



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).

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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.

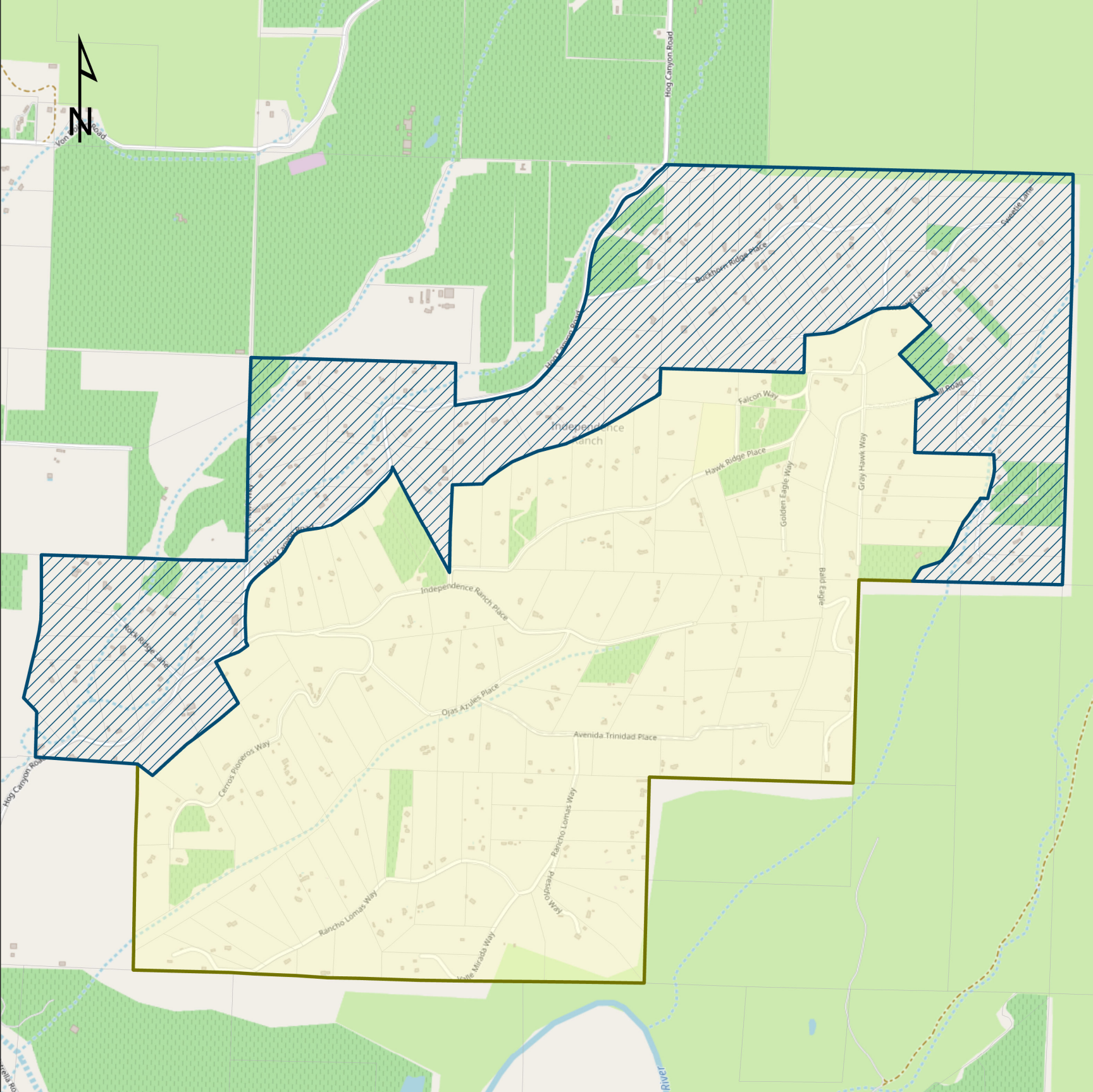
There are no social or economic communities of interest within the District service area boundary.

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.


