



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

AMENDED REGULAR MEETING AGENDA Monday, June 3, 2024

Doors Open: 8:00 A.M.
Meeting Starts: 8:15 A.M.

In-Person Participation
County Administration Center
1600 Pacific Highway, Room 302
San Diego, California

Video-Teleconference Participation
<https://www.zoom.us/join>
Meeting ID 895 6767 7168 | Passcode 508649
(669) 900-9128

Video Viewing Only
[@sandiegolafco9909](#)

San Diego LAFCO		
Commissioner	Appointing Authority	Affiliation
Chair Stephen Whitburn	Mayor of the City of San Diego	City of San Diego
Vice Chair Barry Willis	Independent Special Districts	Alpine Fire Protection
Immediate Past Chair Jim Desmond	Board of Supervisors	County of San Diego
Joel Anderson	Board of Supervisors	County of San Diego
Kristi Becker	Cities Selection Committee	City of Solana Beach
Jo MacKenzie	Independent Special Districts	Vista Irrigation
Dane White	Cities Selection Committee	City of Escondido
Harry Mathis	Commission	General Public
Alternate David A. Drake	Independent Special Districts	Rincon del Diablo MWD
Alternate Vacant	Commission	General Public
Alternate John McCann	Cities Selection Committee	City of Chula Vista
Alternative Nora Vargas	Board of Supervisors	County of San Diego
Alternate Marni von Wilpert	Mayor of the City of San Diego	City of San Diego

Participation Instructions:

In person attendance by the public is welcomed. LAFCO meets in Room 302 in the County Administration Center (1600 Pacific Highway). Three-hour visitor parking is available using the Ash Street entrance. To provide comments on any item, please turn in a speakers slip to LAFCO staff before the item commences.

Remote participation by video or telephone is welcomed through Zoom by following these instructions.

Comments by Video	Comments by Telephone
1. Click or type the link found at the top of the agenda	1. Dial + 1-669-900-9128
2. Type the Meeting ID identified on the top of this agenda followed by the Passcode	2. Dial the Meeting ID identified at the top of the agenda followed by the Passcode
3. Click the raise hand icon	3. Dial *9 to raise your hand
4. LAFCO will announce your name as it appears when it is your turn to speak	4. LAFCO will call out the last 4 digits of your phone number when it is your turn to speak
5. Click the speaker icon to unmute to speak	5. Dial *6 to unmute yourself

All comments – whether provided in person or remotely (video and telephone) – are limited to three minutes for individuals and five minutes for agencies and community organizations. The Chair may adjust the time allowance as they deem appropriate in managing the Commission’s business.

Remote participation by e-mail is also welcomed by sending comments to Acting Commission Clerk Michaela Peters at michaela.peters@sdcounty.ca.gov.

- All e-mails received before 3:00 P.M. one business day before the meeting will be forwarded to the Commission and posted online prior to the start of the meeting. These comments will also be referenced at the meeting.
- All e-mails received after 3:00 P.M. one business day before the meeting and up until the conclusion of the item by the Commission will be noted for the record by LAFCO staff with a good-faith summary and subsequently posted online.

Public Accommodations:

Assistance for the disabled is available by contacting LAFCO staff prior to the meeting. To the extent possible, accommodation requests should be submitted at least 72 hours in advance.

Spanish language translation services are readily available at LAFCO meetings. Translation services covering other languages may be made available upon request at least 72 hours prior to the meeting.

Contact Information:

Michaela Peters
Analyst II
Acting Commission Clerk
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T: 619-321-3380
F: 619-404-6508
E: michaela.peters@sdcounty.ca.gov

1. 8:15 A.M. – CALL TO ORDER BY CHAIR

a) Roll Call of Commissioners Present

b) Pledge of Allegiance

2. STATEMENT (JUST CAUSE) AND/OR CONSIDERATION OF A REQUEST TO PARTICIPATE REMOTELY (EMERGENCY CIRCUMSTANCES) BY A COMMISSIONER, IF APPLICABLE.

3. AGENDA REVIEW

The Executive Officer will summarize the agenda as well as to advise of any requested changes. The Chair will also consider requests from Commissioners.

4. PUBLIC COMMENT AND OPPORTUNITY FOR PUBLIC TO REQUEST DISCUSSION ON CONSENT ITEMS

Opportunity for members of the public to speak to the Commission on any subject matter within the Commission's growth management duties/interests but not on an item listed on the agenda. Three-minute limit. This is also an opportunity for the public to request the Commission pull an item listed on the consent calendar for discussion.

5. CONSENT ITEMS

All items calendared as consent are considered ministerial and subject to a single motion approval. The Chair will entertain requests by Commissioners to pull any items for discussion.

a) Approval of Meeting Minutes for May 6, 2024 (action)

The Commission will consider action minutes prepared by the Acting Commission Clerk for the May 6, 2024 meeting. Recommendation to approve as presented. (Pages 7-18)

b) Commission Ratification | Recorded Payments for April 2024 (action)

The Commission will review a report identifying all payments made and received for April 2024. Recommendation to ratify payments as presented. (Pages 19-24)

c) Progress Report on the Adopted Workplan (action)

The Commission will receive a progress report on accomplishing the 30 projects included in the adopted workplan for 2023-2024. The report is being presented to the Commission to receive and file with the opportunity to identify potential amendments for future consideration. (Pages 25-28)

d) Report on Active Proposals and Related Activities (information)

The Commission will receive a status report on 27 active proposals currently on file as well as anticipated filings based on ongoing discussions with proponents. The item is for information and concurrently satisfies LAFCO's reporting requirement involving petition-initiated proposals. (Pages 29-40)

6. PUBLIC HEARING ITEMS |

COMMISSIONER DISCLOSURE OF EX PARTE COMMUNICATIONS

Public hearing items require expanded public notification per provisions in State law or have been voluntarily scheduled by the Executive Officer to ensure opportunity for public input. All public hearing items require verbal disclosures by Commissions regarding any material communications.

a) Municipal Service Review |

Draft Report on Municipal Service Review on the Oceanside Region (action)

The Commission will receive a draft report prepared as part of the scheduled municipal service review on the Oceanside region. The item has been prepared as part of the adopted workplan to address the Commission's task in statute to independently evaluate public services in the region with a specific focus on the principal local government agencies subject to its oversight – City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Service District. The staff presentation will detail the draft report's tentative conclusions and recommendations. Staff is seeking feedback from the Commission and other interested members of the public – including the affected agencies – on the draft ahead of formally initiating a 45-day review and comment period and returning with a final document for formal action at a future meeting. (Pages 41-242)

7. BUSINESS CALENDAR

Business items involve regulatory, planning, or other items that do not require a notice hearing.

a) White Paper on Regional Growth Management |

“The Contours of Regional Growth: How Different Agencies Shape Development and Transportation Patterns in the San Diego Region” (action)

The Commission will receive a white paper evaluating the San Diego region's growth management policies and practices consistent with the adopted workplan. The William Fulton Group has prepared the white paper. It explores the historical and emerging roles among the principal regional growth management agencies in San Diego County – LAFCO, the County of San Diego, and the San Diego Association of Governments (SANDAG). Staff recommends the Commission formally accept and file the white paper with any related requests for additional information. (Pages 243-284)

b) Establishing a Communications Associate Position and Related Actions (action)

The Commission will consider approving a new job classification – Communication Associate – along with related staffing actions. The proposed new job classification has been prepared in consultation with the Commission's contract human resources advisor – Regional Government Services – in line with the conclusion that a new non-management position is needed to provide specified functions that are otherwise displaced among three existing classifications (Administrative Assistant, Executive Assistant, and Analyst I). The responsibilities of the Communication Associate would primarily focus on performing outreach-based tasks and serving as a front-line liaison between the public and the balance of LAFCO staff. The proposed wage and benefit package aligns with that of Analyst I, offering an approximate annual salary range of \$55,228 to \$86,807. It is similarly recommended the Commission modify the approved budgeted staffing allocation for FY 2025 by replacing one of the three open and budgeted Analyst I positions with the Communications Associate. No financial impacts are associated with the staff recommendations. (Pages 285-292)

BUSINESS CALENDAR CONTINUED

c) Outside Audit Report on Fiscal Year 2022-2023 (action)

The Commission will receive an outside audit report on the financial statements issued for 2022-2023. The outside audit concludes all tested transactions were accompanied by sufficient documentation and no material weaknesses were identified. The audited fund balance finished at \$1.613 million and reflects a year end change of \$0.108 million or 7.2% from the prior fiscal year and ties to an operating surplus. It is recommended the Commission accept and file the audit report.

8. EXECUTIVE OFFICER REPORT

9. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

10. ADJOURNMENT

Attest to Posting:



Michaela Peters
Acting Commission Clerk

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5a

AGENDA REPORT
 Consent | Action

June 3, 2024

TO: Commissioners
FROM: Michaela Peters, Interim Commission Clerk
SUBJECT: **Approval of Meeting Minutes |
 Regular Meeting of May 6, 2024**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider draft minutes prepared for the regular meeting held on May 6, 2024. The minutes are in action form and being presented for formal Commission approval.

BACKGROUND

The Ralph M. Brown Act was enacted by the State Legislature in 1953 and – among other items – requires public agencies to maintain written minutes for qualifying meetings.

DISCUSSION

This item is for San Diego LAFCO to consider approving action minutes for the May 6, 2024, regular meeting. The attendance record for the meeting follows.

- All regular Commissioners were present.
- All alternate Commissioners were present except David Drake (District), Nora Vargas (County), and Marni von Wilpert (City of San Diego).

Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org	Joel Anderson County of San Diego Jim Desmond County of San Diego Nora Vargas, Alt. County of San Diego	Kristi Becker City of Solana Beach Dane White City of Escondido John McCann Alt. City of Chula Vista	Chair Stephen Whitburn City of San Diego Marni von Wilpert, Alt. City of San Diego	Vice Chair Barry Willis Alpine Fire Protection Jo MacKenzie Vista Irrigation David Drake, Alt. Rincon del Diablo	Harry Mathis General Public Vacant, Alt. General Public
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ANALYSIS

The attached draft minutes for the May 6, 2024, regular meeting accurately reflect San Diego LAFCO's deliberations as recorded by the Commission Clerk. A video recording of the meeting has also been posted on the Commission's website (www.sdlafco.org).

RECOMMENDATION

It is recommended San Diego LAFCO approve the draft minutes prepared for the May 6, 2024, regular meeting as presented. This recommendation is consistent with Alternative One outlined in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):

Approve the attached draft minutes prepared for the May 6, 2024, regular meeting with any requested corrections or clarifications.

Alternative Two:

Continue the item to the next regular meeting and provide direction to staff as needed.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Commission.

Respectfully,



Michaela Peters
Interim Commission Clerk

Attachment:

- 1) Draft Meeting Minutes for May 6, 2024

**DRAFT MINUTES
SAN DIEGO LAFCO
May 6, 2024 REGULAR MEETING**

1. 8:15 A.M. – CALL TO ORDER BY CHAIR

**Item 1a
ROLL CALL**

The regular meeting was called to order at 8:15 a.m. by Chair Whitburn. The Commission Clerk performed the roll call with the following attendance recorded.

Regulars Present: Harry Mathis, Public
Kristi Becker, City of Solana Beach
Jim Desmond, County of San Diego
Jo MacKenzie, Vista Irrigation District
Joel Anderson, County of San Diego
Stephen Whitburn, City of San Diego (CHAIR)
Dane White, City of Escondido
Barry Willis (VICE CHAIR)

Alternates Present: John McCann, City of Chula Vista

Members Absent: David Drake (alternate)
Nora Vargas, County of San Diego (alternate)
Marni von Wilpert, City of San Diego (alternate)

The Commission Clerk confirmed a quorum with seven voting members present. Also present at the time of roll call were the following LAFCO staff: Executive Officer Keene Simonds; Assitant Executive Officer Priscilla Mumpower; Commission Counsel Holly Whatley; Local Government Analyst I Michaela Peters; and GIS Analyst Dieu Ngu.

Commissioner Joel Anderson arrived at approximately 8:25 a.m.

**Item 1b
PLEDGE OF ALLEGIANCE**

Vice Chair Willis led the Pledge of Allegiance.

2. STATEMENT (JUST CAUSE) AND/OR CONSIDERATION OF A REQUEST TO PARTICIPATE REMOTELY (EMERGENCY CIRCUMSTANCES) BY A COMMISSIONER, IF APPLICABLE

None.

3. CLOSED SESSION

Conference with Legal Counsel--Anticipated Litigation:

Pursuant to Government Code Section 54956.9(d)(3)): Significant exposure to litigation pursuant to paragraph (3) of subdivision (d) of Section 54956.9 related to San Diego Unified Port District. (One case.)

Chair Whitburn invited public comments on the topic with the following persons addressing the Commission in person:

- Chairman of the Port of San Diego Frank Urtasun

Chair Whitburn then adjourned the meeting into close session.

In returning to open session, Chair Whitburn announced the Commission unanimously approved a motion to enter into a Tolling Agreement with the Port of San Diego extending through September 30th. The Chair announced no hearing would be held for Item 8a, with the exception to allow speakers to make public comments during the Agenda Item review.

Chair Whitburn was excused from the meeting with Vice Chair Barry Willis to carry out the remainder of the meeting.

4. AGENDA REVIEW (Commenced at 8:45 a.m.)

Vice Chair Willis asked the Executive Officer if there were any requests to remove or rearrange items on the agenda. The Executive Officer responded no changes to the agenda are needed and no supplemental correspondence on any of the items had been received.

5. PUBLIC COMMENT AND RELATED ITEMS

Vice Chair Willis invited anyone from the public to address the Commission on a matter not directly related to an agenda item. The Commission Clerk confirmed there were no registered speakers (audience or remote) or live e-mail comments.

6. CONSENT ITEMS

Item 6a

Approval of Meeting Minutes for March 4, 2024 (action)

Item presented to approve draft action minutes prepared for the Commission's March 4, 2024 meeting. Recommendation to approve.

Item 6b

Commission Ratification | Recorded Payments for February and March 2024 (action)

Item presented to ratify recorded payments made and received by the Executive Officer for February and March 2024. Recommendation to ratify.

CONSENT ITEMS CONTINUED...

Item 6c

Results of Protest Hearing | Conditionally Approved “City of Carlsbad Change of Organization” Detachment from Leucadia Wastewater District and Concurrent Sphere of Influence Action (CO23-091) (action)

Item presented to Commission to receive the results of the protest hearing held for the “City of Carlsbad Change of Organization,” which was conditionally approved by the Commission in February 2024 and involved the detachment of three non-contiguous areas within the City of Carlsbad from the Leucadia Wastewater District (WD). The noticed protest hearing was held on April 3rd. No protest was filed at the close of the hearing. The protest hearing results were presented for the Commission to formally receive and file. Recommendation to receive and file.

Item 6d

Progress Report on the Adopted Workplan (action)

Item presented to receive a progress report on accomplishing the 30 projects included in the adopted workplan for 2023-2024. Recommendation to formally receive and file with the opportunity to identify potential amendments for future consideration.

Item 6e

Report on Active Proposals and Related Activities (information)

Item presented to receive a status report on the 26 active proposals currently on file as well as anticipated filings based on ongoing discussions with proponents. Information only.

**

Roll call requested:

AYES:	Becker, Desmond, MacKenzie, Mathis, White, and Willis
NOES:	None
ABSENT:	Anderson, Drake, Vargas, von Wilpert, and Whitburn
ABSTAINING:	None

The Commission Clerk confirmed the motion was approved 6-0.

**7. PUBLIC HEARING ITEMS |
COMMISSIONER DISCLOSURE OF EX PARTE COMMUNICATIONS**

Item 7a

**Proposed “Sky ranch Change of Organization” |
Detachment from helix Water District and Conforming Sphere Amendment (action)**

Item presented to consider a change of organization proposal initiated by resolution of the Padre Dam Municipal Water District. The proposal seeks Commission approval to detach approximately 26.5 acres of incorporated territory within the City of Santee from the Helix Water District. The affected territory as submitted is presently developed with 27 single-family residences and ancillary improvements – including public right-of-way segments and dedicated open space – that is part of the Sky Ranch Subdivision. (...)

PUBLIC HEARING ITEMS CONTINUED...

Item 7a Continued...

The proposal's purpose is to eliminate an existing overlap between Padre Dam and Helix and in doing so make explicit that Padre Dam is the authorized water service provider going forward. Staff recommends conditional approval of the proposal with a conforming sphere amendment, delegate protest proceedings to the Executive Officer, and find the project is exempt under CEQA Guidelines Section 15061(b)(2) and (3). It is also recommended the Commission waive Policy L-106 and its provisions that would otherwise require a new municipal service review to inform the sphere amendment given the last study of record is more than five years old.

Executive Officer, through the Vice Chair invited any disclosures from Commissioners on material ex parte communications. No disclosures were reported.

Local Government Analyst I Michaela Peters provided the staff presentation and detailed the reasons for the recommendations.

Vice Chair Willis proceeded to open the hearing and invited questions and comments from the Commissioners. A brief discussion followed on the dais.

At the request of Executive Officer through the Vice Chair, the Commission Clerk confirmed there were requests from audience members to speak. It was also confirmed no requests to speak were online or any live e-mail comments. The Vice Chair proceeded to close the hearing and invited a motion.

Commissioner Desmond motioned with a second from Commissioner Becker to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

AYES:	Becker, Desmond, MacKenzie, Mathis, White, and Willis
NOES:	None
ABSENT:	Anderson, Drake, Vargas, von Wilpert
ABSTAINING:	None

The Commission Clerk confirmed the motion was approved 6-0.

Item 7b

Proposed Final Workplan and Budget for 2024-2025 (action)

Item presented to consider recommendations in adopting a proposed final workplan and budget for 2024-2025. Both items returned following their draft adoption in March and subsequent public review – including presentations to the Cities and Special Districts Advisory Committees (...)

PUBLIC HEARING ITEMS CONTINUED...

Agenda Item 7b Continued...

The final workplan remained unchanged and outlined 30 activities in priority order and headlined by continuing municipal service reviews on wholesale water service providers (No. 1a) and healthcare districts (No. 1b). The final workplan informs the proposed final budget and has been revised from the draft to include additional monies to salaries and benefits – specifically \$0.025 million as detailed – and results in an updated proposed total of \$2.912 million in matching expenses and revenues. The operating portion of expenses tallies \$2.428 million and reflects a 7.4% increase above the current fiscal year and largely involves inflationary adjustments. Local agencies' apportionments continue to represent nine-tenths of all operating revenues and are set to increase in line with the rise in operating expenses at 7.4%.

Assitant Executive Officer Priscilla Mumpower provided the staff presentation.

Vice Chair Willis opened the hearing and invited questions and comments from the Commissioners. A short discussion followed on the dais and included Commissioner Desmond proposing to move the MSR on SANDAG up to number two on the Workplan.

Commissioner Desmond motioned to approve a recommendation made by himself to move Workplan item number 12 (SANDAG MSR) up to item number 2 with a second from Commissioner White.

At the request of the Vice Chair, the Commission Clerk confirmed there were no requests from audience members to speak. It was also confirmed no requests to speak were online or any live e-mail comments. The Chair proceeded to close the hearing and invited a motion.

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Roll call requested:

AYES: Becker, Desmond, Mathis, White, and Willis
NOES: Anderson and MacKenzie
ABSENT: Vargas, von Wilpert, and Whitburn (Chair)
ABSTAINING: None

The Commission Clerk confirmed the motion was approved 5-2.

Item 7c

Municipal Service Review |

Draft Report on Municipal Service Review on the Oceanside Region (Continued)

The Executive Officer continued this voluntarily noticed hearing item to the June 3, 2024 meeting. This continuance will provide staff additional time to address technical comments received during the administrative review by the three affected agencies (City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Services District). There was no associated agenda report with this item. Update only, no action.

8. BUSINESS ITEMS

Item 8a

Merits of Request for Reconsideration |

March 4th Approvals Determining the San Diego unified Port District is Subject to San Diego LAFCO Oversight and Related Authorizations (no action)

Item pulled from the dais after closed session discussion to enter into Tolling Agreement with the Port of San Diego.

Vice Chair Willis invited public comments on the on the otherwise agendized topic with the following persons addressing the Commission in person:

- Special Counsel to the Port of San Diego Scott Smith
- National City Resident and Councilmember Marcus Bush
- Coronado Resident Laura Wilkinson-Sinton

At the request of Vice Chair Willis, the Commission Clerk confirmed there were no other requests from audience members to speak. It was also confirmed no requests to speak were online or any live e-mail comments.

Item 8b

Proposed Policy on Out-of-Agency Services (action)

Item presented to consider approving a policy to govern outside service approvals for cities and special districts. The item is part of LAFCO's adopted workplan and most recently reviewed by the Commission in October 2023 before separate presentations were made to the Cities and Special Districts Advisory Committees in December 2023 and March 2024, respectively. The version before the Commission reflects feedback generated since October and continues to be premised on providing clear rules of engagement in implementing Government Code Section 56133 and its provisions requiring cities and districts to first request and receive approval from LAFCOs before providing out-of-agency services by contracts. Staff recommends approval of the policy with any desired changes along with setting an immediate effective date.

LAFCO Assistant Executive Officer Priscilla Mumpower provided the staff presentation. The Assistant Executive Officer also shared three requested revisions from Commissioner Desmond and MacKenzie to add to Section 3(c), amend Section 5 with the addition of "b)", and amend Section 7 with the addition of "b)" and followed by comments from the Executive Officer to reiterate requested revisions.

A brief discussion followed by Commissioners with concerns expressed by Commissioner MacKenzie on specific topics.

BUSINESS ITEMS CONTINUED...

Item 8b Continued...

Vice Chair Willis invited public comments on the topic with the following persons addressing the Commission in person:

- Special Counsel for Palomar Healthcare District John Kern

At the request of Vice Chair Willis, the Commission Clerk confirmed there were no requests from audience members to speak. It was also confirmed no requests to speak were online or any live e-mail comments. The Vice Chair proceeded to invite Commission discussion.

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Commissioner Desmond motioned with a second from Commissioner MacKenzie to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

AYES: Anderson, Becker, Desmond, Mathis, MacKenzie, White, and Willis
NOES: None
ABSENT: Drake, Vargas, von Wilpert, and Whitburn (Chair)
ABSTAINING: None

The Commission Clerk confirmed the motion was approved 7-0.

Item 8c

Outreach and Education Plan Update | Sustainable Agricultural Lands Conservation Planning Grant 2.0 (information)

Item presented to give an update on the ongoing SALC planning grant – i.e., “SALC 2.0” – in partnership with the County of San Diego’s Planning and Development Services (PDS). This update was prepared in response to a request made by public members and the Commission at the March meeting and specifically to outline past and current outreach strategies for SALC 2.0. The County of San Diego’s Planning and Development Services (PDS) is leading the outreach and education plan component of current grant work in conjunction with Rick Engineering – as an outside outreach consultant (...)

The update was for information and provided an opportunity for the Commission to ask questions or provide related feedback.

LAFCO Analyst I Michaela Peters provided the staff presentation.

A brief discussion followed by Commissioners with concerns expressed by Commissioner Desmond and Chair Willis and detailed explanations to questions and comments given by Analyst I Michaela Peters and Assistant Executive Officer Priscilla Mumpower.

BUSINESS ITEMS CONTINUED...

Item 8c Continued...

Vice Chair Willis invited public comments on the topic with the following persons addressing the Commission online via Zoom:

- Chairman of the Avocado Growers of California, Dan Coxe
- Local Grower & Business Owner, Eddie Grangetto

At the request of Vice Chair Willis, the Commission Clerk confirmed there was one live email comment received from producer Rick Carey and proceeded to read the submittal into the record.

Item 8d

Presentation | Update on Municipal Service Review on Healthcare Districts (information)

Item presented to receive a presentation on activities underway as part of the scheduled two-part municipal service review on healthcare districts. The presentation serves as an update on the municipal service review given its high-priority placement on the workplan paired with recent related media coverage concerning operational changes involving two of the four affected districts. The update was provided for information with the opportunity for the Commission to provide real-time feedback in line with the staff's current expectation of producing a draft on the first part of the municipal service review in early 2025.

LAFCO Consultant Adam Wilson provided the staff presentation.

Vice Chair Willis invited public comments on the topic with the following persons addressing the Commission:

- Special Counsel of Palomar Healthcare District, John Kern

At the request of Vice Chair Willis, the Commission Clerk confirmed there were no requests from audience members to speak. It was also confirmed no requests to speak were online or any live e-mail comments. The Vice Chair proceeded to invite Commission discussion.

9. EXECUTIVE OFFICER REPORT

Executive Officer Keene Simonds noted the following items:

- Assistant Executive Officer, Priscilla Mumpower gave update on the Ad Hoc Committee for the recruitment of the Alternate Public Member, closing on June 10th.

10. COMMISSIONER ANNOUNCEMENTS | REQUESTS FOR FUTURE ITEMS

Vice Chair Barry Willis expressed concern and idea to possibly create a special district to combat homelessness.

Executive Officer suggested we can discuss adding item to first quarter 2025 Workplan for real-time feedback.

11. ADJOURNMENT TO NEXT MEETING

With no further business Vice Chair Willis adjourned the meeting at 9:59 a.m.

I hereby attest the minutes above accurately reflect the deliberations of the Commission at its May 6, 2024 meeting.

ATTEST,



Michaela Peters
Interim Commission Clerk

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5b

AGENDA REPORT
 Consent | Action

June 3, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Michaela Peters, Interim Commission Clerks

**SUBJECT: Commission Ratification |
 Recorded Payments for April 2024**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a report identifying payments made and received in April 2024. The payments cover all recorded transactions for the month and include \$0.148 million in total distributions made by the Executive Officer. Close to two-thirds of all payments made tie to the County of San Diego for payroll reimbursements as well as charges for general overhead and information technology services. Most of the remaining payments made involve professional services involving consultant and legal usage. Payments received total \$0.009 million.

BACKGROUND

Accounting Policies and Procedures

San Diego LAFCO’s policies provide direction to the Executive Officer to maintain appropriate accounting controls for all financial transactions on behalf of the Commission. Spending allowances are specified and include bid procedures for financial transactions at or above \$10,000 (unless waived due to unique circumstances) and separate Commission approval for any transactions at or above \$125,000.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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DISCUSSION

This item is for San Diego LAFCO to consider ratification of all payments made and received by the Executive Officer for April 2024. A detailing of these transactions is provided in Attachment One. The item separately provides the Commission the opportunity to provide feedback and inform potential changes in accounting procedures going forward.

ANALYSIS

San Diego LAFCO's recorded payments made by the Executive Officer covering April 2024 total \$149,708 with 65% – or \$97,516 – tied to transactions with the County of San Diego. This includes payroll reimbursements covering two pay periods as well as expenses for general overhead and information technology services. All expenses are consistent with the adopted budget. Revenues collected total \$8,664 and include one new application filing.

RECOMMENDATION

It is recommended San Diego LAFCO ratify the payments made and received by the Executive Officer for April 2024 as presented. This recommendation is consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):

Ratify the recorded payments received and made by the Executive Officer for April 2024 as shown in Attachment One.

Alternative Two:

Continue to the next regular meeting and provide direction to staff as needed.

Alternative Three

Take no action.¹

¹ Payment ratifications are not required under LAFCO policy but are presented to the Commission per practice.

PROCEDURES

This item has been placed on San Diego LAFCO’s agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of the Executive Officer:



Michaela Peters
Interim Commission Clerk

Attachment:

- 1) Recorded Transactions in April 2024

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SAN DIEGO LAFCO
Expenses by Vendor Detail
 April 2024

Payable Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E Ace Parking						
	4/10/2024	52530 · Office Lease	960.00	Monthly Parking Rent	electronic	1000 · County Account (44595)
	4/10/2024	52530 · Office Lease	48.00	Parking Validations	electronic	1000 · County Account (44595)
			1,008.00			
E ADW Consulting LLC						
	4/3/2024	52370.F · Professional Services	10,875.00	Consultant Services Planning + Governance Analysis	electronic	1000 · County Account (44595)
E After Effects (Adobe)						
	4/10/2024	52270 · Memberships	20.99	Monthly Video Editing Software Subscription	credit card	3558-60 · SDCCU Visa Credit Card
	4/15/2024	52270 · Memberships	19.99	Monthly Adobe DC Pro Upgrade	debit card	3558 · SDCCU Checking
			40.98			
E Amazon						
	4/5/2024	52344 · Stores Unallocated	53.82	General Office Supplies	credit card	3558-60 · SDCCU Visa Credit Card
E Ambius						
	4/18/2024	52344 · Stores Unallocated	395.07	Monthly Service for Office Plants	check	3558 · SDCCU Checking
E Assura Software						
	4/10/2024	52074 · Telecommunications	750.00	Website Hosting Support Services	electronic	1000 · County Account (44595)
E AT&T Mobility						
	4/23/2024	52074 · Telecommunications	392.55	Monthly Cell Phone LAFCO Staff	check	3558 · SDCCU Checking
E Barrio Star						
	4/12/2024	52610 · Non-Travel/In-County	260.16	Staff Lunch Meeting (CI Last Day)	debit card	3558 · SDCCU Checking
E Canva						
	4/7/2024	52270 · Memberships	12.99	Monthly Subscription	credit card	3558-60 · SDCCU Visa Credit Card
E Colantuono, Highsmith & Whatley						
	4/3/2024	52370.B · Professional Services	4,606.00	Commission Counsel Services	electronic	1000 · County Account (44595)
E County of San Diego						
	4/1/2024	52354 · Mail/Postage ISF	523.86	Mail/Postage Services	electronic	1000 · County Account (44595)
	4/1/2024	52178 · Vehicle Maintenance	139.87	Vehicle Maintenance Services	electronic	1000 · County Account (44595)
	4/1/2024	52182 · Vehicle Fuel	0.00	Vehicle Fuel	electronic	1000 · County Account (44595)
	4/1/2024	52758 · Vehicle Lease	165.49	Vehicle Lease	electronic	1000 · County Account (44595)
	4/1/2024	52721 et al. · Communications (IT) Services	8,019.19	County IT Services (ITRACK)	electronic	1000 · County Account (44595)
	4/12/2024	51110 et al. · Employee Payroll	44,820.22	Payroll Pay Period 2024-21	electronic	1000 · County Account (44595)
	4/26/2024	51110 et al. · Employee Payroll	43,847.48	Payroll Pay Period 2024-22	electronic	1000 · County Account (44595)
			97,516.11			
E Donburi Rice Bowls						
	4/4/2024	52610 · Non-Travel/In-County	38.60	EO Briefing with MB	debit card	3558 · SDCCU Checking
E DoubleTree						
	4/25/2024	52622 · Training/Registration Out-County	207.87	Accommodations CALAFCO Staff Workshop (DN)	credit card	3558-60 · SDCCU Visa Credit Card
E Fax Plus						
	4/8/2024	52330 · Office Expense	9.26	Monthly Fax Machine Payment	debit card	3558 · SDCCU Checking
E Lazy Dog						
	4/21/2024	52610 · Non-Travel/In-County	59.41	EO Briefing with BW	debit card	3558 · SDCCU Checking
E Leaf & Cole LLP						
	4/5/2024	52370.H · Professional Services	9,981.00	Accounting Services & Audit Prep	electronic	1000 · County Account (44595)
E QuickBooks						
	4/4/2024	52330 · Office Expense	90.00	Monthly Service for Online QuickBooks	debit card	3558 · SDCCU Checking
E Ready Refresh						
	4/3/2024	52330 · Office Expense	63.15	Monthly Water Service	credit card	3558-60 · SDCCU Visa Credit Card
	4/30/2024	52330 · Office Expense	63.15	Monthly Water Service	credit card	3558-60 · SDCCU Visa Credit Card
			126.30			
E RGS						
	4/5/2024	52370 · Professional Services	177.45	HR Services	electronic	1000 · County Account (44595)
E San Diego Padres						
	4/3/2024	52610 · Non-Travel/In-County	140.00	Lunch for Staff for Quarterly Staff Activity	cash	1040 · Petty Cash
E San Diego Union Tribune						
	4/4/2024	52330 · Office Expense	1,246.20	Annual Newspaper Subscription	debit card	3558 · SDCCU Checking
	4/18/2024	52490 · Publications	4,078.00	PHNs CO23-13& FY24 Budget	check	3558 · SDCCU Checking

SAN DIEGO LAFCO
Expenses by Vendor Detail
 April 2024

Payable Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
			5,324.20			
E SDCCU						
	4/30/2024	52304 · Miscellaneous Expense	5.14	Interest Charge on Credit Card	electronic	3558 · SDCCU Checking
E Sloan Sakai Yeung & Wong LLP						
	4/5/2024	52370.B · Professional Services	6,421.89	Special Counsel Services	electronic	1000 · County Account (44595)
	4/15/2024	52370.B · Professional Services	1,475.00	Special Counsel Services	electronic	1000 · County Account (44595)
			7,896.89			
E Target						
	4/3/2024	52610 · Non-Travel/In-County	273.42	Office Supplies	credit card	3558-60 · SDCCU Visa Credit Card
E William Futon Group						
	4/10/2024	52370.F · Professional Services	7,500.00	Consultant Services Planning	electronic	1000 · County Account (44595)
E YouTube						
	4/29/2024	52270 · Memberships	13.99	Monthly Streaming Support Services	debit card	3558 · SDCCU Checking
E Yuima MWD						
	4/25/2024	46234 · Applications	1,921.50	Refund for Withdrawal of Proposal OAS24-02	check	3558 · SDCCU Checking
E Zoom						
	4/4/2024	52270 · Memberships	15.99	Staff Monthly Video Conferencing Subscription	debit card	3558 · SDCCU Checking
	4/12/2024	52270 · Memberships	15.99	EO Monthly Video Conferencing Subscription	debit card	3558 · SDCCU Checking
			31.98			
EXPENSE TOTAL			149,707.69			
R County of San Diego						
	4/30/2024	49200 · Interest & Dividends	755.22	Interest Payment to Account 46725	electronic	1001 · Committed - Stabilization (min. balance of \$250k)
	4/30/2024	49200 · Interest & Dividends	1,604.12	Interest Payment to Account 46726	electronic	1002 · Committed - Opportunity (min. balance of \$300k)
	4/30/2024	49200 · Interest & Dividends	447.93	Interest Payment to Account 46727	electronic	1003 · Assigned - Executive Officer (up to \$125k)
			2,807.27			
R Laurence Tucker						
	4/25/2024	52490 · Publications	1,694.04	PHN & Recording Fees (RO23-01)	check	3558 · SDCCU Checking
R O'Ryan Plumbing Inc						
	4/25/2024	46234 · Applications	4,163.25	Additional Processing Fees (CO24-05)	check	3558 · SDCCU Checking
REVENUE TOTAL			8,664.56			



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5C

AGENDA REPORT
 Consent | Action

June 3, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Progress Report on the 2023-2024 Workplan**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a progress report on accomplishing the 30 priority projects set in the adopted workplan for 2023-2024. Two-thirds – 21 of 30 – of all priority projects have been substantively initiated through the close of May with 12 either complete or nearing completion. The report is being presented to the Commission to receive and file with the opportunity to provide feedback.

BACKGROUND

San Diego LAFCO’s current fiscal year workplan was adopted at a noticed hearing held in May 2023. The workplan is a multi-year planning tool that is developed and updated annually. The current workplan includes 30 projects and is divided into two distinct categories – statutory and administrative – along with priority assignments set by the Commission. Internal amendments to reset priorities and advance the placement of municipal service reviews on the San Diego County Water Authority and healthcare districts were approved in August.

DISCUSSION

This item provides San Diego LAFCO with its regular progress report on workplan projects for the current fiscal year. This includes staff assigning one of four status categories to projects ranging from pending to complete and detailed in Attachment One.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 E lafco@sdcountry.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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ANALYSIS

San Diego LAFCO is generally proceeding as planned through the close of May and discussed as part of past updates. This includes an emphasis on addressing the Commission's high and medium-priority projects with 19 of the 20 related activities having advanced in some substantive manner. More than one-half – 11 of the 20 – of these higher-priority projects are either complete or near completion. This latter category is now highlighted by scheduled municipal service review on the Oceanside region (No. 8) and white paper evaluating regional growth management agencies + policies (No. 16).

RECOMMENDATION

It is recommended San Diego LAFCO receive and file the item consistent with practice and identified as Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):

Receive and file the item.

Alternative Two:

Continue consideration of the item and provide direction to staff as needed.

Alternate Three:

Take no action.

PROCEDURES

This item has been placed on the San Diego LAFCO's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

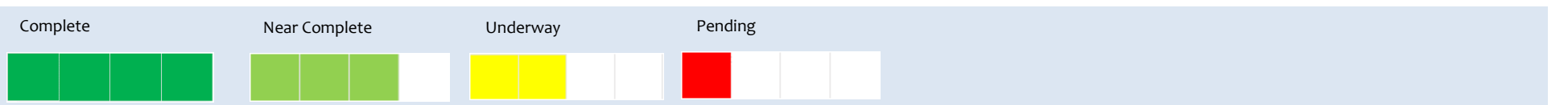
- 1) 2023-2024 Workplan with Status Notations

As Amended

Priority	Level	Type	Project	Description	Status
Ongoing	...	Statutory	Applicant Proposals and Requests	Prioritize resources to address all applicant proposals and related requests	
Ongoing	...	Administrative	Targeted LAFCO Presentations	Coordinate timely public outreach; emphasis on informing stakeholders ahead of MSR work	
Ongoing	...	Statutory	Workplan and Budget Management	Actively manage the workplan and budget resources with quarterly updates to the Commission	
1	High	Statutory	MSR CWA-MET	Initiate scheduled review of wholesale water suppliers – CWA (comprehensive) and MET (abbreviated)	
2	High	Statutory	MSR Healthcare Districts	Initiate a comprehensive study of the four healthcare districts in San Diego County	
3	High	Administrative	Recruit, Hire + Support Staff	Ensure all 9.0 budgeted positions are filled in a timely manner with ongoing resource support	
4	High	Administrative	Commissioner Onboarding	Create onboarding resources and related training for new and continuing Commissioners	
5	High	Administrative	Online Accounting	Transition QuickBooks accounting from desktop to online platform + make use of public-facing features	
6	High	Administrative	Policy Personnel: Part I	Develop and approve a scope of work to guide updates to personnel policies to reflect best practices	
7	High	Administrative	Policy Personnel: Part II	Complete a comprehensive update to LAFCO's personnel policies	
8	High	Statutory	MSR Oceanside Region	Complete the scheduled reviews of the City of Oceanside, Oceanside SC Harbor District, and Moreno Hills CSD	
9	High	Statutory	MSR Carlsbad Region	Complete the scheduled reviews of the City of Carlsbad, Carlsbad MWD, and Leucadia WWD	
10	High	Administrative	SALC Planning Grant 2.0	Initiate a two-year grant (contracts, etc.) to expand SALC 1.0 to establish ag costs/revenues with gap analysis	
11	Medium	Administrative	RCD Ad Hoc Committee: Year Two	Approve the scope of work for Year Two activities and proceed accordingly toward tasks completion	
12	Medium	Statutory	Policy Out-of-Agency Services	Complete policy establishment to guide the approval process for out-of-agency services (G.C. 56133)	
13	Medium	Statutory	MSR San Marcos Region	Complete the scheduled reviews of the City of San Marcos, Marcos FPD, & Vallecitos WD	
14	Medium	Statutory	MSR Vista Region	Complete the scheduled reviews of the City of Vista, Vista ID, Vista FPD, & Buena SD	
15	Medium	Administrative	White Paper Public Recreation Opportunities	Evaluate potential governance models involving San Diego-owned reservoirs in unincorporated areas	
16	Medium	Administrative	White Paper Growth Management + Housing	Evaluate growth management policies + connectivity between LAFCO, County, and SANDAG	
17	Medium	Administrative	Special Districts Advisory Committee	Provide administrative support to the Advisory Committee and hold no less than three formal meetings in FY	
18	Medium	Administrative	Cities Advisory Committee	Provide administrative support to the Advisory Committee and hold no less than one formal meeting in FY	
19	Medium	Administrative	Website Content Expansion	Proceed with content expansion for the newly redesigned LAFCO website with multi-media enhancements	
20	Medium	Administrative	2022-2023 Audit	Complete outside audit of financial statements for FY2023	

Priority	Level	Type	Project	Description	Status
21	Low	Statutory	Legislative Proposal G.C. 56133	Continue work to support amendment clarifying authority to determine out-of-agency service exemptions	
22	Low	Statutory	Policy Applicant Procedures	Update and streamline application materials and establish protocols for terminating proposals	
23	Low	Statutory	MSR Encinitas Region	Initiate a regional study covering the City of Encinitas + San Dieguito WD et al.	
24	Low	Statutory	MSR Del Mar-Solana Beach Region	Initiate a regional study covering the Cities of Del Mar and Solana Beach + Santa Fe ID et al.	
25	Low	Statutory	Legislative Proposal G.C. 56430	Sponsor and/or facilitate amendment establishing community engagement enhancements in MSR statute	
26	Low	Administrative	Service + Fiscal Indicators	Develop an online browser feature to depict service + fiscal indicators among local agencies in San Diego County	
27	Low	Administrative	White Paper School Districts	Evaluate the scope and scale of school districts + their baseline capacities for reference in MSRs	
28	Low	Administrative	Liaison with Local Tribes	Establish communication protocols with local tribes with respect to shared interests in regional services	
29	Low	Administrative	Annual Local Agency Directory	Update and publish an annual local agency directory subject to LAFCO oversight	
30	Low	Administrative	White Paper Community Choice Aggregations	Evaluate the scope and scale of CCAs and their operations in San Diego County and connectivity to LAFCO	

Bullpen	Statutory	Policy Review Island Annexations	Consider options to define “substantially surrounded” and provide related mapping services
Bullpen	Administrative	White Paper Garbage Services	Evaluate the scope and scale of garbage collection services and possible governance alternatives
Bullpen	Administrative	White Paper Homeless Services	Evaluate the scope and scale of homeless services and possible governance alternatives
Bullpen	Administrative	LAFCO Workshop	Organize a Commission Workshop to discuss core responsibilities + powers and implementing preferences
Bullpen	Administrative	Public Access Television	Broadcast LAFCO meetings on local government channels
Bullpen	Statutory	MSR Pauma Valley Region	Initiate a regional study covering the north county special districts in the Pauma/Rincon communities
Bullpen	Administrative	SOI/MSR Annual Report	Update and publish an annual report documenting all recorded municipal service reviews and sphere of influence actions
Bullpen	Statutory	Policy Fee Schedule	Review and update fee schedule to sync with current costs and related considerations
Bullpen	Statutory	Policy CEQA Guidelines	Review and update existing implementing guidelines relative to current statutes and best practices
Bullpen	Administrative	County Planning Groups	Monitor regular meetings of the County’s 28 Planning and or Sponsor Groups and directly engage as appropriate
Bullpen	Statutory	Disadvantaged Unincorporated Communities	Update DUC mapping designations (DUC) in San Diego County based on current census information
Bullpen	Administrative	Local Agency Finder Tool	Develop an online feature for users to enter addresses to identify all overlapping local jurisdictions (cities and districts)
Bullpen	Administrative	Southern California LAFCOs	Participate in quarterly meetings with other Southern California LAFCOs and related projects and/or trainings
Bullpen	Administrative	CALAFCO	Participate in CALAFCO-sponsored programs and related training (conferences, workshops, committees, etc.)
Bullpen	Statutory	Policy Commission Rule No. 4	Modernize Rule No. 4 and its provisions to regulate special districts’ service functions and classes
Bullpen	Statutory	Escondido Region Governance Study	Study options to consolidate (functional and political) the City of Escondido and Rincon del Diablo MWD
Bullpen	Administrative	White Paper JPAs	Evaluate the status of JPA filings in San Diego County relative to LAFCO’s task in SB 1261
Bullpen	Statutory	Policy Cities Advisory Committee	Coordinate with CAD in updating bylaws and related procedures to sync with current member interests/priorities
Bullpen	Statutory	Policy Special Districts Advisory Committee	Coordinate with SDAC in updating bylaws and related procedures to sync with current member interests/priorities





San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5d

AGENDA REPORT
 Consent | Information

June 3, 2024

TO: Commissioners

FROM: Michaela Peters, Local Government Analyst II

SUBJECT: Report on Active Proposals and Related Activities

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a status report on active proposals and requests currently on file as well as anticipated filings based on ongoing discussions with proponents. The item is for information and concurrently satisfies LAFCO’s reporting requirement involving petition-initiated proposals.

BACKGROUND

Processing Procedures and Timelines

LAFCO proceedings for jurisdictional changes are generally initiated by outside applicants through petitions (landowners or voters), and to a lesser degree by resolutions (local agencies). LAFCOs may also initiate jurisdictional changes to form, consolidate, or dissolve special districts if consistent with the recommendations of approved municipal service reviews. Most jurisdictional change filings take three to five months before they are scheduled for hearing. Requests for outside-of-agency service approvals – which are subject to separate procedures – generally take two months to process.

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DISCUSSION

This item provides San Diego LAFCO with its regular update on active proposals on file. The item also – and for telegraphing purposes of future workload – identifies pending proposals staff anticipates being filed with LAFCO in the near term based on discussions with local agencies. It also serves to concurrently satisfy the Commission’s reporting requirement to provide notice on agendas involving jurisdictional changes initiated by petitions.¹

There are currently 27 active proposals on file with LAFCO. This amount is divided between 19 proposals in administrative review and pending Commission hearing with the remaining seven involving conditional approvals. Staff also identifies seven pending proposal submittals based on ongoing communications with their proponents. All active and pending proposals are outlined in Attachment One.

ANALYSIS

None.

RECOMMENDATION

This item is presented to San Diego LAFCO for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the San Diego LAFCO’s agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

On behalf of the staff,



Michaela Peters
Local Government Analyst II

Attachment:

- 1) Active and Pending Proposals as of May 27, 2024

¹ Government Code Section 56857 directs LAFCOs to provide notice on agendas of any proposal involving special districts that have been initiated by landowners or registered voters. The agenda notification starts a 60-day period in which the affected special districts may request termination of the proceedings due to financial or service-related concerns.

File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSAL APPLICATIONS PENDING COMMISSION ACTION			
1	RO06-17 “Tobacco Road Reorganization” - City of Escondido: Annexation	Staff	Application submitted in March 2006 by landowner petition to annex six parcels to the City of Escondido. The affected territory comprises six parcels located along Tobacco Road. The application filing fulfilled an earlier Executive Officer approval in 2006 to authorize the City of Escondido to extend outside wastewater service to two of the six subject parcels due to failing septic systems. (The other four subject parcels are included in the proposal to provide connectivity to the existing City boundary.) The current number of residents within the affected territory is unknown. The application remains incomplete pending the submittal of additional documentation and related information to complete the administrative review. <u>The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.</u>
2	RO08-09 “South Mollison Ave-Snyder Reorganization” - City of El Cajon: Annexation	Staff	Application submitted in May 2008 by landowner petition for a proposed annexation to the City of El Cajon. The affected territory includes approximately 1.25 acres and is subject to a proposed multi-family residential project. It is unknown whether there are any current residents within the affected territory. The application remains incomplete pending the submittal of additional documentation and related information necessary to complete the administrative review. <u>The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.</u>
3	DA08-10 “Avocado Way-Potter Annexation” - Vallecitos WD: Annexation	Staff	Application submitted in May 2008 by landowner petition requesting annexation of to the Vallecitos Water District for purposes of receiving public wastewater services. The affected territory comprises two parcels developed with single-family residences located along Avocado Way. The number of current residents within the affected territory is unknown. The application remains incomplete pending the submittal of additional documentation and related information necessary to complete the administrative review. <u>The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.</u>

File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
4	RO08-15 SA08-15	“Crestlake Estates Reorganization” - City of Santee: Annexation - San Diego County SD: Annexation - Lakeside FPD: Annexation	Staff Application submitted in May 2008 by landowner petition requesting a reorganization to accommodate wastewater, fire protection, and ambulance services for an approved Tentative Map allowing the development of 60 single-family residences. It is unknown if there are any current residents. The affected territory lies within all three subject agencies’ spheres of influence: San Diego County Sanitation District; Lakeside Fire Protection District; and the City of Santee. The application remains incomplete pending the submittal of additional documentation and related information necessary to complete the administrative review. <u>The proposal is subject to formal abandonment pending the anticipated action by the Commission to approve authorizing policies.</u>
5	DA12-02	“Lorch Annexation” - Borrego WD: Annexation	Staff Application submitted in March 2012 by landowner petition to annex approximately 9.4 acres to the Borrego Water District (WD) to provide water service to one parcel within the District’s sphere. It is unknown how many residents are currently within the affected territory. Application deemed incomplete in an April 2012 status letter. A new status letter was sent in January 2018 stating the proposal would be considered abandoned unless notified otherwise. Borrego WD responded to the letter and has reinitiated discussions with the landowner regarding possible service terms. Discussions remain active.
6	DA16-10	“CSA 17 Harmony Grove Annexation” - CSA 17: Annexation	Staff Application submitted in May 2016 by resolution from the County of San Diego to annex approximately 3,600 acres to County Service Area (CSA) No. 17 for ambulance service and done so as a cross-condition of the Commission dissolving CSA No. 107 in 2015. The affected territory is entirely unincorporated and comprises portions of the Elfin Forest and Harmony Grove communities with an estimated resident population of 29,995. The proposal remains incomplete due to a variety of reasons and is marked by opposition from the CSA No. 17 Advisory Committee. Staff continues to engage the County, Advisory Committee, and other stakeholders to fulfill the Commission’s earlier directive. Discussions remain active.
7	RO16-11	“Rancho Hills Reorganization” - Rancho Santa Fe CSD: Annexation - Olivenhain MWD: Expansion of Latent Power Area - Olivenhain MWD: Latent Sphere Amendment	Michaela Peters Application submitted in October 2016 to annex a portion of a 37-lot residential subdivision titled “Rancho Hills” to Rancho Santa Fe CSD for wastewater service. A concurrent latent power expansion for Olivenhain MWD is needed to accommodate sewer to the remaining project site. The proposal was deemed incomplete in a November 2016 status letter. With concurrence with the proponent, the application is administratively paused due to incomplete and pending receipt of additional documentation. Discussions remain active.

	File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
8	Ro19-04	<p>“Ortega – Old Highway 80 Change of Organization”</p> <ul style="list-style-type: none"> - San Diego County SD: Annexation 	Michaela Peters	Application submitted in February 2019 by landowner petition to annex approximately 5.07 acres to the San Diego County Sanitation District for wastewater service. The affected territory comprises two parcels presently developed with single-family residences with an unknown number of residents. The purpose of the proposal is to connect sewer services for a proposed office/warehouse building development. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review. Discussions remain active.
9	SA19-26 RO19-26 OAS19-26	<p>“Valiano - Eden Valley Reorganization”</p> <ul style="list-style-type: none"> - City of Escondido: Extraterritorial Sewer - City of Escondido: Sphere Amendment - San Marcos FPD: Annexation - Rancho Fe FPD: Detachment - Rancho Fe FPD: Sphere Amendment 	Michaela Peters	Application submitted in November 2019 jointly by landowner petition and the City of Escondido and involves a reorganization and outside-of-agency service agreement as part of the “Valiano” planned development in Harmony Grove. The reorganization involves the concurrent annexation of approximately 10.8 unincorporated acres to San Marcos FPD and detachment from Rancho Santa Fe FPD and related sphere amendments. The outside-of-agency service agreement approval request involves the extension of wastewater from the City of Escondido for approximately 82.9 unincorporated acres with related sphere amendments to add to Escondido and remove from San Marcos. The application is administratively paused due to incomplete and pending receipt of additional documentation – including the results of litigation against the underlying project. Discussions remain active.
10	CO21-09	<p>“Otay Lakes Road Change of Organization”</p> <ul style="list-style-type: none"> - City of Chula Vista: Annexation 	Michaela Peters	Application submitted in October 2022 by landowner petition to annex approximately 1,870 acres of unincorporated territory to the City of Chula Vista. (The petitioners originally filed an application in October 2021 seeking approval to annex into the San Diego County Sanitation District. This previous application has since been withdrawn.) The affected territory comprises 6 parcels within the Baldwin and Moller communities and is presently undeveloped with no residents. The proposal is intended to facilitate the development of a 1,938 residential subdivision with various ancillary uses as part of the “Otay Ranch Resort Village 13” project. The submitted proposal application is incomplete and pending receipt of additional documentation and information from the applicant – including an agreement with LAFCO to proceed with a targeted/informing municipal service review. Discussions remain active.
11	CO22-04	<p>“AJX Homes - Carmichael Change of Organization”</p> <ul style="list-style-type: none"> - City of La Mesa: Annexation - City of La Mesa: Sphere Amendment - San Miguel FPD: detachment - San Miguel FPD: Sphere Amendment 	Staff	Application submitted in February 2022 by landowner petition and involves annexation of approximately 0.3 acres to City of La Mesa for wastewater service. The affected territory is developed with a single-family residence and the landowner intends to update the existing site from a septic system to a public wastewater system. The application is administratively paused due to incomplete information and pending receipt of additional documentation from the proponent. Discussions remain active.

	File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
12	RO22-11	<p>“Tummala - Rincon MWD Reorganization”</p> <ul style="list-style-type: none"> - Rincon del Diablo MWD: Annexation - Metropolitan Water District: Annexation - San Diego CWA: Annexation 	Michaela Peters	Application submitted in October 2022 by landowner petition and involves annexation of approximately 20 acres of unincorporated territory to make available public water services. The affected territory is currently vacant and undeveloped. The proposal's purpose is to position the landowner to proceed in the future with a development plan with the County of San Diego. The submitted proposal application is incomplete pending receipt of additional documentation and related information. Discussions remain active.
13	CO23-11	<p>“Nencini Associates Change of Organization”</p> <ul style="list-style-type: none"> - San Diego County SD: Annexation 	Staff	Application submitted in July 2023 by landowner petition and involves annexation of approximately 20.6 acres to the San Diego County Sanitation District (SD) for the primary purpose of establishing wastewater service. The affected territory is partially developed with one single-family residence, with plans to develop an additional 7 single-family residences through subdivision. Conditional approval for future annexation to the City of Chula Vista is recommended. The proposal is currently under administrative review and is considered incomplete at this time. Discussions remain active.
14	RO23-12	<p>“Twin Oaks Valley Winery Reorganization”</p> <ul style="list-style-type: none"> - Vallecitos WD: Annexation - Vista ID: Detachment 	Michaela Peters	Application submitted in September 2023 by landowner petition and involves annexation of approximately 4.35 acres to the Vallecitos Water District to establish both potable water and wastewater services. The affected territory is developed with one single-family residence, with plans to develop a full-service winery – including a tasting room, wine production space, restroom(s), etc. The proposal is currently under administrative review with the expectation of expanding the scope to include detachment from Vista ID. Discussions remain active.
15	CO23-15	<p>“Macachlan - Old Highway 80 Change of Organization”</p> <ul style="list-style-type: none"> - San Diego County SD: Annexation 	Michaela Peters	Application submitted in December 2023 by landowner petition and involves annexation of approximately 0.60 acres to the San Diego County Sanitation District for the primary purpose of establishing wastewater service. The affected territory is currently undeveloped with plans of developing a commercial building and parking lot. The proposal is currently under administrative review with discussions remaining active.

	File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
16	CO24-01	“Keys Project LLC – Montemar Drive Change of Organization” - San Diego County SD: Annexation	Michaela Peters	Application submitted in January 2024 by landowner petition and involves annexation of approximately 1.5 acres to the San Diego County Sanitation District for the primary purpose of establishing wastewater service. The affected territory is presently developed with one uninhabitable single-family residence. The proposal's purpose is to accommodate the planned lot split and development of two new single-family residences. The proposal is currently under administrative review with discussions remaining active.
17	RO24-03	“Bryant – Felicita Road Reorganization” - City of Escondido: Annexation	Michaela Peters	Application submitted in January 2024 by landowner petition following an out-of-agency service agreement administratively approved by the Executive Officer on February 22, 2023. The purpose of this proposal is to formally establish wastewater services to a single-family residence totaling 0.4 acres after temporarily remedying a failing septic system. The proposal is currently under administrative review with discussions remaining active.
18	OAS24-04	“Benter – Alto Drive Out-of-Agency Service Agreement” - City of La Mesa: OAS	Michaela Peters	Application submitted in February 2024 by landowner petition and involves an outside-of-agency service agreement for wastewater service to accommodate the planned development of an ADU (and possible JADU in the future). The proposal is currently under administrative review with discussions remaining active.
19	CO24-05	“O’Ryan – Calavo Street Change of Organization” - Otay WD: Annexation - Otay WD: Sphere Amendment	Michaela Peters	Application submitted in February 2024 by landowner petition and involves annexation of approximately 0.13 acres to the Otay Water District for the primary purpose of establishing public wastewater service. The affected territory is presently undeveloped with plans to develop a single-family residence and an accompanying accessory dwelling unit (ADU). The proposal is currently under administrative review with active discussions.

File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSALS POST COMMISSION ACTION			
21	SA16-20 LP16-20 “CSA 135 Islands Reorganization” - CSA 135 – LP Fire Area: Latent Powers Expansion - Bonita-Sunnyside FPD: Annexation - Lakeside FPD: Annexation - San Miguel FPD: Annexation - Ramona MWD: Annexation	Staff	Proposal submitted November 2016 by resolution of the San Diego County Fire Authority. Involved annexation of remaining unserved Islands 2, 3, and 4 via reorganization of local fire service territory among five local agencies: CSA 135; Bonita-Sunnyside FPD; Lakeside FPD; Ramona MWD; and San Miguel FPD. Reorganization involved annexation to the subject agencies and expansion of CSA No. 135’s latent powers to provide fire protection and emergency medical services to three unincorporated and unserved island areas totaling approximately 21,048 acres. Conforming amendments to add the affected territory to the subject agencies’ spheres of influence were also required. The reorganization proposal was approved February 4, 2018 and is now pending recordation once all terms are satisfied. A noticed protest hearing was held on March 13, 2019 at the LAFCO office. No protest was received by affected registered voters or landowners. Other terms remain pending.
22	LP(E)19-27 “Fallbrook PUD Latent Powers Expansion” - Activation: Park and Recreation - Activation: Street Lighting - Activation: Roads	Priscilla Mumpower	Application submitted in November 2019 by resolution from the Fallbrook Public Utility District (PUD) seeking approval to activate specified latent powers throughout its jurisdictional boundary and its 28,193 unincorporated acres. The estimated resident population within the affected territory is 33,986. Requested power activations involve park and recreation, street lighting, and roads with the former intended to supplement existing park and recreation services provided in the region by the County of San Diego via County Service Area No. 81. The proposal was approved by the Commission on April 4, 2022, and now pending recordation once all terms are satisfied. A noticed protest hearing was held on May 31, 2022 and continued to June 14, 2022 at the Fallbrook Public Utilities District. Not enough protest was received by affected registered voters or landowners. Other terms remain pending.
23	RO20-04 “Rainbow MWD - Eastern MWD Reorganization” - San Diego CWA: Detachment - Eastern MWD: Annexation - Eastern MWD: Sphere Action	Priscilla Mumpower	Application submitted April 2020 by resolution from the Rainbow Municipal Water District (MWD) to concurrently detach from the San Diego County Water Authority (CWA) and annex to the Eastern Municipal Water District (MWD). The affected territory spans approximately 50,857 acres covering the Rainbow and Bonsall communities with an estimated resident population of 22,130. The purpose of the proposal is to transfer the wholesale water supply provider for cost-savings. The submitted proposal application is incomplete pending receipt of additional documentation and related information to complete the administrative review. A 10-member advisory committee has also been established by the Commission to assist staff in evaluating the proposal and its technical merits. The proposal was approved by the Commission on July 10 th , 2023 and now pending completion of terms and conditions as set forth by the Commission.

	File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
24	CO22-20	<p>“Camino De La Fuente - Wick Change of Organization”</p> <ul style="list-style-type: none"> - San Diego County SD: Annexation 	Michaela Peters	<p>Application submitted in November 2022 by landowner petition and involves annexation of approximately 35.3 acres of unincorporated territory to the San Diego County Sanitation District to make available public water and wastewater services. The affected territory is currently vacant and undeveloped. The proposal purpose is to position the landowner to proceed in the future with a development plan to grade the land for future industrial and outdoor storage uses. The proposal was approved by the Commission on October 2nd, 2023 and now pending completion of terms and conditions as set forth by the Commission.</p>
25	CO23-09	<p>“City of Carlsbad Change of Organization”</p> <ul style="list-style-type: none"> - Leucadia WD: Detachment 	Michaela Peters	<p>Application submitted in July 2023 by resolution from the City of Carlsbad to detach 99.0 acres of incorporated territory from the Leucadia Wastewater District. The affected territory is presently inhabited and developed with multiple residences with no plans for future development. The proposal purpose is to better utilize existing wastewater infrastructure provided by the City of Carlsbad in addition to helping correct an overlap between Leucadia WD and the City. The proposal was approved by the Commission on February 5th, 2024 and now pending completion of terms and conditions as set forth by the Commission.</p>
26	RO23-01	<p>“Tucker - Valley Road Reorganization”</p> <ul style="list-style-type: none"> - National City: Annexation - South Bay ID: Detachment - Bonita FPD: Detachment - Bonita FPD: Sphere Amendment - CSA No. 135: Detachment 	Michaela Peters	<p>Application submitted in November 2022 by landowner petition and involves annexation of approximately 2.16 acres of unincorporated territory to the San Diego County Sanitation District to make available public water and wastewater services. The affected territory contains two parcels, one presently developed with single-family residence and the other undeveloped. The proposal purpose is to accommodate the planned development of 10 single family residences and ancillary improvements known as the “Valley View Development Project”. The proposal was approved by the Commission on March 4th, 2024 and now pending completion of terms and conditions as set forth by the Commission.</p>
27	CO23-13	<p>“Sky Ranch - Helix Water District Reorganization”</p> <ul style="list-style-type: none"> - Helix WD: Detachment - Padre Dam MWD: Annexation 	Michaela Peters	<p>Application submitted in September 2023 by resolution of the Helix Water District to detach approximately 27 acres of land from the Helix Water District along with a conforming sphere of influence amendment. The affected territory presently comprises multiple single-family residences and multi-family residences with no additional plans for development. The proposal's purpose is to better align service providers consistent with existing infrastructure. The proposal was approved by the Commission on May 6th, 2024 and now pending completion of terms and conditions as set forth by the Commission.</p>

File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
<p>PENDING PROPOSAL APPLICATION SUBMITTALS (No project manager; inquiries should be directed to Keene Simonds)</p>			
<p>Pending</p>	<p>“Harvest Hills Reorganization” - City of Escondido</p>		<p>This anticipated reorganization proposal is currently undergoing development and environmental review by the City of Escondido. Submittal to LAFCO anticipated for late 2020-2021 if approved by Escondido. The anticipated proposal involves annexation of approximately 1,098 acres to the City for the primary purpose of developing a 550-lot residential subdivision. All the affected territory presently lies outside the adopted Escondido sphere. Due to the scope of the proposal area a comprehensive update of the City’s sphere is warranted along with preparing the supporting municipal service review document. These and other service-related issues have been communicated to the City and are currently under joint review with other local stakeholders. Project was originally titled as “Safari Highlands.</p>
<p>Pending</p>	<p>“Rancho Lomas Verde Reorganization” - City of Vista</p>		<p>This anticipated reorganization proposal is undergoing development and environmental review by the City of Vista. The proposal involves annexation of approximately 300 acres to the City of Vista and concurrent detachments from CSA 135 and the Vista FPD to facilitate a 153-lot residential development. Close to three-fourths of the project area lies outside the adopted Vista sphere. Due to the scope of the proposal area a comprehensive update of the City’s sphere is warranted along with preparing the supporting municipal service review document. These and other service-related issues have been communicated to the City and are currently under joint review with other local stakeholders.</p>
<p>Pending</p>	<p>“Sager Ranch Reorganization” - City of Escondido</p>		<p>This anticipated reorganization involves annexation of approximately 1,800 unincorporated acres to the City of Escondido and concurrent detachments from CSA 135 and the Valley Center FPD. The reorganization would facilitate the proposed development of approximately 200 acres to include 203 residential units and a 225-room resort. Portions of the project area lie outside the current City sphere. Fire protection service remains a key discussion point and the source of ongoing discussions with the proponents.</p>
<p>Pending</p>	<p>“Harmony Grove Village South” (TM-626) - Rincon del Diablo MWD</p>		<p>This anticipated reorganization involves the unincorporated Harmony Grove Village South project and specific to accommodating sewer services (among a variety of options) for the planned development of approximately 111 acres to include 453 residential units. On January 27, 2020 the San Diego Superior Court overturned the County’s development approvals for the project. Appeals are pending with no update as of this report.</p>

File Number	Proposal Name Affected Agencies	Project Manager	Proposal Summary
Pending	“La Jolla Incorporation” -City of San Diego		This anticipated special reorganization involves the detachment of 8,371 acres from the City of San Diego and the incorporation of the community of La Jolla. A draft fiscal impact analysis report is currently underway by the proponents - Association for the City of La Jolla (501c3) – to determine whether La Jolla could obtain cityhood and be economically sustainable on its own. Complete application is pending.
Pending	“Lake Wohlford Resort Reorganization” - Valley Center MWD		This anticipated reorganization involves annexation of approximately 127 unincorporated acres to the Valley Center Municipal Water District. The reason for reorganization of the Lake Wohlford Resort community is to pass the Surface Water Treatment Rule – which they are currently unable to do due to the severe need for updated infrastructure. This reorganization involves the construction of 9,500 linear feet of private water lines to satisfy 140 connections. Additionally, the San Pasqual Band of Mission Indians will be a shareholder in the project by sharing a portion of the proposed private water lines. Complete application is pending.
Pending	“Escondido Village – Unison Communities” - City of Escondido		This anticipated reorganization involves annexation of approximately 17 unincorporated acres to the City of Escondido. The reorganization would facilitate connectivity to public wastewater service and in doing so accommodate the proposed development of approximately 200 residential units on the affected territory. The entire project lies within the City of Escondido sphere of influence. Complete application is pending.

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

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AGENDA REPORT
 Public Hearing

June 3, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Michaela Peters, Local Government Analyst II

**SUBJECT: Draft Report |
 Municipal Service Review on the Oceanside Region**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will review a draft municipal service review on the Oceanside region. The draft has been prepared as part of the adopted workplan and independently assesses the availability, need, and adequacy of key public services provided in the region and specifically by the principal local government agencies subject to Commission oversight – City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Services District. This includes preparing determinations addressing the factors required in statute as part of the municipal service review process as well as to inform other LAFCO decision-making – including future boundary changes and sphere of influence updates in the region. The draft is being presented to the Commission for initial discussion and feedback ahead of staff initiating a formal 45-day noticed public review.

BACKGROUND

Municipal Service Reviews

State law directs San Diego LAFCO to regularly prepare municipal service reviews in conjunction with updating each local agency’s sphere of influence. The legislative intent of

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 E lafco@sdcountry.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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the municipal service review and its five-year cycle requirement is to proactively inform the Commission regarding the availability and sufficiency of governmental services relative to current and future community needs. Municipal service reviews statutorily inform required sphere of influence updates and may also lead the Commission to take other actions under its authority, such as forming, consolidating, or dissolving one or more special districts. These documents also serve as an opportunity for the Commission to telegraph and encourage community discussion and/or action on future jurisdictional changes.

Adopted Workplan | Municipal Service Review on the Oceanside Region

San Diego LAFCO’s 2023-2024 workplan was adopted at a noticed hearing in May 2023 and outlines 30 specific project goals for the fiscal year set in priority order. One of the otherwise “high” priority projects involves the preparation of municipal service review on the Oceanside region with specific focus on the City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Services District.

DISCUSSION

This item is for San Diego LAFCO to review the draft report covering the scheduled municipal service review on the Oceanside region consistent with the adopted workplan and ahead of staff initiating a formal 45-day public comment period. The presentation has been scheduled as part of a voluntary public hearing and provides the public as well as the Commission to provide initial comments on the draft with respect to scope and scale as well as content. This includes – notably – specific requests by the Commission for additional analysis. Feedback received will be incorporated by staff into a final report on the municipal service review presented for future action as early as August 2024.

ANALYSIS

See Prospectus (Attachment One).

RECOMMENDATION

It is recommended San Diego LAFCO discuss the draft report on the municipal service review covering the Oceanside region. This includes providing direction on desired revisions and/or additions ahead of staff circulating the draft for public review and comment and returning with a final version for action as early as August 2024.

ALTERNATIVES FOR ACTION

The item is being presented to San Diego LAFCO for discussion and feedback only.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda as part of a voluntary public hearing. The following procedures are recommended in the consideration of this item:

- 1) Disclose any material ex-parte communications.
- 2) Receive verbal presentation from staff unless waived.
- 2) Open the hearing and invite public testimony.
- 3) Discuss item and provide feedback as requested.

On behalf of the Executive Officer,



Michaela Peters
Local Government Analyst II

Attachments:

- 1) Prospectus on Draft Report
- 2) Draft Municipal Service Review Report on the Oceanside Region

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Municipal Service Review

OCEANSIDE REGION

DRAFT

PROSPECTUS | MAY 2024



General Themes and Conclusions

The Oceanside region serves as a historical flagship community anchoring northern San Diego County with a current estimated population approaching 180,000 – making it the third largest municipal footprint behind only San Diego and Chula Vista. The City of Oceanside is the economic and social epicenter. It accounts for nearly all residents and jobs in the region. This also includes serving as a daily host to an additional 70,000 residents, workers, and visitors associated with Marine Corps Base Camp Pendleton to the immediate north. Oceanside Small Craft Harbor District overlaps all of Oceanside with service functions focused on the approximate 100-acre Oceanside Harbor and its role as a micro hub for marine and pleasure activities serving locals and tourists.

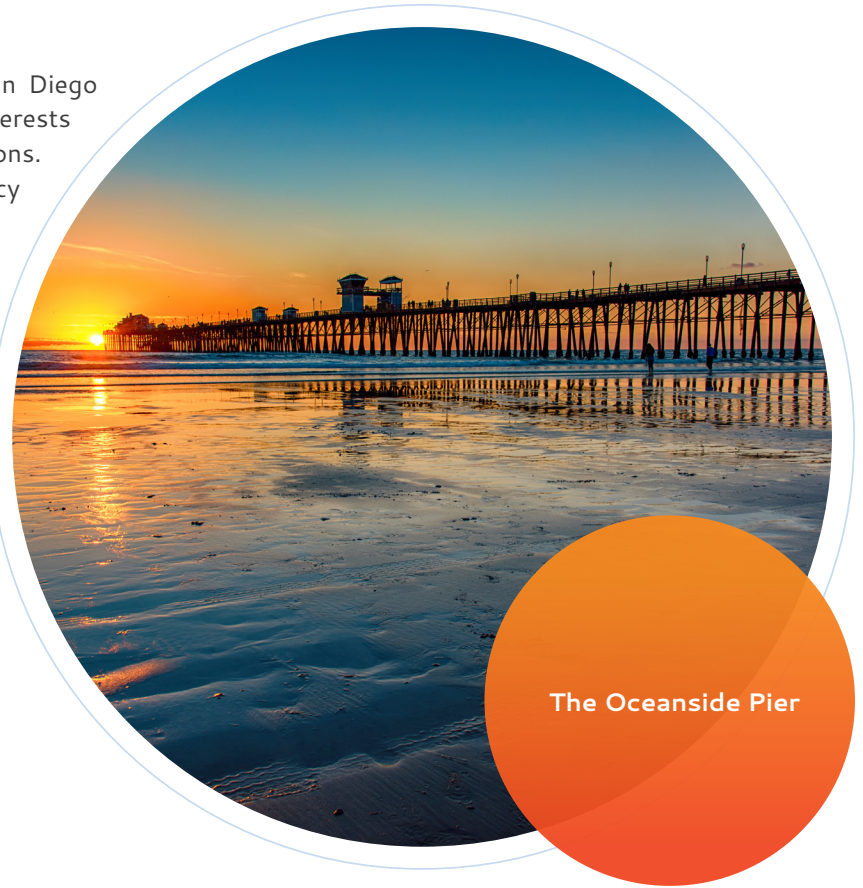
The physical setting of the region largely reflects a traditional suburban layout. Smaller single-family and multi-family residential lots dominate the older blue-collar developments in Oceanside west of I-5 paired with local serving commercial corridors and headlined by Old Coast Highway.

