and septic systems.

The General Plan also encourages “proactive planning.” This is to say that the City should be establishing goals for land use and development within the City, within the planned expansion areas comprising the Sphere of Influence. The Memorandum of Agreement between the City and County provides for this type of collaboration. The Memorandum of Agreement will be reviewed and updated as part of the Sphere of Influence and Municipal Service Review process.

Housing Element. The City’s updated Housing Element has not been adopted by the City Council and has not yet been reviewed or certified by the State Department of Housing and Community Development (HCD) as of 2010. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2007 through July 1, 2014. The table below shows the total number of residential units (362) the City of Arroyo Grande must provide zoning for in that time period.

Table 3-10: 2007-2014 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	83	58	69	152	362	7%	
Atascadero	106	74	88	194	462	10%	
Grover Beach	44	31	37	81	193	6%	
Morro Bay	41	29	34	76	180	4%	
Paso Robles	149	103	123	271	646	10%	
Pismo Beach	36	25	30	66	158	3%	
San Luis Obispo	366	254	302	668	1,589	33%	
County Unincorp.	298	207	246	544	1,295	27%	
Total Units	1,124	782	928	2,052	4,885	100%	

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City has developed a set of objectives and specific policies and programs to prepare for the production of housing in the City of Arroyo Grande.

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

The Housing Element provides a detailed assessment of the housing stock in Arroyo Grande, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with

factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing.

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

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

According to the City's Housing Element a recent available land inventory has been conducted which concludes the City has additional land available for 1,352 new residential units within the City Limits. The Housing Element also evaluated the City's infrastructure to accommodate these new potential residential developments. The Housing Element states that the City is at 82% capacity for water service and 60% capacity for wastewater which demonstrates the City's ability to provide these services to the 1,352 residential units with existing capacity. These services are further discussed in the next section.

The **Circulation** Element plans for improvements to the City's transportation system that will accommodate existing residents and future growth. Principals, Policies Standards, and programs supporting these goals are provided in detail in the Circulation Element.

CT 2. Attain and maintain Level of Service (LOS)'C' or better on all streets and controlled intersections.

CT 3-3 *Promote non-motorized bike and pedestrian circulation facilities to serve all areas of the City and linking with regional systems, with priority coordination with school, park, transit and major public facilities.*

CT 5-7 *Utilize assessment and improvement districts and other supplemental private funding to correct local area deficiencies such as inadequate parking, transit and streetscape enhancement or completion of local street or trail segments that benefit the area.*

The **Agricultural, Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. This Element is important in updating the Sphere of Influence because it contains detailed principals, policies, standards, and programs targeted at preserving agriculture and open space lands. It is important to note that the City has adopted a policy base with regard to preserving open space lands above the 200 foot contour line. This policy base will be referenced in the Memorandum of Agreement. Key policies include:

Ag 1-1.1 *Prime Farmland Soils shall include all land, whether a single parcel or contiguous parcels, that if irrigated, qualifies for rating as Class I or Class II in the USDA Natural Resources Conservation Service land use capability classification whether or not the land is actually irrigated, provided that irrigation is feasible. (This definition is derived from the Local Government Reorganization Act of 2000 as reorganized and amended in 2000. Section 56064(a)). Prime farmland soils shall also include farmland of Statewide importance as identified in the USDA, Natural Resources Conservation Services, outlined in the Land Inventory and Monitoring (LIM) Project Soil Survey for San Luis Obispo County, California, Coastal Part, September 1984.*

Ag 1-2 *Designate as Conservation/Open Space (C/OS) or County Rural Lands all nonprime Ag lands with important natural resource or open space values that the community intends to conserve.*

Ag 1-4.3 *Since prime farmland soils occur naturally and are geographically specific, the only means for mitigation to less than significant is preservation. The City's aim shall be to maintain contiguity of Ag and C/OS parcels and avoid fragmentation of areas having prime farmland soils. The City shall avoid development of prime farmland soil areas by directing growth potential to more suitable urban locations. Only after the imposition of available mitigation and consideration of alternatives to avoid the proposed action, may the City Council approve development on prime*

farmland soils subject to overriding considerations as permitted by California Government Code Section 15093.

Ag 3-2.2 *Should landowners of parcels in this area request consideration for inclusion within the City's Sphere of Influence and/or annexation to the City of Arroyo Grande, the request shall be evaluated based on the City's criteria for Agriculture designation and zoning, and be subject to all policies and regulations pertaining to that use.*

Ag 3-10 *Where land division of an Ag designated property is proposed, the resulting parcels shall be designed to ensure the long-term protection of agricultural resources.*

C/OS 2-1 *Designate all streams and riparian corridors as Conservation/Open Space (C/OS).*

C/OS 2-4 *Identify and protect wildlife corridors that link habitat areas as Conservation/Open Space (C/OS).*

C/OS 6 *The City of Arroyo Grande shall manage land use and limit its urban development potential to that which can be sustained by the available water resources and serviced by circulation and other infrastructure.*

The Parks and Recreation, Design, and Safety Elements of the General Plan each have principals, policies, standards, and programs that provide guidance and clarification for the public and decision makers. These are important topics that the City addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike. The policies and programs in these elements would be applied to the Sphere of Influence.

The following section of the analysis addresses key growth and service-related questions that have been adopted by San Luis Obispo LAFCO for preparing a Municipal Service Review.

The existing Sphere of Influence for the City of Arroyo Grande is estimated to have a development potential of 1,707 units. The addition of Tract 1551 parcels (Branch Mill Road) would add an additional 9 units.

The City's current General Plan is based on the ability of the City to accommodate a population of 20,000. Currently, the City's population is approximately 17,252 people. The year in which

the City reaches their projected build-out is driven by a number of factors, including economic and real-estate market conditions. The City projects build-out no sooner than year 2027.

The County has not approved significant development proposals within the existing Sphere of Influence of the City of Arroyo Grande. The City and County have had little or no conflict regarding development on the fringe of the City in the unincorporated areas. The Memorandum of Agreement (MOA) between the City and the County provides for early coordination regarding development in the areas that might impact the City.

WRITTEN DETERMINATIONS

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

1. The City's General Plan provides for the logical and reasonable growth and development of the City and was updated in 2001.
2. According to both the County's Resource Management System and the Council of Governments Population Projections the City of Arroyo Grande is projected to grow at a rate of 3% per year.
3. Development activity has decreased in the City over the past several years due to the economic downturn and available land and water supply. This is evidenced by the building and land use permit data provided by the Community Development Department.
4. The Memorandum of Agreement between the City and County provides a mechanism for the City and the County to work together on land use projects proposed in the Sphere of Influence. The MOA would also include more specifics about the development process, and the intent of the City and County.

3.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

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

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

The City of Arroyo Grande has a variety of economic diversity within the City limits and surrounding area including within the Sphere of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The City of Arroyo Grande's Sphere of Influence does not qualify under the definition of disadvantaged community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantage community.

WRITTEN DETERMINATIONS

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

1. The City of Arroyo Grande's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

3.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

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

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

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the City of Arroyo Grande. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with increasing demands. The City's General Plan contemplates expansion for annexations in the future (within the existing SOI).

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

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

WATER

The City updated its Urban Water Management Plan in 2011. The County updated its Urban Water Management Plan in 2011. These plans, and other documents, are the basis for this section of the Municipal Service Review. The County has updated its Water Master Plan. A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water.

Water Supply

The City of Arroyo Grande's Water supply comes from two primary sources: Lopez Lake Reservoir, and groundwater.

Groundwater. The City extracts groundwater from the Tri-Cities Mesa - Arroyo Grande Plain (AGP) sub-basin of the Santa Maria Groundwater basin. Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2003 Settlement Stipulation of the Santa Maria Groundwater Basin adjudication. The City of Arroyo Grande's entitlement from this settlement was established at 1,202 acre-feet per year. Arroyo Grande pumps its entitlement from the Arroyo Grande groundwater basin from six wells in the tri-Cities Mesa Sub Basin and two wells from the Pismo Formation. The City has available an agricultural land conversion water credit that has been in place since 1983. The water usage of irrigated agricultural land that is converted to urban use by a factor of 3 acre-feet/acre/year minus the metered urban usage per acre per year after three years of recorded data. The City's extraction is limited to no more than 1,323 acre-feet per year including the Agricultural Land Use Conversion Credit. Pumping records from 2000 to 2011 are shown in the table below:

Table 3-11 Arroyo Grande Groundwater Pumped

Arroyo Grande Amount of Ground Water Pumped, AFY												
Basin	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Well #1	0	0	0	0	0	0	0	0	0	0	0	0
Well #3	0	0	0	0	0	0	0	0	0	0	0	0
Well #4	0	0	0	0	0	0	0	0	0	0	0	0
Well #5	0	0	0	0	0	0	0	0	0	0	0	0
Well #7	0	0	0	0	0	0	0	0	0	0	0	0
Well #8	616	876	1244	1249	1292	1081	972	1208	1097	799	540	211
Well #9	0	0	0	0	20	45	53	64	67	80	70	74
Well #10	0	0	0	0	0	0	0	0	0	0	0	68
Total	616	876	1244	1249	1312	1126	1,025	1,272	1,164	879	610	353

Source: Arroyo Grande 2010 Urban Water Management Plan, NCMA 2009 Annual Monitoring Report

Note: Well #1, 3, 4, 5, 7, 8, Arroyo Grande Formation

Well #9, 10 Pismo Beach Formation

Santa Maria Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria groundwater basin, which was adopted by the Courts in 2008 issuing a final decision concluding that while the Santa Maria Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be found to be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term integrity of water supplies in the NCMA. The 2011 annual monitoring report prepared for the NCMA documents drought conditions between 2007 and 2009 with recovery in 2010 and 2011, and shows the water use among the communities by source. Water quality testing in 2009 indicated a potential for seawater intrusion that had locally manifested in a few wells. The 2011 annual report shows a significant recovery of groundwater elevations relative to 2009 and groundwater improved in early 2010 showing a reduction in concentrations of seawater indicators. Ongoing monitoring will be analyzed to determine the long-term meaning. In the interim, to minimize the threat of seawater intrusion, the Northern Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

Lopez Reservoir. Lopez Lake stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as

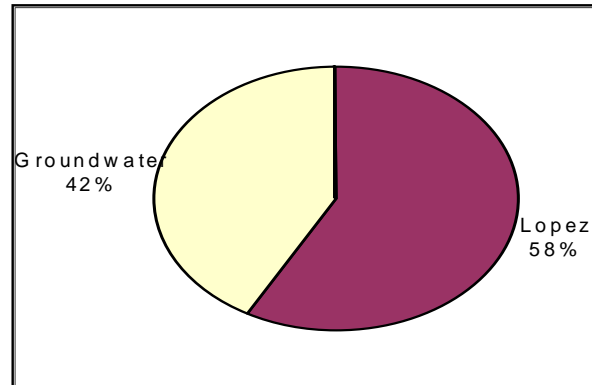
diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Pismo Beach, CSA 12, Grover Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (SLO County UWMP 2005), which reflects the sustainable water supply during a drought. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The City can receive an allocation of up to 2,290 acre-feet from the Lopez Reservoir. The remaining 4,220 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. A surplus water supply has been available in past years, but this is not a reliable source for the City to plan for from year to year.

Oceano Transfer. The City of Arroyo Grande has an active agreement to purchase an additional 100 AFY from Oceano CSD through FY 2013-14.

The two sources of water described above are all presently supplied by the City of Arroyo Grande and delivered to their customers. The table below shows the City’s current water supply situation. The chart shows the water supply by percentage.

Table 3-12 - Arroyo Grande Current Water Supply

Source	Amount (acre feet)
Groundwater –Tri-Cities	1,323
Groundwater –Pismo Formation	160
Lopez Water	2,290
Lopez Water surplus, if available	n/a
Oceano Transfer	100
Total	3,873



The City is considering the opportunity to access additional supplies from up to three new sources. The possibility of using recycled water from Pismo Beach or the South County Sanitation District in Oceano to irrigate large landscape areas, thereby freeing additional potable water from Lopez Lake, working with the San Luis Obispo County Flood Control District to become part of the State Water Project. The Oceano transfer will end in FY 2013-14.

Table 3-13 - Future Available Water Supply

Source	Allocation AFY
Groundwater-Tri-Cities	1,323
Groundwater-Pismo Formation	200
Lopez Water	2,290
Recycled Water	0
Total	3,813

Source: City of Arroyo Grande

The demand for developments inside and outside of the City limits, along with the existing Sphere of Influence, may exceed the future supply available to the City unless a supplemental water supply is made available. Having an Urban Water Management Plan that contemplates the City's water needs and outlines the necessary steps to secure a water supply system that serves the residents of Arroyo Grande is an example of long-range planning.

The table below shows water production by the City of Arroyo Grande by source from 2001 to 2010. The Urban Water Management Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2025 the current water supply will continue to supply the same safe yields of groundwater 1,523 AFY and Lopez 2,290 AFY.

Table 3-14 Arroyo Grande Water Produced

Arroyo Grande Amount Produced, AFY											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wells	876	1244	1249	1312	1126	1,025	1,272	1,164	879	610	349
Lopez	2427	2259	2268	2282	2289	2,209	2,218	2,249	2,277	2,246	2,573
Total	3,303	3,503	3,517	3,594	3,415	3,234	3,590	3,513	3,256	2,956	2,922

Source: City of Arroyo Grande Urban Water Management Plan, Acre Feet per Year

Recycled Water Potential. Recycled water qualities range from secondary quality (as defined by Title 22 CCR) to the highest level of treatment, tertiary quality for unrestricted use. Recycled water is not currently considered as a potential source of supplemental water supply for the City in the context of the Urban Water Management Plan. The South San Luis Obispo County Sanitation District's wastewater facility was updated in 1980 to treat its effluent to secondary standards. If used for recycled water purposes the water would need additional treatment first

before becoming useable. The treated water depending on the level of treatment could have restricted use as recycled water. Use may be limited to park and landscape irrigation and given the small amount of available land it is not likely worth the effort (non-domestic use if treated versus unrestricted use with tertiary). Unlike tertiary recycled water which could be piped to irrigate agricultural, or re-inject recycled water in the groundwater basin to maintain or increase reliability. Future reuse of the highly treated water produced by the Wastewater Treatment Facility is currently anticipated to be a portion of the City of Arroyo Grande's multi-source water plan. Recycled water is being considered by the city as a future water supply.

County Urban Water Management Plan, 2010

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 3-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2005 projected to 2030.

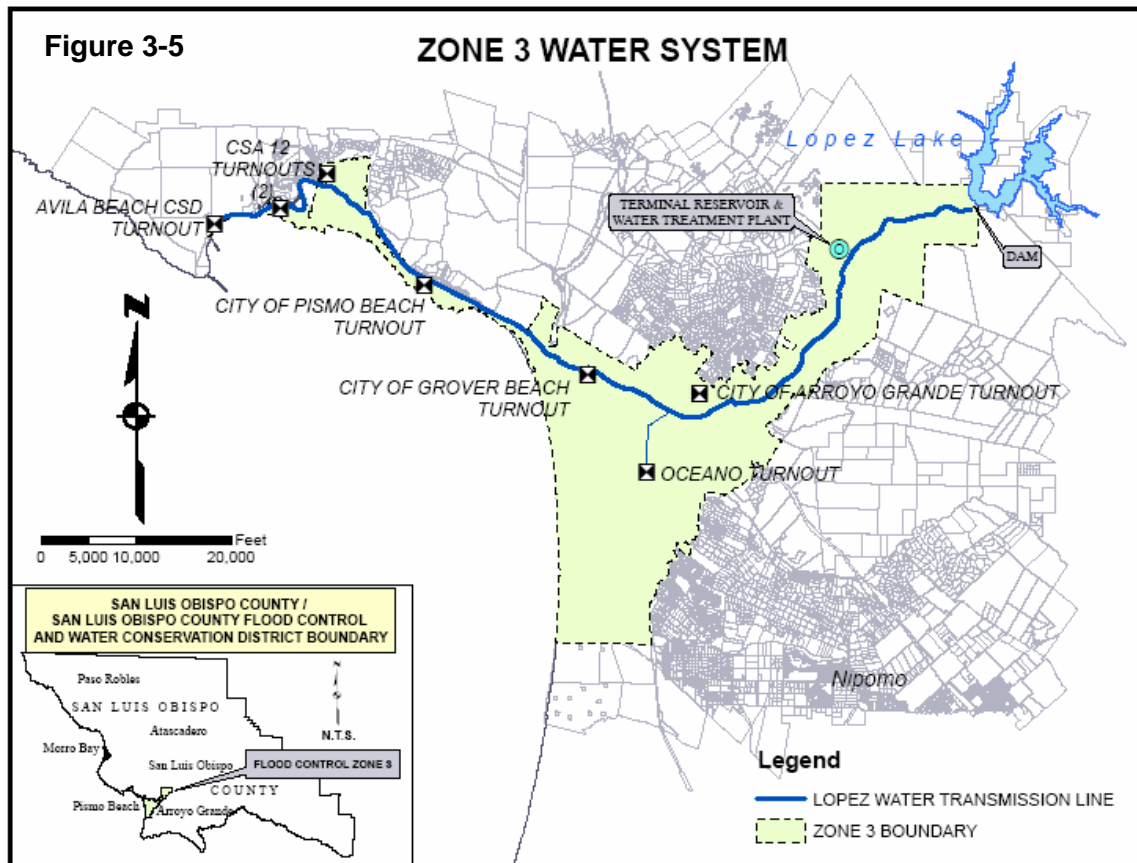
Table 3-15 Zone 3 Population & Projections

Population Projections						
Service Area Population	2005	2010	2015	2020	2025	2030
	53,249	47,696	49,281	50,872	52,597	53,406

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2010

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused a shortage of water in the Lopez system. In the most recent, prolonged drought of 1986-92, all communities within Zone 3 received their full allotment of water from Lopez Reservoir. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir's safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests.

As stated in the County’s UWMP for Zone 3, any surplus water may be banked for the following year, when it could be sold to the Zone 3 communities requesting the water. During a drought, Zone 3 communities whose deliveries from other sources were short would be able to purchase surplus Lopez Water.



County Annual Resource Summary Report, 2010

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

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

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

The following is an excerpt from the 2009 Annual Resource Summary Report for City of Arroyo Grande:

The City's water sources include groundwater from the northern portion of the Santa Maria Groundwater Basin and surface water from Lopez Lake. The City uses its entire allocation from Lopez Lake and uses groundwater to complete its supply. The City has started to look into additional water sources for the future such as desalination of sea water. A partnership with Grover Beach and/or Oceano to develop new water supplies is being studied. In response to both long-term and short-term water supply concerns, the City has instituted mandatory water conservation measures. A citywide toilet retrofit program is also underway to reduce water use.

Total water supply= 3,492 acre feet per year (AFY)

Table 3-16 Arroyo Grande Water Use Estimates/ Projections, AFY

2000	2008	2010	2020
3,333.5	3,475.1	3,533	3,845

Source: 2009 RMS

Water Demand

The City completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the City. The City's 2010 Urban Water Management Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2011, the City reported annual water use of 2,922 acre-feet. The City's current population is 17,252 with the current per capita water use at 154 gallons per capita per day. Arroyo Grande estimates that current use and projected demand are shown in table below.

**Table 3-17 - Annual and Projected Demand
by 2020 at a per capita of 149 (gpcd)**

Estimated City Build-Out Demand	(Residential)	2,356 AFY
	(Commercial)	284 AFY
	(Mixed-Use)	198 AFY
Subtotal		2,838 AFY

Source: City of Arroyo Grande Urban Water Management Plan, 2010

The estimated water demands for Fredericks and Williams SOI areas are shown in the table below (the demand figures only represent the properties currently within the existing SOI boundary). (The tables under **Water Supply and Demand** show the demand projections for all Study Areas). As estimated in the table below, total water demands for uses of the SOI areas are estimated to be 889 acre-feet. This total breaks down as follows:

Table 3-18 - Addition of Frederick and Williams Area

Estimated City Build-Out Demand		2,838 AFY
Fredericks	(Residential)	360 AFY
	(Visitor Serving)	38 AFY
Williams	(Residential)	380 AFY
	(Visitor Serving)	15 AFY
	(Agricultural Land Uses)	96 AFY
Overall Build-Out and SOI Projected Water Demand		3,727 AFY

Source: City of Arroyo Grande

One way to address water needs is to develop water resources for the agricultural uses that do not require allocation of presently available domestic water supplies. This may be achieved by prioritizing groundwater resources for agriculture use, reclamation and reuse of water supplies from a wastewater reclamation program.

Water Conservation. The City is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. The City's goal in their adopted 2010 Urban Water Management Plan Contingency Plan is to use 10-15% less of total water usage. The City adopted a water conservation ordinance that allows the City to implement tiered measures to adapt to the water conservation most appropriate to the actual City water supply at any time. The City also implemented that new development be required to meet rigid standards for both inside and

outside water use. In 2010 the City approved that a “severely restricted water supply condition” existed as defined in its Municipal Code. At the time the City estimated that it is was using 95% of its available supply. In response to this situation the City has implemented mandatory conservation measures. Also all new subdivisions and discretionary development projects are required to demonstrate water supply off-sets prior to issuing new permits for construction. The City’s most recent water use estimates indicate that it is using 76% of its supply. The Ordinance is now permanent.

Water Supply and Demand

The water supply question in Arroyo Grande is tied to presently available resources and the likelihood that future resources can be developed or obtained to meet additional City growth. Generally, the City appears to have available resources to meet current demand for areas within the City limits and means or mechanisms to increase the water supply for the existing SOI areas at the present time. Annexations of land to the City will be required to prove the availability of water resources are sustainable, adequate, and reliable prior to an annexation being approved by LAFCO. The City’s current supply is estimated at 3,873 afy. The projected demand for the City at build out and including the SOI areas is 3,727. This is a very thin margin for error in terms of the water supply and future annexations.

The following tables provide a summary of projected densities, and water demands associated with the Study Areas.

Table 3-19 Land Use

Ownership or Project Name	Gross Acres	Net Developable Acres	Approx. Residential Density
#1 Fredericks	184	147	825
#2 Williams	190	152	855
#3 Tract 1724	11	11	27
#4 Tract 1551	10	10	9
Totals	395	320	1,716

Table 3-20 Projected Water Demand

Ownership or Project Name	Recommended Land Use	Water Demand (AFY) (1)
#1 Fredericks	Visitor-Serving	38 AFY
	Residential	360 AFY
#2 Williams	Visitor-Serving	15 AFY
	Agriculture	96 AFY(2)
	Residential	380 AFY
#3 Tract 1724	Residential	12 AFY
#4 Tract 1551	Residential	9 AFY
Totals		910

Notes: (1) Water demand estimates are derived. Residential demands vary depending on land use characteristics, but averages to 0.378 AFY per residence. Visitor-serving unit demands are 0.194 AFY per hotel room plus 5 AFY for restaurant/retail uses. Agricultural use estimates are based on local experience from similar land uses.

(2) The City does not provide agricultural water

Water Distribution and Storage System

The City's water distribution system delivers potable water through 86 miles of pipelines, pump stations and water tanks, and 6,473 service connections. The Lopez water enters the system through two turnouts on the Lopez transmission main. The groundwater is pumped from wells and then blended with the surface water.

Water Distribution: The water distribution system was analyzed as part of the Water System Master Plan, in 2012 and includes over 450,300 feet of pipelines of various sizes and booster pumps throughout the city. Water pressures below 20 psi are not acceptable in a municipal water system. Normal pressures would range from about 40 to 100 psi. Pressures in the 30 to 35 range are acceptable, but less desirable. The test results found that some areas experienced less than desirable pressures during domestic demands and substandard pressures under fire flow conditions. The Water System Master Plan makes specific recommendations for capital improvements to correct problems related to the distribution system. The Capital Improvements Plan, which is considered as part of the annual budget process, allocates funds to these and other projects based upon priorities identified by the City Council.

Water Storage: The City currently operates six water tanks that serve six separate pressure zones. The Water Supply System Master Plan summarizes the pressure zones as follows:

Main Zone: Approximately 80 percent of city water use occurs within the main pressure zone. In addition, the two connections to the Lopez water system occur within the main zone. The main zone is served by three tanks with a storage capacity of 5.0 million gallons of water.

Rancho Grande Zone: Approximately 15 percent of city use occurs in this zone and it includes 1.2 million gallons of water storage capacity in one tank. The hydraulic grade is approximately 135' or 58 psi above the main zone. In 1997, the Hillcrest area on the west side of Highway 101 was added to the Rancho Grande Zone through the addition of a 12" transmission line. The Hillcrest area water system had formally operated on a hydro-pneumatic booster system. In 2000 the James way property was annexed into the city.

Oro Zone: Approximately 5 percent of city use occurs in this residential zone and it includes two tanks with a 500,000-gallon storage capacity. The hydraulic grade is the same as the Rancho Grande Zone, but the zones are not connected.

Capital Improvement Plan-Water System. The City's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. The CIP is presented on a first, second, third priority basis. First priority projects are a result of significant health and safety concerns, including severe substandard pressures, fire flows, and/or required storage needed to serve the customers. Second priority projects address sections experiencing slightly substandard pressures and/or fire flows, but are not as critical. Third priority projects include upgrades that are not critical in nature, but are recommended during routine future replacements. The City's Capital Improvement Plan contains project-by-project information and aligns with the goals of the City for project implementation.

Planned water system improvements are included in the City's Capital Improvements Program that is adopted by the City Council every June. The program is prepared in five-year increments and is updated annually.

2012/2013

- ▶ Well No. 11 budgeted -- \$266,000

WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a city-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.9 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 60% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a mechanically separate to remove the larger debris. The screened wastewater is then distributed

to the primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. Arroyo Grande collects and transports wastewater to the South County Sanitation District's (SSLOCSD) treatment plant in Oceano. The existing collection system consists of gravity sewer pipes 6-15 inches in diameter and five lift stations and force mains that convey raw wastewater to trunk sewers owned by the SSLOCSD. The SSLOCSD operates the trunk sewer lines, the treatment facility in Oceano, and the outfall line. Chapter Six of this document addresses the service review factors for the SSLOCSD. The City of Arroyo Grande contributes 47 percent of the total raw wastewater flow to the SSLOCSD, which is consistent with the city's population. The Capital Improvements are listed below:

2010/2011

- ▶ Lift Station No 3 Replacement \$200,000 budgeted -- \$401,034
- ▶ Sewer Master Plan -- \$30,000

2011/2012

- ▶ The Pike Sewer Upgrade -- \$120,000

2012/2013

- ▶ Crown Terrace/Le Point Sewer Upgrade -- \$90,000

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Arroyo Grande, Morro Bay, Pismo Beach, and Grover Beach. The sample monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City.

Table 3-20 – Single-Family Water Rates FY 2011-12

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Monthly Service Meter Charge	\$31.90	\$16.43	\$5.55	\$9.63
Water (per 100 cubic feet)	\$2.30	\$5.74	\$2.21	\$3.20
Other Charges	\$0.00	\$0.00	\$26.58 (Lopez Treatment)	\$0.00
Sample Monthly Bill (10 units of water)	\$54.90	\$72.41	\$54.23	\$41.63

Table 3-21 – Single-Family Sewer Rates FY 2011-12

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Flat Monthly Rate	\$62.23	\$37.51	\$2.30	\$9.92
Sewer (per 100 cubic feet water)	\$0.00	\$3.35/unit >10 ccf	\$0.52	\$0.00
Other Charges	\$0.00	\$0.00	\$14.86	\$14.86
Sample monthly bill (10 units of water)	\$62.23	\$37.51	\$22.36	\$24.78

Figures 3-6 and 3-7 show a rate comparison for four cities in the County. The following charts show the comparison of the cities. Overall, Arroyo Grande's water and sewer rates for residential customers are lower than other coastal cities. The charts are based upon a sample billing using "10 units" of water as a basis.

Figure 3-6

Bill Comparison - Monthly Residential Water - 10 Units
 1 unit = 100 Cubic Feet of Water

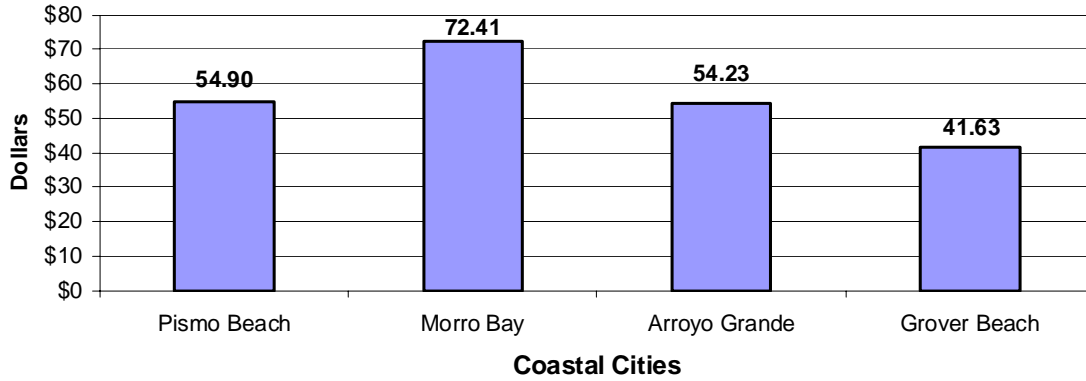


Figure 3-7

Bill Comparison - Monthly Residential Sewer - 10 Units
 1 unit = 100 Cubic Feet of Water

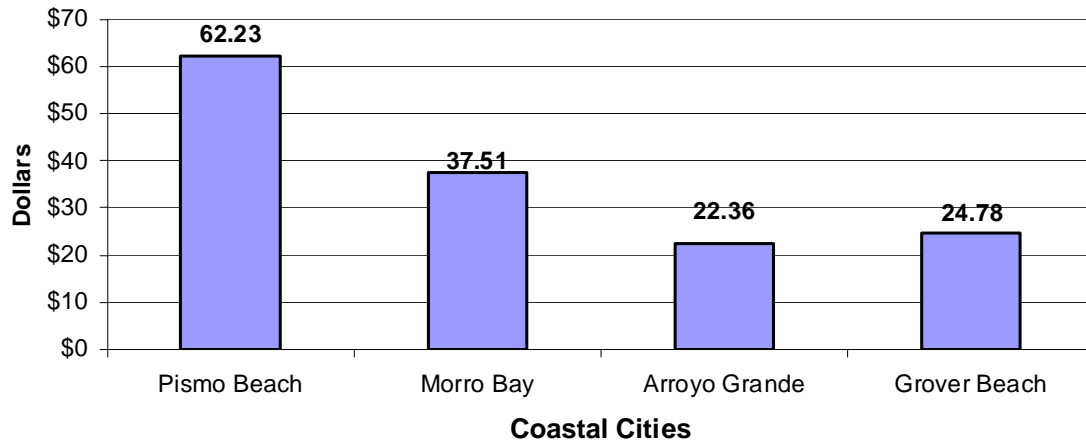
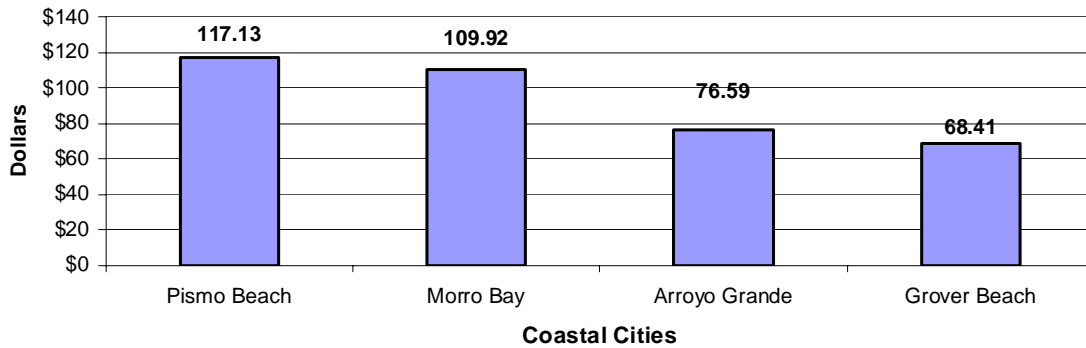


Figure 3-8

Total Comparison - Monthly Residential Water & Sewer - 10 units
 1 unit = 100 Cubic Feet of Water



Transportation - Streets – Roads

City of Arroyo Grande General Plan, Circulation Element 2001

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was adopted in 2001 along with other elements in the General Plan, in particular the Land Use Element. This coordinated approach enabled the City to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the City's circulation system.

The routes of regional significance that serve the City include US 101, Route 227, Highway 1, Oak Park Boulevard, Grand Avenue, Halcyon Road, and Corbett Canyon Road. The City is served by four major interchanges on US 101 located at Fair Oaks Avenue, Grand Avenue, Brisco/Halcyon Road, and Oak Park Boulevard. Congestion is anticipated to increase citywide and traffic increases are expected at Grand Avenue and Brisco/Halcyon interchanges. Improvements to the Brisco/Halcyon Interchange (2016/2017) would help alleviate congestion. Below is a list of local street improvement projects proposed in the City's Capital Improvements Program. Funding for these projects is allocated based upon available funding and budget priorities.

The City's Circulation Element of the General Plan provides a policy base for the future development of the transportation system. The City's policies call for specific road standards that would provide for an efficient and functional circulation system. Some key policies include widening Highway 101 from four to six lanes, with interchange access, ensuring that levels of service are maintained at "C" or better on all streets and controlled intersections, improving existing multi-modal circulation systems to reduce the need for road construction, and promoting transit-oriented developments that include mixed uses.

2010/2011

- ▶ Asphalt Repairs -- \$12,500
- ▶ Annual Concrete Replacement Program -- \$12,500
- ▶ Pavement management Program Projects -- \$400,000

- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$1,000,000 budgeted -- \$3,451,243
- ▶ Misc. Striping, Crosswalks, Sidewalks, and Handicap Ramps -- \$60,000
- ▶ Americans with Disabilities Act (ADA) Program and Retrofits -- \$20,000
- ▶ Orchard Street & Adjacent Streets -- \$300,000

2011/2012

- ▶ El Camino Real Rehabilitation and Enhancement - \$2,234,000
- ▶ Montego Street Sidewalks, Phase I & II -- \$259,000
- ▶ Annual Concrete Replacement Program -- \$12,500
- ▶ Pavement management Program Projects -- \$400,000
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$200,000 budgeted -- \$3,451,243
- ▶ Misc. Striping, Crosswalks, Sidewalks, and Handicap Ramps -- \$80,000
- ▶ Americans with Disabilities Act (ADA) Program and Retrofits -- \$20,000

2012/2013

- ▶ Annual Concrete Replacement Program -- \$15,000
- ▶ Pavement management Program Projects -- \$325,000
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$200,000 budgeted -- \$3,451,243
- ▶ Misc. Striping, Crosswalks, Sidewalks, and Handicap Ramps -- \$80,000
- ▶ Americans with Disabilities Act (ADA) Program and Retrofits -- \$20,000

2013/2014

- ▶ Annual Concrete Replacement Program -- \$30,000
- ▶ Pavement management Program Projects -- \$325,000
- ▶ Brisco/Halcyon Rd – Route 101 Interchange \$200,000 budgeted -- \$3,451,243
- ▶ Misc. Striping, Crosswalks, Sidewalks, and Handicap Ramps -- \$80,000
- ▶ Americans with Disabilities Act (ADA) Program and Retrofits -- \$25,000

SLOCOG Regional Transportation Plan, 2010

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2010 Regional Transportation Plan (2010 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2010 Regional Transportation Plan a significant increase in traffic volume on Highway 101 from El Campo Rd. to Oak Park is projected from the 2008 number of 51,667 average daily trips to 63,000 average daily trips in 2035.

This increase anticipates a small increase in population due to finite developable land and tourist traffic in the South County area. The Level of Service in the Arroyo Grande area on Highway 101 is expected to increase to LOS D; a significant traffic impact. SLOCOG 2010 RTP protects the right-of-way for future expansion; and provides for an evaluation of the capacity needs throughout the corridor to more completely develop a financial, service and facility plan to meet corridor mobility needs.

Highway 101 Corridor. The City is adjacent to the Highway 101 Freeway Corridor. In 2008, this highway carried Annual Average Daily Trips (AADT) of 52,000 (2008 Caltrans counts; website). Volumes are continuing to increase with freeway volume coming from local and regional sources. This segment carries heavy commuter traffic as well as interregional and local traffic. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic. Caltrans 2001 US 101 Transportation Concept Report identified widening Highway 101 as a concept to six lanes throughout District 5 and has recently been adding operational improvements, auxiliary lanes, and ramp improvements to mitigate the need for the additional lanes. The Arroyo Grande General Plan supports a Highway 101 widening project.

Other Corridors. State Route 227 and State Route 1 are the two other regionally significant roads. In 2008, Highway One carried Annual Average Daily Trips (AADT) of 10,000 (2008

Caltrans counts; website). State Route 227 is a fourteen-mile long, two- to four-lane, conventional highway. Beginning at the US101/Grand Avenue interchange in Arroyo Grande, it travels through “The Village” of Arroyo Grande, runs north through the coastal hills into the Edna Valley and feeds into Broad Street and the City of San Luis Obispo. The greatest conflicts arise as high traffic volumes must pass through the confined, commercial area of The Village. With no viable options to increase capacities within The Village, LOS F may be reached by 2010. Huasna Rd. to the Arroyo Grande City limits - has recently been repaved and, aside from rising volumes due to increased residential development east of the City, is functioning well.

Transit. SCAT (administered and managed by the RTA) operates three fixed-route bus lines seven days a week; the buses operate between 6 am and 8:00 pm on weekdays, between 7 am and 8 pm on Saturdays and 7am to 5 pm on Sundays. The routes are described below.

Route 21 operates between Grover Beach, Pismo Beach, Shell Beach, and Arroyo Grande

Route 23 runs between Grover Beach, Oceano, and Arroyo Grande.

Route 24 operates along Grand Avenue, Dolliver Street, and East Branch Street and services Arroyo Grande, Grover Beach, and Pismo Beach.

RTA also provides regional fixed-route services within San Luis Obispo County. RTA’s provides four routes. **Route 10** operates along the Highway 101 corridor between San Luis Obispo, Shell Beach, Pismo Beach, Grover Beach, Arroyo Grande, Nipomo, and Santa Maria.

Fire

The City of Arroyo Grande contracts with the Five Cities Fire Authority to provide staffing and fire service delivery to City residents. The Arroyo Grande fire station is located at 140 Traffic Way. The station is staffed with three firefighters: 1 Fire Captain, 1 Engineer, 1 part-time firefighter. The station houses one 1500 GPM triple combination engine, one reserve engine, one aerial truck (100' platform), one type III brush unit and one rescue unit. The Arroyo Grande station also serves as the headquarters for the Five Cities Fire Authority.

The City benefits from the resources that come with having a Joint Powers Agreement with the City of Grover Beach and Oceano Community Services District. With the JPA, the Five Cities Fire Authority became the second largest metropolitan fire department in the County enabling it to increase its presence in the Five Cities area in response to emergency situations. The Authority employs 17 career firefighters and 30 part-time firefighters giving the residents 0.68 firefighters per 1000 population. The national average is 1.3 firefighters per 1000 population. Response times have an overall average of 5 minutes 13 seconds. An engine company will arrive on scene within 4 minutes 52% of the time. The Five Cities Fire Authority also has automatic aid agreements with Pismo Beach and San Luis Obispo County Fire. The result is improved fire and life safety services to the residents at a reduced cost.

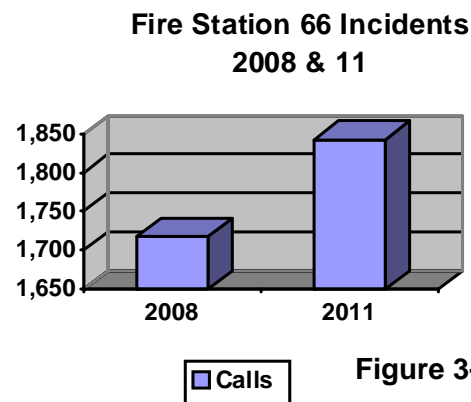


Figure 3-9

The City maintains ownership of the equipment, engines and buildings while the Five Cities Fire Authority provides personnel and administrative infrastructure. The City requires all new development pay fees towards additional equipment and fixed facilities in order to service the new development. In annexation areas, the Authority will consider the need for additional fire stations, equipment and staffing. The FCFA may explore the formation of a fire protection benefit assessment district to enhance fire prevention, fire suppression and emergency medical services in order to meet national and state standards. The number of incidents Station 66 responded to in 2011 was 1,843.

POLICE

The City of Arroyo Grande provides law enforcement services for the residents of the City. The Arroyo Grande Police Department has 34 dedicated full-time employees with a budget in fiscal year 2012 of approximately \$5,890,173. In addition, the Department has 15 part-time employees and 52 community volunteers who assist the organization by participating in several programs such as Citizens Assisting Police, the South County Police Volunteers, Police Chaplain, Citizen Academy, Explorer Post and the Community Advisory Council. An overview and services provided by the Department are briefly described below. The City of Arroyo Grande Police Department website is the source of the following information:

Overview: The town of Arroyo Grande was founded in 1897 in southern San Luis Obispo County. Arroyo Grande was one of the many western towns springing up along the west coast in a state that was slightly over thirty years old. Like many small western towns, Arroyo Grande employed a night watchman to protect the community prior to the formation of a police department.

The City offices, including the Police Department operated out of a converted house at the corner of Branch and Mason Streets, across from the current former City Hall, from about 1911 until 1950. It was the 1902 home built by Tom Steel that was converted for the Cities' use at a cost of two thousand dollars. The old house provided office space for all of the city departments.

The City Hall and Police Station were moved to the site of the former City Hall on December 18, 1950. One room was used as the council chambers at night and as the Justice Court in the daytime. The Police Department had an office in the building and shared a jail cell built in the basement with the County Constable. The building remains in use as the City Hall.

The organizational structure consists of two major divisions; Patrol Services and Support Services, each headed by a Commander. The remainder of the full-time team includes five Sergeants, eighteen Police Officers, one Executive Secretary, one Support Services Supervisor and six Support Service Technicians.

In 2007, City and Police Department staff began the process of surveying current and future needs and studying options for expanding the current police facility. A feasibility study for expanding the police facility was conducted by an area architectural firm, and conceptual drawings for adding nearly 3500 square feet are currently under review. Finalizing plans for addressing the need for additional space in the police facility is a major goal for Chief Annibali for 2008 as is moving into a new or expanded and renovated facility before the end of the decade.

Service Levels. Service levels for Police are often measured in terms of the number of sworn officers per 1,000 people in a community. This is a general measure and should be used only as one piece of information in characterizing police service levels. Service levels vary from city to

city because of minimum patrol staffing, officer safety, available back-up from surrounding law enforcement agencies, demographics, geographic features, special service needs, specific crime problems, and other factors. The following is a ratio of full-time sworn officers per 1,000 in population for the City of Arroyo Grande in 2009, calculated using the following formula:

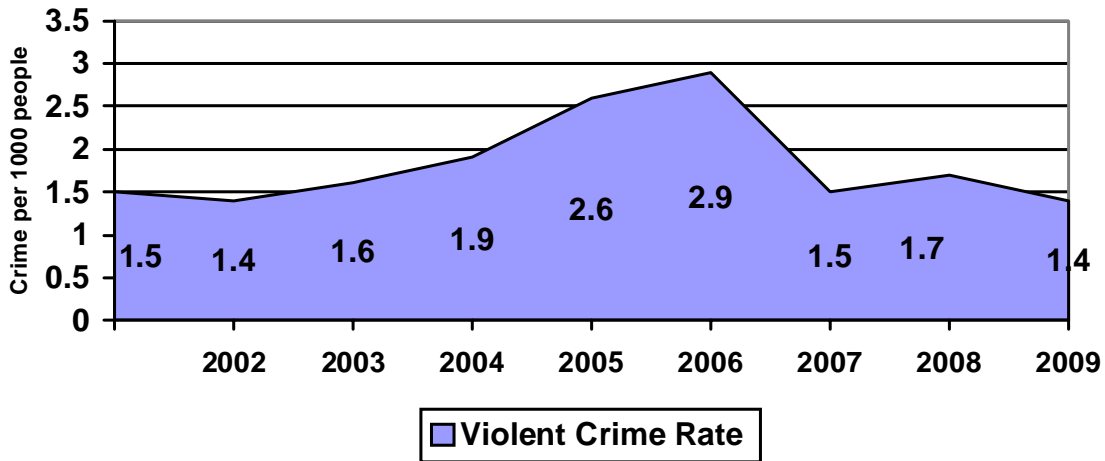
$$17,110 \text{ population} \div 1,000 = 17.11 \text{ people}$$
$$26 \text{ sworn employees} \div 17.11 = 1.5 \text{ officers per 1000 people}$$

Nationwide the Department of Justice-FBI law enforcement statistics show the ratio to be an estimated 2.5 officers per 1000 people for communities the size of Arroyo Grande. The average officers/1,000 ratio for the seven cities in San Luis Obispo County is about 1.6 officers, with Pismo Beach being the highest at 2.6 and Paso Robles the lowest at 0.90 officers/1,000.

The figures on the next page show the violent and property crime rates per 1,000 people for the City of Arroyo Grande from 2002 through 2009. Violent crimes include homicide, rape, robbery, and aggravated assault and have been steadily decreasing. Property crimes include burglary, larceny, auto theft, and arson. This information is from the California Department of Justice Crime statistics. The 2002-2009 crime statistics are based on data from the State of California's Office of Attorney General, Department of Justice, Criminal Justice Statistics Center.