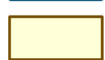
Exhibit C

District Boundary Map

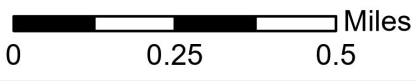


Independence Ranch Community Services District

LAFCO Boundaries

-  Sphere of Influence
-  Service Area

Latest SOI Approval: 03/19/2026



Prepared By SLOLAFCO
Name: Independence CSD
Date: 2/26/2026

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

DRAFT

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

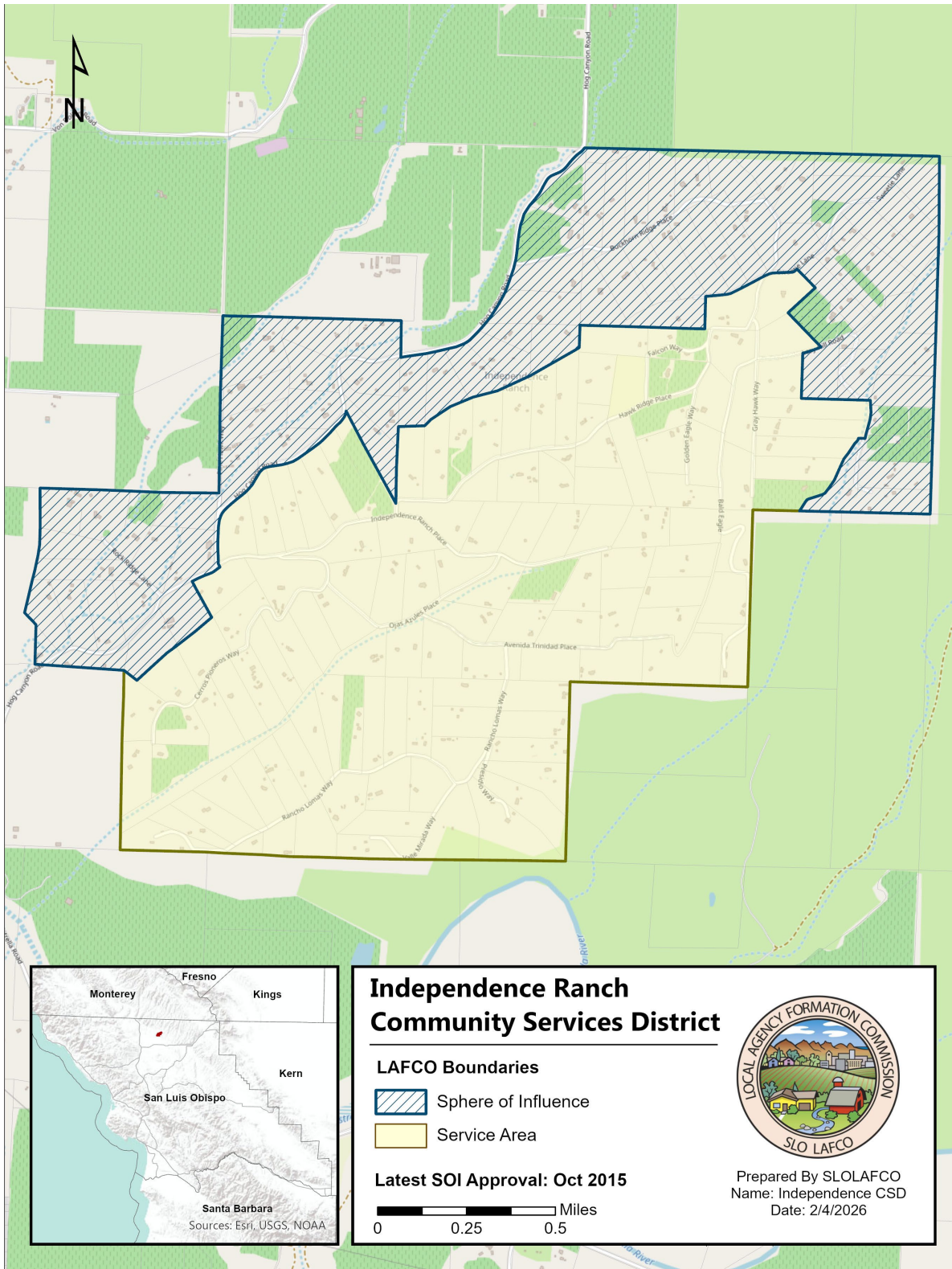
Background

The Independence Ranch Community Services District (IRCSA 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