Densities gradually decrease eastward towards increasingly larger single-family residences via a series of subdivisions constructed between the 1950s and 2000s. The suburban layout cedes at South Morro Hills, which serves as Oceanside’s unofficial greenbelt and remains – at least to date – largely agricultural with rural single-family residential uses. Morro Hills Community Services District lies immediately to the east of Oceanside’s unofficial greenbelt and has already experienced its own transition away from historical agricultural uses to now mostly upscale residential estimates. More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the “Avocado Capital of the World” for many local farmers has become unsustainable.

Consequently, and in the absence of a turnaround and/or replacement crop emerging, the region will increasingly become an intersection point where the demand for housing in greater San Diego County meets the supply of available land.

» General Themes and Conclusions

A review of the Oceanside region relative to San Diego LAFCO's growth management tasks and interests produces seven central themes or conclusions. These conclusions collectively address core policy considerations and related growth and development factors present in the region. The conclusions also address potential sphere of influence changes among the three affected local agencies. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2018 and 2022 with limited exceptions and detailed within each of the agency profiles provided in the next chapter.



The Oceanside Pier, first built in 1888 (and now in its sixth incarnation), is one of the longest wooden piers on the western United States coastline, at 1,942 feet (592 m).

No. 1 Introductory Municipal Service Review

This report represents the first comprehensive municipal service review dedicated to the Oceanside region and three affected local agencies under LAFCO oversight – City of Oceanside, Oceanside Small Craft Harbor District (SCHD), and Morro Hills Community Services District (CSD). (Earlier municipal service reviews covering one or more of the affected agencies were part of countywide reports prepared in 2007 and 2009). The report consequently serves as a dual introduction. This is marked by introducing the affected agencies and their constituents in real-time to an otherwise unfamiliar and relatively detailed outside planning process. The introduction similarly introduces the Commission to the affected agencies and their service functions at depths previously unvisited with the underlying goal of establishing baseline information to track and measure going forward.

No. 2 Pivot to Slower Growth – the Good (Community Empowerment)

The City of Oceanside – the epicenter of the region's economic and social well-being – has experienced a significant slow-down in growth starting in 2000 with the annual population change averaging 0.4% through the end of the five-year report period – or the net addition of two persons each day. This period change marks a five-fold decrease over the prior 20-year span in which Oceanside averaged the net addition of 12 persons each day. This relatively seismic pivot towards slower growth appears largely attributed to changing resident demographics and the accompanying community empowerment to organize opposition to otherwise unwanted developments; the latter reflected in a successful 2020 ballot referendum overturning the City Council's 2019 approval of a 585-unit residential project in South Morro Hills (North River Farms).

No. 3

Pivot to Slower Growth – the Bad (Housing Affordability)

The City of Oceanside’s pivot towards slower growth starting in 2000 has contributed to a sizable acceleration in housing prices over the last 20 years and through the end of the five-year report period with the median home sale increasing from \$195,800 to \$784,800 – an average annual change of 14%. This period change marks a 50% rise over the prior 20-year span in which median home sales experienced an average annual rise of 10%. The acceleration of home prices in Oceanside – among other outcomes – has noticeably impacted the market’s ability to construct new affordable workforce housing at the traditional entry levels – i.e., starter homes. This dynamic is reflected in the most recently completed housing element cycle (2013 to 2021) where only 23% of Oceanside’s assigned housing share at moderate or lower levels received building permits. Permits issued through the first quarter of the current housing cycle (2021–2029) suggest housing affordability at the moderate or lower categories will similarly fall substantively short of goals, albeit at improved levels with current projections showing the attainment level reaching 36%.



Oceanside Harbor

No. 4

Variations in Fiscal Health + Navigating Related Stresses

A prominent schism exists among the three affected agencies in the Oceanside region involving their fiscal well-being and navigating financial stresses. The City of Oceanside has steadied its financial position after several years of operating shortfalls in the General Fund in large part to successfully making the case to voters in 2018 to approve a seven-year one-half cent sales tax. Measure X reset Oceanside’s overall sales tax rate to 8.25% with the additional revenue broadly earmarked to improve City infrastructure and public safety. Measure X has been a clear success; it has reversed shortfalls into surpluses and underlies a significant two-thirds increase in General Fund reserves (\$66.5 to \$112.5 million) over the reporting period. Nonetheless, the extension of the one-half cent sale tax beyond its current sunset date in 2026 remains a pronounced variable in Oceanside’s near-term health and is expected to be taken up by voters in late 2024. While Oceanside’s fiscal health largely ties to the present and near-term status of Measure X, the other two agencies’ standing is comparatively more opaque, although for entirely different reasons. Oceanside SCHD, similar to its parent

governing body, has steadied its actual expense-to-revenue relationship through incremental budgeting true-ups. These budgeting actions have contributed to a helpful increase of nearly one-fourth in SCHD’s unassigned fund balance (\$3.7 to \$4.6 million) over the reporting period. However, the budgeting true-ups have not addressed decades of deferred or otherwise neglected maintenance. This qualifier is illustrated in capital assets (docks, pilings, piers, etc.) having surpassed their expected useful lives by more than two-fold and serves as a critical stress test for SCHD going forward. Unlike the other two agencies in the region, Morro Hills CSD has maintained a positive actual revenue-to-expense relationship through the reporting period without any obvious hardships; at least that are known. The CSD operates entirely within the confines of the annual collection of its 1% property tax share, which netted \$0.090 million at the end of the reporting period. Although CSD has been effective in keeping expenses in line with annual revenues – which is also reflected in an unassigned fund balance increasing by more than four-fifths (\$0.142 to \$0.267 million) during the period – less is known regarding pending costs. Specifically, no pavement rating has been performed on CSD’s 6.0-mile roadway system nor has a capital improvement plan been prepared. These factors directly contribute to a subtle – but real and emerging – stress test.



Mission San Luis Rey, Oceanside

» General Themes and Conclusions

No. 5 Adequate Municipal Service Capacities with a Qualifier...

All three affected agencies in the Oceanside region have established sufficient and excess capacities involving their core municipal functions to meet both current and anticipated demands through the report's timeframe – at least on a macro level and irrespective of any micro limitations for specific areas. This overall sufficiency is reflected with the region's principal service provider – City of Oceanside – and its available resources involving water and wastewater, which traditionally represent the services most closely affiliated with either supporting or hindering new development. Markedly, and based on current demand-to-capacity ratios for the reporting period, it estimated the water and wastewater systems can accommodate buildout populations of 970,000 and 275,000, respectively.

A material qualifier applies, nevertheless, to Oceanside's other services that are dependent on General Fund monies and the uncertain status of Measure X and its critical revenue enhancement beyond the current sunset date in 2026. This latter variable suggests added caution in the interim for LAFCO in considering boundary actions and their potential impact – advantageous and disadvantageous – on the Oceanside General Fund.

No. 6 City of Oceanside's Role as an Urban Center + LAFCO Support

The City of Oceanside is favorably positioned to plan and accommodate additional growth and become a focal urban center for North County. This opportunity ties to Oceanside's role as a full-service municipality and the controls it provides paired with its physical location along existing major transportation corridors as well as planned expansions – including the modernization of rail (Metrolink and Amtrak) linking Oceanside throughout Southern California. This opportunity further ties and can be supported by LAFCO's own interests and duties to facilitate orderly and city-centered growth.

No. 7 Proceeding with Limited Sphere Updates + Telegraphing Potential Changes with Special Study Areas

It would be appropriate for LAFCO to proceed with limited sphere of influence updates for all three affected regions in the Oceanside region and defer consideration of more comprehensive actions to the next municipal service cycle. The approach would involve proceeding with affirming all three agencies current designations without changes. It would also involve establishing one or more specific special study areas to all three agencies to memorialize areas the Commission would allow to come forward over the next five-year period without requiring a new municipal service review. A key example includes establishing dual study areas for Oceanside and Oceanside SCHD and their matching spheres to include an approximate 150-acre area immediately to the southwest near Sunset Drive and Melrose Way that qualifies as a DUC under local policy.



Recommendations

The following recommendations call for specific action either from San Diego LAFCO and/or one or more of the three affected agencies in the Oceanside region based on information generated as part of this report. The recommendations are ordered in sequence to their placement in Section 5.0 (Written Determinations). Recommendations for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. As a long-term principle, LAFCO should prioritize and direct growth in the region to the City of Oceanside – including development that would otherwise occur in the surrounding unincorporated areas – and its appropriate role to serve as an urban center in San Diego County.
2. LAFCO should coordinate with SANDAG to develop current buildout estimates within the Oceanside region – including potential lot-splitting as allowed under Senate Bill 9 (Weiner) and incorporate the information into the next scheduled municipal service review.
3. LAFCO should coordinate with the County of San Diego to identify and map active wells and septic systems within the Oceanside region and incorporate the information into the next scheduled municipal service review.
4. Should Measure X's ½ cent sales tax expire during the timeframe of the report, all jurisdictional changes involving the City of Oceanside shall demonstrate de minimis impacts on the City General Fund unless overriding policy considerations are made by the Commission on a case-by-case basis.
5. It is appropriate for LAFCO to defer the identification and evaluation of mutual water companies in the Oceanside region as otherwise prompted in the LAFCO statute to a future informational report.
6. The City of Oceanside should revisit its arrangement with Oceanside SCHD involving the payment plan associated with the SCHD patrol vessel to account for the City's usage of the capital asset outside of the Oceanside Harbor.
7. Morro Hills CSD should explore options to contract with the City of Oceanside or the County of San Diego to provide road maintenance services at a pre-agreed hourly rate to help protect the CSD from variables – costs and availability – associated with the current practice to utilize private contractors as needed.



8. As the City of Oceanside proceeds to implement the initial phases of its novel Re-Beach program, it would be pragmatic to explore opportunities to enlist other local agencies in consolidating efforts – functional or political – given inescapable impacts and interests in beach restorations along the greater coastline. LAFCO should assist if Oceanside and/or other stakeholders wish to explore a political model to organize sand nourishment on a larger scale.
9. Efforts should be taken by Oceanside SCHD to publicly distinguish its role as a stand-alone governmental entity separate from the City of Oceanside.



Oceanside Lighthouse at Harbor Village

» Recommendations

10. Oceanside SCHD should formalize its existing relationship with the City of Oceanside through an official memorandum of understanding to clearly outline roles and responsibilities and associated costs in utilizing City staff, supplies, and resources in carrying out District duties.
11. Oceanside SCHD informally deactivated its previously authorized and active patrol and rescue municipal function in 2009 in step with these responsibilities being assumed by the City of Oceanside. SCHD’s legal authorization to provide patrol and rescue – however – remains active under State law. To clarify service expectations and mitigate potential liabilities, SCHD should formally request divestiture approval under Government Code 56824.10.
12. LAFCO is aware there is community interest in exploring the reorganization of Oceanside SCHD into an independent agency to provide direct constituent influence on decision-making. It would be appropriate for the Commission to consider authorizing a future governance study to assess alternatives – functional and political – for the benefit of both agencies and their shared constituents.
13. It appears appropriate for LAFCO to proceed with limited sphere of influence updates for both the City of Oceanside and Oceanside SCHD to affirm the existing designations with one or more common special study areas.
 - (a) One special study area has been identified to date and spans nearly 150 acres covering DUC lands located immediately southwest of the agencies near Sunset Drive and Melrose Way; it also currently lies within the Vista sphere. Establishing this special study area would provide LAFCO the opportunity to discuss the potential annexation of the DUC lands with both Vista and Oceanside and in doing so help facilitate the delivery of elevated municipal services to the community consistent with State law.
14. It appears merited for LAFCO to partner with the Morro Hills CSD in sponsoring or otherwise supporting a legislative change to the principal act to reduce the number of Board members from five to three consistent with existing special provisions in State law.
15. The Morro Hills CSD Board should revisit conditions on Sleeping Indian Road and its most recent traffic assessments and the analysis therein that appears to support a significant increase in the speed limit.
16. It would be advantageous for Morro Hills CSD to explore interest among adjacent landowners that presumably benefit and use the road system to annex and have direct participation in Board decision-making while concurrently expanding the CSD property tax base.
17. It appears appropriate for LAFCO to proceed with a limited sphere of influence update for Morro Hills CSD to affirm the existing designation with the addition of a special study area. The special study area represents the notional expansion of the CSD to capture adjacent lands that presumably use and benefit from the roadway system.

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION



OCEANSIDE REGION

Municipal Service Review | Government Code 56430

Affected Agencies

City of Oceanside
Oceanside Small Craft Harbor District
Morro Hills Community Services District

Draft Report

May 2024

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ACKNOWLEDGEMENTS

San Diego LAFCO gratefully acknowledges the time and effort of officials and staff with the affected local agencies in the Oceanside region in assisting in the preparation of this report. This includes - but not limited to - the following persons:

City of Oceanside

City Manager Jonathan Borrego
Michael Gossman, Assistant City Manager
Manuel Gonzalez, Parks and Recreation Director
Lindsay Leahy, Water Utilities Director
Jill Moya, Finance Director
David Parsons, Fire Chief

Oceanside Small Craft Harbor District

Joseph Ravitch, Harbor Manager
Heidi Garcia, Program Specialist
Chair Liz Rhea, Harbor and Beaches Advisory Committee

Morro Hills Community Services District

Thomas Harrington, Board President
Jeanine Roskos, Board Member

LAFCO also expresses its sincere appreciation to former Analyst II Carolanne Ieromnimon and her initial duties as project manager before departing the agency in April 2024.

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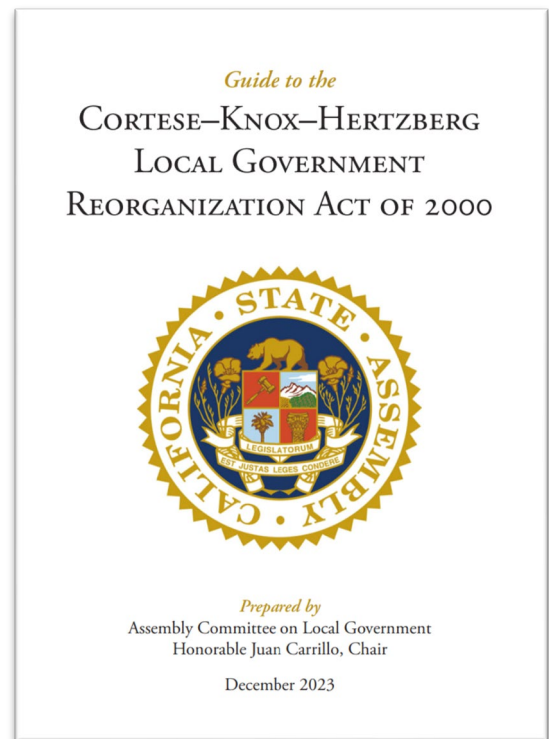
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CHAPTER ONE INTRODUCTION

1.0 LOCAL AGENCY FORMATION COMMISSIONS

1.1 Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 as political subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") with principal oversight provided by the Assembly Committee on Local Government.¹ LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts as well as their municipal service areas. LAFCOs' creation was engendered by Governor Edmund "Pat" Brown Sr. (1959-1967) to address the needs of California's growing and diversifying population more effectively with an emphasis on promoting governmental efficiencies.



Guiding LAFCOs' regulatory and planning powers is to fulfill specific purposes and objectives that collectively construct the Legislature's regional growth management priorities outlined under Government Code (G.C.) Section 56301. This statute reads:

"Among the purposes of the commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions. One of the objects of the commission is to make studies and furnish information to contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the

¹ Reference California Government Code Section 56000 et. seq.

present and future needs of each county and its communities.”

LAFCO decisions are legislative and therefore are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers to condition regulatory and planning approvals so long as not establishing any terms that directly impact land use density or intensity, property development, or subdivision requirements.

1.2 Regulatory Responsibilities

LAFCOs’ principal regulatory responsibility involves approving or disapproving jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California.² LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts or agreements. LAFCOs also oversee special district actions to activate new service functions and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize LAFCOs to initiate jurisdictional changes to form, consolidate, and/or dissolve special districts consistent with community needs.

Overseeing Local Governments’ Boundaries + Service Areas...

LAFCOs have been responsible since 1963 to oversee formation, expansion, reorganization, and dissolution actions involving cities, towns, and most special districts in California with limited exceptions.

1.3 Planning Responsibilities

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence (“sphere”) determinations and (b) preparing municipal service reviews. Sphere determinations have been a core planning function of LAFCOs since 1971 and serve as the Legislature’s version of “urban growth boundaries” with regard to cumulatively delineating the appropriate interface between urban and non-urban uses within each county. Municipal service reviews, in contrast, are a relatively new planning responsibility enacted as part of CKH and intended to inform -

Informing + Telegraphing Future Boundary and Service Changes...

LAFCOs are tasked with planning the location of future urban uses through two interrelated activities: (a) establish and update spheres of influence as gatekeepers to future jurisdictional changes and (b) prepare municipal service reviews to independently evaluate community needs.

² CKH defines “special district” to mean any agency of the State formed under general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts.

among other activities - sphere determinations. The Legislature mandates, notably, that all sphere changes as of 2001 be accompanied by municipal service reviews to help ensure LAFCOs are effectively aligning governmental services with current and anticipated community needs. An expanded summary of the function and role of these two planning responsibilities follows.

Spheres of Influence

LAFCOs establish, amend, and update spheres for all cities, towns, and most special districts in California to designate the territory it independently believes represents the appropriate and probable future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions as footnoted.³ An increasingly important role involving sphere determinations relates to their consideration by regional councils of governments in allocating housing need assignments for counties, towns, and cities.

Starting January 1, 2008, LAFCOs are prompted to review and update all local agencies' spheres every five years as needed. In making sphere determinations, LAFCOs are required to prepare written statements addressing five specific planning factors listed under G.C. Section 56425. These mandatory factors range from evaluating current and future land uses to the existence of pertinent communities of interest. The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities now and into the future. The five mandated planning factors are summarized in short form below.

Gatekeeping Growth + Services...

Spheres serve as the Legislature's version of urban growth boundaries and - among other items - delineate where local agencies may seek future annexations or outside service approvals with LAFCOs.

1. Present and planned land uses, including agricultural and open space.
2. Present and probable need for public facilities and services in the area.
3. Present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.

³ Exceptions, where jurisdictional boundary changes do not require consistency with the affected agencies' spheres, include annexations of State correctional facilities or annexations to cities involving city-owned lands used for municipal purposes.

4. Existence of any social or economic communities of interest in the area.
5. If the city or special district provides water, wastewater, or fire protection, the need for those services in any disadvantaged unincorporated communities in the sphere.

Municipal Service Reviews

Municipal service reviews serve as a centerpiece to CKH's enactment in 2001 and represent comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations to obtain and furnish information to contribute to the overall orderly development of local communities.

LAFCOs' municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor's Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate. All municipal service reviews - regardless of their intended purpose - culminate with LAFCOs preparing written statements addressing specific service factors listed under G.C. Section 56430. This includes infrastructure needs or deficiencies, growth and population trends, and financial standing. The mandated service factors are summarized below in short form with additional details footnoted.⁴

State Check-Ins...

Municipal service reviews fulfill the Legislature's interests in LAFCOs regularly assessing the adequacy and performance of local governmental services in order to inform potential future actions ranging from sphere determinations to reorganizations.

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.

⁴ Determination No. 5 was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of "disadvantaged unincorporated community" is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the statewide annual median household income; the latter amount currently totaling \$53,735 (*emphasis*).

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of agencies to provide services.
5. Status and opportunities for shared facilities.
6. Accountability for community service needs, including structure and operational efficiencies.
7. Matters relating to effective or efficient service delivery, as required by policy.

1.4 LAFCO Decision-Making

LAFCOs are generally governed by an appointed 11-member board, comprising three county supervisors, three city council members, three independent special district members, and two representatives of the general public. Some larger LAFCOs - including San Diego - also have additional board seats dedicated to specific cities as a result of special legislation. All members serve four-year terms and are divided between "regulars" and "alternates." Appointments are made locally among category ranks. All members are statutorily directed to exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests.

Appointments + Duties...

State law prescribes the appointment process for LAFCOs with county, city, and district members all appointed from among their elected ranks. Public members are appointed by the other appointed officials serving on LAFCOs. All members are tasked to independently discharge their responsibilities for the good of the region.

LAFCOs have sole authority in administering their legislative responsibilities and decisions are not subject to an outside appeal process. All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the membership. All LAFCOs must also appoint their own legal counsel.

1.5 Prescriptive Funding

CKH prescribes local agencies to fully fund LAFCOs' annual operating costs. Counties are generally responsible for funding one-third of LAFCO's annual operating costs with the remaining one-third portions allocated to the cities and independent special districts. The allocations to cities/towns and special districts are calculated based on a standard formula using total revenues as reported by the State Controller's Office unless an alternative method has been approved by most of the local agencies. The funding proportions will also differ should the LAFCO have additional representation as a result of special legislation. LAFCOs are also authorized to collect proposal fees to offset local agency contributions.

2.0 SAN DIEGO LAFCO

2.1 Adopted Policies and Procedures

Most of San Diego LAFCO's ("Commission") existing policies and procedures were established in the 1970s and subsequently updated in the 2000s in step with CKH's enactment. These policies and procedures collectively guide the Commission in implementing LAFCO law in San Diego County in a manner consistent with regional growth management priorities as determined by the membership with discretion to address local conditions. The Commission has also established pertinent policies and procedures specific to preparing sphere updates and municipal service reviews. This includes direction to the Executive Officer to regularly prepare municipal service reviews in appropriate scope and level to inform the Commission in updating spheres in regular five-year intervals (L-106).

2.2 Commission Information

San Diego LAFCO is governed by a 13-member "Commission" comprised of county, city, special district, and public members. The Commission is further distinguished between eight regular or voting members and five alternates. All Commissioners are appointed elected officials, except for the two public members. The Commission holds regular meetings on the first Monday of each month at the County of San Diego Administration Center located at 1600 Pacific Highway in San Diego, California. Meetings start at 8:00 A.M in Room 302 and live streamed at www.sdlafco.org. Video recordings of past meetings are also online.

The Commission roster as of May 2024 follows.



Stephen Whitburn
Chair
City of San Diego



Baron Willis
Vice Chair
Alpine Fire Protection



Jim Desmond
Past Chair
County of San Diego



Joel Anderson
Commissioner
County of San Diego



Kristi Becker
Commissioner
City of Solana Beach



Jo MacKenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



Harry Mathis
Commissioner
General Public



David Drake
Alternate
Rincon Del Diablo



John McCann
Alternate
City of Chula Vista



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

2.3 Administration Information

San Diego LAFCO’s administrative office is located in the Bankers Hill (West Park) section of San Diego at 2550 Fifth Avenue, Suite 725. Street parking is readily available. While LAFCO is open to the public Monday through Friday during normal business hours (8:00 A.M. to 5:00 P.M.), appointments to discuss proposals, studies, or other matters are encouraged to ensure staff availability and can be scheduled ahead by calling 619.321.3380. Communication by e-mail is also welcome and should be directed to lafco@sdcounty.ca.gov. Additional information regarding San Diego LAFCO’s programs and activities is also available online by visiting www.sdlafco.org. LAFCO is also available on most social media platforms.

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CHAPTER TWO EXECUTIVE SUMMARY

1.0 OVERVIEW

This report represents San Diego LAFCO's scheduled municipal service review for the Oceanside region in northwestern San Diego County. The report has been prepared by LAFCO staff consistent with the scope of work approved by the Executive Officer and related delegations made by the Commission under L-106. The report's underlying aim is to produce an independent assessment of municipal services in the region over the next five plus years relative to the Commission's regional growth management duties and interests. This includes evaluating the current and future

Scheduled MSR Check-In on the Oceanside Region...

The purpose of this report is to produce an independent "snapshot" of the level and range of municipal services in the Oceanside region by the three local agencies directly under the LAFCO oversight. This includes addressing governance and related accountability topics per statute. The Commission will draw on the information generated in this report to inform future regulatory and planning actions as detailed.

relationship between the availability, demand, and adequacy of municipal services in the Oceanside region and within the service areas of the three affected local agencies directly subject to the Commission's oversight. The information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes and out-of-agency services, and - if merited - (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions over the next five-year period.

1.1 Key Premises, Assumptions, and Benchmarks

The report has been oriented in scope and content by the Executive Officer to serve as an ongoing monitoring program on municipal services in the Oceanside region. It is expected San Diego LAFCO will revisit the report and key assumptions and benchmarks approximately every five years consistent with the timetable set by the Legislature and memorialized under local policy. This will allow the Commission - among other tasks - to assess the accuracy of earlier projections and make appropriate changes in approach as needed as part of future reports. Other key premises, assumptions, and benchmarks underlying the preparation of this report follow.

Defining Scope | Affected Agencies Covered

The report explicitly evaluates three affected local agencies providing one or more municipal services in the Oceanside region under the Commission’s oversight. The three affected agencies - and in order of their formation dates - are the City of Oceanside, Oceanside Small Craft Harbor District (SCHD), and Morro Hills Community Services District (CSD). Other local agencies that provide one or more municipal services in the region include - but are not limited to - Mission Resource Conservation District, Tri-City Healthcare District, and North County Transit District. These other agencies are subject to review as part of separate reports under the Commission’s rolling study schedule.

Who’s Covered in the MSR...

The report’s scope is specific to reviewing the municipal services provided in the Oceanside region by (a) City of Oceanside, (b) Oceanside Small Craft Harbor District, and (c) Morro Hills Community Services District.

Defining Scale | Municipal Services Covered

The report is scaled to review most - but not necessarily all - of the municipal service functions provided by the three affected agencies in the Oceanside region. As allowed under the adopted policy, the Executive Officer has scaled the review to target the municipal service functions and classes most germane to the local agency’s core purposes and influence on growth and development. Scaling also considers LAFCO’s available resources. An example of this scaling in this report involves targeting the analysis of the City of Oceanside to focus only on potable water, wastewater, integrated fire protection, parks and recreation, and community development. Other key municipal service functions provided by Oceanside - including airport, library, police, recycled water, solid waste, streets, and stormwater - are cursorily noted with the expectation of expanded analysis in future reports.

What’s Covered in the MSR...

The report has been scaled to evaluate most - but not necessarily all - municipal functions and classes provided by the three agencies with deference to targeting services with the most direct effects on growth and development.

Looking Back | Determining the Reporting Period + Data Collection Window

The reporting period for collecting data to inform the Commission’s core analysis and related projections on demographics, service capacities and demands, and financial standing in the Oceanside region has been set to cover the five-year fiscal period from 2018 to 2022 with limited exceptions. This data collection window – which covers the 60 months immediately preceding the start of work on the document – purposefully aligns with the five-year timeline for the report with the resulting data trends appearing most relevant in making near-term projections, i.e., data from the last five years is most pertinent in projecting trends over the next five years.

The Informing Years...

The report draws on data collected from the affected agencies and other documented sources – including relevant State databases – over five years between 2018 and 2022.

Looking Forward | Setting the Reporting Timeframe + Coverage of Future Actions

The reporting timeframe has been oriented to cover the next five-year period through 2029 with the former (five years) serving as the analysis anchor as contemplated under State law. This timeframe is consistent with the five-year cycle prescribed for municipal service reviews and will directly inform all related sphere of influence, boundary, and out-of-agency service actions within the Oceanside region over the next 60 months. Any sphere, boundary, and/or out-of-agency proposals during the reporting timeframe deemed inconsistent with the analysis provided in this report will be disfavored unless otherwise supported by additional analysis – whether in the form of an addendum or new report.

Coverage Going Forward...

The reporting timeframe covers the next five years with the analysis directly informing Commission decisions with respect to any sphere, boundary, or out-of-agency proposals to 2029.

Calculating Population + Housing

Recent and current residential population and housing estimates in the report draw on data generated by Esri and their mapping analyses of census tracts that overlay the three affected agencies in the Oceanside region. This approach is consistent with recent practice in preparing municipal service reviews given the ability of Esri’s mapping software to readily synchronize with both city and special district

boundaries. Projections over the succeeding five-year period are made by LAFCO and apply the estimated growth trend over the last 60 months, i.e., growth over the last five years is generally expected to hold over the next five years.

Macro-Level Focus

The report focuses on central service outputs with respect to quantifying the availability, demand, and adequacy of the municipal functions and classes provided by the three affected agencies within the Oceanside region. A prominent example involves focusing on annual system-wide demands (e.g., water, wastewater, etc.) generated during the five-year report period as opposed to specific service areas or zones. This approach informs macro-level determinations, and when applicable, the addendum notes the need for more micro-level analysis as part of separate addendums or future municipal service reviews.

Agencywide Deliverables...

The report largely focuses on agency-wide capacities and demands as opposed to service adequacies within specific areas or zones within the affected agencies.

Benchmarking Infrastructure Needs and Deficiencies

Similar to the preceding factor, the report and its analysis focus on average system demands generated by the three affected agencies within the Oceanside region during the reporting period in benchmarking infrastructure needs or deficiencies. This broader focus on averages provides a more reasonable account of system

Protecting Against Outliers...

The report largely focuses on evaluating available capacities with five-year demand averages as opposed to focusing on final-year relationships.

demands and helps to control against one-year outliers in analyzing overall relationships with capacities. Exceptions where final year demands are prioritized in the analysis are noted accordingly.

Benchmarking Fiscal Standing

Several diagnostic tools are used to assess and make related determinations in the report regarding the financial standing of the affected agencies in the Oceanside region. This includes an emphasis on using audited financial statements whenever practical in analyzing liquidity, capital, margin, and capital asset management with an emphasis on overall trends. This also includes drawing on industry standards as well as regional comparisons in assigning value (i.e., good, average, or poor).

Map No. ES-1



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

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 Created by Dieu Ngu -- 4/30/2024

- 1-mile buffer of MSR Region
- City of Oceanside & SCHED SOIs
- Morro Hills CSD SOI
- Oceanside MSR Region
- City of Oceanside & SCHED
- Morro Hills CSD

SOI = Sphere of Influence



G:\GIS\PROJECTS\MSRs FY2019-2023\Oceanside Region\ArcGIS Oceanside MSR\Oceanside MSR imagery map.aprx

2.0 REPORT ORGANIZATION

This chapter serves as the Executive Summary and outlines the key conclusions, recommendations, and determinations generated within the report.⁵ This includes addressing the mandatory service and governance factors required by the Legislature whenever San Diego LAFCO performs a municipal service review. The Executive Summary is preceded by individual agency profiles (Chapter Three) of the three affected local agencies covered in this report that provide one or more municipal service functions in the Oceanside region. The profiles transition between narrative descriptions of the background and development of these agencies' service areas to quantifying specific data-driven categories. This includes quantifying demographic trends, service capacities, and financial standing.

3.0 GEOGRAPHIC AREA

The geographic area designated for this municipal service review is approximately 48 square miles in total size. The geographic area has been purposefully designated by the Executive Officer to cover all three affected local agencies' jurisdictional boundaries and existing spheres of influence in the Oceanside region along with the surrounding 1.0-mile buffer zone to capture immediately adjacent areas. An illustration of the geographic area is provided in Map No. ES-1 on the preceding page.

4.0 REPORT SUMMARY

4.1 General Themes and Conclusions

The Oceanside region serves as a historical flagship community anchoring northern San Diego County with a current estimated population approaching 180,000 - making it the third largest municipal footprint behind only San Diego and Chula Vista. The City of Oceanside is the economic and social epicenter. It accounts for nearly all residents and jobs in the region. This also includes serving as a daily host to an additional 70,000 residents, workers, and visitors associated with Marine Corps Base Camp Pendleton to the immediate north. Oceanside SCHD overlaps all of Oceanside with service functions focused on the approximate 100-acre Oceanside Harbor and its role as a micro hub for marine and pleasure activities serving locals and tourists.

⁵ The Executive Summary purposefully distinguishes between "conclusions," "determinations," and "recommendations." Conclusions refer to general policy takeaways. Determinations address specific legislative factors. Recommendations address specific actions that are drawn from the determinations.

The physical setting of the Oceanside region largely reflects a traditional suburban layout. Smaller single-family and multi-family residential lots dominate the older blue-collar developments in Oceanside west of I-5 paired with local serving commercial corridors and headlined by Old Coast Highway. Densities gradually decrease eastward towards increasingly larger single-family residences via a series of subdivisions constructed between the 1950s and 2000s. The suburban layout cedes at South Morro Hills, which serves as Oceanside’s unofficial greenbelt and remains – at least to date – largely agricultural with rural single-family residential uses. Morro Hills CSD lies immediately to the east of Oceanside’s unofficial greenbelt and has already experienced its own transition away from historical agricultural uses to now mostly upscale residential estates.

A review of the Oceanside region relative to San Diego LAFCO’s growth management tasks and interests produces seven central themes or conclusions. These conclusions collectively address core policy considerations and related growth and development factors present in the region. The conclusions also address potential sphere of influence changes among the three affected local agencies. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2018 and 2022 with limited exceptions and detailed within each of the agency profiles provided in the next chapter.

- **No. 1 | Introductory Municipal Service Review**

This report represents the first comprehensive municipal service review dedicated to the Oceanside region and three affected local agencies under LAFCO oversight – City of Oceanside, Oceanside SCHD, and Morro Hills CSD. (Earlier municipal service reviews covering one or more of the affected agencies were part of countywide reports prepared in 2007 and 2009). The report consequently serves as a dual introduction. This is marked by introducing the affected agencies and their constituents in real-time to an otherwise unfamiliar and relatively detailed outside planning process. The introduction similarly introduces the Commission to the affected agencies and their service functions at depths previously unvisited with the underlying goal of establishing baseline information to track and measure going forward.

- **No. 2 | Pivot to Slower Growth - the Good (Community Empowerment)**

The City of Oceanside – the epicenter of the region’s economic and social well-being – has experienced a significant slow-down in growth starting in 2000 with the annual population change averaging 0.4% through the end of the five-year

report period - or the net addition of two persons each day. This period change marks a five-fold decrease over the prior 20-year span in which Oceanside averaged the net addition of 12 persons each day. This relatively seismic pivot towards slower growth appears largely attributed to changing resident demographics and the accompanying community empowerment to organize opposition to otherwise unwanted developments; the latter reflected in a successful 2020 ballot referendum overturning the City Council's 2019 approval of a 585-unit residential project in South Morro Hills (North River Farms).

- **No. 3 | Pivot to Slower Growth - the Bad (Housing Affordability)**

The City of Oceanside's pivot towards slower growth starting in 2000 has contributed to a sizable acceleration in housing prices over the last 20 years and through the end of the five-year report period with the median home sale increasing from \$195,800 to \$784,800 - an average annual change of 14%. This period change marks a 50% rise over the prior 20-year span in which median home sales experienced an average annual rise of 10%. The acceleration of home prices in Oceanside - among other outcomes - has noticeably impacted the market's ability to construct new affordable workforce housing at the traditional entry levels - i.e., starter homes. This dynamic is reflected in the most recently completed housing element cycle (2013 to 2021) where only 23% of Oceanside's assigned housing share at moderate or lower levels received building permits. Permits issued through the first quarter of the current housing cycle (2021-2029) suggest housing affordability at the moderate or lower categories will similarly fall substantively short of goals, albeit at improved levels with current projections showing the attainment level reaching 36%.

- **No. 4 | Variations in Fiscal Health + Navigating Related Stresses**

A prominent schism exists among the three affected agencies in the Oceanside region involving their fiscal well-being and navigating financial stresses. The City of Oceanside has steadied its financial position after several years of operating shortfalls in the General Fund in large part to successfully making the case to voters in 2018 to approve a seven-year one-half cent sales tax. Measure X reset Oceanside's overall sales tax rate to 8.25% with the additional revenue broadly earmarked to improve City infrastructure and public safety. Measure X has been a clear success; it has reversed shortfalls into surpluses and underlies a significant two-thirds increase in General Fund reserves (\$66.5 to \$112.5 million) over the reporting period. Nonetheless, the extension of the one-half cent sale tax beyond its current sunset date in 2026 remains a pronounced

variable in Oceanside’s near-term health and is expected to be taken up by voters in late 2024. While Oceanside’s fiscal health largely ties to the present and near-term status of Measure X, the other two agencies’ standing is comparatively more opaque, although for entirely different reasons. Oceanside SCHD, similar to its parent governing body, has steadied its actual expense-to-revenue relationship through incremental budgeting true-ups. These budgeting actions have contributed to a helpful increase of nearly one-fourth in SCHD’s unassigned fund balance (\$3.7 to \$4.6 million) over the reporting period. However, the budgeting true-ups have not addressed decades of deferred or otherwise neglected maintenance. This qualifier is illustrated in capital assets (docks, pilings, piers, etc.) having surpassed their expected useful lives by more than two-fold and serves as a critical stress test for SCHD going forward. Unlike the other two agencies in the region, Morro Hills CSD has maintained a positive actual revenue-to-expense relationship through the reporting period without any hardships; at least that are known. The CSD operates entirely within the confines of the annual collection of its 1% property tax share, which netted \$0.090 million at the end of the reporting period. Although CSD has been effective in keeping expenses in line with annual revenues – which is also reflected in an unassigned fund balance increasing by more than four-fifths (\$0.142 to \$0.267 million) during the period – less is known regarding pending costs. Specifically, no pavement rating has been performed on CSD’s 6.0-mile roadway system nor has a capital improvement plan been prepared. These factors directly contribute to a subtle – but real and emerging – stress test.

- **No. 5 | Adequate Municipal Service Capacities with a Qualifier...**

All three affected agencies in the Oceanside region have established sufficient and excess capacities involving their core municipal functions to meet both current and anticipated demands through the report’s timeframe – at least on a macro level and irrespective of any micro limitations for specific areas. This overall sufficiency is reflected with the region’s principal service provider – City of Oceanside – and its available resources involving water and wastewater, which traditionally represent the services most closely affiliated with either supporting or hindering new development. Markedly, and based on current demand-to-capacity ratios for the reporting period, it is estimated the water and wastewater systems can accommodate buildout populations of 970,000 and 275,000, respectively. A material qualifier applies, nevertheless, to Oceanside’s other services that are dependent on General Fund monies and the uncertain status of Measure X and its critical revenue enhancement beyond the current

sunset date in 2026. This latter variable suggests added caution in the interim for LAFCO in considering boundary actions and their potential impact - advantageous and disadvantageous - on the Oceanside General Fund.

- **No. 6 | City of Oceanside’s Role as an Urban Center + LAFCO Support**

The City of Oceanside is favorably positioned to plan and accommodate additional growth and become a focal urban center for North County. This opportunity ties to Oceanside’s role as a full-service municipality and the controls it provides paired with its physical location along existing major transportation corridors as well as planned expansions - including the modernization of rail (Metrolink and Amtrak) linking Oceanside throughout Southern California. This opportunity further ties and can be supported by LAFCO’s own interests and duties to facilitate orderly and city-centered growth.

- **No. 7 | Proceeding with Limited Sphere Updates + Telegraphing Potential Changes with Special Study Areas**

It would be appropriate for LAFCO to proceed with limited sphere of influence updates for all three affected regions in the Oceanside region and defer consideration of more comprehensive actions to the next municipal service cycle. The approach would involve proceeding with affirming all three agencies current designations without changes. It would also involve establish one or more specific special study areas to all three agencies to memorialize areas the Commission would allow to come forward over the next five-year period without requiring a new municipal service review. A key example includes establishing dual study areas for Oceanside and Oceanside SCHD and their matching spheres to include an approximate 150 acre area immediately to the southwest near Sunset Drive and Melrose Way that qualifies as a DUC under local policy.

4.2 Recommendations

The following recommendations call for specific action either from San Diego LAFCO and/or one or more of the three affected agencies in the Oceanside region based on information generated as part of this report. The recommendations are ordered in sequence to their placement in Section 5.0 (Written Determinations). Recommendations for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. As a long-term principle, LAFCO should prioritize and direct growth in the region to the City of Oceanside - including development that would otherwise occur in the surrounding unincorporated areas - and its appropriate role to serve as an urban center in San Diego County.
2. LAFCO should coordinate with SANDAG to develop current buildout estimates within the Oceanside region - including potential lot-splitting as allowed under Senate Bill 9 (Weiner) and incorporate the information into the next scheduled municipal service review.
3. LAFCO should coordinate with the County of San Diego to identify and map active wells and septic systems within the Oceanside region and incorporate the information into the next scheduled municipal service review.
4. Should Measure X's ½ cent sales tax expire during the timeframe of the report, all jurisdictional changes involving the City of Oceanside shall demonstrate de minimis impacts on the City General Fund unless overriding policy considerations are made by the Commission on a case-by-case basis.
5. It is appropriate for LAFCO to defer the identification and evaluation of mutual water companies in the Oceanside region as otherwise prompted in the LAFCO statute to a future informational report.
6. The City of Oceanside should revisit its arrangement with Oceanside SCHD involving the payment plan associated with the SCHD patrol vessel to account for the City's usage of the capital asset outside of the Oceanside Harbor.
7. Morro Hills CSD should explore options to contract with the City of Oceanside or the County of San Diego to provide road maintenance services at a pre-agreed hourly rate to help protect the CSD from variables - costs and availability - associated with the current practice to utilize private contractors as needed.
8. As the City of Oceanside proceeds to implement the initial phases of its novel Re-Beach program, it would be pragmatic to explore opportunities to enlist other local agencies in consolidating efforts - functional or political - given inescapable impacts and interests in beach restorations along the greater coastline. LAFCO should assist if Oceanside and/or other stakeholders wish to explore a political model to organize sand nourishment on a larger scale.

9. Efforts should be taken by Oceanside SCHD to publicly distinguish its role as a stand-alone governmental entity separate from the City of Oceanside.
10. Oceanside SCHD should formalize its existing relationship with the City of Oceanside through an official memorandum of understanding to clearly outline roles and responsibilities as well as associated costs in utilizing City staff, supplies, and resources in carrying out District duties.
11. Oceanside SCHD informally deactivated its previously authorized and active patrol and rescue municipal function in 2009 in step with these responsibilities being assumed by the City of Oceanside. SCHD's legal authorization to provide patrol and rescue - however - remains active under State law. To clarify service expectations and mitigate potential liabilities, SCHD should formally request divestiture approval under Government Code 56824.10.
12. LAFCO is aware there is community interest in exploring the reorganization of Oceanside SCHD into an independent agency to provide direct constituent influence on decision-making. It would be appropriate for the Commission to consider authorizing a future governance study to assess alternatives - functional and political - for the benefit of both agencies and their shared constituents.
13. It appears appropriate for LAFCO to proceed with limited spheres of influence updates for both the City of Oceanside and Oceanside SCHD to affirm the existing designations with one or more common special study areas.
 - (a) One special study area has been identified to date and spans nearly 150 acres covering DUC lands located immediately southwest of the agencies near Sunset Drive and Melrose Way; it also currently lies within the Vista sphere. Establishing this special study area would provide LAFCO the opportunity to discuss the potential annexation of the DUC lands with both Vista and Oceanside and in doing so help facilitate the delivery of elevated municipal services to the community consistent with State law.
14. It appears merited for LAFCO to partner with the Morro Hills CSD in sponsoring or otherwise supporting a legislative change to the principal act to reduce the number of Board members from five to three consistent with existing special provisions in State law.

15. The Morro Hills CSD Board should revisit conditions on Sleeping Indian Road and its most recent traffic assessments and the analysis therein that appears to support a significant increase in the speed limit.
16. It would be advantageous for Morro Hills CSD to explore interest among adjacent landowners that presumably benefit and use the road system to annex and have direct participation in Board decision-making while concurrently expanding the CSD property tax base.
17. It appears appropriate for LAFCO to proceed with a limited sphere of influence update for Morro Hills CSD to affirm the existing designation with the addition of a special study area. The special study area represents the notional expansion of the CSD to capture adjacent lands that presumably use and benefit from the roadway system.

5.0 WRITTEN DETERMINATIONS

San Diego LAFCO is directed to prepare written determinations to address the multiple governance factors enumerated under G.C. Section 56430 as part of the municipal service review on the Oceanside region. These determinations serve as independent statements based on information collected, analyzed, and presented in this report. The underlying intent of the determinations is to provide a succinct detailing of all pertinent issues relating to the organization, delivery, and funding of municipal functions and associated classes among the three affected agencies specific to the Commission's growth management responsibilities and interests.

Report's Brass Tacks...

These determinations address the specific factors required in the statute and represent statements of reasonable facts or deductions made by LAFCO based on information analyzed between 2018 and 2022. The sum total of these determinations informs a comprehensive assessment of the availability, demand, and performance of municipal services in the Oceanside region through the LAFCO lens.

5.1 Growth Projections & Related Demographics

1. With respect to full-time resident population totals within the Oceanside region, LAFCO independently makes the following statements.
 - (a) The total resident population in the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries is estimated at 174,615

at the end of the five-year report period. This amount represents 4% of the overall resident population estimate in San Diego County.

- (b) The total resident population in Oceanside SCHD's core service area - Oceanside Harbor - is 151 at the end of the five-year report period and entirely associated with the 86 permitted liveaboards.
 - (b) The total resident population in the Morro Hills CSD jurisdictional boundary is estimated at 1,001 at the end of the five-year report period. This amount represents less than 0.1% of the overall resident population estimate in San Diego County.
2. With respect to full-time resident population trends within the Oceanside region, LAFCO independently makes the following statements.
- (a) The total change in the resident population within the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries during the five-year report period is estimated at 2.0% - or 0.4% annually. This estimate - which translates to an average increase of 522 residents annually or 1.4 daily - falls one-fifth below the countywide growth rate of 0.6% and reflects a more recent gravitation towards slower growth in Oceanside.
 - (b) LAFCO defers from making any estimates on resident population changes within Morro Hills CSD during the five-year report period. This deferral is appropriate given earlier census information is not readily available for the two affected block groups underlying the jurisdictional boundary.
3. It is reasonable to assume recent population growth trends for the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries will continue forward through the timeframe of this report. This assumption generates a shared population projection of 178,165 by 2027 via the average net addition of 2.0 residents each day over the succeeding 60 months.
4. It is reasonable to assume Morro Hills CSD's resident population growth in the near term will generally match the recent countywide rate of 0.6% annually. This assumption supports a population projection for the CSD of 1,031 by 2027. It is relatedly reasonable to assume the majority of the additional population will be generated from accessory dwelling unit construction.

5. The Oceanside region's physical setting near existing and planned public transportation corridors coupled with ready access to urban-supporting services suggest substantive growth will occur given the insistent demand for housing in the greater San Diego metropolitan area.
6. Proportionally directing more growth towards the City of Oceanside - and by extension, Oceanside SCHD - merits policy consideration by LAFCO and other regional planning bodies. This policy orientation relatedly serves as additional justification for the Commission to facilitate or otherwise accommodate jurisdictional changes to Oceanside that would otherwise occur in the county.
7. With respect to housing supply and related growth issues within the Oceanside region, LAFCO independently makes the following statements.
 - (a) It is estimated the housing stock within the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries experienced a net increase of 1,625 units - or 325 annually - during the five-year reporting period. This results in an overall (historical) unit-to-resident ratio of 1.0 to 2.6.
 - (b) It is estimated the unit-to-resident ratio within the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries generated during the five-year report period has been 1.6 to 1.0. This ratio marks a two-fifth improvement over the historical ratio of 2.6.
 - (c) It is estimated the total housing stock within the Morro Hills CSD jurisdictional boundary tallies 396. This results in an overall (historical) unit-to-resident ratio of 2.5.
 - (d) LAFCO defers from making any estimates on additional housing construction within the Morro Hills CSD jurisdictional boundary during the five-year report period. This deferral is appropriate given earlier census information is not readily available for the two affected block groups underlying the jurisdictional boundary.
8. With respect to housing costs and related growth issues within the Oceanside region, LAFCO independently makes the following statements.

- (a) It is estimated the average five-year mean housing cost (mortgage and rent) within the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries tallies \$2,248. This represents a one-fifth increase over the prior five-year average.
 - (b) It is estimated households in the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries are spending 28% of their pre-tax income just on rent or mortgage payments. This estimate increases to 33% when adding basic utilities.
 - (c) The average home value in the City of Oceanside and Oceanside SCHD and their matching jurisdictional boundaries has separately increased by 60% over the five-year report period from \$522,082 to \$831,328. This generates a home price-to-income ratio estimate of 8.6.
 - (d) It is estimated the average five-year mean housing cost (mortgage and rent) within the Morro Hills CSD's jurisdictional boundary tallies \$2,939. This represents a 14% increase over the prior five-year average.
 - (e) It is estimated households in the Morro Hills CSD jurisdictional boundary are spending 24% of their pre-tax income just on rent or mortgage payments. This estimate increases to 29% when adding basic utilities.
 - (f) The average home value in the Morro Hills CSD jurisdictional boundary has increased by 58% over the five-year report period from \$550,771 to \$872,987. This generates a home price-to-income ratio estimate of 6.0.
9. LAFCO should coordinate with SANDAG to develop current buildout estimates within the Oceanside region and incorporate the information into the next scheduled municipal service review. This should include assessing potential impacts tied to the recent passage of Senate Bill 9 (Weiner) and allowance for additional lot splitting.
 10. A review of demographics shows substantive distinctions in the Oceanside region between residents within the City of Oceanside and Oceanside SCHD versus residents within the Morro Hills CSD with respect to age, income, and education. These distinctions are detailed as follows:

- (a) It is estimated residents within the City of Oceanside and Oceanside SCHD and their matching boundaries finished the five-year report period with a median age of 39 and an average household income of \$97,238. The portion of residents 25 or older with four-year degrees totals 37%.
 - (b) It is estimated residents within the Morro Hills CSD boundary finished the five-year report period with a median age of 43 and an average household income of \$146,289. The portion of residents 25 or older with four-year degrees totals 52%.
 11. Based on recent annual counts, the number of homeless in the City of Oceanside and Oceanside SCHD and their matching boundaries has increased during the five-year report period from 483 to 514 - a difference of 6%. The most recent count also shows 62% - or 318 - of the total being unsheltered and residing in cars, public places, or the street.
 12. At the end of the five-year report period, there was one counted homeless in the City of Oceanside and Oceanside SCHD and their matching boundaries for every 340 housed residents. This reflects a relative-intensity in homelessness of 4% over the prior 60-month ratio of 1-to-355.
 13. The number of shelter beds (emergency, transitional, etc.) in Oceanside at the end of the five-year report period tallies 378. This capacity generates a baseline shortage of (136) beds to accommodate all counted homeless.
 14. No information readily exists to estimate homelessness in Morro Hills CSD.
- 5.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities and Relevant Information on Water, Wastewater, and Fire Protection Services.
1. None of the three affected agencies in the Oceanside region - City of Oceanside, Oceanside SCHD, and Morro Hills CSD - have lands within their existing boundaries or spheres of influence qualifying as disadvantaged unincorporated communities - or DUCs - under LAFCO policy.
 2. Camp Pendelton lies immediately adjacent to all three affected agencies' boundaries and spheres of influence in the Oceanside region. These adjacent

lands qualify as DUCs under LAFCO policy with water, wastewater, and fire protection services currently provided by internal Marine Corps operations. The adequacy of these services has not been analyzed.

3. Approximately 150 acres of additional DUC lands under LAFCO policy lie immediately adjacent to the City of Oceanside and Oceanside SCHD and their matching boundaries. These additional DUCs are located to the immediate southeast of the agencies near Sunset Drive and Melrose Way; they are also within the Vista sphere of influence.
 - (a) Given annexation to Vista remains uncertain and potentially improbable, LAFCO should consider the merits of the above-referenced DUCs to the Oceanside sphere as a special study area.

5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies

1. The following statements apply to the City of Oceanside and address the availability, adequacy, and performance of the five targeted municipal service functions underlying Oceanside's growth and development evaluated in this report: (a) potable water; (b) wastewater; (c) integrated fire protection, emergency medical, and ambulance; (d) parks and recreation; and (e) community development.
 - (a) With respect to the City of Oceanside's potable water function:
 - i. Oceanside's potable water services extend throughout the jurisdictional boundary except for rural and agricultural uses in the South Morro Hills area. Oceanside self-attests it does not provide any out-of-agency potable water services at the end of the reporting period.
 - ii. Oceanside's potable water service operates as an enterprise and the total per household net revenue at the end of the five-year report period is estimated at \$190.
 - iii. Approximately 90% of Oceanside's potable water supplies retailed during the five-year report period have been imported through the County Water Authority. The remaining 10% are local and involve pumped subterranean flows from the San Rey Luis River.

- iv. Oceanside’s average potable water demand during the five-year report period equals 62.6 acre-feet daily. This amount translates to estimated daily averages for each resident and household of 118 gallons and 348 gallons, respectively.
 - v. Oceanside’s overall potable water demands have increased by 8% during the five-year report period with the majority of the rise attributed to changes between the fourth and fifth years. The reasons for the accelerated demands at the end of the period are unclear.
 - vi. The average potable water demand generated during the five-year report period for the entire distribution system (annual and daily) is estimated to equal 12% of Oceanside’s maximum available supplies based on infrastructure capacities. This measurement estimate rises to 22% when applying Oceanside’s average peak-day demands.
 - vii. It is estimated Oceanside’s available potable water storage capacity can accommodate up to 2.5 days of normal usage based on average demands generated over the five-year report period without requiring recharge. This amount falls below the industry standard of maintaining no less than 3.0 days of potable supply.
 - viii. LAFCO should coordinate with the County of San Diego to identify active groundwater wells within Oceanside and incorporate the information into the next scheduled municipal service review.
- (b) With respect to the City of Oceanside’s wastewater function:
- i. Oceanside’s wastewater function and related classes (collection, treatment, and discharge) extends throughout most of the jurisdictional boundary except for rural and agricultural uses in the City’s South Morro Hills neighborhood.
 - ii. Oceanside maintains two grandfathered out-of-agency wastewater service agreements that involve collecting, treating, and discharging flows from Rainbow MWD and portions of the City of Vista. Oceanside attests to no other out-of-agency wastewater services.

- iii. Oceanside's wastewater services operates as an enterprise and the total per household net revenue at the end of the five-year report period is estimated at \$279.
- iv. Oceanside's wastewater service is divided between two distinct service areas based on directing flows to one of two City-owned treatment facilities: San Luis Rey and La Salina. The current split in wastewater customers between these two facilities is estimated at 75-25.
- v. Oceanside's average wastewater demand during the five-year report period within the La Salina service area equals 2.5 million gallons daily. This measurement has decreased by (7.3%)
- vi. Oceanside's average wastewater demand during the five-year report period within the San Luis Rey service area equals 7.9 million gallons daily. This measurement has increased by 3.5%.
- vii. The combined average day flow generated in Oceanside's two wastewater service areas during the five-year report period equals 10.5 million gallons with an overall period change of 0.7%.
- viii. The combined average day wastewater flow within Oceanside during the five-year report period on a per capita measurement is estimated at 60 gallons. This translates to an average household wastewater demand estimate of 177 gallons.
- ix. Oceanside's two treatment facilities at San Luis Rey and La Salina are operating with excess daily capacities of no less than 42% of their permitted allowances under normal conditions based on average demands during the five-year report period.
- x. It is estimated Oceanside's excess daily discharge capacity via the Oceanside Ocean Outfall is 37% based on average demands during the five-year report period. This available capacity translates to 6.1 million gallons and serves as a relatively fixed cap with respect to accommodating future growth and development.

- xii. LAFCO should coordinate with the County of San Diego Environmental Health to identify active septic systems in Oceanside and incorporate this data into the next scheduled municipal service review.
- (c) With respect to the City of Oceanside’s integrated fire protection, emergency medical, and ambulance functions:
- i. Oceanside’s General Fund monies have covered 98% of the integrated fire protection function and related classes’ actual expenses during the five-year period. The total per capita General Fund expense at the end of the five-year report period is \$206.
 - ii. Personnel serves as the primary infrastructure resource for Oceanside’s integrated fire services with total budgeted positions rising by 14% to 136 full-time equivalents through the end of the five-year report period. The ending amount translates to 0.8 fire personnel for every 1,000 residents.
 - v. Actual onsite demands for Oceanside’s integrated fire services during the five-year report period have increased by one-fifth from 44 to 47 per day. This latter amount equals one onsite response every 30 minutes over 365 days over 60 months.
 - vi. Calls resulting in ambulance transport in Oceanside have averaged 26 daily during the five-year report period with an overall increase of 15%. The average translates to more than one-half of all onsite fire service responses now requiring ambulance transport.
 - vii. Oceanside’s integrated fire service capacities appear sufficiently sized to readily accommodate demands through the timeframe of the report. This statement is reflected in – and among other measurements – Oceanside’s ability to respond exclusively to 82% of all onsite incidents

within its boundary during the five-year report period while concurrently absorbing an 18% increase in demands.

- (d) With respect to the City of Oceanside's parks and recreation function:
- i. Oceanside's General Fund has covered 95% of its parks and recreation function and related classes' (aquatics, parks and open space, and community recreation classes) actual expenses during the five-year report period. The total per capita General Fund expense at the end of the period is estimated at \$32.
 - ii. Oceanside's aquatics and parks and open space classes have experienced substantive capacity expansions during the five-year report. These expansions are marked by completing two planned capital improvements that collectively elevate the El Corazon complex as a regional recreational hub.
 - iii. Although Oceanside's community recreation class did not experience a capacity expansion during the five-year report period, ongoing adaptations continue to better align resources with needs with an increasing focus on seniors. This includes starting and expanding a senior nutrition program and establishing senior art ("zine") classes.
 - iv. Oceanside's 414 acres of parkland acreage at the end of the five-year report period translates to 2.4 acres for every 1,000 residents. This ratio is more than one-fifth - or the equivalent of 110.3 acres - below the minimum municipality standard of 3.0 acres of parkland for every 1,000 residents in State law (Quimby Act).
 - v. Oceanside maintains a joint-use agreement with Oceanside Unified School District that provides the City access to an additional 115 acres of parkland. This agreement - and among other benefits - bridges the existing gap under the Quimby Act and raises Oceanside's parkland ratio to 3.0 acres for every 1,000 residents.
 - vi. Oceanside General Plan includes a policy directive to "strive" to achieve 5.0 acres of parkland acreage for every 1,000 residents. Oceanside

would need to add 460 acres to meet this marker based on the estimated population at the end of the five-year report period.

- (e) With respect to the City of Oceanside's community development function:
- i. Oceanside's General Fund has covered 8% of the community development function and associated classes' (planning, building, code enforcement, engineering, and housing assistance) actual expenses during the five-year report. The total General Fund per capita expense at the end of the period is estimated at \$70.
 - ii. The average annual volume of development application filings transacted through Oceanside and its planning class has been 183 with an overall change of (5%) in the five-year report period. Resources have trailed demands with the annual ratio of submittals-to-actions rising three-fourths from 2.5 to 4.3. The period average is 3.0.
 - iii. The average annual volume of permit issuances transacted by Oceanside and its building class has been 4,395 with an overall change of 97% in the five-year report period. Additional analysis is needed to provide a meaningful comparison between resources and demands relative to turnaround.
 - iv. The average annual number of case openings by Oceanside and its code enforcement class has been 5,425 with an overall change of (11%) in the five-year report period. Resources have kept pace with demands with the average annual ratio of case openings to case closures of 1.0 with minimal changes during the period.
 - v. The average annual volume of filings received by Oceanside and its engineer class involving landscape plans and grading permits has been 71 with an overall change of 47% in the five-year report period. Resources have trailed demands with an annual ratio of submittals to actions increasing three-fold from 1.2 to 4.7. The period average is 2.2.
 - vi. The housing voucher program administered by Oceanside and its housing assistance class finished the five-year report period with 1,341 participants - an amount that has remained relatively fixed with nearly

4,800 on a waiting list. It is estimated the time to transition from waitlist to participant is approximately 10 years based on recent trends. Additional analysis is needed to assess and compare the turnaround relative to other jurisdictions.

2. The following statements apply to the Oceanside SCHD and address the availability, adequacy, and performance of its two active municipal functions as categorized by LAFCO: marina and dredging.

(a) With respect to Oceanside SCHD's marina function:

- i. SCHD's marina function and related classes (wharf, pier, harbor basins, boat launch, beach and camping, streets and sidewalks, and parking classes) serve as the agency's core public-facing activity. It also accounts for 100% of all budgeted and actual resources transacted during the five-year report period.
- ii. SCHD's marina services operate as an enterprise with actual revenue averaging \$8.3 million during the five-year report period with four-fifths coming from boat slip fees. Actual expenses have averaged \$9.9 million resulting in a total margin of (20%).
- iii. The wharf class involves operating approximately 350,000 square feet of commercial spaces along Oceanside Harbor. SCHD reports a 100% lease occupancy rate at the end of the five-year report period. There have been no substantive class changes.
- iv. The pier class involves operating an approximate 50-foot pier at the center of Oceanside Harbor. The pier is dedicated to fishing and can accommodate up to 12 users. SCHD does not track usage. There have been no substantive class changes during the five-year report period.
- v. The harbor basin class involves operating 26 piling docks and 954 boat slips with 890 dedicated to monthly permittees. All 890 leasable boat slips are taken with a total waiting list of 210 at the end of the five-year report period. There have been no substantive class changes.

- vi. The boat launch class involves operating a single concrete pad with four boarding floats. The boat launch can accommodate up to six vessels at any one time. SCHED does not track usage. There have been no changes to this class during the five-year report period.
 - vii. The beach and camping class involves operating Harbor Beach and its related amenities - including 24-hour public restrooms. Vehicle camping is allowed year-round in the Harbor Beach parking lot with a five-night limit in any 30-day period. SCHED does not actively track usage. There have been no substantive changes to this class during the five-year report period.
 - viii. The parking class involves operating 15 surface lots with a combined capacity of 1,690 spaces. Exactly three-fourths - or 1,277 - of all parking spaces are unreserved with two-thirds of this portion being free with specified hour limitations. SCHED does not actively track usage. There have been no changes to this class during the five-year report period.
 - ix. Relative to overall considerations, the marina function appears to be performing satisfactorily in balancing community needs with available resources through the end of the five-year report period. This statement is reflected in - and among other measurements - constant demand for its two primary revenue sources: boat slip permittees and commercial leases.
 - x. Notwithstanding the preceding statement, the ability of SCHED to continue to balance community needs and available resources underlying the marina function is increasingly stressed due to years of under-prioritized maintenance and improvements. This historical practice has left an estimated \$28.0 million in needed improvements to stabilize core infrastructure in the Oceanside Harbor over the next 15 years; an amount more than three times greater than the average annual revenue collection during the five-year report period.
- (b) With respect to the Oceanside SCHED's dredging function:

- i. SCHD's dredging function and related classes (channel clearing and beach restoration classes) has been limited to an advisory role with the U.S. Army Corps of Engineers.
 - ii. SCHD does not own, lease, or otherwise have any infrastructure or equipment in support of dredging. Further, SCHD has not budgeted, collected, or expended any resources in support of the dredging function during the five-year report period.
 - iii. SCHD indirectly supports its dredging function administratively via its budgeted marina function by advising with the U.S. Army Corps of Engineers and their annual commitment to clear the Oceanside Harbor inlet given its shared use by Camp Pendelton.
 - iv. The annual dredging performed by the U.S. Army Corps of Engineers generally takes place in late spring and takes two to four weeks to complete at an approximate cost of \$3.5 million. This amount equals more than one-third of SCHD's average actual expenses during the five-year report period.
 - v. The average yearly volume of sand dredged from the inlet during the five-year report period has been 257,019 cubic yards, which translates to covering approximately 160 acre-feet.
 - vi. Sand dredged by the U.S. Corps of Engineering as part of the annual channel clearing is pumped onto the north end of Harbor Beach as part of a sand replenishment program. Oceanside - and not SCHD - covers the costs to replenish the sand along Harbor Beach and further south as volume permits.
 - vii. Despite the annual replenishment performed by the U.S. Corps of Engineering, Oceanside estimates Harbor Beach is currently losing 2.4 feet a year to drift erosion.
3. The following statements apply to Morro Hills CSD and address the availability, adequacy, and performance of its lone active municipal function: streets.

- (a) With respect to the street function:
- i. CSD's street function and related classes (signage, drainage, and traffic) tie to maintaining a 6.0-mile roadway network via routine paving, patching, and signage upkeep. CSD also periodically prepares traffic assessments to help inform calming measures.
 - ii. CSD's street function operates as a non-enterprise and is dependent on all-purpose revenues given all deliverables (i.e., roads) do not readily tie to collecting user fees.
 - iii. CSD's allocation of the 1% in property taxes - averaging \$0.091 million over the five-year report period - serves as the dominant funding resource for the street function and defines capacity limitations.
 - iv. There have been no expansions to CSD's roadway network in terms of scale since the late 1960s. No expansions are anticipated within the report's timeframe.
 - v. CSD's focus over the last two decades and through the five-year report period has been to maintain existing service levels and explore traffic calming measures. These latter efforts are marked by periodically contracting with engineers to prepare traffic assessments on volume and speed conditions within the CSD. The last two assessments were completed in 2008 and 2021.
 - vi. No significant infrastructure needs or deficiencies were identified in either of CSD's 2008 and 2021 traffic assessments with one material exception. This exception dates to the 2008 assessment and recommendation based on traffic conditions that the speed limit along one of CSD's three primary roads - Sleeping Indian Road - should be increased from 35 to 45 mph. This recommendation has not been addressed despite data in the most recent assessment confirming the merit and need to raise the speed limit.

4. Additional information is needed to determine the number of mutual water companies and associated infrastructure conditions in the Oceanside region as prompted under the LAFCO statute. The Commission defers this analysis to a future informational report.

5.4 Agencies' Financial Ability to Provide Services

1. All three affected agencies in the Oceanside region operate with significantly different financial means and resources in providing municipal services.
2. The following determinations are specific to the City of Oceanside.
 - (a) The City of Oceanside's average actual annual costs during the five-year report period tallies \$492.9 million with an ending amount of \$570.8 million. The overall period change is 31%. It is estimated the average total actual per capita cost over the 60-month period is \$2,850.
 - i. Actual annual General Fund expenses for Oceanside are on the rise and marked by the annual per capita share increasing by 25% from \$947 to \$1,179 over the five-year report period year.
 - (b) Measure X's ½ cent sales tax starting in April 2019 has been a success in balancing the City of Oceanside's General Fund. Markedly, Measure X has reversed prior actual General Fund deficits and has generated a positive actual annual per capita revenue-to-expense difference of \$63 or 6%. Measure X's scheduled expiration in 2026 merits attention with Oceanside expected to sponsor an extension in November 2024.
 - (c) The City of Oceanside's average actual annual revenues during the five-year report period tallies \$530.5 million with an ending amount of \$620.6 million. The overall period change is 38%. It is estimated the average total actual per capita cost over the reporting period is \$3,067.
 - i. Actual annual General Fund revenues for Oceanside are on the rise and marked by the annual per capita share rising by 32% from \$903 to \$1,223 over the five-year report period year.

- (d) The City of Oceanside’s spendable reserves within its General Fund totals \$96.8 million at the end of the five-year report period and is equal to five months of operating expenses.
- i. Oceanside met its adopted General Fund reserve policy to maintain no less than amounts equal to 12% of operating expenses in four of the five years covering the reporting period. The lone exception involved FY2020 and attributable to COVID-19 impacts.
- (e) The City of Oceanside’s audited net position covering all City funds has increased over the five-year report period by one-fourth from \$909.6 million to \$1.136 billion. This change tracks with a per capita measurement and its estimated 23% increase from \$5,275 to \$6,507.
- i. Oceanside’s audited and accrued unrestricted fund balance less pension and related liabilities at the end of the five-year report period is sufficient to cover 12.0 months of total actual expenses.
 - ii. Oceanside’s liquidity levels are considered high as measured by a days’ cash ratio - or burn rate - of 691 at the end of the five-year report period. This measurement improved by one-fifth and positions Oceanside to readily cover short-term obligations without concern.
 - iii. Oceanside’s capital levels are considered average as measured by an otherwise moderate debt ratio of 24% at the end of the five-year report period. This measurement has improved by one-fifth and positions Oceanside with up to three-fourths of its assets to leverage toward financing big-ticket improvements going forward.
 - iv. Oceanside’s average annual total margin - or bottom line - during the reporting period has been 14% with positive closings in all five years. This measurement shows Oceanside has been effective in the bottom-line management of its resources throughout the reporting period.
 - v. Oceanside’s accumulated depreciation ratio at the end of the five-year report period shows its capital assets - at least on an accounting basis - have collectively exceeded their expected usefulness (lifespan) by 39%. This deficiency merits attention going forward.

- (f) The City of Oceanside's total employer pension contribution paid to CalPERS at the end of the five-year report period totals \$30.2 million and equals 37% of payroll - an increase of more than one-fifth.
 - i. Oceanside's total funded pension ratio at the end of the five-year report period is 74% and reflects an overall change of less than (1%). This ratio is considered average relative to other local agencies.
 - (g) The City of Oceanside's pay-as-you-go annual OPEB expense totals \$1.063 million at the end of the five-year report period. This amount represents a net increase of \$0.552 million - or 108% - over the preceding 60 months.
 - i. Oceanside's accrued liability for OPEB totals \$9.706 million at the end of the five-year report period. This amount represents a net increase of \$3.917 million - or 68% - over the preceding 60 months.
3. The following determinations are specific to the Oceanside SCHD.
- (a) Oceanside SCHD's total actual expense at the end of the five-year report period equals \$8.750 million with 80% covering staff support services with Oceanside. Overall, the variance between actual and budgeted expenses during the reporting period falls slightly higher at 3.3%.
 - (b) Oceanside SCHD's total actual revenue at the end of the five-year report period equals \$8.963 million with 74% generated from boat slip fees. Overall, the variance between actual and budgeted revenues during the reporting period is slightly lower at (3.5%).
 - (c) Oceanside SCHD finished the five-year report period with an unassigned fund balance of \$4.600 million. This amount is sufficient to cover 6.3 months of actual costs.
 - (d) Oceanside SCHD's audited net position has increased during the five-year report period by one-tenth from \$13.360 to \$14.931 million. This change parallels the difference in the per capita measurement and its own 10% increase from \$78 to \$86.

