

Public Review Draft

Cayucos Sanitary District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted ___

Resolution No. ____

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ABOUT LAFCO

Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are considered regional subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), with principal oversight provided by the Assembly Committee on Local Government. LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities and special districts and their municipal service areas.

Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California. CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO oversight, with the following exceptions: school districts, community college districts, assessment districts, improvement districts, community facilities districts, and air pollution control districts. LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended services beyond their jurisdictional boundaries by contracts, agreements, or annexation. LAFCOs also oversee special district actions to either activate new service functions and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs.

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Planning Responsibilities

LAFCOs inform their regulatory actions, in part, through two central planning responsibilities: (a) making sphere of influence determinations and (b) preparing municipal service reviews. With this, and other relevant information in the record, LAFCO makes decisions on a variety of matters, including but not limited to annexations to cities and special districts, city incorporations, activation of powers for special districts, dissolutions of special districts, etc.

Sphere of Influence

A Sphere of Influence (SOI) is defined by Government Code Section 56425 as a plan for the probable physical boundary and service area of a local agency or municipality. An SOI is generally considered a 20-year, long-range planning tool. LAFCOs establish, amend, and update SOIs for all applicable jurisdictions in California every five years, or as necessary. When updating an SOI, LAFCOs are required to consider and prepare a written statement of their determinations concerning each of the following five factors:

1) The present and planned land uses in the area, including agricultural and open-space lands.
2) The present and probable need for public facilities and services in the area.
3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
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.
5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities.

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Municipal Service Reviews

Municipal Service Reviews (MSRs), in contrast, are intended to inform, among other activities, SOI determinations. LAFCOs also prepare MSRs regardless of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. When updating an MSR, LAFCOs are required to consider and prepare written statements of their determinations with respect to each of the following seven factors:

1) Growth and population projections for the affected area.
2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
4) Financial ability of agencies to provide services.
5) Status of, and opportunities for, shared facilities.
6) Accountability for community service needs, including governmental structure and operational efficiencies.
7) Any other matter related to effective or efficient service delivery, as required by commission policy.

LAFCO Decision-Making

LAFCO decisions are legislative in nature and, therefore, are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals, so long as they do not establish any terms that directly affect land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprised of county supervisors, city council members, independent special district members, a representative of the general public, and an alternate member for each category. SLO LAFCO is governed by a seven-member board comprised of two county supervisors, two city council members, two independent special district members, one representative

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of the general public, and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs are independent of local government, with their own staff. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCOs must also appoint their own legal counsel.

SLO LAFCO

Regular Commissioners

Chair Heather Moreno	County Member
Vice Chair David Watson	Public Member
Dawn Ortiz-Legg	County Member
Ed Waage	City Member
Steve Gregory	City Member
Edy Eby	Special District Member
Navid Fardanesh	Special District Member

Alternate Commissioners

Bruce Gibson	County Member
Carla Wixom	City Member
John Joyce	Special District Member
Michael Draze	Public Member

Staff

Rob Fitzroy	Executive Officer
Imelda Marquez-Vawter	Senior Analyst
Morgan Bing	Analyst
Holly Whatley	Legal Counsel

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Contact Information

San Luis Obispo LAFCO's office is located at 1042 Pacific St, Suite A, in the City of San Luis Obispo. The LAFCO office is open by appointment to discuss proposals or other matters and can be scheduled by calling 805-781-5795. Additional information is also available online by visiting slo.lafco.ca.gov.

Acknowledgments

San Luis Obispo LAFCO gratefully acknowledges the time and effort of staff with the Cayucos Sanitary District in assisting in the preparation of this report, including – but not limited to – the following individuals:

David Athey, PE, District Manager

Gayle Good, Administrative Accounting Manager

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DISTRICT MSR & SPHERE OF INFLUENCE STUDY

Overview

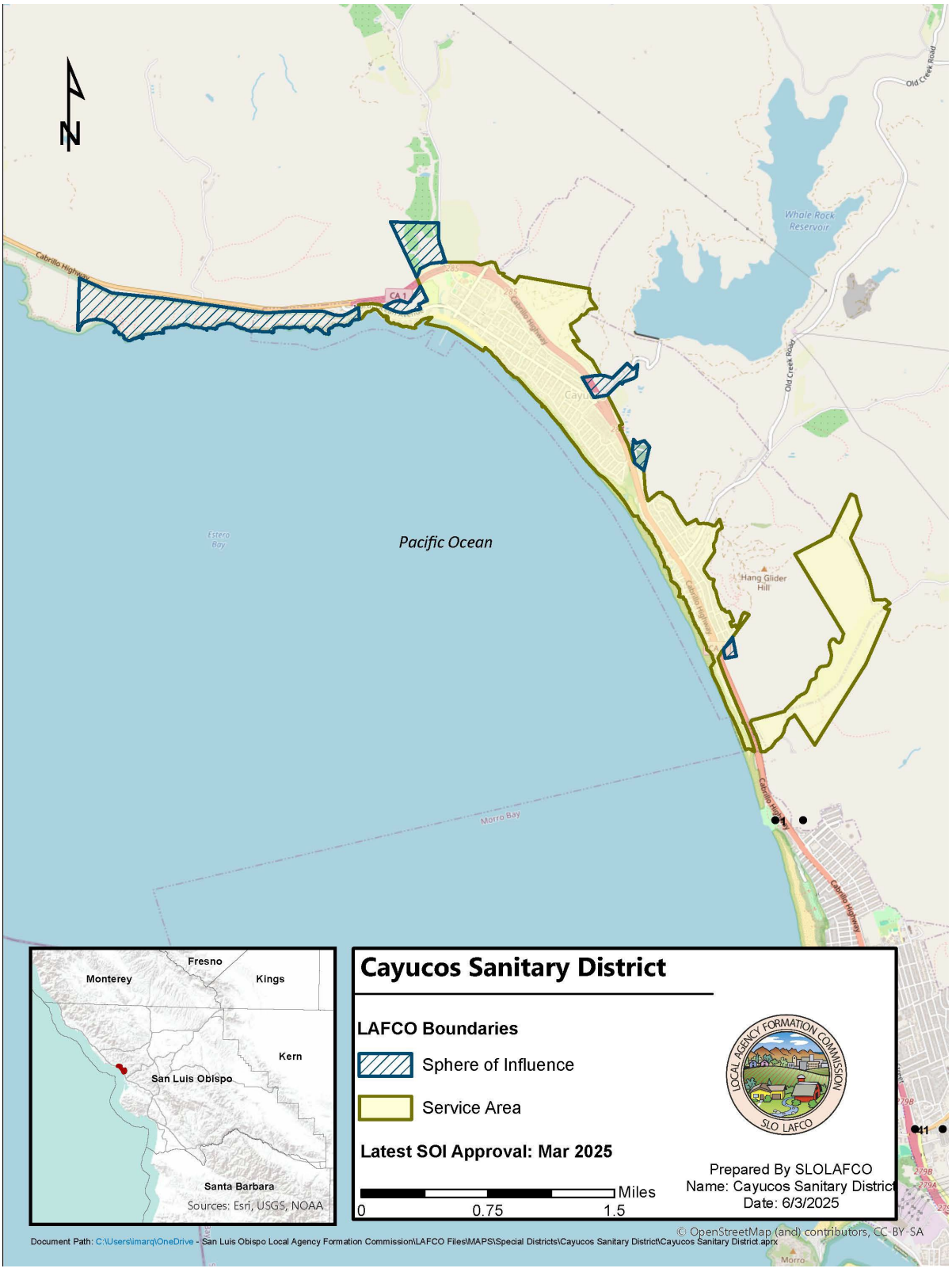
This report represents San Luis Obispo LAFCO's scheduled municipal service review and sphere of influence study for the Cayucos Sanitary District (District), located in the central coast region of San Luis Obispo County (County). The report has been prepared by staff in accordance with the requirements of the Government Code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years or as necessary, relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of services within the service areas of the District, subject to the Commission's oversight. Information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

The period for collecting data to inform the Commission's analysis and related projections on population growth and service demands have been set to cover any major updates and changes since the last time the MSR and SOI Study was updated in 2015. The financial analysis has been set to cover the last five years audited fiscal year period. The timeframe for the report has been generally oriented to cover the next five to seven-year period, with the former (ten years) serving as the analysis anchor as contemplated under State law. The document outline serves to inform all the state-mandated requirements outlined in Government Code Sections 56430 and 56425. Written determinations have been included as the concluding chapter of this document.

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Boundary Map

Figure 1: Cayucos Sanitary District Service Area and Sphere of Influence (Adopted March 2025)



At A Glance

Table 1: District Profile

Agency Name	Cayucos Sanitary District
Formation	1942
Legal Authority	Sanitary District Act of 1923 (Health and Safety Code Sections 6400-6982)
Mailing Address	PO Box 333, Cayucos, CA 93430
Website	https://www.cayucossanitarydistrict.gov/
General Manager	David Athey, PE
Public Meetings	The Board of Directors meets on the third Thursday of the month at 5:00 PM at 200 Ash Ave., Cayucos, CA 93430
Board of Directors	Five members elected to four-year terms
District Service Area	893-acres
Population	2,505

Background

The Cayucos Sanitary District was formed in 1942 to construct, operate, and maintain a sewer collection system and wastewater treatment facility serving the unincorporated community of Cayucos in western San Luis Obispo County. In 1954, the District entered into a Joint Powers Agreement (JPA) with the Morro Sanitary District (now the City of Morro Bay) to construct and operate a shared wastewater treatment plant and conveyance system.

For decades, the District and the City of Morro Bay jointly operated the Morro Bay–Cayucos Wastewater Treatment Plant (MBC WWTP). However, in January 2013, the California Coastal Commission denied a Coastal Development Permit for a proposed upgrade to the existing facility, determining that the project was inconsistent with Coastal Act policies. The Coastal Commission recommended that any replacement facility be located outside the coastal zone and incorporate a significant water reclamation component. As a result, the jurisdictions were effectively required to abandon plans to upgrade the existing coastal facility.

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Following this decision, the District evaluated alternatives and, in 2015, the District Board elected to develop an independently owned and operated wastewater treatment facility rather than continue the joint partnership with the City of Morro Bay.

