



San Luis Obispo Local Agency Formation Commission Meeting Agenda May 21, 2026, 9:00 am

MEETING

MAY 21, 2026 –
9 A.M. BOARD OF
SUPERVISORS CHAMBERS
COUNTY GOVT. CENTER
1055 MONTEREY STREET,
SAN LUIS OBISPO, CA 93408

CONTACT

ROB FITZROY
EXECUTIVE OFFICER
805-781-5795
SLO.LAFCO.CA.GOV

COMMISSIONERS

HEATHER MORENO, CHAIR, COUNTY
DAVE WATSON, VICE CHAIR, PUBLIC
DAWN ORTIZ-LEGG, COUNTY
ED WAAGE, CITY
STEVE GREGORY, CITY
ED EBY, SPECIAL DISTRICT
NAVID FARDANESH, SPECIAL DISTRICT
BRUCE GIBSON, COUNTY ALTERNATE
CARLA WIXOM, CITY ALTERNATE
VACANT, SPECIAL DISTRICT ALTERNATE
MICHAEL DRAZE, PUBLIC ALTERNATE

MEETING PARTICIPATION

- **To submit a written comment**, mention the matter or agenda item number and send via email to mmorris@slo.lafco.ca.gov or fill out an online submission form on our website at slo.lafco.ca.gov, or U.S. mail at 1042 Pacific St, Suite A, San Luis Obispo, CA, 93401. All correspondence is distributed to each Commissioner and will become part of the official record of the Commission meeting.
- **To submit a pre-recorded verbal comment** call (805) 781-5795; state and spell your name, mention the agenda item number you are calling about, and leave your comment. Your comments will be distributed to each Commissioner and will become part of the official record of the Commission meeting.
- **To provide live comment**, attend the in-person meeting, fill out a “request to speak form” provided in the front and back of the meeting room, and hand it to the Commission Clerk prior to the beginning of that item. Each speaker will be limited to a three-minute presentation. During public hearings, applicants or their representatives will be given the opportunity to speak first after the staff report is given and questions of the Commission have been addressed.

Other Notes:

- In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact the Clerk at 805-781-5795. Notification provided a minimum of 48 hours prior to the meeting will enable the Clerk to make reasonable arrangements to ensure accessibility to this meeting. Pursuant to the ADA, the meeting room is accessible to the physically disabled.
- It is required by Government Code Section 84308 that a participant in a LAFCO proceeding who has a financial interest in the decision and who has made a campaign contribution of more than \$500 to any Commissioner within 12 months prior to the proceeding must disclose the contribution. If you are affected, please notify Commission Staff before the hearing.



MEETING AGENDA

Selection of Chair Pro-Tem

Pledge of Allegiance

Call to Order/Roll Call

Approval of the Minutes: April 16, 2026 (Pages 4-11)

Non-Agenda Public Comment Period

This is the period in which persons may speak on items that are not on the regular agenda. You may provide public comment using one of the three methods mentioned above in the “Meeting Participation” section.

Regular Matters

- A-1: LAFCO File No. 8-S-25: Municipal Service Review and Sphere of Influence Study for the Port San Luis Harbor District (Pages 12-75)**

Recommendation:

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Port San Luis Harbor District (LAFCO File No. 8-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 8-S-25) as contained in Attachments A and B, and reaffirm the District’s Sphere of Influence as depicted in Attachment A, Exhibit C.

- A-2: LAFCO File No. 4-S-24: Municipal Service Review and Sphere of Influence Study for the Garden Farms Community Water District (Pages 76-133)**

Recommendation:

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Garden Farms Community Water District (LAFCO File No. 4-S-24) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 4-S-24) as contained in Attachments A and B, and update the District’s Sphere of Influence as depicted in Attachment A, Exhibit C.

- A-3: Consideration of the Final Fiscal Year 2026-2027 Budget and Work Plan (Pages 134-147)**

Recommendation:

Action: Adopt a Resolution approving the Final Fiscal Year 2026-2027 Budget and Work Plan (Attachment A), direct the Executive Officer to distribute the Final Budget and Work Plan to



contributing agencies per the government code, and direct the Executive Officer to execute the agreement with the County Auditor for financial services (Attachment B).

Commissioner Comments

Legal Counsel Comments

Executive Officer Comments

Adjournment

Tentative Future Meeting Schedule, Subject to Change

- June 2026 – Municipal Service Review (MSR) Program Overview
- July 2026 – Ground Squirrel Hollow CSD MSR & SOI Study, Squire Canyon CSD MSR & SOI Study, and Linne CSD MSR & SOI Study
- August 2026 – No Meeting



**SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
APRIL 16, 2026, MEETING MINUTES**

Call to Order

The San Luis Obispo Local Agency Formation Commission (LAFCO) meeting was called to order at 9:00 a.m. on Thursday, April 16, 2026, by Chairperson Heather Moreno in the Board of Supervisors Chambers at the County Government Center, 1055 Monterey Street, San Luis Obispo, CA 93408.

Pledge of Allegiance

Roll Call

Present: Chairperson Heather Moreno, Vice Chair Dave Watson, Commissioners Ed Eby, Steve Gregory, Dawn Ortiz-Legg, and Ed Waage

Absent: Commissioner Navid Fardanesh, and Alternate Commissioners Michael Drazee, Bruce Gibson, and Carla Wixom

Staff: Rob Fitzroy, LAFCO Executive Officer
Imelda Marquez-Vawter, LAFCO Senior Analyst
Morgan Bing, LAFCO Analyst
Melissa Morris, Commission Clerk
Holly Whatley, LAFCO Legal Counsel (remote)

Approval of the Minutes: March 19, 2026

Chairperson Moreno announced the consideration of approval of the March 19, 2026, Regular Meeting Minutes.

Chairperson Moreno asked for Commissioner comments, announcing that it was closed shortly after hearing none.

Chairperson Moreno opened the item for public comment, announcing that it was closed shortly after hearing none.

Chairperson Moreno asked for a motion to approve the minutes.

Commissioner Waage motioned to approve the minutes.

Commissioner Ortiz-Legg seconded the motion.

AYES: Commissioners Waage, Ortiz-Legg, Eby, Vice Chair Watson, and Chairperson Moreno

NAYS: None

ABSTAIN: Commissioner Gregory

The motion passed.

Non-Agenda Public Comment Period

Chairperson Moreno opened public comment, announcing it was closed shortly after hearing none.

Consent Matters

A-1: Third Quarter Fiscal Year 2025-2026 Budget Status and Work Plan Report

Chairperson Moreno opened the item and invited **Mr. Fitzroy** to provide comment.

Mr. Fitzroy provided an update to the Staff Report for Item A-1.

Chairperson Moreno opened the item for Commissioner questions and comments.

Chairperson Moreno opened the item for public comment, announcing that it was closed shortly after hearing none.

Commissioner Waage motioned to approve the Consent Matters.

Commissioner Gregory seconded the motion.

AYES: Commissioners Waage, Gregory, Eby, Ortiz-Legg, Vice Chair Watson, and Chairperson Moreno

NAYS: None

ABSTAINING: None

The motion passed unanimously.

Regular Matters

B-1: LAFCO File No. 1-S-25: Municipal Service Review and Sphere of Influence Study for the California Valley Community Services District

Mr. Fitzroy invited **Ms. Marquez-Vawter** to present the item.

Chairperson Moreno opened the item for Commissioner questions and comments. Shortly after providing comment on conserved parcels, she inquired about local taxes.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Eby inquired about conserved land.

Chairperson Moreno responded to questions and provided comment.

Commissioner Ortiz-Legg provided comment and inquired about conservation trusts and the possibility of having affected parties enter into an agreement.

Chairperson Moreno responded to questions, provided comment, and invited **Mr. Fitzroy** to provide comment.

Mr. Fitzroy responded to questions and provided comment.

Vice Chair Watson inquired about an assessment process.

Chairperson Moreno responded to questions and provided comment.

Commissioner Waage inquired about local voting requirements.

Chairperson Moreno responded to questions and provided comment.

Chairperson Moreno opened the item for public comment, and invited district representatives to provide comment.

Ruth Legaspi, Board President of the California Valley Community Services District, provided comment regarding challenges in the district.

Piper Wilson, Board Vice President of the California Valley Community Services District, also provided comment.

Chairperson Moreno closed public comment and opened the item for Commissioner questions and comments.

Commissioner Ortiz-Legg provided comment, and made a motion in support of the staff recommendation for Item B-1, Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the California Valley Community Services District (LAFCO File No. 1-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Commissioner Waage seconded the motion.

Vice Chair Watson inquired about Commission approval of the MSR and shared concern regarding the agency’s financial health.

Chairperson Moreno, Mr. Fitzroy, and Commissioner Ortiz-Legg responded to questions and provided comment.

Chairperson Moreno directed staff to return with a district update in six months.

Commissioner Waage provided comment.

Chairperson Moreno called for the vote.

AYES: Commissioners Ortiz-Legg, Waage, Eby, Gregory, and Chairperson Moreno

NAYS: None

ABSTAIN: Vice Chair Watson

The motion passed.

Commissioner Waage made a motion in support of the staff recommendation for Item B-1, Action 2: Approve, by resolution, the California Valley Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 1-S-25) as contained in Attachments A and B, and reaffirm the District’s Sphere of Influence as depicted in Attachment A, Exhibit C, as amended.

Commissioner Ortiz-Legg seconded the motion.

AYES: Commissioners Waage, Ortiz-Legg, Eby, Gregory, Vice Chair Watson, and Chairperson Moreno

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Commissioner Waage inquired about vote abstention.

Mr. Fitzroy invited legal counsel to provide comment.

Ms. Whatley responded to questions and provided comment.

B-2: LAFCO File No. 4-R-24: Annexation No. 32 to Nipomo Community Services District (Robins)

Mr. Fitzroy invited **Ms. Bing** to present the item.

Chairperson Moreno opened the item for Commissioner questions and comments.

Commissioner Eby provided comment on future annexation proposals.

Chairperson Moreno opened the item for public comment.

David Cross, the applicant’s agent, provided comment regarding the proposal.

Chairperson Moreno closed public comment, opened the item for Commissioner questions, and asked for a motion.

Commissioner Eby made a motion in support of the staff recommendation for Item B-2, Action 1: Find, by motion, the proposal to be categorically exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15319, Class 19(a).

Vice Chair Watson seconded the motion.

AYES: Commissioner Eby, Vice Chair Watson, Commissioners Gregory, Ortiz-Legg, Waage, and Chairperson Moreno

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Commissioner Eby made a motion in support of the staff recommendation for Item B-2, Action 2: Approve, by resolution, the proposed Annexation No. 32 to Nipomo Community Services District, as contained in Attachment A, subject to conditions of approval, and waive protest proceedings pursuant to Government Code Section 56662(a).

Vice Chair Watson seconded the motion.

AYES: Commissioner Eby, Vice Chair Watson, Commissioners Gregory, Ortiz-Legg, Waage, and Chairperson Moreno

NAYS: None

ABSTAIN: None

The motion passed unanimously.

B-3: Public Hearing to Consider Annual Workforce Vacancy Report in Compliance with

Assembly Bill 2561

Mr. Fitzroy presented the item.

Chairperson Moreno opened the item for Commissioner questions and comments, announcing it was closed shortly after hearing none.

Chairperson Moreno opened the item for public comment, announcing it was closed shortly after hearing none.

Chairperson Moreno opened the item for Commissioner questions and asked for a motion.

Commissioner Waage made a motion in support of the staff recommendation for Item B-3: Conduct the statutorily required public hearing regarding LAFCO's current workforce vacancy status and receive and file the report below.

Chairperson Moreno seconded the motion.

AYES: Commissioner Waage, Chairperson Moreno, Commissioners Eby, Gregory, Ortiz-Legg, and Vice Chair Watson

NAYS: None

ABSTAIN: None

The motion passed unanimously.

B-4: Proposed Fiscal Year 2026-2027 Budget and Work Plan

Mr. Fitzroy presented the item.

Chairperson Moreno opened the item for Commissioner questions and comments.

Commissioner Gregory inquired about reserve funds.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Waage inquired about pension contributions.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Moreno closed Commissioner questions, opened the item for public comment, announcing it was closed shortly after hearing none.

Chairperson Moreno opened the item for Commissioner questions and asked for a motion.

Commissioner Gregory made a motion in support of the staff recommendation for Item B-4, Action 1: Approve, by roll call vote, the Proposed Fiscal Year 2026-2027 Budget and Work Plan (Attachment A).

Commissioner Ortiz-Legg seconded the motion.

AYES: Commissioners Gregory, Ortiz-Legg, Eby, Waage, Vice Chair Weston, and Chairperson Moreno

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Commissioner Gregory made a motion in support of the staff recommendation for Item B-4, Action 2: Direct the Executive Officer, by roll call vote, to distribute the Proposed Budget and Work Plan to contributing agencies per Government Code requirements and set the Final Budget and Work Plan hearing for May 21, 2026.

Commissioner Ortiz-Legg seconded the motion.

AYES: Commissioners Gregory, Ortiz-Legg, Eby, Waage, Vice Chair Weston, and Chairperson Moreno

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Closed Session Matters

C-1: Regular Public Employee Performance Evaluation

*Pursuant to California Government Code Section 54957(b)
Employee: Rob Fitzroy, Executive Officer*

Chairperson Moreno introduced the Closed Session item, stated the Commission would reconvene in Open Session immediately following the Closed Session, and invited **Ms. Whatley** to provide comment.

Ms. Whatley provided comment on the Closed Session.

Chairperson Moreno opened the item for public comment, announcing it was closed shortly

after hearing none.

Chairperson Moreno called the meeting into Closed Session at 10:18 AM.

At 10:51 AM, **Chairperson Moreno** called the Open Session back into order and invited **Ms. Whatley** to report on the Closed Session.

Report on Closed Session: **Ms. Whatley** stated that there were no reportable actions for Closed Session Item C-1.

Commissioner Comments: **Chairperson Moreno** provided Board of Supervisors scheduling updates.

Legal Counsel Comments: None.

Executive Officer Comments: None.

Adjournment: With no further business before the Commission, the meeting adjourned at 10:54 AM until the next meeting of the Commission in the Board of Supervisors Chambers at the County Government Center in San Luis Obispo.

THESE MINUTES ARE NOT OFFICIAL NOR ARE THEY A PERMANENT PART OF THE RECORD UNTIL THEY ARE APPROVED BY LAFCO COMMISSIONERS AT THE NEXT REGULAR MEETING.

Respectfully submitted,
Melissa Morris, LAFCO Commission Clerk



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 21, 2026

SUBJECT: LAFCO FILE NO. 8-S-25: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE PORT SAN LUIS HARBOR DISTRICT

RECOMMENDATION

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Port San Luis Harbor District (LAFCO File No. 8-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 8-S-25) as contained in Attachments A and B, and reaffirm the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

OVERVIEW

The Port San Luis Harbor District Municipal Service Review (MSR) and Sphere of Influence (SOI) Study was previously considered by the Commission at its March 19, 2026, meeting (see Attachment C for the associated staff report). As part of the MSR and SOI Study presented at that time, LAFCO staff evaluated the potential expansion of PSLHD's SOI to include the entire County.

During the March 19, 2026, meeting, Commissioners expressed concern regarding the lack of sufficient data to support a countywide SOI expansion. Specifically, Commissioners identified the need for a more robust analytical framework, improved survey data, additional capital improvement program analysis, and more detailed financial information. This data was not available at the time the MSR and SOI Study was prepared.

Based on the limited information available, the Commission determined that an SOI amendment was not supportable at that time. The Commission further directed staff to clarify in the MSR and SOI Study that, should the District elect to

COMMISSIONERS

Chairperson
HEATHER MORENO
County Member

Vice-Chair
DAVID WATSON
Public Member

DAWN ORTIZ-LEGG
County Member

ED WAAGE
City Member

STEVE GREGORY
City Member

ED EBY
Special District Member

NAVID FARDANESH
Special District Member

ALTERNATES

BRUCE GIBSON
County Member

CARLA WIXOM
City Member

VACANT
Special District Member

MICHAEL DRAZE
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Senior Analyst

MORGAN BING
Analyst

MELISSA MORRIS
Commission Clerk

HOLLY WHATLEY
Legal Counsel

pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process. Any such request would need to be supported by a comprehensive study prepared by the District in coordination with LAFCO staff and must fully address the methodological, financial, and service-related concerns identified by the Commission.

In accordance with Government Code Section 56036, LAFCO staff prepared determinations addressing the five required SOI factors (Attachment A, Exhibit B). PSLHD's existing SOI is coterminous with its current service area boundary. Based on Commission input and the lack of available data to address identified concerns, staff recommends no change to the District's SOI, with no proposed expansions or reductions.

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2026-XX Approving the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study

Exhibit A: Notice of Exemption pursuant to Sections 15306 and 15061(b)(3)

Exhibit B: MSR and SOI Study Determinations

Exhibit C: PSLHD Boundary Map

Attachment B: Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study

Attachment C: March 19, 2026, LAFCO Staff Report

Attachment A

Draft LAFCO Resolution No. 2026-XX
Approving the Port San Luis Harbor District
Municipal Service Review and Sphere of
Influence Study

**IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA**

Thursday, May 21, 2026

RESOLUTION NO. 2026-XX

**RESOLUTION APPROVING THE PORT SAN LUIS HARBOR DISTRICT MUNICIPAL SERVICE REVIEW
AND SPHERE OF INFLUENCE STUDY**

The following Resolution is now offered:

RECITALS

WHEREAS, the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local government agencies whose jurisdictions are within San Luis Obispo County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the availability and performance of governmental services provided by Port San Luis Harbor District, hereinafter referred to as the “District”, pursuant to California Government Code Section 56430, hereby incorporated by reference as contained in LAFCO File No. 8-S-25 Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 21, 2026, LAFCO Staff Report; and

WHEREAS, the Commission conducted a sphere of influence study for the District pursuant to California Government Code Section 56425, hereby incorporated by reference as contained in LAFCO File No. 8-S-25 Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 21, 2026, LAFCO Staff Report; and

WHEREAS, Government Code Section 56425(i) requires that when adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by those districts; and

WHEREAS, Government Code Section 56050.5 provides that once the Commission establishes the functions or services being provided by a district pursuant to Government Code Section 56425 (i), all services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, are deemed to be latent services or powers; and

WHEREAS, no change in regulation, land use, or development will occur as a result of the adoption of a sphere of influence for the District; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, the staff report and recommendations on the municipal service review and sphere of influence study were presented to the Commission in the form and manner prescribed by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence study on May 21, 2026; and

WHEREAS, the Commission considered all of the municipal service review and sphere of influence factors required under Government Code Section 56430(a) and 56425(e) and adopts as its written statements of determinations therein, the determinations set in the municipal service review and sphere of influence study titled "Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study", with said determinations being included in Exhibit B of this resolution; and

WHEREAS, the Notice of Exemption, prepared pursuant to Section 15062, is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) under Categorical Exemption Section 15306 and the General Rule Exemption Section 15061(b)(3), for the municipal service review and sphere of influence study for the District; and

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by reference.
2. The municipal service review and sphere of influence study titled "Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study" includes the related statements of determination and is determined to be exempt from CEQA pursuant to Section 15306 and Section 15061(b)(3) of the CEQA Guidelines.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of the CEQA, and is hereby determined to be sufficient for the Commission's actions and is incorporated by reference as Exhibit A of this resolution.
4. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.

5. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations for municipal service reviews, included in Exhibit B of this resolution.
6. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations for the sphere of influence, included in Exhibit B of this resolution.
7. That the sphere of influence for the district be adopted pursuant to the map in Exhibit C of this resolution.
8. In adopting this sphere of influence for the District, pursuant to Government Code Section 56425(i), the Commission establishes that the District exercises a number of general powers when operating the District as allowed under California Harbors and Navigation Code, section 6000 et seq.
9. Completion of the 30-day reconsideration period provided under Government Code Section 56895.

Upon a motion of Commissioner _____, seconded by Commissioner _____, and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Heather Moreno
LAFCO Chairperson

Date

ATTEST:

Rob Fitzroy
LAFCO Executive Officer

Date

APPROVED AS TO FORM AND LEGAL EFFECT:

Holly Whatley
LAFCO Legal Counsel

Date

DRAFT

Exhibit A

Notice of Exemption pursuant to Sections
15306 and 15061(b)(3)

Notice of Exemption

To: ✓ Office of Planning and Research
 PO Box 3044, 1400 Tenth Street, Room 222
 Sacramento, CA 95812-3044

From: San Luis Obispo LAFCO
 Rob Fitzroy, Executive Officer
 1042 Pacific St. Suite A
 San Luis Obispo, CA 93401
 (805) 781 – 5795
 rfitzroy@slo.lafco.ca.gov

✓ County Clerk
 County of San Luis Obispo
 County Government Center
 San Luis Obispo, CA 93408

Project Title: LAFCO File No. 8-S-25 | Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study

Project Location: Port San Luis Harbor District (PSLHD) covers more than 383,508 acres in San Luis Obispo County, including the City of Arroyo Grande, the City of Grover Beach, the City of Pismo Beach, portions of the City of San Luis Obispo, and other unincorporated communities in Southern San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Municipal Service Review (MSR) and Sphere of Influence (SOI) Study for the PSLHD pursuant to Government Code Section 56430 and Section 56425. The SOI is a 20-year growth boundary that includes areas that may be served by the District in the future. State law requires the MSR to be completed either prior to or concurrent with the SOI study. The MSR evaluates the public services provided by the District and is used as the basis for any changes to the SOI. The Commission took action to reaffirm the District’s SOI as depicted in Attachment A, Exhibit C of the LAFCO May 21, 2026, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>. The Commission also established that PSLHD exercises a number of general powers when operating the District as allowed under the California Harbors and Navigation Code, section 6000 et seq.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on May 21, 2026, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: Section 15306
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input checked="" type="checkbox"/> Other: General Rule Exemption, Section 15061(b)(3)

Reasons Why Project is Exempt: It has been determined with certainty that the MSR and SOI Study is categorically exempt under Class 6, Section 15306, and the MSR and SOI Study also qualifies for a general rule exemption under Section 15061(b)(3). There is no possibility that this MSR and SOI Study may have a significant effect on the environment because there are no land use changes associated with the documents; therefore, the PSLHD MSR and SOI Study is found to be exempt from CEQA pursuant to Section 15306 and Section 15061(b)(3) of the State Guidelines. LAFCO will file this Notice of Exemption upon approval of the MSR and SOI Study.

 Rob Fitzroy, Executive Officer

 Date

Exhibit B

MSR and SOI Study Determinations

Municipal Service Review Determinations for the Port San Luis Harbor District (Government Code Section 56430)

1. Growth and population projections for the affected area.

The estimated population within the District's existing service area was approximately 129,579 in 2020 and is projected to increase to about 137,808 by 2060, representing growth of approximately 6.35% over the 40-year period. Over the same period, the County's total population is projected to increase by approximately 7.45%. While population projections for communities within PSLHD's existing service area provide useful context for assessing future service needs and resource demands, these projections do not fully capture the population that utilizes District facilities and services. Port San Luis functions as a regional coastal destination, with services and facilities available to residents from within the District's service area and beyond. As a result, future demand for District services and facilities is expected to increase over time as coastal resources experience greater use pressures from both residents and visitors.

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

Eight DUCs were identified within or contiguous to PSLHD's SOI and service area boundary. The location and characteristics of the DUCs are described in Table 3 and Figure 2 of the DUC section of this report. Although these DUCs were identified, PSLHD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection, and therefore, related infrastructure deficiencies would not arise from changes to PSLHD's SOI or service area boundaries.

3. Present and planned capacity of public facilities and adequacy of public services, including 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.

PSLHD provides a wide range of services and facilities that include harbor and port operations, public access infrastructure, beaches, piers, trails, parking facilities, restrooms, emergency response, and preservation of coastal resources. Altogether, these facilities and services support coastal access and public use for residents within the District's service area boundary, as well as visitors from beyond its boundaries. The District is currently facing infrastructure deficiencies and capacity constraints that may affect its ability to provide these services due to aging assets, rising maintenance and labor costs, and regulatory compliance. Planned capital improvements include improvements to open water and public access, enhancements to the Hartford Pier and Hartford Landing areas, Beach and Bluff planning efforts, the Harbor Terrace project, the Point San Luis Lighthouse, and the Avila Beach Pier and parking facilities.

4. Financial ability of agencies to provide services.

The Harbor Commission adopts an annual budget prepared in accordance with generally accepted accounting principles. For eleven consecutive years, PSLHD has been recognized by the Government Finance Officers Association for excellence in transparent financial reporting, receiving the Distinguished Budget Presentation Award for its annual budgets from FY 2014 15 through FY 2025-26.

The District is primarily funded through property tax revenue, charges for services, capital grants and contributions, and investment income. To evaluate overall financial health, key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, indicated positive financial performance in four of the five years reviewed. However, operating expenditures are projected to exceed revenues beginning in FY 2025 26 and continuing thereafter. The District recognizes this is not a sustainable position and is working on a long-term mitigation plan to maximize revenue and manage expenses within available resources. Liquidity Ratio, which measures current assets relative to current liabilities, remained strong across all five years analyzed, indicating adequate short-term financial capacity to meet ongoing obligations. In addition, the District's Net Position, defined as the difference between total assets and total liabilities, increased by

approximately 48% over the five-year audited period, reflecting solid long-term financial growth and stability.