- i. SCHD's liquidity levels are considered relatively high as measured by a days' cash ratio - or burn rate - of 256 at the end of the five-year report period. Although this measurement experienced an overall decline of (one-fifth) over the preceding 60 months, it continues to position the SCHD to readily cover short-term obligations without concern.
 - ii. SCHD's capital levels are considered high as measured by a low debt ratio of 4% at the end of the five-year report period. This measurement incorporates a three-fifths improvement over the preceding 60 months and positions SCHD with significant capital resources to finance big-ticket improvements going forward.
 - iii. SCHD's average annual total margin during the five-year report period has been 5% with positive closing amounts in all five years. This measurement shows the SCHD has been effective in bottom-line management of its resources throughout the reporting period.
 - iv. SCHD's accumulated depreciation ratio at the end of the five-year report period shows its capital assets - at least on an accounting basis - have collectively exceeded their expected usefulness (lifespan) by nearly three-fold - i.e., more than 300%. This measurement undercuts the otherwise positive liquidity and capital levels and underscores the need for capital improvements.
- (e) Oceanside SCHD does not have any recorded pension or other post-employment benefit obligations.
4. The following determinations are specific to the Morro Hills CSD.
- (a) LAFCO staff requested but did not receive copies of budget materials or quarterly financial reports covering the five-year report period from Morro Hills CSD. These materials are also not available on the CSD website, although they should be.
 - (b) Morro Hills CSD finished the five-year report period with an unassigned fund balance of \$0.267 million. This amount is sufficient to cover 134 months of recent actual costs.

- (c) Morro Hills CSD's audited net position mirrors asset holdings and has increased during the five-year report period by more than one-fourth from \$0.454 million to \$0.579 million.
- (d) Analysis of the standard fiscal measurement categories - liquidity, capital margin, and asset management - regarding Morro Hills CSD has limited value given the agency's relatively stagnant fiscal activity during the five-year report period. The lone exception involves CSD's total margin ratios and its value as a bottom-line accounting measurement tool.
 - i. CSD's overall average total margin during the reporting period has been 39% with positive year-end amounts achieved in four of the five years. This measurement shows the CSD has ultimately been effective in bottom-line management of its available resources.
- (e) Morro Hills CSD does not have any recorded pension or other post-employment benefit obligations.

5.5 Status and Opportunities for Shared Facilities & Resources

1. The City of Oceanside and - albeit to a lesser degree - Oceanside SCHD have established responsive shared facilities and resources with other agencies and organizations in fulfilling their responsibilities to provide specified municipal functions to their common constituents.
2. The City of Oceanside and Oceanside SCHD mutually benefit from their existing relationship specific to their joint economic and social interest in promoting the Oceanside Harbor. The relationship harmonizes the planning and use of the Oceanside Harbor while helping to economize costs for the mutual benefit of the agencies' shared constituency.
3. The City of Oceanside has been proactive in economizing all of the five targeted municipal service functions evaluated in this report through various collaborations and partnerships.
 - (a) The City of Oceanside maintains nine interconnections that can be used to cross-share potable water with neighboring agencies during short-term emergencies or planned shutdowns involving the San Diego Aqueduct.

Three of these connections are with Rainbow MWD, two are with Carlsbad MWD, three are with Vista ID, and one is with Camp Pendleton.

- (b) The City of Oceanside and Rainbow MWD mutually benefit from a cost-sharing arrangement involving wastewater dating back to 1973 marked by economizing public facilities and avoiding duplicative infrastructure. Through this arrangement, Rainbow contributed to Oceanside's share of construction costs for the Oceanside Ocean Outfall while providing an ongoing compensated relationship for the City to collect, treat, and discharge up to 1.5 million daily gallons of flows from Rainbow.
 - (c) The City of Oceanside is part of a joint-powers authority known as "North Comm" and includes the Cities of Vista, San Marcos, Solana Beach, Encinitas, and Carlsbad as well as the North County FPD. This arrangement provides efficiencies for the member agencies and their constituents by providing coordinated dispatching emergency communication services for public safety within the member agencies' boundaries.
 - (d) The City of Oceanside maintains a joint-use agreement with Oceanside Unified School District to cross-share public resources for mutual citizenry benefit involving parks and recreation. This agreement - pertinently - bridges the existing gap for Oceanside in meeting the statewide ratio standard of making available 3.0 acres of parklands for every 1,000 residents. The agreement conversely provides the District with facility maintenance from Oceanside as well as access to City swimming facilities.
 - (e) The City of Oceanside and Carlsbad share community development resources in establishing a joint-power authority to cooperatively advance and guide the State's otherwise stalled restoration of the Buena Vista Lagoon - an approximate 220-acre freshwater body located in between the two municipalities. The Buena Vista Lagoon is California's first designated ecological reserve dating back to 1968 and its restoration has stalled over several years due to a lack of community consensus on the next steps.
4. Oceanside SCHD makes effective use of Oceanside's Harbor and Beaches Advisory Committee in vetting and developing consensus in guiding resources at the Oceanside Harbor. This includes creating a regular opportunity for wharf tenants, slip permittees, and liveboards to identify volunteer opportunities for

the mutual benefit of all Harbor users.

5. Oceanside SCHED continues to effectively partner in an advisory role with the U.S. Corps of Engineering in organizing the Corps' annual dredging of the Oceanside Harbor. This partnership provides SCHED and its constituents the equivalent of an annual \$3.5 million benefit that would otherwise necessitate an approximate one-third increase to the operating budget.
6. Notwithstanding other statements, additional cost-sharing resources between the City of Oceanside and Oceanside SCHED merit consideration involving SCHED's patrol boat; the latter having been purchased by SCHED in 2016 for \$0.500 million through funds advanced by the City as part of a long-term payment plan. Since the patrol boat is commonly used by Oceanside outside the Oceanside Harbor, it seems appropriate for SCHED to receive a proportional credit against its annual repayments based on actual City usage going forward.
7. It would be beneficial for Morro Hills CSD to explore a service agreement with the City of Oceanside to provide contract road maintenance at a pre-agreed hourly rate. This type of arrangement could help protect the CSD from variables - costs and availability - associated with current practice to utilize private contractors as needed.

5.6 Local Accountability and Government Restructure Options

1. All three affected agencies in the Oceanside region are led by responsive officials - elected and appointed - and illustrated by holding regular meetings, timely posting of agendas and minutes online, and being accessible to the public - including readily responding to LAFCO inquiries throughout the preparation of this report. These measurables help maintain public trust to ensure constituents' ongoing financial investment via property taxes, special assessments, and/or user charges are warranted.
2. The City of Oceanside is the principal local agency in the region with elevated responsibilities given its decisions - directly and indirectly - materially affect and influence the other two local agencies. The City Council has met these elevated responsibilities during the five-year report period by practicing measured decision-making processes that actively draw on the input of 15 standing committees along with empowering a capable senior management team.

3. The City of Oceanside has taken a leadership role recently in the greater San Diego metropolitan region to restore and retain sand along City beaches. Recent measures taken up during the five-year report period include establishing and filling a Coastal Zone Administrator position to oversee Oceanside's "Re-Beach" program to design and implement a phased project estimated to total up to \$50.0 million and in doing so mitigate the significant threat of sand losses to Oceanside's beach-centric economic and social welfare.
 - (a) As the City of Oceanside proceeds to implement the initial phases of its otherwise novel Re-Beach program, it would be pragmatic to explore opportunities to enlist local coastal agencies in consolidating efforts - functional or political - given inescapable impacts and interests in beach restorations. LAFCO should offer its assistance should Oceanside and/or other stakeholders wish to explore a political model to organize sand nourishment on a larger scale.
4. Additional efforts should be taken by Oceanside SCHED to distinguish its role as a stand-alone governmental entity separate from the City of Oceanside. This includes developing stand-alone contracting arrangements with Oceanside outlining specific services and costs therein with respect to the existing use of City staff, supplies, and resources in carrying out District duties. Establishing a dedicated website is also merited to provide the public with direct and easy access to SCHED information that is otherwise obscured on the Oceanside site.
5. Oceanside SCHED informally deactivated its previously authorized and active patrol and rescue municipal function starting in 2009 by de-budgeting its Harbor Patrol in line with the City of Oceanside assuming these responsibilities. SCHED's legal authorization to provide patrol and rescue - however - remains active under State law. Accordingly, to clarify service expectations and mitigate potential liabilities, it would be prudent for SCHED to request LAFCO approval to divest this municipal function under Government Code 56824.10.
6. Oceanside SCHED's role as a dependent special district of the City of Oceanside benefits both agencies and their joint economic and social interest in Oceanside Harbor. This relationship, most notably, harmonizes the planning and use of the Oceanside Harbor while helping to economize costs for the mutual benefit of the agencies' shared constituency.

7. LAFCO is aware there is community interest in exploring the reorganization of Oceanside SCHD into an independent agency to provide direct community influence on decision-making. Accordingly, and based on available resources, it would be appropriate for the Commission to consider authorizing a future governance study to assess available alternatives - functional and political - for the benefit of both agencies and their shared constituents.
8. The accumulated depreciation ratio for Oceanside SCHD at the end of the five-year report period is concerning in showing capital assets (docks, pilings, etc.) have exceeded their useful life by more than three-fold. This poor ratio is the result of decades of deferred maintenance and has left the CSD increasingly vulnerable to significant infrastructure failures.
9. It appears appropriate for LAFCO to proceed with a limited sphere of influence update for both the City of Oceanside and Oceanside SCHD to affirm the existing designations with the addition of a common special study area. The special study area - which is currently within Vista's sphere - spans nearly 150 acres and covers DUC lands located immediately southwest of the agencies near Sunset Drive and Melrose Way. Establishing the special study area provides LAFCO the opportunity to discuss the potential annexation of the DUC lands with both Vista and Oceanside and in doing so help facilitate the delivery of elevated municipal services to the community consistent with State law.
10. There appears to be some interest in Morro Hills CSD to expand its powers to include police protection for the benefit of directly enforcing traffic laws within the jurisdictional boundary. For purposes of managing community expectations, LAFCO's consideration of this type of proposal would be largely premised on CSD expanding its financial resources to support this additional function and presumably through a voter-approved tax. It would also merit consultation with the County Sheriff to help avoid unintended consequences.
11. Morro Hills CSD's Board of Directors is entirely appointed due to a series of uncontested elections. This propensity for uncontested elections and the presumed disinterest of local registered voters to serve leaves CSD increasingly vulnerable in making mid-term appointments when members resign - which has been a common occurrence during the five-year report period.

- (a) It appears merited for LAFCO to partner with the Morro Hills CSD in sponsoring or otherwise supporting a legislative change to the principal act to reduce the number of Board members from five to three consistent with existing special provisions in State law.⁶

- 12. Morro Hills CSD's decision to not act on a 2008 recommendation by an outside traffic consultant to raise the speed limit on Sleeping Indian Road from 35 to 45mph appears arbitrary and inconsistent with the Board's duty to its constituents to set speeds accepted as reasonable to a majority of road users. A review of a more recent traffic assessment performed in 2021 justifies the speed limit on Sleeping Indian Road to be set now to 55mph.
 - (a) The Morro Hills CSD Board should revisit the preceeding topic and ensure an objective and data-supported speed limit is set to Sleeping Indian Road.

- 13. Morro Hills CSD's jurisdictional boundary to some extent appears disorderly along its northern and eastern perimeter with these adjacent non-jurisdictional lands that otherwise make use of the CSD roadway system.
 - (a) It would be advantageous for the CSD to explore interest among these adjacent landowners to annex and have direct participation in the Board's decision-making while concurrently expanding the CSD property tax base.

- 14. It appears appropriate for LAFCO to proceed with a limited sphere of influence update for Morro Hills CSD to affirm the existing designation with the addition of a special study area. The special study area represents the notional expansion of the CSD to capture adjacent lands that presumably use and benefit from the roadway system.

5.7 Environmental Justice (Adopted Policy)

Pending.

⁶ Reference to California Government Code Section 61040.1.

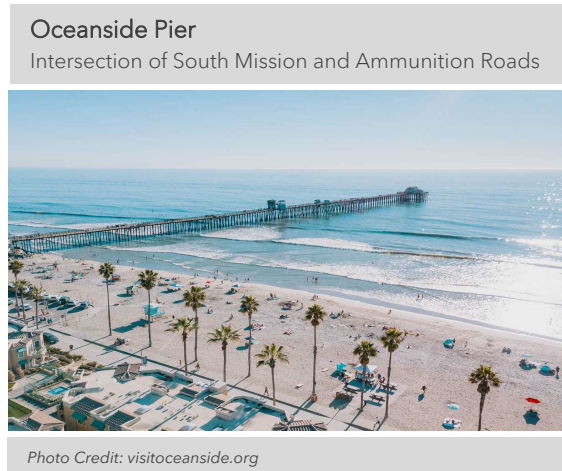
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CHAPTER THREE | AGENCY PROFILES

A. CITY OF OCEANSIDE

1.0 OVERVIEW

The City of Oceanside is a charter-law municipality incorporated in July 1888. Oceanside's incorporation was the third in San Diego County's history. It was also a direct extension of the growth and commerce established in the late 1790s with the construction of the Mission San Luis Rey and amplified with the arrival of the railroads by the early 1880s. Camp Pendleton's nearby establishment as a permanent U.S. Marine Corps base in the early 1940s further



influenced growth in Oceanside and continues to serve as a prominent social and economic anchor. Oceanside's jurisdictional boundary spans 42 square miles with an elevation range between (30) to 895 feet above sea level with the latter recorded along Indian Trail Way in the South Morro Hills neighborhood. Three-fourths of Oceanside's jurisdictional boundary is under private ownership. Slightly more than one-fourth of all private lands - tallying 3,701 parcels and 5,303 acres - remain undeveloped without any assessed structures or improvements.

Oceanside's governance is provided through a council-manager format with an at-large-elected mayor and four district-elected councilmembers. The average tenure on the City Council among current members is approximately seven years with the longest tenure belonging to Mayor Esther Sanchez at 22 years. In 2020, the City Council adopted term limits, which prescribe no person can serve more than three terms - whether as Councilmember or Mayor. Oceanside has established 15 standing committees to help inform decision-making. Three City Managers have served Oceanside during the five-year report period with the present incumbent - Jonathan Borrego - appointed at the end of the five-year report period in 2022. Budgeted staffing has modestly increased by 3.7% from 966 to 1,002 full-time equivalent positions. Nearly one-half - or 45.2% - of all Oceanside's budgeted positions are allocated to public safety and divided between 129.4 with fire and 324.0 with police.

Oceanside is a full-service municipality and provides most public services directly with limited overlap from outside special districts. Key service functions directly provided by Oceanside and detailed in this report involve water, wastewater, integrated fire protection and emergency medical, parks and recreation, and community development. Other pertinent services directly provided by Oceanside include police protection, streets, library, and storm drainage. Oceanside also operates the dependent Oceanside Small Craft Harbor District. A few independent special districts separately overlap Oceanside's jurisdictional boundary and provide specialized regional services and include the North County Transit District, Tri-City Healthcare District, and Mission Resource Conservation District.

Full Service Municipality...

Oceanside is one of only a few full-service municipalities in San Diego County and directly provides the following services detailed in this report: water; wastewater; fire protection + emergency medical; parks + recreation; and community development. Budgeted staffing has increased from 966 to 1,002 - a difference of 3.7% - with nearly one-half of the total tied to public safety.

Oceanside's actual General Fund expenses at the end of the five-year report period tallies \$205.827 million. This ending total represents an overall increase of 26.8% during the reporting period and translates to an average day expenditure of \$0.564 million to carry out most day-to-day City activities. The annual per capita General Fund expense has similarly changed during the period from \$947 to \$1,179, which reflects a change of 25.5%. Actual General Fund revenues at the end of the period tally \$213.628 million and reflect an overall change of 38.0% with property, sales, and transient taxes generating close to \$0.60 for every \$1.00 collected by Oceanside. The total spendable General Fund balance at the end of the period totals \$112.6 million and is equivalent to covering 7.5 months of recent actual expenses.

Measure X Effect ...

Oceanside voters approved Measure X and its ½ cent sales tax in 2018 with an effective date of April 2019. Since going into effect, Measure X has reversed prior actual General Fund deficits and has generated a positive actual annual per capita revenue-to-expense difference of \$63 or 6%.

LAFCO independently estimates the full-time resident population within Oceanside's jurisdictional boundary is 174,615 at the end of the five-year report period. This estimate makes Oceanside the third-largest populated municipality in San Diego County. It is also projected the estimate of full-time residents in Oceanside represents an overall increase of 8,061 since the 2010 census - or 671.8

Positive Housing Gains...

Oceanside experienced an average gain of 522 new residents each year over the five-year report period. Oceanside also experienced an average annual gain of 325 new housing units. These amounts show a positive net relationship with Oceanside adding one home for every 1.6 new residents, which marks an improvement over the historical ratio of one unit for every 2.6 residents.

annually and 1.4 daily - with a resulting annual growth rate of 0.4%, which falls moderately - or (one-third) - below the corresponding countywide rate of 0.6%. The estimated population is directly supported by 68,147 housing units, which has increased since 2010 with 3,905 new units, or 325 per year.

With respect to other housing factors, the median household income among Oceanside residents is \$97,238 based on the current five-year period average, which finishes above the countywide average of \$88,240. Oceanside residents are currently spending 27.7% of their household

33% of Income Goes to Housing ...

LAFCO estimates the adjusted housing cost for Oceanside residents to include both rent or mortgage as well as basic utilities equals one-third of household income at the end of the period.

income on rent or mortgage payments. LAFCO estimates the adjusted housing cost with basic utilities equals 32.7%. The average home value in Oceanside has separately increased by 59.2% over the reporting period from \$522,082 to \$831,328.¹ This separately generates a home price-to-income ratio of 8.6.

2.0 BACKGROUND

2.1 Community Development

The City of Oceanside's present-day development dates to the 1700s with the Payomkawichum - or Luiseños - establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with Spain's construction of the Mission San Luis Rey de Francia in 1769. These villages generally continued uninterrupted into the next century when rule of California transitioned from Spain to Mexico and Governor Alvarado granted

San Luis Rey de Francia Mission
San Luis Rey, Oceanside (1798)

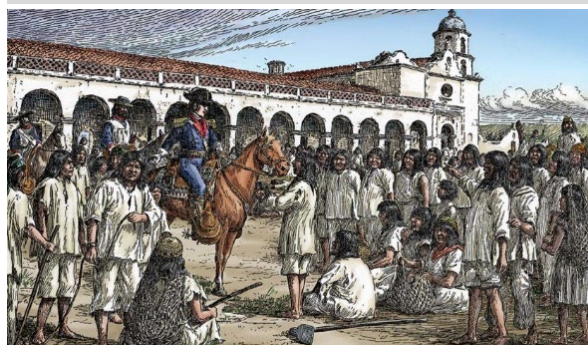


Photo Credit: California Missions

"Rancho Margarita y Las Flores" to Pio Pico and his brother, Andreas, in 1841. The rancho changed hands several times over the next several decades with allowances made to increasing numbers of migrants from the east to settle and begin making basic improvements to the land and establishing various crops and livestock activities. In 1883, the area established rail connectivity with San Diego and its harbor with

¹ The average home values in Oceanside during the five-year report period is based on Zillow analytics (www.zillow.com).

subsequent track extensions splitting and heading either east towards Escondido, northeast towards San Bernardino, and north towards Los Angeles.

Once rail came to the area in the early 1880s, homesteaders – like Andrew Jackson Meyers – arrived and began building year-round homes and local-serving storefronts immediately south of Rancho Margarita y. Las Flores. Going to the "ocean side" became a regional moniker for rancho families living inland and quickly formalized into the newfound title of "Oceanside." John Chauncey Hayes emerged as a prominent figure in Oceanside's transition towards cityhood through his land holding company and began acquiring and reselling lots between \$50 and \$100 with loans provided by his own bank.² The framework for current-day downtown was established soon afterward with early businesses in Oceanside settling along Hill Street (Coast Highway) and the construction of an initial pier out to the Pacific Ocean completed by 1888.



2.2 Incorporation Proceedings

Interest in incorporating Oceanside paralleled Andrew Jackson Meyers' recording of the first survey map with the County of San Diego in 1883. At the time of the recording, it was estimated Oceanside's permanent population was approaching 300. The incorporation of National City in 1887 and the announcement by Escondido to do the same presumably provided momentum for community leaders to petition the Board of Supervisors and a vote on cityhood was held in May 1888. The vote to incorporate Oceanside passed 74 to 53 with the effective date set as July 3, 1888. A five-member board of trustees was also voted to serve as the inaugural City Council and consisted of C.W Maxson, John Schuyler, J.V. Hicks, F.S Trumbower, and Daniel Horne.

2.3 Notable Post-Incorporation Activities and Events

A summary of notable activities or events following Oceanside's incorporation involving the community or City government follows.

² The adjusted price of lots sold in 1885 for \$50 to \$100 translates to \$1,500 to \$3,000 in 2022.

1880s

Oceanside establishes an all-volunteer fire company in 1888. The first dedicated fire station is built in 1929 at the corner of Third and Nevada Streets.

In late 1888, Oceanside enters into a lease agreement with Myers Waterworks to provide water service through horse-drawn cart deliveries from the San Luis Rey River. Several municipal wells are also established starting in 1900 and continued to provide supplies to Oceanside.

The United States' census count in 1890 estimates 427 residents in Oceanside.

Oceanside High School (formerly Oceanside-Carlsbad) is established in early 1906 near the current campus on Mission Drive.

1900s

Oceanside transitions law enforcement from an elected Marshall's Office to a municipal police department starting in 1906.

The United States' census count in 1920 estimates 1,161 residents in Oceanside.

The Metropolitan Water District of Southern California is formed in 1928 to develop an aqueduct to convey supplies from the Colorado River. Oceanside later annexes into "MET" in 1944.

Several local hospitals begin operating in Oceanside starting with the Cottage Hospital on Second Street (Mission Ave) in 1930. The Oceanside Hospital on Freeman Street follows in 1933 and is later relocated in 1938 to Fourth (Civic Center Drive) and Summit.

1930s

Oceanside's first formal City Hall is designed by Irving J. Gill and built in 1934 on Pier View Way. City Hall is later reconstituted into a new Civic Center in 1989 to anchor the redevelopment of Oceanside's downtown.

The Oceanside-Carlsbad Junior College was established in September 1934 as part of the Oceanside High campus with an inaugural enrollment of 120 students. With the aid of a voter-approved bond, a new stand-alone campus was opened in September 1964 as Mira Mesa College with a corresponding enrolment amount of 1,800.

1940s

The first paid fire protection personnel are hired in 1939 and the company transitions to a municipal fire department.

The United States' census count in 1940 estimates 4,651 residents in Oceanside.

The United States purchases Rancho Santa Margarita y Las Flores for \$4.2 million in 1942 and proceeds to convert the approximate 1250,000-acre site into Marine Corps Camp Pendleton.

Oceanside becomes a charter member agency of the San Diego County Water Authority in 1944 and is eligible to receive wholesale supplies via MET.

State Highway 101 is rerouted away from Hill Street (Coast Highway) in 1953.

Tri-City Healthcare District is formed in 1957.

1960s

The United States census in 1960 estimates 24,971 residents in Oceanside.

Oceanside Small Craft Harbor District is formed in 1960.

North County Transit District (NCTD) is formed in 1975 with operations commencing a year later. NCTD gradually assumes bus services for Oceanside along with other North County cities (Carlsbad, Vista, San Marcos, and Escondido). In 2008, the "Sprinter" is established and provides light-rail commuter services between Oceanside to Escondido.

1980s

The United States' census count in 1980 estimates 76,698 residents in Oceanside.

The United States' census count in 2000 estimates 161,029 residents in Oceanside.

2010s

Oceanside transitions to a charter-law municipality in July 2010 following voters' approval of Proposition K. The transition exempts Oceanside from prevailing wage requirements for public work projects.

Oceanside's City Council in June 2016 authorizes the initiation of an update to the General Plan (1986). Work continues.

Voters approve Measure X in November 2018 to increase Oceanside’s sales tax by ½ cents to 8.25% for seven years beginning April 2019. Revenue is dedicated to public safety and roads and managed by an oversight committee.

3.0 BOUNDARIES + RELATED CONSIDERATIONS

3.1 Jurisdictional Boundary

The City of Oceanside’s existing boundary totals 42.2 square miles and spans 26,991 acres. This equals 1.0% of all of San Diego County. Slightly more than one-half of Oceanside is fixed and either adjacent to the Pacific Ocean or the Cities of Carlsbad and Vista. The remainder of the Oceanside perimeter lies adjacent to unincorporated lands with one-half of this amount adjoining the United States Marine Corps Camp Pendleton. This leaves one-quarter of Oceanside’s perimeter open to future expansion assuming Camp Pendleton remains under federal control. The elevation ranges between (30) to 895 feet above sea level with the latter point recorded along Indian Trail Way in the South Morro Hills neighborhood.

On the Podium (Bronze)...

Oceanside’s jurisdictional boundary is 42 square miles in total size and makes it the third largest-sized municipality in San Diego County. The jurisdictional boundary is whole and does not include any unincorporated “islands.”

With regard to historical changes, it is estimated Oceanside’s jurisdictional boundary has nearly quintupled in size since incorporation in 1888. A total of twelve annexations have been approved and recorded by LAFCO since its own creation by the Legislature in 1963 and collectively account for 11.3% of the presently City limits. The largest annexation approved by LAFCO occurred in 1966 and involved the addition of 978 acres involving the South Morro Hill area. The last approved annexation occurred in 1988 involving 876 acres as part of the “North Oceanside Reorganization.”

The total assessed value (land and structure) within Oceanside has increased during the five-year report period by 31.6% from \$20.909 to \$27.516 billion. The period-ending amount translates to a per-acre value ratio of \$1.019 million as well as a per capita value of \$0.158 million based on the estimated full-time population of 174,615. Oceanside’s share of the 1.0% property tax collected within the jurisdictional boundary is approximately 19.0% - or 0.19 cents for every \$1.00 - and generated \$49.0 million in 2021-2022.

Increasing Values...

Assessed property values in the City of Oceanside have increased by 32% during the five-report period. Oceanside’s share of the 1% property tax (AB8) is 19% and generated \$49.0 million in 2022.

Oceanside’s jurisdictional boundary is currently divided into 62,771 parcels spanning 23,048 acres.³ More than four-fifths – 84.6% – of the parcel acreage is under private ownership with close to three-fourths of this portion already developed or improved to date, albeit not necessarily at the highest density as allowed under zoning. The remaining private acreage in Oceanside is undeveloped and consists of 3,741 vacant parcels that collectively total 5,303 acres.

Infill Opportunities...

73% of all privately owned acreage in Oceanside has been developed to date – though not necessarily at the highest density. The remaining 27% of the private acreage in Oceanside remains undeveloped and totals 5,303 acres.

Oceanside’s jurisdictional boundary is shown on Map A-1. A summary of key boundary characteristics underlying the jurisdictional boundary follows in Table A-3.1.

City of Oceanside Jurisdictional Boundary Characteristics Table A - 3.1 Source: San Diego LAFCO	
Total Jurisdictional Size	26,991 acres
Total Jurisdictional Parcels and Acreage	62,771 parcels totaling 23,048 acres
... Publicly Owned Parcels and Acreage	688 parcels totaling 7,487 acres
... Privately Owned Parcels and Acreage	62,083 parcels totaling 19,505 acres
... Undeveloped Privately-Owned Parcels and Acreage	3,741 parcels totaling 5,303 acres
Total Number of Registered Voters	102,066
Total Assessed Value (Land and Structures)	\$27.5 billion

3.2 Sphere of Influence

Oceanside’s sphere of influence was established by San Diego LAFCO in February 1978 with a larger-than-agency designation to accommodate additional expansion to the east. Seven subsequent proposals were approved by LAFCO that have annexed nearly all of the unincorporated territory included in the initial sphere. The remaining unincorporated territory within the sphere involves one contiguous area that is 19.5 acres in size and located along the intersection of Sunset Drive and Busch Drive. LAFCO most recently reviewed and updated the sphere

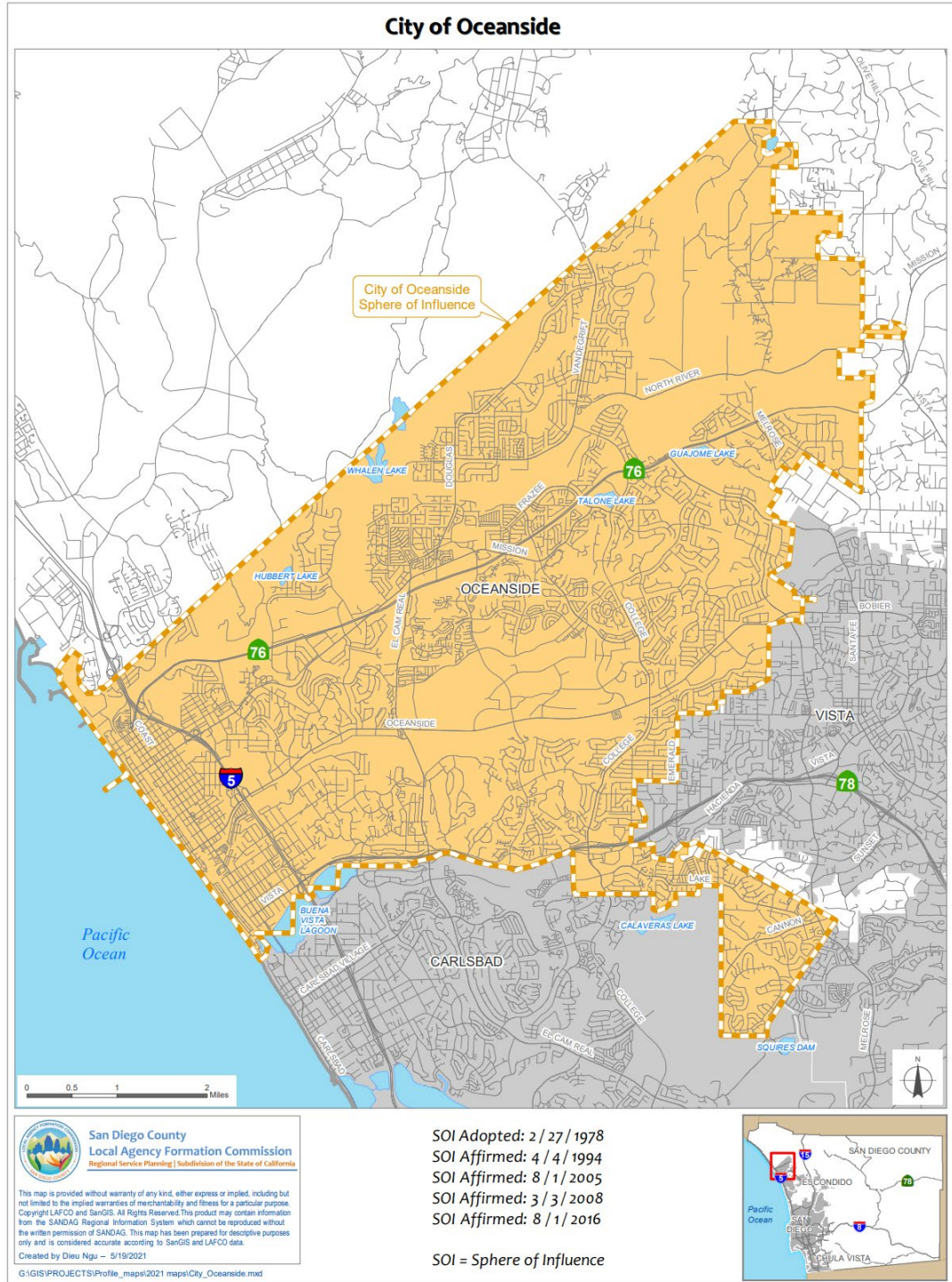
Minimal Difference Between Sphere and Jurisdiction...

LAFCO established Oceanside’s sphere of influence in February 1978. The sphere was last updated in August 2018 and is nearly coterminous with the jurisdictional boundary except for 19 unincorporated parcels totaling 19.5 acres.

³ The remaining 3,943 jurisdictional acres within Oceanside consists of public rights-of-way and waterways.

with no changes in August 2016. There are also no assigned special study areas. The current sphere is shown below in Map No. A-1.

Map No. A-1



3.3 Relationship to General Plan

Oceanside’s General Plan was last updated in 1986 and covers all lands within the current sphere of influence set by the Commission. Consistent with State statute, the General Plan serves as Oceanside’s core policy document in meeting the City’s long-term vision for the future. Twelve elements comprise the General Plan with several adopted in the 1970’s and carry-forwarded into the General Plan update while others were adopted afterwards. All twelve elements and their adoption year plus any subsequent amendments are outlined below.

1986 Gameplan...

Oceanside’s General Plan was last comprehensively updated in Oceanside 1986. The Land Use Element includes all lands within Oceanside’s assigned sphere of influence except for the 19.5 unincorporated acres added by LAFCO.

- Land Use - Adopted in 1986 (five amendments)
- Recreational Trails - Adopted in 1996
- Housing - Adopted 2021
- Environmental Resource Management - Adopted in 1975
- Community Facilities - Adopted in 1990
- Public Safety - Adopted in 1975
- Noise - Adopted in 1974
- Hazardous Waste Management - Adopted in 1990
- Military Reservation - Adopted in 1981
- Circulation - Adopted in 2012
- Economic Development - Adopted 2019
- Energy Climate - Adopted May 2019

A comprehensive update to the Oceanside General Plan was initiated in 2020 with community outreach involving virtual sessions due to COVID-19. Oceanside’s current timeline contemplates the project being completed in Spring 2024.

3.4 College and School District Boundaries

Oceanside’s jurisdictional boundary and sphere of influence lies within five college and school districts: Mira Mesa College; Oceanside Unified; Bonsall Unified; Carlsbad Unified; and Vista Unified. A summary of key characteristics for each of these districts follows in Table A - 3.4a and - among other features - shows all districts experiencing declines in student enrollment over the reporting period.⁴

⁴ Budget data for Bonsall Unified School District is only available for Fiscal Years 2019-2022.

City of Oceanside Public School District Information Table A - 3.4a Source: Oceanside, Bonsall, Carlsbad, and Vista School Districts					
	Mira Costa	Oceanside Unified	Bonsall Unified	Carlsbad Unified	Vista Unified
District Type	College	School	School	School	School
% within Oceanside	15.3%	100%	8.6%	2.4%	24.0%
Superintendent	Sunita Cookie	Julie Vitale	Joe Clevenger	Ben Churchill	Matthew Doyle
Grades	13 th - 14 th	K-12 th Grade	K-12 th Grade	K-12 th Grade	K-12 th Grade
Campuses	4	23	5	14	29
Enrollment in FY18	17,377	20,459	2,930	11,326	24,708
Enrollment in FY22	13,648	18,671	2,209	11,027	22,092
... Change	(21.5%)	(8.7%)	(24.6%)	(2.6%)	(10.6%)
Budget FY18	\$277,524,554	\$257,732,728	\$26,138,641	\$109,459,742	\$247,554,059
Budget FY22	\$298,703,242	\$245,542,519	\$28,168,786	\$139,918,561	\$298,824,608
... Change	7.6%	(4.7%)	7.8%	27.8%	20.7%

4.0 DEMOGRAPHICS

4.1 Population and Housing

The City of Oceanside’s total full-time resident population within its jurisdictional boundary is independently estimated by LAFCO at 174,615 at the end of the five-year report period. This amount represents 4.4% of the countywide population total. It is also estimated the full-time population in Oceanside has risen overall by approximately 4.8% from 166,554 in 2010 and the associated census reset. This translates to an

Adding 1.4 Persons Daily...

It is estimated there are 174,615 fulltime residents in Oceanside at the end of the reporting period with the average day addition of 1.4 new residents over the preceding 60 months. It is projected the fulltime population will increase consistent with recent trends and reach 178,165 by 2027.

annual increase of 522 or 0.4%, which is one-fifth lower than the corresponding countywide growth rate of 0.6% over the same period. The current estimate produces a population density of 6.5 residents for every acre and underlies the overall dense suburban character of the jurisdictional boundary. It is projected the current growth rate will continue into the near term and result in the full-time population reaching 178,165 by 2027. Table A - 4.1a summarizes past, present, and future estimates.

City of Oceanside Resident Population Table A - 4.1a Source: Esri and San Diego LAFCO					
Factor	2010 Estimate	2018 Estimate	2022 Estimate	2027 Estimate	Annual Change
City of Oceanside	166,554	172,004	174,615	178,165	0.4%
San Diego County	3,095,305	3,244,893	3,315,082	3,414,325	0.6%

LAFCO separately estimates there are 68,147 residential housing units within Oceanside at the end of the five-year report period. This amount represents an overall increase of 3,905 - or 6.1% - since 2010 for an annual change of 325. This produces a ratio of adding one new housing unit for every 1.61 new residents. This most recent ratio - notably - marks a significant improvement relative to the preceding five-year ratio of one housing unit for every 2.98 residents. Other notable housing characteristics during the reporting period follow and are shown in Table A-4.1b.

Improving Housing Stock...

Oceanside has averaged 325 new housing units each year during the review period. In comparison to population growth, this results in Oceanside adding one new home for every 1.6 new residents, which marks an 85% improvement over the five-year ratio average of one unit for every 3.0 residents.

- More than one-half - or 55.4% - of housing units in Oceanside are owner-occupied. The remainder of the housing units are divided between 38.1% being renter-occupied and 6.5% being vacant.
- The five-year average household size in Oceanside has been 2.98. The ending average household size is 2.56.
- The five-year average mean housing cost (mortgage or rent) in Oceanside is \$2,248. This represents a 24.5% increase over the prior five-year average.
- Oceanside households are spending 27.7% of their income on rent or mortgage payments. Adjusting for ancillary expenses - e.g., utilities and the like - it is projected households' real housing costs equal 32.7% of their monthly income.

City of Oceanside Housing Characteristics Table A-4.1b Source: Esri and San Diego LAFCO		
Factor	City of Oceanside	San Diego County
2010 Housing Units	64,242	1,164,781
2022 Housing Units	68,147	1,238,794
... % Change	6.1%	6.4%
Household Size (5-year avg 2012-16)	2.95	2.87
Household Size (5-year avg 2017-21)	2.98	2.81
... % Change	1.0%	(2.1%)
Monthly Housing Cost (5-year avg 2012-16)	\$1,805.10	\$1,578.00
Monthly Housing Cost (5-year avg 2017-21)	\$2,247.92	\$1,971.00
... % Change	24.5%	24.9%
2010 Vacancy Rate	8.0%	6.7%
2022 Vacancy Rate	6.5%	5.9%
... % Change	(19.3%)	(11.9%)

4.2 Age Distribution

The median age of residents in Oceanside is 38.6 based on the current five-year period average. This amount reflects an increase of 1.8% from 37.9 over the preceding five-year period. The current median age in Oceanside also remains slightly higher than the countywide average of 36.3. Residents in the prime working age group defined as ages 25 to 64 - and the prime tax-generating income group - make up more than one-half of the total Oceanside population at 53.0%.

Slightly Older...

Residents in Oceanside tend to be slightly older with a median age of 38.6 relative to the countywide average of 36.3. The median age in Oceanside has also increased over the period by 2%.

City of Oceanside Age Distribution Table A-4.2 Source: Esri and San Diego LAFCO		
Factor	City of Oceanside	San Diego County
Median Age (5-year average 2012-2016)	37.9	35.3
Median Age (5-year average 2017-2021)	38.6	36.3
... % Change	1.8%	2.8%
Prime Working Age, 25-64 (5-year average 2012-2016)	53.1%	53.7%
Prime Working Age, 25-64 (5-year average 2017-2021)	53.0%	54.1%
... % Change	(0.2%)	0.7%

4.3 Income Characteristics

The median household income in Oceanside is \$97,238 based on the current five-year period average. This amount shows households are receiving significantly more pay over the report period with the median income experiencing an overall increase of approximately 42.4% from the preceding period average of \$68,307; a difference that is more than double the corresponding change in inflation measured for the San Diego region over the same period.⁵ Similarly, the current median household income in Oceanside is above the current countywide median of \$88,240 at 10.2%. Other material measurements show the poverty rate decreased by two-fifths from 13.5% to 9.3% and ending closer to the countywide sum of 11%.

Sizeable Boost in Income...

Oceanside residents' average median household income - while increasing during the report period - finished at \$97,238 and above the countywide average of \$88,240.

City of Oceanside Income Characteristics Table A-4.3 Source: Esri and San Diego LAFCO		
Factor	City of Oceanside	San Diego County
Median Household Income (5-year average 2012-2016)	\$68,307	\$66,529
Median Household Income (5-year average 2017-2021)	\$97,238	\$88,240
... % Change	42.4%	32.6%
Resident Poverty Rate (5-year average 2012-2016)	13.5%	14.0%
Resident Poverty Rate (5-year average 2017-2021)	9.3%	10.7%
... % Change	(31.3%)	(23.6%)

4.4 Other Socioeconomic Indicators

Unemployment levels within Oceanside remain comparatively low at 5.6% based on the current five-year period average. This amount is one-sixth - or (15.2%) - below the countywide rate of 6.6%. Unemployment levels - nonetheless - have increased by one-third - 33.4% - from the previous five-year average of 4.2%. Slightly more than one out of every five residents in Oceanside currently collect retirement income and reflects an overall rise of 17.4% over the prior five-year average. Education levels as measured by four-year college graduates have modestly increased during the

Blue Collar Workforce...

Approximately one-third of adults in Oceanside hold four-year college degrees at the end of the report period. This ratio paired with the relatively high median home income suggests a predominantly blue-collar workforce.

⁵ The inflation rate for the San Diego region via the consumer price index is 17.7% between June 2018 and July 2022.

report period but remain somewhat low at 37.4% given the relatively high median income levels. The non-English speaking percentage of the population has sizably decreased during this period from 11.6% to 11.1%; an overall difference of (4.3%).

City of Oceanside Other Socioeconomic Indicators Table A-4.4 Source: Esri and San Diego LAFCO		
Factor	City of Oceanside	San Diego County
Unemployment Rate (5-year average 2012-2016)	4.2%	7.8%
Unemployment Rate (5-year average 2017-2021)	5.6%	6.6%
... % Change	33.4%	(15.4%)
Collecting Retirement (5-year average 2012-2016)	21.8%	17.7%
Collecting Retirement (5-year average 2017-2021)	25.2%	21.2%
... % Change	17.4%	19.8%
Non-English First Language (5-year average 2012-2016)	11.6%	15.0%
Non-English First Language (5-year average 2017-2021)	11.1%	13.1%
... % Change	(4.3%)	(12.6%)
Adults with Four-Year Degrees (5-year average 2012-2016)	31.5%	36.5%
Adults with Four-Year Degrees (5-year average 2017-2021)	37.4%	40.3%
... % Change	18.6%	10.4%

4.5 Unhoused Needs and Capacities

The City of Oceanside participates in annual point-in-time counts for unhoused or homeless administered by the region’s Continuum of Care “CoC” provider - or San Diego Regional Task Force on the Homeless. The count is performed by volunteers during the last week

Increasing Homeless Population...

At the end of the reporting period, there was one counted homeless person in Oceanside for every 340 housed residents - up from 355 housed residents 60 months prior.

of January in all 18 cities as well as several unincorporated communities in San Diego County. Counts performed during the five-year review period show the average number of homeless in Oceanside has been 471. The total number of homeless at the end of the period totals 514 and reflects the overall rising trend. The most recent count also shows 61.9% - or 318 - of the total being unsheltered and residing in cars, public places, or the street. The remaining 196 homeless counted at the end of the period are sheltered and reside in an emergency shelter, homeless shelter, or transitional housing provided by various governmental and non-profit agencies.⁶ (See Table A - 4.5a.)

⁶ Due to the COVID-19 pandemic the County of San Diego’s regional Continuum of Care “CoC” provider applied for and was granted an exception from conducting the 2021 annual Point-in-Time Count for the regions unsheltered homeless by the Department of Housing and Urban Development (HUD).

City of Oceanside Point-in-Time Homeless Counts								
Table A - 4.5a Source: Regional Taskforce on Homeless in San Diego County + SD LAFCO								
Category	2018	2019	2020	2021	2022	Average	Trend	
Sheltered	157	202	154	145	196	171.8	24.8%	
Unsheltered	326	290	242	n/a	318	294.0	(2.5%)	
Total	483	492	396	n/a	514	471.3	6.4%	

Oceanside presently partners with nearly two dozen local non-profit organizations that provide one or more homeless support services within City limits. Key services include providing emergency shelter and ancillary drug, mental health, and/or family crisis counseling.⁷ The number of beds (emergency, transitional, safe-haven shelters, etc.) in Oceanside at the end of the reporting period totals 378.

More Need than Capacity...
At the end of the report period, there is a shortage of (136) beds to accommodate all counted homeless in Oceanside.

4.6 Environmental Justice

Consideration of environmental justice draws on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for territory within the City of Oceanside and overlapping adjacent areas -

Pollution Burdens + At-Risk Factors...
LAFCO’s consideration of environmental justice factors draws from the California EPA and provides percentile rankings relative to all of California as it relates to (a) pollution burdens and (b) at-risk population characteristics.

including inhabited portions within the Cities of Carlsbad and Vista - are generated based on a weighted calculation involving all underlying census tracts. This involves pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below and detailed in Table A - 4.6a.

- Oceanside’s composite **pollution burdens** ranking falls in the 34-percentile relative to the rest of California. Four pollution burden measurements exceed the 50 percentile and are considered relatively high. These four measurements comprise (a) two exposures involving traffic impacts and drinking water contaminants as well as (b) two environmental effects involving hazardous waste

⁷ State law requires all municipalities allow for the operation of emergency shelters.

and impaired water bodies. One of these four measurements – impaired water bodies – exceeds the 66 percentile and is considered significant and associated with the Loma Alta Creek, which is under a clean-up order from the State via the Clean Water Act with additional details footnoted.⁸

- Oceanside’s composite **at-risk population** ranking falls in the 28-percentile relative to the rest of California. One at-risk population measurement exceeds the 50 percentile and is considered relatively high. This measurement involves housing burdens. This means a proportionally high number of households are both low income (making less than 80% of the HUD median family income) and severely burdened by housing costs (paying 50% plus of income to housing).

City of Oceanside + Immediately Adjacent Lands Pollution Burdens and Susceptible Population Table A - 4.6a Source: California Environmental Protection Agency and SD LAFCO	
Factor	City of Oceanside + Surrounding Lands
No. of Census Tracts	43
Pollution Burden	Weighted Percentile
... Comparative Percentile	34.69
Exposures Air Quality - Ozone	37.68
Exposures Air Quality - Fine Particulate Matter:	36.16
Exposures Air Quality - Diesel Particulate Matter:	41.20
Exposures Pesticide Uses:	41.37
Exposures Toxic Releases:	15.45
Exposures Traffic Impacts:	52.26
Exposures Drinking Water Contaminants:	52.70
Exposures Lead Risk in Housing:	30.44
Effects Cleanup Sites:	37.36
Effects Groundwater Threats:	45.37
Effects Hazardous Waste:	57.11
Effects Impaired Water Bodies:	68.63
Effects Solid Waste Sites and Facilities:	40.16
Sensitive Population	Weighted Percentile
... Comparative Percentile	28.30
Sensitive Population Asthma:	16.72
Sensitive Population Low Birth Weight:	34.60
Sensitive Population Cardiovascular Disease:	25.74
Socioeconomic Factor Education:	38.90
Socioeconomic Factor Linguistic Isolation:	13.90
Socioeconomic Factor Poverty:	49.44
Socioeconomic Factor Unemployment:	14.70
Socioeconomic Factor Housing Burden:	53.89

⁸ The referenced clean-up order is by the State Regional Water Quality Control Board. The order is part of a regional order assigned to the “Carlsbad Watershed Management Area.” The Loma Alta Creek is one of six hydrologic areas in the affected watershed. The Loma Alta Creek drains through a slough into the Pacific Ocean. According to the clean-up order, portions of the Loma Alta Creek have been subject to human modifications; namely, the construction of concrete-lined channels. These alterations, among others, have contributed to the degradation and fragmentation of riparian habitat corridors and a reduction in the value of critical ecosystem services previously offered by the natural channel and wetlands.

- 1) Several census tracts within Oceanside extend outwards and capture adjacent areas within the Cities of Carlsbad and Vista as well as unincorporated Bonsall.

5.0 ORGANIZATION

5.1 Governance

The City of Oceanside operates as a charter-law municipality and draws on its own locally adopted charter or “home rule.” Oceanside established its charter status under Proposition K in 2010, which was placed on the ballot by the City Council with 53.8% percent of voters casting ballots in favor of the transition. The main feature of the Oceanside Charter involves exempting City contracts from requiring either labor agreements or prevailing wages unless legally required.

Governance is provided through a council-manager system with the Council establishing policies and the City Manager empowered with administrative discretion to carry out the policies. Decision-making authority under this system is equally distributed among Oceanside’s five-member City Council with the four councilmembers now elected by electoral district.⁹ Regular meetings are typically held on the first and third Wednesday of each month. Council meetings are shown live on a local public broadcast channel (Channel 19) and available for subsequent viewing by visiting the Oceanside YouTube channel. Table A - 5.1a details current City Council members and their respective backgrounds.

Bimonthly Meetings...

The City of Oceanside’s Council regularly meets on two Wednesdays of each month at 5:00 p.m. in the Council Chambers located at 300 N. Coast Highway in Oceanside.

City of Oceanside Current City Council Roster Table A-5.1a Source: City of Oceanside			
Member	Position	Years on Council	Background
Esther Sanchez	Mayor	22.5	Attorney (retired)
Ryan Keim	Deputy Mayor	3.5	Law Enforcement
Eric Joyce	Council member	1	Educator
Rick Robinson	Council member	1	Fire Protection (retired)
Peter Weiss	Council member	4.5	City Manager (retired)
Average Experience on the Council: 6.5 Years			

Other elected Oceanside officials are the City Clerk and City Treasurer.

⁹ In 2018, the City of Oceanside transitioned to a district-based voting system to elect its City Council members, replacing the previous at-large election system.

Oceanside utilizes 15 standing committees to help inform decision-making on topics of elevated interest to the City Council. The Planning Commission is the most active of the standing committees having held 149 meetings during the reporting period. The next two most active standing committees involve Library and Housing with each group holding more than 50 meetings during the reporting period. Another five committees - Utilities, Arts, Harbor and Beaches, Manufactured Homes, and Public Safety - have held at least 30 times. The remaining committees have held less than 30 meetings over the period. Summarizes of all 15 committees follow.

Most Active Committees...

Oceanside's Planning Commission has been the most active standing committee by holding an average of 29 meetings annually during the five-year report period. The next two most active committees - Library and Housing - both met an average of 10 to 11 times each year.

- The Arts Commission makes advisory recommendations to the City Council on the development and promotion of performing and fine arts as well as ancillary cultural enhancement opportunities. It includes nine regular voting members and two alternate members. This Committee has held 35 meetings during the review period for an annual average of 7.0 meetings a year.
- The Citizen Investment Oversight Committee makes advisory recommendations to the City Treasurer on investments and related policies. It includes seven members with six appointed by the Council and the seventh being the Treasurer. This Committee has held a total of 18 meetings during the review period for an annual average of 3.6 meetings a year.
- The Downtown Advisory Committee makes advisory recommendations to the Community Development Commission to facilitate best development practices specific to the downtown area and related topics. The composition includes nine members. This Committee has held a total of 25 meetings during the review period for an annual average of 5.0 meetings a year.
- The Economic Development Commission makes advisory recommendations to the City Council on economic growth opportunities with a focus on jobs. The composition includes 11 members. This Committee has held a total of 11 meetings during the review period for an annual average of 2.2 meetings a year.

- The Harbor and Beaches Advisory Committee makes advisory recommendations to the City Council and Harbor Board of Directors on commercial and public uses within and along the harbor. The composition includes nine regular voting members. This Committee has held a total of 35 meetings during the review period for an annual average of 7.0 meetings a year.
- The Historic Preservation Advisory Commission makes advisory recommendations to the City Council on identifying, protecting, and enhancing historical areas and sites. The composition includes seven regular voting members. This Committee has held a total of 23 meetings during the review period for an annual average of 4.6 meetings a year.
- The Housing Commission makes advisory recommendations to the City Council on policies in support of low-income housing and related resources for the homeless. The composition includes nine regular voting members. The Commission has held a total of 51 meetings during the review period for an annual average of 10.2 meetings a year.
- The Library Board of Trustees is delegated policy-making powers to set rules and regulations involving library services. The composition includes five members. The Trustees have held a total of 57 meetings during the review period for an annual average of 11.4 meetings a year.
- The Manufactured Home Fair Practices Commission approves potential rent increases for mobile home park spaces. The composition includes five regular voting members and two alternates. The Commission has held a total of 35 meetings during the review period for an annual average of 7.0 meetings a year.
- The Measure X Citizens Oversight Committee reviews expenses transacted with monies collected as part of Oceanside's voter-approved half-cent sales tax program. The composition includes seven regular members plus the City Manager serving as a non-voting member. The Committee has held a total of 11 meetings during the review period for an annual average of 2.2 meetings a year.
- The Parks and Recreation Commission makes advisory recommendations to the City Council involving the acquisition, development, operation, and maintenance of recreation and leisure resources. The composition involves nine regular voting members and two alternate members. The Commission has held

a total of 31 meetings during the review period for an annual average of 6.2 meetings a year.

- The Planning Commission is delegated powers to approve and/or disapprove discretionary development projects ranging from conditional use permits to zoning changes and related environmental compliance. Commission actions are appealable to the City Council. The composition involves seven regular voting members. The Commission has held a total of 149 meetings during the review period for an annual average of 29.0 meetings a year.
- The Public Safety Commission makes advisory recommendations to the City Council on police and fire services and related resources. The composition involves nine regular voting members. The Commission has held a total of 31 meetings during the review period for an annual average of 6.2 meetings a year.
- The Rehabilitation Loan Review Committee makes advisory recommendations to the Community Development Commission on housing rehabilitation loan applications. The composition involves three regular voting members. The Committee has held a total of 6 meetings during the review period.
- The Utilities Commission makes advisory recommendations to the City Council on water, wastewater, and drainage service activities. The composition involves seven regular voting members and two alternate members. The Commission has held a total of 36 meetings during the review period.

5.2 Administration

The City of Oceanside appoints an at-will City Manager to oversee all municipal activities and make individual department hires. The current City Manager - Jonathan Borrego - was appointed in March 2022. Two other City Managers have served Oceanside during the five-year review period (Michelle Lawrence and Deanna Lorson). A full-time City Attorney is also appointed by the City Council, with the incumbent - John P. Mullen - having served through the reporting period.

Oceanside's City Hall
300 N Coast Hwy, Oceanside, CA 92054



Photo Credit: Google Map

Oceanside’s organizational chart divides the City government into 10 departments (human resources, public works, parks and recreation, police, fire, development services, housing and neighborhood, library, financial services, and water utilities). All department heads report directly to the City Manager. The total number of budgeted positions at the end of the report period is 1,002 full-time equivalent employees with an overall change of 3.7% during the corresponding 60-month period.

City of Oceanside Budgeted Staffing Levels Table A -5.2a Source: City of Oceanside							
Category	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Average	Trend
Budget Staffing	966.0	967.0	984.0	985.0	1,002.0	980.8	3.7%
Per 1,000 Residents	0.96	0.97	0.98	0.95	1.0	0.97	4.2%

* Figures represent full-time equivalent (FTE) based on 2,080 hours/year.

6.0 MUNICIPAL SERVICE FUNCTIONS

The City of Oceanside directly provides a full range of municipal services within its jurisdictional boundary with limited dependency on outside special districts. This report and succeeding analysis focus on five specific service functions underlying Oceanside’s growth and development that are of particular interest to LAFCO. These five targeted service functions

Targeted Service Functions...

This regional MSR focuses on five specific service functions underlying Oceanside’s growth: (a) potable water; (b) wastewater; (c) integrated fire protection, emergency medical, and ambulance; (d) parks and recreation; and (e) community development.

involve (a) potable water; (b) wastewater; (c) integrated fire protection, emergency medical, and ambulance; (d) parks and recreation; and (e) community development. Other municipal services provided by Oceanside – and specifically recycled water, solid waste, roads, library, and storm control – are cursorily addressed as an appendix with the expectation of expanding the analysis in future reports. A notable omission involves police protection, which is expected to be evaluated separately by LAFCO as part of a future countywide study.

A summary analysis of the five targeted service functions with respect to resources and capacities, actual demands, and performance measurements follows.

6.1 Potable Water Service

Oceanside's potable water service function represents the City's largest business (enterprise) activity and involves retail class only. Oceanside established its potable water function following incorporation in 1888 by first entering into a lease agreement with Myers Waterworks, which utilized a horse-drawn cart to deliver supplies from the San Luis Rey River. Oceanside assumed the function directly by the early 1900s by building its own distribution system paired with establishing the first in a series of municipal wells within the Mission Basin portion of the San Luis Rey River Watershed. Oceanside later established access to imported supplies in 1944 by annexing into the San Diego County Water Authority as one of the nine original members.¹⁰ The potable water function is operated as a dedicated division within Oceanside's Water Utilities Department. Budgeted staffing totals 95 full-time equivalent employees at the end of the report period. This amount reflects an overall addition of 15 full-time positions over the preceding 60 months. Overall, budgeted staffing dedicated to water service equals 6.9% of the Oceanside total in 2022.

Potable Water Accounts for 7% of Oceanside's Total Staffing...

Oceanside's potable water service involves retail class only and extends throughout most of the jurisdictional boundary with limited exceptions in area of North River and Wilshire Roads. Budgeted staffing at the end of the reporting period equals 95.0 fulltime equivalent positions.

Prominent characteristics underlying Oceanside's potable water system follow.

- The potable water system at the end of the five-year reporting period spans 662 miles of distribution mains and lines and covers 28 connected pressure zones.
- The distribution system has expanded by 71 miles - or 12.0% - during the reporting period.
- Topography in the distribution system ranges from 10 to 720 feet above sea level and is managed through nine public pump stations and twelve public storage reservoirs.
- The water service area generally aligns with the incorporated boundary with the notable exception of excluding portions of the South Morro Hills neighborhood. Oceanside reports it does not have any active out-of-agency service customers.

¹⁰ Annexation secured Oceanside's access to wholesale supplies imported from the Colorado River and later the Sacramento Bay Delta. As further detailed, imported wholesale water (treated and untreated) currently represents close to 90% of Oceanside's potable supplies. The remainder comes from local groundwater.

- The total number of active connections at the end of the reporting period is 44,458 and represents an overall increase of 0.9% during the preceding 60 months. The total number of equivalent metered units – which converts each meter to an equivalent dedicated use, household, etc. – is 58,289.

An expanded description of the potable water service function’s capacities, demands, and performances follows.

Resources + Current Capacities

Oceanside’s potable water function and its retail class activities operate as an enterprise and intended to be self-sufficient without relying on the City General Fund. Actual operating revenues generated during the five-year report period have averaged \$74.111 million annually with more than nine-tenths – or 94.2% – drawn from monthly service charges in the form of usage and availability fees.¹¹ (The estimated average single-family household monthly water bill is presently \$100.24.¹²) Actual annual operating expenses during the reporting period have averaged \$63.038 million with one-half – or 51.1% – tied to purchasing wholesale water supplies from the County Water Authority. Oceanside’s potable water function has generated an overall annual operating margin of 14.9% over the five years covering this reporting period.

Net Revenue Generation of \$190 Per Home...

Oceanside’s potable water function operates as an enterprise and has generated an average annual operating margin of 15% during the five-year report period. The total per household net revenue generation at the end of the report period is \$190.

A breakdown of key funding considerations underlying the potable water function is shown below in Table A – 6.1a.

¹¹ Usage is billed based on unit totals in 748-gallon intervals and tiered for residential accounts to apply a higher rate once customers exceed a baseline threshold during the month. (The monthly baseline threshold triggering higher usage rates for multi-family units is 5,236 gallons or 175 gallons daily and 9,924 gallons or 330 daily gallons for single-family units.) Fixed availability fees covers’ infrastructure access to Oceanside’s distribution system along with related pass-throughs from the Authority and Metropolitan Water District.

¹² Average monthly household demand within Oceanside is estimated at 348 gallons. This amount is based on an estimated per capita demand of 118 gallons generated during the abbreviated review period and multiplied by 2.95.

City of Oceanside
Potable Water Service Function
Five Year Report Period: FY18 to FY22
Table A - 6.1a | Source: City of Oceanside + SD LAFCO

Categories	All Functions and Classes
Actual Operating Revenues	
... Average Annual	\$74.111 million
... Overall Trend	9.7%
Actual Operating Expenses	
... Average Annual	\$63.038 million
... Overall Trend	6.7%
Average Annual Operating Net	\$11.074 million
... Average Operating Margin	14.94%
Per Equivalent Metered Unit (EMU) Revenue in FY22	\$189.98

In concert with funding resources, Oceanside’s potable water function and its capacities are dependent on physical infrastructure - namely supply, treatment, and distribution as well as the ancillary storage facilities - and are summarized as follows.

- Approximately 90% of Oceanside’s potable water supplies retailed during the reporting period have been imported through the City’s membership agreement with the County Water Authority and access therein to the Colorado River (via the Colorado Aqueduct) and Sacramento Bay Delta (via the State Water Project).¹³ Oceanside has direct access to wholesale supplies from the County Water through five active transmission connections. Three of these connections provide treated water directly to Oceanside’s distribution system with a combined daily receiving capacity of 82.9 million gallons or 254.4 acre-feet. The other two connections provide untreated water directly to Oceanside’s Robert Weese Water Filtration Plant (Reese WFP) with a combined daily receiving capacity of 67.9 million gallons or 208.4 acre-feet.¹⁴ Oceanside’s remaining 10% of potable supplies retailed during the reporting period are local and drawn from subterranean flows within the San Rey Luis River. Eight active wells currently access the groundwater for subsequent treatment at Oceanside’s

¹³ Oceanside’s membership agreement allows the City to purchase for subsequent retailing an unrestricted amount of wholesale water based on availability through the County Water Authority’s own wholesale relationships with the Metropolitan Water District of Southern California and Imperial Irrigation District. These relationships provide member agencies access to the Colorado River (via the Colorado Aqueduct) and Sacramento Bay Delta (via the State Water Project). The County Water Authority has also expanded its wholesale portfolio recently to include desalinated seawater from the Pacific Ocean. This source, however, is not available to Oceanside given its northern location.

¹⁴ One of the two untreated connections can be adjusted to deliver treated supplies direct to Oceanside’s distribution system.

Mission Bay Groundwater Purification Facility (Mission Bay GPF). The eight wells combined daily capacity is 14.4 million gallons or 44.2 acre-feet.

City of Oceanside Available Potable Water Supplies Table A - 6.1b Source: Oceanside and SD LAFCO		
Direct Source	Maximum Day Source Capacity	Maximum Annual Source Capacity
a) County Water Authority - Treated ... Colorado River, Bay Delta, Desal	82.9 million gallons or 254.4 acre-feet	30.3 billion gallons or 92,856 acre-feet
b) County Water Authority - Untreated ... Colorado River, Bay-Delta	67.9 million gallons or 208.4 acre-feet	24.8 billion gallons or 76,066 acre-feet
c) Mission Basin Groundwater ... San Luis Rey River	14.4 million gallons or 44.2 acre-feet	5.3 billion gallons or 16,133 acre-feet
TOTAL	165.2 million gallons or 507.0 acre-feet	60.4 billion gallons or 185,055 acre-feet

- Oceanside’s own potable water treatment capacities are sourced to two separate facilities - Weese WFP and Mission Bay GPF. Weese WFP processes all untreated water purchased from the County Water Authority. This facility was constructed in 1983 with a current rated maximum day capacity of 25.0 million gallons or 76.7 acre-feet. Mission Bay GPF processes all groundwater drawn from the San Luis River Watershed. This facility was constructed in 1992 with a current rated maximum day capacity of 6.3 million gallons or 19.3 acre-feet. Overall, the combined capacities at Weese and Mission Bay plus treated water readily available from the County Water Authority provides a maximum day total of 350.4 acre-feet and represents 69.1% of Oceanside’s available source supply.
- Treated potable water directly enters Oceanside’s distribution system and gravity flows through most of the 28 pressure zones with aid from nine booster stations. Pressure in the distribution system is directly maintained by 12 above-ground reservoirs with service dates ranging from 1956 (Fire Mountain) to 1995 (Wire Mountain). The combined storage capacity is 50.5 million gallons or 155.0 acre-feet and represents 44.2% of Oceanside’s available treated supply.

Actual Demands

Oceanside’s average annual demand for potable water service during the five-year report period has been 7.449 billion gallons or 22,856 acre-feet. These annual amounts translate to daily averages of 20.4 million gallons and 62.6 acre-feet, respectively. The daily demands are further refined into an average per capita amount of 118 gallons which translates into a household consumption rate of 348 gallons.¹⁵ The average peak-day demand - i.e., the highest single-day demand during the year - over the first four years tallied 113.7 feet and represents a peaking factor of 1.8. (The peak-day demand for the fifth year is not available.)

Average Household Demand in Oceanside is 348 Gallons...

Oceanside’s average annual potable water demand during the report period has been 22,856 acre-feet. The average per resident usage over the 60 months has been 118 gallons and translates to an average household usage of 348 gallons.

With respect to overall trends, Oceanside has experienced a total change of 8.0% in potable water demands during the reporting period. The estimated per capita demand also increased - albeit at a lower rate compared to overall usage - from 119 to 126 gallons and marks a 5.9% difference. Nonetheless, and excluding the final year, water demands in Oceanside decreased over the preceding 48-month period by (3.7%). (Reasons for the acceleration in demands between the fourth and fifth years have not been assessed by Oceanside.) Overall system demands and trends generated during the reporting period are shown below in Table A - 6.1c.

Demands Rising...

Overall water demands in Oceanside have increased by 8.0% during the report period with a sizable jump occurring between the fourth and fifth year.

City of Oceanside Potable Water Demands							
Table A - 6.1c Source: Oceanside and SD LAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Annual Total							
... acre-feet	22,730	23,046	22,068	21,880	24,558	22,856	8.0%
Average Day Total							
... acre-feet	62.3	63.1	60.5	60.0	67.2	62.6	8.0%
Average Day Per Capita							
... gallons	119	120	114	113	126	118	5.9%
Peak Day Total							
... acre-feet	115.2	116.8	111.9	110.9	n/a	113.7*	(3.7%)
Peak Day Factor...	1.849	1.851	1.849	1.848	n/a	1.850*	0.05%

*Denotes a four-year period average (2018-2021)

¹⁵ Household estimate based on a per unit average of 2.95 residents.

Performance Measurements

Oceanside’s potable water system is operating with sufficient and excess capacities in supply, treatment, and storage to accommodate current demands based on usage generated during the five-year report period (2018-2022). These capacities are similarly expected to accommodate anticipated demands over the next five-year period with variables - including resiliency during different hydrological periods - having been appropriately evaluated and currently being employed by Oceanside in its Urban Water Management Plan, which was updated during the report period in June 2021.

Room to Grow: Eight-Fold Capacity Available...

Oceanside has sufficient potable water infrastructure and related capacities to meet current and near-term demands under normal conditions. This statement is highlighted by average demands equaling no more than 12% of the City’s accessible supplies under recent conditions.

The following statements summarize and quantify existing and projected relationships between Oceanside’s potable water capacities and demands now and going forward through 2027. This includes referencing California’s Waterworks Standards (Title 22) and its requirements, among other benchmarks, that all public community water systems have sufficient source, treatment, and storage capacities to meet peak day demand system wide. LAFCO’s focus - notably - is premised on assessing demands-to-capacities under normal conditions. It also addresses water quality and rates.

With Respect to Supplies:

- The average potable water demands generated during the reporting period for the entire distribution system (annual and daily) equals 12.3% of Oceanside’s maximum available treated supply based on current infrastructure capacities.
- The average peak-day potable water demand estimated during the reporting period - albeit abbreviated to cover only the first four years - for the entire distribution system equals 22.4% of Oceanside’s maximum available treated supply based on current infrastructure capacities.

With Respect to Potable Treatment:

- The average day potable water demand generated during the reporting period for the entire distribution system represents 65.2% of Oceanside’s available combined capacities at its two treatment facilities (Weese and MBGPF). This measurement decreases to 32.4% when accounting for treated supplies available from the County Water Authority.
- The average peak-day potable water demand estimated during the reporting period – albeit abbreviated to cover only the first four years – for the entire distribution system represents 118.4% of Oceanside’s available combined capacities at its two treatment facilities (Weese and MBGPF). This measurement decreases to 32.4% when accounting for treated supplies available from the County Water Authority.

With Respect to Potable Storage:

- The average peak-day potable water demand estimated during the reporting period – albeit abbreviated to cover only the first four years – for the entire distribution system equals 73.4% of Oceanside’s existing online storage capacity.
- Online storage capacity can accommodate up to 2.5 days of average day demands generated over the reporting period without recharge.

With Respect to Water Quality:

- A review of records maintained by the State Water Quality Control Board shows there have been no violations or enforcement orders issued for drinking water standards to Oceanside during the reporting period.
- Oceanside’s most recent water quality report covers 2021. No excessive primary or secondary contaminants were reported.

With Respect to Potable Water Rates:

- Oceanside ratepayers are billed two sets of monthly charges for potable water: (a) fixed availability fees and (b) variable usage fees with the former including pass-throughs from the County Water Authority and Metropolitan

Water District. Rates have increased for most customers (single-family) by 6.4% during the report period.

- Oceanside's average monthly potable water service charge for most customers (single-family) at the end of the reporting period is \$100.

With Respect to Contingencies:

- Oceanside maintains nine interconnections that can be used to share supplies during short-term emergencies or planned shutdowns. Three of these connections are with Rainbow Municipal Water District (MWD), two are with Carlsbad MWD, three are with Vista Irrigation District, and one is with U.S. Marines Camp Pendleton.

With Respect to Accommodating New Growth:

- Based on the current demand-to-capacity relationship established during the reporting period, Oceanside has available water infrastructure to accommodate up to 269,523 *additional households* or equivalent dwelling units (*emphasis added*). This translates to a water-system buildout population estimate of 0.970 million.¹⁶

6.2 Wastewater Services

Oceanside's wastewater service function's origins date to the early 1900s with the construction of gravity drains to collect and discharge raw sewage and other runoff into nearby water bodies most frequently involving the Loma Alta Slough. The collection system expanded in conjunction with both development and increasing regulatory requirements leading to the construction of Oceanside's first facility - La Salina Wastewater

Wastewater Accounts for 5% of Oceanside's Total Staffing...

Oceanside's wastewater service function is fully self-contained and involves three classes - collection, treatment, and discharge - and covers most of the jurisdictional boundary except rural and agricultural uses to the northeast. Budgeted staffing dedicated to wastewater activities at the end of the reporting period equals 74 full-time equivalent positions.

Treatment Plant (WTP) - in 1949 to provide primary treatment of wastewater collected within the City's downtown and coastal neighborhoods. A second facility - San Luis Rey WTP - was constructed in 1972 to serve Oceanside's central and neighborhoods

¹⁶ Buildout water system assumes a per capita daily demand of 118 gallons with 2.95 persons per home.

east of Interstate 5. The wastewater function and its three classes - collection, treatment, and discharge - operate as a dedicated division within Oceanside's Water-Utilities Department. Budgeted staffing totals 73.7 full-time equivalent employees at the end of the report period. This staffing amount reflects a reduction of one full-time position over the preceding 60 months. Overall, budgeted staffing for wastewater equals 5.3% of the Oceanside total at the end of the period.

Prominent characteristics underlying Oceanside's wastewater system follow.

