



San Luis Obispo Local Agency Formation Commission Meeting Agenda March 19, 2026, 9:00 am

MEETING

MARCH 19, 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

Pledge of Allegiance

Call to Order/Roll Call

Approval of the Minutes: February 19, 2026 (Pages 4-8)

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 9-71)**

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.

- A-2: LAFCO File No. 2-S-25: Municipal Service Review and Sphere of Influence Study for the Independence Ranch Community Services District (Pages 72-127)**

Recommendation:

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Independence Ranch Community Services District (LAFCO File No. 2-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 Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-S-25) as contained in Attachments A and B, and reaffirm the District’s Sphere of Influence as depicted in Attachment A, Exhibit C.

Commissioner Comments

Legal Counsel Comments

Executive Officer Comments

Adjournment

Tentative Future Meeting Schedule, Subject to Change

- April 2026 – LAFCO File No. 4-R-24 Annexation No. 32 to NCSO (Robins), California Valley Community Services District MSR and SOI Study, Garden Farms Community Water District MSR and SOI Study, Proposed Fiscal Year 2026-27 Budget and Work Plan, California Association of LAFCOs Update, Executive Officer Annual Performance Evaluation



- May 2026 – Final Fiscal Year 2026-27 Budget and Work Plan, Fiscal Year 2025-26 Third Quarter Budget and Work Plan Update, Ground Squirrel Hollow Community Services District MSR
- June - Squire Canyon Community Services District MSR, Linne Community Services District MSR
- July – TBD
- August – No Meeting



**SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
FEBRUARY 19, 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, February 19, 2026, by Chairperson Heather Moreno in the Board of Supervisors Chambers at the County Government Center, 1055 Monterey Street, San Luis Obispo, CA 93408.

Roll Call

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

Absent: Alternate Commissioners Michael Draze, Bruce Gibson, and Carla Wixom

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

Pledge of Allegiance

Approval of the Minutes: January 15, 2026

Chairperson Moreno announced the consideration of approval of the January 15, 2026, Regular Meeting Minutes.

Chairperson Moreno asked for Commissioner comments.

Commissioner Waage inquired about attendance at the last meeting.

Ms. Morris responded to questions and provided comment.

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, Fardanesh, Gregory, Vice Chair Watson, and Chairperson Moreno

NAYS: None

ABSTAIN: None

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: Second Quarter Fiscal Year 2025-2026 Budget Status and Work Plan Report

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 Ortiz-Legg motioned to approve the Consent Matters.

Commissioner Waage seconded the motion.

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

NAYS: None

ABSTAINING: None

The motion passed unanimously.

Regular Matters

B-1: LAFCO File No. 2-S-24: Municipal Service Review and Sphere of Influence Study for the Upper Salinas – Las Tablas Resource Conservation District

Mr. Fitzroy presented the item.

Chairperson Moreno opened the item for Commissioner questions and comments, and inquired about audit scheduling.

Mr. Fitzroy invited **Drew Loganbill**, Executive Director of the Upper Salinas – Las Tablas Resource Conservation District (US-LTRCD), to respond.

Mr. Loganbill responded to questions and provided comment.

Commissioner Fardanesh inquired about information posted on the US-LTRCD website.

Mr. Loganbill responded to questions and provided comment.

Commissioner Ortiz-Legg provided comment regarding the unique challenges of this district.

Commissioner Gregory inquired about the specifics of Action 2 for the item.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Moreno opened the item for public comment.

Steve Carter, US-LTRCD Board Member, provided comment regarding recent leadership changes at the US-LTRCD.

Kari Lekvold, Internal Audit Chief with the County of San Luis Obispo Auditor-Controller’s Office, provided comment in support of the recommended actions.

Chairperson Moreno closed public comment, opened the item for Commissioner questions, and provided comment in support of the US-LTRCD selecting a new firm to complete their audits.

Commissioner Waage provided comment on the great work done by the US-LTRCD 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 Upper Salinas – Las Tablas Resource Conservation District (LAFCO File No. 2-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).

Vice Chair Watson seconded the motion.

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

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Commissioner Waage made a motion in support of the staff recommendation for Item B-1, Action 2: Approve, by resolution, the Upper Salinas – Las Tablas Resource Conservation District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-S-24) as contained in Attachments A and B, and reaffirm the District’s existing Sphere of Influence as depicted in Attachment A, Exhibit C, with the following conditions of approval:

1. Upon approval of the Upper Salinas – Las Tablas Resource Conservation District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-S-24), the Commission hereby establishes a 12-month remediation period to allow the Upper Salinas – Las Tablas Resource Conservation District to complete all outstanding financial audits and to work in coordination with the County Auditor-Controller/Treasurer-Tax Collector’s Office to identify the specific issues and extent of financial concerns documented in the Fiscal Year 2021-2022 and Fiscal Year 2022-2023 audits.
2. LAFCO staff shall provide a comprehensive progress report to the Commission at the conclusion of the 12-month remediation period and include updates in each regular Quarterly Budget and Work Plan Report throughout the remediation period on the status of the District’s audit completion and financial remediation efforts.
3. Based on the findings of the 12-month remediation period progress report, the Commission shall consider whether further action is warranted, including, but not limited to, consideration of a LAFCO initiated consolidation or dissolution of the District.

Commissioner Gregory seconded the motion.

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

NAYS: None

ABSTAIN: None

The motion passed unanimously.

Commissioner Comments: None.

Legal Counsel Comments: None.

Executive Officer Comments: **Mr. Fitzroy** provided updates on future meetings and the Special District Alternate Election.

Adjournment: With no further business before the Commission, the meeting adjourned at 9:23 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

DRAFT



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

COMMISSIONERS

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HEATHER MORENO
County Member

Vice-Chair
DAVID WATSON
Public Member

DAWN ORTIZ-LEGG
County Member

ED WAAGE
City Member

STEVE GREGORY
City Member

ED EB
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

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

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, March 19, 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 March 19, 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 March 19, 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 March 19, 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.

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, 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 amend the District’s SOI as depicted in Attachment A, Exhibit C of the LAFCO March 19, 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 March 19, 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 per Government Code

Section 56430 for the PSLHD

1. Growth and population projections for the affected area.

The estimated population within the District's existing service area was 129,579 in 2020 and is projected to increase to approximately 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 located 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 throughout the County as well as visitors from outside the region. These projections indicate that future demand for District services will likely increase over time as coastal resources become subject to greater use pressures from both residents and visitors. As such, expanding the SOI boundary as proposed will more accurately reflect the population served by the District and represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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, and a total of 21 DUCs were identified countywide. The location and characteristics of the DUCs are described in Table 3 and Figure 1 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 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. Altogether, these facilities and services support coastal access and public use not only for residents within the District's service area boundary, but also for residents throughout the entire County, and visitors from outside the region. 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. Expanding the SOI boundary as proposed would support the District's long-term financial planning goals, better support the continued provision of services and facilities, and provide a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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 2024-25.

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 three 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 45% 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. Expanding the SOI boundary as proposed would help support the District's long-term financial and service area planning and represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

5. Status of and opportunities for shared facilities.

Wastewater services for PSLHD facilities are provided by the Avila Beach Community Services District 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 elected by the District to a four-year term. Regularly scheduled Harbor Commission meetings are held, and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act. PSLHD also maintains an up-to-date website that contains District contact information, current 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 per Government Code Section 56425 for the PSLHD

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, and under the County’s Local Coastal Program, PSLHD lands are designated as Public Facilities and Recreation land use categories. The proposed expansion of the District’s SOI to include all of the County would not affect existing or planned land uses, as the District provides services only 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. As a result, no changes to land use designations are anticipated, and the County and other agencies will continue to serve the expanded SOI consistent with their existing roles. Expanding the SOI boundary as proposed represents

a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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

The proposed expansion of the District's SOI to include all of the County would not create new or increased demands for public facilities or services within the expanded area. The District's services, facilities, and statutory authority would remain limited to the harbor area, where it directly provides harbor-related facilities and services, including public access, recreation, and emergency services. These services are confined to approximately 40 acres of upland property, 100 acres of submerged lands, and associated state tidelands. There is no intention to extend service or construct facilities within the proposed SOI expansion area. Instead, amending the SOI to encompass the entirety of the County would better align the District's boundaries with existing service demands, regulatory requirements, and the countywide public benefits generated by Port San Luis. Expanding the SOI boundary as proposed represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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. The proposed expansion of the District's SOI to include all of the County would more accurately reflect the population the District serves, while creating a pathway for broadening the District's revenue base in order to ensure capacity for adequate services and facilities in the long-term. Expanding the SOI boundary as proposed represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

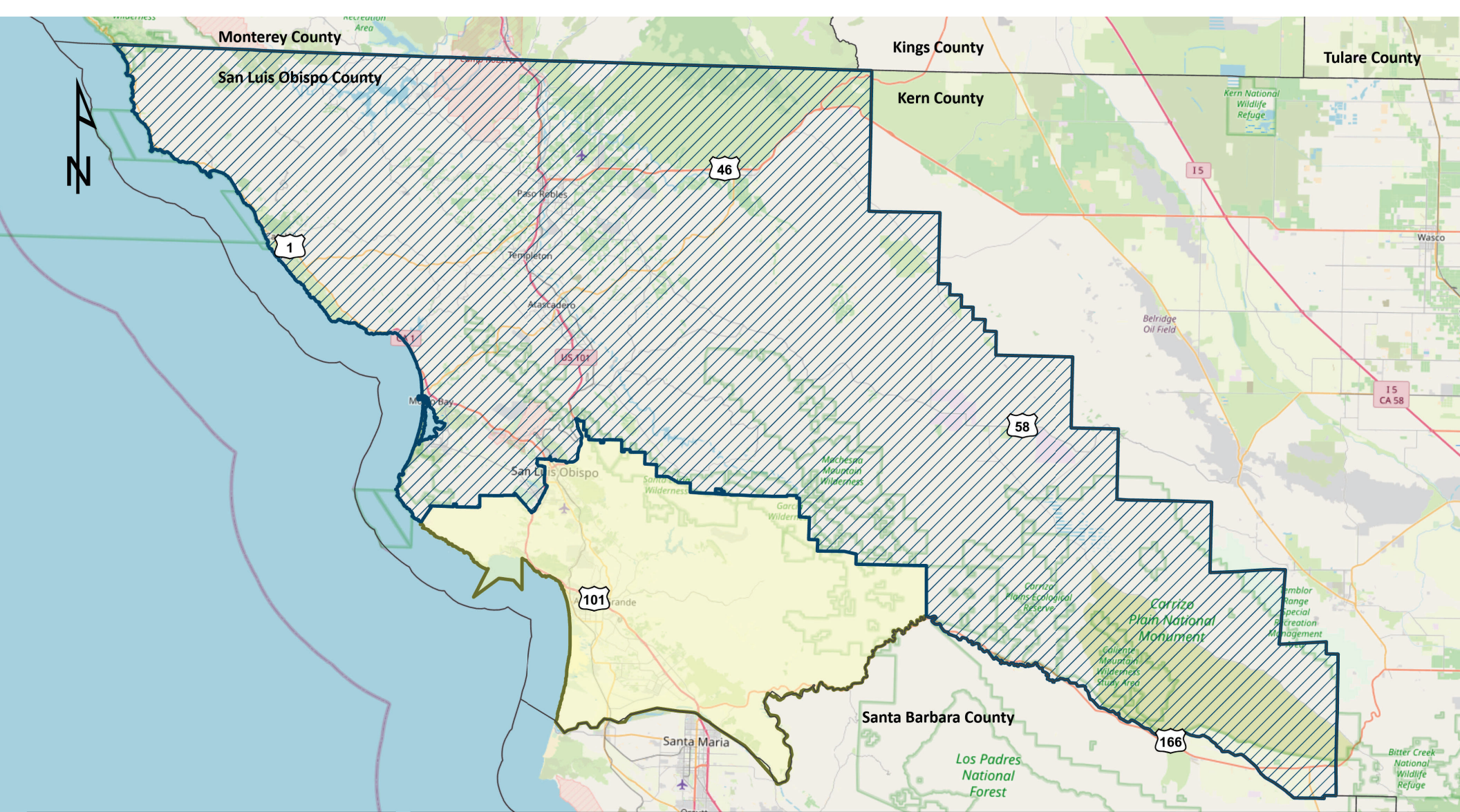
There are no social or economic communities of interest within the District service area boundary. Reaffirmation of the District's SOI is recommended.

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 21 DUCs within the proposed SOI expansion area, as seen in Figure 1. 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.



Exhibit C

PSLHD Boundary Map



Port San Luis Harbor District

LAFCO Boundaries

-  Sphere of Influence
-  Service Area

Latest SOI Approval: 03/19/2026



Prepared By SLOLAFCO
 Name: Port San Luis Harbor District
 Date: 2/20/2026

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. _____

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ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

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

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
Edy Eby	Special District Member
Navid Fardanesh	Special District Member

Alternate Commissioners

Bruce Gibson	County Member
Carla Wixom	City Member
Vacant	Special District Member
Michael Drazé	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

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 have 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 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 and 100 acres of submerged lands, along with an additional 8,400 acres of state tidelands, encompassing San Luis Bay. Historically, the harbor supported commercial fishing, agricultural exports, and a marine oil terminal, generating revenue through wharfage and rentals. These enterprise functions were complemented by facilities 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 and 100 acres of submerged lands, along with 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 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.