Overall, these financial indicators suggest that PSLHD is in a financially healthy state with adequate financial resources to deliver its services. However, the District faces significant long-term challenges, including infrastructure deficiencies, rising capital and labor costs, expanded statutory responsibilities, anticipated reductions in Unitary Tax revenues, and increasing impacts associated with sea level rise. To maintain financial stability and adequate service delivery, the District will need to identify and pursue additional funding sources.

5. Status of and opportunities for shared facilities.

Wastewater services for PSLHD facilities are provided by the Avila Beach Community Services District (ABCSD) under a 2016 agreement that establishes PSLHD's 35% capacity entitlement in the ABCSD wastewater treatment plant, along with responsibility for a proportional share of capital improvements, which may influence future operating costs. In addition, PSLHD owns the historic Point San Luis Lighthouse, which is restored, managed, and maintained through a cooperative partnership with the Point San Luis Lighthouse Keepers, a nonprofit organization that facilitates public access and preservation through coordinated operations.

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

PSLHD is governed by a five-member Harbor Commission, with Commissioners elected by district to four-year terms. The Harbor Commission conducts regularly scheduled meetings that are open to the public and publicly noticed at least 72 hours in advance in compliance with the Ralph M. Brown Act. The District further promotes transparency and accountability by maintaining an up-to-date website that provides public access to District contact information, meeting agendas, and financial reports.

7. Any other matter related to effective or efficient service delivery.

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

Sphere of Influence Determinations for the Port San Luis Harbor District **(Government Code Section 56425)**

1. Present and planned land uses in the area, including agricultural and open-space lands.

PSLHD's land use and development authority is shared with the California Coastal Commission and the County. Under the County's Local Coastal Program, lands within the District are designated as Public Facilities and Recreation land use categories. Because PSLHD provides services exclusively within the Harbor Area, consisting of approximately 40 acres of upland property, 100 acres of submerged lands, and an 8,400-acre state tidelands grant, any amendment to the District's SOI would not affect existing or planned land uses, including agricultural or open-space lands. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

2. Present and probable need for public facilities and services in the area.

PSLHD provides facilities and services that support coastal access, recreation, commercial fishing, and public safety within the Harbor Area. Present service demand is driven primarily by high levels of visitor use rather than population growth within the District's service area boundary. Probable future service needs are expected to increase due to continued public demand for coastal access. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should

be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

PSLHD currently has adequate capacity to meet existing service and facility demands within the harbor area. However, with increased service demand, expanded statutory responsibilities, and major maintenance and capital project needs, current revenues are considered insufficient to maintain adequate services and facilities into the future. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

4. 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 social or economic communities of interest within the District service area boundary.

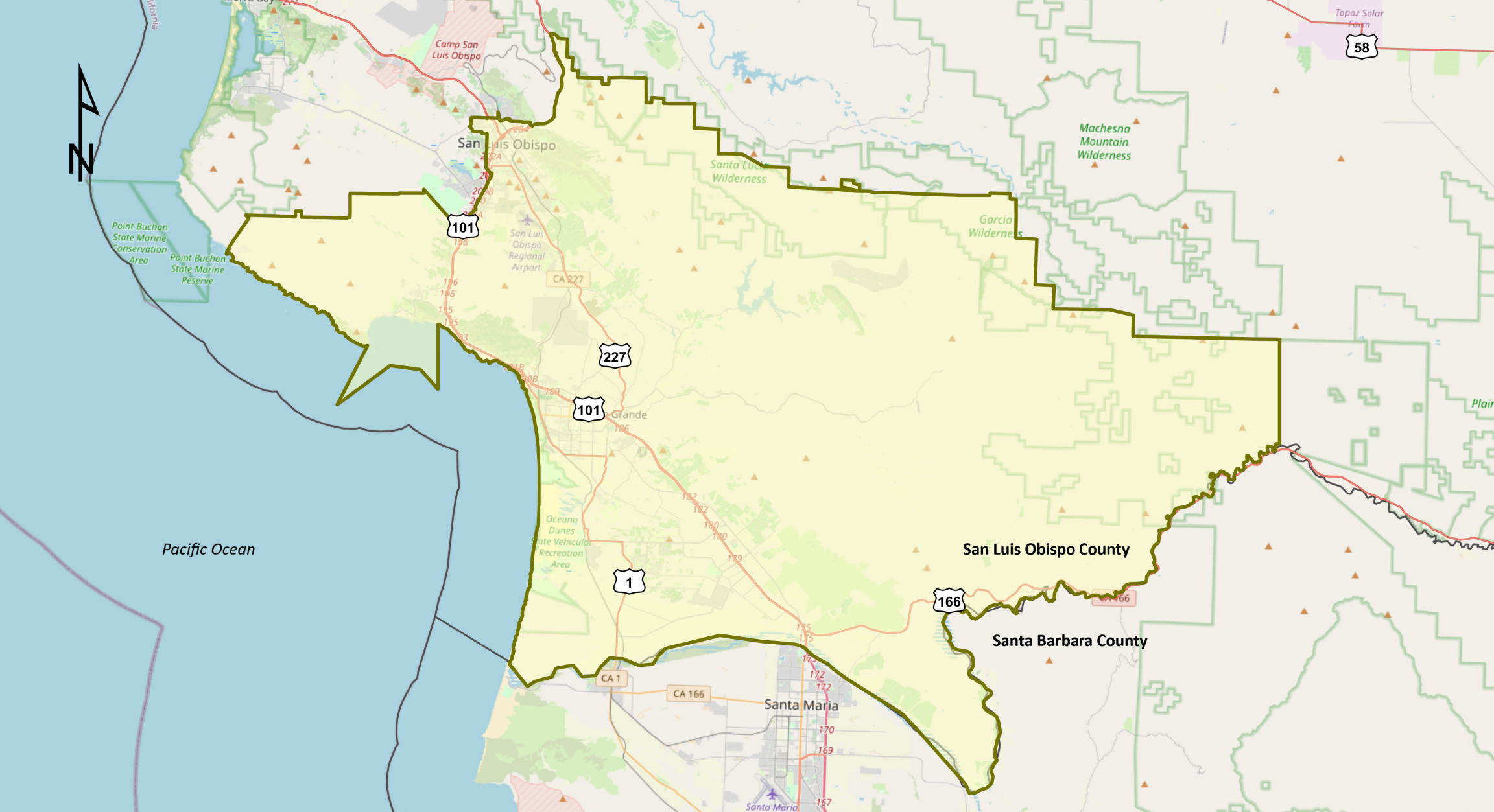
5. For an update of the sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated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

There are seven DUCs within PSLHD existing SOI, as seen in Figure 2. Although these DUCs were identified, PSLHD does not provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection, and therefore, no infrastructure deficiencies to a DUC would result from changes to PSLHD's SOI or service area boundary. However, for the reasons discussed by the Commission at its March 19,

2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.



Exhibit C

PSLHD Boundary Map



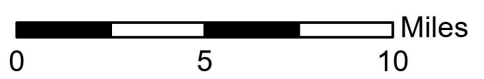
Port San Luis Harbor District

LAFCO Boundaries

-  Sphere of Influence
(Same as Service Area)
-  Service Area

Latest SOI Approval: 05/21/2026

Page 29 of 147



Prepared By SLOLAFCO
 Name: Port San Luis Harbor District
 Date: 3/31/2026

Attachment B

Port San Luis Harbor District Municipal
Service Review and Sphere of Influence Study



Public Review Draft

Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted ___, 2026

Resolution No. ____

TABLE OF CONTENTS

About LAFCO _____	4
Authority and Objectives _____	4
Regulatory Responsibilities _____	4
Planning Responsibilities _____	5
LAFCO Decision-Making _____	6
SLO LAFCO _____	7
Acknowledgments _____	8
District MSR & Sphere of influence Study _____	9
Overview _____	9
At A Glance _____	10
Background _____	10
Boundary Map _____	12
Population Profile _____	12
Present and Planned Land Use _____	15
Accountability _____	16
Services & Capacity _____	16
Shared Facilities _____	25
Finance _____	25
Sphere of Influence _____	33
Determinations _____	35
Municipal Service Review Determinations _____	35
Sphere of Influence Determinations _____	38
California Environmental Quality Act _____	40

List of Figures

Figure 1: Port San Luis Harbor District Boundary Map 12

Figure 2: Countywide Disadvantaged Unincorporated Communities Map 14

Figure 3: Audited Revenues and Expenditures..... 28

Figure 4: Operating Ratio 29

Figure 5: Liquidity Ratio (FY 19-20 - FY 23-24) 32

Figure 6: Recommended PSLHD SOI and Service Area Boundary 34

List of Tables

Table 1: District Profile 10

Table 2: Population Projections 13

Table 3: Disadvantaged Unincorporated Communities within PSLHD 14

Table 4: PSLHD Harbor Commission 16

Table 5: PSLHD Services 19

Table 6: Harbor Patrol Responses by Fiscal Year 23

Table 7: Lifeguard Responses by Calendar Year 23

Table 8: Audited Assets and Deferred Outflows 30

Table 9: Audited Liabilities and Deferred Inflows 31

Table 10: Net Position 33

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.

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.

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

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
Ed Eby	Special District Member
Navid Fardanesh	Special District Member

Alternate Commissioners

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

Staff

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

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 Port San Luis Harbor District in assisting in the preparation of this report, including – but not limited to – the following individuals:

William D. Friedman, Harbor Director

Matt Ashton, Chief of Harbor Patrol

Jennifer Szeliga, Business Manager

Dustin Barth, Facilities Manager

DRAFT

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 Port San Luis Harbor District (PSLHD or District), located in the southern portion of the County of San Luis Obispo (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 PSLHD, 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 has been set to cover any major updates and changes since the last time the MSR and SOI Study was updated in 2014. The financial analysis has been set to cover the last five years of the 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.

At A Glance

Table 1: District Profile

Agency Name	Port San Luis Harbor District
Formation	1954
Legal Authority	California Harbors and Navigation Code, section 6000 et seq.
Mailing Address	3950 Avila Beach Drive, PO Box 249, Avila Beach, CA 93424
Website	https://www.portsanluis.com/
Harbor Director	William D. Friedman
Public Meetings	The Board of Directors meets on the fourth Tuesday of the month at 6:00 PM at the Coastal Gateway Building at 3900 Avila Beach Drive, Avila Beach, CA.
Board of Directors	Five members elected to four-year terms
District Service Area	383,508 acres, including 8,400 acres of State Tidelands ¹
Population	129,579

Background

The Port San Luis Harbor District (PSLHD or District) was formed on January 27, 1954, under the California Harbors and Navigation Code, following a local vote in 1953 that recognized the harbor’s economic and cultural importance to the County of San Luis Obispo (County). The District manages the harbor area, which consists of approximately 40 acres of upland property, 100 acres of submerged lands, and an additional 8,400 acres of state tidelands within San Luis Bay. Historically, the harbor supported commercial fishing, agricultural exports, and a marine oil terminal, generating revenue through wharfage, rentals, and other enterprise activities. These operations were further supported by facilities and services such as commercial piers, marine repair services, and wholesale fish processing.

The State Legislature reinforced the harbor’s development by granting tidelands to the District in 1955 (amended in 1957), with mandates for both commercial and public uses. These included harbor

¹ Although PSLHD’s service area boundary is 383,508 acres, the District only provides services within the Harbor Area which consists of approximately 40 acres of upland property, 100 acres of submerged lands, and an additional 8,400 acres of state tidelands.

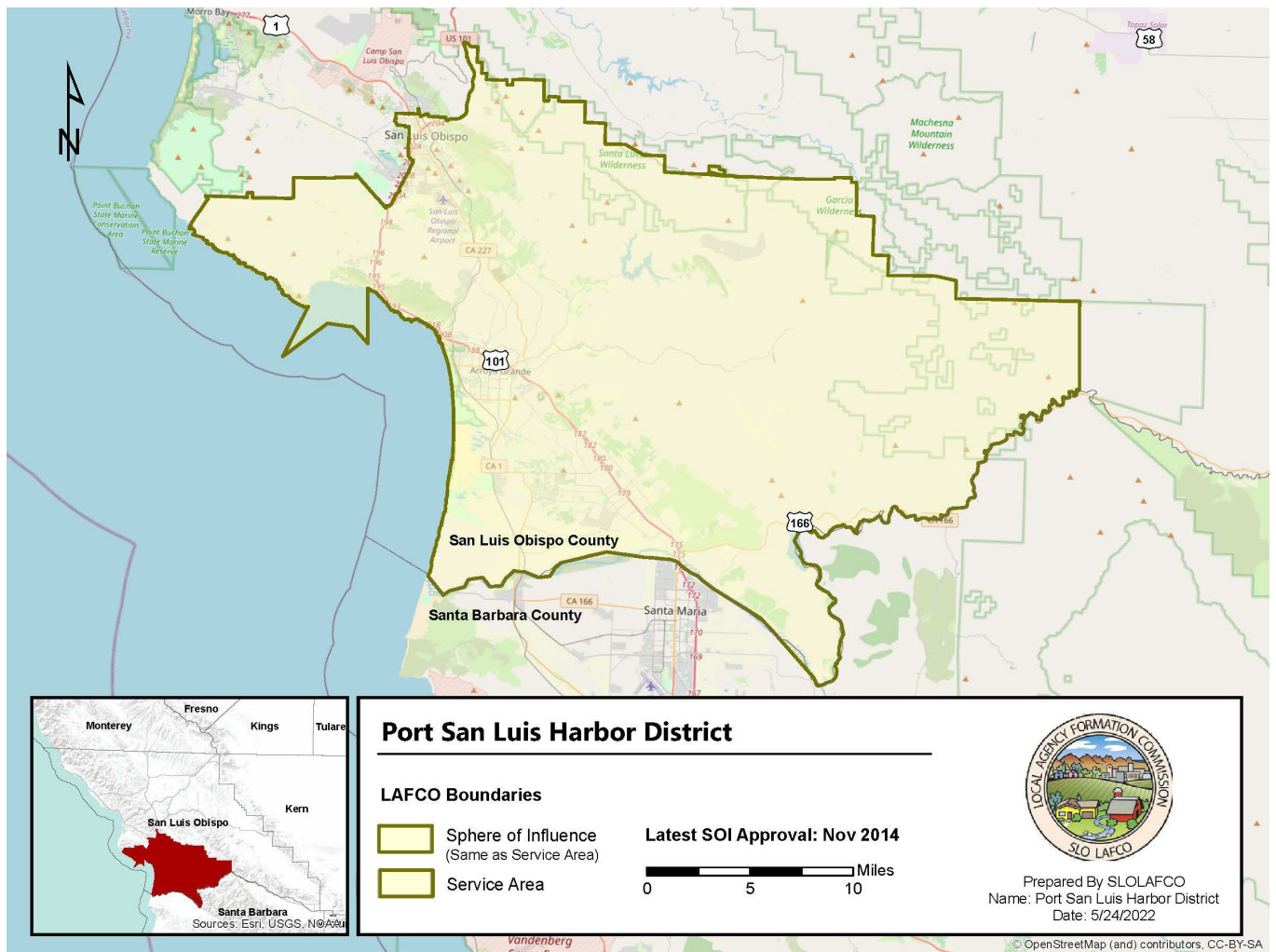
infrastructure such as wharves, docks, and breakwaters, as well as public amenities like parks, recreation areas, and coastal access. The grant also required the District to maintain facilities that promote commerce and navigation while ensuring free access. This framework established the dual mission of the District – supporting economic activity and safeguarding public use of coastal resources.

Over time, the District’s responsibilities continued to expand beyond enterprise operations. The California Coastal Act of 1976 required ports to provide visitor-serving and recreational uses, recognizing them as vital state resources. In addition, in 1984, the District assumed management of Avila State Beach and Pier, adding public services such as restrooms, lifeguards, and facility maintenance. Similarly, Harford Pier, a historic structure, became subject to preservation and safety upgrades, including fire protection systems. These obligations reflect the District’s evolving role in balancing recreational access, public safety, and historic preservation.

Today, PSLHD continues to enhance coastal access through projects like improved beach launch ramps, ADA-compliant facilities, and guided access to areas such as the Pecho Coast and Point San Luis Lighthouse. Many of these initiatives rely on tax revenues to fund non-enterprise programs that maintain public amenities and ensure compliance with state mandates. This ongoing commitment underscores the District’s mission to serve both economic and community interests while preserving the unique coastal environment of Port San Luis.

Boundary Map

Figure 1: Port San Luis Harbor District Boundary Map



Population Profile

PSLHD’s service area includes a broad geographic area in the southern portion of the County, encompassing a mix of cities, unincorporated communities, and rural lands. Population projections for the communities within the District’s service area provide insight into potential future service demands; however, these projections do not fully represent actual District users, as PSLHD services and facilities are available to visitors from within its service area and beyond.

The estimated population within the PSLHD service area was 129,579 in 2020. Based on a medium-growth scenario, by 2060, the population is projected to increase to approximately 137,808,

representing a total increase of 6.35% over the 40-year period. Countywide, the population is expected to increase 7.45% from 2020 to 2060.

Table 2: Population Projections²

Local Agencies within PSLHD	2020	2030	2040	2050	2060	% Change (2020 to 2060)
Arroyo Grande	18,347	18,119	18,420	18,709	18,921	3.13%
Grover Beach	12,789	12,937	13,273	13,501	13,556	6.00%
Pismo Beach	8,054	7,883	7,943	8,080	8,173	1.48%
San Luis Obispo	46,986	51,138	53,359	54,150	54,736	16.49%
Unincorporated County South	41,383	41,455	40,851	40,649	40,362	-2.47%
Total	129,579	133,562	135,886	137,139	137,808	6.35%
County Total	282,424	286,398	294,858	299,599	303,469	7.45%

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, 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 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, eight DUCs were identified within or contiguous to PSLHD’s service area. Although these DUCs were identified, PSLHD does not provide public facilities or services related to

² 2060 Regional Growth Forecast for the San Luis Obispo County Region, San Luis Obispo Council of Governments

wastewater, municipal or industrial water, or structural fire protection. As a result, infrastructure deficiencies would not result from changes to PSLHD’s SOI or service area boundaries. Additional information regarding each DUC within the County is provided in Table 3 below.

Figure 2: Countywide Disadvantaged Unincorporated Communities Map

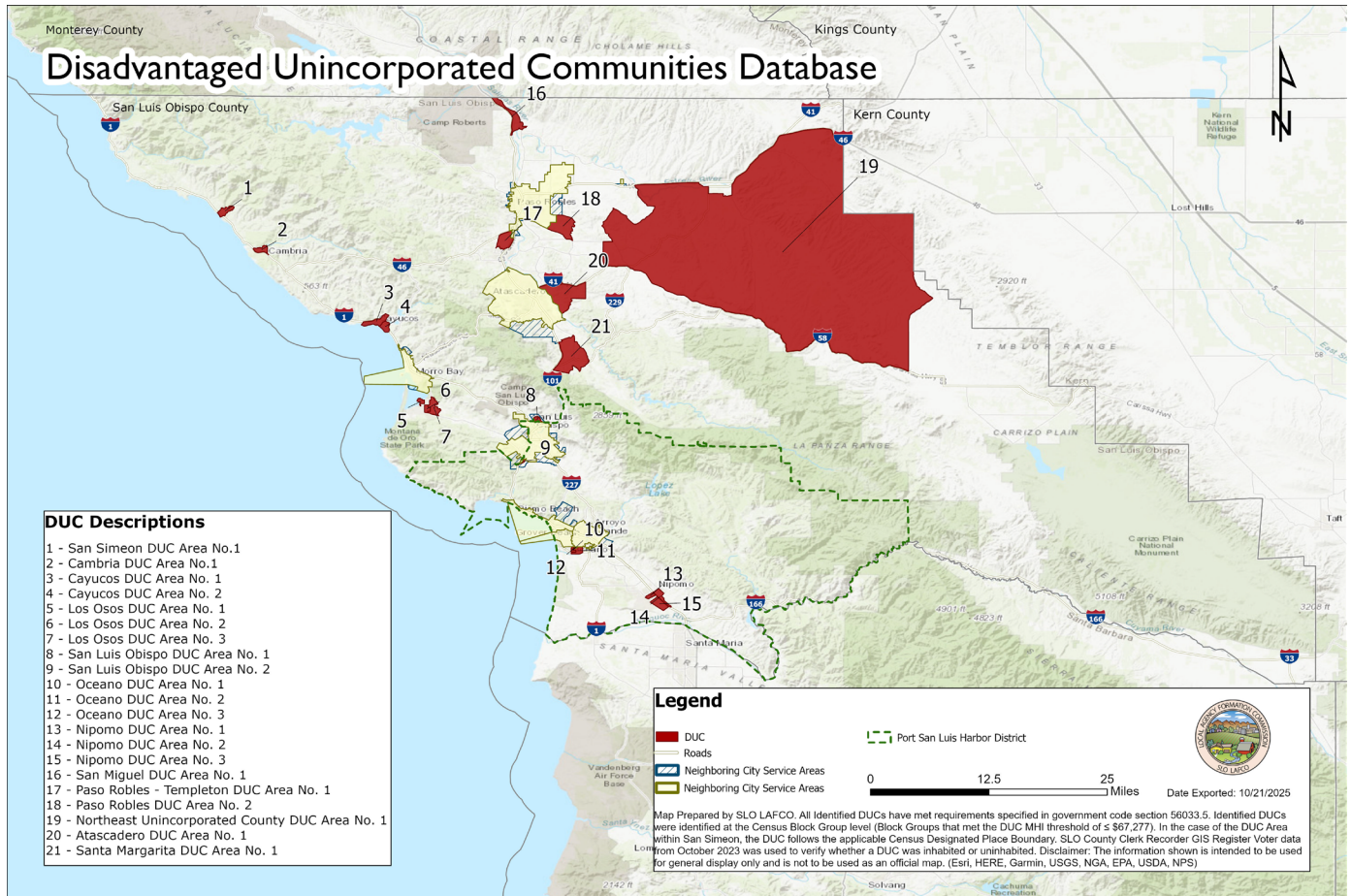


Table 3: Disadvantaged Unincorporated Communities within PSLHD

DUC	MHI ³	Registered Voters ⁴
San Luis Obispo DUC Area No. 1	\$9,233	64
San Luis Obispo DUC Area No. 2	\$59,318	23
Oceano DUC Area No. 1	\$48,264	935
Oceano DUC Area No. 2	\$45,494	1,280
Oceano DUC Area No. 3	\$62,000	69

³ American Community Survey Data from 2016-2020 in 2021 inflation/adjusted dollars

⁴ County of San Luis Obispo Clerk Recorder GIS Data from October 2023

Nipomo DUC Area No. 1	\$50,298	783
Nipomo DUC Area No. 2	\$59,063	644
Nipomo DUC Area No. 3	\$64,537	1,277

Social or Economic Communities of Interest in the Area

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

Present and Planned Land Use

PSLHD shares land use and development authority with the California Coastal Commission and the County. All Port land-based properties fall primarily under the County's permitting jurisdiction, except areas that have been previously filled or otherwise under jurisdiction of the California Coastal Commission. The Coastal Commission retains authority over lands below the mean high tide line and areas subject to the public trust.

In addition, the Coastal Commission is the State agency responsible for implementing the Coastal Act. It requires each local government within the coastal zone to prepare a Local Coastal Program (LCP) that aligns with the Coastal Act policies. An LCP includes land use plans, zoning ordinances, and other measures necessary to implement the Coastal Act, and local governments must submit their LCP to the Coastal Commission for certification.

The Port Master Plan establishes the District's official policy for the use and development of land, piers, and tidelands under its administration. Key portions of this plan, particularly the Goal and Policies in Chapter 3, are incorporated into the County's LCP for the San Luis Bay Planning Area. To ensure consistency with regional planning objectives, the Port aligns its improvements and uses with the County's land use designations and development standards in the LCP.

The LCP designates all coastal lands with Use Categories, which encompass an extensive list of possible uses for that area. Two use categories apply to the District - Public Facilities and Recreation. Public Facilities applies to areas including Open Water, Harford Pier, Harford Landing, Beach and Bluffs, Harbor Terrace, and the Lighthouse. The Recreation category applies to Avila Beach, Avila Pier, and the Avila Parking Lot. Together, these plans ensure that development within the Port's jurisdiction aligns with state coastal policies and local planning objectives, while preserving public access and coastal

resources.

Accountability

PSLHD is an independent special district governed by a five-member Board of Commissioners, each elected by district to a four-year term. Regular meetings of the Harbor Commission are held on the fourth Tuesday of each month at 6:00 PM at the Coastal Gateway Building at 3900 Avila Beach Drive, Avila Beach, CA. Agendas and staff reports for meetings are available to the public for review at the Harbor 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 Harbor Commission.

Table 4: PSLHD Harbor Commission

Commission Member	Title	Division	Term
Drew Brandy	President	Division 5	2023 - 2026
Mary Matakovich	Vice President	Division 3	2023 - 2026
Bob Vessely	Secretary	Division 4	2025 - 2029
Bill Barrow	Commissioner	Division 1	2025 - 2029
Richard Scangarello	Commissioner	Division 2	2025 - 2029

PSLHD 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. Approved minutes from the Harbor Commission’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.

