Municipal Service Review

OCEANSIDE REGION

FINAL

PROSPECTUS | SEPTEMBER 2024

General Themes and Conclusions

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

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

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



The Oceanside Pier

The Oceanside Pier, first built in 1888 (and now in its sixth incarnation), is the longest wooden pier on the western United States coastline, at 1,954 feet (596m).

No. 1
Introductory Municipal Service Review

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

No. 2
Adjusting Growth: Changes in Demographics, Market Conditions, and Community Empowerment

The City of Oceanside – as an at-large community and as the epicenter of the region's economic and social well-being – has experienced a significant adjustment in growth starting in 2000 with the annual population change averaging 0.4% through the end of the five-year report period – or the net addition of two persons each day. This period change marks a five-fold decrease over the prior 20-year span (1980-2020) in which Oceanside averaged the net addition of 12 persons each day. This relatively seismic adjustment appears largely attributed to changing resident demographics (e.g., older residents with higher incomes), market conditions – including decreasing infill opportunities, and the accompanying community empowerment to more directly influence development decisions; the latter reflected in a successful 2020 ballot referendum overturning the City Council's 2019 approval of a 585-unit residential project in South Morro Hills (North River Farms). Although the referendum was subsequently overturned and a smaller project approval followed, the referendum marks a new level of community empowerment not previously exercised over land use decisions. [1]

1 With respect to this conclusion, the City of Oceanside asserts the primary reasons for the adjustment in growth ties to the City largely being built-out and rising interest rates. Oceanside also disagrees with the significance of the North River Farms referendum as an indicator of an overall change in community engagement as presented by LAFCO staff.

No. 3
Adjusting Growth: Effects on Housing Affordability

The adjusting growth within the City of Oceanside starting in 2000 has contributed to a sizable acceleration in housing prices over the last 20 years and through the end of the five-year report period with the median home sale increasing from $195,800 to $784,800 – an average annual change of 14%. This period change marks a 50% rise over the prior 20-year span (1980 to 2020) in which median home sales experienced an average annual rise of 10%. The acceleration of home prices in Oceanside – among other outcomes – has noticeably impacted the private market's ability to construct new affordable workforce housing at the traditional entry levels – i.e., starter homes. This dynamic ties to multiple factors – including supply constraints and homeowners not upsizing – and reflected in the most recently completed housing element cycle (2013 to 2021) where only 23% of Oceanside's assigned housing share at moderate or lower levels received building permits. Permits issued through the first quarter of the current housing cycle (2021-2029) suggest housing affordability at the moderate or lower categories will similarly fall substantively short of goals, albeit at improved levels with current projections showing the attainment level reaching 36%.


Oceanside Harbor

No. 4
Variations in Fiscal Health + Navigating Related Stresses

A prominent schism exists among the three affected agencies in the Oceanside region involving their fiscal well-being and navigating financial stresses. The City of Oceanside has steadied its financial position after several years of operating shortfalls in the General Fund in large part to successfully making the case to voters in 2018 to approve a seven-year one-half cent sales tax. Measure X reset Oceanside's overall sales tax rate to 8.25% with the additional revenue broadly earmarked to improve City infrastructure and public safety. Measure X has been a clear success; it has reversed shortfalls into surpluses and underlies a significant two-thirds increase in General Fund reserves ($66.5 to $112.5 million) over the reporting period. Nonetheless, the extension of the one-half cent sale tax beyond its current sunset date in 2026 remains a pronounced variable in Oceanside's near-term health and is expected to be taken up by voters in late 2024. While Oceanside's fiscal health largely ties to the present and near-term status of Measure X, the other two agencies' standing is comparatively more opaque, although for entirely different reasons. Oceanside SCHD, similar to its parent governing body, has steadied its actual expense-to-revenue relationship through incremental budgeting true-ups. These budgeting actions have contributed to a helpful increase of nearly one-fourth in SCHD's unassigned fund balance ($3.7 to $4.6 million) over the reporting period. However, the budgeting true-ups have not addressed decades of deferred or otherwise neglected maintenance. This qualifier is illustrated in capital assets (docks, pilings, piers, etc.) having surpassed their expected useful lives by more than two-fold and serves as a critical stress test for SCHD going forward. Unlike the other two agencies in the region, Morro Hills CSD has maintained a positive actual revenue-to-expense relationship through the reporting period without any obvious hardships; at least that are known. The CSD operates entirely within the confines of the annual collection of its 1% property tax share, which netted $0.090 million at the end of the reporting period. Although CSD has been effective in keeping expenses in line with annual revenues – which is also reflected in an unassigned fund balance increasing by more than four-fifths ($0.142 to $0.267 million) during the period – less is known regarding pending costs. Specifically, no pavement rating has been performed on CSD's 6.0-mile roadway system nor has a capital improvement plan been prepared. These factors directly contribute to a subtle – but real and emerging – stress test.