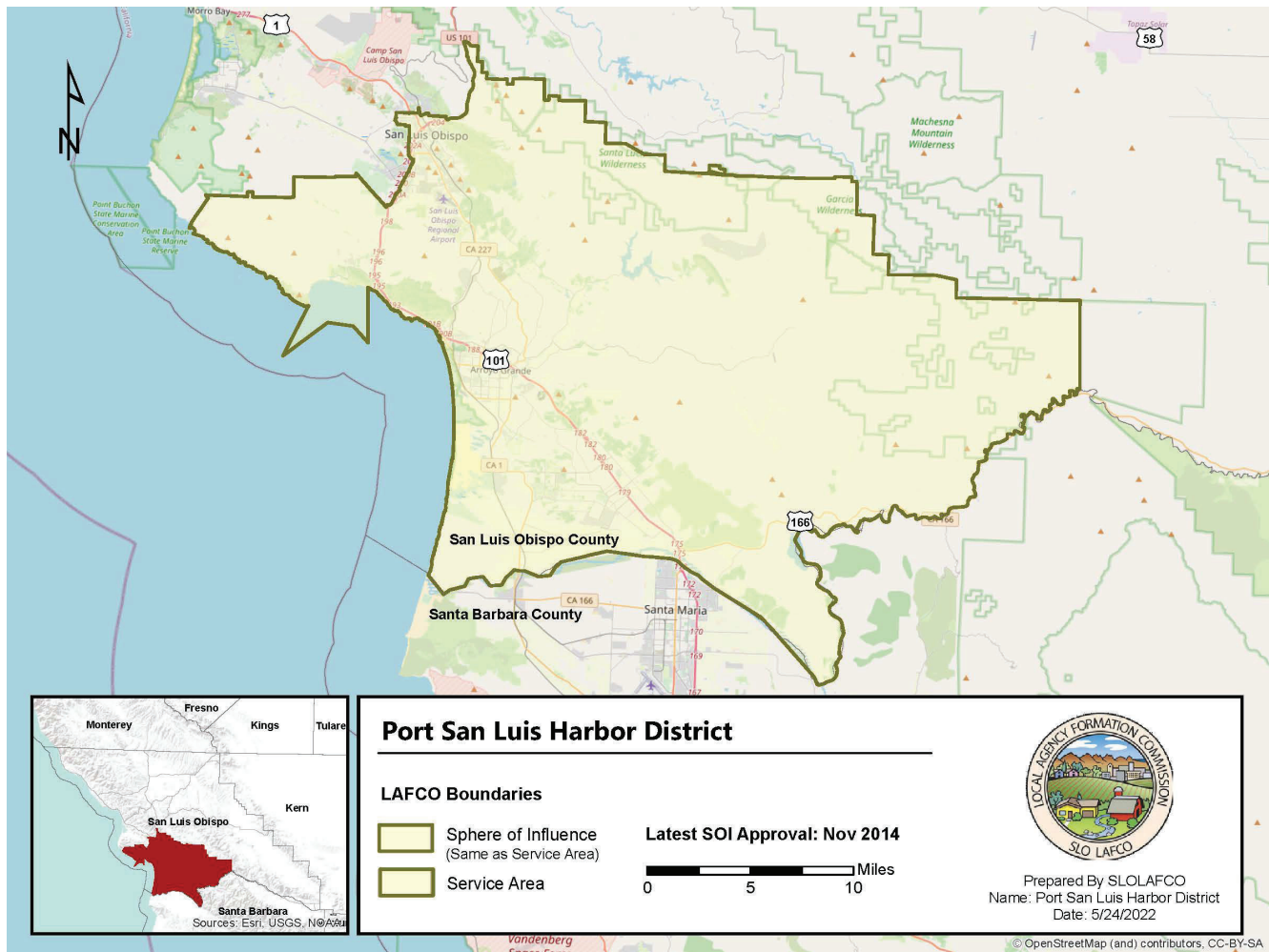
At the District’s request, LAFCO is evaluating an expansion of the PSLHD’s Sphere of Influence (SOI) to encompass the entire County in order to better reflect the population served, the scope of services provided, and the financial and regulatory realities shaping District operations. Although the existing SOI is coterminous with the District’s historic service area boundary as seen in Figure 1, that boundary was arbitrarily established at formation, has never been updated, and no longer aligns with the regional use of PSLHD facilities, coastal access, and services, all of which benefit residents and visitors countywide.

Over time, the District’s responsibilities have significantly expanded, particularly under the California Coastal Act, while revenue sources tied to the historic boundary 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. Updating the SOI to include the entire County

provides a logical and transparent foundation for future annexation considerations, supports alignment between service obligations and revenue capacity, and more accurately reflects the District’s evolution into a regional public service provider.

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 needs and resource demands; however, these projections do not fully represent actual District users, as PSLHD services and facilities are available to visitors from within and outside of the County.

Based on a medium-growth scenario, the estimated population within the PSLHD service area was 129,579 in 2020. 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.

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

Using this methodology, eight DUCs were identified within or contiguous to PSLHD’s service area, and a total of 21 DUCs were identified countywide, as shown in Figure 2. Although these DUCs were identified, PSLHD does not provide public facilities or services related to 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

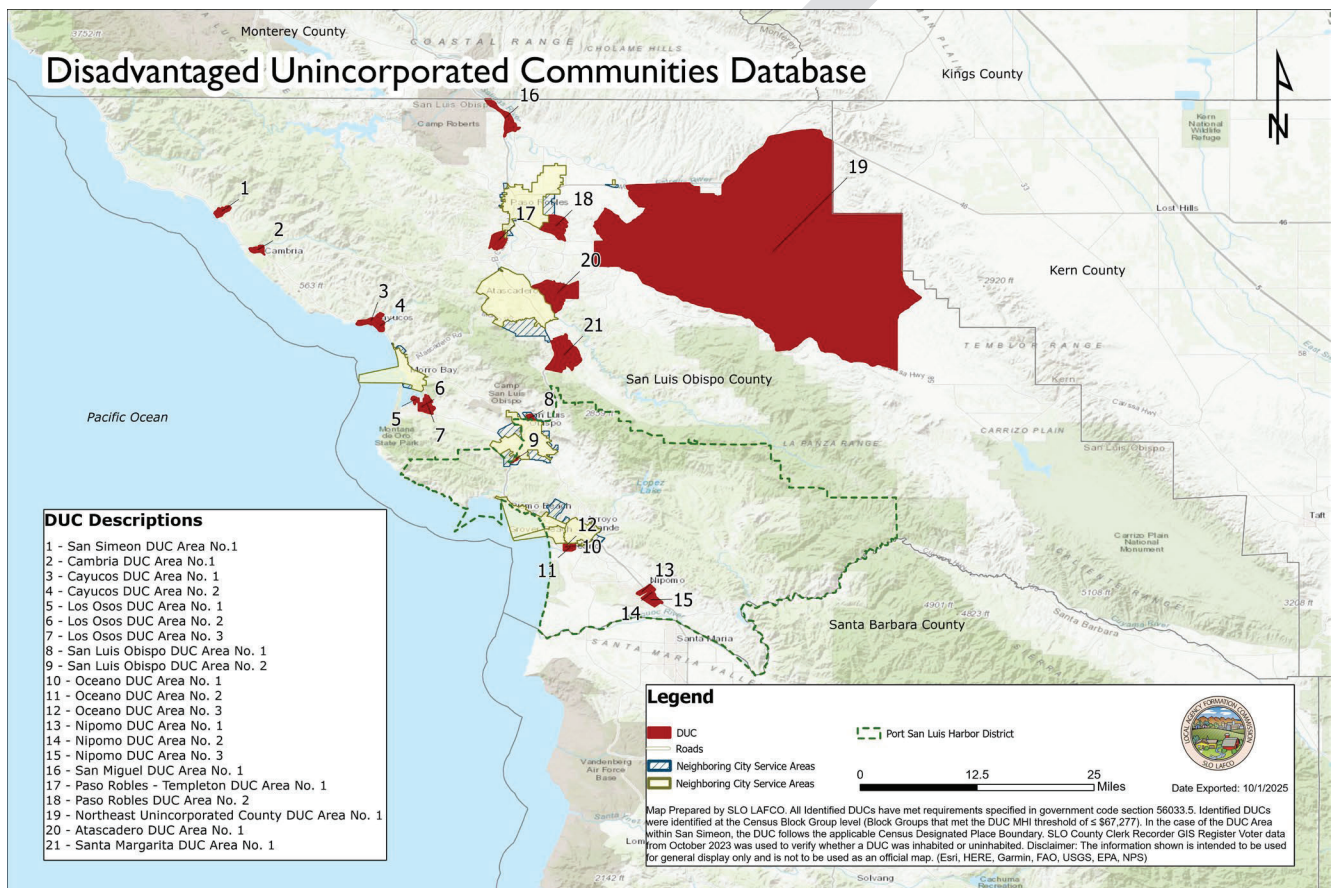


Table 3: Disadvantaged Unincorporated Communities within PSLHD

DUC	MHI ³	Registered Voters ⁴
San Simeon DUC Area No. 1	\$50,486	200
Cambria DUC Area No. 1	\$51,875	529
Cayucos DUC Area No. 1	\$67,273	505
Cayucos DUC Area No. 2	\$59,444	686
Los Osos DUC Area No. 1	\$64,479	1,006
Los Osos DUC Area No. 2	\$63,281	1,157
Los Osos DUC Area No. 3	\$62,001	1,164
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
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
San Miguel DUC Area No. 1	\$66,496	1,268
Paso Robles – Templeton DUC Area No. 1	\$54,797	955
Paso Robles DUC Area No. 2	\$61,513	59
Northeast Unincorporated County DUC Area No. 1	\$61,526	1,009
Atascadero DUC Area No. 1	\$59,559	354
Santa Margarita DUC Area No. 1	\$50,625	1,189

Social or Economic Communities of Interest in the Area

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

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

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, and the public may attend the District’s meetings virtually.

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 five elected Harbor Commissioners and 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, 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, 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. Surveys show many pier fishers are frequent visitors from the Central Valley and South County.

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 includes District facilities, boat storage, and a range of overnight accommodations such as 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 and supports 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 the current Master Plan priorities, state and federal agencies have issued long-range projections regarding the extent and effects of sea level rise over the next century. The National Research Council estimates sea level rise of 1.5 to 12 inches over the next 15 years and 16.5 to 65 inches over the following 85 years. These projections will need to be incorporated into future updates of the Master Plan and into the planning of any near-shore or shoreline improvements, including evaluating 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) 2019-2020 through FY 2023-2024.

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 (i.e., the level at which expenditures may not legally exceed appropriations) 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. Management cannot overspend the budget for a category of expenses or an individual major maintenance item or capital project without the approval of the governing body. 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 2024-25. 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.

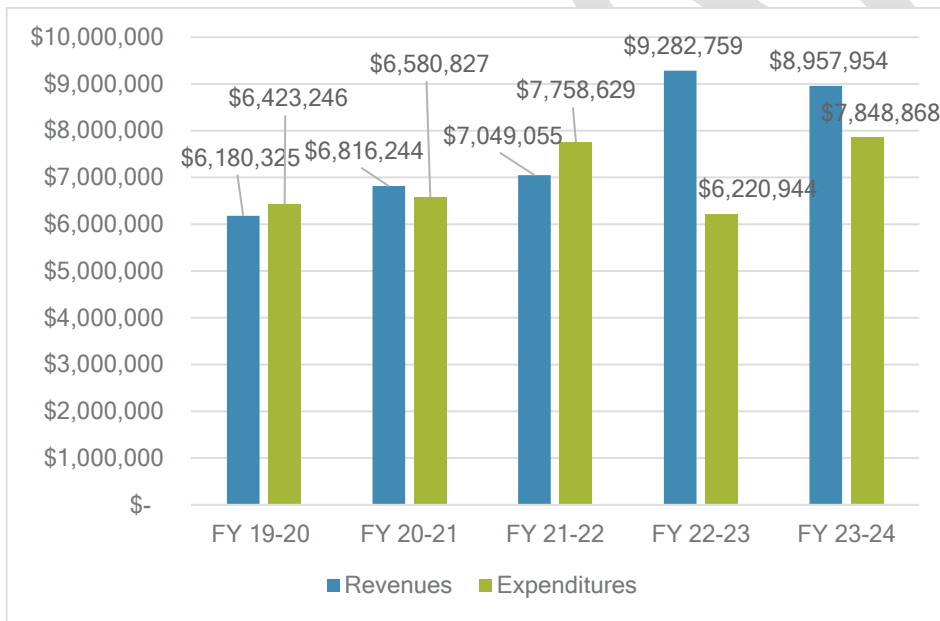
Revenues and Expenditures

The District is primarily funded through property taxes, charges for services, capital grants and contributions, and investment income. The District has seen a 24.9% increase in property taxes over the last five years, averaging approximately 5% per year. As shown in Figure 3 below, the District's revenues decreased 3.5% from FY 2022-23 to FY 2023-24, largely due to a decrease in grant revenue.

For the FY 2023-24, the District received approximately \$190,600 in unitary taxes and \$191,588 in mitigation funds from the State in association with the Diablo Canyon Nuclear Power Plant. It is undetermined if or when operations at the Diablo Canyon Nuclear Power Plant will terminate. However, unitary taxes are currently projected to decrease over the next several years until there is a resolution with ongoing operations.⁶ Rental income from RV overnights is also expected to decrease as two of the District’s camping areas are now closed.

In FY 2023-24, the District’s total expenditures increased by about \$1,627,924 or 26.2% more than the prior year. Such costs include wages and benefits, operations and maintenance, supplies, utilities, and general and administrative. Of the increase, \$455,648 is attributed to pension expense decrease offset by increases in other categories. 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.