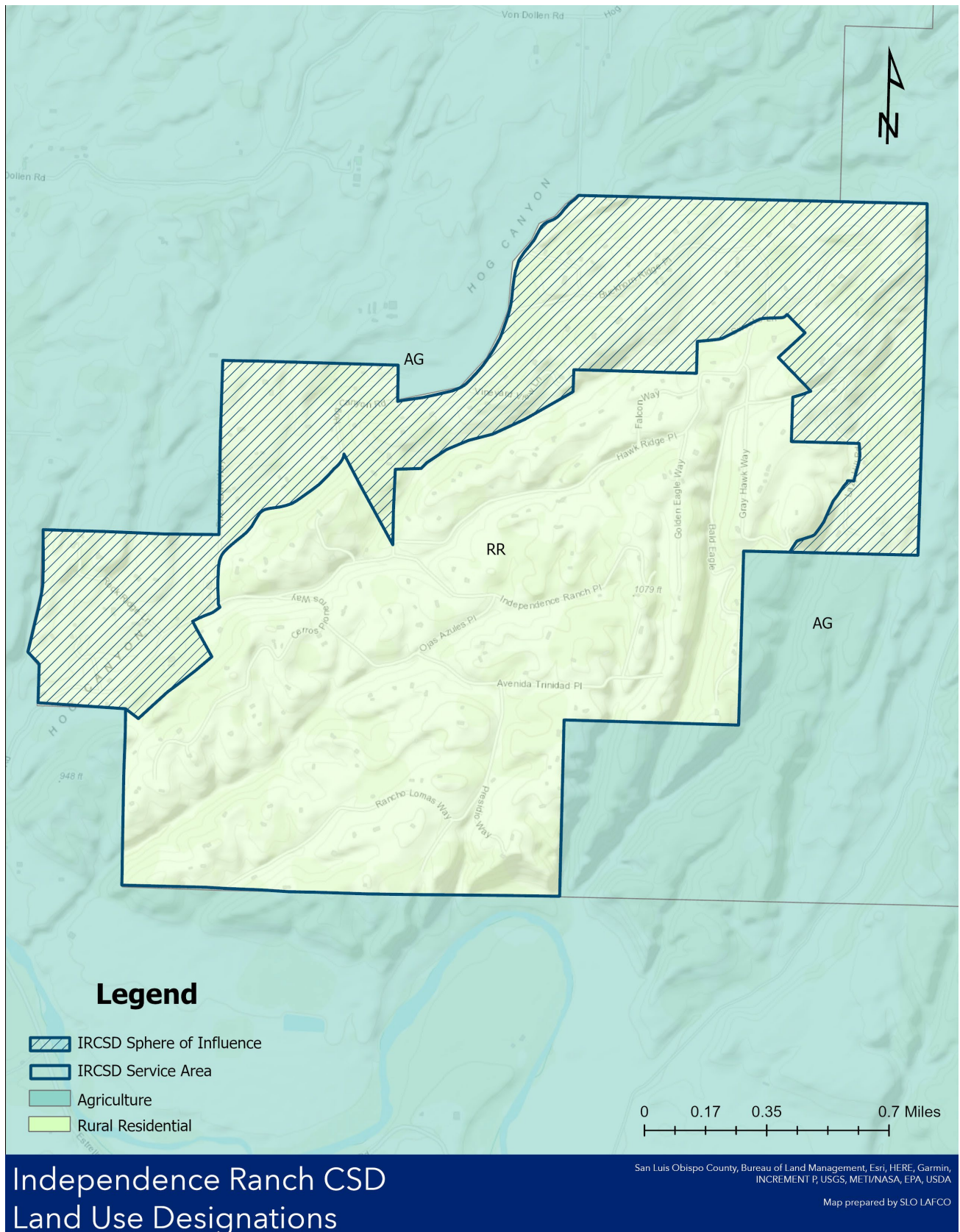


Present and Planned Land Use

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



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

IRCSA 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.

IRCSA 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. IRCSA 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 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.

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.

