

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

**CAYUCOS SPECIAL DISTRICTS**

**Cayucos Fire Protection District  
Cayucos Sanitary District  
County Service Area 10**



**PREPARED BY:  
SAN LUIS OBISPO  
LOCAL AGENCY FORMATION COMMISSION  
ADOPTED JANUARY 2015**

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

### **COMMISSIONERS**

Chair: Tom Murray, Public Member  
Vice Chair: Frank Mecham, County Member  
Roberta Fonzi, City Member  
Muril Clift, Special District Member  
Bruce Gibson, County Member  
Marshall Ochylski, Special District Member  
Vacant, City Member

### **ALTERNATES**

Robert Enns, Special District Member  
David Brooks, Public Member  
Vacant, City Member  
Adam Hill, County Member

### **STAFF**

David Church, Executive Officer  
Raymond A. Biering, Legal Counsel  
Mike Prater, Analyst  
Donna J. Bloyd, Commission Clerk

## TABLE OF CONTENTS

### CHAPTER I: INTRODUCTION

Introduction .....	1
Sphere of Influence Update .....	1
LAFCO's Role .....	2
Principal Acts .....	3

### CHAPTER 2: SPHERE OF INFLUENCE UPDATE

Cayucos Fire Protection District.....	8
Cayucos Sanitary District.....	9
County Service Area 10 .....	10

### CHAPTER 3: MUNICIPAL SERVICE REVIEW

Growth and Population.....	16
Disadvantage Unincorporated Communities .....	16
Infrastructure Needs and Deficiencies.....	17
Financial Ability of the Agency.....	19
Opportunities for Shared Facilities .....	27
Government Structure Options.....	29
Other Matters.....	31

### FIGURES

Figure 2-1 Cayucos Fire Protection District .....	12
Figure 2-2 Cayucos Sanitary District .....	13
Figure 2-3 County Service Area 10.....	14

### TABLES

Table 1-1 Special Districts & Recommendations.....	1
Table 3-1 Summary of Special Districts.....	15

# SPECIAL DISTRICTS - CAYUCOS

## SPHERE OF INFLUENCE UPDATE

### MUNICIPAL SERVICE REVIEW

---

#### CHAPTER 1 - INTRODUCTION

This is a Sphere of Influence (SOI) Update and Municipal Service Review for the Special Districts providing services in Cayucos. The update of the Sphere of Influence for these Districts recognizes the existing circumstances and recommends no changes to the SOIs, however additional recommendation are made to enhance the services to the areas resident. 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 every five years or as necessary. It is recommended that the Spheres of Influence for the Special Districts listed below be determined as “Status Quo”.

**Table 1-1: Special Districts and Recommendations**

Special District	Active Powers	Recommendation
Cayucos Fire Protection District	Fire Protection and Emergency Response	No changes to the SOI are recommended.
Cayucos Sanitary District	Sewage, Solid Waste Disposal, and Recycling	No changes to the SOI are recommended.
County Service Area 10 & 10A	Water and Street Lighting	No changes to the SOI are recommended.

**Sphere of Influence Update.** A Sphere of Influence is defined by the Cortese/Knox/Hertzberg Act in 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 to be a future growth boundary for a jurisdiction. The Act further requires that a *Municipal Service Review* be conducted prior to, or in conjunction with, the update of a Sphere of Influence. The Service Review prepared for the above listed Districts adequately addresses the required factors listed below.

In accordance with Section 56430 of the California Government Code, a Municipal Service Review has been prepared to address the Special Districts for all of the Districts listed above. The Spheres of Influence for the Special Districts are not recommended for modification. A comprehensive Municipal Service Review is not needed for the following Districts because no changes to the Spheres of Influence are recommended and future growth or service issues have not been identified:

- Cayucos Fire Protection District
- Cayucos Sanitary District
- County Service Area 10

**Municipal Service Review.** This Municipal Service Review for the Special Districts is prepared in accordance with Section 56430 of the California Government Code. The Service Review evaluates the public services provided by each of the Districts studied in this analysis. The Districts provide services under the Principal Acts found in the California Law. Principal Acts are laws that govern the set up and operation of various government structures including the Districts being evaluated in this study and are described in a section below. A Service Review must state written determinations that address the following factors in order to update a Sphere of Influence. Information and written determinations regarding each of the factors is provided in the Service Review. The seven service review factors are addressed for each District in Chapter Three and include:

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

LAFCOs are encouraged to compile a variety of information in preparing a Service Review. LAFCOs can use a significant proposal or study (constraints analysis, general plan update, master plan, annexation, etc.) as a way to compile the needed information. Also, administrative and organizational information is collected and evaluated. Most of the Districts analyzed in this study do not compile or complete such an information base because of the limited scope of services provided by each district. In order to complete this analysis LAFCO relied on Audit Reports submitted to the County Auditor-Controller's Office pursuant to state law, original formation filing documents, State Controllers Special Districts Annual Financial Reports, and information from various websites.

**LAFCO's Role.** 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 as established by the CKH Act include:

- ▶ To encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state;

- ▶ To promote orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
- ▶ To discourage urban sprawl;
- ▶ To preserve open-space and prime agricultural lands by guiding development in a manner that minimizes resource loss
- ▶ To exercise its authority to ensure that affected populations receive efficient governmental services;
- ▶ To promote 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;
- ▶ To make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies and to shape their development so as to advantageously provide for the present and future needs of each county and its communities;
- ▶ To establish priorities by assessing and balancing total community services needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial resources;
- ▶ To determine 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;
- ▶ To conduct a review of all municipal services by county, jurisdiction, region, sub-region or other geographic area prior to, or in conjunction with, SOI updates or the creation of new SOIs.

**Principal Acts.** Principal Acts are the parts of California Law that govern Special District formations, activities and operations. The Principal Acts are located in various sections of California Law and are listed below:

District	Code Section	Code
Sanitary District	6400-6830	Health and Safety Code
Fire Protection District	13800-13970	Health and Safety Code
County Service Area 10	25210 et seq	Government Code

The above code sections are applicable to the Districts that are the topic of this Sphere of Influence Update and Service Review. Unless a principal act specifically excludes LAFCO involvement, formation, changes of organization, and Sphere of Influence updates are within LAFCO's authority.

The Community of Cayucos is served by a variety of public and private agencies. The Sphere of Influence study prepared for the Cayucos area in 1982 recommended that the community consider the formation of a Community Services District. In fact a reorganization proposal involving only water was approved by the Commission in 1998, but was denied by the voters. In 2004, LAFCO approved the reorganization of Cayucos to consolidate the three governing districts into a Community Services District based on a petition from area residents, but was also denied by the voters. The community of Cayucos is served by three special districts:

- Cayucos Fire Protection District, an independent district formed in 1948,
- Cayucos Sanitary District, an independent sanitary district formed in 1942;
- County Service Area No. 10, a county dependent district formed in 1965.

**Water Companies.** In addition to the special districts serving the area, Cayucos is also served by two water companies. These are the Morro Rock Mutual Water Company and the Paso Robles Beach Water Association. Although the private water companies are not under LAFCO's authority LAFCO can make recommendation to include the boundaries of the water companies to be part of any future governance structure. Also, the Cortese/Knox/Hertzberg Act gives LAFCO the authority to require information from these water companies.

Cayucos Fire Protection District: The Cayucos Fire Protection District was formed by petition and Board of Supervisors resolution in 1948. The District has provided fire protection and emergency first aid to area residents since that time by way of an all-volunteer company. A three member elected board of directors manages District affairs. The District has 14 active firefighters who are paid hourly rates for calls and drills and a Fire Chief, and two Assistant Fire Chief who are salaried.

The staff also includes two (of possible four) Captain and a Secretary. The district responded to approximately 300 to 325 calls each year.

Cayucos Sanitary District: The Cayucos Sanitary District was formed in 1942 to provide sewer service to the Community of Cayucos. In 1954, the district constructed a sewer system and treatment plant under a joint powers agreement with the Morro Sanitary District (now City of Morro Bay). The plant ultimately was reconstructed in 1984 under a joint powers agreement. The district owns and holds capacity rights to 35% of the ocean outfall and sewage treatment plant with the remainder being owned by the City of Morro Bay. The district is averaging 33.2% of the plant on a monthly basis. The Sanitary District collects sewage from its 2,592 service connections and transports it to the 2.36 (peak seasonal dry weather flow) million gallon capacity plant

in Morro Bay. The district is using approximately 0.274 mgd or 33.2 percent of its 0.826 mgd gallon entitlement.

**Whale Rock Reservoir Water Allocations:** The three water purveyors and the Cayucos Cemetery are allocated 600 acre feet per year of water through an agreement with the Whale Rock Commission. The Cemetery is allocated 18 afy, with the remaining 582 afy being divided as follows:

Morro Rock Mutual - 170 afy  
Paso Robles Beach - 222 afy  
County Service Area 10A – 190 afy

Total usage by all of the water purveyors in Cayucos is 446 acre feet, which leaves 154 acre feet for commitments to outstanding will-serve letters, planning cushions, and water available for new users.