Services & Capacity

Authorized Services

When PSLHD was formed in 1954, its governance authority was established under the California Harbors and Navigation Code, which permits harbor districts to adopt ordinances for public safety, acquire and manage property, employ necessary staff, issue citations, regulate harbor facilities, and construct, own, or operate harbor-related works and infrastructure. In 1955, the District was also granted the State-owned tidelands encompassing San Luis Obispo Bay. The original intent of the Harbor

District in obtaining the State Tidelands Grant was to develop a public harbor to meet the needs of the people of the state. The Tidelands Grant was based on this objective and mandated specific functions that the District must guarantee for public use within the granted lands, including recreational and visitor-serving uses.

In addition to these services, as a result of the California Coastal Act of 1976, the District has been required to provide non-enterprise service functions and operations, including coastal-dependent, visitor-serving, and recreation uses that benefit the users of the Port and enhance the public's enjoyment of the waterfront. Today, many responsibilities of PSLHD are to provide services to ensure the enjoyment, safety, and access of the State-granted lands.

In accordance with 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. However, PSLHD is authorized to exercise all powers listed under the California Harbors and Navigation Code, and as such, there are no powers considered latent by operation of law.

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 PSLHD 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.

Staffing & Personnel

The District provides a broad range of services through three departments. The Administration and Business Department includes seven full-time employees, including the Harbor Director. The department administers core functions such as accounting, information technology, and human resources, and manages leases and licenses that generate revenue for the District. This department

has experienced a greater demand for administrative and customer service assistance, without the ability to add additional employees due to limited revenue.

The Harbor Patrol Department is responsible for ensuring the safety of patrons and protecting property within the harbor, including emergency response and enforcement of regulations. The department includes one Chief Harbor Patrol Officer, one Harbor Patrol Sergeant, four full-time Harbor Patrol officers, twenty seasonal lifeguards, and up to four Harbor Patrol reserves. This department faces significant challenges, including operating under a constrained budget with reduced grant funding for asset replacement and capital improvements, as well as difficulties in recruiting and retaining qualified Harbor Patrol Officers and Lifeguards amid declining candidate interest.

The Facilities Department includes thirteen full-time employees and two temporary employees. The Facilities Department is responsible for the development, construction, maintenance, and repair of port and harbor facilities, including the buildings, roads, parking lots, beaches, revetments, piers, docks, hoists, moorings, water distribution system, and wastewater collection system. The District experiences challenges in this Department due to limited staff, reduced federal, state, and local grant opportunities, and continued storm damage, repairs, and time commitment for Federal Emergency Management Agency (FEMA) reimbursement. Despite these challenges, the department has made significant progress towards the Hartford Pier rehabilitation and repairs to Avila Pier, though both piers are incomplete.

Labor is considered a limited resource that impacts the District's ability to complete necessary projects. To offset the increased workload on the Facilities Department during the Avila Pier and Hartford Pier projects, the District has employed two contract workers for the duration of the Avila Pier project. While the addition of contract workers has been crucial in keeping up with projects, labor continues to be an issue due to turnover and the ongoing increase in the number of projects.

Services & Facilities

PSLHD provides a range of harbor-related services and facilities to residents, visitors, and businesses. As outlined below, some of these services are revenue-generating enterprises, while others serve a broader public function that is not typically subject to fees and charges. The high levels of use, combined with the impacts of the marine environment, place exceptional demands on the PSLHD for

facility and infrastructure maintenance. Table 5 highlights the many services and facilities provided by the District.

Table 5: PSLHD Services

Category	Current Uses
Public Access	Public fishing, coastal access, public parking, public beaches, public restrooms
Recreation	Surfing, swimming, kayaking, camping, sailing, paddleboarding, water skiing, and nature education
Commercial Services	Charter boat service, restaurant, convenience stores, fuel and ice facility, boat yard repair, boat & engine services
Facilities	Two public/commercial piers, Cal Poly Pier, boat launching facilities, boat moorings, and land storage
Public Safety	Harbor Patrol, lifeguards

Public Access

One of the District’s primary objectives outlined in its Master Plan is to meet Coastal Act priorities for the harbor, particularly ensuring public access to the waterfront and supporting land and water uses that benefit both residents within the County and the people of California. Opportunities for public access exist vertically from the land or pier structure to the water and boating facilities, and laterally along the waterfront perimeter. A network of walkways, open spaces, overlooks, visitor amenities, and integrated circulation improvements improves public access and enhances the enjoyment and appreciation of the San Luis Obispo Bay waterfront.

Since PSLHD assumed management of the tidelands, the creation of multiple access points has significantly improved public access to the waterfront. Current non-boating-related access to the shoreline provided by the District includes Avila Beach, Olde Port and Fisherman’s Beaches, Hartford Landing, and the Lighthouse station. To support these opportunities, the District maintains stairways, ADA-compliant ramps, restrooms, parking lots, lifeguard stations, benches, and trails—ensuring safe, convenient, and equitable public access to coastal resources.

Recreation

The Tidelands Grant also requires the District to provide recreational opportunities within its jurisdiction. Recreation plays a very significant role in the use of the District's facilities, resulting in increased demand on District resources, including maintenance, Harbor Patrol, and administrative staff.

The largest group of users is beachgoers at Avila Beach, with smaller numbers at Olde Port and Fisherman's beaches. These areas host hundreds of thousands of visitors annually for traditional beach activities as well as kayaking, paddle boarding, surfing, outrigger canoeing, and boogie boarding. Supporting facilities include stairways, ramps, boat launches, picnic areas, and benches. PSLHD is also a popular destination for recreational fishing, offering boat launch facilities and pier fishing areas with bait shops and fish-cleaning stations.

PSLHD also provides overnight camping, which plays an important role in offering low-cost visitor amenities and supports a growing demand for outdoor recreation. The District currently operates 20 campsites at Harford Landing. Although RV camping generates meaningful revenue for the Port, income has declined in recent years due to restrictions on bluff-top camping imposed by the Coastal Commission, which cited concerns about obstructing scenic ocean views from the roadway.

To accommodate increased visitor demand for camping, the District entered into a 50-year ground lease in 2018 for the development of Harbor Terrace, a 30-acre hillside property overlooking San Luis Obispo Bay that the District originally acquired in 1978 to support operational needs. Construction began in 2020, and the campground, operated as Flying Flags Avila Beach, opened in 2021. Today, Harbor Terrace provides District facilities, boat storage, and a range of overnight accommodations, including tent sites, RV spaces, and cabins. The project increases public access, supports coastal-dependent uses, and provides a sustainable revenue source to help fund District operations.

Commercial Services

The Harbor also serves as a regional hub for several commercial activities. It includes three commercial piers that support commercial fishing, marine repair services, and the retail and wholesale distribution of fresh fish. In 2024, commercial landings totaled over 700,000 pounds valued at \$1.5 million. Species landed include rockfish, cabazon, hagfish, and halibut.

Although commercial fishing has long been important to the Port's economy, the industry has experienced a steady decline in recent years. The Coastal Act protects existing commercial and recreational boating space, but revenues from commercial fishing are no longer sufficient to meet the escalating capital and maintenance costs associated with sustaining the infrastructure that the industry requires. Despite these challenges, the District recognizes the heritage, cultural importance, and economic contributions of commercial fishing and remains committed to supporting the industry as regional demand allows. Core facilities on Harford Pier, including the icehouse, fish-buying station, and retail fish-sales operations, remain essential to preserving PSLHD's working maritime character.

In addition, the District is focused on maintaining a boater-friendly environment for both commercial and recreational users. This includes exploring opportunities to enhance boating access through an improved Port layout, parking management, and long-term facilities planning. These efforts may require pursuing grants or other external funding sources to support necessary upgrades and ensure the continued vitality of the harbor's commercial services.

Facilities

PSLHD maintains two public fishing piers, Avila Pier and Hartford Pier, that offer popular and accessible fishing opportunities. Both piers include open edge setbacks to keep fishing areas clear for locals and visitors, along with bait-and-tackle shops and fish-cleaning stations.

Avila Pier has been partially or fully closed since 2015 due to structural concerns. While earlier engineering evaluations found that the pier retained capacity despite pile damage, recent storm-related impacts have created additional uncertainties about the final scope of repairs. The District has secured over \$2.7 million for the project, which is sufficient to complete Stage 1 (initial repairs to reopen the pier) and part of Stage 2 (landing and restroom repairs). However, Stage 3, which includes improvements to the terminus, remains unfunded, and the District is pursuing FEMA reimbursement for the remaining work.

Harford Pier is considered the "backbone" of PSLHD. The pier is home to recreational and commercial fishing, boating, essential waterfront operations, as well as a restaurant and a seafood market. The District has made progress on long-planned pier improvements, including the redevelopment of the canopy area. Following the 2021 Draft Canopy Assessment and Repair Plan, staff completed roof

replacement and structural repairs in 2022 and nearly finished repairs behind the former Olde Port Inn site. Once the remaining repairs are completed and a Coastal Development Permit is issued, reconstruction of the pier buildings can proceed. Initial inquiries into grant funding have begun, but the District has not yet finalized a plan for future uses or cost-sharing responsibilities under the canopy.

The District also manages moorings and trailer boat storage. The number of people on the waiting list for moorings fluctuates with market demand. The harbor contains approximately 280 mooring spaces for recreational vessels, commercial fishing boats, guest moorings, and a small number of moorings west of Avila Pier. Currently, commercial fishing vessels use 45% of moorings, while recreational vessels use 52%, with room for expansion in both categories. Thirty-four seasonal guest moorings also support transient boaters, with capacity for additional spaces based on demand. Trailer boat storage is provided at Harbor Terrace, and future site improvements aim to enhance storage efficiency and layout.

Public Safety

The Harbor Patrol Department is responsible for managing all public safety functions of the District. The Department provides comprehensive safety and security services to all District users through both water and shoreside patrols. Its mission is to maintain safe conditions across the harbor, beaches, and surrounding facilities. Key responsibilities include:

- Maintaining a visible safety presence through continuous water and land patrols
- Monitoring beach activity to ensure safe conditions for all visitors
- Advising the public of hazardous conditions, rules, and regulations
- Providing search, rescue, lifesaving, and emergency medical response
- Coordinating closely with CalFire and other partner agencies
- Training, supervising, and supporting all District lifeguards

The following tables summarize Harbor Patrol responses over the last five fiscal and calendar years.

Table 6: Harbor Patrol Responses by Fiscal Year

Fiscal Year	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Marine Rescues	88	70	73	57	49
Medical Aids	47	51	44	48	46
Agency to Agency Assistance	216	187	247	183	208
Wildlife Rescues	92	65	98	65	51
Parking Citations	241	314	516	65	51
Contacts for beach fire compliance	142	47	22	21	17
Contacts for dog law compliance	361	149	154	91	84
Contacts for alcohol compliance	78	43	21	27	20

Table 7: Lifeguard Responses by Calendar Year⁵

Calendar Year	2021	2022	2023	2024	2025
Rescues	4	32	7	20	26
Medical Aids	70	97	76	84	165
Contacts for beach fire compliance	3	33	40	73	31
Contacts for dog law compliance	1,530	1,592	1,252	990	874
Contacts for alcohol compliance	3,454	586	278	347	247

Areas such as marine rescues, parking violations, and compliance-related contacts continue to show a downward trend, suggesting stronger public awareness and more effective communication of District

⁵ Year-to-year fluctuations in these numbers may reflect changing operational priorities for lifeguards and harbor patrol officers, as well as external factors such as weather conditions or public health events. These variances do not necessarily indicate changes in beach attendance or overall demand for lifeguard services.

ordinances. These reductions may also reflect the Harbor Patrol's ongoing emphasis on marine safety education and proactive, preventative engagement with the public. At the same time, Agency-to-Agency assistance calls, while fluctuating year to year, remain consistently high. This reflects the Harbor Patrol's role as a regional partner, regularly supporting CalFire, the County Sheriff, and other cooperating agencies in joint public safety efforts.

Infrastructure Needs and Deficiencies

PSLHD identifies major maintenance projects as well as required capital projects and asset purchases as part of their annual budgeting process. These long-range plans and projects are assessed for how well they support the District's mission and long-term objectives, ensuring that resources are directed toward efforts that deliver the greatest strategic impact. During the budgeting process, the District also evaluates the need for the use of reserves for major maintenance and capital projects.

For Fiscal Year 2025-26, major maintenance projects include abandoned vessel removal, repairs and maintenance to the District's mooring tender vessel, and repairs and upgrades to the existing water tank system. Capital projects and asset acquisitions for the same fiscal year include the Avila Pier Rehabilitation, Hartford Pier Redevelopment, Harbor Patrol emergency vessel and equipment replacement, revetment maintenance, and replacement of the underground storage tank, among several other project needs.

The District's long-term capital planning is guided by the goals and action items identified in the District's Master Plan. These priorities include improvements to open water and public access, enhancements to the Hartford Pier and Hartford Landing areas, Beach and Bluff planning, the Harbor Terrace project, the Point San Luis Lighthouse, and the Avila Beach Pier and parking lots.

In addition to advancing current Master Plan priorities, the District evaluated its vulnerability to sea-level rise in response to long-range projections issued by state and federal agencies regarding the extent and effects of sea-level rise over the next century. In 2020, the District completed a Sea Level Rise Vulnerability Assessment using projections from the California Ocean Protection Council based on a medium- to high-risk aversion, high-emissions scenario. These projections estimate approximately 0.7 feet of sea-level rise by 2030, 1.8 feet by 2050, and 6.7 feet by 2100. Sea-level rise is expected to

primarily affect District beaches by 2100, with limited upland impacts. Key findings from the assessment include:

- Olde Port Beach is projected to be impacted by 2050.
- Avila Beach and Fisherman’s Beach are projected to be impacted by 2100.
- An estimated \$5.5 million in sea-level rise and storm-wave damage is projected by 2100.
- Non-market losses are estimated at \$39 million to \$43 million by 2100.
- Most upland facilities are considered low risk.
- Adaptation measures will be needed for new facilities and shoreline assets.

These sea-level rise projections and vulnerability findings should be incorporated into future Master Plan updates and considered in the planning and design of nearshore and shoreline improvements, including evaluation of appropriate elevations for parking and public access areas.

Shared Facilities

The Avila Beach Community Services District (ABCSD) owns, operates, and maintains existing wastewater treatment and disposal facilities that presently serve PSLHD. A 2016 agreement between PSLHD and ABCSD re-established the District’s 35% capacity rights to the wastewater treatment plant in Avila Beach. This entitlement comes with an obligation to fund 35% of related capital improvements. These projects could influence future operating costs, though the amounts are difficult to estimate.

In addition, the restored 19th-century Point San Luis Lighthouse is owned by PSLHD and restored, managed, and maintained by the Point San Luis Lighthouse Keepers, the District’s non-profit partner. Visitors can access the Lighthouse by scheduled trolley trip and docent-led hikes. Visitors can also access the Lighthouse by arriving on the popular Coast Guard Beach, walking up the stairs, and self-touring the Lighthouse grounds.

Finance

LAFCO is required to make a determination regarding the financial ability of PSLHD 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. To evaluate the District’s overall financial condition, LAFCO utilizes three key financial indicators:

- *Operating Ratio*: Assessment of revenues relative to expenditures;
- *Liquidity Ratio*: Analysis of assets and liabilities to gauge short-term financial stability;
- *Net Position*: Measurement of the District's overall financial position

The primary data sources for this evaluation are the District's audited financial statements from Fiscal Years (FY) 2020-2021 through FY 2024-2025.

Budget

The District has adopted several financial policies that assist in the financial planning process. These policies help prioritize staffing resources, revenue-generating opportunities, long-term capital projects, establish contingency amounts, and describe the overall long-term planning processes. It is through these policies that the District develops its annual budget and long-term planning.

PSLHD's budget serves as the main financial planning tool for the District. The budget is prepared annually by the Accounting Division in consultation with the Harbor Director and Department Managers, on a government wide as well as a fund basis. The proposed budget is brought to the Harbor Commission for review and eventual adoption. The Harbor Commission holds public hearings on the proposed budget and legally adopts the final budget. The General Fund and the Capital Projects Fund are both annually appropriated.

The Harbor Commission's level of budgetary control is maintained at the fund and budget category level, with more stringent control over major maintenance and capital assets, which are maintained at the line-item level. As a result, District staff requests approval from the Harbor Commission for budgetary transfers between budget category levels and any line-item additions to major maintenance and capital assets throughout the year.

The District ensures transparency by making budgets easily accessible on the District website. In addition, the Government Finance Officers Association (GFOA) awarded the Distinguished Budget Presentation Award to the District for its annual budgets from Fiscal Year (FY) 2014-15 through FY 2025-26. This award is the highest form of recognition in government budgeting.

Audited Financial Statements

PSLHD hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing PSLHD's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing PSLHD's short and long-term fiscal health with a specific focus on delivering its active service functions.

Revenues and Expenditures

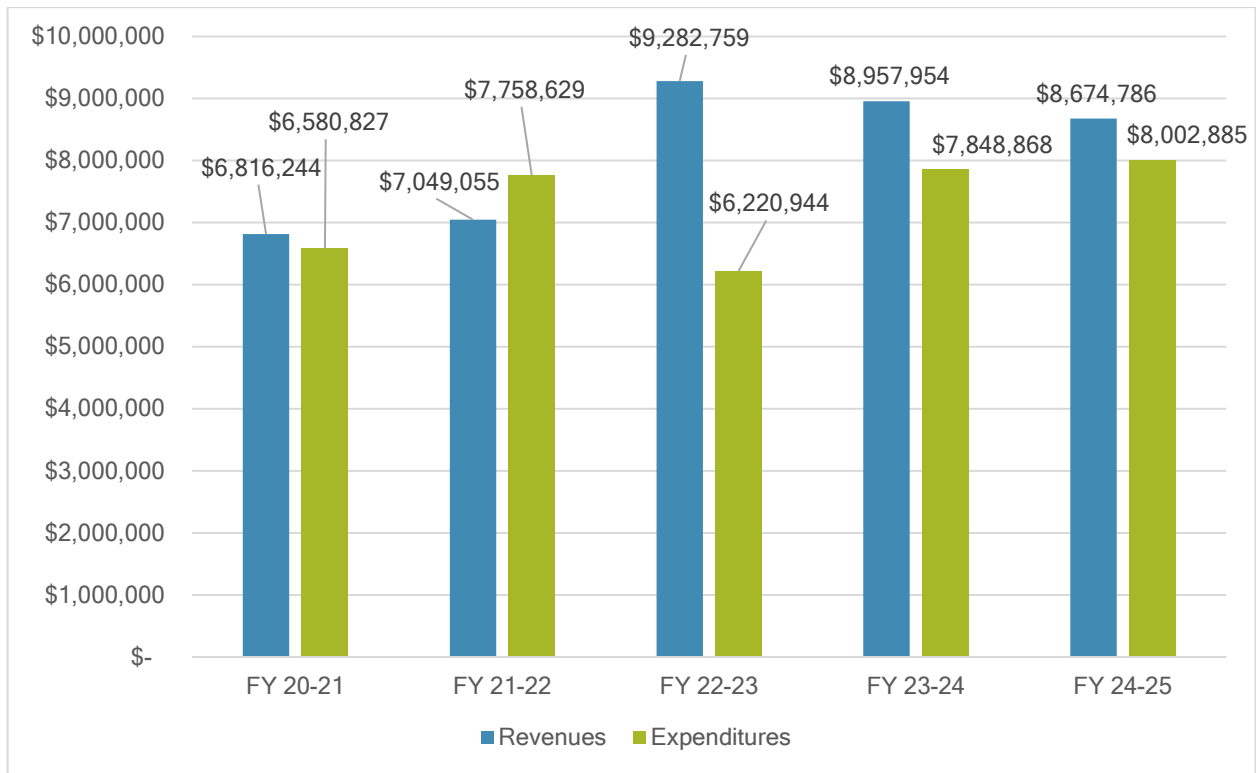
The District is primarily funded through property taxes, charges for services, capital grants and contributions, and investment income. Over the past five fiscal years, property tax revenue has increased by 21.45%. Historically, the District also received unitary tax revenues associated with Pacific Gas & Electric's Diablo Canyon Power Plant; however, as the facility's assessed value has declined and prior mitigation programs have phased out, unitary tax revenues have decreased significantly.

As shown in Figure 3 below, the District's revenues decreased 3.16% from FY 2023-24 to FY 2024-25. This decline is largely attributable to decreases in charges for services and in capital grants and contributions. The decrease in charges for services is partially due to a decrease in RV overnight stays due to the loss of permits for two camping areas.⁶

In FY 2024-25, the District's total expenditures increased by about \$154,017, or 2% more than the prior year. Such costs include wages and benefits, operations and maintenance, supplies, utilities, and general and administrative. Increases are due to increases in the administrative line item. Operating costs for materials and supplies are expected to increase in future FYs due to inflation. These increases, together with supply shortages, could impact the cost of operations and the cost and timing of capital projects. Labor costs are also projected to increase due to the increased Consumer Price Index.

⁶ Bluff-top camping restrictions imposed by the California Coastal Commission, due to concerns about obstructed scenic ocean views, led to the expiration of approval for two additional District camping areas in November 2024.

Figure 3: Audited Revenues and Expenditures

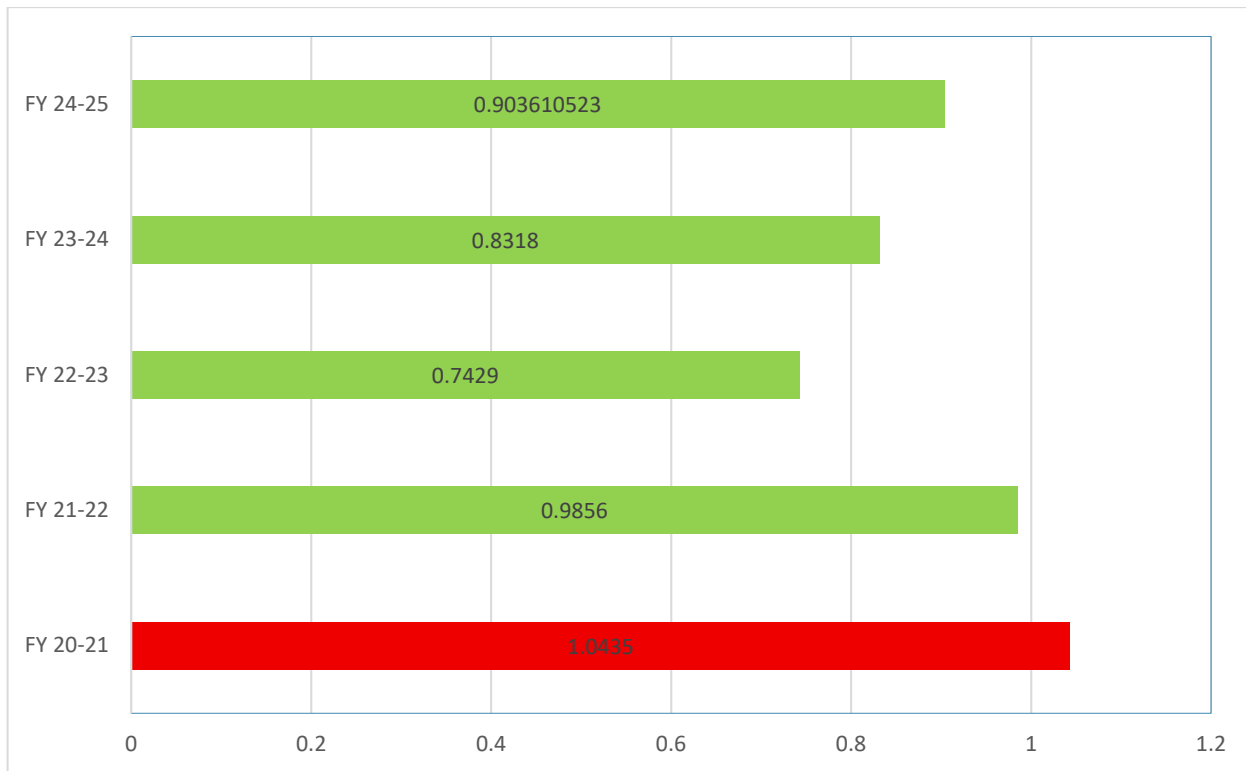


To assess the District’s ability to meet its financial obligations, Figure 4 displays the Operating Ratio for the past five audited FYs. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

- 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 remained below 1.0 in four of the five years, indicating that operating revenues exceeded operating expenses in most years. In FY 2020-21, the District operated at a deficit due to impacts from COVID-19 restrictions that affected budgeted revenue from parking fees and camping fees. Overall, the District’s Operating Ratios suggest stable financial performance and a consistent ability to generate positive operating margins. However, operating expenditures are projected to outpace revenues in FY 2025-26 and onward. The District recognizes this is not a sustainable position and is working on a long-term mitigation plan to maximize revenue and manage expenses within available resources.

Figure 4: 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, PSLHD’s total assets have grown, reaching over \$24 million at the end of FY 2024-25, which is a 5.5% increase from the previous fiscal year. Approximately 46% 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 lease receivables and capital assets.