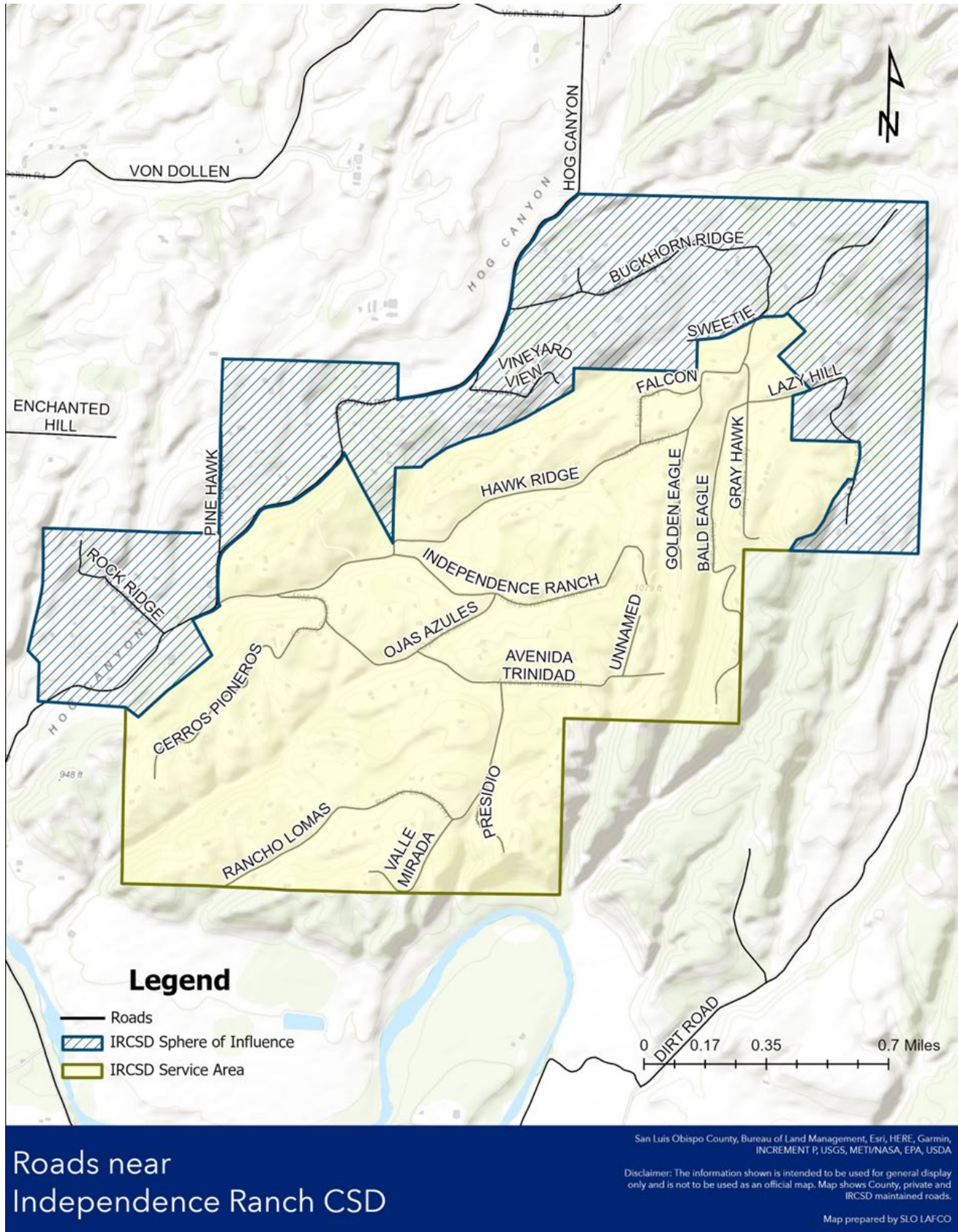
All other services listed under Government Code Section 61100 are considered latent powers of the District. This “Services and Capacity” section analyzes present and long-term infrastructure demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services 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



