



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

**FROM: ROB FITZROY, EXECUTIVE OFFICER
MORGAN BING, CLERK ANALYST
IMELDA MARQUEZ-VAWTER, ANALYST**

DATE: OCTOBER 19, 2023

**SUBJECT: LAFCO FILE NO. 2-S-22 | MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE STUDY FOR SAN MIGUEL COMMUNITY
SERVICES DISTRICT**

RECOMMENDATION

Action 1: Motion finding the Municipal Service Review & Sphere of Influence Study prepared for the San Miguel Community Services District (LAFCO File No. 2-S-22) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Motion to adopt resolution (Attachment A) approving the San Miguel Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-S-22) found in Attachment B, reaffirming the District's existing sphere of influence, and establishing that the active services provided by the District are water, wastewater, street lighting, fire, and solid waste.

DISCUSSION

Background

The Cortese-Knox-Hertzberg (CKH) Act directs Local Agency Formation Commissions (LAFCO) to regularly prepare municipal service reviews (MSRs) in conjunction with establishing and updating each local agency's sphere of influence (SOI). The legislative intent of MSRs is to proactively assess the availability, capacity, and efficiency of local governmental services prior to making SOI determinations. MSRs may also lead LAFCOs to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related sphere changes. The MSR for the San

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BRIAN A. PIERIK
Legal Counsel

Miguel Community Services District (SMCSD) has been prepared consistent with the Fiscal Year 2023-2024 Work Plan and established timeline.

Executive Summary

CKH requires LAFCOs to review and update, as necessary, each agency's SOI every five years, pursuant to Government Code § 56425. Prior to, or in conjunction with an agency's SOI study, LAFCO is required to conduct an MSR for each agency pursuant to Government Code § 56430. When updating an MSR, state law requires that the Commission adopt written MSR determinations for each of the following seven criteria:

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 seven criteria, MSR determinations, described above were prepared and included into this staff report as Exhibit B of Attachment A and in the MSR & SOI Study (Attachment B). In summary, SMCSD has an estimated population of 3,172, with an estimated build-out population of 6,829. SMCSD is authorized to provide water, wastewater, street lighting, fire, and solid waste services. SMCSD has the capability and capacity to adequately meet existing demands for water, wastewater, street lighting, fire, and solid waste. SMCSD can meet future demands for the previously mentioned services with some limitations on water, wastewater, and fire as was documented in detail in the MSR & SOI Study. SMCSD appears to have adequate annual revenue and fund balance to provide the services that it currently provides. Overall, SMCSD is accountable, transparent, and functions well as a district.

As part of the SOI study, the Commission is required to consider the following five criteria and make appropriate determinations in relationship to each:

1. *The present and planned land uses in the area, including agricultural and open-space lands.*
2. *The present and probable need for public facilities and services in the area.*
3. *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
4. *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

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

The five criteria, SOI determinations, described above were prepared and included into this staff report as Exhibit B of Attachment A and in the MSR & SOI Study (Attachment B). The SMCSD SOI is coterminous with the District's service area boundary and the SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. Land uses within SMCSD's existing SOI are predominantly residential, agricultural, and open space. Other land uses include commercial, industrial, public facilities, and recreational. There is a present need and anticipated continued need for the services being provided by the SMCSD in the existing SOI area. SMCSD has capability and capacity to adequately meet existing service demand and some level of increased future service demand within the existing SOI area.

Agency Coordination / Public Comments

Staff coordinated with SMCSD throughout the preparation of this MSR. Input from SMCSD was provided via meetings, questionnaires, email correspondence, and during review of the administrative review draft. A notice of Public Hearing was published in the newspaper (The Tribune) on September 28, 2023, 21-days in advance of the hearing. The draft MSR was published on the SLO LAFCO and SMCSD's websites. All public comments received prior to the hearing date will be distributed to each Commissioner and become part of the official record of the Commission hearing. No written comments had been received at the publishing of the regular meeting agenda on October 12, 2023.

ENVIRONMENTAL REVIEW

LAFCO is the Lead Agency for the proposed MSR and SOI Study. 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).

MSRs are categorically exempt under Class 6, 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.*" MSRs collect data for the purpose of evaluating municipal services provided by the agencies. There are no land use changes or environmental impacts created by such studies.

Furthermore, this MSR & SOI Study qualifies for a general rule exemption under Section 15061(b)(3), which states: "*The activity is covered by the commonsense exemption 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 this MSR and SOI study may 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 and SOI study, staff will file the Notice of Exemption (Exhibit A of Attachment A) as required by CEQA, Regulation section 15062.

Attachment A: Draft LAFCO Resolution No. 2023-_____ Resolution Approving the San Miguel Community Services District Municipal Service Review and Sphere of Influence Study

Exhibit A: Notice of Exemption pursuant to Section 15306 and 15061(b)(3)

Exhibit B: Written Determinations

Exhibit C: SMCSD Boundary Map

Attachment B: SMCSD Municipal Service Review and Sphere of Influence Study

Attachment A

Draft LAFCO Resolution No.
2023-__

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

Thursday, October 19, 2023

RESOLUTION NO. 2023-XX

**RESOLUTION APPROVING THE SAN MIGUEL COMMUNITY SERVICES DISTRICT MUNICIPAL
SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY**

The following resolution is now offered and read:

WHEREAS, the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local government agencies whose jurisdictions are within San Luis Obispo County; and

WHEREAS, the Commission conducted a municipal service review to evaluate availability and performance of governmental services provided by San Miguel Community Services District, hereinafter referred to as the “District”, pursuant to California Government Code § 56430, hereby incorporated by reference as contained in LAFCO File No. 2-S-22 San Miguel Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the October 19, 2023, LAFCO Staff Report; and

WHEREAS, the Commission conducted a sphere of influence study for the District pursuant to California Government Code § 56425, hereby incorporated by reference as contained in LAFCO File No. 2-S-22 San Miguel Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the October 19, 2023, LAFCO Staff Report; and

WHEREAS, Government Code §56425(i) requires that when adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by those districts; and

WHEREAS, Government Code § 56050.5 provides that once the Commission establishes the functions or services being provided by a district pursuant to Government Code § 56425(i), all services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, are deemed to be latent services or powers; and

WHEREAS, no change in regulation, land use, or development will occur as a result of the adoption of a sphere of influence for the district; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, the staff report and recommendations on the municipal service review and sphere of influence study were presented to the Commission in the form and manner prescribed by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence study on October 19, 2023; and

WHEREAS, the Commission considered all of the municipal service review and sphere of influence factors required under California Government Code § 56430 (a) and 56425 (e) and adopts as its written statements of determinations therein, the determinations set in the Public Review Draft of the municipal service review and sphere study titled “Municipal Service Review and Sphere of Influence Study for San Miguel Community Services District”, with said determinations being included in Exhibit B of this resolution; and

WHEREAS, the Notice of Exemption, prepared pursuant to § 15062 is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) under the General Rule Exemption § 15061(b)(3) and Categorical Exemption § 15306, for the municipal service review and sphere of influence study for the District; and

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

1. That the recitals set forth hereinabove are true, correct, and valid.
2. The municipal service review and sphere study titled “Municipal Service Review and Sphere of Influence Study for San Miguel Community Services District”, includes the related statements of determination, and is determined to be exempt from CEQA pursuant to § 15061(b)(3) and § 15306 of the CEQA Guidelines.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of the CEQA and is hereby determined to be sufficient for the Commission’s actions and is incorporated by reference as Exhibit A of this resolution.
4. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.
5. Pursuant to Government Code § 56430(a), the Commission makes the written statement of determinations for municipal service reviews, included in Exhibit B of this resolution.
6. Pursuant to Government Code § 56425(e), the Commission makes the written statement of determinations for the sphere of influence, included in Exhibit B of this resolution.

7. That the Sphere of Influence for the district be adopted pursuant to the map in Exhibit C of this Resolution.
8. In adopting this sphere of influence for the district, pursuant to Government Code § 56425(i), the Commission establishes that the only function or service provided by the district within its jurisdictional boundaries is water, wastewater, street lighting, fire, and solid waste.
9. Water, wastewater, street lighting, fire, and solid waste are considered general terms used to identify the authorized powers of the district and that the powers are further described in Government Code § 61100.
10. Pursuant to Government Code § 56050.5, all other services, facilities, functions, or powers authorized by the Community Services District principal act that are not being exercised are, by operation of law, determined to be latent services or powers.

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

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Debbie Arnold
LAFCO Chair

Date

ATTEST:

Notice of Exemption

To: Office of Planning and Research
PO Box 3044, 1400 Tenth Street, Room 222
Sacramento, CA 95812-3044

From: San Luis Obispo LAFCO
Rob Fitzroy, Executive Officer
1042 Pacific St. Suite A
San Luis Obispo, CA 93401
(805) 781 – 5795
rfitzroy@slo.lafco.ca.gov

County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

Project Title: LAFCO File No. 2-S-22 | San Miguel Community Services District Municipal Service Review and Sphere of Influence Study

Project Location: San Miguel Community Services District (SMCSD) is located in northern San Luis Obispo County, north of the City of Paso Robles.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Sphere of Influence (SOI) Study and Municipal Service Review (MSR) for the San Miguel Community Services District pursuant to Government Code § 56425 and § 56430. The SOI is a 20-year growth boundary that includes areas that may be served by the District in the future. State law requires the MSR to be completed either prior to or concurrent with, the SOI study. The MSR evaluates the public services provided by the District and is used as the basis for any changes to the SOI. The Commission took action to reaffirm the district’s SOI as depicted in Exhibit C of Attachment A of the LAFCO October 19, 2023, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>, and establishing that the active services provided by the district are water, wastewater, street lighting, fire, and solid waste, and deeming all remaining powers not already mentioned as latent pursuant to government code § 56425 (i).

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on October 19, 2023, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: State type and section number
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input type="checkbox"/> Other: The activity is not a project subject to CEQA.

Reasons Why Project is Exempt: It has been determined with certainty that the MSR is categorically exempt under Class 6, Section 15306 and the MSR & SOI qualifies for a general rule exemption under Section 15061(b)(3). There is no possibility that this MSR and SOI update may have a significant effect on the environment because there are no land use changes associated with the documents; therefore, the SMCSD MSR & SOI Study is found to be exempt from CEQA pursuant to section 15061(b)(3) and section 15306 of the State Guidelines. LAFCO will file this Notice of Exemption upon approval of the MSR and SOI Study.

Rob Fitzroy, Executive Officer

Date

Service Review Determinations per Government Code Section 56430 for the San Miguel Community Services District

1. Growth and population projections for the affected area

- a. Currently, the estimated population of SMCSD is 3,172. With an estimated build-out population of 6,829, SMCSD is currently 46% built out and could reach full build out by 2080.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

- a. The estimated 2021 Median Household Income for San Miguel CDP is \$66,496 which is 78% of the estimated MHI for California. Therefore, SMCSD qualifies as a DUC.
- b. The District may wish to consider conducting a community survey, that could, in part, more accurately determine the MHI and characteristics of the community. This information may be helpful with regard to eligibility for grant funding and other planning efforts.

