

# NIPOMO COMMUNITY SERVICES DISTRICT AGENDA

OCTOBER 22, 2003

REGULAR MEETING 9:00 A.M.

BOARD ROOM 148 S. WILSON STREET NIPOMO, CA

## BOARD MEMBERS

MICHAEL WINN, PRESIDENT  
JUDITH WIRSING, VICE PRESIDENT  
ROBERT BLAIR, DIRECTOR  
CLIFFORD TROTTER, DIRECTOR  
LARRY VIERHEILIG, DIRECTOR

## STAFF

DOUG JONES, GENERAL MANAGER  
LISA BOGNUDA, ASSISTANT ADMINISTRATOR  
DONNA JOHNSON, BOARD SECRETARY  
JON SEITZ, GENERAL COUNSEL

**NOTE:** All comments concerning any item on the agenda are to be directed to the Board Chairperson. Consistent with the Americans with Disabilities Act, NCSB Board agendas and other writings will be made available to disabled persons in an appropriate alternate format. (If assistance is needed, please contact the District office at least one day before the meeting.)

- A. CALL TO ORDER AND FLAG SALUTE NEXT RESOLUTION 2003-881  
B. ROLL CALL NEXT ORDINANCE 2003-99  
C. PUBLIC COMMENTS PERIOD  
PUBLIC COMMENTS  
Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, provided the matter is not on the Board's agenda, or pending before the Board.  
Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.

D. ADMINISTRATIVE ITEMS (The following may be discussed and action may be taken by the Board.)

- D-1) NIPOMO INCORPORATION STUDY – DAVIS COMPANY  
Draft report on the incorporation study  
D-2) PROPOSED ANNEXATION NO. 26 – MOSS LANE  
Initiate proceeding to annex 6 lots on Moss Lane

E. OTHER BUSINESS

- E-1) CSDA SUPPORT FOR A BALLOT INITIATIVE  
Proposed statewide initiative to keep local revenues local

F. CONSENT AGENDA *The following items are considered routine and non-controversial by staff and may be approved by one motion if no member of the Board wishes an item be removed. If discussion is desired, the item will be removed from the Consent Agenda and will be considered separately. Questions or clarification may be made by the Board members without removal from the Consent Agenda. The recommendations for each item are noted in parenthesis.*

- F-1) WARRANTS [RECOMMEND APPROVAL]  
F-2) BOARD MEETING MINUTES [RECOMMEND APPROVAL]  
Minutes of October 8, 2003, Regular Board meeting  
F-3) INVESTMENT POLICY – 3<sup>rd</sup> QUARTER [Receive & File]  
F-4) FINANCIAL REPORT – 1<sup>st</sup> QUARTER [Receive & File]  
F-5) RESOLUTION AUTHORIZING NCSB TO INVEST MONIES IN  
THE LOCAL AGENCY INVESTMENT FUND (LAIF) [RECOMMEND APPROVAL]

G. MANAGER'S REPORT

- G-1) COMPLIMENTARY LETTER FROM CUSTOMER  
G-2) CDF STATE RESPONSIBILITY AREA FIRE PROTECTION FEES

H. COMMITTEE REPORTS

I. DIRECTORS COMMENTS


CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL Pending Litigation GC§54956.9

- A. SMVWCD VS NCSB SANTA CLARA COUNTY CASE NO. CV 770214 AND ALL CONSOLIDATED CASES.  
B. WATER LINE EASEMENT ACROSS COUNTY PARK - DISTRICT NEGOTIATOR - DOUG JONES, CONFERENCE WITH NEGOTIATOR GC§54956.8 COUNTY NEGOTIATOR - PETE JENNY, REGARDING TERMS & PRICE.  
C. ANTICIPATED LITIGATION, ONE CASE GC §54958.9

ADJOURN

The next regular Board meeting will be November 5, 2003.

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003

**AGENDA ITEM**  
**D 1**  
**OCTOBER 22, 2003**

NIPOMO INCORPORATION STUDY

**ITEM**

Review Davis Company report on the of Nipomo Incorporation Study

**BACKGROUND**

The District acquired the services of the Davis Company to do the preliminary feasibility study of the incorporation of the community of Nipomo. His report is enclosed.

Mr. Davis, Davis Company, will make the presentation on the report and answer questions.

**RECOMMENDATION**

After reviewing the report, your Honorable Board may direct staff how to proceed in the matter.

Board 2003/City Incorp update 10-03



MICHAEL DAVIS  
JAMES D. WILLIAMS

October 10, 2003

Michael Winn, Chair, and  
Members of the Board of Directors  
Nipomo Community Services District  
148 S. Wilson Street  
Nipomo, CA 93444

Dear Mr. Winn and Members of the Board:

We are pleased to submit this Preliminary Report on the feasibility of municipal incorporation for the Nipomo area.

Our analysis indicates that the Nipomo area will soon be able to financially support the cost of providing a level of service that is at least equivalent to that which Nipomo residents now receive from San Luis Obispo County. This report describes the potential range of boundaries, revenues, services and expenditures for a municipal formation proposal. There is often some uncertainty in the pursuit of incorporation and in this instance there are two areas where caution is especially warranted as follows:

- **Will sufficient local government revenue be available to offset the cost of services that a new city will likely require?** Our finding is that if Nipomo were a city today, revenues would likely fall just below expenditures by about 2%. We estimate, however, that growth in the short-term would allow revenues to quickly advance to a level that supports service levels, including a small reserve by 2008-09, or about three years hence.
- **Will traditional municipal revenues become less stable considering current and near-term fiscal conditions for State and local government in California?** There is no clear answer to this question, but there is experience to consider. Since the early 1980's both revenue resources and the amounts available to localities have become increasingly constrained. Yet, during the same period of time over forty new cities were able to form. Efforts are now underway to reduce the amount of vehicle license fee revenue that is allocated to cities. Since approximately 24% of the city revenue that is estimated for Nipomo in our analysis is derived from this source, the change could potentially have a negative impact on Nipomo's ability to incorporate. The status of this revenue source should become clear over the next year.

We look forward to reviewing our findings and conclusions with you in the very near future.

Michael Davis

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## TABLE OF CONTENTS

Section I:	Municipal Services.....	2
Section II:	Municipal Boundaries .....	4
Section III:	Municipal Revenue Sources .....	7
Section IV:	Service Plan Assumptions .....	11
Section V:	Procedures and Processes for Municipal Incorporation .....	14
Section VI:	Revenue and Expenditure Analysis .....	18

### Appendices

Base Year Revenue Estimate Detail – Nipomo Incorporation

Base Year Expenditure Estimate Detail – Nipomo Incorporation

Survey Data:

- Municipal Revenues: San Luis Obispo County Cities
- Municipal Expenditures: San Luis Obispo County Cities

Population Projections: Nipomo

San Luis Obispo County: LAFCO Process Re: Incorporation

Assessed Values: San Luis Obispo County Cities

Nipomo Community Service District, 2003-04 Draft Budget Data

- Organization Chart
- Personnel List
- Monthly Employee Compensation
- Administrative and Operational Budgets

Governor's Office of Planning and Research, Incorporation Guidelines 2002 (Excerpts)

## INTRODUCTION

The Davis Company was charged by the Nipomo Community Services District with determining if it is feasible for the Nipomo community to pursue formation of a city and thereby assume responsibility for most local government services from the County.

### **This Report**

This preliminary report addresses this question and provides information that should help those interested in incorporation decide whether or not to pursue a more extensive and costly incorporation process. The report includes fact-finding and discussion on the following topics:

- Section I: Municipal Services - a discussion of the services that Nipomo residents now receive and the choices and options that a new city would have for continuation of those services.
- Section III: Municipal Boundaries - a map and discussion of potential boundaries for a new municipality for the Nipomo area.
- Section II: Municipal Revenue Sources - a discussion of typical revenue sources and how a new city's revenue is determined.
- Section IV: Service Plan Assumptions - a discussion of what services will be assumed from the County and how those services might be provided.
- Section V: Procedures and Processes for Municipal Incorporation - The requirements and processes for considering formation of a new city are set out in Government Code Sections 56000 et seq. pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The San Luis Obispo County Local Formation Commission (i.e. SLO LAFCO) is charged with the responsibility for administering and guiding the organization of local government boundaries and services within the County under this statute. This overview includes the general guidelines and processes that any such proposal must comply with pursuant to 56000. The local LAFCO will set forth the specific procedures should Nipomo residents chose to pursue an incorporation process and proposal.
- Section VI: Revenue and Expenditure Analysis - A preliminary or initial feasibility study often includes only a one-year look at potential revenues and expenditures. In order to provide greater depth to this analysis a three-year forecast of revenues and expenditures for a new municipality was prepared.

## ***Section 1: Municipal Services***

Under California's local government statutes and the California Constitution communities may form a city and by doing so assume direct responsibility for controlling many local services such as:

- Public Safety, including services such as police, fire protection, emergency medical services and building safety/inspection services;
- Land Use regulation;
- Provision and maintenance of public infrastructure such as roads and civic facilities;
- Public utilities such as water, wastewater, drainage and flood control facilities and services; and
- Parks, libraries, recreation and cultural services, trash collection, street lighting, and public transit.

### **Service Providers Before and After Incorporation**

Should a city be formed in the Nipomo area, responsibility for certain services will transfer to the new city. How the new city will provide those services will be determined by the preferences and choices of the new city's policy board and must take into consideration already existing local service entities and agreements. The most likely providers of local services and city options are shown in Table 1 on the immediately following page.

A new city would have numerous options for providing many services. For example:

- This preliminary feasibility analysis assumes that the Nipomo Community Services District will be dissolved and the district's service responsibilities and assets will be transferred to the new city.
- The city could provide directly or contract with already established agencies, such as the County or other cities, for certain services such as animal control, policing, building inspection, solid waste and others.

After incorporation San Luis Obispo County would most likely continue to provide certain other services such as:

- Welfare and child protective services
- Health services
- Criminal justice (courts, prosecution, jails, probation, etc)

- Elections and voter services (though the city may elect to provide these services directly)
- Assessor, recorder, tax collector
- Selected regional services such as fire, transit, libraries, flood control, etc.

**Table 1. Service Providers – Current and After Incorporation**

Public Service	Current Provider	Post-Incorporation Provider
Animal Control	San Luis Obispo County	New City (contract with County)
Administration	San Luis Obispo County	New City
Water and Waster Water	Nipomo CSD	Nipomo CSD and or City
Emergency Medical	Fire District/Private Ambulance Company	Fire District/Private Ambulance Company
Fire Protection	Fire District	Fire District
Drainage/Flood Control	San Luis Obispo County	City (local) SLO Co. (regional)
Land use Regulation	San Luis Obispo County	City
Libraries	San Luis Obispo County	San Luis Obispo County or City
Building Inspection	San Luis Obispo County	New City (contract with County)
Police Protection	San Luis Obispo County	New City (contract with County)
Trash Collection & Disposal	Nipomo CSD	New City (franchise)
Road Maintenance	San Luis Obispo County	New City
Public Transit	SLO Transportation Authority	SLO Transportation Authority
Parks & Recreation Svs	San Luis Obispo County	City
Street Lighting	SLO County Service Area	City (L& L District)

Government Code section 56653 requires that the *Incorporation Proposal*, which is initially formulated by the proponents of the incorporation, set forth a *service plan* that describes how services will be provided after incorporation. LAFCO has the authority to alter and, or to condition the incorporation proposal and thus may alter it if LAFCO deems it in the best interest of those that are affected by the proposal. The service plan, must at a minimum include:

- A description of the local public agencies presently serving the areas proposed to be incorporated including maps of service areas;
- The range and level of services to be provided;
- Proposed changes in the governmental structure; and
- Increased or decreased range of services, if any, including how enhanced services will be financed.

Additional requirements of the *Incorporation Proposal* are discussed more fully in Section V of this report.

## ***Section II: Municipal Boundaries***

An important step in preparing *this preliminary or initial feasibility assessment* was establishing of a series of boundary options for a possible future incorporation proposal. This was accomplished through a multi-step process that included:

- LAFCO and County planning staff were consulted as to communities of interest within the Nipomo area.
- The *Land Use and Circulation Elements of the South County Area Plan* for San Luis Obispo County (amended April 2002) were obtained and examined in detail.
- LAFCO provided a map of the existing NCSO Sphere of Influence, which is substantially though not exclusively coterminous with the NCSO boundary.
- LAFCO also provided a map of certain Sphere of Influence Study Areas that are being evaluated for extension of the NCSO SOI.
- LAFCO provide demographic data for the boundary areas described above.
- A series of optional incorporation boundary areas were presented to and discussed with the NCSO Board of Directors who subsequently gave approval to a specific incorporation boundary study area(s).

See Study Area Map – Next Page



**Nipomo Incorporation Study Areas  
Areas 1 through 10B**



## Growth Projections

Build out of the Study Area is projected by LAFCO and County planners to occur over a twenty-year period at the rate of approximately 2% annually. Detailed projections for eight of the ten study areas are included in the appendix (see page 25) and include the following:

**Table 2: Growth – Population Projections By Study Area**

<u>Area</u>	<u>Population Growth Maximum</u>
1	966
2	1140
3	1014
4	345
5	-0-
6	2808
7	574
8	146
9	not estimated
10	<u>not estimated</u>
11	6095

The current base population for the Nipomo area under study is estimated by San Luis Obispo County to be 12,500. According, the projected growth over the twenty year period is approximately 49%.

### ***Section III: Municipal Revenue Sources***

The minimum revenue sources for a new city are:

(The revenue descriptions cited immediately below are substantially excerpted from *A Guide to the LAFCO Process for Incorporation*, published by the State of California, Governor's Office of Planning and Research, July 2002.)

- **Base Property Tax Allocation:** Article XIII-A of the California Constitution (voter initiative known as Proposition 13 approved in 1978) establishes a maximum base property assessment at 1.0 % of the assessed value of a property. On a Statewide basis cities receive an average of about 11% of the base property tax allocation; most newly incorporated cities receive less. The amount of property tax revenue (as a share of the 1% rate) that a new city receives is determined for each incorporation by the County Auditor, using a formula that is set out in State law. In general, the formula seeks to allocate property taxes to a new city in same ratio as property tax revenue is to "total proceeds from taxes" that is received by the County at the time of incorporation. It is typical for a new city to receive a property tax allocation in the range of six to eight cents of each dollar of property tax revenue that is collected by the County. After incorporation, the remaining share of the 1% rate continues to be distributed to the County and other taxing entities (see Special District Property Taxes below).
- **Special District Property Taxes:** Current property tax revenues of certain special districts that are dissolved upon incorporation or have territory detached as a result of incorporation would be transferred to the new city upon incorporation. The new city may also receive the current fund balance (reserves) of the affected dependent special district upon dissolution or a proportionate share of the fund balance and service liabilities upon detachment of territory from the district. Redevelopment agencies and Mello-Roos districts are often not affected by incorporations and in this instance there are no such projects that must be dealt with.
- **Property Transfer Taxes:** The Property Transfer Tax is levied on the sale of real property. The amount of revenue depends on the level of resale activity and new development within the incorporation area.
- **Sales Taxes:** Upon incorporation, the new city will receive a percentage of the sales tax charged on qualifying retail sales from businesses within the proposed incorporation area. The estimated sales tax revenue is based on data from the State Board of Equalization that was obtain with the assistance of San Luis Obispo County.
- **Transient Occupancy Taxes (TOT):** If the proposed incorporation area contains hotels, motels or other facilities that provide short-term and/or overnight accommodations, all TOT revenues previously collected by the County will be allocated to the new city. The amount of revenue is based on the approved TOT rate, average daily room rates, and estimated

daily occupancy rates. In this instance, there are no lodging facilities in the Nipomo area that pay a TOT tax, thus no revenue is projected from this source.

- State Revenues: Upon incorporation, the new city will receive motor vehicle in-lieu and off-highway vehicle license taxes. These taxes are collected by the State's Department of Motor Vehicles and allocated to cities on a per capita basis. Initially, these revenue sources are based on an estimated city population that is three (3) times the number of registered voters at the time of the incorporation election. This method of determining State Revenues continues for first seven years after incorporation. At the beginning of the eighth year, the State recalculates these revenues based upon the actual population of the city.
- Franchise Fees: Upon incorporation, the new city will receive franchise fees currently paid to the County by the affected utilities including gas, electric and cable TV providers. Additional franchise fees may also be received from the new city's solid waste disposal/recycling service if applicable.
- Road Related Revenues: A significant portion of road fund revenues are calculated and allocated to cities on a per capita basis. Similar to other state revenues, road fund revenues are initially based on three times the registered voter population and are adjusted in the eighth year following incorporation to account for the actual population rather. The revenues are primarily derived from gasoline taxes and are restricted to use on road maintenance and improvement.
- Transportation Related Local Sales Taxes: San Luis Obispo County imposes an additional sales tax levy to fund transportation improvements. Apportionment of these sales tax revenues is based on a formula using population, miles of public roads and taxable sales.
- Other Revenues: Other revenues include, for example:
  - land use related planning, engineering, permit and inspection fees;
  - motor vehicle code fines and forfeitures, DMV abandoned vehicle reimbursement, and parking fines;
  - non-planning related charges for current services, encroachment fees related to temporary uses of the public right-of-way, and regulatory fees; and
  - parcel taxes and assessments, including assessments for zoning and code enforcement actions.