In August 2018, the District broke ground on the Cayucos Sustainable Water Project (CSWP). The CSWP included a new $25 million sewer treatment plant at 800 Toro Creek Road featuring a Membrane Bioreactor treatment facility, infrastructure to convey plant discharge to the ocean outfall, reconfiguration of the pipeline system controlling inflow and outflow through Lift Station 5, and a solar field to mitigate electrical costs. Reclaimed water is to be available for onsite and local agricultural uses.

The Cayucos Water Resource Recovery Facility (WRRF) was completed and dedicated to the community in June 2021. Wastewater conveyance to the Morro Bay facility ceased on September 14, 2021, marking the District's full transition to independent wastewater treatment operations. The District and the City of Morro Bay formally dissolved the Joint Powers Agreement that governed the MBC WWTP in July 2026.

Population Profile

Based on 2020 US Census Data, the Cayucos Census Designated Place, which closely coincides with the District's service area boundary, has an estimated population of 2,505. The build-out population, defined as the maximum population that can occur considering zoning and land use designations, is estimated to be 3,096, with an estimated buildout year of 2055.[1] Therefore, the District is considered more than 80% built out. However, the permanent resident population fluctuates due to the varying proportion of seasonal residences, vacation homes, and second homes within the community.

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate Disadvantaged Unincorporated Communities (DUCs) as part of this MSR and SOI Study, including the location and characteristics of any such community. Per California Senate Bill 244 and Government Code Section 56033.5, a DUC is defined as any area with 12 or more registered voters where the median household income (MHI) is less than 80% of the statewide MHI. The legislative

[1] San Luis Obispo Council of Governments, 2050 Regional Growth Forecast for San Luis Obispo County, June 2017

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intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water, wastewater, and fire protection services.

To identify the MHI within the County and determine which areas meet the DUC MHI threshold, LAFCO relied on U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG) and Census Designated Places (CDP) data. When a CBG or CDP met the DUC MHI threshold, LAFCO subsequently verified that the area was inhabited, consistent with the requirements of Government Code Section 56033.5, using registered voter data from the County Clerk-Recorder.

Using this methodology, two DUCs were identified within or adjacent to the District's service area, as seen in Figures 2 and 3. A summary of information for these areas, including MHI and registered voter counts, is provided in Table 2.

Cayucos DUC Area No. 1 includes territory both within the District's existing service area and SOI, as well as lands adjacent to the north of the District that are currently uninhabited and designated as open space. This area also includes lands to the east of the District that are zoned agriculture, where no current need for wastewater services has been identified. Cayucos DUC Area No. 2 similarly contains areas within the District's current service area and SOI, along with lands outside the service area boundary that appear to be uninhabited and zoned agriculture. There is no known need for wastewater service within this area. Should a need for wastewater service within either DUC area be identified in the future, inclusion within the District's SOI and service area boundary should be studied further.

Table 2: Disadvantaged Unincorporated Communities

DUC	Census Block Group	Median Household Income	Registered Voters
Cayucos DUC Area No. 1	105.04.1	$67,273	505
Cayucos DUC Area No. 2	105.04.3	$59,444	686

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Figure 2: Cayucos DUC Area No. 1

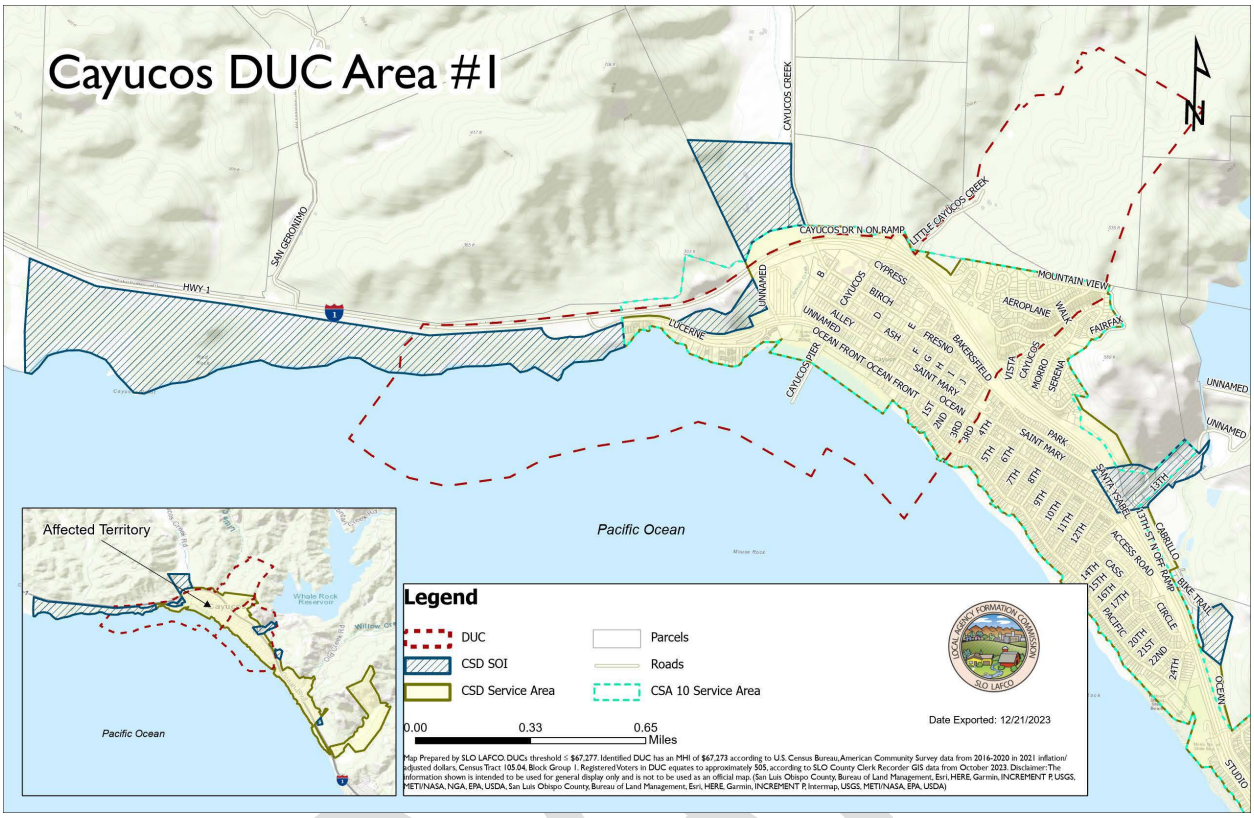
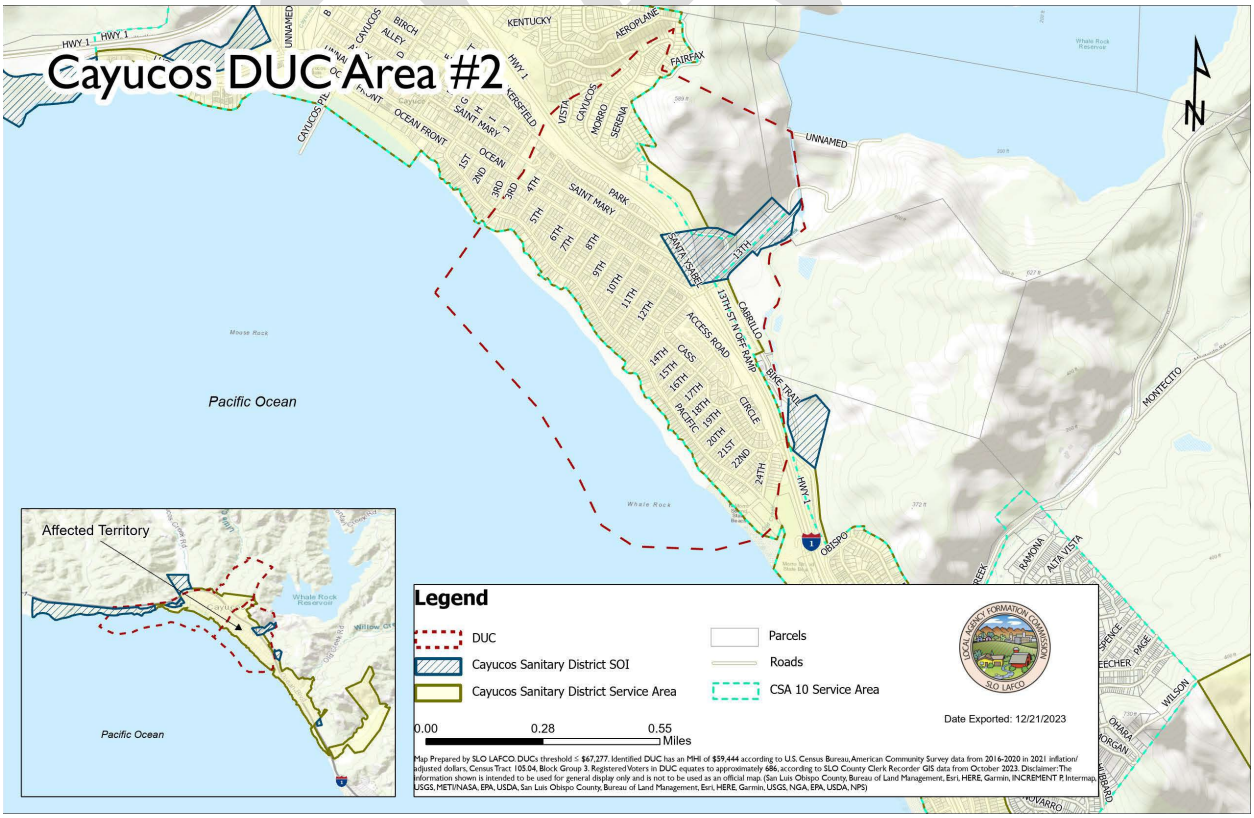