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

- a. **Water** | SMCSD is authorized to provide water service as it is described in government code section 61100 (a). The SMCSD derives its water supply from three water supply wells. The average combined annual production from the three wells is 303 AFY. The combined production capacity when all three existing wells are in service is adequate to meet the existing and future demands of SMCSD. The three water supply wells show water quality concerns, and the SMCSD continues to monitor the water quality in its supply wells, with specific attention paid to arsenic levels in the SLT Well and radioactive constituents in the ground water supplied by Well No. 3 and 4. There are two potable water storage facilities within the SMCSD water system, providing a total of 700,000

gallons of storage. This volume is adequate to meet both existing and future development scenarios for operational storage, but it is not adequate to meet fire or emergency storage requirements. SMCSD is currently proposing water rate increases which would support operating and maintenance needs and provide adequate funding for capital improvement projects that would support safe and reliable water service. LAFCO determines that SMCSD has capability and capacity to adequately meet existing water demand and some level of increased future water demand as capital improvement projects are completed.

- b. **Wastewater** | SMCSD is authorized to provide wastewater service as it is described in government code section 61100 (a). Only the main area of SMCSD is currently served by sanitary sewer collection infrastructure with parcels on the east side of the Salinas River currently served by on-site wastewater treatment systems. The existing Wastewater Treatment Facility is nearing treatment capacity, and the SMCSD is currently in the process of planning and designing the expansion and renovation of the District's WWTF with the goal of meeting all existing and anticipated regulatory requirements and the needs of the District's customers over the next 30-years. SMCSD's Water and Wastewater Master Plan identifies planned improvements for the WWTF as well as potential funding opportunities for the project. LAFCO determines that SMCSD is nearing the treatment capacity of the existing WWTF and that the existing WWTF requires an expansion and upgrade to meet existing and future wastewater demand.
- c. **Street Lighting** | SMCSD is authorized to provide street lighting service as it is described in government code section 61100 (a). SMCSD provides street lighting services to the SMCSD through a contract with the Pacific Gas and Electric Company. The SMCSD also provides landscaping service to a limited area of the District. LAFCO determines that SMCSD has capability and capacity to adequately provide street lighting service.

- a. **Fire Protection** | SMCSD is authorized to provide fire protection service as it is described in government code section 61100 (a). San Miguel Fire is an All-Risk Department servicing District residents in addition to providing Automatic Aid to the adjacent County’s unrepresented areas. The Fire Department currently has a full-time Fire Chief and relies on Paid Call Firefighters (PCFs) for staffing. The Fire Department is currently beyond workspace capacity due to limited office space, increased staff, and utilizing a floor plan that was not designed to support the functions currently performed within the space. In 2022, the department responded to 339 calls, 89 of which were for service outside of SMCSD's boundaries. SMCSD can cover 95% of the District in 7-minute response time, and 100% of the District in less than 8-minutes, which is within the County’s recommended “Urban Service Level”. It is believed that incident activity exceeding 500 calls per year may cause a negative impact on PCF response. To better serve underserved communities outside of SMCSD while collecting funding for service, District staff have expressed interest in exploring the idea of a formation of a new San Miguel Fire District. Further analysis is necessary to determine feasibility. LAFCO determines that SMCSD has capability and capacity to adequately provide fire protection service, however as population grows and utilization rates increase, additional staffing and improvements to capital facilities and equipment may be necessary to improve the delivery of services to the District.
 - b. **Solid Waste** | SMCSD is authorized to provide solid waste service as it is described in government code section 61100 (a). SMCSD is the solid waste authority and has a Franchise Agreement with San Miguel Garbage Company to provide solid waste services. LAFCO determines that SMCSD has capability and capacity to adequately provide solid waste services.
- 4. Financial ability of agencies to provide services**
- a. SMCSD appears to have adequate annual revenue and fund balance to provide the services that it currently provides. At the end of fiscal year 2020-2021, the SMCSD had approximately \$11.961 million in cash and long-term investments.

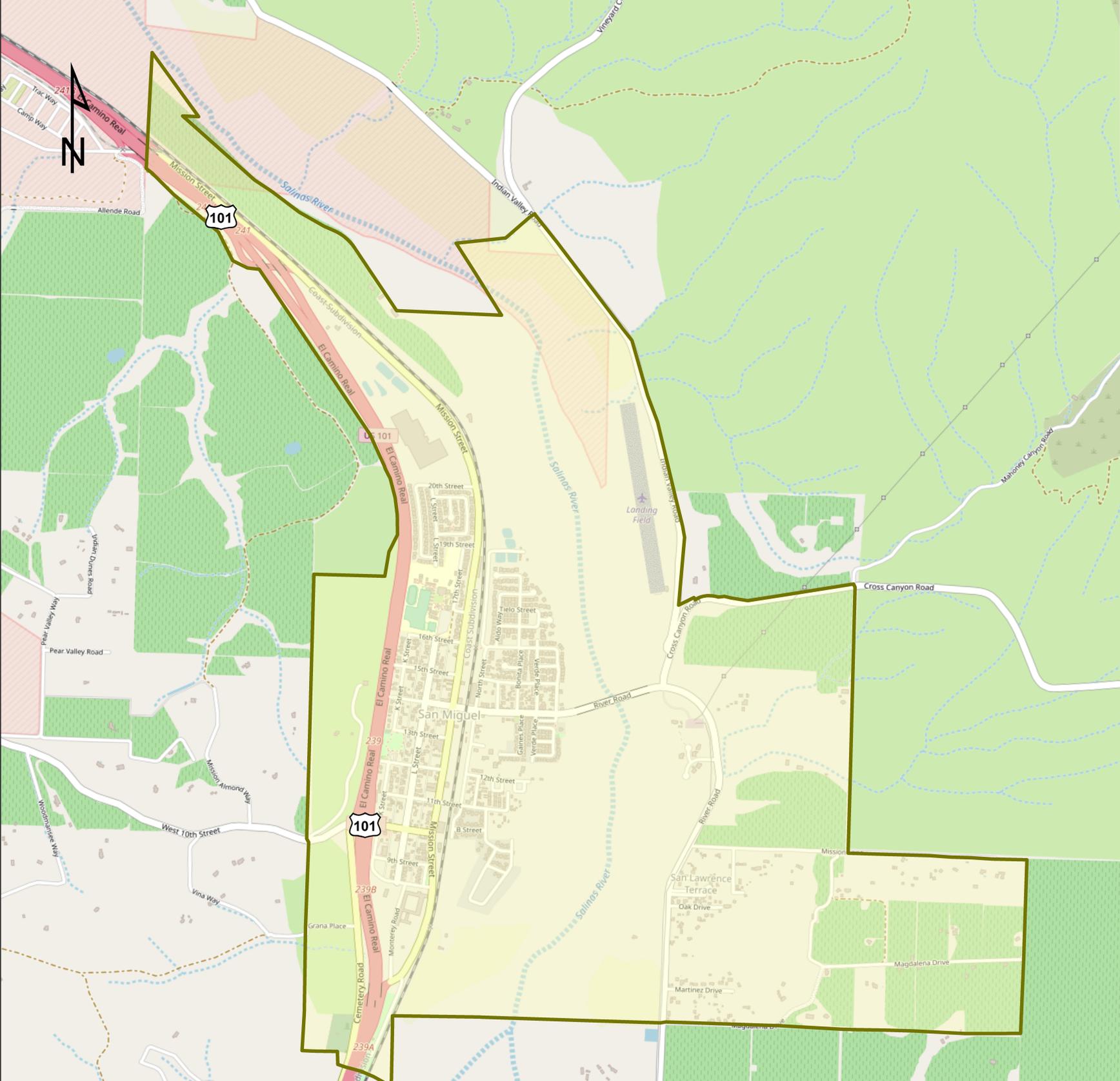
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- b. SMCSD's net position has increased over the last 5-year audited period ending at \$9.778 million in FY 2020-2021 with a 5-year average of \$7.416 million. SMCSD is financially stable despite increasing costs and limited revenues. Franchise fees, water, and wastewater rates were last revised in 2022. SMCSD completed a new water rate study and is proposing to gradually phase in water rate increases over the next 5 years to support operating and maintenance needs and to provide funding for capital improvements. LAFCO determines that SMCSD is financially stable.
- 5. Status of and, opportunities for, shared facilities**
- a. The development of areas within the SMCSD service boundary may lead to shared infrastructure with the County; (i.e. roads and streets are a County function), Sheriff services, and parks and recreational facilities. The potential to create shared relationships for providing some services is suggested and may be appropriate when providing certain services.
- b. At present, the distinction between District and County services with the service boundary is clear. Opportunities for increased coordination may include additional automatic aid and use of a County water tender from County Fire.
- 6. Accountability for community service needs, including governmental structure and operational efficiencies**
- a. SMCSD is governed by a five-member Board of Directors that are elected to four-year terms. Regularly scheduled monthly Board meetings are held and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act.
- b. SMCSD maintains an up-to-date website which contains District information, documents, and updates.
- c. SMCSD considers current staffing levels inadequate to provide services within the District's service area, with anticipated need for additional wastewater treatment facility operators and firefighters within the District.

-
- d. The District has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this MSR. The District responded to the questionnaires and cooperated with document requests.
 - e. LAFCO determines that SMCSD is accountable and transparent.
- 7. Any other matter related to effective or efficient service delivery**
- a. There are no other matters related to the efficiency of services.

Sphere of Influence Determinations per Government Code Section 56425 for the San Miguel Community Services District

- 1. Present and planned land uses in the area, including agricultural and open-space lands.**
 - a. The SMCSD SOI is coterminous with the District's service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD.
 - b. Land uses within the District's SOI are predominantly residential, agricultural, and open space. Other land uses include commercial, industrial, public facilities, and recreational.
 - c. SMCSD is currently 46% built-out, with a projected build out date of 2080. Therefore, the current District boundaries are sufficient to accommodate growth at this time.
- 2. Present and probable need for public facilities and services in the area.**
 - a. The SMCSD's SOI is coterminous with the District's service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.
- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
 - a. There is a present need and anticipated continued need for the service being provided by the SMCSD in the area.