## General Fund Revenue

The revenue sources cited above are referred to as “general fund” revenues. General fund revenues are for the most part unrestricted as to their use except for *road-related revenue* that is received from the State and any other restrictions that are determined by local choice. The revenues that have been estimated for the Nipomo area and included in this *Preliminary Feasibility Analysis* are general fund revenues. Other and additional revenues would, unquestionably, accrue to a new city. Yet, such additional revenues would most likely offset specific discretionary expenditures.

Other, non-general fund local government revenues fall into three broad categories that include special tax allocations to support debt and capital obligations and proprietary revenue such as utility fees. These revenues have not been estimated or included in this feasibility study since they are often one-time revenue sources and/or their use is restricted. The exception is that Nipomo Community Service District general operating revenues are shown as part of the potential revenue base for a new city even though this revenue is proprietary. CSD revenues or expenditures will not be included if the ultimate service plan does not include consolidation of a new city and the District.

## No New Taxes

New taxes are not considered nor assumed in this analysis for the following reasons:

- Creation of a city does not grant increased or additional taxing authority to the local agency.
- Article XIII of California’s Constitution requires voter approval of a proposed tax increase.

## General Fund Revenues of Other SLO County Cities

Six of the seven cities in San Luis Obispo County were surveyed as to their revenues and expenditures for local government services. The survey focused on general fund revenues. The results of this survey are shown in the Appendix and are summarized in Table 3 below. Certain general fund revenue sources, and expenditures also, were excluded in the comparison if the revenue or expenditures applied to services that are not likely to be part of a Nipomo service plan. For example, fire prevention and library fee and special tax revenues were not estimated for Nipomo.

**Table 3. General Fund Revenue of SLO County Cities**

*(Excludes revenue for services that would not be assumed by Nipomo)*

City	Population	Revenue (millions)	Revenue Per Capita
Arroyo Grande	16,500	\$ 3.5	\$ 576.35
Grover Beach	13,100	\$ 4.0	\$ 312.49
Morro Bay	10,500	\$ 11.2	\$ 1,066.87
Paso Robles	26,850	\$ 14.7	\$ 548.64
Pismo Beach	8,700	\$ 10.3	\$ 1,245.74
San Luis Obispo	44,350	\$ 33.7	\$ 760.02

Sources: population – California Department of Finance; revenue – Annual Financial Reports of cities.

## **Nipomo Revenues**

A complete discussion and estimate of revenues for the Nipomo incorporation area is included in *Section VI: Revenue and Expenditure Analysis*. By contrast to the per capita revenues shown above for other SLO cities, were the Nipomo area to incorporate in fiscal year 2005-06 first year revenue is estimated to be \$294.00 per capita. This is closest to and about 7% less than the general fund revenue base of Grover Beach which is very similar in population to that projected for Nipomo at the time of incorporation.

### ***Section IV: Service Plan Assumptions***

Since the service plan that would be submitted to LAFCO has yet to be prepared, preliminary service plan assumptions were developed for this feasibility analysis and are described below.

**Table 4. Preliminary Service Plan Assumptions**

<b>Service</b>	<b>Current Provider</b>	<b>Post-Incorporation Provider</b>
Animal Control	San Luis Obispo County	City pursuant to (contract with County)
Policy /Administration	San Luis Obispo County	5-Member Elected City Council; Appointed City Manager
Water and Waster Water	Nipomo CSD	Nipomo CSD is dissolved and its service responsibilities, assets and liabilities are transferred to the new City.
Emergency Medical	County Fire/Private Ambulance Company	County Fire/Private Ambulance Company
Fire Protection	County Fire/Private Ambulance	County Fire/Private Ambulance
Drainage/Flood Control	SLO Flood Control District	City (local) SLO Flood Control District (regional)
Land use Regulation	San Luis Obispo County	City
Libraries	SLO County Library	SLO County Library
Building Inspection	San Luis Obispo County	New City
Police Protection	San Luis Obispo County	New City (contract with County)
Trash Collection & Disposal	Nipomo CSD / Franchise	New City (franchise)
Road Maintenance	San Luis Obispo County/County Service Area	New City
Public Transit	SLO Transportation Authority	SLO Transportation Authority
Parks & Recreation Services	San Luis Obispo County	City
Street Lighting	SLO County Service Area	City / Nipomo Lighting & Landscaping District

#### **Services Assumed By City**

Services that would be assumed by the city are not now uniformly provided to all of the areas that are designated for incorporation consideration in this analysis. The services include:

- Administration/Policy Oversight: Oversight of local government services is now provided by the County Board of Supervisors from its offices in San Luis Obispo. This practice will continue for services that will remain a County responsibility. Local Nipomo officials will assume day-to-day operational and financial control for services that are assumed by the city. The city will also serve in an ombudsman role for certain local services that may continue to be provided via the County such as library, fire protection, elections, etc.
- Animal Control: Patrol services are provided by the County predominantly in response to observed conditions by the public and receipt of a specific service request. The animal shelter, located at 885 Oklahoma Street in San Luis Obispo is open to the public six days a week. Services are assumed to continue at their same level under a contract between the city and the County.
- Fire Protection and Emergency Medical Service: The California Department of Forestry and Fire Protection provides fire protection for the San Luis Obispo County, the City of Pismo Beach and the Avila Beach Community Services District by cooperative agreements. The County - CDF service arrangement has been in place since 1929. A new city could, but likely would not assume direct service responsibility; instead there would be a contractual arrangement under terms similar to those that now exist between CDF and the County. Emergency medical response is provided by a private ambulance system that operates under a contract/franchise with the County. A new city would inherit responsibility for the ambulance franchise and is assumed to continue current services and service levels under the same terms and conditions as now exists.
- Land Use Regulation and Building Safety: Long range planning, regulation and oversight over current planning projects and the inspection of new construction is a function of County government that would be fully transferred to a new city. A new city can retain or modify existing County policies and create new policies it deems are appropriate. This service is now funded by general taxes and fees and would be funded in a similar manner by a new city.
- Library: Library service is provided in Nipomo as part of a countywide system from a single branch library that is located at 918 W. Teft Street. The Nipomo branch is open five days weekly for a total of approximately 33 hours weekly. A portion of the 1% property tax rate is specifically allocated for library services. Nipomo could, but most likely would not, in the short-term at least, withdraw from the County system. Thus, this analysis assumes that Library services would continue at current levels unless changed as part of a reorganization of services generally within the County.
- Regional Food Control, Road Maintenance, Transportation Planning and Street Lighting: The County now provides and administers these services under the auspices of the County Department of Public Works using a combination of general fund, special district and county service area funding sources that includes, taxes, fees and special assessments. Regional flood control services would continue to be provided by the County under the



SLO County Flood Control and Water Conservation District. A new city would assume CSA services and revenues (cities are not authorized to create CSA's, but can create special districts to replace a CSA) and would assume the lighting and landscape district services and fee revenues. A new city would assume full responsibility for road maintenance, new infrastructure, and transportation planning.

- Water and Waste Water: This service is provided to the areas that are proposed for inclusion in a new city is now provided predominantly, but not entirely by the Nipomo community Services District. Some private providers also serve about 20% of the utility customers. Current services and service levels would continue unless and until the city were to assume added service responsibility. Services are assumed to continue at their same level.
- Policing: Local policing is part of a statewide enforcement, justice and corrections system. The State operates the detention / corrections systems. Counties are responsible for the justice and local detention systems and policing/enforcement in non-incorporated areas. The California Highway Patrol enforces traffic safety laws on State highways and in non-incorporated areas. If Nipomo incorporates local policing and traffic safety enforcement would be transferred to the new city. The California Highway Patrol would continue to be responsible for monitoring and enforcing traffic safety on Highway 101. This preliminary analysis assumes that the city would, at least initially, contract with the County for basic services at levels that are consistent with or above the service level that is now provided by the County. This service is now funded from the County's share of the 1% property tax and other general taxes (e.g. sales tax) that the County now receives.
- Trash Collection/Disposal: In SLO and many California counties this service is provided by private vendors under franchise to the public agency. The service is now locally controlled by the Nipomo CSD, which is the franchising authority. The franchise authority and service oversight responsibility would be transferred to the city and service levels should not be impacted. The SLO Integrated Waste Management Authority will continue to oversee countywide implementation of state-mandated waste-stream management regulations.
- Park & Recreation - Nipomo Park is part of countywide regional system of recreation facilities that are owned and operated by the County. Located adjacent to the branch library on Teft Street, it includes baseball and softball fields, basketball courts, children's play areas, day use picnic sites, and other open-space. Upon incorporation a city becomes responsible for recreation, open space and cultural services within the community. Both the County and incorporation proponents may petition LAFCO regarding the ultimate disposition of Nipomo Park. Although the County is not necessarily obligated to transfer the park facility to the new city, this would be a topic of negotiation during formulation of the ultimate service plan. For the purposes of this analysis it is assumed that the facility would be transferred to a new city and service levels would not change.

The estimate of expenditures that is included in Section VI is based on the preceding list of services and service level assumptions.

## ***Section V: Procedures and Processes for Municipal Incorporation***

### **Key Issues to Be Resolved**

Incorporation is a lengthy and often complicated process. Since it involves a reorganization of local government services, revenues and expenditures stakeholder issues become heightened in the process. LACFO is the body designated by State law to judge the suitability of an incorporation proposal and mediate in the different interests. There are fundamentally five major issue areas that must be reconciled before an incorporation proposal can be submitted to voters for consideration. These are:

- **Community Interest Issues:** These relate to interests for and against formation of a new city and are largely a matter of community preferences about whether greater local control over future land use decisions and local services is needed and beneficial. To an extent, expert analysis can aid in these discussions, however, reconciliation of differing views is largely a matter of communication and dialog within the community. LAFCO takes community preferences into consideration during its hearings on local government reorganization proposals and applications.
- **Logical Boundaries:** State law grants primary responsibility for boundary setting to LAFCO. Creation of logical boundaries, logical extension of local public services and preservation of prime agricultural lands are mandates that LAFCO must consider. These issues get resolved in the boundary setting process and to an extent through environmental analysis.
- **Fiscal Feasibility:** LAFCO is also charged with insuring that communities that incorporate have a sustainable revenue base for paying the cost of basic public services. This preliminary feasibility study, and the yet to be prepared Comprehensive Fiscal Analysis that is a requirement of State law are how fiscal issues gets resolved.
- **Impacts on Other Agencies:** There are two types of inter-related impacts – service related and fiscal – that receive the most consideration. These matters get resolved during consideration of the “service plan” and in “revenue neutrality” discussions/agreements that are based on the Comprehensive Fiscal Analysis.

State law and SLO LAFCO procedures set forth the processes for preparing and considering an incorporation proposal. Table 5 on the following page describes processes and procedures that all LAFCO’s must follow. The multi-faceted process that is outlined below can easily take two years to complete and in many instances has taken much longer.

Proponents of incorporation are responsible for initiating the process for consideration of the incorporation proposal and for creating / obtaining the fiscal resources to complete all required components of the application, service plan, fiscal analysis and environmental evaluation process.

The following steps are noted as “required” or highly “advisable” below.

**Table 5. Incorporation Consideration Processes**

Step	Required or Advisable
Reviews with LAFCO	Advisable
Preliminary boundary and fiscal analysis	Advisable
Establish a logical boundary	Required
Submit application to LAFCO – application may be submitting a petition signed by a 25% of the registered voters, or by resolution of a public agency	Required
Payment of Application Processing/EIR Fees	Required. LAFCO's can stage fees to coincide with the work to be accomplished. Loan from State Controller's office may be available.
Fiscal Research: Gather Financial Data and Establish a Service Plan	Required. Typically performed by consultants working in collaboration with LAFCO staff.
Prepare Comprehensive Fiscal Analysis (CFA). Establish base year cost and make budget projections. Prepare revenue projections to include: <ul style="list-style-type: none"> <li>• Base year property tax allocation</li> <li>• Special district taxes</li> <li>• Property transfer taxes</li> <li>• Sales taxes</li> <li>• Transient occupancy taxes</li> <li>• State revenues</li> <li>• Road related revenues</li> <li>• Transportation related sales taxes</li> <li>• Other revenues</li> </ul>	Required. Typically incorporated with the fiscal research.
Create a Revenue Neutrality process and negotiate an agreement	Required. Oversight for this process is provided by LAFCO. Principals (i.e. the County and the proponents) are the responsible principals.
Complete the CEQA process	Required. Typically performed by consultants working in collaboration with LAFCO staff.
LACFO Executive Officer's Report; State Controller review of the Comprehensive Fiscal Analysis; Conduct LAFCO hearings and protest hearings.	Required
Submit LAFCO approved proposal for voter consideration	Required. County elections officer is responsible

## Logical Boundary for An Incorporation Proposal

The maximum boundary that was approved by the NCSB Board of Directors in July 2003 for this feasibility analysis includes undeveloped property and prime agricultural land that is currently outside of the urban limit line as established in the South County General Plan: Land Use Element. Much of the area is also outside of the NCSB current sphere of influence.

This preliminary analysis indicates that inclusion of these areas in the logical boundary for a new city is largely not a fiscal question. Rather it is more a matter of whether LAFCO can make the required findings under Government Code section 56720 while including these areas within the boundary. Specifically sections 56001, 56301, 56300 and 56377 require that LAFCO protect prime agricultural land and only approve boundaries that promote planned, orderly and efficient development. A more complete discussion of these constraints appears on page 55 of the incorporation guidelines as published by the Governor's Office of Planning and Research, which is included the Appendix of this report.

In this regard, it is noted that:

- SLO LAFCO has broad authority to condition proposals that it considers; and
- LAFCO and the NCSB have already reached agreements that pertain to growth practices in relation to NCSB's present sphere of influence application.

Thus, it may be practical for NCSB and the proponents of an incorporation proposal to reach agreements on land use, environmental and resource management strategies that would enable LAFCO to make the required findings for the boundaries that have so far seem preferred. Otherwise modification of the preferred boundary will likely be necessary.

## Readiness for Incorporation

General Readiness: Nipomo is approaching an opportune time to consider incorporating as a city for the following reasons:

- Nipomo is a community of historic presence in the County with established and recognizable communities of interest within the area. This is recognized directly in the *South County Land Element of the County General Plan*.
- A significant part of the growth for San Luis Obispo County (*see South County Land Use Element*) over the next twenty years will occur in South County areas in and immediately to Nipomo.
- The growth that is already assumed by the County *General Plan* will directly affect current residents of the Nipomo area from several vantage points such as services, transportation, schools, recreation, and community identity.
- Nipomo has experience with local government gained through the community services district. It is reasonable to expect that local residents may want to take a stronger hand in directing the future of the South County of which Nipomo is the central part.

- Nipomo is the nearest established community adjacent the County's southern boundary with Santa Barbara County and the City of Santa Maria. A new city could be an effective mechanism for interacting with these agencies on regional issues and governmental choices.
- There is no other communities of interest in the South County that either now exist or are likely to evolve to compete with Nipomo for incorporation consideration.

Fiscal Feasibility: This preliminary feasibility analysis has concluded that the Nipomo area will soon be fiscally ready to consider incorporation because it is highly likely that there will be sufficient revenue to offset the cost of local government services. (*See Section VI Revenue and Expenditure Estimates*)

Revenue Neutrality: This analysis did not address detailed questions of revenue neutrality that must ultimately be considered. This must wait until a Comprehensive Fiscal Analysis is undertaken and completed. However, since revenues are unlikely to exceed expenditures to any significant extent for the next several years, it is reasonable to expect that incorporation is likely to have less of a negative impact on San Luis Obispo County in the near future than might occur farther into the future.

## ***Section VI: Estimate of Revenues & Expenditures***

In order to assess the fiscal component of city incorporation feasibility for Nipomo, ongoing (excluding one-time) revenues and expenditures were estimated for a base year (year prior to incorporation) and three additional years. The result of this analysis is that revenues fall just below (about 2%) expenditures in the base year (2004-05), then exceed expenditures by about an equal amount after three years.

These are highly conservative estimates that fall below what may be actual real physical growth rates in the Nipomo area considering recent trends and proposed projects. The growth rates assumed for the Nipomo area are the rates provided by the LAFCO staff and are being applied in the current NCSD sphere of influence study. The revenue – expenditure relationships indicate that it is highly likely that the Nipomo will be fiscally prepared to consider incorporation within the next two to three years. Ironically, that amount of time may be needed to move an application for incorporation through the LAFCO process and to the ballot.

The detailed three-year revenue and expenditure estimates are shown on the immediately following page. The base year amounts are shown as well. The base year chosen is Fiscal Year 2004-05. Detail for the base year estimates are included in worksheets that are contained in the appendix. The base year detail also includes revenue and expenditure estimates for Nipomo Community Service District administration and operations activities (not debt or capital investments) in order to illustrate the size of the annual budget for a city that also includes current NCSD functions. The ongoing projection of revenues and expenditures apply ONLY to city functions and does not include NCSD.