No. 5
Adequate Municipal Service Capacities with a Qualifier…

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

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

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

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

No. 7
Unease within the Oceanside Small Craft Harbor District

The Oceanside Small Craft Habor District's core constituency – nearly 1,000 boat slip users collectively generating more than four-fifths of all yearly revenues collected during the five-year report period – is increasingly communicating their unease with decision-making most notably regarding public safety and financial management. While the origins of the unease predate the reporting period and the current SCHD administration, it has amplified and may be approaching a tipping point where a majority of the core contingency feels disenfranchised in District decision-making. This unease merits LAFCO attention and may warrant future resources to help inform decision-making.

No. 8
Proceeding with Limited Sphere Updates + Telegraphing Potential Changes with Special Study Areas

It would be appropriate for LAFCO to proceed with limited sphere of influence updates for all three affected regions in the Oceanside region and defer consideration of more comprehensive actions to the next municipal service cycle. The approach would involve proceeding with affirming all three agencies' current designations without changes. This approach, however, would also incorporate the establishment of one or more special study areas to all three agencies to memorialize areas the Commission would allow to come forward over the next five-year period without requiring a new municipal service review. A key example includes establishing dual study areas for Oceanside and Oceanside SCHD (and their matching spheres) to include an approximate 250-acre area immediately to the southwest near Sunset Drive and Melrose Way that includes two qualifying disadvantaged unincorporated communities (DUCs) totaling 121 acres under local policy. The addition of these dual study areas, notably, provides municipal flexibility and would memorialize LAFCO's environmental justice interest in statute to help ensure equitable service levels are available to DUC residents consistent with neighboring lands. [2]

2 With respect to this conclusion, the City of Oceanside opposes the establishment of a special study area for the Sunset Drive/Melrose Way area and – among other items – asserts "the City does not need this area to meet any of its housing obligations as evidenced by our Certified Housing Element." The City of Vista separately opposes the establishment of the proposed study area and states the City is "unclear of the benefits for either city."

Recommendations

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

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



Coaster Commuter Train at Oceanside Transportation Center

3 With respect to the recommendation, the City of Oceanside states it has been "... offered without consultation with Oceanside staff or its elected officials. Such a statement and recommendation Is contrary to the ideals of local control."



Oceanside Lighthouse at Harbor Village

Recommendations

9. Efforts should be taken by Oceanside SCHD to publicly distinguish its role as a stand-alone governmental entity separate from the City of Oceanside.

10. Oceanside SCHD should formalize its existing relationship with the City of Oceanside through an official memorandum of understanding to clearly outline roles and responsibilities and associated costs in utilizing City staff, supplies, and resources in carrying out District duties.

11. It appears Oceanside SCHD informally deactivated its previously authorized and active patrol and rescue municipal function in 2009 in step with these responsibilities being directly assumed by the City of Oceanside. SCHD's legal authorization to provide patrol and rescue, however, remains active under State law absent LAFCO action. To clarify decision-making and service expectations as well as mitigate potential liabilities, SCHD should make a formal determination on whether it is responsible for patrol and rescue, and – if applicable – formally request divestiture approval under Government Code 56824.10.