Figure 3: Cayucos DUC Area No. 2



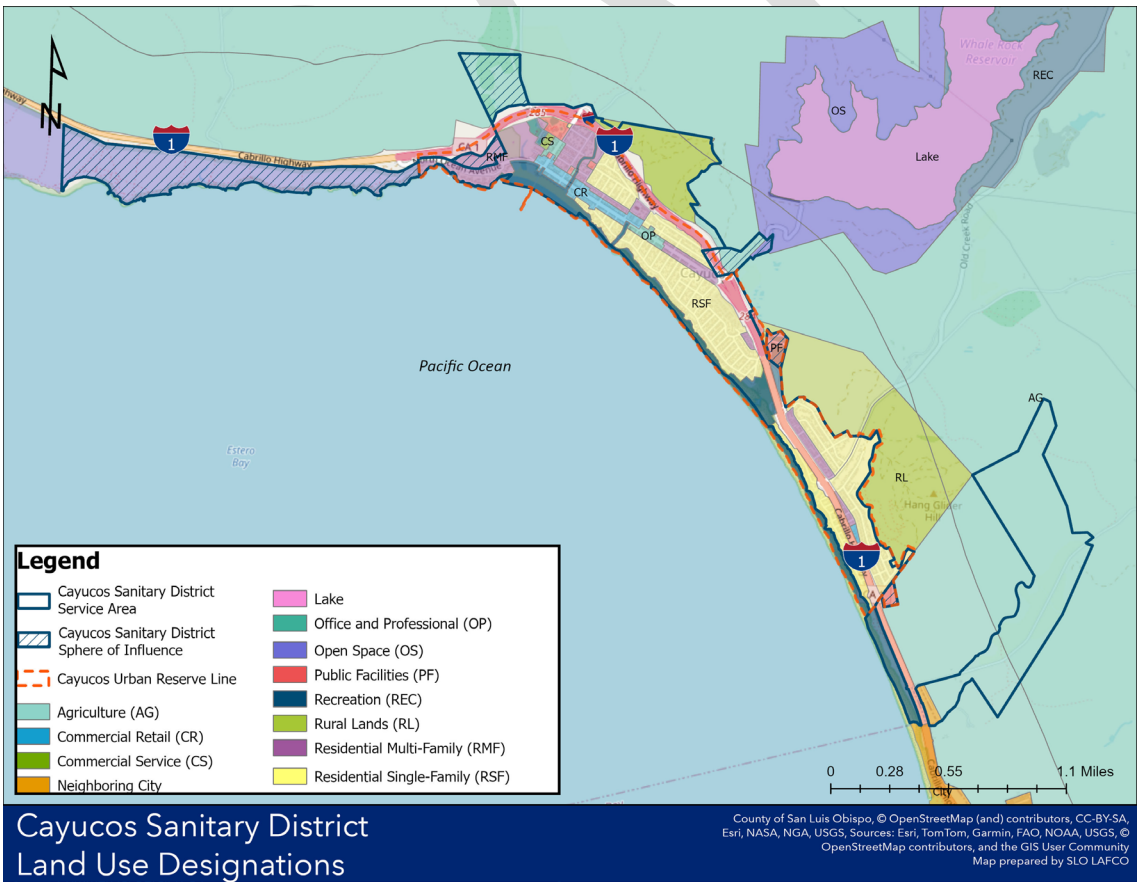
Social or Economic Communities of Interest in the Area

There are no known District relevant social or economic communities of interest in the area served.

Present and Planned Land Use

The District's service area is characterized primarily by coastal residential development, supported by limited commercial, visitor-serving, and public facility uses. Surrounding areas outside the District service area include a mix of agricultural and open-space lands. No significant conversion of agricultural or open-space lands to urban uses is anticipated within the District's SOI. Planned land uses within the District are governed by the County General Plan and Local Coastal Program, which emphasize preservation of coastal resources, maintenance of community character, and managed, low-density infill development. Future growth within the District is expected to be minimal and limited primarily to infill on existing legal lots, redevelopment of existing parcels, and minor expansions consistent with current zoning and environmental constraints. The location and distribution of land uses within the District is presented below in Figure 4.

Figure 4: Land Use Designations



Accountability

The District is an independent special district governed by a five-member Board of Directors, each elected by district for four-year terms. Regular meetings of the Board of Directors are held at 200 Ash Avenue, Cayucos, CA at 5:00 PM on the third Thursday of each month. Agendas and staff reports for meetings are available to the public for review at the District office and on the District's website. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the Board of Directors.

Table 3: Board of Directors

Board Member	Title	District	Term
Robert Enns	President	District 5	December 2024 – December 2028
John Curti	Vice President	District 1	December 2022 – December 2026
Shirley Lyon	Director	District 4	December 2022 – December 2026
Justin Smith	Director	District 2	December 2024 – December 2026
Joe Clark	Director	District 3	May 2025 – December 2026

The District maintains an up-to-date website in compliance with Senate Bill 929 that provides public access to District contact information, current agendas, financial transaction and compensation reports, and an SB 272 Enterprise System Catalog, as seen in Table 4. Approved minutes from the Board of Director's regular meetings are also posted on the website for public review. In addition, the District reports that all Form 700 Statements of Economic Interests are current and in full compliance with state disclosure requirements.

Table 4: Website Requirements for Special Districts

Requirement	District Website
Contact Information	✓
Most Recent Agenda	✓
Financial Transaction Report	✓
Compensation Report	✓
Enterprise System Catalog	✓

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Services & Capacity

Authorized Services

The District's governance authority is established under the Sanitary District Act of 1923 (Health and Safety Code Sections 6400-6982). This principal act identifies a range of services that a Sanitary District may provide, including but not limited to:

- Sewer and Wastewater Services
- Stormwater Management
- Solid Waste and Garbage Services
- Infrastructure Development and Operations
- Water Recycling and Distribution Systems

Pursuant to Government Code Section 56425(i), when LAFCO adopts, updates, or amends a SOI for a special district, it must also determine the nature, location, and extent of the functions or services the district is authorized to provide. Furthermore, under Government Code Section 56050.5, any service authorized by the district's principal act that is not currently being exercised is considered a latent power, requiring LAFCO approval prior to activation.

In accordance with Government Code Section 6512, the District is authorized to execute the following powers:

> A district may acquire, plan, construct, reconstruct, alter, enlarge, lay, renew, replace, maintain, and operate garbage dumpsites and garbage collection and disposal systems, sewers, drains, septic tanks, and sewerage collection, outfall, treatment works and other sanitary disposal systems, and storm water drains and storm water collection, outfall and disposal systems, and water recycling and distribution systems, as the board deems necessary and proper, and in the performance of these functions, either in or out of the district, it may join through joint powers agreements pursuant to the provisions of Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, or through other means with any county or municipality or any other district or governmental agency.

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All other powers granted under the Sanitary District Act of 1923 that are not currently exercised by the District are considered latent powers, subject to LAFCO approval prior to activation.

The MSR and SOI Study provides a discussion on present and long-term service demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services that are currently available, and 2) the ability of the District to expand such resources and services in line with increasing demand. An adequate ability to provide service should be documented to support areas in the sphere envisioned for eventual annexation and service by a jurisdiction. If warranted, different governance options may be reviewed for the District, including potential jurisdictional changes such as consolidation, reorganization, and dissolution.

Services & Facilities

Wastewater

The District provides wastewater collection and treatment services to residential and commercial users within its service area, serving an estimated population of 2,505. The District has approximately 2,115 service connections which are comprised of roughly 90% residential and 10% commercial uses.

In August 2018, the District initiated construction of the Cayucos Sustainable Water Project (CSWP). This project included a $25 million wastewater treatment facility located at 800 Toro Creek Road, featuring a state-of-the-art membrane bioreactor (MBR) system. Additional project components include infrastructure to convey treated effluent to the existing ocean outfall, improvements to the pipeline system regulating flows through Lift Station 5, and installation of a solar field to offset electrical costs. The CWSP also incorporates water reuse elements, with reclaimed water available for onsite and local agricultural uses. The District estimates that there will be about 200 acre-feet of reclaimed water that could be re-used yearly.

The Cayucos Water Resource Recovery Facility (WRRF), completed in 2021, is a modern wastewater treatment facility with a maximum permitted capacity of 1.2 million gallons per day (MGD) and an average daily permitted capacity of approximately 0.34 MGD. The facility is designed to serve the existing and build-out population within the District's service area. The WRRF includes headworks with screening and grit removal, a membrane bioreactor system with multiple aeration and anoxic tanks, membrane filtration units, solids dewatering via screw press, and ultraviolet disinfection. The District

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uses sewer modeling and infiltration and inflow analysis as methods to evaluate the system and ensure there will be adequate capacity in the sewer collection and conveyance system for system build-out.

The District's collection system consists of approximately 23 miles of pipeline constructed of vitrified clay, PVC, HDPE, and cast iron, along with five lift stations. The system is monitored using a Supervisory Control and Data Acquisition (SCADA) system, with after-hours monitoring conducted by on-call staff. The District prohibits stormwater inflow into the sewer system and conducts smoke testing to identify and reduce inflow and infiltration. Private sewer laterals are the responsibility of the property owner in accordance with District Ordinance No. 26.

Ultimate flow demands were estimated based on the County's Planning Department and Cayucos 2004 Water Management Plan Update estimates for the District's build-out population. Average daily flow was recalculated in 2020 based on daily flow averages recorded at Lift Station 5 over the course of 2018-2020. Flow estimates are based on historical sewer connection data, water use data, and the number of vacant lots available for development. Current and future average daily base wastewater flows were analyzed again in 2020 based on average daily flows seen at Lift Station 5. These flows are displayed on the table below.

Table 5: Wastewater Treatment Plant Flows and Capacity

Description	Amount
Average Flow	0.227 MGD
Ultimate Flow	0.33 MGD
Average Capacity	0.34 MGD
Maximum Capacity	1.2 MGD

The District maintains essential equipment to support operations and emergency response, including a trailer-mounted hydraulic line cleaner, emergency generators, and a bypass pump. Preventive maintenance, CCTV inspections, and targeted cleaning programs are regularly performed to ensure system reliability and inform capital planning.

Solid Waste

The District provides solid waste collection services to District customers through a franchise agreement with Mission Country Disposal (MCD), originally executed in 2006 and last amended in 2025.

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Under the agreement, MCD is responsible for providing solid waste, recyclable materials, and green waste collection services within the District boundaries.

The franchise agreement establishes service requirements, rate-setting and adjustment procedures, and allowable profit margins. MCD is responsible for furnishing all labor, supervision, equipment, containers, materials, and supplies necessary to perform these services. Solid waste services are funded primarily through user fees charged to residents.

