

**AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA**

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AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART ONE  
EXECUTIVE SUMMARY

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SECTION I. INTRODUCTION

=====

Ken Knight, A.I.C.P. and Fred Christensen, a joint venture, has been retained by the Cambria Community Services District to study the feasibility of incorporation of the community of Cambria, California. This preliminary report is the initial phase in determining the financial feasibility of the project.

This report is intended to establish a baseline for projecting to the three years required by State law in the comprehensive fiscal analysis. It accomplishes one other thing: it gives to the community a reasonable indication of the potential for financial feasibility if a full-scale comprehensive report is prepared.

In this manner, the community and community leadership will have some rational basis upon which to determine whether or not it is appropriate to move on to the next phase: initiation of the proposal before the San Luis Obispo County Local Agency Formation Commission.

The Report is divided into four Parts and Appendices as follows:

PART ONE contains the Executive Summary, listing the findings, conclusions and recommendations of the study.

PART TWO examines the study area and reviews the current organization for the provision of municipal services.

PART THREE establishes those functions and services which the new City would assume following incorporation; determines the cost of those services in the base year (in this case, 1994-95) and the revenues which the community would have generated to support those services had it been incorporated that year; and examines the impact of incorporation on County government.

PART FOUR identifies approaches to mitigation to achieve the fiscal neutrality for County government required by State law while achieving financial feasibility for the proposed new City, and contains a preliminary determination of fiscal feasibility.

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART ONE  
EXECUTIVE SUMMARY

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SECTION II. DESCRIPTION OF PROJECT

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The California Environmental Quality Act (Section 21000 *et seq.* Public Resources Code, hereafter "CEQA") requires that all projects be reviewed for their potential impact on the environment by the public agency with the principal responsibility for approving said project.

The Courts have held that an incorporation proposal is a "project," and therefore subject to an environmental review.

This Section of the Report will define the project proposed and discuss the process under both State law and the CEQA Guidelines which have been promulgated by the California Secretary of Resources.

The Project

The project under review is a change of organization which proposes the incorporation of the community of Cambria, situated in the Central Coast of California in San Luis Obispo County. It further proposes the consolidation of the Cambria Community Services District with the newly-incorporated City at the beginning of the fiscal year following the incorporation. The effective date of the incorporation is proposed to be July 1, 1996, and the effective date of the consolidation, therefore, would be July 1, 1997.

If initiated, the proposal will be in compliance with the provisions of the Cortese-Knox Local Government Reorganization Act of 1985 (Section 56000 *et seq.* of the Government Code, hereafter "Cortese-Knox") most likely by the adoption by the Cambria Community Services District of a Resolution of Initiation and the submission of that Resolution to the San Luis Obispo County Local Agency Formation Commission. The Resolution would be accompanied by associated documents required pursuant to Section 56652 of Cortese-Knox and the documents required by the San Luis Obispo LAFCO.

Incorporation is defined in Section 56043 of Cortese-Knox as "the incorporation, formation, creation, and establishment of a city with corporate powers." The corporate powers which would be assumed by the new City upon incorporation, should the proposal succeed, include authority over land use decisions within its jurisdiction, authority to exercise police powers granted to cities by the Constitution of the State of California, and authority to determine the scope and level of services to be provided within its jurisdiction which, by law, the City would have authority to provide.

In accordance with statutory law, the new City would be a general law city governed by a five-member City Council elected by the registered voters within the territory voting at the election at which the question of incorporation is placed before the voters. That Council, and no other person, group, department, association, entity, or governing body, would have the sole and exclusive jurisdiction over those matters, including land use, which are within the jurisdiction of the new municipality.

Should the electorate of Cambria desire to change the form of government to a strong Mayor-Council form, this change could be accomplished following incorporation through the process of establishing a City Charter form of government.

The proposal would further provide that, at the start of the fiscal year following incorporation, the Cambria Community Services District would cease to exist as a separate public entity, with all its powers, responsibilities, and activities assumed by the City and subject to the policy decisions of its elected City Council.

It should also be noted that Section 65360 of the Government Code specifically requires the legislative body of a newly incorporated city to adopt a general plan within 30 months following incorporation and provides that the existing general plan governing land use in the area under its unincorporated status shall remain in effect until the City Council, following required public hearings and environmental impact analyses adopts the City's own general plan.

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART ONE  
EXECUTIVE SUMMARY

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SECTION III. FINDINGS

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1. The area studied in this Report has a current population estimated by the San Luis Obispo County Department of Planning and Building at 5,635. According to the San Luis Obispo County Public Works Department, there are 48.3 miles of County-maintained roads. The County Registrar of Voters reports that the community had a total of 3,779 registered voters as of October 4, 1995.
2. Municipal-type public services are provided to the community by the following agencies:
  - a. County of San Luis Obispo: law enforcement; animal control; planning and land use regulation; building inspection; street and highway construction and maintenance (on County-maintained streets); park and recreation services; and, in cooperation with the California Department of Transportation (CalTrans), maintenance of two traffic signals on State Highway 1.
  - b. California Highway Patrol: traffic control and accident investigation.
  - c. CalTrans: maintenance of State Highway 1 which traverses the area from north to south.
  - d. Cambria Community Services District: domestic water; sewage collection and treatment; refuse collection; fire protection; maintenance of the Veterans Memorial Building, weed abatement, maintenance of street lights in the business district, and maintenance of the Ranch House within the incorporation study area.
  - e. County Service Area No. 21 (Cambria Pines): street maintenance within this subdivision through a separate assessment.
  - f. Cambria Hospital District: maintains an ambulance service to the community.

3. Were the Cambria community to incorporate, the new City would assume responsibility for at least the following municipal services:
  - a. General government, including legislative and administrative functions (management, legal, fiscal and ministerial administration).
  - b. Law enforcement, including police protection and traffic control and accident investigation. Responsibility for traffic control and accident investigation would include city streets, as well as any portion of State Highway 1 within the City's boundaries.
  - c. Land use regulation, including planning, zoning and building inspection.
  - d. Maintenance of streets and roads, including routine, safety, storm and special maintenance.
  - e. Park and recreation services, including maintenance of two County parks and beach accessways.
  - f. Following consolidation of the community services district with the City, provision of domestic water, refuse collection, sewage collection and treatment, fire protection, weed abatement, business district street lights, and Ranch House and Veterans Memorial buildings maintenance.
4. Based on information provided by the affected agencies, the base data for cost of services which would be transferred to the new city (exclusive of general government and liability insurance and services provided by the Cambria Community Services District) within the Cambria area during the prior fiscal year (1994-95) amounted to **\$1,506,884**. Of this amount:
  - a. The County of San Luis Obsipo spent a total of **\$1,375,579** on the services for which it was responsible, of which \$230,200 was for Road Fund and \$1,145,379 was for General Fund services.
  - b. County Service Area #21 spent a total of **\$10,500** for road maintenance services in a portion of the area.
  - c. The State spent a total of **\$91,170** in providing traffic control and accident investigation.
  - d. An additional **\$29,635** was spent for transit services administered by the San Luis Obsipo Council of Governments.



5. Had Cambria been incorporated in 1994-95, and had it been responsible for all the services listed above at the levels provided during that year, it would have received a total of **\$3,250,556** in revenues (excluding revenues received by the Cambria Community Services District). Of these:
  - \* **\$2,750,080** would have been General Fund revenues; and
  - \* **\$388,574** would have been Road Fund and Urban Area revenues.
  - \* **\$10,500** would have been assessment fees for County Service Area #21.
  - \* **\$101,402** would have been Local Transportation Fund revenues.
6. Had Cambria been incorporated in 1994-95, however, the City would have had to fund general government costs. These costs are estimated at **\$434,577**. An additional **\$42,484** would have been required for liability insurance, a contingency reserve of **\$14,601** would have been needed to cover the potential costs of wildland fires in former State Responsibility Areas (SRAs) and an amount of **\$25,000** would have been reserved as self-insured retention. Total General, Road, and Special Fund cost estimates would have totaled **\$2,023,546**.
7. Subtracting the total General and Road Fund cost estimates from the associated revenue estimates, the City would have experienced a surplus of **\$1,227,010**.
8. The impact on County government, however, must also be factored in to comply with the SB-1559. An analysis of the impact on County government shows that:
  - \* County cost savings of **\$1,145,379** would be offset by the loss of **\$2,277,877** in revenues.
  - \* The net County loss which would have to be mitigated amounts to **\$1,128,339**.
9. As detailed in Part Four of this Report, there are a variety of methods available to achieve the mitigation required to result in a feasible incorporation proposal. Using those mitigations which involve cost efficiencies amounting to **\$515,000** that are within the powers of the City government, a City surplus of **\$613,671** would occur. This amount would result in a surplus of 18.87% of revenues over costs, well within the 15% surplus needed for a finding of feasibility.