**Morro Rock Mutual Water Company:** The Articles of Incorporation for the Morro Rock Mutual Water Company (MRMWC) were signed on February 4, 1941. Corporate powers are vested in a five member Board of Directors. Each property owner who is a customer is also a shareholder in the corporation. Vacant lot owners in the service area become shareholders when they request and receive water service. Mutual Water Companies are formed by the State Department of Corporations.

The service area of the MRMWC is generally that area east of Ocean Avenue and north of 13th Street to Cayucos Creek. The water company also serves the Whale Rock Mobile Home Park. The company has 641 water meters serving a population of 1,000 persons. There are 58 vacant lots. The MRMWC's water source is direct delivery from Whale Rock Reservoir. Water is then treated at the Cayucos Water Treatment Plant. The MRMWC's allocation is 170 acre-feet per year or 28.33% of the total allocation for Cayucos of 600 acre feet per year. Water deliveries in 2013 equaled 121 acre-feet.

The MRMWC's rate structure includes a minimum fixed charge, plus an ascending rate based on consumption. The Board of Directors of the Morro Rock Mutual Water Company has approved a rate increase effective June 1, 2013. The monthly flat rate went from \$28 to \$48. Every group of 1,000 gallons, or part thereof, will continue to be billed at \$7.17 each.

**Paso Robles Beach Water Association:** The Articles of Incorporation for the Paso Robles Beach Water Association (PRBWA) were signed on June 12, 1929. The Articles of Incorporation were filed again on July 15, 1983, and amended on July 7, 1997. Restated Articles of Incorporation were filed on January 14, 2014. Corporate powers are vested in a five member Board of Directors. Capital stock of the corporation is 10,000 shares. Each lot within the service area is entitled to 10 shares which runs with the land. These shares are transferable only with the land to which

they are assigned. Upon transfer of land, the shares are assigned to the new owner and transferred on the books of the Association.

The service area of the PRBWA is generally the area west of Ocean Avenue and North of 24<sup>th</sup> Street, except for the Whale Rock Mobile Home Park. The water company also serves one house on the east side of North Ocean Avenue. The company has 780 water meters serving a population of approximately 1,291 persons. There are approximately 27 vacant lots for future build-out. The only source of water is through wells located in the Old Creek Basin or through direct delivery from the Whale Rock Reservoir. Currently the wells are standby wells and PRBWA receives its water through direct delivery which is then treated at the Cayucos Water Treatment Plant. The PRBWA water allocation is 222 acre feet per year or 37% of the total allocation for Cayucos of 600 acre feet per year. Water deliveries in 2013 equaled 156.9 acre-feet.

The PRBWA rate structure is a minimum fixed rate by meter size at \$33 per month. Every group of 1,000 gallons, or part thereof, is billed at \$7.40 each. The PRBWA is currently working on completing the list of recommended improvements to its distribution system, with a remaining estimated cost of \$1,446,800.

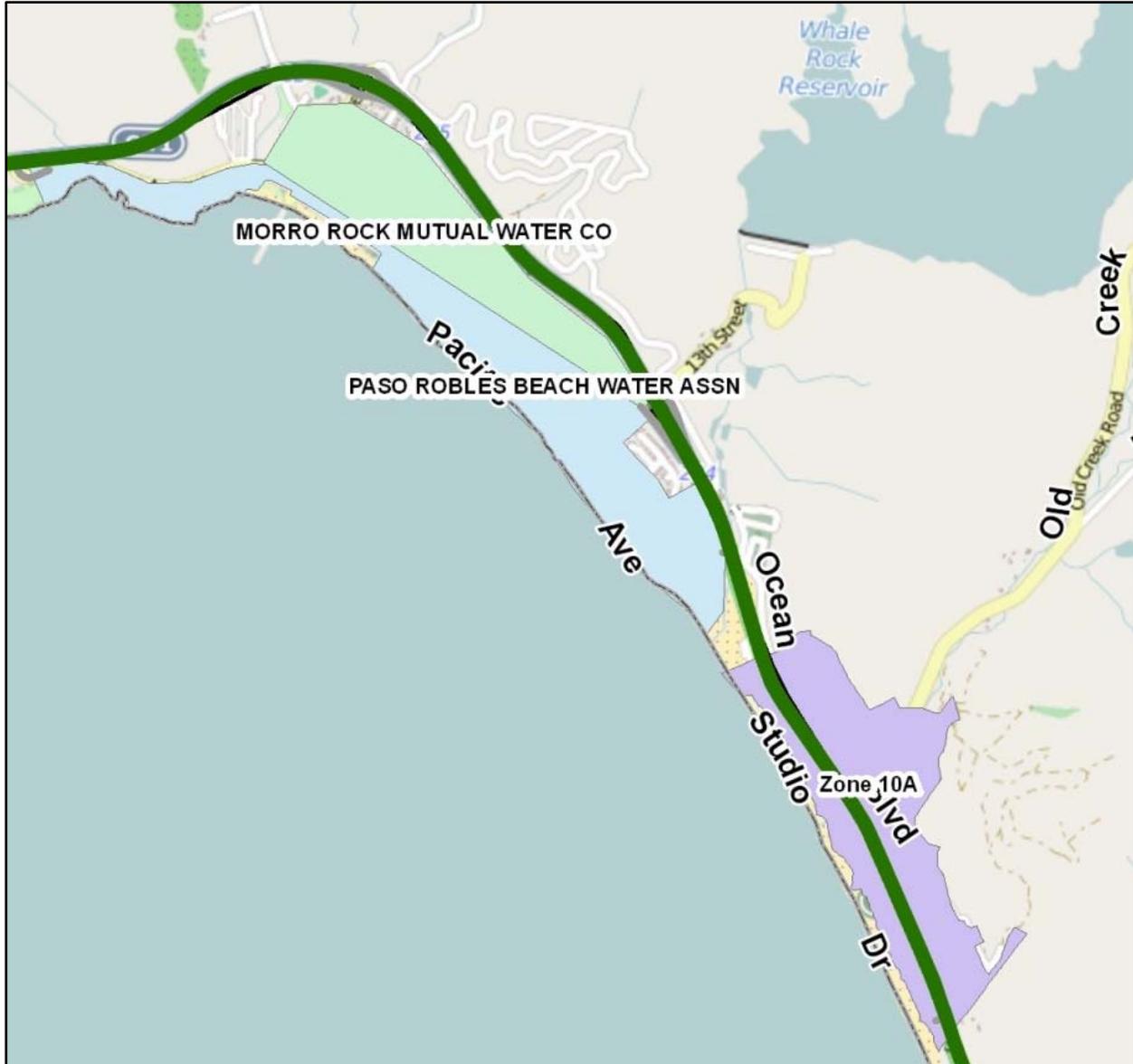
**County Service Area 10 and 10A:** CSA No. 10 was formed by resolution of the Board of Supervisors in 1965 in order to perform the functions of the Cayucos Highway Lighting District in the community of Cayucos. In 1972, powers were extended to include park maintenance and recreation (presently not provided). Services were expanded in 1994 to include water services to the Cayucos Strand Area, that were previously provided by County Waterworks District No. 8, and to operate a water treatment facility that services the entire community of Cayucos under contract with the two private water companies and the cemetery. County Service Area 10 also provides street lighting services and pays the energy cost on 193 street lights.

CSA 10A serves approximately 724 customers from its system comprised of two wells, a 210,000-gallon storage tank and a distribution system. The district's water source is Whale Rock Reservoir, which supplies an entitlement of 600 acre-feet to the community of Cayucos. This entitlement is undivided, but must serve all four active water purveyors in the area, with 190 acre-feet being allocated to CSA 10A. CSA 10 also has 25 afy of Nacimiento Water Project via exchange for additional Whale Rock water. The water system (then Waterworks District 8) was refurbished in 1972 upon petition of local residents. Improvements included construction of the storage tank, enlargement of lines and installation of chlorinators and meters.

By way of background, in 1994, the State Department of Health Services (DHS) required that all of the water in Cayucos should be treated. At the time, DHS stipulated that all three water purveyors must construct water treatment facilities in order to meet new health standards. Since the Board of Supervisors granted water service and other powers to CSA No. 10 on January 18, 1994, and since the CSA boundaries already include the entire community, it was decided that CSA 10 would

act as the lead agency in constructing and operating the treatment facilities that was financed by, and benefited, the customers of all three water purveyors.

### Water Purveyors in Cayucos



# SAN LUIS OBISPO SPECIAL DISTRICTS

---

## CHAPTER 2- SPHERE OF INFLUENCE UPDATE

This chapter summarizes the Special Districts that operate under the Principal Acts described in the previous chapter. Also, this chapter recommends the Sphere of Influence for each one of the Districts remain unchanged. 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 reasonably be expected to provide services over the next 20 years. This chapter, along with the following Municipal Service Review, provides the basis for updating the Districts Spheres of Influence, which is required to be updated every five years. This Sphere of Influence Update 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 are addressed according to section 56425(e)(1-4) of the Cortese/Knox/Hertzberg Act:

### Cayucos Fire Protection District



The Cayucos Fire Protection District was formed by petition and Board of Supervisors resolution in 1948. It has provided fire protection and emergency medical aid to area residents since that time by way of an all-volunteer company. A three-member elected Board of Directors manages District affairs. The district has had one annexation since formation.