Staffing & Personnel

The District maintains two Legally Responsible Officials (LROs) for the collection system and WRRF, with overall operations managed by the District Manager. Collections staff includes a lead worker and two collections workers responsible for operating and maintaining approximately 23 miles of sewer lines, five lift stations, and related infrastructure. Staff provides 24/7 emergency response and performs regular maintenance, inspections, and regulatory program implementation. Treatment Plant staff includes one Chief Plant Operator and three full-time Operators. Staff operates and maintains the WRRF, monitors treatment processes, and responds to emergencies on a 24/7 basis. District staff support ongoing system reliability through routine maintenance, asset management, and participation in training and professional development.

Infrastructure Needs and Deficiencies

The District has conducted capacity assessments in areas where extreme wet weather events have historically contributed to sanitary sewer overflows (SSOs), as part of its ongoing evaluation of the collection and conveyance system. These assessments utilize hydraulic modeling to evaluate system performance under both existing and projected future flow conditions.

Historically, SSOs have been minor and limited to extreme wet weather events, primarily due to temporary hydraulic constraints. The District has implemented targeted improvements to increase wet weather capacity and reduce the likelihood of overflows. The District has no history of SSOs caused by hydraulic deficiencies during dry weather and, given the limited growth potential within the service area, does not anticipate such issues in the future.

To maintain system capacity and reduce inflow and infiltration, the District conducts targeted smoke testing and implements corrective actions where deficiencies are identified. These efforts have

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successfully reduced I&I and improved overall system reliability. Additional wet weather capacity improvements are identified in the District's Year Capital Improvement Program (CIP).

Capital improvements are prioritized through a formal process that incorporates system needs, operational issues, and hydraulic modeling results. Projects identified in the CIP are ranked by District staff and evaluated annually as part of the budgeting process, with consideration given to risk, service demand, and available funding. The District uses updated modeling and flow monitoring data to guide project selection and prevent future capacity deficiencies. The CIP will be updated in 2026-2027 to reflect completed projects and emerging priorities. The CIP program and its implementation is carried out under the direction of the District Manager.

Other Matters Related to Efficient Service Delivery

The community of Cayucos is served by a combination of public agencies and private service providers. Public services are provided by the District (wastewater/solid waste) and County Service Area (CSA) 10 (water). In addition, water service is also provided by two private water mutual companies – Morro Rock Mutual Water Company and Cayucos Beach Mutual Water Company. While private mutual water companies are not subject to LAFCO's direct authority, LAFCO may make recommendations regarding their inclusion in future governance or service delivery structures, particularly in relation to efficient service delivery.

Historically, LAFCO has considered opportunities to improve service efficiency in Cayucos through consolidation. A 1982 SOI study recommended evaluating the formation of a Community Services District to consolidate services. Subsequent efforts, including a 1998 proposal focused on water service and a 2004 reorganization plan to consolidate local districts into a Community Services District, were approved by LAFCO but ultimately rejected by voters.

More recently, in 2022, the District's Board of Directors revisited the concept of service consolidation, including the potential consolidation of water, wastewater, parks, and other services (such as lighting, weed abatement, and solid waste) into a single district. The District Board approved a consultant services agreement to evaluate consolidation options for the community. However, the District is currently evaluating options to determine whether to continue to pursue the consolidation.

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Shared Facilities

The District currently has no shared facilities. Historically, the District and the City of Morro Bay jointly owned several facilities associated with their shared wastewater infrastructure. However, following the development of independent Water Resource Recovery Facilities by both agencies, the need for jointly owned facilities was eliminated. In 2026, the District sold its 40 percent ownership interest in the former wastewater treatment plant properties located at 160 and 180 Atascadero Avenue in Morro Bay to the City. The sale was based on a jointly obtained appraisal and a negotiated Purchase and Sale Agreement approved by both the City Council and the District Board. Completion of the transaction eliminated the remaining shared facilities and concluded the agencies' joint ownership obligations under the Joint Powers Agreement, which was dissolved as part of the sale.

The City of Morro Bay has adopted a resolution to initiate proceedings for detachment of property (APN 065-022-010) that is currently within both the City and District's service areas. LAFCO received an application for the proposed detachment on October 9, 2026. The subject property proposed is owned by the District and includes sewer infrastructure improvements operated by the District. The property is located at the northern boundary of the City of Morro Bay and is surrounded on three sides by real property located in the County unincorporated jurisdiction. The District desires to have the property removed from the City's jurisdiction and returned to the unincorporated county to simplify permitting processes for any future projects initiated by the District.

Opportunities for shared facilities moving forward are primarily related to regional water supply and recycled water use. The District's WRRF produces high-quality recycled water which can be used for agricultural irrigation and to offset potable water demand. The facility also positions the community for future direct potable reuse, creating a local drought-proof water supply.

Future construction phases include installation of conveyance infrastructure that could allow delivery of advanced treated water to the CSA 10 Water Treatment Facility for potential direct potable reuse, pending regulatory approval and regional demand. This presents a long-term opportunity for coordinated water supply development between the District, the County, and other local purveyors, particularly as a drought-resiliency strategy.

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Finance

LAFCO is required to make a determination regarding the financial ability of the District to provide public services. This section provides a general overview of the District's financial health and establishes the context for LAFCO's financial determinations. The primary data sources for this evaluation are the District's audited financial statements from Fiscal Years (FY) 2020-21 through FY 2024-25. To evaluate the District's overall financial condition, LAFCO utilizes four key financial indicators:

- *Revenues and Expenditures*: Assessment of gross governmental fund revenues and expenditures to account for all or most general activities and fund balance;
- *Operating Ratio:* Assessment of operating revenues relative to operating expenditures;
- *Liquidity Ratio:* Analysis of assets and liabilities to gauge short-term financial stability;
- *Net Position:* Measurement of the District's overall financial position

Budget

The District develops its annual operating and CIP budgets using a combination of current-year actual expenditures, anticipated cost increases, and identified operational needs. Draft budgets are prepared by staff and presented to the Budget Committee for review and input prior to consideration by the full Board. The operating budget is structured to maintain existing service levels while limiting increases when practical, with adjustments made for known cost pressures such as healthcare, pensions, and utilities. The CIP budget prioritizes projects, studies, and equipment purchases that improve operational efficiency, reduce ongoing maintenance demands, and enhance system reliability. Overall, the District's budgeting process is intended to align projected revenues with expenditures while supporting long-term financial stability and system performance.

Audited Financial Statements

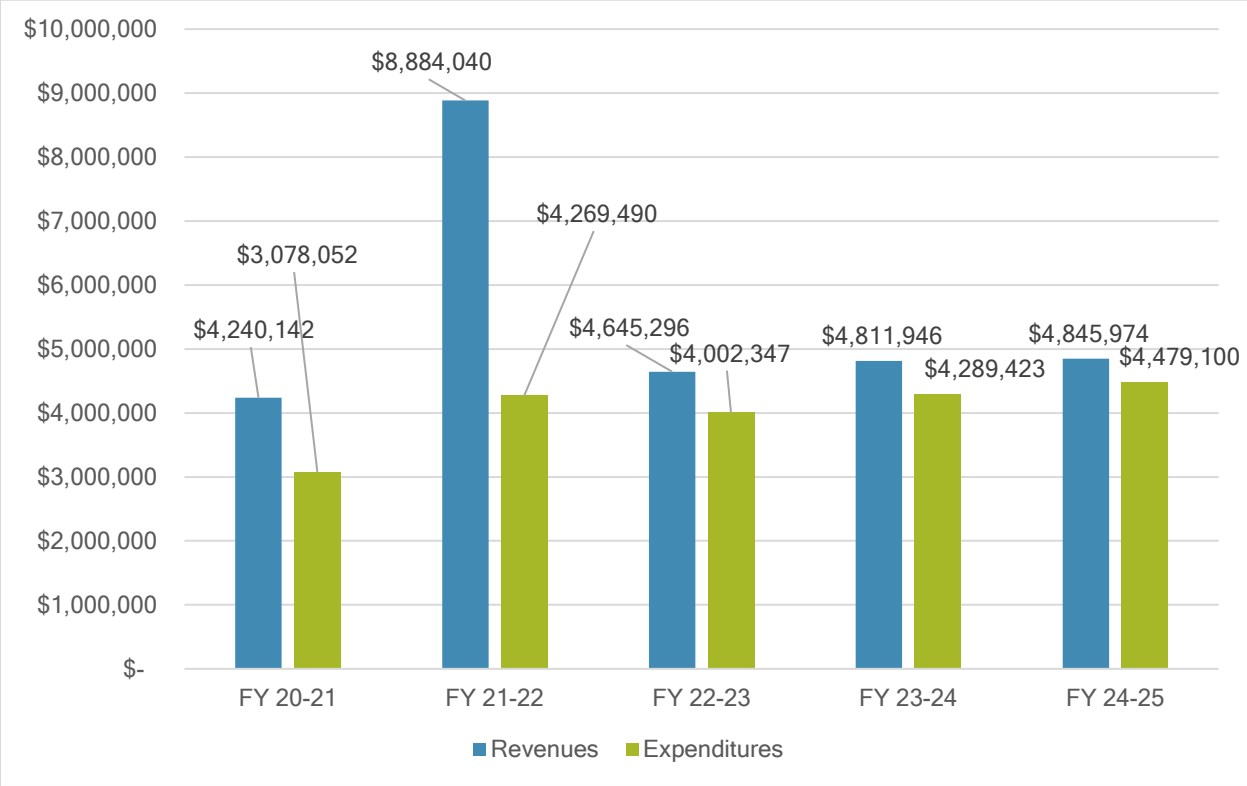
The District is required to hire an outside accounting firm to perform an annual audit in accordance with established Governmental Accounting Standards Board accounting standards. This includes auditing the District's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing the District's short and long-term fiscal health with a specific focus on delivering its active service functions.