-
- b. The SMCSD SOI is coterminous with the District’s service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.
- 4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.**
- a. The SMCSD SOI is coterminous with the District’s service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.
- 5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.**
- a. The SMCSD SOI is coterminous with the District’s service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD.
- b. Unincorporated territory surrounding the District may qualify as disadvantaged. Should future annexations or services extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with GC §56375(8)(A) and LAFCO policy



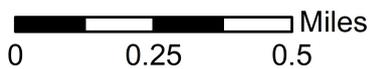
San Miguel Community Services District

LAFCO Boundaries

 Sphere of Influence
(Same as Service Area)

 Service Area

Latest SOI Approval: Oct 2023



Prepared By SLOLAFCO
Name: San Miguel CSD
Date: 9/7/2023

Attachment B

SMCSD Municipal Service Review and Sphere of Influence Study



Public Review Draft

San Miguel Community Services District

**Municipal Service Review
and Sphere of Influence Study**

Prepared by
the San Luis Obispo Local Agency Formation Commission

Adopted _____, 2023

Acknowledgments

San Luis Obispo LAFCO gratefully acknowledges the time and effort of officials and staff with the San Miguel Community Services District in assisting in the preparation of this report and includes – but not limited to – the following:

Kelly Dodds, General Manager

Scott Young, Fire Chief

Tamara Parent, Board Clerk & Accounts Manager

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ABOUT LAFCO

Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are considered regional subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) with principal oversight provided by the Assembly Committee on Local Government. LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts as well as their municipal service areas.

Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California. CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO oversight with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts. LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts or agreements or annexation. LAFCOs also oversee special district actions to either activate new service functions and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs.

Planning Responsibilities

LAFCOs inform their regulatory actions, in part, through two central planning responsibilities: (a) making sphere of influence determinations and (b) preparing municipal service reviews. With these, and other relevant information in the record, LAFCO makes decisions on a variety of matters, including but not limited to annexations to cities and special districts, city incorporations, activation of powers for special districts, dissolutions of special districts, etc.

Sphere of Influence (SOI)

A SOI is defined by G.C. 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. LAFCOs establish, amend, and update spheres for all applicable jurisdictions in California every five years, or as necessary. When updating the SOI, LAFCOs are required to consider and prepare a written statement of its determinations with respect to each of the following 5 factors:

- 1) The present and planned land uses in the area, including agricultural and open-space lands.
- 2) The present and probable need for public facilities and services in the area.
- 3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- 4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
- 5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

SOI determinations have been a core planning function of LAFCOs since 1971. The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities.

Municipal Service Reviews (MSR)

MSRs in contrast, are intended to inform, among other activities, SOI determinations. LAFCOs also prepare MSRs regardless of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. When updating a MSR, LAFCOs are required to consider and prepare written statements of its determinations with respect to each of the following 7 factors:

- 1) Growth and population projections for the affected area.
- 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- 3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- 4) Financial ability of agencies to provide services.
- 5) Status of, and opportunities for, shared facilities.
- 6) Accountability for community service needs, including governmental structure and operational efficiencies.
- 7) Any other matter related to effective or efficient service delivery, as required by commission policy.

LAFCO Decision-Making

LAFCO decisions are legislative in nature and therefore are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning

regulatory and planning approvals so long as not establishing any terms that directly effects land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprising of county supervisors, city councilmembers, independent special district members, and representatives of the general public and an alternate member for each category. SLO LAFCO is governed by a 7-member board comprising of two county supervisors, two city council members, two independent special district members, one representative of the general public and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. All LAFCOs are independent of local government with their own staff. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCOs must also appoint their own legal counsel.

SLO LAFCO

Regular Commissioners

Chair Debbie Arnold	County Member
Vice Chair Marshall Ochylski	Special District Member
Jimmy Paulding	County Member
Robert Enns	Special District Member
Steve Gregory	City Member
Ed Waage	City Member
Heather Jensen	Public Member

Alternate Commissioners

Charles Bourbeau	City Member
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Dawn Ortiz-Legg

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David Watson

Public Member

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Rob Fitzroy

Executive Officer

Imelda Marquez-Vawter

Analyst

Morgan Bing

Clerk Analyst

Brian Pierik

Legal Counsel

Contact Information

San Luis Obispo LAFCO's office is located at 1042 Pacific St Suite A in the City of San Luis Obispo. The LAFCO office is open by appointment to discuss proposals or other matters and can be scheduled by calling 805-781-5795. Additional information is also available online by visiting slo.lafco.ca.gov.

DISTRICT MSR & SPHERE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review for the San Miguel Community Services District (SMCSD), located in northern San Luis Obispo County. The report has been prepared by staff consistent with the requirements of the Cortese, Knox, Hertzberg Act. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of municipal services within the service areas of the SMCSD directly subject to the Commission's oversight. Information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

The period for collecting data to inform the Commission's analysis and related projections on population growth and service demands has been set to cover any major updates and changes since the last time the MSR was updated, in 2013. The financial analysis has been set to cover the last five-year budgeted and last five-year audited fiscal year period. The timeframe for the report has been generally oriented to cover the next five to seven-year period with the former (ten years) serving as the analysis anchor as contemplated under State law.

The document outline serves to inform all the state mandated requirements outlined in government code sections 56430 and 56425. Written determinations and recommendations have been included as the concluding chapter of this document.

At A Glance

Table 1: District Profile

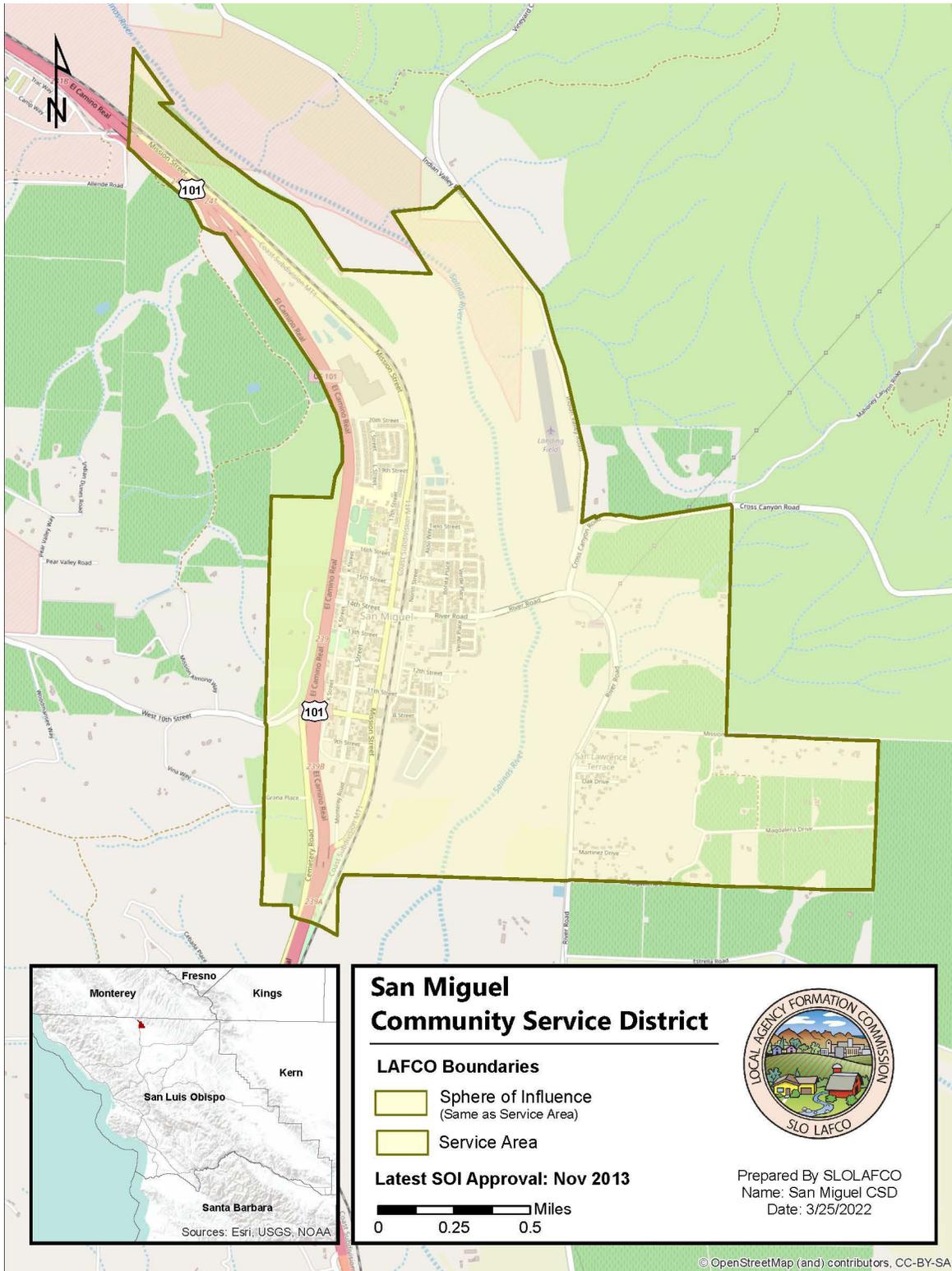
Agency Name	San Miguel Community Services District
Formation	February 1, 2000
Legal Authority	Government Code §61000- 61850
Office Location	1765 Bonita Place, San Miguel, CA 93451
Website	https://www.sanmiguelcsd.org/
General Manager	Kelly Dodds
Employees	8
Public Meetings	Meeting times shall begin at 6:00 PM, every 4 th Thursday of each month, unless otherwise noted.
Board of Directors	Five members elected to four-year terms
Active Powers	Water, Wastewater, Street Lighting, Fire Protection, Solid Waste
District Service Area (size)	5.8 square miles
Population Estimate	3,172 ¹
Revenues	\$2,837,400 ²

¹ US Census, 2020 Decennial Census, San Miguel CDP.

² San Miguel Community Services District Operating Budget FY 2022-2023

Boundary Map

Figure 1: San Miguel Community Services District Boundary Map



Sphere of Influence

Current & Proposed SOI

SMCSD’s existing sphere of influence is coterminous to the District’s service area boundary. The SMCSD does not wish to make any SOI adjustments at this time; therefore no areas specifically requested by the District are being studied for possible inclusion into the District.

Accountability

SMCSD is an independent special district governed by a five-member Board of Directors that are elected to four-year terms. Board members are authorized to receive up to \$100.00 per day of service, limited to six days per month. The Board holds meetings every 4th Thursday of each month at 6:00 PM at the San Miguel Senior Center at 601 12th Street, San Miguel, CA 93451. November and December meeting schedules are adjusted so as not to conflict with the Thanksgiving and Christmas holidays. Agendas are posted on the agenda board at the San Miguel Post Office and at the Fire Department, on the SMCSD website, and other social media outlets. Additionally, full agenda packages are sent via email to a maintained email list. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 2: San Miguel CSD Board of Directors

Board Member	Title	Term Expiration
Rod Smiley	President	December 2022 – December 2026
Raynette Gregory	Vice President	December 2020 – December 2024
Anthony Kalvans	Director	December 2020 – December 2024
Owen Davis	Director	December 2022 – December 2026
Berkely Baker	Director	June 2023 – June 2024

The District currently employs 8 full-time staff and 12 paid call employees. SMCSD considers current staffing levels inadequate to provide services within the District’s service area, with anticipated need for additional wastewater treatment facility operators and firefighters within the District. The District

reports that all Form 700 financial disclosures are current and that the District maintains active memberships with several supportive associations including the California Special Districts Association (CSDA), Special Districts Risk Management Authority (SDRMA), National Fire Protection Association (NFPA), International Code Council (ICC), California State Firefighters' Association (CSFA), Fire Chiefs Association of San Luis Obispo County, CalWARN, Rural Community Assistance Corp (RCAC), American Water Works Association (AWWA), California Rural Water Association (CRWA), and American Backflow Prevention Association (ABPA).