Figure 3: Audited Revenues and Expenditures



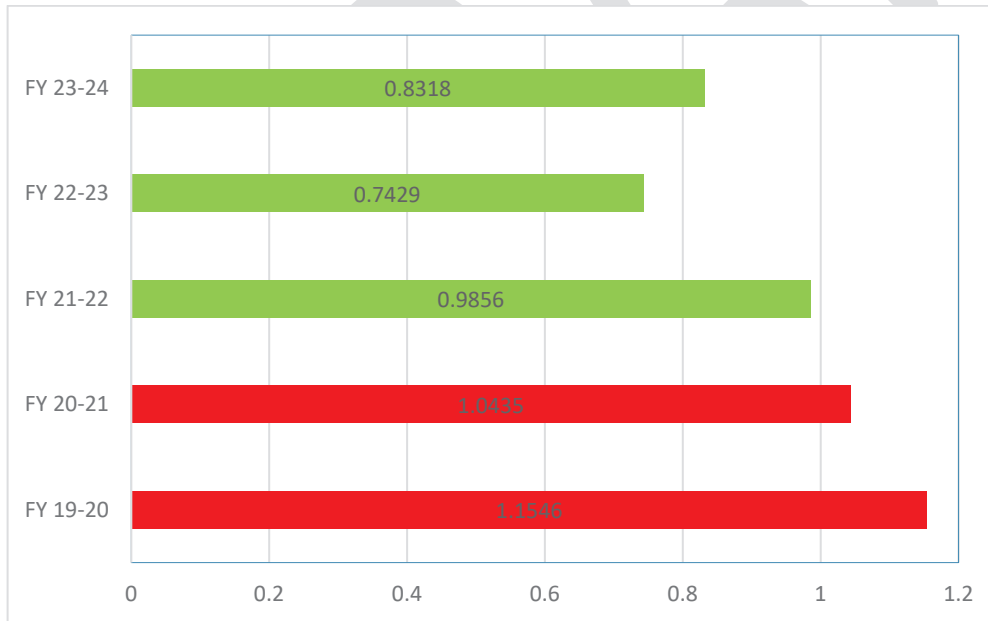
⁶ The unitary tax is a state-assessed property tax on PG&E’s Diablo Canyon Nuclear Power Plant, historically providing major revenue to the County of San Luis Obispo. Unitary tax revenue has declined as the plant’s assessed value has reduced, and although operations of the plant were extended to 2030, legislation did not reinstate the former tax structure.

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 three of the five years, indicating that operating revenues exceeded operating expenses in most years. In FY 2019 -20 and FY 2020-21, the District operated at a deficit due to impacts from COVID-19 restrictions that affected budgeted revenue of 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 (FY 2019-20 - FY 2023-24)



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 \$23.7 million at the end of FY 2023-24. Approximately 43% 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 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 2023-24, PSLHD reported deferred outflows related to pensions and other post-employment benefits (OPEB) totaling \$2,550,929.

Table 8: Audited Assets and Deferred Outflows

Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Current Assets	\$7,832,830	\$7,645,429	\$9,025,674	\$9,870,507	\$10,105,908
Noncurrent Assets	\$7,231,313	\$ 8,271,262	\$11,524,386	\$13,615,247	\$13,647,088
Total Assets	\$15,064,143	\$15,916,691	\$20,550,060	\$23,485,754	\$23,752,996
Total Deferred Outflows of Resources	\$1,224,411	\$1,246,406	\$1,230,850	\$2,544,319	\$2,550,929

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 2023-24, PSLHD’s audited liabilities totaled approximately \$10.6 million. Of this amount, current liabilities—obligations due in the near term—accounted for about 19% of total liabilities. The remaining noncurrent liabilities stood at \$8,595,897 and were primarily related to net pension liabilities.

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 2023-24, PSLHD reported \$3,541,247 in deferred inflows, consisting of deferred pensions and deferred OPEB, which will be recognized as increases to net position in upcoming periods.

Table 9: Audited Liabilities and Deferred Inflows

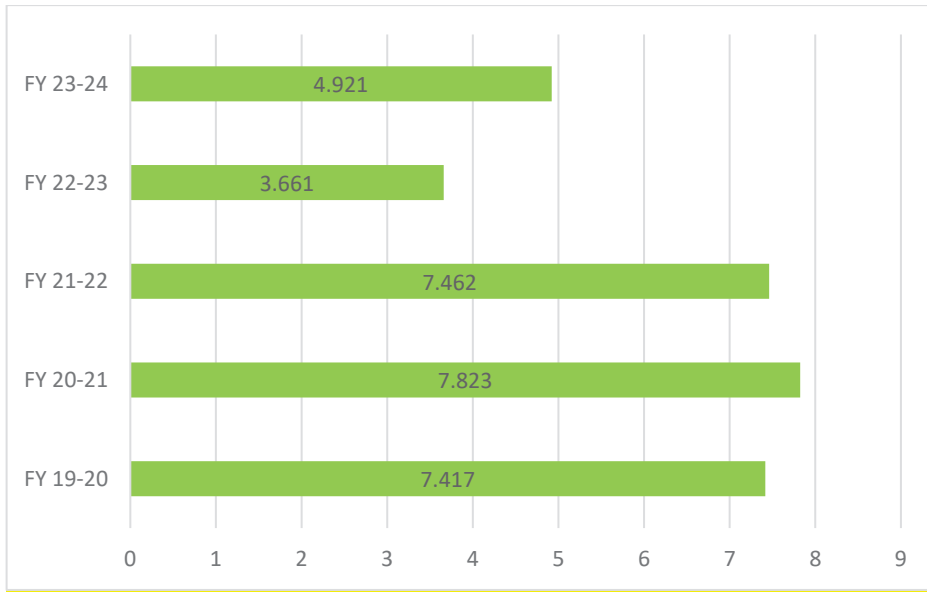
Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Current Liabilities	\$1,055,938	\$977,291	\$1,209,538	\$2,696,122	\$2,053,406
Noncurrent Liabilities	\$6,391,580	\$7,206,806	\$6,563,784	\$8,532,683	\$8,595,897
Total Liabilities	\$7,447,518	\$8,184,097	\$7,773,322	\$11,228,805	\$10,649,303
Total Deferred Inflows of Resources	\$499,405	\$326,952	\$ 6,065,114	\$3,796,979	\$3,541,247

Figure 5 illustrates the District’s Liquidity Ratios from FY 2019-20 through FY 2023-24. 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 (FY 19-20 - FY 23-24)



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, 2024, PSLHD’s net position increased to \$12,113,375, reflecting 45% 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: Audited Net Position

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	5-yr % Change
Total Net Position	\$8,341,631	\$8,652,048	\$7,942,474.00	\$11,004,289	\$12,113,375	45%

Sphere of Influence

The District's current Sphere of Influence (SOI) is coterminous with its service area boundary as seen in [Figure 1](#). PSLHD is unique in that its service area does not correspond to the geographic area where services are actually provided, nor does it reflect the population served by the District. Instead, the PSLHD's service area boundary represents the geographic area within which a portion of property tax revenue is collected and allocated to the District.

The District directly provides services only to the harbor area, which consists of approximately 40 acres of upland property and 100 acres of submerged lands, and an additional state tidelands grant of approximately 8,400 acres. In coordination with LAFCO staff, PSLHD is requesting an expansion of its SOI to encompass the entirety of the County to more accurately reflect the population the District serves, the scope of services it provides, and the financial realities associated with its statutory responsibilities, as seen in Figure 6 below. Expanding the District's SOI represents the initial step toward a future proposal for annexation, establishing a potential pathway for broadening the District's revenue base through property tax negotiations, a special tax, or other permissible fees or charges. As described below, the proposed SOI expansion would better align the District's boundaries with existing service demands, regulatory requirements, and the countywide public benefits generated by Port San Luis.

Historical Context and Limitations of Existing Boundary

PSLHD's existing boundary was established at the time of the District's formation and has remained unchanged since that time. However, there is no clear documentation available explaining how or why the original boundary was drawn. Based on available records, the boundary appears to have been arbitrarily determined and no longer reflects the District's current service population or operational realities.

The District encompasses 383,508 acres in the southern portion of the County, which contains a population of approximately 129,579. The boundary overlaps with a portion of the City of San Luis Obispo, the Cities of Pismo Beach, Grover Beach, and Arroyo Grande, as well as multiple Community Services Districts, special districts, and cemetery districts. In addition, the District's boundary includes most of County Supervisor Districts 3 and 4, and portions of Districts 2 and 5.

While the geographic boundary is relatively large, it does not accurately represent the population that utilizes or benefits from the District's services. Residents throughout the County, as well as visitors from outside the County, use and benefit from PSLHD's facilities, services, coastal access, and emergency response services. The District's current SOI and service area boundary does not adequately represent this broader, countywide service population, resulting in a misalignment between its boundaries and the actual scope of service delivery.

Expansion of District Responsibilities

At the time of its formation, PSLHD's primary functions were harbor enterprise activities, including oil industry support and commercial fishing. Since that time, the District's role has expanded substantially. With the enactment of the California Coastal Act of 1976, the District assumed significant additional obligations related to non-enterprise coastal-dependent, visitor-serving, and recreational uses. These responsibilities include, but are not limited to, providing and maintaining public access, beach, trail, and pier facilities, parking and restroom amenities, emergency response and public safety coordination, environmental stewardship, and the protection and preservation of coastal resources.

While these services provide broad public benefits and serve residents and visitors throughout the region, they do not generate proportional direct revenue to offset their associated costs. As a result, the District now delivers services that are far broader in scope and public purpose than those originally contemplated at formation, while its funding mechanisms remain largely tied to historically defined boundaries and revenue structures. This imbalance reflects a substantial expansion of statutory and operational responsibilities without a corresponding expansion in revenue capacity.

Financial Constraints

Property tax revenues fund many of the District's non-enterprise public programs that are essential to maintaining and enhancing public facilities at Port San Luis and for ensuring compliance with California Coastal Act Section 30212 regarding public access to the coast. Grant funding and voter-approved funding sources supplement these revenues; however, these sources are inconsistent, competitively awarded, and often restricted in use, limiting their reliability for long-term planning.

In addition, revenues derived from the Unitary Tax associated with the Diablo Canyon Nuclear Power Plant are projected to decrease over the next several years pending resolution of the facility's future

operations. This anticipated reduction further constrains the District's already limited discretionary revenue base.

Altogether, these factors have resulted in revenues that are insufficient to keep pace with the capital improvements necessary to sustain safe and functional Port operations. Financial pressures have intensified over time due to aging infrastructure, escalating labor and construction costs, increasingly complex regulatory compliance requirements, and growing levels of storm damage and coastal impacts attributable to climate change. As revenues have diminished and become more unpredictable, the District has increasingly relied on reserves and property tax revenues intended for emergency contingencies, weakening long-term financial sustainability and compounding future fiscal risk.

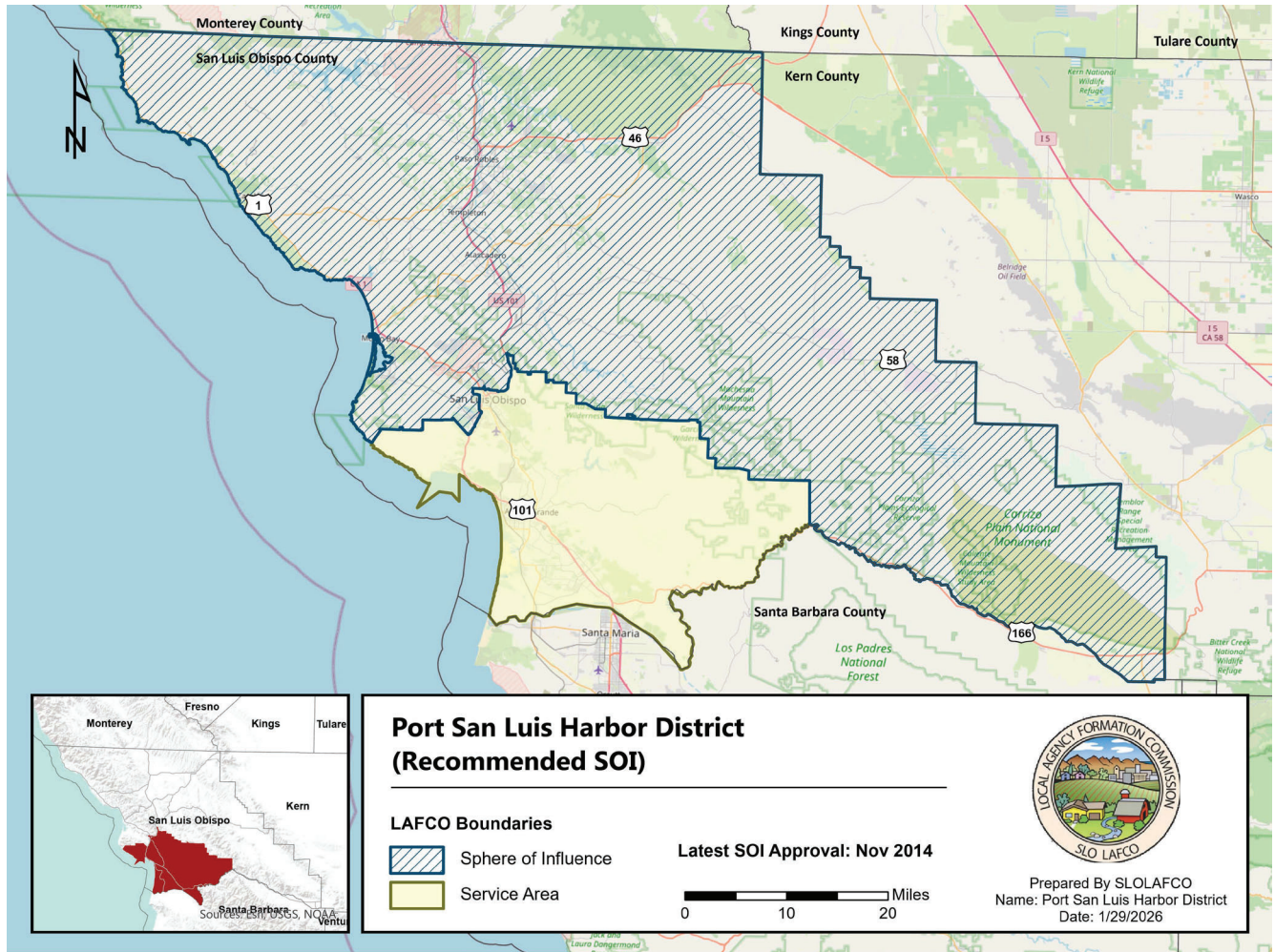
Conclusion

The District's current SOI and service area boundary no longer reflects the realities of its service delivery, statutory responsibilities, or the population that benefits from Port San Luis. While the SOI remains coterminous with historically defined service area boundaries established at formation, those boundaries were not necessarily based on documented service demand and have remained unchanged despite substantial shifts in the District's role, obligations, and service population.