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Revenues and Expenditures

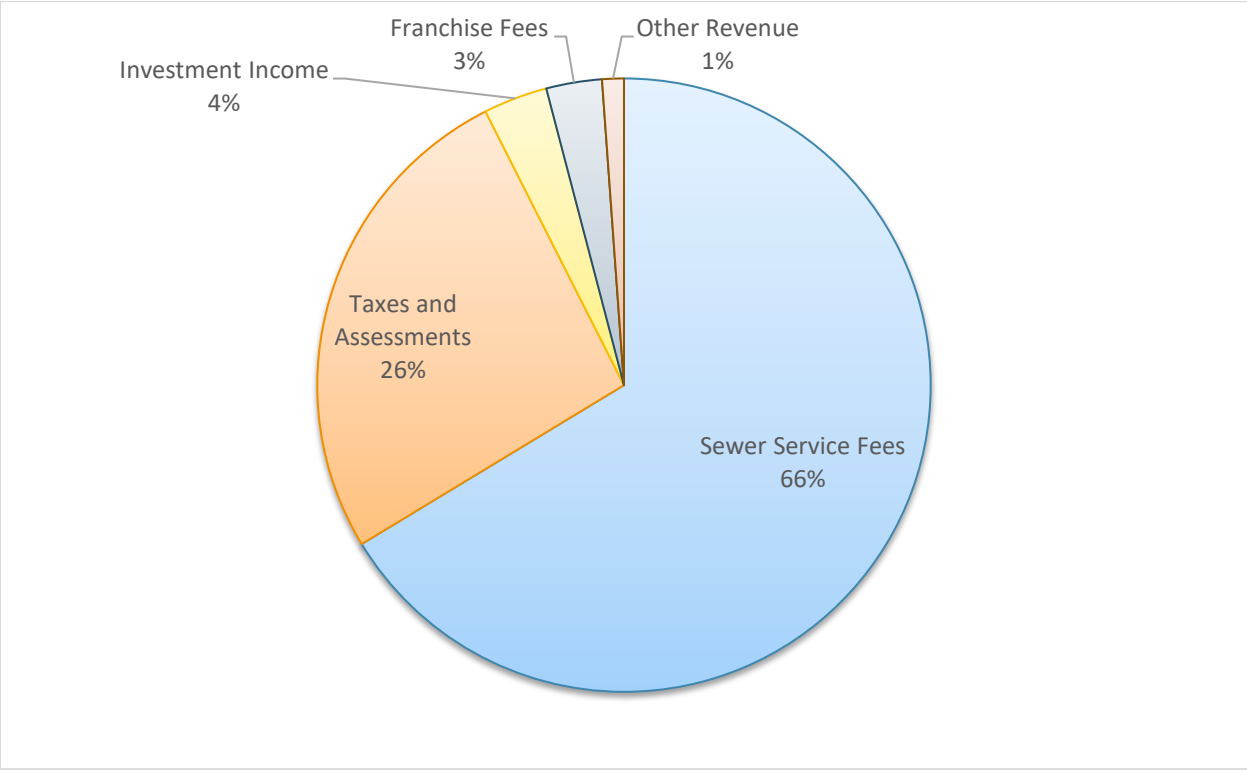
The District is primarily funded through service charges, property taxes, and investment income. Figure 5 provides audited revenues and expenditures over several fiscal years to show overall trends and year-to-year changes. Overall, the District's revenues consistently exceed its expenditures.

Figure 5: Audited Revenues and Expenditures



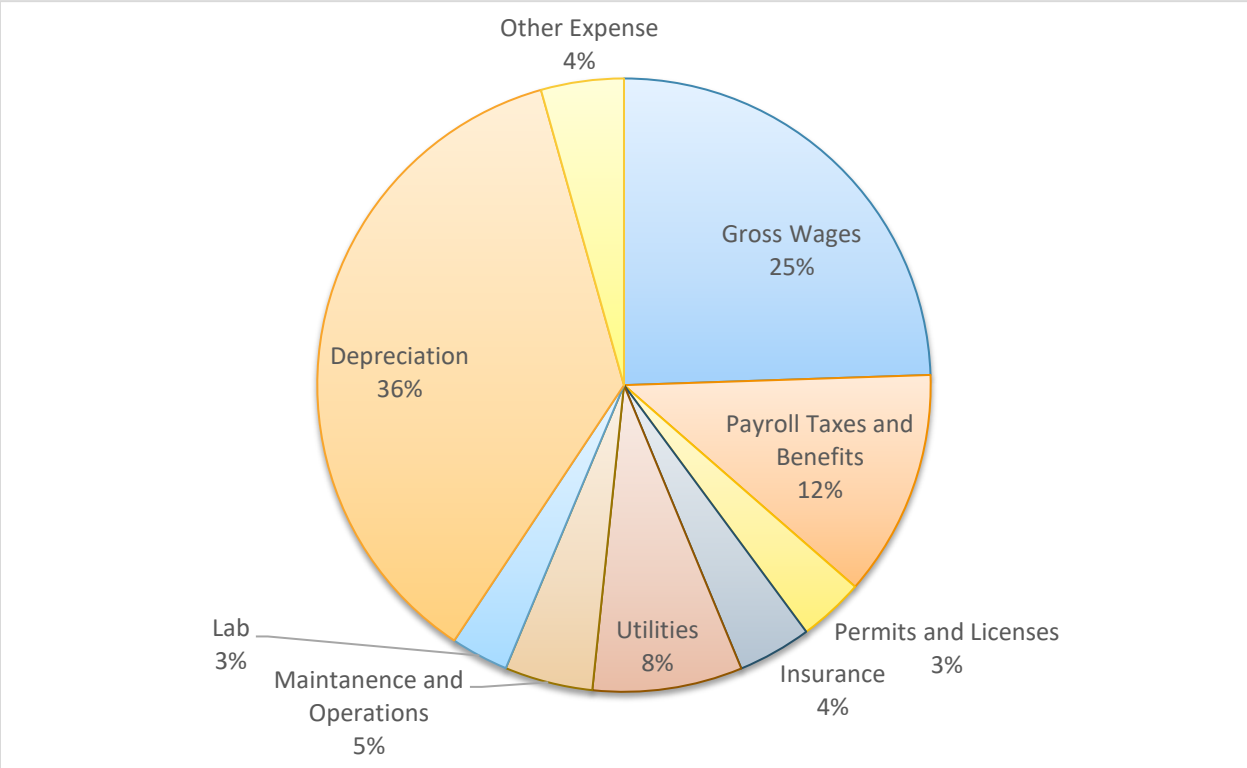
Total revenue for FY 2024-25 was $4,845,974. Sewer service charges remain the District's primary revenue source, generating $3,208,696 in FY 2024-25, or approximately 66% of total revenues. The District also receives a pro rata share of County collected property tax revenues for properties within its service area which totaled $1,280,050 in FY 2024-25, accounting for approximately 26% of total revenues. Over the past five fiscal years, property tax revenue has increased by about 31%, reflecting steady growth in assessed values within the District. Revenues in FY 2021-22 were elevated due to a one-time grant of $4,503,344 from the USDA Department of Rural Development specifically earmarked for the reduction of the debt to build the WRRF. Figure 6 depicts the District's revenues from FY 2024-25.

Figure 6: FY 2024-25 Revenues



The District's primary expenses are related to depreciation, payroll, and utilities. In FY 2024-25, total expenditures were $4,479,100, representing an increase of $190,938 or 4% from the prior fiscal year. The increase was primarily due to higher pension costs, along with rising utilities and maintenance expenses. Permits and license costs also increased due to re-permitting requirements associated with the WRRF's National Pollutant Discharge Elimination System (NPDES) permit. Figure 7 depicts the District's expenses in FY 2024-25.

Figure 7: FY 2024-25 Expenses

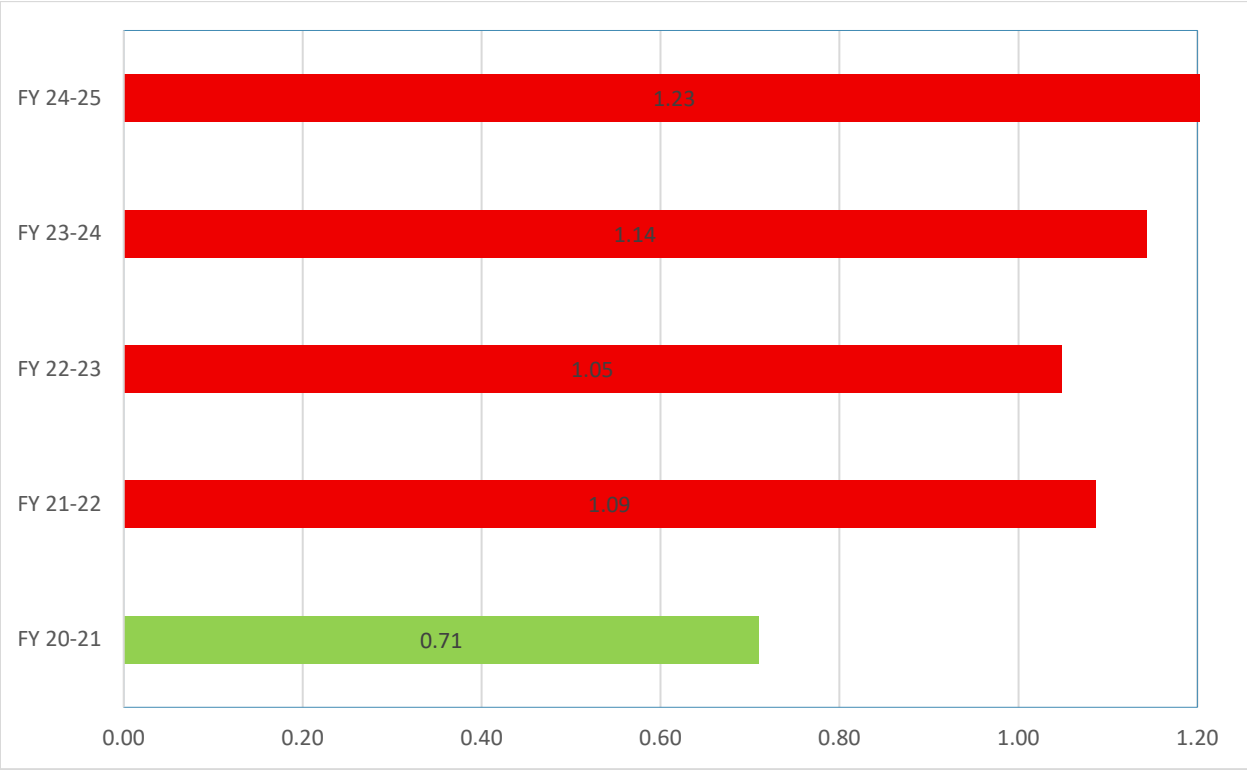


To assess the District's ability to meet its financial obligations, Figure 8 displays the District's Operating Ratio for the past five audited FYs. This ratio, calculated as annual operating expenses divided by annual operating revenues, serves as a basic indicator of financial performance:

- A ratio **below 1.0** indicates the agency is operating at a surplus
- A ratio **above 1.0** indicates the agency is operating at a deficit

Over the five-year period, the District's Operating Ratio only exceeded 1.0 in four of the five years, indicating that operating expenses were often greater than operating revenues, resulting in consistent operating losses. As shown in Figure 7, however, the District receives significant non-operating revenues, including property tax allocations, which help offset operating deficits and allowing service rates to remain relatively low. The District's current rate structure was established through the Proposition 218 process and was developed with the expectation that these ongoing non-operating revenues would continue to support the cost of providing sewer services.