The District has approximately 14 volunteer firefighters, a Fire Chief, and two Assistant Fire Chief who are salaried. The staff also includes two (of possible four) Captain and a Secretary. Response time from its station located in northern Cayucos at Cayucos Drive and Ash Avenue varies up to six minutes for areas in southern Cayucos. The District has entered into an agreement with CalFire which enables the station to be staffed with a Captain and Firefighter during the non-fire season. The cost for this staffing is paid for by the Cayucos Fire Protection District on a reimbursement basis with the State. This allows for cost-effective staffing during the off-fire season periods. The District has primary responsibility for structural fires within its boundaries; areas adjacent to the District are served by CalFire.

Historically fire agencies have worked toward efficiencies, economies and shared resources through both informal and formal agreements and functional consolidations. The Cayucos Fire Protection District has mutual aid agreements with CalFire and the City of Morro Bay. Due to escalating personnel costs and erosion of revenue for all municipal services, both cities and fire protection districts are increasing efforts to partner with other fire agencies through both agreements and formal consolidation to achieve cost and service delivery efficiencies.

In 2005 the Cayucos Fire Protection District board of directors chose to augment their fire protection service level by funding the cost to keep the seasonal CAL FIRE station in Cayucos staffed year round. The fire protection district retained its fire chief and fire department and contracted for additional service only. Due to the time lag involved in initiating a new service contract with the state, and because the original contract agreement was between the fire protection district and the County, the County added service change to its master CAL FIRE agreement. In 2006, the County directed that the fire protection district and CAL FIRE enter into a separate agreement without the County serving as an intermediary. Since 2006, the agreement is between the Cayucos Fire Protection District and CAL FIRE. The Cayucos Fire Protection District Board retains authority for determining level of service, funding and adoption of codes and ordinances appropriate to their authority as a Special District.

### **Cayucos Sanitary District**



The Cayucos Sanitary District was formed in 1942 for the purpose of constructing a sewer collection system and a wastewater treatment plant. In 1954 the District constructed a sewer system and wastewater treatment plant under a Joint Powers Agreement (JPA) with the Morro Sanitary District (now the City of Morro Bay). The JPA was subsequently amended in 1969, 1973 and again in 1982. The JPA sets forth the respective rights of Morro Bay and Cayucos for purposes of ownership and capacity rights to the wastewater plant, and the real property upon which it constructed appurtenant facilities, outfall line and for operation and maintenance of the wastewater treatment plant. In 1982 the Cayucos Sanitary District and the City of Morro Bay renegotiated the Joint Powers Agreement governing their jointly-owned wastewater treatment plant facility and agreed to reconstruct and expand the wastewater treatment plant.

Sanitary Districts are empowered to acquire, maintain and operate sewer, drainage and/or refuse collection facilities. They may incur bond indebtedness, enter into contracts, borrow money and charge service rates. The District provides wastewater service to the community of Cayucos which entails collecting wastewater within the community and conveying it through a main line to the Morro Bay-Cayucos Wastewater Treatment plant located on Atascadero Road in the City of Morro Bay. The District's wastewater system encompasses five lift (pump) stations and approximately 23.1 miles of gravity collection sewers.

The District has entered into an exclusive franchise with Mission Country Disposal for collection and disposal of solid waste and, in addition, the collection, processing and marketing of recyclable materials. The SOI excludes the hillside area east of the highway, namely the Morro Rock View hillsides. This area is excluded because of the geologically unstable nature of the area and the County's General Plan policies that prevent or strongly discourage development in these areas and the lack of infrastructure to serve these parcels.

## **COUNTY SERVICE AREA 10 AND 10A-CAYUCOS**



County Service Area No.10 was formed by resolution of the Board of Supervisors in 1965 in order to perform the functions of the Cayucos Highway Lighting District which was dissolved at formation. In 1972 powers were extended to include the services of park maintenance and recreation. The water service power was added in 1993 to CSA 10 in order to operate and maintain a water treatment facility and provide water service to certain areas in Cayucos. The water treatment facility treats water for various suppliers, including: Paso Robles Beach Water Company, Morro Rock Mutual Water. County Service Area 10A provides water service to residents in the area known as the Cayucos Strand. Other powers are considered latent and must be activated with LAFCO approval prior to providing other services.

LAFCO adopted a Sphere of Influence for CSA No. 10 that encompasses the areas within Cayucos that are anticipated to need water, fire, sanitary, and street lighting services in the future under a potential consolidation. The SOI excludes the two hillside areas east of the CSA, namely the Morro Strand and Morro Rock View hillsides. These areas are excluded because of the geologically unstable nature of the area and the County's General Plan policies that prevent or strongly discourage development in these areas. Excluding the two areas means that the areas should be detached in the future.

### **Sphere of Influence Adopted Findings**

This Sphere of Influence Update chapter addresses the key factors called for in 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:

The Districts are anticipated to only provide services to residents within the service boundary. No major land use changes are anticipated to impact the need for services within the Districts' boundaries. Minor buildout is anticipated. The Spheres of Influence for the Districts are not recommended for expansion based on the fact that large land use changes that promote development are not envisioned in the County's General Plan.

- Present and probable need for public facilities and services in the area:

The Districts are capable of maintaining service levels to the residents and customers. The SOIs are not recommended for expansion and the Districts intend to provide needed services to the areas within their existing service boundary.

- Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:

The present capacities of the facilities are adequate to provide services to the service boundaries of the Districts. The Districts call for capital improvements and regular maintenance of facilities to maintain adequate service levels.

- Existence of social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:

Each place or area that is served by a District has a unique mix of social and economic communities of interest. The Districts provide services to these communities of interest such as businesses, non-profits, churches, and schools. These organizations, groups and individuals along with the Districts make up the fabric of the community.

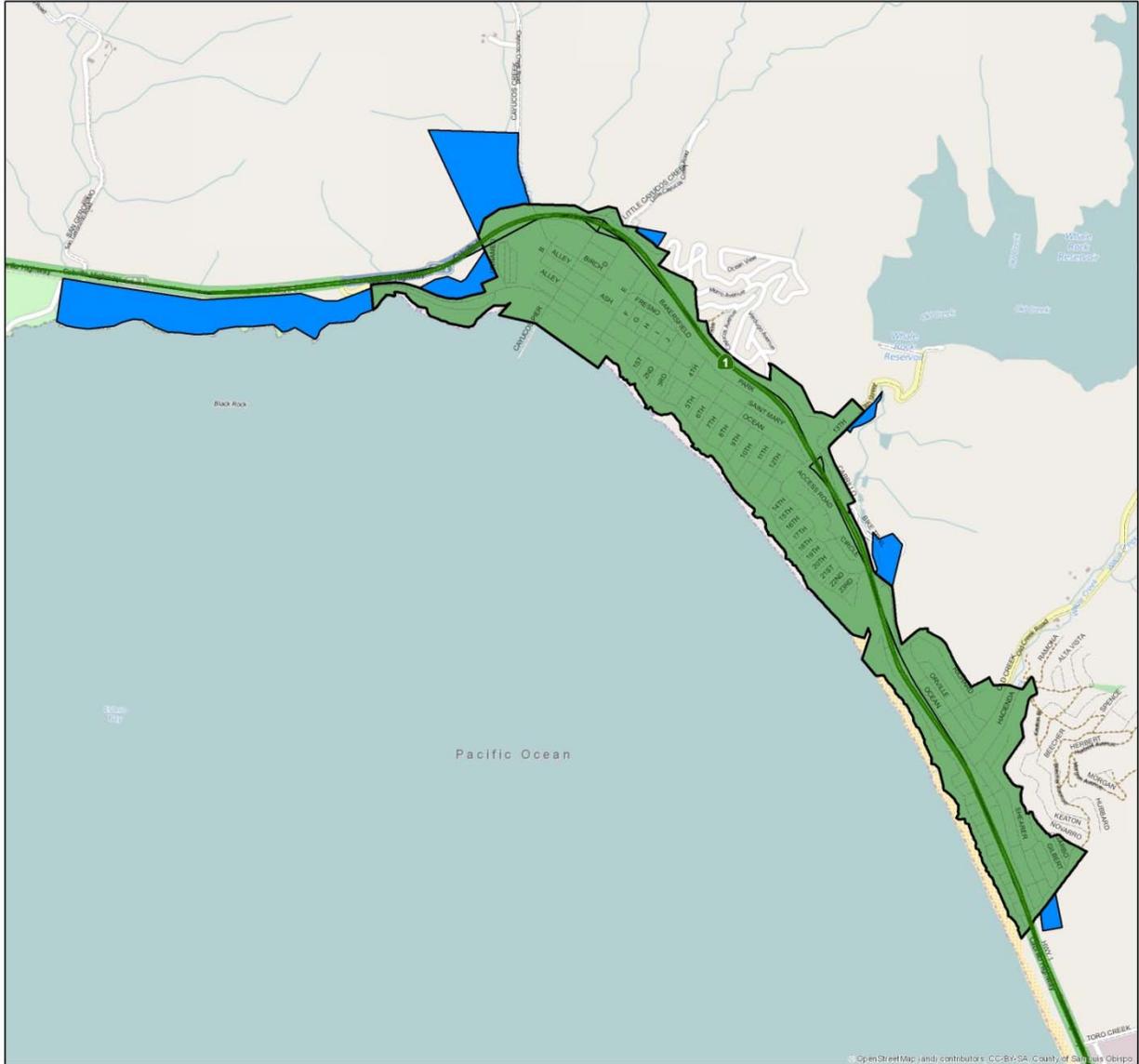
- Present and Probable need for Public Facilities and Services of Disadvantaged Unincorporated Communities:

Each Special District has a variety of economic diversity that lives within the Districts' service area and surrounding area including within or adjacent to the Sphere of Influence. The Spheres of Influence do not qualify under the definition of disadvantaged community for the present and probable need for public facilities and services. The community served by the districts is not a disadvantaged unincorporated community.