PSLHD now provides facilities, programs, public access, and emergency response services that benefit residents and visitors from throughout the County and beyond. 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 dependent on historically defined property tax allocations, has not evolved in parallel, resulting in a misalignment between service obligations and financial capacity.

Expanding the District's SOI to encompass the entirety of the County would more accurately reflect existing service demand, support long-term financial planning, and provide an appropriate framework for future service, funding, and governance considerations. For these reasons, expansion of PSLHD's SOI represents a logical, transparent, and financially responsible update that better reflects current conditions, supports sustainable service delivery, and acknowledges the Port's role as a countywide public asset.

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 129,579 in 2020 and is projected to increase to approximately 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 located 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 throughout the County as well as visitors from outside the region. These projections indicate that future demand for District services will likely increase over time as coastal resources become subject to greater use pressures from both residents and visitors. As such, expanding the SOI boundary as proposed will more accurately reflect the population served by the District and represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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, and a total of 21 DUCs were identified countywide. The location and characteristics of the DUCs

are described in Table 3 and Figure 1 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 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. Altogether, these facilities and services support coastal access and public use not only for residents within the District's service area boundary, but also for residents throughout the entire County, and visitors from outside the region. 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. Expanding the SOI boundary as proposed would support the District's long-term financial planning goals, better support the continued provision of services and facilities, and provide a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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 2024-25.

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 three 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 45% 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. Expanding the SOI boundary as proposed would help support the District's long-term financial and service area planning and represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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

Wastewater services for PSLHD facilities are provided by the Avila Beach Community Services District 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 elected by the District to a four-year term. Regularly scheduled Harbor Commission meetings are held, and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act. PSLHD also maintains an up-to-date website that contains District contact information, current 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, and under the County's Local Coastal Program, PSLHD lands are designated as Public Facilities and Recreation land use categories. The proposed expansion of the District's SOI to include all of the County would not affect existing or planned land uses, as the District

provides services only 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. As a result, no changes to land use designations are anticipated, and the County and other agencies will continue to serve the expanded SOI consistent with their existing roles. Expanding the SOI boundary as proposed represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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

The proposed expansion of the District's SOI to include all of the County would not create new or increased demands for public facilities or services within the expanded area. The District's services, facilities, and statutory authority would remain limited to the harbor area, where it directly provides harbor-related facilities and services, including public access, recreation, and emergency services. These services are confined to approximately 40 acres of upland property, 100 acres of submerged lands, and associated state tidelands. There is no intention to extend service or construct facilities within the proposed SOI expansion area. Instead, amending the SOI to encompass the entirety of the County would better align the District's boundaries with existing service demands, regulatory requirements, and the countywide public benefits generated by Port San Luis. Expanding the SOI boundary as proposed represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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. The proposed expansion of the District's SOI to include all of the County would more accurately reflect the population the District serves, while creating a pathway for broadening the District's revenue base in order to ensure capacity for adequate services and facilities in the long-term. Expanding the SOI

boundary as proposed represents a logical and orderly step toward any future consideration of expanding the District's service area within the next 20 years, subject to subsequent LAFCO review and approval.

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 21 DUCs within the proposed SOI expansion area, as seen in Figure 1. 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.

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.



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: IMELDA MARQUEZ-VAWTER, SENIOR ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: MARCH 19, 2026

SUBJECT: LAFCO FILE NO. 2-S-25: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE INDEPENDENCE RANCH COMMUNITY SERVICES DISTRICT

RECOMMENDATION

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Independence Ranch Community Services District (LAFCO File No. 2-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 Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-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 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. The information generated as part of the MSR may also 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 mergers, consolidations, and/or dissolutions/ annexations. As part of the Commission's work plan, staff have prepared the MSR and SOI Study for the Independence Ranch Community Services District (IRCSD or District).

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

IRCSO MSR AND SOI STUDY

Agency Overview: The IRCSO was formed in 1992 by a vote of the registered voters to provide road improvement and maintenance services. The area is primarily built out with considerable rural residential development surrounded by agricultural land. The District includes 126 parcels, with the remaining Independence Tract lots placed in the SOI.

MSR Summary: LAFCO staff prepared determinations for the seven MSR factors described in Government Code Section 56430 (Attachment A, Exhibit B). In summary, due to the District's size, precise population data is not readily available for IRCSO. However, regional forecasts suggest slow growth in the broader unincorporated North County planning area and El Pomar-Estrella Sub-area, which includes IRCSO. In addition, limited growth is anticipated within the IRCSO because the subdivision is largely built out. IRCSO has approximately nine miles of roadway. Most of the roads within the District are paved, with resurfacing performed either as chip seal or asphalt. In June 2014, the roads were chip-sealed, which was funded by a \$500,000 loan from the US Department of Agriculture (USDA) Rural Development loan program.¹ Some of the less-trafficked roads received only a single-layer chip seal, while the main arterial roads received a double chip seal. The District has indicated that revenues have historically only covered loan payment obligations and administrative costs, not leaving enough funds for road improvements.

In June 2025, the IRCSO conducted a successful Proposition 218 Hearing to increase road maintenance fees by 100% for each of the 125 parcels, generating a total of \$125,000 in revenue annually. The increase will be allocated for road repairs beginning in FY 2025-2026. IRCSO currently lacks the capability and capacity to adequately provide road maintenance services; however, capacity is expected to improve with the recent increase in road maintenance revenue, which will be reflected in upcoming budgets, scheduled audits, and capital improvement planning. IRCSO has indicated that its future road improvement plans include continuing asphalt patching on all IRCSO-maintained roads and chip sealing District roads one at a time, as funding permits.

To assess the District's financial health, key indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. The District is in a stable financial position, with consistently positive operating ratios, strong liquidity, and a 31% increase in net position over the last five-year audited period. Insufficient operating revenue to cover operating expenses was identified in FY 2018-2019, due to necessary unanticipated road repairs and maintenance costs related to severe weather conditions. Subsequent audits showed operating revenues consistently exceeded operating expenses. Overall, these financial indicators suggest that IRCSO remains financially stable when major road maintenance is not required. However, with the recent increase in road maintenance revenue, more frequent road improvement projects are anticipated and will be reflected in future budgets, scheduled audits, and capital improvement plans.

SOI Study Summary: LAFCO staff also prepared determinations for the five SOI factors described in Government Code Section 56036 (Attachment A, Exhibit B). IRCSO's existing SOI is

¹ There are 126 parcels within the IRCSO service area boundary; however, only 125 parcels are charged assessment fees, as one parcel is exempt from the Tax Roll.

approximately 776 acres beyond the service area boundary. The District's SOI is proposed to remain unchanged, with no expansions or reductions. The IRCSO has expressed interest in pursuing annexation of the SOI area in the future. The lots in the SOI are predominantly built out and obtain access to their properties via County-maintained roads (primarily Hog Canyon Road) and may also access their property using District-maintained roads. The lots in the SOI that are located furthest east must use some District-maintained roads to access their property, using Lazy Hill Road and Sweetie Lane to reach their property. Areas in the SOI are not charged with District assessment fees for road maintenance. However, the District has a vested interest in annexing the SOI area to generate additional revenue for road maintenance. If annexation is pursued in the future, the District would be required to demonstrate its ability to effectively serve the area and be subject to LAFCO proceedings and approval.

Agency Coordination/Public Comments: Staff coordinated with IRCSO throughout the preparation of this MSR and SOI Study and received input from IRCSO via meetings, email correspondence, and review of the administrative review draft. A 21-day notice and public review and comment period were conducted between February 26, 2026, and March 19, 2026. No written comments were received as of the staff report publishing date of March 12, 2026. All public comments received will become part of the official record of the Commission hearing.

Recommendation: Approve, by resolution, the Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 2-S-25) as contained in Attachments A and B, and reaffirm 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 IRCSO 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 data collection, service evaluation, and as part of a study that may lead to an action which the public agency has not yet approved, adopted, or funded. Furthermore, 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 that the MSR and SOI Study will have no possibility of significantly affecting the environment, given that no physical or land use changes are occurring as a result of the Study.

Recommendation: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Independence Ranch Community Services District (LAFCO File No. 2-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).

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2026-XX Approving the Independence Ranch Community Services 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: District Boundary Map

Attachment B: Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study

Attachment A

Draft LAFCO Resolution No. 2026-XX
Approving the Independence Ranch
Community Services District Municipal Service
Review and Sphere of Influence Study

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

Thursday, March 19, 2026

RESOLUTION NO. 2026-XX

**RESOLUTION APPROVING THE INDEPENDENCE RANCH COMMUNITY SERVICES 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 Independence Ranch Community Services District, hereinafter referred to as the “District”, pursuant to California Government Code Section 56430, hereby incorporated by reference as contained in LAFCO File No. 2-S-25 Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the March 19, 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. 2-S-25 Port Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the March 19, 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 March 19, 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 "Independence Ranch Community Services 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 "Independence Ranch Community Services 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 is roads maintenance.
9. Road maintenance is considered a general term used to identify the authorized powers of the district, and the powers are further described in Government Code Section 61100 (l).
10. Pursuant to Government Code Section 56050.5, all other services, facilities, functions, or powers authorized by the Community Services District principal act that are not being exercised are, by operation of law, determined to be latent services or powers.

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:

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. 2-S-25 | Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study

Project Location: Independence Ranch Community Services District (IRCSD) is located in the northern unincorporated area of San Luis Obispo County, approximately 1.5 miles from the northernmost City of Paso Robles boundary.

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 IRCSD 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 March 19, 2026, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>. The Commission also established that the active services provided by the District include road maintenance services only.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on March 19, 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 IRCSD 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 Independence Ranch Community Services District (Government Code Section 56430)

1. Growth and population projections for the affected area.

The IRCSD area is a large residential subdivision with considerable rural development surrounded by agricultural land. Due to the District's size, precise population data is not readily available. Regional forecasts suggest slow growth in the broader unincorporated North County planning area and El Pomar-Estrella Sub-area, which includes IRCSD. In addition, limited growth is anticipated within the IRCSD because the subdivision is largely built out. The North County population is expected to increase from approximately 35,460 in 2025 to 36,961 by 2060, reflecting a growth rate of 0.12% per year over the 35-year period. While projections in the El Pomar-Estrella Sub-area are expected to increase from approximately 8,572 in 2000 to 15,517 by 2027, reflecting an annual increase of 2.3%. Significant increases in population are not expected to occur in this area over the next 10 to 35 years.

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

There are no DUCs within the IRCSD's service area or within its existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5.

3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Roads | IRCSD has approximately 9 miles of roadway. Most of the roads within the District are paved, with resurfacing performed either as chip seal or asphalt. Services provided by the District include paving, culvert maintenance, and brush removal, all of which are contracted out to private providers. Typical roadway maintenance services include pothole repair, crack sealing, resurfacing, and roadway reconstruction. The District has indicated that the roadway infrastructure is not adequate for existing users and future demand. In June 2025, the IRCSD conducted a successful Proposition 218 Hearing to increase road maintenance fees that were necessary for the District to

properly maintain the roads. Prior to FY 2025-2026, the fee assessment was only sufficient to meet loan payment obligations and administrative costs, not leaving enough funds for road improvements. The road maintenance fee increased by 100% for each of the 125 parcels, generating a total of \$125,000 annually beginning in FY 2025-2026. The increase will be allocated for road repairs only. IRCSD currently lacks the capability and capacity to adequately provide road maintenance services; however, capacity is expected to improve with the recent increase in road maintenance revenue, which will be reflected in upcoming budgets, scheduled audits, and capital improvement planning.

4. Financial ability of agencies to provide services.

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles. The District is primarily funded through charges for services, investment income, and, in some cases, grants or loans. To assess the District's financial health, key indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, exceeded 1.0 in FY 2018-2019, indicating insufficient operating revenue to cover operating expenses in that year due to necessary unanticipated road repairs and maintenance costs related to severe weather conditions. However, from FY 2019-2020 through FY 2022-2023, the ratio remained below 1.0, indicating that the District's operating revenues had consistently exceeded operating expenses. Liquidity Ratio, which measures current assets relative to current obligations, remained strong across the audited years analyzed, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, increased by 31% over the five-year audited period, indicating a strong financial position. Overall, these financial indicators show that IRCSD remains financially stable when major road maintenance is not required. However, with the recent passage of a Proposition 218 measure and associated increase in road maintenance revenue, more frequent road improvement projects are anticipated and will be reflected in future budgets, scheduled audits, and capital improvement plans, though additional revenue is anticipated to cover expenditures.

5. Status of and opportunities for shared facilities.

There are opportunities for new and continued shared relationships and facilities between agencies for services within the IRCSD Boundary. Opportunities for increased and continued coordination may include:

- Coordination with the County and San Luis Obispo Council of Governments (COG) on “Local Roads First”¹ initiative to collaborate and identify opportunities to secure a new funding source for road maintenance services. This proposed new funding source is still in its early stages and requires a vote of the electorate in SLO County. If passed, funding for CSDs is not guaranteed but may become available in the future at the discretion of the Board of Supervisors.
- Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.
- Coordination with the County Auditor-Controller-Treasurer-Tax Collector’s Office to explore options to minimize fees associated with auditing requirements. Options such as integrating District monies with the County Treasury and conducting transactions via the County’s Accounting Software could decrease the frequency of audits mandated under Government Code Section 26909.

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

IRCSD is governed by a five-member Board of Directors that is elected to four-year terms. Regularly scheduled monthly Board meetings are held, and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act. IRCSD maintains a website that contains general information, minutes, budgets, and other District updates. It is recommended that the IRCSD include an Enterprise System Catalog as required by SB 272, a Financial Transaction Report, and

¹ Local Roads First: Roadmap to transportation independence comes from what are known as “[Self-Help Counties](#)”. These counties, twenty-five throughout California, have chosen to fund transportation projects and infrastructure improvements within their local communities by implementing local sales tax measures. These counties have taken the initiative to generate additional revenue specifically for transportation-related needs. Self Help Counties also gain greater access to grant funds From State and Federal entities.

a Compensation Report on its website, consistent with website requirements for special districts.