Figure 8: Operating Ratio



Assets and Liabilities

An agency's assets represent resources that provide current, future, or potential economic benefits. These assets may include items the agency owns, or amounts owed to the agency. In this section, agency assets will be reviewed in two separate categories as defined below:

- *Current Assets:* Cash and other assets that are expected to be converted to cash within a year
- *Noncurrent Assets:* Long-term investments that are not expected to become cash within an accounting year

Over the past five audited years, the District's total assets have decreased to $50.9 million at the end of FY 2024-25 which is about an 8% decrease from the previous fiscal year. Approximately 11% of these assets are classified as current, with the largest current asset being cash and investments. The remaining assets are classified as noncurrent assets, mainly consisting of facilities and land.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources

(expense/expenditure) until then. In FY 2024-25, the District reported deferred outflows related to pensions and other post-employment benefits (OPEB) totaling $337,825.

Table 6: Audited Assets and Deferred Outflows

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Assets	$6,847,285	$6,601,675	$7,427,319	$8,237,845	$5,567,158
Noncurrent Assets	$50,004,683	$49,445,659	$47,990,217	$46,718,345	$45,401,488
Total Assets	**$56,851,968**	**$56,047,334**	**$55,417,536**	**$54,956,190**	**$50,968,646**
Total Deferred Outflows of Resources	$166,490	$166,694	$372,720	$392,891	$337,825

An agency's liability is something the agency owes, usually a sum of money. Liabilities are settled over time through the transfer of economic benefits, including money, goods, or services. In this section, agency liabilities will be reviewed in two separate categories as defined below:

- *Current Liabilities:* an agency's short-term financial obligations due to be paid within a year
- *Noncurrent Liabilities:* an agency's long-term financial obligations that are due more than a year away

At the close of FY 2024-25, the District's audited liabilities totaled approximately $24.4 million, a decrease of 15% from the prior year. Of this amount, current liabilities accounted for about 3% of total liabilities, a majority of which is related to accrued interest and payments due within the next 12 months. The remaining balance, $23,719,433 in noncurrent liabilities, is largely attributable to the loan related to the Cayucos Sustainable Water Project.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For FY 2024-25, the District reported $166,709 in deferred inflows, consisting of pensions and leases.

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Table 7: Audited Liabilities and Deferred Inflows

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Liabilities	$5,465,239	$1,439,094	$1,292,612	$1,307,533	$695,160
Long-Term Liabilities	$30,669,533	$28,694,540	$28,098,916	$27,386,507	$23,719,433
Total Liabilities	**$36,134,772**	**$30,133,634**	**$29,391,528**	**$28,694,040**	**$24,414,593**
Total Deferred Inflows of Resources	$25,268	$607,426	$282,811	$223,903	$166,709

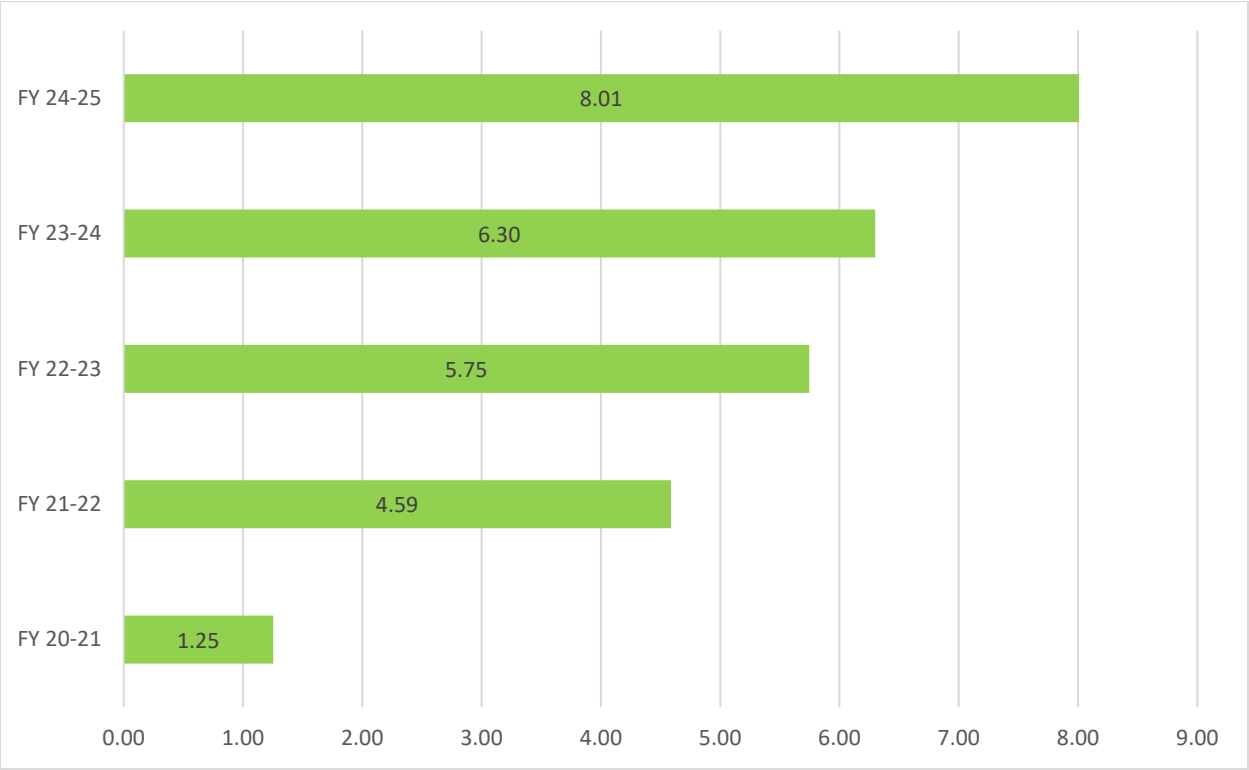
Figure 9 illustrates the District's Liquidity Ratios from FY 2020-21 through FY 2024-25. This ratio measures the District's ability to meet its short-term financial obligations by comparing unrestricted current assets to current liabilities.

- A ratio **above 1.0** indicates that the District has sufficient short-term resources to cover its liabilities, reflecting strong financial health.
- A ratio **below 1.0** signals potential liquidity concerns, suggesting short-term resources may be insufficient to meet immediate obligations.

Generally, the higher the ratio, the greater the District's short-term financial stability. Over the five-year period, the District's liquidity ratio has consistently remained above 1.0, demonstrating a stable ability to meet short-term obligations.

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Figure 9: Liquidity Ratio



Net Position

The government-wide financial statements utilize a net position presentation to assess the District's financial position at a specific point in time. Net position is defined as the difference between total assets and total liabilities, and it serves as a key indicator of an agency's overall financial health.

- A **positive net position** indicates that the District possesses more assets than liabilities, reflecting fiscal health
- A **negative net position** may suggest fiscal distress or an inability to meet long-term obligations

As of June 30, 2025, the District's net position increased to $26.7, reflecting 28% growth over the past five audited years. This increase indicates that the District's total assets exceed its total liabilities, indicating the District is in a financially healthy state.

Table 8: Net Position

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Net Investment in Capital Assets	$14,993,244	$20,060,184	$19,581,483	$19,308,563	$22,288,876
Restricted for construction	$11		$233,934	$250,130	$265,769
Restricted for debt service			$733,512	$822,345	$910,809
Unrestricted	$5,865,163	$5,412,784	$5,566,988	$6,050,100	$3,259,715
Total Net Position	**$20,858,418**	**$25,472,968**	**$26,115,917**	**$26,431,138**	**$26,725,169**

Sphere of Influence Study

This section evaluates six Sphere of Influence (SOI) Study Areas currently within the District's existing SOI and studies one additional study area currently located outside of the District's SOI. The purpose of the SOI Study is to assess which parcels should remain within, be added to, or removed from the SOI. LAFCO's policies encourage and provide for well-ordered, efficient urban development patterns, balanced with preserving open space and agricultural land while discouraging urban sprawl. The proposed SOI discourages urban sprawl and encourages the preservation of open space and agricultural land. Table 9 summarizes the SOI study area and the map presented in Figure 10 shows the District's existing SOI as well as the additional study area being considered.