Roads near
Independence Ranch CSD

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

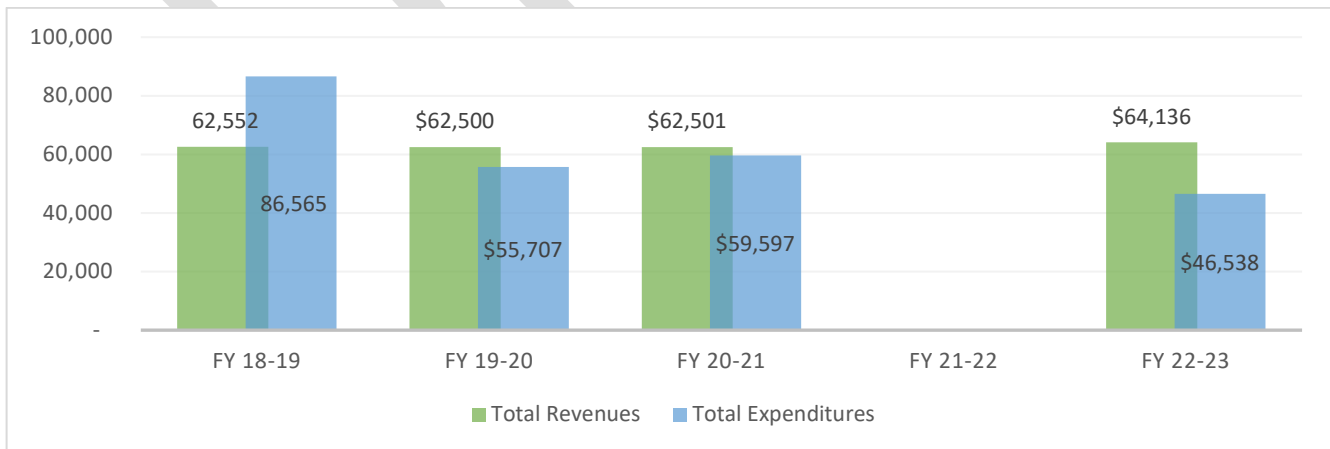
IRCSD’s financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing IRCSD’s short and long-term fiscal health with a specific focus on delivering its active service functions.

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

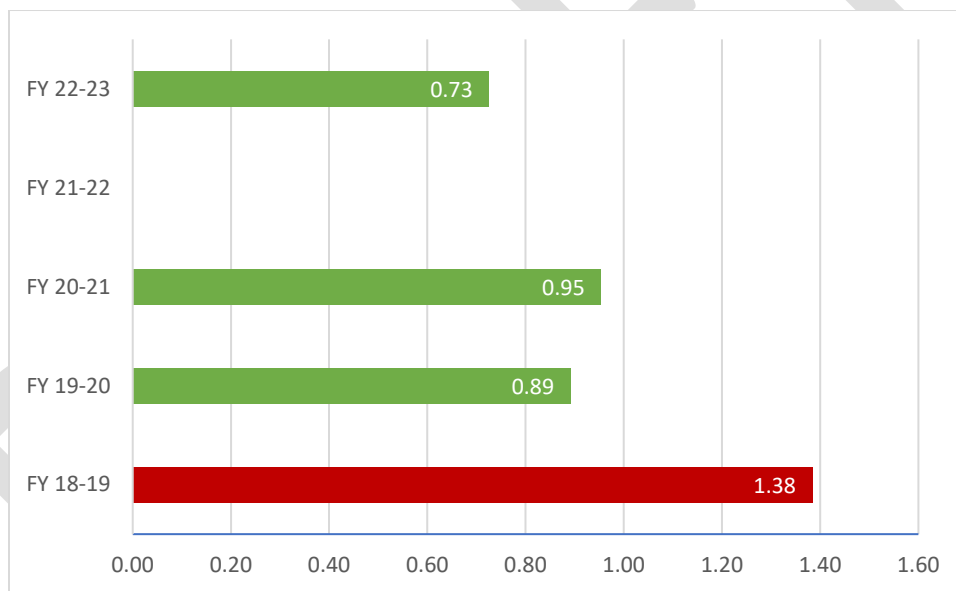


To assess the District’s ability to meet its financial obligations, Figure 5 displays the Operating Ratio for the past five audited fiscal years. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

- 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

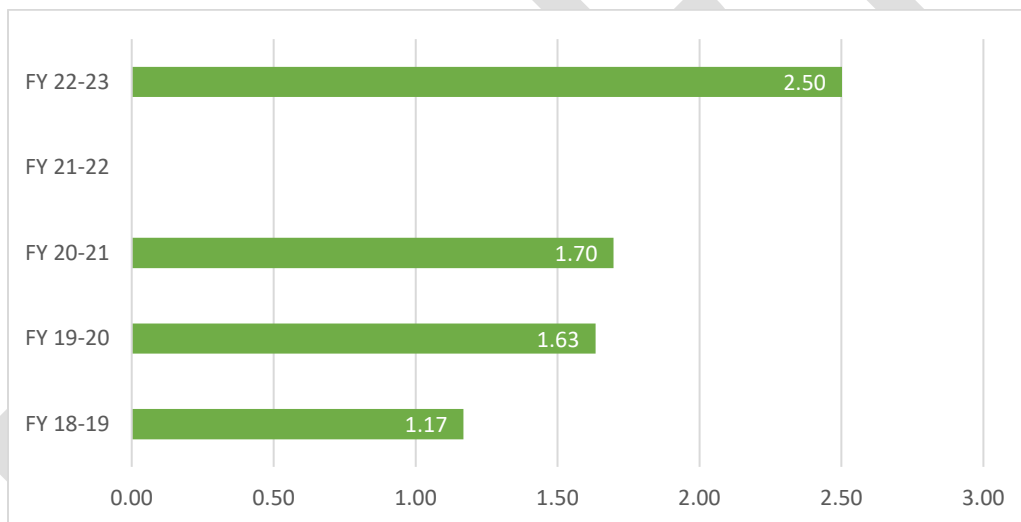
Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	% Change	Average
Current liabilities	\$67,534	\$27,600	\$28,279	-	\$28,683	-58%	\$38,024
Non-Current Liabilities	\$384,000	\$362,000	\$339,000	-	\$292,000	-24%	\$344,250
Total Liabilities	\$451,534	\$389,600	\$367,279	-	\$320,683	-29%	\$254,849

