

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

City of Carmel-by-the-Sea 2011 Municipal Service and Sphere of Influence Review

Adopted on January 24, 2011

INTRODUCTION

This report provides information about the municipal services and Sphere of Influence boundaries of the City of Carmel-by-the-Sea. It is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process.

State law requires that the Commission conduct periodic reviews and updates of the Sphere of Influence of each city and district in Monterey County (Government Code section 56425(e)). A Sphere of Influence is the probable extent of the City's boundary and service area. The Sphere is an important tool used by LAFCO to encourage the orderly formation and growth of local government agencies, preserve open space and agricultural lands, discourage urban sprawl, and encourage the efficient provision of services. The law also requires the Commission to update information about municipal services before adopting Sphere updates (Government Code section 56430).

In 2009, the Commission adopted a comprehensive work program to carry out these requirements. The Commission's current focus of review is the seven cities on the Monterey Peninsula.

The analysis, conclusions, and recommendations in this report were prepared with information provided by, and in consultation with, the City of Carmel-by-the-Sea. Data sources, including Elements of the City's General Plan and the adopted triennial budget, are available for review in the office of LAFCO.

EXECUTIVE SUMMARY

Part One of this report contains information about the municipal services provided by the City of Carmel-by-the-Sea. Information has been gathered about the capacity of services, the ability

to provide services, the accountability for service needs, and the efficiency of service provision. The information is organized by six statutory determinations that need to be made by the Commission. The Executive Officer recommends that the Commission conduct a public hearing and adopt the updated service review information for the City of Carmel-by-the-Sea. A draft Resolution will be prepared that supports this recommendation.

Part Two of the report reviews the Sphere of Influence of the City of Carmel-by-the-Sea. Exhibit A is a map of the City's currently adopted City limits and Sphere of Influence. LAFCO adopted a Sphere of Influence for the City of Carmel-by-the-Sea in 1986. The Sphere boundary has not changed since that time. If Carmel-by-the-Sea annexed all of the Sphere of Influence, the City would more than double its existing size and population. The Sphere generally extends from Pescadero Canyon on the north to the Hatton Canyon State Park property to the east and the Carmel River to the south.¹ Included in the Sphere of Influence are the unincorporated communities of Carmel Woods, Hatton Fields, Mission Fields, Carmel Point, and the beach area immediately north of Carmel Beach.

The Sphere review in this report corresponds to four statutory determinations that need to be made for a Sphere update. Because the City of Carmel-by-the-Sea has no plans to request a change in its Sphere of Influence, the Executive Officer recommends that the Commission affirm the currently adopted Sphere of Influence (Exhibit A) with no changes. A draft Resolution will be prepared that supports this recommended action.

PART ONE: MUNICIPAL SERVICE REVIEW

In January 2007, the Local Agency Formation Commission of Monterey County conducted its first Municipal Service Review of the City of Carmel-by-the-Sea. This report presents a brief update. The information is organized by six determinations that need to be made for a municipal service review:

1. Growth and Population Projections for the Affected Area

The population of Carmel-by-the-Sea was estimated by the California Department of Finance² at 4,053 in 2010, a slight decrease from the 2000 population of 4,081. The Association of Monterey Bay Area Governments (AMBAG) prepares population forecasts throughout the region. According to the most recent AMBAG population forecast, the City population is anticipated to remain flat indefinitely, as the area within the City limits is characterized in the City's General Plan as "built-out."

¹ On the west the City limits extend to the edge of Carmel Bay.

² California Department of Finance, Table 2: E-4 Population Estimates for Cities, Counties and State, 2001-2010, with 2000 Benchmark

The visitor-serving economy of Carmel-by-the-Sea enabled the City to support an estimated 3,245 employees in 2005. AMBAG estimates that this level will remain constant into the future.

While the City limits of Carmel-by-the-Sea contain approximately 640 acres, or one square mile, the unincorporated Sphere of Influence contains approximately 850 acres. This relatively large Sphere is primarily developed as detached single family residences on lots designated by the County General Plan for medium density housing. Portions of the Sphere of Influence that are located south of the City limits are designated for beach and wetlands, public/quasi-public uses, and visitor-serving uses. These unincorporated areas currently receive all needed municipal services through a network of government and private service providers.