Figure 3-10: Violent Crime Rate

City of Arroyo Grande - Violent Crime per 1000 people

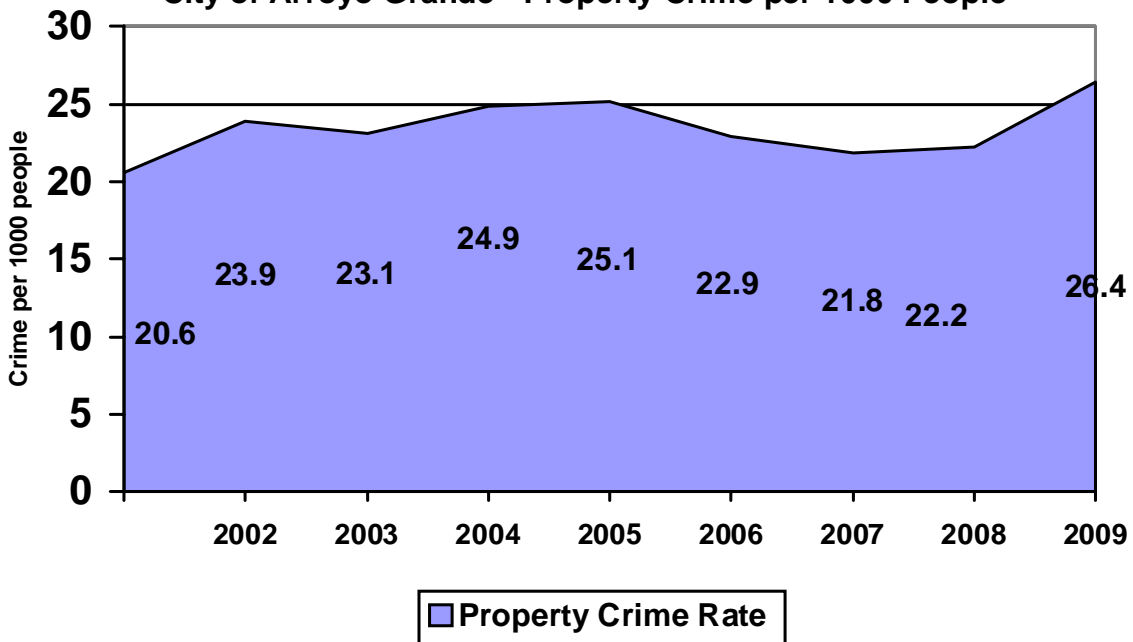


Source: California and FBI Crime Index Table 11, 2001-2009

Figure 3-11: Property Crime Rate

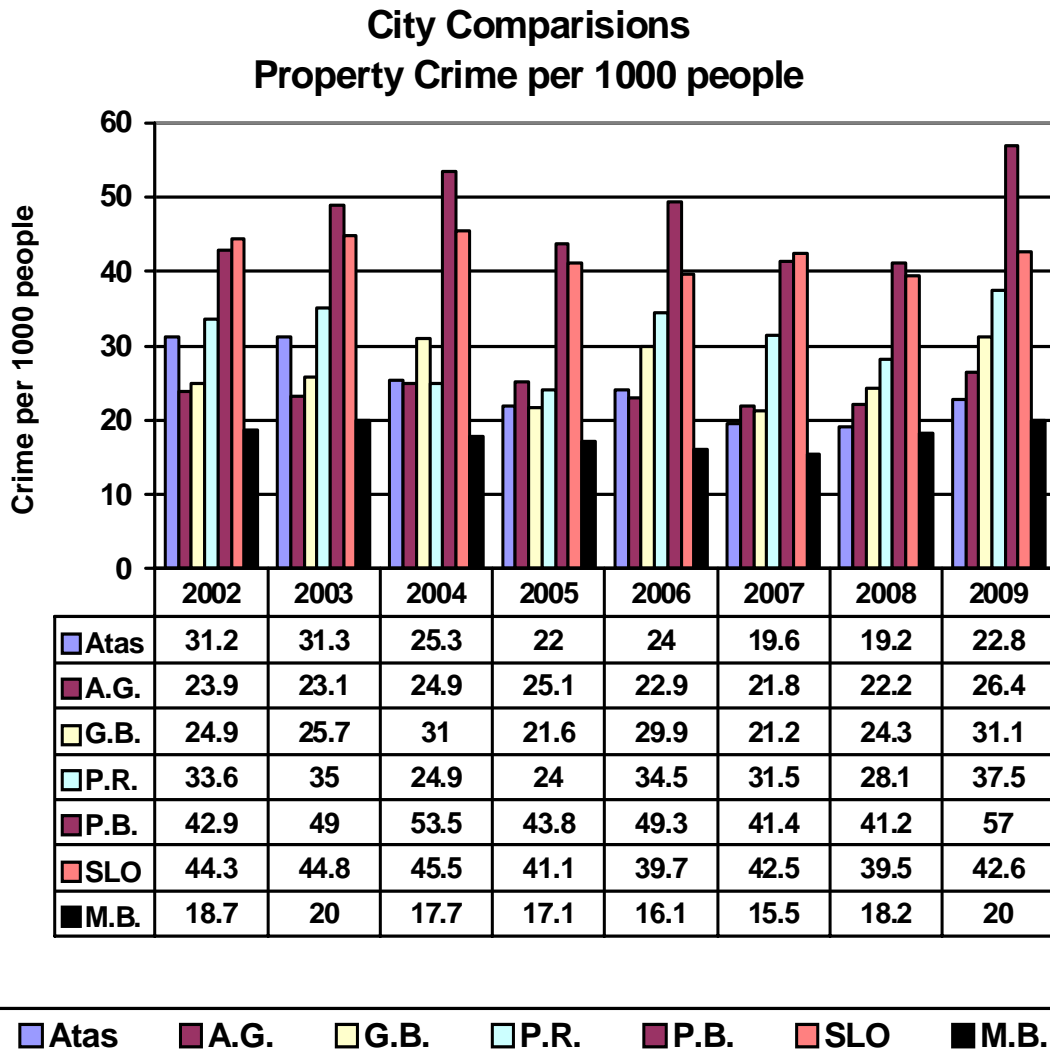
Source: California and FBI Crime Index Table 11, 2001-2009

City of Arroyo Grande - Property Crime per 1000 People



The following figures show the City of Arroyo Grande property and violent crime rates compared to the other cities in the County. Property crime involves burglary, larceny, auto theft and arson. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County and cities, the crime rate shown is per 1,000 people.

Figure 3-12: Comparative Crime Rate

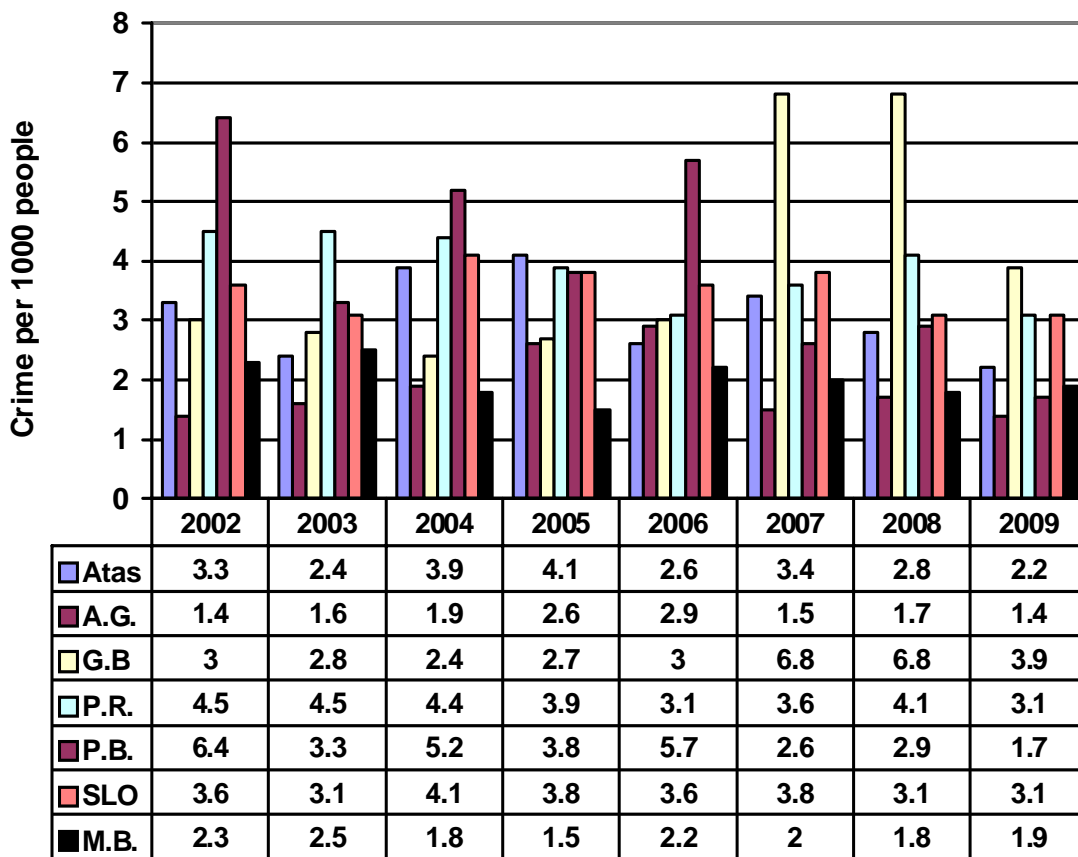


Source: DOF E4, 2009 and California Department of Justice Department

Violent crime involves homicide, rape, robbery, and aggravated assault. These statistics are from the California Department of Justice Law Enforcement Information Center and the California Department of Finance E4 report, 2009. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County cities, the crime rate shown above is per 1,000 people.

Figure 3-13: Comparative Crime Rate

City Comparisions
Violent Crime per 1000 people



Source: DOF E4, 2009 and California Department of Justice Department

The Police Department has met the needs of the residents and visitors by utilizing paid reserves when needed, overtime for full-time employees and by prioritizing the urgency of conflicting demands for assistance. The City's General Plan requires that all new development pay impact fees for additional equipment and fixed facilities needed to serve the new development with police services. The City also has a policy of maintaining staffing levels that enable the Police Department to give adequate attention to calls for service, to patrol and crime prevention, and to administrative requirements.

DEVELOPMENT IMPACT FEES

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

WRITTEN DETERMINATIONS

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

Water Supply and Demand

1. The City is able to provide the services (water, sewer, police and fire) to the development within the City. The policies and standards in the City's General Plan provide for future services to be funded by the developer. Resources will be needed as projects are considered and approved by the City.
2. The City's potentially available Water Supply is estimated to be 3,873 AFY in the City's Urban Water Management Plan which was updated in 2010. The current estimated water demand within the City limits is estimated to be 3,256. The future demand within the City limits and SOI is estimated to be 3,727 AFY.
3. The City currently has an adequate water supply to serve the anticipated build-out within the City under its current General Plan. Properties proposed for annexation would be required to demonstrate supplemental water resources to adequately serve the development.
4. At this time, the City would likely need to obtain water supplies that are not presently available to the City of Arroyo Grande to serve the SOI areas and maintain a reliable supply for the City. These sources are available to the City on the basis of economic investment, which would likely be an obligation of the annexing territory.
5. The City's General Plan policies would not allow water services to be provided in excess of the available supply.
6. Additional infrastructure to accommodate future development will likely include expanded water supply, improved water storage and distribution facilities.

Wastewater

7. The City regularly maintains the wastewater collection system, which consists of sewer pipelines, manholes, and pump stations.

8. The treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.9 million gallons per day. The system is operating at 60% of capacity.
9. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects and is dependent on state revenues, the local economy, budget priorities, and the availability of low-interest loans.

Roads and Streets

10. The City's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
11. The City improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.
12. Several transportation projects are in the planning stages and are progressing toward construction. These projects will provide for the continued upgrade of the City circulation system.

Infrastructure

13. Development proposals in the Sphere of Influence would be required to extend physical infrastructure to their respective sites as needed and pay their share for facilities and other City services as a condition of project development.
14. The City continues to regularly upgrade and maintain its public facilities, including roads, water system, and wastewater treatment and collection system through its Capital Improvement Plan.
15. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities and is funded on a priority basis depending on the City's financial status.

16. The City's General Plan, Capital Improvement Plan, Circulation Element and Water Master Plan address the provision of infrastructure for water, wastewater, roads and other public facility needs.
17. Additional infrastructure to accommodate future development would likely include expanded water supply lines, improved water storage and distribution facilities, and road improvements.
18. According to the City, an additional park or parks should be included to serve the southeast side.
19. The City should be able to provide the services (sewer, police and fire) to areas within the existing Sphere of Influence while continuing to adequately serve existing residents, pursuant to the policies and standards contained in the General Plan are implemented when considering annexations and development projects.
20. Infrastructure is accessible to any affordable housing project that might be proposed within the City limits or in the Sphere of Influence
21. Populations in the areas adjacent to the City are in the unincorporated County and are already served by onsite water and septic systems and County Sheriff and Fire services.

Police and Fire

22. The City of Arroyo Grande has a lower crime rate than other cities in the county and will have the opportunity to add police staff as needed to cover the sphere of influence areas.
23. The City's Police Department is adequately staffed to provide law enforcement services to its residents.
24. The City continues to evaluate the level of staffing needed to provide adequate services to residents.
25. The City will have the opportunity to add police staff as needed to cover the Sphere of Influence area.

3.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

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

Budget

The City of Arroyo Grande's two-year budget document is well organized, thorough and clearly articulates the City's future financial plans. The City's 2012/13 Operating Budget identifies the sources of revenues, past year's accomplishments and financial performance. As part of this Service Review, budgets from the last two years have been reviewed. The budget document provides information that is divided into the following sections:

Section 1 – Budget Message

This section provides a concise overview of the budget including revenues and expenditures for the General Fund. The City's fiscal policy and General Fund budget are listed and the fund structure shown.

Section 2 – City-wide Budget

A financial overview for the City's budget process and goals are listed and includes the appropriation limitation for the Fiscal Year.

Section 3 – General Fund

Identifies costs associated with the day-to-day operation and maintenance of the City. The budget provides the revenues and expenditures for each department for the fiscal year along with the previous three-year comparison. The budget also provides prior two-year budget accomplishments and the budget highlights for the next two years.

Section 4 – Special Revenue Funds

This section of the Budget lists and summarizes the special revenue funds for the City including fire protection impact fees, police protection impact fees, public access television, park development, recreation community center fund, traffic signalization fund, Grace Lane assessment district, and street (gas tax) fund, etc.

Section 5 – Enterprise and Related Funds

This section is funded from water and sewer revenues and charges and is allocated to the following cost centers:

- Water Fund
- Water Facility Fund
- Sewer Fund
- Sewer Connection Fund
- Lopez Fund

Section 7 – Capital Improvement Projects

This section of the Budget lists and prioritizes the capital improvement projects for the City. It provides costs and a description of the planned projects.

The budget that is adopted is the spending plan for the City and provides a framework for the City to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees.

The City of Arroyo Grande has adopted a budget plan that resulted in a comprehensive restructuring program, which combined a number of functions, reduced the number of departments, and cross trained staff to perform multiple responsibilities. Under the restructuring plan the Public Works Department was eliminated. Engineering Services became a division within the Community Development Department. Street, Water, Sewer and Fleet Maintenance operations were all transferred to the Parks, Recreation & Facilities Department, renamed to Recreation and Maintenance Services Department. Human Resources were transferred to Financial Services Department, renamed to Administrative Services Department. The former Administrative Services was renamed to Legislative and Information Services Department.

Investment and Purchasing Policies

The City has investment policies that guide the City with regard to investing the unexpended cash in the City Treasury. The primary objective of the investment policy is to enhance the economic status of the City while protecting its cash resources. Safety of the principal is the foremost objective. Investments can only be placed into those types of securities described in the Investment Policies document. The City's policies call for the portfolio to be managed in a manner responsive to the public trust and consistent with state and local regulations. The

policies limit the types of investments that can be made and further designates the appropriate investment mechanisms that may be used. The investment portfolio is to remain sufficiently liquid to enable the City to meet its cash flow requirements. The City participates in several joint-financing efforts to minimize costs, including:

- ▶ California Joint Powers Insurance Authority to provide coverage for workers compensation, liability and property insurance at the lowest possible rates.
- ▶ Lopez Flood Control Zone 3 is funded by the several jurisdictions including Arroyo Grande. These funds are being used for the Dam retrofit project that is being completed by the County.
- ▶ The City participates in an agreement with the cities of Grover Beach and Pismo Beach regarding the groundwater being shared by each those jurisdictions.
- ▶ Five Cities Fire Authority to provide fire protection services.

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

Annual Audits

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

“In my opinion, the financial statements referred to above (not shown) present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Arroyo Grande, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.”

An “unqualified” independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principals and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The City also posts its annual budget and audits on its website. This provides the public with easy access to the annual budget and audits. Conversely, an independent auditor would identify accounting financial concerns if these were found.

Fiscal Trend Analysis

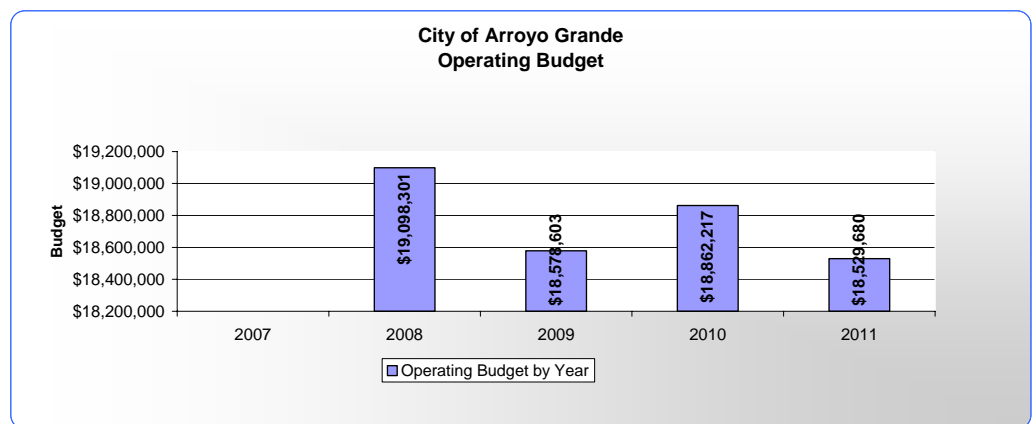
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include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

Operating Budget Figure 3-14

Formula:
Consolidated Expenditures / Fiscal year

Trend Analysis:
Monitor expenditures over time.

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



Description:

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

General Fund Budget Figure 3-15

Formula:

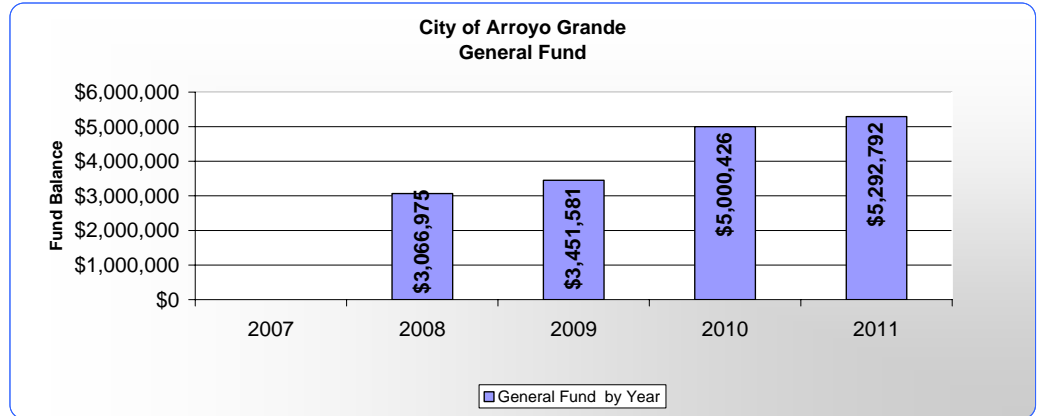
General Fund Expenditures / Fiscal year

Trend Analysis:

Monitor expenditures over time.

Source:

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



Description:

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

Property Tax Revenues Figure 3-16

Formula:

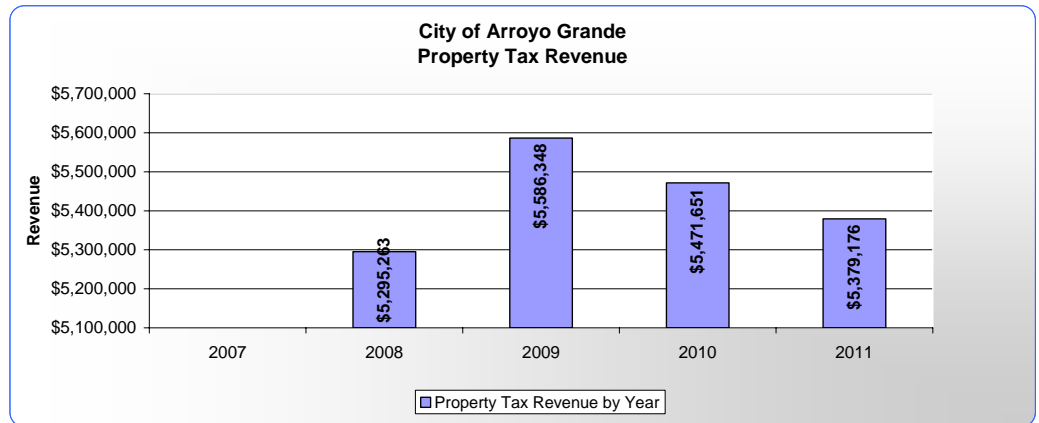
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

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



Description:

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

Discretionary Revenues Figure 3-17

Formula:

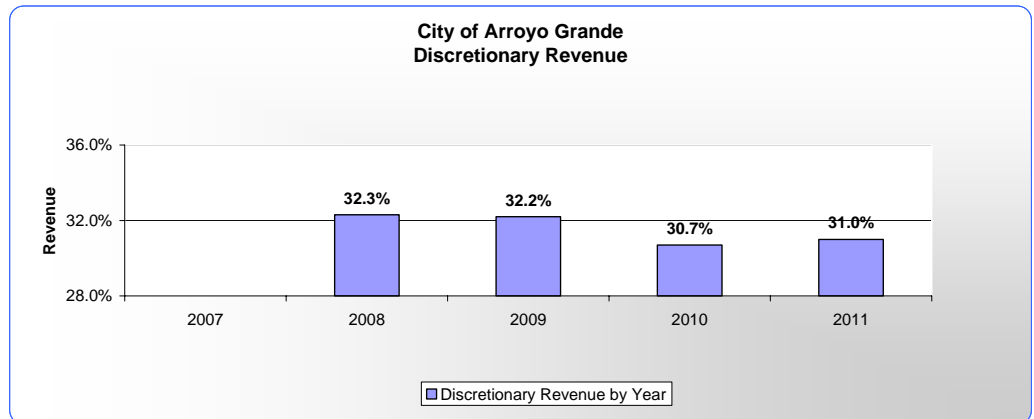
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

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



Description:

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

Reserves Figure 3-18

Formula:

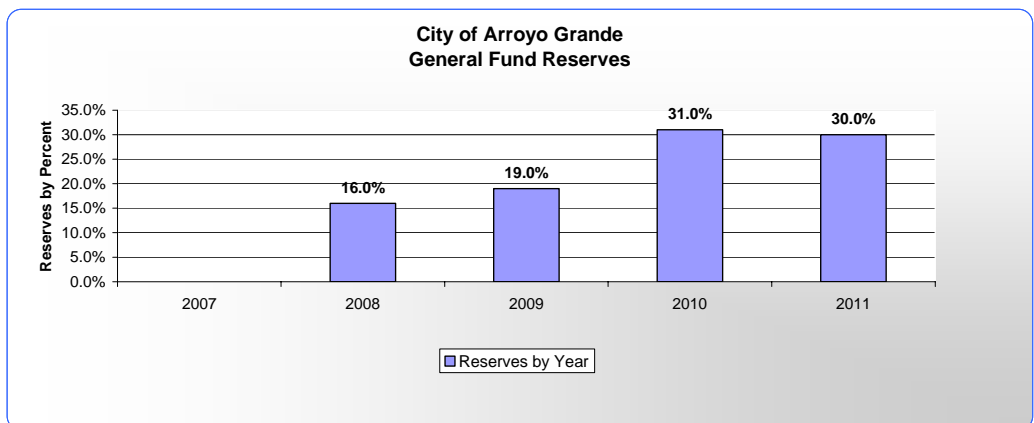
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

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



Description:

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

Long-Term Debt/Liabilities Figure 3-19

Formula:

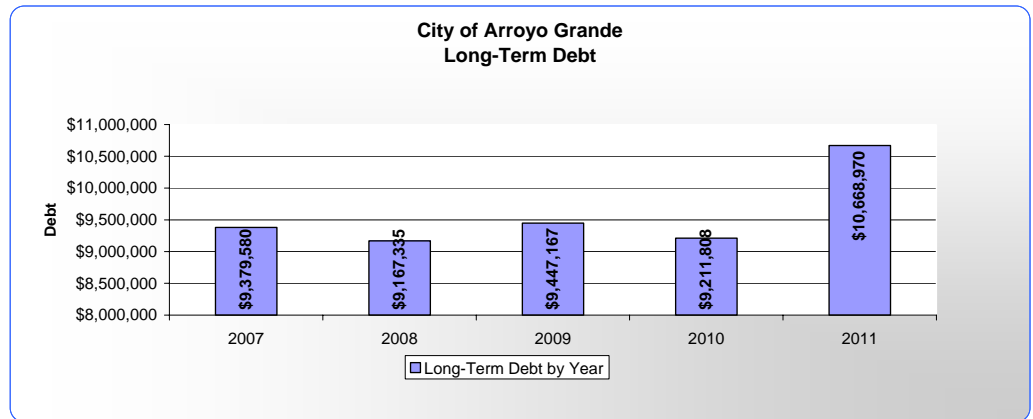
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



Description:

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

Changes in Fund Balance Figure 3-20

Formula:

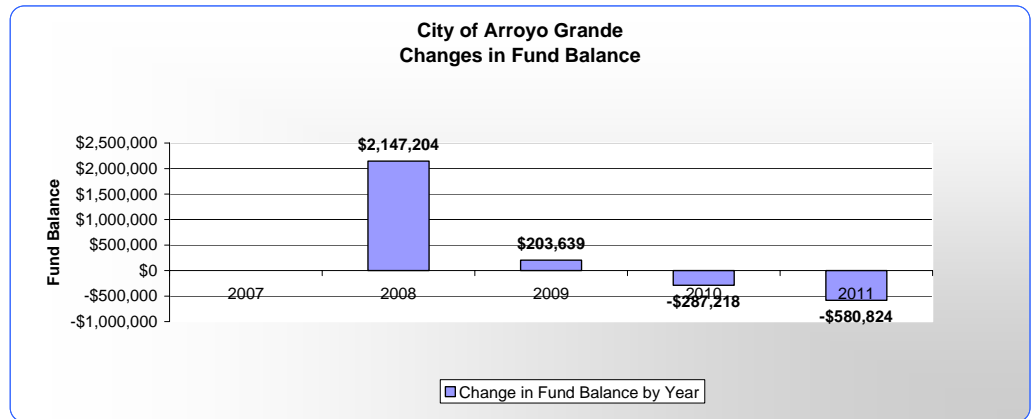
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

Monitor general fund operating deficit or surplus as a percentage of net operating revenues.

Source:

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



Description:

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

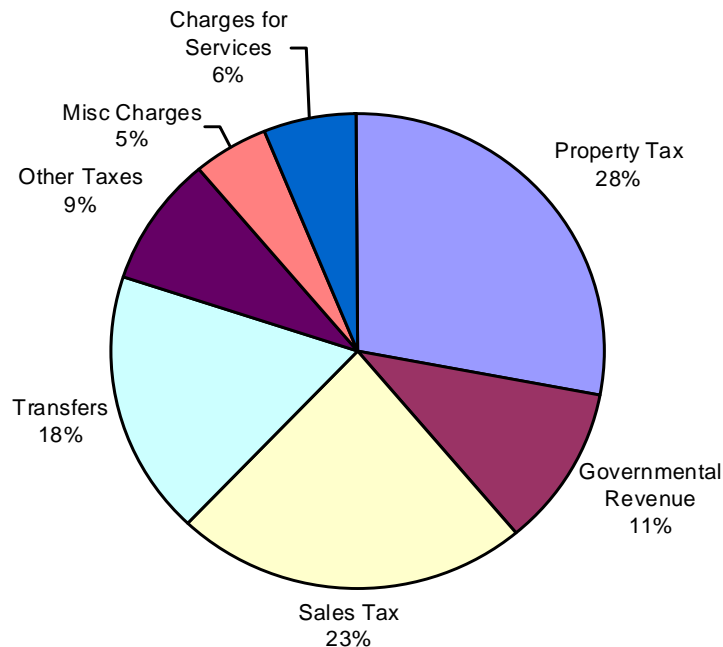
Constraints

Like many jurisdictions during this difficult fiscal period the City of Arroyo Grande has carefully managed its financial resources. Construction of new infrastructure to serve the SOI areas presents a challenge in terms of funding such projects. Serving the SOI areas will likely require a plan for financing infrastructure improvements in these areas. This plan would address funding sources for a number of needed improvements including roads, pipeline infrastructure, water supply, and other capital improvements. Funding and timing of these improvements would require planning and investment of resources. The need to fund a future supplemental water supply is a challenge for the City. Development of the water supply, design of a system, construction of infrastructure, and continued operation and maintenance costs could be funded in a number of different ways, including the implementation of increasing water fees, development impact fees, the sale of bonds or other loan instruments.

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

Major Revenues. The two primary General Fund revenue sources for the City, Property Tax and Sales Tax, are projected to decrease by 2% for Property tax and 3% increase in Sales tax when compared to estimated revenues for FY 11-12. The projected June 2012 Fund Balance of the General Fund is \$2,485,445, which equals approximately 19% of General Fund appropriations. About 70% of the City's general fund revenues come from the local hotel tax, sales tax revenues, franchise tax, business license tax and local property taxes. In 2011, these revenues decreased from the previous year property tax revenues were \$5,379,176 while sales tax revenues were \$4,781,774. The City monitors closely the two major revenue sources: property, and sales tax given the recent economic and national events.

**Figure 3-21
Revenue Sources**



Long-Term Debts

The City has the following long-term debts:

- \$144,999 in outstanding leases for 2008 Police Fleet, the repayment of this debt will be completed in 2012.
- Lopez Water Maintenance Contract, estimated \$3,366,471 is expected in FY 12/13 for debt and maintenance of Lopez Dam
- \$6,165,000 in tax allocation bonds were issued under the Redevelopment Agency to finance projects and repay Cooperation Agreement.
- \$1,395,000 in General Obligation bonds for the expansion, construction, and retrofit of the City's fire station.
- \$192,392 for the lease of a platform fire truck.
- \$127,512 with the California Energy Resource Conservation and Development Commission for the purpose of funding a city-wide energy savings project.
- United States Department of Agriculture loan payable of \$1,200,000 to acquire the property and office building for the relocation of the City Hall offices.
- \$129,293 for a reimbursement agreement with S&S Homes.

Redevelopment Agency. California's Dissolution Act (AB x126) was passed that called for the winding down of all existing California redevelopment agencies. The Act dissolved RDAs as of February 1, 2012. A Successor Agency could be established to be the Sponsoring Community of the RDA unless the community elects not to serve in that capacity. The City of Arroyo Grande did create a successor agency to the Arroyo Grande Redevelopment Agency that was activated in 1996. The Oversight Board supervises the activities of the Successor Agency to the dissolved Redevelopment Agency, and consists of seven members representing the City of Arroyo Grande, the County of San Luis Obispo and local education and special districts of the Redevelopment Project Area. The Dissolution Act requires the Oversight Board to direct the Successor Agency (the City) in winding down the affairs of the dissolved Redevelopment Agency. The Oversight Board has a fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues. The Agency adopted the Redevelopment Plan for Arroyo Grande Redevelopment Project Area. The Project Area consisted of 510 acres of commercial, industrial, institutional/governmental/open space, residential, and vacant land uses within the City. Pursuant to Section 33490 of the California Redevelopment Law, Health and Safety Code Section 33000 et seq. (Law), the Implementation Plan serves as a strategy document that will guide current and future projects and programs by the Agency to:

1. Encourage the redevelopment of the Project Area subject to and consistent with the City's General Plan and/or specific development plans as may be adopted from time to time through the cooperation of private enterprise and public agencies;
2. Enhance the long term economic well-being of the community;
3. Provide for the rehabilitation of commercial and industrial structures and residential dwelling units;
4. Provide public infrastructure improvements and community facilities, such as the installation, construction, and/or reconstruction of streets, utilities, public buildings and facilities (such as facilities for pedestrian circulation and parking facilities), storm drains, utility undergrounding, or structures, street lighting, landscaping and other improvements which are necessary for the effective redevelopment of the Project Area;
5. Provide for participation in the redevelopment of property in the Project Area where feasible by owners who agree to participate in conformity with the Redevelopment Plan;

6. Encourage joint efforts and cooperative efforts among property owners, businesses and public agencies to achieve desirable economic development goals and programs and to reduce or eliminate existing blighting conditions;
7. Increase, improve and preserve the community's supply of affordable housing.

Fiscal Considerations

While residential uses generally do not cover the full cost of municipal services from property and local sales taxes that are generated, the opportunity to require privately maintained amenities, roads and open space in residential development projects, coupled with the inclusion of commercial development suggests that the SOI areas as recommended may be able to break even in terms of revenues versus costs of services. In December 2009, the median home price in the City was \$459,000. Since the property taxes are calculated based on the sales price of homes, the higher the selling price the more property tax revenue would be generated. These issues would be thoroughly analyzed as the development review process moved forward for areas located in the SOI and being considered for annexation.

The fiscal impact of development on a City's budget depends upon what type of development is approved residential, commercial-retail, office, hotel, or industrial. Fiscal impacts also depend on the City's financial structure. According to the California League of Cities, the Financial Structure of a City may include the following:

- City's costs of services to the development - costs vary, service levels vary - Arroyo Grande updated its Development Impact Fees in 2012.
- City's particular mix of service responsibilities - e.g., some cities are not responsible for certain services - Arroyo Grande provides all municipal services to residents.
- City's share of property tax revenue generated - shares vary – in part based on service responsibility. – City's local taxes and rates e.g. utility tax, hotel tax, business license tax, franchise tax, sales tax, etc.- The City approved a ½ cent sales tax increase in 2008.

The fiscal impact of development is also dependent upon the Local Economy. Several factors affect the City's financial picture:

- Local property values, which relate to assessed valuation for taxation.
- City's capacity to capture taxable sales from the new development within its jurisdiction - its land-use mix - level and proximity of taxable sales from the new development.

- Property turnover (resale) rates - property is reassessed for taxation upon resale.

Increased revenues from new homes would be directly derived from property taxes. The likely fiscal benefits to the City from the areas annexed may include modest levels of property tax collections from residential land development or Transient Occupancy Tax if tourist-oriented development takes place. As mentioned earlier, residential uses usually do not cover the costs of serving police, fire, roads, and general government services over the long-term. Other residential income that could help offset the costs of residential development would be derived from indirect sales and use taxes and one-time development impact fees.

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

Reserves

The City has adopted a Fiscal Policy which includes maintaining a Fund Balance Reserve of 20% of budgeted annual operating expenditures, with a minimum of 15% in the General Fund. In addition, the City's has a goal of maintaining 5% minimum General Fund budget as a contingency reserve. The budget for FY 2012-13 General Fund Reserve is \$2,369,890 which equals approximately 18%. Healthy reserves are one indicator that the City is in sound financial condition. The combination of conservative revenue projections and holding the line on expenditures should help Arroyo Grande maintain the reserve.

The City's goal of maintaining a 20% reserve is considered a conservative level for maintaining a good credit rating, to provide for economic uncertainties, contingencies for unforeseen expenses, and cash flow requirements. The City adopts a two-year budget which forces the City to look beyond the current year and attempt to alleviate any shortfalls that may occur in the future. The two-year budget also saves time and energy of the staff as well as money. The City has balanced the last three Fiscal Years budgets while increasing their reserves. The following

information is from City Adopted Biennial Budget, Two-Year Financial Plan FY 2011-13, [pie charts, pg 69].

General Fund

Rates and Fees

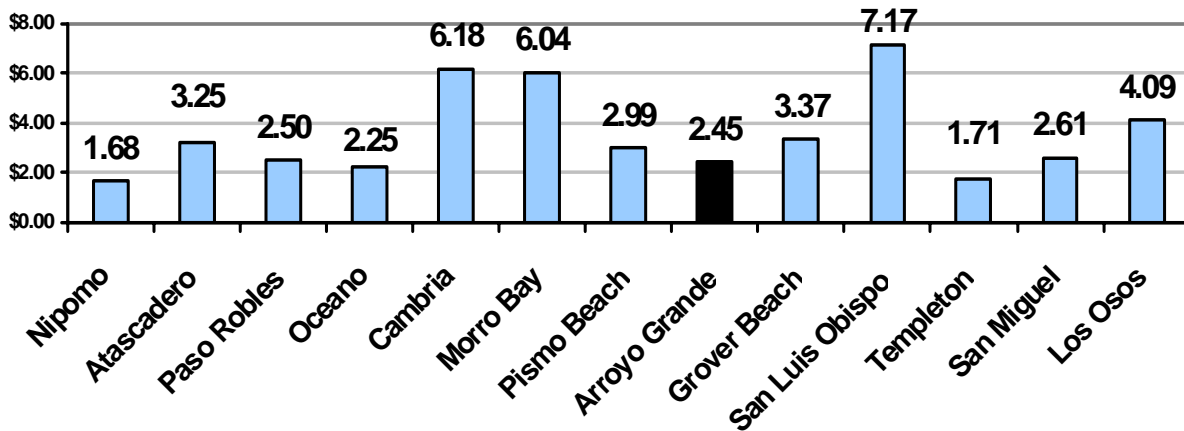
The City's Master Fee Schedule was updated in 2008, which included a fee structure for the cost of certain permits applications. The adjustment resulted in the City recouping a higher percentage of the actual expense of processing certain permits. Overall, the City carefully monitors the fees charged for services with the goal of providing a service at an equitable rate to the customer and residents.

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

Table 3-22: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Monthly Service Charge	\$0.00	\$18.00	\$16.43	\$31.90	\$32.13	\$9.63	\$0
Water Fee	\$0	\$2.10 (3-12 ccf)	\$5.59 (5 ccf)	\$2.30 (1-12 ccf)	\$2.21 (1-12 ccf)	\$3.20 (0-12 ccf)	\$5.73 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$2.50 (all ccf)	\$3.25 (13-25 ccf)	\$5.74 (10 ccf)	\$2.99 (13 + ccf)	\$2.45 (13-32 ccf)	\$3.37 (13-20 ccf)	\$7.17 (6-25 ccf)
100 cubic foot = 748 gallons		\$4.80 (26-50 ccf)	\$5.89 (15 ccf)		\$2.77 (33-64 ccf)	\$3.87 (21-42 ccf)	\$8.99 (26 + ccf)
		\$6.04 (20 ccf)					

Figure 3-22: Rates for Water Use at 20 CCF



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

Table 3-23 – Single-Family Water Rates and Monthly Bill

Rate/Fee	Paso Robles	Atascadero	Oceano	Cambria	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo	Templeton
Monthly Service Meter Charge	\$0.00	\$15.50 Up to 2 ccf	\$18.87	\$23.82	\$16.43	\$31.90	\$5.55	\$9.63	\$0.00	\$15.25 Up to 2 ccf
Water (per 1 Unit)	20 units @ \$2.50 (all ccf)	9 units @ \$2.10 (3-12 ccf) 9 units @ \$3.25 (13-25 ccf)	14 units @ \$2.25 (7-25 ccf)	9 units @ \$6.05 (7-15 ccf) 5 units @ \$6.18 (16-20 ccf)	\$5.59 (5 ccf) \$5.74 (10 ccf) \$5.89 (15 ccf) \$6.04 (20 ccf)	12 units @ \$2.30 (1-12 ccf) 8 units @ \$2.99 (13 + ccf)	12 units @ \$2.21 (1-12 ccf) 8 units @ \$2.45 (13-32 ccf)	12 units @ \$3.20 (0-12 ccf) 8 units @ \$3.37 (13-20 ccf)	5 units @ \$5.73 (1-5 ccf) 15 units @ \$7.17 (6-25 ccf)	17 units @ \$1.71 (3-17 ccf)
Other Charges	\$0.00	\$0.00	20 units @ \$1.14 (1)	\$0.00	\$0.00	\$0.00	\$26.58 (3)	\$0.00	\$0.00	\$0.00
Sample Monthly Bill (20 units of water)	\$50.00	\$68.65	\$73.17	\$109.17	\$115.04 (2)	\$83.42	\$78.25	\$74.99	\$136.20	\$44.32

(1) Price per unit for Dam retrofit.

(2) Morro Bay rates vary depending on use total; taking from Morro Bay water rates table for 20 units.

(3) Lopez Charge.

Sewer rates are compared in the table below:

Table 3-24: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	Oceano	San Luis Obispo
Flat Monthly Rate	\$25.86	\$20.18	\$64.43	\$62.23	\$22.36	\$24.78	\$23.85	\$7.01

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

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

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

WRITTEN DETERMINATIONS

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

1. The City prepares a biannual budget with a mid-year update, and strives to use the best practices in managing their financial resources.
2. The City conducts bi-annual budget and goal setting workshops that allow the public to participate in fiscal management that is integrated with long range planning, such as is the case in SOI areas.
3. The City looks to collaborate with the surrounding jurisdictions, as this has proved to be less costly to provide similar services. Examples of the City's joint efforts with other jurisdictions are previously cited in the Service Review.
4. The City has in place a variety of capital improvement plans, development impact fees, and developer-required mitigation in the form of infrastructure improvements required from new projects and similar programs to monitor public service needs of new development. It is reasonable to conclude that the City endeavors to avoid long-term City obligations for the capital improvement or maintenance of new development projects, such as those that would occur in the SOI areas.
5. There are no apparent short- or long-term fiscal constraints limiting the City of Arroyo Grande's ability to serve the suggested properties within the Arroyo Grande SOI. Further study at the time of annexation should be completed.
6. The City has in place financial policies that provide a structure for responsible decision-making.
7. Rates and fees for services are established using the City's policy and procedures and special studies as the need arises.

8. The City adopted a Master Fee Schedule in 2008 that provided the fees charged and services provided by the various City Departments.
9. The City uses the budget cycle to consider updating the fees and rates schedule that is implemented on an on-going basis.

3.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

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

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

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

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

In the case of roadways and creek trails, the opportunity to coordinate connections between collector and arterial roadways will enhance regional traffic patterns, and will aid in emergency response times. The recreational aspects of trail connections offer opportunities for the City and County to join their recreational resources not only to the benefit of the City residents, but for the general public of the County as well.

Coordination of open space corridors that cross over the proposed City-County limit lines will enhance the viability of habitat from the area and preserve these important oak woodlands and related habitat for generations to come.

The Memorandum of Agreement between the City and the County provides for future cooperation with regard to shared public facilities, land use planning and infrastructure.

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

- The City of Grover Beach and Oceano CSD for Joint Fire Services.
- The City of Pismo Beach, Grover Beach, and Oceano CSD for water supply.
- CAL Fire/SLO County Fire through reciprocal Automatic Aid Agreement and all neighboring fire agencies through the San Luis Obispo Operational Area Fire and rescue Mutual Aid Operational Agreement.
- Regional Water Quality Control Board regarding wastewater discharge
- California Department of Fish and Game to protect wildlife and environmental resources

WRITTEN DETERMINATIONS

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

1. The annexation of SOI study areas to Arroyo Grande may not lead to shared infrastructure with the County, as none presently exists in these areas.
2. At present, the distinction between City and County services in the SOI study areas is clear. The City would assume those services provided by the County in the SOI study areas if they are annexed and developed. These are not now, and would not be in the future, duplication of services in the SOI areas.
3. The City works cooperatively with a variety of State and Federal Agencies to facilitate improvements that benefit the City and protect residents and visitors.

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

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

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

The City Council holds regular meetings at 7:00 p.m. on the second and fourth Tuesdays of each month in the Council Chambers, at 215 East Branch Street. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on City issues not on the agenda. All Council meetings are televised live and videotaped for later playback.

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

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

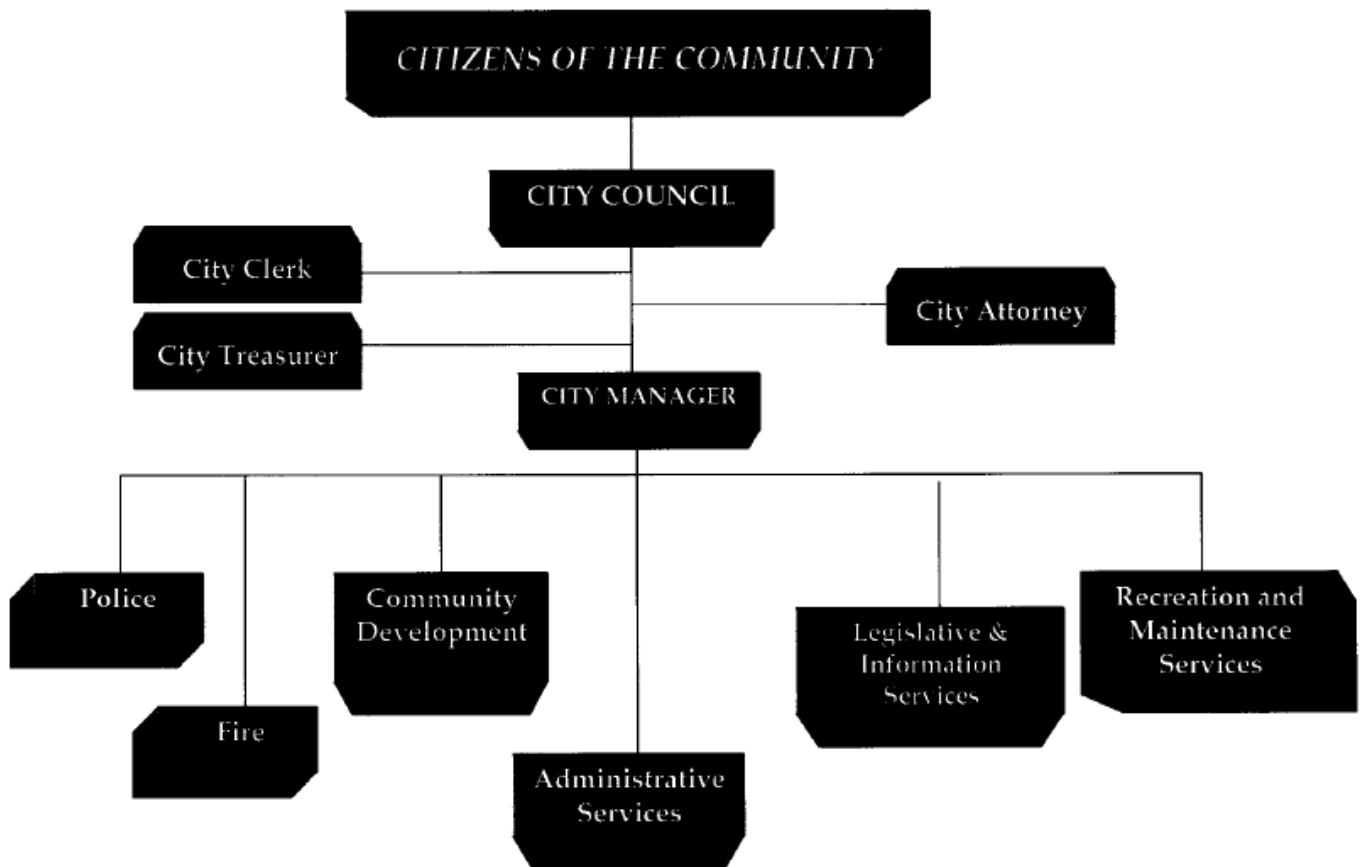
- Planning Commission
- Parks and Recreation Commission
- Traffic Commission
- Architectural Review Committee
- Downtown Parking Advisory Board

- Historical Resources Committee

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

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

Figure 3-23



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

The City maintains a comprehensive Work Programs and Projects Inventory that describes the projects and program being completed by each City Department. This document is regularly updated and includes a description of the program/project, key tasks to be completed, the lead staff person, start date and end date, and a status or comments section. The City produces and distributes to each resident a quarterly newsletter (Stagecoach Express) that provides relevant information about the community and City activities. The City also produces a quarterly sales tax newsletter that provides information about key trends and sales tax issues.