- LAFCO estimates the resident service population for Oceanside at the end of the reporting period at 171,063. This amount is divided between the La Salina WTP and San Luis Rey WTP service areas at 42,763 and 128,300, respectively.
- The wastewater system spans 595 miles of collection lines at the end of the reporting period. The collection system has not expanded during the period.
- Close to four-fifths of the collection system - 460 miles - operates on gravity. The remainder of the collection system - 135 miles - involves force mains and is assisted by 33 public lift stations.
- Oceanside's collection system receives untreated flows from Rainbow MWD by contract as well as raw flows from portions of the City of Vista associated with its Sunridge and Peacock neighborhoods.
- Oceanside's total number of active connections to the wastewater system within its two service areas (La Salina and San Luis Rey) is 42,619 at the end of the reporting period. The estimated equivalent dwelling unit total is 55,879.¹⁷
- Over nine-tenths of Oceanside's active connections are classified as residential (single-family and multi-family). The total change in active connections during the reporting period is 0.7%.
- The collection system spans most of Oceanside except agricultural and rural residential uses in the northeastern section of the City. The exact number of active septic systems on file with the County Department of Environmental Health and Quality (DEHQ) (permitted or unpermitted) is unknown. However,

¹⁷ Estimate premised on one connection equaling 0.7627 equivalent dwelling unit consistent with the potable water system.

DEHQ oversees the layout review, installation, and repairs of septic systems which presently represent a total of thirty-one¹⁸.

- LAFCO estimates the average single-family residential customer in Oceanside at the end of the reporting period is billed \$47 monthly for wastewater services.

An expanded description of Oceanside’s wastewater service function in terms of capacities, demands, and key performance measurements follows.

Resources + Current Capacities

Oceanside’s wastewater service function and its three class activities - collection, treatment, and discharge - operate as an enterprise and intended to be self-sufficient without relying on the City General Fund. Actual operating revenues generated during the five-year report period have averaged \$49.923 million annually with more than nine-tenths - or 92.8% - attributed to monthly service charges in the form of usage, availability, and capital improvement fees.¹⁹ (The estimated average single-family household monthly wastewater bill is presently \$47.) Actual operating expenses have averaged \$34.355 million annually with the largest component - 45.2% - tied to operations and maintenance. Oceanside’s wastewater function has generated an overall annual operating margin of 31.2% during the reporting period. A breakdown of key funding considerations underlying the wastewater function is shown in Table A - 6.2a.

Net Revenue Generation of \$279 Per Home...

Oceanside’s wastewater service function operates as an enterprise and has generated an average annual operating margin of 31% during the five-year report period. The total per household (equivalent dwelling unit) net revenue generation at the end of the reporting period is \$279.

¹⁸ DEHQ does not maintain a record for Oceanside’s active septic systems but rather, they track septic system installations and repairs from 2002 to present-day, anything prior to 2002 they do not have a records.

¹⁹ Oceanside’s wastewater rates are billed monthly and divided between three distinct fees. The first fee involves a flat availability charge currently in the amount of \$19.56 for each dwelling unit or its equivalent assignment for non-residential uses (commercial, etc.). The second fee involves a fixed capital improvement charge in the current amount of \$7.28 per connection. The third fee involves a variable usage charge based on 75% of the average potable water usage over the last two winter periods with most users (residential) paying \$19.79 for every 748 gallons. The collective effect of these three fees at the end of the report period is a total monthly charge of \$47.

City of Oceanside
Wastewater Function
Five Year Report Period: FY18 to FY22
Table A - 6.2a | Source: City of Oceanside + SD LAFCO

Categories	All Functions and Classes
Actual Operating Revenues	
... Average Annual	\$49.923 million
... Overall Trend	8.3%
Actual Operating Expenses	
... Average Annual	\$34.355 million
... Overall Trend	31.3%
Average Annual Operating Net	\$15.568 million
... Average Operating Margin	31.18%
Per Equivalent Dwelling Unit (EMD) Revenue in FY22	\$278.60

In concert with available funding resources, Oceanside’s wastewater function and related capacities are largely dependent on physical infrastructure and headlined by treatment and discharge facilities and their permitted allowances. Summarizes follow and are further illustrated in Table A - 6.2b.

- The San Luis Rey WTP serves most wastewater customers in Oceanside via its central and eastern neighborhoods and receives flows from Rainbow MWD and portions of the City of Vista.²⁰ The treatment processes include preliminary, primary, and activated sludge secondary treatment. The permitted average monthly flow is currently 13.5 million gallons with 1.5 million gallons contractually allocated to Rainbow MWD.²¹ San Luis Rey WTP can separately accommodate on a temporary basis peak-hourly flows up to 39.2 million gallons by sending flows into an emergency pond.
- The La Salina WTP serves the coastal and downtown neighborhoods in Oceanside.²² It treats wastewater to the secondary level by conventional biological treatment followed by clarification. The permitted average monthly flow is currently 5.5 million gallons. The La Salina WTP does not have emergency ponds.

²⁰ Physical location is 3950 North River Road, Oceanside (92058).

²¹ The State permit (NPDES No. CA0107433) covering the San Luis Rey WTP provides an average monthly flow allowance of 13.5 mgd. The San Diego Water Board authorizes San Luis Rey WTP with an additional allocation to reach the 15.4 mgd level.

²² Physical location is 1330 South Trait Street, Oceanside (92054).

City of Oceanside Wastewater <u>Treatment</u> Capacities Table A - 6.2b (Source: Oceanside and SD LAFCO)		
Facility	Collection Zone	Daily Permitted Capacity
San Luis Rey WTP	Central + East Oceanside Rainbow MWD City of Vista	13.5 million gallons *
La Salina WTP	Downtown + Coastal Oceanside	5.5 million gallons
TOTAL		19.0 million gallons

* San Luis Rey WTP can also expand to accommodate instantaneous peak-day flows of up to 39.2 million gallons through the use of an emergency pond.

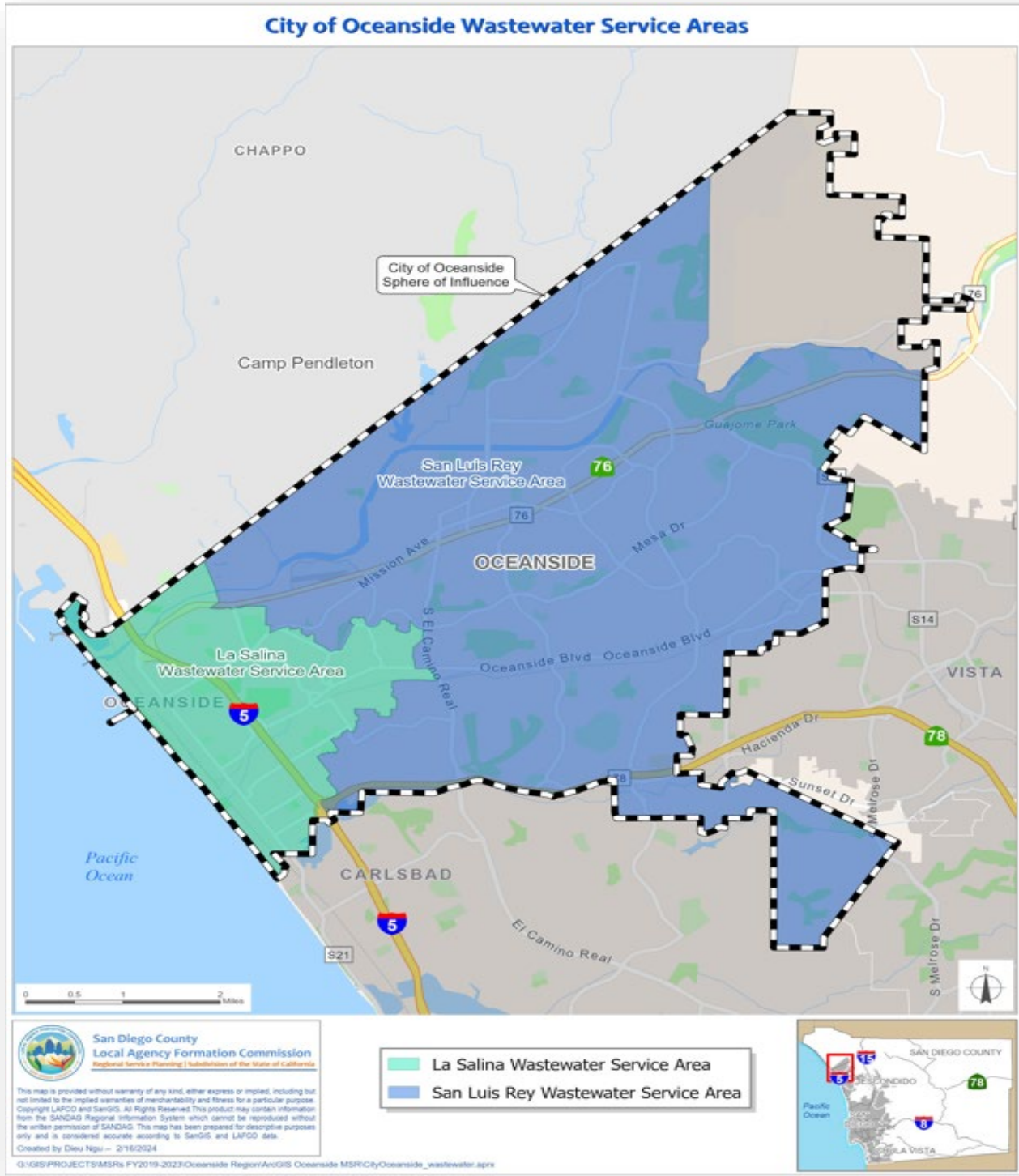
* Both San Luis Rey WTP and La Salina WTP operate under the same permit - No. CA0107433 - issued by the California Regional Water Quality Control Board - San Diego Region. The permit is expiring on March 21, 2025.

An illustration showing the approximate collection zones between Oceanside’s San Luis Rey and La Salina WTPs is provided on the following page in Map No. A-2.

- San Luis Rey and La Salina WTPs both discharge secondary treated effluent to the Pacific Ocean through common connectivity to the Oceanside Ocean Outfall. (Fallbrook Public Utility District and Marine Corps Base - Camp Pendleton also contract with Oceanside to utilize this outfall through agreements with the City.) The “OOO” is a 36-inch steel pipe that extends approximately two miles offshore at a depth of 100 feet below sea level. The overall permitted average monthly flow rate for the OOO by the State Water Quality Control Board is 22.6 million gallons daily. Of this permitted average daily flow amount, 16.5 million gallons is retained by Oceanside to discharge secondary treated wastewater generated from the San Luis Rey and La Salina WTPs as well as waste brine (concentrated salt solution) generated from the Mission Basin GPF. Oceanside contracts the remaining permitted flow - 6.2 million gallons daily - to Fallbrook and Camp Pendelton. (See Table A - 6.2c.)

City of Oceanside Wastewater <u>Discharge</u> Capacities Table A 6.2c Source: Oceanside and SD LAFCO)		
Facility	Discharge Point	Daily Permitted Capacity
Oceanside Ocean Outfall	Pacific Ocean	22.6 million gallons * ... <u>16.445 million gallons to Oceanside</u> ... 6.155 million gallons to Fallbrook + Pendelton

Map No. A-2



Actual Demands

With respect to the San Luis Rey service area, the average annual wastewater demands generated during the five years has been approximately 2.9 billion gallons. This macro-overview of Oceanside's largest service area represents a daily average flow of 7.850 million gallons. Average daily demands have changed by 3.5% during the period. It is estimated the portion of average wastewater flow generated from Rainbow MWD and the City of Vista accounts for 11.5% of the total demand and is divided between 9.5% and 2.0%, respectively.

Overall Demands in the San Luis Rey Service Area on the Rise...

Oceanside's average daily wastewater flow generated during the reporting period within the San Luis Rey service area has been 7.9 million gallons. The average day flows have increased by 3.5% from the 60-month marker.

Supplementary micro measurements of recent wastewater demands for the San Luis Rey service area are summarized below and further reflected in Table A - 6.2d

- Average daily dry-weather wastewater flows over the five years have been 7.790 million gallons. This flow is typically recorded between May and October and assists in measuring household demands entering the collection system. Daily dry-weather flows tallied 7.940 million gallons at the term of the period and reflect a net change of 2.6% from the 60-month marker.
- Average daily wet-weather wastewater flows over the five years have been 7.930 million gallons. This flow is typically recorded between November and April and assists in measuring the amount of inflow and infiltration entering the collection system. Daily wet-weather flows tallied 7.980 million gallons at the term of the period and reflect a net change of 4.3% from the 60-month marker.
- Average daily peak-day wastewater flows over the five years have been 11.9 million gallons. This latter amount produces a peak factor relative to average day demands of 1.5.

City of Oceanside: <u>San Luis Rey Service Area</u> Recent Wastewater Demands Table A 6.2d Source: City of Oceanside + SDLAFCO				
Year	Average Daily Flows	Average Dry-Weather Flows	Average Wet-Weather Flows	Recorded Peak-Day Flows
2018	7.67	7.69	7.65	13.62
2019	7.83	7.58	8.12	13.45
2020	7.89	7.79	8.0	14.23
2021	7.93	7.98	7.89	9.49
2022	7.94	7.89	7.98	8.91
Average	7.85	7.79	7.93	11.94
Trend	3.5%	2.6%	4.3%	(34.6%)

Notes: all in millions of gallons per day (MGD)

With respect to the La Salina service area, the average annual wastewater demands generated during the five years has been approximately 0.928 billion gallons. This macro-overview of system demands for the smaller of the two service areas represents a daily average flow of 2.542 million gallons. Average daily demands have decreased by (7.3%) during the period.

Overall Demands in the La Salina Service Area on the Decline...

Oceanside’s average daily wastewater flow generated during the report period within the La Salina service area has been 2.542 million gallons. The average day flows have decreased by (7.3%) from the 60-month marker.

Supplementary micro measurements of recent wastewater demands for the La Salina service area are summarized below and further reflected in Table A - 6.2e.

- Average daily dry-weather wastewater flows over the five years have been 2.552 million gallons. This flow typically is recorded between May and October and assists in measuring household demands entering the collection system. Daily dry-weather flows tallied 2.540 million gallons at the term of the period and reflect a net change of (9.0%) from the 60-month marker.
- Average daily wet-weather wastewater flows over the five years have been 2.478 million gallons. This flow typically records between November and April and assists in measuring inflow and infiltration entering the collection system. Daily wet-weather flows tallied 2.330 million gallons at the term of the period and reflect a net change of (13.1%) from the 60-month marker.
- Average daily peak-day wastewater flows over the five years have been 4.44 million gallons. This latter amount produces a peak factor relative to average day demands of 1.7.

City of Oceanside: <u>La Salina Service Area</u> Recent Wastewater Demands Table A - 6.2e Source: City of Oceanside + SDLAFCO				
Year	Average Average Daily Flows	Average Dry-Weather Flows	Average Wet-Weather Flows	Recorded Peak-Day Flows
2018	2.74	2.79	2.68	4.32
2019	2.66	2.66	2.76	5.65
2020	2.41	2.41	2.35	5.67
2021	2.36	2.36	2.27	3.23
2022	2.54	2.54	2.33	3.35
Average	2.542	2.552	2.478	4.44
Trend	(7.3%)	(9.0%)	(13.1%)	(22.5%)

Notes: all in millions of gallons per day (MGD)

Performance Measurements

Oceanside is currently operating with sufficient and excess wastewater capacities within both of its wastewater service areas in accommodating demands generated during the five-year report period under *normal conditions* (emphasis) This statement is substantiated by average day flows over the 60 months equaling 58.1% and 46.2% of the permitted treatment capacities at Oceanside’s San Luis Rey and La Salina WTPs, respectively. The combined average day flows treated at both facilities similarly equals only 63.2% of its retained discharge capacity to the Pacific Ocean via the OOO. Notwithstanding these conclusions, more information on peak-day flows is needed to complete the analysis.

Room to Grow: Excess Capacity of Two-Fold Available...

Oceanside’s two treatment facilities are both operating with excess capacity of no less than 42% of their permitted allowance under normal conditions based on average flow demands generated during the five-year report period. Similarly, the combined treated flows under normal conditions equals less than one-third of Oceanside’s allocated discharge capacity.

With respect to other performance measurements, the following items are noted.

- A review of the records maintained by the State Water Quality Control Board shows there have been seven violations by Oceanside during the five-year report period involving the mishandling and/or spilling of wastewater with six involving the La Salina WTP system. The largest incident involved the unauthorized release of 1.2 million gallons due to a pump failure off Haymar Road causing spillage into Bena Vista Creek. The last violation during the reporting period occurred on April 10, 2020.

- Capital improvements are guided by a Sewer System Management Plan, which was adopted by the City Council and most recently updated in October 2015.
- Oceanside currently cleans approximately 1,750,000 feet of pipe each year. This amount represents about 72% of the current collection system and means the entire collection system is on pace to be cleaned every two-and-a-half years.
- Based on the current demand-to-capacity relationship established during the reporting period, Oceanside has available wastewater infrastructure to accommodate up to 34,223 *additional* households or equivalent dwelling units (*emphasis added*) within its two service areas. This translates to a total wastewater system buildout population estimate of 0.276 million.²³

6.3 Integrated Fire Protection, Emergency Medical, + Ambulance Services

Oceanside established formal fire protection service in 1929 and in doing so replacing an all-volunteer company that emerged following the City's incorporation in 1888. By the late 1930s, Oceanside had opened its first dedicated fire station at the corner of Nevada Street and Pier View Way as well as hired its first full-time firefighters. This one station singularly served Oceanside until a second station was opened in 1953 followed by a third in 1963. (A total of five additional fire stations were subsequently

Fire Protection et al. Accounts for 14% of Oceanside's Total Staffing...

Oceanside's integrated fire protection, emergency medical, and ambulance functions are categorized by LAFCO as structural, paramedic - advanced life support (ALS), and direct, respectively, with the former including several ancillary subclasses - including lifeguard. Budgeted staffing at the end of the reporting period covering these integrated functions equals 136.0 full-time equivalent positions.

added by Oceanside in step with the eastward expansion of the City with the last - eighth - opening in 2012.) Oceanside proceeded to establish and integrate ambulance and emergency medical functions in 1971 all under its Fire Department with the latter evolving to paramedic services by the end of the same decade.

LAFCO categorizes Oceanside's fire protection function as structural with three ancillary subclasses: prevention; hazardous materials; and lifeguard. Ambulance and emergency medical functions are separately categorized by LAFCO as direct and paramedic-advanced life support, respectively. A description of the integrated function's - and its classes - capacities, demands, and performances follow.

²³ Buildout of wastewater system assumes a per capita daily demand of 59.9 gallons with 2.95 persons per home.

Resources + Current Capacities

Oceanside’s integrated fire protection, emergency medical, and ambulance functions’ resources are predominately supported by the City General Fund and marked by covering 98.0% of actual expenses during the five-year report period. (This includes all-purpose monies collected by Measure X.²⁴) The remainder of the funding resources are tied to service charges (ambulance), donations, and grant monies. Close to four-fifths – or 78.3% – of all actual expenses during the reporting period have covered labor costs and marked by funding 129.4 full-time equivalent employees in 2021-2022. The integrated functions account overall for 18.8% of all City General Fund monies expended by Oceanside over the preceding 60-month period. See Table A - 6.3a for additional details.

Resource Equivalency Need on the General Fund is \$206 Per Capita...

Oceanside’s General Fund monies have covered 98% of the integrated fire protection, emergency medical, and ambulance functions’ actual expenses during the five-year report period. The total per capita General Fund expense at the end of the report period totals \$206.

**City of Oceanside
Integrated Fire Protection, Emergency Medical, + Ambulance Functions
Five Year Report Period: FY18 to FY22**

Table A - 6.3a | Source: City of Oceanside + SD LAFCO

Categories	All Functions and Classes
Actual Total Expenses	
... Average Annual	\$34.184 million
... Overall Trend	21.8%
Actual General Fund Expenses	
... Average Annual	\$33.485 million
... Overall Trend	14.6%
Average Annual Actuals Covered by General Fund	98.0%
Average Annual Portion of General Fund	18.4%
Per Capita - General Fund Expenses in FY22	\$206.17

In concert with available funding, Oceanside’s integrated fire protection, emergency medical, and ambulance functions are primarily dependent on human resources through its own staffing arrangements and marked by a memorandum of understanding – or MOU – with the Oceanside Firefighters’ Association. The current MOU specifies an average 56-hour work week – otherwise known as a traditional “Kelly” schedule – for all fire suppression personnel. This means suppression personnel

²⁴ Measure X is a voter-approved ½ cent sales tax with revenues used to enhance public safety, improve road conditions, bolster public infrastructure, and aid in homelessness. All Measure X expenditures are reviewed by a Citizen Oversight Committee. Measure X is presently set to sunset in April 2026.

(firefighters) work a 24-hour shift followed by 24 hours, alternating for 8 days and followed by either 4 or 6 consecutive full days off resulting in an average of 8 working days in a 24-day work cycle. The entry annual pay for a first-year firefighter/paramedic at Oceanside under the MOU is \$81,804.

Overall budgeted staffing at the end of the reporting period tallies 136.0 full-time equivalent employees and represents a change of 17 positions - or 14.3% - over the prior 60 months. Staffing is divided between public safety and non-public safety with the former consisting of both dual-role (cross-trained firefighters-paramedics) and single-role (emergency medical technicians) personnel. Total public safety personnel budgeted at the end of the reporting period equals 127.0 with the remaining amount - 9.0 positions - involving non-public safety. Additional details are in Table A - 6.3b

City of Oceanside Budgeted Staffing - Fire, Emergency Medical + Ambulance Table 6.3b Source: City of Oceanside				
Category	FY 2018	FY 2022	Average	Trend
Public Safety: Dual Role (Firefighters + Paramedics)	111	112	111.5	0.9%
Public Safety Single Role (Emergency Medical Techs)	0	15	7	100%
Non-Public Safety	8	9	8.5	12.5%
Total	119	136	127	14.3%
Per 1,000 Residents *	.68	.80	.73	17.6%

Oceanside’s current Fire Chief - David Parsons - has served in the position since the end of the reporting period in 2022 and oversees three divisions: administration; operations; and community risk reduction. Operations serve as the largest division and allocated 94% of all budgeted personnel through the end of the period. Actual services are delivered out of eight fire stations in concert with contract dispatch and data services from North County Dispatch JPA. (Administration operates out of City Hall.) Oceanside’s adopted minimum staffing standard for fire engines and trucks is three. The minimum staffing standard for ambulances is two. Current station details follow and are shown in Map No. A-3.

- **Station No. 1** is located in downtown Oceanside at 714 Pier View Way west of Interstate 5. It was built in 1929. Station No. 1 typically responds to the highest number of dispatched calls averaging 9.2 incidents daily. This average represents 19.3% of the daily total demand during the report period. Oceanside assigns five public safety personnel every 24 hours.²⁵

²⁵ Station No. 1 operates a Type 1 paramedic engine and a paramedic ambulance and is staffed with a captain, engineer, two firefighter-paramedics, and a single-role EMT.

- **Station No. 2** is located in southern Oceanside at 1740 South Ditmar Street west of Interstate 5. It was built in 1952. Station 2 typically responds to the second-fewest number of dispatched calls averaging 3.7 incidents daily. This amount represents 7.8% of the daily total demand during the report period. Oceanside assigns three public safety personnel every 24 hours.²⁶
- **Station No. 3** is located in the El Corazon neighborhood in central Oceanside at 3101 Oceanside Boulevard east of Interstate 5. It was built in 2021 as a replacement for the original structure built in 1962. Station No. 3 typically responds to the third-most dispatched calls averaging 7.0 incidents daily. This amount represents 14.7% of the daily total demands during the reporting period. Oceanside assigns seven public safety personnel every 24 hours.²⁷
- **Station No. 4** is located near Tri-City Medical Center in southern Oceanside at 3990 Lake Boulevard south of Highway 78. It was built in 1990. Station No. 4 typically responds to the second-most dispatched calls averaging 7.3 incidents daily. This amount represents 15.3% of the daily total demands during the period. Oceanside assigns five public safety personnel every 24 hours.²⁸
- **Station No. 5** is located in the San Luis Rey neighborhood in north Oceanside at 4841 North River Road north of Highway 76. It was built in 1973. Station 5 responds to the fifth-most dispatched calls averaging 5.8 incidents daily. This amount represents 12.2% of the daily total demands during the period. Oceanside assigns three public safety personnel every 24 hours.²⁹
- **Station No. 6** is located near Guajome Park at 895 North Santa Fe south of Highway 76. It was built in 1996. Station No. 6 typically responds to the fewest number of dispatched calls averaging 3.6 incidents daily. This amount represents 7.7% of the daily total demands during the reporting period. Oceanside assigns five public safety personnel every 24 hours.³⁰
- **Station No. 7** is located near the Oceanside Municipal Airport at 3350 Mission Avenue in central Oceanside south of Highway 76. It was built in 2007. Station

²⁶ Station No. 2 operates a Type 1 paramedic engine and is staffed with a captain, engineer, and one firefighter-paramedic.

²⁷ Station No. 3 operates a Type 1 paramedic engine, a paramedic ambulance, and a basic life support EMT ambulance and is staffed with a captain, engineer, two firefighter-paramedics, and three single-role EMTs.

²⁸ Station No. 4 operates a Type 1 paramedic engine, a paramedic ambulance, and cross-staffs a Type 3 brush fire engine with a captain, engineer, two firefighter-paramedics, and a single-role EMT.

²⁹ Station No. 5 operates a Type 1 paramedic engine and is staffed with a captain, engineer, and one firefighter-paramedic.

³⁰ Station No. 6 operates a Type 1 paramedic engine, a paramedic ambulance, and cross-staffs a Type 3 brush fire engine with a captain, engineer, two firefighter-paramedics, and two single-role EMT.

No. 7 responds to the fourth-most number of dispatched calls averaging 5.9 incidents daily. This amount represents 12.3% of the daily total demands during the period. Oceanside assigns 10 public safety personnel every 24 hours.³¹

- **Station No. 8** is located near Mira Costa College at 1935 Avenida Del Oro in eastern Oceanside. The building is leased and used as Station No. 8 since 2012. Station No. 8 has the sixth-most number of dispatched calls averaging 5.1 incidents daily. This amount represents 10.8% of the daily total demands during the reporting period. Oceanside assigns three public safety personnel every 24 hours.³²

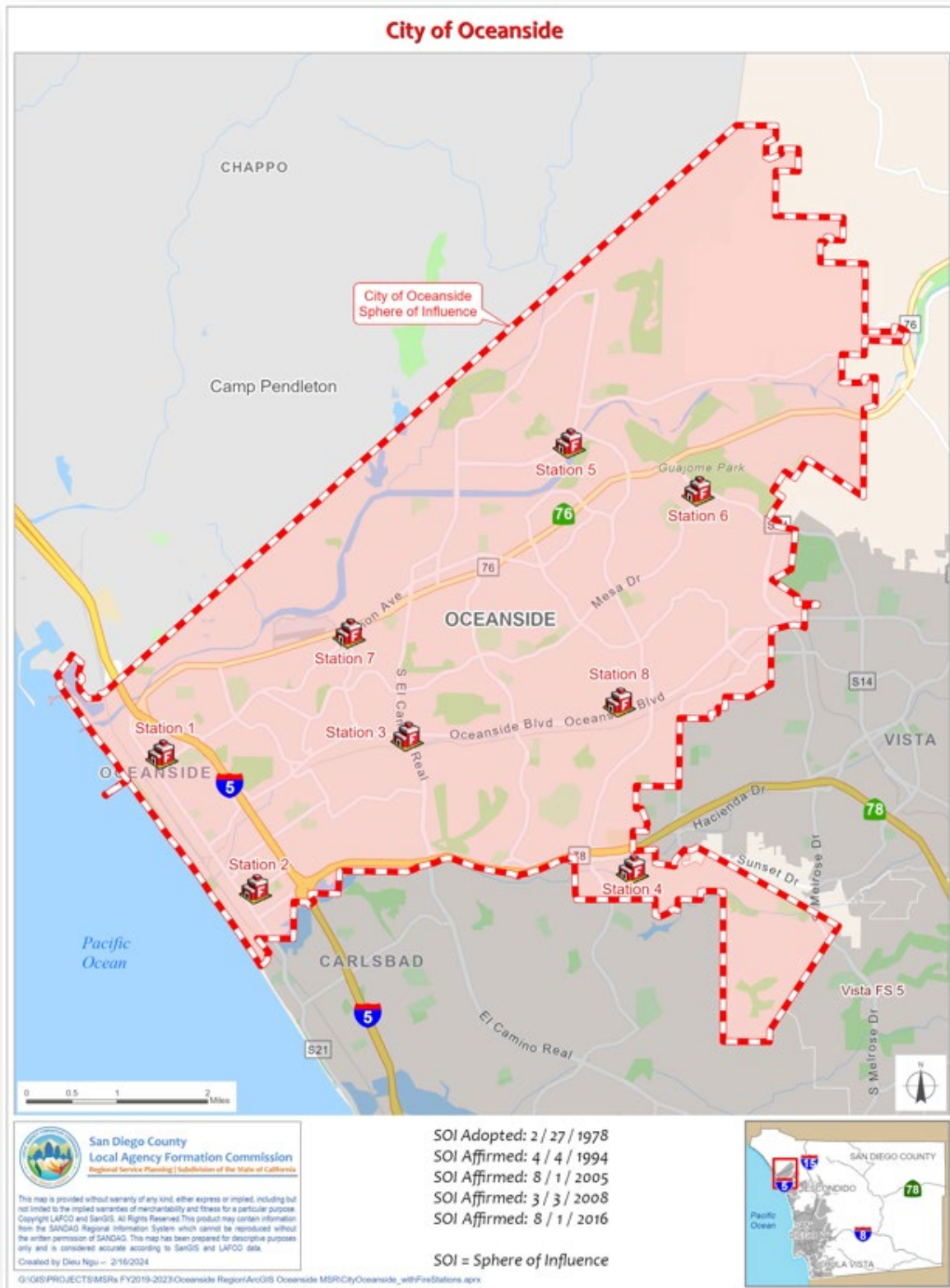
Specific to the placement of ambulance resources, Oceanside operates four ALS ambulances and three BLS ambulances on a 24-hour basis. ALS ambulances are staffed with a firefighter/paramedic and a single-role EMT. Each BLS ambulances are staffed with two single-role EMTs. Ambulance services are delivered out of Stations 1, 3, 4, 6, and 7. Overall resource assignments are shown in Table A - 6.3b.

City of Oceanside: Fire Stations' Assignments as of FY2022 Table A - 6.3b Source: Oceanside									
Factor	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	Total
24 hr. Staffing	5	3	7	5	3	5	10	3	41
Fire Engines	1	1	1	1	1	1	1	1	8
Ambulances	1	0	2	1	0	2	1	0	7
Brush Engines	0	0	0	1	0	1	1	0	3
Truck Company	0	0	0	0	0	0	1	0	1
Command Vehicles	0	0	0	0	0	0	1	0	1
Other Vehicles	0	0	1	0	0	0	12	0	13

³¹ Station No. 7 operates a Shift Battalion Chief, a Type-1 paramedic engine, a Truck company, a basic life support EMT ambulance, and cross-staffs a Type 3 brush fire engine and is staffed with a battalion chief, 2 captains, 2 engineers, 3 firefighter-paramedics, and two single-role EMTs.

³² Station No. 8 operates a Type 1 paramedic engine and is staffed with a captain, engineer, and one firefighter-paramedic.

Map No. A-3



Oceanside supplements its own fire protection, emergency medical, and ambulance resources by maintaining reciprocal automatic aid agreements with surrounding jurisdictions.³³ Most notably, Oceanside is a signatory to the San Diego North Zone Auto Aid Agreement along with Marine Corps Base Camp Pendleton, North County and Valley Center FPDs, and Cities of Vista, Carlsbad, Encinitas, Del Mar, Solana Beach, San Marcos, and Escondido. All agencies under the North Zone Auto Aid Agreement deploy resources based on which unit is closest or upon request, including processing time. Additional details on the volume of automatic aid agreement transactions are provided in the proceeding section on demands.

Oceanside's lifeguard service - which is subclass under the fire protection function - covers 3.7 miles of beach from Oceanside Harbor to South Oceanside. Actual services are administered from the lifeguard headquarters at the base of Oceanside Pier, which operates seven days a week throughout the year.

Actual Demands

Overall service demands for Oceanside's integrated fire protection, emergency medical, and ambulance functions during the five-year report period are headlined by receiving an annual average of 18,509 dispatched calls - which equals 50.0 daily. Approximately 8% of all dispatched calls assigned to Oceanside were canceled and results in onsite arrivals averaging 17,035 annually or 46.7 daily. Overall, annual onsite incident demands increased during the 60 months with an overall change of 17.7%. The peak demand was recorded in 2022 with an average onsite response of 52.3 incidents daily.

Demands are Rising...

Oceanside's actual onsite demands during the reporting period have increased by 18% from 44 to 47 per day; this latter tally equals one onsite response every 30 minutes.

A breakdown of actual onsite arrivals shows Oceanside responded exclusively to 81.9% of all fire protection and emergency medical incidents during the reporting period within its jurisdictional boundary.³⁴ Table A - 6.3c summarizes annual calls and onsite arrivals - including agency responders - as well as trends during the period.

³³ Automatic aid is particularly valuable in responding to larger incidents where multiple fire units and/or specialized rescue and fire suppression equipment are needed, as well as handling calls that cross jurisdictional boundaries, where units from an adjoining jurisdiction are the closest, most appropriate resource. Measuring automatic aid response includes identifying the percentage of an agency's total call volume where an outside agency was dispatched and determining the type of service the outside agency provided.

³⁴ With data provided from several dispatch agencies, unable to differentiate between auto aid responses with one Escondido resource arriving at scene against those handled exclusively by auto aid resources.

City of Oceanside Fire Protection and EMS Demands Table A - 6.3c Source: City of Oceanside + SDLAFCO							
Category	FY2018	FY2019	FY2020	FY2021	FY2022	Average	Trend
Total Dispatched Incidents	17,779	17,474	17,738	18,778	20,776	18,509	16.86%
Total Cancelled Calls	1,562	1,292	1,343	1,482	1,690	1,474	8.19%
Total Onsite Responses	16,217	16,182	16,395	17,296	19,086	17,035	17.69%
... Average Daily Responses	44.4	44.3	44.9	47.4	52.3	46.7	17.69%
... Responded by Oceanside	13,560	13,531	13,372	13,940	15,373	13,955	13.37%
... Responded by Oceanside + Others	1,790	1,779	2,042	2,352	2,551	2,103	42.51%
... Responded by Other Only	867	873	981	1,005	1,163	978	34.14%
... % Automatic Aid Received	21.05%	21.37%	23.31%	24.77%	25.72%	23.24%	22.19%
... % Automatic Aid Provided	17.84%	16.73%	16.55%	15.88%	16.46%	16.69%	-7.74%

As shown above, almost one-fifth of all onsite incidents within Oceanside during the reporting period necessitated auto-aid from one or more outside agencies. This dependency on auto-aid also increased during the 60 months by 22.19%. Comparatively, Oceanside provided an amount of auto-aid equal to 16.7% of all assigned incidents and represents a (7.74%) change over the span of the reporting period.

Increasing Auto-Aid Benefits...

Oceanside's auto-aid demands has benefited the City over the report period with nearly a 40% difference in the overall average between receiving auto-aid versus providing auto-aid.

With respect to the overall portion of demands necessitating transport to area hospitals, and as detailed in Table A - 6.3d, Oceanside averaged 9,411 ambulance trips per year during the reporting period. This amount produces a daily average of 25.8 ambulance trips with an overall change of just over one-seventh or - 14.9%. More than four-fifths - or 85.1% - of all ambulance transports were in Oceanside's jurisdictional boundary. The trend of ambulance demands in the jurisdictional boundary has relatedly increased by one-sixth or 16.9%.

Calls Resulting in Ambulance Trips Also on the Rise...

Actual onsite demands for ambulance transport in Oceanside have averaged 25.8 daily during the reporting period with an overall change of 14.9%.

City of Oceanside: Ambulance Transport Demands Only Table A - 6.3d Source: City of Oceanside + SDLAFCO							
Category	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Average	Trend
Total Dispatched Incidents	14,953	14,602	14,251	15,048	16,909	15,153	13.08%
Total Cancelled Calls	5,819	5,736	5,016	5,722	6,414	5,741	10.23%
Total Onsite Incidents	9,134	8,866	9,235	9,326	10,495	9,411	14.90%
... within Oceanside	7,643	7,445	7,936	8,103	8,936	8,013	16.92%
... outside Oceanside	1,491	1,421	1,299	1,223	1,562	1,399	4.76%

Oceanside’s lifeguards provide comprehensive services necessitating emergency response, code enforcement, and public education. Oceanside averaged just over 4 million beach visits annually over the five-year report period with an average annual demand of 1,953 rescues. Drownings have increased by 100% over the reporting period - with an average of 1 per year - although have all been unguarded, meaning that no lifeguard was present in the swimming area at the time of drowning. Enforcement actions - ranging from corrective action for minor infractions to arrest for more serious offenses - have decreased by 5.9%. (See Table A - 6.3e.)

City of Oceanside Lifeguard Service Demands Only Table A - 6.3e Source: United States Lifesaving Association + SD LAFCO							
Category	FY2018	FY2019	FY2020	FY2021	FY2022	Average	Trend
Beach Attendance (est.)	4,744,673	4,346,048	4,184,423	3,671,203	3,078,624	4,004,994	-35.1%
Water Rescues	2,500	1,921	1,601	1,552	2,190	1,953	-12.4%
Preventative Actions	111,515	80,096	91,496	71,734	22,164	75,401	-80.1%
Medical Aids	4,229	3,315	3,431	1,909	1,886	2,954	-55.4%
Boat Rescues	20	19	16	10	39	21	95.0%
Drowning Fatalities	0	2	1	2	0	1	100%
- Unguarded	0	2	1	2	0	1	100%
- Guarded	0	0	0	0	0	0	0%
Enforcement	81,864	56,473	96,792	68,681	86,690	78,100	5.9%

Performance Measurements

Oceanside’s capacities as measured by staffing and equipment appear sufficiently sized to readily accommodate existing demands within its jurisdictional boundary through the timeframe of this report. This sufficiency is quantified and highlighted with Oceanside having the resources to respond exclusively to more than four-fifths - or 81.9% - of all onsite incidents within its jurisdictional boundary during the five-year reporting period. This self-sufficiency has also shown resiliency given the ability to concurrently absorb an 18% increase in actual onsite demands over the reporting period from an average of 44 to 47 each day; the latter equaling attending one onsite response every 30 minutes.

Sufficient + Resilient Capacities...
Key measurements generated over the five-year report period show Oceanside has established sufficient resources to meet current and near-term demands and is headlined by being able to exclusively respond to more than four-fifths of all onsite incidents.

Other key performance measurements drawn from the report period follow:

- Oceanside’s most recent evaluation of structural fire protection capabilities from the Insurance Services Office (ISO) was completed in 2020 and resulted in a Class 2/2x designation, which represents the second-highest available rating.
- As noted in Table A - 6.3d, and consistent with earlier trends, demand for ambulance services increased by 16.9% during the report period. Oceanside has proactively aligned resources to accommodate the increasing demand for ambulance services by successfully sponsoring Measure X in 2018, which was approved by voters and applies a seven-year ½ cent sales tax beginning in 2019 with proceeds directly augmenting ambulance staffing by funding 15 new public safety EMTs. Oceanside has also drawn on Measure X monies to increase the number of ambulances daily from four to six beginning in 2019.³⁵
- As noted in Table A - 6.3c, during the five-year measurement period, automatic aid received by Oceanside increased by 22.2% while automatic aid given by Oceanside decreased by (7.7%). Oceanside has begun to address the imbalance by availing its EMT ambulance to automatic aid beginning in 2023.

6.4 Parks and Recreation Services

The City of Oceanside’s parks and recreation service function dates to the time of incorporation in 1888 with an initial focus on providing beach-related amenities beginning with clearing the shoreline from disregarded pier materials for general public benefit. This function has evolved to include a traditional parks network divided between neighborhood and community sites along with an increasing emphasis on providing open space and trails.

Parks and Recreation Accounts for 2% of Oceanside’s Total Staffing...

Oceanside’s park and recreation function is divided into three overlapping classes for purposes of this report: (a) aquatics; (b) parks and open space; and (c) community recreation. Budgeted staffing at the end of the report period covering all three classes equals 21.2 fulltime equivalent positions.

The function is divided by LAFCO into three overlapping classes - aquatics, parks and open space, and community recreation - and managed through Oceanside’s Park and Recreation Department. (The Parks and Recreation Department was reorganized as a standalone City department beginning in 2021 and underlies the reason for the abbreviated report period applied to this

³⁵ A component of this program included the evaluation of call triage and priority medical dispatch, wherein 9-1-1 calls were evaluated at the dispatch level based on medically approved screening criteria, and resources were then dispatched based on the level of call acuity. Widely recognized for improving efficiency in resource utilization, this medical priority dispatch system (MPDS) has since been adopted on a Zone-wide basis within the San Diego County North Zone Operational Area. MPDS has been in existence for some time within the City of San Diego and County-wide adoption of policies for implementing such practices is forthcoming.

function.) A description of the parks and recreation service function’s capacities, demands, and performances within these three classes follows.

Resources, Current Capacities + Demands

Resources for Oceanside’s parks and recreation function and its three overlapping classes are primarily supported by the City General Fund and marked by covering more than nine-tenths of actual expenses during the abbreviated two-year report period. (Information covering the first three years of the report period is not readily available due to the internal reorganization of the Parks and Recreation Department as a stand-alone department beginning in 2021.) The remainder of the funding resources are primarily tied to service charges, donations, and grant monies. The three classes overall account for 2.4% of all City General Fund monies expended by Oceanside over the preceding 24-month period. Close to three-fifths - or 56.4% - of actual expenses spanning all three classes have covered labor costs and marked by funding 21.2 full-time equivalent employees and another 152 extra-help personnel (lifeguards, camp counselors, etc.) at the end of the reporting period. (See Table A - 6.4a.)

Resource Equivalency on the Oceanside General Fund is \$32 Per Capita...

General Fund monies have covered 95% of the City of Oceanside’s park and recreation function expenses over the abbreviated report period (FY21 to FY22). The total per capita General Fund expense at the end of the report period totals \$32.

City of Oceanside Parks and Recreation Function + Associated Classes Abbreviated Report Period: FY21 to FY22 Table A - 6.4a Source: City of Oceanside + SD LAFCO	
Categories	(a) Aquatics, (b) Parks and Open Space, and (c) Community Recreation
Actual Total Expenses	
... Average Annual	\$5.142 million
... Overall Trend	49.2%
Actual General Fund Expenses	
... Average Annual	\$4.864 million
... Overall Trend	37.7%
Average Annual Actuals Covered by General Fund	94.6%
Average Annual Portion of General Fund	2.40%
Per Capita - General Fund Expenses in FY22	\$32.27

Specific capacities and resources available within each of the function’s three classes follow along with summaries of recent demands.

Aquatics Class:

Oceanside began providing aquatic class activities in the 1950s with the opening of the first of three municipal swimming pools. The original facility - Brooks Swim Center - is located in north-western Oceanside and comprises a seven-lane outdoor heated pool that extends approximately 100 feet in length. A second facility - Marshall Swim Center - was added in the early 1960s in southwestern Oceanside. It comprises a six-lane outdoor heated pool that extends approximately 75 feet in length. The third facility - William Wagner Aquatic Center - was added in 2021 in central Oceanside. It includes multiple outdoor pools and is headlined by an approximate 164-foot pool (olympic size) used for school and regional competitions. All three aquatic facilities are accessible to the public via an entrance fee ranging from \$3 to \$5. Annual memberships are also available at \$350 (individual) to \$500 (family).

City of Oceanside Parks + Recreation Function: <u>Aquatic Class</u> Table A - 6.4b Source: City of Oceanside						
Site	Location	Pools	Lanes	Restrooms	Lockers	Built
Brooks Swim Center	130 Brooks Street	1	7	Yes	No	1950s
Marshall Swim Center	1404 Marshall Street	1	6	Yes	No	1960s
Wagner Aquatic Center	3306 Senior Center Drive	2	18	Yes	Yes	2020s

With respect to actual service demands, and as reflected in Table A - 6.4c, the average number of swim classes annually offered by Oceanside during the five-year report period has been 299. This amount generates a per capita ratio of 1.7 rentals for every 1,000 residents.³⁶ The average annual class offering adjusts upward to 375 - or 2.1 classes for every 1,000 residents - less pandemic-associated closures in FY2020 and FY2021. Annual class offerings overall have increased during the report period by three-fifths from 287 in FY2018 to 488 in FY2022 and largely attributed to the opening of the Wagner Aquatic Center. The total annual class participation nearly doubled during the reporting period and in doing so outpaced the expanded class offerings with the average number of participants increasing for every class from 5.4 to 6.2.

³⁶ LAFCO estimates the five-year average population within the City of Oceanside at 172,962.

City of Oceanside: Parks + Recreation Function: <u>Aquatics Class Demands</u> Table A - 6.4c Source: City of Oceanside + SDLAFCO						Average	Trend
Category	2018	2019	2020	2021	2022		
Swim Class Offerings	287	349	170	199	488	299	70.0%
Swim Class Participants	1,542	1,710	917	1,278	3,029	1,695	96.4%
...Average Participants Per Class	5.4	4.9	5.4	6.4	6.2	5.7	15.5%

Parks and Open Space Class:

Oceanside began providing general park and open space class activities immediately upon incorporation in 1888 with the ongoing maintenance and improvement of the municipal beaches forming its shoreline against the Pacific Ocean. Oceanside expanded this class in the late 1920s with the development of the City’s first of eventual 13 community parks, Parnassus Circle – which was later renamed Buddy Todd Park. The other community parks were subsequently developed over the next 100 years with the most recent addition involving the first of several planned phases of El Corazon Park beginning in 2022. Oceanside also maintains 16 neighborhood parks that have been largely developed incrementally as part of individual subdivision approvals starting in the 1970s. In all, and as shown in Table A - 6.4d, Oceanside maintains 30 park and open space resources (beaches, community, and neighborhood) that collectively total 413.6 acres at the end of the reporting period with 78.0 acres - or 14.5% of the total - added during the 60 months.

City of Oceanside Parks + Recreation Function: <u>Parks + Open Space Class (General Uses)</u> Table A - 6.4d Source: City of Oceanside + SDLAFCO							
Site	Type	Acres	BB Courts	BB Diamonds	Multi-Purpose Fields	Restrooms	
Beaches	Beach	60.0	No	No	No	Yes	
Buddy Todd Park	Community	19.0	Yes	No	Yes	Yes	
Capistrano Park	Community	14.0	Yes	Yes	Yes	Yes	
El Corazon Park	Community	78.0	No	No	Yes	Yes	
Joe Sepulveda Park	Community	19.0	Yes	Yes	No	No	
John Landes Park	Community	10.9	Yes	Yes	Yes	Yes	
Libby Lake Park	Community	27.6	No	No	No	No	
Luiseno Park	Community	10.0	No	No	Yes	Yes	
Buchanan Park	Community	29.0	No	No	Yes	Yes	
Marshall Park	Community	4.0	No	No	Yes	Yes	
MLK Jr. Park	Community	15.0	No	Yes	Yes	Yes	
Oak Riparian Park	Community	26.7	No	Yes	Yes	Yes	
Rancho Park	Community	16.5	No	No	Yes	Yes	
Ron Ortega Park	Community	15.3	No	Yes	No	Yes	
Alamosa Park	Neighborhood	7.0	No	No	Yes	Yes	
Buccaneer Park	Neighborhood	6.4	Yes	No	Yes	Yes	

Cesar Chavez Park	Neighborhood	0.1	Yes	No	No	No
Fireside Park	Neighborhood	4.0	Yes	Yes	Yes	Yes
Heritage Park	Neighborhood	4.0	No	No	No	Yes
Ivey Ranch Park	Neighborhood	11.1	No	No	No	No
Carrasco Park	Neighborhood	3.4	No	No	Yes	No
Lake Park	Neighborhood	10.0	No	Yes	No	Yes
Lion's Club Park	Neighborhood	0.5	No	No	Yes	No
Marlando Park	Neighborhood	6.0	No	No	Yes	No
Palisades Park	Neighborhood	6.4	No	Yes	Yes	No
Oceanside Park	Neighborhood	4.0	No	Yes	Yes	No
Spring Creek Park	Neighborhood	3.0	No	No	Yes	No
Seagaze Park	Neighborhood	0.6	No	No	No	No
Tyson Street Park	Neighborhood	1.6	No	No	Yes	Yes
Women's Club Park	Neighborhood	0.5	No	No	No	No
Acreage Totals:		413.6				

In addition to the 30 general parks and open space resources summarized above, Oceanside also offers specialty sports parks dedicated to golf, skateboarding, and biking. Oceanside’s two municipal golf courses - Oceanside (1972) and Goat Hill (1952) - are both 18-holes and collectively add another 219.5 acres of publicly accessible park/recreation acres. Oceanside’s lone dedicated skatepark - Alex Road - was opened in 2013 and is approximately 0.5 acres in size. Oceanside also operates five other skateboard facilities - Landes, Libby, Lake, MLK, and Melba Bishop - that have been added to existing park sites between 2003 and 2008. Oceanside’s San Luis Rey River Trail separately provides bicyclists 18 miles (round-trip) of paved trails along the San Luis Rey River and is free of any stop signs or signals.

With respect to actual service demands, and as reflected in Table A - 6.4e, the average annual rentals for Oceanside’s baseball/softball fields (diamonds) - which historically generate the most rentals among the City’s parks and open space class - during the five-year report period has been 36. This amount generates a per capita ratio of 0.21 rentals for every 1,000 residents. The average annual diamond rental total adjusts upward to 49 - or 0.29 rentals for every 1,000 residents - less pandemic-associated closures in FY2020 and FY2021. Overall, diamond rentals for Oceanside have decreased during the report period by two-fifths from 58 in FY2018 to 34 in FY2022. Conversely, rental demands for both multi-use fields (soccer, etc.) and tennis courts have increased during the report period with the former becoming the largest rental source within Oceanside’s parks and open-space class during the final year in FY2022.

City of Oceanside: Parks + Recreation Function: Parks + Open Space Class Demands							
Table A - 6.4e Source: City of Oceanside + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Diamond Field Rentals	58	56	27	6	34	36.2	(41.4%)
Multi-Use Field Rentals	38	49	28	6	45	33.2	18.4%
Tennis - Pickleball Court Rentals	9	12	18	2	19	12.0	111.1%
Roller Hockey Rink Rentals	25	16	4	1	15	12.2	(40.0%)

Community Recreation Class:

Oceanside’s community recreation class activities began in the late 1910s with the original construction of the Oceanside Pier Amphitheater to accommodate civic and performance arts ranging from outdoor ceremonies to local theatre and movies. Oceanside expanded the class activities beginning in the 1950s to include the first of four community centers with the opening of the City’s first multi-use gymnasium - now the Junior Seau Community Center - next to the Pier Amphitheater. Oceanside’s other three community centers - Landes, Balderrama, and Melba - subsequently opened between 1963 and 1974 with the latter providing the City’s second multi-use gymnasium. Oceanside also established the first of two senior-oriented facilities in the early 1990s with the opening of the Country Club Senior Center. A second senior center - El Corazon - opened in 2009. Residents 65 years of age or older can receive transportation to and from the senior centers through the *Go Oceanside* program. A full listing of community recreation class facilities follows in Table A - 6.4f.

City of Oceanside Parks and Recreation Function: Community Recreation Class					
Table A - 6.4f Source: City of Oceanside					
Site	Type	Acres	Primary Use	Restrooms	Built
Pier Amphitheater	Performance Arts	1.0	Amphitheater	Yes	1910s
Junior Seau Center	Community Center	1.0	Gymnasium	Yes	1950s
Landes *	Community Center	10.9	After School Program	Yes	1960s
Balderrama *	Community Center	3.9	Community Auditorium	Yes	1970s
Melba *	Community Center	17.6	Gymnasium	Yes	1970s
Country Club	Senior Center	3.0	Daily Lunch	Yes	1990s
El Corazon *	Senior Center	78.0	Wellness	Yes	2009

* Acre amounts include adjacent parklands

Specific demands associated with the community recreation class have not been developed at the time of the draft report’s publication.

Performance Measurements

The City of Oceanside's park and recreation function and its three service classes continue to evolve and expand - albeit not necessarily uniformly - in line with community needs. The aquatics and parks and open space classes experienced substantive capacity expansions during the five-year report period via the completion of two planned capital improvements further cementing the El Corazon complex in mid-city Oceanside as a local and regional recreational hub. The William Wagner Aquatics Center opened in 2021 after a three-year construction effort and effectively two-folded Oceanside's previous aquatic class capacity by doubling the number of public swimming pools and lanes available to the community. The community responded affirmatively with swim class offerings and swim class participants increasing during the reporting period by 70 and 96%, respectively. Separately, the first of several planned phases of the El Corazon Community Park came online in 2022. It involves 78.0 acres and singularly has expanded Oceanside's previous park and open space class capacity by 15%. No capacity expansions involving the third and final class - community recreation - were added during the reporting period although existing programs at the two senior centers continue to adjust resources with needs. Examples include starting and expanding a senior nutrition program as well as establishing senior art ("zine") classes through awarded grant monies during the reporting period.

With regards to other material performance measurements:

- Oceanside's 413.6 acres of parkland acreage at the end of the reporting period translates to 2.4 acres for every 1,000 residents. This ratio is more than one-fifth - or the equivalent of 110.3 acres - below the minimum municipality standard of 3.0 acres of parkland for every 1,000 residents in State law (Quimby Act).
- The Oceanside General Plan establishes a policy directing the City to "strive" to achieve 5.0 acres of parkland acreage for every 1,000 residents (Community Facilities Element, Parks and Recreation Policy No. 1.3). Oceanside's parkland acreage of 413.6 at the end of the reporting period falls more than one-half - or the equivalent of 459.5 acres - below the City's adopted policy goal.
- Oceanside maintains memorandums of understanding with local schools (public and private) to make available to the public an additional 115 acres of parkland acreage via nearly two dozen sites in the City. These agreements - pertinently - bridge the existing gap under the Quimby Act and raise

Oceanside's parkland ratio to 3.0 acres for every 1,000 residents. These agreements separately close the gap by one-fifth under the Oceanside General Plan from 459.5 to 344.5 acres.

6.5 Community Development

The City of Oceanside's community development service function is most closely tied to implementing the City General Plan and blueprint role therein to concurrently shape the physical footprint as well as quality of life within the jurisdictional boundary. This function spans two Oceanside departments - Development Services and Housing and Neighborhood - and is collectively divided by LAFCO into five distinct

Community Development Accounts for 10% of Oceanside's Total Staffing...

Oceanside's community development function is divided into five broad classes for purposes of this report: (a) planning; (b) building; (c) code enforcement; (d) engineering; and (e) housing assistance. Budgeted staffing at the end of the report period covering all five classes equals 98.5 fulltime equivalent positions.

classes: planning; building; code enforcement; engineering; and housing assistance. A description of the community development service function's capacities, demands, and performances within these five classes follows.

Resources, Current Capacities, + Demands

Oceanside's community development function and its five distinct class activities draw on multiple funding sources to offset demands on the City General Fund. Four of the classes - planning, building, code enforcement, and engineering - operate within the Development Services Department and are primarily funded by a combination of service charges, license and permit fees, fines and penalties, and

Resource Equivalency on the Oceanside General Fund is \$70 Per Capita...

Oceanside's community development service function and its five classes collectively account for 8.0% of City General Fund expenditures during the five-year report period. The total per capita General Fund expense for community development function at the end of the report period totals \$70.

intergovernmental monies. These revenue sources have funded nearly three-fourths of actual expenses within these four classes over the five-year report period with the remainder covered by the City General Fund. These four classes overall account for 4.8% of all City General Fund monies expended by Oceanside over the preceding 60-month period. Separately, close to four-fifths of funding for the fifth class involving housing assistance is covered by federal community development block grants monies with the remainder supported by the City General Fund; an amount equaling 2.8% of all City General Fund expenses during the 60 months. (See Table A - 6.5a.)

City of Oceanside Community Development Function Five Year Report Period: FY18 to FY22 Table A - 6.5a Source: City of Oceanside + SD LAFCO		
Categories	Planning, Building, Code Enforcement + Engineering	Housing Assistance
Actual Total Expenses		
... Average Annual	\$31.628 million	\$31.555 million
... Overall Trend	(3.5%)	21.8%
Actual General Fund Expenses		
... Average Annual	\$8.825 million	\$5.057 million
... Overall Trend	39.1%	(76.0%)
Average Actuals Covered by General Fund	27.9%	16.1%
Average Annual Portion of General Fund	4.8%	2.8%
Per Capita - General Fund Expenses in FY22	\$61.61	\$8.80

Specific capacities and resources available within each of the community development function’s five classes follow along with summaries of recent demands.

Planning Class:

Oceanside’s planning class activities are organized as a stand-alone division under the Development Services Department. Principal activities involve preparing advanced planning documents, processing current development proposals, coordinating interagency reviews, and performing environmental analyses.³⁷ Notable deliverables associated with the planning class include processing development applications, preparing five-year updates to the housing element, and staffing the Planning Commission. Most development applications require approval at notice hearings either by the Planning Commission and/or the City Council. Budgeted staffing dedicated to planning class activities totaled 13.2 full-time equivalent employees at the end of the report period. This amount reflects an overall budgeted staffing change of 10.9% over the preceding 60-month period.

Concerning actual service demands, and as reflected in Table A - 6.5b, the average annual number of planning applications received by Oceanside during the five-year report period has been 182.8. The overall change in the annual number of applications received during the 60 months has been (4.8%). The largest portion of application filing involves

Submittals Outpacing Completions...

The annual number of application submittals during the reporting period has outpaced available resources in the planning class by three to one

³⁷ This includes interpreting and implementing the Oceanside General Plan, which was last comprehensively updated in 2002 and includes three optional elements: community facilities; hazardous waste management; and military reservation.

entitlements and represents more than two-thirds of the average annual total. The average annual number of planning applications acted on - irrespective of outcome - has been 64 during the reporting period; the collective result is a 3.0 to 1 ratio of submittals to completions (actions).

City of Oceanside: Community Development Function: Planning Demands Table A - 6.5b Source: City of Oceanside + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Planning Applications Received	188	210	163	174	179	182.8	(4.8%)
... General Plan Amendment	-	1	2	1	1	1.0	100.0%
... Zoning Change	1	2	2	-	3	1.6	200.0%
... Subdivision Map	5	6	5	6	7	5.8	40.0%
... Parcel Map	11	10	4	-	5	6.0	(54.5%)
... Other	108	124	93	106	105	107.2	(2.8%)
Approvals (action)	76	78	73	52	41	64.0	(46.1%)
Denials (action)	-	-	1	-	1	0.4	100.0%
Application to Action Ratio	2.47 to 1	2.69 to 1	2.20 to 1	3.35 to 1	4.26 to 1	2.99 to 1	72.5%

Building Class:

Oceanside’s building class activities are organized as a stand-alone division under the Development Services Department. Principal activities involve performing building plan reviews, processing permit applications, and conducting onsite inspections for residential and commercial buildings during all stages of construction, repair, and/or renovation.³⁸ Notable deliverables are headlined by issuing building permits (major, minor, and miscellaneous) to authorize applicants with the legal authority to complete construction work. Budgeted staffing dedicated to building class activities totals 19.13 full-time equivalent employees at the end of the reporting period. This amount reflects an overall budgeted staffing change of 1.6% over the preceding 60-month period.

Concerning actual service demands, and as reflected in Table A - 6.5c, the average annual number of building permits issued by Oceanside during the five-year report period has been 4,395. This amount reflects an overall increase during the preceding 60 months of 97.0%. The average annual number of building permits issued is further distinguished between minor and major with the former issued over the counter and the

Jump in Building Permit Volume...
Oceanside has experienced a significant increase in total building permit volume during the reporting period with issuances almost doubling from the equivalent of 9 per day in 2018 to 18 per day in 2022. The aggregate value of building permits has also increased by more than one-third from \$328.6 million to \$445.7 million in 2022.

³⁸ This includes interpreting Title 24 of the California Code of Regulations, which concurrently serves as the adopted code standards for Oceanside and covers all construction regulations - including building, housing, plumbing, and electrical.

latter requiring inter-agency reviews. Minor permits commonly involve repairs, non-structural alterations, and electrical and account for 8.2% of the average annual issuances during the reporting period. Major permits commonly involve new construction, structural alterations, and demolitions and account for the remaining 85.6% of the average annual issuances.

City of Oceanside: Community Development Function: <u>Building Demands</u> Table A - 6.5c Source: City of Oceanside + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Building Permits Issued	3,307	3,204	3,591	5,360	6,514	4,395.2	97.0%
... Valuation *	\$328.572	\$236.368	\$169.501	\$296.045	\$445.665	\$295.230	35.6%
... Major Permits	315	434	314	358	372	358.6	18.1%
... Minor Permits	2,744	2,511	2,936	4,689	5,939	3,763.8	116.4%
... Miscellaneous Permits	248	259	341	313	203	272.8	(18.1%)

* Amount in Millions

Code Enforcement Class:

Oceanside’s code enforcement class activities are organized as a stand-alone division under the Development Services Department. Principal activities involve addressing blight and nuisance issues affecting private property uses and structures as well as other quality-of-life matters within Oceanside - including vehicle abatement, noise pollution, and homeless encampment.³⁹ Notable deliverables are headlined by investigating citizen complaints and issuing violation notices and fines. Budgeted staffing dedicated for code enforcement class activities totals 15.1 full-time equivalent employees at the end of the reporting period.

Concerning actual service demands, and as shown in Table A - 6.5d, the average annual number of code enforcement cases opened by Oceanside during the five-year report period has been 5,425 - or 14.9 daily - with a spike occurring in 2020 at 6,410. Overall, the annual number of code enforcement cases opened has declined over the preceding 60 months by (11.1%). Conversely, the average annual number of code enforcement cases closed - irrespective of the year initiated - has been 5,360.⁴⁰ Oceanside finished the reporting period with a nearly matching average annual ratio of case openings to case closures at 1.01 to 1.0.

Keeping Up with Demands...

Oceanside finished the reporting period with a nearly matching average annual ratio of code enforcement case openings to case closures at 1.01 to 1.

³⁹ This relatedly includes interpreting and implementing potential violations under the Zoning Ordinance.

⁴⁰ Additional information is needed to distinguish between cases closed through voluntary compliance versus enforcement.

City of Oceanside: Community Development Function: <u>Code Enforcement Demands</u> Table A - 6.5d Source: City of Oceanside + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Cases Opened	5,344	5,609	6,410	5,008	4,753	5,424.8	(11.1%)
Cases Closed	5,320	5,753	6,078	4,938	4,709	5,359.6	(11.5%)
Openings to Closures Ratio	1.00 to 1	0.97 to 1	1.06 to 1	1.01 to 1	1.01 to 1	1.01 to 1	1.0%

Engineering Class:

Oceanside’s code enforcement class activities are organized as a stand-alone division under the Development Services Department. Principal activities involve inspecting public and private construction projects, administering civil engineering and land surveying contracts, and providing capital project design services to other City divisions and departments. This relatedly includes engineering class staff interpreting and implementing Oceanside’s Engineers’ Design and Processing Manual, which was adopted in 1991 and outlines City guidelines and requirements ranging from subdivision maps to utility design standards. Notable deliverables are made by processing and approving landscaping plans and grading permits. Budgeted staffing dedicated to engineering class activities totals 25.3 full-time equivalent employees at the end of the reporting period. This amount reflects an overall budgeted staffing change of 6.2% over the preceding 60-month period.

Concerning actual service demands, and as shown below in Table A - 6.5e, the average annual number of landscaping plans received by Oceanside for processing during the five-year report period has been 28.8 - or close to one every two weeks. The overall change in the annual number of submitted plans over the preceding 60 months has been 105.0%. The average annual number of landscape plan actions (approvals or denials) by Oceanside - irrespective of the year initiated - has been 14.2 - or close to one every four weeks. Separately, the average annual number of grading permits received by Oceanside has been 42 - or nearly one every week - with an overall trend of 15.8%. The average annual number of actions taken on grading permits - irrespective of the year initiated - has been 25, which is close to one every two weeks. Oceanside finished the reporting period with more than a double average in the annual ratio of the number of new submittals versus actions for landscape plans and grading permits at 2.2 to 1 and 2.3 to 1, respectively.

Annual Submittals are Outpacing Completions by Two-Fold...
 The annual number of landscape plans and grading permits received by Oceanside during the reporting period have outpaced available resources in the engineering class by more than two-to-one (i.e., more than two new submittals are received for each filing completed).

City of Oceanside: Community Development Function: <u>Engineering Demands</u> Table A - 6.5e Source: City of Oceanside + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Landscape Plans Received	20	20	30	33	41	28.8	105.0%
... Actions: Approvals or Denials	16	13	13	19	10	14.2	(37.5%)
Grading Permit Applications Received	38	37	54	37	44	42.0	15.8%
... Actions: Approvals or Denials	31	25	39	22	8	25.0	(74.2%)
Ratio of Filings to Actions							
... Landscape Plans	1.25 to 1	1.53 to 1	2.31 to 1	1.74 to 1	4.1 to 1	2.19	228.0%
... Grading Permits	1.23 to 1	1.48 to 1	1.39 to 1	1.68 to 1	5.5 to 1	2.27	347.2%
... Total	1.23 to 1	1.50 to 1	1.62 to 1	1.71 to 1	4.7 to 1	2.15	282.1%

Housing Assistance Class:

Oceanside’s housing assistance class activities are organized as a stand-alone division under the Housing and Neighborhood Services Department. Principal activities involve administering rental assistance programs, coordinating homeless services with local non-profit providers, and overseeing a mobile home rent control ordinance.⁴¹ Notable deliverables include processing rental assistance applications and issuing “Section 8” housing vouchers. (Related measurables include performing initial and annual housing inspections.) Budgeted staffing dedicated to housing assistance class activities totals 19 full-time equivalent employees at the end of the reporting period.⁴² This amount reflects an overall budgeted staffing change of 5.5%.

Concerning actual service demands, and as shown below in Table A - 6.5f, the average annual number of rental assistance voucher (Section 8) participants administered by Oceanside during the five-year report period has been 1,396. The overall change in the annual number of voucher participants over the preceding 60 months has been (3.5%). A rolling waiting list is maintained by Oceanside with the current number of listees totaling 4,861 - which is more than three times greater than the number of actual participants. The corresponding average monthly rental subsidy cost has increased during the 60 months from \$1,010 to \$1,264, which reflects an overall change of 25.1% and above the corresponding change in inflation over the same period.⁴³ The overall average

High Demand for Housing Assistance Leading to Long Wait Times...

Oceanside’s Section 8 housing voucher program finished the reporting period with 1,341 participants - an amount leaving more than 4,800 on a waiting list. The current wait time for most to transition from the waitlist to participant is nearly 10 years.

⁴¹ Oceanside’s Mobile Home Rent Control Ordinance was implemented in 1985 and limits annual rent increases to the lesser of 8% or 75% of the annual consumer price index. At the end of the reporting period, there are 17 mobile home parks in Oceanside subject to the ordinance with a combined total of 2,018 spaces.

⁴² Oceanside has dedicated housing assistance staff including several staff offering some hours of assistance to the program.

⁴³ The inflation rate for the San Diego region via the consumer price index is 17.7% between June 2018 and July 2022.

subsidy separately equals 60.5% of the corresponding median rent in Oceanside during the reporting period.

City of Oceanside: Community Development Function: Housing Assistance Demands Table A 6.5f Source: City of Oceanside, ACS, + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Section 8 Participants	1,390	1,398	1,414	1,435	1,341	1,396	(3.5%)
Monthly Average Subsidy	1,010	1,073	1,155	1,211	1,264	\$1,143	25.1%
... Median Monthly Rental	1,815	1,815	1,803	1,934	2,065	\$1,886	13.8%
... Subsidy as Percent of Median Rent	55.6	59.11	64.1	62.6	61.2	60.5%	10.1%
Section 8 Waiting List	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Performance Measurements

An increasing emphasis on assessing community development performance pertinent to LAFCOs’ legislative interest is the ability of land use authorities (i.e., counties and cities) to sync housing opportunities with household incomes. This emphasis is reflected in the State of California requiring all counties and cities to sufficiently plan to meet the housing needs of everyone in their respective communities as stand-alone elements of general plans. Towards this end, these agencies’ housing elements must identify adequate sites zoned and available within an eight-year housing cycle to meet their regional housing needs assessment (RHNA) at all prescribed income levels (very low, low, moderate, and above moderate relative to area median income or AMI). Additional statewide considerations follow.

Big Picture Focus on Housing...

Providing housing is a central legislative consideration prescribed to LAFCO in its task to facilitate all communities’ social and economic welfare through orderly growth and development. Oceanside’s ability to accommodate housing at all levels through the State’s RHNA, accordingly, process serves as a key and cascading performance measurement in assessing the community development function and related classes.

- All housing elements must be internally consistent with the general plans and approved by the State’s Department of Housing and Community Development or “HCD.” Recent legislation tasks local agencies to submit annual reports to HCD on housing elements implementation beginning April 2018.
- Immediate repercussions for not receiving HCD approval include limitations on State funding programs as well as increased exposure to lawsuits and the potential therein for court orders that reduce and/or suspend local control over building and development activities.

Oceanside’s Housing Element for the most recently completed RHNA cycle (April 2013 to April 2021) was certified by HCD in October 2013 and covers the first three and half years of the five-year reporting period. This fifth cycle assigned Oceanside an overall RHNA sum of 6,210 units with three-fifths - or 61.5% - categorized as very low-, low-, and moderate-income levels. At the end of the fifth cycle, Oceanside self-reported overall attainment of 40.6% of its RHNA assignment as measured by issuing building permits for 2,520 new housing units. Two-thirds - or 65.4% - of all Oceanside building permits during the fifth cycle are tied to accommodating above-moderate income housing with the balance spread among the three other income categories (i.e., very low, low, and moderate).

Mixed Results in Fifth Cycle...

Oceanside’s housing element for the most recently completed fifth cycle (2013-2021) earned certification by HCD and in doing so outlined an otherwise reasonable path to accommodating its RHNA allocation of 6,210 new housing units via the City’s Zoning Ordinance. Actual building - however - fell short with only 41% of the RHNA units being permitted by the end of the cycle.

As shown in Tables A-6.5g and A-6.5h, Oceanside’s overall attainment levels fall short of the overall average generated among all land use jurisdictions in San Diego County, which collectively met 58.5% of RHNA assignments as measured by building permit issuances - albeit with 88.5% accommodating above-moderate income housing. However, and specific to the most critical need categories, Oceanside’s attainment rate for addressing very low and low housing units finished at 19.5% and above the 19.2% rate among all land use authorities in San Diego County.

Regional Comparison Amplifies Mixed Results in Fifth Cycle...

Oceanside’s overall RHNA attainment of 41% for the fifth cycle falls below the combined attainment of 59% for all land use authorities in San Diego County. However, and specific to the most critical categories, Oceanside’s very low and low attainment rate is 20% and above the combined 19% rate for San Diego County.