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

Other governmental structure options are available to the IRCSD, such as jurisdictional changes consisting of reorganizations, if warranted. Should the IRCSD experience challenges with providing road maintenance services, there are several considerations that could be explored, as discussed in the MSR. Neither LAFCO nor IRCSD sees the need to pursue a change of organization at this time.

Sphere of Influence Determinations for the Independence Ranch Community Services District (Government Code Section 56425)

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

Land use within the IRCSD's service area and SOI is entirely designated Residential Rural, and the lands surrounding the District are zoned Agriculture. The IRCSD area is primarily built out with rural residential development. The District service area includes 126 parcels, with the remaining Independence Tract lots within the SOI. The IRCSD's SOI should remain unchanged, with no expansions or reductions.

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

The IRCSD presently provides road maintenance services within its service area; all other services listed in Government Code Section 61100 are considered latent powers. The IRCSD has expressed interest in pursuing annexation of the SOI area in the future. The lots in the SOI are predominantly built out and obtain access via County-maintained roads, but may also access their property using District-maintained roads. Since areas within the SOI benefit from District maintained roads, the District has a vested interest in annexing the SOI to generate additional revenue for ongoing road maintenance. If annexation is pursued in the future, the District would be required to demonstrate its ability to effectively serve the area and be subject to LAFCO proceedings and approval. The IRCSD's SOI should remain unchanged, with no expansions or reductions.

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

IRCSD currently lacks the capability and capacity to adequately provide road maintenance services; however, service is expected to improve with the recent increase in revenue. These road improvements and revenue increases will be incorporated into the District's budgets, scheduled audits, and capital improvement planning beginning in FY 2025–2026. The IRCSD's SOI should remain unchanged, with no expansions or reductions.

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 no DUCs within the IRCSD's service area or within its existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5.

Exhibit C

District Boundary Map

Attachment B

Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study



Public Review Draft

Independence Ranch Community Services District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted ___, 2026

Resolution No. _____

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ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

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

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
Edy 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 Independence Ranch Community Services District in assisting in the preparation of this report, including – but not limited to – the following individuals:

Debbie Thompson, Independence Ranch Community Services District, General Manager

Greg Hamson, Independence Ranch Community Services District, Board President

George Tracy, Independence Ranch Community Services District, Board Vice President

DISTRICT MSR & SOI STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review (MSR) for the Independence Ranch Community Services District (IRCSD or District), located in the northern area of San Luis Obispo County (County). The report has been prepared by staff in accordance with the requirements of the Government Code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years, or as 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 IRCSD, 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 was updated in 2015. The financial analysis has been set to cover the last two-year budgeted and 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	Independence Ranch Community Services District
Formation	1992
Legal Authority	Government Code Section 61000 - 61850
Office Location	6289 Hawk Ridge Place, San Miguel, CA 93451-9527
Website	https://www.iranchcsd.org/
General Manager	Debbie Thompson
Employees	1 Contracted
Public Meetings	Meetings are held on the 2 nd Wednesday of each month at 6:00 PM at the San Miguel Senior Center, 601 Twelfth Street, San Miguel, CA 93451
Board of Directors	Five members elected to four-year terms
Active Powers	Roads Maintenance
District Service Area	1,284 acres
Population Estimate	243 ¹

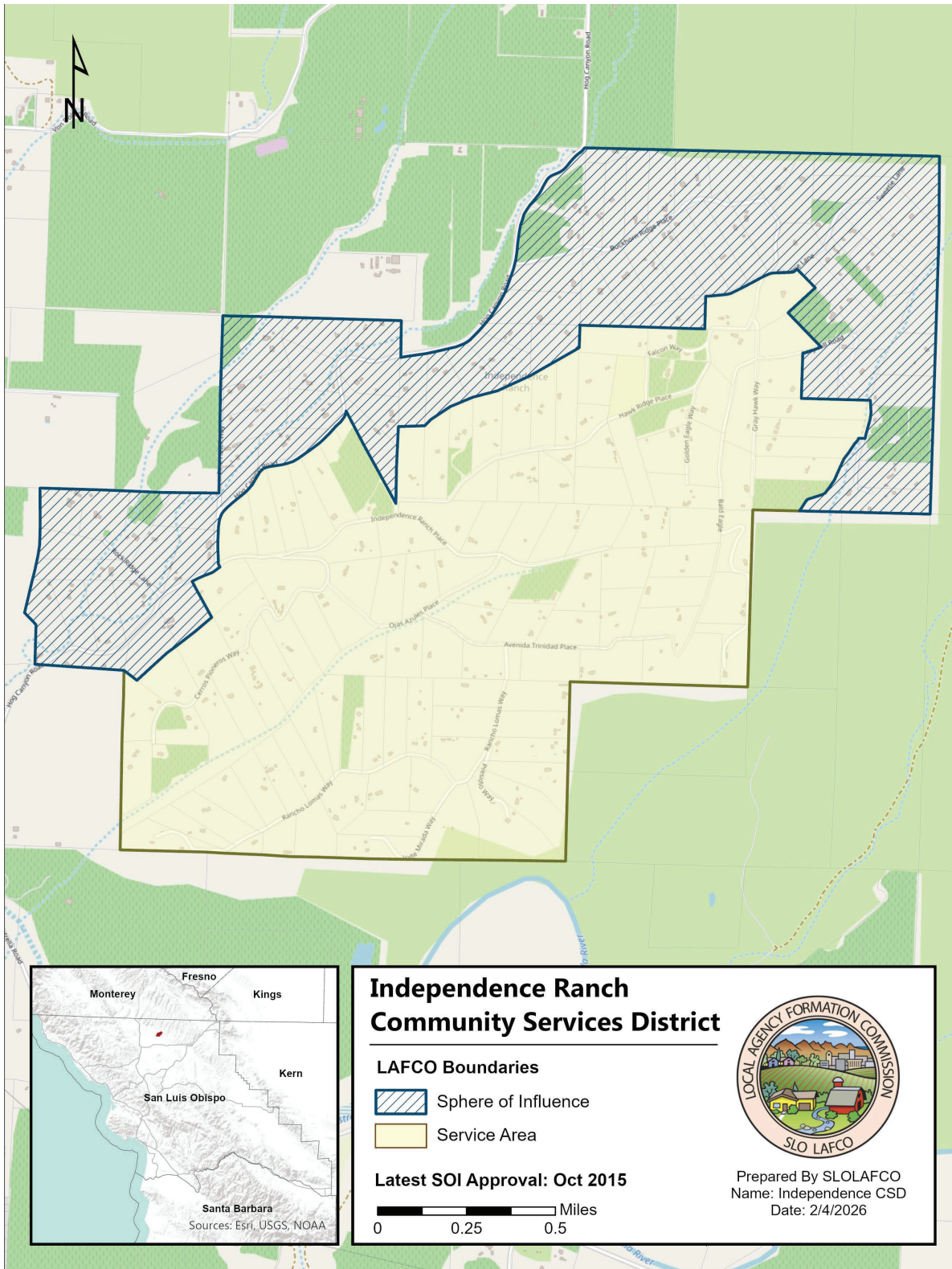
Background

The Independence Ranch Community Services District (IRCSD or District) was formed in 1992 by a vote of the registered voters to provide road improvement and maintenance services. The area is a large subdivision with considerable rural residential development surrounded by agricultural land. The District includes 126 parcels, with the remaining Independence Tract lots placed in the SOI. Private wells and septic tanks serve the homes in the area.

¹ SLO County Clerk Recorder Registered Voter Data, February 2026. While voter registration is not a precise measure of population, it offers a general sense of the District’s existing population density.

Boundary Map

Figure 1: District Boundary Map

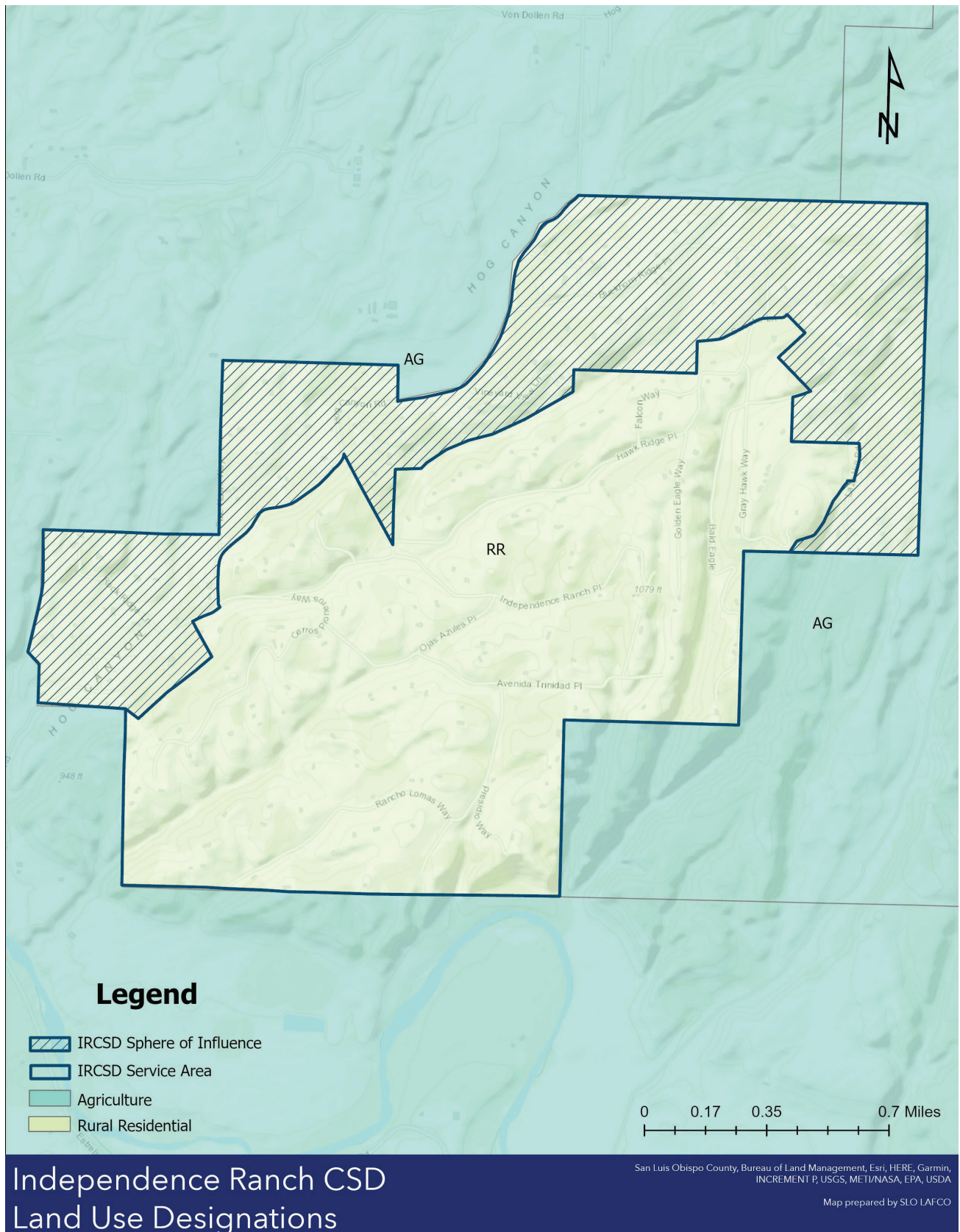


Present and Planned Land Use

Land Use within the District is subject to the Area Plans, adopted by the County Board of Supervisors in February 2014, which is Part II of the Land Use and Circulation Elements (LUCE) of the County General Plan. Area Plans refine the general policies of Framework for Planning (LUCE Part I) into land use issues and policies for the County's four inland planning areas: Carrizo, North County, San Luis Obispo, and South County. IRCSD is within the North County planning area and the El Pomar-Estrella sub-area. The area plans are prepared to envision the future of these areas and serve as a guide for future development. The El Pomar-Estrella sub-area further provides more centralized goals, policies, and programs that only apply to this sub-area.

The location and distribution of the land uses within the District are presented below in Figure 2. All land within the IRCSD is designated as Residential Rural. Residential Rural land within the El Pomar-Estrella sub-area is generally suitable for agriculture, but individual ownerships, small property sizes, and prior residential commitments often preclude viable commercial agricultural production. The intent of this category is to reflect the existing rural character in areas that are generally remote from fire and police protection and lack adequate utility services and road improvements. The General Plan does not envision significant increased density or unanticipated growth and development in the area.

Figure 2: District Land Use Designations



Independence Ranch CSD Land Use Designations

Population Profile

The IRCSD serves a broad rural residential area in northern unincorporated San Luis Obispo County. Due to the District's size, precise population data is not readily available. However, regional forecasts from the County indicate slow growth in the broader unincorporated North County planning area and El Pomar-Estrella Sub-area, which includes IRCSD. According to San Luis Obispo Council of Governments' (SLOCOG) projections, the North County population is expected to increase from approximately 35,460 in 2025 to 36,961 by 2060, reflecting a growth rate of 0.12% per year over the 35-year period.² According to County projections, the El Pomar-Estrella Sub-area population is expected to increase from approximately 8,572 in 2000 to 15,517 by 2027, reflecting an annual increase of 2.3%.³ Significant increases in population are not expected to occur in this area of the County over the next 35 years.

Given the IRCSD's land use designation of Residential Rural, which is surrounded by agricultural land, population growth within the District is similarly expected to remain gradual and low-density. Data from the County Clerk-Recorder's Office suggests there are roughly 243 registered voters within IRCSD.⁴ While voter registration is not a precise measure of population, it offers a general sense of the District's existing population density. Overall, IRCSD is predominantly built out under its existing land use designation, and future growth will likely be closely tied to resource availability, land use planning, and agricultural priorities.