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART ONE  
EXECUTIVE SUMMARY

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SECTION IV. CONCLUSIONS AND RECOMMENDATIONS

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CONCLUSIONS

Based on the data obtained from provider agencies themselves and on the agencies responsible for revenue collection and distribution, using current levels and current allocation formulas; and factoring in the impact of the incorporation on County government, it is our professional opinion that incorporation of the community of Cambria is financially feasible if mitigation of the county impact is achieved.

Using the mid-range for cost efficiencies detailed in Part Four, Section I of this Report as one possible approach to achieve fiscal neutrality for the County and feasibility for incorporation, a surplus of \$613,671 is estimated, or 18.87% of total revenues.

RECOMMENDATIONS

Should a full scale incorporation study be authorized by the Cambria Community Services District, consultants should be authorized to:

1. Develop a comprehensive fiscal feasibility report, including proposed terms and conditions that would meet the requirements for an incorporation proposal that is fiscally neutral to the County.
2. Meet with appropriate CCSD, County and LAFCO officials to establish mitigation measures potentially acceptable to the County Board of Supervisors, LAFCO, the CCSD and the Cambrian electorate.
3. Assist in the preparation of the material accompanying the Resolution of Application to be filed with the Formation Commission Executive Officer.

# AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION OF THE COMMUNITY OF CAMBRIA

## PART TWO CAMBRIA - THE COMMUNITY

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SECTION I. THE INCORPORATION STUDY AREA  
=====

Cambria is a community of approximately 5,600 residents located on the central coast of San Luis Obispo County 25 miles north of Morro Bay. It is traversed by State Highway 1.

The proposed city boundary follows that of the existing Cambria Community Services District except for areas A, B, C, and D on the attached map.

The western boundary begins at the mean high tide line fronting Lampton Park and extending northerly along the oceanfront past the West Lodge Hill neighborhood to north of Wedgewood Street to include Area A, the East-West Ranch. Continuing north along the mean high tide line of Area A, part the Park Hill and Moonstone Beach neighborhoods to Area B, the western boundary ends at the flag lot containing the CCSD Desalination Facility onshore intake pipeline located approximately at the extension of San Simeon Creek Road.

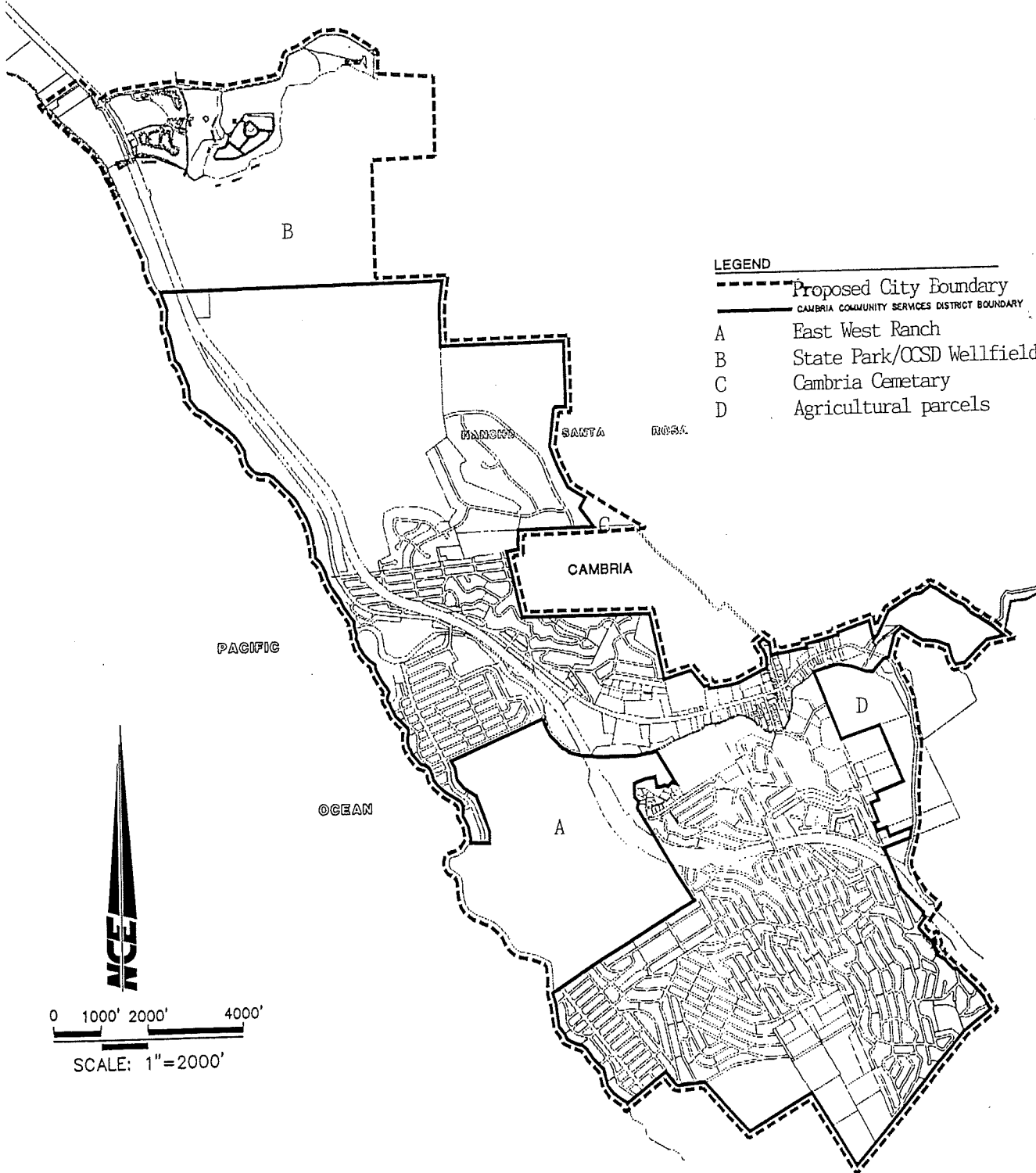
The northern boundary proceeds east along the seawater intake line paralleling and including San Simeon Creek Road and the CCSD San Simeon well field.

The easterly boundary proceeds south beginning at the CCSD San Simeon well field boundary and follows the east boundary of San Simeon State Park to the current CCSD boundary and proceeding south, to the east of Cambria Pines Road and the Happy Hill neighborhood and including Area C, the Cambria Cemetery, proceeding southeast along Bridge Street to the northern lot lines of the properties fronting Main Street, east along Santa Rosa Creek Road, south along the Coast Union High School boundary, west along Santa Rosa Creek to Main Street, south along Main Street including the East Lodge Hill neighborhood and including Area D -- the primarily agricultural parcels west of Main Street -- to Route 1 and Ardath Road, south of State Route 1 along the east edge of the West Lodge Hill neighborhood.

The southern boundary includes the southeast boundary of the West Lodge Hill neighborhood to include the YMCA Camp, along Randall Road to Marborough Lane to Lampton Cliffs Park and the mean high tide line of the Pacific Ocean.

A map describing the area under study can be found on the following page.

PROPOSED CITY OF CAMBRIA BOUNDARY



AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART TWO  
CAMBRIA - THE COMMUNITY

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SECTION II. CURRENT ORGANIZATION FOR THE DELIVERY  
OF MUNICIPAL SERVICES

=====

INTRODUCTION

This Section will discuss the delivery of municipal services to the Cambria community. These services are defined as services which a municipality has the authority to provide, or is by law required to provide. Thus, it does not deal with so-called "countywide services" (such as the courts, health care and social services) which are, and would remain, the responsibility of County government following an incorporation, but rather services typically provided to urban or urbanizing unincorporated areas.