City of Oceanside: Community Development Function: RHNA Results Fifth Cycle: April 2013 to April 2021 Table A - 6.5g Source: HCD + SDLAFCO					
Category	Very Low	Low	Moderate	Above Moderate	Total
RHNA Assignment	1,549	1,178	1,090	2,393	6,210
New Building Permitted	336	197	338	1,649	2,520
Ending Attainment	21.7%	16.7%	31.0%	68.9%	40.6%

San Diego County: Community Development Function: <u>Most Recent RHNA Results</u> Fifth Cycle: April 2013 to April 2021 Table A - 6.5h Source: HCD + SDLAFCO					
Category	Very Low	Low	Moderate	Above Moderate	Total
RHNA Assignment	36,450	27,700	30,610	67,220	161,980
New Building Permitted	5,305	7,012	3,920	78,528	88,765
Ending Attainment	14.6%	25.3%	12.8%	116.8%	58.5%

- * San Diego County AMI in 2021: \$95,100
- Very Low: 50% or less of AMI (\$47,550 or lower)
- Low: 50% to 80% of AMI (\$47,550 to \$76,080)
- Moderate: 80% to 120% of AMI (\$76,080 to \$114,120)
- Above Moderate: 120% or more of AMI (\$114,120 or more)

Oceanside’s Housing Element for the current RHNA cycle (April 2021 to April 2029) was certified by HCD in November 2023 and captures the final year and a half covering the reporting period. This sixth cycle assigns Oceanside an overall RHNA sum of 5,443 units with three-fourths - or 74.1% - categorized as very low-, low-, and moderate-income levels. This latter grouping represents a 20.5% increase over the prior cycle. With respect to progress with one-fourth of the sixth cycle complete, Oceanside self-reports an overall attainment of 20.7% of its RHNA assignment as measured by issuing building permits for 1,124 new housing units. Close to four-fifths - or 77.7% - of all Oceanside building permits issued during the sixth cycle at the close of the reporting period tie to accommodating above-moderate income housing with the balance spread among the three other income categories (i.e., very low, low, and moderate). Should the current progress hold over the balance of the cycle, Oceanside will accommodate 82.6% of its overall RHNA assignment - or 4,496 new housing units. However, this progression is top-heavy with excess attainment in meeting above moderate needs while very low and low needs fall significantly short. Oceanside’s Table A - 6.5i below summarizes Oceanside and San Diego County’s RHNA assignments and implementation to date for the current cycle ending in April 2029.

Mixed Results Continue Going Forward in Sixth Cycle...

Progress through the end of the reporting period suggests Oceanside is on pace to finish the sixth cycle with permitting 83% of its RHNA allocation of 5,443 units. The projection, however, is top heavy with a surplus of above-moderate units being permitted while permitting only 3% of Oceanside’s very low and low unit assignments.

City of Oceanside: Community Development Function: <u>Current RHNA Cycle</u> Sixth Cycle: April 2021 to April 2029 Table A - 6.5j Source: HCD + SDLAFCO					
Category	Very Low	Low	Moderate	Above Moderate	Total
RHNA Assignment	1,268	718	883	2,574	5,443
New Building Permitted	23	33	209	859	1,124
Current Attainment (1/4th of Cycle)	1.8%	4.6%	23.7%	33.4%	20.7%
Projected Attainment at Cycle End	7.2%	18.4%	94.8%	133.6%	82.8%

7.0 FINANCES

7.1 Budget and Actuals

With respect to expenses, the City of Oceanside’s total adopted annual budgets covering all of its municipal activities and planned costs have averaged \$488.235 million during the five-year report period. The most recent budget amount falls 11.9% above the five-year average tally at \$546.794 million with the largest apportionment covering day-to-day expenses via the General Fund at \$188.184 million. Most of the remaining total budgeted expenses are apportioned among the Enterprise (water, wastewater, etc.) and Special Funds (transportation, community block grants, etc.) as detailed in Table A - 7.1a.

Budgeting Oceanside Costs...

Oceanside’s total adopted budget at the end of the five-year report period covering costs is \$546.7 million with the single largest apportionment dedicated to the General Fund. Overall, Oceanside’s total budgeted costs - i.e., the expected expense to run all City activities - have increased by 41% over the reporting period.

City of Oceanside Total Budgeted Expenses Table A - 7.1a Source: City of Oceanside + SDLAFCO						
Fund Category	2018	2019	2020	2021	2022	Average Trend
General	145.238	151.741	172.861	170.156	188.184	165.636 29.57
Special	41.736	40.314	46.445	50.429	62.638	48.312 50.08
Debt Service	12.438	12.630	12.393	7.989	8.174	10.725 (34.28)
Capital Project	4.698	5.275	19.666	19.343	21.130	14.022 349.77
Enterprise	121.528	121.997	252.540	205.690	185.115	177.374 52.32
Internal Services	61.908	65.865	71.836	76.318	78.171	70.820 26.27
Other	0.0	0.0	0.0	3.346	3.383	1.346 n/a
* Total	\$387.546	\$397.822	\$575.740	\$533.271	\$546.794	\$488.235 41.09%

* Amounts in millions

Oceanside’s overall actual expenses during the five-year report period have averaged \$492.886 million and slightly above - specifically 3.5% - budgeted expectations. The most recent actual amount expended by Oceanside is 16.2% above the five-year average tally at \$570.791 million with the largest expense covering day-to-day operations in the General Fund at \$205.827 million. The overall average per capita expense during the report period is \$2,850 with starting and ending amounts of \$2,542 and \$3,268; an increase of 28.6%. A breakdown of all actual expenses booked by Oceanside during the reporting period follows in Table A - 7.1b.

Oceanside’s Actual Costs...

Oceanside’s total actual costs incurred at the end of the five-year report period is \$570.8 million with an overall period variance rate relative to budgeted amounts of 31.1%. The average total actual per capita cost over the 60-month period is \$2,850.

City of Oceanside Total Actual Expenses Table A - 7.1b Source: City of Oceanside + SDLAFCO							
Fund Category	2018	2019	2020	2021	2022	Average	Trend
General	162.309	156.028	183.681	168.133	205.827	175.196	26.8
Special	45.953	50.127	43.180	55.173	68.480	52.583	49.0
Debt Service	9.203	9.339	9.765	12.2313	12.266	10.561	33.3
Capital Project	9.140	12.038	17.204	33.1133	14.009	17.101	53.3
Enterprise	133.235	139.075	176.898	175.3223	189.505	162.807	42.2
Internal Services	60.696	66.789	68.752	69.121	80.703	69.212	33.0
Other	14.984	6.752	4.619	0.775	0.0	5.426	n/a
* Total	\$435.521	\$440.148	\$504.100	\$513.868	\$570.791	\$492.886	31.1%
Expenses Per Capita:	\$2,542	\$2,557	\$2,915	\$2,957	\$3,269	\$2,850	28.6%

* Amounts in millions

With respect to revenues, Oceanside’s total adopted annual budgets covering all of its municipal activities and expected incomes have averaged \$479.651 million during the five-year report period. The most recent budget amount lies 14.2% above the five-year average tally at \$547.903 million. All-purpose revenues via the General Fund represent one-third of the total budgeted amount with 39.8% therein expected from property taxes. All budgeted revenues are detailed in Table A - 7.1c.

Budgeting Oceanside Revenues...

Oceanside’s total adopted budget at the end of the five-year report period covering all revenues is \$547.9 million with one-third sourced to all-purpose income via the General Fund. Overall, Oceanside’s total budgeted revenues - i.e., the expected income to support all City activities - have increased by 25% over the report period.

City of Oceanside Total Budgeted Revenues							
Table A - 7.1c Source: City of Oceanside + SDLAFCO							
Fund Category	2018	2019	2020	2021	2022	Average	Trend
General	145.990	152.856	173.480	170.848	187.396	166.114	28.36
Special	59.820	46.144	46.038	53.981	66.643	54.525	11.41
Debt Service	12.806	12.723	12.476	7.378	7.538	10.584	(41.14)
Capital Project	6.490	8.549	21.544	14.234	23.501	14.864	262.11
Enterprise	148.315	155.727	161.164	161.861	179.387	161.291	20.95
Internal Services	64.103	65.487	71.054	73.261	79.383	70.658	23.84
Other	0.0	0.0	0.0	4.021	4.055	1.615	n/a
* Total	\$437.522	\$441.487	\$485.756	\$485.585	\$547.903	\$479.651	25.23%

* Amounts in millions

Oceanside’s overall actual revenues during the five-year report period have averaged \$530.519 million and measurably above - and specifically by 10.4% - budgeted expectations. The most recent actual amount of revenue collected by Oceanside is 17.0% above the five-year average tally at \$620.623 million with the largest income source tied to the General Fund at \$213.628 million. The overall average per capita expense during the report period is \$3,067 with starting and ending amounts of \$2,626 and \$3,554; an increase of 35.4%.

Oceanside’s Actual Revenues...

Oceanside’s total actual revenues collected at the end of the five-year report period is \$620.6 million with an overall period variance rate relative to budgeted amounts of 38.0%. The average total actual per capita cost over the 60-month period is \$3,067.

A breakdown of all actual revenues collected follows in Table A - 7.1d.

City of Oceanside Total Actual Revenues							
Table 7.1d Source: City of Oceanside + SDLAFCO							
Fund Category	2018	2019	2020	2021	2022	Average	Trend
General	154.769	165.906	186.139	192.069	213.628	182.502	38.0
Special	44.774	52.722	45.576	53.699	73.905	54.136	65.1
Debt Service	9.278	9.462	9.064	7.395	11.818	9.403	27.4
Capital Project	14.704	12.301	47.867	17.136	26.202	23.642	78.2
Enterprise	161.524	166.826	194.648	199.941	210.983	186.784	30.6
Internal Services	61.099	67.213	70.255	71.904	80.163	70.127	31.2.
Other	3.682	3.285	4.916	3.809	3.924	3.926	6.6
* Total	\$449.830	\$477.715	\$558.475	\$545.953	\$620.623	\$530.519	38.0
Revenues Per Capita:	\$2,626	\$2,775	\$3,228	\$3,142	\$3,554	\$3,067	35.4%

* Amounts in millions

7.2 General Fund Activities

A closer review of the City of Oceanside’s General Fund and its role to transact most public-facing municipal services shows actual annual expenses over the five-year report period are rising with an overall increase of 26.8%. The average annual actual expense has been \$175.196 million with the final year amount tallying \$205.827 million, which is 17.5% above the period mean and underlies the upward trajectory in costs. In terms of uses, more than one-half of all actual General Fund expenses during the reporting period ties to funding public safety with fire and police collectively accounting for 51.8% of all outlays. The overall annual actual General Fund expense on a per capita basis has separately increased during the report period from \$947 to \$1,179 – a change of 24.5%.

Sizing General Fund Costs...

Actual annual General Fund expenses are increasing and marked by the annual per capita share rising by 25% from \$947 to \$1,179 over the five-year report period year.

Actual annual revenues within the Oceanside General Fund are also increasing during the report period, and materially at a rate two-fifths higher than the corresponding rise in expenses. The average annual actual revenue has been \$182.502 million with the final year amount tallying \$213.628 million, which is 14.5% above the period mean and substantiates the upward trajectory in income. A key factor underlying this dynamic involves the implementation of Measure X’s ½ cent sales tax beginning in earnest in 2019-2020. This sales tax has directly contributed to an 8.0% expansion in General Fund revenues over the last three years of the reporting period with an aggregate value of \$15.941 million. Aside from the more recent enhancement tied to Measure X, property tax monies remain by far Oceanside’s most valuable revenue source and has accounted for \$0.38 for every \$1.00 in General Fund income received during the reporting period. Overall annual actual General Fund expense on a per capita basis has separately increased from \$903 to \$1,223 – a change of 35.4%.

Sizing General Fund Revenues...

Actual annual General Fund revenues are increasing and marked by the annual per capita share rising by 32% from \$903 to \$1,223 over the five-year report period year.

A summary of actual General Fund expenses and revenues during the reporting period follows in Table A – 7.2a.

City of Oceanside Actual General Fund Expenses and Revenues Table A - 7.2a Source: City of Oceanside + SDLAFCO								
Category	2018	2019	2020	2021	2022	Average	Trend	
Expenses	\$162.309	\$156.028	\$183.681	\$168.133	\$205.827	\$175.196	26.8%	
Revenues	\$154.769	\$165.906	\$186.139	\$192.069	\$213.628	\$182.500	38.0%	
... Property Tax	...61.606	...64.970	...68.425	...72.749	...76.746	...68.899	...24.6	
... Sales/Use Tax	...22.672	...24.155	...23.815	...27.016	...30.755	...25.683	...35.7	
... Hotel Tax (TOT)	...7.944	...8.510	...7.360	...9.282	...14.842	...9.587	...86.8	
... Measure X	...0.0	...2.737	...13.236	...16.360	...18.230	...10.113	...n/a	
... Other	...62.613	...65.534	...73.303	...66.662	...73.055	...68.218	...16.7	
Per Capita Expense:	\$947	\$906	\$1,062	\$967	\$1,179	\$1,012	24.5%	
Per Capita Revenue:	\$903	\$964	\$1,076	\$1,105	\$1,223	\$1,054	35.4%	

* Amounts in millions

With respect to available reserves, Oceanside’s General Fund at the end of the reporting period totals \$112.552 million in spendable monies. This final year amount is more than one-fourth above the five-year average tally of \$88.370 million and tracts with the overall increase in the fund balance of 69.2%. The unrestricted portion of the balance available to use for any purposes tallies \$96.821 million and is equivalent to covering 5.6 months of operating expenses. Oceanside Policy No. 200-08 specifies the City maintains a minimum amount of unrestricted reserves as committed monies equal to 12% of its adopted General Fund operating expenditures. Oceanside achieved this policy threshold in four of the five years spanning the reporting period with the notable exception of 2019-2020. A breakdown of the General Fund spendable balance follows in Table A - 7.2b.

Covering Unanticipated Events...

Oceanside’s spendable reserves within its General Fund totals \$96.8 million at the end of the five-year report period and equal to five plus months of operating expenses Oceanside separately maintained its reserve policy of no less than 12% of General Fund operating expenditures as committed monies in all years except in 2019-2020.

City of Oceanside General Fund: Spendable Fund Balance Table A - 7.2b Source: City of Oceanside + SDLAFCO								
Designation	2018	2019	2020	2021	2022	Average	Trend	
Restricted	9.994	10.538	11.148	18.614	15.731	13.202	57.4	
Committed	22.304	20.414	20.425	21.917	23.815	21.775	6.8	
Assigned	33.134	44.580	49.143	47.732	55.894	46.097	68.7	
Unassigned	1.107	1.547	0.222	16.477	17.112	7.293	1445.5	
* Total	\$66.539	\$77.079	\$80.939	\$104.740	\$112.552	\$88.370	69.2%	
* Unrestricted	\$56.545	\$66.541	\$69.790	\$86.126	\$96.821	\$75.165	71.2%	

* Amounts in millions

7.3 Financial Statements

The City of Oceanside contracts with an outside accounting firm to prepare an annual report to review of its financial statements under established governmental accounting standards. This includes auditing Oceanside’s statements for verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing Oceanside’s short and long-term fiscal health based on an accrual accounting method, i.e., recording revenues and expenses ahead of actual payment. All outside audits prepared during the five-year report period have been performed by Lance, Soll & Lunghard, LLP (Sacramento).

Oceanside’s most recent financial statements for the five-year report period were issued for 2021-2022. These statements show Oceanside experienced a sizeable improvement over the prior fiscal year as the overall net position covering all activities and related associations - including the Oceanside Small Craft Harbor District - increased by 24.9% from \$909.6 million to \$1.136

Most Recent Year-Ending Financial Statements (2021-2022)	
Assets	\$1,642,567,965
Liabilities	\$391,978,651
Deferred Outflow/Inflow	\$551,366,436
Net Position	\$1,136,279,166
Adjusted Net Position (less retiree obligations)	\$1,270,702,825

billion. Adjusting to pre GASB 68 and GASB 75 reporting standards and the listing of agencies’ proportionate share of pension and other post-employment benefit liabilities, Oceanside overall net position increases to \$1.270 billion.⁴⁴ The accompanying letter to management did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Agency Assets

Oceanside’s audited overall assets at the end of the report period totals \$1.642 billion. This amount is 16.4% higher than the average ending amount of \$1.411 billion documented during each of the five report years and underlies the upward and improving track during the period. Assets classified as current with the expectation they could be liquidated within a year tally \$735.7 million - or 44.8% of the total - and largely tie to cash and investments. Assets classified as non-current and not

Measuring Oceanside’s Assets...
Oceanside’s assets have increased by 31% during the five-year report period from \$1.259 to \$1.643 billion. This change tracks with a per capita measurement and its 29% increase from \$7,300 to \$9,407.

⁴⁴ The adjustment to the net position is calculated by LAFCO and not part of the audited financial statements.

readily liquid make up the remainder and total \$906.9 million and predominately involve capital assets tied to property, infrastructure, and equipment. Further, two-thirds of all Oceanside’s capital assets - and specifically \$564.550 million - belong to its enterprise functions and largely tie therein to the water and wastewater systems. Overall, Oceanside’s total audited assets have increased by \$383.9 million - or 30.5% - over the corresponding 60-month period. Specific year-end asset totals for Oceanside are shown below in Table A - 7.3a.

City of Oceanside Audited Assets Table A - 7.3a Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current *	482.414	505.114	575.232	614.251	735.651	582.532	52.5%
Non-Current *	776.212	793.222	792.361	875.021	906.917	828.747	16.8%
Total **	1,258.626	1,298.336	1,367.592	1,489.272	1,642.568	1,411.279	30.5%
Per Capita	\$7,300	\$7,498	\$7,857	\$8,547	\$9,407	\$8,125	28.9%

* Amounts in millions

** Amounts in billions

Agency Liabilities

Oceanside’s overall audited liabilities at the end of report period totals \$392.0 million. This amount is 6.4% lower than the average ending amount of \$419.0 million documented during the five-year period and underlies the downward and improving track during the period - a trend attributed to recent actuarial reports lessening pension liability. Liabilities classified as current with the expectation they will become due within a year represent \$100.2 million - or 25.6% of the total - and largely ties to accounts payable. Liabilities classified as non-current and considered long-term obligations make up the bulk and largely divided between debt financing (loans) retiree obligations. Long-term debts incurred during the report period are footnoted⁴⁵. Overall, Oceanside’s total audited liabilities have decreased by (\$18.6 million) - or (4.5%) - over the corresponding 60-month period. Specific year-end liability totals are shown below in Table A - 7.3b.

Measuring Oceanside’s Liabilities...
 Oceanside’s liabilities have decreased by (5%) during the five-year report period from \$410.6 to \$392.0 million. This change tracks with a per capita measurement and its (6%) decrease from \$2,381 to \$2,245.

⁴⁵ Oceanside’s long-term debt incurred during the report period is attributed to the City’s governmental and business-type activities bonds, which include the City’s pension obligation refunding bonds, lease revenue bonds as well as their water revenue bonds. This includes the City’s direct borrowing and placement bonds which are highlighted by the City’s loans obtained for the San Luis Wastewater Treatment Plan Interim Expansion as well as the loan for the City’s Pure Water and Upper/Lower Recycled Water Distribution System Project.

City of Oceanside Audited Liabilities							
Table A-7.3b Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current *	35,514	55,755	64,282	89,635	100,157	69,069	182.0%
Non-Current *	375,053	323,978	357,288	401,448	291,822	349,917	(22.2%)
Total *	410,567	379,7327	421,570	491,082	391,979	418,986	(4.5%)
Per Capita	\$2,381	\$2,193	\$2,422	\$2,818	\$2245	\$2,412	(5.73%)

* Amounts in millions

Net Position

Oceanside’s overall audited net position at the end of the report period totals \$1.136 billion and represents the difference between the City’s total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). The most recent year-end equity amount is 12.5% higher than the average year-end sum of \$0.953 million during the five-year report period and quantifies the upward trajectory. Most of the net position - \$766.9 million or 67.5% - ties to capital asset holdings. The remainder is divided between restricted and unrestricted monies with the latter further discussed in the proceeding paragraph. Overall, Oceanside’s audited net position increased by \$0.111 million - or 24.9% - over the corresponding 60-month period. Adjusting to exclude Oceanside’s proportional share of net pension and other-post employment benefits - which are relatively new reporting standards for financial statements under GASB 68 and 75 - the net position increases by another 8.7% to \$1.136 billion. Specific year-end net position totals for Oceanside are shown below in Table A - 7.3c.

Truing Up Oceanside’s Assets and Liabilities...

Oceanside’s audited net position covering all City funds has increased over the five-year report period by 25% from \$909.6 million to \$1.136 billion. This change tracks with a per capita measurement and its 23% increase from \$5,275 to \$6,507.

City of Oceanside Audited Net Position							
Table A - 7.3c Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Capital Investments *	708.893	734.524	716.503	756.999	766.852	736,754	8.2%
Restricted *	144.649	169.120	282.658	131.248	123.025	170,140	(15.0%)
Unrestricted *	56.045	58.450	(3.937)	157.166	246.402	102,825	339.7%
Total **	0.910	0.962	0.995	1.045	1.136	1.010	24.9%
Per Capita	\$5,275	\$5,556	\$5,717	\$5,999	\$6,507	\$5,813	23.5%
Total Adjusted **	0.910	1.196	1.245	1.302	1.271	1.235	9.6%

"Total Adjusted" excludes GASB 68 and 75 reporting requirements

* Amounts in millions

** Amounts in billions

With respect to the unrestricted portion of the net position, it tallies \$246.4 million at the end of the report period represents the accrued spendable portion of the fund balance and is only subject to discretionary designations (commitments and assignments). The adjusted amount less pension and related retiree liabilities tallies \$380.8 million and represents a more accurate accounting of available fund balance monies. This adjusted amount equals 12.0 months of Oceanside's total citywide operating expenses - less enterprise operations - based on year-end actuals.⁴⁶ This equivalent in unrestricted monies represents a one-month improvement compared to the ratio at the start of the reporting period.

Measuring Unrestricted Monies' Equivalency...

Oceanside's audited unrestricted fund balance less pension and related liabilities at the end of the report period is sufficient to cover one full year - 12.0 months - of total actual expenses.

7.4 Fiscal Indicators | Measuring Liquidity, Capital, Margin + Asset Management

LAFCO's review of the audited financial statement issuances by the City of Oceanside covering the five-year report period shows the City experiencing mostly positive results and related trends within the four central fiscal measurement categories - liquidity, capital, margin, and asset management - utilized in this document. Summaries follow.

Liquidity (Short-Term Outlook)

Oceanside's average annual current ratio during the reporting period tallies 9-to-1 and shows the City having \$9 in available cash resources (current assets) for every \$1.00 in near-term accounts payable and related debts (current liabilities) over the 60 months. The final year ratio remains relatively robust at 7-to-1 but nonetheless reflects an overall period decline of (45.9%) that ties to a corresponding rise in booking unearned revenues. A separate liquidity measurement shows Oceanside's average annual days' cash ratio during the report period being 618 and sufficient to cover

The Burn Rate...

Oceanside's days' cash ratio - or burn rate - at the end of the report period tallies 691 and can cover more than 98 weeks of baseline costs covering General and Enterprise Fund activities.

⁴⁶ Oceanside's total expenses in 2021-2022 is \$345.7 million.

88 weeks of baseline expenses. The final year amount tally of 691 underlies an overall period improvement of 21.3%. These two measurements collectively indicate healthy and otherwise strong cash flow as well as the ability to absorb unexpected costs and/or shortfalls in revenues over the short-term.

City of Oceanside Measuring Liquidity							
Table A - 7.4a Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current Ratio	13.6 to 1	9.1 to 1	8.9 to 1	6.9 to 1	7.3 to 1	9.2 to 1	(45.9%)
Days' Cash	570	568	593	669	691	618	21.3%

The current ratio provides a macro measurement of near-term financial health by comparing current assets against current liabilities agency-wide on a dollar-to-dollar basis. Higher is better.

The days' cash provides a more micro measurement of near-term financial health by comparing available cash and equivalents against the average daily operating expenses within the general fund and enterprise funds less depreciation.

Capital (Long-Term Outlook)

Oceanside’s average annual debt-to-net position during the reporting period equals 35.0% and means slightly more than one-third of the City’s overall monetary value or worth over the 60 months ties to long-term liabilities. The final year tally is 25.7% and underlies a lower and improving condition in which Oceanside is proportionally reducing its exposure to risks associated with holding long-term liabilities and the potential therein for changing conditions that increase costs (e.g., interest rates). A separate capital measurement shows Oceanside’s average annual debt ratio over the reporting period has been 29.9%. This measurement lowered and improved to 23.9% at the end of the reporting period and means more than three-fourths of Oceanside’s assets are free from debt financing. These two measurements collectively indicate Oceanside is well-positioned to maintain good cash flow into the near future given its existing low debt levels paired with the concurrent ability to use capital to assume new debt.

Future Cash Flow Considerations...
Oceanside’s debt ratio at the end of the report period tallies 23.9% and means more than three-fourths of the City’s assets are free from debt financing.

City of Oceanside Measuring Capital							
Table A - 7.4b Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Debt to Net Assets Ratio	41.2%	33.7%	35.9%	38.4%	25.7%	35.0%	(37.7%)
Debt Ratio	32.6%	29.2%	30.8%	33.0%	23.9%	29.9%	(26.8%)

The debt-to-net position ratio measures long-term financial health by quantifying existing debt load as a percentage of the total net position. Lower is better.

The debt ratio measures long-term financial health by quantifying the percentage of assets that are subject to debt financing and the variables associated therein. Lower is better.

Margin (Net Income)

Oceanside’s average annual general fund operating margin during the report period tallies 2.2% with positive percentages generated in three of the five years reviewed. This measurement focuses on financial transactions within the General Fund and its day-to-day function in matching all-purpose revenues with

The Bottom Line...

Oceanside’s average annual total margin during the five-year report period has been 14% and benchmarked by low and high tallies of 9% and 21%, respectively, and considered exceptionally good.

all-purpose services and their expenses - like administration, public safety, and parks and recreation. The overall positive operating margin generated during the report period paired with an improving trend shows operational efficiencies within Oceanside’s core functions. Expanding out, Oceanside’s average annual total margin - which measures all City financial transactions - has been 14.2% with positive percentages generated in all five years reviewed. This measurement also improved during the period and shows the operational efficiencies in fiscal decision-making extend beyond the General Funds.

City of Oceanside Measuring Margin							
Table A - 7.4c Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
GF Operating Margin	(5.2%)	(1.1%)	2.4%	11.8%	3.3%	2.2%	163.3%
Total Margin	15.6%	13.8%	8.6%	12.1%	20.8%	14.2%	33.6%

The general fund operating margin measures an agency’s profitability levels within its general fund and core function to deliver most public-facing municipal services. Higher is better.

The total margin measures an agency’s profitability levels relative to matching all revenues and all expenses. Higher is better.

Asset Management

Oceanside’s average annual age of all capital assets during the reporting period totals 24.4. The fifth and final year totals 25.0 and underlies ongoing aging during the period of Oceanside’s capital assets, which are categorized either as general

Infrastructure Usage...

Oceanside’s accumulated depreciation ratio at the end of the report period shows its capital assets - at least on an accounting basis - have collectively exceeded their expected usefulness (lifespan) by 39%.

government (public safety, public works, community development, etc.) or enterprise (water, wastewater, etc.). A separate measurement via the accumulated depreciation ratio shows the general remaining usefulness of Oceanside’s capital assets exceeds the expected lifespan with a period average ratio of 126.7%. The fifth and final year ratio totals 139.0% and signals cumulative and ongoing deferrals by Oceanside in purchasing and/or replacing capital assets.

City of Oceanside Measuring Asset Management Table A - 7.4d Source: City of Oceanside CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Capital Assets' Age (Accounting)	23.7	24.5	24.0	24.6	25.0	24.4	5.5%
Accumulated Depreciation Ratio	120.3%	123.6%	123.3%	127.4%	139.0%	126.7%	15.6%

The accounting age of capital assets provides a macro index of the average age of core and depreciating facilities, equipment, buildings, and related infrastructure and their current replacement schedule. Lower is better.

The accumulated depreciation ratio provides a more contextual measurement of the general remaining usefulness of core and depreciating facilities, equipment, buildings, and related infrastructure relative to their expected lifespan. Lower is better.

7.5 Employee Pension Obligations

The City of Oceanside provides a defined pension benefit to its employees through investment risk-pool contracts with the California Public Employees Retirement System (CalPERS). These pension contracts provide employees with specified post employment benefits based on the date of hire and placement in one of two broad category types: miscellaneous and public safety. Additional pension details based on actuarial valuations for Oceanside issued by CalPERS as part of its annual reporting process during the five-year report period follows with respect to enrollees, formulas, contributions, and funded status.

Pension Enrollees and Funding Formulas

The annual valuations issued at the end of the five-year report period identifies 3,482 total participants in Oceanside’s pension program with CalPERS. This total represents an overall increase of 367 new enrollees during the 60-month period and divided between miscellaneous and public safety employee categories. The total is also divided between enrollee status and produces an active-to-retiree employee ratio of 0.59 to 1.0. Additional details on pension enrollee information during the report period is provided in Table A - 7.5a.

Pension Participants...

Oceanside finished the five-year report period with 3,482 total enrollees within its pension program with CalPERS. Three-fourths of all enrollees are either retired or separated/transferred and no longer contributing to the pension program.

City of Oceanside Pension Enrollee Information						
Table A - 7.5a Source: CalPERS and SD LAFCO						
Type	2018	2019	2020	2021	2022	Trend
Active	878	876	889	879	905	3.1%
Transferred or Separated	867	916	938	961	1,034	19.3%
Retired	1,370	1,414	1,466	1,507	1,543	12.6%
Total Enrollees	3,115	3,208	3,293	3,347	3,482	11.8%
Active to Retiree Ratio	0.64 to 1	0.62 to 1	0.61 to 1	0.58 to 1	0.59 to 1	(7.8%)

More than seven-tenths - or 71.3% - of all pension enrollees are categorized as miscellaneous and receive one of three defined pension payments based on their date of hire, which ranges in formula value from a high of 2.7% at 55 (prior to January 1, 2011) to a low of 2.0% at 62 (after January 1, 2013). Oceanside’s remaining enrollees are categorized as public safety and receive one of two defined pension payments: 3.0% at 50 (prior to January 1, 2013) and 2.7% at 57 (after January 1, 2013).

Annual Contributions

Oceanside’s total annual pension contribution covering both its miscellaneous and public safety plans at the end of the report period tallies \$30.193 million. This contribution covers both miscellaneous and public safety categories and equals 37.3% of the covered payroll total for the

Real Time Pension Costs...

Oceanside’s total employer pension contribution paid to CalPERS at the end of the five-year report period totals \$30.2 million and equals 37% of payroll.

corresponding fiscal year. The most recent contribution amount also reflects an overall increase in payments made by Oceanside to CalPERS of 31.7% over the preceding 48-month period in which information is readily available.

City of Oceanside Employer Pension Contributions Table A - 7.5b Source: CalPERS + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Total Contribution *	n/a	22.533	23.980	20.906	30.193	24.403	34.0%
Annual Payroll *	n/a	73.686	75.661	77.006	80.926	76.820	9.8%
.. Percent of Payroll	n/a	30.6%	31.7%	27.1%	37.3%	31.7%	21.9%

* Amounts in millions

Funding Status

Oceanside’s total and composite unfunded liability at the end of the report period tallies (\$300.570 million). This amount covers both miscellaneous and public safety categories reflects the accrued pension monies owned to all employees and not covered by the market value of existing assets and translates to a composite funded ratio of 74.3%. Overall, Oceanside’s funded ratio - i.e., the percentage of market assets compared to projected liabilities - has decreased by (0.7%) during the last four years of the report period based on available data published by CalPERS. The monetary value of the corresponding increase in Oceanside’s pension liabilities is \$44.845 million.

More Funding Needed...
Oceanside’s total funded pension ratio at the end of the five-year report period is 74.3% and reflects an overall (0.7%) change over the preceding 48 months in which information is readily available from CalPERS.

City of Oceanside Pension Funding Status Table A - 7.5c Source: CalPERS							
Category	2018	2019	2020	2021	2022	Trend	
Market Value of Assets *	n/a	757.724	783,473	948.646	869.976	14.8%	
Pension Liabilities **	n/a	1,013.449	1,053.165	1,113.725	1,170,446	15.5%	
Unfunded Liability	n/a	(255.725)	(269.693)	(165.079)	(300.570)	(17.5%)	
... Funded Status		74.8%	74.4%	85.2%	74.3%	(0.7%)	

* Amounts in millions

** Amounts in billions

7.6 Other Post-Employment Benefit Obligations

The City of Oceanside independently administers its own healthcare plan made available to eligible retirees as a other post-employment benefit (OPEB). Oceanside's OPEB plan provides healthcare insurance for all eligible retirees - less members belonging to the Oceanside Firefighters Association (OFA) - and their covered dependents through the City's group health insurance plans, which cover both active and retired employees. Non-OFA retirees under the age of 65 are eligible to join various plan options similar to active employees. Upon attaining age 65, Medicare-eligible non-OFA retirees must join one of three plan options and assign their Medicare benefits to the plan chosen. The ability to participate in Oceanside's group insurance health plans by self-paying the premium extends for a period equal to the number of years of service at retirement. Non-OFA retirees with at least 15 years of service may continue to self-pay for this coverage as long as Oceanside continues to offer this benefit. Benefit provisions are established through negotiations between Oceanside and the non-OFA employee associations and are renegotiated periodically.

Additional OPEB plan details follow.⁴⁷

- Eligible non-OFA retirees and their covered dependents receiving benefits contribute 100% of their premium costs. While Oceanside does not directly contribute toward the cost of premiums for non-OFA retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the non-OFA retirees, call an "implicit subsidy."
- Oceanside is currently funding its OPEB obligation on a pay-as-you-go basis, meaning only the cost associated with current retirees is paid for by the City. This also means Oceanside does not have OPEB assets.
- Oceanside's OPEB plan has 94 total retirees enrolled at the end of the five-year report period. This amount represents a net increase of 27 - or 40.3% - since 2018. Oceanside also finished the period with 850 active employees and/or their beneficiaries currently receiving healthcare benefits.
- Oceanside's pay-as-you go annual OPEB expense totals \$1.063 million at the end of the five-year report period. This amount represents a net increase of \$0.552 million - or 107.9% - since 2018.

⁴⁷ OPEB information is drawn from the City of Oceanside's Annual Comprehensive Financial Reports, Fiscal Years 2018-2022.

- Oceanside's accrued liability for OPEB totals \$9.706 million at the end of the five-year report period. This amount represents a net increase of \$3.917 million - or 67.7% - since 2018.

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B. OCEANSIDE SMALL CRAFT HARBOR DISTRICT

1.0 OVERVIEW

Oceanside Small Craft Harbor District (SCHD) is a dependent special district associated with the City of Oceanside. Formation proceedings were completed in January 1960 and done so to establish community access to additional public funding to construct and operate the planned development of the Oceanside Harbor. Materially, SCHD was created as an independent special district at the time of formation before transitioning in 1995 to dependent as part of a series of



coordinated boundary changes approved by LAFCO. Accordingly, SCHD's jurisdictional boundary matches Oceanside and spans 42.2 square miles and covers approximately 27,000 acres. Additionally, and like Oceanside, nearly three-fourths of SCHD's jurisdictional boundary is under private ownership with one-third of this amount - or 5,303 acres and divided into 3,701 parcels - remaining entirely undeveloped without any assessed structures or improvements.

Decision-making is governed by the Oceanside City Council with Councilmembers concurrently serving as the SCHD Board and holding regular joint meetings. The Board also utilizes Oceanside's nine-member Harbor and Beaches Advisory Committee to help inform decisions - including budget and capital improvements. Actual administrative services of SCHD are delegated to Oceanside's Harbor Division and its head - Harbor Manager Joseph Ravitch - within the Public Works Department. Budgeted staffing for the Harbor Division has stayed relatively flat and finished with 17.4 full-time equivalent positions at the end of the reporting period.¹

SCHD operates as a limited-purpose agency under the Small Craft Harbor District Act and is one of three such agencies currently operating under this principal act in California. SCHD presently provides two active municipal functions tied to the

¹ An Oceanside Lifeguard Unit via the Fire Department now provides safety and patrol services to the Oceanside Harbor and ended the reporting period with a budget of 10.0 full-time positions.

Oceanside Harbor: (a) marina and (b) dredging. The marina is the principal activity and includes several connected classes marked by providing a municipal wharf, fishing pier, harbor basins (docks and slips), and beach and camping. The dredging function is limited and involves channel clearing and beach replenishment classes and is done in an advisory capacity via coordination with the U.S. Army Corps. A third function – patrol and rescue – is also authorized but has become recently inactive, although not through formal action by LAFCO.

Public-Facing Activities...

SCHD's core activities involve its marina function and operations of the Oceanside Harbor, which is 100 acres in size and headlined by accommodating 954 total boat slips at the end of the five-year report period.

With respect to financial standing, SCHD's actual yearly expense at the end of the five-year report period in 2022 tallies \$8.750 million. This ending amount lies below the average annual period expense tally of \$9.945 million and underlies the overall decrease trend of (39.0%). Nearly three-fourths of SCHD's actual annual expenses over the reporting period involve making two distinct payments to Oceanside covering staff support services and the lease of the Oceanside Harbor complex.² Actual yearly revenue collected at the end of the reporting period tallies \$8.963 million with three-fifths generated from boat slip rentals. This most recent collection amount lies above the annual period average of \$8.314 million and underlies the overall increase trend of 16.3%. The total unassigned cash balance on hand at the end of the reporting period totals \$4.600 million and is equivalent to covering 6.3 months of recent actual operating expenses.³

Improving \$ Relationship...

SCHD's actual annual expenses over the five-year report period have exceeded actual annual revenues by (one-fifth). Trends, however, are improving over the reporting period with actual expenses decreasing by (39.0%) and actual revenues increasing by 16.3%.

LAFCO independently estimates the full-time resident population within the coterminous SCHD/Oceanside's jurisdictional boundaries is 174,615 at the end of the five-year reporting period. This includes an estimated 151 live-aboard boat residents in the Harbor. The median household income among all SCHD/Oceanside residents is \$97,238 based on the current five-year period average and above the countywide average of \$88,240. Residents are currently spending 27.7% of their household

151 Liveaboard Residents...

SCHD's resident population mirrors Oceanside's and totals 174,615 at the end of the five-year report period. Specific to the Oceanside Harbor, there are 86 live-aboard slips with an estimated population of 151.

² The per capita expense has similarly changed during the reporting period from \$83 to \$50 or (39.7%).

³ SCHD audited net position at the reporting period's end totals \$14.931 million with the unrestricted portion at \$4.850 million.

income on rent or mortgage payments. LAFCO estimates the adjusted housing cost to also include utilities equals 32.7%. The average home value in SCHD/Oceanside has separately increased by 59.2% over the period from \$522,082 to \$831,328. The average home value has separately increased by 59.2% from \$522,082 to \$831,328.⁴

2.0 BACKGROUND

2.1 Community Development

Oceanside SCHD's jurisdictional boundary purposefully now parallels the City of Oceanside and a detailing of the shared community's present-day development is provided as part of the City profile. Notwithstanding this reference, the development of SCHD's core service area - Oceanside Harbor - dates back to the late 1940s with civic leaders proposing the creation of a man-made recreational harbor near the Beachlake Trailer Park at the shallow mouth of the San Luis Rey River. Mayor Erwin Sklar and the Chamber of Commerce served as leading proponents for the project with the latter producing marketing materials in support of developing a pleasure harbor to provide an attractive alternative to existing anchorages in Newport and San Diego.

Marketing for the creation of the Oceanside Harbor advanced into the 1950s with local leaders taking several trips to Washington D.C. to solicit lawmakers to support the project. These efforts proved successful with the Department of Defense eventually agreeing by the end of the decade to make available approximately 70 acres from Camp Pendleton on the north side of the San Luis Rey River mouth for the project once it was determined there would be no interference with the Marine Corps' own Del Mar Harbor.

Pre-Oceanside Harbor (Beachlake Trailer Park)
Circa 1950s



Photo Credit: Visit Oceanside

Early Development of Oceanside Harbor
Circa 1960s



Photo Credit: Visit Oceanside

⁴ The average home values in Oceanside during the five-year report period is based on Zillow analytics (www.zillow.com).

This created momentum for the project to secure another 30 acres on the south side of the San Luis Rey River mouth through a purchase agreement with Beachlake Trailer Park. At the same time, State legislation was added beginning in 1959 to allow cities and certain special districts to finance harbor improvements with revenue bond funds.

2.2 Formation Proceedings

Oceanside SCHED's formation was sponsored by the City of Oceanside with the explicit intention of providing a separate and dedicated means for the community to fund, organize, and operate a planned pleasure harbor without encumbering City resources. Formation proceedings were also focused on an Oceanside-only proposal after civic leaders declined an offer to join a separate regional effort underway at the same time to form the Carlana Harbor District, which was expected to cover a 100-square mile area from Carlsbad to Solana Beach. (Voters proceeded to reject the formation of the Carlana Harbor District in October 1960.) Oceanside voters approved SCHED's formation in January 1960 along with an approximate \$4.5 million revenue bond to cover initial development.

2.3 Notable Post Formation Activities + Events

A summary of notable activities undertaken by Oceanside SCHED and/or affecting the District's jurisdictional boundary post-formation in 1960 are as follows.

1960s SCHED holds its first meeting on February 11, 1960. Initial functions initiated by the Board with the adoption of its first budget include port, pier, and police.

1960s

SCHED receives a \$1.8 million grant from the Department of Defense in March 1960 as its contribution to the Oceanside Harbor project. (Grant mitigates beach erosion impacts associated with Camp Pendelton's jetty operations at Del Mar Harbor.) A separate \$1.0 million low-interest loan from the State is also awarded to SCHED at the same time.

Oceanside's first "Harbor Days" festival is held in September 1960. The annual festival starts at the Del Mar Harbor (Camp Pendelton) and transitions to the Oceanside Harbor following its completion and eventually becomes the City's largest event with attendance regularly reaching 50,000 to 80,000.

1960s

SCHD enters into a 50-year lease agreement with the City of Oceanside in November 1961 involving the Oceanside Harbor complex. The first six years of the lease involve SCHD making an annual payment of \$1 with the remainder set to equal 10% of the net revenue of the District.

Construction on the Oceanside Harbor complex is completed and opens to the public in June 1963. Initial development cost is approximately \$7.0 million and provides approximately 500 small craft slips.

Construction on a waterfront shopping center - initially cited as Lighthouse Village - along Oceanside Harbor commences in January 1964. The shopping center opens as the Harbor Village with an initial tenant anchor being the Harbor Light Restaurant.

The City of Oceanside completes construction on 1950 North Harbor Drive in 1965. The two-story building is leased to SCHD for subleasing, which has been occupied since construction by the Yacht Club.

1970s

The U.S. Coast Guard stations the 82-foot Point Hobart vessel at the Oceanside Harbor beginning in 1969 to patrol and perform search and rescue operations covering the coastline north to Dana Point. (The Coast Guard decommissions Point Hobart in July 1999 with its replacement stationed in Monterey.)

SCHD adopts the "Oceanside Small Craft Harbor Precise Plan" in July 1979 to guide short (to 1985) and long-term (post-1985) planning of the Harbor.

The City of Oceanside completes construction on 315 Harbor Drive South in 1981. The two-story building is leased to SCHD for subleasing, which presently is occupied by Helgren Fishing Charters.

1980s

SCHD adopts its "Blue Book" in 1983 to provide rules and regulations for Harbor permittees and done so to curb illegal living aboard vessels and a rise in vessels in deteriorating condition. The most recent update to the Blue Book is approved in 2018.

San Diego LAFCO performs its first independent review of SCHD in conjunction with establishing a sphere of influence in January 1986. At the time of the action, LAFCO documents SCHD's core infrastructure consisting of

	<p>a docking system with 915 boat-slips, two police rescue vessels, nine restrooms, and 1700 public parking spaces.</p>
1990s	<p>SCHD purchases a two-story hotel - Villa Marina and later Oceanside Marina Suites -located on District land at Harbor Village in May 1994 for \$1.1 million following the prior operator's filing for bankruptcy.</p>
	<p>LAFCO approves a series of annexations to SCHD to add the remainder of incorporated territory to the District in 1995 and in doing so transitions to a dependent district with the Oceanside City Council assuming Board duties.</p>
2000s	<p>SCHD and the City of Oceanside agree to amend their lease agreement involving the Oceanside Harbor complex in May 2003. The amendment establishes a prescribed percentage of net revenue to be paid by SCHD less a minimum of \$250,000 through 2069. The percentage after 2016 is 10%.</p>
	<p>SCHD divests its patrol and rescue function with the Harbor Patrol Unit merging into the City of Oceanside in July 2009.</p>
2020s	<p>Oceanside takes action in August 2022 to eliminate the Police Department's Harbor Unit and transition water patrols and rescue services to the Fire Department's Lifeguard Unit.</p>

3.0 BOUNDARIES + RELATED CONSIDERATIONS

3.1 Jurisdictional Boundary

Oceanside SCHD's jurisdictional boundary is coterminous with the City of Oceanside and spans 42.2 square miles and covers 26,991 acres. Slightly more than one-half of the SCHD jurisdictional boundary is land-locked and either adjacent to the Pacific Ocean or the Cities of Carlsbad and Vista. The remainder of the SCHD perimeter lies adjacent to unincorporated lands with one-half of this amount next to the United States Marine Corps Camp Pendleton. This leaves one-quarter of SCHD's jurisdiction open to future expansion. The elevation ranges between (30) to 895 feet above sea level with the latter point recorded along Indian Trail Way in the South Morro Hills neighborhood.

Physical Footprint...

Oceanside SCHD's jurisdictional boundary matches the City of Oceanside and spans 42 square miles or 26,991 acres.

Key characteristics underlying the jurisdictional boundary follow in Table 3.1a with more details provided as part of the Oceanside profile.

Oceanside SCHD Jurisdictional Boundary Characteristics Table B - 3.1 Source: San Diego LAFCO	
Total Jurisdictional Size	26,991 acres
Total Jurisdictional Parcels and Acreage	62,771 parcels totaling 23,048 acres
... Publicly Owned Parcels and Acreage	688 parcels totaling 7,487 acres
... Privately Owned Parcels and Acreage	62,083 parcels totaling 19,505 acres
... Undeveloped Privately-Owned Parcels and Acreage	3,741 parcels totaling 5,303 acres
Total Number of Registered Voters	102,066
Total Assessed Value (Land and Structures)	\$27.5 billion

SCHD’s jurisdictional boundary is shown on Map B-1.

3.2 Sphere of Influence

Oceanside SCHD’s sphere of influence was established by San Diego LAFCO in January 1986 with subsequent updates performed in 2005, 2007, and 2013. The sphere is coterminous with the City of Oceanside’s sphere and categorized as a larger-than-agency designation with all of the jurisdictional lands covered, plus certain non-jurisdictional territory. The non-jurisdictional territory within the sphere is limited and involves one contiguous 19.5-acre area located along the intersection of Sunset Drive and Busch Drive. No special study areas are assigned to the SCHD sphere by LAFCO.

Limited Expansion Expectations...
LAFCO’s sphere of influence for Oceanside SCHD is purposefully aligned with the City of Oceanside and includes all jurisdictional lands plus one non-jurisdictional area near Sunset Drive and Busch Drive totaling 19.5 acres.

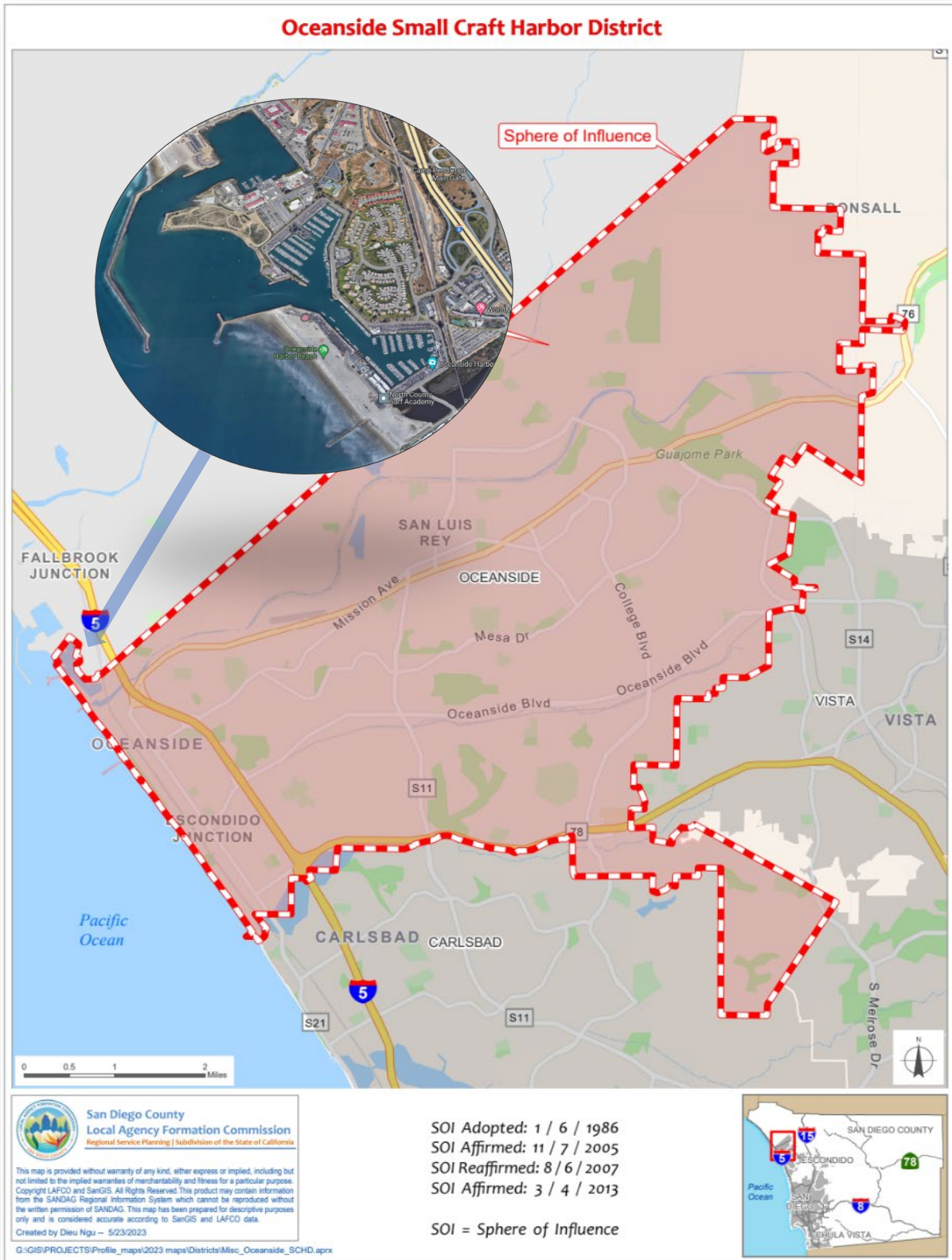
SCHD’s sphere of influence is shown on Map B-1.

3.3 Boundary Relationship to General Plans

See the discussion provided in the City of Oceanside profile.

3.4 Relationship to College and School District Boundaries

See the discussion provided in the City of Oceanside profile.



4.0 DEMOGRAPHICS

4.1 Population and Housing

Oceanside SCHD’s total full-time resident population within its jurisdictional boundary is independently estimated by LAFCO at 174,615 at the end of the five-year report period. This amount represents 4.4% of the countywide population total. It is also estimated the full-time population in SCHD has risen overall by approximately 4.8% from 166,554 in 2010 and the associated census

Positive - Albeit Modest - Growth...

It is estimated there are 174,615 fulltime residents in Oceanside SCHD at the end of the report period with the average day addition of 1.4 new residents over the preceding 60 months. It is projected the fulltime population will increase, consistent with recent trends and reach 178,165 by 2027.

reset. This translates to an annual increase of 522 or 0.4%, which is one-fifth lower than the corresponding countywide growth rate of 0.6% over the same period. The current estimate produces a population density of 6.5 residents for every one acre and underlies the overall dense suburban character of the jurisdictional boundary. It is projected the current growth rate will continue into the near term and result in the full-time population reaching 178,165 by 2027 as reflected in Table B-4.1a.

Oceanside SCHD Resident Population					
Table B-4.1a Source: Esri and San Diego LAFCO					
Factor	2010 Estimate	2018 Estimate	2022 Estimate	2027 Estimate	Annual Change
Oceanside SCHD	166,554	172,004	174,615	178,165	0.4%
San Diego County	3,095,305	3,244,893	3,315,082	3,414,325	0.6%

It is separately estimated by LAFCO there are 68,147 residential housing units within Oceanside SCHD at the end of the five-year report period. This amount represents an overall increase of 3,905 - or 6.1% - since 2010 for an annual change of 325. The overall ratio of new residents to new housing during the reporting period is 1.61 to 1.0. This most recent ratio- notably - marks a significant improvement relative to the preceding five-year ratio of one housing unit for every 2.98 residents.

Housing to Population...

Oceanside SCHD experienced the average annual construction of 325 new housing units over the reporting period. This results in SCHD experiencing the addition of one new home for every 1.6 new residents, which marks a 37% improvement over the historical ratio of one unit for every 2.6 residents.

Additional characteristics underlying SCHD’s jurisdictional boundary follow in Table B-4.1b with additional details provided in the City of Oceanside profile.

Oceanside SCHD Housing Characteristics Table B- 4.1b: Source: Esri and San Diego LAFCO		
Factor	Oceanside SCHD	San Diego County
2010 Housing Units	64,242	1,164,781
2022 Housing Units	68,147	1,238,794
... % Change	6.1%	6.4%
Household Size (5-year average 2012-2016)	2.95	2.87
Household Size (5-year average 2017-2021)	2.98	2.81
... % Change	1.02%	(2.09%)
Monthly Housing Cost (5-year average 2012-2016)	\$1,805.11	\$1,578.00
Monthly Housing Cost (5-year average 2017-2021)	\$2,247.94	\$1,971.00
... % Change	24.53%	24.90%
2010 Vacancy Rate	8.0%	6.7%
2022 Vacancy Rate	6.5%	5.9%
... % Change	(19.3%)	(11.9%)

4.2 Age Distribution

The median age of residents in Oceanside SCHD is 38.6 based on the current five-year period average. This amount reflects an increase of 1.8% from 37.9 over the preceding five-year period. The current median age in SCHD also remains higher than the countywide average of 36.3. Additional age characteristics relevant to SCHD are provided in the City of Oceanside profile.

4.3 Income Characteristics

The median household income in Oceanside SCHD is \$97,238 based on the current five-year period average. This amount shows households are receiving significantly more pay over the report period with the median income experiencing an overall increase of approximately 42.4% from the preceding period average of \$68,307; a difference that is more than double the corresponding change in inflation measured for the San Diego region over the same period.⁵ Additional income characteristics relevant to SCHD are provided in the City of Oceanside profile.

⁵ The inflation rate for the San Diego region via the consumer price index is 17.7% between June 2018 and July 2022.

4.4 Other Socioeconomic Indicators

Unemployment levels within Oceanside SCHD are comparatively low at 5.6% based on the current five-year period average. This amount is nearly one-sixth - or (15.2%) - below the corresponding countywide average rate of 6.6%. Unemployment levels - however - have increased by more than one-third - 33.4% - from the previous five-year average of 4.2%. Additional socioeconomic characteristics relevant to SCHD are provided in the City of Oceanside profile.

4.5 Unhoused Needs and Capacities

Counts performed during the five-year review period show the average number of homeless within Oceanside SCHD has been 471. The total number of counted homeless at the end of the period totals 514 with 61.9% - or 318 - being unsheltered and residing in cars, public places, or the street. The remaining 196 homeless counted in SCHD at the end of the abbreviated period are sheltered and reside in an emergency shelter, homeless shelter, or transitional housing. Additional homeless characteristics relevant to SCHD are provided in the City of Oceanside profile.

4.6 Environmental Justice

LAFCO's consideration of environmental justice factors relative to Oceanside SCHD's jurisdictional boundary draws from the California Environmental Protection Agency and provides percentile rankings relative to all of California as it relates to (a) pollution burdens and (b) at-risk population characteristics. Two composite percentile rankings are generated based on a weighted calculation involving all underlying census tracts within SCHD. This involves pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below with additional details provided in the City of Oceanside profile.

Population Burdens + At-Risk Factors...

LAFCO's consideration of environmental justice factors in Oceanside SCHD draws from the California Environmental Protection Agency and provides percentile rankings relative to all of California as it relates to (a) pollution burdens and (b) at-risk population characteristics.

- SCHD's composite **pollution burdens** ranking falls in the 34 percentile relative to the rest of California. Four pollution burden measurements exceed the 50 percentile and are considered relatively high. These four measurements

comprise (a) two exposures involving traffic impacts and drinking water contaminants as well as (b) two environmental effects involving hazardous waste and impaired water bodies. One of these four measurements – impaired water bodies – exceeds the 66 percentile and is considered significant and associated with the Loma Alta Creek, which is under a clean-up order from the State via the Clean Water Act with additional details footnoted.⁶

- SCHD’s composite **at-risk population** ranking falls in the 28-percentile relative to the rest of California. One at-risk population measurement exceeds the 50 percentile and is considered relatively high. This measurement involves housing burdens. This means a proportionally high amount of households are both low income (making less than 80% of the HUD median family income) and severely burdened by housing costs (paying more than 50% of income to housing costs).

5.0 ORGANIZATION

5.1 Governance

Oceanside SCHD operates as a dependent special district under Division 8 of California’s Harbor and Navigation Code (Sections 7000 to 7340.). The principal act – Small Craft Harbor Act – is codified under Part 7 and established by the Legislature in 1959 to provide local communities the ability to create and/or manage portions of the Pacific Ocean or inland waters for public benefit and usage. It establishes eligibility for special districts created therein to provide a broad range of municipal harbor functions and ancillary classes. Materially, and as an alternative to the baseline standard of having an elected board, the principal act specifies when the territory included within any subject district lies entirely within a single city, the legislative body of such city shall be ex officio the board of directors of the district.⁷

⁶ The referenced clean-up order is by the State Regional Water Quality Control Board. The order is part of a regional order assigned to the “Carlsbad Watershed Management Area.” The Loma Alta Creek is one of six hydrologic areas in the affected watershed. The Loma Alta Creek drains through a slough into the Pacific Ocean. According to the clean-up order, portions of the Loma Alta Creek have been subject to human modifications; namely, the construction of concrete-lined channels. These alterations, among others, have contributed to the degradation and fragmentation of riparian habitat corridors and a reduction in the value of critical ecosystem services previously offered by the natural channel and wetlands.

⁷ Reference to Section 7046.

SCHD is currently authorized by LAFCO to provide three broad municipal functions contemplated under its principal act - (a) marina and (b) dredging, and (c) patrol and rescue - along with ancillary classes as specified in Table 5.1a below as well as detailed in Section 6.0. However, while authorized to provide all three municipal functions, only SCHD’s marina and dredging functions are active; the patrol and rescue function is inactive with the City of Oceanside assuming these services since 2009.

Clarifying Oceanside SCHD’s Patrol and Rescue Function...

Oceanside SCHD’s patrol and rescue function has become dormant beginning in 2009, but remains officially “active.” This dynamic suggests formal action should be taken to divest the function and in doing so remedy potential liability issues.

Oceanside SCHD Authorized Functions and Ancillary Classes Table B-5.1a Source: SD LAFCO + Harbor and Navigation Code	
Function	Ancillary Classes
Marina	Acquisition, Reconstruction, Repair, and Operation of Wharves, Docks, Boat Slips, Ferry Slips, Berths, Warehouses, Streets, Roads, Drives Parkways, Approaches, Aquatic Playgrounds, Beach Parks, Bathing Beaches, Other Recreation Facilities, Fueling, Loading, Shipping and Reshipping, and Sanitation.
Dredging	Acquisition, Reconstruction, Repair and Maintenance of Channels, Shipways, Anchorage Places, Jetties, Breakwaters, Bulkheads, Seawalls and Turning Basins.
Patrol and Rescue	Inactive (Unofficially)

Consistent with the principal act, the Oceanside City Council serves as the Oceanside SCHD Board of Directors and holds concurrent meetings. The Board’s decision-making - materially - draws on the deliberations of the nine-member Harbor and Beaches Advisory Committee. The Committee meets six times a year on the third or fourth Monday of February, May, June, August, October, and November starting at 5:00 P.M. in the City Council Chambers. Summary minutes are prepared for all Committee meetings; audio and video recordings are not provided. A current listing of the Board and Committee follows in Tables B-5.1b and B-5.1c.

Oceanside SCHD - Current Board Roster Table B-5.1b Source: City of Oceanside			
Member	Position	Years on Council	Background
Esther Sanchez	Board President	22.5	Attorney (retired)
Ryan Keim	Deputy Board President	3.5	Police Officer
Eric Joyce	Board member	1	Educator
Rick Robinson	Board member	1	Fire Protection (retired)
Peter Weiss	Board member	4.5	Local Government (retired)
			Average Experience: 6.5 Years

Harbor and Beaches Advisory Committee Current Committee Roster

Table B-5.1c | Source: Oceanside SCHD

Member	Position	Years on Board	Background
Liz Rhea	Chair	10	Consulting
Mark Mallaby	Committee Member	1	Corporate
Ernie Prieto	Vice Chair	2	Non-Profit
Carolyn Krammer	Committee Member	7	Community Activist
James Gardner	Committee Member	10	Local Business Owner
Gigi Gleason	Committee Member	4	Non-Profit
Joe Yaglinski	Committee Member	4	Live-Aboard
Les George	Committee Member	6	Public Safety
Vacant	n/a	n/a	n/a

Average Experience: 5.5 Years

5.2 Administration

Oceanside SCHD appoints an at-will and full-time Harbor Manager to oversee all District functions. The current Harbor Manager - Joseph Ravitch - was appointed in May 2023. Ted Schiafone served as the Harbor Manager for the duration of the reporting period before taking a similar position with the City of Morro Bay. The total number of budgeted positions allocated to SCHD at the end of the report period is 17.4 full-time equivalent employees with more than one-half tied to maintenance positions. Overall, budgeted staffing for SCHD has remained constant over the preceding 60-month period. Budgeted staff levels and related categories follows in Table B-5.2a.

Oceanside SCHD Administration Office
1540 Harbor Dr S, Oceanside, CA 92054



Photo Credit: Google Maps

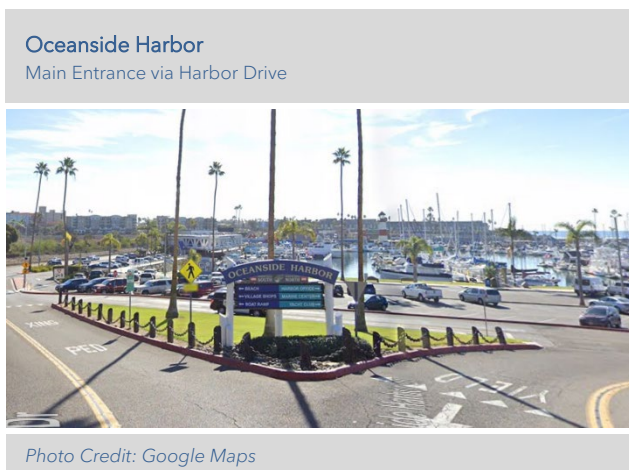
Oceanside SCHD Budgeted Staffing Levels

Table B-5.2a | Source: Oceanside SCHD

Category	FY 2018	FY 2022	Average	Trend
Management	1.1	2.2	1.7	100.0%
Maintenance	11.2	11.2	11.2	0.0%
Administrative Support	5.0	4.0	4.5	(25.0%)
Total	17.3	17.4	17.4	0.6%

6.0 MUNICIPAL SERVICES

Oceanside SCHED currently provides two active municipal service functions as categorized by LAFCO - (a) marina and (b) dredging - within its approximate 100-acre service area encompassing the Oceanside Harbor and shown on the following page as Map 2. (A third authorized function - patrol and rescue - has been inactive since 2009 with the City of Oceanside assuming the services directly.⁸) A summary analysis of the two



active service functions and their ancillary classes follows with respect to resources, capacities, demands, and performance during the five-year report period.

6.1 Marina Function + Ancillary Classes

Oceanside SCHED's marina function dates to its formation and represents the agency's primary service activity in terms of volume and comprises several distinct classes underlying the public-facing operations of the Oceanside Harbor. These class activities are headlined by the construction, repair, and ongoing operation of a municipal wharf, fishing pier, harbor basins (docks and slips), beach and camping, streets and sidewalks, and parking. 100% of all budgeted costs during the reporting period have been expended on the marina function and related - albeit standalone - classes.

Public-Facing Function...

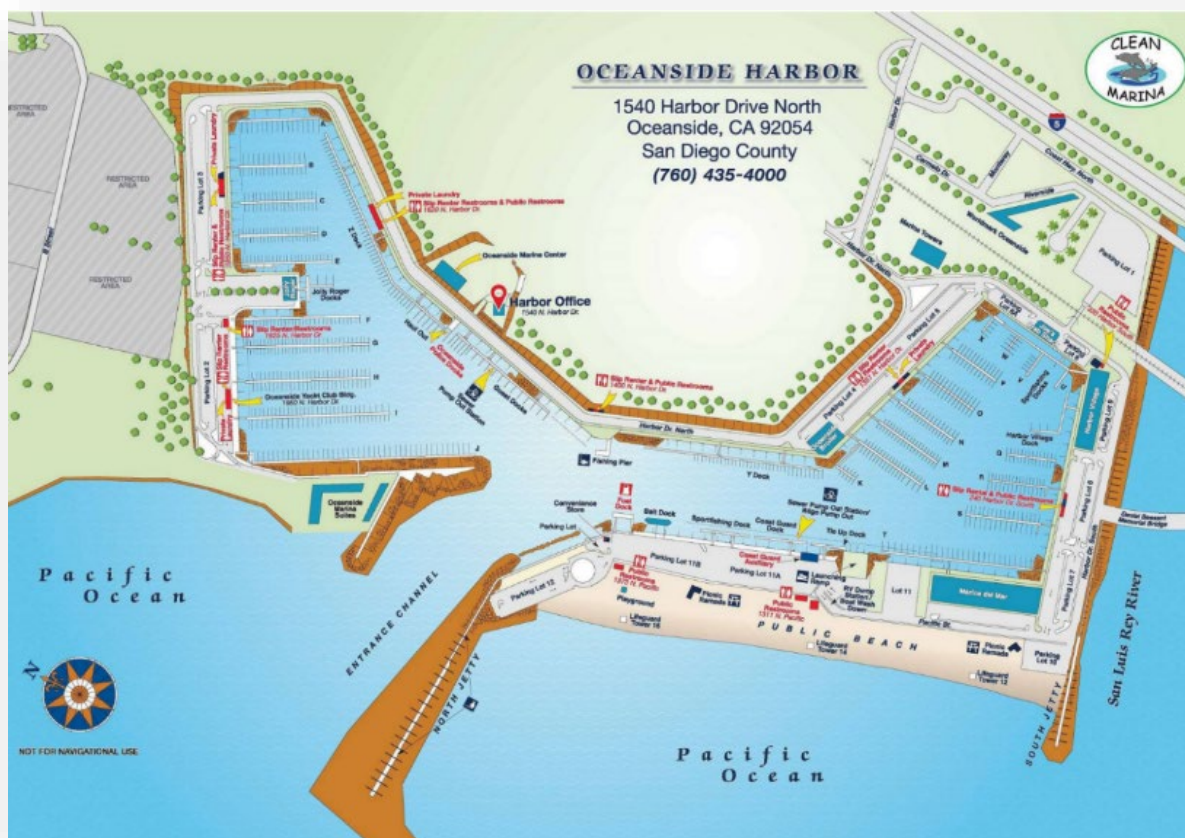
Oceanside SCHED's marina function and distinct classes serve as the agency's public-facing service and are marked by the ongoing operation (construction, repair, and amenities) of the Oceanside Harbor. 100% of all budgeted + actual resources during the reporting period have gone to this function.

100% of all budgeted costs during the reporting period have been expended on the marina function and related - albeit standalone - classes.

A pictorial map of the Oceanside Harbor is provided on the following page.

⁸ The City of Oceanside transitioned land and water-based public safety services within the SCHED at the end of the reporting period in 2022 from its Police Department via a dedicated Harbor Unit to the Fire Department via a dedicated Lifeguard Unit. A total of 10 positions within the Lifeguard Unit are assigned to the Harbor with coverage spanning 24 hours a day, seven days a week. Land and water public safety services include boat operations and towing, rescue swimmers, fire suppression, emergency medical services, hazardous materials response, and vessel inspections.

Map No. B-2



Map Provided by Oceanside SCHD

Resources, Capacities + Related Demands

Oceanside SCHD's marina function operates as an enterprise and is organized to be fully self-sufficient via resources generated directly by marina users. Actual revenues generated during the five-year report period have annually averaged \$8.292 million. Actuals collected at the end of the reporting period tallies \$9.198 million and underlies a period change of 23.0% and is attributed to beginning to receive lease monies generated at the wharf. More than four-fifths of the average actual tally - or 82.7% - is drawn from monthly slip rentals. Actual expenses during the reporting period have annually averaged \$9.945 million. The final year tallies \$8.750 million and underlies a period change of (39.0%). Nearly two-thirds - or 64.9% - of actual expenses ties to paying rent to Oceanside, which in turn - among other items - covers staff support.

Self-Supporting Resources...

Oceanside SCHD's marina function is intended to be entirely self-funded with actual annual revenue averaging \$8.3 million during the five-year report period with 83% coming from boat slips. Actual annual expenses have averaged \$9.945 million with 65% covering staff support costs with the City of Oceanside and the assignment of 17.4 full-time-equivalent positions.

With respect to available capacities and demands underlying SCHD's marina function and the provision of a municipal wharf, fishing pier, berthing basins (docks and slips), launch ramp, beaching and camping, streets and sidewalks, and parking:

- Wharf:

SCHD maintains and operates a municipal wharf in coordination with Oceanside's Real Estate Division (Public Works Department) that frames the Oceanside Harbor complex. The wharf's leasable commercial spaces span approximately 350,000 square feet and are largely divided between four broad categories: recreation; marine services; food and beverage; and hotel. The largest lease at the end of the reporting period totals 90,544 square feet involving the Oceanside Marina Inn - Pacific Suites. Nearly all leases pay a uniform minimal rental rate plus a percentage of net revenue. SCHD finished the reporting period with a 100% occupancy rate.

- Fishing Pier:

SCHD maintains an approximate 50-foot length municipal pier at the Oceanside Harbor. The pier was originally built in 1963 and most recently rebuilt in 1987. The L-shape pier is dedicated to recreational fishing and made of redwood planking that extends over shallow muddy waters with a wrap-around railing at 44 inches in height. It is located in the center of Oceanside Harbor overlooking the inlet to the Pacific Ocean and divides the north and south berthing basins. Up to a dozen anglers can use the pier at any given time with bass, jacksmelt, and opaleye being common catches. SCHD does not require fishing permits.

- Berthing Basins (Boat Slips + Docks):

SCHD's basins are divided into two distinct berths - north and south - which were established as part of the original construction of the Oceanside Harbor in 1963. A third basin was tentatively planned by SCHD beginning in the late 1970s via expansion into the adjacent Del Mar Marina (Camp Pendleton) but has not materialized to date.⁹ Additional details follow.