The Spheres of Influence for each District are recommended to remain the same.

Figure 2-1

**Cayucos Fire Protection District  
 Service Area & Sphere of Influence  
 Recommended 2014**



**Legend**

-  Major Roads
-  Service Area
-  Sphere of Influence



Prepared By SLOLAFCO  
 Name: Cayucos Fire\_SOI Bndy  
 Date: 10/10/2014

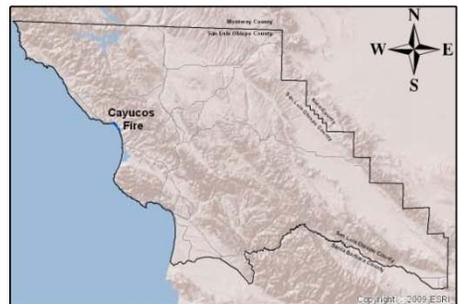


Figure 2-2

# Cayucos Sanitary District Service Area & Sphere of Influence Recommended 2014

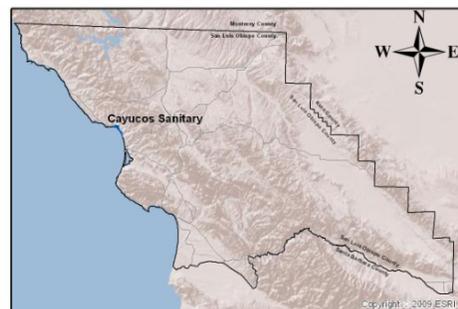


### Legend

- Major Roads
- Service Area
- Sphere of Influence
- Service Area Intended for Detachment

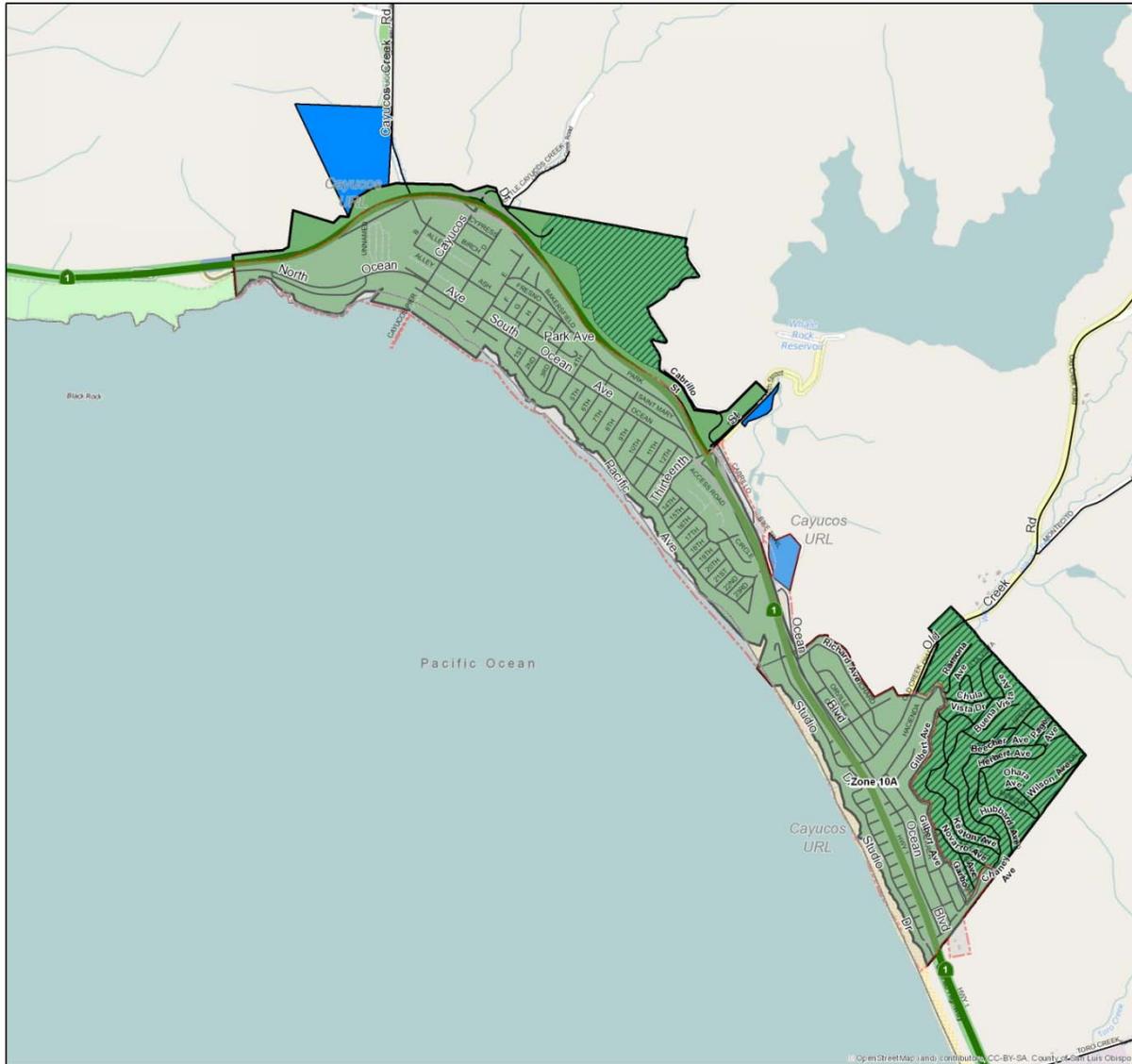


Prepared By SLOLAFCO  
Name: Cayucos Sanitary\_SOI Bndy  
Date: 10/10/2014



**Figure 2-3**

**County Service Area #10 - Cayucos  
 Service Area & Sphere of Influence  
 Recommended 2014**

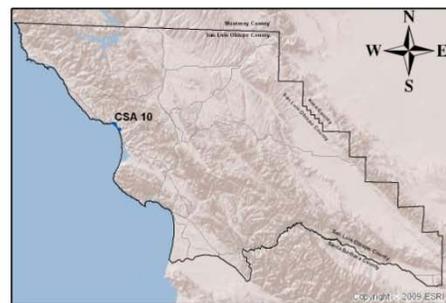


**Legend**

- Major Roads
- Service Area
- Sphere of Influence
- Service Area Intended for Detachment



Prepared By SLOLAFCO  
 Name: CSA\_10\_SOI Bndy  
 Date: 10/10/2014



## CHAPTER 3 – MUNICIPAL SERVICE REVIEW

---

This Municipal Service Review (MSR) is conducted in regard to the Special Districts listed below. These Districts are managed by the independent and dependent Boards of Directors. Each District is responsible for the direct oversight and management of its organization and uses a variety of resources in administering the District, including financial management systems, capital project implementation, and customer service staff. This enables each Board of Directors to effectively manage the Districts serving the Cayucos community. The table below lists the Special Districts and the services that are provided:

**Table 3-1: Summary of Special Districts**

Special District	Active Powers
Cayucos Fire Protection District	Fire Protection and Emergency Response
Cayucos Sanitary District	Sewage, Solid Waste Disposal, and Recycling
County Service Area 10 & 10A	Water and Street Lighting

The Sphere of Influence Update for the Special Districts (Chapter 2) does not propose expanding any of the Districts' SOIs. Essentially, the Special Districts will continue to operate and serve the Cayucos community. The Municipal Service Review identify service improvements that could provide consolidated services creating some savings.

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.

## 1. **GROWTH AND POPULATION**

**Population of Area and Adjacent Areas:** The town of Cayucos does not anticipate large increases in population in the future. According to the 2010 Census, SLO County has added approximately 15,000 housing units since 2000. Data from the 2010 Census suggests the increase of approximately 23,000 household residents in SLO County, a 9 percent increase in population since 2000. Growth was led by large population gains in Paso Robles and in unincorporated areas of SLO County. Cayucos has not been the site of significant growth in population.