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

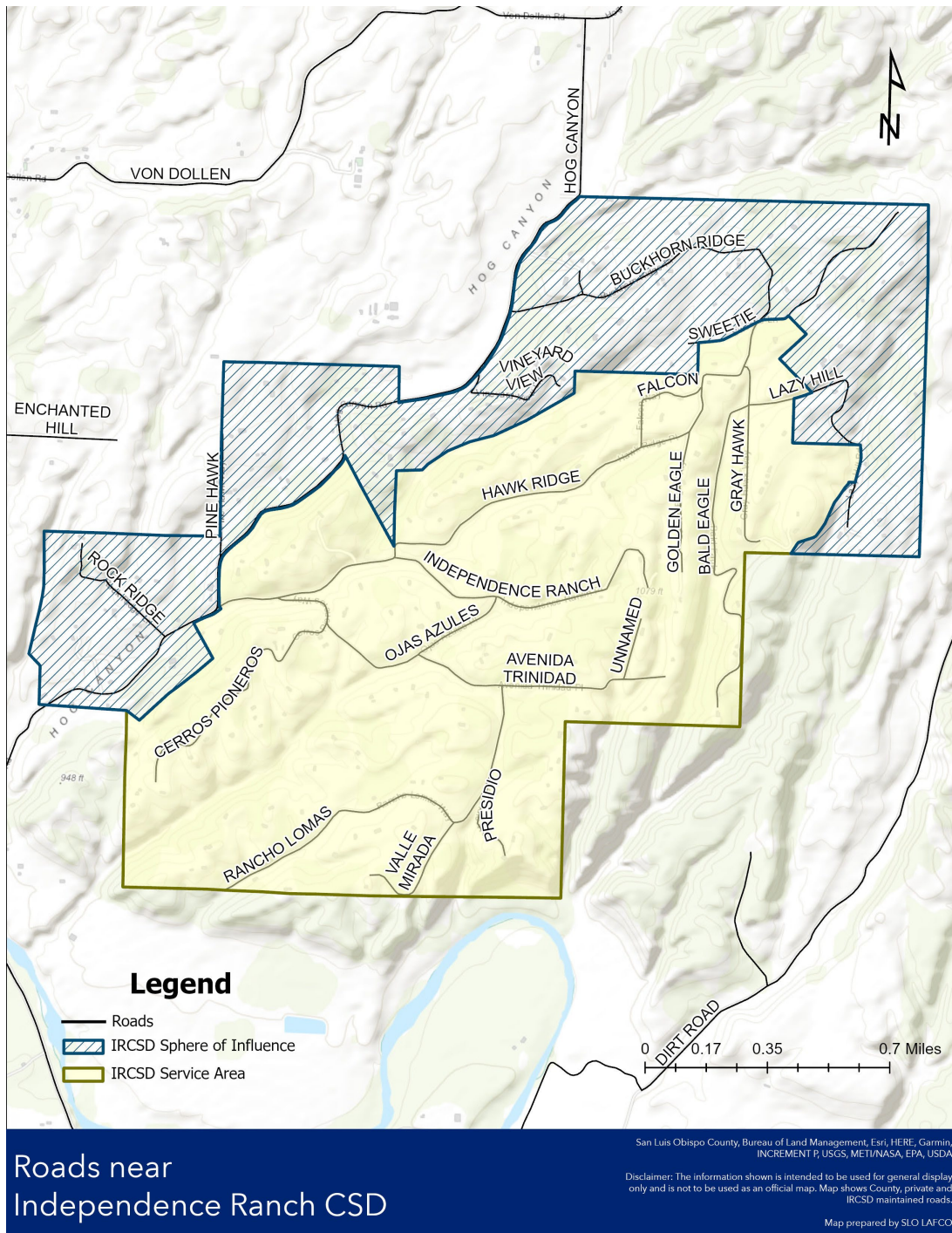
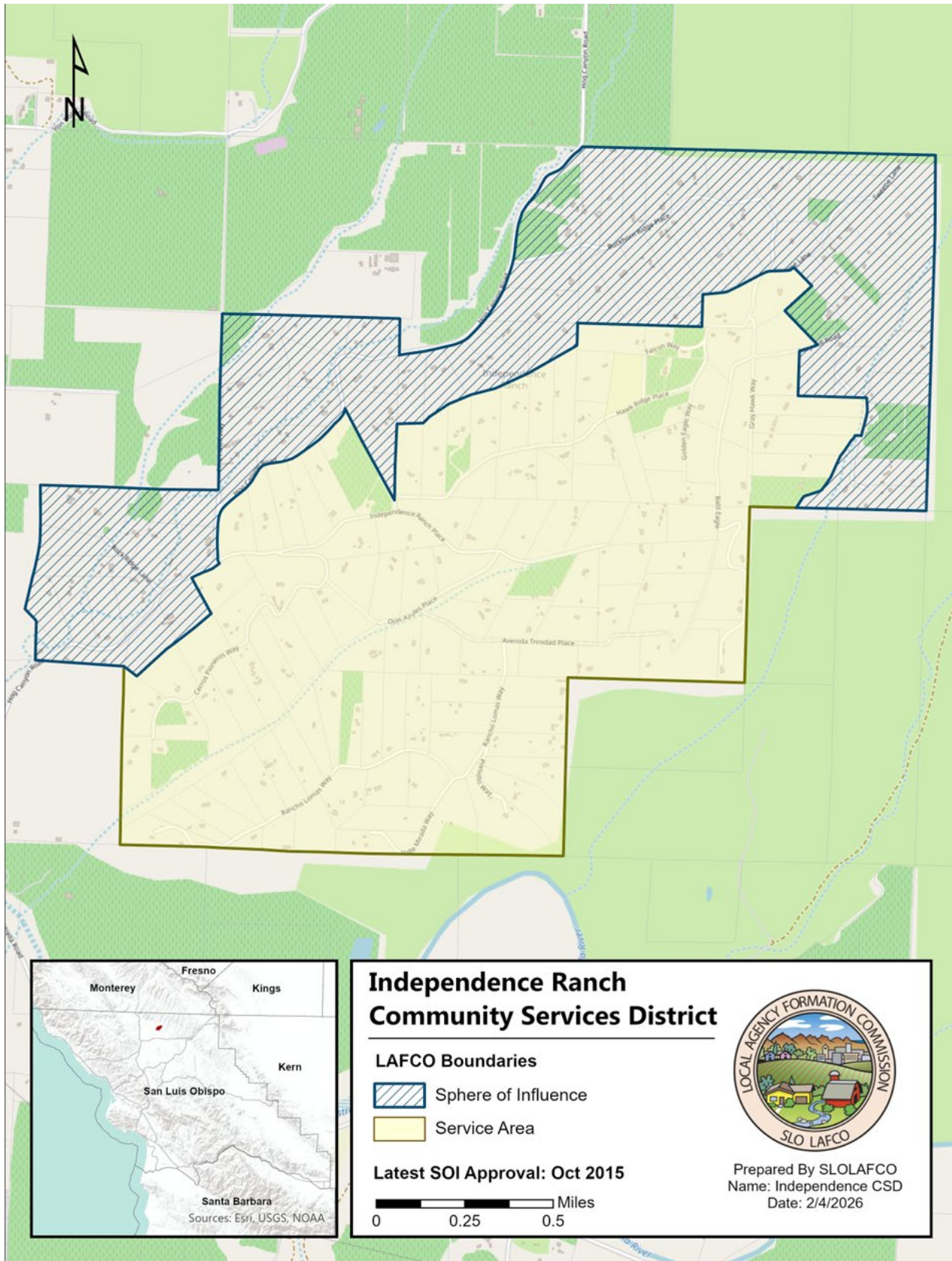


Figure 8: Recommended Service Area and Sphere of Influence Boundary



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.

DRAFT