- The combined number of boat slips in Oceanside Harbor totals 954 at the end of the reporting period. This amount has remained unchanged during the preceding 60 months. 890 boat slips are dedicated to permittees.

⁹ The Del Mar Marina was constructed in 1942 as a wartime measure. It lies immediately upcoast from the SCHD boundary and designed to serve landing crafts as well as training operators of amphibious vehicles. These uses continue today.

- 64 boat slips are dedicated to wharf leases and guests. All slips are single with water and electric hook-ups included. Permittees are limited to staying overnight on their boards no more than three (3) times per week.
- All permittees consent to the Harbor Manager or their designee to have inspection access to help ensure vessels comply with SCHED rules and regulations, including seaworthiness and appearances. Permittees retain their permits after selling their registered vessel so long as they purchase and register a new vessel within 90 days. Permittees may also transfer permits with the prior approval of the Harbor Manager.
- All permittees pay monthly rent based on their slip size and number of vessel feet. Slip rents have increased uniformly by 11.1% over the reporting period with a typical offshore boat of 40 feet paying \$700.00 per month at the end of the period. A listing of rents follows in Table B-6.1a.

Oceanside SCHED’s Boat Slip Monthly Per Foot Charges

Table B-6.1a | Source: Oceanside SCHED

Year	Slip Size 26’	Slip Size 34’	Slip Size 43’	Slip Size 51’
2018	14.40	15.70	15.70	15.70
2019	14.40	15.70	15.70	15.70
2020	15.30	16.70	16.70	16.70
2021	15.30	16.70	16.70	16.70
2022	16.00	17.50	17.50	17.50
Average	15.08	16.46	16.46	16.46

Postscript: SCHED’s monthly rates were raised beginning in January 2024 approximately 18%.

- There are 26 total piling docks divided between 11 (A-J and Z) in the north basin and 15 (K-X) in the south basin. Both basins are accessed through locked gangways with each having sewer pumpout stations. Both basins also have dedicated full bathrooms and laundry facilities that are accessible to permittees through electronic fobs. A fuel dock is located in the south basin.
- SCHED policies allow for a maximum of 10% of the available permitted boat slips to liveaboards. The current number of liveaboards at the end of the reporting period is 86 and has remained unchanged during the preceding 60 months. Eligibility is limited to vessels that are no less than 32 feet in length and occupied by owners and their immediate family members. Liveaboards must have permanent toilets and holding tanks as well as maintain records showing regular pumpouts.

- Guest slips total 18 and are available to the public on a first-come basis with a maximum stay of 30 days unless approved by the Harbor Manager.
- Both permittees and liveboards have remained at full capacity during the reporting period. Waiting list tallies follow in Tables B-6.1b and B-6.1c.

Oceanside SCHD's Boat Slip <u>Waiting Lists</u>						
Table B-6.1b Source: Oceanside SCHD						
Year	Slip Size 26'	Slip Size 34'	Slip Size 43'	Slip Size 51'	Other Sizes	TOTAL
2018	6	44	55	23	18	146
2019	17	73	72	19	19	200
2020	29	73	75	18	19	214
2021	63	72	92	20	19	266
2022	58	63	68	19	18	226
Average	34.6	65.0	72.4	19.8	18.6	210.4

Oceanside SCHD's Liveboards <u>Waiting Lists</u>						
Table B-6.1c Source: Oceanside SCHD						
Year	2018	2019	2020	2021	2022	Average
List A	13	11	10	11	11	11
List B	69	83	94	103	108	94
Total	82	94	104	114	119	103

- Launch Ramp:
SCHD maintains one municipal boat launch. The ramp includes four boarding floats that can accommodate up to six vessels at any one time. The ramp is part of the south basin off of North Pacific Street.¹⁰ SCHD does not track launches.
- Beach + Camping:
SCHD maintains one municipal beach - Harbor Beach. The beach is approximately 0.5 miles in length and totals approximately 3.0 acres - making it the largest in Oceanside. The beach is open year-round and patrolled by three Oceanside lifeguard towers, which are typically staffed between Memorial Day and Labor Day. Onsite amenities include two covered picnic table areas, 24 fire rings, and a childrens' playground. Public restrooms are open 24-hours. Vehicle camping is available year-round and there is a five-night limit in any 30-day period. Tents, popouts, slideouts, and awnings are not allowed.

¹⁰ Parking is available in the adjacent lot (11b) with the capacity to accommodate 110 auto/trailer spaces with daily fees between \$35 (May to September) and \$30 (October to April).

- Streets and Sidewalks:**
 SCHD maintains approximately 2.0 miles of municipal right-of-way roads along Harbor Drive - North and South - as well as a short section of Pacific Street. These streets have varying widths but accommodate only one travel lane in each direction. There are no medians or signalized intersections. Two entry/exit points exist. The primary outlet is at Harbor Drive and directly connects to Interstate 5 to the east. The secondary outlet involves Pacific Street and its bridge segment spanning south across the San Luis Rey River. SCHD separately maintains approximately 2.8 miles of municipal sidewalks located along the periphery of the two berthing basins. Heavy usage during summer months occurs along Harbor Dive South and is associated with pedestrians using the free parking in Lot 1 and walking the 2,000-foot distance to Harbor Beach.
- Parking:**
 SCHD maintains 15 public parking lots collectively providing 1,690 total vehicle spaces. This total amount is divided between 413 reserved and 1,277 unreserved parking lot spaces. Reserved parking within the lots is largely dedicated to leaseholders and their customers as well as boat slip renters. Additional information follows in Table B-6.1d.

Oceanside SCHD's Public Parking Capacities			
Table B-6.1d Source: Oceanside SCHD			
Lot	Reserved	Unreserved	Total
No. 1	23	427	450
No. 2	44	112	156
No. 3	43	119	162
No. 4	43	67	110
No. 5	71	87	158
No. 6	40	63	103
No. 7 (paid)	57	60	117
No. 8 - North + South	0	55	55
No. 9	0	24	24
No. 10 (paid)	0	51	51
No. 11 (paid)	0	35	35
No. 11 - A + B (paid)	0	178	178
No. 12 (paid)	0	91	91
TOTAL	413	1,277	1,690

Overall Performance: Measuring Capacities and Demands

Oceanside SCHED's primary municipal function - marina - encompasses several connected service classes underlying the day-to-day operations of the Oceanside Harbor. The marina function's organization as an enterprise fund creates an otherwise unique task for SCHED as a local governmental agency to generate retail-type revenues sufficient to continue to attract and retain business, most notably in the form of its primary income sources involving boat slips and commercial lessees. Although demands for these primary revenue generators have remained relatively steady through the five-year report period as measured by their respective waiting lists and vacancy rates, the outlook going forward appears less certain. This uncertainty ties to six decades of continued ocean and saltwater exposure to infrastructure that has remained and largely paired with expanding usage marked by boat slips nearly doubling from 520 to 954. Decades of delayed and/or deferred maintenance have left core infrastructure increasingly vulnerable to breakdowns and/or failure.

Reconciliation on the Horizon...

Two things appear equally true with respect to measuring the performance of Oceanside SCHED's marina function:

- 1) SCHED's marina function appears to be performing satisfactorily through the end of the five-year report period as measured by constant demand for its two primary revenue sources: boat slip permittees and commercial wharf leases.
- 2) Performance of the marina function has under-prioritized regular maintenance, and as a result has left its core infrastructure (docks, pilings, etc.) in need of an estimated \$28.0 million to stabilize over the next 15 years; an amount more than 3 times greater than the average annual revenue collection during the reporting period.

An outside engineer recently completed an assessment at the end of the reporting period estimating the total costs to stabilize and maintain core Harbor infrastructure (docks, gangways, gates, pilings, etc.) over the next 15-year period at \$28.0 million; an amount more than three times greater than SCHED's annual average actual revenue. SCHED subsequently responded to the outside engineer's estimate in December 2023 with a series of actions to enhance revenues and cover most of the estimated maintenance costs. The enhancements are mostly to be borne by slip permittees and marked by raising monthly fees by approximately 18% and adding individual billing meters for water and electricity. The next municipal service review covering SCHED should review the effects of implementing these revenue enhancements and the relationship on demands - positive, negative, or neutral - among boat slip users.

6.2 Dredging Function + Ancillary Classes

Oceanside SCHED's dredging function also dates to its formation and the creation of the Oceanside Harbor to provide sufficient depth and protection for boats' berthing and passage within the Harbor. This function involves two related classes involving channel clearing and beach restoration with the latter directly tied to the former. These services are presently limited to an advisory role to the U.S. Army Corps of Engineers.

Maritime-Facing Function...

Oceanside SCHED's dredging function and two related classes - channel clearing and beach restoration - serve as the agency's core maritime service and performed in a coordinating role with the U.S. Army Corps of Engineers.

Resources, Capacities + Related Demands

Oceanside's SCHED's dredging function operates as a non-enterprise and is accordingly dependent on non-user revenues to fund activities. No resources - notably - have been budgeted by SCHED for the dredging function and its two intertwined classes - channel clearing and beach restoration - during the reporting period. Instead, this function is incidentally supported as part of SCHED's marina function and involves administratively advising and coordinating with the U.S. Army Corps of Engineers and their annual dredging commitment to clear the inlet shared with Camp Pendleton.¹¹ The Corps commitment to perform annual dredging has been historically premised on keeping the inlet to a depth of no less than 30 feet and in doing so limiting risks to boats to shoaling effects - the concurrent shallowing of water and intensifying of waves. More recently, however, the amount of accumulated sand in the inlet has been decreasing as a result of southward drift. The annual dredging generally takes place in late spring and takes approximately two to four weeks to complete at a cost of approximately \$3.5 million. The average yearly volume of sand dredged from the inlet during the reporting period has been 257,019 cubic yards, which translates to covering approximately 160 acre-feet.

Annual totals for each of the five years in the reporting period follow in Table B-6.2a.

¹¹ The annual dredging program is a cost-share by the U.S. Corps of Engineers and Navy.

U.S. Army Corps of Engineering – Annual Dredging

Table B-6.2a | Source: Oceanside SCHD

Year	Cubic Yards	Acre-Feet Equivalent
2018	184,323	114.25
2019	228,108	141.39
2020	245,382	152.10
2021	349,703	216.76
2022	277,670	172.11
Average	257,109	159.37

Sand dredged by the U.S. Corps of Engineering as part of the annual channel clearing is pumped onto the north end of Harbor Beach. The City of Oceanside – and not SCHD – separately covers the costs to replenish the sand along Harbor Beach and further south as the Oceanside Pier as volume permits. Pertinently, to date, only the annual dredging of the Oceanside Harbor provides sand replenishment for any beaches in Oceanside. A recent feasibility analysis prepared for Oceanside in 2021 to address sand replenishment and retention options along its coastline estimates Harbor Beach is now eroding by (2.4 feet) annually *despite* the annual dredging program (*emphasis added*).

More Sand Needed...

Despite the annual replenishment performed by the U.S. Corps of Engineering, it is estimated Harbor Beach is currently losing 2.4 feet a year to erosion.

Overall Performance: Measuring Capacities and Demands

Oceanside’s SCHD’s dredging function operates passively with capacities at the end of the five-year report period constrained to providing advisory input to the U.S. Corps of Engineers as part of their annual activities involving the Oceanside Harbor. While this passive role provides benefit to constituents by having a representative voice in the Corps’ decision-making, it nonetheless differs from expectations set at formation for SCHD to directly clear channels. It is also apparent the level of clearing and associated sand replenishment provided annually by the Corps is not keeping up with current erosion losses along Harbor Beach. These factors suggest SCHD revisit its dredging function to either establish stand-alone capacities to clear the inlet as well as replenish and retain sand along Harbor Beach or pursue divestiture in managing community expectations.

Managing Expectations...

Oceanside SCHD should revisit its dredging function and consider the dual merits of either establishing stand-alone capacities to clear the inlet as well as replenish/retain sand on Harbor Beach or pursuing divestiture in managing community expectations and any associated liabilities.

7.0 FINANCES

7.1 Budget and Actuals

With respect to planning annual expenses, Oceanside SCHD’s total adopted budgeted costs have averaged \$9.618 million during the five-year report period. The most recent budgeted amount falls (11.4%) below the five-year average of \$8.522 million with four-fifths of this recent tally going to cover staff support services with the City of Oceanside. Most of the remaining budgeted expense planned at the end of the reporting period involves making a lease payment to Oceanside for the Harbor complex. A summary of budgeted expenses follows in Table B-7.1a.

Budgeting Costs...

Oceanside SCHD’s total budgeted expense at the end of the five-year report period is \$8.522 million with 83% covering planned staff support services with the City of Oceanside. Overall, SCHD’s total budgeted costs - i.e., the expected expense to run all Harbor activities - have increased by 15% over the reporting period.

Oceanside SCHD Total Budgeted Expenses							
Table B-7.1a Source: City of Oceanside (Adopted Annual Budgets, FY18 to FY22) + SD LAFCO							
Fund Category	2018	2019	2020	2021	2022	Average	Trend
Maintenance + Ops	657,343	3,341,064	894,669	4,187,523	791,863	1,974,492	20.5
Internal Charges	6,300	442,364	22,000	9,000	33,623	102,657	433.7
Capital Outlay	-	-	-	-	133,103	26,621	0.0
Debt Service	363,103	135,926	132,053	135,103	-	153,237	(63.3)
Transfers	6,196,682	6,237,298	6,696,325	707,711	7,088,904	6,665,264	14.4
Other	159,900	159,900	474,365	474,365	474,365	348,579	196.7
Personnel	-	1,736,052	-	-	-	347,210	n/a
Total (millions)	\$7.383	\$12.053	\$8.2193	\$11.9133	\$8.522	\$9.618	15.4%

Oceanside SCHD’s overall actual expenses during the five-year report period have averaged \$9.945 million and slightly below - specifically 3.4% - budgeted expectations. The most recent actual amount expended by SCHD tallies \$8.750 million and underlies an overall trend decrease of (39.0%) during the reporting period. Of this most recent year's amount,

Actual Costs...

Oceanside SCHD’s total actual expense at the end of the five-year report period equals \$8.750 million with 80% covering staff support services with the City of Oceanside. Overall, the variance between actual and budgeted expenses during the reporting period falls slightly higher at 3.3%.

exactly nine-tenths involved payments going to Oceanside for staff support (\$6.996 million) and the lease at Oceanside Harbor (\$0.836 million). The overall average actual per capita expense during the reporting period is \$57.30 with starting and ending amounts of \$83.15 and \$50.11; a decrease of (39.7%).

A breakdown of all actual expenses for the reporting period follows in Table B-7.1b.

Oceanside SCHD Total Actual Expenses Table B-7.1b Source: City of Oceanside (Adopted Annual Budgets, FY18 to FY22) + SD LAFCO						Average	Trend
Fund Category	2018	2019	2020	2021	2022		
Maintenance + Ops	731,967	1,243,119	1,174,518	3,664,477	1,056,064	1,574,029	44.3
Debt Service	17,685	15,161	13,008	10,760	8,502	13,023	(51.9)
Transfers	6,029,821	3,655,649	6,157,376	6,721,848	6,995,727	6,452,084	16.0
Other	7,296,784	394,744	367,685	500,264	645,614	1,841,018	(91.2)
Internal Charges	1,280	5,268	9,704	7,668	43,970	13,578	3335.2
Capital Outlay	258,452	-	-	-	-	51,690	(100.0)
Total (millions)	\$14.336	\$8.014	\$7.722	\$10.905	\$8.750	\$9.945	(39.0%)
Per Capita Value	\$83.15	\$46.28	\$44.36	\$62.58	\$50.31	\$57.30	(39.7%)

With respect to planning revenues, Oceanside SCHD’s total adopted budgeted revenues have averaged \$8.607 million during the five-year report period. The most recent budgeted amount falls (0.4%) below the five-year average of \$8.576 million with more than two-thirds expected from monthly boat slip fees. Most of the remaining budgeted revenue planned at the end of the reporting period involves commercial leases and parking fees. A summary of budgeted expenses over the reporting period follows in Table B-7.1c.

Budgeting Revenues...

Oceanside SCHD’s total budgeted revenue at the end of the five-year report period is \$8.576 million with 68% tying to boat slip fees. Overall, SCHD’s total budgeted revenues - i.e., the expected monies generated in running all Harbor activities - have increased by 16% over the reporting period.

Oceanside SCHD Total Budgeted Revenues Table B-7.1c Source: City of Oceanside (Adopted Annual Budgets, FY18 to FY22) + SD LAFCO						Average	Trend
Fund Category	2018	2019	2020	2021	2022		
Boat Slip Fees	5,200,000	5,192,000	5,538,000	5,761,000	5,868,000	5,511,800	12.8
Commercial Leases	1,186,000	1,254,000	1,332,000	4,383,000	1,431,000	1,917,200	20.7
Parking	914,000	997,000	1,033,000	1,059,000	1,059,000	1,012,400	15.9
Interest	15,000	15,000	15,000	15,000	15,000	15,000	0.0
Transfer - Wait List	-	71,000	89,000	92,000	92,000	68,800	n/a
Inspection Fees	-	19,000	24,000	29,000	15,000	17,400	
Other	108,000	66,000	27,000	27,000	41,000	538,000	(62.0)
Private Foundations	-	-	-	-	55,000	11,000	n/a
Total (millions)	\$7.423	\$7.614	\$8.058	\$11.366	\$8.576	\$8.607	15.5%

Oceanside SCHED’s overall actual revenues during the five-year report period have averaged \$8.314 million and slightly below – specifically 3.4% – budgeted expectations. The most recent actual amount collected by SCHED tallies \$9.142 million and underlies an overall trend increase of 16.3% during the reporting period. Drilling down on the final year amount, three-fourths involved monthly boat slip fees (\$6.639 million) with the balance largely tying to parking (\$1.160 million) and commercial leases (\$1.147 million). The overall average per capita actual revenue during the reporting period is \$47.86 with starting and ending amounts of \$44.69 and \$51.33; an increase of 14.9%. A breakdown of all actual revenues for the reporting period follows in Table B-7.1d.

Actual Revenues...

Oceanside SCHED’s total actual revenue at the end of the five-year report period equals \$8.963 million with 74% generated from boat slip fees. Overall, the variance between actual and budgeted revenues during the reporting period is slightly lower at (3.5%).

Oceanside SCHED Total Actual Revenues							
Table B-7.1d Source: City of Oceanside (Adopted Annual Budgets, FY18 to FY22) + SD LAFCO							
Fund Category	2018	2019	2020	2021	2022	Average	Trend
Boat Slip Fees	6,514,862	7,024,358	6,771,433	7,197,044	6,638,791	6,829,298	1.9
Parking Fees	996,412	697,014	839,880	1,159,952	1,159,617	1,024,575	16.4
Service Charges	45,691	37,638	30,839	30,220	30,453	34,968	(33.4)
Commercial Leases	-	-	-	-	1,146,615	229,323	n/a
Fines and Penalties	116,845	116,762	113,589	135,300	116,256	119,750	(0.5)
Other	16,917	42,413	21,934	37,237	50,609	33,822	199.2
Interest Earnings	15,007	184,517	189,192	3,808	(179,008)	42,703	(1292.8)
Total (millions)	\$7.706	\$8.373	\$7.967	\$8.564	\$8.963	\$8.314	16.3%
Per Capita Value	\$44.69	\$48.36	\$45.77	\$49.15	\$51.33	\$47.86	14.9%

7.2 Fund Balance

Oceanside SCHED’s fund balance at the end of the five-year report period tallies \$4.600 million. This amount represents the unassigned cash available to SCHED for any purposes and finishes one-fifth above the annual ending fund balance average of \$3.779 million. The combination of the two amounts reflects an overall upward trend over the 60 months of 24.0%. The average annual ending fund balance is separately sufficient to cover 4.9 months of the average operating expense incurred during the reporting period while finishing at 6.3 months. The ending fund balances relative to covering equivalent monthly operating expenses for the reporting period follows in Table B-7.2a.

Sizing the Fund Balance Up...

Oceanside SCHED finished the five-year report period with an unassigned fund balance of \$4.600 million, sufficient to cover 6.3 months of actual costs.

Oceanside SCHD Unassigned Fund Balance + Monthly Coverage Equivalents Table B-7.2a Source: City of Oceanside (Adopted Annual Budgets, FY18 to FY22) + SD LAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Ending Fund Balance	3,710,187	3,969,280	4,059,036	2,557,432	4,600,359	3,779,259	24.0
Actual Operating Costs	1,4076,257	8,008,673	7,712,587	10,897,349	8,705,907	9,990,155	(38.2)
Months Covered	3.16	5.95	6.32	2.82	6.34	4.92	100.5

7.3 Financial Statements

Oceanside SCHD contracts with an outside accounting firm to prepare an annual report to review the agency’s financial statements in accordance with established governmental accounting standards. These audited statements provide quantitative measurements in assessing SCHD’s short and long-term fiscal health based on an accrual accounting method, i.e., recording revenues and expenses ahead of actual payment. All outside audits prepared during the five-year report period have been performed by Lance, Soll & Lunghard, LLP or LSL (Sacramento).

SCHD’s most recent financial statements for the five-year report period cover 2021-2022 and were completed on January 31, 2023. These statements show SCHD experienced a relatively substantive improvement over the prior fiscal year as the overall net position covering all activities and related associations increased by 11.8% from \$13.7 million to \$14.9 million. The accompanying letter to management did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends during the reporting period follows for assets, liabilities, and net position.

Most Recent Year-Ending Financial Statements (2022) amounts in millions	
Assets	\$32.274
Liabilities	\$1.420
Deferred Outflow/Inflow	(\$15.924)
Net Position	\$14.931

Agency Assets

SCHD’s audited overall assets at the end of the reporting period totals \$32.3 million. This amount is 72.4% higher than the average ending amount of \$18.7 million documented during each of the five report years and underlies the upward and improving track during the period. Assets classified as current with the expectation they could be liquidated within a year tally \$6.8 million - or 21.0% of the total - and predominately tie to

Assets on the Rise ...

SCHD’s assets have increased by 115% during the five-year report period from \$15.0 to \$32.3 million with the change largely tied to now booking future commercial lease receivables. The per capita value of total assets at the end of the reporting period is \$122.

cash and investments. Assets classified as non-current make up the remainder at \$25.5 million. It is this portion of assets that underlie the overall increase during the reporting period and is marked by booking \$15.215 million in future commercial lease receivables at the Oceanside Harbor.¹² Overall, SCHD’s total audited assets have increased by \$17.2 million - or 114.6% - over the corresponding 60-month period. Specific year-end asset totals for SCHD are shown below in Table B-7.3a.

Oceanside SCHD Audited Assets Table B-7.3a Source: SCHD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current	6,171,271	6,549,969	7,060,817	5,699,545	6,774,347	6,451,190	9.8
Non-Current	8,871,317	8,393,516	8,044,133	10,511,368	25,499,757	12,264,018	187.4
Total (millions)	\$15.042	\$14.943	\$15.105	\$16.211	\$32.274	\$18.715	114.6%
Per Capita Value	87.25	86.30	86.78	93.03	121.83	95.04	39.7

Agency Liabilities

SCHD’s overall audited liabilities at the end of the reporting period totals \$1.420 million. This amount is (8.5%) below the average ending amount of \$1.551 million documented during the reporting period and underlies the downward and improving track during the period. Liabilities classified as current with the expectation they will become due within a year represent \$0.953 million - or 67.0% of the total - and largely ties to payable deposits. Liabilities classified as non-current and considered long-term obligations make up the remainder of the balance. These non-current liabilities are predominately divided between a cash advancement from Oceanside in 2016 for the purchase of a patrol vessel operated by OPD as well as debt financing of a 30-year loan from 1994 with the Department of Boating and Waterways. Overall, SCHD’s total audited liabilities have decreased by (\$0.262 million) - or (15.6%) - over the corresponding 60-month period largely the result of paying down the two aforementioned obligations. Specific year-end liability totals for SCHD are shown below in Table 7.3b.

Liabilities on the Decline...

SCHD’s liabilities have decreased by (16%) during the five-year report period from \$1.7 to \$1.4 million with the change largely tied to paying down long-term debts - including a 2016 cash advancement from Oceanside in the amount of \$0.5 million to purchase a new patrol vessel. The per capita value of total liabilities at the end of the reporting period is \$8.

¹² SCHD also booked a new \$3.5 million capital asset in 2021 to replace one of the District’s docks with new pilings (J-Dock).

Oceanside SCHD Audited Liabilities Table B-7.3b Source: SCHD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current	727,499	528,759	649,769	1,337,142	953,812	893,396	31.1
Non-Current	955,000	837,066	713,492	589,982	466,214	712,351	(51.2)
Total (millions)	\$1.682	\$1.367	\$1.363	\$1.927	\$1.420	\$1.551	(15.6%)
Per Capita Value	\$9.76	\$7.89	\$7.83	\$11.06	\$8.13	\$8.93	(16.7%)

Net Position

SCHD’s overall audited net position at the end of the reporting period totals \$14.930 million and represents the difference between total assets and total liabilities along with adjusting for deferred resources. This most recent year-end amount lies 6.8% above the average year-end sum of \$13.979 million generated during the five-year report

Truing Up Assets and Liabilities...

Oceanside SCHD’s audited net position has increased during the five-year report period by 11.8% from \$13.360 to \$14.931 million. This change parallels the difference in the per capita measurement and its 10.4% increase from \$78 to \$86.

period and underlies the upward and improving trend. Most of the net position - \$10.080 million or 67.5% - ties to capital asset holdings. The remainder involves unrestricted monies. Overall, SCHD’s audited net position has increased by \$1.571 million - or 11.8% - over the corresponding 60-month period and is a byproduct of the concurrent rise in assets and decline in liabilities. Specific year-end net position totals for Oceanside SCHD are shown below in Table 7.3c.

Oceanside SCHD Audited Net Position Table B-7.3c Source: SCHD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Capital Assets	8,276,317	7,893,516	7,230,641	10,206,368	10,080,107	8.737	21.8
Restricted	-	-	-	-	-	-	-
Unrestricted	5,083,772	5,684,144	6,511,048	4,077,421	4,850,484	5.241	(4.6)
Total (millions)	\$13.360	\$13.578	\$13.742	\$14.284	\$14.931	\$13.979	11.8%
Per Capita Value	\$77.49	\$78.42	\$78.94	\$81.97	\$85.51	\$80.47	10.4%

7.4 Fiscal Indicators | Measuring Liquidity, Capital, Margin + Asset Management

LAFCO’s review of the audited financial statement issuances by Oceanside SCHD covering the five-year report period shows the agency experiencing mixed results and related trends within the four central fiscal measurement categories – liquidity, capital, margin, and asset management – utilized in this document. Summaries follow.

Liquidity (Short-Term Outlook)

Oceanside SCHD’s average annual current ratio during the reporting period tallies 8.6-to-1 and shows the agency having \$8.60 in available cash resources (current assets) for every \$1.00 in near-term accounts payable and related debts (current liabilities) over the 60 months. The final year ratio remains relatively robust at 7-to-1 but reflects an overall period decline of (16.3%). A separate liquidity measurement shows Oceanside SCHD’s average annual days’ cash ratio during the reporting period being 294 and sufficient to cover 42 weeks of baseline expenses and considered good. However, similar to the current ratio, the final year amount tally of 256 days’ cash and its adjusted coverage of 36.6 weeks underlies an overall period decline of (20.9%). These two measurements collectively indicate SCHD’s otherwise healthy liquidity levels are steadily decreasing and create some uncertainty with regard to the agency’s ability to absorb unexpected costs and/or shortfalls in revenues going forward.

Two-Sided Burn Rate...

Oceanside SCHD’s days’ cash ratio – or burn rate – finished the five-year report period relatively strong at 256. It also experienced an overall (21%) decline with decreases incurring in four of the five years.

Oceanside SCHD Measuring Liquidity Table B-7.4a Source: SCHD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current Ratio	8.4 to 1	12.4 to 1	10.9 to 1	4.3 to 1	7.1 to 1	8.6 to 1	(16.3%)
Days’ Cash	3,022	1,702	2,048	2,362	1,921	2,211	(36.4%)

- The current ratio provides a macro measurement of near-term financial health by comparing current assets against current liabilities on a dollar-to-dollar basis. Higher is better.
- The days’ cash provides a micro measurement of near-term financial health by comparing available cash and equivalents against the average daily operating expenses less depreciation. Higher is better.

Capital (Long-Term Outlook)

Oceanside SCHED's average annual debt-to-net position during the five-year report period equals 5.2% and quantifies the agency is carrying relatively low levels of long-term debts. The final year tally is 3.1% and underlies a lower and improving condition in which SCHED has reduced its exposure to risks associated with holding long-term debts that increase costs - like rises in interest rates by more than one-half over the reporting period. A separate capital measurement shows SCHED's average annual debt ratio over the reporting period has been 9.1%. This measurement has also been lowered and improved to 4.4% at the end of the reporting period which means the majority balance of SCHED's assets - specifically 95.6% - are free from debt financing. These two measurements collectively show SCHED is well-positioned to maintain good cash flow into the near future given its low debt levels paired with the concurrent ability to use capital to assume new debt as needed.

Low Credit Balances with High Credit Lines...

Oceanside SCHED's debt ratio decreased by three-fifths during the five-year reporting period before finishing at 4.4%; an amount that positions SCHED with significant capital resources to finance big-ticket improvements going forward.

Oceanside SCHED Measuring Capital Table B-7.4b Source: SCRD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Debt to Net Assets Ratio	7.1%	6.2%	5.2%	4.1%	3.1%	5.2%	(56.3%)
Debt Ratio	11.2%	9.1%	9.0%	11.9%	4.4%	9.1%	(60.7%)

- The debt-to-net position ratio measures long-term financial health to quantify existing debt load as a percentage of the total net position. Lower is better.
- The debt ratio measures long-term financial health to quantify the percentage of assets that are subject to debt financing and the variables associated therein - interest rates, supply costs, etc. Lower is better.

Margin (Net Income)

Oceanside SCHED's average annual operating margin during the five-year report period tallies 4.5% with positive percentages generated in four of the five years reviewed. This measurement covering direct day-to-day activities with all purposes revenues and expenses finished the reporting period at 9.1% and underlies nearly a one-half improvement.

Decent Bottom Line...

Oceanside SCHED's average annual total margin during the five-year report period has been 5% with positive finishing amounts in all five years.

SCHD’s average annual total margin – which measures both direct and indirect financial transactions – has been 4.9% with positive finishes in all five years. This more macro measurement also improved during the reporting period by one-seventh, and its higher-finish signals indirect costs and revenues are helping – and not hurting – SCHD’s day-to-day activities.

Oceanside SCHD Measuring Margin Table B-7.4c Source: SCRD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Operating Margin	6.4%	0.6%	(0.2%)	6.4%	9.1%	4.5%	43.1%
Total Margin	6.3%	2.6%	2.1%	6.3%	7.2%	4.9%	14.0%

- The operating margin measures profitability levels within the agency as it relates to matching direct revenues and expenses involved in the day-to-day service activities. Higher is better.
- The total margin measures profitability levels within the agency as it relates to matching all direct and indirect revenues and expenses. Higher is better.

Asset Management

Oceanside SCHD’s average annual age of all capital assets during the five-year report period totals 52.6. The fifth and final year totals 55.3 and underlies ongoing aging during the 60 months of SCHD’s capital assets, which are largely categorized as improvements other than buildings – presumably pilings, docks, and gangways. A separate measurement via the accumulated depreciation ratio shows the general remaining usefulness of SCHD’s capital assets has significantly exceeded their expected lifespan with a period average ratio of 264%; i.e., capital assets as a whole have surpassed their expected useful lives by nearly three-fold.

Assets are Old and Getting Older...

Oceanside SCHD’s accumulated depreciation ratio at the end of the five-year report period shows its capital assets – at least on an accounting basis – have collectively exceeded their expected usefulness (lifespan) by nearly three-fold.

Oceanside SCHD Measuring Asset Management Table B-7.4d Source: SCRD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Accounting Age of Capital Assets	49.9	49.7	53.5	54.7	55.3	52.6	10.7%
Accumulated Depreciation Ratio	262.0%	282.6%	300.5%	233.3%	242.8%	264.2%	(7.3%)

- The accounting age of capital assets provides a macro index of the average age the agency's core and depreciating facilities, equipment, buildings, and related infrastructure and their current replacement schedule. Lower is better.
- The accumulated depreciation ratio provides a more contextual measurement of the general remaining usefulness of the agency's core and depreciating facilities, equipment, buildings, and related infrastructure relative to their expected lifespan. Lower is better.

7.5 Pension Obligations

None

7.6 Other Post-Employment Benefit Obligations

None

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C. MORRO HILLS COMMUNITY SERVICES DISTRICT

1.0 OVERVIEW

The Morro Hills Community Services District (CSD) is an independent special district formed in 1961 in northwest San Diego County immediately to the east of the City of Oceanside. Formation proceedings were initiated by landowners with the support of the County of San Diego to assume the authority to establish, improve, and maintain streets and related roadway incidentals - like curbs, gutters, and drains - as well as provide fire protection. Morro Hills CSD's jurisdictional boundary encompasses nearly two square miles with mostly large residential estates intermixed with agriculture. Most of the jurisdictional boundary lies within a Fallbrook postal code (92028) with nine-tenths under private ownership.

Morro Hills
Looking East from Sleeping Indian Rd to Olive Hill Rd



Photo Credit: Google Maps (2022)

A five-person Board of Directors provides Morro Hills CSD's governance with members directly elected at-large to staggered four-year terms by registered voters. Members may also be appointed in place of contested elections and/or to fill vacancies. The longest-serving member is Thomas Harrington with 25 service years on the Board. All four other members on the Board have less than two years of service.

Morro Hills CSD is currently organized as a limited-purpose agency with municipal operations tied to one active service function - streets - and anchored by maintaining a 6.0-mile roadway system. Ancillary classes are marked by providing signage and drainage along the roadway. Separately, while formation proceedings explicitly contemplated fire protection, records show this service function has never been activated by the CSD and is considered fully latent. Other latent powers vested with the CSD that could be activated with LAFCO approval are extensive under the principal act and headlined by water, wastewater, parks, lighting, and police protection.

Limited Purpose Agency...

Morro Hills CSD is authorized to provide one active service function - streets - at the end of the five-year report period and is anchored by a 6.0-mile roadway system. Although initially empowered to provide fire protection, this function is latent and would require new LAFCO approval to activate.

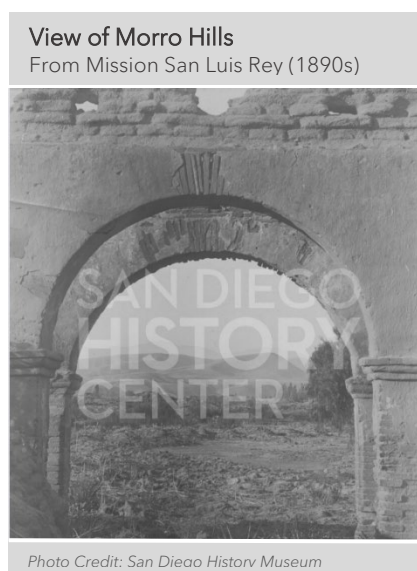
With respect to finances, Morro Hills CSD’s operating budget at the term of the reporting period (2021-2022) totals \$0.023 million in authorized expenses. The audited financial statements show Morro Hills CSD’s net position at the same time totaling \$0.578 million with the unrestricted portion making up nearly one-half at \$0.266 million. Morro Hills CSD has no employees; all services performed by the CSD are done so by contractors.

LAFCO independently estimates the full-time resident population within Morro Hills CSD is 1,001 at the term of the reporting period. (Information is not readily available within the affected census block groups to reliably estimate earlier counts within the reporting period.) The total number of housing units within the jurisdictional boundary at the end of the reporting period is 396. The resulting average ratio of residents to housing units is 2.5. The median household income among residents within Morro Hills CSD is \$146,289 based on the current five-year period average and more than three-fifths above the countywide average of \$88,240. The average home value in the CSD (92028) has separately increased by 58.5% over the reporting period from \$550,771 to \$872,987.¹ This separately generates a home price-to-income ratio of 6.0.

2.0 BACKGROUND

2.1 Community Development

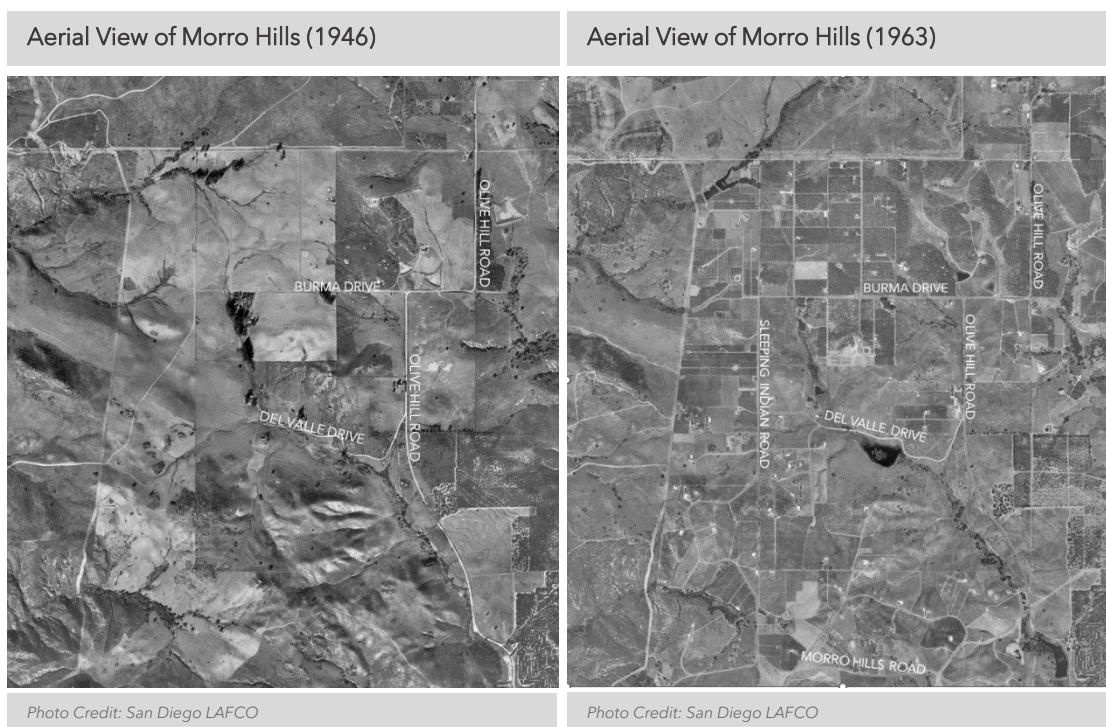
The region covering present-day Morro Hills CSD began its contemporary development in the late 1700s. The genesis of the development ties to the Payomkawichum people - called Luiseños by the Spanish newcomers - establishing permanent villages along the Santa Margarita and San Luis Rey Rivers in conjunction with the construction of nearby Mission San Luis Rey in 1769. Around this time, the hills immediately to the east of the Mission and serving as a natural boundary between coastal and inland lands along the San Luis Rey River were named “El Morro,” meaning crown-shaped hill. The region was subsequently



¹ The average home values in 92028 during the five-year report period is based on Zillow analytics (www.zillow.com).

included in a large land grant - Ranch Santa Margarita - by Mexico's California Governor Pío Pico to his brother Andrés Pico in the 1840s and thereafter gradually divided and sold into relatively smaller tracts for agricultural and ranching uses.

Proceeding into the 1900s, County records indicate the present-day Morro Hills CSD jurisdictional boundary remained largely dedicated to agrarian uses with an internal network of private roads/paths having developed leading southeast towards Bonsall or northeast towards Fallbrook. A 1938 road survey shows the County having graded and extended Olive Hill Road south from Fallbrook and providing direct access to the area. Further, by the late 1940s, parcel maps were beginning to be recorded commencing a transition in the area towards residential estates and leading to the initial grading and paving of Del Valle Drive.



2.2 Formation Proceedings

The formation of Morro Hills CSD was petitioned by a group of landowners and filed with the County Boundary Change Commission - predecessor body to LAFCO oversight - in late 1960. Documents show the petition filing followed discussions with the County and done so to assume responsibility for constructing and maintaining public roads consistent with community needs and with the aid of receiving a portion of local property taxes. Voters approved the formation of Morro Hills CSD as part of

a special election on January 17, 1961, by a vote of 27 to 8 with authorization to provide streets and fire protection services. Voters also approved an initial governing board of Edward Jones, Walter Kottas, Victor Pinkney, Jr., Douglas Schnorr, and William Coover. The effective date of the formation was set as January 25, 1961.

2.3 Notable Post Formation Activities + Events

A summary of notable activities undertaken by Morro Hills CSD and/or affecting the District's service area preceding and following formation in 1961 are provided below.

1970s

LAFCO approves a landowner petition (William B. Renwick) to detach approximately 75 acres from Morro Hills CSD in April 1972. The detachment remains the only boundary change to the District.

LAFCO establishes a coterminous sphere of influence for Morro Hills CSD in November 1984. Supporting documents generated by LAFCO state Morro Hills CSD serves an estimated population of 700.

A proposal is filed with LAFCO in January 1985 to incorporate Fallbrook and dissolve several overlapping special districts - including Morro Hills CSD. The reorganization is conditionally approved by LAFCO but fails to win majority voter support in June 1986.

1980s

Morro Hills CSD contracts with an outside consultant to analyze traffic conditions within the District and available calming measures in 1989. Morro Hills CSD proceeds to contract for new analysis in 2004, 2008, and 2021.

LAFCO updates and affirms Morro Hills CSD's sphere in 2013 with no changes.

3.0 BOUNDARIES + RELATED CONSIDERATIONS

3.1 Jurisdictional Boundary

Morro Hills CSD's jurisdictional boundary spans approximately two square miles and covers 1,107 total acres - an amount equal to 0.04% of San Diego County. The jurisdictional boundary is entirely unincorporated and largely characterized by large residential estates intermixed with commercial and non-commercial agriculture. Three-fifths of the jurisdictional boundary is immediately adjacent to Camp Pendelton

or the City of Oceanside. The balance of the jurisdictional boundary is adjacent to the unincorporated communities of Fallbrook and - to a lesser extent - Bonsall and accordingly notionally open to future expansion. All of the jurisdictional boundary is assigned a Fallbrook postal code. The elevation ranges between 372 to 834 feet above sea level with the latter point recorded along San Jacinto Circle West near Solana Real. Other key boundary characteristics follow and are summarized in Table C-3.1.

Physical Footprint...

Morro Hills CSD's jurisdictional boundary spans 1,107 acres and is divided into 417 parcels - all of which are unincorporated with a Fallbrook-assigned postal code. All but 38 parcels totaling 91 acres have been developed and/or improved, albeit not necessarily to the highest density allowed.

- With respect to property tax considerations, the total assessed value (land and structure) within Morro Hills CSD at the end of the reporting period is \$0.240 billion. The ending amount translates to a per-acre value ratio of \$0.22 million. It also translates to a per capita value of \$0.24 million based on the estimated full-time population of 1,001. Overall, Morro Hills CSD receives close to 3.9% of the annual 1.0% of property tax collected in the jurisdictional boundary and resulted in \$0.090 million in 2021-2022.
- With respect to development considerations, Morro Hills CSD's jurisdictional boundary at the end of the reporting period is divided into 417 parcels totaling 1,061 acres. (balance involves rights-of-way). Almost all - 99% - of the parcel acreage is under private ownership with nearly nine-tenths having already been developed and/or improved with structures to date, albeit not necessarily at the highest density under zoning. The remaining privately owned lands in Morro Hills CSD are undeveloped and divided by 38 parcels totaling 91 acres.
- With respect to other boundary considerations, none of the acreage within Morro Hills CSD's jurisdictional boundary qualifies as disadvantaged unincorporated community (DUC) lands under current San Diego LAFCO policy. Furthermore, no lands within and immediately adjacent to the jurisdictional boundary qualify as a disadvantaged unincorporated community.

Morro Hills CSD Jurisdictional Boundary Characteristics

Table C-3.1 | Source: San Diego LAFCO

Total Jurisdictional Size	1,107 acres
Total Jurisdictional Parcels and Acreage (less rights-of-ways, etc.)	417 parcels totaling 1,061 acres
... Publicly Owned Parcels and Acreage	4 parcels totaling 73 acres
... Privately Owned Parcels and Acreage	413 parcels totaling 1,034 acres
... Undeveloped Privately Owned Parcels and Acreage	38 parcels totaling 91 acres
Total Number of Registered Voters	806
Total Assessed Value (Land and Structures)	\$0.240 billion

3.2 Sphere of Influence

Morro Hills CSD’s sphere of influence was established by LAFCO in November 1984 ahead of a statewide deadline applicable to all local agencies by the Legislature. The sphere was subsequently reviewed and updated by LAFCO in 2007 and 2013 and remains entirely coterminous with the jurisdictional boundary. There are also no special study areas assigned to the sphere. CSD’s sphere of influence is shown as part of Map C-1.

No Expansions Telegraphed in Current Sphere Designation...

The Morro Hills CSD sphere of influence was last updated by LAFCO in 2013. The sphere is coterminous with the jurisdictional boundary, and as such reflects a standing expectation by LAFCO to maintain the status quo going forward.

3.3 Boundaries’ Relationship to General Plans

Morro Hills CSD’s jurisdictional boundary and sphere of influence lie entirely within the unincorporated area and subject to the County of San Diego’s land use policies. The County General Plan was last updated by the Board of Supervisors in August 2011 and designates nearly all land within and adjacent to Morro Hills CSD as Semi-Rural 2 with the remainder - less than 1% of the total - as Agriculture.² Similarly, almost all of the lands within and adjacent to the jurisdictional boundary and sphere of influence lie within the Fallbrook Community Plan and are subject to its community-

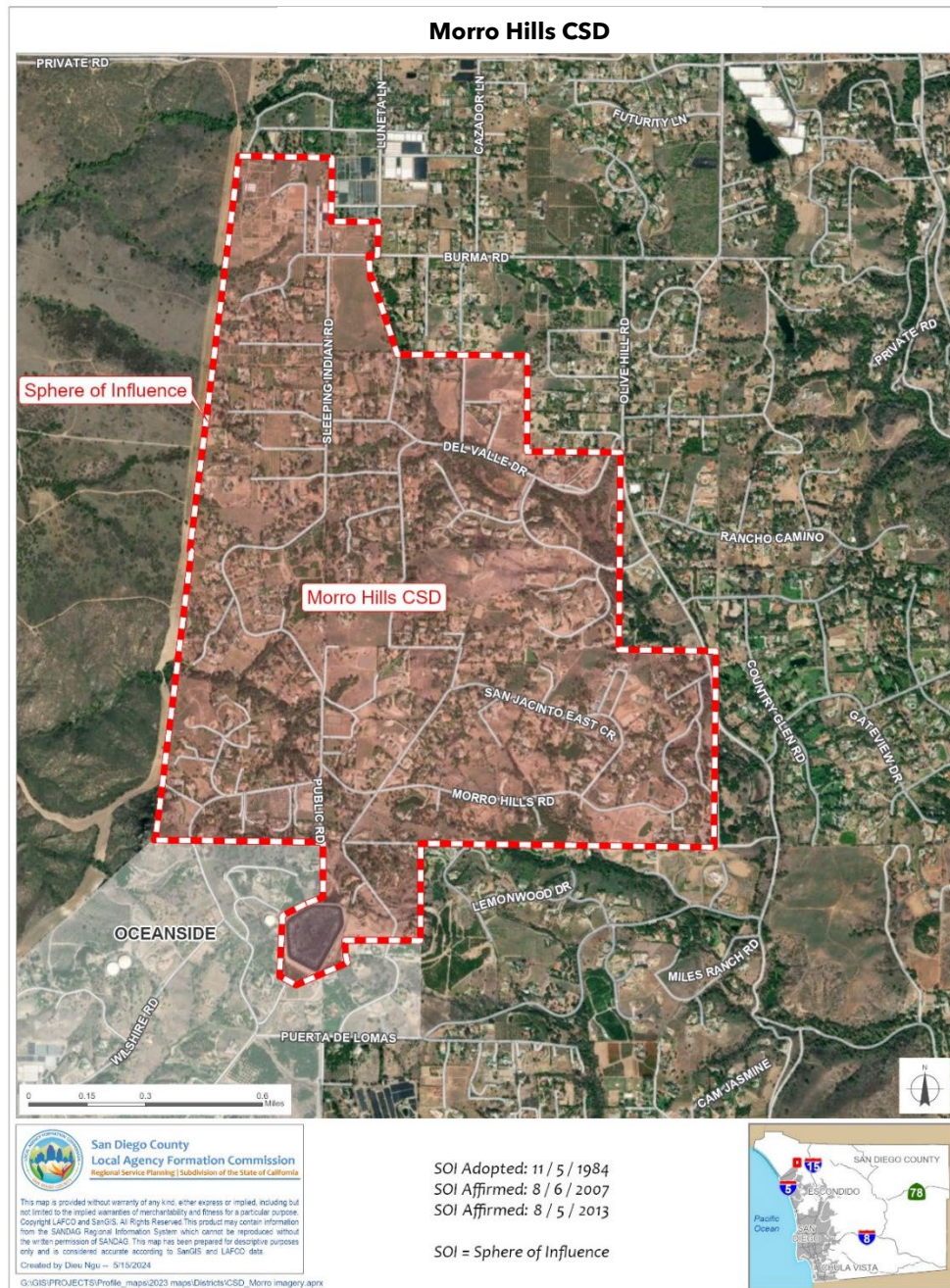
Relationship to Local General Plans...

All of Morro Hills CSD’s jurisdictional boundary and sphere of influence lands are unincorporated with 99% designated by the County of San Diego as Semi-Rural-2. This designation applies to 28% of all unincorporated lands with a density range of 1 dwelling unit for every 2 acres to 1 dwelling unit for every 8 acres depending on slope.

² “The Semi-Rural category identifies areas of the County that are appropriate for lower-density residential neighborhoods, recreation areas, agricultural operations, and related commercial uses that support rural communities.” LUE, 3-8.

generated visioning policies. This includes an anchoring vision statement to “perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development while accommodating growth.”³

Map No. C-1



³ Reference to Fallbrook Community Plan, G-LU-1.1.

3.4 Relationship to College and School District Boundaries

Morro Hills CSD’s jurisdictional boundary and sphere of influence lies within four college and school districts: Palomar; Bonsall Unified; Fallbrook Union Elementary; and Fallbrook Union High. A summary of key characteristics follows in Table C-3.4.

Morro Hills CSD Public College + School Districts Information Table C-3.4 Source: Palomar; Bonsall Unified; Fallbrook Union Elementary; and Fallbrook Union High				
	Palomar	Bonsall Unified	Fallbrook Union High	Fallbrook Union Elementary
District Type	College	School	School	School
% within Morro Hills CSD	100%	5%	95%	95%
Superintendent	Star Rivera-Lacey	Joseph Clevenger	Ilsa Garza-Gonzalez	Monika Hazel
Grades	N/A	K-12 th Grade	9 th -12 th Grade	K-8 th Grade
Campuses	1	5	3	11
Enrollment in FY18	38,332	2,930	2,165	4,864
Enrollment in FY22	27,455	2,209	2,128	4,921
... Change in Enrollment	(28.4%)	(721) or (24.6%)	(37) or (1.7%)	57 or 1.2%
Operating Budget in FY18	\$432,712,445	\$28,869,316	\$29,265,755	\$54,964,023
Operating Budget in FY22	\$348,247,918	\$28,168,787	\$34,796,267	\$79,739,255
... Change in Budget	(19.5%)	(2.4%)	18.9%	45.1%

4.0 DEMOGRAPHICS

4.1 Population and Housing

Morro Hills CSD’s total full-time resident population within its jurisdictional boundary is independently estimated by LAFCO at 1,001 at the end of the five-year reporting period. This amount represents 0.03% of the countywide population total. (Information is not readily available within the two affected census block groups underlying the jurisdictional boundary to reliably estimate earlier counts within the report period.) The current estimate produces a population density of 0.9 residents for every jurisdictional acre and underlies the overall rural character of the jurisdictional boundary. (For context, the population density for the adjacent City of Oceanside at the end of the reporting period is 6.5 residents for every one acre.)

Relatively Small Population...

It is estimated there are 1,001 fulltime residents in Morro Hills CSD at the end of the reporting period. It is assumed population growth within the CSD will be relatively limited over the report timeframe and increase by 30 - or 6 annually on average - to 1,031 by 2027.

Proceeding forward, and for purposes of this report, LAFCO projects the growth trend will match the recent countywide rate and result in the population in the CSD increasing by 30 to 1,031 by 2027.

Morro Hills CSD Resident Population Table C-4.1a Source: Esri and San Diego LAFCO					2027 Projection
Factor	2010 Estimate	2018 Estimate	2022 Estimate	Annual Change	
Morro Hills CSD	n/a	n/a	1,001	n/a	1,031
San Diego County	3,095,305	3,244,893	3,315,082	0.6%	3,414,325

LAFCO separately estimates there are 396 residential housing units within Morro Hills CSD at the term of the five-year reporting period.

With respect to housing characteristics, and based on the most recent five-year average, 70.0% of units are owner-occupied, 22.5% are renter-occupied, and the remaining 7.5% are vacant. The mean monthly housing cost (mortgage or rent payment only) in the CSD at the end of the reporting period is \$2,939 and 49.1% above the countywide average of \$1,971. This housing cost separately equals 24.1% of the residents' average monthly household income. Additional housing characteristics follow in Table C-4.1b.

Expensive Housing ...
The ending average monthly housing costs (mortgage or rent) within Morro Hills CSD tallies \$2,939 and is 49% higher the countywide average. The average housing cost equals 24% of the average monthly household income within the CSD.

Morro Hills CSD Housing Characteristics Table C-4.1b Source: Esri and San Diego LAFCO		
Factor	Morro Hills CSD	San Diego County
2010 Housing Units	n/a	1,164,781
2022 Housing Units	396	1,238,794
... % Change	n/a	6.4%
Monthly Housing Cost (5-year average 2012-2016)	\$2,584.46	\$1,578.00
Monthly Housing Cost (5-year average 2017-2021)	\$2,938.58	\$1,971.00
... % Change	13.70%	24.90%

4.2 Age Distribution

The median age of residents in Morro Hills CSD is 43.3 based on the current five-year period average. This amount reflects an overall increase of 19.2% over the prior five-year period and one-fifth higher than the countywide median age of 36.3. Residents in the prime working age group defined as ages 25 to 64 dropped below the one-half mark over the two five-year period averages from 50.9 to 46.9; a difference of (7.8%).

Older and Getting Older...

Residents within Morro Hills CSD tend to be measurably older with a median age of 43.3 relative to the countywide average of 36.3.

Morro Hills CSD Age Distribution		
Table C-4.2 Source: Esri and San Diego LAFCO		
Factor	Morro Hills CSD	San Diego County
Median Age (5-year average 2012-2016)	36.3	35.3
Median Age (5-year average 2017-2021)	43.2	36.3
... % Change	19.5%	2.8%
Prime Working Age, 25-64 (5-year average 2012-2016)	50.9%	53.7%
Prime Working Age, 25-64 (5-year average 2017-2021)	46.9%	54.1%
... % Change	(7.8%)	0.7%

4.3 Income Characteristics

The median household income in Morro Hills CSD is \$146,289 based on the current five-year period average. This amount shows full-time residents are receiving significantly more money with the median income experiencing an overall increase of more than three-fourths - or 76.2% - from the preceding five-year period average of \$83,016. The current median household income in the CSD is also 66% higher than the current countywide median of \$88,240. Similarly, the current poverty rate average in Morro Hills CSD is 6.3% and more than one-third below the overall countywide rate of 10.7%.

Expanding Income Prosperity...

The median household income in Morro Hills CSD finished the reporting period at \$146,289. This amount represents an increase of nearly three-fourths over the 60 months and is two-thirds higher than the countywide average.

Morro Hills CSD Income Characteristics Table C-4.3 Source: Esri and San Diego LAFCO		
Factor	Morro Hills CSD	San Diego County
Median Household Income (5-year average 2012-2016)	\$83,105	\$66,529
Median Household Income (5-year average 2017-2021)	\$146,289	\$88,240
... % Change	76.2%	32.6%
Resident Poverty Rate (5-year average 2012-2016)	16.5%	14.0%
Resident Poverty Rate (5-year average 2017-2021)	6.7%	10.7%
... % Change	(59.1%)	(23.6%)

4.4 Other Socioeconomic Indicators

Unemployment levels within Morro Hills CSD are minimal at 2.7% based on the current five-year period average. This amount falls more than three-fifths below the countywide average sum of 6.6% and reflects more than a one-half reduction over the prior five-year period average of 3.4%. Other notable measurements include one out of every three residents collecting retirement income at the end of the reporting period and one-half higher than the countywide rate. Education levels within Morro Hills CSD, as measured by four-year college graduates have increased during the reporting period and now account for more than one-half of all residents at 52.3% and correlate to the relatively high median income levels. The non-English speaking percentage of the population remains lower than the county-wide average and decreased during the reporting period from 9.2% to 8.9%.

White-Collar Incomes...
More than one out of every two adults in Morro Hills CSD hold four-year college degrees at the end of the reporting period. This ratio paired with the high median home income suggests CSD residents hold professional positions.

Morro Hills CSD Other Socioeconomic Indicators Table 4.4 Source: Esri and San Diego LAFCO		
Factor	Morro Hills CSD	San Diego County
Unemployment Rate (5-year average 2012-2016)	3.4%	7.8%
Unemployment Rate (5-year average 2017-2021)	2.7%	6.6%
... % Change	(19.7%)	(15.4%)
Collecting Retirement (5-year average 2012-2016)	26.7%	17.7%
Collecting Retirement (5-year average 2017-2021)	31.4%	21.2%
... % Change	17.0%	19.8%
Non-English First Language (5-year average 2012-2016)	9.2%	15.0%
Non-English First Language (5-year average 2017-2021)	8.9%	13.1%
... % Change	(3.4%)	(12.6%)
Adults with Four-Year Degrees (5-year average 2012-2016)	39.7%	36.5%
Adults with Four-Year Degrees (5-year average 2017-2021)	52.3%	40.3%
... % Change	31.8%	10.4%

4.5 Homeless Estimates

No information exists with respect to homeless counts within Morro Hills CSD.

4.6 Environmental Justice

Consideration of environmental justice draws on LAFCO staff analyzing data made available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Almost all of the Morro Hills CSD jurisdictional boundary lies within one census tract (6076218611) and has been reviewed in assessing the significance of pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below and further detailed in Table C-4.6.

Pollution Burdens + At Risk Factors..

LAFCO's consideration of environmental justice factors in Morro Hills CSD draws from the California Environmental Protection Agency and provides percentile rankings relative to all of California as it relates to (a) pollution burdens and (b) at-risk population characteristics.

- Morro Hills CSD's composite **pollution burden** ranking falls in the 52nd percentile relative to the rest of California. Five of the 13 tracked pollution burdens exceed the 66th percentile and are considered significant. These significant burdens are divided between two exposures (pesticides and drinking water containments) and three effects (cleanup sites, impaired water bodies, and solid waste sites). Additional details are footnoted.⁴
- Morro Hills CSD's composite **at-risk population** ranking falls in the 20th percentile relative to the rest of California. None of the eight tracked at-risk population categories exceed the 66th percentile and are considered significant.

⁴ Pesticide exposures within the census tract ranks in the 97th percentile and sourced to common uses of all of the following chemicals: chloropicrin; metam-sodium; chlorothalonil; 1,3-dichloropropene; and potassium n-methyldithiocarbamate. Drinking water containments within the census tract ranks in the 71st percentile and sourced to elevated testing for 1,2,3 trichloropropane and total coliform. Cleanup sites within the census tract ranks in the 69th percentile with four located within the tract and associated with the Naval Weapons Facility. Impaired water bodies within the census tract ranks in the 67th percentile and sourced to four lying within or adjacent to the tract. Solid waste sites within the census tract ranks in the 64th percentile and sourced to two locations within the tract - both of which lies south of the CSD boundary.

Morro Hills CSD + Surrounding Lands Pollution Burdens and Susceptible Population Table C-4.6 Source: California Environmental Protection Agency and SD LAFCO	
Factor	Morro Hills CSD + Surrounding Lands
No. of Census Tracts	1
Pollution Burden	Weighted Percentile
... Comparative Percentile	52
Exposures Air Quality - Ozone	45
Exposures Air Quality - Fine Particulate Matter:	23
Exposures Air Quality - Diesel Particulate Matter:	44
Exposures Pesticide Uses:	97
Exposures Toxic Releases:	13
Exposures Traffic Impacts:	28
Exposures Drinking Water Contaminants:	71
Exposures Lead Risk in Housing:	13
Effects Cleanup Sites:	69
Effects Groundwater Threats:	31
Effects Hazardous Waste:	3
Effects Impaired Water Bodies:	67
Effects Solid Waste Sites and Facilities:	64
Sensitive Population	Weighted Percentile
... Comparative Percentile	20
Sensitive Population Asthma:	6
Sensitive Population Low Birth Weight:	47
Sensitive Population Cardiovascular Disease:	11
Socioeconomic Factor Education:	48
Socioeconomic Factor Linguistic Isolation:	27
Socioeconomic Factor Poverty:	29
Socioeconomic Factor Unemployment:	54
Socioeconomic Factor Housing Burden:	40

5.0 ORGANIZATION

5.1 Governance

Morro Hills CSD operates as an independent special district under Division 3 of California’s Government Code (Sections 61000 to 61250). The principal act – Community Services District Act – was established by the Legislature in 1951 to provide local communities the ability to provide a full range of municipal services within a developed or developing area and commonly as an alternative and/or placeholder to incorporation. The only municipal service limitation on CSDs involves the prohibition of directly providing a community development function (i.e., land use). CSDs may include incorporated and/or unincorporated territory as well as comprise either contiguous or non-contiguous territory. CSDs may also include one or more zones.

Morro Hills CSD is currently authorized by LAFCO to provide one municipal function – streets – along with several ancillary classes involving culverts, drains, curbs, gutters, and sidewalks. All other service functions empowered under the principal act are categorized as latent and would require formal LAFCO approval to activate. A listing of all latent powers is detailed in Section 61100 and summarized in the footnote.⁵

Morro Hills CSD Authorized Functions and Ancillary Classes Table C-5.1a Source: SD LAFCO + Community Service District Law	
Function	Ancillary Classes
Streets	Acquire, construct, improve, and maintain streets, roads, rights-of-way, bridges, culverts, drains, curbs, gutters, sidewalks, and any incidental works.

Consistent with its principal act, Morro Hills CSD is governed by a five-member at-large Board of Directors. Each director must be a registered voter within the CSD and subject to standard conflict of interest protections. Members are elected and/or appointed in place of contested elections to staggered four-year terms. Appointments to fill vacancies are also authorized to the Board to make within 60 days. (Should the CSD fail to act within 60 days the appointment authority goes to the Board of Supervisors.) The Board meets quarterly at a community non-profit (Fallbrook Land Conservancy) located outside the jurisdictional boundary at 1815 Stagecoach Lane in Fallbrook. Directors are volunteers and receive no compensation. Summary minutes are prepared for all meetings; audio and video recordings are not provided. A current listing of the Board and their respective backgrounds and service years follows.

Morro Hills CSD Current Board Roster Table C-5.1b Source: Morro Hills CSD			
Member	Position	Years on Board	Background
Thomas Harrington	President	25	Land Surveyor - Real Estate
Patrick Meehan	Director	2	Accounting
Jeanine Roskos	Director	1	Mortgage Banking
Bill Weber	Director	1	Construction
Charlene Weber	Director	1	Construction
Average Experience: 6.0 Years			

⁵ CSDs are empowered under the principal act – and subject to LAFCO authorization – to provide all of the following municipal functions: water; wastewater; recycled water; solid waste; fire protection and emergency medical; ambulance; parks and open space; community recreation; street lighting; landscaping; vector control; police protection; security; library; streets; electric and communication conversions; airports; transportation; graffiti abatement; flood control; community facilities; weed abatement; hydroelectric power; television translators; snow removal; animal and pest control; public mailboxes; mail delivery; cemeteries; habitat mitigation; broadband facilities; and finance operations of area planning commissions and municipal advisory councils.

5.2 Administration

Morro Hills CSD does not have any employees. Board members perform most administrative activities - including overseeing contractors provide project-specific street functions. CSD contracts with legal services as needed. CSD has no offices.

6.0 MUNICIPAL SERVICES

Morro Hills CSD currently provides one active municipal function categorized as “streets” with several ancillary classes. A summary analysis of this lone active service function and the ancillary classes follows with respect to capacities, demands, and performance during the five-year reporting period.

6.1 Streets Function + Related Classes

Morro Hills CSD’s street function commenced at the time of its formation in 1961. Initial actions involved taking ownership of most - but not all - of the existing roads that had been built within the jurisdictional boundary from the County of San Diego. CSD proceeded over the next several years to construct additional roads - comprising both new and extensions - and related drainage facilities with most of the funding sourced to governmental grants. CSD’s focus since the early 1970s has been to maintain the existing road network as needed via patching, paving, repairing berms, tree trimming, signage, and culvert cleaning. CSD also informs its roadway activities by preparing periodical traffic assessments.

Just Streets...

Morro Hills CSD’s street function and ancillary classes serve as the agency’s only municipal activity. Primary tasks under this function anchor to maintaining a 6.0-mile roadway network and involve performing routine paving, patching, and signage upkeep. CSD also periodically prepares traffic assessments to help inform calming measures.

Resources, Capacities + Demands

Morro Hills CSD’s street function operates as a non-enterprise function and is dependent on all-purpose revenues given the deliverables (i.e., roads) do not readily tie to collecting user fees. Morro Hills CSD’s allocation of the 1% generated in property taxes serves as the dominant resource in funding the streets function and relatedly helps define capacity limitations. The average annual property tax monies collected over the reporting period have been \$0.091 million and equal 99.0% of all revenues received with the balance largely involving interest earnings.

With respect to available capacities at the end of the reporting period, Morros Hills CSD’s street function is anchored by a roadway system spanning approximately 6.0 (5.96) miles. The roadway system is divided between primary and secondary designations; the former involves two-way roads that continue and/or connect beyond the CSD boundary with relatively high usages while the latter involves two-way roads exclusive to the CSD boundary with relatively low usages. Posted speed limits range between 25 and 45 miles per hour. Additional details follow in Table C-6.1a.

Morro Hills CSD Street Function: Roadway System Table C-6.1a Source: Morro Hills CSD			
Type	Roadways	Length (miles)	
Primary Roads	Sleeping Indian Road - Oceanside border to Burma Road...	2.09	
	Morro Hills Road - Sleeping Indian Road to Olive Hills Road	1.40	
	Burma Road - Sleeping Indian Road to CSD boundary	0.13	
	Secondary Roads		
Secondary Roads	Tumbleweed Lane - Sleeping Indian Road to CSD boundary	0.25	
	Del Valle Drive - Tumbleweed Lane to the terminus	0.35	
	Verde Drive - Sleeping Indian Road to Del Valle Drive	0.19	
	Georgine Road - Del Valle Drive to terminus	0.11	
	Conejo Road - Sleeping Indian Road to the terminus	0.17	
	San Jacinto Circle - Morro Hills Road to the terminus	1.16	
	San Jacinto Terrace - San Jacinto Circle to the terminus	0.11	

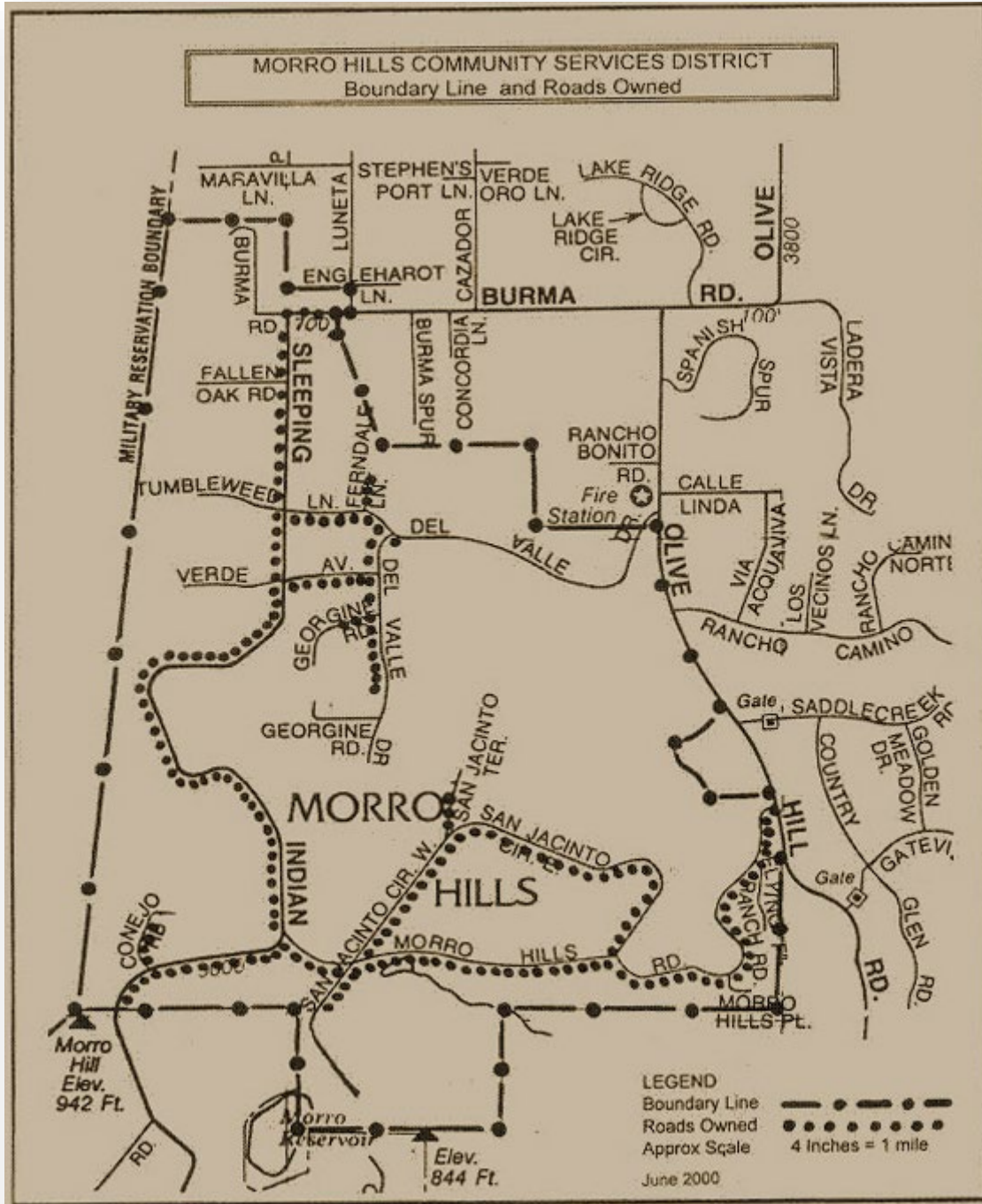
Total: 5.98

LAFCO estimates the remaining roadways in the CSD total 8.81 miles. Ownership of these remaining roads (i.e., County or private) is not readily available.