SMCSD maintains an up-to-date website in compliance with Senate Bill 929 which contains contact information for the District, the current agenda, financial transaction reports, compensation reports, and an SB 272 Enterprise System catalog. Approved minutes and audio/visual recordings are available for public access.

Population Profile

According to 2020 US Census data, the San Miguel Census Designated Place (CDP), which largely represents SMCSD, had a population of 3,172³. Total housing units were estimated to be 967. The estimated build-out population within San Miguel is 6,829 with an approximate build-out year of 2080⁴. Following these projections, SMCSD is currently about 46 percent built-out.

Table 3 shows the historical, current, and projected populations for the District. Historical and current populations are calculated for the service area based on US Census data and data developed by the County, and projected populations are calculated from the San Luis Obispo Council of Governments (SLOCOG) data.

³ US Census, 2020 Decennial Census, San Miguel CDP.

⁴ San Luis Obispo Council of Governments, 2050 Regional Growth Forecast for San Luis Obispo County, Figure 11, Buildout Estimates for Communities and Villages in the Unincorporated Planning Area by Planning Area (2010).

Table 3: San Miguel Community Services District Population⁵

Year	Population	% Change
1990	1,123	-
2000	1,420	26%
2010	2,336	65%
2020	3,172	36%
2030	3,039	-4%
2040	3,420	13%
2050	3,476	2%

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number five listed above in the Planning Responsibilities Section. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

CKH Act Section 56375(a)(8)(A) prohibits LAFCO from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCO. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services.

The estimated 2021 MHI for San Miguel CDP is \$66,496⁶. This is 78% of the estimated California MHI of \$84,907⁷, therefore the District is considered a DUC. While the community of San Miguel qualifies as a disadvantage community, San Miguel does not have a Sphere of Influence outside of its service

⁵ US Census Data, San Miguel Community Plan, and San Luis Obispo Council of Governments 2050 Regional Growth Forecast.

⁶ American Community Survey 5-Year Estimates, 2021.

⁷ American Community Survey, 1 Year Estimates, 2021.

area; therefore the necessity to evaluate the present and probable need for public facilities and services adjacent or contiguous to the sphere of influence is not called for. Should future annexations or service extensions be proposed for the SMCSO, special consideration will be given to any potential DUCs affected by the annexation consistent with GC §56375(8)(A).

Social or Economic Communities of Interest in the Area

There are no District relevant social or economic communities of interest in the area served.

Present and Planned Land Use

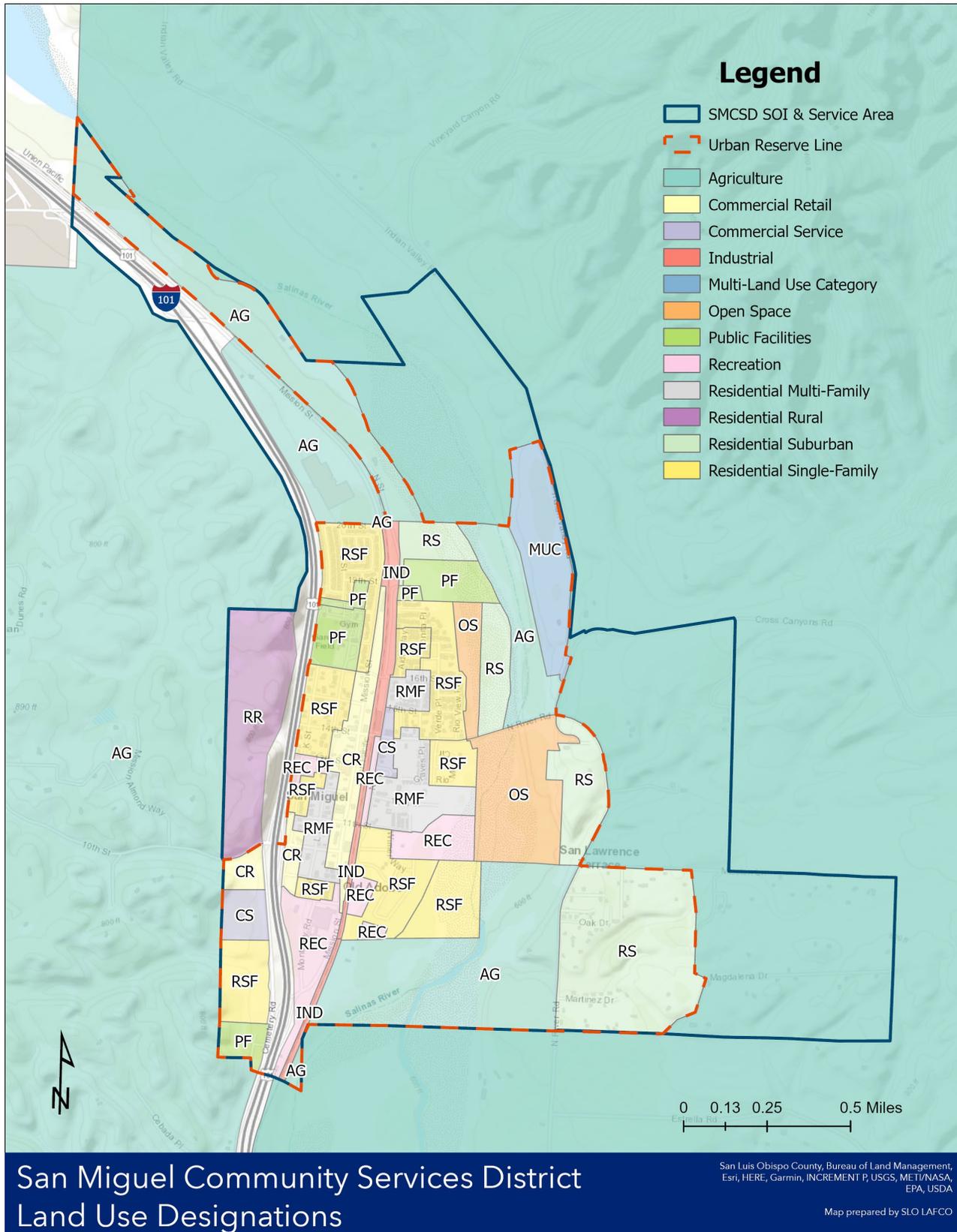
Land use within the District is subject to the San Miguel Community Plan which is part of and consistent with the County of San Luis Obispo's General Plan. Table 4 summarizes the different land use types within San Miguel Urban Reserve Line and the approximate acreage for each land use type. The County's Land Use Element establishes Urban Reserve Lines (URL), which are boundaries separating urban and non-urban areas, and defines the proper levels of service needed for each. Any change to a URL requires an amendment to the Land Use Element. In addition, any proposed expansion of an URL is required to be within the Sphere of Influence of the community and any separate service districts. URL amendment proposals are processed by the County.

Table 4: San Miguel Urban Reserve Line Land Use Category Acreage

Land Use Category	Acreage
Residential Multi Family	67.45
Residential Single Family	186.11
Residential Suburban	95.13
Commercial Retail	26.19
Commercial Service	34.17
Industrial	18.79
Agriculture	102.73
Open Space	81.49
Public Facilities	26.4
Recreation	32.78
Total	671.24

The map on the following page shows the Land Use Categories (zoning) for the community of San Miguel as established by the San Miguel Community Plan.

Figure 2: San Miguel Community Services District Land Use Designations



Services & Capacity

Authorized Services

In January of 2006, Senate Bill (SB) 135 took effect and revised state laws governing community services districts (CSD). SB 135 consolidated the provisions for CSDs into a list of 31 services and facilities and changed the definition of latent powers. The previous CSD Principal Act from 1955 required voter approval of latent powers and predated the statewide creation of LAFCO in 1963. With SB 135, all powers authorized for CSDs, but not being exercised, became latent powers, regardless of the initial formation petition. SB 135 redefined latent powers as those services and facilities authorized by the new CSD Principal Act that a CSD did not provide before January 1, 2006, as determined by LAFCO. Therefore, SB 135 effectively grandfathered in all services and facilities that CSDs provided before January 1, 2006.

Following such legislative changes, SLO LAFCO passed resolution No. 2006-03 to clearly document which powers were being exercised by Districts in SLO County and deemed all other powers, not mentioned in the resolution, as latent. According to LAFCO resolution no. 2006-03, SMCSO's active powers were determined to be as follows: 1) Water, 2) Sewer, 3) Street Lighting, 4) Fire Protection, and 5) Solid Waste.

Government Code § 56425 (i) provides that “[w]hen adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts.” Government Code § 56050.5 defines a latent service or power as “those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Section 56425.” Therefore, once the Commission has established what services are being provided pursuant to § 56425 (i), all other services, functions, and powers become “latent services or powers” by operation of law.

The last time the Commission adopted a SOI and MSR Update for SMCSD was November 2013. In that update, the Commission determined that SMCSD was authorized to provide the following services:

1. Water
2. Wastewater
3. Street Lighting
4. Fire
5. Solid Waste

This “Services and Capacity” section analyzes present and long-term infrastructure demands and resource capabilities of the local agency. LAFCO reviews and evaluates 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. An adequate supply of services should be documented to support areas in the sphere, envisioned for eventual annexation and service by a jurisdiction. In this case, the SMCSD SOI is coterminous with the District’s service area boundary and no changes to the SOI are proposed.

Water

SMCSD is authorized to provide water service as it is described in government code section 61100 (a). In addition, pursuant to California Water Code section 10723.8 of the Sustainable Groundwater Management Act (SGMA) of 2014, SMCSD is considered a Groundwater Sustainability Agency (GSA) for a portion of the Paso Robles Groundwater Sub-basin (PR Basin). SMCSD’s role as a GSA allows the District to further continue their efforts in eliminating overdraft in the SMCSD’s portion of the PR Basin while protecting water quality and ensuring future water supply sustainability in the San Miguel area in cooperation with the County of San Luis Obispo and other water supply agencies in the PR Basin. For purposes of this MSR, LAFCO staff will only review SMCSD ability to provide water service as it is described in government code section 61100 (a). For more information on SMCSD’s role as a GSA, please visit the County of San Luis Obispo’s Groundwater Sustainability webpage.