The 2010 US Census reported that Cayucos had a population of 2,592. The population density was 745.4 people per square mile. The age of the population included 337 people (13.0%) under the age of 18, 169 people (6.5%) aged 18 to 24, 488 people (18.8%) aged 25 to 44, 946 people (36.5%) aged 45 to 64, and 652 people (25.2%) who were 65 years of age or older. The median age of the community was 53.0 years.

There were 2,354 housing units at an average density of 677.0 per square mile, of which 781 (59.4%) were owner-occupied, and 533 (40.6%) were occupied by renters. The homeowner vacancy rate was 4.6%; the rental vacancy rate was 12.8%. 1,555 people (60.0% of the population) lived in owner-occupied housing units and 1,037 people (40.0%) lived in rental housing units. As of the 2000 Census there were 2,943 people, and 2,284 housing units a reduction of 351 people and an increase of 70 housing units. The growth rate from 2000 to 2010 was 13.5 percent over that ten year period.

**Future Growth.** The community of Cayucos is not expected to grow much more over the next several years. The General Plan envisions in-fill development with no substantial developments proposed outside the Districts service boundaries, or the towns urban reserve line.

## **WRITTEN DETERMINATIONS**

1. The County's population continues to grow at a slow rate (<1%).
2. Significant increases in population are not anticipated to occur in the Special Districts addressed in this study.
3. The Districts are capable of serving the current and future population in the town of Cayucos.

## 2. **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 of a jurisdiction. If a jurisdiction is reasonably capable of providing needed

resources and basic infrastructure to disadvantaged unincorporated communities within the sphere of influence or contiguous to the sphere of influence, it is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations are proposed by the District or property owners.

The community of Cayucos has a population with a variety of economic diversity that resides within the special district boundaries and surrounding area. A Disadvantaged community is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. The Spheres of Influence for the Special Districts do not have any disadvantaged communities that have a present and probable need for public facilities and services nor are the areas contiguous to the sphere of influence qualify as a disadvantaged community.

### **WRITTEN DETERMINATIONS**

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

1. The Spheres of Influence for the Special Districts in Cayucos do not have disadvantaged unincorporated communities located within or adjacent to their boundaries.

### **3. INFRASTRUCTURE NEEDS AND DEFICIENCIES**

LAFCO is responsible for determining if an agency is reasonably capable of providing needed services and basic infrastructure to serve areas within the District and in the Sphere of Influence. It is important that such findings of infrastructure and service availability occur when revisions to the SOI and annexations are considered. In the case of this SOI Update, it is prudent for LAFCO to evaluate the present and long-term infrastructure demands and resource availability of the community. LAFCO accomplishes this by evaluating: 1) the resources and services that are available, 2) the ability of the jurisdiction to provide such resources and services in line with increasing demands, and 3) the capital improvement and maintenance programs implemented by the jurisdiction.

Each District addresses the Infrastructure Needs and Deficiencies using a variety of mechanisms:

- Financial Management Systems that are audited annually by Certified Public Accountants. Capital Improvement Plans and programs.
- Procedures that schedule maintenance and improvements of facilities and equipment.

- Each District performs various studies and analysis regarding the need for developing new resources and maintaining existing service levels for their respective services to the community.

### **Cayucos Fire**

Infrastructure for fire protection generally includes fire station facilities and a variety of apparatus, vehicles and equipment. CalFire has put together a Consolidated Fire Protection Strategic Plan that provided details on existing infrastructure and identify deficiencies and as well as proposed improvements. The District placed a measure on the November 2012 ballot that was approved by the voters (Measure C) which increased revenues including funding for the AMADOR Contract. The funding measure increased the parcel tax of \$25 per parcel for each property.

The Cayucos Fire Protection District operates out of a fire station at the corner of Cayucos Drive and Ash Avenue. The Cayucos Fire Protection District contracts for augmented fire protection from the CalFire station in south Cayucos (Station 11). This type of augmented fire protection contract utilizing existing CalFire stations and personnel is known as an AMADOR contract. Cayucos Station 11: located on the south end of the community of Cayucos, was built in 1963 as a wood frame facility that does not meet Essential Services Act standards. The current plans are to rebuild on the current site. The fire station houses one CalFire wildland engine. No County apparatus is assigned to this station. Station 11 provides protection for two local jurisdictions (Cayucos FPD and County area) in addition to the CalFire wildland fire mission. The majority of emergency to which Station 11 responds are inside the all-volunteer Cayucos Fire Protection District. Cayucos does not have a sustained funding source to continue the AMADOR Contract and may terminate the agreement.

### **Cayucos Sanitary**

The Cayucos Sanitary District has an agreement with the City of Morro Bay through which it owns and reserves a portion of the Morro Bay/Cayucos Sanitary District wastewater treatment plant capacity for sewage flow from Cayucos. The District indicates that the Treatment Plant is operating at approximately 56% of capacity. The City and the Cayucos Sanitary District are in the process of identifying sites for a new wastewater treatment plant to be in compliance with state and federal regulations and provide full secondary or tertiary treatment. At the tertiary level of treatment, the wastewater effluent could be recycled to augment the region's water supply, and could provide additional revenue for the District.

Facility planning and CEQA was initially completed for a proposed new wastewater treatment plant in 2010. However the Coastal Development Permit (CDP) issued by the City of Morro Bay was appealed to the California Coastal Commission (CCC) in January 2011. The Coastal Commission denied the permit in January 2013. The District and City are now moving forward with analysis of alternative project locations and plant design and should be back to the Coastal Commission by the end of 2016 for a final

decision. The District is working closely with the County, RWQCB and State to develop a regional wastewater treatment facility at the current California Men's Colony plant location. The District has undertaken and completed a number of important CIP projects during the past two years, replacing and upgrading several aging pipelines and pump stations. The collection system is generally in good condition.

### **CSA 10 - Cayucos**

CSA 10 operates a water treatment plant and currently pays energy costs for 193 street lights leased from PG & E. CSA 10A serves approximately 724 customers from its water system that includes a 210,000-gallon storage tank and a pipeline distribution network. The district's water source is Whale Rock Reservoir, which supplies entitlement of 600 acre-feet to the community of Cayucos. This must serve all four active water purveyors in the area, with 190 acre-feet being allocated to CSA 10A. CSA 10 also has 25 afy of Nacimiento Water Project via exchange for additional Whale Rock water. The Board of Supervisors approved water system improvements in 2004 providing for construction of a storage tank and increased pipeline sizes for the Gilbert and Shearer lines. These improvements increase fire flow and the available emergency supply as well as relocating the Gilbert waterline to the appropriate depth.

### **WRITTEN DETERMINATIONS**

1. Based on the CalFire assessment study adequate and reliable resources available to meet the needs of current and future residents within the Districts may not comply with environmental and safety standards.
2. The Sanitary District infrastructure is adequate to provide services to the community. The District has upgraded the system to maintain service levels.
3. CSA 10's infrastructure is adequate to provide services to the community.

### **4. FINANCING ABILITY OF AGENCIES TO PROVIDE SERVICES**

The Districts' prepare annual budget documents that are well-organized and clearly articulate the Districts' financial status and future spending plans. The documents provide information about revenue sources and expenditures. Independent Audits of the Cayucos Fire District indicates that the District no longer has enough income or reserve funds to cover the contract cost with CalFire. Cayucos Sanitary and CSA 10 audits indicate these districts are operating within their financial means.

For each District the Board of Directors adopts a budget each year. The Budget provides a framework for each District to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees.

In most Districts, direct labor, equipment, materials and vendor payments, plus an allocation of indirect overhead costs, are accounted for and billed based upon the information contained in the cost accounting system. The cost accounting system also identifies operations related costs to allow knowledgeable management of the various budgets, and a clear picture of expenditures for the Board and Citizens Advisory Groups, as well as staff.

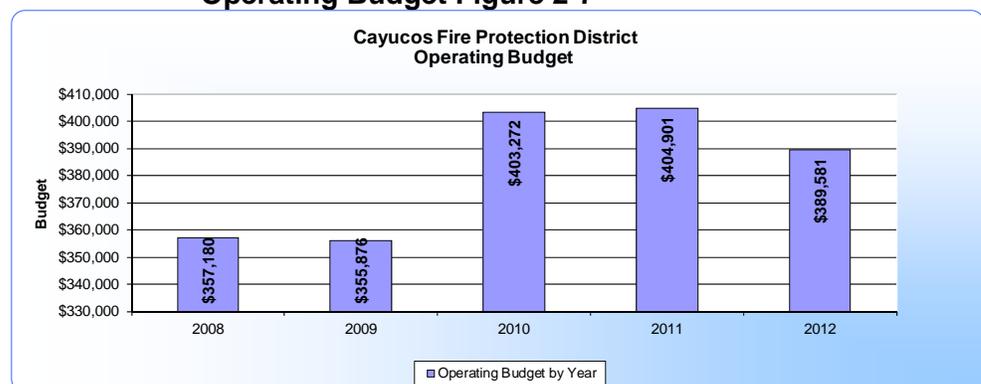
### **Cayucos Fire**

The District financial constraints involve increased operational costs and the will of the people in the community to fund certain activities by establishing assessments or fees. In November of 2012, Cayucos passed an extension of an existing tax of \$25 per parcel to fund services (Measure C), however the District budget continues to exceed their revenues. Each District faces unique challenges when funding public services. The laws under which Districts are governed provide the structure for funding activities. Revenue sources for the Fire District are somewhat limited and include key sources such as property taxes for fire service and pass-through monies such as grants for various improvements.