In summary, these amounts are as shown below:

**Table 6. Summary of Revenue & Expenditure Projections  
For Nipomo Incorporation Area**

	Base Year	2005-06	2006-07	2007-08
<b>Revenue:</b>				
City Revenues – General Fund	3,087,643	3,207,414	3,332,347	3,462,681
NCSD – Utility Charges	3,157,041	Not included in estimate		
<b>Total Revenue</b>	<b>6,244,684</b>	<b>3,207,414</b>	<b>3,332,347</b>	<b>3,462,681</b>
<b>Expenditures:</b>				
City Operations	3,211,350	3,275,577	3,341,089	3,407,910
NCSD Admin. + Operations	3,157,041	Not included in estimate		
<b>Total Expenditure</b>	<b>6,368,391</b>	<b>3,275,577</b>	<b>3,341,089</b>	<b>3,407,910</b>

## Revenue Expenditure Estimates Proposed Incorporation of Nipomo Base Year Plus Three Year Estimates

	Base Year FY 2004-05	2005-2006	2006-2007	2007-2008
Estimated Revenue				
Taxes				
Franchise Tax	\$ 85,000	86,700	88,434	90,203
Property Tax	395,000	418,700	443,822	470,451
Property Transfer Tax	60,000	63,600	67,416	71,461
Sales Tax	757,803	791,904	827,540	864,779
Sales Tax #172	5,000	5,150	5,305	5,464
Licenses & Permits	200,000	206,000	212,180	218,545
Fines & Forfeitures	15,000	15,900	16,854	17,865
Use of Money & Property	25,000	25,500	26,010	26,530
Intergovernmental Revenue				
Motor Vehicle In-lieu	720,500	749,320	779,293	810,465
Gas Taxes (Road Revenues)	457,532	466,683	476,016	485,537
SB 90 Rebates	40,000	40,800	41,616	42,448
Post Training Reimbursements	28,000	28,560	29,131	29,714
Home Owner Property Tax Relief	27,500	29,150	30,899	32,753
Charges for Current Services	196,000	201,880	207,936	214,174
Utility Charges = Utility Expenditures	3,157,041	<i>Included for Base Year Only</i>		
Miscellaneous	75,308	77,568	79,895	82,291
<b>Total Revenues</b>	<b>\$ 6,244,684</b>	<b>3,207,414</b>	<b>3,332,347</b>	<b>3,462,681</b>
Estimated Requirements:				
General Government				
City Council	\$ 10,000.00	10,200	10,404	10,612
Administration	375,000.00	382,500	390,150	397,953
Legal	60,000.00	61,200	62,424	63,672
Elections/Other	5,000.00	5,100	5,202	5,306
Subtotal	450,000.00	459,000.00	468,180.00	477,543.60
Planning/Building/Engineering				
Planning	225,000.00	229,500	234,090	238,772
Building Safety - Code Enforcement	50,000.00	51,000	52,020	53,060
Engineering	125,000.00	127,500	130,050	132,651
Subtotal	400,000.00	408,000.00	416,160.00	424,483.20
Maintenance				
Parks & Buildings	100,000.00	102,000	104,040	106,121
Streets	469,000.00	478,380	487,948	497,707
Subtotal (see note 2)	569,000.00	580,380.00	591,987.60	603,827.35
Recreation Programming	25,000.00	25,500	26,010	26,530
Utility (Operations+ Admin. Only)	3,157,041.00	<i>Included for Base Year Only</i>		
Public Safety				
Policing	1,700,000.00	1,734,000	1,768,680	1,804,054
Fire	0.00	0	0	0
Subtotal	1,700,000.00	1,734,000.00	1,768,680.00	1,804,053.60
Miscellaneous @ 025% of Other	67,350.00	68,697.00	70,070.94	71,472.36
General Fund Expenditures				
<b>Total Expenditures</b>	<b>6,368,391.00</b>	<b>3,275,577.00</b>	<b>3,341,088.54</b>	<b>3,407,910.31</b>

## **Conclusion**

The estimate of revenues and expenditures immediately Do Not examine the relationship between "net county cost" nor are they based on a property tax allocation formula that takes *proceeds of taxes* into account. The property tax allocation factor that was applied to city revenue is 7%. These factors would be taken into consideration during a Comprehensive Fiscal Analysis. Nonetheless, this level of analysis does indicate that Nipomo can be considered for incorporation very soon.



**Estimated Base Year (2005-06) Revenue**  
**Proposed Incorporation of Nipomo, California**  
**Prepared for The Nipomo Community Services District**

Revenue Sources (See Note 1)	Amount	Comments Re: Revenue Estimate
<b>Taxes:</b>	<b>\$</b>	
Franchise Tax	85,000	Franchise fees charged for use of the public rights of way by public utilities
Property Tax	395,000	2002-03 assessed values are increased @ 4.0% for FY 03-04 and FY 04-05, then 6.0% annually thereafter to account for new growth; assumes City share @ .7% of total revenue
Property Transfer Tax	60,000	2002-03 tax revenue increased @ 5.0% for FY 03-04 and FY 04-05
Sales Tax	757,803	New cities share of local sales tax; FY 02-03 sales are increases 2.0% annually through FY 04-05 and 3.0% annually thereafter based on area growth projections
Sales Tax - 172	5,000	Sales tax distribution on per capita basis for public safety; FY 02-03 sales are increases 2.0% annually through FY 04-05 and 3.0% annually thereafter based on area growth projections
Transient Occupancy Tax	0	No reported revenue for Nipomo
Subtotal	1,302,803	
<b>Licenses &amp; Permits:</b>		
Business	75,000	Increases are based on same per centages as Sales Taxes as activities track with sales transactions
Construction	125,000	Licenses and permits for new construction. Increases are based on same per centages as Property Taxes as activities track with growth projections.
Subtotal	200,000	
Fines & Forfeitures:	15,000	Local traffic safety and parking fines; amounts are increased 1.5% annually
Use of Money & Property:	25,000	Investment of idle capital; amounts are increased 1.5% annually
<b>Intergovernmental Revenue:</b>		
Motor Vehicle In-lieu	720,500	Assumes per capita distribution based on 3 x registered voters
SB 90 Mandates	40,000	Reimbursement for state mandated services
Gas Tax (Road Revenues)	457,532	City's share of gasoline taxes (ie. must be applied to transportation/maintenance services
Post Training Reimbursement	28,000	Reimbursement for maintenance of training standards for police officers Reimbursement from State for Relief amounts based on current amounts of HPTR. Increases are based on same per centages as Property Taxes as activities track with growth projections.
Homeowner Property Tax Relief	27,500	
Subtotal	1,273,532	
<b>Charges for Current Services:</b>		
Engineering Related	61,000	Amounts charged to property owners for engineering, planning, building inspection and code enforcement services related to consideration of permits for property improvements
Planning Related	75,000	
Building Inspection Related	35,000	
Police Services	15,000	Miscellaneous charges for police services and reports
Recreation Related	10,000	Charges for use of City facilities and programs
Subtotal	196,000	
Miscellaneous:	75,308	Unplanned revenue @ 2.5% of scheduled revenue
<b>Total Revenue</b>	<b>\$ 3,087,643</b>	
<b>General Fund Revenue Per Capita</b>	<b>\$ 294.06</b>	
<b>Taxes Per Capita</b>	<b>\$ 124.08</b>	
<b>All Other Revenue Per Capita</b>	<b>\$ 169.98</b>	

Note 1: General Fund Revenue Only - Does Not Include Income From Utilities or Proprietary Sources. See Table 7 for Utility Revenue.

Estimated Base Year Expenditures for Municipal Services  
Preliminary Feasibility Evaluation of Nipomo Incorporation

Expenditure Category	Amount	Comments Re: Expense Estimate
<b>General Government</b>		
City Council	\$ 10,000.00	Assumes Five City Council Members - Expense Reimbursements Only @ \$2,000 each per year
Administration	375,000.00	Assumes full-time City Mgr. plus (1) clerical and (2) technical support positions. Manager serves in multiple roles including City Clerk and Treasurer.
Legal	60,000.00	Assumes legal counsel by contracted services
Elections/Other	5,000.00	Assumes election expenses every 2 years
Subtotal	\$ 450,000.00	
<b>Planning/Building/Engineering</b>		
Planning	225,000.00	Assumes (1) Full-time City Planner; plus (1) clerical and
Building Safety - Code Enforcement	50,000.00	Engineering design and construction inspection services provided on contract basis; service cost are reimbursed from fees except for special studies, and advisory support
Engineering	125,000.00	
Subtotal	\$ 400,000.00	
<b>Maintenance</b>		
Parks & Buildings	100,000.00	
Streets	469,000.00	Estimated annual expenditure = 75% of gas tax receipts; balance of revenue allocated to engineering related expenditures
Subtotal	569,000.00	
Recreation Programming	\$ 25,000.00	Recreation programming supported by part-time staffing
<b>Utility Operations</b>		
<b>Public Safety</b>		
Policing	1,700,000.00	Average cost based on County Sheriff's Department gross expenses per patrol vehicle and experience of other San Luis Obispo County cities.
Fire	0.00	Fire service provided by County Fire Protection District
Subtotal	1,700,000.00	
Miscellaneous @ 025% of Other General Fund Expenditures	67,350.00	
<b>Grand Total Expenditures</b>	<b>\$ 3,211,350.00</b>	

**General Fund Revenue of San Luis Obispo County Cities FY 2002-03**

**Prepared for the Nipomo Community Services District**

	Paso Robles	Morro Bay	Pismo Beach	Grover Beach	Arroyo Grande	San Luis Obispo	
Population (January, 03) *	26,850	10,500	8,700	13,100	18,500	44,350	
<b>Revenue Sources</b>	<b>Revenue FY 02-03 **</b>						
<b>Taxes:</b>							
Franchise Tax	\$ 1,316,100	1,956,704	381,230	404,950	464,150	1,368,600	
Property Tax	2,771,100	1,714,875	1,905,000	1,480,578	2,401,250	5,584,300	
Property Transfer Tax	60,000	50,000	108,800		138,600	200,000	
Sales Tax	5,778,000	1,387,401	1,907,500	898,796	3,135,500	10,402,200	
Sales Tax - 172	226,800	80,000			83,400	223,800	
Transient Occupancy Tax	1,100,000	2,023,000	4,484,000	153,500	389,400	3,979,800	
Utility User's Tax	0	0	0	121,101	0	3,873,600	
Subtotal	\$ 11,252,000	7,211,980	8,748,530	3,038,925	6,612,300	25,432,300	
<b>Licenses &amp; Permits:</b>							
Business	265,000	1,400,000	115,000	63,126	90,110	1,387,600	
Construction	476,500	55,050	30,000		359,150		
Subtotal	\$ 741,500	1,455,050	145,000	63,126	449,260	1,387,600	
<b>Fines &amp; Forfeitures:</b>	91,500		101,000		188,500	304,000	
<b>Use of Money &amp; Property:</b>	\$ 411,400	397,000	292,445		185,300	542,000	
<b>Intergovernmental Revenue:</b>							
Motor Vehicle In-lieu	1,200,000	600,000	518,880	718,408	977,850	2,576,100	
SB 90 Mandates	40,000	38,000			0		
Post Training Reimbursement	28,000	15,000			35,000	32,500	
Homeowner Property Tax Relief					36,400	82,000	
Subtotal	\$ 1,288,000	653,000	518,880	718,408	1,049,250	2,690,600	
<b>Charges for Current Services:</b>							
Engineering Related	30,500	278,000	177,400		8,050	133,500	
Planning Related	34,000	109,304	373,000		142,900	450,000	
Building Inspection Related	255,000	266,000	83,500	183,109		1,350,000	
Police Services	85,000	28,000	33,000			200,400	
Recreation Related	482,000	297,500	113,100	110,000	530,000	1,026,900	
Subtotal	886,500	978,804	780,000	273,109	680,950	3,160,800	
<b>Miscellaneous:</b>	\$ 100,000	508,295	253,295		386,170	189,700	
<b>Total Revenue</b>	\$ 14,730,900	11,202,129	10,837,950	4,093,568	9,509,730	33,707,000	<b>Average Revenue</b>
<b>General Fund Revenue Per Capita</b>	\$548.64	\$1,068.87	\$1,245.74	\$312.49	\$576.35	\$760.02	\$751.68
<b>Taxes Per Capita</b>	\$419.07	\$688.88	\$1,005.35	\$231.98	\$400.75	\$573.45	\$552.91
<b>All Other Revenue Per Capita</b>	\$129.57	\$380.01	\$240.39	\$80.51	\$175.60	\$186.58	\$198.78

\* Source of population data is California Department of Finance, Demographic Data, January 2003.

\*\* Revenue data derived from Comprehensive Annual Financial Reports (CAFR) of cities. Excludes revenue such as library fees and taxes, redevelopment tax increment, internal loans, fire revenue, State and Federal Grants, and ERAF reimbursements, and debt / proprietary fund data.

prepared by The Davis Company, August 2003

**General Fund Expenditures – San Luis Obispo County Cities  
FY 2002-03**

**Prepared for Nipomo Community Services District**

Agency	Paso Robles	Morro Bay	Pismo Beach	Grover Beach	Arroyo Grande	San Luis Obispo
Population (01/03)	26,850	10,500	8,700	13,100	16,500	44,350
Activity	\$ Estimated Expenditure for FY 02-03 (see note 1)					
General Government						
City Council	442,925	119,528	177,981	incl. in admin.	73,130	102,359
Administration	2,936,035	1,396,672	1,468,597	812,662	1,213,231	2,752,113
Legal	415,799	249,681	184,200		162,700	343,476
Conference/Visitors	0	0	506,800	0	0	0
Elections/Other	incl. in admin.	233,095	incl. in admin.	incl. in admin.	154,750	432,637
Subtotal	3,794,759	1,998,976	2,337,578	812,662	1,603,811	3,630,585
Planning/Building/Engineering						
Planning	1,490,217	575,806	548,140	1,012,563	568,306	1,182,565
Building Safety - Code Enforcement	incl. in planning	499,312	346,767		245,450	538,904
Engineering	incl. in maintenance	435,666	443,401		647,800	580,898
Subtotal	1,490,217	1,510,784	1,338,328	1,012,563	1,461,556	2,302,367
Maintenance						
Parks & Buildings	incl. in streets	786,336	708,011	270,079	753,645	
Streets	4,585,391	1,279,417	580,210		521,700	5,767,487
Subtotal (see note 2)	4,585,391	1,719,851	1,288,221	270,079	1,275,345	5,767,487
Recreation Programming	758,000	687,134	289,215	incl. in parks	964,854	964,854
Public Safety						
Policing	4,737,649	4,250,445	3,346,436	2,288,876	4,017,600	8,822,766
Fire (see note 3)	NIC	NIC	NIC	NIC	NIC	NIC
Subtotal	4,737,649	4,250,445	3,346,436	2,288,876	4,017,600	8,822,766
Other General Purpose Activities		159,522	884,753			5,334,522
Grand Total Expenditures (see note 4)	\$ 15,366,016	10,326,712	9,484,531	4,384,180	9,323,166	26,822,581
	Average Per Capita Cost By Service Function					
General Government	\$ 141.33	190.38	268.69	62.04	97.20	81.86
Planning/Building Engineering	55.50	143.88	153.83	77.29	88.58	51.91
Maintenance	170.78	163.80	148.07	20.62	77.29	130.04
Recreation	28.23	65.44	33.24	incl in Parks	58.48	21.76
Public Safety (Excluding Fire)	176.45	404.80	384.65	174.72	243.49	198.93
Other	0.00	15.19	101.70	0.00	0.00	120.28
<p>Note 1: Source of Data - Budgets and Comprehensive Annual Financial Reports of Cities.</p> <p>Note 2: Morro Bay Maintenance Subtotal Does Not Add : \$345,902 of non-general fund revenues subtracted.</p> <p>Note 3: NIC - indicates service is provided by City; not included in itemized expenditures as Nipomo will not provide the service.</p> <p>Note 4: Does Not include expenditures for capital improvements, debt, or proprietary activities.</p>						

**20-Year Projected Build-out Population for Nipomo**  
(data provided by San Luis Obispo LAFCO)

<b>A R E A</b>	<b>PROJECTED LAND USE</b>	<b>PROJECTED POPULATION INCREASE (Units X 2.71 persons/unit=)</b>
# 1	420 acres of Agriculture X 1 unit/100 acres= 4 units	11
	462 acres of Residential Rural X 1 unit per 5 acres= 92 units	249
	Canada Ranch Specific Plan=350 units (estimated)	948
# 2	132 acres of Residential Single Family X 4 units per acre= 528 units (estimated)	1,425
# 3	91 acres of Residential Single Family X 4 units per acre= 364 units	986
	84 acres of Residential Suburban X 1 unit/acre= 84 units	228
# 4	Southland Specific Plan = 100 units (estimated)	271
	1,173 of Rural Lands X 1 unit/20 acres= 59 units	160
# 5	Residential Single Family & Residential Suburban	Nearly built-out
# 6	Woodlands Specific Plan Area	3,510 Requested not to be in District
# 7	1,325 acres of Residential Rural X 1 unit/5 acres= 265 units	718
# 8	334 acres of Residential Rural X 1 unit/5 acres = 67 units	182
<b>TOTALS</b>		<b>5,178</b>
Deduct 20% buildout factor		-1,036
<b>Adjusted Total</b>		<b>4,142</b>
<b>Population Growth Rate (over 20 years)</b>		<b>2.07% per year</b>

- 1) This population projection scenario is based on the assumption that the land in the eight areas will develop as it is currently zoned.