2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies

The City's General Plan is composed of nine elements. Three of these elements, Land Use and Community Character, Coastal Access and Recreation and Coastal Resource Management, were adopted in 2003. Four elements were adopted in 2009: Public Facilities and Services, Open Space/Conservation, Environmental Safety, and Noise. The Circulation and Housing Elements were adopted in 2010. The Public Facilities and Services Element includes goals, objectives, and policies that recognize the unique social, cultural, and recreational aspirations and activities that contribute to the vitality of the City. The City's objective is to provide a range of public and semi-public facilities and programs responsive to those aspirations, to provide public services to ensure each resident a safe, healthful and attractive living environment, and to maintain both facilities and programs so as to exemplify the highest standards for the community.

The City reviews the present and planned capacity of public facilities and the adequacy of services, including any infrastructure needs or deficiencies through the City's triennial budget process, and adoption of a Capital Budget and Capital Improvement Program. The City Council's review and update of these documents ensures that city services, facilities, and infrastructure will address existing demands and projected growth.

The City of Carmel-by-the-Sea is directly responsible for the provision of a variety of public services and facilities, including: fire protection/emergency medical response; law enforcement and police; police dispatch; library; parks, recreation facilities, open space; street maintenance; landscaping and landscape maintenance; storm drain maintenance; surface water disposal and flood control. The City receives additional services through contracts with other local agencies and/or through private sector service providers, including: fire department administration, fleet services and tree watering services from the City of Monterey; wastewater collection and treatment through the Carmel Area Wastewater District; potable water provided by California American Water Company

(Cal Am); and recycling and solid waste disposal through a franchise agreement with Waste Management Company.

Water service by Cal Am is constrained by State Water Resources Control Board (SWRCB) Order WR 95-10, which determined that approximately 70 percent of the Cal Am supply is based on unlawful diversion from the Carmel River. Order WR 95-10 imposes a constraint on new development by requiring that any new water supply be used to reduce diversions from the Carmel River prior to allowing new users. The Marina Coast Water District, the Monterey County Water Resources Agency and Cal Am are proposing a Regional Water Project to increase the supply of water through desalination. The City is participating with other Monterey Peninsula cities to ensure that Monterey Peninsula ratepayers are represented in these plans.

3. Financial Ability of Agency to Provide Services

The City's budget is highly dependent on revenue associated with tourism. A fluctuating economy has an impact on tourism, which in turn impacts the City's revenue stream. In part to address the volatility of its revenue forecasting, the City of Carmel-by-the-Sea utilizes a triennial budget. Each year the City Council adopts a budget for the coming fiscal year and budget estimates for the next two fiscal years. This process provides for better long-rang planning and spares the City from emergency spending cuts that have the potential to seriously disrupt the provision of City services.

The most recent budget was adopted in June 2010 and covers Fiscal Years 2010-11 through 2012-13. The City's Fiscal Year 2010-11 operating budget of \$13,927,864 is 4.8% higher than the previous year's budget. The City has been able to expand its budget by drawing from reserves. The FY 2010-11 Capital Improvement and Outlay Budget is \$1,095,904 and is funded primarily with grant revenues.

The top three revenue sources for the City are hostelry/transient occupancy tax (28% of City revenue), property tax (29%), and sales tax (13%). Two new revenue sources have recently been created: an increase in the business license fee was passed by the voters and a "Truck Impact Fee" to cover street maintenance expenses was adopted by the City Council. In addition, the City hired a grant consultant who has been successful in obtaining grant funding for the 4th Avenue Riparian and Restoration Project, Sunset Center Landscape Project, and the Storm Water Dry Weather Diversion Project. The City Manager, in his June 2010 budget message to Council, expressed the continuing need to find revenue streams to sustain public services and reduce future deferred maintenance expenses.