Morro Hills CSD’s roadway system is solely maintained by outside contractors. The current vendor is Peters Pavers and Grading (Temecula). Improvements and/or non-emergency repairs are considered by the Board annually as part of its budget process. An encroachment permit is required for any landowner activity requiring disturbing the public roadway system. Improvements are inspected before issuance, during construction, and after completion to assure compliance with CSD standards. CSD estimates the average demand for permits during the reporting period is two per year.

Morro Hills CSD’s roadway system is illustrated as part of Map No. C-2.

Map No. C-2



With respect to demands, the most recent traffic evaluation performed for Morro Hills CSD was completed near the end of the reporting period in August 2021 by The Perfect Solution (Mesa, Arizona). The 2021 evaluation follows earlier studies performed in 1989, 2004, and 2008 and similarly covers all three primary roads within the CSD - Sleeping Indian, Morro Hills, and Burma - as well as one secondary road, Tumbleweed Lane. The 2021 evaluation quantifies both traffic volumes and speeds for purposes of informing potential changes and/or enhancements to the roadway system. Notable takeaways from the 2021 evaluation are summarized below and further detailed in Table C-6.1b.

- Total average daily traffic volume measured at the three primary access points to the Morro Hills CSD community peaked in 2004 and has continued to level off in each of the subsequent counts performed in 2008 and 2021.
- Compared to the preceding evaluation in 2008, the average daily vehicle trips at the same three primary access points in 2021 have collectively decreased overall by (9.5%).
- Overall average daily traffic volume measured at the three access points to the Morro Hills CSD community generates 2,504 trips. The division of this daily trip total to the estimated number of residential units - 396 (2021) - produces an average per day household trip generation of 6.3, which is below the industry standard planning assumption of 9.4 trips.⁶

Morro Hills CSD Average Daily Vehicle Counts at Primary Access Points Table 6.1b Source: Morro Hills CSD			
Year	Sleeping Indian Road @ Morro Hills + Lower Springs	Morro Hills Road @ San Jacinto Circle W + E	Burma Road @ Sleeping Indian + Fallen Oak
1989	900	330	800
2004	1,350	480	1,150
2008	1,128	438	*1,201
2021	1,054	405	1,045
Average	1,108	413	1,049
Trend (all)	17.1%	22.7%	30.6%
Trend (04-21)	(21.9%)	(15.6%)	(9.1%)

* A substitute traffic count is used involving station to the immediate south at Sleeping Indian Rd +Tumbleweed Ln

⁶ Reference to the Institute of Traffic Engineers (ITE) Trip Generation Manual (10th Edition).

As detailed above, the most recent average daily traffic volume observed at the three access points to the Morro Hills CSD community tallies 2,504 vehicle trips (2021). This translates to a daily trip generator of 5.1 based only on existing development (single-family, commercial agriculture, etc.) in the CSD. This ratio falls substantively below industry planning assumptions that suggest the daily trip count should tally 8.6.⁷ It is reasonable to assume this deviation means a limited amount of traffic volume in the CSD can be attributed to outside travelers.

Internal Demands...

Measured traffic relative to existing land uses in Morro Hills CSD suggests only a small portion of daily trips are attributed to outside travelers.

Performance Measurements

Morros Hills CSD’s roadway network has remained relatively fixed since the mid-1960s with no current plans to expand in the near term. The Board’s focus over the last several decades and through the five-year reporting period has been to maintain existing service levels with an increasing emphasis on traffic safety and calming measures. These latter efforts are marked by periodically contracting with traffic engineers to prepare assessments on traffic volume and speed conditions within the CSD. The last two assessments were prepared in 2008 and 2021. A summary of the recommendations in both assessments paired with status with the CSD follows.

Morro Hills CSD: Recent + Current Traffic Assessments Table 6.1c Source: Morro Hills CSD		
Year	Consultant Recommendations	Status
2008	1. The speed limit along Sleeping Indian Road should be reset from 35 to 45 mph.	Incomplete
	2. The speed limit along Morro Hills Road should be set to 30 mph.	Complete
	3. The 35 mph sign located along the west side of Sleeping Indian Road just south of Burma Road should be removed and replaced with a 45 mph sign.	Incomplete
	4. The 35 mph sign located along the north side of Sleeping Indian Road just west of Conejo Road should be removed and replace with a 45 mph sign.	Incomplete
2021 (Primary)	1. A newsletter should be prepared for circulation throughout the CSD to briefly summarize the findings of the recent speed counts and identify the roadway segments of concern along with telegraphing potential calming measures.	Complete
	2. Speed limits should be posted at all entry points.	Complete
	3. Remove the stop sign for northbound Sleeping Indian Road at Burma Road.	Incomplete
	4. Add two curve warning signs to northbound Sleeping Indian as it approaches Burma Road.	Complete
	5. Narrow all travel lanes to a width of 10 feet except where the total pavement width is less than 20 feet. Those lane widths could be a minimum of 9.5 feet to ensure an edge line is visible.	Complete
	6. Restripe the double-yellow centerline through the intersection of Sleeping Indian Road and Burma Road, northbound to eastbound.	Complete
	7. Remove all vegetation within 100 feet on the approach to driveways, intersections, and traffic signs. Vegetation should also be removed 20 feet past every driveway, intersection, + signs.	Incomplete
	8. All Stop Bars within the community should be 12 inches wide.	Complete

⁷ Based on LAFCO’s calculation of notional trip demands using the ITE standards and applying to existing land uses in the CSD.

As reflected in Table 6.1c, three of the four recommendations from the 2008 traffic assessment remain incomplete. All three tie to raising the speed limit on Sleeping Indian Road from 35 to 45 mph consistent with the observed 85th percentile of otherwise free-flowing travel consistent with California Vehicle Code regulations. (The actual 85th percentile tallied 49 mph, which was reduced to 45 mph in the final recommendation given limited shoulders and no sidewalks on Sleeping Indian Road.) The most recent traffic assessment performed in 2021 shows the observed 85th percentile of free-flowing traffic on Sleeping Indian Road at 59 mph. The 2021 assessment, however, misreports the speed limit on Sleeping Indian Road at 45 mph while concurrently downplaying the results of their own observed free-flow travel as anomalies and/or theorizing drivers may have been purposefully skewing the results by speeding. This leads the 2021 assessment to recommend a series of traffic calming measures rather than proceeding with the more notional approach in the Vehicle Code to raise the speed limit to 55 mph consistent with the observed 85th percentile.

A long-standing omission persists involving Morro Hills CSD's most traveled street - Sleeping Indian Road - given the 35 mph limit is substantively lower than the California Vehicle Code would otherwise support. It would be prudent for CSD to revisit the speed limit to help ensure it is fairly set to the 85th percentile standard and contributes - and does not undermine - safe driving conditions in the service area.

7.0 FINANCES

7.1 Budget and Actuals

LAFCO staff requested but did not receive copies of budget materials or quarterly financial reports covering the five-year reporting period from Morro Hills CSD. These materials are also not available on the CSD website.

7.2 Fund Balance

Morro Hills CSD's fund balance at the end of the five-year report period tallies \$0.267 million. This amount represents the unassigned cash available to the CSD for any purposes and finishes nearly one-fifth above the annual ending fund balance average of \$0.181 million generated over the prior four-year period in which information is readily available. The combination of the two amounts reflects an upward trend over the corresponding 48 months of 87.1%. The average annual ending

Sizing the Fund Balance Up...

Morro Hills CSD finished the five-year report period with an unassigned fund balance of \$0.267 million, sufficient to cover 134 months of recent actual costs.

fund balance is separately sufficient to cover 40.9 months of the average operating expense incurred over the same period. The ending fund balances relative to covering equivalent monthly operating expenses follows in Table C-7.2a.

Morro Hills CSD Unassigned Fund Balance + Monthly Coverage Equivalents Table C-7.2a Source: Morro Hills CSD (CAFRs, FY19 to FY22) + SD LAFCO							
Category	2018	2019	2020	2021	2022	Average*	Trend*
Ending Fund Balance	n/a	142,621	118,853	194,282	266,849	180,651	87.1%
... Actual Operating Costs	n/a	32,174	138,040	17,764	23,843	52,955	(25.9%)
... Equivalent Months Covered	n/a	53.2	10.3	131.2	134.3	40.9	152.5%

*Abbreviated to 4-Year Sums

7.3 Financial Statements

Morro Hills CSD contracts with an outside accounting firm to prepare an annual report to review the agency’s financial statements under established governmental accounting standards. All outside audits prepared during the five-year report period have been performed by Nigro & Nigro (Murrieta). CSD’s most recent audited financial statements covers 2021-2022

Most Recent Year-Ending Financial Statements (2022) amounts in millions	
Assets	\$0.579
Liabilities	\$0.0
Deferred Outflow/Inflow	\$0.0
Net Position	\$0.579

and were completed on July 31, 2022. These statements show the CSD experienced a moderate to sizable improvement over the prior fiscal year as the overall net position covering all activities and related associations increased by 7.4% from \$0.539 million to \$0.579 million. The accompanying letter from the outside auditor to the CSD Board did not identify any material weaknesses or related concerns. A detailing of year-end totals and trends follows for assets, liabilities, and net position.

Agency Assets

CSD’s audited overall assets at the end of the reporting period totals \$0.579 million. This amount is 12.1% higher than the average ending amount of \$0.509 million documented during each of the five report years and underlies the one-quarter plus upward trend generated during the period. Assets classified as current with the expectation they could be liquidated within a year tally \$0.267 million - or 46.1% of the total - and

Assets Gradually Rising ...

CSD’s assets have increased by 27% during the five-year report period from \$0.454 to \$0.579 million with the change largely tied to expanding cash and investment holdings. The per capita value of total assets at the end of the reporting period is \$578.

predominately tie to cash and investments. This latter category underlies the overall increase in assets having risen by nearly two-fold - or 162.0%. Assets classified as non-current make up the remainder of the overall total at \$0.312 million and entirely consist of capital assets classified as “road improvements.” Specific year-end asset totals for CSD are shown below in Table C-7.3a.

Morro Hills CSD Audited Assets Table C-7.3a Source: CSD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current	112,318	165,350	118,978	194,457	266,849	171,590	137.6
Non-Current	342,318	305,476	383,279	344,334	312,061	337,494	(8.8)
Total (millions)	\$0.455	\$0.471	\$0.502	\$0.539	\$0.579	\$0.509	27.3%
Per Capita Value	433.81	456.23	529.81	557.18	578.33	509.56	33.3

Agency Liabilities

CSD finished the reporting period without having booked any year-end liabilities during any of the five years. This includes - among other things - CSD finishing each year without any due accounts payable, bonds payable, pension or post-employment liabilities, compensated absences, claims, or leases.

Morro Hills CSD Audited Liabilities Table B-7.3b Source: CSD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Current	0.0	0.0	0.0	0.0	0.0	-	-
Non-Current	0.0	0.0	0.0	0.0	0.0	-	-
Total (millions)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-	-
Per Capita Value	0.0	0.0	0.0	0.0	0.0	-	-

Net Position

CSD’s overall audited net position at the end of the reporting period totals \$0.579 million and represents the difference between total assets and total liabilities along with adjusting for deferred resources, if applicable. This most recent year-end amount lies 13.7% above the average year-end sum of \$0.509 million generated during the five-year report period

Net Worth on Paper...

CSD’s audited net position mirrors asset holdings and has increased during the five-year report period by more than one-fourth from \$0.454 million to \$0.579 million.

and underlies the upward and improving trend. The net position is divided nearly equally between capital assets at \$0.312 million and unrestricted assets at \$0.267 million. Specific year-end net position totals are shown below in Table C-7.3c.

Morro Hills CSD Net Position Table C-7.3c Source: CSD CAFRs + SDLAFCO							
Category	2018	2019	2020	2021	2022	Average	Trend
Restricted	-	-	-	-	-	-	-
Unrestricted	112,318	165,350	118,978	194,457	266,849	171,590	137.6
Capital Assets	342,318	305,476	383,279	344,334	312,061	337,494	(8.8)
Total (millions)	\$0.455	\$0.471	\$0.502	\$0.539	\$0.579	\$0.509	27.3%
Per Capita Value	433.81	456.23	529.81	557.18	578.33	509.56	33.3

7.4 Fiscal Indicators | Measuring Liquidity, Capital, Margin + Asset Management

Analysis of the standard fiscal measurement categories – liquidity, capital margin, and asset management – regarding Morro Hills CSD has limited value given the agency’s relatively stagnant fiscal activity during the five-year report period with one exception. This exception involves considering the CSD’s total margin ratios over the reporting period and its value as a bottom-line accounting measurement. CSD’s overall average total margin during the reporting period has been 39.2%; i.e., the agency has collected \$1.39 in total revenue for every \$1.00 total expense over each of the five years. Positive total margins were achieved in four of the five years with an ending tallying of 75.2%. The overall trend covering the reporting period is 168.2%.

7.5 Pension Obligations

None.

7.6 Other Post-Employment Benefit Obligations

None.

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

7a

AGENDA REPORT
 Business | Action

June 3, 2024

TO: Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer
 Bill Fulton, LAFCO Consultant
 Chris Cate, LAFCO Consultant

**SUBJECT: White Paper on Regional Growth Management |
 “The Contours of Regional Growth: How Different Agencies Shape
 Development and Transportation Patterns in the San Diego Region”**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a white paper evaluating the San Diego region's growth management policies and practices consistent with the adopted workplan. The William Fulton Group has prepared the white paper. It explores the historical and emerging roles among the principal regional growth management agencies in San Diego County – LAFCO, the County of San Diego, and the San Diego Association of Governments (SANDAG). The white paper is in tentative form and includes several recommendations to improve connectivity between LAFCO, County, and SANDAG in carrying out their respective growth management duties in the region. Staff recommends the Commission formally accept and file the white paper with any related requests for additional information. Staff will proceed afterward to publish the white paper in final form.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann, Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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BACKGROUND

Adopted Workplan & White Paper on Regional Growth Management

San Diego LAFCO's current fiscal year workplan includes 30 special projects divided into two distinct categories – statutory and administrative – along with priority assignments set by the Commission. One of these priority projects draws from an earlier recommendation included in the municipal service review on the Escondido region to prepare an informational report evaluating regional growth management responsibilities and current guiding policies.

DISCUSSION

This item is for San Diego LAFCO to receive a white paper prepared by the William Fulton Group evaluating regional growth management agencies and their guiding policies. Consultant Bill Fulton will present the white paper and be available for questions.

ANALYSIS

The white paper focuses on three regional entities in San Diego County and their interconnectivity in managing regional growth: LAFCO, the County, and SANDAG. The report provides an overview of current statutory and policy issues underlying regional growth management decision-making in San Diego; the differing roles and responsibilities of the three regional agencies; and opportunities to improve connectivity going forward.

A copy of the white paper is provided in Attachment One.

RECOMMENDATION

It is recommended San Diego LAFCO formally accept and file the white paper to complete the adopted workplan project. This recommendation is provided as Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):

Accept and file the item.

Alternative Two:

Continue consideration of the item and provide direction to staff as needed.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Commission’s agenda for discussion as part of the business calendar. The following procedures are recommended in the consideration of this item:

- 1) Receive verbal presentation from staff unless waived.
- 2) Invite comments from interested audience members, if any.
- 3) Discuss the item and consideration recommendation.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1. White Paper on Regional Growth Management:
“The Contours of Regional Growth: How Different Agencies Shape Development and Transportation Patterns in the San Diego Region”

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The Contours of Regional Growth:

How Different Agencies Shape Development and
Transportation Patterns in the San Diego Region

*Prepared by the William Fulton Group
for San Diego County Local Agency Formation Commission*



White Paper on Regional Growth Management
June 2024 - Pending Commission Formal Action to Accept

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Executive Summary

Introduction

For more than 60 years, state, regional, and local governments in California have struggled with how best to manage growth and development at a regional level. In the post-World War II era, when California's population was growing rapidly, the state's policy efforts focused on managing growth in an orderly way and protecting agricultural land. However, since the state began to focus on climate change as a policy goal in the early 2000s, the landscape of power and responsibilities in dealing with regional growth management has shifted significantly to focus on the location of growth and the reduction of greenhouse gas emissions.

The purpose of this report, which was prepared in response to a request from the San Diego Local Agency Formation Commission in the process of approving the Escondido municipal services review, is to sort out roles and responsibilities. This report will also seek to provide a roadmap for the various agencies in the San Diego region to work together more successfully in managing the region's growth - and, indeed, to provide a template that LAFCOs, MPOs, and local governments statewide could use to better coordinate their efforts.

This report focuses primarily on three regional entities:

San Diego LAFCO, which oversees sphere of influence changes and annexations and conducts municipal service views.

San Diego Association of Governments, the Council of Governments and Metropolitan Planning Organization for the San Diego region, which, among other things, is responsible for the federally mandated Regional Transportation Plan and the state-mandated Sustainable Communities Strategy and Regional Housing Needs Allocation.

County of San Diego, which governs land use in the county's unincorporated area.

San Diego is the largest one-county region in the state and the most populous area where the LAFCO, MPO, COG, and county government all have the same boundaries.

Current Issues

LAFCO is the granddaddy of growth management entities, dating back to the 1960s. Since climate change became a major driver of California growth policy in the 2000s, however, SANDAG, cities, and counties have seen their roles expanded and strengthened, while LAFCO's role has remained more or less the same.

SB 375, adopted in 2008, requires SANDAG (and other MPOs) to include a "Sustainable Communities Strategy" as part of the federally required regional transportation plan. The SANDAG SCS must show how the region will reduce vehicle miles traveled (that is, overall driving). Although SANDAG has no authority over land use, the state's policy approach encourages SANDAG to incentivize the County and the cities to alter their land use plans to reduce VMT as called for in the SCS.

SB 743, adopted in 2013 and fully implemented in 2020, changed the method of traffic analysis under the California Environmental Quality Act from "level of service" to vehicle miles traveled - in other words, from congestion to the overall amount of driving. Any development projects in "VMT inefficient" areas where driving levels are higher are subject to additional analysis and mitigation under the California Environmental Quality Act (CEQA). Although different jurisdictions have adopted different standards regarding the VMT thresholds, the County of San Diego adopted a very strict standard that has discouraged housing development in unincorporated areas where housing is called for in the County's General Plan, leading developers to seek sphere changes and annexations for the first time in many years.

In addition to tightening the GHG/VMT reduction requirements, in the last few years the state has also increased requirements for the County and the cities to plan and zone for more housing, a process known as the Regional Housing Needs Assessment, which is administered by SANDAG.

In short, over the past 20 years, as the San Diego LAFCO has continued to try to manage local boundaries in a way that promotes orderly growth, with a focus on matching municipal services with community needs though mostly qualitative considerations, SANDAG, County of San Diego, and the county's 18 cities have been required by evolving state law to plan for communities that include more housing and less driving through mostly quantitative considerations. Because they are the result of different laws adopted at different times for different purposes, these efforts are not well coordinated at the regional level.

Recommendations

Better Data Sharing

The LAFCO should use SANDAG data in the process of independently verifying population growth projections and housing need. Such coordination would also help align efforts regarding the proposed recommendations below.

Regional VMT Mitigation System

SANDAG and the County of San Diego are engaged in a study of a regional VMT mitigation effort. The LAFCO should support - and ideally participate in - this study, because a regional program would likely discourage one-off sphere requests.

RHNA Transfer System and Property Tax Exchanges

The LAFCO, SANDAG, and the County should work together identify VMT efficient areas (or areas that show promise to become lower-VMT areas) across jurisdictional boundaries as possible housing sites. Housing proposals in these areas might be accommodated with sphere expansions and RHNA transfers between jurisdictions. This approach probably requires state legislation.

Comprehensive Sphere Review

In collaboration with the County (and ideally SANDAG as well), the LAFCO should conduct a comprehensive countywide sphere review that takes into account other regional growth management strategies, such as VMT mitigation and mobility hubs, in order to create a coordinated regional growth management strategy and minimize the need for one-off sphere expansion.

Introduction

For more than 60 years, state, regional, and local governments in California have struggled with how best to manage growth and development at a regional level. In the post-World War II era, when California's population was growing rapidly, the state's policy efforts focused on managing growth in an orderly way and protecting agricultural land. However, since the state began to focus on climate change as a policy goal in the early 2000s, the landscape of power and responsibilities in dealing with regional growth management has shifted significantly to focus on the location of growth and the reduction of greenhouse gas emissions.

Cities and counties have primary responsibility for land use planning and approval of individual private real estate development projects. Metropolitan planning organizations, or MPOs, such as the San Diego Association of Governments have been given new powers and responsibilities in encouraging compact development patterns and reducing driving (vehicle miles traveled).¹ Meanwhile, Local Agency Formation Commissions continue to play an important role in encouraging regional growth and development by making decisions about city spheres of influence and annexations and conducting municipal service reviews not only for cities and counties but also for special districts.

These roles have evolved over time, often as the result legislation that has been adopted separately with little coordination. The result is a patchwork of growth management efforts and requirements at the regional level. The purpose of this report, which was prepared in response to a request from the San Diego Local Agency Formation Commission in the process of approving the Escondido municipal services review, is to sort out roles and responsibilities. This report will also seek to provide a roadmap for the various agencies in the San Diego region to work together more successfully in managing the region's growth - and, indeed, to provide a template that LAFCOs, MPOs, and local governments statewide could use to better coordinate their efforts.

Report's Aim...

The purpose of this report is to sort out the roles and responsibilities - including recent changes - between regional growth management agencies in San Diego County with specific focus on LAFCO, SANDAG, and County of San Diego.

¹ As will be explained below, SANDAG, like most of its counterparts around the state, is both a Metropolitan Planning Organization and a Council of Governments and has overlapping responsibilities under state law because of these two different designations.

Overview of Growth Management in the San Diego Region

The San Diego region is the largest single-county region in California. The region encompasses 4,260 square miles, while the U.S. Census’s designed urbanized area is approximately 675 square miles.² The San Diego region is home to approximately 3.3 million people, making it the third-largest metropolitan region in California. Another 2.2 million people live in metropolitan Tijuana, which is adjacent and with which San Diego has important economic, demographics, cultural, and even commuting relationships. San Diego has traditionally experienced rapid population growth, though since the beginning of the COVID pandemic the region’s population has stagnated, as it has in most coastal regions of California.

Like most regions in California, San Diego has several local and regional agencies whose efforts - combined, though not always coordinated - shape the region’s growth pattern. The San Diego Local Agency Formation Commission, the San Diego Association of Governments, and the County of San Diego all play important regional roles.

It is important to note that these government agencies have overlapping, though by no means identical, appointing authorities. Voters elect the County of San Diego Board of Supervisors and mayors and city councilmembers in the 18 cities. Some of these elected officials are then appointed by their peers to both the LAFCO and SANDAG boards. The SANDAG board is made up only of city and county elected officials, while the LAFCO board, under state law, also includes special district representatives and a public member.

Regional Growth Decision-Making...

Most regional growth management decisions - at least at LAFCO and SANDAG - are performed by appointed elected officials drawn from the Board of Supervisors and city councils. LAFCO also includes appointed elected officials from special districts as well as an appointed member from the public.

The LAFCO is the granddaddy of all regional growth management agencies. LAFCOs were established statewide in 1963 in response to significant postwar growth in California. Between 1940 and 1960s, the state’s population grew by 127%, from 6.9 million to 15.7 million people.³

With the emergence of the “contract cities” system in the 1950s, dozens of new cities and hundreds of new special districts were created, often with little to no regional coordination. LAFCOs, accordingly, were established for the express purpose of limiting leapfrog growth via new agencies and/or annexations, thus promoting

² According to the U.S. Census, an “urbanized area” is “a continuously built-up area with a population of 50,000 or more” that includes both a central city and less dense suburbs. U.S. Census Bureau, *Geographic Areas Reference Manual*, Chapter 12, “The Urban and Rural Classifications”. <https://www2.census.gov/geo/pdfs/reference/GARM/Ch12GARM.pdf>

³ San Diego County’s population grew by 257%, from 289,000 to over 1 million people.

“orderly” growth and protecting agricultural and natural lands. LAFCO decision-making is mostly qualitative with significant discretion to individual LAFCOs to determine whether boundary changes and the like are orderly relative to local conditions. Markedly, although the 2000 changes to the law enacted by AB 2838 expanded the LAFCO’s role to include preparing regular municipal service reviews to help other decisions, the LAFCO’s primary responsibility of promoting orderly growth through responsible sphere of influence and annexation decisions has not changed much.

While LAFCOs growth management duties have remained relatively the same, California’s climate policy initiatives over the past 20 years have greatly expanded both the roles and the responsibilities of other regional agencies, especially MPOs such as SANDAG. As explained in more detail in Appendix A, AB 32 (Health and Safety Code §38500), adopted in 2006, was the first of four substantive legislative actions that

The Big Four: Legislative Changes to Regional Growth Management...

Beginning in 2006 with AB 32 and followed by SB 375 (2008), SB 743 (2013) and SB 828 (2018), the Legislature began reorienting MPOs - like SANDAG - to carry out quantified smart regional growth objectives by focusing on climate change and housing needs.

have dramatically changed regional growth management in the state. AB 32 requires a significant reduction in greenhouse gas emissions in the state over time. (Subsequent regulations have extended and increased the required GHG reduction.) Because the California Air Resources Board concluded that these targets could not be met without a decrease in vehicle miles traveled (that is, the overall amount of driving), both SANDAG and the local governments (County of San Diego and the 18 cities) now must take steps to reduce VMT, which inevitably involves potential changes in land use patterns.

SB 375, adopted in 2008, takes direct aim at implementing VMT reduction and requires SANDAG (and other MPOs) to include a “Sustainable Communities Strategy” as part of the federally required regional transportation plan. The SANDAG SCS must show how the region will reduce VMT, currently 19 percent per-capita by 2035, which requires a combination of transportation investments that provides alternatives to driving and compact development patterns that reduce the overall need for driving. Although SANDAG has no authority over land use, the state’s policy approach encourages SANDAG to incentivize the County and the cities to alter their land use plans to reduce VMT as called for in the SCS.

In 2013, the state adopted SB 743 (Public Resources Code, § 21099(b)(2)), which changed the method of traffic analysis under the California Environmental Quality Act from “level of service” to vehicle miles traveled - in other words, from congestion to the overall amount of driving. When SB 743 was ultimately implemented in 2020 the Governor’s Office of Planning & Research provided guidance (which is not mandatory)

that a full CEQA analysis⁴ should be required for any project results in VMT (again, overall driving) that is *more* than 15% *less* than the “regional” average. Based on subsequent, more informal guidance from OPR, County of San Diego interpreted “regional” as meaning the average for the entire county, including areas inside cities and outside its land use jurisdiction. As further detailed, this Board policy has affected housing potential in the unincorporated area.

In addition to tightening the GHG/VMT reduction requirements, in the last few years the state has also increased requirements for the County and the cities to plan and zone for more housing, a process known as the Regional Housing Needs Assessment, which is administered by SANDAG. SB 828, adopted in 2018, changed the methodology for calculating the amount of housing needed in such a way that overall housing targets increased significantly, and both the Department of Housing & Community Development and the state Attorney General’s Office now have more power and more resources to enforce the housing law.

In short, over the past 20 years, as the San Diego LAFCO has continued to try to manage local boundaries in a way that promotes orderly growth, with a focus on matching municipal services with community needs though mostly qualitative considerations, SANDAG, County of San Diego, and the county’s 18 cities have been required by evolving state law to plan for communities that include more housing and less driving through mostly quantitative considerations. Because they are the result of different laws adopted at different times for different purposes, these efforts are not well coordinated at the regional level.

⁴ Technically, the “significance threshold”. If a project might have an environmental impact that exceeds the significance threshold is subject to additional environmental review and most likely requires “mitigation,” or extra steps to reduce the impact.

The Roles and Responsibilities of Regional Agencies

San Diego Local Agency Formation Commission

Like its counterparts in California's 57 other counties, the San Diego Local Agency Formation Commission is a political subdivision of the State of California responsible for making legally binding decisions about the boundaries and service areas of both cities and special districts. In adopting Government Code §56000 *et seq* (the Cortese-Knox-Hertzberg Act of 2000), the legislature concluded that "the determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services" and "providing housing for persons and families of all incomes is an important factor in promoting orderly development".

State Subdivision...

LAFCO was created by the Legislature in 1963 and delegated regulatory and planning duties to facilitate cities and districts' orderly growth. The last comprehensive update to LAFCO law occurred in 2000 and involved adding the municipal service review directive, streamlining conducting authority (protest) procedures, and changing the local agencies' funding formula. LAFCOs' core duties and powers - however - remained largely unchanged.

For these reasons, all LAFCOs, including the San Diego LAFCO, have the power to:

- Determine cities' spheres of influence (the "probable ultimate physical boundary" of a city),
- Decide whether and when to annex property into cities (or detach land) in accordance with those spheres; and
- Manage the boundaries of special districts as well.

The LAFCO also manages the process of proposed city incorporations, including conducting fiscal analyses to ensure both that a proposed new city is fiscally solvent and that the affected jurisdiction is held financially harmless. LAFCOs also oversee the process of disincorporating cities and dissolving special districts, though these actions are not often undertaken.

Because the establishment of local government boundaries is considered a state function, the LAFCO is technically a state agency. However, its governing board is entirely local. The San Diego LAFCO, like most LAFCOs elsewhere in the state, has seven voting board members consisting of two elected county supervisors, two elected city councilmembers, and two elected special district board members, all selected by their peers; and one public member selected by the others. Unlike most other LAFCOs, San Diego also has an eighth voting board member from the City of San Diego Council as a result of special legislation.

In the course of carrying out its duties, the LAFCO is also authorized to prepare what are typically known as “municipal service reviews” – that is, comprehensive studies that assess both the availability and performance of services by the cities and special districts within the LAFCO’s jurisdiction. These reviews are intended to be coordinated with LAFCO’s statutory responsibility to update all local agencies’ spheres of influence ever five years as needed.

The San Diego LAFCO’s municipal service reviews for cities and special districts typically cover not only the adequacy of the services provided but also the likely future growth and development of the local government agency being reviewed, including a projection of future population growth and future housing need. Thus, even though the LAFCO has no direct authority over land use or growth management, its decisions can profoundly affect land use patterns. LAFCO affects land use patterns indirectly by setting spheres of influence and approving or denying boundary changes to cities and special districts. More specifically, LAFCO’s boundary decisions control access to public facilities and services that may be growth-inducing (e.g. sewer services to an undeveloped area), growth-supporting (e.g. boundary changes which affect already developed areas), or unrelated to growth (e.g. services provided by districts for rural areas).

LAFCOs’ Indirect Influence on Land Uses and Types...

LAFCO has no general governmental powers, and thus no authority to regulate the uses of land (zoning, etc.), property development, or subdivision design (e.g. roads, sizes of water lines, etc.). LAFCO does, however, engage in indirect land use decisions by setting spheres of influence and approving or denying boundary changes to cities and special districts.

More specifically, LAFCO’s boundary decisions control access to public facilities and services that may be growth-inducing (e.g. sewer services to an undeveloped area), growth-supporting (e.g. boundary changes which affect already developed areas), or unrelated to growth (e.g. services provided by districts for rural areas).

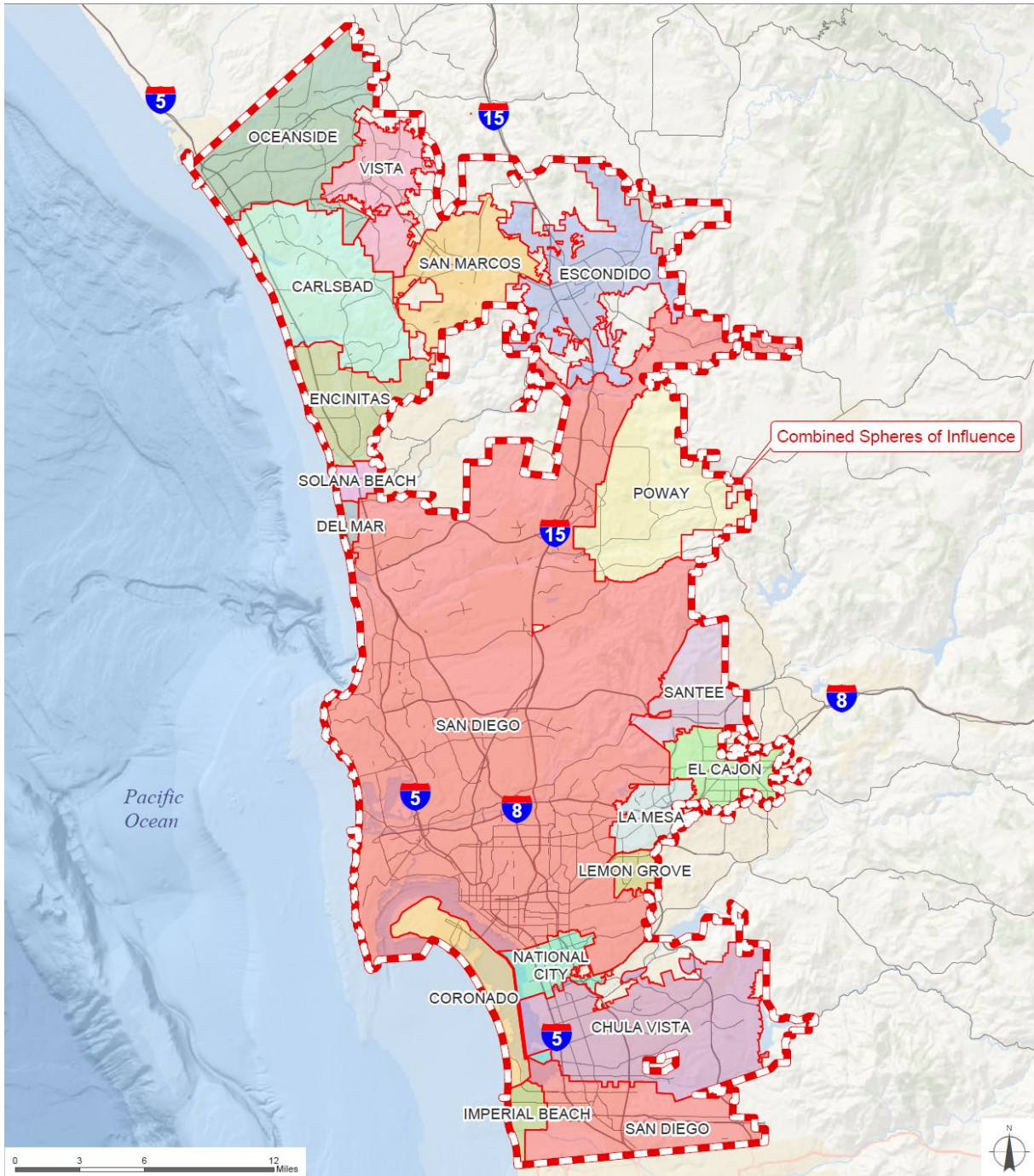
Unsurprisingly given its discretion to implement the Cortese-Knox-Hertzberg Act based on community needs, LAFCOs in different counties have adopted different philosophies about how to use their authority to manage growth. This philosophy has often evolved in tandem with the philosophy of the relevant county Board of Supervisors’ approach to growth.⁵ If a County Board of Supervisors wished to protect agricultural or natural land, the LAFCO policies often encouraged development inside cities; if a County Board of Supervisors was open to development in unincorporated areas, the LAFCO policies often led to small spheres of influence.

For example, dating from the 1970s, the Ventura County LAFCO has followed a policy known as the Guidelines for Orderly Development (informally known as “GOD”) that limited the number of cities that could be formed in the county, channeled new growth into those counties through aggressive use of spheres of influence, and established an informal agreement with Ventura County to maintaining greenbelts separating the cities from one another. Very little development has occurred outside of the cities over the decades in Ventura County.

⁵ Indeed, until the rewrite of the LAFCO law in 2000, many LAFCOs were embedded inside county governments and many LAFCO staff members were county employees. The 2000 revision did away with this practice.

By contrast, In Los Angeles County, spheres of influence have traditionally been small and new development has occurred mostly outside those spheres under the jurisdiction of Los Angeles County. Some new cities have been formed after this development in unincorporated areas has already taken place, especially in northern and western Los Angeles County. But generally, the LAFCO denied expansive spheres to these cities and new development adjacent to those cities took place under county jurisdiction.

Existing City Spheres in San Diego County



Similarly, in southern Orange County, the county government has managed the development process in recent decades, and, under the LAFCO's supervision, new cities have incorporated only after the development process is complete.

In San Diego County, the 18 cities are well established; no new city has incorporated in San Diego County since Solana Beach and Encinitas, both of which became cities in 1986.⁶ Spheres of influence have generally been small and most new development has occurred in unincorporated areas - prominent examples over the last 20 years involving the communities of Bonsal, Harmony Grove, Ramona, and Valley Center. The one major exception to this pattern is the huge, multi-phase Otay Ranch project. The Otay Ranch General Development Plan, originally adopted in 1993 and amended in 2013, called for part of the project to be annexed to the City of Chula Vista and part of it to remain in unincorporated territory.

As stated above, over the past 20 years, as the state's climate change and housing policies have come to play a dominant role in growth management, the role of LAFCOs has changed little. SB 375 from 2008, which requires MPOs like SANDAG to create "Sustainable Communities Strategies" that lay out a region's future growth, contains only one passing reference to LAFCOs, saying that the MPOs must "consider" the spheres of influence created by the LAFCOs. Similarly, even though LAFCOs exist in part, according to state law, because "providing housing for persons and families of all incomes is an important factor in promoting orderly development," none of the state's recent new land use/housing laws have changed or affected the LAFCO's power or role.

San Diego Association of Governments

In contrast to the LAFCO, which is a state agency established by state law, the San Diego Association of Governments is technically a joint powers authority under California state law. SANDAG's roots date back to the early 1960s, when the voluntary "Comprehensive Planning Organization" was created as part of the County of San Deigo, to deal with federally mandated regional transportation issues. In 1966, the Comprehensive Planning Organization become a separate joint powers authority consistent with State directives for local agencies to partner in community development and growth forecasting. In 1980, CPO changed its name to the San Diego Association of Governments.

JPA with Two Distinct Roles...

SANDAG is a joint-powers authority sponsored by the County of San Diego and 18 cities serving two distinct roles - MPO and COG. With its MPO role, and among other tasks, SANDAG maintains a continuous regional transportation plan. With its COG role, and among other tasks, SANDAG allocates regional housing needs allocations among the 19 land use authorities.

⁶ A new law in the 1990s made incorporating new cities more difficult. Not only must the new city be fiscally solvent, but it must also hold the host county fiscally harmless.

SANDAG is governed by a 21-member board made up of two elected representatives from the County of San Diego, two from the City of San Diego, and one each from the 17 other cities in the region (essentially the same governing authorities that appoint five of the eight LAFCO members). Traditionally, board approval at SANDAG required both approval from a majority of the individual board members and approval from representatives of a majority of the population in a weighted vote. Since the passage of AB 805 in 2017, the largest cities have the power to obtain board approval through a weighted vote, though this power is not frequently exercised.

Under federal transportation law, SANDAG is designated as the Metropolitan Planning Organization, which does transportation planning and programming. Under state law, SANDAG is also designated as the San Diego region's Council of Governments.

SANDAG's role as an MPO under federal law, means it must periodically produce the Regional Transportation Plan; a long-range transportation planning document that integrates with local jurisdictions' land use planning. This is not an unusual role for a council of governments, or COG. However, as the state's climate and housing laws have become dominant policy drivers in recent years, MPOs such as SANDAG have been given more power and more responsibility under state law to influence land use patterns at the regional level. Similarly, SANDAG is an unusual COG because, in addition to the MPO role, it performs a wide range of other duties. Most significantly, it provides design and construction of all regional transportation projects in the San Diego region - everything from highway expansions to trolley lines. For this reason, SANDAG has a large budget, over \$1 billion per year. It is unusual for an MPO to play this role; in Los Angeles and Orange counties, for example, the design and construction role is played by the county transportation commissions, which also oversee transit operations. (Transit operations in the San Diego region are performed by the Metropolitan Transportation System and the North County Transit District.)

SANDAG also plays a wide range of other roles, especially on issues related to transportation. For example, it is the co-lead for air quality planning with the San Diego Air Pollution Control District and it also serves as the region's Congestion Management Agency under state law. It also performs some transportation planning and programming functions in its role as the region's designated Regional Transportation Planning Agency under state law. SANDAG also serves, among other things, as the designated Regional Census Data Center, the Regional Criminal Justice Clearinghouse, and the Regional Toll Authority. SANDAG also administers the region's half-cent sales tax for transportation, commonly known as Transnet. (A complete list of SANDAG's roles and duties is available [here](#).)

SANDAG's dual role as the MPO and COG requires the agency to play a major role in growth management in the San Diego region and headlined by the aforementioned task to regularly prepare a regional transportation plan or RTP. The last RTP was adopted in 2021 and the next RTP is scheduled for adoption in 2025. The RTP lays out

the region's future transportation infrastructure plan, along with certain and potential funding sources for transportation projects ranging from federal funds down to local Transnet funds. Obviously, preparing the RTP requires SANDAG to prepare an assumed future regional growth scenario. Other key tasks include:

- Under SB 375, SANDAG as the MPO must prepare a "Sustainable Communities Strategy," or SCS, as part of the RTP that shows how the region will meet a per-capita reduction in vehicle miles travelled (essentially, overall driving). The current target, created jointly by SANDAG and the California Air Resources Board, is a 19% reduction by 2035. Preparing of the SCS requires SANDAG to create a regional growth scenario that will enable the region to hit the target. However, SB 375 specifically states that the County and the cities will retain land use authority, meaning SANDAG cannot mandate that local governments adopt land use policies that follow the SCS. Under SB 375, SANDAG is required to "consider" the spheres of influence adopted by the LAFCO and any LAFCO policies designed to protect agricultural and natural lands but is not required to consult with the LAFCO.⁷
- Under the Housing Element law (Government Code §65583 *et seq.*), SANDAG as the COG is required to administer the Regional Housing Needs Assessment (RHNA) process. Under this process, SANDAG must take the housing targets given to the region by the state for an eight-year period and allocate those housing targets to the County and the 18 cities. Targets are broken down into very low, low, moderate, and above-moderate income levels of affordability. Although housing is putatively part of the LAFCO's charge to manage growth in an orderly way, the LAFCO plays no role in the RHNA process.

These two requirements are intertwined and have together led SANDAG to become more deeply enmeshed in regional growth management and are further detailed below.

⁷California Transportation Commission, "2024 Regional Transportation Plan Guidelines for Metropolitan Planning Organizations," <https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/division-transportation-planning/regional-and-community-planning/sustainable-transportation-planning-grants/adopted-2024-rtp-guidelines-for-mpos-2-a11y.pdf>

Sustainable Communities Strategy

The SCS requirement, combined with the provision that local governments retain complete land use authority, places SANDAG in a difficult position. On the one hand, SANDAG must devise a land use scenario and an accompanying transportation system that reduces overall driving significantly, at least on a per-capita basis. On the other hand, local governments need not follow SANDAG's land use scenario and could adopt land use policies in their general plans that conflict with the SCS, making it more difficult for the region to meet the VMT target. And if SANDAG is not aggressive in crafting an SCS likely to meet the targets, the agency may be legally vulnerable; the first SANDAG SCS was challenged in court by the Cleveland National Forest Foundation, a process that lasted six years.

SCS + VMT Targets...

To achieve goals set by AB32, SCSs help California meet its climate and air quality goals, as well as advance community goals for public health, accessibility, equity, conservation and the economy.

Because SB 375 did not include a connection between the SCS and local general plans, state policymakers have always encouraged MPOs such as SANDAG be aggressive in incentivizing compact development in combination with transportation alternatives. Again, quoting the California Transportation Commission's SCS guidelines, "MPOs can encourage well-designed and sustainable local and regional projects that encourage reductions in GHG emissions by considering and implementing land use and transportation strategies." The guidelines specifically mention such strategies as mixed use, infill, and higher density development projects as well as housing and jobs in proximity to public transit.

For this reason, SANDAG has undertaken several incentive-based policies and grant programs. For example, SANDAG has adopted the "Mobility Hub" strategy to concentrate transportation infrastructure and similar amenities in centralized locations, thus setting the stage for possible increases in allowed density in those locations by local cities. SANDAG has also promoted "Transit Priority Areas," which are designated by the state for the purposes of expedited CEQA review. Similarly, SANDAG has used grants to incentivize local governments to adopt land use policies that closely align with the SCS. For example, the Smart Growth Incentive Program - originally adopted shortly after SB 375 passed - has provided \$60 million in Transnet funds for "public infrastructure projects and planning activities that facilitate compact, mixed-use, transit-oriented development and increase housing and transportation choices. Such grants are not unusual, as all major MPOs in California have adopted similar grant programs.

In crafting and implementing the RTP/SCS, SANDAG is subject not only to litigation from both development and environmental interests but also the oversight of the California Air Resources Board, which is the regulatory agency at the state level

charged with implementing the GHG/VMT reduction targets contained in state policy. As part of this oversight, CARB conducts an evaluation of each MPO's SCS.

In its evaluation of SANDAG's 2021 SCS, CARB gave SANDAG high marks for "region-specific funding and planning program actions. In particular, SANDAG has included new programs and commitments to support acceleration and planning for housing near mobility hubs sufficient to house the 6th cycle regional housing needs assessment (RHNA) plan allocation, and land conservation efforts needed to implement the SCS land use and housing strategies." [See below for more discussion of RHNA.]

However, the evaluation also said: "CARB staff is concerned that SANDAG's analysis of future housing growth is not reflected or well-supported by all of its member jurisdictions, with 7 of the region's local jurisdictions in compliance and 12 of the region's local jurisdictions out of compliance with the 6th cycle RHNA housing element requirements." (The RHNA process is described below.) The situation in the SANDAG region has improved since CARB's evaluation, as currently 18 jurisdictions now have compliant elements and the 19th jurisdiction, Coronado, recently reached a legal settlement with the state regarding how to comply.

Among SANDAG's other activities related to VMT reduction are the agency's geographically based VMT interactive mapping tool⁸, which depicts and predicts VMT according to a variety of factors, and a joint effort with San Diego County, funded by Caltrans, to explore the feasibility of a regional VMT mitigation program. These efforts become more important in light the discussion below about San Diego County's approach to SB 743.

RHNA, Housing Elements, and Other SANDAG Housing Programs

SANDAG also has growing responsibilities until state law regarding housing, and as the previous section suggests these responsibilities are intertwined with its GHG/VMT responsibilities. The most important responsibility is to administer the Regional Housing Needs Assessment program in the San Diego region. Under state Housing Element law, each city and county in California must plan and zone for an adequate number of housing units (available to all income levels) for a forthcoming eight-year period. The most recent eight-year period for SANDAG jurisdictions - commonly known as the "6th Cycle" - is from 2021 to 2029, coinciding with two RTP/SCS deadlines.

California's Plan for Housing...

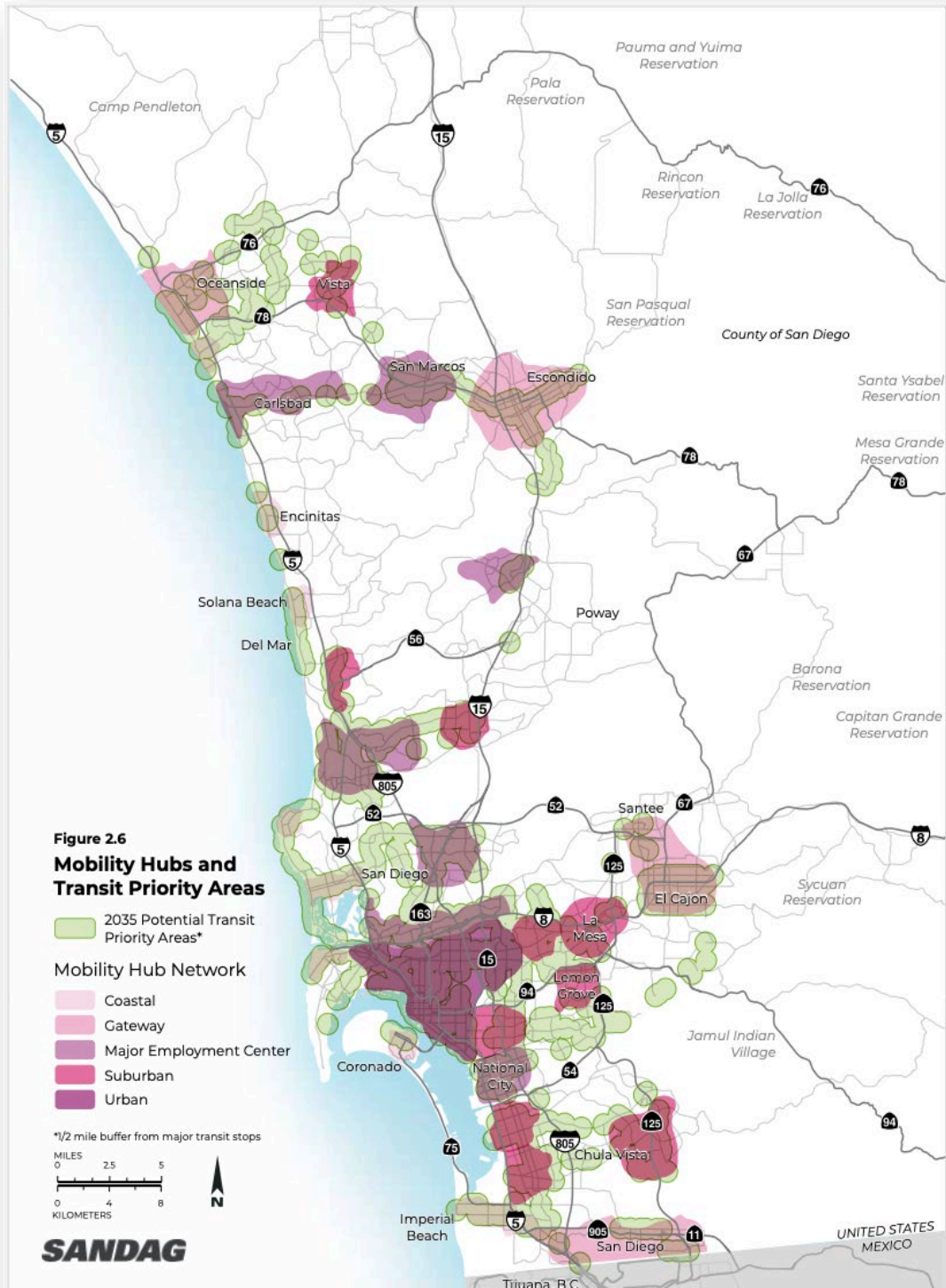
Since 1969, California has required all local jurisdictions to adequately plan to meet the housing needs for everyone in the community.

The Department of Housing and Community Development establishes the targets for each region and under state law, the COGs - including SANDAG - must allocate the regional housing targets to each jurisdiction - an often-contentious process.

⁸ <https://www.arcgis.com/apps/webappviewer/index.html?id=bb8f938b625c40cea14c825835519a2b>

Furthermore, under SB 828 (Government Code §65584 et seq.), the HCD methodology changed in a way that significantly increased the housing targets all over the state.

SANDAG MOBILITY HUBS + TPAS



In addition, as the COG SANDAG must meet five state goals contained in the RHNA law: promoting infill development and the protection of environmental resources, AFFH, promoting a better jobs/housing balance, fostering economic integration, and allowing the region to meet its GHG reduction goals. As the MPO, SANDAG is not required to meet all these goals in the SCS.

Once the housing targets have been allocated, each individual city and the County is responsible for updating the Housing Element of its General Plan to show how it will change zoning and use its housing resources to meet the target. This process is overseen by state HCD and MPO/COGs such as SANDAG are not involved, though the remarks contained in the CARB evaluation of the SCS show how intertwined these two processes are.

The San Diego region's housing targets rose by only 6%, from 161,000 to 171,000 - far less than in other metropolitan regions around the state.⁹ But the allocation process, aligning with an SCS land use scenario that emphasized infill development, resulted in significant increases in some older, mostly built out cities and some decreases elsewhere. For example, Coronado's target increased from 50 to 912, while the County of San Diego 's target for unincorporated areas decreased from 22,412 to 6,700. Several cities whose targets increased, including Coronado, challenged the allocation in court but lost. (Coronado subsequently reached a legal settlement with the state on its implementation plan for the targets.)

But SANDAG's housing responsibilities do not end with the RHNA. Over the past few years, as the state has expanded its efforts to encourage local governments to increase housing production, the state has also provided MPOs such as SANDAG with funds to support that effort. (The state has also adopted a wide variety of laws designed to ease land-use regulation on housing, but these laws do not affect SANDAG's role.)

Perhaps most importantly, SANDAG, like other major MPOs in the state, has received significant funding from the Regional Early Action Grant (REAP) program to incentivize local governments to approve more housing, especially near transit stations. SANDAG received \$6.8 million from the first REAP round (REAP 1.0) and is scheduled to receive \$43 million from the second round (REAP 2.0), though second-round funding may be delayed or reduced because of the state's budget deficit. With these funds, SANDAG has established the Housing Acceleration Program, or HAP, that provides grants and technical assistance to local governments. These grants assist local governments in the San Diego region to facilitate housing production in a wide variety of ways, ranging from funding of rezoning efforts to funding housing-related infrastructure and environmental analysis.

⁹ https://opendata.sandag.org/dataset/5th-and-6th-Cycle-RHNA-by-Jurisdiction-Long-Format/4srx-jucd/data?no_mobile=true

In sum, SANDAG's role in regional growth management has grown dramatically in the last 20 years as the state has given MPOs like SANDAG more responsibility to reduce driving (lower VMT per capita) and increase housing production. Though SANDAG has no land use authority, it has used its planning power, as well as state funds (and Transnet funds) to incentivize local governments to adopt more compact and transit-oriented development patterns. In addition, the result of the most recent RHNA process was to allocate more housing units to largely built-out cities while reducing the housing target in unincorporated areas.

County of San Diego

While land use authority inside city limits and in spheres of influence rests with the San Diego region's 18 cities, land use authority in unincorporated territory rests with the County of San Diego. Because the county is so large - and by local tradition spheres of influence are quite small - the San Diego County government has historically served as a *de facto* regional growth management entity.

As stated above, most of the remaining privately owned land available for development is located in unincorporated San Diego County. Of the 4,500 square miles located in county territory, more than half is owned either by the federal government or tribes. Of the remaining land, approximately 1,200 square miles are privately owned, while 200 square miles of privately owned land is considered possibly suitable for future development.

Historically, a large portion of new housing and other development in San Diego County occurred in the unincorporated area. Unincorporated communities such as Fallbrook, Bonsall, Alpine, Spring Valley, and Lakeside are significant population centers. More remote communities such as Ramona and Julian serve as more or less free-standing rural villages.

Federal and state environmental policy has played a significant role in shaping land development patterns in unincorporated territory. In particular, the Multiple Species Conservation Programs in place in the county, which date to the late 1990s, require developers in many unincorporated locations to set aside certain lands to protect endangered species as a condition of development. It is important to note, however, that the MSCP program emerged in response to the difficult burden placed on developers by the state and federal endangered species acts to analyze impacts on species on a project-by-project basis. Using both the habitat conservation planning methods contained in both the federal Endangered Species Act and the state Natural Communities Conservation Planning law, the MSCP provided developers with program-level requirements regarding the level of mitigation they would have to provide. While far from costless, this method did smooth the development process by providing certainty.

In order to implement this new law, every city and county in the state had to adopt a “significance threshold” identifying the level of VMT that might have a significant impact on the environment. Significance thresholds are an important demarcation point for CEQA analysis. If an environmental impact is not significant, no mitigation is required. If an environmental impact may be significant, additional CEQA analysis is required, and mitigation is likely also to be required. In the case of housing development projects, mitigations would likely include fees to cover the cost of additional transit service and the like. Many developers argue that steep VMT fees will render their projects financially infeasible.

In 2018, based on research from the California Air Resources Board, the Governor’s Office of Planning & Research issued a technical advisory on SB 743 implementation.¹¹

OPR’s guidance, which is advisory but not mandatory, suggested that the significance threshold for CEQA analysis on most development projects should be 15% *below* the *existing* regional VMT average. That is, additional CEQA analysis should be required if a project would generate VMT *above* the 15% *below regional average* threshold. OPR did not define “region” in the technical advisory. The state, SANDAG, and the County all produced maps depicting current VMT levels by transportation analysis zone or Census tract.

Not all jurisdictions followed OPR’s advice on the 15% threshold, but some did. The County of San Diego initially adopted a threshold of 15% below the average VMT in unincorporated areas, which excluded many urbanized areas inside cities with low VMT. According to county staff, the zoned capacity of “VMT efficient” areas was approximately 14,000 units, or about 25% of the overall zoned capacity.

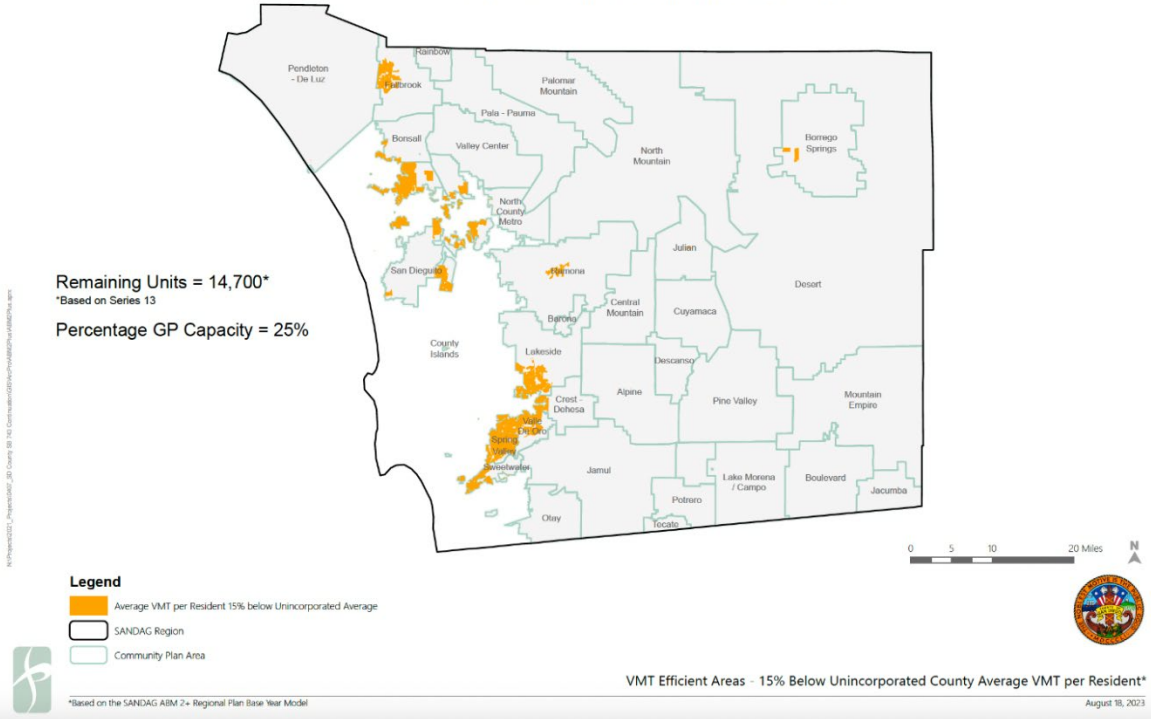
However, in 2021, OPR provided additional informal clarification about the definition of “region,” saying the term meant the entire region encompassed by the MPO, not just unincorporated areas. (This guidance was provided in the form of an edited “FAQ”; the technical advisory was never changed to reflect this view).¹²

The San Diego County Board of Supervisors subsequently chose to use the region (i.e. all of San Diego County) average VMT as its metric, rather than average VMT in the unincorporated areas.

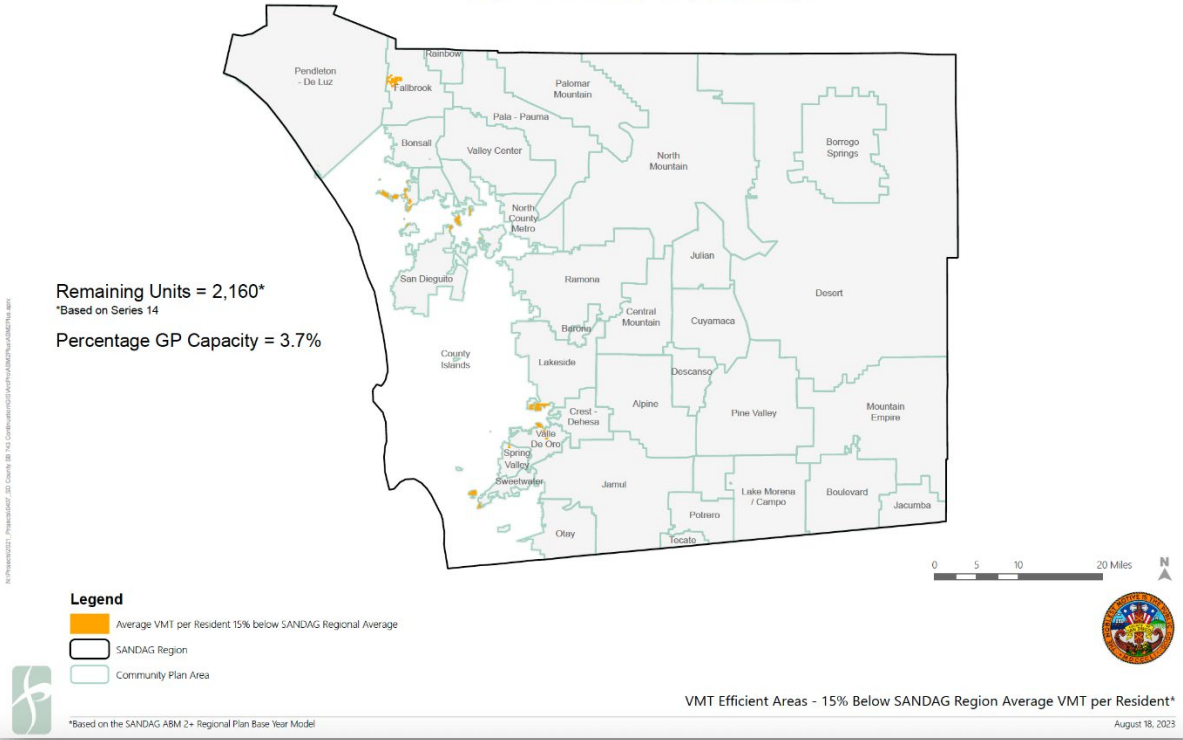
¹¹ Technical Advisory On Evaluating Transportation Impacts In CEQA,” Governor’s Office of Planning & Research, December 2018. https://opr.ca.gov/docs/20190122-743_Technical_Advisory.pdf

¹² “SB 743 Frequently Asked Questions,” Governor’s Office of Planning and Research, <https://opr.ca.gov/ceqa/sb-743/faq.html>

Map 1 - VMT Efficient - Unincorporated Average



Map 2 - VMT Efficient - Regional Average

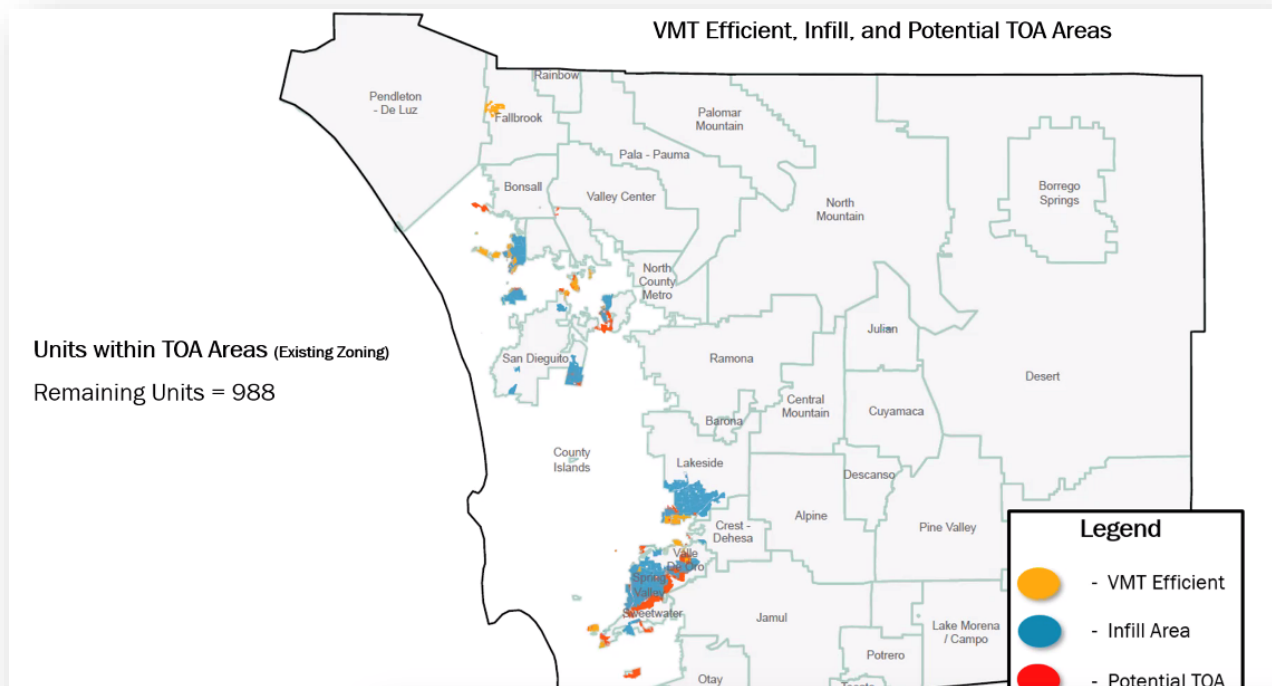


There are some exceptions to this significance threshold, including small projects, affordable housing projects, and projects that contain primarily local-serving retail. However, the board chose not to include the rural villages as exceptions. According to county staff, this reduced the zoned capacity of “VMT efficient” areas to approximately 2,200 units, or approximately 4% of the overall zoned capacity. By contrast, San Diego County’s RHNA target for the unincorporated area is 6,700 units between 2021 and 2029.

More recently, the Board of Supervisors has directed the staff to conduct market analyses for four unincorporated infill areas in VMT-efficient locations to determine whether the county should provide development incentives in those areas. As well, the county is also analyzing whether to exempt certain proposed unincorporated “Transit Opportunity Areas” from the VMT significance threshold, which would expand the locations exempt from CEQA analysis.

In addition, as mentioned above, the County is working with SANDAG under a Caltrans grant to develop a regional VMT mitigation program.

However, this program is likely to take two years to design and implement. In the meantime, as a result of the County’s SB 743 implementation approach, some developers are - for the first time in decades - pursuing major annexations to existing cities rather than seeking to develop housing in unincorporated territory. Most notably, the developers of Otay Ranch Village 13, part of the Otay Ranch development, are seeking to annex their property to the City of Chula Vista instead of continuing



approval processes through the County of San Diego - a departure from the agreement between the Chula Vista and the County contained in the Otay Ranch General Development Plan.

It is likely that other developers will pursue a similar course, seeking to partner with receptive cities in San Diego County to annex their property through the LAFCO process rather than developing their property via the County, as has traditionally been the norm.

Conclusions and Recommendations

Over time, the regional growth management system in California generally and San Diego in particular has become more fragmented. Legislation from different periods seeking to achieve different objectives through different means and different agencies have led regional agencies to pursue their own goals (and fulfill their own legal obligations) without coordinating with each other.

The VMT is a good example. On the one hand, SANDAG is required to prepare an RTP/SCS that reduces regional VMT but has no land use authority to implement the plan. On the other hand, San Diego County and the 18 cities each must devise their own VMT strategy under SB 743. Although the County and SANDAG are exploring a regional VMT program, it would appear that the current situation is leading to jurisdictional-shopping among developers, which places the LAFCO in a reactive position.

By contrast, the RHNA process forces local governments to work together at the regional level through SANDAG to reach an agreement on how to allocate targets for housing. But this consensus is very difficult to change, both politically and under state law. At the same time, however, if developers begin jurisdictional-shopping on housing projects, the delicate regional agreement reached in the RHNA can be disrupted.

But the three regional agencies (as well as the 18 cities) can take important steps toward achieving regional goals by coordinating their efforts better than they have in the past.

Some of the recommendations below may require state legislation. But as the largest single-county region in the state, San Diego is well suited to serve as a pilot program for the state.

Again, to frame this issue, SANDAG, City, and County roles regarding growth management have changed significantly because of stater climate change/GHG laws, which the LAFCO's role has not changed or been much affected by these laws. LAFCO law does not anticipate the importance of an MPO in driving regional growth by reducing GHG/VMT.

With of this in mind, we make four recommendations:

1. Better Data Sharing

In its municipal service reviews, the LAFCO must independently verify likely future population growth and need for housing and municipal services, though LAFCO has limited staff capacity. At the same time, SANDAG must conduct a wide variety of projections and forecasts in order to prepare the RTP/SCS and to manage the RHNA. It would behoove the region for the LAFCO to use SANDAG data in the process of independently verifying population growth projections and housing need. Such coordination would also help align efforts regarding the proposed recommendations below.

2. Regional VMT Mitigation System

As stated above, different VMT mitigation requirements in different jurisdictions may lead to jurisdictional-shopping by developers, resulting in one-off sphere requests in front of the LAFCO. At the same time, both the County of San Diego and smaller cities may struggle to find enough VMT-efficient locations to accommodate the housing required to meet their RHNA requirements. The LAFCO should support - and ideally participate in - the SANDAG/County study of a regional VMT mitigation effort, because a regional program would likely discourage one-off sphere requests.

3. RHNA Transfer System and Property Tax Exchanges

The ability to readily transfer RHNA allocations in the middle of an eight-year RHNA cycle has been discussed for decades as a possible way to increase housing production and reduce friction in the RHNA process. Fair-housing and social justice advocates have typically opposed efforts to make RHNA transfers easier because this opens up possibility that wealthy anti-growth communities will “buy’ their way out of housing obligations by providing funding to less affluent communities willing to accept housing.

In the context of the analysis proposed in Recommendation #2 above, however, a revision to state law permitting easier RHNA transfers in some circumstances might make sense and could be implemented as part of negotiated property tax exchanges administered by LAFCO whenever considering jurisdictional changes. One possible outcome is that the analysis would identify VMT efficient areas (or areas that show promise to become lower-VMT areas) across jurisdictional boundaries as possible housing sites. Housing proposals in these areas might be accommodated with sphere expansions and RHNA transfers.

4. Comprehensive Sphere Review

It seems likely that more developers will seek one-off sphere changes. At the same time, Cortese-Knox-Hertzberg Act calls on the LAFCO to conduct sphere reviews every five years along with municipal service reviews. In collaboration with the County (and ideally SANDAG as well), the LAFCO should conduct a comprehensive countywide sphere review that takes into account other regional growth management strategies, such as VMT mitigation and mobility hubs, in order to create a coordinated regional growth management strategy and minimize the need for one-off sphere expansion.

Appendix A: Evolution of California Growth Management System

The fragmentation in regional growth management in California today is the result of 60 years of evolving state legislation involving cities and counties, local agency formation commissions, and metropolitan planning organizations. This evolution also involves a wide variety of issues, ranging from agricultural land preservation to greenhouse gas emissions reduction, but the overall goal has remained the same: to encourage orderly growth and prevent unnecessary sprawl.