**San Luis Obispo County  
LAFCO Processes  
Re: Incorporation**

# The Incorporation Process: Pieces of the Puzzle

SLO LAFCO  
San Luis Obispo Local Agency  
Formation Commission

January 22, 2003

1

## The Incorporation Process: Pieces of the Puzzle

**SLO LAFCO**  
San Luis Obispo Local Agency  
Formation Commission

January 22, 2003

1

## What is LAFCO?

- ◆ The Local Agency Formation Commission (LAFCO) is a seven member Commission, established in every County in the State, charged with the "discouragement of urban sprawl and the encouragement of orderly formation and development of local governmental agencies based on local conditions and circumstances."
- ◆ Members of LAFCO include two County Supervisors, two City Council members, two Special District members, and a Public member selected by the other six members.
- ◆ For an unincorporated area to become a City it must first receive LAFCO approval.

2

1



### Food for Thought...

"Incorporation should not be entered into lightly. It is a lengthy process and carries a permanent responsibility"

or

Be careful what you ask for!

3

### Why do unincorporated areas want to become cities?

- ◆ To improve public services
- ◆ To capture revenues from local, state and federal sources
- ◆ To create a politically accountable governing body, the city council
- ◆ To defend against boundary incursions from other agencies, particularly cities
- ◆ To centralize and consolidate the provision of services in one comprehensive unit
- ◆ To give the community control over planning, land use, and other regulatory activities previously carried out by the county

4

### Before Incorporation Starts Consult with LAFCO

- ◆ Early and frequent consultation with LAFCO staff – not an adversarial role
- ◆ Developing a logical incorporation boundary and alternative boundaries
- ◆ Use of consultants to establish logical boundary, developing a preliminary CFA, preparing the LAFCO application, reports, petitions and providing other technical assistance.

5

### Pre-Initiation Issues

- ◆ Defining a logical incorporation boundary
- ◆ Determining if the proposed boundaries generate sufficient revenues to make the new city financially feasible.

6

3

### What is a Logical Incorporation Boundary?

- ◆ Recognizes existing jurisdictional boundaries of other agencies
- ◆ Is realistic in terms of political opportunities and constraints
- ◆ Includes a variety of land uses for a balanced community
- ◆ Considers topography, geography and historic boundaries
- ◆ Is simple – should not split parcels
- ◆ Does not create unincorporated islands
- ◆ Recognizes existing spheres of influence
- ◆ Recognizes communities of interest
- ◆ Is consistent with the stated goals of incorporation, not simple a “revenue grab.”

7

### Incorporation Process -Application

#### ◆ **Initiation**

- By petition signed by at least 25% of registered voters or landowners within the boundaries of the area proposed to be incorporated or by a resolution of an affected public agency – forms are available at the LAFCO office
- Before initiation a “Notice of Intent” to circulate a petition or adopt a resolution must be filed
- All signatures must be gathered within a six-month period
- LAFCO application fee is \$15,000, plus \$1,000 for Environmental Documents as a Deposit Toward Actual Costs. EIR would be more. Total costs range from \$50,000 to \$150,00
- Loan from State Controller’s Office upon proof of insufficient funds

8

### Incorporation: Pieces of the puzzle

- ◆ Address CEQA review based on project description
- ◆ Identify process and funding for analyzing alternative incorporation boundaries
- ◆ Submittal of a service plan detailing which services will be provided by the new city
- ◆ Establish a realistic timeframe – two to three years
- ◆ Terms and conditions of incorporation – e.g. transfer of employees, assets and liabilities, equipment, funds on hand, reserves, tax sharing agreements.

9

### Incorporation: Pieces of the puzzle

- ◆ Preliminary Fiscal Assessment for Quick Appraisal
- ◆ Comprehensive Fiscal Analysis (CFA)
  - Legal responsibility of LAFCO – funded by proponents
  - Proponents must discuss the method of preparation of the CFA with LAFCO prior to beginning any incorporation efforts
  - Establish process for gathering data efficiently and fairly
  - Length of time for budget projections – At least 3 fiscal years following incorporation
  - Determination of the Appropriations (Gann) Limit
  - Determining the effective date of incorporation

10

Incorporation: Pieces of the puzzle

◆ **Revenue Neutrality – Required since 1992**

- OPR Guidelines will include model for revenue neutrality process including calculation methods, inclusion of restricted and non-restricted funds
- Expenditure savings by the County must equal revenue loss
- LAFCO staff facilitates discussions

11

Incorporation: Pieces of the puzzle

◆ **Executive Officer's Report and Recommendation**

- Must address boundaries, plan for services, CFA, terms and conditions, Recommended findings and determinations.
- Must be distributed at least 5 days before hearing

12

Incorporation: Pieces of the puzzle

◆ **Commission Hearing and Determination**

- Hearing Notice – at least 21 days prior to hearing– website, posting, mailing, publishing
- May be continued not more than 70-days
- Commission adopts resolution making determinations within 35 days of hearing

13

Incorporation: Pieces of the puzzle

◆ **Request for Reconsideration and Protest Hearing**

- Reconsideration must be requested within 30 days of LAFCO resolution
- Protest hearing must be held within 35-days of LAFCO resolution

14

## Incorporation: Pieces of the puzzle

### ◆ Election

- Discuss impacts of timing of election
- Impartial Analysis prepared by Executive Officer
- Arguments for and Against
- Requires a majority; 50% plus one
- What must and can be included on the ballot? – Election of City Council
- Clarify impact of Prop 218 – Special tax or assessments
- Cost of Election – Special election is paid for by Proponents. General Election is paid for by the city if it is successful and by the County if it is unsuccessful

15

## Incorporation: Pieces of the Puzzle

### ◆ Post Incorporation

- Provide transition information for new cities and aid in the transition process
- Establishment of a Sphere of Influence/Municipal Service Review for the new city
- "Probable physical boundaries and service area" of the new city-Same as NCSD?
- Areas not within the initial boundaries but expected to be included in the future
- Can be deferred for one year after incorporation

16

## Questions or Comments

- ◆ LAFCO Office Telephone Number: (805)  
781-5795
- ◆ Website: [www.slolafco.com](http://www.slolafco.com)
- ◆ Email: [phood@slolafco.com](mailto:phood@slolafco.com)

17



**Assessed Values  
San Luis Obispo County Cities**

**ASSESSED VALUES OF CITIES WITHIN SAN LUIS OBISPO COUNTY  
TOTAL GROSS SECURED AND UNSECURED**

<b>Fiscal Year</b>	<b>Arroyo Grande</b>	<b>Atascadero</b>	<b>Grover Beach</b>	<b>Morro Bay</b>	<b>Paso Robles</b>	<b>Pismo Beach</b>	<b>San Luis Obispo</b>
1993-94	834,963,816	1,161,645,447	515,532,874	666,750,998	970,433,337	843,361,043	2,340,641,222
1994-95	857,665,929	1,187,611,201	535,520,017	692,038,123	979,362,067	863,736,703	2,397,590,322
1995-96	876,300,225	1,223,814,198	546,807,344	715,538,739	1,009,950,592	898,902,008	2,484,409,488
1996-97	888,518,840	1,248,808,886	554,015,102	737,613,958	1,040,727,599	919,984,964	2,523,390,815
1997-98	919,306,584	1,281,050,779	569,946,048	758,356,973	1,071,071,140	949,041,227	2,606,133,195
1998-99	978,784,791	1,327,163,880	597,730,618	798,961,634	1,146,269,846	995,111,406	2,721,220,547
1999-00	1,064,727,116	1,400,485,340	645,932,283	1,035,594,699	1,238,975,405	1,062,657,433	2,913,379,554
2000-01	1,194,236,995	1,501,399,631	698,315,247	1,112,733,117	1,382,189,314	1,164,019,105	3,139,723,140
2001-02	1,302,580,924	1,642,027,040	804,545,823	1,145,162,937	1,578,855,382	1,251,869,569	3,408,584,134
2002-03	1,430,216,153	1,792,969,084	854,994,020	1,244,992,080	1,784,403,983	1,364,042,784	3,681,608,655

**PERCENTAGE INCREASE OF ASSESSED VALUES OF SAN LUIS OBISPO COUNTY CITIES**

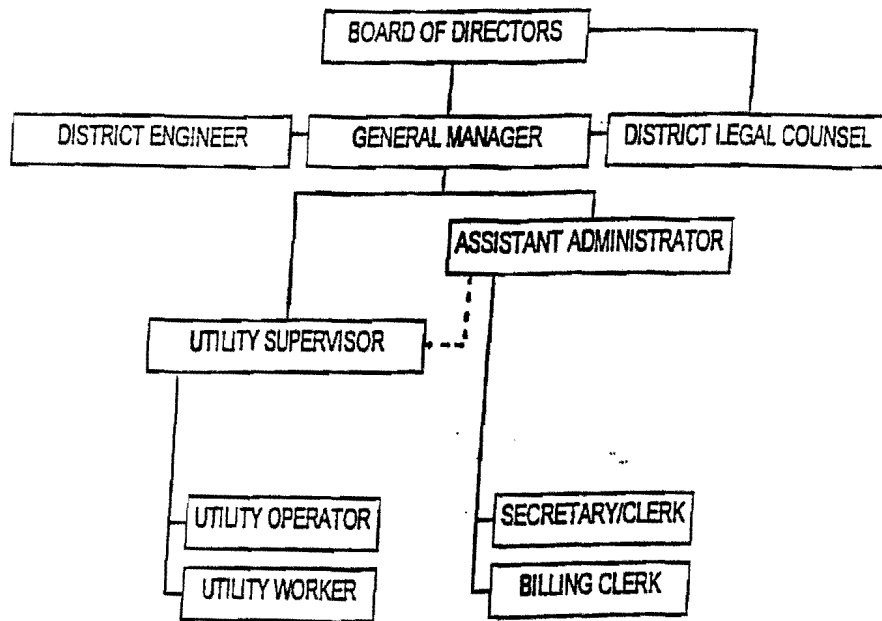
<b>Fiscal Year</b>	<b>Arroyo Grande</b>	<b>Atascadero</b>	<b>Grover Beach</b>	<b>Morro Bay</b>	<b>Paso Robles</b>	<b>Pismo Beach</b>	<b>San Luis Obispo</b>
1993-94	2.9	3.0	4.5	4.3	2.8	3.3	2.7
1994-95	2.7	2.2	3.9	3.8	.9	2.4	2.4
1995-96	2.2	3.1	2.1	3.4	3.1	4.1	3.8
1996-97	1.4	2.1	1.3	3.1	3.1	2.4	1.6
1997-98	3.5	2.6	2.9	2.8	2.9	3.2	3.3
1998-99	6.5	3.6	4.9	5.4	7.0	4.9	4.4
* 1999-00	8.8	5.5	8.1	30.0*	8.1	6.8	7.1
2000-01	12.2	7.2	8.1	7.4	11.6	9.5	7.8
2001-02	9.1	9.4	15.2	2.9	14.2	7.5	8.6
2002-03	9.8	9.2	6.3	8.7	13.0	9.0	8.0

\* Duke Energy purchased Morro Bay Power Plant, adding value to Secured Roll

**Nipomo Community Service District  
2003-04 Draft Budget Data**

- **Organization Chart**
- **Personnel List**
- **Monthly Employee Compensation**
- **Administrative and Operational Budgets**

NIPOMO COMMUNITY SERVICES DISTRICT  
CHAIN OF COMMAND



NIPOMO COMMUNITY SERVICES DISTRICT  
DISTRICT PERSONNEL

2003-2004

OFFICE	<u>CURRENT</u>	<u>PROPOSED</u>
General Manager	1	1
Assistant Administrator	1	1
Secretary	1	1
Billing Clerk	1	1
	<u>4</u>	<u>4</u>
	=	=
MAINTENANCE	<u>CURRENT</u>	<u>PROPOSED</u>
Utility Supervisor	1	1
Utility Field Foreman	1	1
Utility Operator	1	1
Utility Worker I	2	2
	<u>5</u>	<u>5</u>
	=	=
TOTAL	<u>9</u>	<u>9</u>
	=	=

NIPOMO COMMUNITY SERVICES DISTRICT  
 EMPLOYEE STEP AND RANGE PLAN  
 MONTHLY COMPENSATION  
 2003-2004

<u>POSITION</u>	<u>STEP 1</u>	<u>STEP 2</u>	<u>STEP 3</u>	<u>STEP 4</u>	<u>STEP 5</u>	<u>2.5% LONGEVITY PAY 15 YRS</u>	<u>2.5% LONGEVITY PAY 20 YRS</u>
Assistant Administrator	3,867	4,060	4,263	4,476	4,700	4,818	4,938
Secretary	2,591	2,721	2,857	3,000	3,150	3,229	3,310
Billing Clerk	2,394	2,514	2,640	2,772	2,911	2,984	3,059
Utility Supervisor	3,845	4,037	4,239	4,451	4,674	4,791	4,911
Utility Field Foreman	3,265	3,428	3,599	3,779	3,968	4,067	4,169
Utility Operator	2,824	2,965	3,113	3,269	3,432	3,518	3,606
Utility Worker	2,151	2,259	2,372	2,491	2,616	2,681	2,748

Includes a three percent increase from the previous year

**NIPOMO COMMUNITY SERVICES DISTRICT  
PROPOSED BUDGET  
2003-2004**

CONSOLIDATED - ALL FUNDS	2001-02 ACTUAL	2002-03 BUDGET	2002-03 EST ACTUAL	2003-04 PROPOSED	% CHANGE INCR (DECR)
<b>REVENUES</b>					
Water - Fixed Revenues	350,492	352,150	359,180	394,700	9.9%
Water - Consumption Revenues	1,073,157	1,090,911	1,119,000	1,249,000	11.6%
Sewer Revenues	677,698	697,900	707,800	779,900	10.2%
Fees and Penalties	31,966	23,900	29,750	32,220	8.3%
Meter and Connection Fees	94,263	27,500	24,000	13,750	-42.7%
Plan Check and Inspection Fees	11,551	7,000	12,330	7,000	-43.2%
Lift Station Fees	0	0	9,500	5,000	-47.4%
Miscellaneous Income	60,251	37,600	145,795	50,800	-65.2%
Street Lighting/Landscape Maint Charges	18,258	18,258	18,258	27,918	52.9%
Franchise Fee - Solid Waste	72,401	64,000	67,500	75,000	11.1%
Transfers In	0	400,000	400,000	425,000	6.3%
Oper Transfers In-Funded Admin	123,702	144,470	56,127	151,794	170.4%
Oper Transfers In-Funded Replacement	654,000	887,800	667,800	681,917	2.1%
<b>TOTAL REVENUES</b>	<b>3,167,739</b>	<b>3,531,489</b>	<b>3,617,040</b>	<b>3,893,999</b>	<b>7.7%</b>

EXPENDITURES	2001-02 ACTUAL	2002-03 BUDGET	2002-03 EST ACTUAL	2003-04 PROPOSED	% CHANGE INCR (DECR)
<b>OPERATIONS &amp; MAINTENANCE</b>					
Wages	152,796	159,000	159,000	204,860	28.8%
Wages - Overtime	29,175	30,000	40,188	34,785	-13.4%
Payroll Taxes	3,147	3,700	3,585	3,765	5.0%
Retirement	10,463	25,000	24,200	31,650	30.8%
Medical and Dental	24,131	29,000	29,000	42,600	46.9%
Workers Comp Insurance	12,082	13,600	20,000	26,395	32.0%
Electricity-pumping	523,597	596,000	583,000	585,600	0.5%
Natural Gas-pumping	12,041	50,000	35,000	60,000	71.4%
Chemicals	17,016	17,100	16,650	17,900	7.5%
Lab Tests and Sampling	18,604	24,200	31,000	27,500	-11.3%
Operating Supplies	27,440	30,500	40,050	33,000	-17.6%
Outside Services	26,261	33,700	31,100	42,500	36.7%
Permits and Operating Fees	10,000	10,725	8,050	8,300	3.1%
Repairs & Maintenance	36,776	89,000	86,500	63,500	-28.2%
Repairs & Maintenance - Vehicles	6,402	7,800	9,150	6,500	-7.1%
Painting	0	0	0	13,000	100.0%
Engineering	11,116	11,000	4,000	11,000	175.0%
Fuel	9,736	11,000	11,300	15,040	33.1%
Paging Service	1,196	1,500	1,050	1,110	5.7%
Meters - New Installations	6,731	15,000	5,000	10,000	100.0%
Automatic Meter Reading-New Installation	0	20,000	20,000	20,000	0.0%
Meters - Replacement Program	8,044	14,000	0	14,000	100.0%
Uniforms	2,735	4,500	3,370	4,105	21.8%
Clean Up	6,000	6,000	6,000	6,000	0.0%
Oper Transfer Out - Funded Replacement	654,000	667,800	667,800	681,917	2.1%
<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	<b>1,609,489</b>	<b>1,870,125</b>	<b>1,836,993</b>	<b>1,967,227</b>	<b>7.1%</b>