On the expenditures side, the Fire District budgets for the services paid for by residents and generally attempt to live within their means. Key expenditures include routine maintenance, insurance, administrative, accounting services, services and supplies.

**Fiscal Trend Analysis for Fire District.** The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represents an early warning system for an agencies fiscal health. The key indicators are overall operating budget, property tax revenues, and fund balance for each year. The information was derived from the District's fiscal documents for each year.

**Operating Budget Figure 2-7**



**Formula:**

Consolidated  
Expenditures /  
Fiscal year

**Trend Analysis:**

Monitor expenditures  
over time.

**Source:**

Financial Statements:

**Description:**

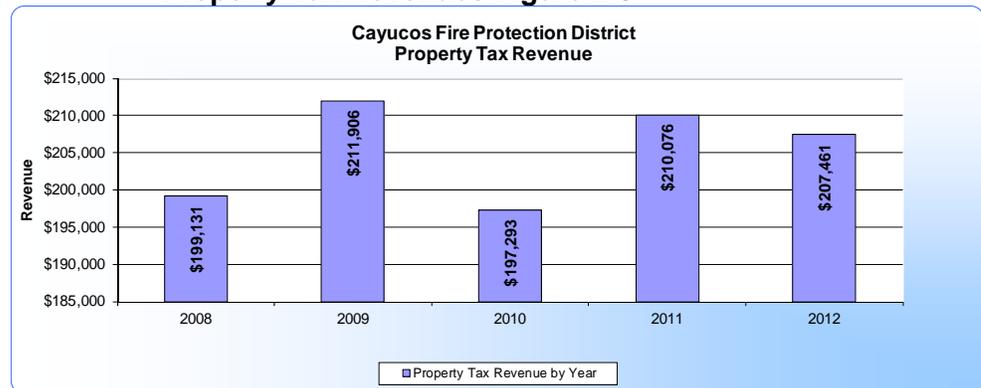
This indicator refers to the overall operating budget and expenditures. It shows the expenditure pattern for a jurisdiction over a period of several years.

**Property Tax Revenues Figure 2-8**

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

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

**Source:**  
 Annual Financial  
 Statements:



**Description:**

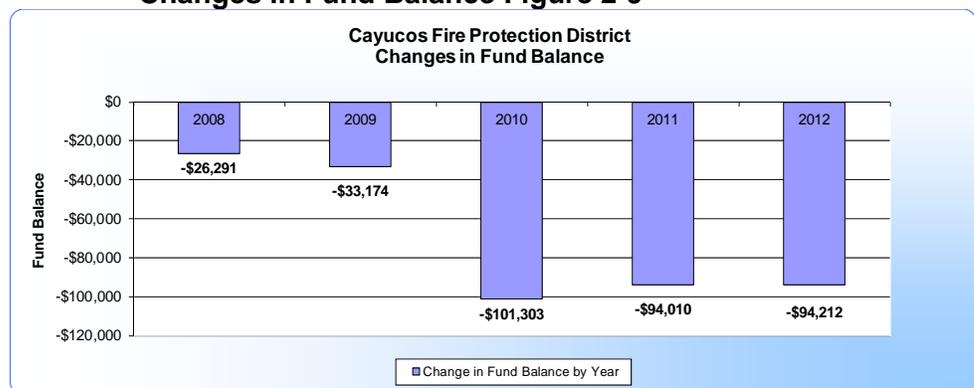
The Fire District relies on property tax revenues to fund services. As these revenues are closely tied to market conditions, this indicator can depict the ability of an agency to respond to economic fluctuations. The property taxes are distributed based on the calendar year and the years indicated in the chart are the ending years for each calendar year.

**Changes in Fund Balance Figure 2-9**

**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:**  
 Annual Financial  
 Statements:



**Description:**

This indicator is especially important because a pattern of operating deficits 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.

**Annual Audit Report.** The District has submitted independent Audit Reports to the County Auditor pursuant to State Law. These reports have been reviewed by a qualified firm of Certified Public Accountants. The 2011 and 2012 Reports have been reviewed for this analysis. The audits find that the District's finances are presented consistent with accepted accounting principles. The District also adopts an Annual Budget and has a variety of accounting policies. The District is funded by Property Taxes, Special Taxes, Impact Fees, Weed Abatement Charges, and Revenue from use of money (interest) and property. The continued deficit in Fund Balance is a concern and indicates a possible financial problem.

**Cayucos Sanitary**

The Sanitary District sewer service is operated as an enterprise fund. This means that

revenues to support operations and capital improvements are borne by the ratepayer. Sewer funds are reviewed annually by the Board of Directors 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.

In 2007, the Cayucos Sanitary District completed a sewer rate study and related reports and recommendations for the Districts sewer enterprise fund. This report provided a basis for rate increases for the FY 2011 to maintain reliable sewer service. The District charges a monthly fee to each user of \$52. The District gave public noticing for customers to protest the increased rates of providing the service pursuant to Proposition 218.

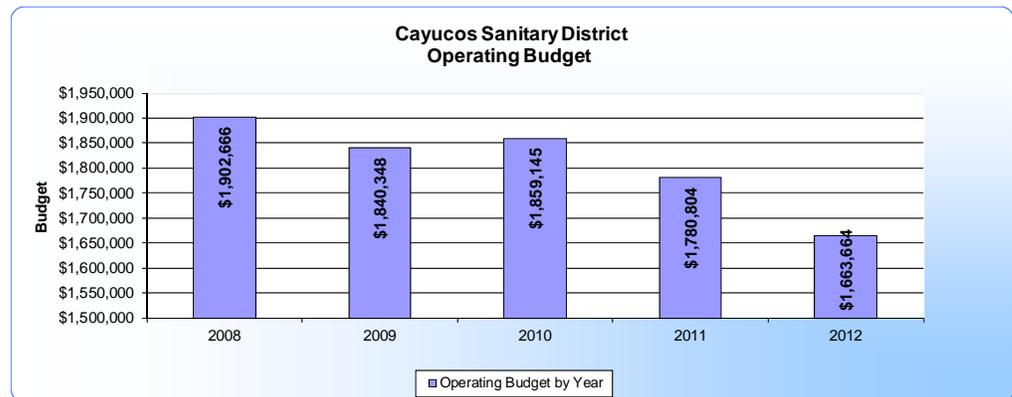
**Fiscal Trend Analysis for Sanitary District.** The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represents an early warning system for an agencies fiscal health. The key indicators are overall operating budget, property tax revenues, long-term debt, and fund balance for each year. The information was derived from the District’s fiscal documents for each year.

**Operating Budget Figure 2-10**

**Formula:**  
Consolidated  
Expenditures /  
Fiscal year

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

**Source:**  
Financial Statements:



**Description:**

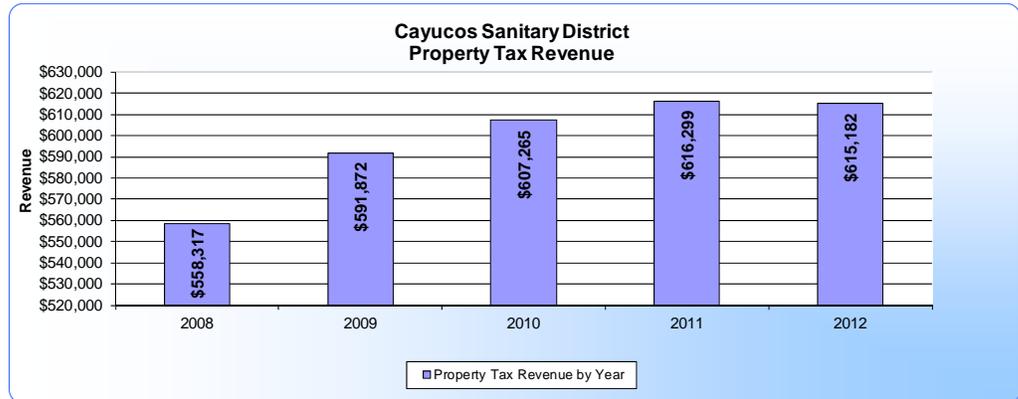
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern for a jurisdiction over a period of several years. The District has reduced expenditures and increased revenues over the last several years.