Early 1960s: LAFCO Beginnings

California's growth and development was largely unregulated until the passage of the original Local Agency Formation Commission law in 1963. Many new cities and special districts were created in the postwar era, but there was no mechanism for coordination. In particular, many cities annexed willy-nilly onto nearby agricultural and natural lands, often in a "hopscotch" way. As the executive director of the League of California Cities said at the time: "At the present time, no one is charged with the responsibility of determining the effect of each one of hundreds of annexations or formations upon the future development of the entire county. Lack of any coordinated review of such proposals has created many of our urban problems."¹³

Based on the recommendations of the "Commission on Metropolitan Problems" appointed by Gov. Pat Brown, the state created the Local Agency Formation Commission structure, through a series of laws. LAFCOs are technically state agencies but with a local board made up, originally, mostly of local government elected officials. They were charged with "discouraging urban sprawl and encouraging the orderly formation and development of local agencies". The law established the concept of "Spheres of Influence" - the "probable ultimate boundary" of a city, determined by the LAFCO, so that more orderly annexations will occur. (The original LAFCO laws were consolidated into the Cortese-Knox Local Government Reorganization Act in 1985.) At first most LAFCOs were staffed by county governments.

Late '60s/Early '70s: Regional Planning, Councils of Governments, and Metropolitan Planning Organizations

Even as LAFCOs began seeking to curb sprawl and protect agricultural and natural land by establishing spheres of influence and a more structured annexation process, concern about regional growth and development in California grew. Starting in 1962, the federal government began requiring "urban" (metropolitan or regional)

¹³ <https://sonomalafco.org/about-the-commission/history>

transportation planning. Metropolitan planning organizations, or MPOs, emerged to undertake this function.

In 1965, a change in regulations from the Department of Housing and Urban Development encouraged the creation of voluntary membership organizations called “councils of governments,” made up of elected officials, which could serve as MPOs.¹⁴ Because the State of California seriously considered creating powerful regional planning agencies, most major metropolitan areas in California, including San Diego, created councils of governments to perform the MPO role. These COG/MPO organizations grew in size and power with federal support in the 1970s as they focused on preparing periodic “Regional Transportation Plans”.

1971: Revision of General Plan Requirements

In 1971, the Legislature adopted a major revision to the general plan law, which established that all cities and counties must adopt general plans that include seven required “elements” or sections (land use, circulation, conservation, open space, housing, safety, and noise); that the land use and circulation elements must be “correlated”; and the zoning and the general plan must be consistent, at least for general law cities.

1970-72: California Environmental Quality Act

In 1970, the California Environmental Quality Act was adopted, requiring environmental review of all “projects” “carried out” by the government. In 1972, the California Supreme Court ruled that CEQA applies not only to plans and programs but also to the permitting of individual real estate development projects. This expansion was later codified by the Legislature.

1980s: Expansion of the Regional Housing Needs Assessment Process

California adopted the first housing element/regional housing needs assessment law in 1969 but, at least at first, it was focused more on “fair housing” than on housing production. A major revision to the law in 1980 – and practices developed at the Department of Housing & Community Development over the next few years – laid the foundation for the RHNA process we know today. HCD began to give housing targets to each region, housing element requirements were greatly expanded, and local governments were required to update their housing elements every five years (even though the law contained no specific timeline for general plan updates overall). [https://www.ppic.org/wp-content/uploads/content/pubs/report/R_203PLR.pdf] Still, HCD had neither the legal tools nor the staff to enforce the housing element law aggressively.

¹⁴ <https://ampo.org/about-us/about-mpos/>

1985: Cortese-Knox Act

As stated above, in 1985 several laws governing LAFCO activities were consolidated into the Cortes-Knox Act.

1991: The U.S. Intermodal Surface Transportation Efficiency Act (ISTEA)

The federal government typically adopts a new transportation authorization bill every five years. But the 1991 reauthorization bill, commonly known as ISTEA, radically altered the role of metropolitan planning organizations and set the stage for even more powerful MPO changes in the 2000s, when greenhouse gas emissions reduction became a major policy driver in California.

ISTEA'S changes nationally were the result of aggressive efforts on the part of the Metropolitan Transportation Commission, the MPO in the Bay Area, to obtain more control and flexibility over how federal transportation funds were spent in the region. Traditionally, even as MPOs did transportation planning, actual transportation programming (spending) was controlled by state Departments of Transportation and, in California, the California Transportation Commission. In the late '80s, MTC began demanding that it take over transportation programming from the state.

ISTEA cemented this idea in federal law. Specifically, ISTEA "mandated that the MPO in each metropolitan area must take the lead role in preparing both a long-range, comprehensive transportation plan and a shorter-range transportation improvement program (TIP)," essentially taking power from states to do so.¹⁵

Though strictly focused on transportation, ISTEA set the stage for more aggressive MPO activity on regional land use and transportation planning, which emerged in the early 2000s and is explained below.

1992: Revenue Neutrality

In the years after Proposition 13 passed in 1978, incorporation of new cities became more popular, because it no longer involved a property tax increase.¹⁶ Rather, if a city incorporated, property tax revenue was shifted from the county to the new city. This trend obviously harmed counties fiscally, creating greater separation of interest

¹⁵Lewis, Paul G., and Mary Sprague, "Federal Transportation Policy and the Role of Metropolitan Planning Organizations in California," Public Policy Institute of California, April 1997
https://www.ppic.org/wp-content/uploads/R_497PLR.pdf

¹⁶ Proposition 13, passed in 1978, limited property tax rates to 1% combined for all taxing entities. Thus, creating a new city no longer required increasing taxes; rather, property taxes were transferred from counties to cities upon incorporation.

between counties and LAFCOs. In 1992, the Legislature passed SB 1559, which required revenue neutrality for city incorporations and led to so-called “alimony” agreements in which new cities paid money to counties to hold them harmless financially as a result of incorporation. Because prospective new cities now had to prove their own fiscal solvency *and* hold counties financially harmless, new incorporations slowed to a trickle.

2000: The Cortese-Knox-Hertzberg Act

In 1997, in response to a new call for reform in local government, the Legislature formed the Commission on Local Governance for the 21st Century. After many months canvassing the state, the Commission prepared a comprehensive report that included recommendations for changes to the laws governing LAFCOs.¹⁷

The proposed changes included giving LAFCO more staffing and financial independence from Counties (which were increasingly seen as having a financial stake in sphere, annexation, and incorporation decisions because of revenue neutrality concerns), updating spheres every five years, and conducting municipal services reviews. The Commission also proposed a significant overhaul of the local government fiscal system, which was viewed as an incentive to create an imbalance between housing and retail/commercial development (often called “the fiscalization of land use”).¹⁸

While the structural changes to LAFCOs were adopted by the Legislature in 2000 as part of the Cortese-Knox-Hertzberg, local government fiscal reform was not part of that legislation.

2000-2005: First MPO Regional “Blueprints”

At the same time that LAFCOs obtained more power to conduct regular sphere reviews and municipal service reviews, the state’s major MPOs began to move use their new powers beyond mere regional transportation planning to prepare regional growth scenarios commonly known as “blueprints.” Using advanced GIS mapping, these blueprints provided local decisionmakers with a variety of growth scenarios based on different density and distribution of development, thus showing the impact these different growth scenarios would have on the needed transportation system (and its cost). The first such blueprint was adopted by the Sacramento Area Council of Governments in 2005, but the other big MPOs in California soon followed suit.

¹⁷ <https://sonomalafco.org/about-the-commission/history>

¹⁸ “Growth Within Bounds,” Report of the Commission on Local Governance For The 21st Century, State of California, January 2000, <https://www.acgov.org/lafco/documents/GrowthWithinBounds.pdf>

The blueprint trend was important because it was the first time MPOs overtly addressed land use issues. The MPOs, of course, had no power over land use decisions (and still don't). And in many cases, local jurisdictions made land use decisions that differed from what the blueprint called for. Nevertheless, the blueprints highlighted (for elected officials and others) how different land use scenarios would affect both the transportation system and consumption of agricultural and natural land. In this way, regional blueprints foreshadowed the Sustainable Communities Strategies that were later required under SB 375.

2005-2006: Emergence Of Climate Change As A Policy Driver

Beginning in 2005, climate change - and, more specifically, a desire to reduce greenhouse gas emissions - emerged as one of the leading drivers of land use and transportation policy in California.

In 2005, Gov. Arnold Schwarzenegger signed Executive Order S-03-05, which called for significant reductions in greenhouse gas emissions in the state by 2020. In 2006, the Legislature codified similar goals in AB 32, the "Global Warming Solutions Act."

2008: SB 375 and Sustainable Communities Strategies

The policy goal of reducing greenhouse gas emissions soon led to focus on reduction of vehicle miles traveled - essentially, the amount of driving. Approximately 40% of California's GHGs come from the transportation sector, mostly from the burning of transportation fuel. During the 2000s, it became clear that technological solutions - decarbonizing gasoline, increasing fuel efficiency so that less gas would be used, and even the introduction of electric vehicles - would not result in enough GHG reduction, at least in the short term, for the state to meet its goals. A reduction in the overall amount of driving would also be required.

Thus, in 2008, the Legislature adopted SB 375, the "Sustainable Communities and Climate Protection Act". SB 375 specifically charged Metropolitan Planning Organizations with incorporating a new component into their federally required regional transportation plans, known as the Sustainable Communities Strategy, which would show how the region would achieve the state's GHG emission reduction targets.

SB 375 also empowered the California Air Resources Board, which has traditionally regulated mobile sources of air pollution such as vehicle emissions, with setting the specific emissions reduction targets and allocating them to the regions.¹⁹ Eventually,

¹⁹

[https://hermosabeach.granicus.com/MetaViewer.php?view_id=6&clip_id=1105&meta_id=61995#:~:text=California's%20Sustainable%20Communities%20and%20Climate%20Protection%20Act%20\(SB%20375\)%20is,\(GHG\)%20by%20curbing%20sprawl.](https://hermosabeach.granicus.com/MetaViewer.php?view_id=6&clip_id=1105&meta_id=61995#:~:text=California's%20Sustainable%20Communities%20and%20Climate%20Protection%20Act%20(SB%20375)%20is,(GHG)%20by%20curbing%20sprawl.)

CARB created per-capital VMT targets for each region, which were used in the Sustainable Communities Strategies eventually created by the MPOs. Significantly, SB 32 also sought to synchronize the timing of the RTP/SCSs and the Regional Housing Needs Assessment process.

Under SB 375, a Sustainable Communities Strategy must identify and consider the following eight items:

- Identify existing land use.
- Identify areas to accommodate long-term housing needs.
- Identify areas to accommodate eight-year housing needs.
- Identify transportation needs and the planned transportation network.
- Consider resource areas and farmland.
- Consider statutory housing goals and objectives.
- Lay out a future growth and development pattern.
- Comply with federal law for developing an RTP.

In essence, SB 375 mandates that MPOs create a growth management plan for each region with the goal of reducing vehicle miles traveled.

While MPOs could seek to implement the SCSs through their own transportation planning and programming, SB 375 did not give MPOs any direct control over land use or housing. In fact, thanks to the lobbying of the League of California Cities, the law specifically stated that there was no mandatory link between the SCS and local general plans. But SB 375 did create the expectation that there would be a stronger link between transportation, land use, and housing, which would be managed and promoted by the MPOs; and it was also clear that hitting the VMT reduction targets was not possible without creating more compact land use patterns. Because general plans were specifically de-linked from the SCSs in SB 375, the state recognized that the MPOs and CARB would have to use “carrots” to promote VMT reduction rather than “sticks”. (One Schwarzenegger official joked that the state would have to use carrots so big they would be “carrot sticks.”²⁰)

For this reason, the large MPOs, including SANDAG, all created grant programs to encourage cities to plan for more compact land use patterns and transportation infrastructure strategies, such as SANDAG’s mobility hubs program, that would create favorable conditions around transit stations for denser development.

²⁰ “Will Climate Change Save Growth Management in California, William Fulton, in *Planning for States and Nation-States*, edited by Gerrit-Jan Knaap, Zorica Nedovic-Budic, and Armando Carbonell, Lincoln Institute of Land Policy, 2015.

Despite the obvious overlap with LAFCO's responsibilities to curb sprawl, encourage orderly development, and protect farmland and natural resources areas, LAFCOs were barely mentioned in SB 375. In fact, there is only one reference to LAFCOs in SB 375, which is as follows: "In preparing a sustainable communities strategy, the metropolitan planning organization shall consider spheres of influence that have been adopted by the local agency formation commissions within its region." [Government Code 65080 (b)(2)(F)]

There were some early efforts to coordinate LAFCO activity and SCSs, many of which were documented in a 2018 report jointly issued by CALAFCO, the Governor's Office of Planning and Research, and the Strategic Growth Council.²¹ By and large, however, LAFCOs have not played an important role in shaping and implementing Sustainable Communities Strategies.

[2016-2018: Renewed Focus on Housing](#)

Beginning in 2016, the state began to pay more attention to issues of housing supply and affordability - a trend that accelerated after the election of Gov. Gavin Newsom in 2018. Though the state has adopted literally more than 100 new laws related to housing and land use since that time, two actions in particular are relevant to this discussion of regional growth management.

The first was the passage of SB 828 in 2018. This law changed the methodology for calculating housing targets in the RHNA process in such a way that the targets for every city and county in the state increased dramatically. (The allocation increase for the SANDAG region was less than it was in other major metropolitan areas in California, but it still represented a significant increase, especially for some smaller cities.) This change put increased pressure on local governments to upzone property to accommodate more housing and focused more attention on MPOs such as SANDAG, which are responsible for allocating RHNA targets within their region.

The second was the creation of the Regional Early Action Grant program, administered by the Department of Housing & Community Development, which allocated hundreds of millions of dollars of state funds to stimulate housing production, but especially focusing on infill housing and creating linkages between housing and transportation that will reduce VMT.²² These funds (two rounds so far) were allocated mostly to MPOs for competitive distribution to member local governments, further strengthening the

²¹ California Association of Local Agency Formation Commissions, Governor's Office of Planning and Research, and California Strategic Growth Council, "Creating Sustainable Communities and Landscapes Recommended practices and tools for local collaboration on climate-smart growth," November 2018.

https://napa.lafco.ca.gov/files/060586174/Creating_Sustainable_Communities_and_Landscapes.pdf

²² <https://www.hcd.ca.gov/grants-and-funding/programs-active/regional-early-action-planning-grants-of-2021>

role of MPOs in promoting the state's policy of more compact land-use patterns that will reduce driving.

2020: SB 743 Implementation and VMT Mitigation

In 2013, as part the state's policy emphasis on reduction of vehicle miles traveled as a way to reduce greenhouse gas emissions, the state adopted SB 743, which changed the standard of review for traffic under CEQA from level of service (congestion) to vehicle miles traveled (amount of driving). The change was important because it meant that conditions of approval on development projects designed to alleviate congestion could no longer be enforced as CEQA mitigation measures, while actions designed to reduce VMT could be enforced as CEQA mitigation measures. However, the state did not require full implementation from lead agencies under CEQA until 2020.

In 2018, the Governor's Office of Planning and Research issued a "technical advisory" providing guidance on how to implement SB 743.²³ As the document itself notes, "The purpose of this document is to provide advice and recommendations, which agencies and other entities may use at their discretion. This document does not alter lead agency discretion in preparing environmental documents subject to CEQA."

Obviously, an important question in implementing SB 743 was what VMT level constitutes a "significant impact" under CEQA, thereby triggering a full CEQA analysis, possibly an environmental impact report, and possible mitigation measures. Neither CEQA itself nor the CEQA Guidelines, which are enforceable regulations, specify thresholds of significance for environmental impacts; these are typically determined by the city, the county, or other agency leading the CEQA process. Neither did SB 743 define a significance threshold for VMT.

In the 2018 technical advisory, OPR suggested that local governments and other lead agencies use a 15% reduction in "regional VMT" as the significance threshold - that is, a project that would generate VMT *above* 15% *below* the regional VMT should be regarded as a significant impact. The 15% came from research by the California Air Resources Board which suggested that about a 15% reduction in VMT would be required to meet the state's GHG reduction targets. OPR did not define "regional" in its technical advisory. In 2021, OPR changed its "FAQs"²⁴ regarding SB 743 implementation to define "regional" as the average for the entire MPO region, but to date has not revised the technical advisory to reflect this clarification.

Both before and after the FAQ clarification, cities and counties around the state adopted SB 743 significance thresholds for VMT. Some local governments followed OPR's guidance, but many did not, instead using their local discretion to choose a

²³ Governor's Office of Planning and Research, "Technical Advisory: Evaluating The Transportation Impacts In CEQA," November 2017.

²⁴ <https://opr.ca.gov/ceqa/sb-743/faq.html>

different (and often less stringent) standard. San Diego County chose to use the more stringent standard recommended by OPR in its SB 743 FAQs.



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

7b

AGENDA REPORT
 Business | Action

June 3, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Priscilla Mumpower, Assistant Executive Officer

SUBJECT: Establishing a Communications Associate Position and Related Actions

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider approving a new job classification – Communication Associate – along with related staffing actions. The proposed new job classification has been prepared in consultation with the Commission’s contract human resources advisor – Regional Government Services – in line with the conclusion that a new non-management position is needed to provide specified functions that are otherwise displaced among three existing classifications (Administrative Assistant, Executive Assistant, and Analyst I). The responsibilities of the Communication Associate would primarily focus on performing outreach-based tasks including managing the LAFCO website and social media platforms, assisting with noticing and posting agency communications, and serving as a front-line liaison between the public and the balance of LAFCO staff. The proposed wage and benefit package align with that of Analyst I, offering an approximate annual salary range of \$55,000 to \$86,000. It is similarly recommended the Commission modify the approved budgeted staffing allocation for FY 2025 by replacing one of the three open and budgeted Analyst I position with the Communications Associate. No financial impacts are associated with the staff recommendations.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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BACKGROUND

Authorized Positions & Budgeted Staffing in FY2024-2025

San Diego LAFCO’s job classifications have incrementally evolved and expanded over its 60-year history and currently include 10 authorized positions. All positions are divided between two staffing categories: professional support and administration support. Approved staffing for 2024-2025 includes 8.0 full-time equivalent (FTE) positions covering six of the 10 authorized positions with an overall adopted salary and benefit outlay of \$1.470 million. A summary of all active job classifications and salary ranges paired with current budgeted positions follows.

Authorized + Budgeted Positions (Fiscal Year 2024-2025)			FTE Budgeted	FTE Filled
Title	Minimum Annual Salary	Maximum Annual Salary		
Executive Officer	151,873	269,380	1.00	1.00
Assistant Executive Officer	110,962	181,321	1.00	1.00
Local Government Analyst III	85,159	143,133	0.00	0.00
Local Government Analyst II	65,418	102,925	1.00	1.00
Local Government Analyst I	55,228	86,806	3.00	0.00
GIS Analyst	68,426	104,520	1.00	1.00
Executive Assistant	54,569	87,487	0.00	0.00
Administrative Assistant	51,363	86,345	0.00	0.00
Administrative Aide	45,017	70,688	0.00	0.00
Commission Clerk	60,037	96,227	1.00	1.00
TOTAL			8.00	5.00

As of date, 5.0 of the 8.0 budgeted positions are currently filled. All three budgeted and vacant positions involve the Analyst I. Staff has most recently partnered with Orange County LAFCO in a joint recruitment to fill two of the three Analyst positions. The application filing period concluded May 15, 2024 with interviews being scheduled in June. Should the Commission approve the proposed position staff will proceed with a recruitment to also fill the Communications Associate (internally tied to the third budgeted Analyst I position).

DISCUSSION

This item is for San Diego LAFCO to consider establishing a Communications Associate position and includes approving a job classification and compensation plan. The proposed job classification has been drafted with the assistance of contract advisor Cherie Johnson with Regional Government Services (RGS) to better sync with the overall expanded activities of LAFCO and the expected role therein of the job position. This item also involves the Commission considering a corresponding change to the approved staffing allocation set for FY2025 to add the Communications Associate and remove one of the three budgeted and open Analyst I positions. Additional discussion follows.

Proposed Classification + Duties

The proposed Communications Associate classification has been tailored to delineate responsibilities focused on public outreach to increase and coordinate public engagement. This most notably would include tasking the incumbent with serving as a front-line liaison between the public and LAFCO staff; development of the website and social media content; timely posting of official notices; and promotion of Commission activities on approved social media platforms and the LAFCO website. Eligibility criteria would generally align with the Analyst I specifications with the addition of relevant course work in Marketing, Communications, Journalism, or a closely related field as a qualified four-year college degree. The position specification also allows for a combination of an associate degree with additional years of relevant experience to substitute for a bachelor's degree.

Proposed Compensation

The proposed wage and benefit package for the Communications Associate mirrors that of an Analyst I, offering an approximate annual salary range of \$55,000 to \$86,000. The benefit package includes medical, dental, and vision coverage as well as pension participation with the San Diego County Employees Retirement Association along with other perks provided through the County of San Diego. The Executive Officer would fill the Communications Associate position within budgeted resources adopted by the Commission for salaries and benefits as part of the 2024-2025 budget and will avoid any new financial impacts while enhancing our organizational capabilities.

ANALYSIS

The proposed position classification before San Diego LAFCO represents a continued process to modernize our job descriptions to reflect evolving tasks and needs in the organization in step with anticipated recruitment. As detailed above, the proposed position classification has been drafted with the assistance of RGS and draws on their extensive experience in matching agency needs with best practices in placing and retaining good employees. It also readily syncs with the otherwise competitive compensation package currently provided to the Analyst I position. Should the Commission approve and establish the proposed Communications Associate position staff will proceed with a recruitment to fill in early 2024-2025.

RECOMMENDATION

It is recommended San Diego LAFCO approve the Communications Associate position as detailed along with conforming changes. This recommendation is consistent with taking the actions identified in the proceeding section as Alternate One.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

- a) Approve the Communications Associate position as detailed in Attachment One.
- b) Establish a salary range for the Communications Associate position at \$55,228 to \$86,806 and authorize eligibility for preapproved wage increases and lump sum payments.
- c) Authorize the Executive Officer to update the budgeted staffing schedule in 2024-2025 to reflect the following changes:
 - Reduce Analyst I from 3.0 to 2.0 FTE
 - Add Communications Associate at 1.0 FTE

Alternative Two:

Continue the item to the next regular meeting and provide direction to staff for additional information as needed.

Alternative Three:

Take no action.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

- 1) Receive verbal presentation from staff unless waived.
- 2) Commission discussion.
- 3) Consideration of the staff recommendation.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachments:

- 1) Proposed Communications Associate Position Specification

**LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY**

POSITION SPECIFICATION

COMMUNICATIONS ASSOCIATE

Definition

The Communications Associate is an entry level professional class position responsible for performing a wide range of technical and administrative duties in support of the Commission's public information and outreach activities. The incumbent plans, organizes and coordinates communication activities and promotes Commission initiatives, meetings, and special events; evaluates effective civic engagement strategies for Commission programs and policies.

Typical Tasks

The Communications Associate has responsibility, under the direction of the Executive Officer or Assistant Executive Officer, for supporting the Commission's public information and engagement activities including assisting in the development, coordination and implementation of public outreach strategies, performing specialized duties in developing promotional materials, managing website and social media sites, and development of print collateral and strategic messaging. Incumbent will also be responsible for assisting in preparing, filing, and/or recording official documents; helps to transmit and post public notices and other official announcements; assists in agenda distributions; prepares, edits, and proofreads staff reports; and performs related duties as assigned. The Communications Associate is expected to be self-directed and complete technical and administrative work in support of the Commission.

Knowledge, Skills, and Abilities

The examples of knowledge, skills, and abilities listed in this class specification are representative but not necessarily exhaustive. Management is not precluded from assigning other related functions not listed herein if such functions are a logical assignment for the position.

Knowledge of:

- Public relations and engagement principles, practices, tools and techniques;
- Business and creative writing methods for presentations, letters, newsletters, brochures, social media, and website text;
- Graphic design, photography, and visual presentation techniques, and tools;
- A variety of electronic, social media, and desktop office computer software;
- Standard English language usage, spelling, grammar, punctuation and vocabulary;
- Recent developments, current literature and sources of information related to marketing, communications, media relations, and graphics;
- Pertinent Federal, State and local laws, codes and regulations including LAFCO statute and local rules and policies.

Ability to:

- Identify, plan, organize, and prioritize outreach and communication needs in a diverse municipal government setting;
- Collect, evaluate, analyze relevant information;
- Make recommendations and implement appropriate course of action;
- Learn and adapt to new technologies and stay informed;
- Operate and use modern office equipment including computers, web-based programs and software applications;
- Establish and maintain filing, record keeping and tracking systems;
- Work under steady pressure with frequent interruptions and a high degree of public contact by phone, email, or in person;
- Work independently in the absence of supervision;
- Understand and effectively follow oral and written instructions;
- Communicate both orally and in writing in a clear, concise and positive manner;
- Establish and maintain effective working relationships;
- Perform a range of technical, programmatic, and administrative duties.

Distinguishing Characteristics and Tasks:

- Develop website content, print collateral and social media messaging;
- Perform timely updates to the website and social media accounts;
- Assist in the development and monitoring of strategies and goals for targeted public outreach and to enhance and encourage public engagement;
- Utilize multi-media multi-level web-based programs, social media platforms, and software applications to accomplish outreach plans;
- Promote and execute advertising, public relations and outreach plans;
- Produce, coordinate, and share publications, videos, web content, presentations, and other informational materials;
- Assist with drafting, reviewing, proofreading, and/or posting official notices, public announcements, meeting materials or other informational materials;
- Post notices on social media, website, and physical locations (as appropriate);
- Meet with staff to determine key messages and themes;
- Attend and participate in public and professional group meetings and record notes;
- Coordinate translation services for staff and members of the public;
- Serve as liaison between the public and LAFCO staff on a day to day as well as on community outreach strategies and in communicating key messaging;
- Engage with public members and agency or community group leaders via email, phone, in person and via social media on behalf of the Commission;
- Serve as the initial point of contact in office for incoming persons and phone calls;
- Stay abreast of new trends and innovations in the field of marketing, communications, graphics, design software and public information methods.

Qualifications

Education, training, and/or experience that demonstrates possession of the knowledge, skills, and abilities listed above. A typical way to obtain the qualifying education and experience follows:

Education/Training:

A bachelor's degree from an accredited college or university with major course work in Marketing, Communications, Journalism, or a closely related field is preferred. Graduation from an accredited community college with a related associate degree and additional years of relevant experience may substitute for a bachelor's degree.

Experience:

At least one year of relevant technical and administrative support experience in program outreach, organizational communications, community relations or related field. Customer service experience is preferred.

Special Knowledge and Skills Required:

Comprehension of government organization, procedures, and operations and how they interrelate with office procedures and goals; proficiency with Word, Excel, Access, or other similar computer programs; ability to perform detail-oriented work; ability to balance multiple assignments and deliverables while adhering to deadlines and priorities for time-sensitive tasks; knowledge of various social media/website platforms (e.g., LinkedIn, Instagram, YouTube, Twitter/X, etc.) and management tools, uses, and content creation.

Licenses and Certificates

All licenses and certificates must be maintained as a condition of employment.

- A valid appropriate California driver's license may be required.
- Maintain a satisfactory driving record.

Special Requirements

Essential duties require the following physical skills, abilities, and work environment:

Physical Skills: Able to use standard office equipment, including a computer and other electronic equipment; arm, hand, finger, wrist, leg, or foot motion repetitively; firmly or lightly grasp items as needed; sit for extended periods; stand, walk, kneel, and maintain sustained posture in a seated or standing position for prolonged periods of time; vision to read printed materials, a computer screen, and to work in a typical office environment; hearing and speech to communicate in person, over the telephone, and to make public presentations; lift and carry 30 pound boxes, files, and materials.

Ability to: Travel to different sites and locations; drive safely to different sites and locations; work protracted and irregular or unusual hours for meeting attendance (including evening meetings) or participation in specific projects or programs.

Work Environment: Mobility to work in a typical office setting.

Class specifications are only intended to present a descriptive summary of the range of duties and responsibilities associated with specified positions. Therefore, specifications may not include all duties performed by individuals within a classification. In addition, specifications are intended to outline the minimum qualifications necessary for entry into the class and do not necessarily convey the final qualifications of incumbents within the position.

Pursuant to California Government Code Section 3100, all public employees are required to serve as disaster service workers subject to such disaster service activities as may be assigned to them by their supervisor or by law.

Background Investigation

Prior to appointment, candidates will be subject to a background investigation.

Approved: May 2024
Revision Dates:
Former Titles:
Status: Non-Exempt/Administrative
ADA Review:
DOT: No
Physical: No

DRAFT



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

7c

AGENDA REPORT
 Business | Action

June 3, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Michaela Peters, Interim Commission Clerk

SUBJECT: Outside Audit Report on Fiscal Year 2022-2023

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an outside audit report on the financial statements issued for 2022-2023. The outside audit has been prepared by O’Conner & Associates (Novato) and concludes all tested transactions were accompanied by sufficient documentation and no material weaknesses were identified. The audited fund balance finished at \$1.613 million and reflects a year end change of \$0.108 million or 7.2% from the prior fiscal year and ties to an operating surplus. The outside audit and accompanying management letter are being presented to the Commission to formally accept and file as well as to provide direction to staff on related matters going forward.

BACKGROUND

Accounting Procedures

San Diego LAFCO’s financial transactions are managed by the Executive Officer and divided between maintaining accounts with the County of San Diego and San Diego County Credit Union. Accounts with the County serve as the primary depository for the fund balance and used for most receivable/payable transactions. LAFCO maintains these accounts through a County issued PeopleSoft license via the Auditor-Controller’s Office. An account with the San Diego County Credit Union is separately used to cover relatively small and/or time sensitive

Administration: Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcountry.ca.gov www.sdlafco.org	Joel Anderson County of San Diego Jim Desmond County of San Diego Nora Vargas, Alt. County of San Diego	Kristi Becker City of Solana Beach Dane White City of Escondido John McCann, Alt. City of Chula Vista	Chair Stephen Whitburn City of San Diego Marni von Wilpert, Alt. City of San Diego	Vice Chair Barry Willis Alpine Fire Protection Jo MacKenzie Vista Irrigation David A. Drake, Alt. Rincon del Diablo	Harry Mathis General Public Vacant, Alt. General Public
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transactions and provides LAFCO access to its own credit line. Transactions within this account are maintained through QuickBooks. Management of all LAFCO accounts is also aided through a contract with Leaf and Cole LLP (San Diego) to provide monthly bookkeeping and reconciliation services.¹

DISCUSSION

This item is for San Diego LAFCO to receive an outside audit prepared by O’Conner & Associates (Novato) on the financial statements prepared by staff for 2022-2023. The report is part of the adopted workplan and accompanied by a management letter addressed to the Commission summarizing O’Conner & Associates’ findings with respect to compliance and internal controls. An outlining of key items drawn from the outside audit follow and further detailed in the management’s discussion and analysis section included in the report.

- LAFCO finished June 30, 2023 with a fund balance of \$1,613,310 and reflects a change over the prior fiscal year of 108,369 or 7.2%. This change ties to an operating surplus marked by revenues exceeding budgeted totals and similarly expenses falling short of budgeted totals. The ending fund balance is entirely unrestricted.
- LAFCO’s finished June 30, 2023 with a net position of \$20,628, which includes all accrued long-term liabilities (i.e., pension). The total reflects an improvement over the prior fiscal year of \$51,392 or 167.1%.
 - LAFCO’s adjusted net position less any accrued pension liabilities totals \$1,358,633 and reflects a change of 213,255 or 14.7%.
- No adjustments were necessitated during the audit process.
- The management letter makes no new recommendations.
- The management letter notes the recommendation from last year’s audit covering 2021-2022 remains outstanding to establish a capitalization policy for right-to-use lease liabilities over \$40,000.

ANALYSIS

The outside audit and accompanying management letter from O’Conner & Associates affirmatively attest San Diego LAFCO’s financial statements accurately reflect the Commission’s financial position as of June 30, 2022. It also attests LAFCO’s accounting practices are good with no material weaknesses and/or omissions were identified. Credit for this clean audit belongs to Commission Clerk Erica Sellen and Interim Commission Clerk Michaela Peters along with LAFCO’s contract bookkeeper – Leaf and Cole LLP.

¹ San Diego LAFCO amended its fiscal policies in March 2009 to establish an annual outside audit process. Davis Farr (Irvine) prepared the first outside audit covering 2008-2009 and proceeded to prepare annual audits thereafter through 2017-2018. The Commission transitioned outside auditing services to R.J. Ricciardi (now O’Conner & Associates) beginning with 2018-2019.

RECOMMENDATION

It is recommended San Diego LAFCO formally receive and accept the outside audit and associated management letter for 2022-2023 and provide any direction to staff going forward. This recommendation is provided as Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO through a single motion:

Alternative One (recommended):

Accept and file the audit report and accompanying management letter for 2022-2023 with any related direction going forward.

Alternative Two:

Continue the item to the next regular meeting and provide direction to staff for additional information as needed.

PROCEDURES

This item has been placed on the agenda for action as part of San Diego LAFCO's business calendar. The following procedures, accordingly, are recommended.

- 1) Receive verbal report from staff unless waived.
- 2) Commission discussion.
- 3) Consider the staff recommendation.

On behalf of staff,



Keene Simonds
Executive Officer

Attachments:

- 1) Audit Management Letter
- 2) Outside Audit for 2022-2023

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**SAN DIEGO LOCAL AGENCY FORMATION
COMMISSION**

**BOARD OF COMMISSIONERS & MANAGEMENT
REPORT**

**For the Year Ended
JUNE 30, 2023**



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Commissioners
San Diego Local Agency Formation Commission
San Diego, California

In planning and performing our audit of the basic financial statements of San Diego Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered San Diego Local Agency Formation Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of San Diego Local Agency Formation Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist San Diego Local Agency Formation Commission in implementing the recommendations.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank San Diego Local Agency Formation Commission's staff for its cooperation during our audit.



O'Connor & Company

Novato, California
May 30, 2024

Commissioners
San Diego Local Agency Formation Commission
San Diego, California

We have audited the basic financial statements of the governmental activities and major fund of San Diego Local Agency Formation Commission (LAFCo) for the year ended June 30, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 19, 2023, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCo. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LAFCo are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by LAFCo during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations
GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements
GASB 93 – Omnibus 2022, paragraphs 11-25

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Management's estimate of the Pension Obligation Bonds Payable is based on information provided by the County of San Diego. We evaluated the key factors and assumptions used to develop the Pension Obligation Bonds Payable in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of transactions related to net pension and OPEB liabilities is based on information provided by the County of San Diego based on actuarial reports. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.
- Accrual and disclosure of leases.
- Capital asset lives and depreciation expense.
- Fair value of investments and financial instruments.
- Compensated absences calculations.

We identified the following significant risk(s) of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and unallowable and fraudulent expenses.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements (Audit Adjustments)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the 2 adjustments detected because of audit procedures and corrected by management were material, either individually or in aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to LAFCo's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAFCo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of the Plan's Proportionate Share of the Net Pension Liability, Schedule of Plan Contributions, Schedule of the Plan's Proportionate Share of the Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions, and Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Board of Commissioners of San Diego Local Agency Formation Commission and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Diego Local Agency Formation Commission
BOARD OF COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2023

Current Year Observations

Nothing came to our attention.

Prior Year Observations

1) Written Lease Policy Based on GASB 87 Guidance

Observation:

During our audit, we noted that San Diego Local Agency Formation Commission does not have a formal policy for accounting for leases based on GASB 87 guidance. This policy would document LAFCo's internal controls and processes in determining whether GASB 87 guidance applies to potential lease arrangements and capitalization thresholds. This policy would also outline the procedures for estimating and recording lease and right to use asset entries.

Recommendation:

We recommend San Diego Local Agency Formation Commission consider formalizing a capitalization policy for lease liabilities and the right to use assets over \$40,000. We also recommend keeping lease terms month to month or as annual leases whenever possible.

Status:

This recommendation has not been implemented.

**SAN DIEGO LOCAL AGENCY
FORMATION COMMISSION**

SAN DIEGO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Commissioners
San Diego Local Agency Formation Commission
San Diego, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Diego Local Agency Formation Commission as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise San Diego Local Agency Formation Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of San Diego Local Agency Formation Commission, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Local Agency Formation Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Local Agency Formation Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego Local Agency Formation Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Local Agency Formation Commission's ability to continue as a going concern for a reasonable period of time.

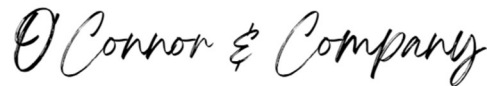
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-6) and the required supplementary information (page 30-35), which follows this report letter, and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



O'Connor & Company

Novato, California
May 30, 2024

San Diego Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

This section of San Diego County Local Agency Formation Commission's (LAFCo's or the Commission's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2023. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of LAFCo.

Financial Highlights

- LAFCo finished June 30, 2023 with a net position of \$20,628, which includes all pension, post-employment liabilities. This amount represents an overall change of \$51,392 from the prior fiscal year total of \$(30,764).

Fund Level

- LAFCo finished June 30, 2023 with a total fund balance of \$1,613,310. The unassigned portion of the fund balance totaled \$1,000,810 with the remainder - \$612,500 - dedicated to specified uses as follows:
 - The committed portion of the LAFCo fund balance totaled \$550,000 and was dedicated for opportunity and stabilization purposes.
 - The assigned portion of the LAFCo fund balance totaled \$62,500 and was dedicated for special legal expenses and/or authorized fee waivers.
- LAFCo's fund balance on June 30, 2023 represents an overall change of \$108,369 over the prior fiscal year. This change represents the overall difference between LAFCo's actual operating revenues and actual operating expenses during the fiscal year.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCo's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCo's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCo, including all its capital assets and long-term liabilities on a full accrual basis, like that used by corporations. The Statement of Activities provides information about all LAFCo's revenues and all its expenses, also on a fully accrual basis, with the emphasis on measuring net revenues or expenses of LAFCo's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All LAFCo's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report LAFCo's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of LAFCo's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major Funds account for the major financial activities of LAFCo and are presented individually. Major Funds are explained below.

San Diego Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of LAFCo. The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – LAFCo's basic services are governmental activities. These services are supported by specific general revenues from local agencies.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of LAFCo's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCo for the year and may change from year to year because of changes in the pattern of LAFCo's activities. In LAFCo's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Governmental Activities

Table 1
Governmental Net Position

	2023 Governmental Activities	2022 Governmental Activities
Current assets	\$ 1,770,011	\$ 1,647,828
Right to use assets, net of amortization	998,077	1,117,846
Total assets	<u>2,768,088</u>	<u>2,765,674</u>
Deferred outflows of resources	<u>1,150,593</u>	<u>617,431</u>
Current liabilities	156,701	142,887
Non-current liabilities	<u>3,391,240</u>	<u>2,535,566</u>
Total liabilities	<u>3,547,941</u>	<u>2,678,453</u>
Deferred inflows of resources	<u>350,112</u>	<u>735,416</u>
Net position		
Unrestricted	<u>20,628</u>	<u>(30,764)</u>
Total net position	<u>\$ 20,628</u>	<u>\$ (30,764)</u>

San Diego Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2023

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	2023 Governmental Activities	2022 Governmental Activities
<u>Expenses</u>		
General government	\$ 2,231,836	\$ 1,980,999
Total expenses	2,231,836	1,980,999
<u>Revenues</u>		
Program revenues:		
Charges for services	310,014	196,351
Total program revenues	310,014	196,351
General revenues:		
Apportionment	1,804,266	1,693,700
Slate grants	131,105	80,372
Interest income	37,843	5,087
Total general revenues	1,973,214	1,779,159
Total revenues	2,283,228	1,975,510
<u>Change in net position</u>	\$ 51,392	\$ (5,489)

Overview of Required Financial Statements

LAFCo's financial records are managed by the agency in combination with maintaining accounts with the County of San Diego (primary) and San Diego County Credit Union (secondary) as of June 30, 2023.

- The Condensed Statement of Net Position provides an overview of LAFCo's assets (or resources) and liabilities (or obligations).
- The Condensed Statement of Revenues, Expenditures and Changes in Net Position summarizes LAFCo's revenues, expenditures, and change in fund balance. The Supplemental Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual contained in the audit report provides detailed information regarding (a) budgeted revenues and expenses compared to (b) actual revenues and expenses.

Agency Assets

LAFCo's assets and deferred outflows at June 30, 2023 totaled \$3,918,681. Current assets with the expectation they could be readily liquidated represent over 45% of the total amount and are tied to cash and investments. Non-current assets make up 55% of the total amount and are tied to the right to use assets and specifically office space lease.

Agency Liabilities

LAFCo's liabilities and deferred inflows at June 30, 2023 totaled \$3,898,053. Current liabilities representing obligations owed in the near term represent 4% of the total amount and are largely attributed to covering accounts payable and accrued expenses. Non-current liabilities make up 96% of the total and are predominately tied to LAFCo's pension obligations through the San Diego County Employees' Retirement Association and office space lease liability.

San Diego Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Conditions Affecting Current Financial Position

LAFCo's current economic condition, as it appears on the balance sheet reflects financial stability. The Commission and its Executive Officer will continue to maintain a watchful eye over expenditures and remain committed to sound and transparent fiscal management practices to deliver the highest quality service to the people of San Diego County. This includes utilizing the fund balance to offset and lower local agency apportionments so long as LAFCo maintains a minimum unassigned balance of no less than 33.3% of budgeted operating expenses. There are no known conditions adversely affecting the Commission's current financial condition.

Capital & Right to Use Assets

At June 30, 2023 LAFCo had \$-0- in capitalized furniture and equipment. The Commission's capital assets are discussed in detail in Note 4.

At June 30, 2023 LAFCo had 998,077 in capitalized right to use assets consisting of LAFCo office space. The Commission's right to use assets is discussed in detail in Note 5.

Debt Administration

LAFCo made all scheduled repayments of existing debt. Each of LAFCo's debt issues is discussed in detail in Note 5 to the basic financial statements. As of June 30, 2023, LAFCo's debt comprised:

Net pension liability	\$ 2,106,969
Pension obligation bonds	128,562
Compensated absences	67,615
Other post-employment benefits	31,517
Lease liability	<u>1,056,577</u>
Total	<u>\$ 3,391,240</u>

Economic Outlook and Major Initiatives

LAFCo is responsible under statute to annually review its organizational needs and adopt an operating budget accordingly with mandatory funding drawn from local agencies. State law also specifies that the operating budget shall be equal to the budget adopted for the previous fiscal year unless LAFCo formally finds any reduced costs will allow the Commission to nonetheless meet its prescribed regulatory and planning duties. These statutory provisions provide LAFCo full discretion in setting up and collecting local agency apportionments to meet budgeted expenses with the latter aligned to support annual workplans.

It is anticipated near-term annual workplans will continue to focus LAFCo resources in preparing municipal service reviews and associated sphere of influence updates in the northern and coastal communities in San Diego County.

Contacting LAFCo's Financial Management

The basic financial statements are intended to provide citizens, local funding agencies, and creditors with a general overview of LAFCo's finances and accountability therein. If there are any questions or a need for additional financial information, the LAFCo Executive Officer can be reached at (619) 321-3380 or at San Diego Local Agency Formation Commission, 2550 Fifth Avenue, Suite 725, San Diego, CA 92103.

Additional financial information – including past fiscal year audits – is available online at www.sdlafco.org.

San Diego Local Agency Formation Commission
STATEMENT OF NET POSITION
 June 30, 2023

ASSETS

Cash and investments	\$ 1,708,664
Interest receivable	61,347
Total current assets	1,770,011
Noncurrent assets:	
Right to use assets net accumulated amortization	998,077
Total noncurrent assets	998,077
Total assets	2,768,088

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow of resources - pension	1,141,012
Deferred outflow of resources - OPEB	9,581
Total deferred outflow of resources	1,150,593

LIABILITIES

Accounts payable	128,495
Accrued expenses	28,206
Total current liabilities	156,701
Noncurrent liabilities:	
Lease liability	1,056,577
Compensated absences	67,615
Pension obligation bonds	128,562
Net OPEB liability	31,517
Net pension liability	2,106,969
Total noncurrent liabilities	3,391,240
Total liabilities	3,547,941

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources - pension	350,112
Deferred inflow of resources - OPEB	-
Total deferred inflow of resources	350,112

NET POSITION

Unrestricted	20,628
Total net position	\$ 20,628

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
General government	\$ 2,195,343	\$ 310,014	\$ 131,105	\$ (1,754,224)
Interest	<u>36,493</u>	<u>-</u>	<u>-</u>	<u>(36,493)</u>
 Total governmental activities	 <u>\$ 2,231,836</u>	 <u>\$ 310,014</u>	 <u>\$ 131,105</u>	 <u>(1,790,717)</u>
 General revenues:				
Apportionment				1,804,266
Investment income				<u>37,843</u>
Total general revenues				<u>1,842,109</u>
 Change in net position				51,392
Net position beginning				<u>(30,764)</u>
Net position ending				<u>\$ 20,628</u>

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2023

	General
<u>ASSETS</u>	
Cash and investments	\$ 1,708,664
Interest receivable	61,347
Total assets	\$ 1,770,011
 <u>LIABILITIES</u>	
Accounts payable	\$ 128,495
Accrued expenses	28,206
Total liabilities	156,701
 <u>FUND BALANCE</u>	
Committed:	
Stabilization	250,000
Opportunity	300,000
Assigned	62,500
Unassigned	1,000,810
Total fund balance	1,613,310
Total liabilities and fund balances	\$ 1,770,011

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
 with the Governmental Activities
STATEMENT OF NET POSITION
 For the year ended June 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,613,310

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL and RIGHT TO USE ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. -

Right to use leased asset capital outlay expenditures which were capitalized, net of accumulated amortization. 998,077

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Deferred outflows	1,150,593
Deferred inflows	(350,112)
Net pension liability	(2,106,969)
OPEB	(31,517)
Pension obligation bonds	(128,562)
Compensated absences	(67,615)
Lease liability	<u>(1,056,577)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 20,628

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended June 30, 2023

	General
Revenues	
Apportionment	\$ 1,804,266
Intergovernmental	131,105
Proposal fees	310,014
Investment income	37,843
Total revenues	2,283,228
Expenditures:	
Salaries and benefits	1,202,404
Services and supplies	814,897
Debt service:	
Principal	121,065
Interest	36,493
Total expenditures	2,174,859
Excess (deficiency) of revenues and transfer in over (under) expenditures and transfers out	108,369
Fund balance beginning of period	1,504,941
Fund balance end of period	\$ 1,613,310

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
 Reconciliation of the
GOVERNMENTAL FUND STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 with the
STATEMENT OF ACTIVITIES
 For the year ended June 30, 2023

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 108,369

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Purchases of capital assets are added back to the fund balance	-
Depreciation expense is deducted from the fund balance	-

Governmental Funds report right to use assets as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as amortization expense.

Amortization expense is deducted from the fund balance	(119,769)
--	-----------

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change).

Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the expense in the Statement of Activities. Liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Net change in pension liability	(971,067)
Net change in deferred inflows and outflows	918,466
Net change in pension obligation bonds	29,044
Net change in OPEB liability	8,723
Net change in compensated absences	(14,395)
Net change in lease liability	<u>92,021</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 51,392

The accompanying notes are an integral part of these financial statements.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - REPORTING ENTITY

Organization of LAFCo

San Diego Local Agency Formation Commission (LAFCo or the Commission) is a political subdivision of the State of California and responsible for regulating the formation and development of local governmental agencies and municipal service areas under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). This includes timing the establishment, expansion, and reorganization of local government agencies and their public services to meet current and future community needs. LAFCo informs their regulatory powers through various administrative and planning activities with an increasing emphasis on performance measurement. There are currently more than 100 local agencies - cities, towns, and special districts - under LAFCo's oversight in San Diego County.

State Law requires that County Auditors apportion the net operating cost of LAFCos among the membership categories represented on each Commission. Net operating costs for the San Diego LAFCo are apportioned based upon the following formula: two-sevenths to the County of San Diego; one-seventh to the City of San Diego; two-sevenths among the remaining seventeen cities within the County of San Diego; and two-sevenths among independent special districts. Formulas in State Law stipulate how apportionment within the city and special district classes are determined. State Law also authorizes LAFCo to establish a schedule of fees and service charges to recover the reasonable costs of providing the service for which fees are charged.

San Diego Local Agency Formation Commission is an independent agency and its budget is not subject to County approval.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

LAFCo's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

B. Basis of Accounting

The *basic financial statements* of the San Diego LAFCo are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of LAFCo.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Apportionments, investment income, and other items not properly included among program revenues are reported instead as general revenues.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resource's measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *The basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

The fund financial statements provide information about the LAFCo funds. The underlying accounting system of LAFCo is organized and operated based on separate funds, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. LAFCo uses an availability period of 60 days for all revenues. Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are measurable and available where cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Non-exchange transactions, in which LAFCo gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

LAFCo may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures.

Governmental Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

Non-spendable Fund Balance

Non-spendable Fund Balance - this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance - this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The San Diego LAFCo considers a resolution to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

Assigned Fund Balance - this includes amounts that are designated or expressed by the Commission but does not require a formal action like a resolution or ordinance. The Commission has delegated the ability of the Executive Officer to assign up to \$125,000, for specific purposes.

Unassigned Fund Balance - this includes the remaining spendable amounts which are not included in one of the other classifications.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (concluded)

Fund Balance Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net Position is the excess of all LAFCo's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position that is represented by the current net book value of LAFCo's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCo cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted to use.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

The San Diego LAFCo reports the following major governmental fund:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

C. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

LAFCo did not have any investments subject to the recurring fair value measurements as of June 30, 2023.

E. Capital Assets

Capital assets are recorded at cost for purchases more than \$7,500 that have an expected useful life of three years or more. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The useful life used for depreciation purposes is as follows:

Machinery and equipment	3-10 years
Furniture and fixtures	5-7 years

F. Right to Use Assets

The right to use assets are recorded at the discounted cost, plus additional costs and fees, less incentives, and credits for leases subject to GASB 87 guidance. This asset consists of the right to use office space. The related leases are discussed in the Lease subsection of Note 6. The right to use assets are amortized on a straight-line basis over the terms of the related leases.

G. Lease

LAFCo recognizes a right to use assets and a lease liability in government-wide financial statements.

At the commencement of a lease, LAFCo initially measures the lease liability at the present value of the payments expected to be paid during the lease terms. Subsequently, the lease liability is reduced by the principal portion of lease payments paid. The right to use assets is initially measured as the initial amount of the lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the right to use asset is amortized on a straight-line basis over the life of the lease term.

Key estimates and judgments include how LAFCo determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- LAFCo uses their incremental borrowing rate of 3.00% to discount leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is composed of annual adjustments in the amount of 3.00% annually.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Lease (concluded)

LAFCo monitors changes in circumstances that would require a remeasurement of its lease and will measure the lease liability and right to use assets if certain changes occur that are expected to significantly affect the amount of the lease receivable.

H. Compensated Absences

Permanent LAFCo employees earn from 10 to 25 vacation days a year, depending upon their length of employment, and 13 sick days a year. Employees can carry forward up to twice their annual allotment in earned but unused vacation days. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the San Diego County Employees Retirement Association (SDCERA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. SDCERA audited financial statements are publicly available reports that can be obtained at SDCERA's website under Forms and Publications.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

J. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported of the San Diego County Employees Retirement Association (SDCERA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. SDCERA audited financial statements are publicly available reports that can be obtained at SDCERA's website under Forms and Publications. Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. LAFCo reports deferred outflows related to pensions and OPEB in this category and are on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. LAFCo reports deferred inflows related to pensions and OPEB in this category.

L. Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

M. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the San Diego LAFCo's prior year financial statements, from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made to enhance their comparability with current year's figures.

N. LAFCo Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCo adopts a proposed budget by May 1 and a final budget by June 15 of each year. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCo. Individual amendments were not material in relation to the original appropriations that were amended. Expenditures were under appropriations by \$86,984 for the fiscal year ending June 30, 2023.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2023, consisted of the following:

Demand deposits	\$ 48,376
County of San Diego Investment Pool	<u>1,660,288</u>
Total cash and investments	<u>\$ 1,708,664</u>

A. Investments Authorized by the San Diego LAFCo's Investment Policy

LAFCo's investment policy authorizes investments in the undermentioned agencies/institutions:

- State Local Agency Investment Fund (LAIF)
- County of San Diego Investment Pool

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 - CASH AND INVESTMENTS (concluded)

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County of San Diego investment pool has a weighted average maturity of 398 days. For additional information see the County of San Diego's Comprehensive Annual Financial Report. This report can be obtained at the Auditor-Controller County of San Diego office located at the 1600 Pacific Highway, San Diego, California, 92101.

C. Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Diego County Investment Pool was rated AAA by Standards and Poor as of June 30, 2023.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 6/30/22	Additions	Retirements	Balance 6/30/23
Capital assets being depreciated:				
Furniture & equipment	\$ 27,102	\$ -	\$ -	\$ 27,102
Total capital assets	<u>27,102</u>	<u>-</u>	<u>-</u>	<u>27,102</u>
Less: accumulated depreciation				
Furniture & equipment	(27,102)	-	-	(27,102)
Total accumulated depreciation	<u>(27,102)</u>	<u>-</u>	<u>-</u>	<u>(27,102)</u>
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The depreciation allocation for general government for the ending June 30, 2023 was \$-0-.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 - RIGHT TO USE ASSETS

A summary of the changes in right to use assets follows:

	<u>Balance</u> <u>6/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Right to use assets being amortized:				
Office space lease	\$ 1,227,635	\$ -	\$ -	\$ 1,227,635
Total right to use assets	<u>1,227,635</u>	<u>-</u>	<u>-</u>	<u>1,227,635</u>
Less: accumulated amortization				
Office space lease	<u>109,789</u>	<u>119,769</u>	<u>-</u>	<u>229,558</u>
Total accumulated amortization	<u>109,789</u>	<u>119,769</u>	<u>-</u>	<u>229,558</u>
Total right to use assets being amortized, net	<u>\$ 1,117,846</u>	<u>\$ (119,769)</u>	<u>\$ -</u>	<u>\$ 998,077</u>

The amortization allocation for general government for the year ending June 30, 2023 was \$119,769.

NOTE 6 - LEASES

LAFCo entered a non-cancellable operating lease for approximately 3,279 rentable square feet for administrative facilities commencing August 1, 2021. Rental increases by 3.00% annually over the life of the 123-month lease agreement expiring October 31, 2031. The lease liability is measured at an incremental borrowing rate of 3.00%. This rate was determined using the historic 20-year treasury rate as well as current and expected market conditions. The book value of LAFCo's right to use asset for the year ending June 30, 2023 was \$998,077, see Note 5 above for detail.

Future minimum rental payments required under the above lease agreement are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 98,776	\$ 30,351	\$ 129,127
2025	105,770	27,292	133,062
2026	112,976	24,020	136,996
2027	120,402	20,530	140,932
2028	128,419	16,808	145,227
2029	136,713	12,842	149,555
2030	145,259	8,624	153,883
2031	154,431	4,141	158,572
2032	<u>53,831</u>	<u>338</u>	<u>54,168</u>
Total	<u>\$ 1,056,577</u>	<u>\$ 144,946</u>	<u>\$ 1,201,523</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

	<u>Balance</u> <u>6/30/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/23</u>	<u>Current</u> <u>Portion</u>
Pension obligation bond	\$ 157,606	\$ -	\$ 29,044	\$ 128,562	\$ 40,000
Net pension liability	1,135,902	971,067	-	2,106,969	-
Other Post-Employment Benefits	40,240	-	8,723	31,517	-
Compensated absences	53,220	14,395	-	67,615	-
Lease liability	<u>1,148,598</u>	<u>-</u>	<u>92,021</u>	<u>1,056,577</u>	<u>98,776</u>
Total	<u>\$ 2,535,566</u>	<u>\$ 985,462</u>	<u>\$ 129,788</u>	<u>\$ 3,391,240</u>	<u>\$ 138,776</u>

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 - LONG-TERM LIABILITIES (concluded)

The San Diego LAFCo participates in the County of San Diego County Employee Retirement Association's (SDCERA) pension plan as discussed further in Note 9. As such they are liable for a share of the County's Taxable Pension Obligation Bonds (POB). POBs are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the SDCERA pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of the proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis. The County of San Diego has issued a total of six series of Pension Obligation Bonds in 2002, 2004 and 2008, with maturities ranging from August 15, 2015 to August 15, 2026. All bonds were issued at variable interest rates ranging from 3.28-6.03%. Additional information on the bonds can be found in the County of San Diego's Comprehensive Annual Financial Report. The LAFCo's proportionate share of the County's total obligation is 0.034%. The amount collected per year for LAFCo fluctuates year to year because it is based on the respective payrolls, which is affected by several factors (i.e. pay raises, new hires, retirees, etc.). This can result in over or under collection from the agency. The County will not bill LAFCo for an under collection or refund LAFCo for an over collection. Whatever is over/under collected for LAFCo per year is applied to the outstanding principal balance so there is the likelihood that principal balance does not conform to the amortization schedule.

The following is a summary of debt service requirements to maturity for LAFCo's Share of the County's Pension Obligation Bonds:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 40,000	\$ 3,445	\$ 43,445
2025	45,000	2,253	47,253
2026	<u>43,562</u>	<u>1,193</u>	<u>44,755</u>
Total	<u>\$ 128,562</u>	<u>\$ 6,891</u>	<u>\$ 135,453</u>

Compensated Absences

LAFCo's policies relating to compensated absences are described in Note 2. This liability, to be paid in future years from the general fund, is \$67,615 on June 30, 2023.

NOTE 8 - INSURANCE

Insurance is provided on behalf of LAFCo by the County of San Diego Insurance Policy. LAFCo pays its pro-rata share of insurance costs to the County. For coverage limits see the County of San Diego's Comprehensive Annual Financial Report. This report can be obtained at the Auditor-Controller County of San Diego office located at 1600 Pacific Highway, San Diego, California, 92101. LAFCo also carries commercial insurance coverage for general liability and professional errors and omissions risks of loss.

NOTE 9 - RETIREMENT PLAN

Plan Description

LAFCo employees who work in a permanent position for at least 20 hours each week are eligible to participate in the San Diego County Employees Retirement Association (SDCERA) cost-sharing multiple employers defined benefit pension plan. All eligible LAFCo employees are considered General Members. The plan was established under the County Employees Retirement Law of 1937. A nine-member Board of Retirement oversees the plan for five employers. SDCERA issues a publicly available report that includes financial statements and required supplementary information. The SDCERA financial report may be obtained by writing to SDCERA: 227 Rio Bonito Way, Suite 2000, San Diego, California 92108.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 - RETIREMENT PLAN (continued)

Benefits Provided

SDCERA provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plans' provisions and benefits in effect on June 30, 2023, are summarized as follows:

	General Members			
	March 8, 2002 to August 28, 2009 (Tier A)	August 28, 2009 to December 31, 2012 (Tier B)	January 1, 2013 to June 30, 2018 (Tier C)	On or after July 1, 2018 (Tier D)
Hire date				
Benefit formula	3.00% @ 60	2.62% @ 62	2.50% @ 67	1.62% @ 65
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-65	50-65	55-67	52-65
Required employee contribution rates	10.63-18.40%	7.66-14.62%	9.19%	6.51%
Required employer contribution rates	44.32%	44.32%	37.66%	35.02%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the SDCERA annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All members are required to make contributions to SDCERA regardless of the retirement plan in which they are included.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was remeasured by revaluing the total pension liability as of June 30, 2021 (before the roll forward) to include the following actuarial assumptions that the Retirement Board has adopted for use in the pension funding valuation as of June 30, 2022 and using this revalued total pension liability in rolling forward the results from June 30, 2021 to June 30, 2022:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	6.50%
Inflation	2.50%
Payroll Growth	3.90% to 10.50%
Investment Rate of Return	6.50%, net of pension plan investment expense, incl. inflation

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.50% as of June 30, 2022 and June 30, 2021, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 - RETIREMENT PLAN (continued)

Projected employer contributions that are intended to fund the service costs for future members and their beneficiaries, as well as projected contributions from future members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2021, and June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, are shown in the following two tables. As indicated in the table headings, this information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2022 and June 30, 2021 actuarial valuations. This information will change every three years based on the actuarial experience study (as it did between the 2021 and 2022 valuations).

June 30, 2022		Long-Term Expected
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Real Rate of Return</u>
Large Cap Equity	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Market Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row Crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	<u>100.00%</u>	<u>4.80%</u>

1 The investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 - RETIREMENT PLAN (continued)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Net Position. The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Net Position for each membership class was estimated by adjusting the value of assets for each membership class by the ratio of the total SDCERA Plan Net Position to total SDCERA value of assets.

The NPL is allocated based on the actual employer contributions within the membership class.

- (1) First calculate the ratio of employer's contributions to the total contributions for the membership class. This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
- (2) The liability for Section 415(m) Replacement Benefit Program for each employer is added to the respective employers. San Diego LAFCo does not have a liability in this category.
- (3) NPL is equal to NPL in (1) and NPL in (2) above.

The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

	Net Pension Liability
Balance at: 6/30/2022	\$ 2,106,969

LAFCo's proportionate share of the net pension liability as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.048%
Proportion - June 30, 2022	0.044%
Change - Increase (Decrease)	(0.001)%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	Discount Rate - 1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate + 1% (7.50%)
Plan's Net Pension Liability	\$ 3,173,272	\$ 2,106,970	\$ 1,237,630

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 - RETIREMENT PLAN (concluded)

The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expenses. The amortization period differs depending on the source of the gain or loss:

- Difference between projected and actual earnings
- All other amounts
- 5-year straight-line amortization

Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan was 4.86 years, which was calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest, setting the remaining service life to zero for each nonactive or retired member, and then dividing the sum of the amounts by the total number of active employees, nonactive and retired members.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
 For the measurement period ending June 30, 2022 (the measurement date), LAFCo recognized a pension expense of \$314,088 for the Plan.

As of the June 30, 2022 measurement date, LAFCo reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 257,963	\$ -
Differences between actual and expected experience	9,405	64,108
Changes in assumptions	342,240	-
Net difference between projected and actual earnings on pension plan investments	386,125	-
Change in proportion and differences between employer contributions and proportionate share of contributions	145,279	286,004
Total	\$ 1,141,012	\$ 350,112

\$257,963 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

<u>Year ended June 30:</u>	Deferred Outflows/Inflows of Resources
2024	\$ (221,629)
2025	110,084
2026	9,713
2027	191,511
Thereafter	-

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Effective July 1, 2007, LAFCo commenced contributing to the SDCERA Retiree Health Plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns LAFCo to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from \$200 per month to \$400 per month based on members' service credits. SDCERA issues a publicly available report that includes financial statements and required supplementary information. The SDCERA financial report may be obtained by writing to SDCERA: 227 Rio Bonito Way, Suite 2000, San Diego, California 92108.

Benefits provided.

SDCERA provides Health Insurance Allowance benefits to eligible employees after retirement. All General and Safety Tier I and Tier II members are in the membership classifications eligible for the HIA. The HIA Plan is closed to members in the other Tiers.

Employees Covered

As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the HIA:

Active employees	6
Inactive employees or beneficiaries currently receiving benefits	<u>3</u>
Total	<u>9</u>

Contributions

The SDCERA RHP and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between LAFCo and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2023, LAFCo's cash contributions were \$9,947.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, LAFCo reported a liability of \$31,517 for its proportionate share of the collective net OPEB liability.

The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2022. LAFCo's proportion of the collective net OPEB liability was based on a projection of the Commission's share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, LAFCo's proportion was 0.050% percent, which was equal to its proportion measure as of December 31, 2021 (0.050% percent). For the fiscal year ended June 30, 2023, LAFCo recognized OPEB expense of \$2,132. As of fiscal year, ended June 30, 2023, LAFCo reported deferred outflows of resources related to OPEB from the following sources:

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions after measurement date	\$ 8,190	\$ -
Differences between projected and actual earnings on investments	1,391	-
Total	\$ 9,581	\$ -

\$8,190 reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Year ended June 30:</u>	Deferred Outflows/Inflows of Resources
2025	\$ (309)
2026	(295)
2027	(209)
Thereafter	(578)

Actuarial Methods and Assumptions

The Total OPEB Liability as of June 30, 2022 and June 30, 2021 was determined by an actuarial valuation as of June 30, 2022 and June 30, 2021, respectively. The actuarial assumptions used in the valuation were based on the results of an experience study for the period from July 1, 2020, through June 30, 2021. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuations for SDCERA HIA. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Level Percent of Pay Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases	3.90% to 10.50%
Health Care Trend	7.25% graded to ultimate 4.50% over 8 years.
HIA subsidy increases	0.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2022, and 6.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs (if any) for future members and their beneficiaries, as well as projected contributions (if any) from future members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members.

San Diego Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (concluded)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of both June 30, 2022, and 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of SDCERA as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what SDCERA's NOL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	Healthcare Rate - 1% (5.50%)	Current Healthcare Rate (6.50%)	Healthcare Rate + 1% (7.50%)
Plan's Net OPEB Liability	\$ 31,243	\$ 31,517	\$ 31,770

NOTE 11 - RELATED PARTY TRANSACTIONS

LAFCo reimburses the County for the annual cost of participating in County administered workers' compensation and liability insurance plans, employee benefit programs, and payroll and information technology support services. LAFCo also made lease payments to the County for their operating office space. Total lease payments including lease liability reduction and interest expenses made to San Diego County during fiscal year ended June 30, 2023 were \$119,769. LAFCO completed its lease with the County of San Diego for office space in August 2021.

NOTE 12 - CONTINGENCIES

LAFCo may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCo management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a material adverse effect on LAFCo's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

San Diego Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Required Supplemental Information
 Budget and Actual
 General Fund (Unaudited)
 For the period ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Apportionment	\$ 1,804,266	\$ 1,804,266	\$ 1,804,266	\$ -
State grants	215,500	215,500	131,105	(84,395)
Proposal fees	170,000	170,000	310,014	140,014
Investment and other income	<u>70,898</u>	<u>70,898</u>	<u>37,843</u>	<u>(33,055)</u>
Total revenue	<u>2,260,664</u>	<u>2,260,664</u>	<u>2,283,228</u>	<u>22,564</u>
Expenditures:				
Salaries and benefits	1,291,635	1,291,635	1,202,404	89,231
Services and supplies	970,208	970,208	814,897	155,311
Debt service				
Principal	-	-	121,065	(121,065)
Interest	<u>-</u>	<u>-</u>	<u>36,493</u>	<u>(36,493)</u>
Total expenditures and debt service	<u>2,261,843</u>	<u>2,261,843</u>	<u>2,174,859</u>	<u>86,984</u>
Excess (deficit) of revenue over expenditures	<u>\$ (1,179)</u>	<u>\$ (1,179)</u>	108,369	<u>\$ 109,548</u>
Fund balance, beginning of period			<u>1,504,941</u>	
Fund balance, end of period			<u>\$ 1,613,310</u>	

San Diego Local Agency Formation Commission
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2023

NOTE 1 - BUDGETARY REPORTING

San Diego LAFCo adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with generally accepted accounting principles (GAAP). The adopted budget can be amended by the San Diego LAFCo to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the San Diego LAFCo's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the management to review the budget with the Commission on a quarterly basis and, if necessary, recommend changes.

San Diego Local Agency Formation Commission
As of June 30, 2023
Last 10 Years
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

<u>Measurement Date</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	0.037%	0.047%	0.048%	0.042%	0.032%	0.041%	0.039%	0.036%	0.042%	0.043%
Proportionate share of the net pension liability	\$ 2,106,969	\$ 1,135,902	\$ 2,305,366	\$ 1,686,072	\$ 1,091,200	\$ 1,501,659	\$ 1,661,381	\$ 1,023,368	\$ 893,715	\$ 1,231,811
Covered - employee payroll	\$ 589,480	\$ 708,838	\$ 672,154	\$ 615,474	\$ 444,760	\$ 507,984	\$ 462,897	\$ 411,232	\$ 444,346	\$ 446,796
Proportionate share of the net pension liability as a percentage of covered-employee payroll	357%	160%	343%	274%	245%	296%	359%	249%	201%	276%
Plan fiduciary net position as a percentage of the total pension liability	72.19%	87.15%	72.77%	75.99%	78.9%	76.1%	70.9%	78.3%	81.9%	75.5%

San Diego Local Agency Formation Commission
As of June 30, 2023
Last 9 Years
SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ending June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 238,695	\$ 293,766	\$ 293,416	\$ 209,786	\$ 172,020	\$ 166,680	\$ 180,945	\$ 135,423	\$ 142,703
Contributions in relation to the actuarially determined contributions	<u>(238,695)</u>	<u>(293,766)</u>	<u>(293,416)</u>	<u>(209,786)</u>	<u>(172,020)</u>	<u>(166,680)</u>	<u>(180,945)</u>	<u>(135,423)</u>	<u>(142,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll during the fiscal year	\$ 664,309	\$ 708,838	\$ 672,154	\$ 615,474	\$ 444,760	\$ 507,984	\$ 462,897	\$ 411,232	\$ 444,346
Contributions as a percentage of covered-employee payroll	35.93%	41.44%	43.65%	34.09%	38.68%	32.81%	39.09%	32.93%	32.12%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

San Diego Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the year ended June 30, 2023

Measurement Date	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan's Proportion of the Net OPEB Liability (Asset)	0.042%	0.053%	0.050%	0.050%	0.037%	0.044%
Plan's Proportionate Share of the Net OPEB Liability (Asset)	\$ 31,518	\$ 40,240	\$ 50,032	\$ 56,490	\$ 47,526	\$ 63,154
Plan's Covered Payroll	\$ 589,480	\$ 708,838	\$ 672,154	\$ 615,474	\$ 444,760	\$ 507,984
Plan's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	5.35%	5.677%	7.444%	9.178%	10.686%	12.432%
Plan's Proportion of the Fiduciary Net Position	32.73%	31.570%	19.700%	14.730%	10.120%	6.920%
Plan's Proportionate Share of the Fiduciary net Position as a percentage of the Plan's Total OPEB Liability	32.73%	3.167%	5.076%	14.730%	10.120%	6.920%
Plan's Proportionate Share of Aggregate Employer Contributions	0.042%	0.053%	0.050%	0.050%	0.037%	0.044%

Notes to Schedule:

The schedules present information to illustrate the changes in San Diego LAFCO's net OPEB liability over a ten year period when the information is available. San Diego LAFCO adopted GASB 75 for the fiscal year ending June 30, 2018.

San Diego Local Agency Formation Commission
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
For the year ended June 30, 2023

<u>Measurement Date</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial Determined Contribution	\$ 7,754	\$ 7,743	\$ 9,946	\$ 10,106	\$ 7,282	\$ 7,256
Contributions in relation to the actuarially determined contribution	(7,754)	(7,743)	(9,946)	(10,106)	(7,282)	(7,256)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 708,838	 \$ 672,154	 \$ 615,474	 \$ 444,760	 \$ 507,984	 \$ 462,897
Contributions as a percentage of covered payroll	1.09%	1.15%	1.62%	2.27%	1.43%	1.57%

Notes to Schedule:

The schedules present information to illustrate changes in San Diego LAFCO's contributions over a ten year period when the information is available.

GASB 75 requires this information for plans funding with OPEB trusts to be reported in the employer's Required Supplemental Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to June 30, 2018. San Diego LAFCO adopted GASB 75 for the fiscal year ending June 30, 2018.