CONSOLIDATED - ALL FUNDS CONTINUED GENERAL & ADMINISTRATIVE	2001-02 ACTUAL	2002-03 BUDGET	2002-03 EST ACTUAL	2003-04 PROPOSED	% CHANGE INCR (DECR)
Wages	198,994	210,005	210,005	216,330	3.0%
Wages - Overtime	0	0	0	0	0.0%
Payroll Taxes	2,832	4,000	3,055	3,135	2.6%
Retirement	13,952	33,800	31,590	33,225	5.2%
Medical and Dental	28,662	34,400	33,200	38,530	16.1%
Workers Comp Insurance	1,994	2,500	2,870	3,275	14.1%
Audit	4,175	3,550	3,553	3,755	5.7%
Bank Charges and Fees	365	660	830	860	3.6%
Computer Expense	10,324	13,000	16,195	18,500	14.2%
Consulting	32,179	16,000	12,925	0	-100.0%
Director Fees	15,500	17,000	17,210	18,500	7.5%
Dues and Subscriptions	4,525	5,500	5,750	6,295	9.5%
Education and Training	1,549	6,800	4,780	6,000	25.5%
Elections	0	3,500	3,553	0	-100.0%
Insurance - Liability	14,456	24,000	23,600	28,000	18.6%
LAFCO Funding	10,367	17,000	15,371	17,000	10.6%
Landscape and Janitorial	7,022	8,390	9,434	16,590	75.9%
Legal - General Counsel	83,785	73,000	37,900	56,500	49.1%
Legal - Water Counsel	345,929	300,000	362,000	500,000	38.1%
Professional Services (1)	0	0	107,000	12,000	-88.8%
Miscellaneous	1,529	35,000	300	2,500	733.3%
Newsletter and Mailers	787	3,700	0	1,775	100.0%
Office Supplies	5,912	5,000	6,100	6,500	6.6%
Operating Supplies	4,677	7,500	100	0	-100.0%
Outside Services	3,697	2,000	1,400	2,000	42.9%
Postage	11,839	15,600	12,610	17,000	34.8%
Public Notices	1,856	3,050	3,815	3,350	-12.2%
Repairs and Maintenance - Office	1,786	2,200	2,050	2,500	22.0%
Repairs and Maintenance - Buildings	4,398	3,000	4,170	3,000	-28.1%
Property Taxes	601	625	579	680	17.4%
Telephone	4,117	5,200	6,255	6,600	5.5%
Travel and Mileage	3,868	8,000	7,150	7,500	4.9%
Utilities - Gas, Electric and Trash	4,446	5,155	4,280	6,120	43.0%
Settlement	4,500	0	0	0	0.0%
Oper Transfer Out - Funded Administration	140,866	144,470	56,127	151,794	170.4%
<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<b>971,499</b>	<b>1,013,605</b>	<b>1,005,757</b>	<b>1,189,814</b>	<b>18.3%</b>
<b>OTHER EXPENDITURES</b>					
Interest Expense - Debt Service	8,800	8,450	8,450	8,100	-4.1%
Debt Service - Principal Portion	7,000	7,000	7,000	7,000	0.0%
Fixed Assets	57,500	35,000	13,805	50,500	265.8%
Funded Replacement Projects	0	122,800	30,000	160,000	433.3%
<b>TOTAL OTHER EXPENDITURES</b>	<b>73,300</b>	<b>173,250</b>	<b>59,255</b>	<b>225,600</b>	<b>280.7%</b>
<b>TOTAL EXPENDITURES</b>	<b>2,654,288</b>	<b>3,056,980</b>	<b>2,902,005</b>	<b>3,382,641</b>	<b>16.6%</b>
<b>SURPLUS (DEFICIT)</b>	<b>513,451</b>	<b>474,509</b>	<b>715,035</b>	<b>511,358</b>	<b>-28.5%</b>
Interest Earnings	127,026	136,500	96,076	103,280	7.5%
<b>NET SURPLUS OR (DEFICIT)</b>	<b>640,477</b>	<b>611,009</b>	<b>811,111</b>	<b>614,638</b>	<b>-24.2%</b>

(1) Professional Services, including District Legal Counsel, District Engineer, Water Counsel and Consultants for unanticipated litigation and Woodlands Project.



**Governor's Office of Planning and Research  
Incorporation Guidelines 2002  
(Excerpts)**

### C. COMMISSION ACTIONS

At the conclusion of the public hearing, but no later than 35 days after the hearing, LAFCO is required to adopt a resolution that states LAFCO's determination on the incorporation proposal. The LAFCO may approve, approve with conditions or disapprove the plan for incorporation (§56880).

When considering an incorporation proposal, LAFCO is required to consider the following factors (§56668):

- The population, population density, and potential for growth.
- The need for organized community services, and effect on adequacy of services.
- The effect of the proposal on adjacent areas and local government structure.
- The conformity of the proposal with adopted LAFCO policies and priorities.
- The effect of the proposal on integrity of agricultural lands.
- The definiteness and certainty of the proposed physical boundaries.
- Consistency with county General Plan and specific plans.
- The sphere of influence of any affected local agency.
- The comments of any affected agency.
- The ability of the new city to provide services, including sufficiency of revenues.
- Timely availability of adequate water supplies.
- The extent to which the proposal helps achieve its allocation of regional housing needs.
- Comments from land owners.
- Any information relating to existing land use designations.

Incorporation proposals which would result in certain conditions are prohibited by law including incorporations which would result in unincorporated islands (§56744) and annexation of land within a Farmland Security Zone (see exceptions, (§56749)).

If the LAFCO approves or conditionally approves the proposal, the resolution must contain certain information including (§57100):

- A statement of the type of change of organization or reorganization being acted on.
- A description of the exterior boundaries of the territory for each change of organization or reorganization approved by the commission.
- The name or names of any new or consolidated city or district.
- All of the terms and conditions upon the change of organization or reorganization approved by the Commission.

OPR Incorporation Guidelines

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- The reasons for the change of organization or reorganization.
- A statement as to whether the regular county assessment roll or another assessment roll will be utilized.
- A statement that the affected territory will or will not be taxed for existing general bond indebtedness of any agency.
- Any other matters that the Commission deems material.

If the LAFCO approves or conditionally approves the proposal, the resolution must also contain certain findings (§56720) including:

- The proposed incorporation is consistent with the intent of the Cortese-Knox-Hertzberg Act (see Exhibit 10).
- The Commission has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
- The Commission has reviewed the CFA and State Controller's Report, if any.
- The Commission has reviewed the Executive Officer's report and recommendation and the testimony presented at its public hearing.
- The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

Finally, if the LAFCO approves or conditionally approves the proposal, the resolution must also do the following (§56881):

- Make the findings and determinations pursuant to §56375 including the determination of property tax revenue to be exchanged by the affected local agencies.
- Determine that public service costs are likely to be less than or substantially similar to the costs of alternative means of providing the service (only applies if the incorporation proposal was initiated by the Commission).
- Determine that the proposal promotes public access and accountability for community services needs and financial resources (only applies if the incorporation proposal was initiated by the Commission).
- Assign a temporary name, if no name has otherwise been assigned to the affected territory.
- Initiate protest proceedings (see Section VII below).

After the Commission takes action, the Executive Officer must mail a copy of the resolution to the proponents and to each affected local agency whose boundaries would be changed by the proposal. Clerical errors or mistakes in the resolution may be corrected by the Executive Officer without Commission action (§56883).

OPR Incorporation Guidelines

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If the proposal is denied, no similar proposal for incorporation involving the same or substantially the same area shall be initiated for at least one year after the date of adoption of the resolution terminating proceedings (~~§56884~~). However, the Commission has the authority to waive this restriction if found to be detrimental to the public interest.

**EXHIBIT 10**

**IMPACT OF THE 2000 AMENDMENTS ON FINDINGS OF CONSISTENCY**

When a LAFCO considers an application for incorporation, LAFCO must make a number of findings (§56720) including that the proposed incorporation is consistent the intent of the Cortese-Knox-Hertzberg Act.

Amendments to the Act in 2000 (AB 2838, Chapter 761, Statutes of 2000) have modified and strengthened the link between approval of proposed incorporations and orderly development. AB 2838 added more specificity to the purpose of the Act by amending several intent and procedural sections including Government Code Sections 56001, 56301 and 56300.

**MORE DEFINITION TO ORDERLY GROWTH AND THE ROLE OF LAFCO**

While promoting orderly development has always been a fundamental purpose of LAFCO, the 2000 amendments added emphasis by stating that the provision of affordable housing, discouraging sprawl, preserving open space and prime agricultural lands and efficiently extending government services are all important elements of promoting orderly development.

Further the 2000 amendments included provisions that state that a preference should be granted to accommodating additional growth within or through the expansion of the boundaries of those agencies which can best accommodate and provide necessary governmental services and housing to persons and families of all incomes.

Historically, the impact of a proposed incorporation on the future development of housing affordable to lower income households did not necessarily come into question when a LAFCO was considering an application for incorporation.

The support for protecting prime agricultural lands was also enhanced in the 2000 amendments through the inclusion of language which states that one of the purposes of the LAFCO is to preserve prime agricultural lands (56301).

The Act still directs LAFCO to guide development away from existing prime agricultural lands unless the development would promote the planned, orderly efficient development of the area (§56377). In practice, this could mean that once one farm was converted to residential or commercial purposes other adjacent or nearby areas could also be included in incorporation proposals with the clear intent that ultimately these lands would very likely be converted to non-agricultural uses.

Although the 2000 amendments did not change §56377, the new purpose and intent language emphasizes the responsibility of LAFCO to consider the preservation of prime agricultural land.

**WRITTEN POLICIES**


The 2000 amendments also require LAFCO to establish written policies and procedures that encourage and provide planned and well-ordered, efficient urban development patterns. Prior to these amendments, LAFCO was only directed to establish policies with no requirement that they be written or be implemented through specific procedures. This new requirement for written policies and accompanying procedures may challenge some LAFCOs as it will take some consensus building to draft and adopt language which a Commission can support.

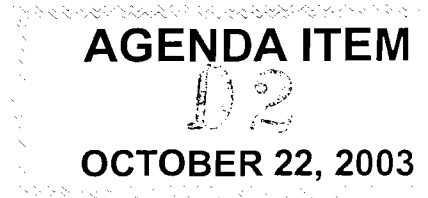
OPR recommends that LAFCOs do not postpone the review and adoption of its policies and procedures on incorporations until a proposal is before the Commission. Fair and equitable procedures are best developed in the absence of a specific application. A LAFCO may want to review the incorporation policies and procedures of other LAFCOs as part of its consideration and approval process.

**IMPACT OF 2000 AMENDMENTS**

The requirement for written policies and procedures coupled with the changes to the purposes of LAFCO and definition of orderly growth will impact the deliberative process of the Commission. In some cases, the Executive Officer's report will be more extensive than the Commission may have previously seen.

Findings of consistency of the proposed incorporation with the adopted policies and procedures will also increase the areas in which the LAFCO's decision is open to legal challenge. The Commission, in the exercise of its legislative authority is generally protected from challenges related to the specific content of the decision. Commissions are however, open to procedural challenges. To the extent that a LAFCO previously operated under unwritten policies and procedures, the LAFCO will now be evaluated on how well it follows its own process.

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003



PROPOSED ANNEXATION NO. 26  
MOSS LANE

**ITEM**

The initiation of proceedings to annexation of six (6) lots on Moss Lane

**BACKGROUND**

When Annexation No. 20 (Maria Vista development – Tract 1802 and 1856) was being processed through the LAFCo and the District, an island was developed consisting of six parcels with six homes and a well site. LAFCo is requesting the District initiate proceedings to annex the six lots on Moss Lane.

An annexation can be initiated by the property owner, LAFCo or the District. The following items need to be considered:

- Whoever initiates the procedure will be obligated to complete LAFCo's application, pays the LAFCo fees, environmental assessment and prepare a legal description and map.
- Enter into a cost accounting agreement with SLO County Planning Dept.
- Meet public hearing notice mailing requirements
- The District will require an annexation agreement from each of the property owners
- The property owners will have to comply with the District's Annexation Policy which will require them to pay \$10,000 per lot for supplemental water supply. An alternate would be they could pay a percentage of the Dana Well improvements for Annexation No. 20, Maria Vista.
- The applicants would have to acquire engineering services to draw up engineering improvement plans and enter into a plan check inspection agreement and pay the appropriate fees.
- Hire a contractor to install the necessary improvements for service.
- Before service is rendered to the properties, they would have to pay all the water and sewer capacity and other fees that may be associated with this service.

**RECOMMENDATION**

Staff recommends that the property owners or possibly an agent representing them be responsible for initiating the annexation for the six individual properties.



**DRAFT**

**DRAFT**

**A RESOLUTION OF APPLICATION BY THE  
BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT  
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO  
INITIATE PROCEEDINGS FOR ANNEXATION NO. 26 TO THE NIPOMO  
COMMUNITY SERVICES DISTRICT (MOSS LANE) AND ASSOCIATED SPHERE OF  
INFLUENCE AMENDMENT**

The following resolution is hereby offered and read:

**WHEREAS**, the Board of Directors of the Nipomo Community Services District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for a sphere of influence amendment and annexation to the district; and

**WHEREAS**, notice to intent to adopt this resolution of application has been given, and this Board has conducted a public hearing based upon this notification; and

**WHEREAS**, the principal reason for the sphere of influence revision and annexation is to provide water and sewer services to six existing residences that are surrounded by the district's boundaries; and

**WHEREAS**, all of the property owners have consented to the annexation and the district agrees to waive protest proceedings; and

**WHEREAS**, the territory included with the boundaries of the annexation is inhabited and a map and legal description of the territory included within the districts is attached to this resolution of application; and

**WHEREAS**, it is desired that the be subject to the following terms and conditions:

1. **ADD ANY REQUESTED CONDITIONS OF LAFCO APPROVAL**

**NOW, THEREFORE**, this Resolution of Application is hereby adopted and approved by the Board of Directors of the Nipomo Community Services District, and the Local Agency Formation Commission is hereby requested to take proceedings for the sphere of influence revision and annexation of territory to the district as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Upon motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_,  
and on the following roll call, to wit:



**LOCAL AGENCY FORMATION COMMISSION  
 FEE SCHEDULE  
 EFFECTIVE SEPTEMBER 20, 2001**

All fees shall be paid prior to the acceptance of an application for processing by the Executive Officer. All fees should include the appropriate Processing Fee (Minimum \$1,500), Environmental Fees (Minimum \$1,000), and Planning and Building Fee (\$500/please pay this by separate check). Where indicated below, the fees are an initial deposit toward the actual cost of processing a proposal. The applicant shall enter into an agreement with the Executive Officer to provide for reimbursement to LAFCO for the actual costs of processing application. A refund shall be issued for any portion of the fee not utilized for processing. Where fees exceed the required amount indicated below, the applicant shall be notified by the Executive Officer to pay an equal additional amount equal to the initial deposit. The proposal shall be suspended until such additional funds are deposited with the LAFCO Clerk.

**Annexation/Detachment Processing Fees**

Acreage

0.1 – 20.00	\$ 1,500 Deposit Toward Project Cost
20.01 +	5,000 Deposit Toward Project Cost

**Other Processing Fees**

Formation of a Special District	\$ 5,000 Deposit Toward Project Cost
Incorporation of a City	15,000 Deposit Toward Project Cost
Dissolution of one or more Districts	2,500 Deposit Toward Project Cost
Disincorporation of a City	5,000 Deposit Toward Project Cost
Consolidation of Districts	3,000 Deposit Toward Project Cost
Merger of Districts	3,000 Deposit Toward Project Cost
Establishment of Subsidiary Districts	3,000 Deposit Toward Project Cost
Reorganization of City or District (Two or more of the above changes of organization, excluding incorporation of a city.)	\$7,500 Deposit Toward Project Cost

**Sphere of Influence Fees**

Sphere of Influence Update -- Result of Proposal	
5 acres or less	\$1,500 Deposit Toward Project Cost
5+ acres	\$2,500 Deposit Toward Project Cost

**Environmental Fees**

Initial Study Fee	\$ 500 Deposit Toward Project Cost
Negative Declaration Fee	500 Deposit Toward Project Cost
EIR Review-Responsible Agency	1,000 Deposit Toward Project Cost

Categorical Exemption	500 Deposit Toward Project Cost
EIR Appeal Fee	1,000 Deposit Toward Project Cost
EIR required and LAFCO is Lead Agency	Minimum \$5,000 deposit; to be increased to equal 25% of the cost of the report.

**Other Fees**

Expansion of District Powers	\$2,500 Deposit Toward Project Cost
Request for Reconsideration	1,500 Deposit Toward Project Cost
Fee Waiver Request	500 Deposit Toward Project Cost
Request for Time Extension	500 Deposit Toward Project Cost
Study Session Request	2,500 Deposit Toward Project Cost
Request for Fiscal Analysis or Other Studies	2,500 Deposit Toward Project Cost
Outside User Agreement	2,500 Deposit Toward Project Cost
Pre-application Review	Limited to three (3) hours of staff time, then Actual Cost.
Petition Verification Fee	Minimum filing fee of \$10 + \$1.00 per signature.
Processing request for the State Controller's review of an incorporation fiscal analysis	\$1,500
Annual Agenda Mailing List Fee	\$25
Executive Officer's Report (monthly mailings for 12 months)	\$100
Copying Fee	\$ .10 per page
Tape Recording of Hearing	\$25 per tape
Tape Transcription (Verbatim)	\$10 per page

**State Fees**

State Board of Equalization, State Controller's Office and the Department of Fish and Game Fees in accordance to their fee schedules.

**Other Charges**

In addition to the fees specified herein, the Executive Officer may charge an applicant/appellant for the actual costs that are incurred as a result of processing a proposal that are not covered in the Commission's fee schedule. An applicant/appellant may appeal the decision of the Executive Officer in writing. Such appeal will be presented to the Commission at the next meeting.

Refunds for withdrawn proposals shall be based on an estimate by the Executive Officer of the total costs incurred in processing the proposal up to the date of the withdrawal request.

**Fee Waiver**

The Commission upon a finding that such action would be in the public's best interest and/or is necessary for health and safety reasons may waive fees partially or in total. Requests for fee waiver must be submitted in writing to the Commission. Fees may be waived by the Executive Officer for proposals filed in response to Commission conditions.