Existing Water Supply

The SMCSD currently derives its water supply from three water supply wells. These wells are designated as follows:

- Well No. 3, which is located off 12th Street
- Well No. 4, which is located off Bonita Place
- San Lawrence Terrace (SLT) Well, which is located off Martinez Drive

Each of these wells produces groundwater from the Paso Robles Formation which is a significant water bearing unit within the PR Basin. There is evidence that the groundwater levels in the SMCSD area have been declining over recent years, although it is noted that a rise in groundwater levels occurred between 2015-2019, which corresponds to a period of increased rainfall.

An analysis was performed of the historic pumping records for each of the SMCSD water supply wells to estimate the current probable annual production yield. Utilizing the monthly pumping records for the period between January 2017 and December 2019, the average historical annual production for each of the wells was determined and summarized in the table below. The average combined annual production from the three wells is 303-acre feet per year (AFY). Based on well production capacities provided by District staff, the total combined pumping capacity is 1,270 gallons per minute (1.83 MGD). Under the assumption that all wells are pumping for 12 hours per day, 365 days per year, the maximum combined production capacity is 1,024 AFY.

Table 5: SMCSD Average Historical Annual Production⁸

Well	Capacity	Historical Production	Maximum Production
	GPM	AFY	AFY
Well No. 3	450	108	363
Well No. 4	500	192	403
SLT Well	350	3	258
TOTAL	1,270 (1.83 MGD)	303	1,024

⁸ San Miguel Community Services District, Water & Wastewater Masterplan Update, September 2020.

Water Treatment Facility

The only water treatment that the SMCSD performs is disinfection at each of the three well sites. The SMCSD injects liquid sodium hypochlorite solution into the supply prior to discharge into the water distribution system. The three water supply wells show water quality concerns, and the SMCSD continues to monitor the water quality in its supply wells, with specific attention paid to arsenic levels in the SLT Well and radioactive constituents in the ground water supplied by Well No. 3 and 4. The concentration of arsenic is elevated and periodically exceeds the existing EPA Safe Drinking Water Standard. The SMCSD Water and Wastewater Masterplan recommends installation of an arsenic treatment facility at the SLT Well and identifies estimated project costs and potential funding opportunities for this project.

Water Storage

There are two potable water storage facilities within the SMCSD water system, providing a total of 700,000 gallons of storage. The San Miguel tank is located on a hill on the west side of Highway 101. This welded steel tank was constructed in 2008 and has a storage capacity of 650,000 gallons. The SLT tank is located on a hill on the east side of the Salinas River; this welded steel tank has a storage capacity of 50,000 gallons. This volume is adequate to meet both existing and future development scenarios for operational storage, but it is not adequate to meet fire or emergency storage requirements.

Operational storage is the amount of water needed to equalize the daily supply and demand. Table 6 below summarizes the estimated operational storage requirements for the SMCSD water system.

Table 6: Operational Storage Requirements

Scenario	Existing Conditions	2035 Build-out	2050 Build-out
Average Daily Demand (GAL)	67,500	130,000	160,000
Summer Average Daily Demand (GAL)	95,000	180,000	222,500

Fire storage is the volume of water needed to control an anticipated fire in a building or group of buildings. Based on assessment of fire demand scenarios, there is insufficient storage to support a fire suppression scenario where the existing grain mill is involved in a significant event. The designated fire flow requirement for this facility is 4,500 GPM for four hours and the corresponding fire storage requirement is 1.08 million gallons. Assuming the system storage is at maximum capacity at the start of this event, then the water supply for fire suppression would be completely depleted in approximately 3 hours. Additionally, the current storage volume is not adequate for meeting the emergency storage requirement for either the 2035 or 2050 build-out scenarios.

Emergency storage is intended to provide for conditions such as extended power outages, pump failures, and similar problems. With the minimum water supply, an emergency storage volume of 50 gallons per capita per day (gpcd) for three days is accepted as a reasonable value. Table 7 summarizes the estimated emergency storage requirements for the SMCSD water system.

Table 7: Emergency Storage Requirements

Scenario	Existing Conditions	3-Year Build-out	Long Term Build-out
50 gpcd x 3 days	423,150	799,650	986,100

The SMCSD 2022-2027 Strategic Plan identifies plans to design and build a new SLT water storage tank and pump station to address evidence of age and localized corrosion and increase storage capacity. In addition, the site of the 650,000 gallon San Miguel tank has space reserved for an additional 650,000 gallon storage tank to be constructed. As the population of San Miguel increases, it is recommended that the SMCSD proceed with investigations and preliminary design study to increase operational, fire, and emergency storage capacity.

Existing Water Demand

Based on a review of data from the past several years, it was determined that the water demand conditions increased significantly in late 2016, due to completion of several new residential housing developments, then showed no significant changes through June 2020. In 2018, the SMCSD

implemented a rate increase. Water usage has flattened since that time, which is believed to be related to the higher cost of water to the customer.

In September 2023, SMCSO was providing service to 924 water connections. For the purposes of estimating existing demands on the water distribution system, daily flow data from the period of July 2017 through June 2020 was used. In 2020, the combined production capacity of all three wells was approximately 1270 GPM (1.83 MGD). The combined capacity exceeds average daily demand (ADD) by approximately 1.56 MGD, therefore under existing conditions, there is sufficient water production to meet water demands. The table below depicts water demand for existing conditions.

Table 8: Water Demand for Existing Conditions

Water Demand Scenario	Flow (MGAL/Day)
Average Daily Demand	0.27
Summer Average Daily Demand	0.38
Maximum Daily Demand	0.55
Peak Hour Demand	0.96
Production Capacity⁹	1.83
Estimated Population Served	2,821
Estimated Number of Water Meter Connections	924

Future Water Demand

An analysis was performed to estimate the future water demands on the SMCSO water system using two water demand scenarios including high growth probability conditions (2035) and medium growth probability conditions (through 2050)¹⁰. As previously stated, in 2020 the combined production capacity of all three wells was approximately 1.83 MGD. Under medium probability development (2050) ADD conditions, the combined capacity exceeds demand by approximately 1.2 MGD. Additional capacity may be necessary to meet peak hour demand for future demand. Furthermore, the disruption of service to any of these wells could result in the inability of the District to meet future customer water

⁹ San Miguel Community Services District, Water & Wastewater Masterplan Update, September 2020.

¹⁰ San Miguel Community Services District, Water & Wastewater Masterplan Update, September 2020.

requirements. District’s Water and Wastewater Master Plan identifies recommended water system capital improvements required to meet future conditions and anticipated growth within the CSD boundary. The SMCSD is currently proposing a water rate increase based off a recently updated water rate study. The proposed water rate increases would support operating and maintenance needs and provide adequate funding for capital improvements that will support safe and reliable service. The following table shows the projected water demand for each respective scenario.

Table 9: Future Water Demand

Water Demand Scenario	Flow (MGAL/Day)	
	2035	2050
Build-out Year		
Average Daily Demand	0.52	0.64
Summer Average Daily Demand	0.72	0.89
Maximum Daily Demand	1.04	1.28
Peak Hour Demand	1.82	2.24
Production Capacity	1.83 MGD	
Estimated Population Served	5,331	6,574
Estimated Number of Water Meter Connections	1,647	2,002

Wastewater

Wastewater Treatment Facility

SMCSD is authorized to provide wastewater service as it is described in government code section 61100 (b). Only the main area of the San Miguel community (i.e. the portion of the SMCSD service area that is located on the west side of the Salinas River) is currently served by sanitary sewer collection infrastructure. The parcels within the SMCSD service area, which are located on the east side of the Salinas River, are currently served by on-site wastewater treatment systems (OWTS). In the main zone (i.e. west side of the Salinas River), there are currently six OWTS and in the SLT area there are a total of 65 OWTS. There are provisions to accommodate a carrier pipe for a new sanitary sewer in the River Road bridge crossing of the Salinas River, should the need arise in the future. As for the six OWTS systems in the main zone, it is planned that these will be served by the existing sanitary sewer collection system in the future.

The existing wastewater treatment facility (WWTF) underwent a significant upgrade in the late 1990s, and again in 2000, bringing its current and permitted capacity to 200,000 GPD (0.2 MGD). The current WWTF comprises four partially mixed aerated lagoons in series (though the first two lagoons are piped to also operate in parallel) and three percolation ponds. The SMCSD is nearing the treatment capacity of the existing WWTF. The SMCSD currently treats an average of approximately 150,000 GPD (0.15 MGD), with occasional daily flow volumes which exceed the treatment capacity of the WWTF. The SMCSD acknowledges that the existing WWTF is reaching capacity and requires an expansion and upgrade.

In June 2018, the Central Coast Regional Water Quality Control Board (CCRWQCB) issued a letter to SMCSD in which they informed the District that they should immediately proceed with the planning and engineering of the expansion of the existing WWTF. In addition, the SMCSD Board of Directors understands the expansion of the WWTF must also be in compliance with the requirements of SGMA. The SMCSD is currently in the process of planning and designing the expansion and renovation of the District's WWTF with the goal of meeting all existing and anticipated regulatory requirements and the needs of the District's customers over the next 30-years. According to the 2022-2027 Strategic Plan funding applications are anticipated for completion by late 2023 with construction anticipated to be completed by early 2024.

Existing Wastewater Capacity

As of 2023, the District provided wastewater collection and disposal services to approximately 803 sewer connections¹¹. The existing average daily flow was estimated at 0.15 MGD. Table 10 below summarizes the existing wastewater flow design parameters for the existing conditions.

¹¹ San Miguel Community Services District, Water & Wastewater Masterplan Update, September 2020.

Table 10: Existing Wastewater Flow

Wastewater Flow Scenario	Flow (MGAL/Day)
Average Daily Flow (ADF)	0.150
Maximum Day Dry Weather Flow (MDDWF)	0.188
Maximum Day Wet Weather Flow (MDWWF)	0.225
Peak Hour Wet Weather Flow	0.525
Estimated Population Served	2,621
Estimated Number of Sewer Connections	803

Future Wastewater Capacity

The 2020 SMCSO Water and Wastewater Masterplan Update utilized data from various sources to estimate existing and future WWTF flow conditions for 2025, 2035, 2040, and 2050. A summary of the future WWTF flow projections is provided here.