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

WRITTEN DETERMINATIONS

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

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

3.7 OTHER MATTERS

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

REFERENCES

- AECOM 2040 Population, Housing & Employment Forecast, August 2011
- 2010 Urban Water Management Plan, December 2011
- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2010.
- City of Arroyo Grande Budget FY 2009/10
- California Department of Finance E-4 Report, 2010
- City of Arroyo Grande Water & Wastewater Rate, 2010
- SLO Action 2010 Comprehensive Report, 2010
- Tally Ho Creek Planning Project Report, 2010
- Arroyo Grande Creek Habitat Conservation Plan, 2010
- 2009 Annual Inspection Report for Arroyo Grande Creek, 2010
- Arroyo Grande Creek Draft EIR, SWCA, 2010
- SLO County Resource Management System Annual Report, 2009
- California Department of Finance E-4 Report, 2009
- City of Arroyo Grande Comprehensive Annual Financial Report FY 09
- City of Arroyo Grande Fee Schedule, 2008
- City of Arroyo Grande Comprehensive Annual Financial Report FY 08
- San Luis Obispo County Tourism Analysis Report, 2008
- SLOCOG Regional Housing Needs Allocation, 2008
- County of San Luis Obispo Urban Water Management Plan, 2005
- San Luis Obispo Council of Governments, Regional Profile, October 2004.
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- San Luis Obispo Local Agency Formation Commission, Sphere of Influence Study, 2003.
- City of Arroyo Grande General Plan, 2001
- City of Arroyo Grande, Official Website, www.arroyogrande.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.ag.ca.gov.

CHAPTER 4

GROVER BEACH – MUNICIPAL SERVICE REVIEW



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

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

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

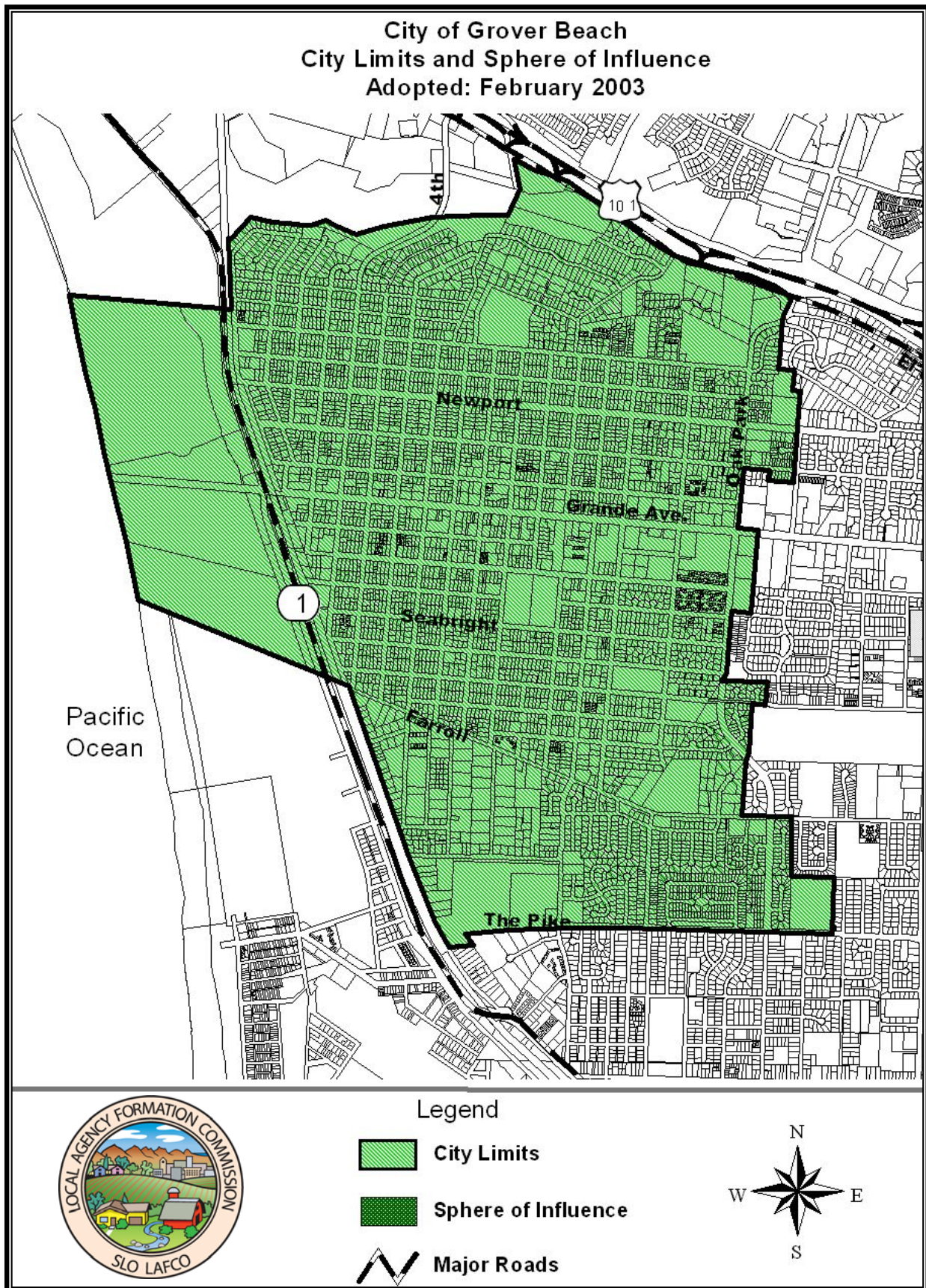
The table below indicates both the existing and possible agencies that could provide services to the SOI area. This assumes that the properties in the SOI area are eventually annexed into the City and are not served through an Outside User Agreement or some other mechanism. Typically, upon annexation, the City provides a full array of public services to the property or area being annexed.

Table 4-1: Existing & Proposed Service Providers within SOI

Service	Existing Agency Providing Services for SOI Areas	Agency to Provide Services for SOI Areas
General Government (including Governing Board, Counsel, Assessor, Finance and General Administration)	N/A No Existing SOI Areas	City of Grover Beach and County of San Luis Obispo
Water Service	N/A No Existing SOI Areas	City of Grover Beach
Wastewater collection, treatment and disposal	N/A No Existing SOI Areas	City of Grover Beach South San Luis Obispo County Sanitation
Storm water drainage, flood control	N/A No Existing SOI Areas	City of Grover Beach
Roads, Circulation, Street Maintenance Street Lighting	N/A No Existing SOI Areas	City of Grover Beach
Public Transportation	N/A No Existing SOI Areas	Same
Law Enforcement and Fire Protection Services	N/A No Existing SOI Areas	City of Grover Beach Police and Five Cities Fire Authority
Community Development/Planning and Building Services, Code Enforcement	N/A No Existing SOI Areas	City of Grover Beach
Solid Waste	N/A No Existing SOI Areas	South San Luis Obispo County Sanitation
Parks and Recreation	N/A No Existing SOI Areas	City of Grover Beach
Schools	N/A No Existing SOI Areas	Co. Superintendent of Schools Lucia Mar Unified School District

The Grover Beach Sphere of Influence was most recently updated in 2003, and saw no changes do to the well-defined area of land occupied by the City. Grover Beach is bordered by the cities of Pismo Beach and Arroyo Grande to the north and east respectively, by the Oceano Community Services District to the south and the Pacific Ocean to the west. Figure 4-1 shows the adopted City limits and coterminous Sphere of Influence.

Figure 4-1 - Grover's Existing SOI



4.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

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

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the City of Grover Beach. The previous Sphere of Influence update and Municipal Service Review for Grover Beach provides background information. The table below summarizes proposals considered by LAFCO since 1983 to the present.

Table 4-2 –Proposals Since 1983

Date	Action	Proposal	Acreage	Status
5/18/05	Outside User	Outside User Agreement with GB & AG (S&S Homes)	11.54	Approved
3/15/96	Annexation	Anx #9 of GB to the South SLO County Sanitation District		Approved
11/19/91	Annexation	Anx to GB & detachment from AG – a parcel located at the SW corner of Oak Park Blvd. & El Camino Real	.30	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends.

According to the 2010 US Census, the City has a population of 13,156. Total housing units were estimated to be 5,748 units. The City estimated population in 2020 within the current City limits estimated to be 15,000 (2010 Land Use Element). The City's population grew by 0.7% from 2000 to 2010.

California Department of Finance Population Estimates-2000 to 2010

The California Department of Finance (DOF) population estimates come from administrative records of several state and federal government agencies, as well as numerous local jurisdictions. According to the DOF, the total state estimate was within one-half of one percent (0.5%) of the 2000 census count. The table below reflects the DOF estimates for Grover Beach and the County of San Luis Obispo over the last decade. DOF estimates Grover Beach's current population as 13,276.

Table 4-3: Population Estimates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Grover Beach	13,067	13,151	13,148	13,090	13,290	13,280	13,250	13,144	13,177	13,278	13,276
County Total	246,681	250,329	253,824	256,190	258,902	261,699	263,939	266,043	268,636	270,901	273,231

Source: DOF E-4 Population Estimates for Cities, Counties and State, 2000-2010

Council of Governments Population Projections-2011

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

**Table 4-4: Projected Population Growth Grover Beach
San Luis Obispo Council of Governments Projections**

	2010	2015	2020	2025	2030	2035	2040
LOW	12,967	13,142	13,432	13,650	13,925	14,201	14,486
MEDIUM	12,967	13,142	13,432	13,684	13,999	14,317	14,638
HIGH	12,967	13,142	13,432	13,713	14,066	14,422	14,778

Grover Beach is the second largest of the Five Cities area and is directly adjacent to the Pacific Ocean. The estimated 2010 population for the City was 12,967, up only 26 residents from 2000 (AECOM). In 2010, there were 5,748 housing units or about 2.26 persons per household.

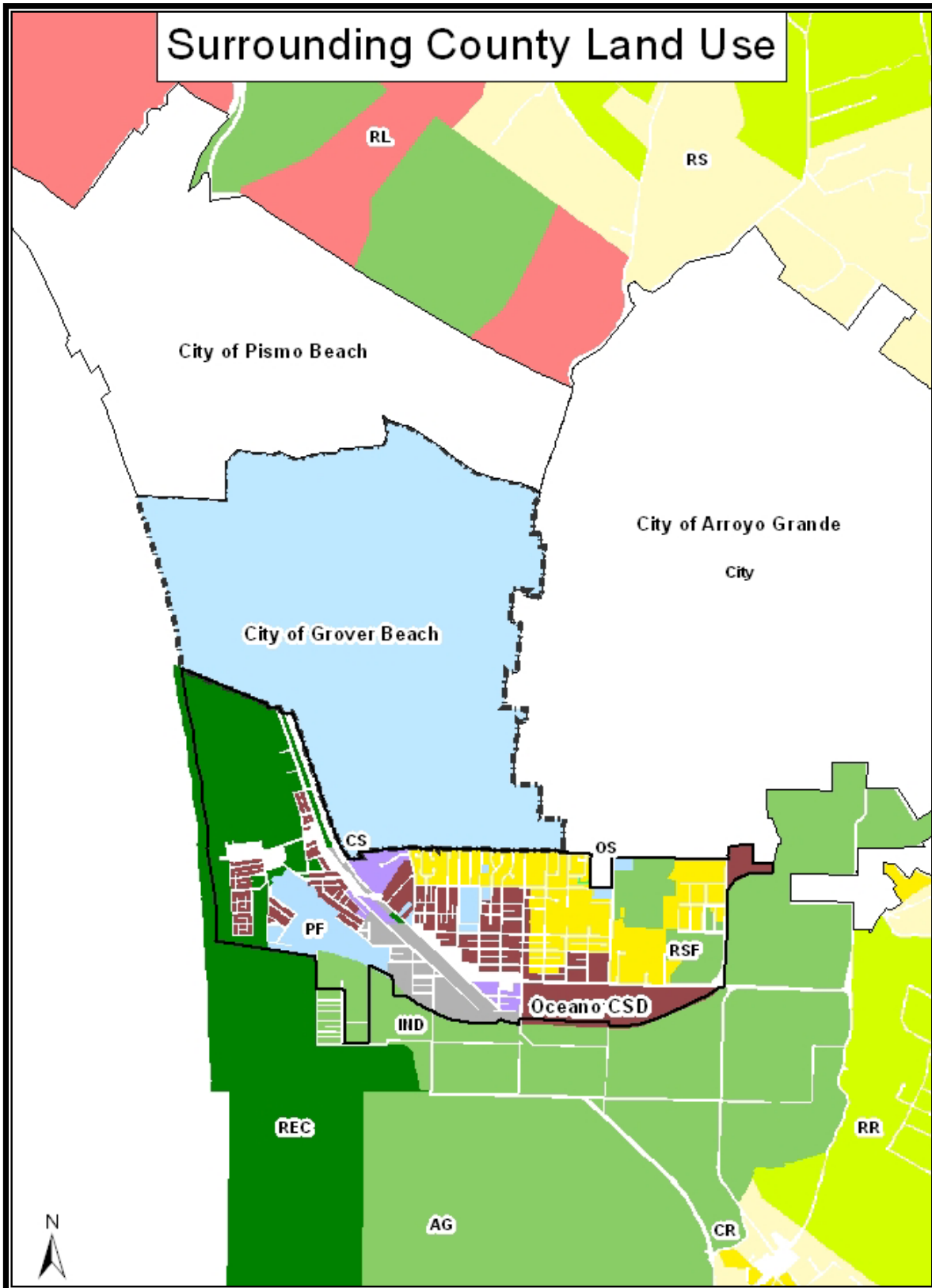
COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Grover Beach. Since Grover Beach is bordered by incorporated cities on two boundaries, its only interaction with lands under county jurisdiction occurs at its interface with the community of Oceano. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use.

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

The economy of Grover Beach is directly affected by the recreation/tourism industry in the planning area since many of the visitors to Pismo State Beach come through Grover Beach. However, Grover Beach does not have many of the tourist-serving businesses (i.e., motels, RV parks, etc.) that are found in neighboring Pismo Beach. Future growth and development of Grover Beach is expected to be mainly in-fill.

Figure 4-2 (E) Land Use



RMS Annual Report-2010

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

According to the 2010 Resource Management System Annual Report, the City now serves approximately 13,070 residents in 2010 compared to an estimated 13,067 in 2000. Over the last 10 years, Grover Beach's population has increased by approximately 129 people. This equates to approximately 0.1% per year rate of population increase over the 10 year period. The table below reflects the population data from the census and the County's 2010 Resource Management System Annual Report:

**Table 4-5: Historical & Projected Population Growth
Grover Beach California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	11,656	13,067	13,070	13,120	13,390	13,650	13,970
5 Year Increase	--	1,411	3	50	270	260	320
5 year % Incr.	--	12%	<1%	<1%	2%	2%	2.3%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

City of Grover Beach 2010 Urban Water Management Plan

Housing Units and Growth Projections. In the 2010 Urban Water Management Plan, the City of Grover Beach estimates that 13,156 people lived in the City. In 2010, the U.S. Census stated the total number of dwelling units is 5,748 with an average household size of 2.29 persons and an occupancy rate of about 89%. The City's Urban Water Management Plan projects the current City limit and Sphere of Influence boundaries to yield a population of 15,000 persons.

In summary, the City's slow growth rate is likely to continue based on the limited amount of vacant land available for residential development. The table below shows historic and projected growth rates:

Table 4-6: Historical & Projected Population Growth

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽¹⁾	2005 ⁽¹⁾	2010 ⁽¹⁾	2015 ⁽²⁾	2020 ⁽²⁾	2025 ⁽²⁾	2030 ⁽²⁾
Population	8,827	11,656	13,067	13,248	13,156	13,950	14,400	14,700	15,000
5 Year Increase	--	2,829	1,411	181	-92	794	450	300	300
5 year Avg. Increase	--	32%	12%	1.3%	-9.2%	6%	3.2%	2%	2%
Average per Year	--	3.2%	1.2%	<1%	-0.1%	<1%	<1%	<1%	<1%

(1) Source: U.S. Census

(2) Source: City's 2010 Land Use Element

CITY OF GROVER BEACH GENERAL PLAN, 2010

The City of Grover Beach recently updated and adopted its General Plan Land Use Element in 2010. The City's certified Local Coastal Plan was approved in 2000. Over the past 40 years, the City experienced periods of moderate residential growth rates, as well as very slow periods of growth. Population growth rates in the 1970s and 1980s averaged just over 3% per year, but during the 1990s, growth slowed to about 1% per year. In the 2000s, growth continued to slow to less than 1%.

Grover Beach's growth is likely to remain at a nominal level as the economic recovery continues to evolve over the next few years. The certified Housing Element adopted in 2009 estimates a total of 571 new dwelling units as a realistic build-out based on an inventory of vacant and underutilized properties. The 2010 Census reports the City currently has 5,748 existing dwelling units with a population of 13,156. Based on the Housing Element estimate of 571 new dwelling units the total number of dwelling units could be 6,319 yielding a population of 14,471. If the City were to growth at their maximum 2.5% growth rate allowed by the General Plan, or slightly more than 120 new units per year, build-out could occur within eight years. Growth rates closer to recent historical rates of less than 1% would prolong this period to eighteen to twenty years. In either case, the City of Grover Beach has limited potential for new residential housing within existing City limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential of vacant land within the City.

Table 4-7 Build-out Summary: Vacant Land within City

Area	Acres	Units	Population	Land Use
C-R-A	2.47	4.0	10	Low Density Residential
R-A	4.09	6.5	17	Low Density Residential
R-1	2.97	11.9	31	Low Density Residential
C-P-R-1	1.23	4.9	13	Low Density Residential
C-R-1	0.87	3.5	9	Low Density Residential
C-R-2	0.40	2.9	8	Medium Density Residential
R-2	1.97	14.2	37	Medium Density Residential
C-B-D	0.38	6.1	16	Central Business – Mixed Use
C-C-V	1.22	19.6	50	Visitor Serving – Mixed Use
C-P	0.11	1.7	5	Neighborhood Serving – Mixed Use
C-V	0.34	5.5	14	Visitor Serving – Mixed Use
R-3	0.67	10.7	28	High Density Residential
Total Vacant Sites within City Limits	16.73	91.5	236	

Source: City of Grover Beach Housing Element 2009.

Visitor-Serving. The City attracts some tourists to the County and promotes a tourism industry that contributes economically to the County and other jurisdictions in the area. Grover Beach has an inventory of only 156 hotel rooms. The visitor accommodations in Grover Beach represent approximately 2% of the total available accommodations Countywide (EVC; 2008).

Recent Building Permit Activity

Building Permits have been compiled for Grover Beach from the Community Development Department. The table below shows the finalized building permits by year from 2002 through 2010. Since 2002 the City has finalized 305 new single-family units, 50 multi-family and 14 new commercial buildings.

Table 4-8: Building Permits Finaled 2002-2010

	SF	MF	Commercial	Mixed-Use
2010	20	0	1	0
2009	12	4	2	0
2008	19	26	3	0
2007	28	2	0	9
2006	28	0	0	0
2005	38	3	1	1
2004	34	8	5	18
2003	114	2	1	1
2002	12	5	1	1
Total	305	50	14	30

Source: Grover Beach Community Development Department 2012

Land Use

The General Plan Land Use Element establishes policies and implementation measures to guide in the City limits. The Land Use Element limits residential growth at 123 units annually or at a rate of 2.5%. There are no growth limits to commercial or visitor-serving growth in place under the General Plan.

It should be noted that the City's General Plan/LCP provides a clear and detailed policy base with regard to future growth and development within the City. It comprehensively addresses the various facets of development, provides clear information to the public, and gives decision-makers a sound foundation for considering future projects.

It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

Housing Element. The City's Housing Element was adopted by the City Council and certified by the State Department of Housing and Community Development (HCD) in 2009. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2007 through July 1, 2014. The table below shows the total number of residential units (193) the City of Grover Beach must provide zoning for in that time. HCD completed the review and certified the Housing Element.

Table 4-9: 2007-2014 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category				Totals	% of Units
	Very Low	Low	Moderate	Above Moderate		
Arroyo Grande	83	58	69	152	362	7%
Atascadero	106	74	88	194	462	10%
Grover Beach	44	31	37	81	193	6%
Morro Bay	41	29	34	76	180	4%
Paso Robles	149	103	123	271	646	10%
Pismo Beach	36	25	30	66	158	3%
San Luis Obispo	366	254	302	668	1,589	33%
County Unincorp.	298	207	246	544	1,295	27%
Total Units	1,124	782	928	2,052	4,885	100%

Source: SLOCOG RHNA 2008

The Housing Element is one of the seven State mandated elements of the City's General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City has developed a set of objectives and specific policies and programs to prepare for the production of housing in the City of Grover Beach.

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

The Housing Element provides a detailed assessment of the housing stock in Grover Beach, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or

remodeled. The Element assesses the effectiveness of past housing programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing.

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

State law is more specific about the content of Housing Elements than any other portion of the General Plan. That specificity is reflected in the detailed demographics and other data contained herein. The Housing Element is also the only part of the General Plan that is subject to mandatory deadlines for periodic updates. The City's Housing Element has been certified by the State.

According to the City's Housing Element a recent inventory of vacant and under utilized land has been conducted which concludes the City has additional land available for 571 new residential units within the City limits.

The **Circulation** Element plans for improvements to the City's transportation system that will accommodate existing residents and future growth. Policies and programs supporting these goals are provided in detail in the Circulation Element.

**Table 4-10
CIRCULATION IMPROVEMENTS**

West Grand Avenue
SR 1 Highway to 8th Street – Enhance traffic safety, pedestrian accommodations and community character to help slow traffic
4th Street intersection – Ensure with continued improvements through this intersection, proper widening is provided that enhances safety for pedestrians, bicyclists, large truck movement and overall vehicular travel.
8th Street to 11th Street – “Construct Downtown Project”
11th Street to Oak Park Avenue – Enhance traffic safety and character to help provide a more attractive community.
Oak Park Boulevard
Brighton Avenue to Ramona Avenue – Complete 4-lane widening
Manhattan Avenue to Seabright Avenue – Complete 4-lane widening
4th Street
Trouville Avenue to The Pike – Widen and Extend to 4 lanes including realignment to align with The Pike.
The Pike
4th Street to Oak Park Boulevard – Widen and extend to 4 lanes
Traffic Signals
Atlantic City Avenue/North 4th Street
Oak Park Boulevard/Atlantic City Avenue or Saratoga Avenue
Oak Park Boulevard/Mentone Avenue
Oak Park Boulevard/Farroll Avenue
Oak Park Boulevard/The Pike
4th Street/Farroll Avenue

Source Circulation Element Table CE-1

The **Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. The Land Use Element also contains a policy on conservation and open space as follows:

***LU-16.1** Open space/resource conservation land. The City shall designate the following types of land as open space:*

a. Sensitive habitats or unique resources such as oak woodlands, riparian/creek corridors, significant wetlands and corridors which connect habitats.

Those areas which are best suited to non-urban uses due to:

a. infeasibility of providing proper access or utilities;

b. excessive slope or slope instability;

c. wildland fire hazard;

d. noise exposure;

e. flood hazard;

f. scenic value;

The Parks and Recreation, Noise, and Safety Elements of the General Plan each have policies and programs that provide guidance and clarification for the public and decision makers. These

are important topics that the City addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike.

The following section of the analysis addresses key growth and service-related questions that have been adopted by San Luis Obispo LAFCO for preparing a Municipal Service Review.

It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

The City's current General Plan is based on the ability of the City to accommodate a population of 15,000. Currently, the City's population is approximately 13,156 people. The year in which the City reaches their projected build-out is driven by a number of factors, including economic and real-estate market conditions. The City projects build-out no sooner than year 2020.

WRITTEN DETERMINATIONS

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

1. The City's General Plan/Local Coastal Plan provides for the logical and reasonable growth and development of the City and the Land Use Element was updated in 2010.
2. According to both the County's Resource Management System and the Council of Governments Population Projections the City of Grover Beach is projected to grow at a rate of less than 1% per year.
3. The projected number of people in the City of Grover Beach over the next 5, 10, 15 & 20 years is shown in the below. This information is from the San Luis Obispo Council of Government's 2011 SLO County 2040 Population, Housing & Employment Forecast by AECOM:

Table 4-11 Medium Range Population Projections

	2015	2020	2025	2030
Grover Beach	13,142	13,432	13,684	13,999

4. Development activity has decreased in the City over the past several years due to the economic downturn and available land. This is evidenced by the building permit data provided by the Community Development Department.
5. The Sphere of Influence is projected to remain the same, coterminous with the existing City boundary. Growth will occur from in-fill development and the intensification of existing land uses within the City boundaries.

4.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

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

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

The City of Grover Beach has a variety of economic diversity that reside within the City limits and surrounding area. The City of Grover Beach is surrounded by the City of Arroyo Grande, Pismo Beach, and the community of Oceano and has no Sphere of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. Because the City of Grover Beach does not have a Sphere of Influence disadvantage community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify.

WRITTEN DETERMINATIONS

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

1. The City of Grover Beach's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

4.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

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

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

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the City of Grover Beach. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the City to expand such resources and services in line with increasing demands. In the City of Grover Beach, the SOI is coterminous with the City limits and is not anticipated to expand; however, the infrastructure capability of Grover Beach to serve existing and future residents is analyzed in this report.

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

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

WATER

The City updated its Urban Water Management Plan in 2011. The County also updated its 2010 Urban Water Management Plan. These plans, and other documents, are the basis for this section of the Municipal Service Review. The County also updated its Water Master Plan. A jurisdiction's ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction's policies with regard to growth and the provision of water.

Water Supply

The City of Grover Beach's Water supply comes from two primary sources: Groundwater, and Lopez Lake Reservoir.

Groundwater. The City extracts groundwater from the Tri-Cities Mesa - Arroyo Grande Plain (AGP) sub-basin of the Santa Maria Groundwater basin. Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2003 Settlement Stipulation of the Santa Maria Groundwater Basin adjudication. The City of Grover Beach's current allocation from this settlement was established at 1,198 acre-feet per year. Groundwater extractions are derived from four wells and two separate groundwater basin formations. The City manages its water supply so that additional ground water pumping is reserved for years when the other water supplies may be in shortfall, keeping ground water as a local reserve. Wells No. 1, No. 2 and No. 3 are shallow wells drawing water from the Paso Robles formation while well No. 4 is a deep well drawing water from the Careaga formation.

Well No. 4 meets all state and federal standards. The ground water from the Paso Robles formation meets all state and federal standards except for nitrate concentration. The City of Grover Beach completed construction of an ion exchange water treatment plant designed to remove nitrates from the shallow well water in 1989. This allows the City to use its shallow well water to produce water straight into the water mains after it passes through the treatment plant and a chlorination station.

Additional groundwater is pumped by two irrigation wells that provide non-potable water for use

on a State Parks Department golf course and a large park within the City. It is estimated that the availability of non-potable water from these wells reduces the volume of treated water required by approximately 225 acre-feet per year. The City has available an agricultural land conversion water credit that has been in place since 1991. The water usage of irrigated agricultural land that is converted to urban use is credited to the amount of water the City has available for non-agricultural use based on a 1979 Department of Water Resources report. The City's extraction is limited to no more than 1,407 acre-feet per year including the Agricultural Land Use Conversion Credit.

Grover Beach has implemented development standards that require on-site retention of storm water for new (and in some cases new and existing) impervious surface areas on a property undergoing development. Grover Beach also has modified its storm water system to direct additional flow into the Mentone storm water recharge basin. Substantial efforts to increase storm water recharge would augment the groundwater yield and could warrant provision of recharge credits among the Northern Cities. Recharge credits would be based on a mutually accepted methodology to evaluate the recharge benefits.

Santa Maria Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria groundwater basin, which was adopted by the Courts in 2008 issuing a final decision concluding that while the Santa Maria Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be found to be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term integrity of water supplies in the NCMA. The 2011 annual monitoring report prepared for the NCMA documents drought conditions between 2007 and 2009 with recovery in 2010 and 2011, and shows the water use among the communities by source. Water quality testing in 2009 indicated a potential for seawater intrusion that had locally manifested in a few wells. The 2011 annual report shows a significant recovery of groundwater elevations relative to 2009 and groundwater improved in early 2010 showing a reduction in concentrations of seawater indicators. Ongoing monitoring will be analyzed to determine the long-term meaning. In the interim, to minimize the threat of seawater intrusion, the Northern

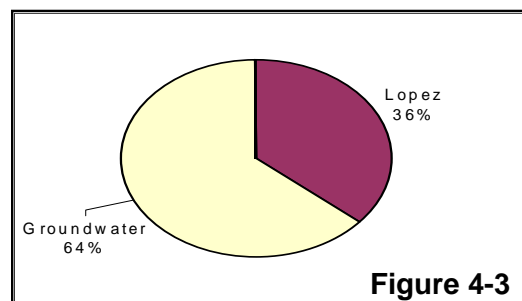
Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

Lopez Reservoir. Lopez Lake stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Grover Beach, Avila Beach, Pismo Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (SLO County UWMP 2005), which reflects the sustainable water supply during a drought. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The City can receive an allocation of up to 800 acre-feet from the Lopez Reservoir. The remaining 4,220 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. A surplus water supply has been available in past years, but this not a reliable source for the City to plan for from year to year.

The two sources of water described above are all presently supplied by the City of Grover Beach and delivered to their customers. The table below shows the City’s current water supply situation. The chart shows the water supply by percentage.

Table 4-12 - Grover Beach Current Water Supply

Source	Amount (acre feet)
Groundwater	1,198
Lopez Water	800
Ag Credits (possible)	209
Total	2,207



The City may have the opportunity to access additional supplies from up to three new sources. A 1999 study indicated the possibility of using recycled water from the South County Sanitation District in Oceano to recharge Arroyo Grande Creek, thereby freeing additional potable water from Lopez Lake. In 2005, another study compared the possibility of extending water resources from Lake Nacimiento via pipeline extension to constructing a new seawater desalinization plant at the South County Sanitation District Wastewater Treatment Plant site. Currently the most cost effective plan may be to increase the Lopez spill-way project or State Water. The City could

jointly improve the Wastewater Treatment Plant for the production of recycled water with the neighboring communities. The proposed plant would provide supplemental water to the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District. Potential exists for transfers and exchanges with other groundwater users, Lopez contractors and the State Water Project contractors.

Table 4-13 - Future Available Water Supply

Source	Allocation AFY
Groundwater	1,407
Lopez Water	800
Recycled Water	0
Additional Source	400
Total	2,607

Source: City of Grover Beach Urban Water Management Plan

The City of Grover Beach water system has three storage reservoirs or tanks with a total capacity of 1.5 million gallons. In 2010, the City's surface and well water production was 1,788 acre-feet, which is approximately 81 percent of capacity.

If current per capita demand trends level off or reverse the demand for development within the City limits could exceed the future supply available to the City unless a supplemental water supply is made available. Having an Urban Water Management Plan that contemplates the City's water needs and outlines the necessary steps to secure a water supply system that serves the residents of Grover Beach is a good example of long-range planning.

The Urban Water Management Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2030 the current water supply will continue to supply the same safe yields of groundwater 1,198 AFY, Lopez 800 AFY, and a new source will be added of 400 AFY. The UWMP looks to a future desalination facility or increased Lopez Reservoir capacity for its long-term supplemental water source.

Table 4-14 Grover Beach Water Produced

Grover Beach Amount Produced AFY					
	2005	2010	2015	2020	2030
Wells	1249	1014	1179	1116	1092
Lopez	805	773	800	800	800
Total	2054	1787	1979	1816	1892

Source: City of Grover Beach 2012

Recycled Water Potential. Recycled water qualities range from secondary quality (as defined by Title 22 CCR) to the highest level of treatment, tertiary 2.2 quality for unrestricted use. Recycled water is not currently considered as a potential source of supplemental water supply for the City in the context of the Urban Water Management Plan. The South San Luis Obispo County Sanitation District's wastewater facility was updated in 1980 to treat its effluent to secondary standards. If used for recycled water purposes the water would need additional treatment first before becoming useable. The treated water depending on the level of treatment could have restricted use as recycled water. Use may be limited to park and landscape irrigation and given the small amount of available land it is not likely worth the effort (non-domestic use if treated versus unrestricted use with tertiary). Unlike tertiary recycled water which could be piped to augment stream flows freeing up Lopez supplies, agricultural irrigation, or re-inject recycled water in the groundwater basin to maintain or increase reliability. However, future reuse of the highly treated water produced by the Wastewater Treatment Facility is not currently anticipated to be a portion of the City of Grover Beach's multi-source water plan.

County Urban Water Management Plan, 2010

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 4-4 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

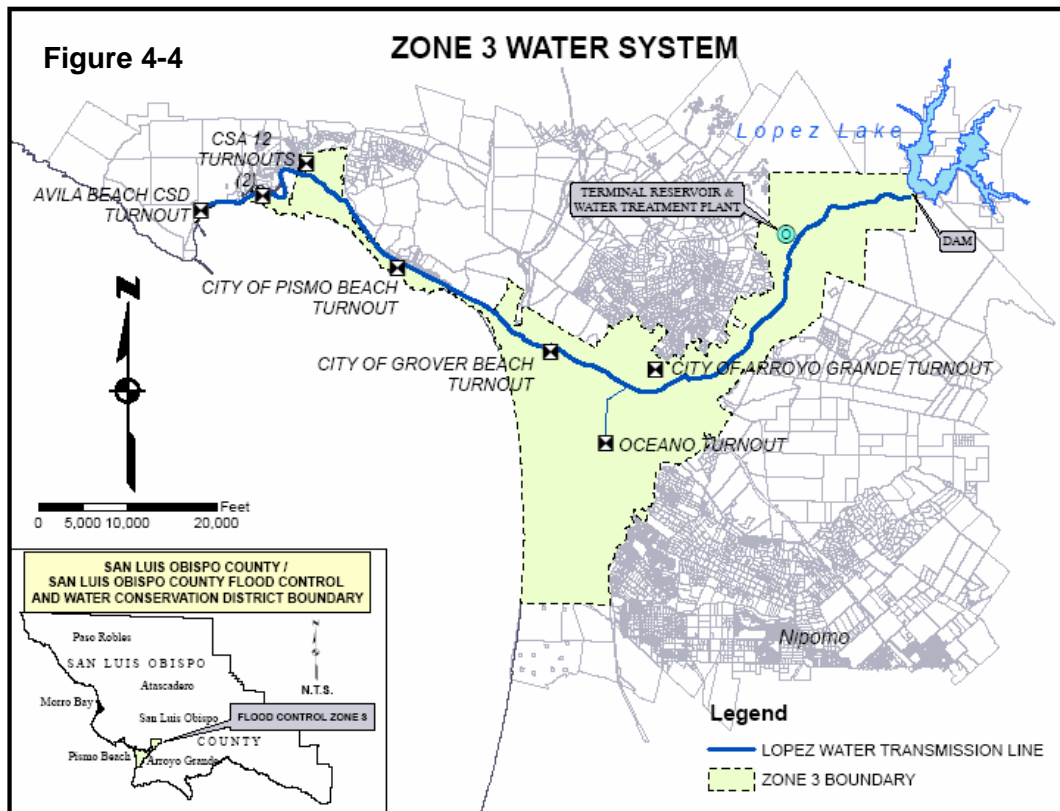
The table below shows the current and projected population served by Flood Control Zone 3 from 2005 projected to 2030.

Table 4-15 Zone 3 Population & Projections

Population Projections						
Service Area Population	2005	2010	2015	2020	2025	2030
	53,249	47,696	49,281	50,872	52,597	53,406

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2010

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused a shortage of water in the Lopez system. In the most recent, prolonged drought of 1986-92, all communities within Zone 3 received their full allotment of water from Lopez Reservoir. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir's safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests. Any surplus water is banked for the following year, when it could be sold to the Zone 3 communities requesting the water. During the drought, Zone 3 communities whose deliveries from other sources were short were able to purchase surplus Lopez Water.



County Annual Resource Summary Report, 2010

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

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

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

The following is an excerpt from the 2009 Annual Resource Summary Report for City of Grover Beach:

“Grover Beach’s water sources are similar to those of the City of Arroyo Grande. Approximately 1,200 acre feet/year of the City’s water is groundwater from the Arroyo Grande sub-basin of the Santa Maria groundwater basin. The other 800 acre feet/year is the City’s allotment of Lopez Lake water. The City uses its entire 800 acre-foot allocation from Lopez Lake. The City also has an “agreement” with other water users in the sub basin allowing it to use a maximum of 1,428 acre feet/year of groundwater.”

Total water supply= 2,207 acre feet per year (AFY)

**Table 4-16 Grover Beach Water Use
Estimates/ Projections, AFY**

2000	2008	2010	2020
2,051.1	1,939.2	1,971.5	2,145.7

Source: 2008 RMS; Grover did not report water use in 2009 report

Water Demand

The City completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the City. The City's 2010 Urban Water Management Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2010, the City reported annual water use of 1,788 acre-feet. The City's current population is 13,156 with the current per capita water use at a relatively moderate 126 gallons per capita per day. Grover Beach demand estimates based on current use and projected population are as shown in table below.

Table 4-17 - Annual and Projected Demand

Estimated City 2030 Demand	(Other)	270 AFY
	(Residential)	1,387 AFY
	(Commercial)	165 AFY
	(Mixed-Use)	70 AFY
Subtotal		1,892 AFY

Source: City of Grover Beach 2010 UWMP

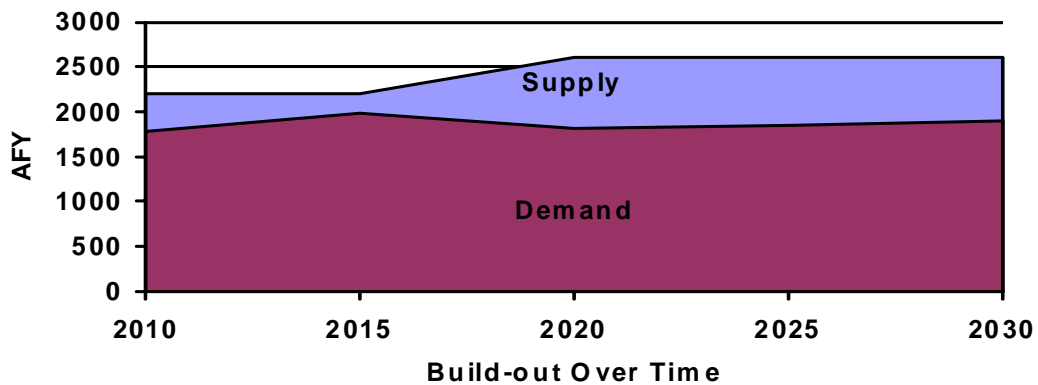
Under the existing General Plan, the City's build-out would increase water demand by an estimated 212 afy. The total water demand is estimated to be 1,892 afy in 20 years. The following table compiles information derived from the 2010 Urban Water Management Plan. This includes the number of connections, water use by category, and unaccounted for water estimate. This data is for the time period from 2005 to 2030.

Table 4-18 – Projected Water System Statistics¹⁾ -

USER TYPE	2005	2010	2015	2020	2025	2030
WATER USE						
SFR	1,229	1,019	1,109	1,009	1,062	1,067
MULTI-FAMILY	302	296	350	315	300	320
COMMERCIAL	207	160	180	165	162	165
INDUSTRIAL	16	17	20	20	18	19
MIXED-USE	58	51	60	65	65	70
LANDSCAPE	73	62	62	60	62	62
OTHER	0	0	0	0	0	0
TOTAL AFY CONSUMPTION	1,885	1,605	1,781	1,634	1,669	1,703
TOTAL AFY IN SYSTEM	2,207	2,207	2,207	2,607	2,607	2,607
CONNECTIONS						
USER TYPE	2005	2010	2015	2020	2025	2030
SFR	4,276	4,307	4,456	4,605	4,754	4,903
MULTI-FAMILY	444	422	436	451	466	480
COMMERCIAL	288	281	291	300	310	320
INDUSTRIAL	36	37	38	39	41	42
MIXED-USE	86	84	87	90	93	96
LANDSCAPE	73	71	72	73	74	75

¹⁾ Grover Beach 2010 Urban Water Management Plan

Figure 4-5



Water Conservation. The City is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. The City’s goal in their adopted 2010 Urban Water Management Plan

Water Shortage Contingency Plan is to reduce total water usage by 10%. In 2011, the Grover Beach City Council declared that a Stage I Water Shortage (minor, voluntary) exists and in taking this action strongly encourages citizens and businesses to continue to conserve and limit water use. In accordance with the City's adopted Water Shortage Contingency Plan, residents and businesses are strongly encouraged to *refrain* from the following during a Stage I Water Shortage:

- Use of potable water for street cleaning;
- Use of potable water to wash sidewalks or roadways where air blowers or sweeping provides a reasonable alternative;
- Use of potable water for construction purposes, such as consolidation of backfill unless no other source of water or method can be used;
- Restaurant water service to patrons, unless upon request;
- Refilling existing private pools, except to maintain water levels;
- Use of potable water for washing cars, boats, sidewalks, driveways or other exterior surfaces without a quick-acting shut-off nozzle on the hose;
- Use of potable water for planting of turf and other new landscaping, unless it consists of low water using, drought tolerant plants; and
- Operations of any ornamental fountain or car wash, unless the water is re-circulated.

Depending on the continued severity and duration of the water shortage, the City Council could declare a Stage III Water Shortage. With a Stage III Water Shortage, all of the voluntary actions outlined above would become mandatory.

Water Distribution and Storage System

The City of Grover Beach provides water storage, treatment and distribution services to the residents within its boundaries. The water system consists of: (1) three storage reservoirs or tanks with a total capacity of 1.5 million gallons, (2) an ion exchange water treatment plant, (3) fifty miles of distribution pipelines, (4) boost stations, and (5) chlorination and blending facilities. The City has a program to remove and replace antiquated two-inch iron pipe distribution system. The City treats and tests all potable water and meets federal and state drinking water standards.

Capital Improvement Plan-Water System. The City's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. The City's Capital Improvement Plan contains project-by-project information and aligns with the goals of the City for project implementation.

Planned water system improvements are typically included in the City's Capital Improvements Program that was adopted by the City Council June 2012. The program is prepared in five-year increments and is updated annually.

Projects Budgeted or In Process

- ▶ Well #4 improvement/maintenance 2012
- ▶ Upgrade 2" water mains 2014
- ▶ Upgrade main - West Grand Avenue 2014
- ▶ Nitrate Plant Improvements 2016

WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a city-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off shore.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.9 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 60% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a mechanically separate to remove the larger debris. The screened wastewater is then distributed

to the primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. The City uses gravity flow pipelines and they are generally located in the street rights of way. A wastewater master plan was not provided as part of this analysis. The City is, however, continuing to upgrade the collection system regularly to keep up with current needs. The City recently completed \$843,784 in sanitary wastewater system improvements. One Project is currently budgeted for the wastewater system; it includes lining of existing sewer main section to eliminate sludge deposition.

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Pismo Beach, Morro Bay, Arroyo Grande, and Grover Beach. The sample monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City.

Table 4-19 – Single-Family Water Rates

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Monthly Service Meter Charge	\$31.90	\$16.43	\$5.55	\$9.63
Water (per 100 cubic feet)	\$2.30	\$5.74	\$2.21	\$3.20
Other Charges	\$0.00 (1)	\$0.00	\$26.58 (Lopez Treatment)	\$0.00
Sample Monthly Bill (10 units of water)	\$54.90	\$72.41	\$54.23	\$41.63

Table 4-20 – Single-Family Sewer Rates

Rate/Fee	Pismo Beach	Morro Bay	Arroyo Grande	Grover Beach
Flat Monthly Rate	\$62.23	\$37.51	\$2.30	\$9.92
Sewer (per 100 cubic feet water)	\$0.00	\$3.35/unit >10 ccf	\$0.52	\$0.00
Other Charges	\$0.00	\$0.00	\$14.86	\$14.86
Sample monthly bill (10 units of water)	\$62.23	\$37.51	\$22.36	\$24.78

Figures 4-6 and 4-8 show a rate comparison for four cities in the County. The following charts show the comparison of the cities. Overall, Grover Beach's water and sewer rates for residential customers are slightly lower than other coastal cities. The charts are based upon a sample billing using "10 units" of water as a basis.

Figure 4-6 Bill Comparison - Monthly Residential Water - 10 Units
 1 unit = 100 Cubic Feet of Water

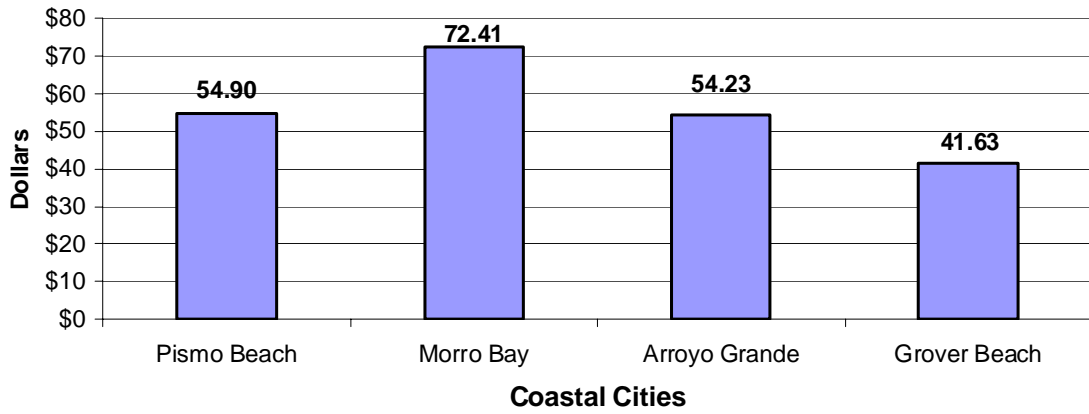


Figure 4-7 Bill Comparison - Monthly Residential Sewer - 10 Units
 1 unit = 100 Cubic Feet of Water

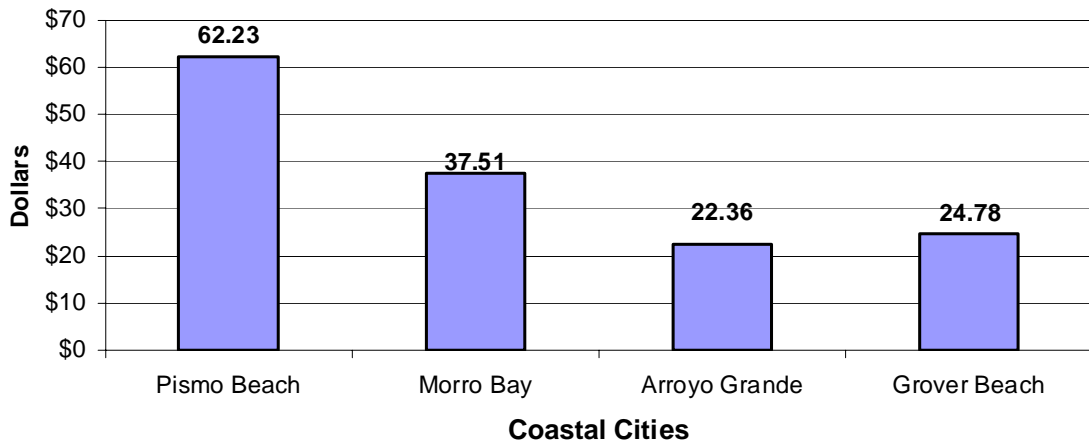
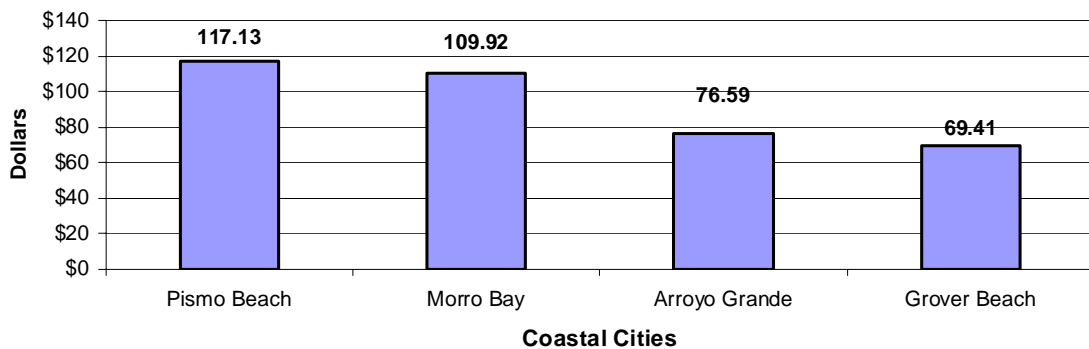


Figure 4-8

Total Comparison - Monthly Residential Water & Sewer - 10 units
 1 unit = 100 Cubic Feet of Water



Transportation - Streets – Roads

City of Grover Beach General Plan, Circulation Element 2005

The Circulation Element of the City's General Plan describes how the City will manage transportation issues as the City grows and develops. The Circulation Element was adopted in 2005. The Land Use Element was recently adopted in 2010 and coordinated the transportation components' with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the City's circulation system.