### Property Tax Revenues Figure 2-11

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

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

**Source:**  
 Annual Financial  
 Statements:



**Description:**

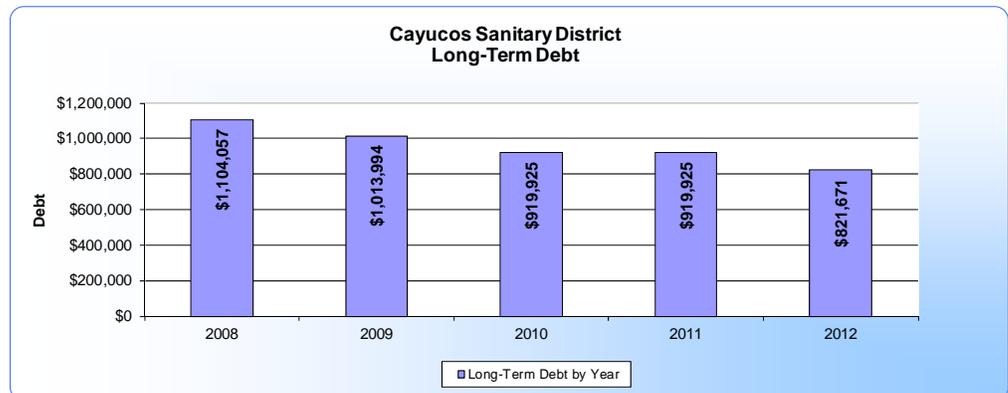
This indicator will have more importance for those agencies heavily reliant upon property tax revenues. As these revenues are closely tied to market conditions, this indicator can depict the ability of an agency to respond to economic fluctuations. The property taxes are distributed based on the calendar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

### Long-Term Debt/Liabilities Figure 2-12

**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. The District continues to make its debt payments in a timely manner. 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 2-13**

**Formula:**

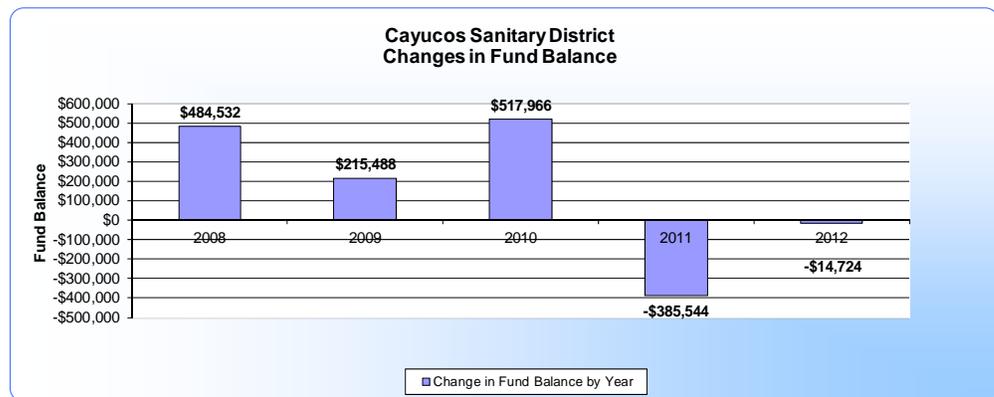
General fund operating deficit or surplus / Fund operating revenue

**Trend Analysis:**

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

**Source:**

Annual Financial Statements:



**Description:**

This indicator is especially important because a pattern of operating deficits 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.

**Annual Audit Report.** The District has submitted independent Audit Reports to the County Auditor pursuant to State Law. These reports have been reviewed by a qualified firm of Certified Public Accountants. The 2011 and 2012 Reports have been reviewed for this analysis. The audits find that the District’s finances are presented consistent with accepted accounting principles. The District also adopts an Annual Budget and has a variety of accounting policies. The District is funded by Property Taxes, rent income, franchise fees, stand-by fees, sewer services fees, connection fees and permit fees. In the Audit the District provides a detailed Management Discussion and Analysis which provides an extensive discussion about the District’s situation. Highlights include the adoption of a revenue rate program in conjunction with the wastewater treatment plant upgrade, salaries and fringe benefit decreases by transitioning from a full time District manager to part time and elimination of Administrative Services Officer position, replacing a senior position with an entry level position.

**County Service Area 10**

The County Service Area 10 water and lighting services are operated as an enterprise fund. This means that revenues to support operations and capital improvements are borne by the ratepayer. Funds are reviewed annually by the Board of Supervisors 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.

**Fiscal Trend Analysis for CSA 10.** The following charts show the fiscal trend analysis for the past five years for key fiscal indicators that represents an early warning system for an agencies fiscal health. The key indicators are overall operating budget, property tax revenues, and fund balance for each year. CSA 10 does not have a trend history of

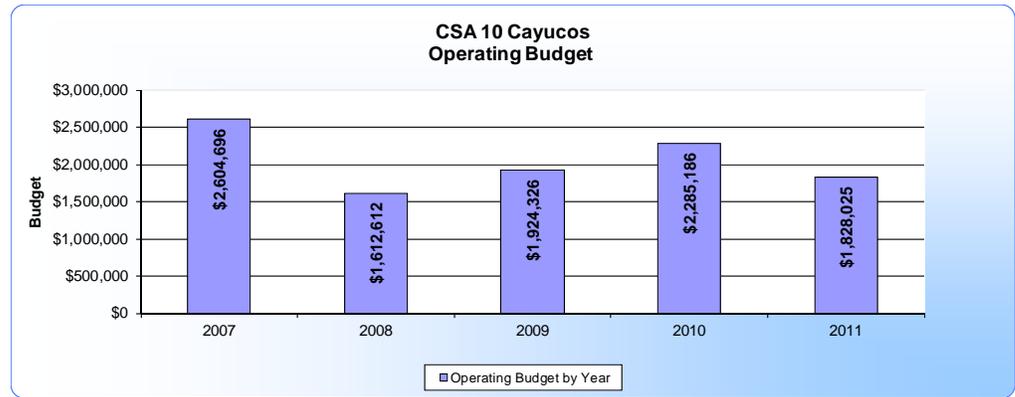
long-term debt. CSA 10 has entitlement to the Nacimiento water project which has increased their debt service to \$134,500 which is expected to pay in the FY 2013-14 budget cycles. The information was derived from the District's fiscal documents for each year.

### Operating Budget Figure 2-14

**Formula:**  
 Consolidated  
 Expenditures /  
 Fiscal year

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

**Source:**  
 Financial Statements:



**Description:**

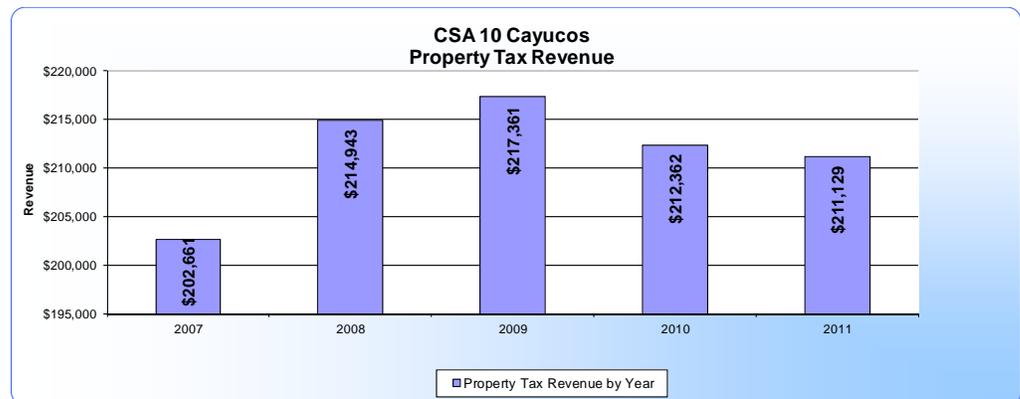
This indicator refers to the overall operating budget and expenditures including enterprise funds. It shows the expenditure pattern for a jurisdiction over a period of several years.

### Property Tax Revenues Figure 2-15

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

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

**Source:**  
 Annual Financial  
 Statements:



**Description:**

This indicator will have more importance for those agencies heavily reliant upon property tax revenues. 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.

Changes in Fund Balance Figure 2-16

**Formula:**

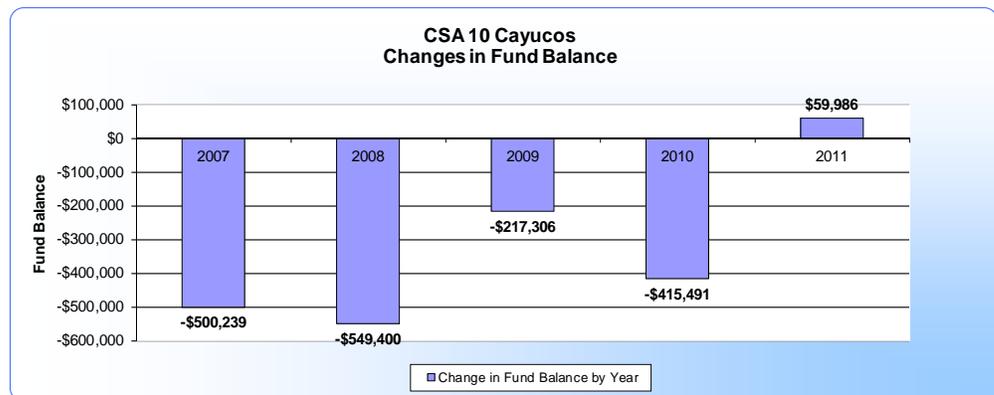
General fund operating deficit or surplus / Fund operating revenue

**Trend Analysis:**

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

**Source:**

Annual Financial Statements:



**Description:**

This indicator is especially important because a pattern of operating deficits 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.