As is the case with other local agencies, the City of Carmel-by-the-Sea has experienced a reduction in revenues due to the downturn in the economy and the State budget deficit. The City has responded to reduced revenues by prudently cutting expenditures. In particular, in his FY 2010-11 budget message to the Council, the City Manager

highlighted the service levels associated with the Library Department. In his message, the manager wrote “the Library Department staffing levels will continue at the current level through a unique financial relationship that occurred last year, i.e., 10% of the staffing costs will be equally divided between the Carmel Public Library Foundation, the Harrison Memorial Library Board of Trustees, and the City. This arrangement is sustainable for at least FY 2010-11, but it’s questionable whether this arrangement can continue into the future years. One alternative to maintaining staffing levels is to generate new revenue sources or create ‘shared services’ agreements between public agencies.”

4. Status of, and Opportunities for, Shared Facilities

The City of Carmel-by-the-Sea has existing partnerships with other public agencies for “shared or contract services.” The City of Monterey contractually provides Fire Department administration and vehicle fleet maintenance services to Carmel-by-the-Sea. The City of Carmel-by-the-Sea provides traffic enforcement services within Pacific Grove. These two cities also cooperate on animal control and parking enforcement.

Carmel-by-the-Sea participates in the “Monterey Peninsula Regional Special Response Unit.” This joint unit, composed of police officers from six Monterey Peninsula Cities and Cal State Monterey Bay, lessens the Peninsula’s reliance on the County’s other SWAT units located a 30-minute drive away in Salinas.

The City receives emergency medical (ambulance) service through Carmel Regional Fire Ambulance, a joint powers authority (JPA) created by the City and the Carmel Valley Fire Protection District³. In 2010, the City began administering this service for the JPA. Additionally, the City maintains a JPA with the Carmel Area Wastewater District for wastewater collection and the treatment and recycling of wastewater. The City Manager, in his FY 2010-11 budget message to the City Council, mentioned that shared services, whether by contract or JPA, is an alternative that needs more exploration in the broadest sense.

In early 2011, the City Council will be holding a workshop to determine the future of Carmel-by-the-Sea’s Fire Department. Options include reverting to a stand-alone fire department, participating in a Peninsula-wide regional fire agency, or continuing to contract with Monterey (or possibly CAL FIRE⁴), to take over the service or the administration of the Fire Department.

³ The Carmel Valley Fire Protection District (CVFPD) is scheduled to merge with the Monterey County Regional Fire Protection District on July 1, 2011. The newly consolidated district will continue to participate in the JPA within the pre-2011 boundaries of the CVFPD.

⁴ The California Department of Forestry and Fire Protection (CAL FIRE) currently provides contractual fire protection service to the nearby Pebble Beach Community Services District and the Cypress and Carmel Highlands Fire Protection Districts.

To fully explore the option of a Peninsula-wide fire agency, the City has been a part of the working group to form a Joint Powers Authority. There have also been discussions that this model could also be applicable to other government services (e.g., animal control, information technology, building inspection, risk management, police/fire dispatch, etc.), providing for an alternative method for maintaining public services at reduced costs.

The City cooperates with other local jurisdictions to provide storm water management activities through the Monterey Regional Storm Water Group. The Regional Water Quality Control Board has issued a General Permit to this regional joint effort.

A number of regional special districts provide municipal services to residents of Carmel-by-the-Sea. These include:

- Monterey Peninsula Airport District;
- Monterey Peninsula Regional Park District;
- Monterey Regional Waste Management District (landfill);
- Monterey Regional Water Pollution Control Agency, and
- Monterey-Salinas Transit District.

5. Accountability for Community Service Needs, including Government Structure and Operational Efficiencies

Carmel-by-the-Sea is a General Law city. The City Council consists of an elected Mayor holding a two-year term and four Council Members elected at large for four-year staggered terms. Public meetings and City operations are widely publicized through the media, through mailings and by use of the City web site.

6. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

The City of Carmel-by-the-Sea requires that proposed developments mitigate their local and regional impacts through, for example, contributions to a regional transportation improvement fund.

The 2003 General Plan Land Use Element includes goals, objectives and policies addressing community character and land use. The focus is on maintaining the existing village character that is embodied in Carmel-by-the-Sea. For example, Land Use Element Goal G1-2 reads “preserve the residential village character and perpetuate a balance of land uses compatible with local resources and the environment.”