This Section will not discuss school services which are the responsibility of independent school districts which would not be affected by incorporation; nor does it include a discussion of hospital or cemetery services, both of which are provided by special districts (the Cambria Hospital District and the Cambria Cemetery District) which would not be affected by the proposed incorporation.

In the Cambria area, affected municipal-type services are currently received from both public agencies and private sources.

The major public agencies providing municipal services affected by the proposal are the County of San Luis Obispo; the California Highway Patrol; the Cambria Community Services District; and County Service Area #21 (a county-governed special district).

The County is responsible for policy-making and administration; law enforcement; animal control; planning and land use regulation; flood control; refuse disposal; library services; park and recreation services; the maintenance and improvement of roads; and, in cooperation with CalTrans, maintenance of traffic signals on State Highway 1.

County Service Area #21 (Cambria Pines) is responsible for street maintenance within this subdivision.

The California Highway Patrol is responsible for traffic control and accident investigation on State Highway 1 and on surface streets within the unincorporated area.

The Cambria Community Services District is responsible for fire protection and suppression services, domestic water, sewage collection and treatment, and refuse collection. The District also is responsible for street lights, weed abatement, the operation of the Veterans Building and the Ranch House, and funds a Commission to review plans for parks, recreation and open space.

Ambulance services to the Cambria area are provided by the Cambria Hospital District.

Utilities are received from private sources. These include Pacific Gas and Electric for electricity, and Southern California Gas Company for gas.

Cable television is provided to the community by Falcon Cable.

## GENERAL GOVERNMENT

### **Policy Development and Administrative Services**

Policies for the government of the Cambria community are established by the San Luis Obispo County Board of Supervisors and the Boards of Directors of the four Districts which serve the community. The office of the County Chief Administrative Officer provides administrative oversight for all services provided to the Cambria community by the County. Legal services are provided by the office of the County Counsel, while fiscal administration and accounting are the responsibility of the County Auditor.

As for the special districts (other than CSA #21, which is governed by the County), policy-making is the responsibility of the elected Boards of Directors, and the Districts are managed by Board-appointed managers.

Should incorporation occur, there would be no change in the status of the Cambria Hospital District, the Cambria Cemetery District, nor the two school districts (Cambria Union Elementary School District and Coast Union High School District).

## PUBLIC PROTECTION

### **Police Protection**

Police protection for the community of Cambria is provided by the San Luis Obispo County Sheriff's Department. The area is served from the Coast Station located at 2099 Tenth Street in Los Osos, some 27 miles south of Cambria. In addition to responding to citizen calls for assistance, the Department also provides follow-up investigation, crime lab services, and related police activities in the area.

The Department reports 1,285 calls for service during the 1994-95 fiscal year. The typical response time from the Los Osos Station was reported as 24.7 minutes.

Police protection services are funded by the County General Fund.

The material provided by the Sheriff's Department is included as Exhibit 1 in the Appendix.

### **Traffic Control and Accident Investigation**

According to the Templeton Office of the California Highway Patrol, providing traffic control and accident investigation to the Cambria area during 1994-95 amounted to approximately 4.5 hours a day of one officer's time.

During the 1994-95 fiscal year, the Patrol responded to 500 calls for service and issued approximately 200 citations in the subject area.

For a copy of the material submitted by the California Highway Patrol, see Exhibit 2 in the Appendix.

### **Fire Protection**

Fire protection and suppression to the proposed incorporation area is provided by the Cambria Community Services District.

The District has primary fire protection responsibility for structures within its boundary while CDF/County Fire retains responsibility for both forest and timberland fire in State Responsibility Areas (SRAs) within the CCSD boundaries and all fires outside the boundaries.

The District responds to approximately 175 calls for service during the year. It should be noted that calls for emergency medical aid are responded to by the Cambria Hospital District.

Information provided by the Community Services District can be found in Exhibit 3 in the Appendix.

### **Animal Control**

Animal control services are currently provided by the Animal Regulation Division of the San Luis Obispo County Health Department. In response to our request for information, the Division provided only proposals for contract services and their service levels.

The Division assigns one Animal Control Officer to cover the north coastal area which includes Los Osos, Morro Bay, Cayucos, Cambria, San Simeon, San Luis Obispo, and the rural areas Monday through Sunday.

Services provided include responding to requests for animal pickup, dead animal pickup, patrols for loose animals, and emergency calls.

The response from the Department of Animal Regulation can be found in the Appendix as Exhibit 4.

## COMMUNITY SERVICES

### **Parks and Recreation**

The County operates two parks (Shamel and Lampton Cliffs), two developed coastal accessways (Wedgewood Street and Harvey Street), three undeveloped vertical accessways (Castle Street, Emmons Road and Jean Street), and provides grounds maintenance for the Cambria library. The County also owns the Pinedorado Grounds, Jocelyn Center and Bowling Greens facilities and leases them to the Lions Club for operation and maintenance.

The letter from the County Department of General Services is contained in Exhibit 5 of the Appendix.

## COMMUNITY DEVELOPMENT

### **Planning and Land Use Regulation**



General and long range planning services for the subject area are administered by the San Luis Obispo County Planning and Building Department out of offices located in San Luis Obispo. General planning activities include the processing of land use applications such as area and community plans, use permits, variances, site plans, zone changes, tentative tract maps and parcel maps. Other services include conducting environmental reviews and preparing environmental impact reports.

The Planning and Building Department indicates that during 1994-95 five plot plans, 208 tree removal permits, 93 zone clearance/business licenses, six development plans, 70 minor use permits, two variances, two curb waivers, 13 time extensions, one parcel map, one tract map, five lot line adjustments, and one certificate of completion were processed.

Information from the Department can be found in Exhibit 6 in the Appendix.

### **Building Inspection**

Building inspection is also provided by the County of San Luis Obispo through the Department of Building and Planning. The Buildings Division of the Department reported a total of 186 permits issued during 1994-95. (See Exhibit 6 in the Appendix.)

## **PUBLIC WORKS AND PUBLIC UTILITIES**

### **Streets and Highways**

Construction and maintenance of streets and highways in the County road system situated within the incorporation study area is the responsibility of the San Luis Obispo County Department of Public Works.

The Department reports a total of 48.3 miles of County-maintained roads within the subject area.

The services provided in the maintenance and improvement of County roads include routine maintenance, which involves shoulder and curb maintenance; signing and striping; and pothole patching and repair. Special maintenance, on the other hand, involves asphalt overlays; sealing and reconstruction of deteriorating roads, while storm maintenance involves the repair and restoration of roads damaged by storm water run-off. Culverts, bridges, sidewalks, curbs and gutters are also maintained by the Public Works Department.

Finally, traffic signal and traffic control device maintenance is provided jointly with CalTrans for two traffic signals serving the community and situated within the subject area. Both are on State Highway 1, one at Burton Drive near the south end of town, and the other at Windsor Boulevard at the north end of town.

The material provided by the Public Works Department is contained in Exhibit 7 in the Appendix.

### **County Service Area #21**

One County Service Area serves a small portion of the subject area in the Cambria Pines subdivision. The CSA funds street maintenance services paid for by assessments levied on the benefiting properties.

### **Domestic Water**

The Water Department of the Cambria Community Services District is responsible for the production and delivery of water to District customers. In addition, Department personnel provide assistance on water service connections, water conservation and leak detection. Department personnel provide for the maintenance of the water supply system, treatment of the water supply and conduct on-going water supply monitoring.

### **Refuse Collection**

Residential and commercial refuse collection is also provided by the Cambria Community Services District through a contract with the private Mission Country Disposal Company. The refuse is disposed of in a County-operated landfill at Cold Canyon.

### **Sewage Collection and Treatment**

The Wastewater Department of the Cambria Community Services District is responsible for the operation of the treatment plant, collection system, effluent disposal facilities and sludge disposal facilities. The Department also conducts ground water monitoring, laboratory analysis, and served the community by providing information on sewer locations and prohibitions on toxic chemicals and materials entering the sewer system. In addition, the Department conducts grease trap inspections and sewer lateral inspections. Department personnel are responsible for insuring that all state and federal laws and regulations pertaining to wastewater treatment and disposal are enforced.