**Planning and Building Department Fee**


\$500 per application. Time over \$500 will be charged at real time billing.

**Clerk-Recorder Department Fee**

\$25 for processing and filing a Notice of Determination as set forth in CEQA Guidelines.

**LAFCO Charge-out Rates:**

Executive Officer	\$110/hour
LAFCO Analyst	\$ 85/hour
Commission Clerk	\$ 50/hour
Legal Counsel	\$150/hour

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003

**AGENDA ITEM  
E-1  
OCTOBER 22, 2003**

CSDA SUPPORT FOR A BALLOT INITIATIVE

**ITEM**

Statewide initiative to keep local revenues local

**BACKGROUND**

The State of California has been augmenting their budget by acquiring local property taxes to back fill the State Budget for funding the Education Revenue Augmentation Fund (ERAF). The CSDA, League of California cities and California Association of Counties will be supporting a ballot initiative to retain local revenues for local purposes. The attached correspondence received from CSDA outlines the proposed initiative that would be placed on the November 2004 ballot. CSDA is requesting contributions to help pay for the initiative and provide information on the proposed November ballot.

**RECOMMENDATION**

Your Honorable Board may direct staff how you wish to proceed with this item.

Board 2003/Revenue Ballot

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

October 6, 2003

Mr. Doug Jones  
Nipomo Community Services District  
PO Box 326  
Nipomo, CA 93444-0326

Dear Mr. Jones:

As you may know, the California Special Districts Association (CSDA) was recently invited by the League of California Cities (League) and the California State Association of Counties (CSAC) to **participate on behalf of all special districts in a statewide ballot initiative (November 2004) to put the voters in charge of whether local tax dollars should be diverted from local district programs to fund state services.**

CSDA leadership has determined that our goal is to continue to be seen as the third leg of local government and a partner with the League and CSAC as the recognized representative of special districts. The Board's decisions to this point have been extremely successful in pursuing that goal as we are the organization that is the "go-to" partner for the cities and counties for special districts as can be seen through the success of the LOCAL Coalition.

Over the last 12 years, with the more than \$30 billion of local property taxes having been drained by the state from local governments, the movement toward a ballot measure has increased and is now here. Resolving the issue through the Legislature appears to not be a feasible option. Furthermore, the opportunity to pursue a ballot measure was brought to the CSDA membership at the Annual Meeting on September 16, 2003 and there was unanimous support to continue to pursue a ballot measure to protect local government revenues.

Now we need your participation and assistance! As an equal partner with the cities and counties, there are costs associated with formulating and drafting the language of the proposed ballot initiative and with securing appropriate initiative sponsors. While special districts are prohibited from using public funds to advocate or promote any initiative, special districts are allowed to contribute public funds to help pay the variety of expenses incurred in formulating and drafting a proposed initiative and securing sponsors including polling, research, consulting and legal expenses incurred for such purposes. Our goal is to raise \$200,000 to cover special districts' share of these drafting and sponsorship efforts.

We are asking for your support in the form of a financial contribution to help fund the cost associated with formulating this initiative and securing sponsors. Think of how much money your district has already lost to ERAF, and how much your district still stands to lose; and think of the unfunded state mandated programs that continue to increase the cost of service. Please see the attached information sheet on the ballot initiative as well as the form you can detach and return to CSDA with your contribution. This is the beginning of what promises to be a challenging and exciting year. **Your contribution and participation is very much appreciated and significantly helps to support efforts to keep local revenues and services local.**

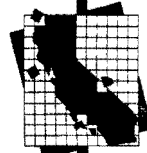
If you have any questions, please feel free to contact CSDA Executive Director, Catherine Smith at 877.924.CSDA. Thank you for your help in this important effort!

Sincerely,



William Miller  
President

OCT 14 2003



CALIFORNIA  
SPECIAL DISTRICTS  
ASSOCIATION

1215 K Street, Ste 930  
Sacramento, CA 95814  
Tel: 916.442.7887  
Fax: 916.442.7889  
www.csdanet

Toll-Free Numbers

General: 1.877.924.CSDA  
SDRMA/SDWCA Claims &  
Coverages: 1.800.537.7790

**LOCAL GOVERNMENT BALLOT INITIATIVE  
November 2004**



**Background** - CSDA has been involved with the League of California Cities (League), the California State Association of Counties (CSAC) and other public health, public safety, and business advocates on strategizing how to protect local revenues to local services during state budget crises. In the early 1990s when the state was facing severe fiscal issues, the Education Revenue Augmentation Fund (ERAF) was developed, which transferred property taxes from local government to the State's general fund to offset Proposition 98 obligations to education. Although promised many times by many decision-makers, those funds have never been stopped or re-diverted back to local government in "good" times and we (cities, counties, special districts) have transferred over \$30 billion to the State since the implementation of ERAF.

In 2002, a task force was assigned to look at options to ensure that local revenues continue to be focused on local services and that local governments no longer provide the backfill to the State's fiscal issues. The task force determined that it was beneficial to continue to work through the legislative process to see if we could resolve the issues instead of going straight to the ballot box. The organizations (League, CSAC, CSDA) spearheaded and funded the Leave Our Community Assets Local (LOCAL) Coalition which has worked very successfully over the last two years in increasing the awareness of the citizenry of the connection between local revenues and local services. Our goal was to put a face on local government hoping to ensure protection and dialogue on these issues.

Although local government was impacted by the state budget developed in response to the \$34 billion deficit that the State faced this year, we were not as greatly impacted as anticipated. LOCAL activities were attributed with the results, in conjunction with the individual efforts of the participating organizations, but local government advocates feel that we must remove ourselves from the annual budget dance and ensure stability and predictability in local revenues. Resolving the issue through the Legislature appears to not be a feasible option.

**Constitutional Protection Needed Now** - Special district and other local government leaders know that in the current state budget crisis this problem will only get worse if something isn't done. As a result, CSDA, the League and CSAC have joined forces to sponsor a ballot initiative in November 2004 to put the voters in charge of whether local tax dollars should be used to fund state services. It would not prevent structural reform of the fiscal system. It would simply require that structural changes be planned collaboratively by state and local leaders and approved by the voters. It would not raise taxes. It would not repeal laws the state has already passed. It would not require the return of property taxes already taken. It would do two simple things:

- **Public Vote Required:** Require approval by a majority of the electorate before a proposed state law may take effect that appropriates, reallocates, redistributes, reduces or suspends the payment of local tax revenues (sales, property and VLF) to cities, counties and special districts; and
- **Reimburse for Mandated Costs:** Clarify that the state must reimburse local governments for a new mandated program or higher level of service, protecting local governments from cost shifts.

**Consulting Team** - Assisting in the campaign are: Winner and Mandabach Capaigns (political consultants); Nielsen, Merksamer (legal); McMurchie, Weill, Lenahan, Lee, Slater & Pearse LLP (legal); and Fairbanks, Maslin, Maullin, & Associates (survey research).

**For More Information** - Contact Catherine Smith, Executive Director or Neil McCormick, Assistant Director at (877) 924-CSDA.

**Your contribution is appreciated. Thank You!**



District Name: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
City: \_\_\_\_\_ Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Enclosed is a check to assist CSDA to underwrite the start-up cost of the ballot initiative in the amount of:  
 \$500     \$1000     \$2500     \$5000     \$10,000     Other \_\_\_\_\_

**Please make checks payable to CSDA and send to 1215 K Street, Ste. 930, Sacramento, CA 95814.**

**Additionally, when the initiative begins, I can help by:**

- Assisting in local fundraising
- Serving as a speaker
- Serving as a regional coordinator for campaign efforts

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES  
DATE: OCTOBER 22, 2003



CONSENT AGENDA

The following items are considered routine and non-controversial by staff and may be approved by one motion if no member of the Board wishes an item be removed. If discussion is desired, the item will be removed from the Consent Agenda and will be considered separately.


**Questions or clarification may be made by the Board members  
without removal from the Consent Agenda.**

The recommendations for each item are noted in brackets.

- F-1) WARRANTS [RECOMMEND APPROVAL]
- F-2) BOARD MEETING MINUTES [RECOMMEND APPROVAL]  
Minutes of October 8, 2003, Regular Board meeting
- F-3) INVESTMENT POLICY – 3<sup>rd</sup> QUARTER [Receive & File]
- F-4) FINANCIAL REPORT – 1<sup>st</sup> QUARTER [Receive & File]
- F-5) RESOLUTION AUTHORIZING NCSD TO INVEST MONIES IN  
THE LOCAL AGENCY INVESTMENT FUND (LAIF) [RECOMMEND APPROVAL]

WARRANTS AND MINUTES WILL BE DELIVERED LATER.



TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003

**AGENDA ITEM  
F-3  
OCTOBER 22, 2003**

**INVESTMENT POLICY –THIRD QUARTERLY REPORT**

The Board of Directors have adopted an Investment Policy for NCSD which states that the Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the Board of Directors.

Below is the September 30, 2003 Quarterly Report for your review. The Finance Officer is pleased to report to the Board of Directors that the District is in compliance with the Investment Policy.

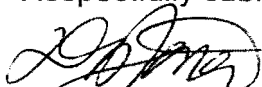
After Board consideration and public comment, it is recommended that your Honorable Board accept the quarterly report by motion and minute order.

**INVESTMENT POLICY-QUARTERLY REPORT 9/30/03**

Investment	Institution	Amount of Deposit 9/30/03	Rate of Interest	Accrued Interest 9/30/03	Amount of Deposit 9/30/02	Rate of Interest	Accrued Interest 9/30/02
Money Market	Mid State Bank	\$69,864.00	.045%	\$0.00	\$43,216.59	0.50%	\$0.00
Savings	Mid State Bank	\$887.09	.25%	\$0.00	\$882.77	2.00%	\$0.00
Pooled Money Investment	Local Agency Investment Fund (LAIF)	\$13,558,797.84	1.63%	\$52,721.63	\$11,960,939.44	2.63%	\$78,026.23

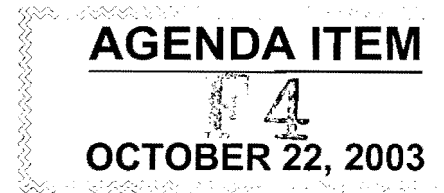
As District Finance Officer and Treasurer, I am pleased to inform the Board of Directors that the District is in compliance with the 2003 Investment Policy and that the objectives of safety, liquidity, and yield have been met. The District has the ability to meet cash flow requirements for the next six months.

Respectfully submitted,



Doug Jones  
General Manager and  
Finance Officer/Treasurer

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES  
DATE: OCTOBER 22, 2003



## FIRST QUARTER FINANCIAL STATEMENTS

### ITEM

Review and file First Quarter Financial Statements

### BACKGROUND

Attached is the summary of revenues and expenses and cash balances for each fund as of September 30, 2003 (Page 1). Also, attached are the Unaudited Consolidated Balance Sheet as of September 30, 2003 (Page 2) and the Unaudited Consolidated Income Statement for the three months ended September 30, 2003 (Page 3-4).

The Finance Committee has requested that graphs be presented with the quarterly financial report. On Pages 5-6, the graphs for Combined Revenue and Expenditures are presented. The graphs for each of the major funds (Town Water, Town Sewer, Blacklake Water and Blacklake Sewer) are found on Pages 7-10.

Detailed information by Fund (balance sheet and income statement with budgeted amounts) is available in the office.

### RECOMMENDATION

It is recommended that your Honorable Board accept and file the first quarter financial statements.

}

SUMMARY OF REVENUES AND EXPENSES BY FUND  
THREE MONTHS ENDING SEPTEMBER 30, 2003

FUND	FUND #	YTD REVENUES	YTD EXPENSES	FUNDED REPLACEMENT	SUBTOTAL	TRANSFERS TO/FROM	YTD SURPLUS/ (DEFICIT)
Administration	110	45,938	(45,938)	0	0	0	0
Town Water	120	527,021	(391,895)	(91,571)	43,555	0	43,555
Town Sewer	130	167,005	(77,488)	(65,408)	24,109	0	24,109
Blacklake Water	140	45,657	(75,892)	(5,000)	(35,235)	0	(35,235)
Blacklake Sewer	150	26,052	(40,660)	(8,500)	(23,108)	0	(23,108)
Blacklake Street Lighting	200	206	(3,941)	0	(3,735)	0	(3,735)
Landscape Maintenance	250	41	0	0	41	0	41
Solid Waste	300	15,809	(500)	0	15,309	0	15,309
Drainage Maintenance	400	436	0	0	436	0	436
Property Taxes	600	30,288	(56,444)	0	(26,156)	0	(26,156)
Town Water Capacity Fees	700	9,089	0	0	9,089	0	9,089
Town Sewer Capacity Fees	710	17,294	0	0	17,294	0	17,294
Funded Replacement-Town Water	800	5,158	0	91,571	96,729	0	96,729
Funded Replacement-Town Sewer	810	7,046	0	65,408	72,454	0	72,454
Funded Replacement-BL Water	820	2,220	0	5,000	7,220	0	7,220
Funded Replacement-BL Sewer	830	481	0	8,500	8,981	0	8,981
<b>TOTAL</b>		<b>899,741</b>	<b>(692,758)</b>	<b>0</b>	<b>206,983</b>	<b>0</b>	<b>206,983</b>

CASH BALANCE OF EACH FUND  
AS OF SEPTEMBER 30, 2003

FUND	FUND #	CASH BALANCE 09/30/03
Administration	110	(979)
Town Water	120	81,914
Town Sewer	130	654,231
Blacklake Water	140	86,451
Blacklake Sewer	150	23,700
Blacklake Street Lighting	200	47,641
Landscape Maintenance	250	10,350
Solid Waste	300	140,974
Drainage Maintenance	400	5,441
Property Tax	600	2,136,568
Town Water Capacity Fees	700	2,205,615
Town Sewer Capacity Fees	710	4,353,893
Funded Replacement-Town Water	800	1,338,844
Funded Replacement-Town Sewer	810	1,799,082
Funded Replacement-BL Water	820	559,705
Funded Replacement-BL Sewer	830	124,937
Funds Held in Trust		2,626,079
<b>TOTAL</b>		<b>16,194,446</b>

NIPOMO COMMUNITY SERVICES DISTRICT  
BALANCE SHEET - CONSOLIDATED  
AS OF SEPTEMBER 30, 2003

ASSETS

-----	
Cash and Cash Equivalents	16,194,446.12
Accounts Receivable - Utility Billing	151,001.81
Unbilled Accounts Receivable	330,000.00
Property, Plant & Equipment	30,299,890.88
Accumulated Depreciation	(8,159,021.72)
Prepaid Insurance	20,971.51
Accrued Interest Receivable	62,127.52
Notes Receivable - MVI/MVII	57,552.21
Deposit - W/C Insurance	2,039.00
Loan Fees - SRF Loan	256,834.00
Accumulated Amortization - SRF Loan Fees	(74,210.07)
Revenue COP's Bond Discount	178,100.60
Accumulated Amortization - Bond Discount	(742.08)
-----	
Total Assets	39,318,989.78
=====	

LIABILITIES

-----	
Accounts Payable	92,000.61
Refunds Payable	1,099.07
Construction Meter Deposits	12,500.00
Compensated Absences Payable	55,363.00
Deposits	228,056.32
Payroll Taxes Payable	40.51
Deposit - Pomeroy Rd Water Line	24,170.00
Deferred Revenue	6,300.00
Revenue Bonds - Current Portion	8,000.00
SRF Loan #110 - Current Portion	34,868.35
SRF Loan #120 - Current Portion	42,180.25
Revenue Bonds Payable - Long Term Portion	154,000.00
SRF Loan #110 Payable - Long Term Portion	523,025.25
SRF Loan #120 Payable - Long Term Portion	674,884.00
Revenue COP's - Long Term Portion	4,000,000.00
-----	
Total Liabilities	5,856,487.36
-----	

FUND EQUITY

-----	
Contributed Capital - Assets	7,793,180.72
Contributed Capital - Capacity Fees (CY)	84,460.00
Contributed Capital - Capacity Fees (PY)	14,135,768.61
Contributed Capital - Right of Way	70,100.00
Contributed Capital - Assessment Districts	1,461,232.00
Contributed Capital - Grants	3,104,505.00
Retained Earnings-Reserved (Debt Service)	15,600.00
Retained Earnings-Reserved (Emergencies)	50,000.00
Retained Earnings-Reserved (Sewer Grant)	240,000.00
Retained Earnings-Reserved (Funded Replacement)	3,663,396.02
Retained Earnings - Unreserved	2,637,275.51
CURRENT EARNINGS	206,984.56
-----	
Total Fund Equity	33,462,502.42
-----	