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. DUCs are defined in Government Code Section 56033.5 as inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80% of the statewide annual MHI.⁵ Once the locations of the DUCs have been identified, LAFCOs are further required to evaluate any present

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

³ Table A.2-4 | San Luis Obispo County Land Use and Circulation Elements (Part II), The Area Plans, February 2014

⁴ SLO County Clerk Recorder Registered Voter Data, February 2026

⁵ California's MHI is \$84,097; 80% of the state's MHI is \$67,277. Therefore, the threshold for a DUC is an MHI less than is \$67,277.

and probable need for services related to sewer, municipal/ industrial water, or structural fire protection of any DUC within the existing SOI. 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 and wastewater 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 uses U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG)⁶ and Census Designated Places (CDP)⁷ data. Once a CBG or a CDP meets the DUC MHI threshold, LAFCO must then verify 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, there were no DUCs within IRCSD's service area, or within its existing or proposed SOI boundaries that meet this definition.

Social or Economic Communities of Interest in the Area

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

Accountability

IRCSD is an independent special district governed by a five-member Board of Directors, each elected to a four-year term. According to District Bylaws, Directors offer their services on a voluntary basis and waive compensation for attendance at each regular, adjourned, or special meeting of the Board. Each Board Member is entitled to reimbursement for reasonable expenses incurred in the performance of duties required/authorized by the Board. The Board holds regular meetings on the second Wednesday of the month at the San Miguel Senior Center located at 601 Twelfth Street, San Miguel, CA 93451. Special Meetings, if needed, are held and noticed at least 24 hours prior. The Board Room is open to the public for those who wish to attend meetings in person; meetings are not available via teleconference. Agendas are officially posted on the IRCSD website, the District's office window, at the entrance to the Ranch near Hog Canyon road, and sent via email to those who sign up through the

⁶ CBGs are a group of blocks within a census tract with populations of 600 to 3,000 people.

⁷ CDPs are a statistical geography representing closely settled, unincorporated communities that are locally recognized and identified by name.

District website. Board packets are also made available on the website. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 2: Board of Directors

Board Member	Title	Term Expiration
Greg Hamson	President	2028
George Tracy	Vice President	2026
Bill Mulchay	Director	2028
Matt Costello	Director	2028
Cinde Stark	Director	2026

IRCS D does not currently have any ad-hoc committees; the Board President and/or Board Directors may appoint ad-hoc committees as deemed necessary to help shape their needs and guide District operations.

The District currently employs 0 full-time and part-time staff; services are provided through outside contractors (not employees) for key positions such as General Manager. Staffing levels are considered adequate to support service delivery within the District’s service area.

IRCS D maintains a website that is partially in compliance with Senate Bill 929⁸, as seen in Table 3 below. Approved minutes of the Board’s regular meetings, budgets, and other District updates are made available for public access on the website. The District also reports that all Form 700 financial disclosure statements are current and in compliance with state requirements. IRCS D is working on revamping its website to streamline information available to the public. The website is expected to relaunch in Spring 2026. It is recommended that the IRCS D include an Enterprise System Catalog as required by SB 272, a Financial Transaction Report, and a Compensation Report on its website, consistent with website requirements for special districts.

⁸ SB 929 was written with the intention of improving transparency and public access to basic information about special districts’ activities. Under SB 929, all independent special districts must create a website with the district’s contact information. In addition, all districts must conform to any other legal requirements applicable to their districts’ website.

Table 3: Website Requirements for Special Districts

Requirements	IRCS D Website
Contact Information	✓
Most Recent Agenda <i>(posted 72 hours in advance of each upcoming meeting)</i>	✓
Financial Transaction Report⁹	✗
Compensation Report	✗
Enterprise System Catalog <i>(as required by SB 272)</i>	✗

Services & Capacity

Authorized Services

IRCS D’s governance authority is established under Government Code Section 61000. This principal act identifies a range of services and facilities that a community services district may provide. Under Government Code Section 56425(i), when LAFCO adopts, updates, or amends a sphere of influence (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.

The last MSR and SOI Study for IRCS D, adopted in 2015, established the District’s authority to provide a single service: road maintenance. This current MSR and SOI Study reaffirms these as active powers for the IRCS D:

- Roads Maintenance

⁹ A Financial Transaction Report must be submitted within seven months after the close of the fiscal year— IRCS D does report to the State Auditor Controller’s Office but does not provide the report or add the link to their site annually.

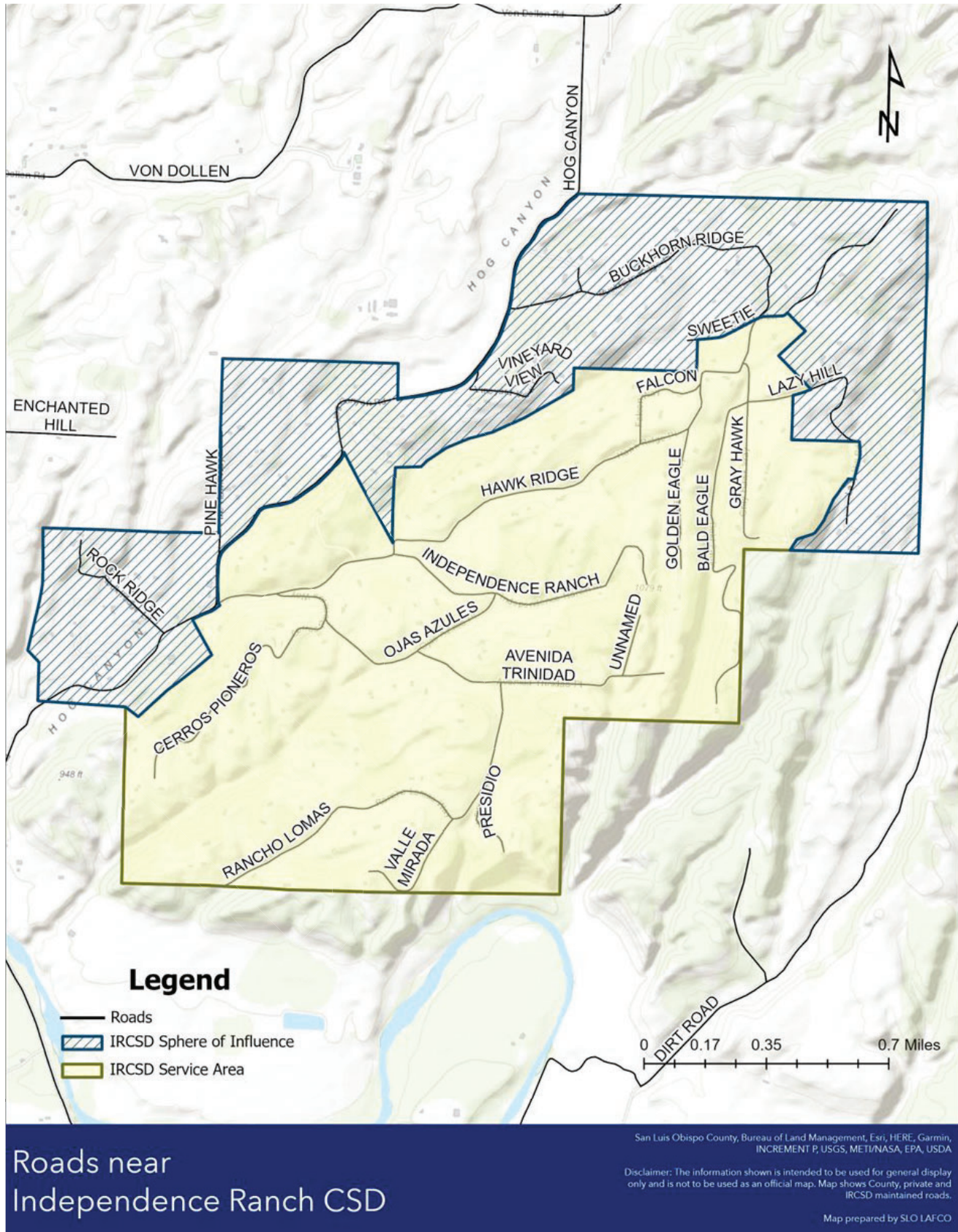
All other services listed under Government Code Section 61100 are considered latent powers of the District. This “Services and Capacity” section analyzes present and long-term infrastructure demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services that are currently available, and 2) the ability of the District to expand such resources and services in line with increasing demands. An adequate supply of services should be documented to support areas in the sphere, envisioned for eventual annexation and service by a jurisdiction.

Roads Maintenance

IRCSD is authorized to provide road maintenance services as it is described in Government Code Section 61100(l). The District completes road maintenance activities by: 1) the Board of Directors meeting to discuss the roads that need repair work, 2) contracting with a company or individual to manage and administer the CSD, and 3) hiring a contractor to complete the road maintenance work. IRCSD has approximately nine miles of roadway that the CSD maintains within the service area. The District has adopted [San Luis Obispo County Code Section 15](#), Vehicles and Traffic, as the basis for enforcement for the operation of the roads within IRCSD. In addition, County standards for the construction of culverts, swales, slopes, and other drainage facilities are incorporated by the District for reference in the design and operation of drainage within the IRCSD.

Most of the roads within the District are paved, with resurfacing performed either as chip seal or asphalt. Services provided by the District include paving, culvert maintenance, and brush removal, all of which are contracted out to private providers. Typical roadway maintenance services include pothole repair, crack sealing, resurfacing, and roadway reconstruction. Currently, no bike paths are present, nor are any planned for the area. Roadways that serve more occupied parcels receive higher priority in receiving maintenance services. Figure 3 depicts the roads within the District’s jurisdiction. IRCSD maintained roads include: Independence Ranch Pl; Hawk Ridge Pl; Falcon Way; Golden Eagle Way; Bald Eagle Way; Gray Hawk Way; Cerros Pioneros Way; Ojas Azules Pl; Avenida Trinidad; Rancho Lomas Way; Valle Mirada Way; Presidio Way.

Figure 3: District Maintained Road System Map



In June 2014, the roads were chip-sealed by obtaining a \$500,000 loan from the US Department of Agriculture (USDA) Rural Development loan program. Some of the less-trafficked roads were provided with only a single-layer chip seal, while the main arterial roads were provided with a double chip seal. Between 2014 and 2016, the roads did not sustain any major weather-related damage. However, in the years that followed, the District experienced average and above-average rainfall, which accelerated roadway deterioration. Due to severe weather conditions in 2017, the IRCSD incurred approximately \$78,000 in unanticipated repair costs. Although the Office of Emergency Services (OES) and Federal Emergency Management Agency (FEMA) granted the District a reimbursement of about \$17,500 for road repairs in FY 2018-2019, the funding was not enough to cover the full expense. In addition, the District indicated that several parcels began operating small businesses, increasing overall traffic and introducing heavier vehicles, including large trucks. These factors have contributed to a greater need for road maintenance. As of the most recent audited Financial Statement ending on June 30, 2023, the IRCSD had a balance of \$316,000 on the USDA loan. The District has indicated that revenues have historically only covered loan payment obligations and administrative costs, not leaving enough funds for road improvements.

As a result of District roadway infrastructure not being adequate for existing and future users, in June 2025, the IRCSD conducted a successful Proposition 218 Hearing to increase road maintenance fees that were necessary for the District to properly maintain the roads. The road maintenance fee increased from \$500 to \$1,000 per year for each of the 125 parcels, generating a total of \$125,000 annually, and went into effect in FY 2025-2026. The increased funding will be used exclusively for road repairs. The IRCSD Engineers Report prepared for Proposition 218, which was approved in June 2025, included a list of the streets within the District, their current conditions, and estimated repair costs required to bring each roadway to a satisfactory condition. These road improvements and the corresponding revenue increase will be incorporated into the District's budgets, scheduled audits, and capital improvement planning beginning FY 2025-2026. IRCSD has indicated that its future road improvement plans include continuing asphalt patching on all CSD-maintained roads and, as funding permits, chip sealing District roads one at a time. In addition, the IRCSD would like to explore future expansion of services to areas within their SOI, to help bring in additional revenue to the District. This was studied further in the [SOI section](#) of this report.

Shared Facilities

There are ongoing opportunities for collaboration between agencies to enhance service delivery within the IRCSD boundary. The County and the District currently coordinate efforts to deliver services efficiently and avoid duplication. At this time, the roles and responsibilities of the District and the County are clearly defined within the service area. Looking forward, there are several areas where increased coordination and shared use of facilities/ resources could benefit the community, including:

- Coordination with the County and San Luis Obispo Council of Governments (SLOCOG) on “Local Roads First”¹⁰ initiative to collaborate and identify opportunities to secure a new funding source for road maintenance services. This proposed new funding source is still in its early stages and requires a vote of the electorate in SLO County. If passed, funding for CSDs is not guaranteed but may become available in the future at the discretion of the Board of Supervisors.
- Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.
- Coordination with the County Auditor-Controller-Treasurer-Tax Collector’s Office to explore options to minimize fees associated with auditing requirements. Options such as integrating District monies with the County Treasury and conducting transactions via the County’s Accounting Software could decrease the frequency of audits mandated under Government Code Section 26909.

Other Matters Related to Efficient Service Delivery

Other governmental structure options are available to the IRCSD, such as jurisdictional changes consisting of reorganizations that may involve consolidation or dissolution if warranted. Any proposed changes of organization or reorganization for a CSD may be initiated by petition of local voters or landowners within the proposal area; a resolution of subject/affected agencies; or by LAFCO action, depending on the action being proposed. There are different initiation threshold requirements for the

¹⁰ Local Roads First: Roadmap to transportation independence comes from what are known as “Self-Help Counties”. These counties, twenty-five throughout California, have chosen to fund transportation projects and infrastructure improvements within their local communities by implementing local sales tax measures. These counties have taken the initiative to generate additional revenue specifically for transportation-related needs. Self Help Counties also gain greater access to grant funds From State and Federal entities.

various proposal types, as well as corresponding protest provisions following LAFCO approval, with specified minimum protest thresholds to require subsequent voter approval or termination of the proposal with a sufficient majority protest. A key issue to be determined when considering any potential governmental structure option for a special district involves the identification of a successor agency that is authorized, capable, and willing to sustain the provision and level of services provided by the dissolved district. A proposed reorganization involving dissolution/annexation or a consolidation/merger would transfer the extinguished district's assets and facilities to the successor agency, along with responsibilities for any bonded indebtedness. A plan for service is also required to be submitted to LAFCO by the annexing agency/successor agency with these types of jurisdictional changes.