The routes of regional significance include Highway 1, Fourth Street from US 101, Oak Park Boulevard, the Pike, and West Grand Avenue. The City intends to improve the circulation system through continued maintenance and investment in the existing circulation system. The Circulation Element of the City's General Plan includes policies to help the City achieve that goal.

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

2012/2013

- ▶ Citywide sidewalk improvements \$157,142
- ▶ Local Street Rehabilitation Project -- \$309,179
- ▶ West Grand Enhancement (Beach – 2nd/ 4th – 5th) -- \$144,148
- ▶ West Grand Enhancement (8th – 11th) -- \$908,746

2013/2014

- ▶ Local Street Rehabilitation Project -- \$200,000
- ▶ West Grand Enhancement (Beach – 2nd/ 4th – 5th) -- \$786,318

2014/2015

- ▶ Local Street Rehabilitation Project -- \$270,000
- ▶ Oak Park Boulevard rehabilitation project -- \$618,000

SLOCOG Regional Transportation Plan, 2010

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2010 Regional Transportation Plan (2010 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2010 Regional Transportation Plan the segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2008 number of 10,900 average daily trips to 9,000 average daily trips in 2035. This segment provides access to the commercial, district of Oceano, Grover Beach, and Pismo Beach. It provides access to the Grover Beach Amtrak Station. Pedestrian safety is a concern given the limited safe crossing opportunities.

Highway 1 Corridor. The City is adjacent to the Highway 1 Corridor. In 2008, this highway carried Annual Average Daily Trips (AADT) of 11,000 (2008 Caltrans counts; website). Volumes are continuing to increase with volume coming from local and regional sources. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic.

Transit. SCAT (administered and managed by the RTA) operates three fixed-route bus lines seven days a week; the buses operate between 6 am and 8:00 pm on weekdays, between 7 am and 8 pm on Saturdays and 7am to 5 pm on Sundays. The routes are described below.

Route 21 operates between Grover Beach, Pismo Beach, Shell Beach, and Arroyo Grande

Route 23 runs between Grover Beach, Oceano, and Arroyo Grande.

Route 24 operates along Grand Avenue, Dolliver Street, and East Branch Street and services Arroyo Grande, Grover Beach, and Pismo Beach.

RTA also provides regional fixed-route services within San Luis Obispo County. RTA provides four routes. **Route 10** operates along the Highway 101 corridor between San Luis Obispo, Shell Beach, Pismo Beach, Grover Beach, Arroyo Grande, Nipomo, and Santa Maria.

Pacific Surfliner. The “Surfliner” provides two frequencies to/from San Luis Obispo (and Grover Beach) and San Diego. The service was implemented in 1995 and has proven to be successful and popular. The service provides a convenient morning departure from Grover Beach to Santa Barbara, Los Angeles and San Diego, with an evening return. In 2004, a San Luis Obispo-Los Angeles roundtrip was added with a midday arrival and departure southbound. The service also includes a total of 8 bus connections to meet trains that begin (or end) in other cities. Unstaffed intercity rail platform was constructed in Grover Beach in 1996. SLOCOG has endorsed the State’s 20-year plan for intercity rail upgrades, which includes train travel time reductions and increase in train frequency as follows:

Table 4-21
Travel Time & Frequency Goal

Corridor Segment	2005-2010		2010-2015		2025	
	one-way travel time	# of roundtrips	one-way travel time	# of roundtrips	one-way travel time	# of roundtrips
San Diego – SLO	9 hrs	1	6.5 hrs	2	6.25 hrs	3
Los Angeles – SLO	6 hrs	2	4.5 hrs	1	4.25 hrs	3
Los Angeles – SF	12 hrs	3	8.75 hrs	2	8 hrs	2

Source: SLOCOG 2010 RTP

Fire

The City of Grover Beach contracts with the Five Cities Fire Authority to provide emergency response and other fire services for the City residents. The Grover Beach fire station (station 68) is located at 701 Rockaway Avenue. The station is staffed with three firefighters: 1 Fire Captain, 1 Engineer, 1 firefighter reserve. The station houses one 1500 GPM triple combination engine, one Office of Emergency Services (OES) engine, one air support unit and the Rescue unit. Station 68 also provides Fire Prevention oversight to Grover Beach and Oceano as well as Fire Investigation expertise throughout the Authority.

The City benefits from the resources that come with having a Joint Powers Agreement with the City of Arroyo Grande and Oceano Community Services District. With the JPA the Five Cities Fire Authority is able to increase its presence in the Five Cities area to respond to emergency situations through three fire stations and eight on duty firefighters. Additionally, the Authority employs 17 full time firefighters and 28 reserve firefighters. The Authority also has automatic-aid agreements with CALFIRE. The result of the JPA is improved fire and safety services to the residents at a reduced cost.

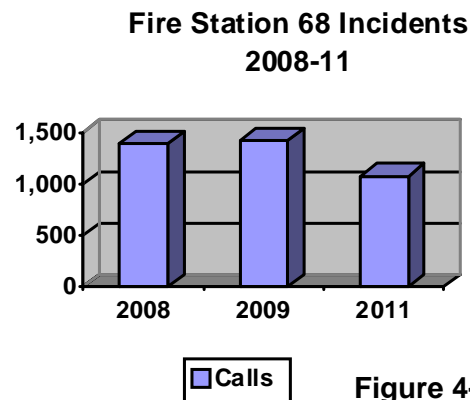


Figure 4-9

The City maintains ownership of the equipment, apparatus and buildings while the Authority provides personnel and administrative infrastructure. The City requires all new development pay fees for additional equipment and fixed facilities as needed to service the new development. The JPA may look to the future formation of a reliable funding source to support fire protection services in order to meet national and state standards.

The number of incidents Station 68 responded to in 2011 was 1,076

Fires	Medical	Haz Mat	Other	Total
100	852	36	88	1,076

POLICE

The City of Grover Beach provides law enforcement services for the residents of the City. The Grover Beach Police Department has an authorized number of sworn staff of 19 officers and a support staff of 8 people. Over the past few years, 3 sworn officer positions and one support staff position have been frozen due to budgetary constraints. In FY12/13 the approved budget was \$3,181,406. The department operates under the direction of the Chief of Police and is divided between operations and support services. The Operations Commander is responsible for all patrol, traffic, community activities, emergency planning and related administrative functions. The Support Services Commander is responsible for detectives, property, dispatch, records, internal affairs, and primary department administrative functions.

The Cities of Grover Beach and Arroyo Grande have over the years conducted extensive studies to consider the feasibility of consolidation of police services. Concerns for improving services through the elimination of duplicate functions were the driving factors for the studies. The concept of consolidation was hoped to increase the number of field officers and provide an increase service level of both cities. However, the consolidation concepts have never been implemented. To date, each consolidation concept looked at over the years have not turned out to be feasible.

Service Levels. Service levels for Police are often measured in terms of the number of sworn officers per 1,000 people in a community. This is a general measure and should be used only as one piece of information in characterizing police service levels. Service levels vary from city to city because of minimum patrol staffing, officer safety, available back-up from surrounding law enforcement agencies, demographics, geographic features, special service needs, specific crime problems, and other factors. The following is a ratio of full-time (16) sworn officers per 1,000 in population for the City of Grover Beach in 2012, calculated using the following formula:

$$13,156 \text{ population} \div 1,000 = 13.16 \text{ people}$$
$$16 \text{ sworn employees} \div 13.16 = 1.2 \text{ officers per 1000 people}$$

Nationwide the Department of Justice-FBI law enforcement statistics show the ratio to be an estimated 2.5 officers per 1000 people for communities the size of Grover Beach. The average

officers/1,000 ratio for the seven cities in San Luis Obispo County is about 1.6 officers, with Pismo Beach being the highest at 2.6 and Paso Robles the lowest at 0.90 officers/1,000.

The figures on the next page show the violent and property crime rates per 1,000 people for the City of Grover Beach from 2002 through 2009. Violent crimes include homicide, rape, robbery, and aggravated assault and have been steadily decreasing. Property crimes include burglary, larceny, auto theft, and arson. This information is from the California Department of Justice Crime statistics. The 2002-2009 crime statistics are based on data from the State of California's Office of Attorney General, Department of Justice, Criminal Justice Statistics Center.

Figure 4-10: Violent Crime Rate

Source: California and FBI Crime Index Table 11, 2001-2009

City of Grover Beach - Violent Crime per 1000 people

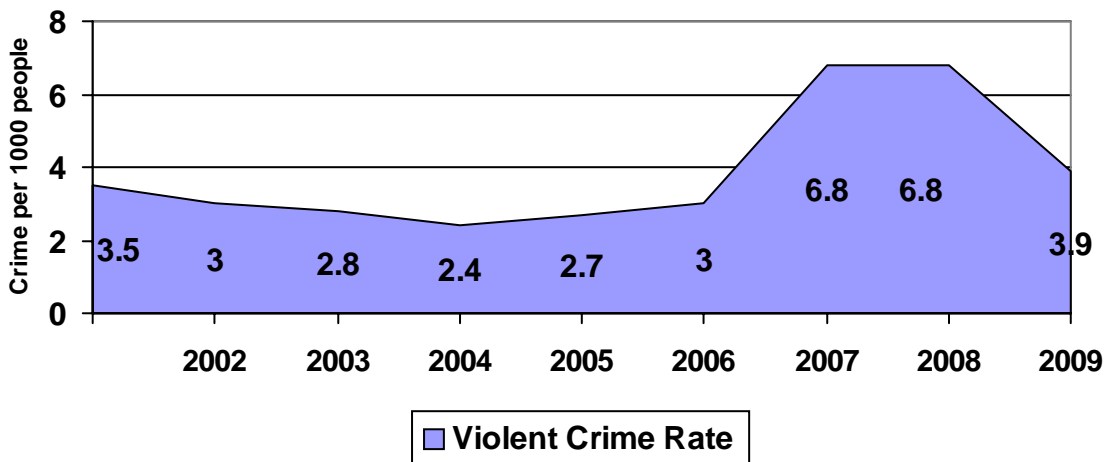
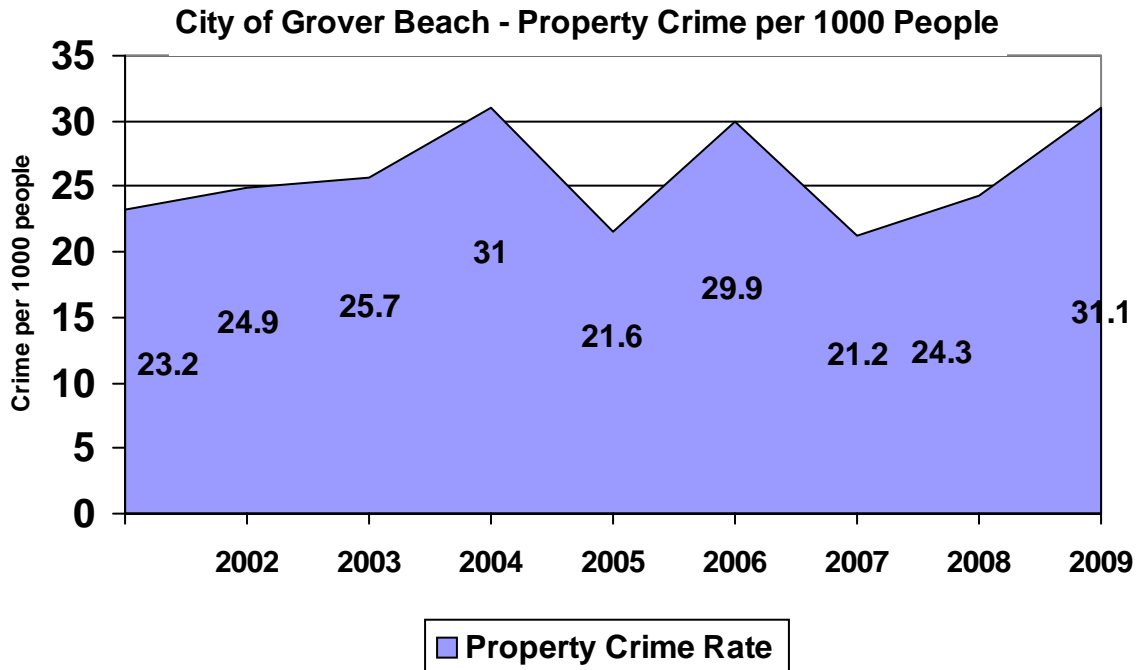


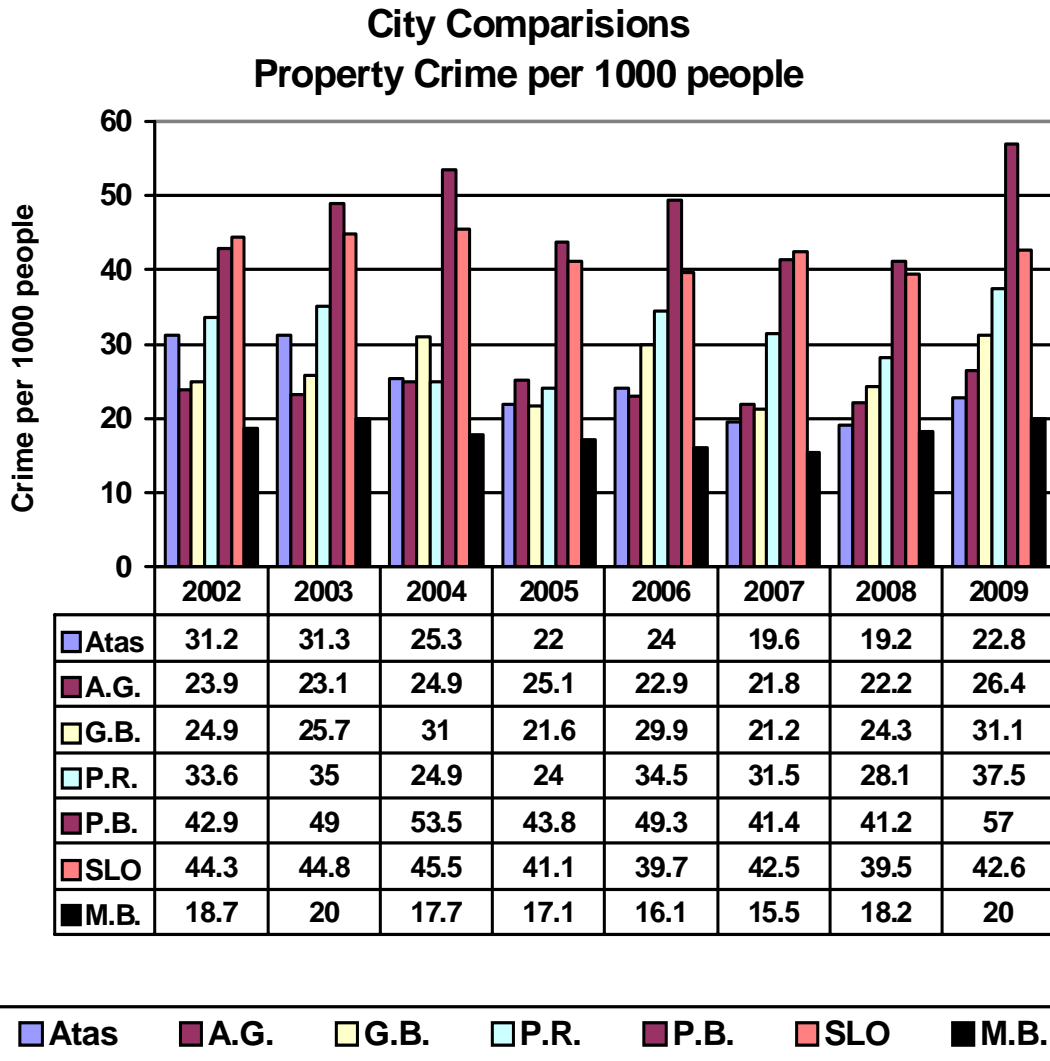
Figure 4-11: Property Crime Rate

Source: California and FBI Crime Index Table 11, 2001-2009



The following figures show the City of Grover Beach property and violent crime rates compared to the other cities in the County. Property crime involves burglary, larceny, auto theft and arson. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County and cities, the crime rate shown is per 1,000 people.

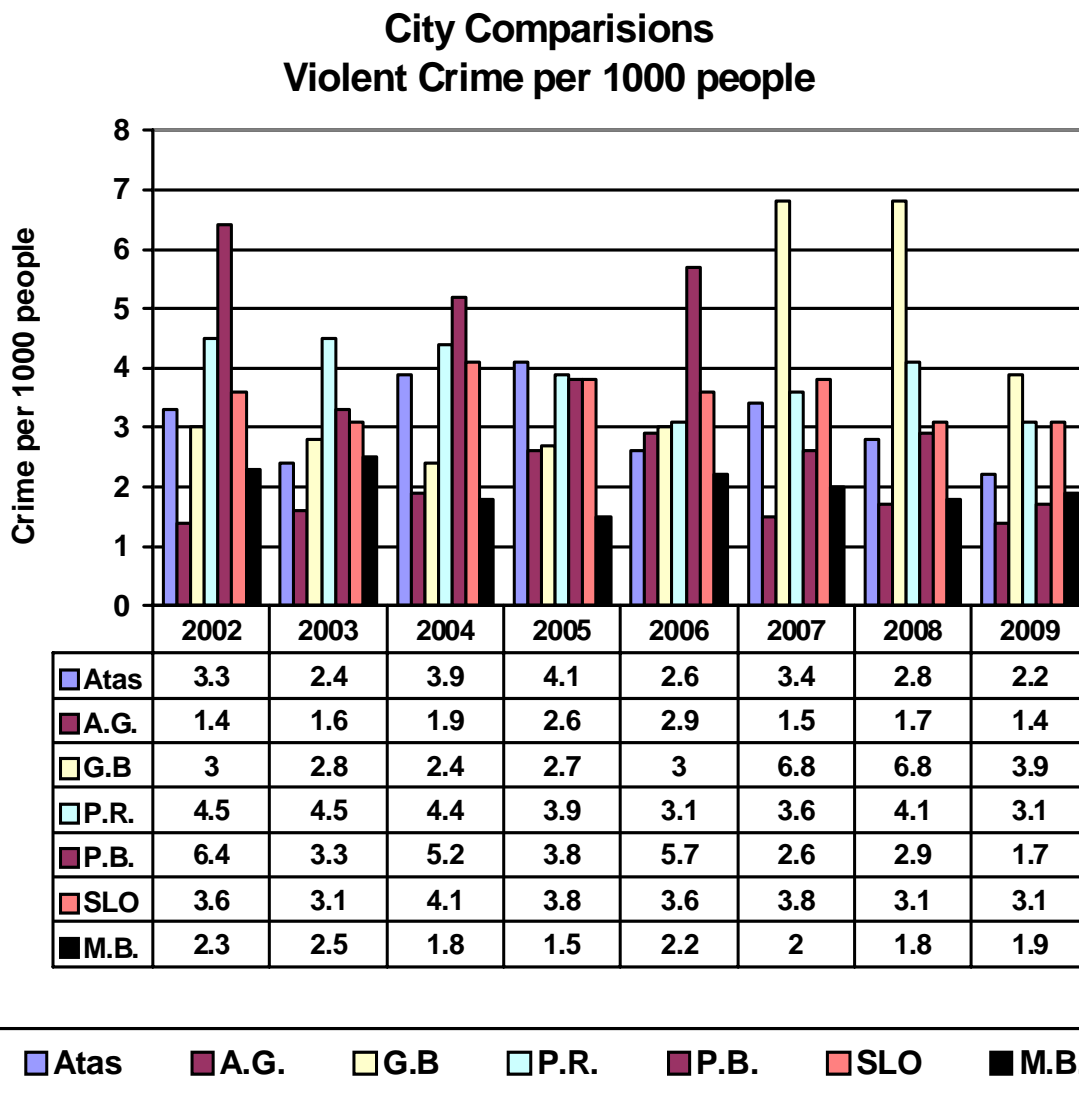
Figure 3-12: Comparative Crime Rate



Source: DOF E4, 2009 and California Department of Justice Department

Violent crime involves homicide, rape, robbery, and aggravated assault. These statistics are from the California Department of Justice Law Enforcement Information Center and the California Department of Finance E4 report, 2009. The crime rate is normally calculated as the number of crimes per 100,000 people. Due to the lower population of San Luis Obispo County cities, the crime rate shown above is per 1,000 people.

Figure 3-13: Comparative Crime Rate



Source: DOF E4, 2009 and California Department of Justice Department

The Police Department has met the needs of the residents and visitors by utilizing paid reserves when needed, overtime for full-time employees and by prioritizing the urgency of conflicting demands for assistance. The City requires that all new development pay impact fees for additional equipment and fixed facilities needed to serve the new development with police services. The City also has a policy of maintaining staffing levels that enable the Police Department to give adequate attention to calls for service, to patrol and crime prevention, and to administrative requirements.

DEVELOPMENT IMPACT FEES

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

WRITTEN DETERMINATIONS

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

Water Supply and Demand

1. The City is able to provide the services (water, sewer, police and fire) to the development within the City. The policies and standards contained in the City's General Plan provide for future services to be funded by the developer. Resources will be needed as projects are considered and approved by the City.
2. The City's potentially available Water Supply is estimated to be 2,207 AFY to 2,807 AFY in the City's Urban Water Management Plan which was updated in 2011. The estimated water demand within the City limits in 2030 is estimated to be 1,892 afy.
3. The City currently would have an adequate water supply to serve the anticipated 2030 population under its current General Plan to serve the area within the City limits.
4. The City's General Plan policies would not allow water services to be provided in excess of the available supply.

Wastewater

5. The City operates and regularly maintains the wastewater collection and treatment system, which consists of sewer pipelines, manholes and pump stations.
6. The SSLOCS D treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.9 million gallons per day. The system is operating at 60% of capacity.
7. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects and is dependent on state revenues, budget priorities, and the availability of low-interest loans.

Roads and Streets

8. The City's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
9. The City improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.
10. Several transportation projects are in the planning stages and are progressing toward construction. These projects will provide for the continued upgrade of the City circulation system.

Infrastructure

11. The Capital Improvement Plan provides the blueprint for upgrading many of the City's facilities. Funding is set aside each year during the budget process to complete projects with amount of funding dependent on state and federal revenues, the local economy, and budget priorities.
12. Taking into consideration the City's revenue and operating constraints, the condition of the public facilities are adequately maintained; however, improvements to the wastewater collection, transportation, water storage and distribution systems, and the water supply situation, are needed for future development projects to move forward.
13. Additional infrastructure to accommodate future development may include expanded water supply, improved water storage and distribution facilities, upgraded wastewater collection facilities, and an improved transportation system.
14. The City should be able to provide the services (sewer, police and fire) to areas within the updated Sphere of Influence while continuing to adequately serve existing residents, if the policies and standards contained in the General Plan are implemented when considering annexations and development projects.

Police and Fire

15. The City of Grover Beach has a slightly higher crime rate than other cities in the County but has the opportunity to add police and fire staff and facilities as needed to address future growth.
16. The City's Police Department is adequately staffed to provide law enforcement services to its residents.
17. The City continues to evaluate the level of staffing needed to provide adequate services to residents.
18. The City is part of the Five Cities Fire Authority (Joint Powers Agreement). The Five Cities JPA provides the area with fire and emergency response services.
19. The City Council recently considered but rejected a proposal to merge the Arroyo Grande and Grover Beach Police Departments.
20. This proposal may have future merit in terms of cost savings and the provision of efficient effective services.

4.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

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

Budget

The City of Grover Beach's two-year budget document is well organized, thorough and clearly articulates the City's future financial plans. The budget report identifies the sources of revenues, past year's accomplishments and financial performance. As part of this Service Review, budgets from the last two years have been reviewed. The budget document provides information that is divided into the following sections:

Section 1 – Budget Message

This section provides a concise overview of the budget including revenues and expenditures for the general fund. The City's fiscal policy and general fund budget are listed and the fund structure shown.

Section 2 – City-wide Budget

A financial overview for the City's budget process and goals are listed and includes the appropriation limitation for the Fiscal Year.

Section 3 – General Fund

Identifies costs associated with the day-to-day operation and maintenance of the City. The budget provides the revenues and expenditures for each department for the fiscal year along with the previous three-year comparison. The budget also provides prior two-year budget accomplishments and the budget highlights for the next two years.

Section 4 – Special Revenue Funds

This section of the Budget lists and summaries the special revenue funds for the City including fire development impact fee, COPS grant, water conservation, park development, transportation fund, and street (gas tax) fund, etc.

Section 5 – Enterprise and Related Funds

This section is funded from water, sewer, and facility fee revenues and charges

and is allocated to the following cost centers:

- Water Fund
- Wastewater Fund
- Storm Water Fund
- Building and Planning Fund

Section 7 – Capital Improvement Projects

This section of the Budget lists and prioritizes the capital improvement projects for the City. It provides costs and a description of the planned projects.

The City has established a Financial Policy that was adopted in 1995 and updated in the 1997 fiscal year. The Fiscal Policy is used as a guideline for preparing the budget and is reviewed each year. The policies provide a framework for the City to address the following issues: Reserves, revenues, expenditures, budget policies, transfer authority, fiscal management, investments, capital assets, and capital improvements.

Investment and Purchasing Policies

The City has investment policies that guide the City Treasurer with regard to investing the unexpended cash in the City Treasury. The primary objective of the investment policy is the “Safety of the Principal Investments”. Investments can only be placed into those types of securities described in the Investment Policies document. The City’s policies call for the portfolio to be managed in a manner responsive to the public trust and consistent with state and local regulations. The policies limit the types of investments that can be made and further designates the appropriate investment mechanisms that may be used. The City participates in several joint-financing efforts to minimize costs, including:

- ▶ California Joint Powers Insurance Authority.
- ▶ Lopez Flood Control Zone 3 is funded by the several jurisdictions including Grover Beach. These funds are being used for the Dam retrofit project that is being completed by the County.
- ▶ The City participates in an agreement with the cities of Pismo Beach and Arroyo Grande regarding the groundwater being shared by each those jurisdictions.
- ▶ The Five Cities Fire Authority is another example of joint efforts to minimize costs.

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

Annual Audits

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

“In my opinion, the financial statements referred to above (not shown) present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grover Beach, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.”

An “unqualified” independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principals and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The City also posts its annual budget and audits on its website. This provides the public with easy access to the annual budget and audits. Conversely, an independent auditor would identify accounting financial concerns if these were found.

Fiscal Trend Analysis

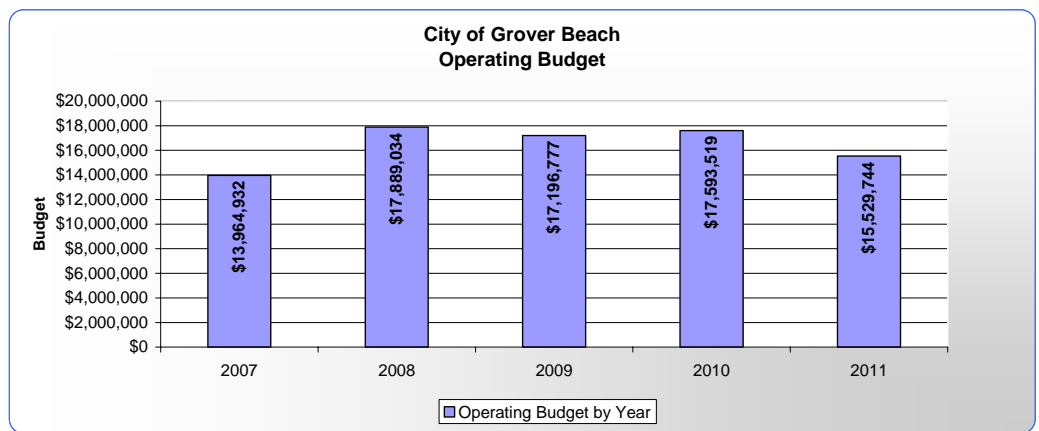
The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agency’s fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include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

Operating Budget Figure 4-14

Formula:
Consolidated
Expenditures /
Fiscal year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

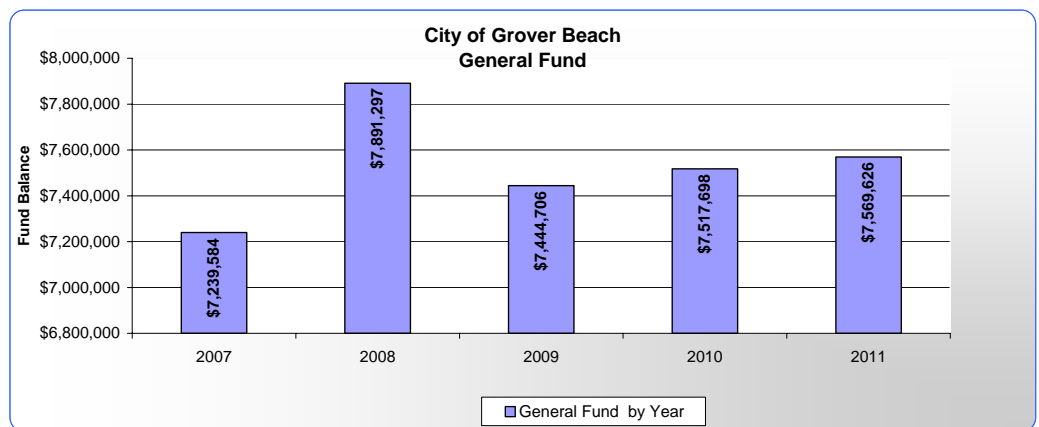
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 4-15

Formula:
General Fund
Expenditures / Fiscal
year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

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

Property Tax Revenues Figure 4-16

Formula:

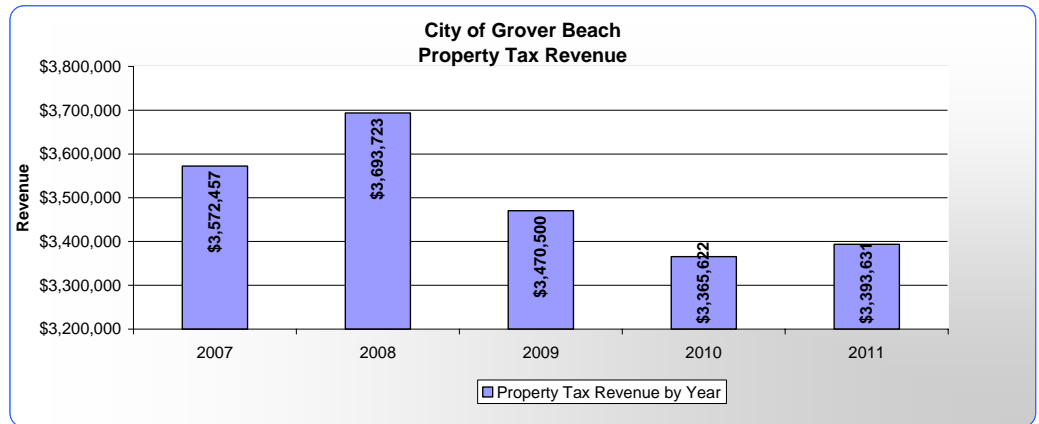
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

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



Description:

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

Discretionary Revenues Figure 4-17

Formula:

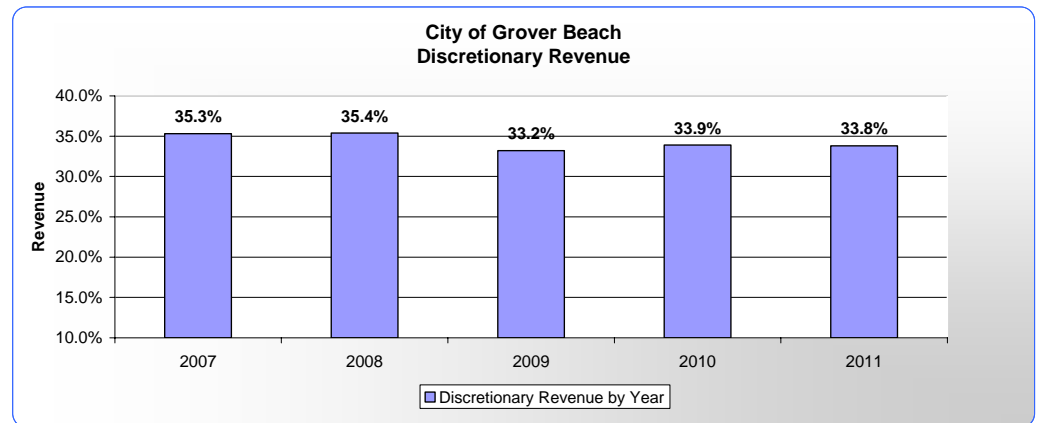
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

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



Description:

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

Reserves Figure 4-18

Formula:

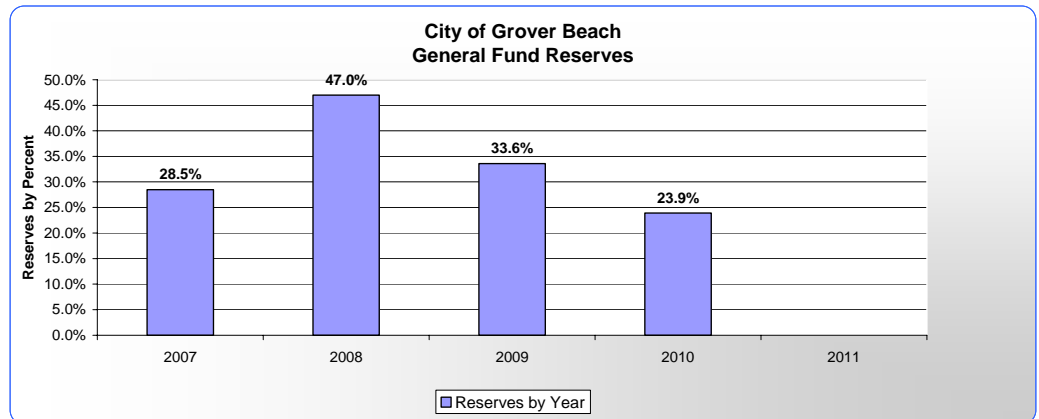
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

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



Description:

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

Long-Term Debt/Liabilities Figure 4-19

Formula:

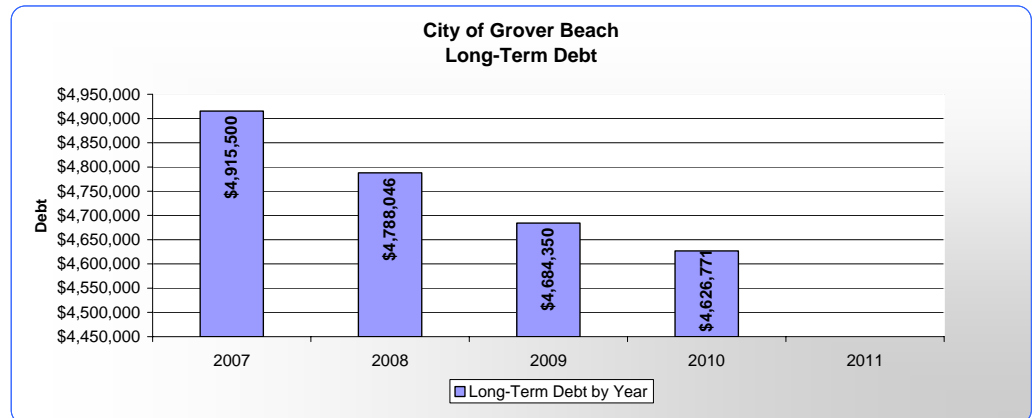
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



Description:

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

Changes in Fund Balance Figure 4-20

Formula:

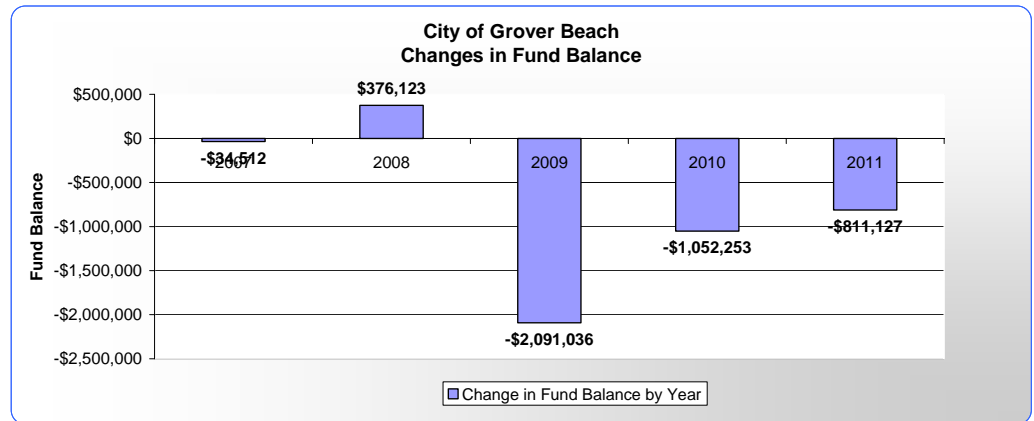
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

Monitor general fund operating deficit or surplus as a percentage of net operating revenues.

Source:

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



Description:

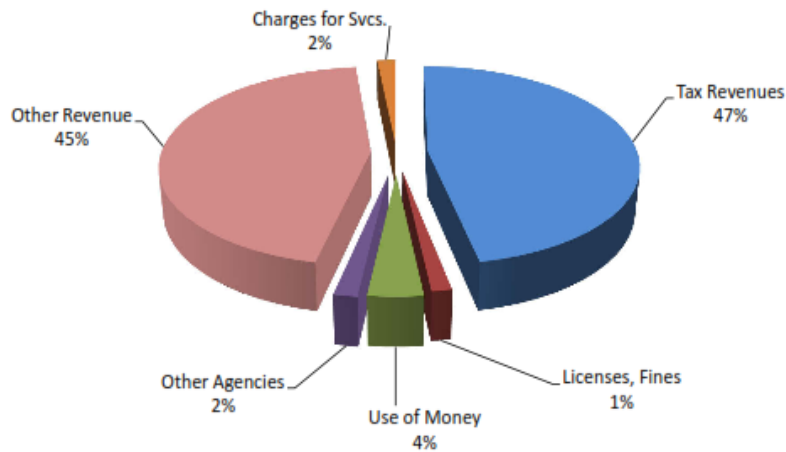
This indicator is especially important because a pattern of operating deficits of the general fund can be one of the first signs of an imbalance between revenue structure and expenditures. It should be noted that it would not indicate a problem if the agency had planned the operating deficits and was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

Constraints

Like many jurisdictions during this difficult fiscal period the City of Grover Beach has carefully managed its financial resources.

Major Revenues. The two primary General Fund revenue sources, Property Tax and Sales Tax, are projected to stabilize when compared to estimated revenues for FY 09-10. The June 2011 Fund Balance of the General Fund was \$2,705,444, which equals approximately 16% of General Fund appropriations, slightly above the City’s minimum policy level of 15%. About 47% of the City’s general fund revenues come from the local hotel tax, sales tax revenues, and local property taxes. In 2009, these revenues increased from the previous year property tax revenues were \$4,891,930 while sales tax revenues were \$1,411,642. Like most cities Grover Beach adopted a ½ cent sales tax which is anticipated to bring \$455,000 in revenue to the City in both FY 11 and FY 12. The City monitors closely the two major revenue sources: property, and sales tax given the recent economic and national events.

**Figure 4-21
Revenue Sources**



FY 11	\$14,629,674
FY 12	<u>\$13,372,734</u>
Total	\$28,002,408

Long-Term Debts

The City’s enterprises had no bonded debt outstanding at the end of fiscal year 2009. They did have \$0.8 million in long-term installment agreements, notes, and contracts payable. All required debt service payments had been made in 2009. The Improvement Agency had \$4.2 million in tax allocation bonds outstanding in 2009, and all required debt service payments were made as scheduled on the notes.

Redevelopment Agency. California’s Dissolution Act (AB x126) was passed that called for the winding down of all existing California redevelopment agencies. The Act dissolved RDAs as of February 1, 2012. The City of Grover Beach has created a successor agency to the Grover Beach Improvement Project which is charged with winding down the activities of the former agency.

Reserves

The City has adopted a Fiscal Policy which includes maintaining a General Fund Reserve of 20% Reserve; made up of 10% General Reserve, 5% Emergency Reserve, and 5% Contingency. The budget for FY 2011-12 maintains the General Fund Reserve of 20% of expenditures, and falls slightly short of the 5% Emergency Reserve. Healthy reserves are one

indicator that the City is in sound financial condition. The City's Financial Policies also calls for 10% of the water and sewer funds to be set aside into reserves. These monies are used for emergency projects related to the sewer or water facilities. Over the last several years the City has been able to balance the budget, while maintaining the reserve. The combination of conservative revenue projections and holding the line on expenditures helped Grover Beach build a reserve of upwards of \$2 million at the end of fiscal year 2010.

The City's goal of maintaining a 20% reserve is considered a conservative level for maintaining a good credit rating, to provide for economic uncertainties, contingencies for unforeseen expenses, and cash flow requirements. The City adopts a two-year budget which forces the City to look beyond the current year and attempt to alleviate any shortfalls that may occur in the future. The two-year budget also saves time and energy of the staff as well as money. The City balanced the last three FY 07-10 budgets. The following information is from City Adopted Operating Budget, FY 2011-12, [pie charts, pg 29].

General Fund

• Tax Revenues	47%
• Other Revenue	45%
• Use of Money	04%
• Other Agencies	02%
• Charges for Services	02%
• Licenses, Fines	01%

Rates and Fees

The City's Master Fee Schedule was updated in 2009 for all fees charged by the City departments for the services provided to residents. The City adjusted its fee structure by increasing the cost of certain permits applications. Overall, the City carefully monitors the fees charged for services with the goal of providing a service at an equitable rate to the customer and residents.

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

accordingly. The following is a table that compares the rates and fees of several service providers for water and sewer services:

Table 3-22: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Atascadero	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Monthly Service Charge	\$0.00	\$18.00	\$16.43	\$31.90	\$32.13	\$9.63	\$0
Water Fee	\$0	\$2.10 (3-12 ccf)	\$5.59 (5 ccf)	\$2.30 (1-12 ccf)	\$2.21 (1-12 ccf)	\$3.20 (0-12 ccf)	\$5.73 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$2.50 (all ccf)	\$3.25 (13-25 ccf)	\$5.74 (10 ccf)	\$2.99 (13 + ccf)	\$2.45 (13-32 ccf)	\$3.37 (13-20 ccf)	\$7.17 (6-25 ccf)
100 cubic foot = 748 gallons		\$4.80 (26-50 ccf)	\$5.89 (15 ccf)		\$2.77 (33-64 ccf)	\$3.87 (21-42 ccf)	\$8.99 (26 + ccf)
			\$6.04 (20 ccf)			\$4.38 (42+ ccf)	

Comparing the various rates and fees, a sample bill using 20 units of water over a two-month period was calculated. In comparison, Arroyo Grande has less than the average water rates of all the jurisdictions:

Figure 4-22: Rates for Water Use at 20 CCF

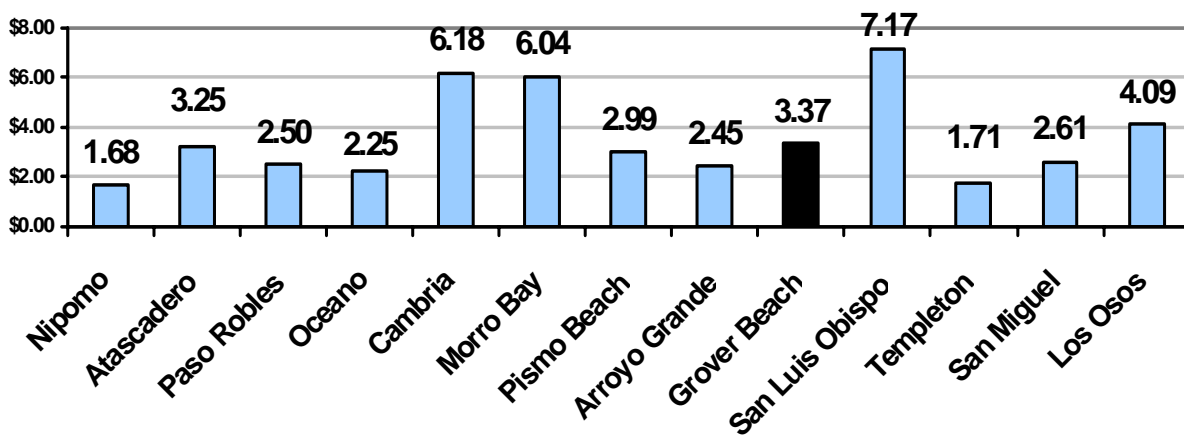


Table 3-23 – Single-Family Water Rates and Monthly Bill

Rate/Fee	Paso Robles	Atascadero	Oceano	Cambria	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo	Templeton
Monthly Service Meter Charge	\$0.00	\$18.00 Up to 2 ccf	\$18.87	\$23.82	\$16.43	\$31.90	\$5.55	\$9.63	\$0.00	\$15.25 Up to 2 ccf
Water (per 1 Unit)	20 units @ \$2.50 (all ccf)	9 units @ \$2.10 (3-12 ccf) 9 units @ \$3.25 (13-25 ccf)	14 units @ \$2.25 (7-25 ccf)	9 units @ \$6.05 (7-15 ccf) 5 units @ \$6.18 (16-20 ccf)	\$5.59 (5 ccf) \$5.74 (10 ccf) \$5.89 (15 ccf) \$6.04 (20 ccf)	12 units @ \$2.30 (1-12 ccf) 8 units @ \$2.99 (13 + ccf)	12 units @ \$2.21 (1-12 ccf) 8 units @ \$2.45 (13-32 ccf)	12 units @ \$3.20 (0-12 ccf) 8 units @ \$3.37 (13-20 ccf) \$3.87 (21-42 ccf) \$4.38 (42+ ccf)	5 units @ \$5.73 (1-5 ccf) 15 units @ \$7.17 (6-25 ccf)	17 units @ \$1.71 (3-17 ccf)
Other Charges	\$0.00	\$2.50	20 units @ \$1.14 (1)	\$0.00	\$0.00	\$0.00	\$26.58 (3)	\$0.00	\$0.00	\$0.00
Sample Monthly Bill (20 units of water)	\$50.00	\$68.65	\$73.17	\$109.17	\$115.04 (2)	\$83.42	\$78.25	\$74.99	\$136.20	\$44.32

(1) Price per unit for Dam retrofit.