## COUNTYWIDE SERVICES

### **Flood Control**

The San Luis Obispo County Flood Control and Water Conservation District, a countywide district, has basic responsibility for flood control in the subject area. The District is funded by property taxes, and the Department of Public Works indicates the total amount spent in the Cambria area is negligible. As a countywide district, incorporation would not affect this agency which would continue to maintain jurisdiction within the subject area. (See Exhibit 7 in the Appendix.)

### **Library Services**

The San Luis Obispo County Library provides library services to the subject area at a branch library located at 900 Main Street. Library hours during 1994-95 were Tuesdays, 11 a.m. to 6 p.m.; Wednesdays through Fridays, 11 a.m. to 5 p.m.; and Saturdays from 11 a.m. to 4 p.m. The library is closed Sundays and Mondays.

The information provided by the San Luis Obispo City-County Library can be found as Exhibit 9 of the Appendix.

### **Transit Services**

The Cambria area is served by the San Luis Obispo Transit Authority. Services include a fixed route (Central Coast Area Transit CCAT Route 12) and a demand responsive system (Runabout). Route 12 makes four round trips each weekday through Cambria, and three round trips on Saturday. Runabout, the Regional Dial-a-Ride system provides services Monday through Saturday from 5 a.m. to 6 p.m. (See Exhibit 10 in the Appendix.)

## OTHER SERVICES

### **Energy, Telephone and Cable Television**

Private utilities are responsible for the provision of these services within the area.

General Telephone (GTE) provides telephone service; Pacific Gas and Electric is responsible for the electric service; Southern California Gas Company provides gas; and Falcon Cable is the company serving the area with cable television.

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART THREE  
ESTABLISHING A DATA BASE

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SECTION I. TRANSFER OF SERVICE RESPONSIBILITY

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Incorporation of the community of Cambria will result in the transfer of certain responsibilities for the provision of services and controls to the new city. These responsibilities include general government, law enforcement, traffic control and accident investigation, construction and maintenance of local public streets and highways, advance planning, land use regulation, building inspection, parks and recreation, and animal control.

Other service responsibilities are optional for a new City. These include library services, fire protection, street lighting, street sweeping, median maintenance and public utility services, such as the provision of domestic water, sewage collection and treatment, the collection and disposal of solid wastes, and flood control.

As noted above, several of these services are provided by the Cambria Community Services District; while library services are provided by the San Luis Obispo City-County Library and flood control by a countywide Flood Control District. This Report will recommend that the Cambria Community Services District be consolidated with the City in the fiscal year following incorporation, and services previously provided by the District transferred to the City. As will be detailed in Section V, the rationale behind the proposed consolidation involves mitigating the County impact under the "fiscal neutrality" requirement of SB-1559.

Table I on the following Page lists the services recommended for transfer to the City, the present provider, the recommended provider, and the recommended date of transfer.

TABLE I  
 PROPOSED INCORPORATION OF THE COMMUNITY OF CAMBRIA  
RECOMMENDED TRANSFER OF SERVICE RESPONSIBILITY

<u>Services</u>	<u>Present Provider</u>	<u>Recommended Provider</u>	<u>Remarks</u>
General Government	County of San Luis Obispo	Proposed New City	Public Protection:
Law Enforcement	County of San Luis Obispo	Proposed New City	Contract with County
Traffic Control/			
Accident Investigation	California Highway Patrol	Proposed New City	Contract with County
Fire Protection	Cambria Com. Svcs. Dist.	Proposed New City	One year after incorp.
Wildland Fire Prot.	Calif. Dept. of Forestry	Proposed New City	Contract with CDF
Animal Control	County of San Luis Obispo	Proposed New City	Contract with County
Community Develop.	County of San Luis Obispo	Proposed New City	Public/Pvt. Contract
Planning/Bldg. Insp.			
Community Services:			
Park and Recreation	Co. of San Luis Obispo/Lions Club	Proposed New City/Lions Club	
Library	County of San Luis Obispo	County of San Luis Obispo	No change
Vet. Memorial Bldg.	Cambria Com. Svcs. Dist.	Proposed New City	One year after incorp.
Ranch House	Cambria Com. Svcs. Dist.	Proposed New City	One year after incorp.

PROPOSED INCORPORATION OF THE COMMUNITY OF CAMBRIA  
RECOMMENDED TRANSFER OF SERVICE RESPONSIBILITY

<u>Services</u>	<u>Present Provider</u>	<u>Recommended Provider</u>	<u>Remarks</u>
Public Works/Engineering	County of San Luis Obispo	Proposed New City	Public/Pvt. Contract
Streets & Highways	County Service Area #21	Proposed New City	Assessment District
Refuse Collection	CCSD	Proposed New City	One year after incorp.
Refuse Disposal	County of San Luis Obispo	County of San Luis Obispo	No change
Domestic Water	CCSD	Proposed New City	One year after incorp.
Sewage Collection and Treatment	CCSD	Proposed New City	One year after incorp.
Weed Abatement	CCSD	Proposed New City	One year after incorp.
Street Lighting (Bus. District)	CCSD	Proposed New City	One year after incorp.
Flood Control	County Flood Control District	County Flood Control Dist.	No change
Other Services			
Energy	Pacific Gas and Electric So. Ca. Gas Co.	Pacific Gas and Electric So. Ca. Gas Co.	No change No change
Telephone	GTE	GTE	No change
Cable Television	Falcon Cable	Falcon Cable	No change
Schools	Cambria Union Elementary Coast Union High School Dist.	Cambria Union Elementary Coast Union High School	No change No change
Cemetery	Cambria Cemetery Dist.	Cambria Cemetery Dist.	No change
Ambulance	Cambria Hospital Dist.	Cambria Hospital Dist.	No change

# AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION OF THE COMMUNITY OF CAMBRIA

## PART THREE ESTABLISHING A DATA BASE

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### SECTION II: FISCAL IMPACT OF THE TRANSFERS

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#### PRIOR YEAR COSTS OF TRANSFERRED SERVICES

##### Introduction

In order to establish a data base from which to project City costs, the prior year (1994-95) costs of providing those services to be transferred and become the responsibility of the new City will be established. The following services are analyzed as to costs in this discussion:

- Law enforcement
- Traffic control and accident investigation
- Animal control
- Land management services (planning and building inspection)
- Street and road construction and maintenance
- Parks and recreation
- Tourism promotion
- Domestic water
- Sewage collection and treatment
- Fire protection
- Refuse collection
- Weed abatement
- Street lighting in the business district
- Ranch House maintenance

Although no data exists for general government specific to the Cambria community, this Report will develop a general government "budget" to allow comparison of total costs and revenues at prior fiscal year levels in reaching an opinion as to probable feasibility. The general government costs are analyzed in Part Three, Section III beginning on Page 31.

In developing the costs experienced in the Cambria community for municipal-type services in 1994-95, this Report will use three categories of funds: general, road, and special. This is done to maintain the integrity of these categories which, by law, may not be intermingled.

## GENERAL FUND COSTS

### **Law Enforcement: \$660,260**

The San Luis Obispo County Sheriff's Department indicates the 1994-95 cost for law enforcement services within the area proposed for incorporation amounts to \$660,260.

This amount funds 7.25 sworn personnel, of which five are deputies, and the remaining sworn personnel include one senior deputy, 0.75 of a detective, and 0.5 of a sergeant.

The Department provides a response, routine patrol, and sporadic walking beat service involving a one-deputy car between the hours of 6:00 a.m. and 4:00 p.m.; and a two-deputy car from 3:30 p.m. to 1:30 a.m. and 8 p.m. to 6 a.m.

### **Animal Control: \$34,654**

The Division of Animal Regulation of the San Luis Obispo Department of Public Health was unable to provide specific information with respect to costs for Cambria. Estimated costs are based on a percentage of Cambria's population as a percentage of total unincorporated area population as applied to total county animal regulation costs.

The total 1994-95 animal regulation expenses for the County amounted to \$823,825. When the \$205,611 involved in incorporated city contracts is deducted, the unincorporated cost nets out at \$618,214. Applying a factor of 5.6% as the Cambria share of total unincorporated area population, the estimated expenses for the Cambria community total \$34,654.