Table 11: Projected Flow

Flow Condition	Peaking Factor	Existing Flow (MGD)	2025	2035	2040	2050
Average Daily Flow	--	0.150	0.258	0.346	0.372	0.427
Maximum Day Dry Weather Flow	1.25	0.188	0.323	0.433	0.465	0.534
Maximum Day Wet Weather Flow	1.5	0.225	0.387	0.520	0.558	0.641
Peak Hour Wet Weather Flow	3.5	0.525	0.903	1.213	1.301	1.495
Estimated Population Served	--	2,620	3,970	5,330	5,720	6,570
Estimated Number of Sewer Connections	--	803	1,170	1,480	1,600	1,840
Annual Discharge AC-FT	--	170	290	390	420	480
Annual Discharge AC-FT	--	210	330	430	460	520

Street Lighting

SMCSO is authorized to provide street lighting service as it is described in government code section 61100 (g). SMCSO provides street lighting service to the District through a contract with the Pacific Gas and Electric Company (PG&E). With the exception of decorative streetlights along Mission Street, PG&E

installs, maintains, and operates all streetlights in the District, all of which are funded through property tax. The District is interested in establishing a master plan for the lighting department and are currently working towards installation of additional streetlights in high traffic and high crime areas.

As part of their street lighting power, SMCSD is authorized to acquire, construct, maintain, and improve landscaping on public property, public rights-of-way, and public easements. Currently, the District manages landscaping on a three-block section of Mission Street in downtown San Miguel, and for the gateway signs on each end of Highway 101. The SMCSD Board has expressed interest in expanding landscaped areas in the future.

Fire Protection

SMCSD is authorized to provide fire service as it is described in government code section 61100 (d). The San Miguel Fire Department was established on December 24, 1888, and functioned as a Fire Protection District for approximately 113 years utilizing a variety of locations throughout the community as a fire station. In 2000, SMCSD was formed by a reorganization that combined the volunteer San Miguel Fire Protection District, San Miguel Sanitary District, County Waterworks District #1, and San Miguel Lighting District.

San Miguel Fire is an All-Risk Department servicing District residents in addition to providing Automatic Aid to the adjacent County's unrepresented areas, the County as a whole, Camp Roberts, Paso Robles, and other municipalities throughout the County of San Luis Obispo. The San Miguel Fire Department also participates in the Governor's Office of Emergency Services (OES) Master Mutual Aid Agreement throughout the State.

Staffing & Personnel

The fire department currently has a full-time Fire Chief and relies on Paid Call Firefighters (PCFs) for staffing. There are no firefighters currently on duty at the fire station on a regular basis. SMCSD is dependent on community members volunteering for PCF positions. Although the District has been effective at recruiting community members to date, this model may become unsustainable in the

future due to increases in response demand and changes in training requirements. According to SMCSD staff, it is believed that incident activity exceeding 500 calls per year may cause a negative impact on PCF response¹².

The Department is currently planning on enhancing its staffing patterns by utilizing PCFs to fill part-time Company Officer staffing positions and ultimately move to full-time staffing by adding up to 3 Captains, 3 Engineers, and 3 Firefighters into full-time positions. SMCSD's 2022-2027 Strategic Plan outlines plans to enhance fire department staffing in order to respond to new housing development and future demand.

Capital Facilities & Equipment

In 1999, the San Miguel Fire Department began construction on a new fire station located at 1150 Mission Street using grant funding. The project was completed in 2000 and upon completion of the new fire station, the newly formed CSD and its staff moved into the station utilizing most of the available office space originally planned for fire department use¹³. In 2023, CSD Administrative staff were relocated to a temporary office building at 1765 Bonita Place, which allowed for a reconfiguration of the station. The Fire Station as configured lacks the ability to provide housing accommodations for Department members necessary to provide onsite 24-hour Firefighter coverage beyond the provided Duty Officer coverage, as well as lacks proper equipment storage, records storage, plan room, and medical supply storage as necessary.

The San Miguel Fire Department currently maintains one Type 1, one Type 3, and one Type 6 engine, in addition to two command vehicles, and one utility vehicle. The 2019 Pierce Type 3 Fire Engine has a 10-year lease to own financial agreement. SMCSD's 2022-2027 Strategic Plan outlines several objectives to meet the growing demands of the department including installation and use of temporary housing unit/Sheriff's Beatstation, planning and completion of a new apparatus bay, and a remodel of

¹² Special Districts Fire Protection Study for County of San Luis Obispo, November 2018.

¹³ San Miguel Fire Department District Expansion Memo, March 31, 2022.

the fire station. Completion of these objectives would enhance response times and improve capacity to accommodate staff.

Service Delivery & Performance

In 2022, the Department responded to 339 calls, for an average of approximately 28 calls per month. Of the 339 calls, 89 of the calls were for service outside of the SMCSD boundary. The County Fire Strategic Plan Level of Service Analysis recommends a minimum of an “Urban Service Level” for San Miguel which equates to a 7-minute response time for 90% of the District. SMCSD can cover 95% of the District in 7-minute response time, and 100% of the District in less than 8-minutes¹⁴. SMCSD occasionally experiences long response delays or no response from PCFs. Table 12 below illustrates average travel, dispatch, turnout, and response times for areas within the SMCSD boundary in 2022. It is important to note that the District utilizes San Luis Obispo County Emergency Communication Council (ECC) for dispatch services and therefore SMCSD does not have access to data in regards to when the call was received to time of dispatch.

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¹⁴ Special Districts Fire Protection Study for County of San Luis Obispo, November 2018

Table 12: 2022 Average (Dispatch-Turnout-Response) Times per Zone

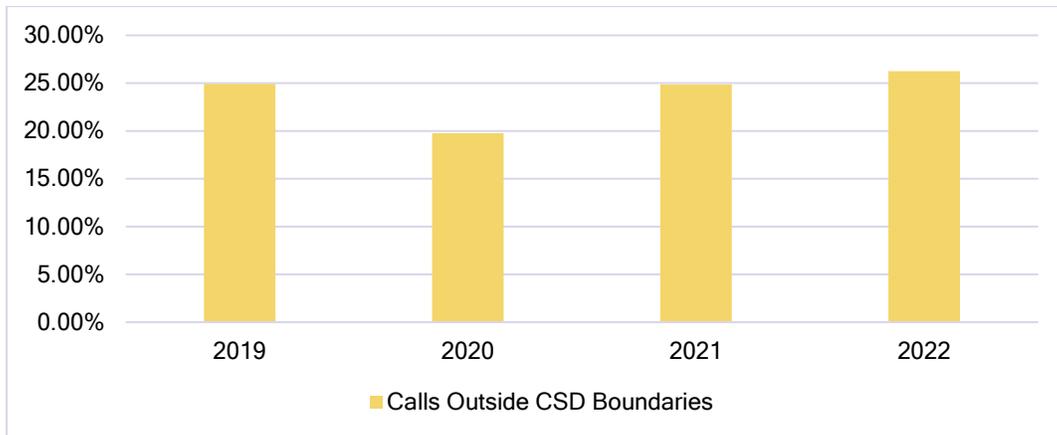
Zone	Average Travel	Average Dispatch	Average Turnout	Average Response
Casa Blanca Mobile Home Park	1:42	0:00	2:57	4:40
Camino Del Rio	2:25	1:50	2:47	7:02
CSD Limits	1:46	0:05	2:08	4:23
Jazzy Town	1:25	0:00	3:10	4:35
Lillian Larson School	2:00	0:00	1:07	3:07
Mission Heights	4:22	2:30	1:52	8:37
Mission Meadows	2:48	0:00	2:58	5:47
Peoples Self Help Housing	2:49	0:22	1:29	4:40
San Miguel Fire	1:00	0:03	0:53	1:56
San Lawrence Terrace	1:37	0:00	1:37	4:52
White Oaks Mobile Home Park	2:15	1:00	1:30	4:45
Overall Average	2:11	0:31	2:02	4:56

San Miguel is an isolated community with no close fire agency neighbors. Automatic aid is provided by Camp Roberts-CA National Guard Fire Department, 5 miles north with a response time of 13 minutes. The next closest mutual aid fire stations are City of Paso Robles, 10 miles south; County Fire Station 30, 12 miles south; and County Fire Station 52, 14 miles away. City of Paso Robles apparatus has a 15 minute response time; Station 30 has a response time of 16 minutes, and Station 52’s response time is 19 minutes.

The San Miguel Fire Department currently provides emergency services through automatic aid responses to residents in the surrounding areas outside of SMCSD boundaries. As described above, 89 or 26% of the calls responded to in 2022 were for service outside of the SMCSD boundary. During these responses, San Miguel Fire is typically the first on scene and cancels the Cal Fire incoming resources

prior to arrival. Figure 3 depicts the percentage of calls SMCSD responded to outside of the District’s boundaries for the past four years.

Figure 3: Calls Outside SMCSD Boundary



Due to SMCSD’s current service area boundaries, the San Miguel Fire Department is unable to collect funding through property tax from the areas they service outside of the District¹⁵. In response, as part of the 2022-2027 Strategic Plan the District has identified the objective of completion of the redistricting process which would involve divestiture of SMCSD’s fire protection services and formation of a new San Miguel Fire District, allowing the proposed Fire District to provide emergency services to SMCSD existing boundary and underserved communities outside of SMCSD boundaries while simultaneously collecting funding from those areas. Further analysis outside of the scope of this MSR would be required to determine the feasibility of this action. If the involved parties choose to proceed, application to LAFCO for both divestiture of fire protection service and formation of the San Miguel Fire District would be required.

Solid Waste

SMCSD is authorized to provide solid waste service as it is described in government code section 61100 (c). SMCSD is the solid waste authority and has a Franchise Agreement with San Miguel Garbage Company to provide solid waste services within the District. The current agreement expires February

¹⁵ San Miguel Fire Department District Expansion Memo, March 31, 2022.

1, 2036. The agreement allows the San Miguel Garbage Company to include the furnishing of all labor, supervision, equipment, materials, supplies, and all other items necessary to perform the services (refuse collection, disposal and recycling activities). Funding for solid waste collection and disposal activities comes primarily from fees charged to residents.

Shared Facilities

There are opportunities for continued shared relationships between agencies for services within the SMCSD boundary. At present, the distinction between District and County services in the area is clear.

Opportunities for increased coordination may include:

- Roadway connections and utilities
- Water Supply Projects
- Coordination of water and sewer issues regarding new development
- Additional Automatic Aid support from County Fire
- Cooperation with County Fire for use of a County water tender

Finance

District Budget

The District adopts a 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, rates, and fees. The SMCSD Budget is divided into the following Fund categories:

1. **Water Fund:** This fund accounts for the operation and maintenance of the District's water distribution system. The water department is responsible for the operation and maintenance of three groundwater supply wells providing treatment, monitoring, and distribution services. All water related revenue and expense is presented in its own section of the budget.
2. **Wastewater Fund:** This fund accounts for the operation and maintenance of the District's wastewater systems. All wastewater related revenue and expense is presented in its own section of the budget.