Total Liabilities and Fund Equity	39,318,989.78
=====	

UNAUDITED

NIPOMO COMMUNITY SERVICES DISTRICT  
 INCOME STATEMENT - CONSOLIDATED  
 FOR THE PERIOD ENDING SEPTEMBER 30, 2003

	YTD ACTUAL -----	ANNUAL BUDGET -----	% OF BUDGET -----
<b>REVENUES</b>			
Water - Fixed Charge	100,460.52	394,700.00	25.45 %
Water - Usage	434,832.54	1,209,000.00	35.97 %
Construction Water	18,331.55	40,000.00	45.83 %
Fire System Fee	895.30	3,000.00	29.84 %
Sewer Charges	186,610.31	779,900.00	23.93 %
Fees and Penalties	7,614.81	29,220.00	26.06 %
Meters	1,650.00	13,750.00	12.00 %
Plan Check & Inspection Fees	600.00	7,000.00	8.57 %
Sewer Lift Station Fees	0	5,000.00	.00 %
Maintenance Guarantee	0	5,000.00	.00 %
Franchise Fees	15,295.69	75,000.00	20.39 %
Miscellaneous Income	13,506.54	34,600.00	39.04 %
Street Lighting Charges	0	18,258.00	.00 %
Landscape Maintenance Dist Charges	0	9,660.00	.00 %
Operating Transfers In - Funded Administration	43,723.67	151,794.00	28.80 %
Operating Transfers In - Funded Replacement	170,479.20	681,917.00	25.00 %
<b>Total Revenues</b>	<b>994,000.13</b>	<b>3,457,799.00</b>	<b>28.75 %</b>
<b>OPERATIONS AND MAINTENANCE</b>			
Wages and Benefits	79,356.04	344,055.00	23.06 %
Electricity	99,803.66	585,800.00	17.04 %
Natural Gas	13,347.47	60,000.00	22.25 %
Chemicals	3,696.30	17,900.00	20.65 %
Lab Tests	9,314.00	27,500.00	33.87 %
Operating Supplies	7,692.00	33,000.00	23.31 %
Outside Services	2,744.46	42,500.00	6.46 %
Permits and Operating Fees	0	8,300.00	.00 %
Repairs and Maintenance	19,405.51	85,000.00	22.83 %
Engineering	254.20	11,000.00	2.31 %
Fuel	4,890.31	15,040.00	32.52 %
Paging Service	351.83	1,110.00	31.70 %
Meters - New Installation	28,717.63	10,000.00	287.18 %
Automatic Meter Reading Devices - New Installation	7,739.70	20,000.00	38.70 %
Meters - Replacement Program	568.43	14,000.00	4.06 %
Uniforms	536.72	4,105.00	13.07 %
Clean Up	0	6,000.00	.00 %
Operating Transfers Out - Funded Replacement	170,479.20	681,917.00	25.00 %
<b>Subtotal - O &amp; M</b>	<b>448,897.46</b>	<b>1,967,227.00</b>	<b>22.82 %</b>
<b>GENERAL AND ADMINISTRATIVE</b>			
Wages and Benefits	69,719.25	294,495.00	23.67 %
Utilities	527.15	5,700.00	9.25 %
Audit	3,300.00	3,755.00	87.88 %
Bank Charges and Fees	154.20	860.00	17.93 %
Computer Expense	3,725.47	18,500.00	20.14 %

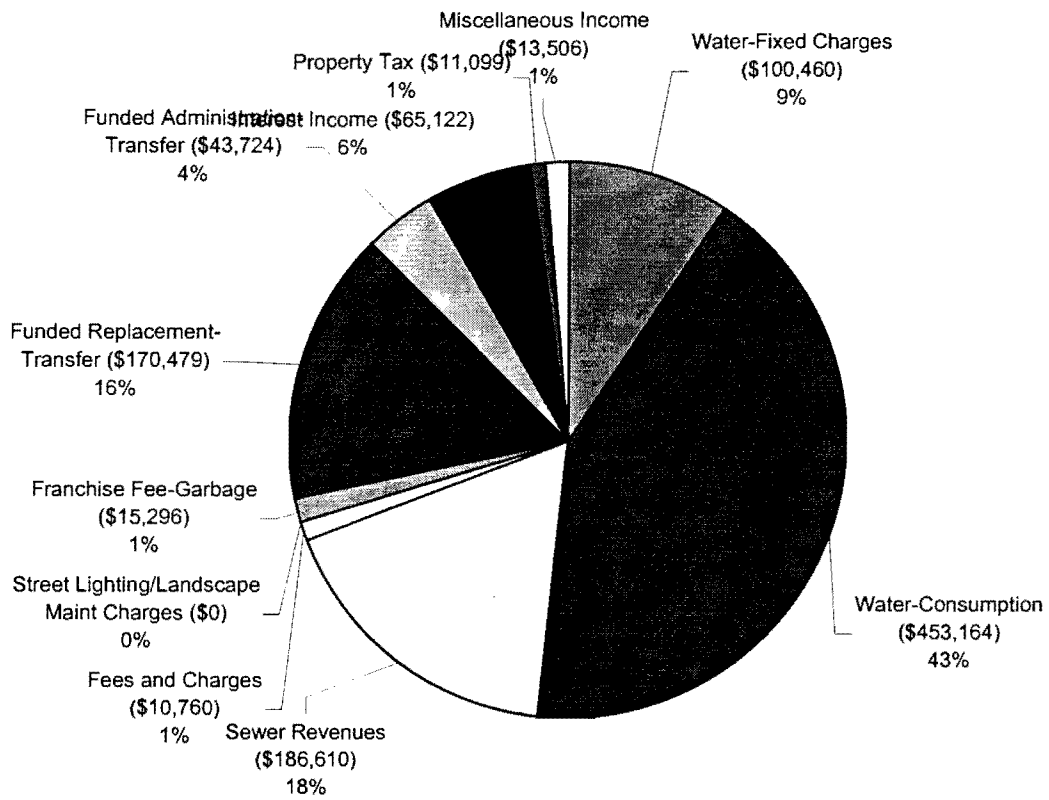
NIPOMO COMMUNITY SERVICES DISTRICT  
 INCOME STATEMENT - CONSOLIDATED  
 FOR THE PERIOD ENDING SEPTEMBER 30, 2003

	YTD ACTUAL	ANNUAL BUDGET	% OF BUDGET
Consulting	5,596.82	0	.00 %
Director Fees	3,200.00	18,500.00	17.30 %
Dues and Subscriptions	768.55	6,295.00	12.21 %
Education and Training	1,794.00	6,000.00	29.90 %
Insurance - Liability	6,990.36	28,000.00	24.97 %
LAFCO Funding	13,249.00	17,000.00	77.94 %
Landscape and Janitorial	1,880.00	16,590.00	11.33 %
Legal - General Counsel	9,784.49	56,500.00	17.32 %
Legal - Water Counsel	174,079.21	500,000.00	34.82 %
Professional Services-Unanticipated	13,580.68	12,000.00	113.17 %
Miscellaneous	367.83	2,500.00	14.71 %
Newsletters & Mailers	0	1,775.00	.00 %
Office Supplies	1,483.86	6,500.00	22.83 %
Outside Service	573.77	2,000.00	28.69 %
Postage	2,937.51	17,000.00	17.28 %
Public Notices	1,180.62	3,350.00	35.24 %
Repairs and Maintenance	371.94	5,500.00	6.76 %
Property Taxes	0	680.00	.00 %
Telephone	1,159.68	6,600.00	17.57 %
Travel and Mileage	3,343.72	7,500.00	44.58 %
Operating Transfer Out - Funded Administration	43,723.67	151,794.00	28.80 %
<b>Subtotal - G &amp; A</b>	<b>363,491.78</b>	<b>1,189,394.00</b>	<b>30.56 %</b>
<b>NON OPERATING INCOME</b>			
Interest Income	65,122.46	319,655.00	20.37 %
Property Tax Revenues	11,098.61	277,920.00	3.99 %
<b>Subtotal - Non Operating Income</b>	<b>76,221.07</b>	<b>597,575.00</b>	<b>12.76 %</b>
<b>NON OPERATING EXPENSES</b>			
Interest Expense	50,847.40	144,485.00	35.19 %
<b>Subtotal - Non Operating Expenses</b>	<b>50,847.40</b>	<b>144,485.00</b>	<b>35.19 %</b>
<b>Net Surplus/(Deficit)</b>	<b>206,984.56</b>	<b>754,268.00</b>	<b>27.44 %</b>

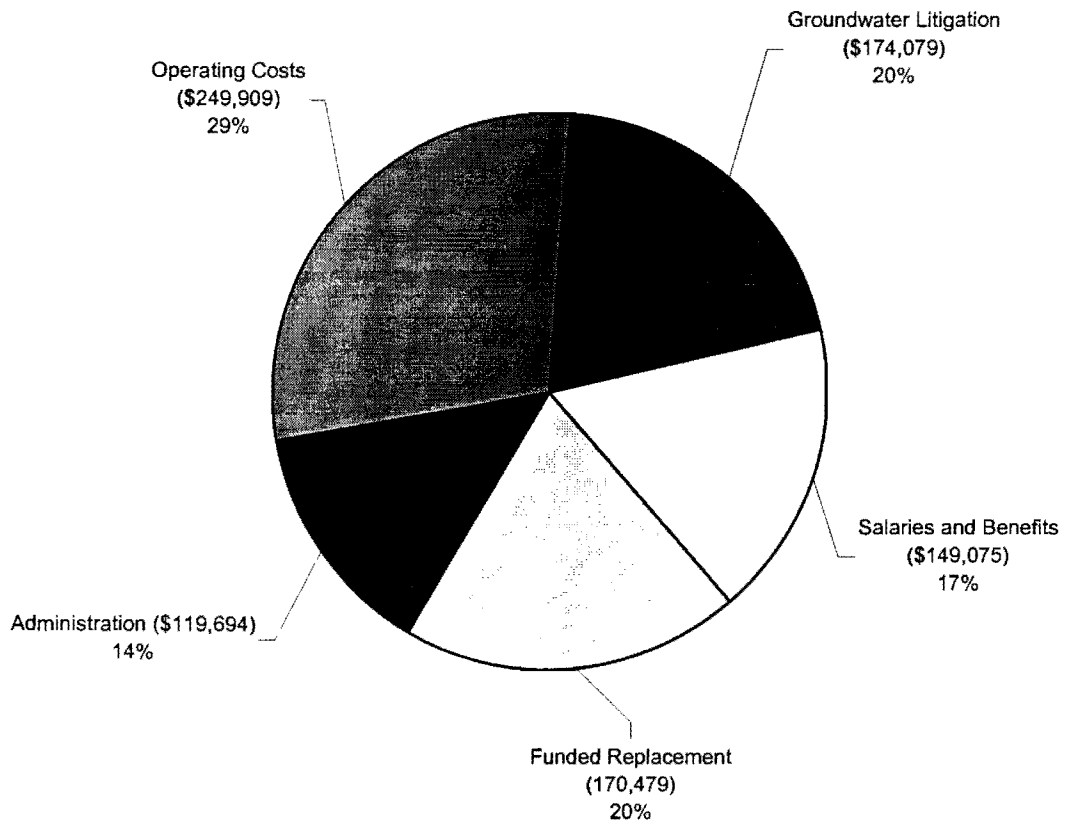
UNAUDITED

Professional Services-unanticipated includes District Legal Counsel, District Engineer, Water Counsel and Consultants for EIR on SOI, Supplemental Water Negotiations and Woodlands MOA

**NIPOMO COMMUNITY SERVICES DISTRICT  
 COMBINED REVENUE OF ALL FUNDS  
 SEPTEMBER 30, 2003**

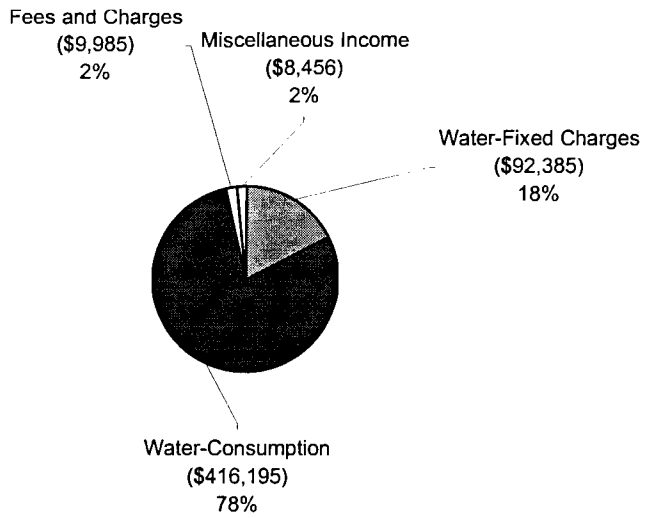


**NIPOMO COMMUNITY SERVICES DISTRICT  
COMBINED EXPENDITURES OF ALL FUNDS  
SEPTEMBER 30, 2003**

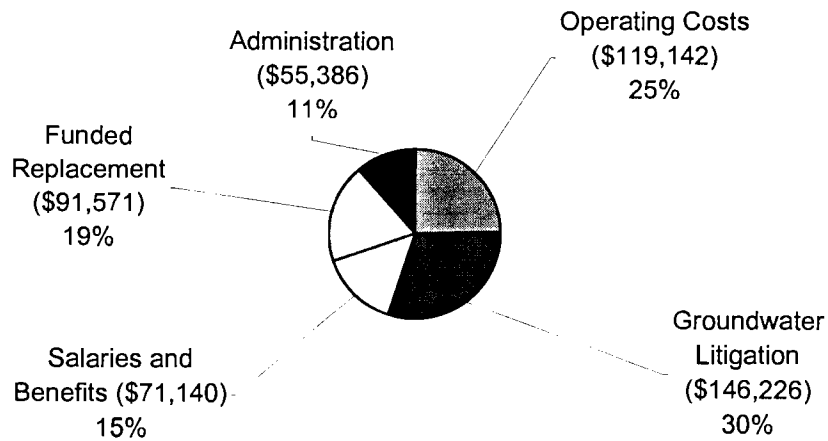




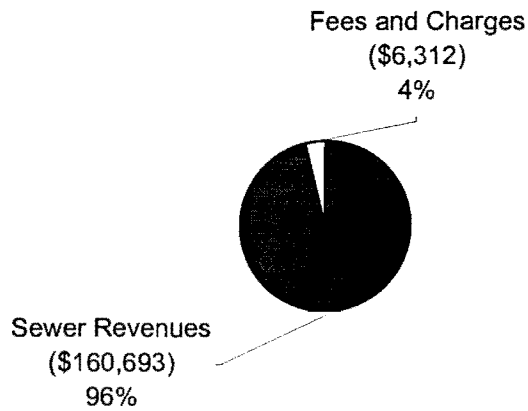
**NIPOMO COMMUNITY SERVICES DISTRICT  
TOWN WATER FUND #120  
REVENUES-SEPTEMBER 30, 2003**



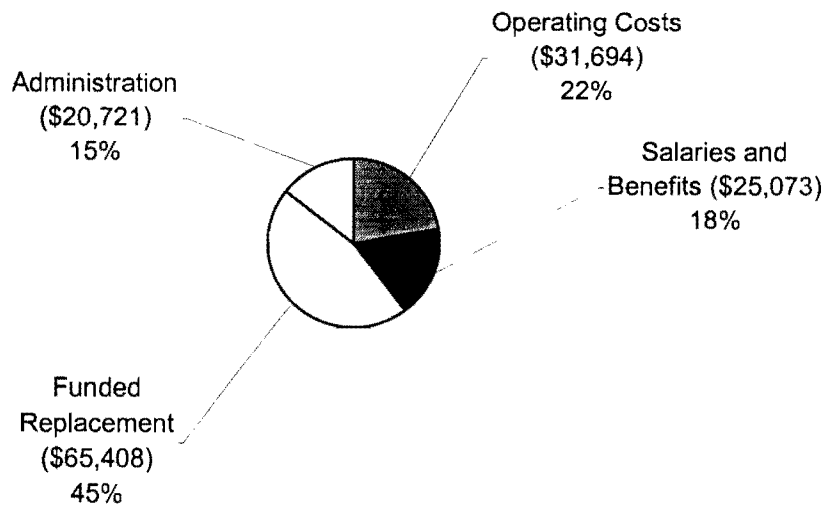
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TOWN WATER FUND #120  
EXPENDITURES-SEPTEMBER 30, 2003**



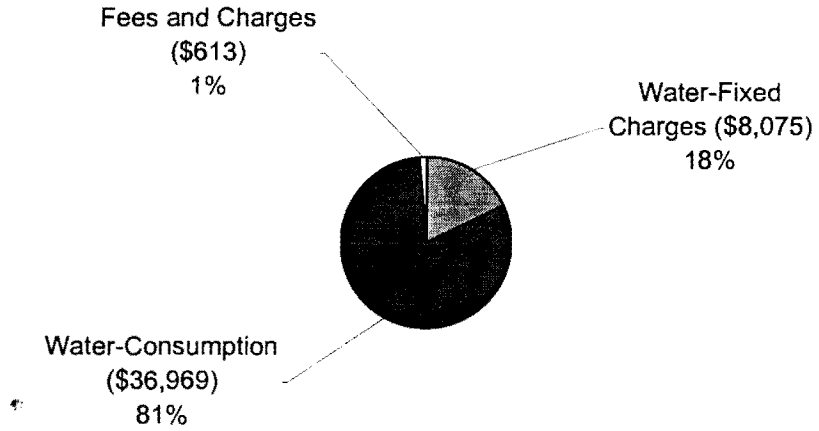
**NIPOMO COMMUNITY SERVICES DISTRICT  
TOWN SEWER FUND #130  
REVENUES-SEPTEMBER 30, 2003**



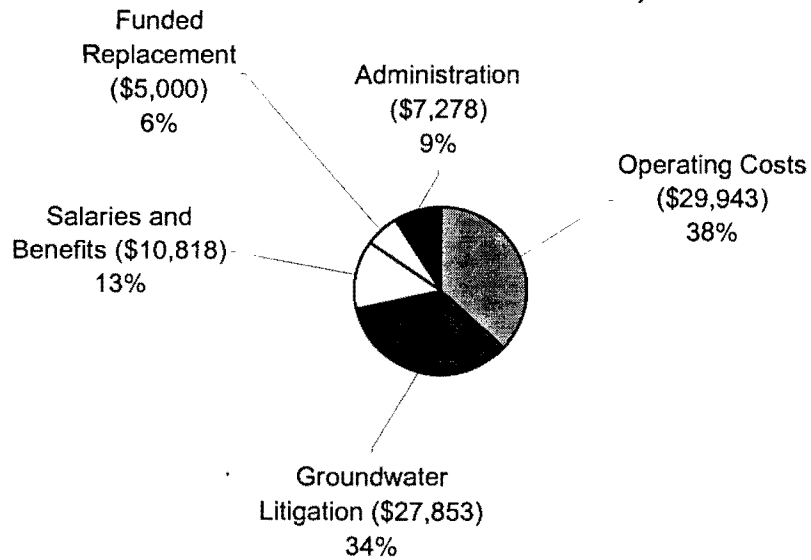
**NIPOMO COMMUNITY SERVICES DISTRICT  
TOWN SEWER FUND #130  
EXPENDITURES-SEPTEMBER 30, 2003**




**NIPOMO COMMUNITY SERVICES DISTRICT  
BLACKLAKE WATER FUND #140  
REVENUES-SEPTEMBER 30, 2003**



**NIPOMO COMMUNITY SERVICES DISTRICT  
BLACKLAKE WATER FUND #140  
EXPENDITURES-SEPTEMBER 30, 2003**



TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003

**AGENDA ITEM  
F  
OCTOBER 22, 2003**

**RESOLUTION AUTHORIZING NCSD TO INVEST MONIES IN THE  
LOCAL AGENCY INVESTMENT FUND (LAIF)**

**ITEM**

Consider Resolution Authorizing NCSD to invest monies in the Local Agency Investment Fund

**BACKGROUND**

On November 15, 1978, the Board of Directors of Nipomo Community Services District adopted Resolution No. 146, giving the District the authorization to invest monies in the Local Agency Investment Fund (LAIF). The State of California, Office of the Treasurer, has requested that our governing Board adopt a new resolution and re-certify the officers of the District that are authorized to conduct transactions. This Resolution would provide that the President, Directors, General Manager and Assistant Administrator would be authorized to conduct transactions on behalf of the District. Authorization to invest in LAIF is provided for in the District's Investment Policy.