### **Traffic Control and Accident Investigation: \$91,170**

The California Highway Patrol estimates the cost of traffic control and accident investigation in the proposed area of incorporation for 1994-95 at \$91,170.

This amount funds one officer per shift approximately 4.5 hours per day.

### **Planning/Land Use Regulation: \$225,733**

The San Luis Obispo County Planning and Building Department indicates that base year costs for providing planning and land use regulation services to the Cambria area amounted to \$225,733.



**Building Inspection: \$146,930**

The San Luis Obispo County Department of Planning and Building indicated the cost for processing building permits and inspections during 1994-95 amounted to \$146,930.

**Parks and Recreation: \$60,802**

The San Luis Obispo County Department of General Services indicated the expenditure of \$60,802 for the maintenance of park and recreation programs in the subject area in 1994-95.

Of this amount, \$56,519 was spent on maintenance costs for Shamel County Park, beach and pool; \$1,341 on maintenance of the Lampton Cliffs Park; \$2,337 on maintenance of the County Library grounds; and \$605 for maintenance of two beach accessways.

**Tourism Promotion: \$17,000**

The County also reports the expenditure of \$17,000 in tourism promotion in the Cambria area from discretionary General Fund revenues during 1994-95 for the construction of restrooms in East Village.

**Total, Transferred General Fund Costs for 1994-95: \$1,358,179**

ROAD FUND COSTS

**Streets and Roads: \$226,200**

The San Luis Obispo County Department of Public Works reports a total of \$225,600 for the cost of maintaining 48.3 miles of roads in the Cambria area and \$600 for maintenance of two footpaths.

**Traffic Signal Maintenance: \$4,000**

Based on the experience in the City of Buellton, the amount listed (\$4,000) is the estimate for the County's share of the cost of maintaining two traffic signals on State Highway 1. The cost is shared equally between the County and CalTrans.

**Total, Transferred Road Fund Costs for 1994-95: \$230,200**

## SPECIAL FUND COSTS

Three additional areas which in 1994-95 were neither general fund or road fund expenditures involve CSA #21, transit expenditures, and the Cambria Community Services District. These are included in this Report in the discussion which follows.

### **County Service Area No. 21: \$10,500**

This amount represents the 1994-95 cost of maintaining roads in the Cambria Pines #5 subdivision.

### **Transit: \$29,635**

This is the estimated cost in 1994-95 for Cambria's share in supporting Route 12 -- the Cambria Community Bus/ Van. This is an activity whose funds are administered by the San Luis Obispo Council of Governments.

### **Cambria Community Services District: \$3,684,057**

This amount represents the total expenditure experienced by the Cambria Community Services District in 1994-95 in providing a variety of services to the community. The specific services, together with their 1994-95 costs, are listed below:

### **Fire Protection: \$428,017**

Excluding capital expenditures, which are not a part of this Report, the Cambria Community Services District reported a cost of \$428,017 in providing fire protection and suppression services to the subject area in 1994-95.

### **Water: \$1,292,874**

The Water Department of the Cambria Community Services District, an enterprise fund fully supported by fees, reported an expenditure of \$1,004,070 in operating costs and an additional \$288,804 which was transferred to the Capital Improvement Fund.

### **Sewage Collection and Treatment: \$1,234,147**

As with the water service, the sewage collection and treatment service of the Cambria Community Services District is operated as an enterprise fund. For 1994-95, the Department reported an expenditure of \$1,177,365 in operating costs and a transfer of \$56,782 to the Capital Improvement Fund.

**Refuse Collection: \$535,894**

The collection of residential and commercial refuse cost \$535,894 in 1994-95. The service is contracted by the Cambria Community Services District to Mission Country Disposal, a private company.

**Veteran's Memorial Building: \$89,973**

This is the amount spent by the Cambria Community Services District in 1994-95 for maintenance and facility improvement of the Veteran's Memorial Building.

**Weed Abatement: \$29,159**

This is the amount involved in the weed abatement program operated by the Cambria Community Services District during 1994-95.

**Street Lights - Business District: \$16,185**

This amount funded utility costs, maintenance and repair costs in the three Lighting Assessment Districts of the Cambria Community Services District in 1994-95.

**Ranch House: \$13,775**

The Cambria Community Services District reports this amount as the 1994-95 cost for maintenance of two CCSD-owned residences off San Simeon Creek Road.

**Parks, Recreation and Open Space Commission: \$6,224**

This amount funded the PROS in 1994-95.

**Administration: \$37,809**

The administration budget provides centralized services to the CCSD's operating departments. This includes general administration, project management, planning functions, engineering, billing and collection, finance and accounting, public information and other related services. Administration works directly with the Board of Directors to implement District policies, ordinances and programs. The amount listed above covered those administrative costs not distributed to the operating departments.

PRIOR YEAR REVENUES WHICH WOULD BE AVAILABLE  
TO THE NEW CITY

Introduction

The following paragraphs will establish the revenue base which existed during the prior fiscal year in the subject area. This analysis of revenues is divided into three broad groups: General Fund revenues, Road Fund revenues, and Special Fund revenues. General fund revenues are funds which a municipality may spend for any use permitted by law to a city. Road fund revenues are restricted by law to specific uses related to the maintenance or improvement of roads within a municipality, road and highway safety activities, and transit expenditures. Special fund revenues are those raised by CSA #21, the San Luis Obispo Council of Governments, and the Cambria Community Services District and specific to those three agencies and their activities.

GENERAL FUND REVENUES

**Sales and Use Tax: \$320,609**

Based on estimates provided by the State Board of Equalization, a total of \$320,609 is the reported net revenue from this source. This is based on the SBE estimate of \$323,260 for the 12-month period ending June 30, 1995, adjusted for the cost of administration (0.82% of the total revenue). (See Exhibit 11 in the Appendix.)

**Motor Vehicle in Lieu: \$453,707**

This amount is based on an estimated 1994-95 factor of \$40.02 times three times the number of registered voters, or  $\$40.02 \times (3 \times 3,779) = \$453,707$ . Under existing State law, subventions to newly-incorporated cities are based on a formula derived by multiplying the number of registered voters in the subject area by three. This "subvention population" is used for the first eight years of incorporation, following which the factor is applied to the population estimate provided by the State Department of Finance. (See Exhibit 12 in the Appendix.)

**Base Property Tax: \$588,125**

Section 56842 of the Government Code provides that in calculating the manner in which property taxes are transferred from the county to a newly-incorporated city, the total net cost of all county services to be transferred is multiplied by a ratio to be provided by the County Auditor. The ratio represents the proportion that property taxes received by a county during the prior fiscal year bears to all revenues for general purposes received by a county during that fiscal year.

According to the affected San Luis Obispo County Departments, the following costs and revenues were reported for 1994-95:

TABLE II  
PROPERTY TAX TRANSFER CALCULATION

<u>Function</u>	<u>Cost</u>	<u>Revenue</u>
Law Enforcement	\$ 660,260	\$ 0
Animal Control	34,654	29,700
Planning/Land Use Regulation	225,733	88,760
Building Inspection	146,930	125,000
Parks and Recreation	60,820	302
Tourism Promotion	<u>17,000</u>	<u>0</u>
Totals	\$ 1,145,397	\$243,762
Less Revenue	<u>243,762</u>	
"Net Cost"	\$ 901,617	

The San Luis Obispo County Auditor reports the ratio to be used in this calculation for 1994-95 at 0.6523. Multiplying the "net cost" of \$901,617 by 0.6523 results in a property tax transfer of \$588,125. The letter from the County Auditor establishing the Auditor's ratio is contained in Exhibit 13 in the Appendix.

**Franchise Fees: \$87,645**

Cities have the authority to levy fees on privately-owned utilities (excluding the telephone company) for the privilege of using city rights-of-way in their distribution systems. The County currently imposes fees on the electric utility, the gas utility, and the cable TV company.

The electric utility which serves the area (Pacific Gas and Electric) indicates a total of \$29,020 would have been paid to the City in 1994-95 in franchise fees.

The gas utility which services the area (Southern California Gas Company) estimates \$33,000 would have been paid in franchise fees to the City in 1994-95.