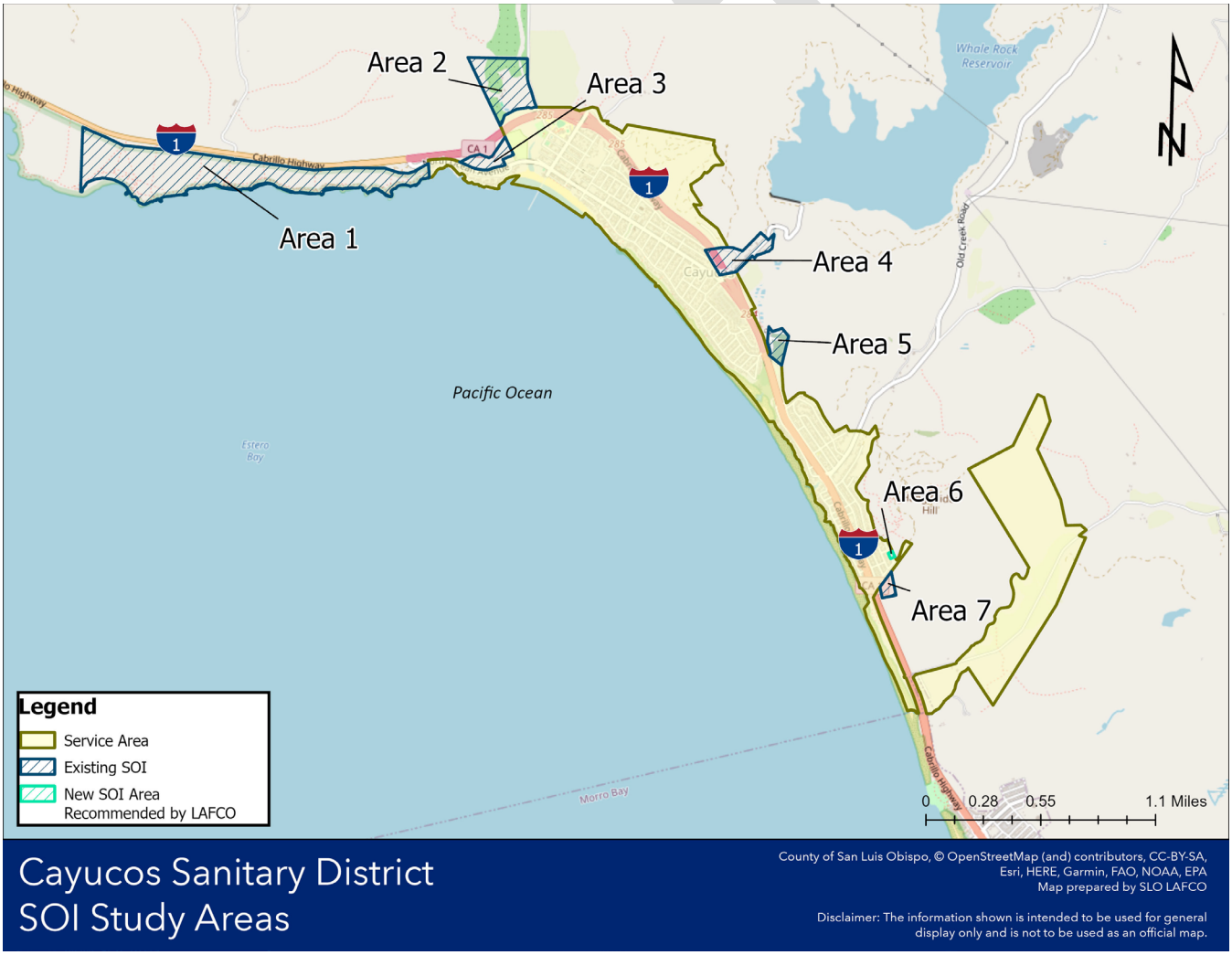
Table 9: Recommended SOI Changes

SOI Study Area	Description/Location	Status	District's SOI Request	LAFCO's SOI Recommendation
Study Area No. 1	Estero Bluffs State Park	Existing	Remove	Remove
Study Area No. 2	Cayucos Creek Road	Existing	Remove	Remove
Study Area No. 3	Steinmann Annexation Area	Existing	Remain	Remain

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Study Area No. 4	13th Street	Existing	Remain	Remain
Study Area No. 5	Cayucos – Moro Bay Cemetery District	Existing	Remain	Remain
Study Area No. 6	Gilbert Ave	New	Include	Include
Study Area No. 7	Cayucos Fire Station 11	Existing	Remain	Remain

Figure 10: SOI Study Areas



Study Area No. 1 | Proposed to be Removed from the SOI

Study Area No. 1 contains Estero Bluffs State Park (APN 046-171-017) and has been included within the District's SOI for more than two decades. The District does not currently provide services within this area, nor is there a foreseeable need for service extension to this area in the future.

Historically, the area may have been included in the SOI to accommodate the potential construction of restroom facilities at the State Park that may have required wastewater service from the District. However, according to District staff, the property is subject to a perpetual conservation easement held by the Cayucos Land Conservancy, which restricts the development of permanent facilities, including restrooms. As a result, there are no longer future service needs within Study Area No. 1. Therefore, LAFCO staff recommend removing Study Area No. 1 from the District's SOI.

Study Area No. 2 | Proposed to be Removed from the SOI

Study Area No. 2 consists of a single parcel (Assessor Parcel Number 046-191-020) with an agriculture land use designation. The approximately 38.5-acre property is developed with two single-family residences and has been included within the District's SOI for more than 20 years.

The parcel is currently served by an onsite private septic system and does not receive wastewater services from the District. District staff have requested that the area be removed from the SOI, noting that extending the District's collection system to serve the property would likely be cost-prohibitive relative to the cost of replacing the existing septic system, should the existing system fail in the future. Accordingly, LAFCO staff recommend removing Study Area No. 2 from the District's SOI.

Study Area No. 3 | Proposed to Remain within the SOI

LAFCO is currently processing an annexation proposal for the property contained within Study Area No. 3, consisting of approximately 9.69 acres (APN 064-481-005). The annexation has been proposed by the landowner in order to obtain sanitary sewer service from the District for a County approved residential subdivision associated with a Development Plan / Coastal Development Permit (Vesting Tract Map, Tract 3164, SUB2021-00023) and Variance (CDRC2022-00029). The County approved project authorizes a Vesting Tentative Tract Map (Tract 3164) to subdivide the 9.69-acre parcel into eight single-family residential lots and one open space lot, including site grading, private access roads, drainage, and utility extensions. The District has issued a Conditional Intent to Serve letter which states

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that the District has adequate capacity to serve the project. Due to the active LAFCO proposal and the demonstrated capacity to serve the project, LAFCO staff recommends that Study Area No. 3 remain within the District's SOI.

Study Area No. 4 | Proposed to Remain within the SOI

Study Area No. 4 includes the following parcels along 13th Street (APN 073-095-003, 073-095-004, 073-095-005, 073-095-006, 073-095-007, 073-095-008[2]). The area is developed with several single-family residences and the Whale Rock Commission facility. District staff have indicated that there are no immediate plans to annex this area. However, because the area is already developed and may require connection to District services in the future, particularly if existing septic systems fail, the District does not request removal of Study Area No. 4 from the SOI. Accordingly, LAFCO staff recommend that Study Area No. 4 remain within the District's SOI.

Study Area No. 5 | Proposed to Remain within the SOI

Study Area No. 5 (APN 073-093-003) has been included within the District's SOI for more than 20 years. The property includes the Cayucos – Morro Bay Cemetery District that is currently served by an on-site septic system for its restroom facilities. The District has noted that, should the existing septic system fail in the future, the Cayucos – Morro Bay Cemetery District may need to connect to District services. Accordingly, LAFCO staff recommends that Study Area No. 5 remain within the District's SOI.

Study Area No. 6 | Proposed to be Included within the SOI

Study Area No. 6 consists of 4 parcels located on Gilbert Ave (APNs 064-405-041, 064-405-013, 064-405-014, 064-405-015). APN 064-405-041 is developed and currently receives service from the District despite being outside of the District's SOI and service area. The reason the parcel was not previously annexed into the District is unknown.

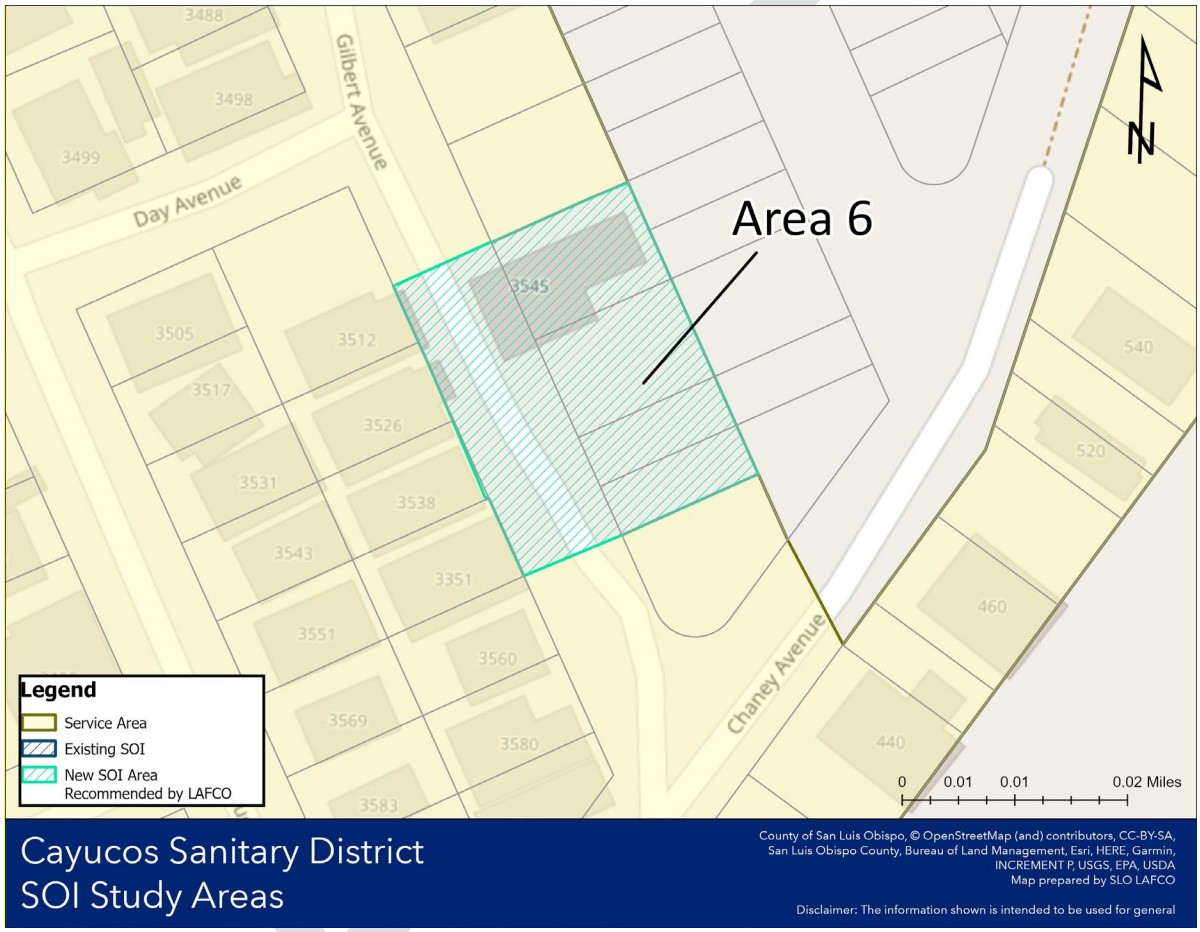
LAFCO has also recently approved annexations for two additional parcels on Gilbert Ave, indicating that infrastructure is either in place or being extended on Gilbert Ave and that sufficient service capacity may be available to serve the remaining parcels. Given the existing service connection to APN 064-405-

[2] This parcel appears to partially be within the District's service area, with the remaining portion located within the District's Sphere of Influence. This parcel appears to be County-owned.