Should the IRCSD experience challenges with providing road maintenance, there are several considerations that could be explored, which consist of, but are not limited to:

- Exploration of future consolidation or dissolution/annexation with existing neighboring agencies, such as County Service Area 21, which provides road maintenance for unincorporated areas within the County.

Neither LAFCO nor IRCSD identified a need to pursue a change of organization at this time. However, if the IRCSD customers oppose needed rate increases in the future, it could jeopardize the District's financial stability and long-term ability to provide services.

Finance

LAFCO is required to make a determination regarding the financial ability of the IRCSD 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 audited financial statements from Fiscal Years (FY) 2018-2019 through FY 2022-2023 and the Operating Budget Report for FY 2025-2026.

Typically, LAFCO uses the last 5-year audited period, the IRCSD is on a biennial schedule, and the latest audit for FY 2023-2024 is pending completion, as is further discussed below.

Government Code Section 26909 requires an annual audit of a special district's accounts and records; however, a special district may, by unanimous request of its governing body, and by unanimous approval of the Board of Supervisors, replace the annual audit with a biennial audit covering a two-year period. In March 2011, the IRCSD Board unanimously adopted resolution 030911-1 to petition the County Auditor-Controller-Treasurer-Tax Collector's (ACTTC) and the Board of Supervisors to replace the annual auditing requirements from yearly to biennial, as an annual audit was determined to be a financial burden to the District. In May 2011, the County Board of Supervisors approved the District's request to allow it to conduct biennial audits covering a two-year period. However, they may still conduct annual audits if they find a need to do so. The IRCSD failed to audit FY 2021-2022 in either a biennial or annual financial audit. District staff have reported that they have initiated the FY 2021-2022 audit process and have begun coordination with the County ACTTC's office to request authorization to perform a review or compilation for FY 2021-2022. ACTTC is reviewing this request. The FY 2023-2024 audit will be accounted for in the FY 2024-2025 biennial financial audit, due June 30, 2026, which will be conducted by the District's contracted CPA firm, Fetcher & Company.

Operating Budget

The District adopts a balanced budget each year, which is available on its website and is designed to provide an understanding of the District's financial health and fiscal priorities for the next fiscal year. The budget document is formatted to provide key information regarding its revenues, expenditures, and reserves. The District's budget documents are made publicly available on the District's website. The IRCSD's budget implements the District's budget and reserve policies, which were adopted in 2026 to ensure the sustainability of the District's operations and programs. In addition to the annual budget, District staff provide a monthly financial report at each Board of Directors meeting, which includes a general statement of revenues and expenditures for each month.

Audited Financial Statements

IRCSD hires an outside accounting firm to perform an annual or biennial audit covering a two-year period in accordance with established governmental accounting standards. This includes auditing

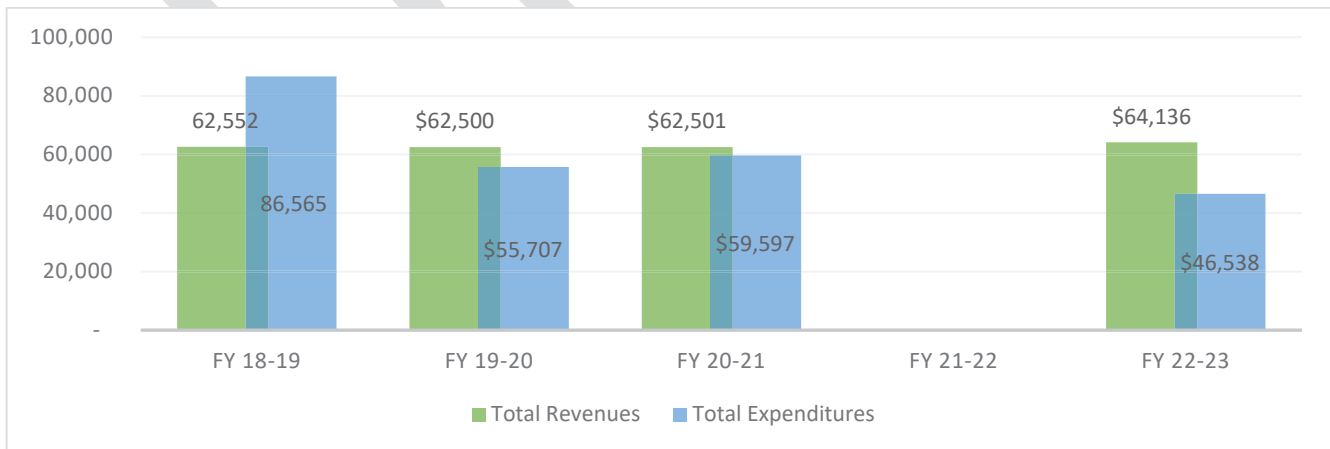
IRCSD’s financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing IRCSD’s short and long-term fiscal health with a specific focus on delivering its active service functions.

Revenues and Expenditures

The District is primarily funded through charges for services, investment income, and, in some cases, grants or loans. As shown in Figure 4 below, the District had fixed revenues from FY 2018-2019 to FY 2020-2023, with a slight increase in FY 2022-2023. Over the years, the IRCSD has struggled to increase property assessments; however, in June 2025, the IRCSD conducted a successful Proposition 218 Hearing to increase road maintenance fees that were necessary for the District to properly maintain the roads. The road maintenance fee will increase from \$500 to \$1,000 per year for each of the 125 parcels, generating a total of \$125,000 annually. The updated assessment will take effect in FY 2025-2026.

In FY 2018-2019, expenditures exceeded revenues primarily related to road repairs and maintenance costs that were unanticipated but necessary in that fiscal year due to severe weather conditions. Between FY 2019-2020 through FY 2022-2023, expenditures declined. Expenditures fluctuate based on need, since revenues only cover loan payment obligations and administrative costs, not leaving enough funds for road improvements. At the end of the fiscal year ending on June 30, 2023, the District was able to report positive balances in the District’s revenues.

Figure 4: Audited Revenues and Expenditures

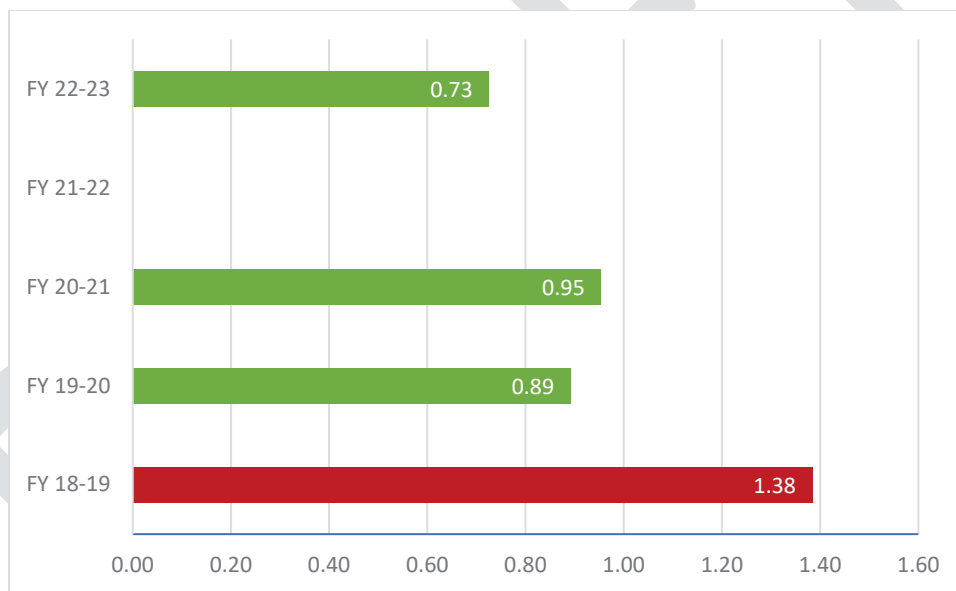


To assess the District’s ability to meet its financial obligations, Figure 5 displays the Operating Ratio for the past five audited fiscal years. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

- 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

In FY 2018-2019, the ratio exceeded 1.0, indicating insufficient operating revenue to cover operating expenses in that year. However, from FY 2019-2020 through FY 2022-2023, the ratio remained below 1.0, indicating that the District’s operating revenues consistently exceeded operating expenses. This suggests stable financial performance with positive operating margins for years when road maintenance improvements were not needed.

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
- Capital Assets: Long-term investments that are not expected to become cash within an accounting year

Over the past five audited year period, IRCSD’s total assets have decreased by approximately 13%, ending with \$376,392 at the end of FY 2022-2023. Approximately 19% 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 capital assets, mainly representing buildings and improvements.

Table 4: Audited Assets

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	% Change	Average
Current Assets	\$ 78,926	\$ 45,091	\$47,995	-	\$71,762	59%	\$54,949
Non-Current Assets	\$414,986	\$387,397	\$359,808	-	\$304,630	-21%	\$350,612
Total Assets	\$493,912	\$432,488	\$407,803	-	\$376,392	-13%	\$ 243,337

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 2022-2023, IRCSD’s audited liabilities totaled approximately \$320,683. Of this amount, current liabilities (obligations due in the near term) accounted for \$28,683, or about 9% of total liabilities. The remaining long-term debt classified as non-current, accounted for about 91% of total liabilities and consists of the IRCSD’s loan that was obtained for the District’s road paving project.

Table 5: Audited Liabilities

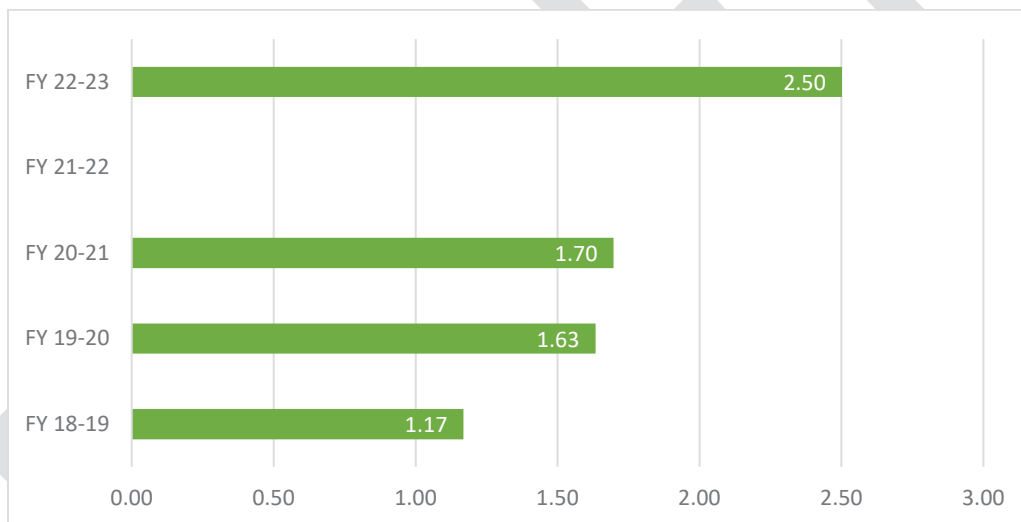
Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	% Change	Average
Current liabilities	\$67,534	\$27,600	\$28,279	-	\$28,683	-58%	\$38,024
Non-Current Liabilities	\$384,000	\$362,000	\$339,000	-	\$292,000	-24%	\$344,250
Total Liabilities	\$451,534	\$389,600	\$367,279	-	\$320,683	-29%	\$254,849

Figure 5 illustrates the District’s Liquidity Ratios from FY 2018-2019 through FY 2023-2024. 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 shown in Figure 6, the District’s liquidity ratio consistently remained above 1.0, demonstrating a stable ability to meet short-term obligations.

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 three 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
- *Restricted Net Position*: Includes the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation
- *Unrestricted Net Position*: Consists of resources that do not meet the criteria for the other two categories and may be used for general operations.

At the close of FY 2022-2023, IRCSD’s net position totaled \$55,709, 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 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	% Change	Average
Net Investment in Capital Assets	\$9,986	\$3,397	\$ (2,192)	-	\$(11,370)	-214%	\$(45)
Restricted	-	-	-	-	-	-	-
Unrestricted	\$32,392	\$ 39,491	\$42,716	-	\$ 67,079	107%	\$45,420
Total Net Position	\$42,378	\$42,888	\$40,524	-	\$55,709	31%	\$30,250

Sphere of Influence

Existing & Proposed SOI

IRCSD’s existing SOI, last adopted in October 2015, is approximately 776 acres beyond the service area boundary. The District’s SOI is expected to remain unchanged, with no expansions or reductions. The IRCSD has expressed interest in pursuing annexation of the SOI area in the future. The lots in the SOI are predominantly built out and obtain access to their properties via County-maintained roads (primarily Hog Canyon Road) and may also access their property using District-maintained roads. The lots in the SOI that are located furthest east must use some District-maintained roads to access their property, using Lazy Hill Road and Sweetie Lane to reach their properties. Areas in the SOI are not charged District assessment fees for road maintenance. However, the District has a vested interest in

annexing the SOI area to generate additional revenue for road maintenance. If annexation is pursued in the future, the District would be required to demonstrate its ability to effectively serve the area and be subject to LAFCO proceedings and approval. Figure 7 shows nearby County, private, and IRCSD-maintained roadways. Figure 8 shows the existing SOI, which is recommended for reaffirmation.