(2) Morro Bay rates vary depending on use total; taking from Morro Bay water rates table for 20 units.

(3) Lopez Charge.

Sewer rates are compared in the table below:

Table 4-24: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Atascadero	Oceano	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Flat Monthly Rate	\$25.86	\$20.18	\$23.85	\$64.43	\$62.23	\$22.36	\$24.78	\$7.01

Because the City is largely built-out, it has limited opportunities to recover impact fees in a built-out community. Other programs defined by the City will require developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. There is no evidence suggesting that the development of these areas will result in unreasonable fees for these services. It is expected that fees will be in line with citywide fees for such services.

The City and the County shall work together to ensure that the cost of services for the jurisdictions is equitable. It does not appear that the City of Grover Beach's boundaries will change, barring any unusual circumstances. With Pismo Beach to the north, Oceano to the south, Arroyo Grande to the east and the Pacific Ocean on the west, the City is not expected to expand its existing boundaries. Future growth will occur within the City's existing boundaries from infill development and intensification of existing land uses.

WRITTEN DETERMINATIONS

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

1. The City prepares a biannual budget with a mid-year update, and strives to use the best practices in managing their financial resources.
2. The City conducts bi-annual budget and goal setting workshops that allow the public to participate in fiscal management that is integrated with long range planning.
3. The City looks to collaborate with the surrounding jurisdictions, as this has proved to be less costly to provide similar services. Examples of the City's joint efforts with other jurisdictions are previously cited in the Service Review.
4. The City has in place a variety of capital improvement plans, development impact fees, and developer-required mitigation in the form of infrastructure improvements required from new projects and similar programs to monitor public service needs of new development.
5. There are no apparent short- or long-term fiscal constraints limiting the City of Grover Beach's ability to provide services.
6. The City has in place financial policies that provide a structure for responsible decision-making.
9. Rates and fees for services are established using the City's policy and procedures and special studies as the need arises.
10. The City adopted a Master Fee Schedule in 2009 that provided the fees charged and services provided by the various City Departments.
11. The City uses the budget cycle to consider updating the fees and rates schedule that is implemented on an on-going basis.

4.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

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

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

The City of Grover Beach coordinates closely with other jurisdictions in the area to share and maintain facilities. An important example of shared facilities is the use of the South County Sanitation District's wastewater treatment facility that serves the communities of Grover Beach, Arroyo Grande and Oceano. A council member who is appointed by the Mayor to represent Grover Beach serves on the District's Board. Most recently the three communities agreed under a Joint Powers Agreement to share fire services by creating the Five Cities Fire Authority. Similarly, a council member represents Grover Beach serves on the Board of Directors.

The City has entered into a JPA with State Parks for a lease that would enable a beachfront hotel and conference center to be built at the end of Grand Avenue near the beach entrance. If successful, this interagency cooperation could lead to a major economic boost to the City.

The City is involved in regional transportation planning with the San Luis Obispo Council of Governments. Their efforts in this regard have helped the City to obtain funding for a variety of regional transportation improvement projects.

The Cities of Arroyo Grande and Grover Beach, along with the Oceano Community Services District, have implemented a number of individual efficiency measures that involved coordinating and consolidating fire services. The first major step toward consolidation occurred in 2004 when the City of Arroyo Grande entered into a joint fire administration and training agreement with the City of Grover Beach. Under that agreement, Arroyo Grande provided a fire chief and Grover Beach provided a training captain. The agreement was coordinated by a Fire Oversight Committee, consisting of two city council representatives, both city managers and the fire chief. This arrangement provided the management, coordination and joint training benefits

of a single department, but allowed both agencies to maintain their identity, budget control, staffing, salaries and benefits.

In 2007, the agreement was modified to upgrade the captain position to a battalion chief, have both positions employed by the City of Arroyo Grande and share the costs of both positions. The two cities soon expanded the agreement to include sharing reserve firefighters and apparatus. Sharing a backup fire engine made it possible to sell one fire engine, and the two cities shared the revenue. Reduced maintenance also provides ongoing savings. The agreement was amended to include Oceano on a limited basis and later expanded to provide full services. The three contiguous communities receive services from a single coordinated effort.

Each of the governing boards approved proceeding to establish a Joint Powers Authority (JPA) and established July 1, 2010 which created the Five Cities Fire Authority. The cost-allocation formula is based on population, service calls, assessed value, number of stations and number of full-time paid staff.

In general, there are no other public services being provided by other agencies within the City limits. Grover Beach is surrounded by the City of Pismo Beach and Arroyo Grande on north and east side and the unincorporated area of Oceano to the south which has seen very little development. The City of Grover Beach provides full services to its residents and business community.

WRITTEN DETERMINATIONS

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

1. The City works cooperatively with a variety of Local, State and Federal Agencies to facilitate improvements that benefit the City and protect residents and visitors.

4.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

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

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

The City Council holds regular meetings at 6:30 p.m. on the first and third Mondays of each month in the City Hall Council Chambers, at 154 S. Eighth Street. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on City issues not on the agenda. All Council meetings are televised live and videotaped for later playback.

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

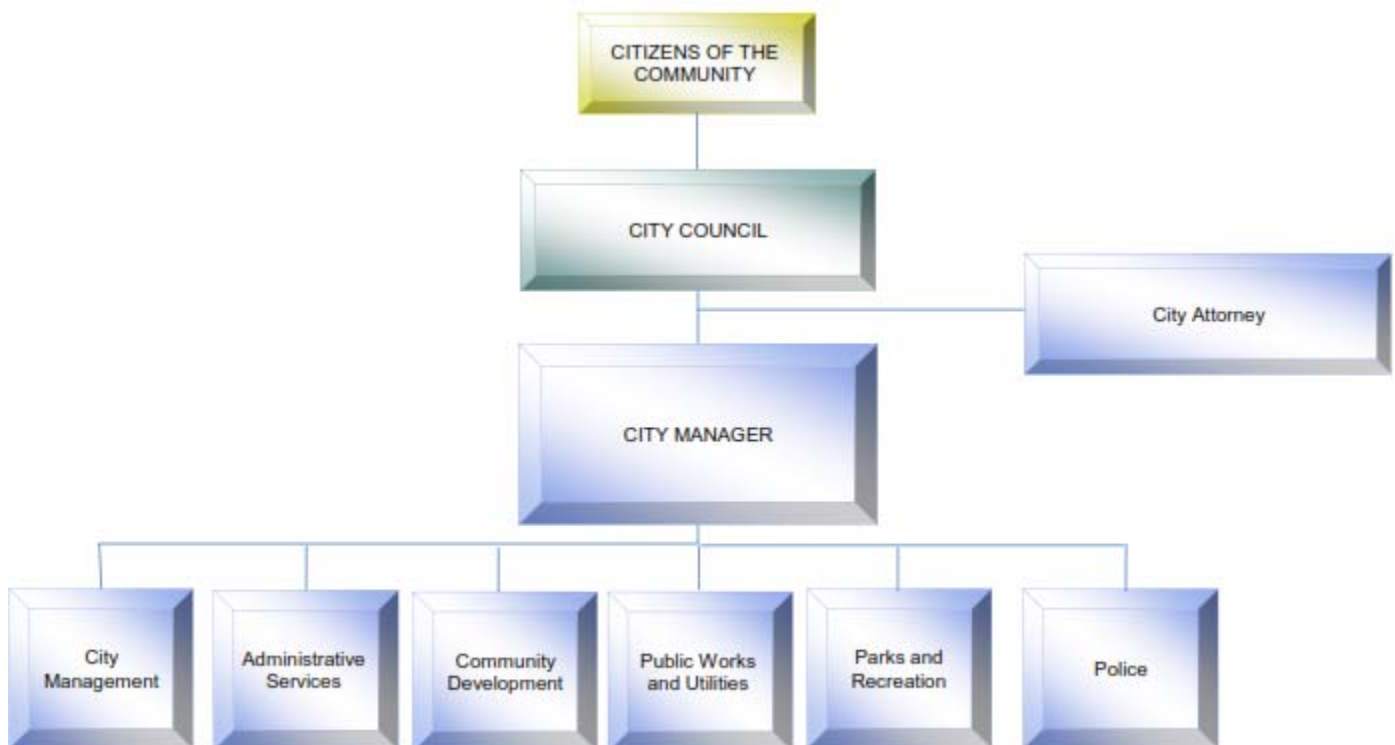
The City's organizational structure is shown in the chart found on the next page. It should be noted that the City has a number of advisory bodies that provide the council with a variety of recommendations on a range of topics. These bodies consist of citizens and are staffed by the relevant department:

- Planning Commission
- Parks, Recreation and Beautification Commission
- Citizen Oversight Committee
- Traffic Committee

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

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

Figure 4-23



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

The City Council maintains a comprehensive Goals and Work Program that describes the goals, projects and programs to be implemented by each City Department. This document is updated annually and includes a description of the program/project to be completed. The City also produces and distributes to each resident a quarterly newsletter (Sea Breeze) that provides relevant information about the community and City activities.

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

WRITTEN DETERMINATIONS

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

1. The City has historically made broad efforts to maintain a public dialogue in the community. The City's outreach program includes providing information regarding current issues of significance to the community through a variety of media. In particular, the City produces a newsletter that is distributed quarterly, has conducted workshops, and public town hall meetings to address matters for the broadest public input possible. The City conducts goal-setting meetings to establish community priorities.
2. The City has maintained relationships with local news media, providing information and/or interviews as requested. Locally elected and appointed officials pride themselves on being available to their constituencies.
3. The City conducts budget reviews and goal-setting workshops that are designed to keep the public informed regarding budgetary situations. It is possible for the public to participate in the budget hearing process. Annual audits are completed and made available to the public upon request. The City has historically dedicated one of its newsletters to budget information and a summary of revenues and expenditures in the community.

4. The City has recently updated many of its service plans, including the Urban Water Management Plan, Land Use and Housing Element of the General Plan, Zoning Code and fee and rate structures.

4.7 OTHER MATTERS

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

REFERENCES

- AECOM 2040 Population, Housing & Employment Forecast, August 2011
- City of Grover Beach Urban Water Management Plan, June 2011
- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2010.
- City of Grover Beach Draft Budget FY 2011/12
- California Department of Finance E-4 Report, 2010
- City of Grover Beach General/Local Coastal Plan, 2010 (LCP 2000, CE 2005)
- SLO County Resource Management System Annual Report, 2009
- California Department of Finance E-4 Report, 2009
- City of Grover Beach Comprehensive Annual Financial Report FY ended 6/30/09
- City of Grover Beach Fee Schedule, 2009
- San Luis Obispo County Tourism Analysis Report, 2008
- SLOCOG Regional Housing Needs Allocation, 2008
- County of San Luis Obispo Urban Water Management Plan, 2005
- San Luis Obispo Council of Governments, Regional Profile, October 2004.
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- San Luis Obispo Local Agency Formation Commission, Sphere of Influence Study, 2003.
- City of Grover Beach 5 Year Capital Improvement Project
- City of Grover Beach, Official Website, www.grover.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.ag.ca.gov.

CHAPTER 5

Oceano CSD – MUNICIPAL SERVICE REVIEW



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

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

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

The OCSD provides the following services for the residents of Oceano:

- ❖ Water service;
- ❖ Street lighting;
- ❖ Sewage collection;
- ❖ Refuse and Garbage Collection
- ❖ Fire protection and basic life support services; and
- ❖ Parks and recreation services.

The Community of Halcyon receives only fire and basic life support response services from the OCSD. As an unincorporated community, the County maintains and constructs roads, is responsible for drainage improvements, provides for land use planning and general government services.

The District contracts with PG&E to provide for the operation and maintenance of existing streetlights in Oceano.

The Oceano CSD Sphere of Influence was most recently updated in 2003, and included the triangle shaped property (known as Coker-Ellsworth). This site comprised the only Sphere of Influence for OCSD until the Mobile Home parks on Halcyon were removed from Arroyo Grande's Sphere of Influence and included in the Oceano CSD Sphere of Influence. The annexation to the Oceano CSD occurred in 2009. Figure 5-1 shows the adopted service area and coterminous Sphere of Influence. Figure 5-2 shows the Study Areas considered under this review. Please note that a study area is intended to be studied for possible inclusion. The area may or may not be included in the SOI.

Figure 5-1 - Oceano's Existing SOI

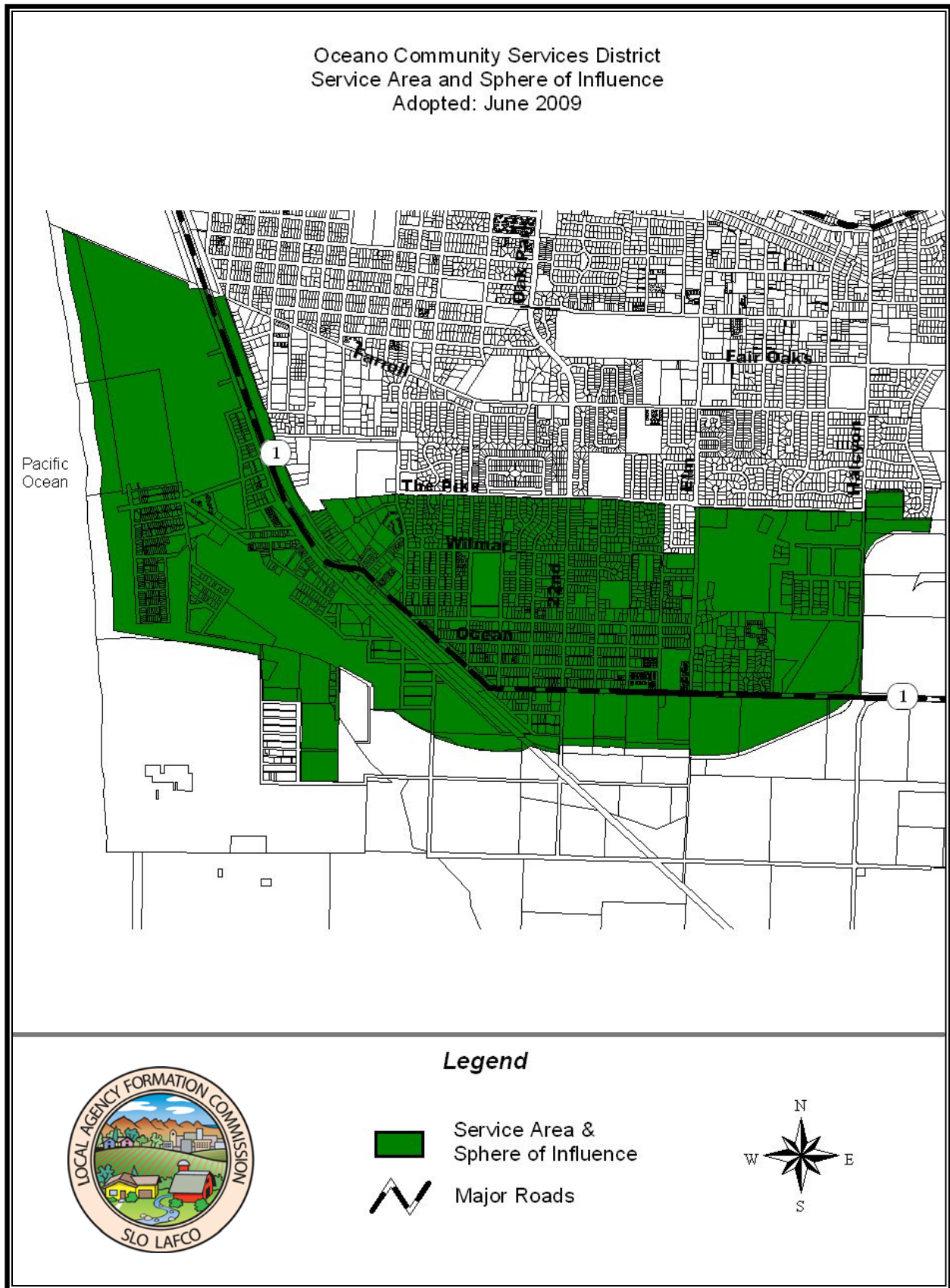
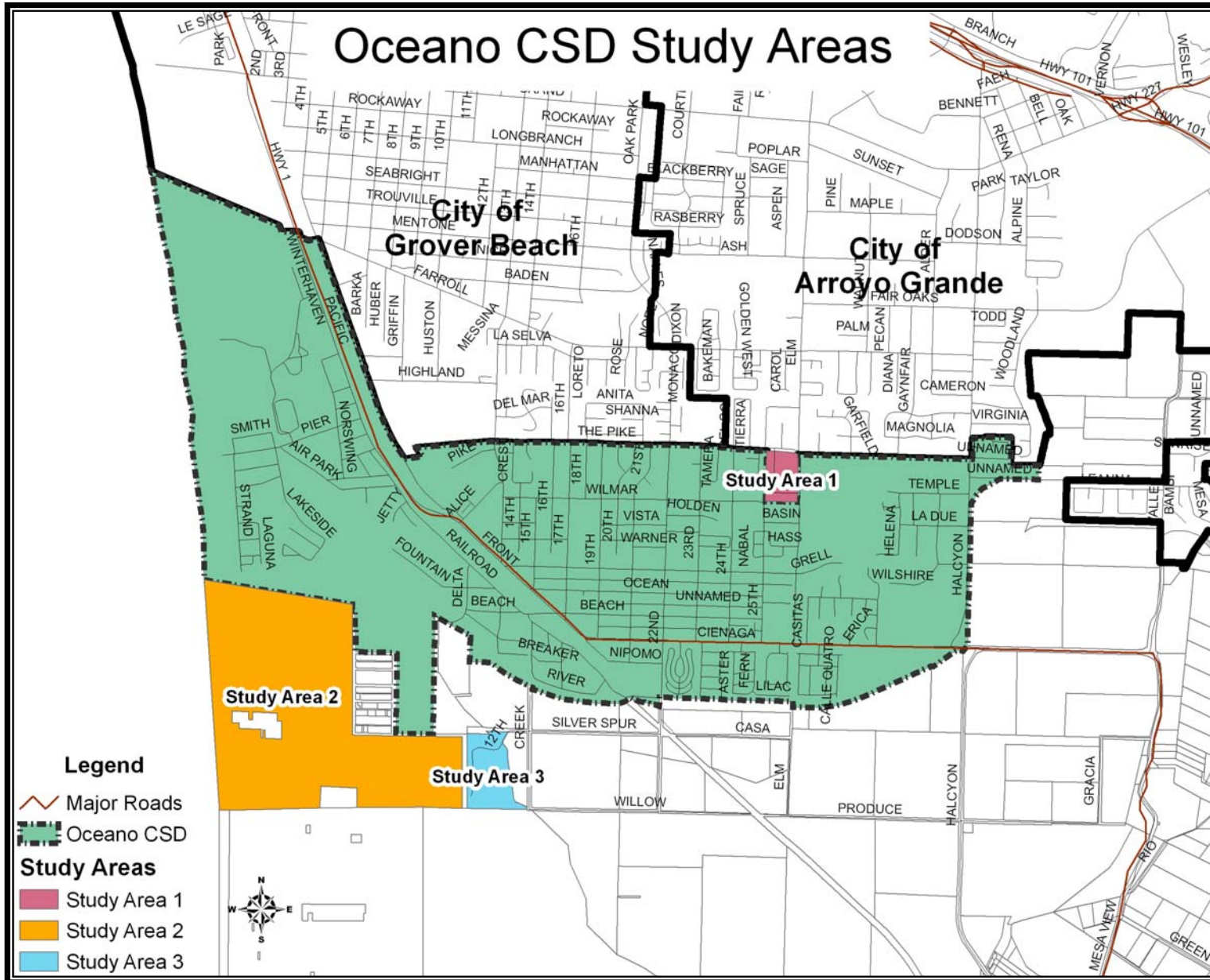


Figure 5-2 – Oceano’s Study Areas



5.1 Growth and Population Projections for the Affected Area

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

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for Oceano. The previous Sphere of Influence update and Municipal Service Review for Oceano Community Services District provides background information, as well as, the County of San Luis Obispo adopted Oceano Specific Plan. The table below summarizes proposals considered by LAFCO since 2004 to the present.

Table 5-1 –Proposals Since 2004

Date	Action	Proposal	Acreage	Status
4/7/09	Annexation	Anx #5 to OCSD (Halcyon Estates)	11.2	Approved
4/25/05	Outside User	Outside User Agreement with Oceano CSD (Christie)	10.24	Approved

The Growth and Population factor includes a summary of population data and land use and zoning in the area as well as growth trends.

According to the 2000 US Census, Oceano had a population of 7,260. Total housing units were estimated to be 2,755 units. The estimated build-out population within the current service area is estimated to be 8,739. This assumes an existing population of 8,098, plus 28 infill single-family residential units occupied at a rate 2.9 people per unit. Oceano's population grew less than 1% per year from 2000 to 2010.

Council of Governments Population Projections-2009

The Council of Governments recently had the consulting firm of Economics Research Associates update population projections for San Luis Obispo County including Oceano. The original study was completed in 2006 and was updated in 2009 to take into account the recent economic downturn. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections

incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County including Oceano. The table below shows those results:

**Table 5-2: Projected Population Growth Oceano
San Luis Obispo Council of Governments Projections**

	2008	2010	2015	2020	2025	2030	2035
LOW	7,941	8,098	8,378	8,430	8,380	8,379	8,326
MEDIUM	7,941	8,098	8,378	8,465	8,450	8,485	8,465
HIGH	7,941	8,098	8,378	8,497	8,505	8,574	8,582

Oceano is a small coastal agricultural community surrounded by farm fields, the dunes of the south county, incorporated cities, and the Pacific Ocean. Oceano is considered part of the Five Cities area. The community is expected to show slow and relatively steady growth through 2020. New development in Oceano will continue to be chiefly infill of vacant or under utilized parcels. The percentage of overcrowded housing units is relatively high in Oceano (18.8%). The estimated 2005 population for Oceano was 7,614, up only 370 residents from 2000. Oceano serves as the main entrance to the Nipomo- Oceano Dunes complex and the Oceano Dunes Off-Highway Vehicle Park, which provides an influx of seasonal population.

COUNTY'S GENERAL PLAN

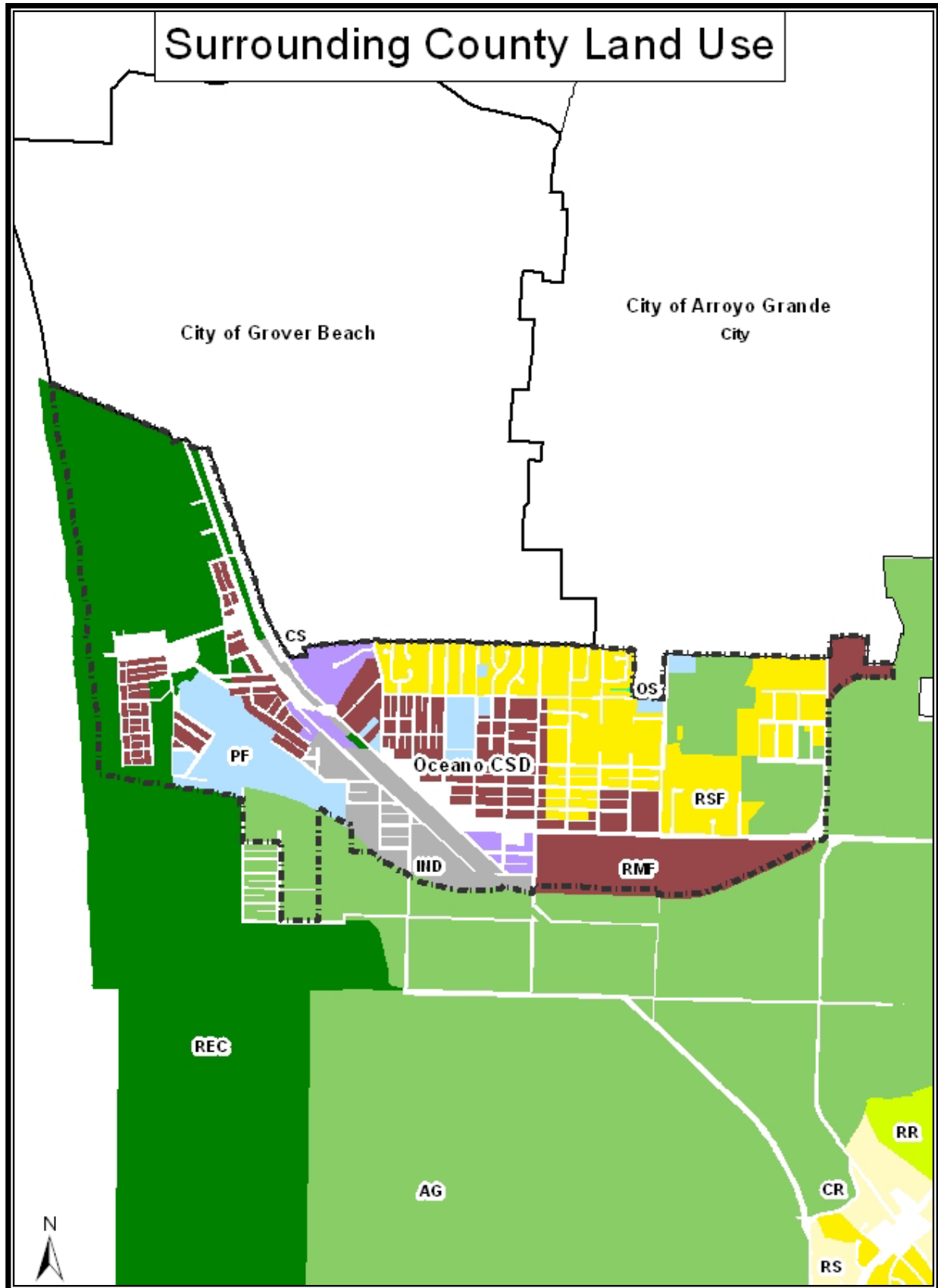
The County's San Luis Bay Coastal and Inland Planning Area, and the South County Coastal and Inland Planning Area of its General Plan establish land use policy in the unincorporated area of Oceano and surrounding areas. The County's Oceano Specific Plan identifies where and how the County anticipates development over the next 20-years for Oceano. The County's Plans promote the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use.

The County's Conservation and Open Space Element (COSE) consolidated five previous individual elements (conservation and open space, historic, esthetic, and energy elements). The COSE is utilized as a tool to protect and preserve the unique community resources. The

element addresses many issues with regard to conservation, development, and utilization of natural resources. The element includes policies and strategies that address reducing greenhouse gas emissions, directing growth away from areas with constrained natural resources, water and energy conservation, use of low impact development and green building techniques, increased protection of community separators and scenic corridors. The County's overarching land use planning framework Strategic Growth Principles guided the element to direct growth to occur in a more sustainable manner.

The Oceano Urban Area is the unincorporated area lying south of the Pike and the cities of Grover Beach and Arroyo Grande. It extends east to Halcyon Road and is bordered on the south by Arroyo Grande Creek and on the west by the Coastal Zone, which is generally west of Highway 1. The urban area also includes the religious community of Halcyon. Oceano is expected to remain heavily dependent on the larger urban complex for commercial uses and employment opportunities. Much of Oceano is already subdivided into residential lots of various sizes. The community also has adequate existing water distribution and sewage collection systems serving the urban area, the most costly of urban services on the existing lots, as well as new subdivisions on some of the larger vacant parcels.

Figure 5-3 (E) Land Use



The San Luis Bay Inland Area Plan describes the areas as generally west of the Southern Pacific railroad is within the coastal zone. Oceano is the most southerly community in the Five-Cities area, and while it has many special facilities (i.e., Oceano Airport, Pismo State Beach, which draws over one million visitors annually), the community is heavily dependent on many commercial uses and employment uses located within the larger urban complex. The community service district boundary includes all of the area within the urban reserve line and includes two additional low density recreational areas and the Halcyon Agricultural Preserve at the corner of Highway 1 and Halcyon Road. The urban services line is coterminous with the Oceano urban reserve line and full urban services should be provided as the community grows. The residential areas of Oceano are a mixture of existing small lots and larger un-subdivided parcels. Only the Halcyon property is covered by the Agricultural land use category. The property is under an agricultural preserve contract and is expected to remain for many years. The plan has limitations on uses to minimize potential land use conflicts with intensive agricultural operations in and adjacent to the western portion of this Residential Multi-Family category. In no case, should the uses be allowed to expand beyond Arroyo Grande Creek.

RMS Annual Report-2010

The Resource Management System (RMS) provides information to guide decisions about balancing land development with the resources necessary to sustain such development. It focuses on, 1) Collecting data, 2) Identifying resource problems and 3) Recommending solutions. Oceano is one of the fifteen unincorporated community services districts in the county. District continues to include approximately 1.7 square miles of land. The Cities of Grover Beach and Arroyo Grande are to the north, the Pacific Ocean is to the west and unincorporated county agricultural areas are to the south and east. Oceano is a part of the “five cities” in the South County.

According to the 2010 Annual Resource Management System Report, the District estimates that it now serves approximately 8,098 residents in 2010 compared to an estimated 7,244 in 2000. Over the last 10 years, Oceano's population has increased by approximately 854 people. This equates to 1% per year rate of population increase over the 10 year period. The table below reflects the population data from the census and the County's 2009 Resource Management System Annual Report:

**Table 5-3: Historical & Projected Population Growth
Oceano California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	6,169	7,244	8,098	8,377	8,462	8,470	8,504
10 Year Increase	--	1,075	854	279	85	8	34
10 year % Incr.	--	1.4%	1%	<1%	<1%	<1%	<1%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

County of San Luis Obispo Urban Water Management Plan, 2010

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 5-8 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2005 projected to 2030.

Table 5-4 Zone 3 Population & Projections

Population Projections						
Service Area Population	2005	2010	2015	2020	2025	2030
	53,249	47,696	49,281	50,872	52,597	53,406

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2010

Oceano CSD Water Master Plan, 2009

Housing Units and Growth Projections. In the 2009 Water Master Plan, Oceano CSD estimates that 8,714 people are served by the District. In 2000, the U.S. Census stated the total number of dwelling units as 2,755 with an average household size of 2.9 persons and an occupancy rate of about 98%. Oceano’s Water Master Plan projects the current Service Area and Sphere of Influence boundaries to yield a population of 10,134 persons.

The table below is taken directly from the Water Master Plan and shows historic and projected growth rates:

Table 5-5: Historical & Projected Population Growth

	1980 ⁽¹⁾	1990 ⁽¹⁾	2000 ⁽²⁾	2005 ⁽²⁾	2010 ⁽²⁾	2015 ⁽²⁾	2030 ⁽²⁾
Population	4,551	6,169	7,260	8,324	8,863	9,141	10,033
10 Year Increase	--	1,618	1,091	1,064	539	278	892
10 year Avg. Increase	--	35%	17%	14%	6%	3%	9.7%
Average per Year	--	3.5%	1.7%	2.9%	1.2%	<1%	<1%

(1) Source: U.S. Census

(2) Source: Oceano CSD 2009 Water Master Plan

OCEANO SPECIFIC PLAN, 2002

The County of San Luis Obispo adopted its Oceano Specific Plan in 2002. Over the last 20 years, Oceano's population has increased by approximately 2,709 people. From 1980 to 1990, the community of Oceano increased by 1,618, a 35.55% increase, an average growth rate of 3.55% per year. In the 1990's, Oceano's population increased by 1,091 residents, a 10 year growth rate of 17.68%. The annual growth rate for that last decade was an average of 1.77%. The projection is based on the build-out population in the Oceano Specific Plan.

Oceano's growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County's Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the certified Housing Element 2009 the County estimates a total of 28 new dwelling units as a realistic build-out. The Specific Plan policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within Oceano.

Table 5-6 Build-out Summary: Vacant Land within District

Area	Acres	Units	Population	Land Use
062-081-006	0.20	3	9	RMF
062-085-004	0.30	5	15	RMF
062-082-001	0.16	2	6	RMF
062-082-002	0.20	3	9	RMF
062-082-003	0.20	3	9	RMF
062-082-017	0.16	2	6	RMF
062-089-006	0.24	4	12	RMF
062-042-033	0.40	4	12	RMF
062-069-009	1.2	1	3	RSF
062-321-040	2.7	1	3	RSF
Total Vacant Sites within Oceano	5.76	28	84	

Source: San Luis Obispo County Housing Element 2009.

Recent Building Permit Activity

Building Permits have been compiled for Oceano from the Planning and Building Department. From 2001-June 30, 2008, 179 single family and 41 multi-family units were constructed. Oceano had 7,844 residents in 2008 (County Projections).

Table 5-7 New Permits

Community	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Oceano	45	20	27	29	54	23	27	17	18	260

Land Use

The County's General Plan governs the development of land in the Community of Oceano. The District provides the County with comments regarding land use decisions but does not have authority over land use entitlements. The General Plan identifies the type and intensity of development allowed in each of several land use categories for Oceano. The Oceano Specific Plan identifies the following land use categories:

The map below shows the Land Uses addressed by the Specific Plan. The Specific Plan was adopted in 2002 and made minor changes to the zoning in the Community. The Plan reduced the densities available for the Residential Multi-Family land use category, increased the Commercial Retail land, and reduced the available industrially zoned land.

Table 5-8: Land Use Breakdown

Land Use Designation	Specific Plan (acres)	Percent of Total
Residential Single Family	191.60	28.34%
Residential Multi-Family 15 units/acre	212.22	31.39%
Commercial Retail	27.40	4.05%
Commercial Service	31.33	4.63%
Industrial	40.31	5.96%
Agricultural	58.15	8.60%
Public Facility	88.97	13.16%
Recreation	25.58	3.78%
Open Space	0.49	0.07%
	676.05	100%

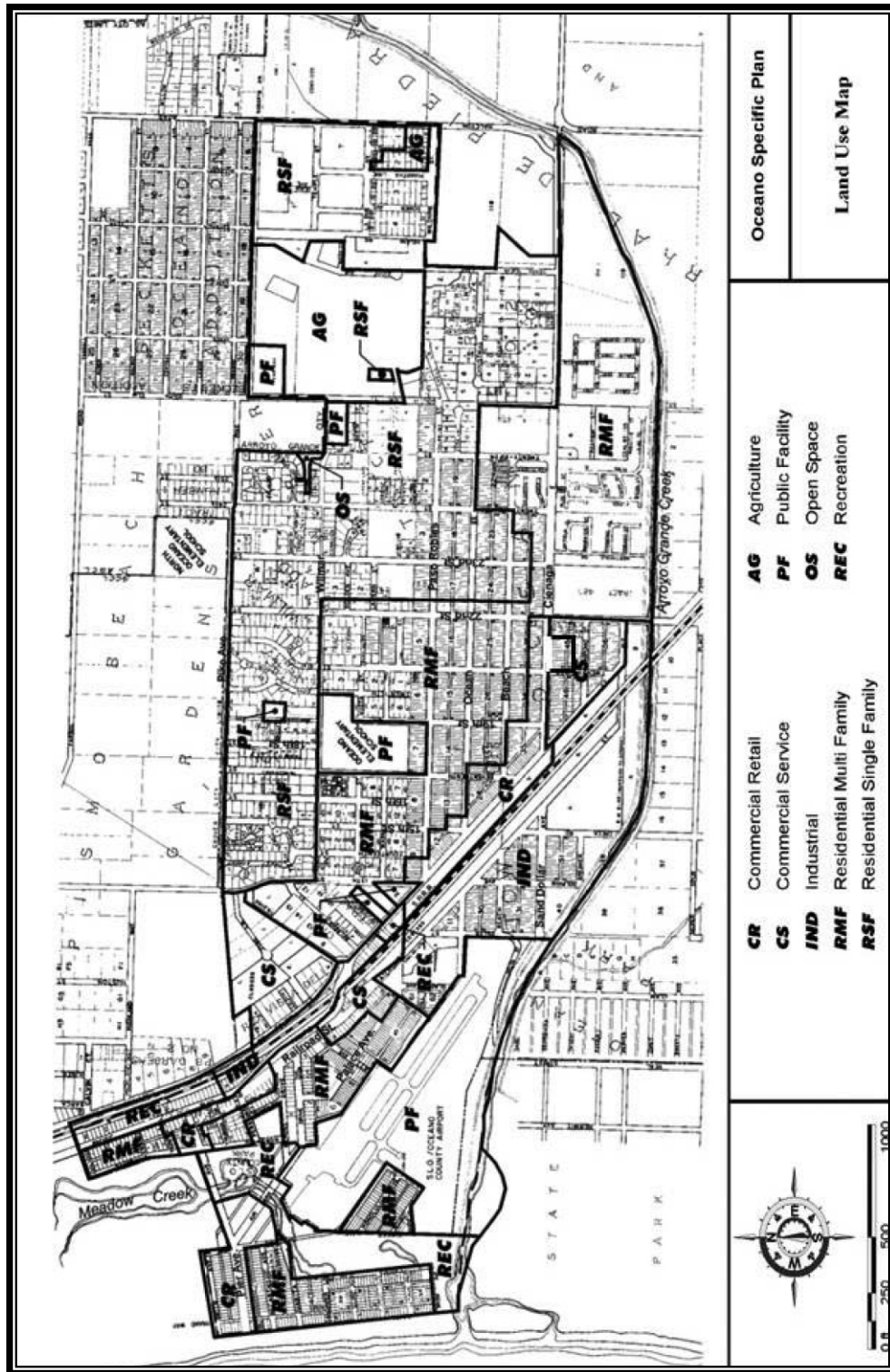
Build-out is the possible amount of development that could occur on every parcel under current planned uses allowed by the General Plan. Full build-out is rarely reached within a community because some parcels are not suitable for full development and other parcels are not developed to their maximum potential by choice of the owner. The Oceano Specific Plan reduced potential build-out to 8,739 because of the decrease in density allowed for Residential Multi-Family projects.

The following programs apply within the Oceano urban reserve line to locations in the land use categories listed.

Central Business District Plan. The Planning Department should work with the community and individual property owners to prepare a CBD plan to establish improvement and development standards for the CBD. The plan should include specific criteria and recommended implementation procedures (including any necessary LUE changes) for the following:

- a. Siting of structures, building materials, signing landscaping, parking and lighting.
- b. Rehabilitation of existing commercial uses and facades.
- c. Placement of utilities underground throughout the CBD.

Figure 5-4 Land Use



Housing Element. The County's Housing Element was adopted by the Board of Supervisors and certified by the State Department of Housing and Community Development (HCD) in 2009. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2007 through July 1, 2014. The table below shows the total number of residential units (1,295) the unincorporated County of San Luis Obispo must provide zoning for in that time period. HCD completed the review and certified the Housing Element.

Table 5-9: 2007-2014 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	83	58	69	152	362	7%	
Atascadero	106	74	88	194	462	10%	
Grover Beach	44	31	37	81	193	6%	
Morro Bay	41	29	34	76	180	4%	
Paso Robles	149	103	123	271	646	10%	
Pismo Beach	36	25	30	66	158	3%	
San Luis Obispo	366	254	302	668	1,589	33%	
County Unincorp.	298	207	246	544	1,295	27%	
Total Units	1,124	782	928	2,052	4,885	100%	

Source: SLOCOG RHNA 2008

The Housing Element is one of the seven State mandated elements of the General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The County has developed a set of objectives and specific policies and programs to prepare for the production of housing in the unincorporated County (including Oceano).

A Housing Element is required by California law to establish policies and programs that will support the provision of an adequate housing supply for citizens of all income levels. The intent of State law is to assure that jurisdictions in the State provide adequate housing to all members of the community. While the State Department of Housing and Community Development (HCD)

reviews the Housing Element to assure compliance with housing law, each jurisdiction must identify its particular issues to successfully address its housing needs.

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

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

State law is more specific about the content of Housing Elements than any other portion of the General Plan. That specificity is reflected in the detailed demographics and other data contained herein. The Housing Element is also the only part of the General Plan that is subject to mandatory deadlines for periodic updates. Except for the Local Coastal Plan, it is the only element that is subject to review and "certification" by the state. The County's Housing Element has been certified by the State.

According to the Housing Element a recent available land inventory has been conducted which concludes the County has additional land available for 1,838 new residential units within the unincorporated County (28 units within Oceano). The Housing Element also evaluated the infrastructure to accommodate these new potential residential developments. The Housing Element states that all of the parcels identified in Oceano have water and sewer connections. Oceano is at 46% capacity for water service and 60% capacity for wastewater which

demonstrates Oceano's ability to provide these services to the 28 residential units with existing capacity. These services are further discussed in the next section.

The **Circulation** Element plans for improvements to the County's transportation system that will accommodate existing residents and future growth. Principals, Policies Standards, and programs supporting these goals are provided in detail in the Circulation Element.

The following programs apply within the Oceano urban reserve line to locations in the land use categories listed.

Communitywide

1. Street Improvements. The County Public Works Department should work with property owners and LAFCO to establish assessment districts for the installation of urban street improvements, including curbs, gutters, sidewalks and street trees, in residential areas.

2. Community Improvement. The county should work with property owners and community groups to seek grants and other funding sources to assist property owners in making needed improvements to their residences or place of business.

Oceano Specific Plan Policies and Programs:

***Program 4. Curbs, Gutters, Sidewalks.** Implement a continuous system of sidewalks through an assessment district or through money gained from grants. Make sidewalks a priority around Oceano Elementary School. Sidewalks could be a requirement for all residential areas.*

***Program 17. Traffic Calming.** Consider the use of a pedestrian crossing and signal to slow traffic and identify a preferred location for pedestrians to cross Highway One in the Downtown area.*

***Program 24. Traffic Calming.** Maintain the balance of the roadway grid in Oceano for pedestrian, bicycle and automobile flow in the community through careful consideration of the location of any stop signs, speed bumps or other traffic calming devices.*

***Program 25. Beach Street Re-alignment & Crossings.** Re-align Beach Street to provide better access to the industrial area and allow for development of the west side of Front Street. This should include pedestrian crossing and signal.*

Program 30. Bicycling. *The following improvements are recommended for improving bicycling in Oceano:*

- *Provide Class II bike lanes on 22nd Street and on at least two streets leading to the elementary school.*
- *Establish bike lanes to the beach that will not conflict with the heavy recreational vehicle use.*
- *Establish the Creek Trail so it will be compatible with bicycle use.*

Program 31. Transit. *Improve area-wide transit opportunities for Oceano. Keep fares affordable to increase availability of alternative transportation.*

The **Conservation and Open Space** Element addresses natural resources such as water, soils, creeks, riparian habitat, air quality as well as archaeological resources. This Element is important in updating the Sphere of Influence because it contains detailed principals, policies, standards, and programs targeted at preserving open space lands. Key policies include:

Policy OS 1.7 *Open space resource protection - Protect open space resources by guiding development away from rural areas to more suitable areas.*

Policy OS 4.1 *Define urban areas to prevent sprawl - Prevent urban sprawl by maintaining a well-defined boundary between urban/village boundaries and surrounding rural areas.*

Policy OS 4.2 *Maintain community separators - Maintain permanent separations between communities in order to retain the rural character of the county.*

Policy OS 4.3 *Conversion of rural areas to Urban – Lands Limit the conversion of unincorporated rural areas to Urban Lands in accordance with the considerations for urban and village expansion in Framework for Planning of the Land Use Element.*

Policy OS 4.4 *Annexation of urban development - Urban development will be annexed to an incorporated city or an existing community services district (CSD) or County service area (CSA), specifically in the following scenarios:*

- a. Where cluster development from rural property is to be located adjacent to the urban area; or*

b. Where and when higher density development is to occur consistent with resource and service capabilities and orderly extension of urban services.

Policy OS 4.5 *Maintain large parcels - Within urban and village reserve lines, maintain large parcels, preferably at least 10 acres in size, until such time as full urban services can be provided.*

The Parks and Recreation, Agriculture, Safety, Economic, and Framework for Planning Elements of the General Plan each have principles, policies, standards, and programs that provide guidance and clarification for the public and decision makers. These are important topics that the County/CSD addresses to ensure a healthful, safe, and economically viable environment for residents and visitors alike. The policies and programs in these elements would be applied to the Sphere of Influence.

The Oceano Community Services District provides for parks and recreation services within the Service Area. The Parks and Recreation budget unit provides for maintenance and upkeep of the “Tot Lot” which was constructed on the recreation property at 19th and Wilmar. Additional opportunities could exist for the District to expand its parks service in the future.

WRITTEN DETERMINATIONS

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

1. The 2002 Specific Plan provides a sound information and policy base for the improvement and future development of the Community of Oceano. The Plan provides detailed policies and programs that were considered by the Community through public workshops and hearings. The Plan is reflective of the Community's concerns, values and vision for Oceano.
2. The Specific Plan also provides design guidelines that will govern future growth in Oceano. The Plan has provisions for adding curb, gutter and sidewalks and other drainage improvements. The Plan details transportation and circulation system improvements that will improve Oceano's traffic flow and walkability.
3. According to both the County's Resource Management System and the Council of Governments Population Projections Oceano is projected to grow at a rate of less than 1% per year.
4. Development activity has decreased in Oceano over the past several years due to the economic downturn and available land. This is evidenced by the building and land use permit data provided by the Planning and Building Department.

5.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

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

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

The community of Oceano has a variety of economic diversity that reside within the CSD boundary and surrounding area. The Cities of Grover Beach, Arroyo Grande surround the community of Oceano. Oceano does not currently have a Sphere of Influence. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. Because the community of Oceano does not have a Sphere of Influence disadvantage community for the present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify.

WRITTEN DETERMINATIONS

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

1. The Oceano Community Services District's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

5.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

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

LAFCO is responsible for determining that a jurisdiction is reasonably capable of providing needed resources and basic infrastructure to serve areas already within the service area and in the Sphere of Influence. It is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations are proposed by the District or property owners.

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the Oceano Community Services District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the CSD to expand such resources and services in line with increasing demands.

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

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

WATER

Oceano CSD updated its Water Master Plan in 2009. The County updated its Urban Water Management Plan in 2010. These plans, and other documents, are the basis for this section of the Municipal Service Review. The County updated its Water Master Plan in 2010. Urban Water Management Plan are due every five years, in years ending in “5” and “0” for water suppliers having more than 3,000 connections or selling at least 3,000 acre-feet of water per year. A jurisdiction’s ability to provide water to existing residents and the Sphere of Influence areas is a key consideration in updating an SOI. Because a Sphere is the area that is envisioned for eventual annexation and service by a jurisdiction, it is important that an adequate water supply be documented. Also to be considered are a jurisdiction’s policies with regard to growth and the provision of water. In this area the SOI is expected to remain unchanged, with no expansions or reductions.

Water Supply

The OCSD provides water services for the community of Oceano. There are three major water sources in the area: the Tri-Cities Mesa-Arroyo Grande Plain (TCM-AGP) sub-basin of the Santa Maria Groundwater Basin, the State Water Project, and Lopez Reservoir.