12. LAFCO is aware there is community interest in exploring the reorganization of Oceanside SCHD into an independent agency to provide direct constituent influence on decision-making, specifically regarding public safety and financial management. It would be appropriate for the Commission to consider authorizing a future governance study to assess alternatives (functional and political) for the benefit of both agencies and their shared constituents with the understanding any actual change to the governance structure would be subject to protest proceedings and potentially an election.

13. It appears appropriate for LAFCO to proceed with limited sphere of influence updates for both the City of Oceanside and Oceanside SCHD to affirm the existing designations with one or more common special study areas. Subject to further analyses to assess community needs.

(a) One special study area has been identified to date and spans nearly 250 acres located immediately southwest of the agencies near Sunset Drive and Melrose Way. This proposed study area currently lies within the Vista sphere and includes two non-contiguous DUCs under local adopted policy. Establishing this special study area would help facilitate the extension of urban-supporting services via annexation and/or out-of-agency service agreements by Vista and/or Oceanside without the burden of preparing a new municipal service review. It would also – materially – memorialize LAFCO's interest in environmental justice by removing barriers to advancing service equity to DUC lands and their residents.

(b) Relatedly, the City of Oceanside and City of Vista should revisit an existing wastewater agreement from October 1984 providing for the transfer of up to 2.15 million gallons of sewage daily between the two agencies to allow for additional flows at designated collection points – including flows from Vista to Oceanside involving the Sunset Drive/ Melrose Way special study area. This would – among other benefits – help eliminate an existing impediment to developing and/or connecting lands within the proposed special study area identified under (a).

(c) Deferring a more comprehensive sphere of influence update to a future cycle concurrently provides LAFCO the benefit to incorporate information associated with the City of Oceanside's active General Plan Update.

14. It appears merited for LAFCO to partner with the Morro Hills CSD in sponsoring or otherwise supporting a legislative change to the principal act to reduce the number of Board members from five to three consistent with existing special provisions in State law. Although the current board has expressed disinterest, pursuing this change remains an appropriate option going forward in minimizing turnover and facilitating competitive elections.



Mission San Luis Rey, Oceanside

» Recommendations

15. The Morro Hills CSD Board should revisit conditions on Sleeping Indian Road and its most recent traffic assessments and the analysis therein that appears to support a significant increase in the speed limit. This includes assessing whether the Board's ability to retain a speed under the 85th percentile standard under the recent passage of AB 43 is either available or appropriate. [4]

16. It would be advantageous for Morro Hills CSD to explore interest among adjacent landowners that presumably benefit and use the road system to annex and have direct participation in Board decision-making while concurrently expanding the CSD property tax base. [5]

17. LAFCO should help coordinate discussions with Morro Hills CSD and County of San Diego Sherriff's Office to identify enhancement opportunities to enhance traffic enforcement within the CSD jurisdictional boundary relative to available resources. This includes, but not necessarily limited to, activating CSD's police protection power to fund enhanced enforcement – directly or by contract.

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

19. LAFCO should prioritize proposals in the Oceanside region going forward that promote environmental justice and provide benefits (direct and indirect) to marginalized communities. Among other resources, LAFCO shall draw on information available through the California Environmental Protection Agency as well as climate action plans adopted by Oceanside and the County of San Diego in considering the promotion of environmental justice.

4 In response to this recommendation, Morro Hills CSD has stated "...the District has received overwhelming support and seen a significant reduction in severe violations as seen on the previous traffic study that was performed at the height of COVID-19 pandemic during which, nationwide, there was a significant reduction in traffic volume and an inverse in speed. The study period and data is an aberration."

5 With respect to this recommendation, Morro Hills CSD states "the Board considered that by expanding the district boundaries, there is an increased burden on the Board even with five volunteer, unpaid members, to maintain more road. It is not a recommendation the Board wished to pursue, currently."

About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs. **The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.**

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

A summary of San Diego LAFCO's adopted final workplan and budget for 2024–2025 follows.

San Diego LAFCO's Commission

San Diego LAFCO is governed by a 13-member "Commission" comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four–year terms and divided between "regulars" and "alternates" and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



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