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041 and the potential for future wastewater service demand over the next 20 years for the remaining parcels, LAFCO staff recommends inclusion of this area within the SOI. District staff have noted that properties annexing into the District's service area would be subject to applicable buy-in costs and standby fees. As such, District staff recommends that each parcel proceed through annexation individually. Therefore, LAFCO staff recommends that Study Area No. 6 be included within the District's SOI.

Figure 11: SOI Study Area No. 6



Study Area No. 7 | Proposed to Remain within the SOI

Study Area No. 6 (APN 073-092-023) includes the San Luis Obispo County Fire Department's Cayucos Fire Station 11. This property has received service from the District for more than 40 years, dating back to its prior use as a California Department of Forestry station. It is unclear why this area was never annexed. District staff recommend that this area remain within the SOI. Similarly, LAFCO staff also

recommends that Study Area No. 6 remain within the District's SOI and further recommend that annexation of the fire station be pursued in the near term.

Conclusion

Overall, the proposed SOI boundary reflects logical and orderly planning by retaining and including areas with potential future service needs. The recommendations are consistent with District staff input and LAFCO policies. The proposed SOI boundary is shown below in Figure 12.

Figure 12: Recommended SOI



DETERMINATIONS

Municipal Service Review Determinations

As set forth in Government Code Section 56430(a), in order to update the SOI in accordance with Government Code Section 56425, the commission shall conduct a service review of the municipal services provided in the County or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the County, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

1. **Growth and population projections for the affected area.**

   Based on 2020 US Census Data, the Cayucos Census Designated Place has an estimated population of 2,505. The build-out population, defined as the maximum population that can occur considering zoning and land use designations, is estimated to be 3,096, with an estimated buildout year of 2055. Therefore, the District is over 80% built out. However, the permanent resident population fluctuates due to the varying proportion of seasonal residences, vacation homes, and second homes within the community.

2. **The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

   The District's service area boundary and SOI contain two areas that meet the criteria for a DUC as defined by Government Code Section 56033.5. These areas, Cayucos DUC Area No. 1 and Cayucos DUC Area No. 2, are both inhabited and have a Median Household Income (MHI) that is less than 80% of the statewide MHI. If the District considers future SOI amendments or annexations, it is recommended that these DUCs be evaluated further, in alignment with objectives to ensure equitable access to public services and infrastructure.

3. **Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**

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The District currently provides wastewater and solid waste services to residential and commercial customers within its service area, serving an estimated population of 2,505. The Cayucos Water Resource Recovery Facility, completed in 2021, operates as a modern wastewater treatment facility with a maximum daily permitted flow of 1.2 million gallons per day (MGD) and an average permitted daily flow of 0.34 MGD. The facility is designed to accommodate both the existing population and projected build-out within the District's service boundary. Current average flows are approximately 0.227 MGD, with an ultimate projected flow of 0.33 MGD, indicating available capacity to meet future demands.

The District provides solid waste collection services through a franchise agreement with Mission Country Disposal (MCD), originally executed in 2006 and most recently amended in 2025. Under this agreement, MCD delivers solid waste, recycling, and green waste collection services throughout the District.

Capital improvements are prioritized through a formal process that incorporates system needs, operational issues, and hydraulic modeling results. Projects identified in the CIP are ranked by District staff and evaluated annually as part of the budgeting process, with consideration given to risk, service demand, and available funding. The District uses updated modeling and flow monitoring data to guide project selection and prevent future capacity deficiencies. The CIP is periodically updated to reflect completed projects and emerging priorities, and implementation is carried out under the direction of the District Manager. The District appears to maintain adequate capability and capacity to serve its current service population and anticipated growth at build-out.

4. **Financial ability of agencies to provide services.**

The District Board of Directors adopts an annual budget in accordance with generally accepted accounting principles. The District's primary revenues sources include service charges, property taxes, and investment income. To evaluate overall financial health, key fiscal indicators, including Revenues and Expenditures, Operating Ratio, Liquidity Ratio, and Net Position, were analyzed across the five most recent fiscal years.

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From FY 2020-21 through FY 2024-25, the District consistently reported total revenues in excess of total expenditures, demonstrating strong overall fiscal performance. While the Operating Ratio, which compares operating revenues to operating expenses, indicated that user fee revenues were insufficient to fully cover operating expenses in four of the five audited fiscal years, the District continued to maintain positive financial results. This is largely attributable to the District's property tax revenues and other non-operating income sources, which supplement service charge revenues and are available to support operating costs. As a result, total revenues exceeded total expenses throughout the review period, contributing to the District's strong financial position.

The District's Liquidity Ratio demonstrated strong short-term financial health and an ability to meet immediate financial obligations. The District's Net Position, defined as the difference between total assets and total liabilities, increased by approximately 28% over the five-year audited period, reflecting long term financial growth and stability. Overall, these financial indicators demonstrate that District is in a sound financial position with sufficient resources to sustain operations and deliver essential services.

5. Status of, and opportunities for, shared facilities.

The District currently has no shared facilities. Historically, the District and the City of Morro Bay jointly owned several facilities associated with their shared wastewater infrastructure. However, following the development of independent Water Resource Recovery Facilities by both agencies, the need for jointly owned facilities was eliminated. In 2026, the District sold its 40 percent ownership interest in the former wastewater treatment plant properties located at 160 and 180 Atascadero Avenue in Morro Bay to the City. The sale was based on a jointly obtained appraisal and a negotiated Purchase and Sale Agreement approved by both the City Council and the District Board. Completion of the transaction eliminated the remaining shared facilities and concluded the agencies' joint ownership obligations under the Joint Powers Agreement, which was dissolved as part of the sale.

Separately, the City of Morro Bay has initiated proceedings to detach a District-owned property from the City. The subject property proposed for detachment is owned by the District and includes sewer infrastructure improvements operated by the District. The District desires to

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have the property removed from the City's jurisdiction and returned to the County to simplify permitting processes for their wastewater infrastructure.

Opportunities for shared facilities moving forward are primarily related to regional water supply and recycled water use. The District's WRRF produces high-quality recycled water which can be used for agricultural irrigation and to offset potable water demand. The facility also positions the community for future direct potable reuse, creating a local drought-proof water supply.

6. **Accountability for community service needs, including governmental structure and operational efficiencies.**

   The District is governed by a five-member Board of Directors that is elected by district to four-year terms. Regularly scheduled monthly Board meetings are held, and all meetings are open to the public and are publicly posted a minimum of 72-hours prior to the meeting in accordance with the Brown Act. The District maintains an up-to-date website in compliance with Senate Bill 929 that provides public access to District contact information, current agendas, financial transaction and compensation reports, and an Senate Bill 272 Enterprise System Catalog.

7. **Any other matter related to effective or efficient service delivery, as required by Commission policy.**

   There are no other matters related to the efficiency of services.

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Sphere of Influence Determinations

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the Sphere of Influence of each local agency, as defined by Government Code Section 56036 and 56425, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the Sphere of Influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to the following:

1. **The present and planned land uses in the area, including agricultural and open-space lands.**
   Land uses within the District's existing and proposed SOI are established by the County's General Plan and include a range of designations including Open Space, Agriculture, Residential Multi-Family, Public Facilities, and Residential Single Family. Planned land uses within the proposed SOI are not expected to deviate from the existing County land use designations. Accordingly, the District's SOI should be updated to reflect LAFCO's recommendations outlined in the "Sphere of Influence Study" section of this report.
2. **The present and probable need for public facilities and services in the area.**
   There is both a present and probable need for public facilities and services within the proposed SOI areas. One property within the existing SOI is already receiving service from the District (e.g. Study Area No. 7), while the other areas are likely to require service in the near term as development occurs or as existing private septic systems fail. Accordingly, the District's SOI should be updated to reflect the recommendations outlined in the "Sphere of Influence Study" section of this report.
3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
   The District has demonstrated adequate capacity to provide wastewater and solid waste services within the existing and proposed SOI areas. The District's Water Resource Recovery Facility's current average flows are approximately 0.23 MGD, with an ultimate projected flow at build-out of 0.33 MGD, indicating adequate capacity to meet future demands. In addition, capital improvements are prioritized through a formal process and reviewed annually as part of

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the District's budgeting process. Accordingly, the District's SOI should be updated to reflect the recommendations outlined in the "Sphere of Influence Study" section of this report.

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.**

   There are no known social or economic communities of interest within the District service area boundary.

5. **For an update of the sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere**.

   Within the District's proposed SOI, two DUCs have been identified – Cayucos DUC Area No. 1 and Cayucos DUC Area No. 2. There is a present and probable need for wastewater and solid waste services within the proposed SOI areas. No additional needs for services have been documented within the area surrounding the District's existing service area or the proposed SOI. However, should the District pursue future SOI amendments or annexations, disadvantaged communities should be considered further in alignment with objectives to ensure equitable access to public services and infrastructure. Accordingly, the District's SOI should be updated to reflect the recommendations outlined in the "Sphere of Influence Study" section of this report.

California Environmental Quality Act

The California Environmental Quality Act (CEQA) is contained in the Public Resources Code Section 21000, et seq. Under this law, public agencies are required to evaluate the potential environmental effects of their actions. The Cayucos Sanitary District MSR and SOI Study is exempt from CEQA review pursuant to Section 15306 of the CEQA Guidelines, Class 6 – Information Collection, and Section 15061 (b)(3) the General Rule Exemption. This report is based on the use of the MSR as a tool for data collection and service evaluation. The MSR and SOI Study will not result in any significant environmental impact, as it does not authorize new municipal service powers. Additionally, the study does not involve changes to land use or introduce activities that would affect the environment.

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