The central business district of the City, particularly along Ocean Avenue and its cross-streets, presents a high quality, pedestrian-oriented mixed use commercial environment providing a wide variety of goods and services to local residents and tourists.

Service Review Conclusion and Recommendation

The Executive Officer will recommend that the Commission adopt this updated service information for the City of Carmel-by-the-Sea. A draft Resolution will be prepared with determinations that support this recommendation.

PART TWO: SPHERE OF INFLUENCE REVIEW

LAFCO adopted a Sphere of Influence for the City of Carmel-by-the-Sea in 1986. The Sphere boundary has not changed since that time. The adopted Sphere includes the potential ultimate boundary of the City. The Sphere generally extends from Pescadero Canyon on the north to the Hatton Canyon State Park property to the east and the Carmel River to the south. Included in the Sphere of Influence are the unincorporated communities of Carmel Woods, Hatton Fields, Mission Fields, Carmel Point, and the beach area immediately north of Carmel Beach. Exhibit A is a map of the City's currently adopted City limits and Sphere of Influence.

With the possible exception of a City-owned parcel south of the City's southern boundary, the City has no plans to pursue annexation of areas within the Sphere. The City may pursue annexation of this 6.6± acre parcel, Assessor's Parcel Number 009-521-002, once plans for development are finalized. This parcel is south of the Carmel Mission and north of the Carmel Area Wastewater District's wastewater treatment facility. The City and LAFCO are occasionally contacted by residents or property owners in the City's Sphere who are interested in annexation to the City. Unincorporated areas around the City now receive municipal services through a network of public and private service providers.

Following is a review of the City of Carmel-by-the-Sea Sphere of Influence. The review is organized by four determinations that need to be made for a Sphere update:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The land use pattern within the City of Carmel-by-the-Sea is well established and unlikely to change. The geographic area of the City covers one square mile, or approximately 640 acres. The predominant land use in the City is residential (approximately 55%), and most of the residences are single-family dwellings. The City's Commercial District accounts for approximately 6% of the land area in the City. No land is designated for industrial use. The City limits include a significant amount of land devoted to parks and beaches (approximately 10%), including Carmel Beach Park, Devendorf Park, Piccadilly Park, First Murphy Park, and Forest Hill Park.

No significant agricultural land areas exist in, or adjacent to, the City. However, the unincorporated Mission Tract area, which is located immediately south of the City, includes the Mission Ranch, Hodges Property, the Carmel River School, and Carmel Area

Wastewater District's wastewater treatment facility. A large portion of the Mission Ranch and adjacent city-owned "Hodges Property" are undeveloped and include part of the wetlands of the Carmel River Lagoon. These properties are zoned for medium density residential, resource-conservation, and school uses.

According to the City's General Plan, the City of Carmel-by-the-Sea is virtually "built-out" with very little buildable vacant land. Data from the County Assessor indicates that, as of July 2010, 2,057 parcels in the Carmel-by-the-Sea Sphere are zoned for residential uses and only 55 of these parcels are unimproved vacant land. The City's land use policies focus on maintaining the predominance of the residential character in the City through appropriate zoning and land development regulations in all districts.

The City's Sphere of Influence surrounds the City on three sides. The 2003 General Plan describes the unincorporated neighborhoods within the City's Sphere of Influence. It states that single family residences occupy most of the Sphere, which is primarily zoned for medium density residential development at 1 to 5 units per acre. The Sphere includes the following unincorporated communities:

- Carmel Woods includes approximately 170 acres north of the City limits. The area is fully developed with single-family residences on 4,000 to 10,000 square foot lots. Robert Louis Stevenson School, a private elementary school, is also located here.
- Hatton Fields consists of 300 acres of single-family residences east of the City limits and west of Highway 1. The area is developed on lots that are generally larger than allowed by its medium density zoning designation.
- Mission Fields is located southeast of the City and west of Highway 1. This community is developed with medium density housing and also contains the 40-unit Carmel River Inn. Most of this area is located within the 100-year flood plain of the Carmel River.
- The Mission Tract, immediately south of the City, includes medium density residential uses, the Mission Ranch Hotel and Restaurant, the Carmel River School, the Carmel Area Wastewater District's Wastewater Treatment Plant and the City-owned "Hodges Property."
- Carmel Point is a 150-acre coastal residential neighborhood south of the City and north of the Carmel River. Several visitor-serving accommodations and the Carmel River State Beach are also located in this area.
- Carmel Hills is 115 acres between Highway 1 and the Hatton Canyon State Park property. This area includes medium density-zoned residences and Carmel High School. Approximately 75 lots in this area are currently served by septic tanks, while the majority of parcels are served through the Carmel Area Wastewater District.

2. The Present and Probable Need for Public Facilities and Services in the Area

The City of Carmel-by-the-Sea is directly responsible for the provision of a variety of public services and facilities. The City receives additional services through contracts with other local agencies and/or through private sector service providers.

The General Plan's Public Facilities and Services Element includes goals, objectives and policies that recognize the unique social, cultural, and recreational aspirations and activities that contribute to the vitality of the City. The City's objective is to provide a range of public and semi-public facilities and programs responsive to those aspirations, to provide public services to ensure each resident a safe, healthful, and attractive living environment, and to maintain both facilities and programs so as to exemplify the highest standards for the community.

The City Council examines the community's need for public facilities and services during the preparation of the triennial budget. The City's budget is based on responding to the needs of the community and to providing service level enhancements where affordable.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The City of Carmel-by-the-Sea reviews service levels, and plans for their expansion and/or maintenance, through its operating and capital outlay budgets. Public services, facilities, and infrastructure are being improved, or planned for improvement, to meet the needs of future populations to the extent allowed with the City's current budgetary constraints. The City's 2010-11 Capital Improvement and Outlay Budget includes funding for roadway resurfacing projects, Carmel Beach seawall repairs, police/fire vehicles and other equipment.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines that They are Relevant to the Agency

For purposes of this review, a relevant "community of interest" is any group or entity in an unincorporated area that shares common social or economic interests with a city, and that could be potentially annexed to a city or added to a city's Sphere of Influence.

Residents within the Sphere of Influence of Carmel-by-the-Sea have a "Carmel" postal address and identify with the City. They shop within the City, as well as adjacent unincorporated areas within the Carmel postal area. The City's recreational areas, schools, places of worship, and cultural events are all available to Sphere of Influence residents. City residents also rely on services within the Sphere as exemplified by Carmel High School's location in the unincorporated Carmel Hills community.