Falcon Cable has provided information indicating a franchise fee of \$25,625 was generated by cable TV services in the subject area in 1994-95.

Correspondence from the utility companies may be found in Exhibit 14 in the Appendix.

**Transient Occupancy Taxes: \$953,351**

The San Luis Obispo County Treasurer-Tax Collector reports that a total of \$953,351 in transient occupancy taxes was collected in the subject territory during 1994-95, based on a tax rate of nine percent. (See Exhibit 15 in the Appendix.)

**Property Transfer Tax: \$1,634**

This amount is based on a per capita amount of \$0.29 which assumes a relatively low rate of property transfers. It represents a very conservative estimate.

**Building Permit Fees: \$125,000**

This is the amount reported by the San Luis Obispo County Planning and Building Department. (See Exhibit 6 in the Appendix.)

**Planning Fees: \$88,760**

This is the amount reported by the San Luis Obispo County Planning and Building Department as planning fees collected in the subject area during 1994-95. (See Exhibit 6 in the Appendix.)

**Animal Control Fees: \$29,700**

This is an estimate of the fees collected by the County Health Department Division of Animal Regulation in the subject area in 1994-95. The estimate is based on the proportion of population for Cambria compared to the total unincorporated area population.

**Park and Recreation Fees: \$302**

The County Department of General Services reports receipt of the amount listed above during 1994-95 in fees collected in the subject area.

**Vehicle Code Fines: \$1,689**

This amount represents an estimate of the City share of vehicle code fine revenues. The amount was based on the estimate of citations issued in the area during 1994-95 as reported by the California Highway Patrol.

**Other Fines, Fees and Forfeitures: \$1,691**

This revenue source involves other fines and forfeitures resulting from violations of city ordinances and miscellaneous fees for services such as mailing meeting agendas and agenda packets, copies of city maps, etc. Based on amounts generated in other small cities, this study includes a per capita of \$0.30 for this revenue category, applied to the population estimate of 5,635.

**General Fund Revenues: \$2,652,213**

**Interest Earnings: \$97,867**

Public agencies may invest idle funds in statutory approved interest-bearing accounts. Idle funds result from allocation methods -- for example, property taxes are allocated to local agencies on a biannual basis, while some State revenues are allocated quarterly. This Report estimates interest at 3.69% of total General Fund revenue.

**Grand Total, General Fund Revenues: \$2,750,080**

ROAD FUND REVENUES

Localities in California receive revenue for street and highway maintenance and improvements from several sources. Among the key sources are Urban Area Funds (ISTEA), and allocations from the State Highway Users' Gas Tax. These latter funds are identified by the Section of the Streets and Highways Code which authorizes their allocation and sets the manner in which they are to be subvented to cities and counties as well as their authorized uses.

**Section 2105, Streets and Highway Code: \$64,621**

This amount represents a per capita of \$5.70 applied against the subvention population. The 1994-95 per capita was obtained from the City of San Luis Obispo Finance Department, as was the case for the next two revenue estimates.

**Section 2106, Streets and Highways Code: \$49,996**

This amount represents a per capita of \$4.41 applied against the subvention population.

**Section 2107, Streets and Highways Code: \$90,129**

This is the amount based on a per capita of \$7.95 applied against the subvention population.

**Section 2107.5, Streets and Highways Code: \$2,000**

For cities with populations ranging from 10,000 to 35,000, this lump sum engineering allotment from the State is set at \$2,000. The population figure is based on the subvention population of 11,337 (3 X 3,779 registered voters).

**ISTEA - Urban Area Funds: \$168,000**

This is the amount allocated to the Cambria area in Federal Highway Transportation Funds.

**Road Fund Revenues: \$374,746**

**Interest Earnings: \$13,828**

As in the case of the General Fund, interest earnings are calculated at 3.69% of the total Road Fund Revenue of \$374,746.

**Grand Total, Road Fund Revenues: \$388,574**



## SPECIAL FUND REVENUES

### **County Service Area No. 21: \$10,500**

This amount is raised as an assessment on properties within the County Service Area.

### **Local Transportation Fund (LTF): \$101,402**

This is the amount that would have been available to the Cambria community in 1994-95. The funds could be used for both transit and road construction and maintenance.

### **Cambria Community Services District: \$3,694,382**

The Community Services District obtains its revenue from a variety of sources, including property taxes, service sales for water and refuse collection, rent, and interest and other miscellaneous revenues.

## SUMMARY

The preceding discussion establishes a data base as provided for in the Davis Bill. However, as noted in the beginning of this Section, it will also be necessary to estimate the cost of general government; that is, the cost of management, ministerial and legal services and the facilities to accommodate them. The following Section will develop the base for that final cost factor.

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART THREE  
ESTABLISHING A DATA BASE

=====

SECTION III: ESTABLISHING GENERAL GOVERNMENT COSTS

=====

Activity Defined

When a City incorporates, it is responsible for the establishment of policies for the provision of services over which the City will have jurisdiction; policies involving levels of services, the use of land, and the setting of priorities for municipal activities in the area. Policy-setting will be the responsibility of the new City Council.

The new City will also have to have personnel to oversee the administration of those policies as well as the management of the City. Staff will be required to administer budgets approved by the Council, to account for the revenues and expenditures of the City, to provide legal advice to the Council and City staff to assure compliance with State law, and to keep track of all City documents.

This activity is referred to as general government. While a community is in the unincorporated area, the general government function is carried out by the County as part of its policy-making and administrative structure. Upon incorporation, however, a new City Council is elected and staff and support is required for the general government function.

This Section will develop the general government costs that would be experienced by the new City to support the scope and levels of service established through information and data obtained from current service providers.

Activities of General Government

Generally speaking, general government can be divided into four separate and distinct activities:

1. Policy development. Under State law, cities must incorporate as "general law" cities; that is, these municipalities are governed by the provisions of the State's general law, as opposed to "charter cities." Under general law, the policy-making body is a five-member City Council whose members are

elected at large. As noted previously, other forms of organization, such as a strong Mayor-Council form, may be adopted by voters at an election following incorporation.

2. General administration. While there are several methods of providing for the general oversight of City government, this Report will be based on the Council-Manager type since it is the most practical with a five-member Council as required by State law. Under this arrangement, the Council appoints a professional City Manager (or Administrator/Clerk) to administer the City government and to implement the policies established by the Council.
3. Fiscal administration. City government is, in many respects, a business in that it has to maintain a "balance sheet." It has the function of providing for the health and safety of its constituents through the expenditure of funds which must be accounted for. Under State law, it cannot operate at a deficit. It must monitor its receipts to assure that they are obtained in a timely and efficient fashion; it must maintain control over its expenditures to assure that they remain within the budget. And, within the limits of State law, it must invest its idle funds wisely. While the City Manager has overall responsibility for the management of the City, professional staff is also required to provide fiscal administration.
4. Legal services: Cities operate under the constraints of both State and Federal law. Particularly in the area of land use regulation, legal counsel is a fundamental requirement to protect the City against inadvertently violating the law and to assure that the complex provisions of the State codes relating to land use and other city functions and services are complied with.

### **Estimated Cost of General Government**

In developing a general government budget, this Report will follow the 1994-95 actual general government expenses of the City of Buellton. This community of some 4,000 residents located in Santa Barbara County incorporated in 1992. Upon incorporation, the former Buellton Community Services District was consolidated with the City so that, in addition to typical municipal services, the new City also assumed responsibility for the provision of domestic water and sewage collection and treatment for the subject area. Thus, it would appear to be a reasonably comparable municipality for the purposes of developing general government costs.

In the following discussion, actual 1994-95 costs obtained directly from the 1995-96 Buellton City Budget are included. Any costs estimated from other sources will have their source identified.

**Legislative: \$19,433**

This amount represents the costs related to supporting the legislative body of the City. Included are salaries and employee benefits (including the City Council salary) amounting to \$13,354. In addition, \$6,079 was spent for services and supplies.

**Administrative: \$121,817**

This amount represents the costs for overseeing the daily operation of city departments and providing assistance and recommendations to the City Council. It includes \$119,829 in employee services and \$1,988 for services and supplies.

**Ministerial: \$55,607**

This amount which funds the office of the City Clerk includes \$29,072 for employee services and \$26,535 for services and supplies.