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, PSLHD reported deferred outflows related to pensions and other post-employment benefits (OPEB) totaling \$2,096,770.

Table 8: Audited Assets and Deferred Outflows

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Assets	\$7,645,429	\$9,025,674	\$9,870,507	\$10,105,908	\$11,086,225
Noncurrent Assets	-	\$2,562,067	\$2,316,265	\$2,103,050	\$1,956,353
Capital Assets	\$8,271,262	\$8,962,319	\$11,298,982	\$11,544,038	\$11,045,866
Total Assets	\$15,916,691	\$20,550,060	\$23,485,754	\$23,752,996	\$24,088,444
Total Deferred Outflows of Resources	\$1,246,406	\$1,230,850	\$2,544,319	\$2,550,929	\$2,096,770

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, PSLHD’s audited liabilities totaled approximately \$10.3 million, a decrease of 2.8% from the prior year. Of this amount, current liabilities accounted for about 18% of total liabilities, a majority of which is related to unearned revenue, compensated absences, accounts payable, and the current portion of long-term debt. The remaining balance, \$8,461,260 in noncurrent liabilities, was largely attributable to net pension obligations.

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, PSLHD reported \$3,025,193 in deferred inflows, consisting of deferred pensions and deferred OPEB.

Table 9: Audited Liabilities and Deferred Inflows

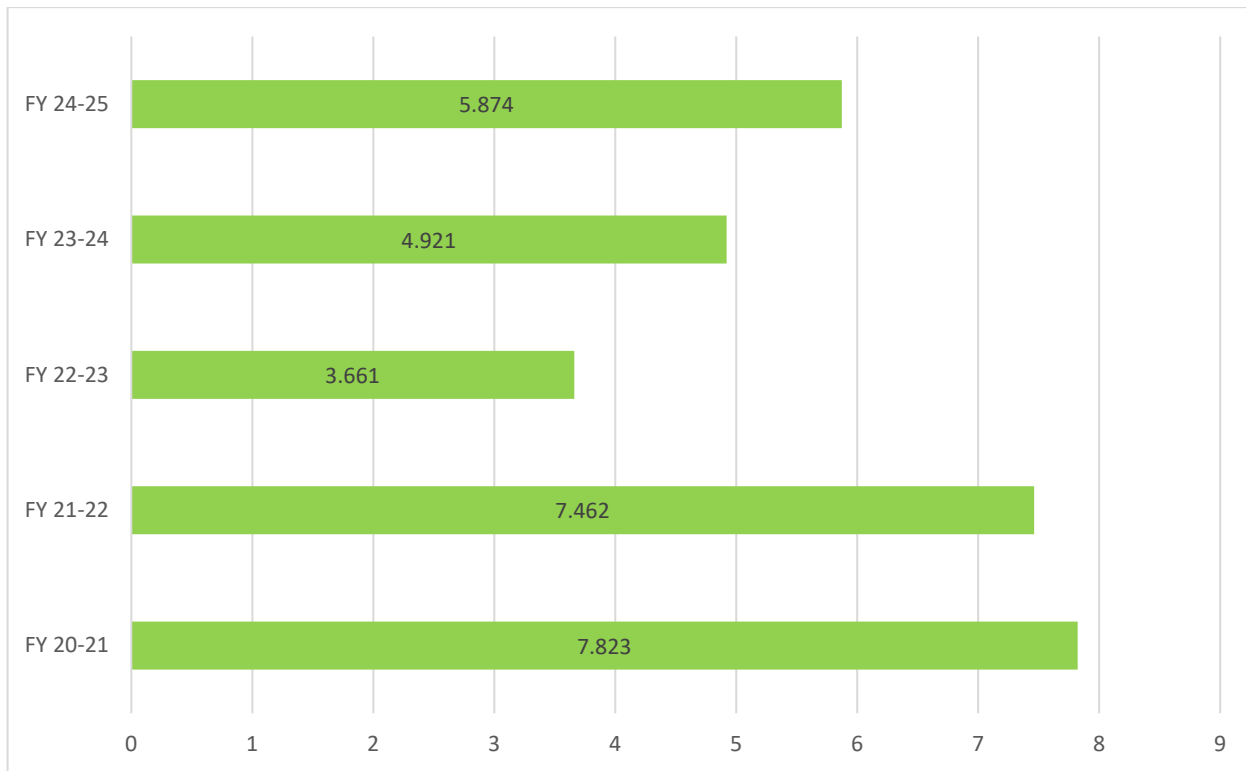
Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Liabilities	\$977,291	\$1,209,538	\$2,696,122	\$2,053,406	\$1,887,288
Noncurrent Liabilities	\$7,206,806	\$6,563,784	\$8,532,683	\$8,595,897	\$8,461,260
Total Liabilities	\$8,184,097	\$7,773,322	\$11,228,805	\$10,649,303	\$10,348,548
Total Deferred Inflows of Resources	\$326,952	\$6,065,114	\$3,796,979	\$3,541,247	\$3,025,193

Figure 5 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.

Figure 5: 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, PSLHD’s net position increased to \$12,811,473, reflecting 48% 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 10: Net Position

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Net Investment in Capital Assets	\$7,932,637	\$7,591,707	\$9,805,160	\$10,159,661	\$9,773,688
Unrestricted	\$719,411	\$350,767	\$1,199,129	\$1,953,714	\$3,037,785
Total Net Position	\$8,652,048	\$7,942,474	\$11,004,289	\$12,113,375	\$12,811,473

Sphere of Influence

The District’s existing Sphere of Influence (SOI) is coterminous with its service area boundary, as shown in [Figure 1](#). PSLHD is unique in that its service area boundary does not correspond to the geographic area in which services are actually provided, nor does it reflect the population served by the District. Instead, the boundary represents the area within which a portion of property tax revenue is collected and allocated to the District. The District directly provides services only within the harbor area, which consists of approximately 40 acres of upland property, 100 acres of submerged lands, and an additional 84,00 acres of State-granted tidelands.

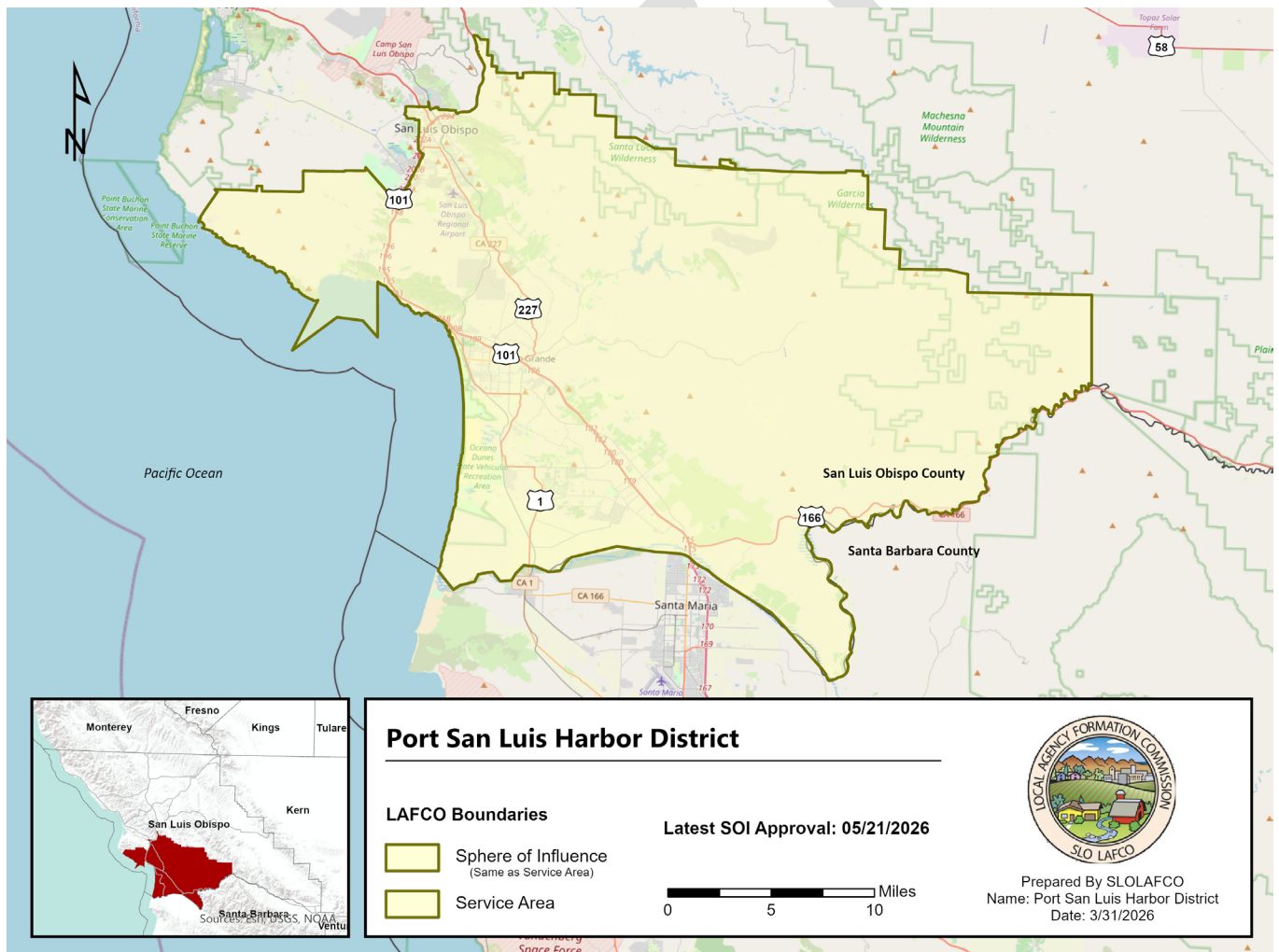
Consistent with the Commission’s FY 2025-26 Work Plan, LAFCO staff prepared the MSR and SOI Study for the PSLHD and presented the report at the Commission’s regular meeting on March 19, 2026. As part of that study, staff evaluated the potential expansion of PSLHD’s SOI to include the entire County. The analysis provided in that report found that a countywide SOI could better align with the District’s service population, service functions, and broader financial and regulatory conditions when compared to the existing service area boundary. This conclusion was based primarily on the District’s practice of serving any County resident, as well as visitors from outside the County, and the possibility that a countywide SOI could more accurately reflect the District’s potential service area over the long term. However, the supporting analysis was limited by the lack of available data. Although LAFCO staff requested information to substantiate the proposed SOI expansion, no additional data was readily available.

As a result, during the March 19, 2026, meeting, Commissioners expressed concern regarding the insufficiency of data supporting a countywide SOI expansion. Specifically, Commissioners noted the

need for a more robust analytical framework, improved survey data, additional capital improvement program (CIP) analysis, and more detailed financial information. Based on the limited information presented, the Commission determined that an SOI amendment was not supportable at that time.

The Commission further directed staff to clarify in the MSR and SOI Study that, should the District seek to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process. Any such request should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff, and should fully address the methodological, financial, and service-related concerns identified by the Commission.

Figure 6: Recommended PSLHD SOI and Service Area Boundary



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.

The estimated population within the District's existing service area was approximately 129,579 in 2020 and is projected to increase to about 137,808 by 2060, representing growth of approximately 6.35% over the 40-year period. Over the same period, the County's total population is projected to increase by approximately 7.45%. While population projections for communities within PSLHD's existing service area provide useful context for assessing future service needs and resource demands, these projections do not fully capture the population that utilizes District facilities and services. Port San Luis functions as a regional coastal destination, with services and facilities available to residents from within the District's service area and beyond. As a result, future demand for District services and facilities is expected to increase over time as coastal resources experience greater use pressures from both residents and visitors.

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

Eight DUCs were identified within or contiguous to PSLHD's SOI and service area boundary. The location and characteristics of the DUCs are described in Table 3 and Figure 2 of the [DUC section](#) of this report. Although these DUCs were identified, PSLHD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire

protection, and therefore, related infrastructure deficiencies would not arise from changes to PSLHD's SOI or service area boundaries.

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.

PSLHD provides a wide range of services and facilities that include harbor and port operations, public access infrastructure, beaches, piers, trails, parking facilities, restrooms, emergency response, and preservation of coastal resources. Altogether, these facilities and services support coastal access and public use for residents within the District's service area boundary, as well as visitors from beyond its boundaries. The District is currently facing infrastructure deficiencies and capacity constraints that may affect its ability to provide these services due to aging assets, rising maintenance and labor costs, and regulatory compliance. Planned capital improvements include improvements to open water and public access, enhancements to the Hartford Pier and Hartford Landing areas, Beach and Bluff planning efforts, the Harbor Terrace project, the Point San Luis Lighthouse, and the Avila Beach Pier and parking facilities.

4. Financial ability of agencies to provide services.

The Harbor Commission adopts an annual budget prepared in accordance with generally accepted accounting principles. For eleven consecutive years, PSLHD has been recognized by the Government Finance Officers Association for excellence in transparent financial reporting, receiving the Distinguished Budget Presentation Award for its annual budgets from FY 2014-15 through FY 2025-26.

The District is primarily funded through property tax revenue, charges for services, capital grants and contributions, and investment income. To evaluate overall financial health, key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, indicated positive financial performance in four of the five years reviewed. However, operating expenditures are projected to exceed revenues beginning in FY 2025-26 and continuing thereafter. The District recognizes this is not a sustainable position and is working on a long-

term mitigation plan to maximize revenue and manage expenses within available resources. Liquidity Ratio, which measures current assets relative to current liabilities, remained strong across all five years analyzed, indicating adequate short-term financial capacity to meet ongoing obligations. In addition, the District's Net Position, defined as the difference between total assets and total liabilities, increased by approximately 48% over the five-year audited period, reflecting solid long-term financial growth and stability.

Overall, these financial indicators suggest that PSLHD is in a financially healthy state with adequate financial resources to deliver its services. However, the District faces significant long-term challenges, including infrastructure deficiencies, rising capital and labor costs, expanded statutory responsibilities, anticipated reductions in Unitary Tax revenues, and increasing impacts associated with sea-level rise. To maintain financial stability and adequate service delivery, the District will need to identify and pursue additional funding sources.

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

Wastewater services for PSLHD facilities are provided by the Avila Beach Community Services District (ABCSD) under a 2016 agreement that establishes PSLHD's 35% capacity entitlement in the ABCSD wastewater treatment plant, along with responsibility for a proportional share of capital improvements, which may influence future operating costs. In addition, PSLHD owns the historic Point San Luis Lighthouse, which is restored, managed, and maintained through a cooperative partnership with the Point San Luis Lighthouse Keepers, a nonprofit organization that facilitates public access and preservation through coordinated operations.

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

PSLHD is governed by a five-member Harbor Commission, with Commissioners elected by district to four-year terms. The Harbor Commission conducts regularly scheduled meetings that are open to the public and publicly noticed at least 72 hours in advance in compliance with the Ralph M. Brown Act. The District further promotes transparency and accountability by maintaining an up-to-date website that provides public access to District contact information, meeting agendas, and financial reports.

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.

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 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.

PSLHD's land use and development authority is shared with the California Coastal Commission and the County. Under the County's Local Coastal Program, lands within the District are designated as Public Facilities and Recreation land use categories. Because PSLHD provides services exclusively within the Harbor Area, consisting of approximately 40 acres of upland property, 100 acres of submerged lands, and an 8,400-acre state tidelands grant, any amendment to the District's SOI would not affect existing or planned land uses, including agricultural or open-space lands. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

2. The present and probable need for public facilities and services in the area.

PSLHD provides facilities and services that support coastal access, recreation, commercial fishing, and public safety within the Harbor Area. Present service demand is driven primarily by

high levels of visitor use rather than population growth within the District's service area boundary. Probable future service needs are expected to increase due to continued public demand for coastal access. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

PSLHD currently has adequate capacity to meet existing service and facility demands within the harbor area. However, with increased service demand, expanded statutory responsibilities, and major maintenance and capital project needs, current revenues are considered insufficient to maintain adequate services and facilities into the future. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

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 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.

There are seven DUCs within PSLHD existing SOI, as seen in Figure 2. Although these DUCs were identified, PSLHD does not provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection, and therefore, no infrastructure deficiencies to a DUC would result from changes to PSLHD's SOI or service area boundary. However, for the reasons discussed by the Commission at its March 19, 2026, meeting, insufficient data currently exists to support a countywide SOI amendment at this time. Therefore, PSLHD should maintain a coterminous SOI and service area boundary until additional information is available for further study. Should the District elect to pursue an SOI expansion in the future, it may do so through LAFCO's Sphere of Influence Amendment application process, and should be supported by a comprehensive study prepared by the District in coordination with LAFCO staff that fully addresses the concerns raised by the Commission.

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 Port San Luis Harbor 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.

Attachment C

March 19, 2026, LAFCO Staff Report

See Link for Full March 19, 2026, Staff Report Packet:
<https://slo.lafco.ca.gov/files/38b2d564b/A-1+PSLHD+MSR+SOI.pdf>



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: MARCH 19, 2026

SUBJECT: LAFCO FILE NO. 8-S-25: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE PORT SAN LUIS HARBOR DISTRICT

RECOMMENDATION

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Port San Luis Harbor District (LAFCO File No. 8-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 8-S-25) as contained in Attachments A and B, and update the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

OVERVIEW

The Cortese-Knox-Hertzberg Act directs Local Agency Formation Commissions (LAFCO) to regularly prepare municipal service reviews (MSRs) prior to, or in conjunction with, establishing and updating each local agency's sphere of influence (SOI). The legislative intent of MSRs is to proactively assess the availability, capacity, and efficiency of local governmental services prior to making SOI determinations. MSRs may also lead LAFCOs to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related SOI changes. As part of the Commission's work plan, staff have prepared the MSR and SOI Study for the Port San Luis Harbor District (PSLHD or District).

PSLHD MSR AND SOI STUDY

Agency Overview: The PSLHD was formed in 1954 under the California Harbors and Navigation Code to manage the harbor area, which consists of approximately

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STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Senior Analyst

MORGAN BING
Analyst

MELISSA MORRIS
Commission Clerk

HOLLY WHATLEY
Legal Counsel

40 acres of upland property and 100 acres of submerged lands, along with an additional 8,400 acres of state tidelands within San Luis Bay. While the District originally focused on commercial maritime activities, such as commercial fishing, agricultural exports, and marine services, its mission was broadened by its State Tidelands Grant, which mandated both commercial and public uses.

Over time, state policies, including the California Coastal Act, further expanded the District's responsibilities to include recreation, visitor services, public safety, and management of key public assets such as Avila State Beach, Avila Pier, and Harford Pier. Today, PSLHD provides countywide coastal access and public services, many of which rely on tax revenues to support non-enterprise functions such as lifeguards, restrooms, accessibility improvements, and historic preservation. Although the District's responsibilities have significantly expanded, revenue sources tied to its historic service area boundaries have remained stagnant, resulting in financial constraints that limit the District's ability to maintain aging infrastructure, meet regulatory obligations, and plan for long-term capital needs.

Municipal Service Review Summary: LAFCO staff prepared determinations for the seven MSR factors described in Government Code Section 56430 (Attachment A, Exhibit B). In summary, LAFCO determined that the estimated population within the District is approximately 137,808. These projections do not fully capture the population that utilizes District facilities and services, as Port San Luis serves as a regional public resource, serving residents throughout the County as well as visitors from outside the region.

Governance is provided by a five-member Harbor Commission, with operations conducted transparently and in compliance with state laws. PSLHD provides a wide range of public services and facilities that include harbor and port operations, public access infrastructure, beaches, piers, trails, parking facilities, restrooms, emergency response, and preservation of coastal resources. The District is facing several infrastructure deficiencies and capacity constraints that affect its ability to provide these services due to aging assets, rising maintenance and labor costs, and regulatory compliance. Planned capital improvements include improvements to open water and public access, enhancements to the Hartford Pier and Hartford Landing areas, Beach and Bluff planning, the Harbor Terrace project, the Point San Luis Lighthouse, and the Avila Beach Pier and parking lot. However, the District's ability to implement these necessary improvements is constrained by a limited revenue base tied to historic boundaries rather than the broader population that benefits from its services.

Overall, the District demonstrates indicators of financial stability and health, with consistent liquidity and a 45% increase in net position over five years. However, the District faces significant long-term challenges, including infrastructure deficiencies, rising capital and labor costs, expanded statutory responsibilities, anticipated reductions in Unitary Tax revenues, and increasing impacts associated with sea-level rise. To maintain financial stability and adequate service delivery, the District will need to identify and pursue additional funding sources.

Sphere of Influence Study Summary: LAFCO staff also prepared determinations for the five SOI factors described in Government Code Section 56036 (Attachment A, Exhibit B). PSLHD's existing SOI is coterminous with its service area boundary. These boundaries were established upon

formation and do not reflect where services are actually delivered or the population that benefits from them.

At the District's request, LAFCO staff evaluated expanding PSLHD's SOI to include the entire County in order to better reflect the population the District serves, the scope of services provided, and the financial and regulatory realities shaping District operations. The existing SOI is coterminous with the District's historic service area boundary, however it is unknown how that boundary was determined at formation, it has never been updated, and it no longer aligns with the regional use of PSLHD facilities, coastal access, and services, all of which benefit residents and visitors countywide and beyond.

Over time, state mandates, especially those related to the California Coastal Act, have expanded the District's responsibilities beyond its original commercially focused harbor operations. PSLHD now provides a wide range of public services, including coastal access, beaches, trails, piers, parking and restroom facilities, emergency response and public safety coordination, environmental stewardship, and preservation of coastal resources. These services are regional in nature and extend well beyond the population residing within the District's existing boundary. However, the District's revenue structure, which is tied to its historic boundary, has not evolved in parallel, resulting in a misalignment between service obligations and financial capacity. These financial constraints limit the District's ability to maintain aging infrastructure, meet regulatory obligations, and plan for long-term capital needs.

Expanding the SOI to encompass the entire county would more accurately reflect the District's true service population, improve long-term financial planning, and lay the groundwork for potential annexation and future revenue adjustments. This update would better align governance, funding, and service delivery with the countywide public benefits provided by PSLHD.

Agency Coordination/Public Comments: Staff coordinated with PSLHD throughout the preparation of this MSR and SOI Study and received input from PSLHD via meetings, questionnaires, email correspondence, and review of the administrative review draft. A 30-day notice and public review and comment period were conducted between February 19, 2026, and March 19, 2026, for the PSLHD MSR and SOI Study. Minor comments were received, which resulted in non-substantive changes to the PSLHD MSR and SOI Study. All public comments received will become part of the official record of the Commission hearing.

Recommendation: Approve, by resolution, the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 8-S-25) as contained in Attachments A and B, and update the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

ENVIRONMENTAL DETERMINATION

LAFCO is the Lead Agency for the proposed MSR and SOI Study. The PSLHD MSR and SOI Study is categorically exempt from further review under CEQA under Section 15306 (Class 6 Exemption). This is based on the use of the MSR as a data collection and service evaluation study. There are no land use changes or environmental impacts created by such studies. In addition, the District's

MSR and SOI Study is exempt from further review under Section 15061(b)(3) (General Rule Exemption). This is based on a determination with certainty that the MSR and SOI Study will have no possibility of significantly affecting the environment, given that this report does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the MSR and SOI Study.

Recommendation: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Port San Luis Harbor District (LAFCO File No. 8-S-25) to be exempt from the CEQA pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2026-XX Approving the Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study

Exhibit A: Notice of Exemption pursuant to Sections 15306 and 15061(b)(3)

Exhibit B: MSR and SOI Study Determinations

Exhibit C: PSLHD Boundary Map

Attachment B: Port San Luis Harbor District Municipal Service Review and Sphere of Influence Study



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 21, 2026

SUBJECT: LAFCO FILE NO. 4-S-24: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE GARDEN FARMS COMMUNITY WATER DISTRICT

RECOMMENDATION

Action 1: Find, by motion, the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 4-S-24) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 4-S-24) as contained in Attachments A and B, and update the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

OVERVIEW

The Cortese-Knox-Hertzberg Act directs Local Agency Formation Commissions (LAFCO) to regularly prepare municipal service reviews (MSRs) prior to, or in conjunction with, establishing and updating each local agency's sphere of influence (SOI). The legislative intent of MSRs is to proactively assess the availability, capacity, and efficiency of local governmental services prior to making SOI determinations. MSRs may also lead LAFCOs to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related SOI changes. As part of the Commission's work plan, staff have prepared the MSR and SOI Study for the Garden Farms Community Water District (GFCWD or District).

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STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Senior Analyst

MORGAN BING
Analyst

MELISSA MORRIS
Commission Clerk

HOLLY WHATLEY
Legal Counsel

GFCWD MSR AND SOI STUDY

Agency Overview: The GFCWD is an independent special district that was formed by election in 1955 for the purpose of purchasing and operating the existing water system previously managed by a private mutual water company. The District was established to ensure reliable, community-based water service to residents in the Garden Farms area.

GFCWD serves the majority of the unincorporated community of Garden Farms, located immediately south of the City of Atascadero and west of El Camino Real, in San Luis Obispo County (County). The District is responsible for the operation, maintenance, and delivery of potable water to residential customers within its boundaries. GFCWD continues to function as the primary public water purveyor for the community, maintaining critical infrastructure and ensuring compliance with state and local water quality regulations.