Groundwater. The District extracts groundwater from the Tri-Cities Mesa - Arroyo Grande Plain (AGP) sub-basin of the Santa Maria Groundwater basin. Grover Beach, Arroyo Grande, Pismo Beach, and the Oceano Community Services District share this resource in accordance with the 2003 Settlement Stipulation of the Santa Maria Groundwater Basin adjudication. The District’s allocation share is 900 acre-feet per year from this settlement. The OCSD maintains four active wells and one standby well to extract water from the basin.

Santa Maria Groundwater Basin Adjudication. In 2002, the Northern Cities, namely the City of Arroyo Grande, City of Grover Beach, City of Pismo Beach, and the Oceano Community Services District (CSD) entered into a Settlement Agreement along with northern landowners, and other parties. This agreement was further confirmed in a 2005 Settlement Stipulation for the Santa Maria groundwater basin, which was adopted by the Courts in 2008 issuing a final decision concluding that while the Santa Maria Groundwater Basin (SMGWB) was not in overdraft, some sub-basins could be found to be in overdraft if more data was gathered. The Northern Cities conduct annual monitoring and reporting of the Northern Cities Management

Area (NCMA), one of the sub-basins within the SMGWB, consistent with the judgment to continue the goal of preserving the long-term integrity of water supplies in the NCMA. The 2011 annual monitoring report prepared for the NCMA documents drought conditions between 2007 and 2009 with recovery in 2010 and 2011, and shows the water use among the communities by source. Water quality testing in 2009 indicated a potential for seawater intrusion that had locally manifested in a few wells. The 2011 annual report shows a significant recovery of groundwater elevations relative to 2009 and groundwater improved in early 2010 showing a reduction in concentrations of seawater indicators. Ongoing monitoring will be analyzed to determine the long-term meaning. In the interim, to minimize the threat of seawater intrusion, the Northern Cities have reduced coastal groundwater pumping, reduced their water use through conservation, and initiated arrangements to secure additional water supplies.

Lopez Reservoir. Lopez Lake Reservoir stores storm water runoff during the winter and early spring, and provides managed releases throughout the year to meet downstream demand, as well as diversions from the reservoir through a three-mile pipeline to a water treatment plant which provides treated water to the surrounding communities including Arroyo Grande, Pismo Beach, Avila Beach, Grover Beach and Oceano. The safe-yield of Lopez Reservoir is 8,730 acre-feet per year (SLO County UWMP 2010), which reflects the sustainable water supply during a drought. Over half of the Reservoir safe-yield (4,530 AFY) has been apportioned by agreements to contract agencies. The District can receive an allocation of up to 303 acre-feet from the Lopez Reservoir. The remaining 4,220 AFY is reserved for downstream releases to maintain stream flows and groundwater recharge. A surplus water supply has been available in past years, but this not a reliable source for the District to plan for from year to year.

State Water Project (SWP). The District has purchased an allocation of 750 acre feet of State Water. The District does not participate in the Drought Buffer program. Only 525 acre feet of the 750 acre feet allocated is available due to pipeline capacity constraints if the full entitlement is taken from Lopez. Water from the State Water Project and Lopez are delivered via a shared pipeline to the community of Oceano from the Lopez turnout.

State Water Project Reliability. The State of California Department of Water Resources (DWR) prepares a State Water Project Delivery Reliability Report. The 2009 report estimates the amounts of water deliveries for current (2009) conditions and projected conditions twenty years in the future. The report describes how the Department of Water Resources calculates

delivery reliability for the SWP, key planning activities that may affect future SWP delivery reliability including climate change, sea level rise, vulnerability of Delta levees to failure, operation restrictions in response to decreasing populations of endangered fish species. The amount of SWP water supply delivered to the state water contractors in a given year depends on the demand for the supply, amount of rainfall, snowpack, runoff, water in storage, pumping capacity from the Delta, and legal constraints on SWP operation. Table 6.13 from the 2009 DWR reliability report contains the average, maximum, and minimum estimates of SWP Table A deliveries from the Delta under future conditions. This table shows that average SWP delivery amounts may decrease from previous years. For long term planning, it is assumed that SWP contractors will receive 60 percent of the maximum allocation in a given year.

San Luis Obispo County is a main State Water contractor that has 25,000 acre-feet of State Water allotment. The County has 9,727 acre feet of subcontracts to provide water supply to various areas within the County (4,830 AF water service amounts and 4,897 AF drought buffer). The County has 15,273 AFY of unsubscribed SWP allocation, commonly referred to as the “excess allocation.” Hydraulics, treatment plant capacity, and contractual terms and conditions limit how the excess allocation can be used. In 2009, the SWP delivered was only 40%, San Luis Obispo County requested 4,193 AFY of the entire 25,000 AF and was granted the amount, which allowed Oceano to receive its full allocation.

The County Flood Control District completed a system capacity study that indicated excess pipeline capacity is available and that the Oceano segment could be upgraded to reduce pipeline constraints to addressed improved capacity before additional State Water can be allocated. The Board of Supervisors acting as the County Flood Control District is currently considering adopting policies to guide the Board in determining which jurisdictions might receive a portion of the State Water allocation that is currently unused. Additional steps would involve negotiations with the Central Coast Water Authority to determine how much State Water is available and what the buy-in costs/options might be for use of additional pipeline and water treatment plant capacity. The final step would be a revised contract negotiated between the interested communities. Each of these steps requires additional involvement and the outcome is uncertain.

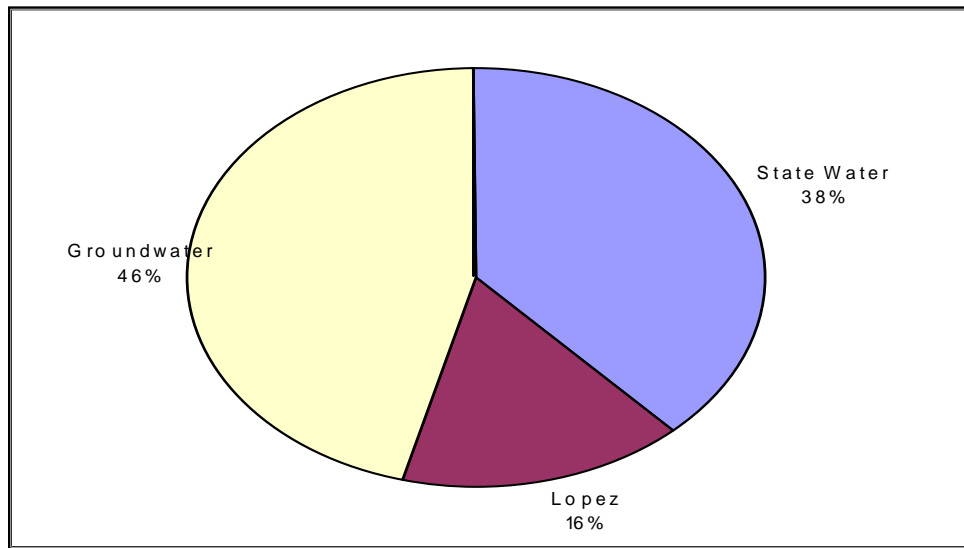
Oceano CSD appears to have excess water and is beginning to discuss selling this excess to nearby jurisdictions that are in need of additional water supplies. Before the OCSD could

negotiate with others for the allocation of this excess water, the County would need to complete the capacity study and the Board would need to adopt the policies guiding the reallocation. The table below shows the District's current water supply situation. The chart shows the water supply by percentage.

Table 5-10 – Oceano CSD Current Water Supply

Source	Amount (acre feet)
Groundwater	900
Lopez Water	303
State Water	750
Total	1,953

Figure 5-5 Oceano CSD Current Water Supply



Recycled water is another potential source of water if the South San Luis Obispo County Sanitation District's wastewater treatment facility is upgraded; this could represent a source for non-domestic uses, if treated. The District may not be in a situation that requires recycled water however Oceano along with the City of Arroyo Grande and Grover Beach contribute wastewater to the SSLOCSD which could provide an opportunity to increase water supplies for the surrounding communities.

Table 5-11 - Future Available Water Supply

Source	Allocation AFY
Groundwater	900
Lopez Water	303
State Water Project	750
Recycled Water	0
Total	1,953

Source: Oceano CSD Water Master Plan, 2009

(1) The District does not have a Drought Buffer

The table below shows water production by Oceano CSD by source from 2001 to 2009. The Draft Water Master Plan projects that groundwater could be used as a source of water over the next 20 years. It is estimated that by 2025 the current water supply will continue to supply the same safe yields of groundwater 900 AFY, Lopez 303 AFY, and State Water 750 AFY.

Table 5-12 Oceano Water Produced

Oceano Amount Produced, AFY									
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Wells	96	75	75	96	62	57	97	254	250
SWP	500	500	508	512	518	525	525	377	354
Lopez	303	334	327	345	353	303	303	303	303
Total	899	909	910	953	933	885	925	934	907

Source: Oceano CSD Draft Water Master Plan, 2009, 2009 NCMA Units; Acre Feet per Year

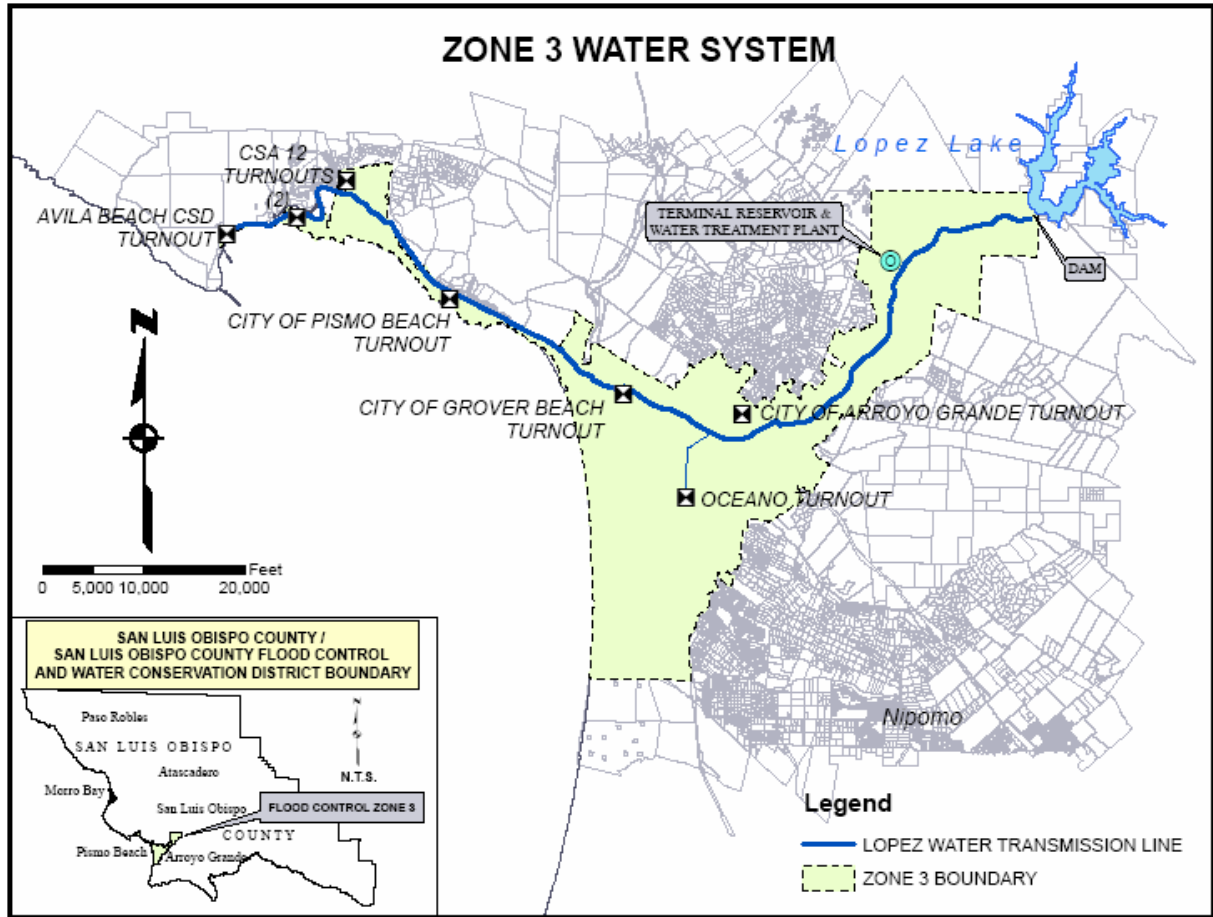
Recycled Water Potential. Recycled water qualities range from secondary quality (as defined by Title 22 CCR) to the highest level of treatment, tertiary 2.2 quality for unrestricted use. Recycled water is not currently considered as a potential source of supplemental water supply for the District. The SSLOCSD wastewater facility treats its effluent to secondary standards. If used for recycled water purposes the water would need additional treatment first before becoming useable. The treated water depending on the level of treatment could have restricted use as recycled water. Use of the recycled water may be limited to park and landscape irrigation. Tertiary recycled water could be piped to augment stream flows freeing up Lopez supplies, agricultural irrigation, or re-injected in the groundwater basin to maintain or increase reliability. However, future reuse of the highly treated water produced by the Wastewater Treatment Facility is not currently anticipated to be a portion of the Districts multi-source water plan. Cost of converting infrastructure and feasibility would need to be studied further.

County Urban Water Management Plan, 2010

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed (see Figure 5-6 below), for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

Periodic droughts have occurred in the region since the completion of Lopez Reservoir. However, these droughts have not caused a significant shortage of water in the Lopez system. In the most recent, prolonged drought of 1986-92, all communities within Zone 3 received their full allotment of water from Lopez Reservoir. Entitlements to Lopez water are based on a percentage of the safe yield of the reservoir. The reservoir's safe yield is 8,730 acre-feet per year (AFY) as discussed below. Of that amount, 4,530 AFY are for pipeline deliveries and 4,200 AFY are reserved for downstream releases. More than 50% of the safe yield is delivered to communities in Zone 3, and the remaining supply is released downstream as required to maintain flows in Arroyo Grande Creek and provide adequate groundwater recharge for the agricultural interests. Any surplus water was banked for the following year, when it could be sold to the Zone 3 communities requesting the water. During the drought, Zone 3 communities whose deliveries from other sources were short were able to purchase surplus Lopez Water.

Figure 5-6 - Zone 3 Boundary



PCSD PDP Report 11/15/2005 by D. Row, SEO COUNTY PUBLIC WORKS DEPT.

County Annual Resource Summary Report, 2010

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

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

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

The following is an excerpt from the 2009 Annual Resource Summary Report for Oceano:

The community's water supply includes State Water, Lopez Lake and groundwater. The groundwater is part of the "Northern Cities" area of the Santa Maria Groundwater Basin. Neighboring cities are starting to plan for additional water supplies.

Total water supply= 1,953 acre feet per year (AFY)

**Table 5-13 Oceano Water Use
Estimates/ Projections, AFY**

2000	2008	2010	2020
911.3	889.8	907.7	992.7

Source: 2009 RMS

Water Demand

The District completes water demand projections in order to estimate how much water might be needed to serve residents, businesses and other uses as growth and development occur in the service area. The District's 2009 Water Master Plan provides information and establishes policies for meeting the current water demand and for projecting future water demand. This document is a valuable water resource planning tool.

In 2010, the District reported annual water use of 967.6 acre-feet. Oceano estimates that current use and projected demand are shown in table below.

Table 5-14 - Annual and Projected Demand

Annual Water Use (2010)		968 AFY
Estimated Build-Out Demand	(Residential)	84 AFY
	(Commercial)	184 AFY
Outside Users		244 AFY
Subtotal		1,480 AFY

Source: Oceano Water Master Plan, 2009, Oceano Specific Plan EIR

Water Conservation. The District is better prepared to manage future drought years because of its diversified water supply and its ability to reduce water use through the implementation of conservation measures. The District's goal is to use 5-15% less of total water usage under an advisory and volunteer basis. The District is considering adoption of a water conservation program that allows them to implement tiered measures to adapt to the water conservation most appropriate to the actual water supply at any time. The County also implemented that new development be required to meet rigid standards for both inside and outside water use.

Water Distribution and Storage System

The District's water distribution system delivers potable water through a transmission main from the four Lopez turnouts and wells to customers and fire hydrants via pump stations, water tanks, and approximately 22 miles of water distribution pipelines. The District's water is delivered through a system of local distribution lines running from municipal reservoirs located in various strategic locations. The District also receives direct water deliveries to these reservoirs from the Lopez Lake waterline that runs through town. State Water deliveries to the District occur through the Lopez Lake delivery system as well.

Water Distribution: The water distribution system was evaluated as part of the 2009 Water Master Plan update. OCSD's water distribution system includes 22.4 miles of pipeline, booster pumps, wells, valves and fire hydrants. The function of these facilities is to deliver water for customers and fire flow needs at adequate flow and pressure. A total of 13,631 feet of new water mains have been installed in the last 10 years. According to the OCSD, the water distribution system is in good condition and most areas of the District were found to have adequate pressures under all water-demand conditions.

Water Storage: OCSD is presently served by a diverse arrangement of water storage systems. There are two above ground steel water tanks, with capacities of one million and 300,000

gallons. Also, Lopez Lake provides storage available within the constraints of the flow allocations. Some wells are supplied with (natural gas engines) emergency generators, which effectively utilize the groundwater as a storage basin. In addition, there is an emergency intertie to the City of Grover Beach water system should the need arise.

Capital Improvement Plan-Water System. The District's Capital Improvement Plan (CIP) comprehensively schedules and finances all capital projects and equipment purchases. Planned water system improvements are included in the District's Capital Improvements Program that was adopted by the Board of Directors. The Water Master Plan has prioritized the projects that are most needed to improve the system.

Projects Budgeted or In Process

- ▶ Water Meter Purchase -- \$45,000.
- ▶ Water Master Plan -- \$12,500

Future Projects

- ▶ Beach Street Alley
- ▶ Pacific Avenue Alley
- ▶ 14th Street
- ▶ Pier Ave
- ▶ Norswing Drive
- ▶ Pershing Drive

WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The wastewater disposal system consists of a district-wide collection system that transports wastewater to the SSLOCSD collection, treatment, and disposal facilities, which was originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Annual average daily flow passing through the collection system is in the order of 2.9 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 60% of permitted capacity.

The treatment processes consist of wastewater collected within sewer lines passing through a metering flume to measure the quantity. Once measured, the wastewater passes through a mechanically separate to remove the larger debris. The screened wastewater is then distributed

to the primary clarifiers. Clarification is achieved by two identical primary clarifiers serving to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The scum is removed from the clarifier and the clarified wastewater eventually discharges to the fixed film reactor to receive secondary treatment. Secondary treatment is achieved by a single, fixed film reactor (FFR), utilizing a bio-filtration process. The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. Then, dewatered biosolids are hauled to a composting facility.

Wastewater Collection. The OCSD is responsible for collecting and transporting wastewater from its 2,770 lateral connections. The collection system is generally in good condition and is regularly maintained by the District. The Oceano collection system conveys wastewater from the District's service area to the South San Luis Obispo County Sanitation District trunk lines. The District utilizes a single lift station and force main as well as a variety of gravity sewer sizes and materials. The District is in the process of developing a capital improvement program to help prioritize and implement projects related to the water, sewer, and other infrastructure. The following excerpt is from the OCSD's 2010-11 budget and describes the wastewater system and the maintenance activities that occur on a regular basis.

Projects Budgeted or In Process

- ▶ Clean Sewer Mains -- \$50,000
- ▶ Repair Sewer Damage -- \$25,000
- ▶ Sewer Rate Study -- \$7,500
- ▶ A Sewer Technical memo has been prepared that indicated there were no need at this time for ongoing capital improvements.

Water and Sewer Rates Comparison

The following tables compare the water and sewer rates of the cities of Pismo Beach, Oceano, Arroyo Grande, and Grover Beach. The sample monthly bill was calculated using 10 units of water as a base. This information was gathered from website research from each City/District.

Table 5-15 – Single-Family Water Rates

Rate/Fee	Pismo Beach	Oceano	Arroyo Grande	Grover Beach
Monthly Service Meter Charge	\$31.90	\$18.87	\$5.35	\$9.63
Water (per 100 cubic feet)	\$2.30	\$2.25	\$2.21	\$3.20
Other Charges	\$0.00	\$1.14(Dam Retrofit)	\$26.58 (Lopez Treatment)	\$0.00
Sample Monthly Bill (10 units of water)	\$54.90	\$39.27	\$54.23	\$41.63

Table 5-16 – Single-Family Sewer Rates

Rate/Fee	Pismo Beach	Oceano	Arroyo Grande	Grover Beach
Flat Monthly Rate	\$62.23	\$8.99	\$2.30	\$9.92
Sewer (per 100 cubic feet water)	\$0.00	\$0.00	\$0.52	\$0.00
Other Charges	\$0.00	\$14.86	\$14.86	\$14.86
Sample monthly bill (10 units of water)	\$62.23	\$23.85	\$22.36	\$24.78

Figures 5-7 and 5-8 show a rate comparison for four cities in the County. The following charts show the comparison of the Five Cities area. Overall, Oceano's water and sewer rates for residential customers are less than other communities in the Five Cities area. The charts are based upon a sample billing using "10 units" of water as a basis.

Figure 5-7

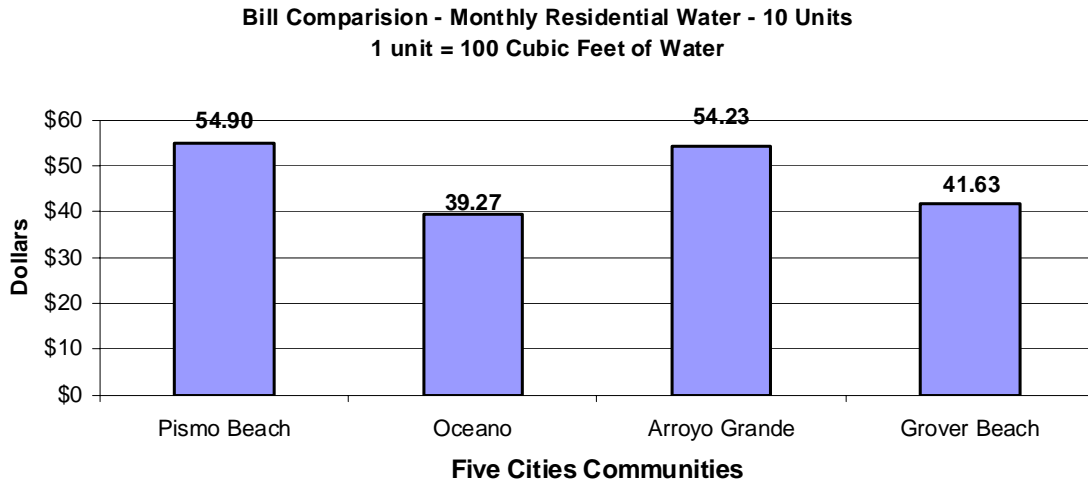


Figure 5-8

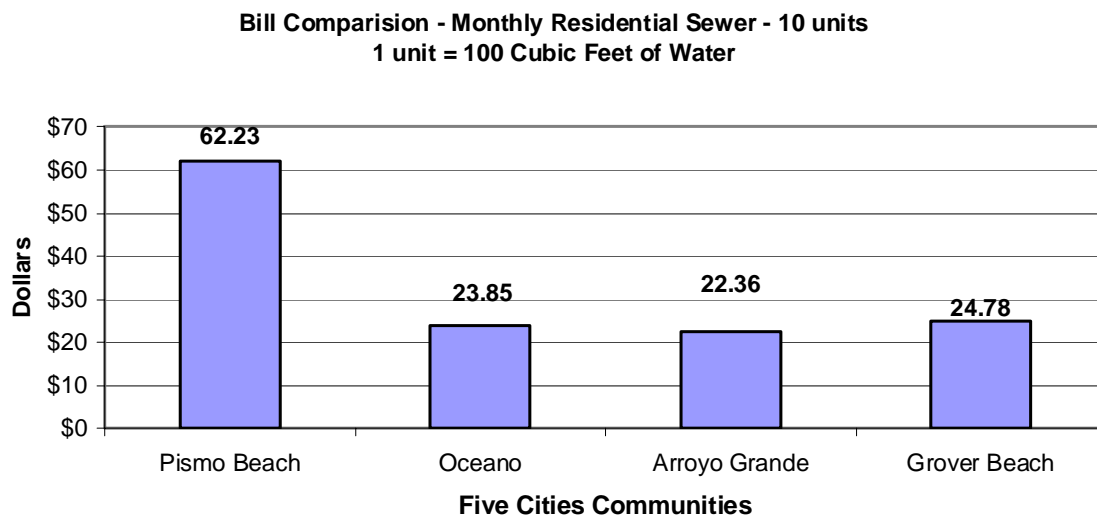
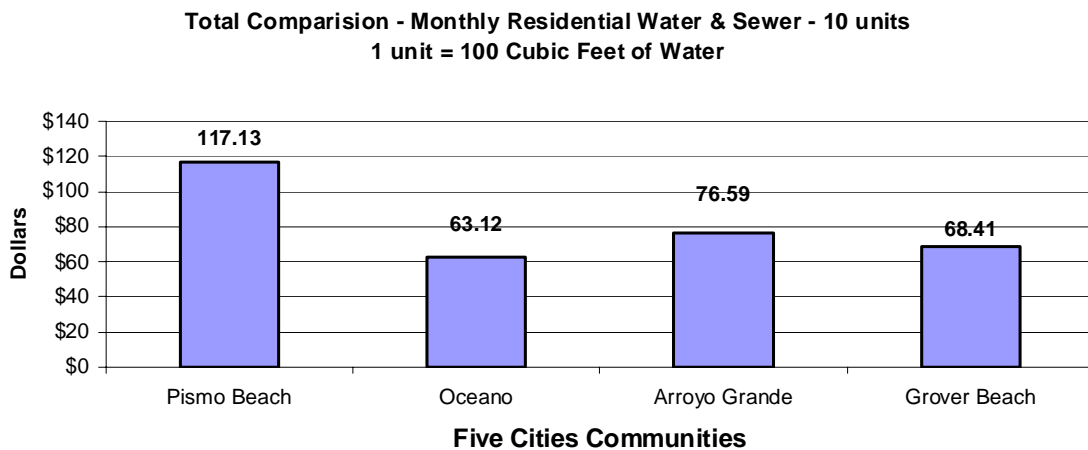


Figure 5-9



TRANSPORTATION - STREETS – ROADS

County of San Luis Obispo General Plan, Circulation Element 1979

The roads are maintained by the County of San Luis Obispo Public Works Department. The Circulation Element of the County's General Plan describes how the County will manage transportation issues as Oceano grows and develops. The Circulation Element was adopted in 1979 along with other elements in the General Plan, in particular the Land Use Element, the coordinated approach enables the County to plan for transportation commensurate with the planned growth and development. The Element contains goals, policies and implementation standards and programs to guide the future development of the County's circulation system.

Oceano is primarily a residential community that is cut by a major regional roadway, Highway 1. The bulk of the community's traffic is generated at the local residential road level and then flows to the arterials that connect to the adjacent highway. The roads and other transportation facilities within Oceano operate at relatively good service levels, except for congestion experienced during weekends, holidays and summer months on Pier Avenue at the entrance to the State Beach.

The District considers capital improvements on a year-to-year basis. Improvements are made as needed or required.

SLOCOG Regional Transportation Plan, 2010

The most recent RTP, Preliminary Sustainable Communities Strategy, acts as a blueprint for a transportation system that addresses transportation projects that will meet access and mobility needs. The 2010 Regional Transportation Plan (2010 RTP) is intended to be a comprehensive Plan guiding transportation policy for the region and will make recommendations concerning improvements to the existing transportation network of highways, transit, air and water, rail and bicycling.

Regional Improvements. According to the San Luis Obispo Council of Government's (SLOCOG) 2010 Regional Transportation Plan the segment of Highway 1 from Oceano to Highway 101 junction is projected from the 2008 number of 10,900 average daily trips to 9,000 average daily trips in 2035. This segment provides access to the commercial, district of Oceano,

Grover Beach, and Pismo Beach. It provides access to the Grover Beach Amtrak Station. Pedestrian safety is a concern given the limited safe crossing opportunities.

Highway 1 Corridor. The City is adjacent to the Highway 1 Corridor. In 2008, this highway carried Annual Average Daily Trips (AADT) of 11,000 (2008 Caltrans counts; website). Volumes are continuing to increase with volume coming from local and regional sources. The route also provides connections to the major recreational travel destinations along the beach communities, giving rise to seasonal variations in traffic and heavy Friday and weekend recreational traffic.

Transit. The South County Area Transit (SCAT) system is a fixed route bus system that serves Oceano in addition to Arroyo Grande, Grover Beach and Pismo Beach. The system consists of three primary bus routes and two early morning trips that serve Arroyo Grande High School. Service is provided twice an hour Monday through Friday from 6am to 8pm. Transfers to Central Coast Area Transit (CCAT), the regional fixed route system, can be made at Ramona Park. Currently, Route 2 serves Oceano to Ramona Park.

“Runabout” is the regional dial-a-ride system and serves as the ADA-compliant service to all fixed routes in the County. It is the only dial-a-ride system in the County that provides inter-city service. The primary function of Runabout is to serve elderly and/or disabled riders, although the general public may ride when space is available. Consistent with ADA requirements, the service hours are the same as the fixed route systems.

Airport. The Oceano Airport supports a combination of recreation and commercial aviation, though the latter is a relatively small component. The Oceano County Airport Master Plan was completed in 2008 and has many improvements projected for the next 15 years. Environmental consideration for the Master Plan is scheduled to begin in 2010. Land uses near the airport will be controlled to prevent conflicts with the safe operation of the facility. Note that the entire study area is within the Airport Review Area and land uses must be consistent with the Oceano County Airport Land Use Plan.

Fire

Oceano CSD contracts with the Five Cities Fire Authority to provide staffing and other fire services for the area residents. A fire station is located at 1655 Front Street (Station 61). The District benefits from the resources that come with having a Joint Powers Agreement with the Cities of Arroyo Grande and Grover Beach. With the JPA the Five Cities Fire Authority is able to increase its presence in the Five Cities area to respond to emergency situations through three fire stations and eight on duty firefighters. Additionally, the Authority employs 17 full time firefighters and 28 reserve firefighters. The Authority also has automatic-aid agreements with CALFIRE. The result of the JPA is improved fire and safety services to the residents at a reduced cost. The CSD maintains ownership of the equipment, engines, and buildings while Five Cities Fire Authority provides personnel and administrative infrastructure. The County requires that all new development pay fees for additional equipment and fixed facilities as needed to service the new development. In annexation areas, the County would consider the need for additional fire stations, equipment and manpower. The JPA may look to the future formation of a reliable funding source to support fire protection services in order to meet national and state standards.

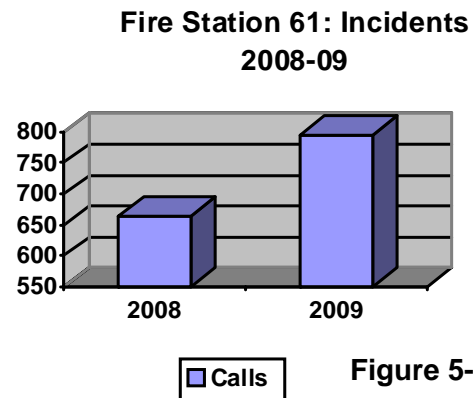


Figure 5-10

Police/Sheriff.

The District has funded the construction of the Sheriff's South Station that opened in October, 2002. This Station represents a law enforcement presence that previously did not exist in Oceano. The Sheriff had maintained a substation in Oceano in the early 1990's, but the station was moved to the Arroyo Grande area due to facility availability. The construction of the South Station brings the Sheriff closer to not only the Community of Oceano, but also to other South County unincorporated areas. This is a significant improvement for the Community of Oceano. The South Station is located at 1681 Front Street, Oceano. The South Station serves the communities of Oceano, Nipomo, Huasna, rural Arroyo Grande, New Cuyama, and Lopez Lake, totaling 950 square miles. South Station deputies work in a demanding environment and handle a high volume of calls for service. The County is divided into three areas. Each area has its own

substation, which is supervised by a Lieutenant, staffed with approximately 23 deputies and two legal clerks. Although each substation is a separate entity responsible for law enforcement duties in its area, they all work together to provide the community with the best law enforcement services possible.

The California Crime Rate for the unincorporated areas of the County is the lowest in the State compared with other counties with a population of 100,000 or more. The statewide average for serious crimes per 100,000 people is 1,270; the County's crime rate was at 623/100,000 people. The Sheriff Department's goal in the South County is to provide a 10-minute response time for high priority, life-threatening calls for service.

DEVELOPMENT IMPACT FEES

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

WRITTEN DETERMINATIONS

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

Water Supply and Demand

1. The District is able to provide the services (water, sewer, and fire) to the development within the service area.
2. The District's potentially available Water Supply is estimated to be 1,953 AFY in the Water Master Plan which was updated in 2009. The estimated water demand within the service area is estimated to be 1,419 at full build-out.
3. The District currently has an adequate water supply to serve the anticipated build-out under the current General Plan.

Wastewater

4. The District operates and regularly maintains the wastewater collection and treatment system, which consists of sewer pipelines, manholes, pump stations, and transports wastewater to the SSLOCSO treatment facility.
5. The treatment facility has the capacity to process 5 million gallons per day of wastewater and is currently processing an average of 2.9 million gallons per day. The system is operating at 60% of capacity.

Roads and Streets

6. The District is not responsible for the construction or maintenance of roads and streets in Oceano. This responsibility lies with the County of San Luis Obispo, Public Works Department.
7. The District continues to advocate for the upgrading and maintenance of the roads and streets in Oceano via development proposals that pay their share for facilities and other services as a condition of project development.

8. The County's Circulation Element, in conjunction with the Land Use Element and Capital Improvement Plan, prioritizes and manages the transportation and traffic network.
9. The County improves the transportation network by allocating funds and implementing transportation improvement projects through the Capital Improvement Plan.

Infrastructure

10. The District continues to regularly upgrade and maintain its public facilities, including water system, and wastewater collection system through its Capital Improvement Plan.
11. The Specific Plan identifies drainage as a key problem that must be addressed. The Plan calls for a community wide study of drainage issues to assess problem areas and develop solutions.
12. Additional infrastructure to accommodate future development would likely include expanded water supply lines, improved water storage and distribution facilities, upgraded wastewater facilities, and road improvements.
13. The District should be able to provide the services (water, sewer, and fire) while continuing to adequately serve existing residents.

Police and Fire

14. The County of San Luis Obispo Sheriff's Department provides adequate law enforcement services.
15. The District maintains fire facilities and adequate staff as needed to serve the residents of Oceano.
16. The District is part of the Five Cities Fire Authority under a Joint Powers Agreement with the Cities of Arroyo Grande and Grover Beach that provide fire and safety services to the residents.

5.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

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

Budget

The 2010-11 budget is organized and clearly articulates the District's future financial performance plans. It also contains the past year's accomplishments and financial performance. The document provides information that is divided into the following sections:

- Section 1, Introduction
- Section 2, Resolutions
- Section 3, Payment and Compensation and Personnel
- Section 4, Budget Summaries
- Section 5, Administration Fund
- Section 6, Street Lighting Fund
- Section 8, Fire Fund
- Section 9, Garbage Franchise
- Section 10, Water Fund
- Section 11, Sewer Fund
- Section 12, Major Litigation Fund
- Section 13, Sheriff's Department Facility

The District adopts the Budget each year and it is used as the spending plan for the District. The Budget provides a framework for the District to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees. The District has adopted fiscal policies that guide OCSD staff in preparing the Budget and other fiscal matters.

Fiscal Trend Analysis

The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include transit occupancy tax, sales tax, and franchise fees), reserves, long-term debt,

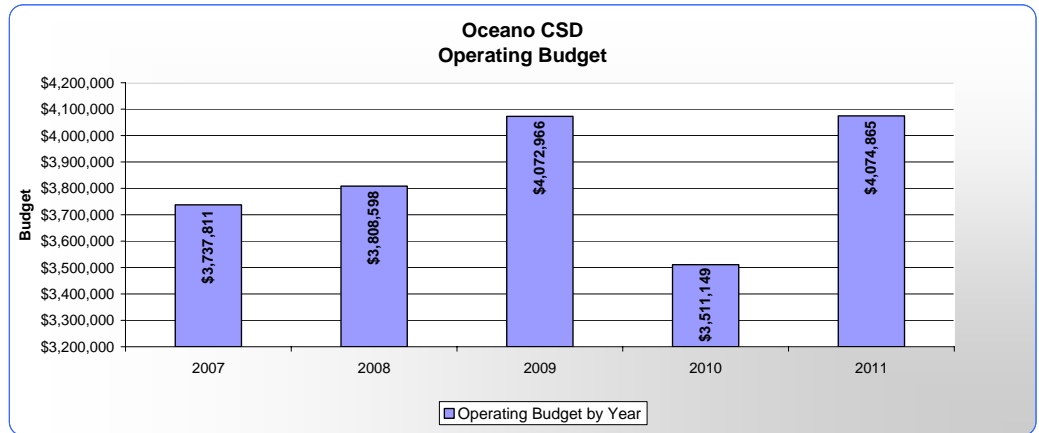
and fund balance for each year. The information was derived from the City’s comprehensive annual financial statement for each year.

Operating Budget Figure 5-11

Formula:
Consolidated
Expenditures /
Fiscal year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

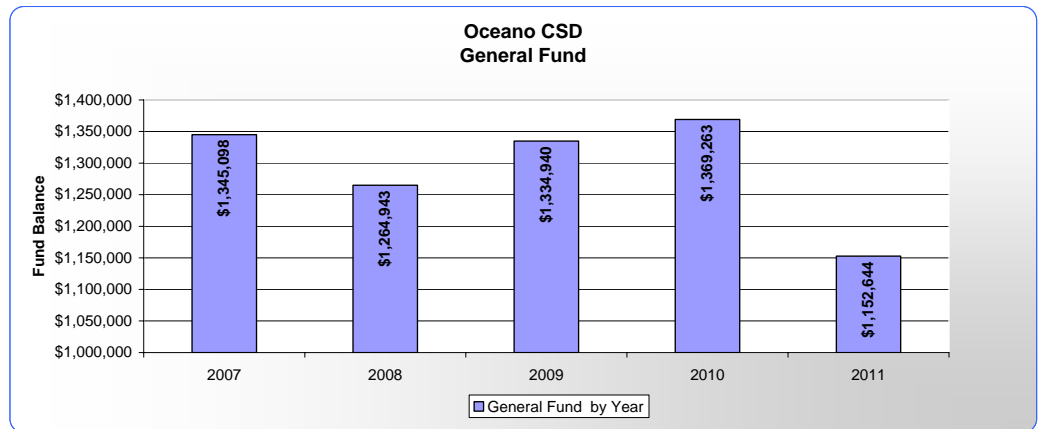
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 5-12

Formula:
General Fund
Expenditures / Fiscal
year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

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

Property Tax Revenues Figure 5-13

Formula:

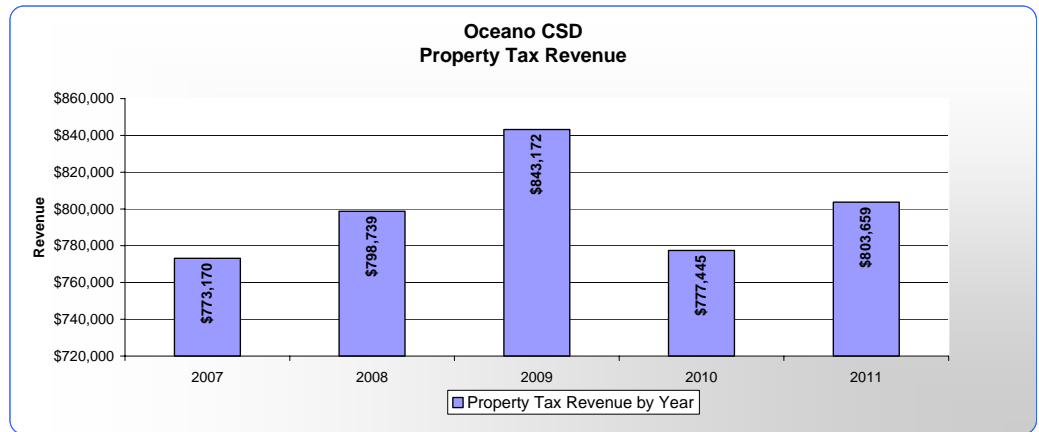
Property tax revenue / Fiscal year

Trend Analysis:

Monitor property tax revenues over time.

Source:

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



Description:

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

Discretionary Revenues Figure 5-14

Formula:

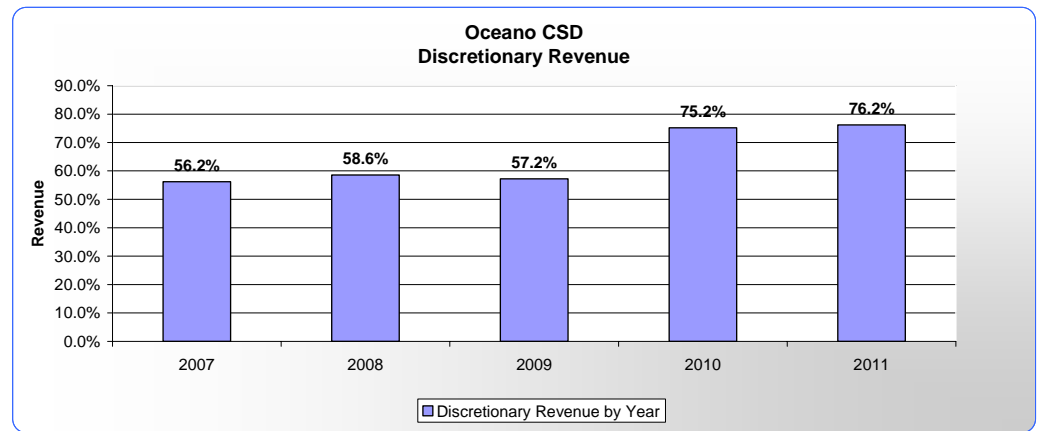
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

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



Description:

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

Reserves Figure 5-15

Formula:

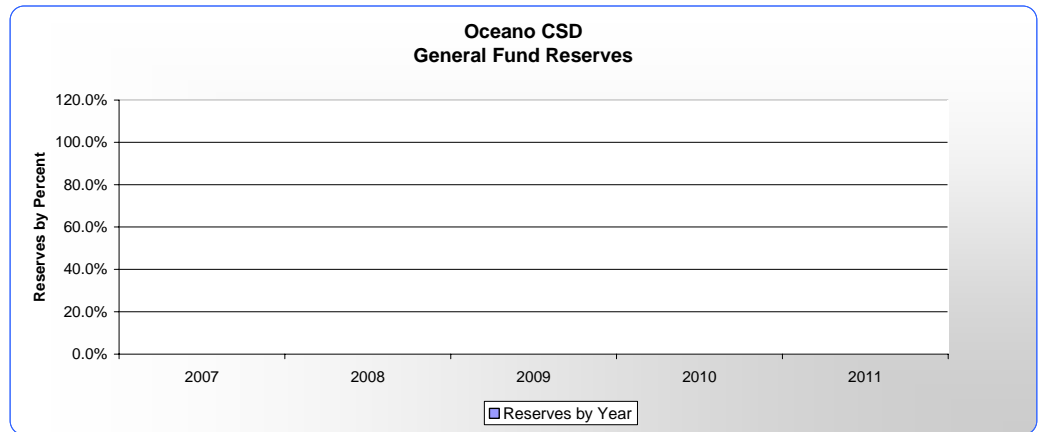
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

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



Description:

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

Long-Term Debt/Liabilities Figure 5-16

Formula:

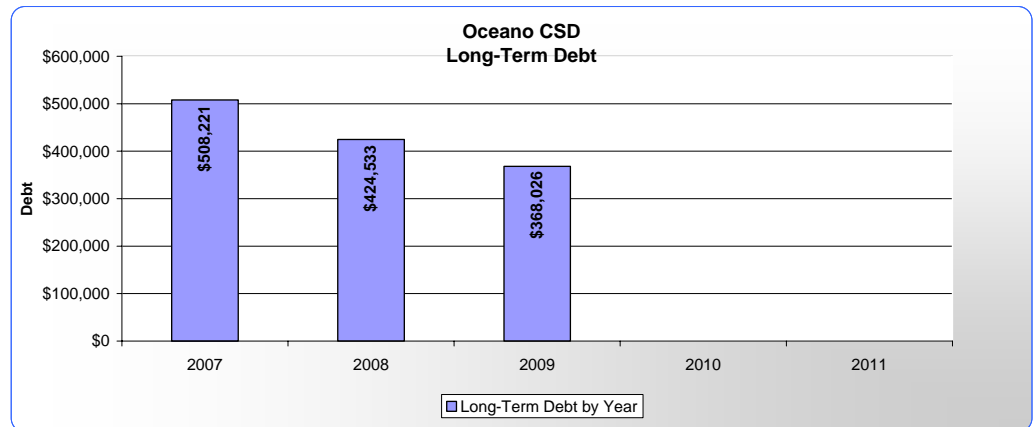
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



Description:

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

Changes in Fund Balance Figure 5-17

Formula:

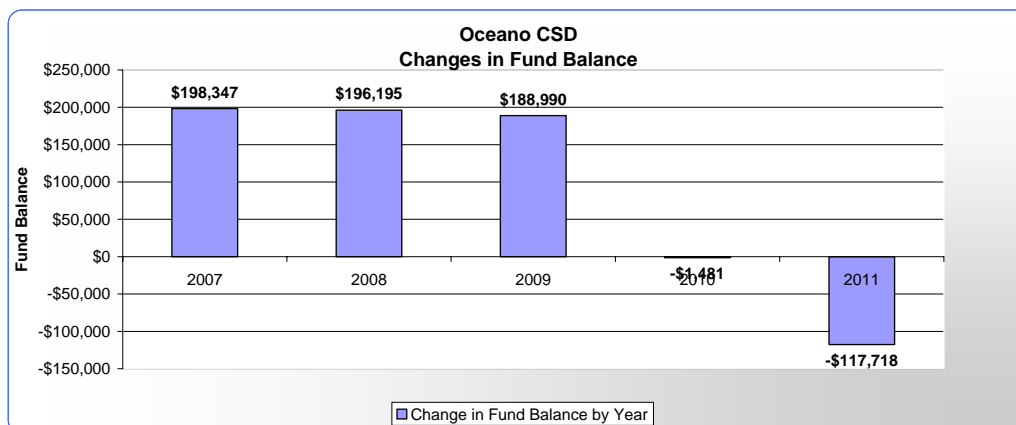
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

Monitor general fund operating deficit or surplus as a percentage of net operating revenues.