**RECOMMENDATION**

Staff recommends that your Honorable Board adopt Resolution 2003-LAIF.

Board 2003\laif.doc

**RESOLUTION NO. 2003-LAIF  
A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE NIPOMO COMMUNITY SERVICES DISTRICT  
AUTHORIZING INVESTMENT OF MONIES  
IN THE LOCAL AGENCY INVESTMENT FUND (LAIF)**

**WHEREAS**, pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer: and

**WHEREAS**, the Nipomo Community Services District does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated herein as in the best interests of the Nipomo Community Services District.

**NOW, THEREFORE, BE IT RESOLVED**, that the following Nipomo Community Services District officers **or their successors in office** shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Michael Winn	President
Judith Wirsing	Director
Robert Blair	Director
Clifford Trotter	Director
Larry Vierheilig	Director
Doug Jones	General Manager
Lisa Bognuda	Assistant Administrator

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and on the following roll call vote, to wit:

AYES:           Directors  
NOES:  
ABSENT:  
ABSTAIN:

the foregoing resolution is hereby adopted this 22nd day of October, 2003.

\_\_\_\_\_  
Michael Winn, President  
Nipomo Community Services District


ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Donna K. Johnson  
Secretary to the Board

\_\_\_\_\_  
Jon S. Seitz  
General Counsel

RES\2003-laif.doc

TO: BOARD OF DIRECTORS  
FROM: DOUG JONES   
DATE: OCTOBER 22, 2003

**AGENDA ITEM**  
**G**  
**OCTOBER 22, 2003**

MANAGER'S REPORT

G-1) COMPLEMENTARY LETTER FROM CUSTOMER

The attached letter was received commending District staff Kathy Beltran for her diligent work of collecting revenues due.

G-2) CDF State Responsibility Area Fire Protection Fees

SENATE BILL 1049 has been passed by the Legislature and signed by the Governor. This bill funds California Division of Forestry (CDF) by imposing a fee on individual properties within their jurisdiction. The attached document outlines the fee program.

DEBORAH A. WHITFORD

October 9, 2003

Nipomo Community Services District  
148 S. Wilson  
P.O. Box 326  
Nipomo, CA 93444

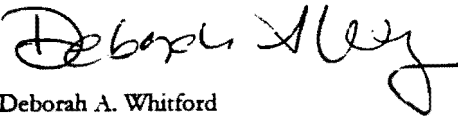
Re: 490 Nopal Way, Nipomo

Dear Sir or Madam:

I just finished a telephone conversation with Kathy at your office whereby she informed me that you took steps to collect the amount owed by our former tenant Ms. Marilyn Colman and were in fact successful resulting in a refund check being mailed today.

I am grateful and extend my deepest appreciation for your efforts. In today's bureaucratic environment, most administrative agencies take the easy way out, charge the landlord, and don't seek payment from the true debtor. You have lived up to your name in that you serve the Nipomo community. You don't just provide water, you provide excellent service. Thank you so very much.

Very Truly Yours,



Deborah A. Whitford

OCT 10 2003

SERVICES DISTRICT

330 ST. ANDREWS WAY • SANTA MARIA • 93455  
PHONE: 805-937-2662 • CELL: 805-448-6909

September 17, 2003

## **State Responsibility Area Fees**

The Legislature reduced CDF's General Fund for fire fighting by \$50 million. It proposed replacing those funds with fees on private property owners in SRA. SB 1049, including those fees, was passed by the Legislature and sent to the Governor for signature.

### **What is the SRA Fee?**

In the bill, the fee is referenced as a "State Responsibility Area Fire Protection Benefit Fee".

### **How is the fee applied?**

On each parcel of land located, in whole or in part, within state responsibility land. If any portion of a parcel is located within SRA, the fee is applied to the parcel. The size of the parcel has no effect on the fee, all parcels, or portions of a parcel are assessed the same rate. Each county must remit the collected fee to the state within 30 days of receiving the fee.

The fees will be deposited into a new fund, the State Responsibility Area Fire Protection Fund, created in the State Treasury.

### **Parcels exempt from the fee:**

Owned by a public agency and located within the boundaries of the public agency, and parcels exempt from property taxes.

### **Who will collect the fee?**

The fee will be collected by each affected county in the same manner and at the same time the county collects the secured property taxes.

CDF shall notify each county treasurer by June 30, 2004, of the amount it anticipates owners to remit for the 2003-04 fiscal year.

The county collecting the benefit fees may increase the benefit fees by an amount to cover its reasonable cost of levying, collection, and apportionment and retain that increased amount. For example, if the SRA Fee is \$35.00, the county may charge 25 cents per parcel to complete its work. The levy on the property owner's tax bill would then be \$35.25. All county charges are in addition to the SRA Fee on the tax bill and are retained by the county.



**First year charges:**

For only the first year (2003-04 fiscal year), the fee shall be \$70.00. For the second year (2004-05), the fee shall be \$35.00.

Because authority to collect this fee will not be in force until January 1, 2004, for the purposes of the 2003-04 fiscal year, the fee shall be apportioned for that period of the fiscal year in which this authority is in effect. It shall be no less than one-half of a year only for the first year.

The property tax bill a property owner receives will most likely have an entry for the SRA Fees with a \$70.00 (plus county collection fee) rate for the 2003-04 and 2004-05 fiscal years. The \$70.00 is the sum of \$35 (\$70 apportioned for 6 months) for the 2003-04 fiscal year and \$35 for the 2004-05 fiscal year.

CDF may contract for services related to establishment of the fee collection process. These charges would be paid from the \$2.5 million appropriation included in the Budget Act for administration of the fee collection. This appropriation is for CDF's costs to administer the program. All county costs will be funded through the additional surcharge the counties are authorized to include with the annual billing.

CDF shall have access to all county assessment records for purposes of administering the benefit fees imposed. CDF may authorize individual counties to perform that work on its behalf.

If the total amount deposited in the SRA Fund in any fiscal year exceeds the amount encumbered for fire protection and suppression services in state responsibility areas attributable to benefits conferred on parcels subject to the fees, the fees for the following fiscal year shall be reduced accordingly. The legislation is silent on how any shortfalls are to be addressed.

**Study**

The act requires CDF to conduct a study involving specific stakeholders. The results of the study are to be reported to the legislature on or before January 1, 2006. More information will follow relative to the specifics of the required study.

**Duration of Fee Program**

The legislation clearly authorizes fees for the 2003-04 and 2004-05 fiscal years, however, the bill is silent on the issue beyond that time. While the reference to reducing subsequent years' fees in the event of over collection appears to indicate that the program is ongoing, the bill does not give CDF explicit authority to collect for 2005-06 and later years.

(c) Any balance remaining in the Insurance Fund at the end of the fiscal year may be carried forward to the next succeeding fiscal year.

(d) Whenever the balance in the Insurance Fund is not sufficient to cover cash flow in the payment of authorized expenditures, the department may borrow such funds as may be necessary from whatever source and under terms and conditions as may be determined by the Director of Finance. Repayment shall be made from revenues received by the department for the same fiscal year for which the loan is made.

SEC. 74. Article 3.5 (commencing with Section 4138) is added to Chapter 1 of Part 2 of Division 4 of the Public Resources Code, to read:

Article 3.5. State Responsibility Area Fire Protection Benefit Fees

SB 1049

4138. The Legislature finds and declares the following:

(a) The presence of homes and other structures within state responsibility areas poses an added burden to the state's wildland firefighting resources, the incremental cost of which should be borne by the owners of these homes and structures.

(b) Individual land owners within state responsibility areas receive a disproportionate benefit, which is greater than that realized by the state's citizens generally, from fire prevention and suppression services provided by the state.

(c) In most cases local firefighting entities are available to provide structural fire protection within state responsibility areas. It is not the intent of the Legislature to substitute the state's firefighting capability for these existing services or to supplant them. However, these entities often do not possess sufficient equipment, personnel, and other necessary resources to meet the demand placed upon them in the event of large wild fires, and the state must at times provide additional firefighting resources to protect structures.

(d) It is the intent of the Legislature to provide for equitable distribution of the economic burden of fire prevention and suppression in state responsibility areas between the citizens of the state who generally benefit from those activities and those

landowners who receive a specific benefit other than that general benefit.

(e) It is necessary to impose a fee based upon the reasonable value of the specific benefit received by landowners within state responsibility areas. Furthermore, the presence of homes and other structures on a given parcel, and the size of the parcel, constitute a reasonable relationship to fire prevention and suppression benefits received.

(f) Imposition of these fees is necessary to sustain service levels associated with the department's recent protection levels, to maintain sufficient depth of forces, and to maintain the ability to provide state assistance under various mutual aid arrangements.

(g) All revenues generated by state responsibility area fire protection benefit fees imposed under this article and used for the purposes for which they are imposed, are not proceeds of taxes subject to Article XIII B of the California Constitution.

(h) Nothing in this article requires the state to provide fire prevention and suppression services beyond those set forth in this chapter, or that landowners actually use the services provided.

4139. (a) A state responsibility area fire protection benefit fee shall be imposed annually on each parcel of land located, in whole or in part, within state responsibility areas, as defined in Section 4102, except that the benefit fee may not be imposed on any of the following:

- (1) Parcels exempt from property taxes.
- (2) Parcels owned by a public agency and located within the boundaries of the public agency.

(b) For the 2003–04 fiscal year, the benefit fee for each parcel shall be seventy dollars (\$70) so that a total of thirty-five dollars (\$35) per parcel may be collected pursuant to subdivision (c) of Section 4139; for the 2004–05 fiscal year, the benefit fee for each parcel shall be thirty-five dollars (\$35).

(c) Benefit fees imposed for the 2003–04 fiscal year may be apportioned for that period of the fiscal year in which this section is in effect, but that apportionment may not be less than one half of a year. Benefit fees imposed for the 2003–04 fiscal year may be billed with the benefit fees imposed for the 2004–05 fiscal year and shall be payable by the owner of record on January 1 of the preceding fiscal year as shown on the county's secured property tax rolls. The department shall notify each affected county

treasurer by June 30, 2004, of the amount it anticipates owners to remit for the 2003–04 fiscal year.

(d) The department shall have access to all county assessment records for purposes of administering the benefit fees imposed pursuant to this article. The department may authorize individual counties to perform that work on its behalf.

(e) The benefit fees shall be collected by each county in the same manner and at the same time as secured property taxes. Notwithstanding any other provision of law, the county collecting the benefit fees may increase the benefit fees by an amount to cover its reasonable cost of levying, collection, and apportionment and may retain that increased amount.

(f) All laws relating to the levy, collection, and enforcement of county taxes apply to the benefit fees imposed pursuant to this article.

(g) It is essential that this article be implemented without delay. To permit timely implementation, the department may contract for services related to establishment of the fee collection process. For this purpose only, and for a period not to exceed 24 months, no provision of the Public Contract Code or any other provision of law related to public contracting applies.

4140. (a) Each county treasurer shall, not later than 30 days following the collection of state responsibility area fire protection benefit fees, remit all fees collected, except that portion retained pursuant to subdivision (e) of Section 4139, to the Treasurer for deposit in the State Responsibility Area Fire Protection Fund, which is hereby created in the State Treasury.

(b) Money deposited in the State Responsibility Area Fire Protection Fund shall be available, upon appropriation by the Legislature, to the department for the purpose of providing fire prevention and suppression benefits to landowners in state responsibility areas.

(c) If the total amount deposited in the State Responsibility Area Fire Protection Fund in any fiscal year exceeds the amount encumbered for fire protection and suppression services in state responsibility areas attributable to benefits conferred on parcels subject to the fees, the fees for the following fiscal year shall be reduced accordingly.

(d) Notwithstanding any other provision of law, the fees imposed during any fiscal year may be accounted for on an accrued

basis. The department may borrow against anticipated revenues to the State Responsibility Area Fire Protection Fund to meet cash flow needs.

(e) Notwithstanding any other provision of law, a loan obtained pursuant to subdivision (d) shall be interest free. The department shall repay the loan in a timely manner from revenues received into the State Responsibility Area Fire Protection Fund.

(f) Notwithstanding any other provision of law, the State Responsibility Area Fire Protection Fund is exempt from Article 2 (commencing with Section 11270) of Chapter 3 of Part 1 of Division 3 of Title 2 of the Government Code.

4140.5. This article does not prohibit a local district from contracting with the department for the provision of structural or wildland fire suppression.

4140.7. (a) The director, in consultation with the board, local governments, local fire districts, state and local firefighter employee organizations, and other interested parties, the combination of which shall represent a geographic balance within state responsibility areas, shall convene a stakeholder group to evaluate the method by which fire protection and suppression services in state responsibility areas are provided, and to make a report containing the information listed in subdivision (c) available to the Legislature on or before January 1, 2006.

(b) (1) The director shall post notice of all of the stakeholder group's meetings on the department's Web site at least two weeks before each meeting.

(2) The stakeholder group's meetings shall be held in various locations throughout the state.

(3) All meetings of the stakeholder group shall be open to the public.

(c) The report shall contain at least all of the following:

(1) A summary of the current legal and financial relationships between the state and local governments and local fire districts, with respect to fire protection in state responsibility areas.

(2) All relevant information and policy options pertaining to whether increased responsibility, funding, and training, with respect to state responsibility areas, should be given to local governments and local fire districts.

(3) All relevant arguments pertaining to whether the collection of state fees for fire protection and suppression services in state

responsibility areas in all areas of the state should continue in order to ensure that the beneficiaries of fire protection and suppression services are paying for those services.

(4) Recommendations on the conditions and terms by which a fee for fire suppression and protection services should be continued and in what amount, taking into account local conditions and the various circumstances under which fire protection and suppression services are currently structured.

(5) A recommendation of whether the designation and delineation of state responsibility areas can be improved to ensure that local governments and residents are aware of the boundaries of state responsibility areas.

SEC. 75. Section 25534 of the Public Resources Code is amended to read:

25534. (a) The commission may, after one or more hearings, amend the conditions of, or revoke the certification for, any facility for any of the following reasons:

(1) Any material false statement set forth in the application, presented in proceedings of the commission, or included in supplemental documentation provided by the applicant.

(2) Any significant failure to comply with the terms or conditions of approval of the application, as specified by the commission in its written decision.

(3) A violation of this division or any regulation or order issued by the commission under this division.

(4) The owner of a project does not start construction of the project within 12 months after the date all permits necessary for the project become final and all administrative and judicial appeals have been resolved provided the California Consumer Power and Conservation Financing Authority notifies the commission that it is willing and able to construct the project pursuant to subdivision (g). The project owner may extend the 12-month period by 24 additional months pursuant to subdivision (f). This paragraph applies only to projects with a project permit application deemed complete by the commission after January 1, 2003.

(b) The commission may also administratively impose a civil penalty for a violation of paragraph (1) or (2) of subdivision (a). Any civil penalty shall be imposed in accordance with Section 25534.1 and may not exceed seventy-five thousand dollars (\$75,000) per violation, except that the civil penalty may be