Municipal Service Review Summary: LAFCO staff prepared determinations for the seven MSR factors described in Government Code Section 56430 (Attachment A, Exhibit B). In summary, LAFCO determined that the District has an estimated population of 449 with approximately 182 total housing units. Governance is provided by a five-member Board of Directors, each elected or appointed to four-year terms. While meeting agendas are physically posted at 17005 Walnut Avenue in Atascadero, the agendas do not identify the meeting location, as required by the Brown Act. GFCWD does not currently maintain a website, which impacts public transparency and compliance with state law. In addition, the District has adopted policies that are out of compliance with the California Public Records Act, particularly with respect to charging labor-based fees for responding to records requests. To promote transparency, enhance public engagement, and ensure compliance with the Brown Act, California Government Code, and the Public Records Act, the District must post meeting locations publicly, develop and maintain a public website, and update its policies to reflect current statutory requirements.

The District serves about 117 connections using three groundwater wells, treatment facilities, hydrants, and a 225,000-gallon storage tank, with water use well below its 93 AFY entitlement from the Atascadero Basin. Since 2014, overall well-pumping capacity has declined by about 37%, though demand is still met and the system is rated “Not At Risk” by the state. The District has identified infrastructure needs, including tank repairs and system looping, but has not set timelines or costs; routine maintenance continues, and reserves are earmarked for future upgrades.

Overall, the District demonstrates indicators of financial stability and health. While operating expenses exceeded operating revenues in each of the last five audited years, the District maintained significant non-operating revenues from leases and taxes throughout the review period and has recently implemented increased water rates. Strong liquidity and a 45% increase in net position over the same period indicate solid short-term capacity and long-term financial stability.

Sphere of Influence Study Summary: LAFCO staff also prepared determinations for the five SOI factors described in Government Code Section 56036 (Attachment A, Exhibit B). The District’s existing SOI contains nine parcels located to the south and west of the District’s current service

area boundary, as seen in Figure 1 below. LAFCO staff evaluated three SOI study areas with the intent of better aligning the District’s SOI with its current and future service obligations.

Study Area No. 1 includes parcels currently receiving, or approved to receive, water service through Outside Agency Agreements (OAAs) and is proposed to remain within the SOI. Although the District has not actively pursued annexation, state law views OAAs as a precursor to future boundary changes. Annexation would benefit landowners by providing permanent service, standard District water rates, and Board representation. Given the District’s capacity to serve and the statutory intent behind OAAs, continued SOI inclusion is recommended.

Study Area No. 2, a single parcel receiving OAA service for decades but located outside the existing SOI, is recommended for inclusion for similar reasons, including long-term service history, District capacity, and the legislative intent for OAAs to eventually result in annexation.

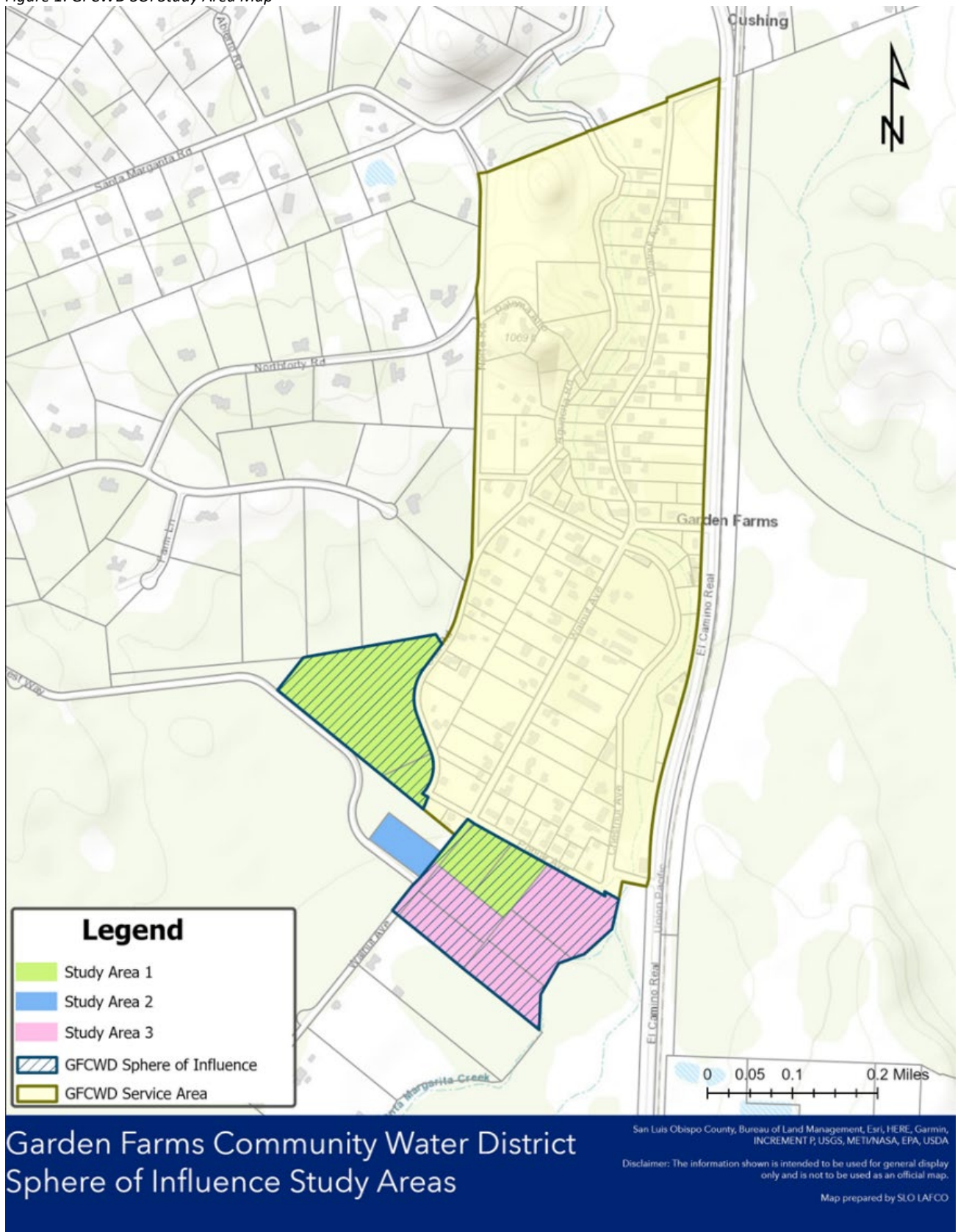
Study Area No. 3, in contrast, is proposed for removal from the SOI. The parcels in this area do not currently receive service and do not have known probable future service needs. Because there is no demonstrated or probable need for District services, continued inclusion in the District’s SOI is unnecessary at this time.

Overall, the proposed SOI amendment is intended to more accurately reflect the District’s probable future service area while remaining consistent with the legislative intent of OAAs.

Table 1: SOI Recommendation Summary

SOI Study Area	Parcels (APN)	Current Service Status	SOI Recommendation
Study Area No. 1	070-121-002, 070-121-031, 070-121-032, 071-121-023	Three parcels receive water service via OAAs; one parcel has an approved OAA but is undeveloped	Remain in SOI
Study Area No. 2	070-121-003	Receives water service via OAA; located outside the current SOI; served for ~40 years	Include in SOI
Study Area No. 3	070-121-026, 070-121-027, 070-121-028, 070-121-029, 071-121-030	No active OAA service; past service discontinued or unclear	Remove from SOI

Figure 1: GFCWD SOI Study Area Map



Agency Coordination/Public Comments: Staff coordinated with GFCWD throughout the preparation of this MSR and SOI Study and received input from GFCWD via meetings, questionnaires, email correspondence, and review of the administrative review draft. A 21-day notice and public review and comment period were conducted between April 30, 2026, and May 21, 2026, for the GFCWD MSR and SOI Study. Notice was also mailed to property owners and registered voters within 300 feet of the existing and proposed SOI areas. No written comments were received as of the staff report publishing date of May 14, 2026. All public comments received will become part of the official record of the Commission hearing.

Recommendation: Approve, by resolution, the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 4-S-24) as contained in Attachments A and B, and update the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

ENVIRONMENTAL DETERMINATION

LAFCO is the Lead Agency for the proposed MSR and SOI Study. The GFCWD MSR and SOI Study is categorically exempt from further review under CEQA under Section 15306 (Class 6 Exemption). This is based on the use of the MSR and SOI Study as a data collection and service evaluation study. There are no land use changes or environmental impacts created by such studies. In addition, the District's MSR and SOI Study is exempt from further review under Section 15061(b)(3) (General Rule Exemption). This is based on a determination with certainty that the MSR and SOI Study will have no possibility of significantly affecting the environment, given that this report does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the MSR and SOI Study.

Recommendation: Find, by motion, the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 4-S-24) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2026-XX Approving the Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study

Exhibit A: Notice of Exemption pursuant to Sections 15306 and 15061(b)(3)

Exhibit B: MSR and SOI Study Determinations

Exhibit C: GFCWD Boundary Map

Attachment B: Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study

Attachment A

Draft LAFCO Resolution No. 2026-XX
Approving the Garden Farms Community
Water District Municipal Service Review
and Sphere of Influence Study

**IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA**

Thursday, May 21, 2026

RESOLUTION NO. 2026-XX

**RESOLUTION APPROVING THE GARDEN FARMS COMMUNITY WATER DISTRICT MUNICIPAL
SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY**

The following Resolution is now offered:

RECITALS

WHEREAS, the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local government agencies whose jurisdictions are within San Luis Obispo County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the availability and performance of governmental services provided by Garden Farms Community Water District, hereinafter referred to as the “District”, pursuant to California Government Code Section 56430, hereby incorporated by reference as contained in LAFCO File No. 4-S-24 Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 21, 2026, LAFCO Staff Report; and

WHEREAS, the Commission conducted a sphere of influence study for the District pursuant to California Government Code Section 56425, hereby incorporated by reference as contained in LAFCO File No. 4-S-24 Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 21, 2026, LAFCO Staff Report; and

WHEREAS, Government Code Section 56425(i) requires that when adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by those districts; and

WHEREAS, Government Code Section 56050.5 provides that once the Commission establishes the functions or services being provided by a district pursuant to Government Code Section 56425(i), all services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, are deemed to be latent services or powers; and

WHEREAS, no change in regulation, land use, or development will occur as a result of the adoption of a sphere of influence for the district; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner provided by law; and

WHEREAS, the staff report and recommendations on the municipal service review and sphere of influence study were presented to the Commission in the form and manner prescribed by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence study on May 21, 2026; and

WHEREAS, the Commission considered all of the municipal service review and sphere of influence factors required under Government Code Section 56430(a) and 56425(e) and adopts as its written statements of determinations therein, the determinations set in the municipal service review and sphere of influence study titled "Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study", with said determinations being included in Exhibit B of this resolution; and

WHEREAS, the Notice of Exemption, prepared pursuant to Section 15062, is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) under Categorical Exemption Section 15306 and the General Rule Exemption Section 15061(b)(3), for the municipal service review and sphere of influence study for the District; and

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by reference.
2. The municipal service review and sphere of influence study titled "Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study" includes the related statements of determination and is determined to be exempt from CEQA pursuant to Section 15306 and Section 15061(b)(3) of the CEQA Guidelines.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of the CEQA, and is hereby determined to be sufficient for the Commission's actions and is incorporated by reference as Exhibit A of this resolution.
4. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.

5. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations for municipal service reviews, included in Exhibit B of this resolution.
6. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations for the sphere of influence, included in Exhibit B of this resolution.
7. That the sphere of influence for the district be adopted pursuant to the map in Exhibit C of this resolution.
8. In adopting this sphere of influence for the District, pursuant to Government Code Section 56425(i), the Commission establishes that the only function or services provided by the district within its jurisdictional boundaries are solely related to water supply and distribution, including the operation and maintenance of wells, storage, and treatment infrastructure.
9. Pursuant to Government Code Section 56050.5, all other services, facilities, functions, or powers authorized by the California Water Code Section 30000 that are not being exercised are, by operation of law, determined to be latent services or powers.
10. Completion of the 30-day reconsideration period provided under Government Code Section 56895.

Upon a motion of Commissioner _____, seconded by Commissioner _____, and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Heather Moreno
LAFCO Chairperson

Date

Exhibit A

Notice of Exemption pursuant to
Sections 15306 and 15061 (b)(3)

Notice of Exemption

To: ✓ Office of Planning and Research
PO Box 3044, 1400 Tenth Street, Room 222
Sacramento, CA 95812-3044

✓ County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

From: San Luis Obispo LAFCO
Rob Fitzroy, Executive Officer
1042 Pacific St. Suite A
San Luis Obispo, CA 93401
(805) 781 – 5795
rfitzroy@slo.lafco.ca.gov

Project Title: LAFCO File No. 4-S-24 | Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study

Project Location: Garden Farms Community Water District (GFCWD) is located in the unincorporated area of San Luis Obispo County, immediately south of the City of Atascadero and west of El Camino Real.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Municipal Service Review (MSR) and Sphere of Influence (SOI) Study for the GFCWD pursuant to Government Code Section 56430 and Section 56425. The SOI is a 20-year growth boundary that includes areas that may be served by the District in the future. State law requires the MSR to be completed either prior to or concurrent with the SOI study. The MSR evaluates the public services provided by the District and is used as the basis for any changes to the SOI. The Commission took action to amend the District’s SOI as depicted in Attachment A, Exhibit C of the LAFCO May 21, 2026, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>. The Commission also established that the District’s authorized functions and services within its jurisdictional boundaries are limited to water supply and distribution, including the operation and maintenance of wells, storage, and treatment facilities, consistent with California Water Code Section 30000.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on May 21, 2026, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: Section 15306
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input checked="" type="checkbox"/> Other: General Rule Exemption, Section 15061(b)(3)

Reasons Why Project is Exempt: It has been determined with certainty that the MSR and SOI Study is categorically exempt under Class 6, Section 15306, and the MSR and SOI Study also qualifies for a general rule exemption under Section 15061(b)(3). There is no possibility that this MSR and SOI Study may have a significant effect on the environment because there are no land use changes associated with the documents; therefore, the GFCWD MSR and SOI Study is found to be exempt from CEQA pursuant to Section 15306 and Section 15061(b)(3) of the State Guidelines. LAFCO will file this Notice of Exemption upon approval of the MSR and SOI Study.

Rob Fitzroy, Executive Officer

Date

Exhibit B

MSR and SOI Study Determinations

Municipal Service Review Determinations for the Garden Farms Community Water District (Government Code Section 56430)

1. Growth and population projections for the affected area.

Based on 2020 Census data, the Garden Farms Census Designated Place has an estimated population of 449 with approximately 182 total housing units. Significant increases in population are not anticipated to occur as the County General Plan envisions infill development with no substantial development or increases in density proposed outside the District's service boundaries.

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

GFCWD's SOI and service area boundary contain one area that meets the criteria for a DUC as defined by Government Code Section 56033.5. Referred to as Santa Margarita DUC Area #1, the DUC, which encompasses the entirety of the community of Garden Farms, Santa Margarita, and neighboring rural areas, has an estimated median household income (MHI) of \$50,625, which is less than 80 percent of the statewide MHI, and contains approximately 1,189 registered voters. Should the District seek to evaluate the surrounding area for annexation in the future, disadvantaged communities should be considered further.

3. Present and planned capacity of public facilities and adequacy of public services, including 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.

The District currently supplies water to approximately 117 service connections using a system composed of 3 active groundwater wells, 3 treatment facilities, 35 fire hydrants, and a 225,000-gallon storage tank. The District has a total water entitlement of 93 acre-

feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently used to meet system demand.

Since the last MSR and SOI Study update in 2014, the District's well capacity has decreased by 36.5%, from a combined pumping capacity of 370 gallons per minute (GPM) to 235 GPM. Well No. 1 has maintained its 150 GPM capacity, while Well No. 2 has declined from 90 to 50 GPM, and Well No. 3 from 130 to 35 GPM. System capacity may be further reduced during dry years when groundwater availability declines.

Despite reduced pumping capacity, the State Water Resources Control Board's SAFER assessment identifies GFCWD as "Not At Risk" based on multiple criteria, including water quality, system accessibility, affordability, and overall managerial and financial performance.

The District reports several infrastructure needs, including interior repairs to the existing 225,000-gallon storage tank. In addition, parts of the water distribution system are not fully looped, resulting in dead-end lines that may limit system redundancy and water circulation. The District has not provided timelines or cost estimates for completing these improvements. Routine maintenance is performed on a scheduled basis, and the District maintains financial reserves earmarked for infrastructure upgrades.

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 revenue sources include water sales, lease income, and taxes and assessments. To evaluate overall financial health, key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed across the five most recent audited fiscal years. The Operating Ratio, which compares annual operating revenues to operating expenses, showed that the District operated at an operating loss during the last five audited years, as operating expenses exceeded operating revenue. However, the District maintained significant non-operating revenues throughout the review period and has recently increased water rates. The Liquidity Ratio demonstrated strong short-term financial health, with the District reporting no current liabilities in three of the five audited years, indicating 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 45% over the five-year audited period, reflecting long term financial growth and stability. Overall, these financial indicators demonstrate that GFCWD is in a sound financial position with sufficient resources to sustain operations and deliver essential services.

5. Status of and opportunities for shared facilities.

GFCWD's facilities consist primarily of groundwater wells, distribution pipelines, and storage infrastructure that operate as a self-contained system. The District is not physically interconnected with neighboring water providers, and no shared water supply, treatment, or distribution facilities are currently in place. Although no physical interconnection exists, opportunities for collaboration remain available. Potential shared services could include interagency coordination on emergency response and planning, participation in mutual aid agreements, or the shared use of specialized equipment on an as-needed basis.

At the County level, efforts are underway to support the resilience of small water systems and domestic well communities. The County's Water System Consolidation Plan identifies potential opportunities for both physical and managerial consolidation of community water systems. While GFCWD is currently classified as "Not At Risk" under the State Water Board's SAFER program, and consolidation is not anticipated at this time, the Consolidation Plan does include conceptual analysis regarding the potential costs, feasibility, and available funding for a future consolidation between GFCWD and the Atascadero Mutual Water Company.

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

The GFCWD operates under the governance authority established by California Water Code Section 30000 and is governed by an independent five-member Board of Directors, each elected or appointed to four-year terms. The Board of Directors holds regular meetings on the second Wednesday of each month at 6:00 PM. Although meeting agendas are physically posted at 17005 Walnut Avenue in Atascadero, the agendas do not

identify the meeting location, as required by the Brown Act. GFCWD does not currently maintain a website, which impacts public transparency and compliance with state law. The District appears to have sufficient revenue to support the development and maintenance of a website and to fund staffing necessary to ensure compliance with applicable laws. Additionally, internet access is widely available in the area, making an online platform an effective means of providing public access to information. In addition, the District has adopted policies that are out of compliance with the California Public Records Act, particularly with respect to charging labor-based fees for responding to records requests. To improve transparency, enhance public engagement, and ensure compliance with the Brown Act, California Government Code, and the Public Records Act, the District must post meeting locations publicly, develop and maintain a public website, and update its policies to reflect current statutory requirements.

7. Any other matter related to effective or efficient service delivery

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

Sphere of Influence Determinations for the Garden Farms Community

Water District (Government Code Section 56425)

1. Present and planned land uses in the area, including agricultural and open-space lands.

The predominant land use within GFCWD’s existing SOI and service area boundary is Residential Suburban, characterized by small-acreage parcels. SOI Study Area No. 2, which is proposed for inclusion into the District SOI, is zoned Rural Lands. The Garden Farms community is nearly built out, with minimal opportunity for large-scale new development. Land uses within the proposed SOI are expected to remain consistent with existing County land use designations. Accordingly, the proposed SOI update supports logical and orderly service planning and is consistent with the legislative intent governing Outside Agency Agreements (OAAs).

2. Present and probable need for public facilities and services in the area.

There is both a present and probable need for service within the proposed SOI area, as the affected properties within the proposed SOI have OAAs with the District and either currently receive water service from the District or are expected to do so once development occurs. Updating the SOI as proposed supports logical and orderly planning, as there is a present and probable need for services in the proposed SOI area, and is consistent with the legislative intent governing OAAs.

3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The District has sufficient capacity to provide adequate public services to the properties within the proposed SOI. Three of the parcels recommended for inclusion have been reliably served by the District for more than 20 years, demonstrating an established ability to meet ongoing service demands. The District holds a water entitlement of 93 acre feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently utilized to meet system demand, leaving the remaining capacity for existing and future needs. Updating the SOI as proposed supports logical and orderly planning, as there is present capacity of District facilities and services to serve the proposed SOI area, and is consistent with the legislative intent governing OAAs.

4. 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 social or economic communities of interest within the District SOI or service area boundary.

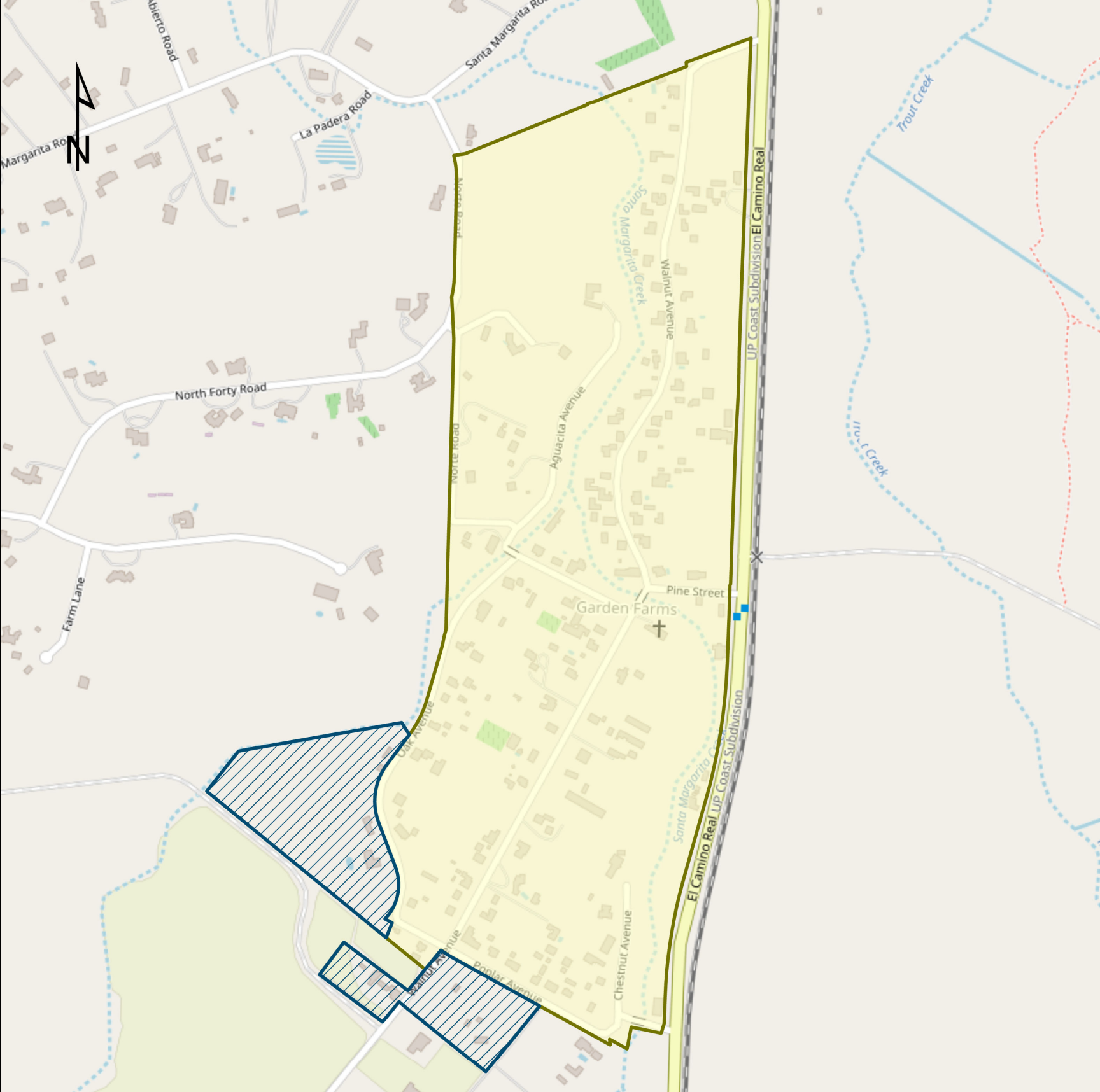
5. For an update of the sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated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

Santa Margarita DUC Area #1 encompasses all of GFCWD's proposed SOI and service area, as well as adjacent rural areas. Within the proposed SOI, there is a present and probable need for water service, as the included properties either currently rely on District service or are expected to do so in the future. There is no other documented need for additional

public services in the areas surrounding the District's proposed SOI and service area. However, should the District pursue future SOI amendments or consider annexation in the future, disadvantaged communities should be considered further in alignment with objectives to ensure equitable access to public services and infrastructure. Updating the SOI as proposed supports logical and orderly planning, is consistent with statutory requirements for considering DUCs, and appropriately reflects that areas within the SOI include disadvantaged populations with an identified need for continued and reliable water service.