Figure 7: Roads near IRCSD

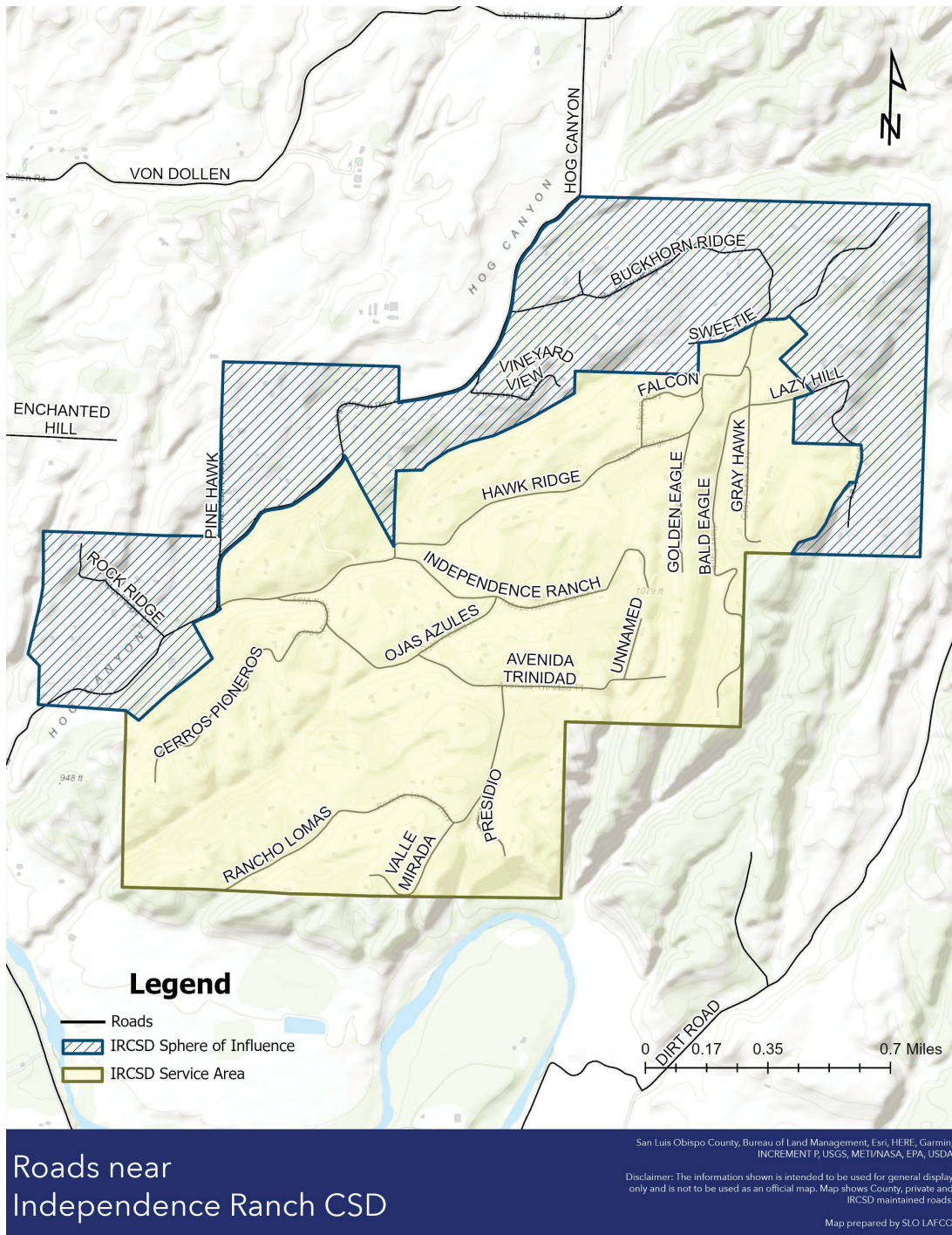
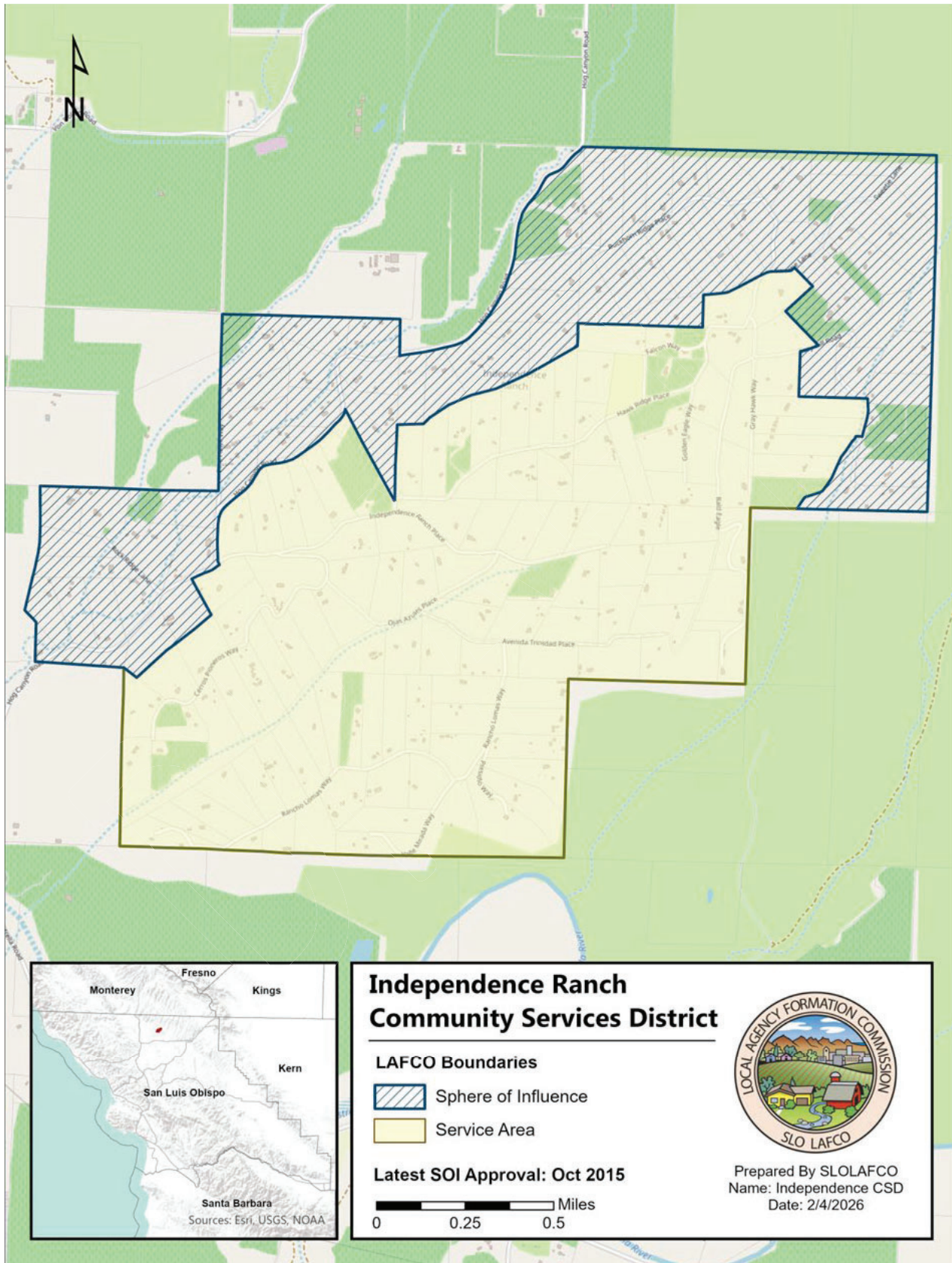


Figure 8: Recommended Service Area and Sphere of Influence Boundary



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 IRCSD area is a large residential subdivision with considerable rural development surrounded by agricultural land. Due to the District's size, precise population data is not readily available. Regional forecasts suggest slow growth in the broader unincorporated North County planning area and El Pomar-Estrella Sub-area, which includes IRCSD. In addition, limited growth is anticipated within the IRCSD because the subdivision is largely built out. The North County population is expected to increase from approximately 35,460 in 2025 to 36,961 by 2060, reflecting a growth rate of 0.12% per year over the 35-year period. While projections in the El Pomar-Estrella Sub-area are expected to increase from approximately 8,572 in 2000 to 15,517 by 2027, reflecting an annual increase of 2.3%. Significant increases in population are not expected to occur in this area over the next 10 to 35 years.

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

There are no DUCs within the IRCSD's service area or within its existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5.

3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Roads | IRCSD has approximately 9 miles of roadway. Most of the roads within the District are paved, with resurfacing performed either as chip seal or asphalt. Services provided by the

District include paving, culvert maintenance, and brush removal, all of which are contracted out to private providers. Typical roadway maintenance services include pothole repair, crack sealing, resurfacing, and roadway reconstruction. The District has indicated that the roadway infrastructure is not adequate for existing users and future demand. In June 2025, the IRCSD conducted a successful Proposition 218 Hearing to increase road maintenance fees that were necessary for the District to properly maintain the roads. Prior to FY 2025-2026, the fee assessment was only sufficient to meet loan payment obligations and administrative costs, not leaving enough funds for road improvements. The road maintenance fee increased by 100% for each of the 125 parcels, generating a total of \$125,000 annually beginning in FY 2025-2026. The increase will be allocated for road repairs only. IRCSD currently lacks the capability and capacity to adequately provide road maintenance services; however, capacity is expected to improve with the recent increase in road maintenance revenue, which will be reflected in upcoming budgets, scheduled audits, and capital improvement planning.

4. Financial ability of agencies to provide services

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles. The District is primarily funded through charges for services, investment income, and, in some cases, grants or loans. To assess the District's financial health, key indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, exceeded 1.0 in FY 2018-2019, indicating insufficient operating revenue to cover operating expenses in that year due to necessary unanticipated road repairs and maintenance costs related to severe weather conditions. However, from FY 2019-2020 through FY 2022-2023, the ratio remained below 1.0, indicating that the District's operating revenues had consistently exceeded operating expenses. Liquidity Ratio, which measures current assets relative to current obligations, remained strong across the audited years analyzed, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, increased by 31% over the five-year audited period, indicating a strong financial position. Overall, these financial indicators show that IRCSD remains financially stable when major road maintenance is not required. However, with the recent passage of a

Proposition 218 measure and associated increase in road maintenance revenue, more frequent road improvement projects are anticipated and will be reflected in future budgets, scheduled audits, and capital improvement plans though additional revenue is anticipated to cover expenditures.

5. Status of and opportunities for shared facilities

There are opportunities for new and continued shared relationships and facilities between agencies for services within the IRCSD Boundary. Opportunities for increased and continued coordination may include:

- Coordination with the County and San Luis Obispo Council of Governments (COG) on “Local Roads First”¹¹ initiative to collaborate and identify opportunities to secure a new funding source for road maintenance services. This proposed new funding source is still in its early stages and requires a vote of the electorate in SLO County. If passed, funding for CSDs is not guaranteed but may become available in the future at the discretion of the Board of Supervisors.
- Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.
- Coordination with the County Auditor-Controller-Treasurer-Tax Collector’s Office to explore options to minimize fees associated with auditing requirements. Options such as integrating District monies with the County Treasury and conducting transactions via the County’s Accounting Software could decrease the frequency of audits mandated under Government Code Section 26909.

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

IRCSD is governed by a five-member Board of Directors that is elected to four-year terms. Regularly scheduled monthly Board meetings are held, and all meetings are open to the public

¹¹ Local Roads First: Roadmap to transportation independence comes from what are known as “[Self-Help Counties](#)”. These counties, twenty-five throughout California, have chosen to fund transportation projects and infrastructure improvements within their local communities by implementing local sales tax measures. These counties have taken the initiative to generate additional revenue specifically for transportation-related needs. Self Help Counties also gain greater access to grant funds From State and Federal entities.

and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act. IRCSA maintains a website that contains general information, minutes, budgets, and other District updates. It is recommended that the IRCSA include an Enterprise System Catalog as required by SB 272, a Financial Transaction Report, and a Compensation Report on its website, consistent with website requirements for special districts.

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

Other governmental structure options are available to the IRCSA, such as jurisdictional changes consisting of reorganizations, if warranted. Should the IRCSA experience challenges with providing road maintenance services, there are several considerations that could be explored, as discussed in the MSR. Neither LAFCO nor IRCSA sees the need to pursue a change of organization at this time.

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.

Land use within the IRCSA's service area and SOI is entirely designated Residential Rural, and lands surrounding the District are zoned Agriculture. The IRCSA area is primarily built out with rural residential development. The District service area includes 126 parcels, with the remaining Independence Tract lots within the SOI. The IRCSA's SOI should remain unchanged, with no expansions or reductions.

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

The IRCSA presently provides road maintenance services within its service area; all other services listed in Government Code Section 61100 are considered latent powers. The IRCSA has expressed interest in pursuing annexation of the SOI area in the future. The lots in the SOI are

predominantly built out and obtain access via County-maintained roads, but may also access their property using District-maintained roads. Since areas within the SOI benefit from District-maintained roads, the District has a vested interest in annexing the SOI to generate additional revenue for ongoing road maintenance. If annexation is pursued in the future, the District would be required to demonstrate its ability to effectively serve the area and be subject to LAFCO proceedings and approval. The IRCSD's SOI should remain unchanged, with no expansions or reductions.

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

IRCSD currently lacks the capability and capacity to adequately provide road maintenance services; however, service is expected to improve with the recent increase in revenue. These road improvements and revenue increases will be incorporated into the District's budgets, scheduled audits, and capital improvement planning beginning in FY 2025–2026. The IRCSD's SOI should remain unchanged, with no expansions or reductions.

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 no DUCs within the IRCSD's service area or within its existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5.

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 IRCSD MSR and SOI Study is exempt from CEQA review pursuant to Section 15306 of the CEQA Guidelines, Class 6 – Information Collection, and Section 15061 (b)(3), the General

Rule Exemption. This report is based on the use of the MSR as a tool for data collection and service evaluation. The MSR and SOI Study will not result in any significant environmental impact, as it does not authorize new municipal service powers. Additionally, the study does not involve changes to land use or introduce activities that would affect the environment.

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