Potential Changes to the Sphere of Influence and City Limits

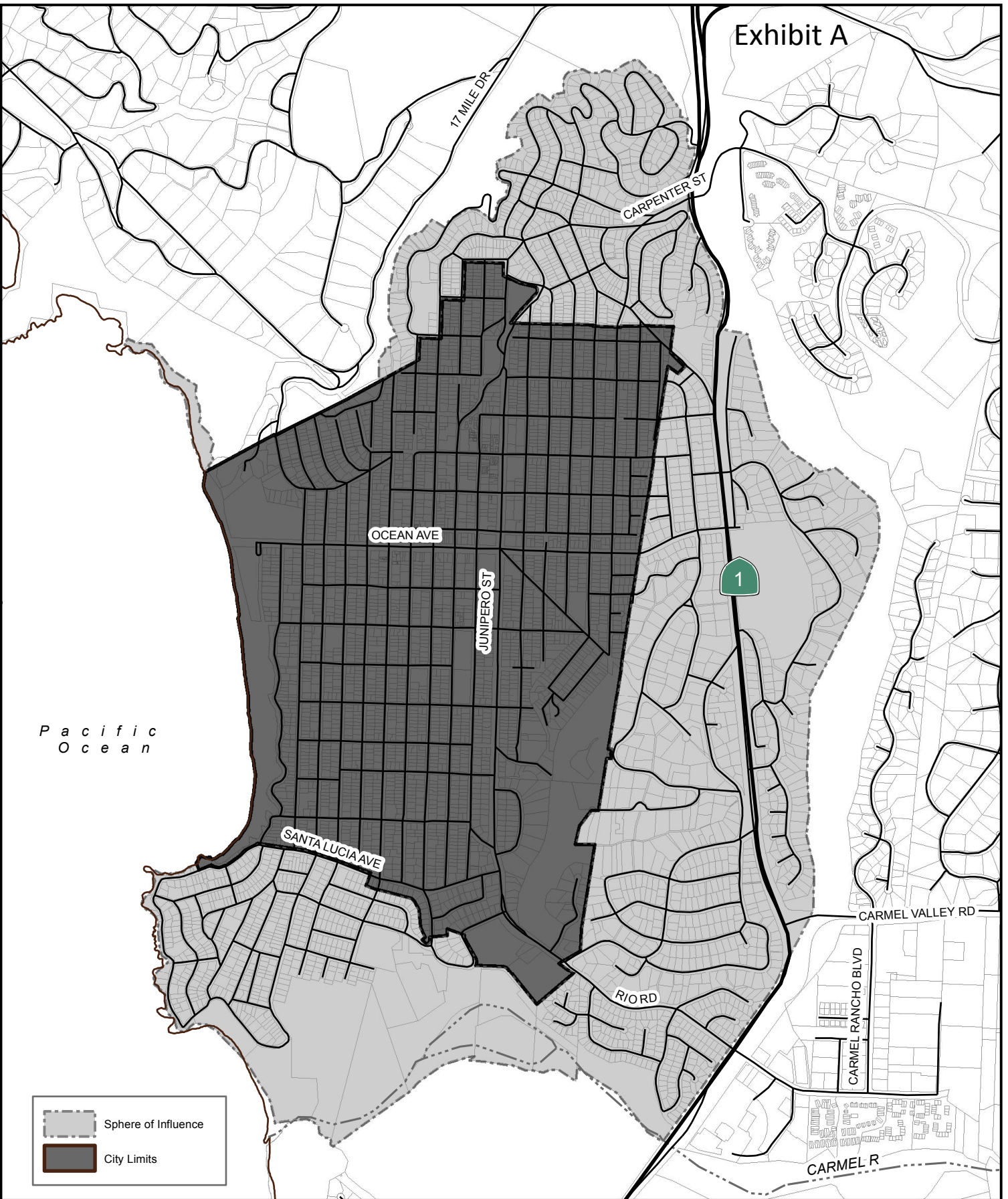
The City does not anticipate any requests for Sphere of Influence amendments. The City may pursue annexation of a 6.6± acre City-owned parcel, Assessor's Parcel Number 009-521-002, once plans for development are finalized. This parcel is south of the Carmel Mission and north of the Carmel Area Wastewater District's wastewater treatment facility. The timing of this annexation will depend on the City's planning, environmental review and implementation processes and schedules.



The City and LAFCO are occasionally contacted by residents or property owners in the City's Sphere who are interested in annexation to the City. Unincorporated areas around the City now receive municipal services through a network of public and private service providers.

Sphere of Influence Review Conclusion and Recommendation

Because the City does not plan an expansion of its Sphere of Influence, the Executive Officer recommends that the Commission affirm the currently adopted Sphere of Influence for the City of Carmel-by-the Sea (Exhibit A) with no changes. A draft Resolution will be prepared that provides the necessary determinations for this action.

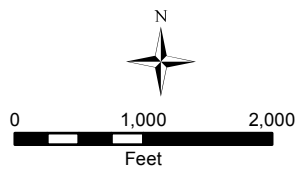
Exhibit A: Currently Adopted City Limits and Sphere of Influence Map, City of Carmel-by-the-Sea.



 Sphere of Influence
 City Limits

LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION

P.O. Box 1369 132 W. Gabilan St., Suite 102
 Salinas, CA 93902 Salinas, CA 93902
 Telephone (831) 754-5838 FAX (831) 754-5831



City Boundaries

CARMEL-BY-THE-SEA

Last LAFCO-Approved Change: 05/27/1986
 Sphere of Influence Affirmed: 01/24/2011
 Map Prepared: 01/31/2011