Exhibit C

GFCWD Boundary Map

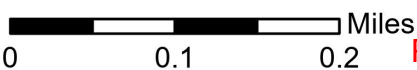


Garden Farms Community Water District

LAFCO Boundaries

-  Sphere of Influence
-  Service Area

Latest SOI Approval: 5/21/2026



Prepared By SLOLAFCO
 Name: GardenFarmsCWD
 Date: 3/31/2026

Attachment B

Garden Farms Community
Water District Municipal
Service Review and Sphere of
Influence Study



Public Review Draft

Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study

Prepared by
the San Luis Obispo Local Agency Formation Commission

Adopted _____, 2026
Resolution No. 2026-XX

TABLE OF CONTENTS

About LAFCO _____	4
Authority and Objectives _____	4
Regulatory Responsibilities _____	4
Planning Responsibilities _____	5
LAFCO Decision-Making _____	6
SLO LAFCO _____	7
Acknowledgments _____	8
District MSR & Sphere Study _____	9
Overview _____	9
At A Glance _____	10
Background _____	10
Boundary Map _____	11
Population Profile _____	12
Present and Planned Land Use _____	14
Accountability _____	15
Services & Capacity _____	16
Finance _____	19
Sphere of Influence _____	25
Determinations _____	31
Municipal Service Review Determinations _____	31
Sphere of Influence Determinations _____	34
California Environmental Quality Act _____	36

List of Figures

Figure 1: GFCWD Existing Boundary Map 11

Figure 2: Santa Margarita DUC Area #1 Map 13

Figure 3: GFCWD Land Use Designation Map 14

Figure 4: Revenues vs. Expenditures 21

Figure 5: Operating Ratio..... 22

Figure 6: Liquidity Ratio 24

Figure 7: GFCWD SOI Study Area Map 26

Figure 8: Proposed GFCWD SOI and Service Area Boundary 30

List of Tables

Table 1: District Profile 10

Table 2: GFCWD Board of Directors 15

Table 3: GFCWD Well Pumping Capacity..... 18

Table 4: Assets 23

Table 5: Liabilities 23

Table 6: Audited Net Position..... 25

Table 7: SOI Recommendations Summary 29

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 currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), with principal oversight provided by the Assembly Committee on Local Government. LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts, as well as their municipal service areas.

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 or 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.

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. A SOI is generally considered a 20-year, long-range planning tool. LAFCOs establish, amend, and update spheres for all applicable jurisdictions in California every five years, or as necessary. When updating the SOI, LAFCOs are required to consider and prepare a written statement of their determinations with respect to each of the following 5 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.

SOI determinations have been a core planning function of LAFCOs since 1971. 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.

Municipal Service Reviews

Municipal Service Reviews (MSR), 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 7 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 not establishing any terms that directly affect land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprising of county supervisors, city council members, independent special district members, and representatives of the general public, and an alternate member for each category. SLO LAFCO is governed by a 7-member board comprising of two county supervisors, two city council members, two independent special district members, one representative

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
Ed Eby	Special District Member
Navid Fardanesh	Special District Member

Alternate Commissioners

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

Staff

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

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 the Garden Farms Community Water District in assisting in the preparation of this report, including – but not limited to – the following individuals:

Christy Hart, General Manager

Charron Sparks, Board Member

DRAFT

DISTRICT MSR & SPHERE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review (MSR) for the Garden Farms Community Water District (GFCWD or District), located immediately south of the City of Atascadero and west of El Camino Real, in northern 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 seen 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 municipal services within the service areas of the GFCWD, 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 warranted– (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 has been set to cover any major updates and changes since the last time the MSR was updated in 2014. The financial analysis has been set to cover the last five-year 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.

At A Glance

Table 1: District Profile

Agency Name	Garden Farms Community Water District
Formation	1955
Legal Authority	California State Water Code Section 30000
Website	None
General Manager	Christy Hart
Employees	2 part-time employees
Public Meetings	The Board of Directors meets on the second Wednesday of each month at 6:00 PM.
Board of Directors	Five members elected to four-year terms
District Service Area	155 acres
Population Estimate	449

Background

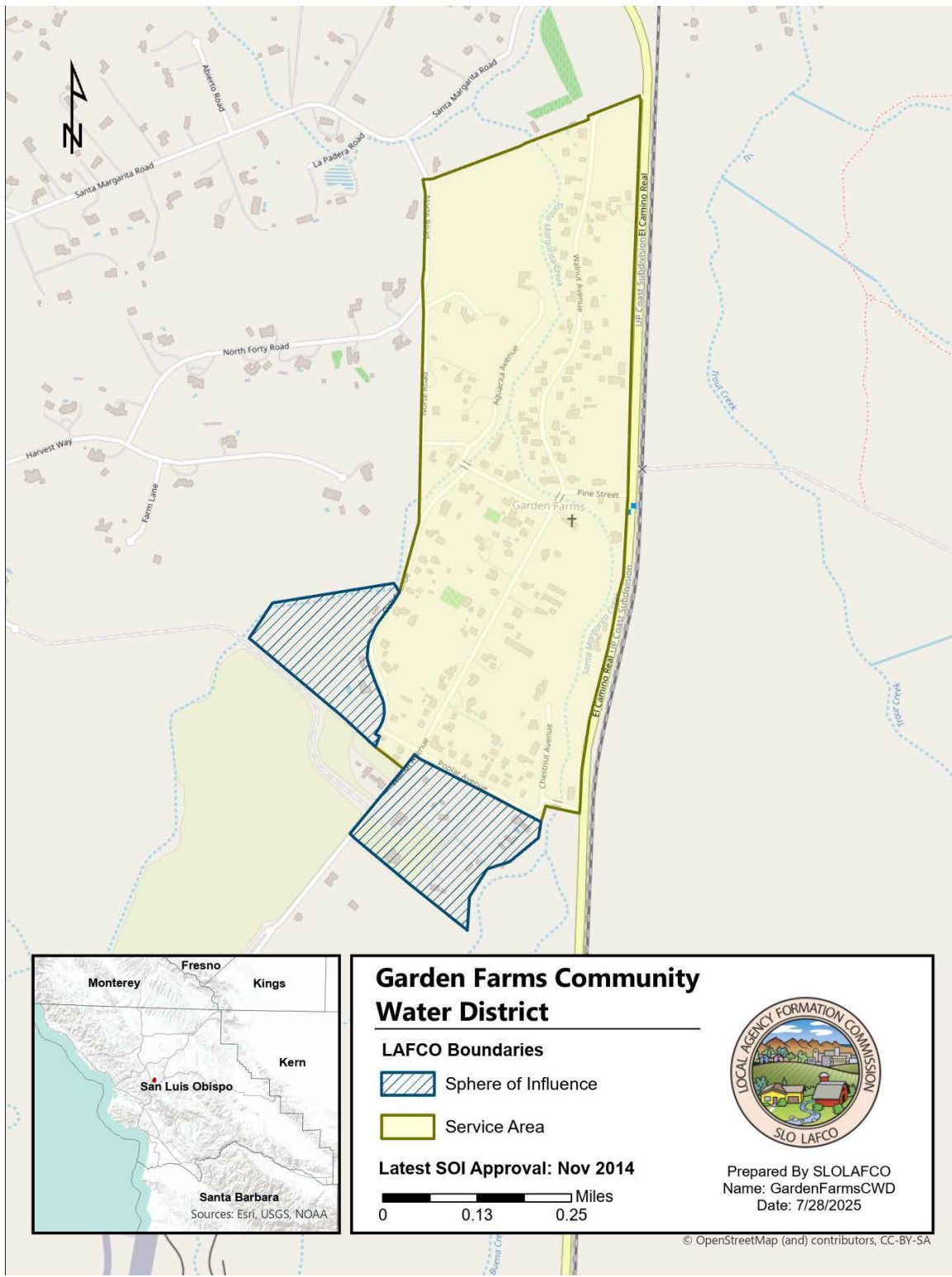
The GFCWD is an independent special district that was formed by election in 1955 for the purpose of purchasing and operating the existing water system previously managed by a private mutual water company. The District was established to ensure reliable, community-based water service to residents in the Garden Farms area.

GFCWD serves the majority of the unincorporated community of Garden Farms, located immediately south of the City of Atascadero and west of El Camino Real, in San Luis Obispo County (County). The District is responsible for the operation, maintenance, and delivery of potable water to residential customers within its boundaries. GFCWD continues to function as the primary public water purveyor for the community, maintaining critical infrastructure and ensuring compliance with state and local water quality regulations.

As a part of this MSR and SOI Study, LAFCO is evaluating potential amendments to GFCWD’s existing Sphere of Influence (SOI). Detailed analysis is provided in the [Sphere of Influence](#) section. The District’s current SOI and service area boundary, last updated in 2014, is shown in Figure 1.

Boundary Map

Figure 1: GFCWD Existing Boundary Map



Population Profile

According to the 2020 U.S. Census, the Garden Farms Census Designated Place (CDP) has an estimated population of 449 residents, with approximately 182 total housing units. No significant population growth is projected for the area, as the County General Plan designates Garden Farms as a rural, infill development area, with no major new development or increases in residential density anticipated outside the District's existing service area boundaries. As such, future demand for water service is expected to remain stable, with only incremental increases related to infill development, the addition of accessory dwelling units, and lot splits permitted by right under state law.

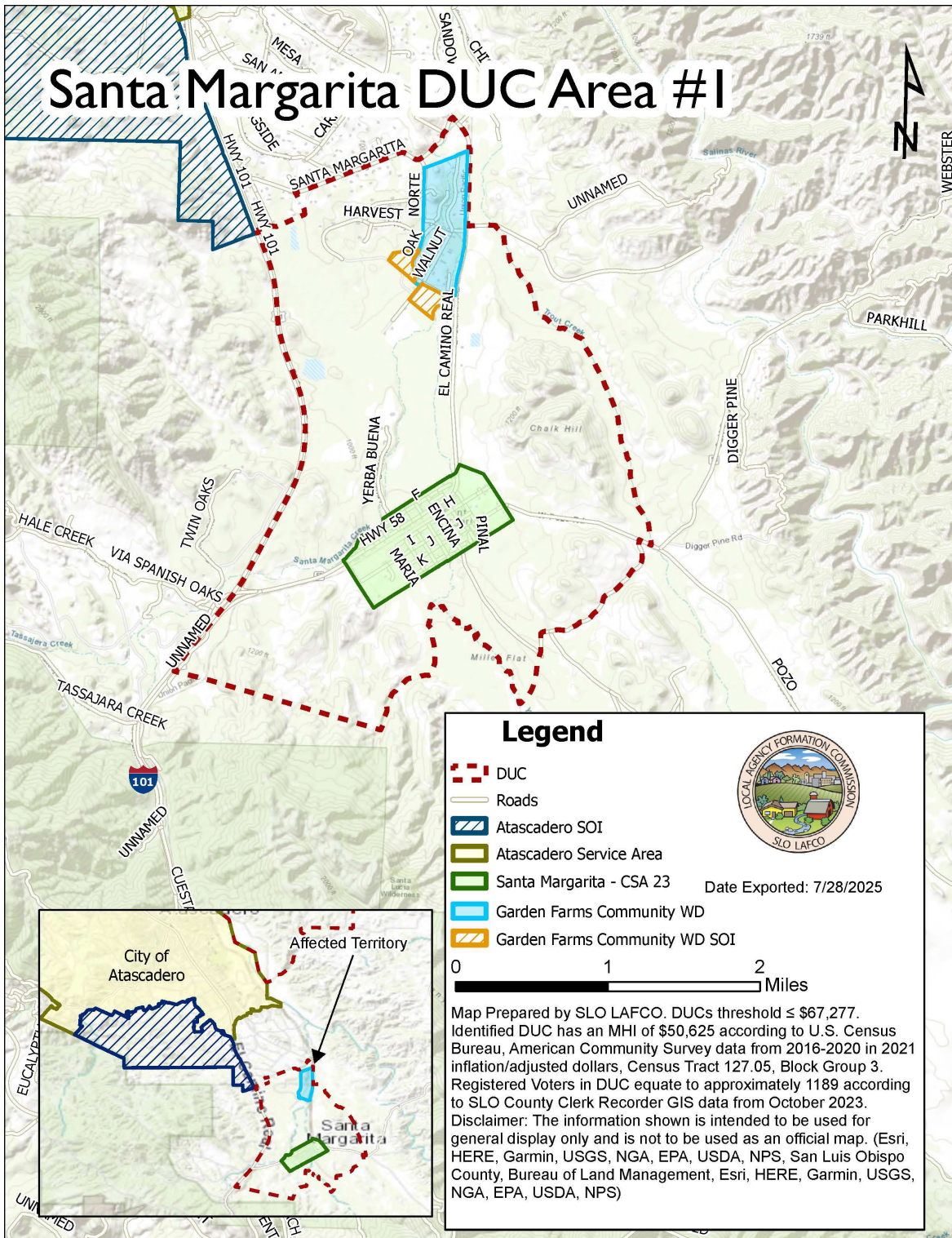
Disadvantaged Unincorporated Communities

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 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 percent of the statewide MHI. The legislative intent is to prohibit selective annexations 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 for locations within the unincorporated areas of the County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG) and Census Designated Places (CDP) data. Once a CBG or a CDP meets the DUC MHI threshold, LAFCO then verifies that those areas are inhabited as specified in Government Code Section 56033.5 using registered voter data from the County Clerk-Recorder.

Using this methodology, one DUC was identified, encompassing the entirety of the community of Garden Farms and the community of Santa Margarita, as shown in Figure 2 and referred to as Santa Margarita DUC Area #1. This DUC has an MHI of \$50,625 and includes approximately 1,189 registered voters. Should GFCWD consider future annexations or SOI amendments, the presence of DUCs should be further evaluated to ensure service equity and access, particularly related to water infrastructure and reliability.

Figure 2: Santa Margarita DUC Area #1 Map



Social or Economic Communities of Interest in the Area

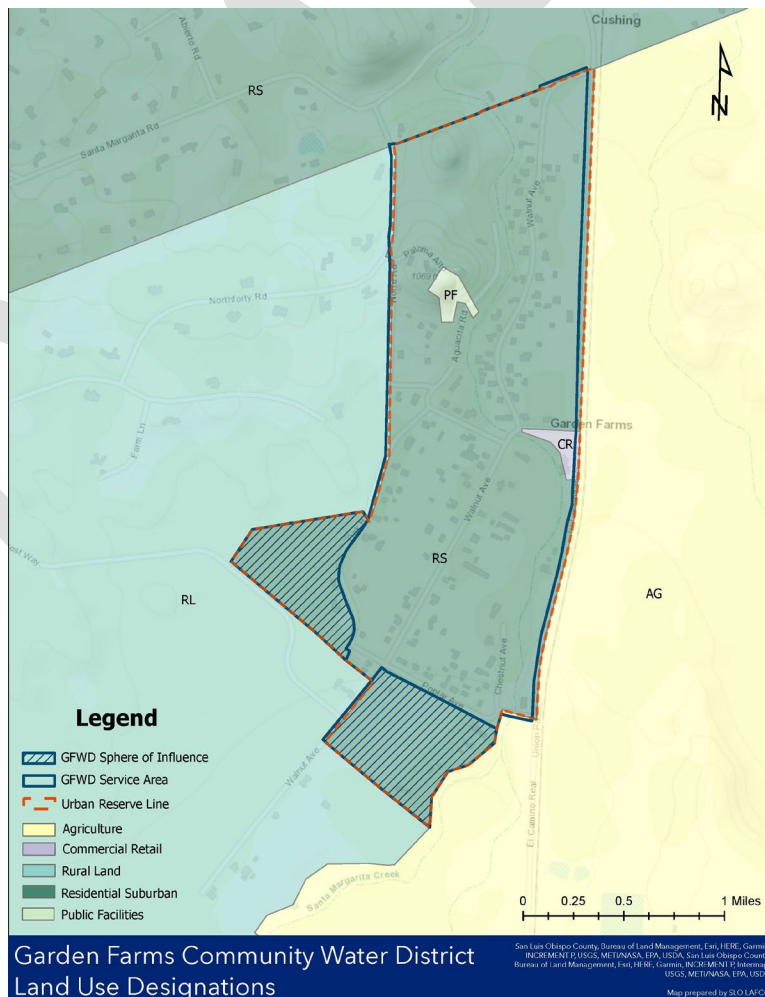
There are no District-relevant social or economic communities of interest in the area served.

Present and Planned Land Use

Land uses within GFCWD are subject to the North County Village Plan, which is part of Part III of the Land Use and Circulation Elements of the County General Plan. The Village Plan is consistent with all other elements of the County General Plan and serves as the guiding framework for development within the three small, unincorporated villages of North County, including Garden Farms.

The predominant land use in GFCWD is Residential Suburban, characterized by small-acreage parcels. To fit with the “hobby farm” character of Garden Farms, there is a small commercial area which contains a country market to supply convenience goods to residents. Areas surrounding the District are zoned Rural Lands and Agriculture. Garden Farms is nearly built out, with minimal opportunity for large-scale new development. The location and distribution of land uses within the District are presented below in Figure 3.

Figure 3: GFCWD Land Use Designation Map



Accountability

GFCWD’s governance authority is established under California State Water Code Section 30000. The District is independently governed by a five-member Board of Directors, whose members are elected or appointed to four-year terms. The Board of Directors holds regular meetings on the second Wednesday of each month at 6:00 PM. Meeting agendas are physically posted at 17005 Walnut Avenue, Atascadero, CA 93422. However, the agendas do not identify the location of Board meetings as required by law. To comply with the Ralph M. Brown Act, the District must specify the time and location of regular meetings on each agenda and formally establish the time and place of its regular meetings by ordinance, resolution, or bylaws.

Table 2: GFCWD Board of Directors

Board Member	Title	Term Expiration
Cory Pereira	Chairman	12/4/2026
Charron Sparks	Financial Officer	12/4/2026
Jay Jamison	Director	12/4/2026
John Billings	Director	12/1/2028
John Pinson	Director	12/1/2028

At the time this report was prepared, GFCWD did not maintain a website as required by law. As a result, key information and documents required to be publicly accessible under state law are not available online. These include District contact information; current meeting agendas, which are legally required to be posted 72 hours before each regular meeting; the State Controller’s Financial Transaction Report; Board and Staff Compensation Report (or a link to each of the State Controller’s website where these are hosted); and the District’s Enterprise System Catalog required by SB 272. Senate Bill 929 requires every independent special district to create and maintain an internet website to provide this information.

Special districts may exempt themselves from the website requirements of SB 929 if their Board of Directors adopts a resolution with detailed findings that a hardship prevents them from establishing or maintaining a website. Examples of valid hardships include limited access to broadband or other types of Internet, significantly limited financial resources, and/or insufficient staff resources. Any adopted

hardship resolution is valid for one year and must be readopted annually if the hardship still exists. LAFCO was not provided with any documentation of a hardship exemption resolution. The District appears to have sufficient revenue to support the development and maintenance of a website and to fund staffing necessary to ensure compliance. Additionally, internet access is widely available in the area, making an online platform an effective means of providing public access to information.

In addition, GFCWD's Policy 3.1.10 states: *"Entities shall be charged for the General Manager's telephone time and for the time required to provide information and forms, at the General Manager's hourly rate and a minimum of \$100 per request."* However, under the California Public Records Act (PRA), a public agency may charge only the direct costs of duplication or a statutory fee if applicable when responding to a PRA request. Labor charges, including staff time associated with the retrieval, inspection, and handling of records, are not permitted under Government Code Section 6253(b).

To ensure transparency and compliance with the Brown Act, SB 929, and the California Public Records Act, the District must develop and maintain a website to provide public access to required documents and meeting information. The District must also revise its policies and procedures regarding processing public records requests to align with PRA requirements. The District has acknowledged these deficiencies and has stated that it will revise its policies and fee structure accordingly.

Services & Capacity

Authorized Services

GFCWD's governance authority is established under the County Water District Law of 1913, codified in California Water Code Section 30000 et seq. This principal act identifies a range of services that a County Water District may provide, including but not limited to:

- Water Supply and Distribution
- Wastewater Services
- Stormwater Management
- Fire Protection Services
- Solid Waste Services
- Electric Power Generation

Under 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. In accordance with 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 and requires LAFCO approval to be activated in the future.

At present, GFCWD exercises all powers solely related to water supply and distribution, including the operation and maintenance of wells, storage, and treatment infrastructure. All other powers granted under California Water Code Section 30000, including wastewater, stormwater, fire protection, solid waste, and energy, are considered latent under the Government Code and require LAFCO approval to activate.

The Services and Capacity section analyzes present and long-term infrastructure 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 GFCWD to expand such resources and services in line with increasing demands. An adequate supply of services should be documented to support areas in the SOI envisioned for eventual annexation and service by a jurisdiction.

Water Supply & Storage Capacity

The District currently provides water service to approximately 117 connections through a system that includes three active wells, three treatment facilities, 35 fire hydrants, and a 225,000-gallon storage tank. The average annual single-family residential water use is approximately 13,124 cubic feet. The District holds a total water entitlement of 93 acre-feet, which is completely groundwater from the Atascadero Basin. The District states that current water demand is approximately 35 Acre Feet Per Year (AFY).

Table 3 below outlines the pumping capacity of each of the District's wells. Well No. 1 and Well No. 3 both have chlorination at the wellhead and provide system chlorination. Well No. 2 is the District's deepest well. While Well No. 2 was previously used more frequently, it is now pumped at lower gallons per minute (GPM) so as to extend its lifespan.

Well No. 3 previously served as a backup well and was taken offline following an earthquake due to sanding issues when pumped above approximately 35 GPM. The well was brought back online

approximately eight years ago and, since that time, has generally been operated at lower pumping rates of approximately 35 to 50 GPM. Although the well is capable of higher production, it has not been intentionally pumped at its maximum rate except during a limited number of operational errors.

Table 3: GFCWD Well Pumping Capacity

Well	2014 Pumping Capacity (Gallons Per Minute)	2025 Pumping Capacity (Gallons Per Minute)
Well No. 1	150	150
Well No. 2	90	50
Well No. 3	130	35
Total	370	235

The California State Water Resources Control Board utilizes the Safe and Affordable Funding for Equity and Resilience (SAFER) program to identify public water systems and domestic wells that are “at-risk” of failure. According to the SAFER program, GFCWD is “Not At-Risk”. This was determined based on drivers of risk, including water quality, accessibility, affordability, and the technical, managerial, and financial capacity of the District.

Infrastructure Needs and Deficiencies

The District reports that there are infrastructure needs related to interior repairs to the District’s existing water storage tank. District staff also identified system deficiencies related to the distribution network not being fully looped, resulting in several dead-end lines. The District has not provided any information regarding the anticipated timing or cost of the necessary repairs and upgrades, or whether such improvements are being planned or budgeted for. However, GFCWD maintains financial reserves designated for infrastructure upgrades, and routine maintenance is scheduled to ensure system reliability.

Staffing & Personnel

The District employs two part-time staff, including a General Manager and a bookkeeper. Maintenance operations are contracted out to Certified Water Systems Services.

Shared Services and Facilities

The District's facilities, primarily groundwater wells, distribution pipelines, and storage infrastructure, are self-contained and not physically interconnected with neighboring water providers. Opportunities for shared services and facilities exist. These could include interagency coordination on emergency planning, mutual aid arrangements, shared equipment on an as-needed basis, or participation in regional groundwater sustainability efforts.

The County, as part of its mission to support maintaining resilient water supplies for domestic wells and small water systems, has prepared a Water System Consolidation Plan to identify potential opportunities for physical and managerial consolidation of these systems. Given the District's size and "Not At-Risk" SAFER Status, water system consolidation is not anticipated at this time; however, the County's Water System Consolidation Plan provides data related to the potential costs, viability, and funding available for consolidation of GFCWD with the Atascadero Mutual Water Company. Consolidation actions described in this plan are presented as conceptual projects that would require additional technical, financial, and consultation actions led by project proponents to determine project feasibility.

Finance

LAFCO is required to make a determination regarding the financial ability of the GFCWD 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. To evaluate the District's overall financial condition, LAFCO utilizes three key financial indicators:

- *Operating Ratio*: Assessment of revenues relative to expenditures;
- *Liquidity Ratio*: Analysis of assets and liabilities to gauge short-term financial stability;
- *Net Position*: Measurement of the District's overall financial worth

The primary data sources for this evaluation are the District's financial statements from Fiscal Years (FY) 2020-2021 through FY 2024-2025.

Budget

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget provides a framework for the District to address the following issues:

reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements, and rates and fees. The District's annual budgets show revenues at least equal to expenditures without relying on reserves. At this time, the District's budget documents are not made publicly available on a District website.