3. **Fire Fund:** This fund accounts for activities of the Fire Station. All fire related revenue and expense is presented in its own section of the budget.
4. **Streetlights Fund:** This fund accounts for activities for the maintenance of the streetlights in SMCSD. All street lighting related revenue and expense is presented in its own section of the budget.
5. **Solid Waste Fund:** The solid waste department is only funded through franchise fees. All solid waste related revenue and expense is presented in its own section of the budget.

The table below represents the District’s operating total expense for the 5 most recent adopted budgets. Data was pulled from the annual District budgets for each corresponding FY.

Table 13: Operating Expense

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Total Operating Expense	\$ 2,064,760	\$ 2,297,805	\$ 2,430,218	\$ 3,051,086	\$ 2,767,821

Revenues

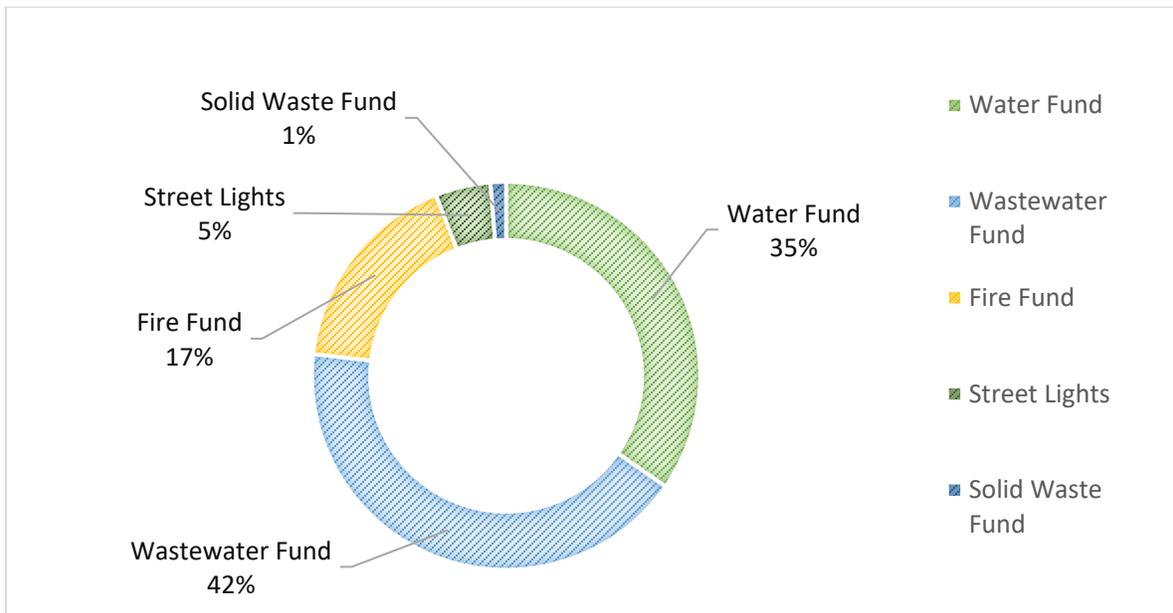
The District is funded by the five Fund categories listed above, each of those categories receives revenue from service fees, inspection fees, property taxes, interest, use of reserves etc. The total revenue amounts for the 5 most recent adopted budgets are documented in the table below:

Table 14: Revenue

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Total Revenue	\$ 2,228,376	\$ 2,597,374	\$ 2,767,593	\$ 3,054,834	\$ 2,837,400

Overall, SMCSD’s operating expenses do not exceed their revenue. LAFCO used SMCSD’s most recent adopted budgets to determine the average primary source of revenue over the past 5-years. About 42% of the District’s revenue comes from the Wastewater Fund and about 35% from the Water Fund, which combined is 77% of the Districts total revenue source, as seen in the pie chart below.

Figure 4: Revenue Source



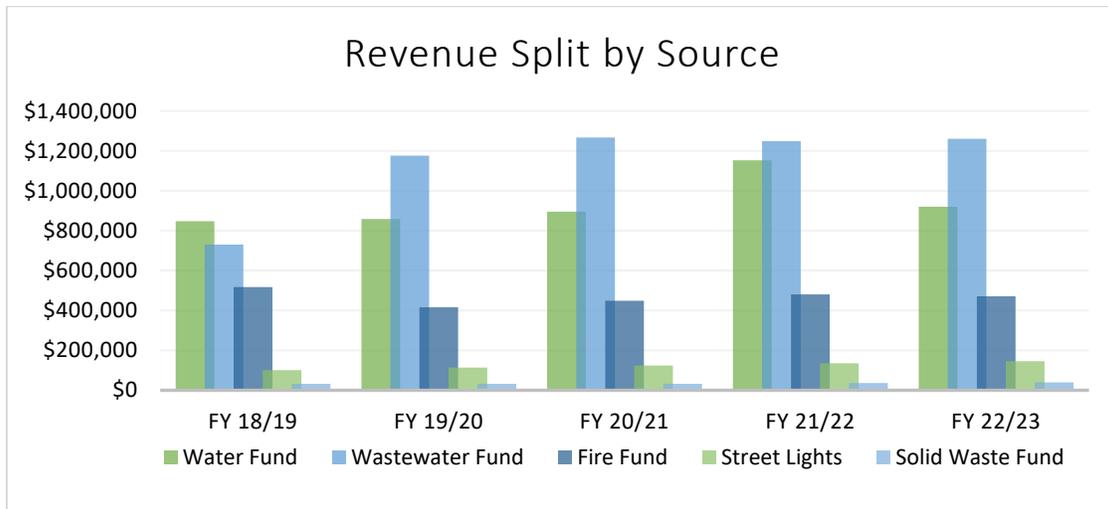
Revenue Trend Analysis

The bar graph below represents revenue sources by year. As depicted, the water fund was the primary source of revenue in FY 18-19 and thereafter the wastewater fund took the lead as primary source of revenue throughout the following 4 years, with a slight increase each year. Similarly, the wastewater fund was the second highest revenue source in FY 18-19 and thereafter the water fund took the lead as second highest revenue, with a slight decrease between FY 21-22 to FY 22-23. Water and wastewater are enterprise funds which receive mostly user fees; however, the wastewater department also receives property tax. The Street Lighting department is solely funded by property tax. The solid waste department is only funded through franchise fees. The Fire department receives most of its funding through property taxes. All of the departments receive funding through federal and state grants, mainly on a project basis.

Annual increases to the user fees are currently adequate to maintain existing services and to cover operating expenses for the water and wastewater departments. The property taxes collected are sufficient to fund current operations in street lighting, however they will not cover any additional services. The Fire Department requires additional funding, aside from the aforementioned property tax, in order to provide full time Firefighter staffing. Franchise fees, water, and wastewater rates were

last revised in 2022. SMCSD completed a new water rate study which is anticipated to be considered by the SMCSD Board mid-2023 and will be followed by Proposition 218 requirements.

Figure 5: Revenue Split by Source



Financial Statements / Audits

SMCSD hires an outside accounting firm to perform the annual audit in accordance with established governmental accounting standards. This includes auditing SMCSD’s statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing SMCSD’s short and long-term fiscal health with specific focus on delivering its active service functions. The five most recent audited budgets were used to conduct an evaluation of the District’s Financial Health; separated into three categories (Agency Assets, Agency Liabilities, and Agency Net Position). Financial Conclusions have also been included, based on the most recent audited Fiscal Year ending on June 30, 2021.

Agency Assets

Agency assets provide current, future, or potential economic benefit for the entity. An agency asset is therefore something that is owned by the agency, or something that is owed to the agency. In this section agency assets will be reviewed in two separate categories as defined below:

- 1) *Current Assets*: cash and other assets that are expected to be converted to cash within a year.

- 2) *Non-Current Assets*: are long-term investments that are not expected to become cash within an accounting year.

SMCSD’s audited assets at the end of FY 2020-2021 totaled \$11.961 million and are 22% higher than the average year-end amount of \$9.364 million documented during the previous five-year audited period. Assets classified as current, with the expectation they could be liquidated within a year, represented 41% of the total amount for that FY, or \$4.903 million, and primarily tied to cash and investments. Assets classified as non-current make up the remainder of the total, \$7.057 million, and are primarily attributed to property, plant, and equipment capital. Overall, all assets for SMCSD have increased by 39% over the corresponding 5-year audited period.

Table 15: Audited Assets

Category	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	5-yr % Change	5-yr Average
Current Assets	2,256,174	1,774,797	1,883,263	3,076,372	4,903,626	117%	2,778,846
Non-Current Assets	6,335,518	6,711,838	6,548,057	6,272,796	7,057,880	11%	6,585,218
Total Assets	8,591,692	8,486,635	8,431,320	9,349,168	11,961,506	39%	9,364,064

Agency Liabilities

An agency liability is something the agency owes, usually a sum of money. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. In this section agency liabilities will be reviewed in two separate categories as defined below:

- 1) Current Liabilities: are an agency's short-term financial obligations due to be paid within a year.
- 2) Other Non-Current Liabilities: are an agency’s long-term financial obligations that are due more than a year away.

SMCSD’s audited liabilities at the end of FY 2020-2021 totaled \$2.312 million and were 12% higher than the average year-end amount of \$2.032 million documented during the previous five-year audited period. Liabilities classified as current and representing obligations owed in the near-term account for

8%, or \$186 thousand, of the total liabilities in that FY and largely tied to accounts payable fees. Non-current liabilities represent the remaining total, or \$2.126 million, and are largely tied to payments on liabilities due in more than one year. Some Long-Term liabilities can be attributed to a Water Department loan through the US Department of Agriculture for a water storage tank that was built in 2009 and Fire Department loans for Fire Engines and Temporary Housing Unit Project loan with Holman Capital Corporation (once the Station Renovation Project is completed the Unit shall be sold providing additional funding for complete loan repayment). Overall, all liabilities have increased by 13% over the corresponding 5-year audited period.

Table 16: Audited Liabilities

Category	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	5-yr % Change	5-yr Average
Current liabilities	244,237	246,627	160,490	105,969	186,281	-24%	188,721
Non-Current Liabilities	1,811,189	1,852,346	1,725,320	1,705,868	2,126,318	17%	1,844,208
Total Liabilities	2,055,426	2,098,973	1,885,810	1,811,837	2,312,599	13%	2,032,929

Agency Net Position

The agency net position is the difference between (1) total assets, and (2) total liabilities. Net position should be displayed in three categories which focus on the accessibility of the underlying assets:

- Net investment in capital assets
- Restricted for Debt Service
- Unrestricted

SMCSD’s audited net position or equity at the end of FY 2020-2021 totaled \$9.778 million and represents the difference between the District’s total assets and total liabilities. The most recent year-end amount is 24% higher than the average year-end sum of \$7.416 million, documented during the previous 5-year audited period. More than half of the ending net investment, 55% or \$5.411 million, is tied to capital assets with the remainder categorized as restricted for debt service, at \$3.351 million, and \$1.014 million as unrestricted. Overall, the net position for SMCSD has increased by 48% through the corresponding 5-year audited period.