Source:

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



Description:

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

Constraints

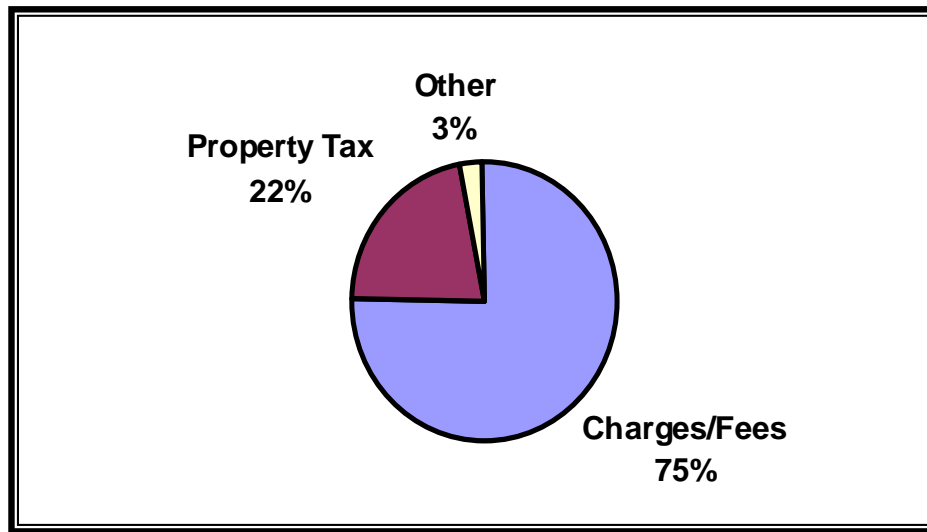
The District's financial constraints involve the governmental structure and the desires of the people in the community to fund certain activities by establishing assessment districts or fees. The laws under which a Community Service District is governed provide the structure for funding activities. Revenue sources for the OCSD are diverse and include key sources such as property taxes, fees collected from water sales, water connection fees, state water project connection fees, sewer sales and connections, and pass-through monies such as grants.

On the expenditures side, the District budgets for the services paid for by residents and provides for other expenses using property tax and, if appropriate, restricted reserve accounts.

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

Major Revenues. About 75% of the District's revenues come from charges and other fees and about 22% from local property taxes. In 2010, these revenues are expected to be around \$3,462,913. Property tax revenues make up \$778,145 while charges and fees are \$2,606,700.

**Figure 5-18
Revenue Sources**



Rates and Fees

In 2009, the District retained Tuckfield & Associates to provide rate studies and related reports and recommendations for the District's water and wastewater enterprise funds. This report provided a list of capital improvements to maintain a reliable water and wastewater service. The District is continuing to use this study to adjust its fee structure by increasing the rates of providing water and wastewater service.

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

Table 5-17: Residential Water Rates Comparison

Rate/Fee	Paso Robles	Oceano	Morro Bay ¹⁾	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Monthly Service Charge	\$0.00	\$18.87	\$16.43	\$31.90	\$32.13	\$9.63	\$0
Water Fee	\$0	\$2.25 (7-25 ccf)	\$5.59 (5 ccf)	\$2.30 (1-12 ccf)	\$2.21 (1-12 ccf)	\$3.20 (0-12 ccf)	\$5.73 (1-5 ccf)
Per unit used: 100 cubic feet = 1 ccf	\$2.50 (all ccf)	\$2.95 (26+ ccf)	\$5.74 (10 ccf)	\$2.99 (13 + ccf)	\$2.45 (13-32 ccf)	\$3.37 (13-20 ccf)	\$7.17 (6-25 ccf)
100 cubic foot = 748 gallons			\$5.89 (15 ccf)		\$2.77 (33-64 ccf)	\$3.87 (21-42 ccf)	\$8.99 (26 + ccf)
			\$6.04 (20 ccf)				

¹⁾ Morro Bay's water rate increases with each unit (ccf) used.

Comparing the various rates and fees, a sample bill using 20 units of water over a two-month period was calculated. In comparison, Oceano has less than the average water rates of all the jurisdictions:

Figure 5-19: Rates for Water Use at 20 CCF

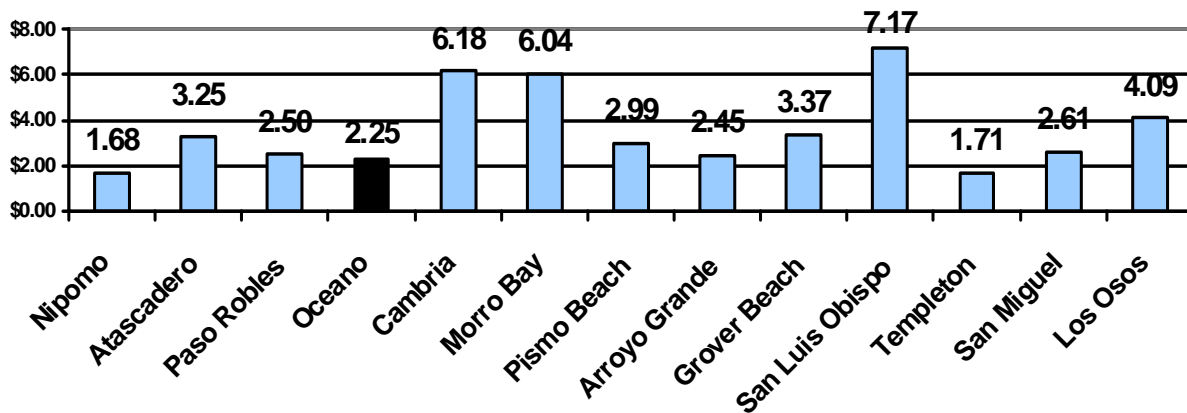


Table 3-18 – Single-Family Water Rates and Monthly Bill

Rate/Fee	Paso Robles	Atascadero	Oceano	Cambria	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo	Templeton
Monthly Service Meter Charge	\$0.00	\$18.00 Up to 2 ccf	\$18.87	\$23.82	\$16.43	\$31.90	\$5.55	\$9.63	\$0.00	\$15.25 Up to 2 ccf
Water (per 1 Unit)	20 units @ \$2.50 (all ccf)	9 units @ \$2.10 (3-12 ccf) 9 units @ \$3.25 (13-25 ccf)	14 units @ \$2.25 (7-25 ccf)	9 units @ \$6.05 (7-15 ccf) 5 units @ \$6.18 (16-20 ccf)	\$5.59 (5 ccf) \$5.74 (10 ccf) \$5.89 (15 ccf) \$6.04 (20 ccf)	12 units @ \$2.30 (1-12 ccf) 8 units @ \$2.99 (13 + ccf)	12 units @ \$2.21 (1-12 ccf) 8 units @ \$2.45 (13-32 ccf)	12 units @ \$3.20 (0-12 ccf) 8 units @ \$3.37 (13-20 ccf)	5 units @ \$5.73 (1-5 ccf) 15 units @ \$7.17 (6-25 ccf)	17 units @ \$1.71 (3-17 ccf)
Other Charges	\$0.00	\$0.00	20 units @ \$1.14 (1)	\$0.00	\$0.00	\$0.00	\$26.58 (3)	\$0.00	\$0.00	\$0.00
Sample Monthly Bill (20 units of water)	\$50.00	\$68.65	\$73.17	\$109.17	\$115.04 (2)	\$83.42	\$78.25	\$74.99	\$136.20	\$44.32

(1) Price per unit for Dam retrofit.

(2) Morro Bay rates vary depending on use total; taking from Morro Bay water rates table for 20 units.

(3) Lopez Charge.

Sewer rates are compared in the table below:

Table 5-19: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Oceano	Morro Bay	Pismo Beach	Arroyo Grande	Grover Beach	San Luis Obispo
Flat Monthly Rate	\$25.86	\$23.85	\$64.43	\$68.28	\$22.36	\$24.78	\$7.22

Because the District is largely built-out, it has limited opportunities to recover impact fees. Other programs defined by the County will require developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs. It is expected that fees will be in line with district-wide fees for such services and no evidence exist suggesting that the development of these areas will result in unreasonable fees.

The District and the County shall work together to ensure that the cost of services for the jurisdictions is equitable. Future growth will occur within the District's existing boundaries from infill development and intensification of existing land uses.

Annual Audits

Annual audits of Special Districts are required by law and are performed with the purpose of identifying any inconsistencies or non-compliance with legally mandated accounting requirements. Audits are important because an "unqualified" independent audit indicates that the organization is managing their financial resources in accordance with accepted accounting principals and standards. This is an indicator of the financial health of an organization and provides information regarding the District's financial practices. These Audits are to be submitted to the County Auditor's Office each year. The District has not submitted the last two years of Annual Audits to the County Auditor. The District is in the process of completing the Audits for fiscal years 09/10 and 10/11. The Annual Audit for FY 09 made several recommendations that have been implemented by the District. The District's new management is committed to completing the Audits and these should be submitted to the County Auditor by the end of the calendar year.

WRITTEN DETERMINATIONS

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

1. The District prepares a comprehensive and thorough annual budget that clearly describes the services provided to residents and the funds expended for those services.
2. The District does not pay for infrastructure needed to serve new development projects. It is reasonable to conclude that the District endeavors to avoid long-term District obligations for the capital improvement or maintenance of new development projects.
3. There are no apparent fiscal constraints limiting the ability of the District to serve existing and future residents.
5. Rates and fees for services are established using the District's budget process and special studies as the need arises.
6. The District completed a fee study in fiscal year 2009 that identified the cost of services, the subsidy a service received from the District, which could result in establishing new fees for water and wastewater services.
7. The District is in the process of completing the Annual Audits that were not previously submitted to the County. The District has contracted with an accounting firm to complete the outstanding and future Audits.
8. The District Management and Board of Directors are committed to completing and submitting the prior year's audits in the near future.

5.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

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

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

Oceano CSD coordinates with other jurisdictions in the area to share and maintain facilities and services. An important example of shared facilities is the use of the South County Sanitation District's wastewater treatment facility that serves the communities of Grover Beach, Arroyo Grande and Oceano. A district member who is appointed by the Board to represent Oceano serves on the District's Board. Most recently the three communities agreed under a Joint Powers Agreement to share fire services in the area. Similarly, a district member represents Oceano serves on the JPA's Board of Director's.

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

The Cities of Arroyo Grande and Grover Beach, along with the Oceano Community Services District, have implementing a number of individual efficiency measures, that involved coordinating and consolidating fire services. The first step toward consolidation occurred in 2004 when the City of Arroyo Grande entered into a joint fire administration and training agreement with the City of Grover Beach. Under that agreement, Arroyo Grande provided a fire chief and Grover Beach provided a training captain. The agreement was coordinated by a Fire Oversight Committee, consisting of two city council representatives, both city managers and the fire chief. This arrangement provided the management, coordination and joint training benefits of a single department, but allowed both agencies to maintain their identity, budget control, staffing, salaries and benefits.

In 2007, the agreement was modified to upgrade the captain position to a battalion chief, have both positions employed by the City of Arroyo Grande and share the costs of both positions. The two cities soon expanded the agreement to include sharing reserve firefighters and apparatus. Sharing a backup fire engine made it possible to sell one fire engine, and the two cities shared the revenue. Reduced maintenance also provides ongoing savings. The agreement was amended to include Oceano on a limited basis and later expanded to provide full services. The three contiguous communities receive services from a single coordinated effort.

Each of the governing bodies approved proceeding to establish a Joint Powers Authority (JPA) and established July 1, 2010. The service area includes Oceano, Arroyo Grande and Grover Beach. The cost-allocation formula is based on population, service calls, assessed value, number of stations and number of full-time paid staff. A study is also under way to prepare recommendations for providing joint dispatch services.

WRITTEN DETERMINATIONS

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

1. The development of areas within the OCSD service boundary may lead to shared infrastructure with the County; i.e. roads and streets a County function), Sheriff services, parks and recreational facilities. The potential to create shared relationships for providing some services is suggested and may be appropriate when providing certain services.
2. At present, the distinction between District and County services with the service boundary is clear.
3. The District and Cities should continue to work together to provide services in an efficient manner.
4. The Five Cities Fire Authority helps consolidate fire and emergency services in the area allowing for a more efficient and cost effective system of service.

5.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

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

The governing body of Oceano is the Board of Directors that is elected in compliance with California Election Laws. The District complies with the Brown Act Open-Meeting Law and provides the public with opportunities to obtain information about community issues, including website and phone access. The District's website contains limited information about the various services. Complaints have been noted from some members of the public regarding Brown Act compliance. The District has counsel at each meeting to advise them in regards to the Brown Act.

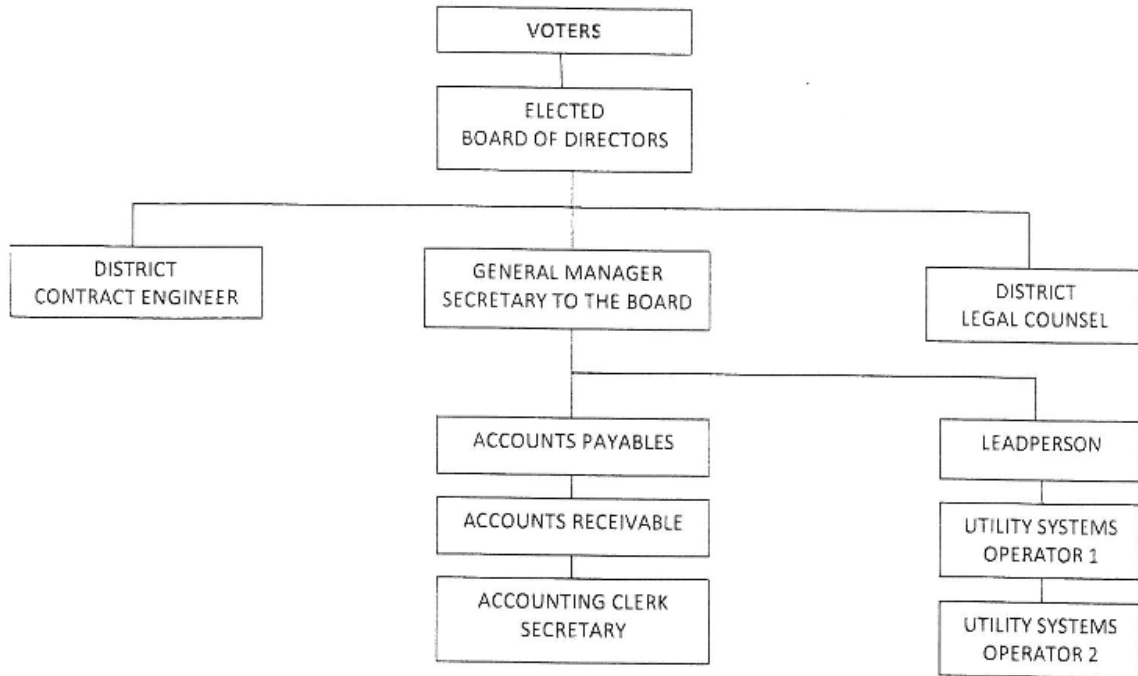
The Board of Directors holds regular meetings at 6:30 p.m. on the second and fourth Wednesdays of each month in the OCSD Meeting Room, at 1655 Front Street. Other meetings or study sessions are held as needed. A public comment period is scheduled at the beginning of each meeting for citizens to comment on District issues not on the agenda. All Board meetings are televised live and videotaped for later playback.

The following section briefly discusses various operational and service aspects of the District. Much of the information was obtained from the District's budgets and discussions with their staff. The organizational chart shows the three major divisions of the District; the Fire Department, the Administrative Department and the Utility Operations Department.

The Budget includes a purpose statement for each service department or budget unit, a description of the activity or service, the personnel allocated to the tasks, and the programs being implemented by the budget unit. The OCSD has an adopted Mission Statement as well as broad goals that were re-affirmed in the 2010-11 budget.

Overall, the District is equipped administratively to serve Oceano. The District accomplishes many goals and implements a variety of initiatives. The District's Budget process is discussed in the Financial Constraints and Opportunities section of this report. The District should be encouraged to complete audits and continue to gain a better understanding of its finances. The organizational chart shows the structure of the District.

**Figure 5-20
Organizational Chart**



Oceano does maintain various customer-oriented programs, including regular in-house safety training and management, and similar programs designed to enhance the experience for the district customer.

WRITTEN DETERMINATIONS

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

1. The District has historically made reasonable efforts to maintain a public dialogue regarding issues and projects of concern to the community. The District's outreach program includes information regarding current issues of significance to the community.
2. The District has maintained relationships with local news media, providing information and/or interviews as requested.
3. The District evaluates the services provided to residents and services that may need to be upgraded or started.
4. The District remains focused on providing quality water, fire, lighting, garbage and parks and recreation services to its customers.
5. The District continues to improve its website by adding more information that is accessible to the public.

5.7 OTHER MATTERS

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

REFERENCES

- San Luis Obispo Council of Governments Regional Transportation Planning Agency, Regional Transportation Plan, 2010.
- Oceano CSD Budget FY 2010/11
- California Department of Finance E-4 Report, 2010
- Oceano Draft Water Master Plan, 2009
- Technical Memo regarding Wastewater System, 2009
- SLO County Resource Management System Annual Report, 2009
- California Department of Finance E-4 Report, 2009
- SLOCOG ERA Population & Employment Forecast, 2009
- SLO County South County Inland & Coastal Area Plans, revised 2009
- SLOCOG Regional Housing Needs Allocation, 2008
- SLO County Huasna-Lopez Inland Area Plan, revised 2007
- County of San Luis Obispo Urban Water Management Plan, 2005
- San Luis Obispo Council of Governments, Regional Profile, October 2004.
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- San Luis Obispo Local Agency Formation Commission, Sphere of Influence Study, 2003.
- Oceano Specific Plan, 2002
- Oceano CSD, Official Website, www.oceanocsd.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.
- California Attorney General, Official Website, www.ag.ca.gov.

CHAPTER 6

So. SLO County Sanitation – MUNICIPAL SERVICE REVIEW



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

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

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

The South San Luis Obispo County Sanitation District Sphere of Influence was most recently updated in 2003, and included areas adjacent to the City of Arroyo Grande to be similar with the SOI additions and generally coterminous with the City limits of Arroyo Grande and Grover Beach as well as the Oceano CSD. These sites comprise the present day South San Luis Obispo County Sanitation District SOI. Figure 6-1 shows the adopted Sphere of Influence. Figure 6-2 shows the Study Areas considered under this review. Please note that a study area is intended to be studied for possible inclusion. The area may or may not be included in the SOI.

Figure 6-1 – So SLO Co Sanitation District Existing SOI

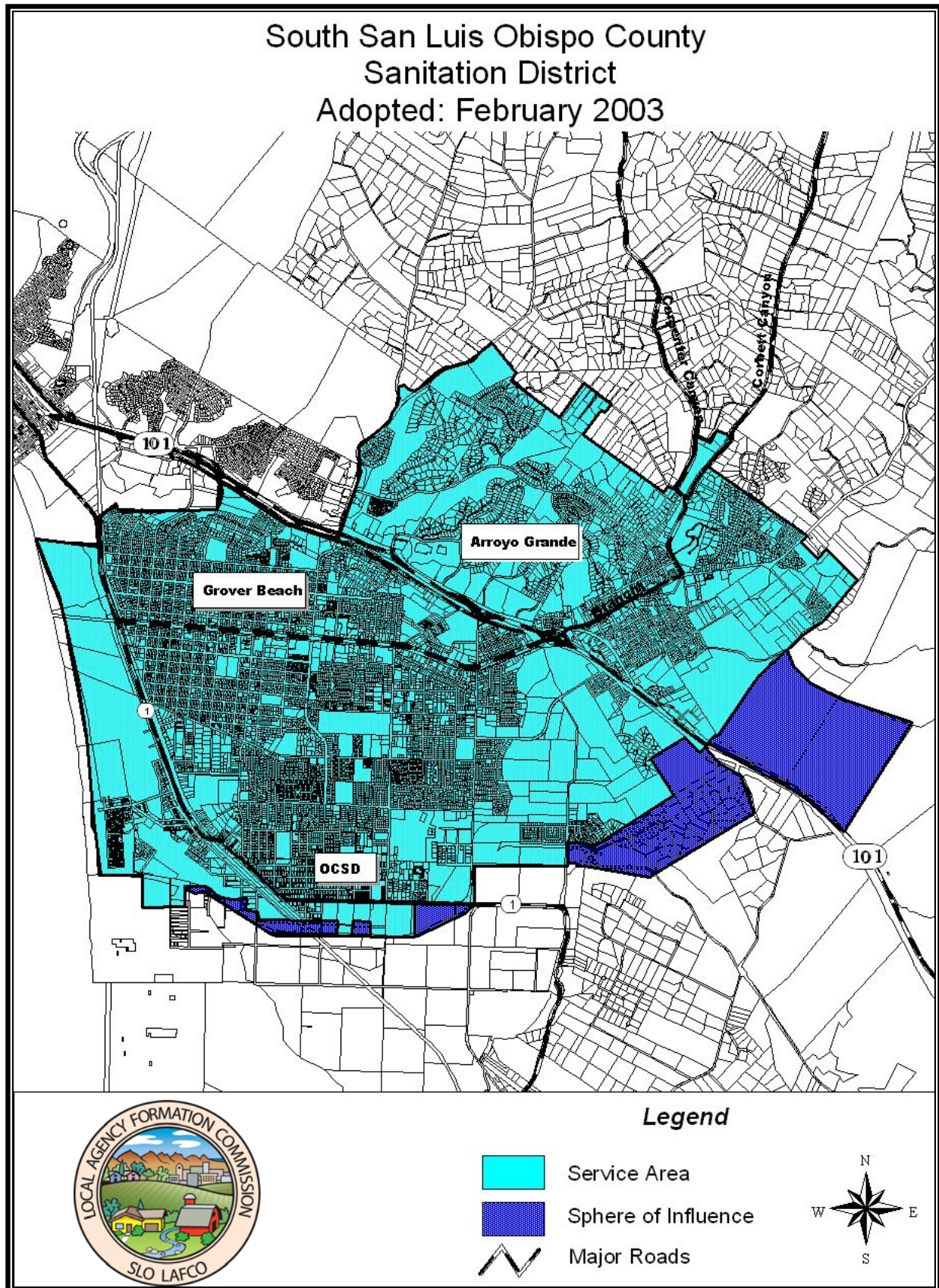
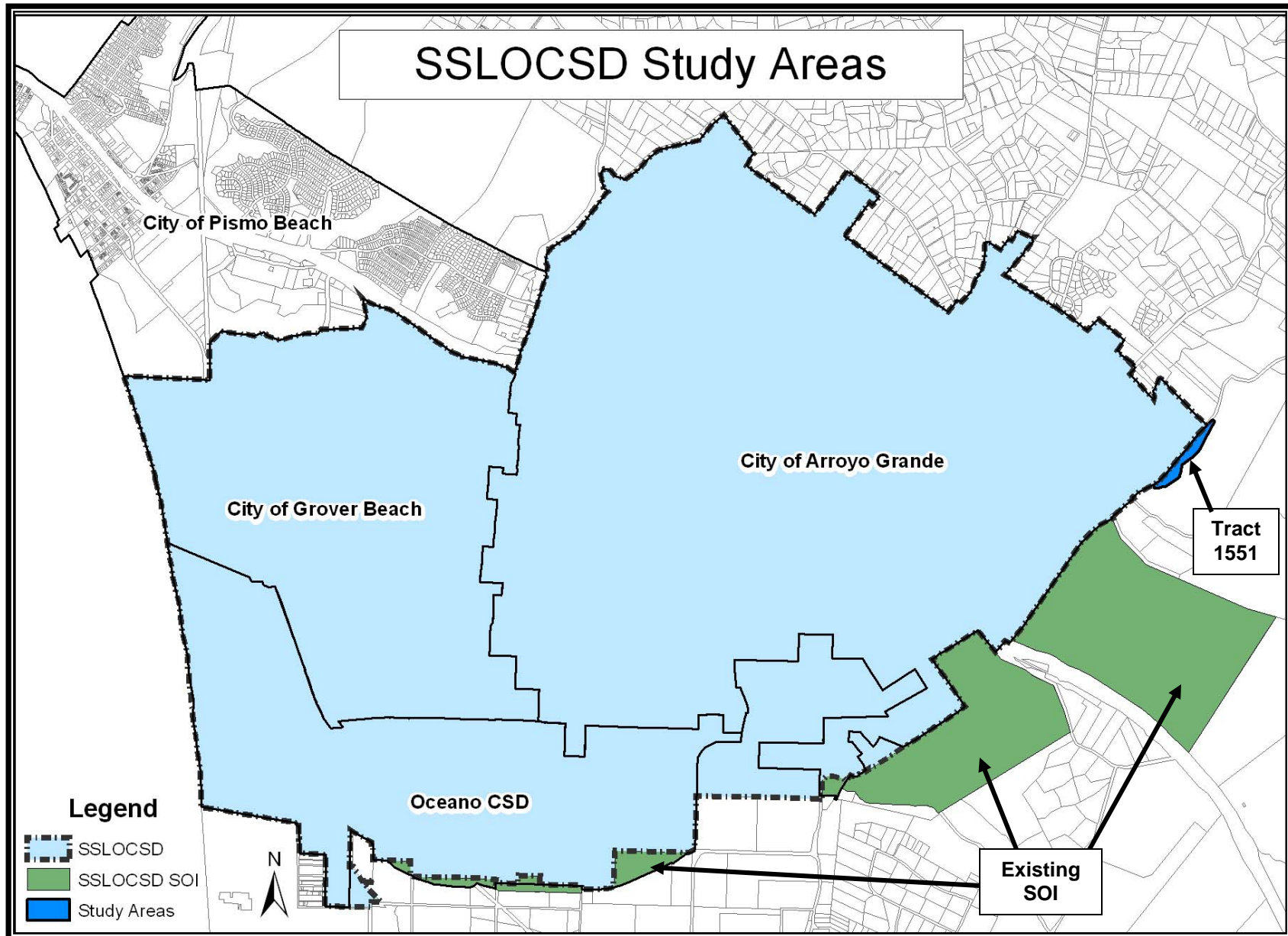


Figure 6-2 – Study Areas



6.1 GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

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

POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the South San Luis Obispo County Sanitation District. The previous Sphere of Influence update and Municipal Service Review provides background information. The Growth and Population factor is discussed further in this section and includes a summary of population data and land use and zoning in the area as well as growth trends.

The South San Luis Obispo County Sanitation District serves the communities of Arroyo Grande, Grover Beach, Oceano, and Halcyon. According to the 2010 US Census, the population of the communities served was 38,506. Total housing units were estimated to be 14,887 units. The estimated build-out population within the current District service area is estimated to be 44,800.

The District's population grew at just over a half percent per year from 2000 to 2010. In addition to this permanent population, the District serves the City of Pismo Beach via a pipeline for discharge purposes only. Growth and population in the Cities of Arroyo Grande and Grover Beach and Oceano has averaged 8.8%, 1.5%, and 11% respectively per year from 2000 through 2010.

California Department of Finance Population Estimates-2000 to 2010

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

Table 6-1: Population Estimates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Arroyo Grande	15,851	16,022	16,315	16,521	16,629	16,602	16,645	16,834	16,990	17,110	17,145
Grover Beach	13,067	13,151	13,148	13,090	13,290	13,280	13,250	13,144	13,177	13,278	13,276
County Total	246,681	250,329	253,824	256,190	258,902	261,699	263,939	266,043	268,636	270,901	273,231

Source: DOF E-4 Population Estimates for Cities, Counties and State, 2000-2010

Council of Governments Population Projections-2009

The Council of Governments recently had the consulting firm of Economics Research Associates update population projections for San Luis Obispo County including the City's of Arroyo Grande, Grover Beach and Community of Oceano. The original study was completed in 2006 and was updated in 2009 to take into account the recent economic downturn. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County to estimate the potential for increases in population. The updated report presents low, medium, and high population growth projections for areas in the County. Consolidations of these figures are presented below for the purposes of this MSR:

**Table 6-2: Projected Population Growth Arroyo Grande, Grover Beach, Oceano
San Luis Obispo Council of Governments Projections**

	2008	2010	2015	2020	2025	2030	2035
LOW	39,862	40,318	41,153	41,950	42,605	43,489	44,331
MEDIUM	39,862	40,318	41,153	42,075	42,855	43,885	44,870
HIGH	39,862	40,318	41,153	42,157	43,020	44,154	45,237

The South San Luis Obispo County Sanitation District serves the southern part of the Five Cities Area. Growth in population for the Cities of Arroyo Grande and Grover Beach and Oceano has averaged 234 people per year from 2000 through 2010. The estimated 2004 population for the

District was 37,533, up only 1,355 residents from 2000. In 2004, there were 15,481 housing units as a comparison to current figures.

COUNTY'S GENERAL PLAN

The County's San Luis Bay Inland Planning Area of its General Plan establishes land use policy in the unincorporated areas around Arroyo Grande, Grover Beach, and the community of Oceano. The urban reserve line identifies where the County anticipates urban development over the next 20-years. The County's Plan promotes the preservation of prime agricultural lands and open space corridors. It has a number of policies that call for guiding growth away from agricultural areas and promoting infill or other non-prime agricultural use where urban services may already be provided.

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

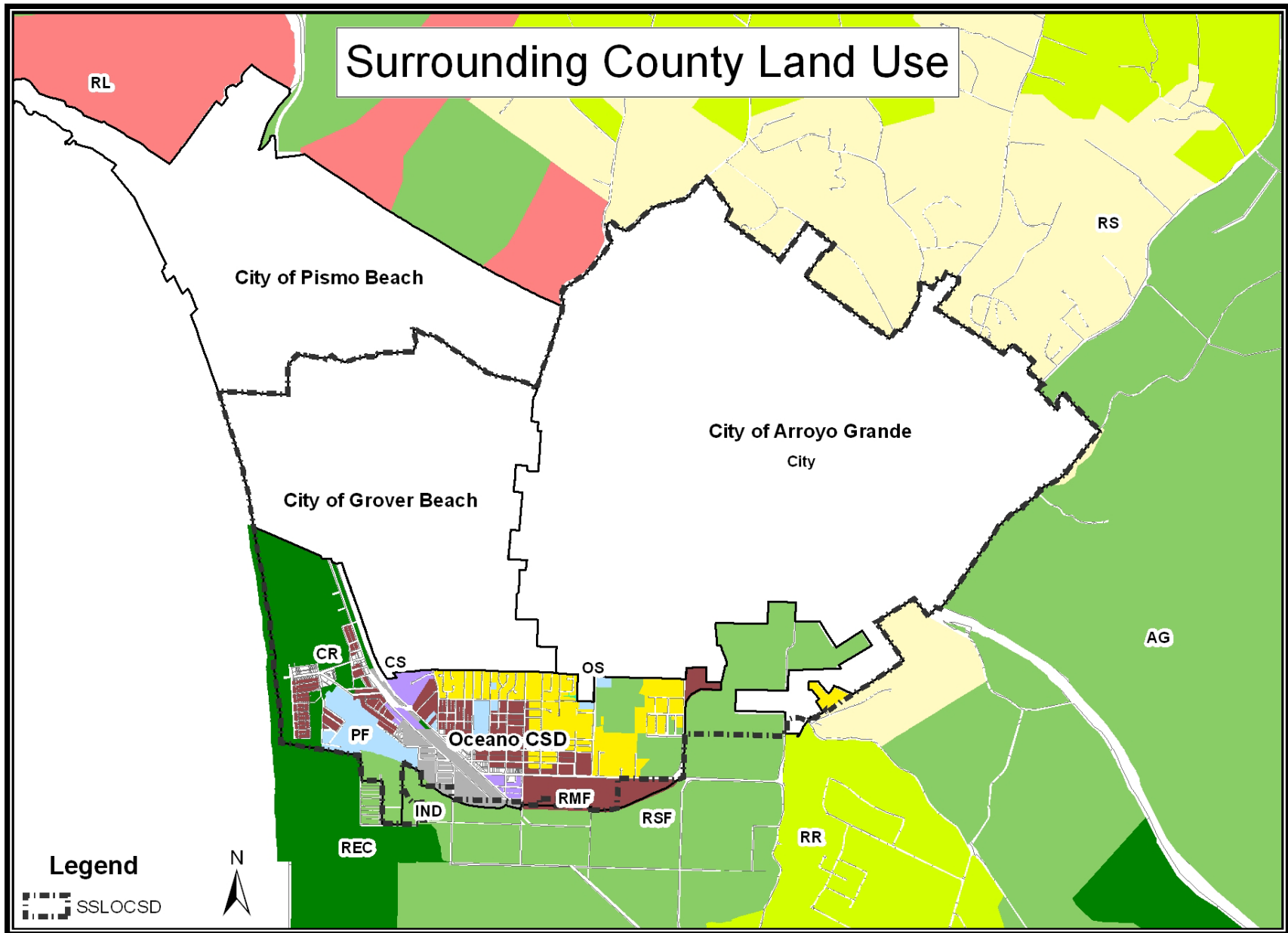
The General Plan identifies the type and intensity of development allowed in each of several land use categories (zoning) for County. The following table summarizes the zoning and acreage for the study areas that were included in the Sphere of Influence:

Table 6-3: Existing Land Use

Study Areas	Acreage	Land Use/Zoning	Existing Land Use	Build-Out Potential
#1 South of Treatment Plant	11.6	Agriculture/Recreation	Residential	Hotel/Public Facility
#2 Branch Mill Area	10	Residential Suburban	Residential	9 Residential

Source: SLO County Planning & Building Department.

Figure 6-3 (E) Land Use



Arroyo Grande. The Arroyo Grande urban reserve line is coterminous with the existing city limits, with 1 exception: a small area at the intersection of Los Berros and Valley Roads (Tract 1724). Annexation of two properties were approved within an island located between Oak Park and Brisco Road adjacent to El Camino Real. A second proposal by the City to annex the balance of the unincorporated island was approved later by LAFCO.

Arroyo Grande has recently been engaged in evaluating agricultural lands and means by which they can be protected. In this process they have established a policy opposing development of prime agricultural lands zoned agriculture within the city and discourages lands under county jurisdiction adjacent to the City. The policy is consistent with County's Land Use Element. In addition, the City's adopted General Plan policies call for development to be directed toward marginal agricultural areas and away from prime lands. Coordination of City/County programs to protect valuable farmland is needed. The Arroyo Grande General Plan states that "prime agricultural land should not be annexed to the City without a commitment on the part of the owner to place the land in agricultural preserve."

Grover Beach. The Grover Beach urban reserve line does not indicate any areas proposed for expansion of the City, with one exception. There is a small area of Residential Single Family adjacent to the City limits, between Farroll Avenue and the Pike. The urban reserve line also includes the North Oceano School. The 1973 Land Use Element of the Grover Beach General Plan covers a planning area of 2,694 acres that extends as far south as the Nipomo Mesa and makes land use recommendations for the unincorporated area of Oceano. The General Plan notes that while Oceano is not in Grover Beach, "it is critical to the future development of the community. Future growth and development of Grover Beach is expected to be mainly in-fill.

Oceano Urban Area. The Oceano Urban Area is the unincorporated area lying south of the Pike and the Cities of Grover Beach and Arroyo Grande. It extends east to Halcyon Road and is bordered on the south by Arroyo Grande Creek and on the west by the Coastal Zone, which is generally west of Highway 1. The urban area also includes the religious community of Halcyon. Oceano is expected to remain heavily dependent on the larger urban complex for commercial uses and employment opportunities. Much of Oceano is already subdivided into residential lots of various sizes. The community also has adequate existing water distribution and sewage collection systems serving the urban area, the most costly of urban services on the existing lots, as well as new subdivisions on some of the larger vacant parcels.

RMS Annual Report-2010

The Resource Management System (RMS) provides information to guide decisions about balancing land development with the resources necessary to sustain such development. It focuses on, 1) Collecting data, 2) Identifying resource problems and 3) Recommending solutions. South San Luis Obispo County Sanitation District serves the communities of Arroyo Grande, Grover Beach, Oceano, and Halcyon and covers a total area of 9.4 square miles.

According to the 2010 Annual Resource Management System Report, the Cities and CSD estimates that the District serves approximately 38,506 residents in 2010 compared to an estimated 35,826 in 2000. Over the last 10 years, the District's population has increased by approximately 2,680 people. This equates to significantly less than 1% per year rate of population increase over the 10 year period. The tables below reflect the population data from the census and the County's 2010 Resource Management System Annual Report:

**Table 6-4: Historical & Projected Population Growth
Arroyo Grande California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	14,378	15,641	17,140	17,640	18,200	18,730	19,400
10 Year Increase	--	1,263	1499	500	560	530	670
10 year % Incr.	--	8.7%	9.5%	2.9%	3%	3%	3.5%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

**Table 6-5: Historical & Projected Population Growth
Grover Beach California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	11,656	12,941	13,070	13,120	13,390	13,650	13,970
10 Year Increase	--	1,285	129	50	270	260	320
10 year % Incr.	--	11%	<1%	<1%	2%	2%	2.3%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

**Table 6-6: Historical & Projected Population Growth
Oceano California: Census and RMS Data**

	1990 1)	2000 1)	2010 2)	2015 2)	2020 2)	2025 2)	2030 2)
Population	6,169	7,244	8,098	8,377	8,462	8,470	8,504
10 Year Increase	--	1,075	854	279	85	8	34
10 year % Incr.	--	1.4%	1%	<1%	<1%	<1%	<1%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2010

County of San Luis Obispo Urban Water Management Plan, 2010

The San Luis Obispo County Flood Control and Water Conservation District Zone 3 operate and manage Lopez Reservoir, in the Arroyo Grande Creek watershed, for municipal and agricultural water supplies. Flood Control Zone 3 was created to operate Lopez Reservoir, and includes water service for the communities of Oceano, Grover Beach, Pismo Beach, Arroyo Grande, and County Service Area (CSA) 12 (including Avila Beach area).

The table below shows the current and projected population served by Flood Control Zone 3 from 2005 projected to 2030.

Table 6-7 Zone 3 Population & Projections

Population Projections						
Service Area Population	2005	2010	2015	2020	2025	2030
	53,249	47,696	49,281	50,872	52,597	53,406

Source: San Luis Obispo County Zone 3 Urban Water Management Plan 2010

SSLOCSD LONG RANGE PLAN, 2005

South San Luis Obispo County Sanitation District (SSLOCSD) is responsible for the collection and treatment of sewage and wastewater in Arroyo Grande, Grover Beach and Oceano. Operation of the SSLOCSD is overseen by a Board of Directors that includes representatives from the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The SSLOCSD's sewage treatment facility is located on a 7.6-acre site between the Oceano Airport and the Arroyo Grande Creek Channel, in unincorporated Oceano. The sewage collected by Arroyo Grande, Grover Beach, and Oceano are transported through their own collection system to the plant, via trunk sewers that are owned and operated by SSLOCSD. SSLOCSD wastewater facilities are capable of processing five million gallons of wastewater per

day. In 2000, the average wastewater flow per day was 2.9 million gallons, or 81 gallons per person per day. Projected population growth for Arroyo Grande, Grover Beach, and Oceano indicate that at buildout of these three communities, the average flow per day will equal 75 percent of the capacity of the system. Thus, wastewater capacity is not an immediate constraint to future housing development.

Arroyo Grande's growth is likely to come largely from within the City's existing boundaries and remain at a nominal level as the economic recovery continues to evolve over the next few years. In 2001, the City's Community Development Department estimated the City is about 80% built out with a potential for approximately 1,429 new dwellings in the community at that time. Under the Housing Element 2010 the City estimates a total of 1,352 new dwelling units as a realistic build-out. The City of Arroyo Grande has limited potential for new residential housing within existing City limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within the City and SOI areas.

Table 6-8 Build-out Summary: Vacant Land within City of Arroyo Grande plus SOI

Area	Acres	Units	Population	Land Use
AG	3	15	36	Agriculture
OMU,MU,VC, SR	70	893	2,143	Mixed Use
RS	137	136	326	Low Density
RS	7	15	36	Low Medium Density
SF	27	103	247	Medium Density
MF	17	130	312	Medium High Density
MFA	4	34	82	High Density
MF	0.4	26	62	Very High Density
Total Vacant Sites within City Limits	265.4	1,352	3,244	
Fredericks (SOI)	184	825	1,980	Unassigned
Williams (SOI)	190	855	2,052	Unassigned
Tract 1724 (SOI)	11	27	65	Residential Suburban
Tract 1551 (Study Area 4)	10	9	22	Residential Suburban
SOI Subtotal	395	1,716	4,119	
Total	660	3,068	7,363	

Source: City of Arroyo Grande 2010, SLO County Planning & Building Department.

Grover Beach's growth is likely to remain at a nominal level as the economic recovery continues to evolve over the next few years. In 2010, the City's Community Development Department estimated the City is about 85% built out with a potential for approximately 1,085 new dwellings in the community at this time. Under the certified Housing Element 2010 the City estimates a

total of 92 new dwelling units as a realistic build-out. The City's Land Use Element reports the City currently has 5,708 existing dwelling units with a population of 13,254. Under full build-out the total number of dwelling units could be 6,793 yielding a population of 16,076. If the City were to continue growth at their maximum 2.5% growth rate allowed by the General Plan, slightly more than 130 new units per year would reach build-out within eight years. Growth rates closer to recent historical rates of less than 1% would prolong this period to eighteen to twenty years. In either case, the City of Grover Beach has limited potential for new residential housing within existing City limits. The City's policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within the City and SOI areas.

Table 6-9 Build-out Summary: Vacant Land within City of Grover Beach

Area	Acres	Units	Population	Land Use
C-R-A	2.47	4.0	10	Low Density Residential
R-A	4.09	6.5	17	Low Density Residential
R-1	2.97	11.9	31	Low Density Residential
C-P-R-1	1.23	4.9	13	Low Density Residential
C-R-1	0.87	3.5	9	Low Density Residential
C-R-2	0.40	2.9	8	Medium Density Residential
R-2	1.97	14.2	37	Medium Density Residential
C-B-D	0.38	6.1	16	Central Business – Mixed Use
C-C-V	1.22	19.6	51	Visitor Serving – Mixed Use
C-P	0.11	1.7	4	Neighborhood Serving – Mixed Use
C-V	0.34	5.5	14	Visitor Serving – Mixed Use
R-3	0.67	10.7	28	High Density Residential
Total Vacant Sites within City Limits	16.73	91.5	238	

Source: City of Grover Beach 2010.

Oceano's growth is likely to remain at a nominal level as the community develops the remaining vacant parcels and begins to redevelop the underutilized properties over the next few years. In 2002, the County's Planning and Building Department estimated Oceano is about 90% built out with a potential for approximately 58 new single-family dwellings in the community at that time. Under the certified Housing Element 2009 the County estimates a total of 28 new dwelling units as a realistic build-out. The Specific Plan policies encourage in-fill development, mixed-use, and higher densities within the core to accommodate the growth at build-out. The table below summarizes the growth potential within Oceano.

Table 6-10 Build-out Summary: Vacant Land within Oceano plus SOI

Area	Acres	Units	Population	Land Use
062-081-006	0.20	3	9	RMF
062-085-004	0.30	5	15	RMF
062-082-001	0.16	2	6	RMF
062-082-002	0.20	3	9	RMF
062-082-003	0.20	3	9	RMF
062-082-017	0.16	2	6	RMF
062-089-006	0.24	4	12	RMF
062-042-033	0.40	4	12	RMF
062-069-009	1.2	1	3	RSF
062-321-040	2.7	1	3	RSF
Total Vacant Sites within Oceano	5.76	28	84	

Source: San Luis Obispo County Housing Element 2009.

Land Use

Each of the General Plans allow for new growth within the respective communities based on an analysis of available resources (water, sewer, etc) and demand for those resources. The policies and standards in the General Plans provide for growth in the current SOI (Arroyo Grande currently is the only community with an SOI) if it can be demonstrated that water, sewer and other resources are available for the developer or can be made available without adversely affecting existing residents.

Housing Element. The various Housing Elements were adopted or under consideration by the respective City Council's, or Board of Supervisors and considered for certification by the State Department of Housing and Community Development (HCD) in 2010. The Goals, Policies and Programs found in the Housing Element are the Housing Implementation Plan for the period from January 1, 2007 through July 1, 2014. The table below shows the total number of residential units the City of Arroyo Grande (362), City of Grover Beach (193) and unincorporated area of the County (28) must provide zoning for in that time period for a total of 583 units. (Not all units considered will be located within the SSLOCSD service boundary, only 28 units within the unincorporated area is contemplated for Oceano).

Table 6-11: 2007-2014 - SLOCOG Regional Housing Needs Allocation

	Units By Income Category					Totals	% of Units
	Very Low	Low	Moderate	Above Moderate			
Arroyo Grande	83	58	69	152	362	7%	
Atascadero	106	74	88	194	462	10%	
Grover Beach	44	31	37	81	193	6%	
Morro Bay	41	29	34	76	180	4%	
Paso Robles	149	103	123	271	646	10%	
Pismo Beach	36	25	30	66	158	3%	
San Luis Obispo	366	254	302	668	1,589	33%	
County Unincorp.	298	207	246	544	1,295	27%	
Total Units	1,124	782	928	2,052	4,885	100%	

Source: SLOCOG RHNA 2008

The Housing Element is one of the seven State mandated elements of the City's/County's General Plan and is updated every six years to identify recent demographic and employment trends and can be correlated with the three-year cycle of transportation planning, which may affect existing and future housing demand and supply. The Housing Element is used to identify and provide for the housing needs of the community. The Housing Element addresses the City's/County's ability to meet the State assigned regional housing needs shown in the above table. It specifies the number of units to be zoned for in terms of affordability. The City/County has developed a set of objectives and specific policies and programs to prepare for the production of housing in the respective communities.

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

The Housing Element provides a detailed assessment of the housing stock in Arroyo Grande, Grover Beach, and Oceano, including data on housing types, physical condition, cost and availability. The Element also examines special housing needs of the population such as the elderly, farm workers and the homeless. It identifies opportunities for energy conservation when housing is constructed or remodeled. The Element assesses the effectiveness of past housing

programs. The availability and capacity of land and public services for housing development are examined along with factors that may constrain the production of affordable housing. Particular attention has been paid to the need for affordable housing.

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

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

The following section of the analysis addresses key growth and service-related questions that have been adopted by San Luis Obispo LAFCO for preparing a Municipal Service Review.

The proposed Sphere of Influence for the City of Arroyo Grande is estimated to have a development potential of 1,716 units. The SSLOCSD Long Range Plan is based on the ability of the District to accommodate a population of 44,800. Currently, the Districts population is approximately 40,318 people. The Long Range Plan addresses the issue of future growth in the area and the type of facility upgrades needed to accommodate the jurisdictions projected needs. The infrastructure of the plant is well maintained and planning for future improvement projects is well underway. Financing for such projects is available and the District has already allocated reserves towards accomplishing future plant upgrades.

The County has not approved significant development proposals within the existing Sphere of Influence of the South San Luis Obispo County Sanitation District.

WRITTEN DETERMINATIONS

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

1. The District's Long Range Plan evaluates the future population increases for the service area and makes recommendations based on future growth in the area. The SSLOCSD District is well prepared to deal with future growth.
2. The projected number of people in the South San Luis Obispo County Sanitation District over the next 5, 10, 15 & 20 years is shown in the Table below. This information is from the San Luis Obispo Council of Government's 2009 Update to Long Range Socio-Economic Projections:

Table 6-12 Medium Range Population Projections

	2015	2020	2025	2030
SSLOCSD	41,153	42,075	42,855	43,885

6.2 Location and Characteristics of any Disadvantaged Unincorporated Communities

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

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

The Cities of Grover Beach, Arroyo Grande, Pismo Beach, and the community of Oceano are within the South San Luis Obispo County Sanitation District boundary or adjacent (in the case of the City of Pismo Beach) who would likely provide the needed urban services to disadvantaged community. The SSLOCSD would provide sanitation services only to those areas qualifying as disadvantaged. Disadvantaged community means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

WRITTEN DETERMINATIONS

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

1. The South San Luis Obispo County Sanitation District's Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to it.

6.3 Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

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

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

It is prudent for LAFCO to analyze present and long-term infrastructure demands and resource capabilities of the South San Luis Obispo County Sanitation District. LAFCO accomplishes this by evaluating 1) the resources and services that are currently available, and 2) the ability of the District to expand such resources and services in line with increasing demands.