Audited Financial Statements

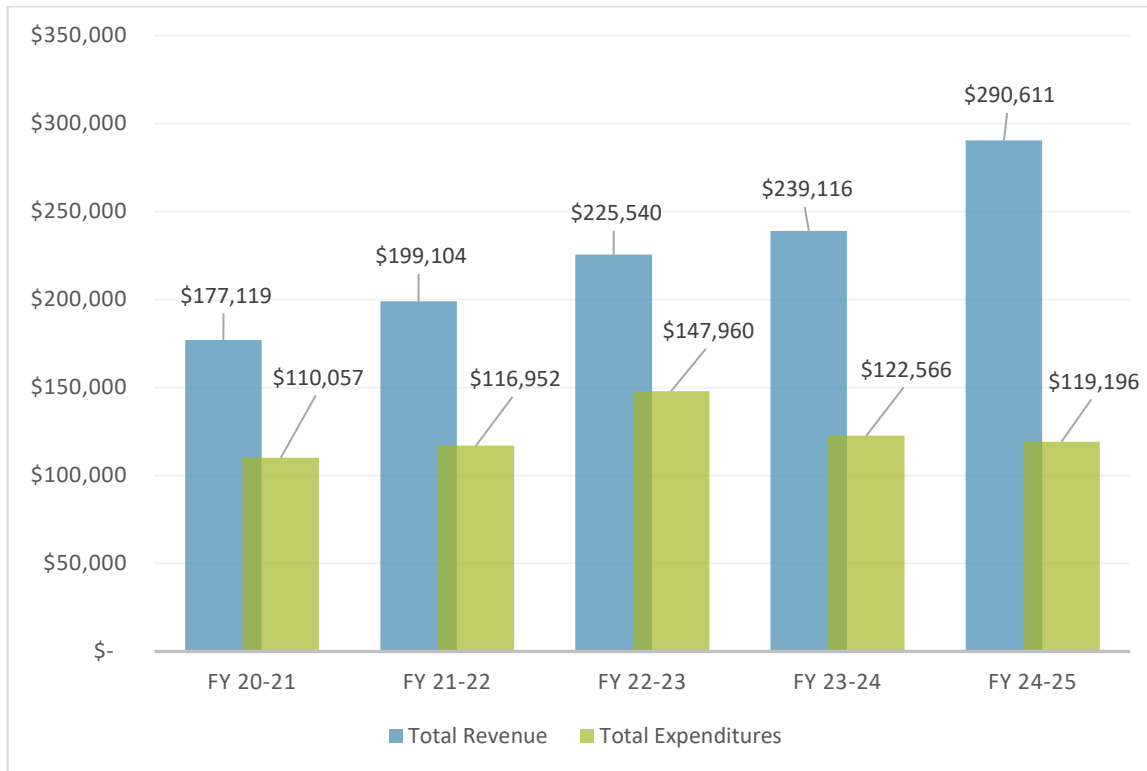
GFCWD hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing GFCWD's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measures in assessing GFCWD's short and long-term fiscal health with a specific focus on delivering its active service functions. LAFCO has used the five most recent audited financial statements to conduct its evaluation of the District's Financial Health, separated into three categories (Revenues and Expenditures, Assets and Liabilities, and Net Position).

Revenues and Expenditures

The GFCWD's principal sources of revenue are from water sales, lease income¹, taxes, and assessments. As shown in Figure 4 below, the District has experienced an increase in revenue over the past five fiscal years. The District's total expenditures experienced decreases in FY 2023-24 and FY 2024-25 due to an overall decrease in salaries and benefits, repairs, and maintenance. The District's principal expenses are for repairs and maintenance, salaries and benefits, and depreciation.

¹ On September 21, 2017, the District entered into an amended 5-year lease with AT&T for the use of space for a wireless communications facility commencing June 1, 2022, with 3 options to extend the lease an additional 5 years. Under the lease, AT&T shall pay the District \$2,384.64 per month with a 15% increase after each 5-year term has ended. On April 22, 2009, the District entered into a 5-year lease with T-Mobile for the use of space for a wireless communications facility with 4 options to extend the lease an additional 5 years. Under the lease, T-Mobile shall pay the Authority \$1,500 per month with the rate increasing annually by 4% at the lease commencement date.

Figure 4: Revenues vs. Expenditures

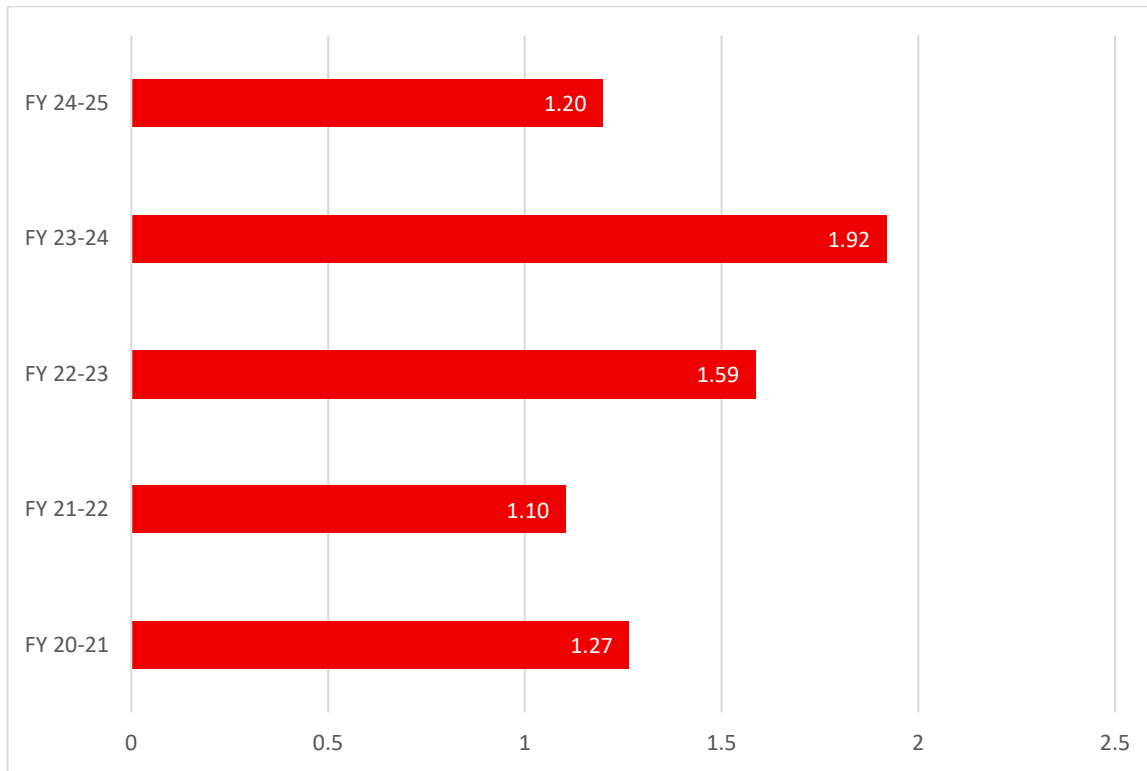


To assess the District’s ability to meet its financial obligations, Figure 5 displays the Operating Ratio for the past five audited FYs. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

- 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 last five-year audited period, the District’s Operating Ratio remained above 1.0, indicating that operating expenses exceeded operating revenues each year, resulting in consistent operating losses. However, the District appears to have offset these deficits through the use of non-operating revenues, including lease income, taxes and assessments, and interest income. In addition, the District implemented water rate increases in FY 2025-26, which is expected to improve its Operating Ratio in future FYs.

Figure 5: 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, GFCWD’s total assets have grown, reaching over \$2.1 million at the end of FY 2024-25. Approximately 58% of these assets are classified as current, primarily consisting of cash and investments expected to be liquidated within a year. The remaining assets are classified as noncurrent assets, mainly consisting of lease receivables, capital assets, and land.

Table 4: Assets

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Assets	\$855,199	\$952,894	\$1,005,762	\$1,088,629	\$1,251,379
Noncurrent Assets	\$141,845	\$126,467	\$972,222	\$949,417	\$901,593
Total Assets	\$997,044	\$1,079,361	\$1,977,984	\$2,038,046	\$2,152,972

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
- *Long-Term Liabilities:* an agency’s long-term financial obligations that are due more than a year away

At the close of FY 2024-25, GFCWD reported no outstanding liabilities. District staff confirmed that there are no contingent liabilities and no pending litigation with any real financial consequence. At year-end, the District reported deferred inflows of resources totaling \$708,998, associated with a lease agreement. This amount reflects the initial recognition of the lease receivable and is recorded in accordance with applicable accounting standards.

Table 5: Liabilities²

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Liabilities	\$ 767	\$932	-	-	-
Total Liabilities	\$ 767	\$932	-	-	-
Deferred Inflows of Resources	-	-	\$821,975	\$765,487	\$708,998

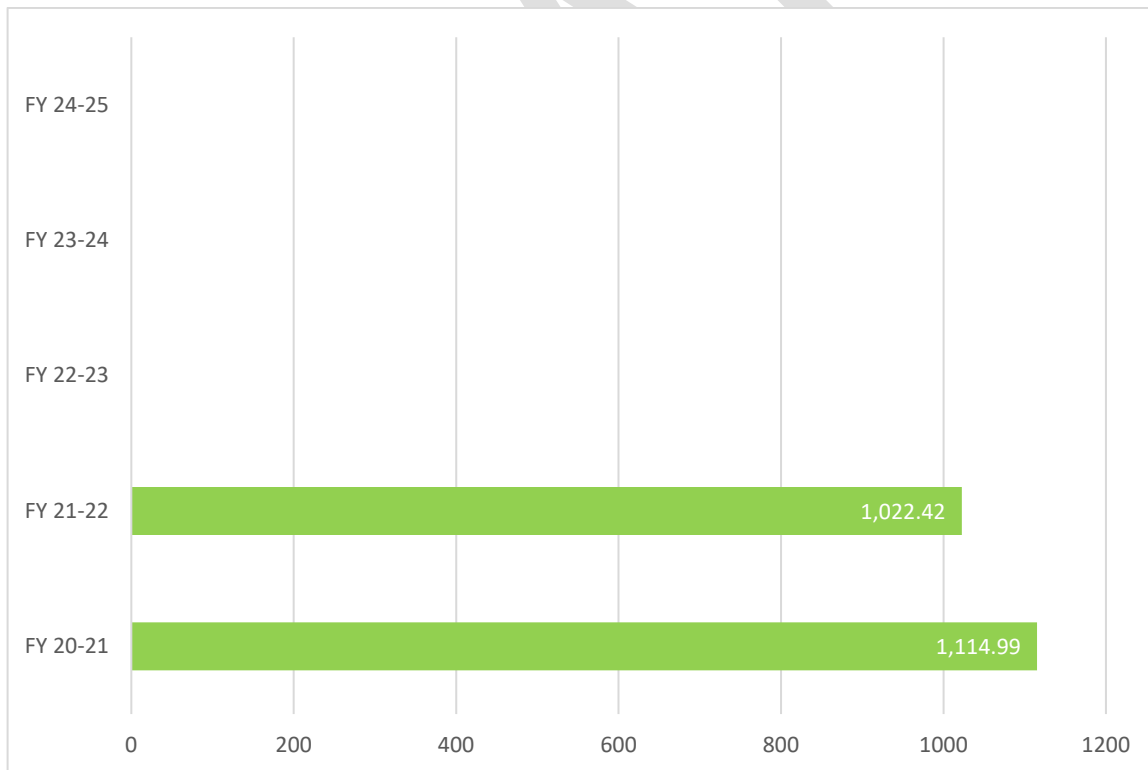
² Differences in the reporting of liabilities across the audited fiscal years may reflect changes in accounting practices or methodologies, including the use of different external audit firms during the review period.

Figure 6 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. However, for FY 2022-23 through FY 2024-25, the District reported no current liabilities. As a result, traditional liquidity ratios are not applicable. However, the absence of short-term obligations indicates a strong liquidity position and suggests the District is well-positioned to meet any immediate financial needs.

Figure 6: 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 deferred outflows of resources and total liabilities and deferred inflows of resources, 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

Net position is presented in two categories, which focus on the accessibility and restrictions of the underlying assets:

- *Net Investment in Capital Assets*: Represents capital assets, net of accumulated depreciation, reduced by the outstanding principal of the debt used to acquire those assets
- *Unrestricted Net Position*: Consists of resources that do not meet the criteria for the other two categories and may be used for general operations.

As of June 30, 2025, GFCWD’s net position increased to \$1,443,974, reflecting growth over the past five audited fiscal years. This increase indicates that the District’s total assets exceed its total liabilities, indicating a strong financial position.

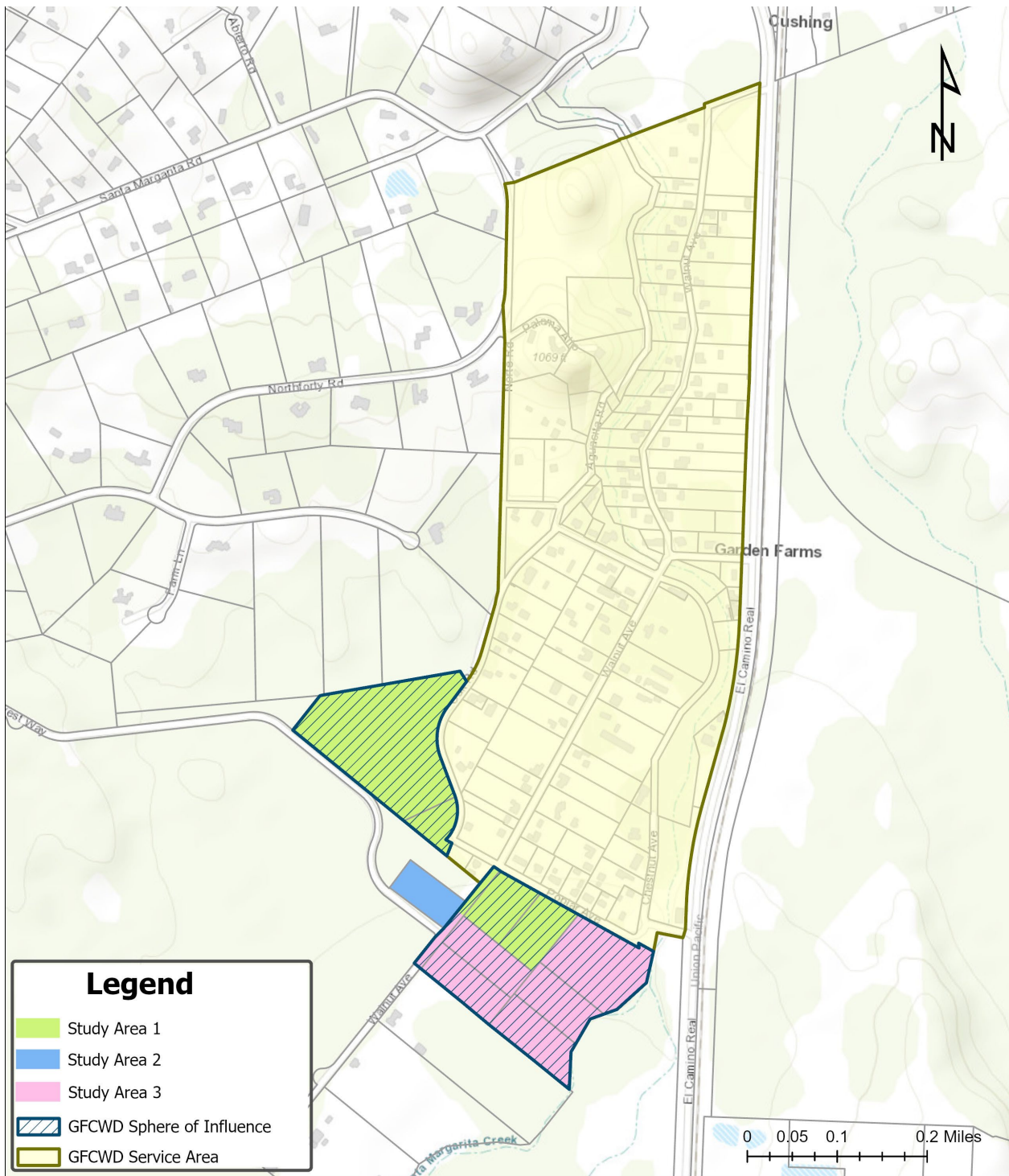
Table 6: Audited Net Position

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Net Investment in Capital Assets	\$141,845	\$126,467	\$126,238	\$136,238	\$124,057
Unrestricted	\$854,432	\$951,962	\$1,029,771	\$1,136,321	\$1,319,917
Total Net Position	\$996,277	\$1,078,429	\$1,156,009	\$1,272,559	\$1,443,974

Sphere of Influence

The District’s existing SOI includes nine parcels located to the south and west of the current District service area boundary. This section evaluates two study areas within the existing SOI and considers the proposed inclusion of one additional study area currently located outside of the SOI. The purpose of this SOI Study is to assess which parcels should remain within, be added to, or be removed from the SOI. The map in Figure 7 shows the District’s existing SOI as well as the three study areas discussed below.

Figure 7: GFCWD SOI Study Area Map



Garden Farms Community Water District Sphere of Influence Study Areas

San Luis Obispo County, Bureau of Land Management, Esri, HERE, Garmin, INCREMENT P, USGS, METI/NASA, EPA, USDA

Disclaimer: The information shown is intended to be used for general display only and is not to be used as an official map.

Map prepared by SLO LAFCO

SOI Study Area No. 1 | Proposed to Remain in the SOI

Study Area No. 1 consists of three parcels that currently receive water service from the District through Outside Agency Agreements (OAAs). These parcels include Assessor Parcel Numbers (APNs) 070-121-002, 070-121-031, and 070-121-032. Also included in Study Area No. 1 is APN 071-121-023, which has an approved OAA with the District but is undeveloped and does not currently receive service.

Under Government Code Section 56133, LAFCO may authorize a city or district to provide new or extended services through OAAs outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization. OAAs may also be approved for areas outside of an agency's SOI in response to an existing or impending threat to the health or safety of the public.

GFCWD has not indicated interest in annexing the properties currently under OAAs. However, because OAAs are intended to serve as a precursor to future boundary changes under state law, it is recommended that these properties ultimately annex into GFCWD. Annexation could be proposed through one of two pathways: Resolution of Application, wherein annexation is initiated by GFCWD; or Landowner Petition of Application, wherein annexation is initiated by the landowner.

Landowners receiving service through OAAs from GFCWD pay higher rates than in-District customers. In addition, under GFCWD policy, a substantial reduction in the District's available water supply may result in discontinuation of service to OAA customers at any time. Annexation would provide affected landowners with permanent service, eligibility for standard District water rates, and representation by the District's Board of Directors.

As with any Landowner Petition of Application, the District retains the authority to adopt a resolution requesting termination of proceedings subject to LAFCO review and consideration at a public hearing. Should the District wish to terminate a request for annexation, the District is legally required to pass a Resolution with written findings demonstrating substantial evidence of financial or service-related concerns, pursuant to Government Code Section 56857.

Altogether, Study Area No. 1 is proposed to remain within GFCWD's SOI based on the District's adequate capacity for service, the benefits of annexation to the landowners, and the statutory expectation that OAAs precede future changes of organization.

SOI Study Area No. 2 | Proposed for Inclusion in the SOI

Study Area No. 2 includes one parcel (APN 070-121-003), which currently receives water service from the District through an OAA, but is located outside the District’s existing SOI. This parcel is zoned Rural Lands, and it appears this property has received service from the District for more than 40 years. Consistent with the rationale for Study Area No. 1, the parcel should be included within the District’s SOI due to demonstrated District capacity to continue providing service, the long-term benefits of annexation to the landowner, and the legislative intent for OAAs to eventually result in annexation. Therefore, Study Area No. 2 is recommended for inclusion within the District’s SOI.

SOI Study Area No. 3 | Proposed for Removal from the SOI

There are five parcels within Study Area No. 3 (APNs 070-121-026, 070-121-027, 070-121-028, 070-121-029, and 071-121-030). It appears that three of the parcels (APNs 070-121-026, 070-121-027, and 070-121-028) originated from a single parcel that once received OAA service from GFCWD. It appears that following the subdivision, the District discontinued service to the subdivided parcels. The remaining two parcels (APNs 070-121-029 and 071-121-030) do not appear to have ever been served under an OAA, and the reasoning for their prior inclusion in the District’s SOI is unclear.

Given the absence of active or probable future service needs, Study Area No. 3 is proposed for removal from the SOI. If the District or landowners later express interest in receiving District service, LAFCO may reconsider SOI inclusion at that time.

Conclusion

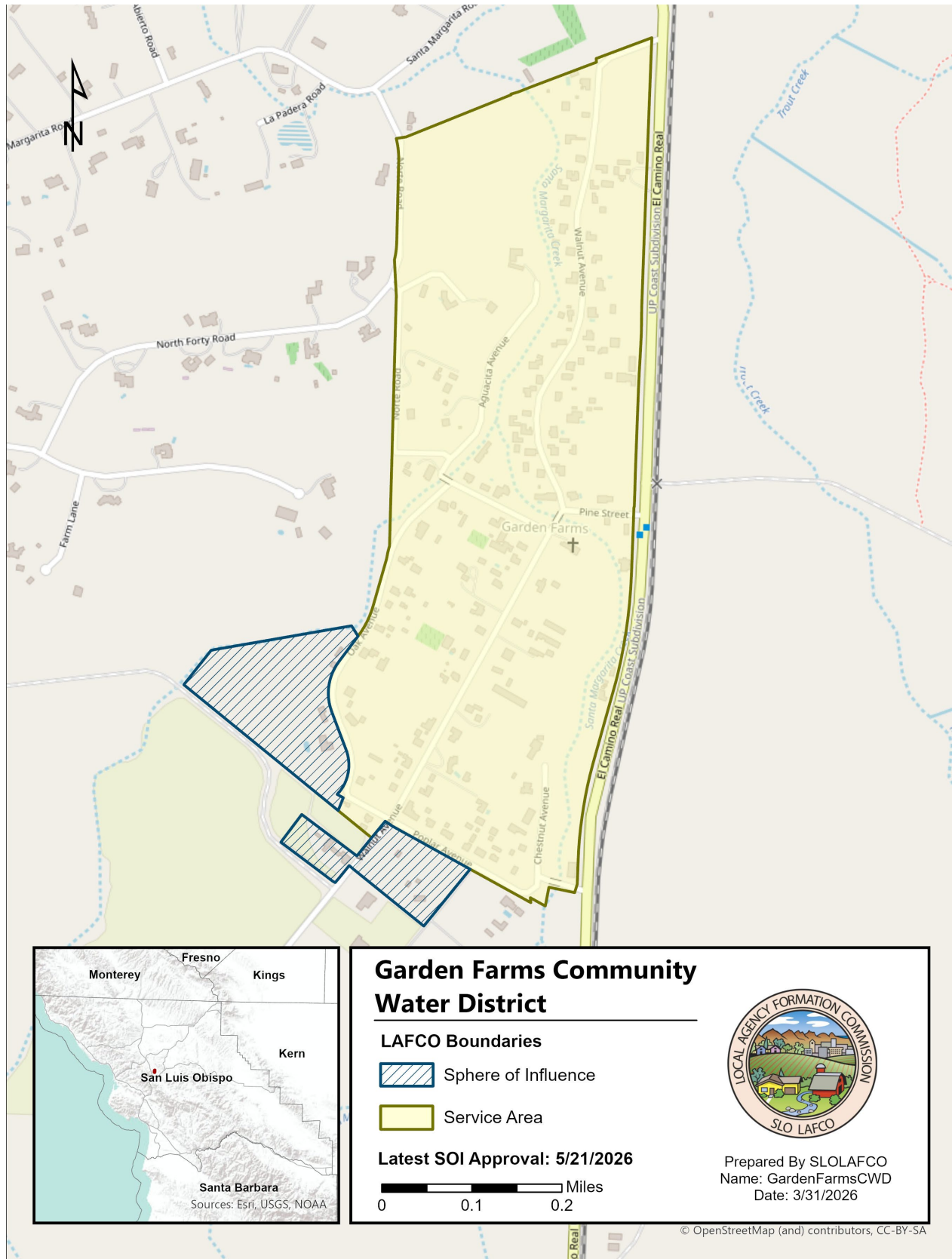
Overall, the proposed SOI adjustments more accurately reflect the District’s probable future service area boundary and are consistent with the legislative intent of OAAs. Study Area No. 1 is proposed to remain within the SOI, and Study Area No 2 is recommended for inclusion based on the existing OAAs and the statutory expectation that OAAs are approved in anticipation of future changes of organization, such as annexation. Study Area No. 3 is recommended to be removed from the SOI due to the absence of current or probable service needs. A summary of the SOI recommendations for each study area is provided in Table 7 and the recommended SOI and service area boundary is shown in Figure 8.

Table 7: SOI Recommendations Summary

SOI Study Area	Parcels (APN)	Current Service Status	SOI Recommendation
Study Area No. 1	070-121-002, 070-121-031, 070-121-032, 071-121-023	Three parcels receive water service via OAAs; one parcel has approved OAA but is undeveloped	Remain in SOI
Study Area No. 2	070-121-003	Receives water service via OAA; located outside current SOI; served for ~40 years	Include in SOI
Study Area No. 3	070-121-026, 070-121-027, 070-121-028, 070-121-029, 071-121-030	No active OAA service; past service discontinued or unclear	Remove from SOI

DRAFT

Figure 8: Proposed GFCWD SOI and Service Area Boundary



DETERMINATIONS

Municipal Service Review Determinations

As set forth in Government Code Section 56430 (a), In order to prepare and 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 Census data, the Garden Farms Census Designated Place has an estimated population of 449 with approximately 182 total housing units. Significant increases in population are not anticipated to occur as the County General Plan envisions infill development with no substantial development or increases in density proposed outside the District's service boundaries.