**City Attorney: \$157,594**

This amount is the cost of a contract for legal services.

**Financial: \$61,692**

Of this amount, \$52,084 went for employee salaries and benefits, and \$9,431 for services and supplies, including \$1,035 for the required annual independent audit, as well as \$178 in capital costs for computer software.

**Non-Departmental Expenses: \$18,434**

Included in this total are office supplies, memberships and publications, utilities and telephone expenses. It should be noted that a total of \$139,607 included in the Buellton City Budget have been excluded as not applicable in this discussion. These expenditures include \$42,484 in liability insurance (which is included as a general fund expense below), \$45,206 to support a Visitor's Bureau, \$6,288 in animal control contract with the County, \$19,250 in a line item referred to as "social services," and \$26,015 identified as "principal and interest."

**Total, General Government Expenditures: \$434,577**

## **Liability Insurance and Reserves**

One additional expenditure and two reserve accounts must be added as non-departmental costs. The expenditure involves liability insurance, while the two reserves are self-insured retention and state responsibility area reserve. These are described below.

### **Liability Insurance: 42,484**

This amount covers the cost of liability insurance for the City, and is the amount included in the Buellton City Budget as the cost for 1994-95.

### **Self-Insured Retention: \$25,000**

A self-insured retention in this amount is a prudent safety measure in addition to the liability insurance and is set aside by most municipalities.

### **State Responsibility Area Contingency Reserve: \$14,601**

The San Luis Obispo County Planning Department identifies 1,935 net acres within Cambria as situated in a State Responsibility Area for wildland fires. Presently, the cost of fire protection for this acreage is borne by the State. Upon incorporation, the cost shifts to the new City. On the basis of a contract charge of \$6.79 per acre plus an administrative charge of \$11.13%, the State Department of Forestry and Fire Protection indicates an annual contract cost of \$13,139 plus \$1,462 in administrative charges (See Exhibit 8 in the Appendix).

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART THREE  
ESTABLISHING A DATA BASE

=====

SECTION IV: IMPACT OF COST/REVENUE TRANSFERS  
ON COUNTY GOVERNMENT

=====

THE CONCEPT OF FISCAL NEUTRALITY

SB-1559, a law which went into effect in 1992, requires that incorporations must be "fiscally neutral." This means that an incorporation cannot result in a net loss of revenue for the affected county. Upon incorporation, the new city assumes a variety of services which formerly were provided by, and therefore a cost to, the affected county. At the same time, the new city will receive a variety of revenues which formerly were received by the county. In order to comply with the law, it is necessary to prepare an analysis of the impact of cost/revenue transfers on county government.

While all services formerly provided by a county will result in a cost savings to the affected county, not all revenues received by a city will result in a loss to the county. Under State allocation policies, for example, the share of motor vehicle in lieu revenues received by cities are not deducted from those subvented to counties. Similarly, in the road fund, certain revenues are allocated only to counties, others only to cities, and a third group is shared by both, so that revenue loss to a county would occur only with the latter road fund revenue.

The net loss to a county under SB-1559, must be "mitigated." As will be discussed in detail in Section V, there are a number of approaches to reach "fiscal neutrality." This Section will discuss the extent of the impact on the County of San Luis Obispo should the community of Cambria incorporate.

IMPACT OF THE PROPOSAL ON COUNTY GOVERNMENT

**Cost Savings**

Following incorporation, the County of San Luis Obispo will be relieved of the cost of providing law enforcement, animal control, building inspection, planning and land use regulation parks and recreation, road maintenance and improvement, footpath maintenance, and traffic signal maintenance services to the community of Cambria. The amount saved, based on 1994-95 amounts of both the cost and any related fee revenue reported by the County in both the General and Road Funds, are shown in Table II below:

TABLE III  
General Fund Cost Savings

Law Enforcement	\$ 660,260
Animal Control	34,654
Planning/Land Use Regulation	225,733
Building Inspection	146,930
Tourism Promotion	17,000
Parks and Recreation	<u>60,802</u>
Total, General Fund Cost Savings	\$1,145,379
<u>Road Fund Cost Savings</u>	
Routine Maintenance	\$ 225,600
Footpath Maintenance	600
Traffic Signal Maintenance	<u>4,000</u>
Total, Road Fund Cost Savings	\$ 230,200
Total Savings	\$1,375,579

## Revenue Losses

The other side of the fiscal neutrality coin is represented by the revenues which the County stands to lose should incorporation of the Cambria community occur. Listed below, in Table III, are those revenues which would be raised in or allocated to the community of Cambria following incorporation which would no longer be available to the County. As in the case of costs, the amounts represent 1994-95 figures obtained from the revenue sources or estimated as described in previous Sections of this Report.

TABLE IV  
General Fund Revenue Losses

Sales and Use Taxes	\$ 320,609
Property Taxes	588,125
Franchise Fees	87,645
Transient Occupancy Taxes	953,351
Planning Fees	88,760
Building Permit Fees	125,000
Animal Control Fees	29,700
Park and Recreation Fees	302
Property Transfer Taxes	1,634
Vehicle Code Fines	<u>1,689</u>
General Fund Revenue Losses	\$ 2,196,815
General Fund Interest Loss	<u>81,062</u>
Total, General Fund Revenue Losses	\$ 2,277,877

Road Fund Revenue Losses

ISTEA - Urban Area Funds	\$ 168,000
Section 2106, Streets and Highways Code	<u>\$ 49,996</u>
Road Fund Revenues Losses	\$ 217,996
Road Fund Interest Loss	<u>8,044</u>
Total Road Fund Revenue Loss	\$ 226,040
Total Losses	\$ 2,503,917

Based on the amounts in the Tables shown above, the County of San Luis Obispo would lose an estimated \$1,132,498 in General Fund Revenue, but gain an estimated \$4,160 in Road Fund Revenue, for a net loss of \$1,128,339.



AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART FOUR  
ACHIEVING FISCAL NEUTRALITY AND FEASIBILITY

=====

SECTION I: RECOMMENDED MITIGATIONS TO ACHIEVE  
FISCAL NEUTRALITY

=====

INTRODUCTION

**Why Mitigations to the County Are Required**

The Cortese-Knox Local Government Reorganization Act of 1985 establishes procedures for local government changes of organization, including a city incorporation. These procedures can be found in the Government Code beginning with Section 56000.

The legislative policies defining the criteria for establishing the feasibility of a city can be found in Sections 56001, 56300, 56301, and 56377. The requirements of a fiscal feasibility analysis can be found in Section 56833.1.

However, in 1992, the State legislature added Section 56845 (See Exhibit 16 in the Appendix) to the State Code concerning incorporations. This section of the code requires an incorporation proposal to be "*fiscally neutral*," i.e., *that the expenditure reductions for services provided by the county be substantially equal to the revenues transferred to the new city*. The legislation is not clear as to whether this fiscal neutrality applies only to County General Funds, or to the General Fund and all related funds, particularly the Road Fund. Our opinion is that both the General Fund and Road Fund be considered when discussing fiscal impacts.

Regardless of how the issue of fiscal neutrality is viewed, Section 56845 allows LAFCO to impose any conditions it deems appropriate if it determines that the negative fiscal impact of the incorporation has been adequately mitigated, or if the County and all affected agencies agree.

The Cortese-Knox Act consistently emphasizes that an incorporation proposal should not be initiated for fiscal reasons. However, the Cortese-Knox Act is flexible enough to allow a dialogue among all affected agencies to develop a

mutually-acceptable proposal. We think there are opportunities to develop conditions of incorporation that would meet the policy objectives of all agencies involved.

### **Mitigation Guidelines**

We recommend as a minimum that the following seven guidelines be considered for adoption by the Cambria Community Services District. The CCSD Board of Directors and its agents would then use these guidelines to develop terms and conditions for an incorporation application to LAFCO. The CCSD Board and its agents would attempt to develop terms and conditions that meet these guidelines and satisfy the interests of all parties involved in the negotiation, including the CCSD Board, the County Board of Supervisors, LAFCO, and most importantly, the Cambria electorate.