**Annual Audit Report.** The County Auditor has prepared annual audits pursuant to State Law. The 2011 and 2012 Reports have been reviewed for this analysis. The County also adopts an Annual Budget and has a variety of accounting policies. The District is funded by Property Taxes, water services and connection fees, Special District Augmentation Fund, and interest.

**WRITTEN DETERMINATIONS**

1. The Districts' prepare and approve an annual budget that clearly describes the services provided to residents and the funds expended for those services.
2. The Fire District is having difficulty to funding needed services through property taxes and other fees. The District is working to increase revenues to provide services. The District may want to consider preparing a study to identify future governance and service options.
3. The Sanitary District is in sound financial condition. Sanitary District funds infrastructure needed to serve new development projects through connection and other fees. It is reasonable to conclude that the District endeavor to avoid long-term financial obligations for the capital improvement or maintenance of new development projects. When the new treatment plant comes online long-term debt will be planned for and measures taken to pay down the debt over a longer horizon.
4. CSA 10 & 10A funds infrastructure needed to serve new development projects through connection and other fees. It is reasonable to conclude that the District endeavor to avoid long-term financial obligations for the capital

improvement or maintenance of new development projects by paying off the Nacimiento water project debt service in FY 2013-14.

5. Districts in Cayucos have in place financial regulations that are codified in its implementing ordinances and resolutions.

## **5. OPPORTUNITIES FOR, SHARED FACILITIES**

The Districts work with other jurisdictions to minimize costs and duplication of effort. This may lead to shared use of infrastructure with the County, Cities and other Districts. The Districts also work cooperatively and maintain working relationships with the following agencies:

- Incorporated Cities
- Independent Districts
- Caltrans
- Regional Water Quality Control Board
- Army Corps of Engineers
- Regional Water Quality Control Board regarding wastewater discharge and drainage
- California Coastal Commission for permitting in the Coastal Zone
- California Department of Fish and Wildlife to protect wildlife and environmental resources
- Various County Department for permitting and will serve commitments

### **Cayucos Fire**

Cayucos Fire District has paid CalFire to keep Station 11 staffed with firefighters during non-fire season at a cost of around \$225,000 a year. Typically it costs around \$850,000 to keep a station open 12 months out of the year. California has not declared an end to the fire season over the past few years due to the drought. Fire season has been declared year-around in most parts of the state. This has contributed to additional costs for service. The AMADOR Plan Agreement keeps the seasonal CalFire Station in Cayucos staffed year round with two full-time firefighters 24/7 during non-fire season. Cayucos Fire Protection District retains its fire chief and fire department and contracts for these additional services. There is no PCF company assigned to Station 11 and responses outside the Cayucos Fire Protection District rely on other agencies for 2-in-2-out fire entry.

## **Cayucos Sanitary**

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

The MBCSD facility operates under an NPDES permit which includes a 301 (h) modified discharge permit that waves full secondary treatment for two constituents: suspended solids and BOD. The NPDES permit has been administratively extended while a new NPDES full secondary permit with sufficient effluent levels is being processed.

The City and Cayucos Sanitary District are in the process of upgrading the wastewater treatment plant to full secondary treatment and to provide tertiary filtration capacity of 1.5 million gallons per day. The tertiary filtered effluent would meet standards for disinfected secondary recycled water and as such could be used for limited beneficial uses. The project was required to be completely operational and in full compliance with state and federal permits by March 31, 2014. However, the schedule is now on hold due to the denial of the California Coastal Commission permit. The District is studying and evaluating treating its wastewater at the California Men's Colony (CMC) WWTP site located at Camp San Luis.

## **WRITTEN DETERMINATIONS**

1. The Fire District contracts with CalFire to provide services to Cayucos. The District should continue to evaluate service options with CalFire.
2. The Districts' look for opportunities to work with other agencies and organizations to help provide efficient services to the residents of the District.
3. The Sanitary District and City of Morro Bay work together to provide wastewater service.

## **6. GOVERNMENT STRUCTURE OPTIONS**

The Special District Board of Directors prioritize services and must make difficult decisions about the services that are provided from a limited amount of financial resources. Various government structures are available to Special Districts and community including: forming a District, increasing the functions a District provides to a community, considering forming a Community Services District as an option, or dissolving a District that may no longer be needed.

### **Cayucos Fire**

The District provides fiscal, legal, and technical services to implement their programs. Consultants often perform general utility planning, assessments apportionments, special studies and projects as directed by the Board of Directors.

The management and service aspects of the District are administered by hired staff and in some cases professional consultants. Overall, the documentation reviewed shows that the District has been having some difficulties in managing fire service and maintaining adequate funding for such services. Discussions regarding more involvement with CalFire to provide services beyond back-up and mutual aid are ongoing. The District is also reviewing other options such as 1-0 staffing and contracting for additional support from Morro Bay, versus the current CalFire contract.

### **Cayucos Sanitary**

The Cayucos Sanitary District is governed by a five-member elected Board of Directors. District maintenance, operations, and administration is carried out through a staff of seven, including a District Manager/Supervisor of Operations & Maintenance, three field personnel and two office personnel. In addition, the District contracts for Legal Counsel services, an Investment Advisor, and a District Engineer.

The District Board of Directors prioritizes services and must make difficult decisions about where and what services are allocated from a limited amount of financial resources. Cayucos Sanitary only provides wastewater services to the community with two private and one County CSA providing water service. Without the ability to balance revenue stream between both services water and wastewater, the District fees must be adequate to maintain their operations and infrastructure. The ability to offset revenue between water and wastewater services could help balance the customer costs.

### **CSA 10 - Cayucos**

CSA 10/10A is governed by the Board of Supervisors. The County public works staff manages the operations and carries out the day-to-day administration.

## **History of Governance Efforts**

The idea of forming a Community Services District in Cayucos has been around for many years. It was recommended by the Commission as part of the sphere of influence deliberations since 1982. The community is a good candidate for a Community Services District in that services are provided to the community by two independent special districts, one county dependent special district, and two private water companies. Consolidating services should provide a more efficient governing structure.

LAFCO approved the formation of a CSD in 2004 that was voted down by the voters wishing to maintain the services provided by independent districts and private service providers. Forming a multi-purpose agency would have resulted in the dissolution of the single-purpose fire, sanitary, and waterworks districts and likely lead to better coordination and economy in provision of services. The results of the election showed that in 2004, the Community strongly favored maintaining the current service delivery system rather than form a CSD.

LAFCO recognizes that there may be significant interdependence among service decisions and other aspects of policy determination. In urban areas requiring the full range of urban services, services should be provided by a single, general purpose government rather than by overlapping local agencies. Community identity would continue to be recognized and LAFCO generally encourages political and functional consolidation of all local agencies to preserve them.

The independent special districts, (Cayucos Fire Protection and Cayucos Sanitary Districts) have independently elected Boards of Directors. The dependent district, County Service Area No. 10, is governed by the Board of Supervisors. The two private water companies, the Paso Robles Beach and the Morro Rock Mutual, also have boards of directors. All three water purveyors, as well as the Cayucos Cemetery District, share in the Whale Rock Reservoir water allocation. With the exception of the cemetery, all of the water purveyors use the same water treatment plant. CSA 10 also has an entitlement in Nacimiento water.

The community has a variety of service providers with overlapping boundaries and in some cases service responsibilities. Furthermore, there is a duplication of administrative responsibilities that consolidation into a multi-service special district could make more efficient. For instance, such responsibilities as management, book keeping, office space, audits, billings, insurance, purchasing, payroll, and staffing could all be combined.

A reorganization proposal would not affect the two private water companies; the boundaries of a new CSD could include both of these purveyors. Water treatment for all of the water purveyors in Cayucos (except the cemetery) is currently provided by CSA 10. If reorganization is pursued, the Cayucos CSD would take over the water treatment facility.

Various government structures are available to Special Districts and communities including: forming a District, increasing the functions a District provides to a community,

considering forming a Community Services District as an option, or dissolving a District that may no longer be needed.

### **WRITTEN DETERMINATIONS**

1. The Districts' provides management and administrative support.
2. The Districts' could be organized in a different way to provide a better government structure to serve their community.
3. Formation of a Community Services District to provide services may be an option to the Cayucos community.
4. The Cayucos community has voted down this proposal in the past.
5. Consolidating services to increase efficiency is a good goal; however it must have substantial community support for this to be successful.

### **7. OTHER MATTERS**

None identified at this time.