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

GFCWD's SOI and service area boundary contain one area that meets the criteria for a DUC as defined by Government Code Section 56033.5. Referred to as Santa Margarita DUC Area #1, the DUC, which encompasses the entirety of the community of Garden Farms, Santa Margarita, and neighboring rural areas, has an estimated median household income (MHI) of \$50,625, which is less than 80 percent of the statewide MHI, and contains approximately 1,189 registered voters. Should the District seek to evaluate the surrounding area for annexation in the future, disadvantaged communities should be considered further.

3. Present and planned capacity of public facilities and adequacy of public services, including 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.

The District currently supplies water to approximately 117 service connections using a system composed of 3 active groundwater wells, 3 treatment facilities, 35 fire hydrants, and a 225,000-gallon storage tank. The District has a total water entitlement of 93 acre-feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently used to meet system demand.

Since the last MSR and SOI Study update in 2014, the District's well capacity has decreased by 36.5%, from a combined pumping capacity of 370 gallons per minute (GPM) to 235 GPM. Well No. 1 has maintained its 150 GPM capacity, while Well No. 2 has declined from 90 to 50 GPM, and Well No. 3 from 130 to 35 GPM. System capacity may be further reduced during dry years when groundwater availability declines.

Despite reduced pumping capacity, the State Water Resources Control Board's SAFER assessment identifies GFCWD as "Not At-Risk" based on multiple criteria, including water quality, system accessibility, affordability, and overall managerial and financial performance.

The District reports several infrastructure needs, including interior repairs to the existing 225,000-gallon storage tank. In addition, parts of the water distribution system are not fully looped, resulting in dead-end lines that may limit system redundancy and water circulation. The District has not provided timelines or cost estimates for completing these improvements. Routine maintenance is performed on a scheduled basis, and the District maintains financial reserves earmarked for infrastructure upgrades.

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 revenue sources include water sales, lease income, and taxes and assessments. To evaluate overall financial health, key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed across the five most recent audited fiscal years. The Operating Ratio, which compares annual operating revenues to operating expenses, showed that the District operated at an operating loss during the last five audited years, as operating expenses exceeded operating revenue. However, the District maintained significant non-operating revenues throughout the review period and has recently increased water rates. The Liquidity Ratio demonstrated strong short-term financial health,

with the District reporting no current liabilities in three of the five audited years, indicating 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 45% over the five-year audited period, reflecting long term financial growth and stability. Overall, these financial indicators demonstrate that GFCWD is in a sound financial position with sufficient resources to sustain operations and deliver essential services.

5. Status of and opportunities for shared facilities

GFCWD's facilities consist primarily of groundwater wells, distribution pipelines, and storage infrastructure that operate as a self-contained system. The District is not physically interconnected with neighboring water providers, and no shared water supply, treatment, or distribution facilities are currently in place. Although no physical interconnection exists, opportunities for collaboration remain available. Potential shared services could include interagency coordination on emergency response and planning, participation in mutual aid agreements, or the shared use of specialized equipment on an as-needed basis.

At the County level, efforts are underway to support the resilience of small water systems and domestic well communities. The County's Water System Consolidation Plan identifies potential opportunities for both physical and managerial consolidation of community water systems. While GFCWD is currently classified as "Not At-Risk" under the State Water Board's SAFER program, and consolidation is not anticipated at this time, the Consolidation Plan does include conceptual analysis regarding the potential costs, feasibility, and available funding for a future consolidation between GFCWD and the Atascadero Mutual Water Company.

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

The GFCWD operates under the governance authority established by California Water Code Section 30000 and is governed by an independent five-member Board of Directors, each elected or appointed to four-year terms. The Board of Directors holds regular meetings on the second Wednesday of each month at 6:00 PM. Although meeting agendas are physically posted at 17005 Walnut Avenue in Atascadero, the agendas do not identify the meeting location, as required by the Brown Act. GFCWD does not currently maintain a website, which impacts public

transparency and compliance with state law. The District appears to have sufficient revenue to support the development and maintenance of a website and to fund staffing necessary to ensure compliance with applicable laws. Additionally, internet access is widely available in the area, making an online platform an effective means of providing public access to information. In addition, the District has adopted policies that are out of compliance with the California Public Records Act, particularly with respect to charging labor-based fees for responding to records requests. To improve transparency, enhance public engagement, and ensure compliance with the Brown Act, California Government Code, and the Public Records Act, the District must post meeting locations publicly, develop and maintain a public website, and update its policies to reflect current statutory requirements.

7. Any other matter related to effective or efficient service delivery

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

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 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. Present and planned land uses in the area, including agricultural and open-space lands.

The predominant land use within GFCWD's existing SOI and service area boundary is Residential Suburban, characterized by small-acreage parcels. SOI Study Area No. 2, which is proposed for inclusion into the District SOI, is zoned Rural Lands. The Garden Farms community is nearly built out, with minimal opportunity for large-scale new development. Land uses within the proposed SOI are expected to remain consistent with existing County land use designations. Accordingly, the proposed SOI update supports logical and orderly service planning and is consistent with the legislative intent governing Outside Agency Agreements (OAAs).

2. Present and probable need for public facilities and services in the area.

There is both a present and probable need for service within the proposed SOI area, as the affected properties within the proposed SOI have OAAs with the District and either currently receive water service from the District or are expected to do so once development occurs. Updating the SOI as proposed supports logical and orderly planning, as there is a present and probable need for services in the proposed SOI area, and is consistent with the legislative intent governing OAAs.

3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The District has sufficient capacity to provide adequate public services to the properties within the proposed SOI. Three of the parcels recommended for inclusion have been reliably served by the District for more than 20 years, demonstrating an established ability to meet ongoing service demands. The District holds a water entitlement of 93 acre-feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently utilized to meet system demand, leaving the remaining capacity for existing and future needs. Updating the SOI as proposed supports logical and orderly planning, as there is present capacity of District facilities and services to serve the proposed SOI area, and is consistent with the legislative intent governing OAAs.

4. 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 social or economic communities of interest within the District SOI or 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.

Santa Margarita DUC Area #1 encompasses all of GFCWD's proposed SOI and service area, as well as adjacent rural areas. Within the proposed SOI, there is a present and probable need for water service, as the included properties either currently rely on District service or are expected

to do so in the future. There is no other documented need for additional public services in the areas surrounding the District's proposed SOI and service area. However, should the District pursue future SOI amendments or consider annexation in the future, disadvantaged communities should be considered further in alignment with objectives to ensure equitable access to public services and infrastructure. Updating the SOI as proposed supports logical and orderly planning, is consistent with statutory requirements for considering DUCs, and appropriately reflects that areas within the SOI include disadvantaged populations with an identified need for continued and reliable water service.

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 GFCWD 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.



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 21, 2026

SUBJECT: CONSIDERATION OF THE FINAL FISCAL YEAR 2026-2027 BUDGET AND WORK PLAN

RECOMMENDATION

Action: Adopt a Resolution approving the Final Fiscal Year 2026-2027 Budget and Work Plan (Attachment A), direct the Executive Officer to distribute the Final Budget and Work Plan to contributing agencies per the government code, and direct the Executive Officer to execute the agreement with the County Auditor for financial services (Attachment B).

SUMMARY

On April 16, 2026, the Commission held a duly noticed hearing for the Proposed Fiscal Year 2026-2027 (FY 26-27) Budget and Work Plan. A comprehensive staff report and presentation were provided, and a hearing was conducted as required by law. The Commission unanimously approved the Proposed FY 26-27 Budget and Work Plan as recommended by staff. The Proposed Budget and Work Plan were transmitted to all contributing agencies. As of the date of publication of this staff report, no comments have been received. For the full report of the FY 26-27 Budget and Work Plan, please refer to the previously prepared April 16, 2026 staff report, available at slo.lafco.ca.gov. Today's hearing is to consider the adoption, by resolution, of the Final FY 26-27 Budget and Work Plan.

ATTACHMENTS

Attachment A: LAFCO Resolution Adopting the Final Fiscal Year 2026-2027 Budget and Work Plan

Exhibit A: Final Budget and Work Plan

Attachment B: County Auditor Contract

COMMISSIONERS

Chairperson
HEATHER MORENO
County Member

Vice-Chair
DAVID WATSON
Public Member

DAWN ORTIZ-LEGG
County Member

ED WAAGE
City Member

STEVE GREGORY
City Member

ED EBY
Special District Member

NAVID FARDANESH
Special District Member

ALTERNATES

BRUCE GIBSON
County Member

CARLA WIXOM
City Member

VACANT
Special District Member

MICHAEL DRAZE
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Senior Analyst

MORGAN BING
Analyst

MELISSA MORRIS
Commission Clerk

HOLLY WHATLEY
Legal Counsel

Attachment A

LAFCO Resolution
Adopting the Final
Fiscal Year 2026-2027
Budget and Work Plan

IN THE LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Thursday, May 21, 2026

RESOLUTION NO. 2026-XX

RESOLUTION ADOPTING THE FINAL FISCAL YEAR 2026-2027 BUDGET AND WORK PLAN

The following Resolution is now offered:

RECITALS

WHEREAS, the Executive Officer has given the notices required by law and forwarded the LAFCO budget to officers, persons, and public agencies as prescribed by law; and

WHEREAS, the matter was set for public hearing at 9:00 a.m. on Thursday, April 16, 2026, and May 21, 2026, staff reports were prepared, and the hearing was conducted as required by law, and the LAFCO Fiscal Year 2026-2027 Budget and Work Plan was considered; and

WHEREAS, at said hearing, this Commission heard and received any written protests, objections, and evidence which were made, presented, or filed, and all persons present were given the opportunity to hear and be heard in respect to any matter relating to the budget and work plan; and

WHEREAS, the Commission considered and approved the Fiscal Year 2026-2027 Proposed Budget and Work Plan at the April 16, 2026, meeting as recommended by staff and approved the Final Fiscal Year 2026-2027 Budget and Work Plan on May 21, 2026, as recommended by staff;

WHEREAS, the San Luis Obispo Local Agency Formation Commission finds that it can accomplish its legislative purpose and adopted work plan with the final budget as required by the Cortese-Knox-Hertzberg Act by Section 56381(a); and

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Local Agency Formation Commission of the County of San Luis Obispo, State of California, as follows:

1. That the Recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by this reference.
2. That pursuant to Government Code Section 56381(a), the Commission hereby adopts a Final Budget and Work Plan for Fiscal Year 2026-2027 as shown in Exhibit A attached hereto. The amount charged to the Cities, Special Districts, and the County, after deducting fees from applications and using of fund balance available, is in Exhibit A attached hereto. This amount will be charged to contributing agencies based on the formula and procedure contained in the Government Code and as implemented by the County Auditor-Controller's office.

3. That the Commission finds that it can accomplish its legislative purpose and adopted work plan with the final budget as required by Government Code Section 56381(a).
4. That the Executive Officer of this Commission is hereby authorized to transmit the Fiscal Year 2026-2027 Budget and Work Plan in the manner required by law.

Upon a motion of Commissioner _____, seconded by Commissioner _____, and on the following roll call vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Heather Moreno, Chairperson Date
Local Agency Formation Commission

ATTEST:

Rob Fitzroy Date
LAFCO Executive Officer

APPROVED AS TO FORM AND LEGAL EFFECT:

Holly Whatley Date
LAFCO Legal Counsel

Exhibit A

Final Budget and Work Plan



Final FY 26-27 Budget and Work Plan

May 21, 2026

TABLE OF CONTENTS

About us	3
Commissioners	3
Alternates	3
Staff	3
Introduction	4
Mission	4
Goals	4
Priorities	4
Work plan	5
Budget	6

ABOUT US

Commissioners

Chair: Heather Moreno, County Member

Vice Chair: Dave Watson, Public Member

Dawn Ortiz-Legg, County Member

Ed Waage, City Member

Steve Gregory, City Member

Ed Eby, Special District Member

Navid Fardanesh, Special District Member

Alternates

Bruce Gibson, County Member

Carla Wixom, City Member

Vacant, Special District Member

Michael Draze, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Senior Analyst

Morgan Bing, Analyst

Melissa Morris, Commission Clerk

Holly Whatley, Legal Counsel

Introduction

This document represents the Fiscal Year 2026-2027 Budget and Work Plan for the San Luis Obispo Location Agency Formation Commission.

Mission

Our mission is to serve the residents of San Luis Obispo County and the State of California by discouraging urban sprawl and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

Goals

LAFCO's goals are to:

- Serve the Commission, Cities, Districts, the County, and the public by providing accurate, objective, clear, and well-organized information for decision making purposes
- Process proposal applications efficiently; consistent with the Cortese-Knox-Hertzberg Act, Local Policies and Procedures, CEQA and other applicable state laws
- Prepare Sphere of Influence/Municipal Service Review updates as necessary, while working on applications and other work efforts simultaneously
- Provide the Commission with regular status reports regarding upcoming proposals, Sphere of Influence Updates, Legislative Activities, and the Budget
- Participate in CALAFCO events to improve Commission and Staff expertise
- Inform the Commission and Public regarding various local governance issues and processes by providing regular status reports and study sessions
- Monitor the new legislation that may affect LAFCO

Priorities

Our workload prioritization is as follows:

1. Process proposal applications as mandated by statute and conduct critical operations necessary for organization to function.
2. Prepare Municipal Service Reviews every five years, as mandated by statute, based on the date a Municipal Service Review was last updated.
3. Execute special work efforts as directed by the Commission.

WORK PLAN

Project	Latest MSR Adopted	MSR Update Due Date	Status
Application Processing	N/A	N/A	Ongoing, Highest Priority
Commission Initiatives	N/A	NA	No Active Initiatives
San Simeon CSD MSR and SOI Study	Aug-14	Aug-19	On Hold - Pending Dissolution
Garden Farms Community Water District MSR and SOI Study	Nov-14	Nov-19	In Progress, ETA May 2026
Port San Luis Harbor District MSR and SOI Study	Nov-14	Nov-19	In Progress, ETA May 2026
Ground Squirrel Hollow CSD MSR and SOI Study	Oct-15	Oct-20	In Progress, ETA July 2026
Linne CSD MSR and SOI Study	Oct-15	Oct-20	In Progress, ETA Summer 2026
Squire Canyon CSD MSR and SOI Study	Oct-15	Oct-20	In Progress, ETA Summer 2026
City of San Luis Obispo MSR and SOI Study	Oct-16	Oct-21	In Progress, ETA 2027
Cayucos Sanitary District MSR and SOI Study	Jan-15	Jan-20	In Progress, ETA 2027
City of Morro Bay MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Areas			
County Service Area 1 - and Nipomo Lighting District MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 7 - Oak Shores MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 9 - Los Osos MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 10 - Cayucos MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 12 - Lopez Water MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 16 - Shandon MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 18 - SLO Country Club MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 21 - Countywide Roads MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 22 - Airport Area MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
County Service Area 23 - Santa Margarita MSR and SOI Study	Aug-17	Aug-22	Initiate 2026, ETA 2028
Cemetery Districts			
Adelaida Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2028
Arroyo Grande Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2028
Atascadero Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2028
Cambria Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2028
Cayucos-Morro Bay Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Pleasant Valley Estrella Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Paso Robles Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
San Miguel Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Santa Margarita Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Shandon Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Templeton Cemetery District MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2028
Nipomo CSD MSR and SOI Study	Mar-18	Mar-23	Initiate 2027, ETA 2027
City of Pismo Beach MSR and SOI Study	Sep-19	Sep-24	Initiate 2027, ETA 2028
City of Atascadero MSR and SOI Study	Nov-19	Nov-24	Initiate 2027, ETA 2028
City of Arroyo Grande MSR and SOI Study	Jul-20	Jul-25	Initiate 2028, ETA 2028
City of Grover Beach MSR and SOI Study	Jul-20	Jul-25	Initiate 2028, ETA 2028
South San Luis Obispo County Sanitation District MSR and SOI Study	Jul-20	Jul-25	Initiate 2028, ETA 2028
Oceano CSD MSR and SOI Study	Jul-20	Jul-25	Initiate 2028, ETA 2028
Heritage Ranch CSD MSR and SOI Study	Apr-23	Apr-28	Up to Date
Templeton CSD MSR and SOI Study	Aug-23	Aug-28	Up to Date
San Miguel CSD MSR and SOI Study	Oct-23	Oct-28	Up to Date
Avila Beach CSD MSR and SOI Study	Jan-24	Jan-29	Up to Date
Cambria CSD MSR and SOI Study	Jan-24	Jan-29	Up to Date
Cambria Community Healthcare District MSR and SOI Study	May-24	May-29	Up to Date
Santa Margarita Fire Protection District MSR and SOI Study	Jul-25	Jul-30	Up to Date
Coastal San Luis Resource Conservation District MSR and SOI Study	Jul-25	Jul-30	Up to Date
Los Osos CSD MSR and SOI Study	Sep-25	Sep-30	Up to Date
Shandon - San Juan Water District MSR and SOI Study	Dec-25	Dec-30	Up to Date
Estrella - El Pomar - Creston Water District MSR and SOI Study	Jan-26	Jan-31	Up to Date
City of Paso Robles MSR and SOI Study	Jan-26	Jan-31	Up to Date
Upper Salinas - Las Tablas Resource Conservation District MSR and SOI Study	Feb-26	Feb-31	Up to Date
Independence Ranch CSD MSR and SOI Study	Mar-26	Mar-31	Up to Date
Cal Valley CSD MSR and SOI Study	Apr-26	Apr-31	Up to Date

SLO LAFCO
FY 26-27 Budget & Work Plan

BUDGET

	Adopted FY 25-26	Projected Year End FY 25-26	Proposed FY 26-27	Increase / Decrease From FY 25-26
Expenditures Summary	\$877,831	\$858,207	\$924,005	5%
Revenues Summary	\$877,831	\$858,207	\$924,005	5%
<i>Services and Supplies Expenditure Details</i>				
Vehicle Stipend	\$5,400	\$5,400	\$5,400	0%
Vehicle Rental	\$500	\$689	\$750	50%
Computer Software	\$2,000	\$1,000	\$3,000	50%
Copying-Printing	\$300	\$300	\$300	0%
Commission Meeting Expenses	\$600	\$745	\$750	25%
LAFCO Insurance Policies	\$22,000	\$16,687	\$22,000	0%
IT Support	\$850	\$850	\$850	0%
Maintenance-Equipment	\$500	\$300	\$500	0%
Maintenance-Software	\$500	\$576	\$500	0%
CALAFCO/ SDRMA / Other Memberships	\$9,000	\$7,776	\$9,000	0%
Employee Mileage Reimbursement	\$200	\$200	\$200	0%
Commissioner Mileage Reimbursement	\$1,500	\$1,500	\$1,500	0%
Office Supplies	\$3,000	\$3,500	\$3,000	0%
Custodial Services	\$1,800	\$1,800	\$1,800	0%
County Auditor Services	\$10,500	\$10,215	\$10,800	3%
Legal Counsel	\$38,000	\$32,000	\$32,000	-16%
Postage	\$1,000	\$2,000	\$2,000	100%
General / Commissioner Stipends	\$17,000	\$11,000	\$17,000	0%
Publication & Legal Notices	\$1,000	\$1,000	\$1,000	0%
Training	\$6,000	\$5,040	\$8,000	33%
Office Lease	\$42,000	\$42,000	\$42,000	0%
Large Equipment	\$3,000	\$2,000	\$3,000	0%
Small Equipment	\$1,000	\$1,000	\$1,000	0%
Telephone / Internet	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$3,000	\$3,000	\$3,000	0%
<i>Services/ Supplies Subtotal</i>	<i>\$173,650</i>	<i>\$153,578</i>	<i>\$172,350</i>	<i>-1%</i>
<i>Salary, Benefits, and Taxes Expenditures</i>				
Salaries	\$427,610	\$427,610	\$450,080	5%
Federal Taxes - FICA Social Security	\$26,509	\$26,509	\$27,905	5%
Federal Taxes - Medicare	\$6,200	\$6,200	\$6,526	5%
SDI/SDU	\$0	\$448	\$500	100%
SLOCPT Pension Rate	\$145,904	\$145,904	\$158,722	9%
SLOCPT Pension Obligation Bond	\$18,358	\$18,358	\$19,439	6%
Health Insurance	\$69,600	\$69,600	\$78,483	13%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
<i>Salary, Benefits and Taxes Subtotal</i>	<i>\$704,181</i>	<i>\$704,629</i>	<i>\$751,655</i>	<i>7%</i>
Total Expenditures	\$877,831	\$858,207	\$924,005	5%
<i>Revenues</i>				
Interest Earned	\$9,000	\$20,000	\$20,000	122%
Environmental Review Fees	\$3,000	\$1,000	\$3,000	0%
Sphere of Influence Fees	\$3,000	\$0	\$3,000	0%
Application Processing Fees	\$24,000	\$12,015	\$24,000	0%
Other Revenue (Transfer of Reserves)	\$50,000	\$36,360	\$0	-100%
<i>Agency Contributions</i>				
Cities	\$262,944	\$262,944	\$291,335	11%
County	\$262,944	\$262,944	\$291,335	11%
Special Districts	\$262,944	\$262,944	\$291,335	11%
Total Revenue	\$877,831	\$858,207	\$924,005	5%
Reserves Fund Balance	\$254,363	\$218,003	\$218,003	-14%

Attachment B

County Auditor
Contract



April 1, 2026

To the Board of Directors and Management
 SLO County Local Agency Formation Commission (LAFCO)

We are pleased to confirm our understanding of the terms and costs of our services under this agreement for the 2026-2027 fiscal year.

Scope of Services

We will provide the following services:

1. **General Accounting** - includes use of the County's centralized accounting system and recording of financial system entries submitted by the agency. Transactions will be reviewed for authorization by appropriate agency personnel prior to processing. In addition, access to the accounting system's financial reports will be available to the agency as needed. The County is currently planning to implement a new Enterprise Resource Planning (ERP) system, with a targeted go-live date of April 2027. The County will make reasonable efforts to ensure continuity of service throughout this transition.
2. **Accounts Payable** - includes processing payment claims by warrant or ACH. Claims will be reviewed to validate two authorized agency signers have approved the payment prior to processing, recording and mailing payments. Any invoices submitted with payment claims will be scanned and archived for retention. Review of invoices for mathematical accuracy and appropriateness of expenditure is not part of this service agreement.
3. **Accounting Support** - includes recording your Agency's budget, ensuring expenditures do not exceed authorized budget, responding to routine inquiries, working with external auditors, and replying to bank confirmations.
4. **ERP System Transition Support** – as part of the County's planned ERP system implementation, the county will migrate applicable financial data from the current system to the new system. The County agrees to validate, reconcile, and test to support accuracy and completeness of migrated information. During this transition period, there may be changes to processes, workflows, submission procedures, and new reporting formats. The County will provide guidance and reasonable training resources to support this transition. Following implementation, the County will provide a reasonable stabilization period to assist with system-related questions and issue resolution.
5. **Term** - Our services and responsibility end on June 30, 2027.

Our Responsibilities

Our responsibility is to perform the services enumerated above. We will not audit accounting entries, payment claims or budget transactions, nor will we validate the appropriateness of accounting transactions or claims for payment. Our service does not include annual preparation of 1099's or preparation of payroll reports.

Our services are not designed to detect instances of fraud, noncompliance with laws or regulations or significant errors; however, we will communicate to you any known and suspected fraud, noncompliance with laws or regulations or significant errors that come to our attention.

Your Responsibilities

You are responsible for (1) ensuring all transactions are submitted and/or approved by authorized staff, (2) reviewing all transactions prior to submittal to ensure appropriateness of the expenditure, compliance with laws or regulations and to check for significant errors and fraud, (3) retaining all source documents, and (4) providing all Board authorized budgets and budget amendments. You are encouraged to routinely provide accounting reports and payment registers to your Board for review.

You agree to inform us of significant noncompliance, fraud and/or errors immediately upon discovery.

For all services we provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual who possesses suitable skill, knowledge, and/or experience to understand the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

In addition, you agree to (1) ensure appropriate staff participate in ERP-related training, (2) comply with updated processes and internal controls associated with the new system, and (3) designate authorized users for system access and promptly communicate any changes to such designations.

Annual Cost and Billing

The annual cost for the services identified above is \$10,542. The cost increase over the prior year is attributed to a change in the Consumer Price Index (CPI-U) of 3.2%, based on the Los Angeles-Long Beach-Anaheim region and using July as a base month. Your agency will be billed by journal entry during the first quarter of the fiscal year for the entire annual costs. A copy of the journal entry will be provided to your agency.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarized the significant terms of our agreement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements.

Sincerely,



James W. Hamilton, CPA
Auditor-Controller-Treasurer-Tax Collector

Authorized Signature Director _____ Date _____

Authorized Signature Board Chair _____ Date _____