The recommended guidelines which would lead to full mitigation of the County impact, and would be subject to modification as appropriate by the CCSD Board, are as follows:

- 1 The Cambria Community Services District would be reorganized as part of the new City of Cambria.
- 2 The current county service levels within the proposed incorporated area of Cambria would remain the same or improve.
- 3 Residential and commercial projected growth will remain the same as in the County North Coastal Area Plan. Tourism related uses and services will be encouraged where appropriately identified in the current Plan.
- 4 New city revenues to be developed through more efficient provision of services, growth in tourism, and additional motor vehicle in lieu funds due to incorporation would be available for mitigation.
- 5 A City/County partnership is encouraged to focus on each jurisdiction providing the services they do best.
- 6 The fiscal impact to the County would be fully mitigated.
- 7 Mitigation payments to the County would be required as long as additional motor vehicle in lieu revenue provided by the State (i.e., calculated at three times the number of registered voters) is available (approximately eight years).

## **Categories for Identifying Cost Mitigations to the County**

The following eight categories identify the primary methods for identifying the County costs impacted by incorporation, and how these costs can be mitigated.

### **Cost avoidances**

These are the current services that the County won't have to provide to Cambria. If the County does provide them to Cambria, the city would fully reimburse the County for all costs, just like any contractual relationship. The County services that will be affected include animal regulation, building, law enforcement, parks and recreation, planning, surveyor, tourism promotion and road maintenance.

The State statutes require that these cost reductions be taken into consideration prior to calculating any revenue transferred between the City and the County, thus there are no recommended cost avoidances that can be considered as a mitigation.

### **Cost efficiencies**

This category includes County services that could be provided at less cost due to not servicing Cambria. The County will not only reduce the direct cost of providing the service, but may also see some related cost savings, such as reducing the amount of travel for County employees.

A corollary to this category is the possibility of the new City to perform certain services at less cost than the County. The savings from these efficiencies could be used for transfer of revenue back to the County for mitigations. The services and potential cost savings could include the following:

- a. Consolidated administration of the City with the Cambria Community Services District eliminates duplication of staff and presents opportunities for contract administration for selected services.
- b. Operation of the planning and building functions under contract and moving the customer service center to Cambria reduces staffing costs and travel time, which could also have a positive impact on land development fees charged to the public.
- c. Animal regulation services currently provided by the County may be provided to the City at less cost under contract. Other possibilities include contracting with a local veterinarian for service.
- d. Law enforcement services currently provided by the Sheriff may be provided to the City at less cost under contract.

## **Service Enhancements**

This category recognizes that some County services may be underutilized after incorporation if staff and equipment are not transferred to the new City. However, incorporation could be viewed as an opportunity for the County to dedicate staff for future growth of population in remaining unincorporated areas.

## **Service Transfer**

In this category, the new City of Cambria could develop agreements with the County to supplement countywide or unincorporated county services within the new City or surrounding areas. The City could provide services in such categories as elections, roads, social services, or other services where the City staff could provide County services at a minimal additional expenditure to the City in comparison to County costs.

## **Revenue Mitigations**

### **Revenue Transfer**

This is the category in which the savings developed from other categories would allow the County to keep some of the revenues that would have been transferred to the new City upon incorporation. The revenue transfer would most likely be some combination of property taxes or sales taxes.

Another potential revenue transfer is reallocating Local Transportation Funds (LTF) back to the County. LTF is provided through the San Luis Obispo Council of Governments. Preliminary indications are that the City of Cambria would be eligible for revenues that could be transferred to the County without any decrease in the current level of transit service to Cambria.

### **Revenue Enhancements**

This category identifies new City revenues not yet existing or developed that could be transferred to the County. These include:

- a. New gas tax (Section 2105/2107) revenues available to the City.
- b. Initiate fees at 100% cost recovering in areas such as building inspection.
- c. Allocate a portion of the increase in transient occupancy taxes from the growth in tourist related lodgings anticipated in the current land use plans.

As a corollary, the City could develop new revenues such as use fees (ex.: oceanfront parking fees), taxes (ex.: utility taxes), or benefit assessments that it could keep for improving City services. No new fees or taxes are proposed as part of the mitigation program at this time.

### **Revenue Forgiveness**

This category is to provide an exception to the full cost recovery guideline. The County could forego/delay some revenues to allow the City to develop. No revenue forgiveness is proposed as part of a mitigation program at this time.

### **Revenue for Service Trade**

The County may develop an agreement allowing Cambria to keep certain revenues in return for providing some county services, such as providing law enforcement, fire or animal regulation services for surrounding unincorporated communities including San Simeon.

As a corollary the County could "invest" in Cambria to provide services that would benefit both the City and the County, such as economic development, transit, roads, drainage, or one-time capital programs.

Table V, on the following page, identifies possibilities for developing mitigations, and should be considered a starting point for future discussions with the County and LAFCO.

Table V- Examples of Possible Actions to Finance San Luis Obispo County Mitigations

Category	Subject	Range		
		Low	Medium	High
Cost efficiencies	Consolidated administration	\$200,000	\$250,000	\$300,000
Cost efficiencies	Planning contract	\$25,000	\$50,000	\$75,000
Cost efficiencies	Animal regulation contract	\$5,000	\$15,000	\$25,000
Cost efficiencies	Law enforcement	\$150,000	\$200,000	\$250,000
Service transfers	Various departments	\$25,000	\$50,000	\$75,000
Revenue transfers	LTF transfer	\$71,767	\$71,767	\$71,767
Revenue enhancements	Gas tax (Sections 2105/2107)	\$144,546	\$144,546	\$144,546
Revenue enhancements	Building fees - 100% recovery	\$10,000	\$20,000	\$30,000
Revenue enhancements	Bed/sales tax growth	\$180,000	\$230,000	\$280,000
Revenue for service	City provides county services	\$50,000	\$100,000	\$150,000
<b>Total Estimated Financing</b>		<b>\$861,313</b>	<b>\$1,131,313</b>	<b>\$1,401,313</b>

AN ANALYSIS OF THE FEASIBILITY OF INCORPORATION  
OF THE COMMUNITY OF CAMBRIA

PART FOUR  
ACHIEVING FISCAL NEUTRALITY AND FEASIBILITY

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SECTION II: A SAMPLE MITIGATION SCENARIO

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In order to provide an approach using the mitigation guidelines identified in the previous Section, the following is offered as a sample mitigation scenario that would achieve both fiscal neutrality for the County, and at the same time allow the incorporation to proceed with a reasonable assurance of feasibility for the new City.

The scenario involves two of the guidelines offered above: revenue transfer and cost efficiencies, and would also involve an agreement for an eight-year limit on one of the transfers.

This illustration is not intended as a "bargaining position," but simply included to demonstrate how mitigation can be achieved in satisfaction of SB-1559.

**Proposed Revenue Transfers**

Three major revenue sources are proposed for transfer to eliminate the revenue loss impact on the County. The sources, and the conditions of transfer, are as follows:

Property taxes: The property taxes that would become City revenues following incorporation are proposed to be transferred to the County.

Transfer amount: \$588,125

Motor Vehicle in Lieu: That portion of motor vehicle in lieu subvention which exceeds the amount that would be allocated to the City the eighth year after incorporation (the allocation based on actual population rather than three-times-registered-voters) would be transferred to the County. This transfer would be discontinued after the eighth year.

Transfer amount: \$228,194

Transient Occupancy Taxes: That portion of the transient occupancy taxes required to meet the revenue loss impact when added to the property tax and motor vehicle in lieu amounts would be transferred to the County.

Transfer amount: \$272,246

Total transfer amount: \$1,088,565

Interest earnings: 40,168

Grand total, transfers \$1,128,733

Amount required for fiscal neutrality: \$1,128,338

#### Proposed Cost Efficiencies:

Using the mid-range estimated cost efficiencies found in Table V, the following reductions in City expenditures can be achieved:

Consolidated administration:	\$250,000
Planning contract:	50,000
Animal regulation contract:	15,000
Law enforcement contract:	<u>200,000</u>
Total savings, cost efficiencies	\$515,000
Plus total City surplus	<u>98,671</u>
Revised City surplus	\$613,671

The revised City surplus, taken as a percentage of the original total General, Road and Special Fund revenues of \$3,250,536, amounts to 18.87%. This exceeds the 15% desired for a finding of feasibility.