Table 17: Audited Net Position

Category	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	5-yr % Change	5-yr Average
Net Investment in Capital Assets	4,726,154	5,198,434	5,177,518	4,962,076	5,411,976	15%	5,095,232
Restricted for Debt Service	2,025,221	2,102,304	1,845,310	2,149,635	3,351,873	66%	2,294,869
Unrestricted	(153,848)	(843,339)	(398,483)	510,878	1,014,318	-759%	25,905
Total Net Position	6,597,527	6,457,399	6,624,345	7,622,589	9,778,167	48%	7,416,005

Financial Conclusions

Statements made in this section help explain financial trends that have been identified in the tables above. It is also important to note that the District’s audits do not express an opinion or provide any assurance on information because the limited analysis/procedures do not provide sufficient evidence. The District’s net position, the difference between assets and liabilities, is one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position is one indicator of whether its financial health is improving or deteriorating. SMCS D’s net position has increased over the last 5-year audited period ending at 9.778 million in FY 2020-2021 with a 5-year average of 7.416 million.

Other nonfinancial factors, such as changes in the District’s property tax base (described further in this paragraph) and the condition of the District’s assets (described in the “Agency Assets” portion of the Finance Section) should also be considered to assess the overall health of the District. The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount which is "teetered" is remitted in

August each year. The Wastewater, Lighting, and Fire Funds receive funding from District property taxes.

Overall, SMCSD's operating expenses do not exceed their revenue. SMCSD depends on property tax and rate revenue to fund most of its annual operational costs. Capital expenses, such as equipment purchases, facility construction, and infrastructure installation and replacement, are generally dependent on connection fees and grant funding to be completed. All assets have increased by 39%, liabilities have increased by 13%, and the net position for SMCSD has increased by 48% over the last 5-year audited period (FY 16-17 through FY 20-21).

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DETERMINATIONS

Service Review Determinations per Government Code Section 56430

As set forth in Section 56430(a) of the CKH Act—In order to prepare and to update the SOI 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. The commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

1. Growth and population projections for the affected area

- a. Currently, the estimated population of SMCSD is 3,172. With an estimated build-out population of 6,829, SMCSD is currently 46% built out and could reach full build out by 2080.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

- a. The estimated 2021 Median Household Income for San Miguel CDP is \$66,496 which is 78% of the estimated MHI for California. Therefore, SMCSD qualifies as a DUC.
- b. The District may wish to consider conducting a community survey, that could, in part, more accurately determine the MHI and characteristics of the community. This information may be helpful with regard to eligibility for grant funding and other planning efforts.

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

- a. **Water** | SMCSD is authorized to provide water service as it is described in government code section 61100 (a). The SMCSD derives its water supply from three water supply wells. The average combined annual production from the three wells is 303 AFY. The combined production capacity when all three existing wells are in service is adequate to meet the existing and future demands of SMCSD. The three water supply wells show water quality concerns, and the SMCSD continues to monitor the water quality in its

supply wells, with specific attention paid to arsenic levels in the SLT Well and radioactive constituents in the ground water supplied by Well No. 3 and 4. There are two potable water storage facilities within the SMCSD water system, providing a total of 700,000 gallons of storage. This volume is adequate to meet both existing and future development scenarios for operational storage, but it is not adequate to meet fire or emergency storage requirements. The District is currently proposing water rate increases which would support operating and maintenance needs and provide adequate funding for capital improvement projects that would support safe and reliable water service. LAFCO determines that SMCSD has capability and capacity to adequately meet existing water demand and some level of increased future water demand as capital improvement projects are completed.

- b. **Wastewater** | SMCSD is authorized to provide wastewater service as it is described in government code section 61100 (a). Only the main area of SMCSD is currently served by sanitary sewer collection infrastructure with parcels on the east side of the Salinas River currently served by on-site wastewater treatment systems. The existing Wastewater Treatment Facility is nearing treatment capacity, and the SMCSD is currently in the process of planning and designing the expansion and renovation of the District's WWTF with the goal of meeting all existing and anticipated regulatory requirements and the needs of the District's customers over the next 30-years. SMCSD's Water and Wastewater Master Plan identifies planned improvements for the WWTF as well as potential funding opportunities for the project. LAFCO determines that SMCSD is nearing the treatment capacity of the existing WWTF and that the existing WWTF requires an expansion and upgrade to meet existing and future wastewater demand.
- c. **Street Lighting** | SMCSD is authorized to provide street lighting service as it is described in government code section 61100 (a). SMCSD provides street lighting services to the District through a contract with the Pacific Gas and Electric Company. The District also provides landscaping service to a limited area of the District. LAFCO determines that SMCSD has capability and capacity to adequately provide street lighting service.

- d. **Fire Protection** | SMCSD is authorized to provide fire protection service as it is described in government code section 61100 (a). San Miguel Fire is an All-Risk Department servicing District residents in addition to providing Automatic Aid to the adjacent County's unrepresented areas. The Fire Department currently has a full-time Fire Chief and relies on Paid Call Firefighters (PCFs) for staffing. The Fire Department is currently beyond workspace capacity due to limited office space, increased staff, and utilizing a floor plan that was not designed to support the functions currently performed within the space. In 2022, the department responded to 339 calls, 89 of which were for service outside of SMCSD's boundaries. SMCSD can cover 95% of the District in 7-minute response time, and 100% of the District in less than 8-minutes, which is within the County's recommended "Urban Service Level". It is believed that incident activity exceeding 500 calls per year may cause a negative impact on PCF response. To better serve underserved communities outside of SMCSD while collecting funding for service, District staff have expressed interest in exploring the idea of a formation of a new San Miguel Fire District. Further analysis is necessary to determine feasibility. LAFCO determines that SMCSD has capability and capacity to adequately provide fire protection service, however as population grows and utilization rates increase, additional staffing and improvements to capital facilities and equipment may be necessary to improve the delivery of services to the District.
- e. **Solid Waste** | SMCSD is authorized to provide solid waste service as it is described in government code section 61100 (a). SMCSD is the solid waste authority and has a Franchise Agreement with San Miguel Garbage Company to provide solid waste services. LAFCO determines that SMCSD has capability and capacity to adequately provide solid waste services.

4. Financial ability of agencies to provide services

- a. SMCSD appears to have adequate annual revenue and fund balance to provide the services that it currently provides. At the end of fiscal year 2020-2021, the SMCSD had approximately \$11.961 million in cash and long-term investments.

- b. SMCSD's net position has increased over the last 5-year audited period ending at \$9.778 million in FY 2020-2021 with a 5-year average of \$7.416 million. SMCSD is financially stable despite increasing costs and limited revenues. Franchise fees, water, and wastewater rates were last revised in 2022. SMCSD completed a new water rate study and is proposing to gradually phase in water rate increases over the next 5 years to support operating and maintenance needs and to provide funding for capital improvements. LAFCO determines that SMCSD is financially stable.

5. Status of and, opportunities for, shared facilities

- a. The development of areas within the SMCSD service boundary may lead to shared infrastructure with the County; (i.e. roads and streets are a County function), Sheriff services, and parks and recreational facilities. The potential to create shared relationships for providing some services is suggested and may be appropriate when providing certain services.
- b. At present, the distinction between District and County services with the service boundary is clear. Opportunities for increased coordination may include additional automatic aid and use of a County water tender from County Fire.

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

- a. SMCSD is governed by a five-member Board of Directors that are elected to four-year terms. Regularly scheduled monthly Board meetings are held and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act.
- b. SMCSD maintains an up-to-date website which contains District information, documents, and updates.
- c. SMCSD considers current staffing levels inadequate to provide services within the District's service area, with anticipated need for additional wastewater treatment facility operators and firefighters within the District.

- d. The District has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this MSR. The District responded to the questionnaires and cooperated with document requests.
- e. LAFCO determines that SMCSD is accountable and transparent.

7. Any other matter related to effective or efficient service delivery

- a. There are no other matters related to the efficiency of services.

Sphere of Influence Determinations per Government Code Section 56425

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city, as defined by G.C. Section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

- 1. Present and planned land uses in the area, including agricultural and open-space lands.**
 - The SMCSD SOI is coterminous with the District’s service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD.
 - Land uses within the District’s SOI are predominantly residential, agricultural, and open space. Other land uses include commercial, industrial, public facilities, and recreational.
 - SMCSD is currently 46% built-out, with a projected build out date of 2080. Therefore, the current District boundaries are sufficient to accommodate growth at this time.
- 2. Present and probable need for public facilities and services in the area.**
 - The SMCSD’s SOI is coterminous with the District’s service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.
- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

- There is a present need and anticipated continued need for the service being provided by the SMCSD in the area.
- The SMCSD SOI is coterminous with the District's service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.

4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

- The SMCSD SOI is coterminous with the District's service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD. The current District boundaries are sufficient to accommodate growth at this time.

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

- The SMCSD SOI is coterminous with the District's service area boundary. The SOI is expected to remain unchanged, with no expansions or reductions for SMCSD.
- Unincorporated territory surrounding the District may qualify as disadvantaged. Should future annexations or services extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with GC §56375(8)(A) and LAFCO policy

APPENDIX

Sources

General

1. Sphere of Influence Update and Municipal Service Review for Templeton CSD, San Miguel CSD and Heritage Ranch CSD, 2013
2. SMCSD Website

Accountability

1. SMCSD Website

Population Profile

1. 2020 Decennial US Census Data
2. San Luis Obispo Council of Governments 2050 Regional Growth Forecast

Present and Planned Land Use

1. San Miguel Community Plan

Water Section

1. Water and Wastewater Master Plan, 2020
2. 2022-2027 Strategic Plan

Wastewater

1. Water and Wastewater Master Plan, 2020
2. 2022-2027 Strategic Plan

Fire

1. Special Districts Fire Protection Study for County of San Luis Obispo, 2018
2. San Miguel Fire Department District Expansion Memo, March 2022
3. 2022-2027 Strategic Plan

Finance

1. SMCSD Approved Fiscal Year 18-19 Budget Report
2. SMCSD Approved Fiscal Year 19-20 Budget Report
3. SMCSD Approved Fiscal Year 20-21 Budget Report
4. SMCSD Approved Fiscal Year 21-22 Budget Report

5. SMCSD Approved Fiscal Year 22-23 Budget Report
6. SMCSD Financial Statements for Fiscal Year Ended June 30, 2021
7. SMCSD Financial Statements for Fiscal Year Ended June 30, 2020
8. SMCSD Financial Statements for Fiscal Year Ended June 30, 2019
9. SMCSD Financial Statements for Fiscal Year Ended June 30, 2018
10. SMCSD Financial Statements for Fiscal Year Ended June 30, 2017

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