The South San Luis Obispo County Sanitation District (SSLOCSD) operates by the regulations established in the Health and Safety Code (Sections 6400-6830). Under the Health and Safety Code the SSLOCSD could perform a variety of functions including garbage collection and disposal, sewer treatment and sewer collection systems, and storm drains and water collection. The SSLOCSD is responsible for providing wastewater treatment and disposal services to the Cities of Arroyo Grande and Grover Beach and the Oceano Community Services District. In addition, the City of Pismo Beach contracts with the District for disposal of its treated effluent through the SSLOCSD's ocean outfall line.

This section evaluates the District's resources and capabilities to provide services to existing and future residents. The key topics addressed include sewer system capacity and condition.

WASTEWATER COLLECTION & TREATMENT SYSTEM

Facility Description. The SSLOCSD collection, treatment, and disposal facilities were originally constructed and placed into operation in 1966. The treatment facility was designed to provide secondary treatment for an average daily flow of 2.5 million gallons per day utilizing the activated sludge process. At that time the treated effluent was discharged through a 36" diameter outfall line that extended approximately 1,000' off the Pismo Beach State Beach.

In 1980, the treatment facility was upgraded and a new outfall line installed. Improvements made at the treatment plant included the installation of a gravity sludge thickener, sludge drying beds, the addition of a third influent pump, construction of a maintenance building, and installation of an standby engine generator for the continued effective treatment during periods of power failures. The new outfall was required because of damage to the original outfall caused by the 1969 storms. This new outfall extends some 4,400' offshore into 55' of water.

Treatment plant improvements completed in 1987 provided a fixed film reactor for secondary treatment, eliminating the activated sludge treatment process originally constructed. The secondary clarifier structure which had been an integral unit with the aeration tanks for activated sludge has been modified to remove the aeration tanks and to create a larger secondary clarifier. Additional modifications on existing unit processes were made to enhance the efficiency of the treatment plant.

The most recent expansion project added to the treatment plant a secondary digester, an additional primary clarifier, a chlorine contact chamber, a new centrifuge, a new centrifuge building, and a ferrous chloride chemical feed system for the control of sulfides in the digester gas. Today, SSLOCSD operates the WWTP using a fixed film reactor for secondary treatment with a design capacity flow rate of 5 million gallons per day (mgd) and a 9 mgd peak wet weather flow. The WWTP is presently operating at about 60% of permitted capacity. Annual average daily flow passing through the collection system is in the order of 2.88 million gallons per day with peak daily flows of approximately 3.16 million gallons per day.

A number of additional improvements have been made over the years using District staff. These include the construction of a screw conveyor for use at the centrifuge, the replacement of the

barminutors with new grinder/augers, the addition of a "Teacup Degritter" for the removal of snails from the final clarifier sludge stream, and a new effluent pumping system.

Operations. The wastewater collected within the District's Trunk Sewer Line begins the treatment process in the influent pumping plant. There it is passed through a Parshall metering flume to measure the quantity of influent wastewater to the plant. Currently, average annual daily flow at the plant is on the order of 2.88 million gallons per day (mgd), with peak day dry weather flow of approximately 3.37 mgd and peak hour wet weather flows of 8.03 mgd.

Once measured, the wastewater passes through an in-channel screen to mechanically separate and remove the larger debris. Typically this debris consists of sticks, rags, large food particles, paper products, etc. The removed debris is collected, ground, and hauled offsite to a landfill for disposal. The screened wastewater is then distributed to the primary clarifiers by means of the four raw sewage pumping units located within the pumping station.

Prior to arrival at the clarifiers the wastewater enters the clarifier control box. Under normal operations, the control box is designed to separate the waste stream into equal parts for distribution into one of the two primary clarifiers. The control box has the added function of isolating flow to either of the independent clarifiers during periods of maintenance and repairs.

Clarification is achieved at the plant by means of two identical primary clarifiers; one constructed as part of the original 1965 project and the other as part of the 1990 expansion. Each primary clarifier is 55 feet in diameter with a side wall depth of 9 feet. These dimensions allow for a combined volume of 320,625 gallons. Under average annual daily flow, the combined overflow rate of the clarifiers is 610gpd/sf and the combined detention time between the clarifiers is 2.65 hours.

The clarifiers serve to separate a large portion of the suspended solids from the waste stream. This is achieved by maintaining quiescent flow throughout detention, allowing for the heavier solids (*sludge*) to sink to the bottom of the tank and the lighter solids (*scum*) to rise to the surface.

The sludge which accumulates on the bottom of the tank is raked continuously towards the center column by a steel raking mechanism. This raking mechanism forces the sludge out of the clarifier through a sludge pocket near the center of the tank. The scum is removed from the clarifier by means of a skimmer assembly attached to one of the arms of the raking mechanism. As the skimmer arm revolves around the tank, scum is guided into a trough attached to the inside of the launder wall. The scum trough removes the scum from the tank and combines it with the sludge removed by the rakes. The removed sludge and scum are pumped to the plant digesters for treatment. The clarified wastewater eventually discharges over the effluent weirs and flows to the fixed film reactor to receive secondary treatment.

Secondary biological treatment is achieved at the plant by means of a single, fixed film reactor (FFR), constructed as part of the 1986 improvement project. The FFR utilizes a bio-filtration process which removes the dissolved organic matter from the wastewater. The FFR is 117 feet in diameter with a plastic media depth of 12 feet. Wastewater is distributed over microorganisms which grow on the plastic media substrate. The microorganisms absorb the organic matter from the wastewater as their food supply, utilizing much of the suspended colloidal and dissolved organic substrate matter for bioassimilation. As organic matter and nutrients are absorbed from the wastewater, the film of microorganisms grows and thickens, periodically sloughing off the plastic media surface. Partially decomposed organic matter, excess sloughed film, and dead film is carried off with the FFR effluent for further clarification in the secondary clarifier unit.

The secondary clarifier unit, constructed as part of the 1986 improvement project, performs much the same operation as the primary clarifier. The unit is 97 feet in diameter and has a side wall depth of 12 feet. These dimensions allow for a total volume of 665,000 gallons. Under average daily flow, the overflow rate of the clarifier is approximately 393gpd/sf and the detention time is 5.5 hours.

The final step in the treatment process at South San Luis Obispo Sanitation County District's Wastewater Treatment Plant is the disinfection of the treated effluent prior to release through the ocean outfall. This process occurs within the chlorine contact chamber and is achieved by the injection of sodium hypochlorite into the waste stream to kill the majority of all remaining bacteria. Once the wastewaters disinfected, it is de-chlorinated and discharged from the plant through the ocean outfall line.

Collection System

The District owns and operates nearly 9 miles of collection sewer referred to as the District Trunk Line. The purpose of this line is to allow for the collective transport of wastewater from the smaller municipal lines of the three member agencies to the final destination of the District's Wastewater Treatment Plant. The Trunk Line was initially constructed as part of the original District design of 1963. It is comprised of sewer pipe ranging in size from 15-30 inches in diameter.

The pipe segments are primarily composed of either Vitrified Clay Pipe or Asbestos Cement Pipe. Due to the naturally sloping coastal topography and owing to careful consideration and planning during the design phase of the collection system, the District's collection system operates entirely as a gravity fed sewer. As a result, the District is not dependent upon the use of pumps at any point in the collection system to convey the wastewater. The result is reduced annual operating expenses which in turn are passed directly on to the District's customers.

Annual average daily flow passing through the collection system is in the order of 2.9 million gallons per day with peak daily flows of approximately 3.16 million gallons per day. The WWTP is presently operating at about 60% of permitted capacity.

Capital Improvement Plans/Studies. To maintain the sewer facilities the District adopts a Capital Improvement Plan each year during the annual budget process. For 2010-11 fiscal year the following projects were approved:

Projects Budgeted or In Process

- ▶ No Projects are anticipated between 2010 and 2016

WRITTEN DETERMINATIONS

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

Wastewater

1. The Districts facilities are in excellent condition due to the proactive maintenance and repair program undertaken by the District's staff and Board.
2. The District has adequate capacity to meet the needs of their existing service area.
3. The District has prepared a Long Range Plan that provides for future plant improvements that will keep pace with the population growth and possible changing water quality standards in the area.
4. The District has set aside more then \$3 million to perform major upgrades so the plant can continue to meet the needs of the residents and comply with federal and state water discharge laws.

6.4 FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES

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

Budget

The District is fiscally stable having saved enough money over the years to make major upgrades while continuing to repair and maintain the treatment plant on a regular basis. The District has saved more than \$3 million for capital projects. Most of these reserves are designated for use towards major upgrades of the plant. Major plant upgrades would be paid for from these reserves and will put the plant in position to serve area residents for many years to come.

Investment Policies. The District has had a requirement of setting aside the hookup and connection fees and charges to build up a reserve to complete major upgrades. This policy has resulted in a committed well funded reserve fund that is described above. The District has also completed repair and maintenance program on an as needed basis and preventative maintenance, ensuring that the Physical Plant is well maintained over the years.

The District's annual budget contains investment policies that provide for the safe investment of funds in compliance with federal and state laws. The stated objective of the policy is to provide for the safe investment of the District's funds while allowing for liquidity and a return on investment.

Joint Financing Projects. The District is, in effect, a jointly funded jurisdiction with the Cities of Arroyo Grande, Grover Beach and the Oceano CSD paying service fees to fund the operation and maintenance of the treatment facility, the main collection trunk and outfall line.

Revenue Sources. The District uses a variety of revenues sources to fund the organization including; Service Charges received from the jurisdictions to fund operations, Connection Fees which are committed directly to the Expansion Fund, and Interest Income and fund balances at the end of the year that are transferred to the Replacement Fund. The tables below show the operating revenues for the District in 2010-2011 as estimated by year end:

Table 6-13: Operating Fund 19 Revenues (FY2010-11)

Revenue	Estimated Year End Amount
Arroyo Grande Services	2,745,621
Grover Beach Services	
Oceano CSD Services	
Pismo Beach Water Mon.	
School Service	
Federal Agencies	122,487
Total Revenue	2,868,108

Table 6-14: Expansion Fund 20 (FY2010-11)

Revenue	Estimated Year End Amount
Arroyo Grande Connections	67,451
Grover Beach Connections	
Oceano CSD Connections	
Interest Income	34,793
Total Revenue	102,244

Table 6-15: Replacement Fund 26 (FY2010-11)

Revenue	Estimated Year End Amount
Interest Income	6,792
Transfer – Operations Fund 19	0
Total Revenue	6,792

The revenue sources for the District is stable and are allocated to fund operations and saved for future expansion and replacement projects.

Fiscal Trend Analysis

The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represent an early warning system for an agencies fiscal health. The key indicators are overall operating budget, general fund expenditures, property tax revenues, elastic revenues (which include transit occupancy tax, sales tax, and franchise fees), reserves, long-term debt,

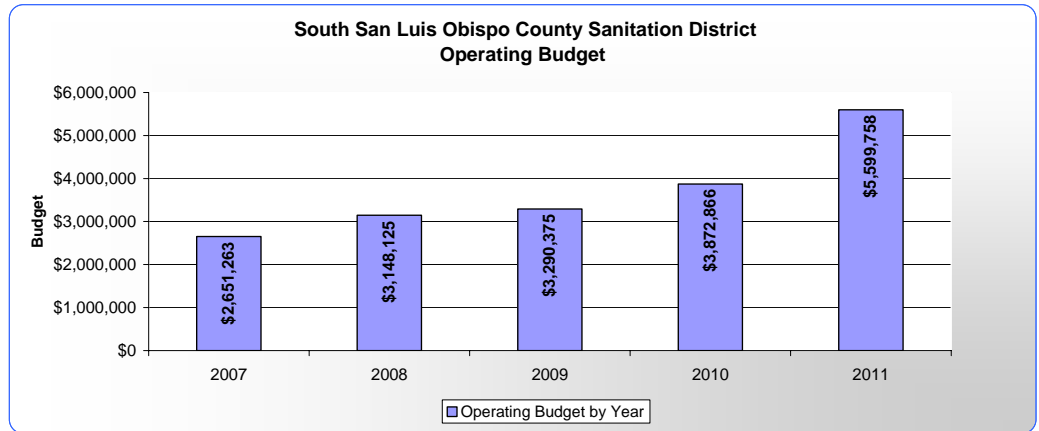
and fund balance for each year. The information was derived from the District's comprehensive annual financial statement for each year.

Operating Budget Figure 6-4

Formula:
Consolidated
Expenditures /
Fiscal year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

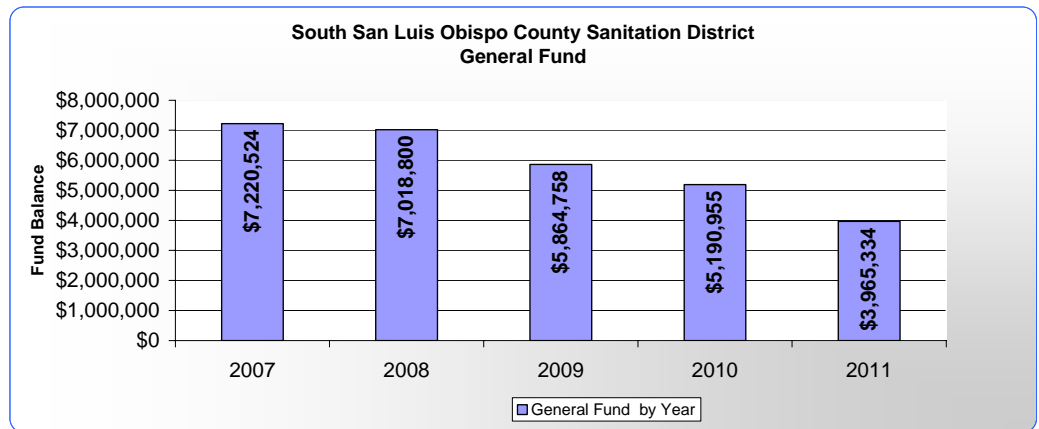
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern over a period of several years.

General Fund Budget Figure 6-5

Formula:
General Fund
Expenditures / Fiscal
year

Trend Analysis:
Monitor expenditures
over time.

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



Description:

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

Discretionary Revenues Figure 6-6

Formula:

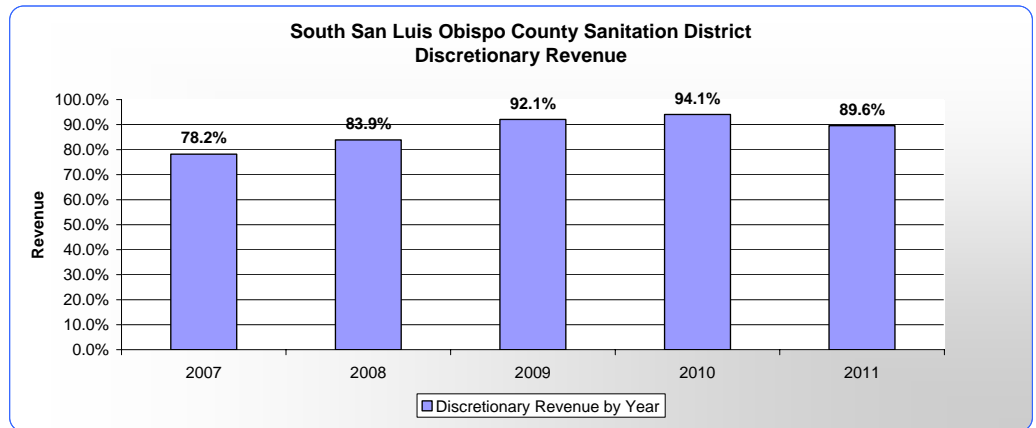
Discretionary operating revenues / Net operating revenues

Trend Analysis:

Monitor amount of discretionary operating revenues as a percentage of net operating revenues.

Source:

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



Description:

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

Reserves Figure 6-7

Formula:

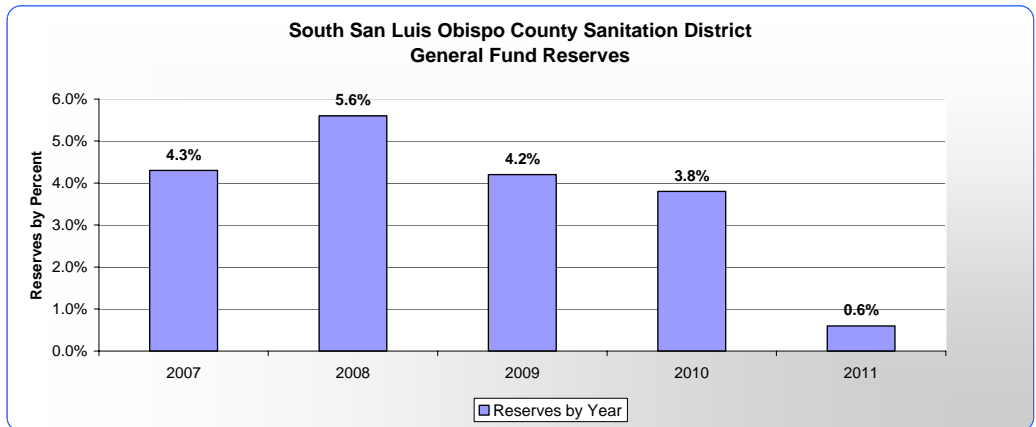
Unrestricted operating revenues / Net operating or general fund expenditures

Trend Analysis:

Monitor amount of reserves as a percentage of net operating or general fund expenditures.

Source:

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



Description:

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

Long-Term Debt/Liabilities Figure 6-8

Formula:

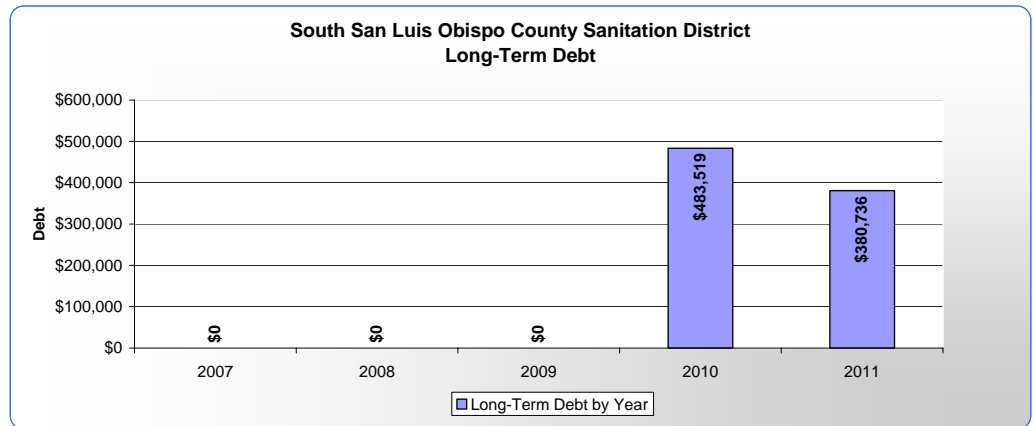
Current liabilities / Net operating revenues

Trend Analysis:

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

Source:

Statement of Net Assets



Description:

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

Changes in Fund Balance Figure 6-9

Formula:

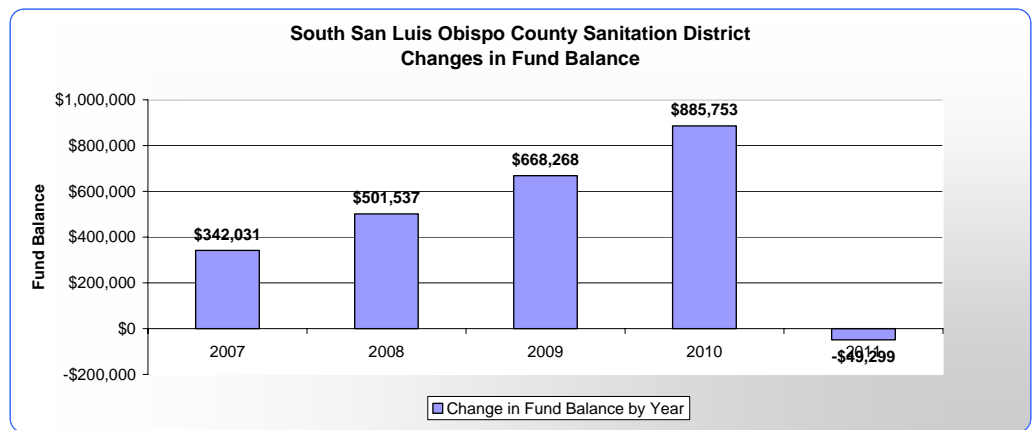
General fund operating deficit or surplus / Fund operating revenue

Trend Analysis:

Monitor general fund operating deficit or surplus as a percentage of net operating revenues.

Source:

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



Description:

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

Rates and Fees

The District reviews rates during the annual budget process to ensure they adequately offset the costs of operating the plant. The rates for services within the District should not be increased for existing residents due to future development within the District boundaries. Costs for sewer services for new developments would be fully examined during the development and review process.

Other programs defined by the District will require the newly developed sites to cover their full costs, including one-time capital projects as well as long-term maintenance, repair and replacement needs.

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

Table 6-16: Single-Family Sewer Rates

Rate/Fee	Paso Robles	Morro Bay	Pismo Beach	Oceano	Arroyo Grande	Grover Beach	San Luis Obispo
Flat Monthly Rate	\$25.86	\$64.43	\$68.28	\$23.85	\$22.36	\$24.78	\$7.22

The properties in the SOI areas do not presently receive services for which a fee is paid (such as wastewater service or storm drainage management). These services in particular are not available in the SOI areas. As these areas are largely undeveloped at this time, the impact of new services will be fees for those services. There is no evidence suggesting that the annexation of these areas will result in unreasonable fees for wastewater service as properties annex and develop within the District. It is expected that fees for the SOI areas will be in line with existing fees for such services.

The District, its member agencies and the County will work together to ensure that the cost of services for the jurisdictions is equitable.

WRITTEN DETERMINATIONS

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

1. The District is in a good position having completed repair and maintenance on the Plant facilities regularly as well as set aside reserves for major upgrades and expansion projects to be completed in the future.
2. The District has limited debt because it performs maintenance activities on an as needed or required basis.
3. The District reviews rates and fees on an annual basis during the preparation of their budget.
4. The District's rates have not only covered the costs of operations, but also enabled the District to prepare for the future by setting aside connection fees for replacing and maintaining the plant.
5. The District's revenue sources are stable and provide for the continued operation of the facility. A rate study that may be completed in the next two years would help to evaluate the need for increased revenues.
6. The District has over \$3 million in reserves, most of which is allocated for plant upgrades.

6.5 STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

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

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

The South San Luis Obispo County Sanitation District is a good example of sharing facilities between jurisdictions. The Board of Directors consists of a representative for the Cities of Grover Beach and Arroyo Grande and the Oceano Community Services District. These are the jurisdictions that utilize the plants facilities. The District has worked with the jurisdictions to meet the current and future needs of the residents. This level of cooperation has lead to financial stability, fair and consistent rates, and good service to the residents.

Currently, there is no duplication of existing or planned facilities in the SOI study areas. The City/CSD would assume the collection and transportation of wastewater service as properties are annexed and developed. The SSLOCSD would provide the wastewater treatment. These do not constitute (and would not in the future) duplication of services in the SOI areas.

WRITTEN DETERMINATIONS

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

1. The Plant is an excellent example of jurisdictions working together to share facilities and resources.
2. The Plant provides excellent services to the area residents it serves because of the close cooperation and communication between the District and Jurisdictions.

6.6 ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

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

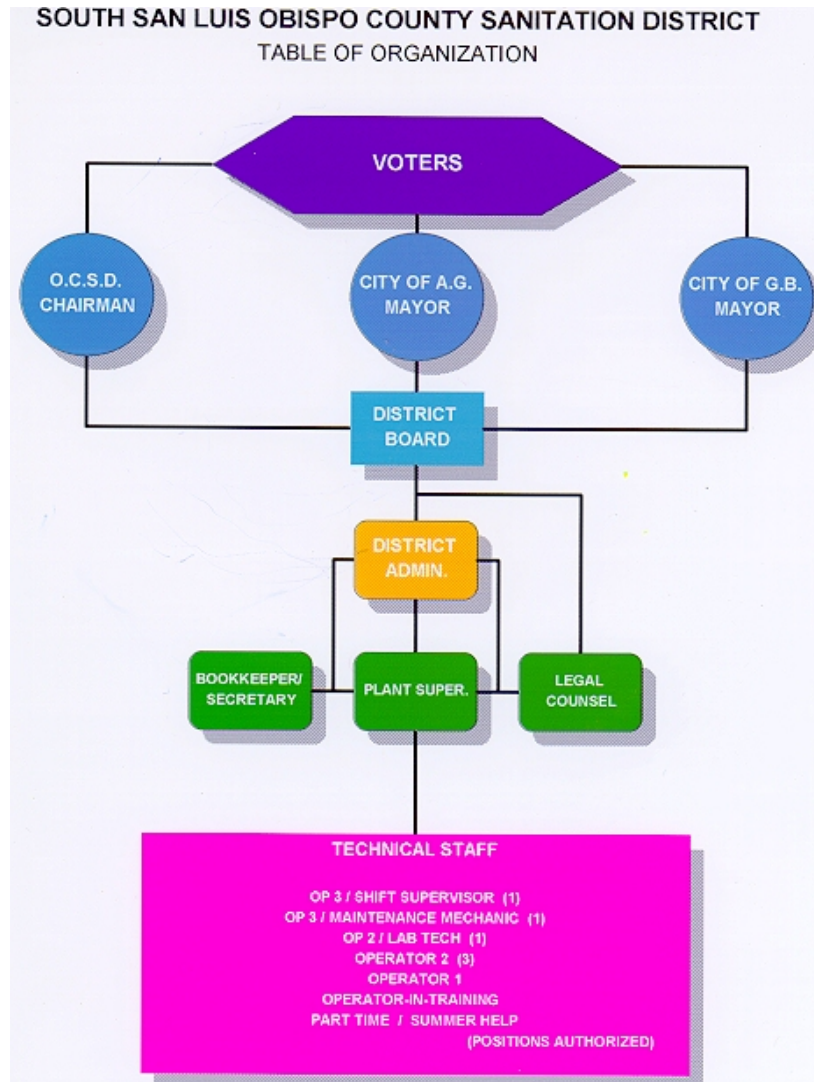
Governing Body. The three member District Board governs the operations and activities of the District. The Mayors of Grover Beach and Arroyo Grande along with the Chair for the OCSD make up the Board. The Board is appointed when the elections of the various jurisdictions is completed.

Community Outreach. The following is taken from the District's Website and shows several of the community outreach programs that the District has undertaken in recent years. The South San Luis Obispo County Sanitation District has undertaken several community service projects over the years. This in order to promote good will in the community, as well as to be a good neighbor to the residents located in the vicinity of the plant. The District maintains a website that provides good information about the district and their activities including budgets, staff reports, rates and ordinance/resolutions and bylaws.

The District holds regular meetings at 6:00 p.m. on the first and third Wednesdays of each month in the Oceano Board Room, at 1655 Front Street. Other meetings or study sessions are held as needed. Agendas are posted consistent with the Brown Act. A public comment period is scheduled at the beginning of each meeting for citizens to comment on District issues not on the agenda.

The District's organization structure is shown on the chart on the following page. The three member District Board governs the operations and activities of the District. The Mayors of Grover Beach and Arroyo Grande along with the Chair for the OCSD make up the Board. The Board contracts with a District Administrator to provide management and operational advice and expertise. The District retained Mr. John Wallace of Wallace Group who has served in this capacity since 1985. Mr. Wallace has a historic perspective as well as the technical resources to effectively and efficiently provide for the management of the District.

Figure 6-10



The District has a maintenance software program that tracks equipment and operational repairs that are needed to keep the plant in good working order. The Regional Water Quality Control Board was complimentary of the way the plant was operated and viewed the District as a model in terms of compliance with water discharge regulations.

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

WRITTEN DETERMINATIONS

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

1. The District provides for public access to meetings and records.
2. The District responds to customer complaints in a timely and responsive manner.
3. The District is involved with the local community by completing projects that benefit the area residents and visitors.
4. Based on a review of the District's budgets and planning documents, the District appears to be organized in an efficient and effective manner.
5. The District's staffing levels are below the industry average for operating such a facility. This is because the District hires employees with multiple skills and abilities, enabling the District cross train individuals to complete a variety of tasks and activities.
6. The District's staff consistently looks for ways to operate the plant more efficiently and effectively. These ideas are discussed in an open atmosphere that encourages continuous improvement in the operational and procedural systems.
7. The existing government structure represents an efficient and effective model for providing services the residents in the area.

6.7 OTHER MATTERS

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

Grand Jury Report 2011

The Grand Jury initiated an investigation that looked at the South San Luis Obispo County Sanitation District in 2011. These issues can be viewed in more detail by going to the 2011 Grand Jury Report.

The SSLOCSD Board reviewed the allegations and did not agree with some of the allegations. In response to the Grand Jury report, the SSLOCSD stated the rate payers in Arroyo Grande, Grover Beach, and Oceano give the District the responsibility to ensure the Sanitation District operates efficiently. As such, the Board has determined that the District does not require a full time salaried Administrator, but rather general administrative oversight and budget management, as well as civil engineering expertise specific to water and wastewater systems. In addition, the County Auditor reviewed both the Grand Jury Report as well as the District contracts for management and engineering. The Auditor concluded that the District has adequate financial and management controls in place.

A number of changes to improve the District's operations have been made including:

- Separate the contracts between the District Administrator and District Engineer.
- District Board approval required for compensation for engineering work.
- The County Auditor Office agreed to review the new bifurcated contracts to ensure consistency with special district budget related management practices.
- Rotating the District's principal auditor every five years.
- The District Board of Directors also implemented an Outside Peer Review specific to budget and payment process.

The District has taken steps consistent with some of the recommendations of the Grand Jury, to improve District operations and to address the public's perception of the District.

Regional Water Quality Control Board Report 2012

In 2012 the Regional Water Quality Control Board fined the District for a spill event related to a December 2010 storm incident. In December of 2010, a winter storm led to serious flooding in Oceano and sewage spilled into Meadow Creek, Arroyo Grande Creek, Oceano Lagoon and the Pacific Ocean. This flooding triggered the District's first sewer spill in more than 25 years. Due to high water entering the electrical system, the pumps in the treatment plant shut down, creating a spill. Since the incident, the District has implemented a number of improvements to the plant and its protocols to prevent future problems.

The water board and sanitation district tried to negotiate a settlement in the case, but negotiations ended in an impasse. The seven members of the Regional Water Quality Control Board assessed a penalty in October 2012. The District is appealing the fine.

REFERENCES

- SSLOCSO Response to Grand Jury Report 2011
- Grand Jury Report 2011
- SSLOCSO Budget FY 2010/11
- SLO County Resource Management System Annual Report, 2009
- California Department of Finance E-4 Report, 2009
- SLOCOG ERA Population & Employment Forecast, 2009
- SLOCOG Regional Housing Needs Allocation, 2007
- County of San Luis Obispo Urban Water Management Plan, 2005
- San Luis Obispo Council of Governments, Regional Profile, October 2004.
- SLO County San Luis Bay Inland & Coastal Area Plans, revised 2003
- San Luis Obispo Local Agency Formation Commission, Sphere of Influence Study, 2003.
- South San Luis Obispo County Sanitation District, Website, www.sslocsd.org.
- County of San Luis Obispo, Official Website, www.slocounty.ca.gov.
- San Luis Obispo Council of Governments, Official Website, www.slocog.org.

Appendix A:
Notice of Exemption

APPENDIX A NOTICE OF EXEMPTION

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

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

Julie Rodewald, County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93401

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

Project Title: South County Agencies (Arroyo Grande, Grover Beach, Oceano, & South County Sanitation)
Municipal Service Review and Sphere of Influence Update

Project Location and Description. LAFCO has prepared a Sphere of Influence (SOI) Update and Municipal Service Review for the Cities of Arroyo Grande, Grover Beach, the Oceano CSD, and South County Sanitation District located in San Luis Obispo County. The SOI is a 20-year growth boundary that may include areas that could be served by a City or District in the future. This SOI update and Service Review recommends maintaining the same boundaries for Grover Beach and Oceano CSD while adding a small existing built-out subdivision (Tract 1551) to the Arroyo Grande and South County Sanitation Districts Sphere of Influence. The Cortese-Knox-Hertzberg Act calls for the Service Review to be completed either prior to or concurrent with, the Sphere of Influence update. The Service Review evaluates the public services provided by the City's and Districts and provides the information base for updating the SOIs.

Public Agency Approving Project. The Local Agency Formation Commission (LAFCO) of San Luis Obispo County conducted a public hearing on this item on November 15, 2012 at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center.

Environmental Determination. LAFCO is the Lead Agency for the proposed Sphere of Influence Update and Service Review. The purpose of the environmental review process is to provide information about the environmental effects of the actions and decisions made by LAFCO and to comply with the California Environmental Quality Act (CEQA). As a study that collects data and information the MSR qualifies for a Class 6 Categorical Exemption - Regulation Section 15306. Additionally, the SOI updates qualify for a general rule exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

Reasons for Exemption. The proposed Sphere of Influence Update and Municipal Services Review does not involve, authorize or permit the siting or construction of any facilities. The MSR is categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation Section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." CEQA Regulation Section 15061(b)(3) states "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." There are no land use changes or environmental impacts created or recommended by the SOI update. No changes to the Spheres of Influence for Grover Beach and Oceano CSD with a small addition to Arroyo Grande and South County Sanitation of an existing buildout development are recommended in the Sphere of Influence Update document.

David Church, AICP, Executive Officer

Date

Appendix B:

Memorandum of Agreement
Between the City of Arroyo Grande and
County of San Luis Obispo

**MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF ARROYO GRANDE AND
THE COUNTY OF SAN LUIS OBISPO
REGARDING THE CITY’S SPHERE OF INFLUENCE**

This Agreement is entered into on this _____ day of _____, 2012, by and between the City of Arroyo Grande (hereafter “City”) and the County San Luis Obispo County (hereafter “County”).

WITNESSETH

WHEREAS, the Cortese/Knox/Hertzberg Act (“the Act”) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence for all applicable jurisdictions in the County every five years; and

WHEREAS, a Sphere of Influence is defined by Government Code 56076 as a plan for the probable physical boundaries and service area of a local agency, and pursuant to Government Code 56425 has been identified by the County of San Luis Obispo and the City of Arroyo Grande as contained in Exhibit A; and

WHEREAS, the Act further requires that a Municipal Service Review be conducted prior to or, in conjunction with, the update of a Sphere of Influence and such a Municipal Service Review has been prepared by LAFCO staff in accordance with Section 56430 of the California Government Code as a means of identifying and evaluating public services provided by the City of Arroyo Grande and changes to the City’s Spheres of Influence; and

WHEREAS, the Act strongly encourages the City and County to reach agreement regarding the boundaries (Exhibit A), development standards, and zoning requirements (Exhibit B) to ensure that development within the sphere occurs in an orderly and logical manner; and

WHEREAS, the City and County have reached an agreement regarding the Sphere of Influence boundaries (Exhibit A), and Terms and Provisions (Exhibit B); and

WHEREAS, LAFCO is required by Government Code 56425 (b) to give great weight to this agreement in making its final determination of the city's Sphere of Influence.

NOW, THEREFORE, the parties agree as follows:

1. The Sphere of Influence boundary contained in Exhibit A provides for the orderly and logical growth for the City of Arroyo Grande and represents an appropriate 20-year growth boundary based on existing information.
2. The Terms and Provisions contained in Exhibit B provide a framework for completing updates to the General Plans of both the City and the County for the areas in the Sphere of Influence.
3. The Terms and Provisions contained in Exhibit B are intended to provide the City and the County with the basis for developing specific land use policies and standards for the areas in the City of Arroyo Grande's Sphere of Influence and do not supersede or limit the planning or environmental review process of either jurisdiction.

Mayor, City Council
City of Arroyo Grande

APPROVED AS TO FORM AND LEGAL EFFECT:

City Counsel

Dated: _____

ATTEST:

City Clerk

Dated: _____

Chair, Board of Supervisors
County of San Luis Obispo

APPROVED AS TO FORM AND LEGAL EFFECT:

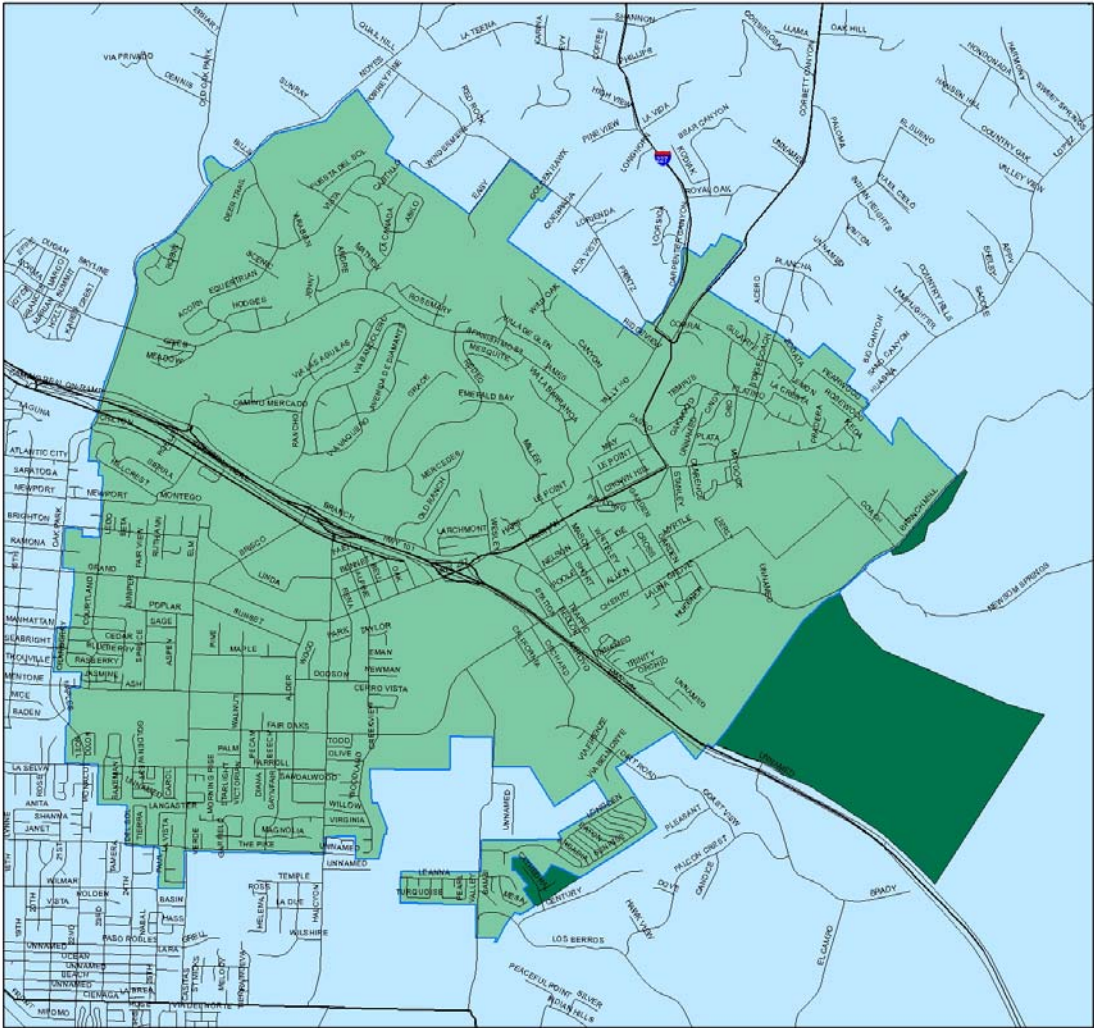
County Counsel
Dated: _____

ATTEST:

County Clerk
Dated: _____

Exhibit A

City of Arroyo Grande City Limits & Sphere of Influence Recommendation



Legend

- Major Roads
- Service Area
- Sphere of Influence



Prepared By SLOLAFCO
Name: City of Arroyo Grande, SOI Brdy
Date: 6/19/2012

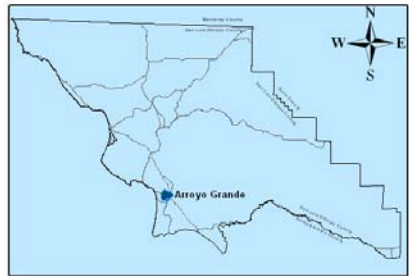


EXHIBIT B
TERMS AND PROVISIONS

The following Terms and Provisions are agreed to and shall be used by the City of Arroyo Grande and the County to develop the proposed Sphere of Influence as described in Exhibit A and to update their General Plans.

1. **Intent.** It is the intent of the County and the City to work cooperatively towards the goal of developing the agreed upon Sphere of Influence (as shown in Exhibit A) in an orderly and logical manner consistent with the Cortese/Knox/Hertzberg Act, the City and County General Plans, the California Environmental Quality Act and any other applicable laws and regulations.

2. **Interagency Cooperation.** The City and the County shall work cooperatively to plan for future land uses, public services and facilities needed to improve and maintain area circulation connections, and to preserve agricultural land and open space. The County and City will consider the creation and implementation of various assessment and financing mechanisms for the construction and maintenance of public improvements, such as roads, utilities, recreation and trail improvements, parks and open space, and similar improvements that could serve visitors and residents of the City and the County. Discretionary development projects and General Plan Amendments (GPA's) that may affect each agency's jurisdiction shall be referred to the other for review and comment as early as possible in the land use process. The County shall seek the City's comments regarding these projects or GPA's in the referral area map found in Exhibit C. The City shall seek the County's comments regarding projects or GPA's that affect the unincorporated area found in Exhibit C. All such referrals shall be sent to the following contact person(s) for early review and comment:

Director of Planning and Building
County of San Luis Obispo
Department of Planning and Building
County Government Center
San Luis Obispo, CA 93408

Community Development Director
City of Arroyo Grande
Community Development Dept.
214 East Branch Road
Arroyo Grande, CA 93421

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

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

The provisions mentioned above shall not supersede other methods of commenting or providing feedback regarding a proposal or project.

Development Review Coordination. Projects or GPA's proposed within the referral area shown in Exhibit C, and subject to an Initial Study under CEQA, shall cause the City and County representatives to request a meeting prior to completion of the Initial Study. The purpose would be to discuss the City's and County's General Plan policies with regard to the proposal and to identify any key issues that may need special attention during the CEQA process.

3. **Interim Development.** To the extent possible, the County shall limit the development in the Northern Arroyo Grande Fringe Area to what is allowed under current land use designations. This includes compliance with the standards regarding the Residential Rural and Residential Suburban land use categories found in the County's San Luis Bay Area Plan.
4. **City/County Shared Services, Infrastructure, and Facilities.** The County and City will evaluate the creation and implementation of various assessment and financing mechanisms to provide for the construction and maintenance of public improvements and services, such as; roads, Fire and Police emergency response, utilities, recreation and trail improvements,

historical and cultural parks, and similar improvements that could serve visitors and residents of the City and the County. Special consideration shall be given to the possible development of impact fees that could assist both the County and the City in maintaining roads and other transportation infrastructure in the unincorporated area adjacent to the City where impact fees are not currently charged.

5. **Environmental Constraints.** The City and the County shall base their recommendations and decisions for the 180 acre Frederick site and the 200 acre Williams site (already within the City's SOI) on an environmental constraints analysis that studies resources such as, but not limited to, sensitive habitats, 100 year flood plain areas, agricultural lands with class I, II or III soils, open space resources, cultural resources, and areas of greater than 30% slopes. The Constraints Analysis shall be used to help prepare future plans for these SOI areas.

6. **Phasing.** In general, the SOI areas shall be developed in a phased manner, with the SOI area closest to the City (Fredericks) being considered first and the Williams property being considered after the Frederick project receives approval and is annexed into the City. Alternatively, a different phasing plan may be considered if it enhances the orderly and logical development of the area.

7. **Agriculture and Open Space.** The City and the County will work together to permanently preserve agricultural and open space resources in the SOI area using the City's and County's Agricultural Element policies, Strategic Growth principles, and the Conservation and Open Space Element (COSE) policies. The criteria contained in the COSE and Agriculture Element, and the pertinent policies in the City's General Plan, shall be used in developing the preservation policies and programs. A Transfer of Development Credits program may be used to encourage a

density bonus as an incentive to property owners and developers.

8. **Land Uses.** The SOI as described in Exhibit A may include, but is not limited to residential, mixed-use, public facilities, visitor-serving, agricultural uses, and/or recreational uses. The following goals shall guide future development:

- a. *Direct development toward existing incorporated areas and unincorporated urban areas with logical infrastructure connections*

Phase urban development in a well designed manner, first using vacant or underutilized “infill” parcels and lands next to or near existing development and adjacent infrastructure. Include a range of land uses and housing types and densities affordable to a wide range of incomes.

- b. *Create walkable and transit friendly neighborhoods that have logical connections to other parts of the City*

Areas proposed for future growth should address roadway distances that would connect the new areas of development together with the existing City and would promote maximum connectivity between different land uses through walkways, bike paths, transit, or other means.

- c. *Provide for a variety of transportation choices that are feasible and financially viable*

Insure adequate densities of development that are conducive to supporting transit service.

- d. *Create a range of housing opportunities and choices*

Future development plans should clearly define a program for including a balanced variety of housing types; one that includes multi-family development and options for other types of housing. The development should maximize the opportunities to offer a greater range of housing

choices that are affordable to people with a variety of income levels.

e. Use land more efficiently

The proposed development should be designed in a way that encourages transit, walkability and connectivity to existing city infrastructure within the areas proposed for development. The goals are to 1) develop compact neighborhoods that contain residential uses that are affordable by design and efficient in land and energy consumption and 2) minimize the number of large lots by encouraging a variety of housing densities.

f. Improve the regional or sub-regional jobs/housing balance

Plan for land uses that provide opportunities for employment and in particular, explore creating opportunities for head-of-household jobs.

- 9. General Plan Amendment.** The City intends to complete pre-zoning, pre-annexation, and any necessary pre-general plan amendment activities prior to or concurrent with an annexation proposal being processed by LAFCO. The County intends to complete any necessary amendments to its General Plan in the San Luis Bay Area Plan to reflect the annexation of territory to the City of Arroyo Grande. The County shall also consider policies for the northern part of the City/County boundary, currently zoned Residential Suburban, that limit the intensification of land uses in the area.
- 10. Zoning Requirements/Specific Plan.** A land use plan, which identifies land uses within the Sphere of Influence areas, shall be prepared and adopted by the City prior to the annexation of the property into the City. The Plan shall be prepared in accordance with the City's General Plan and subject to environmental review which shall include analysis of issues related to completing the annexation, such as a reliable and adequate water supply, sewer capacity, and other services for the proposed project. Policies in the City's General Plan may apply to the SOI area. .

EXHIBIT C
Referral Map

