



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: APRIL 16, 2026

SUBJECT: PROPOSED FISCAL YEAR 2026-2027 BUDGET AND WORK PLAN

RECOMMENDATION

Action 1: Approve, by roll call vote, the Proposed Fiscal Year 2026-2027 Budget and Work Plan (Attachment A).

Action 2: Direct the Executive Officer, by roll call vote, to distribute the Proposed Budget and Work Plan to contributing agencies per Government Code requirements and set the Final Budget and Work Plan hearing for May 21, 2026.

INTRODUCTION

Government Code Section 56381 requires Local Agency Formation Commissions (LAFCO) to consider a proposed annual budget no later than May 1st and to adopt a final annual budget by June 15th. After LAFCO's adoption of the final budget, the County of San Luis Obispo (County) Auditor is required to apportion the share of the budget to each contributing agency represented on the Commission based on the formulas specified in the Government Code. Upon collection of the apportioned shares from each contributing agency, the County Auditor retains the funds within the County's accounting system for use by LAFCO. Every financial transaction conducted by LAFCO is processed through the County Auditor, ensuring financial transparency, accuracy, and accountability.

FY 26-27 BUDGET AND WORK PLAN SUMMARY

LAFCO remains in a healthy budgetary and operational state. Over the past year, while processing proposals, staff have primarily focused on the Municipal Service Review program and have made progress towards returning to a regular five-year cycle as required by the Government Code. The Fiscal Year 2026-2027 (FY 26-27) budget will remain balanced and reflects an overall increase of **5%** from the prior year, totaling \$924,005.

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ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Senior Analyst

MORGAN BING
Analyst

MELISSA MORRIS
Commission Clerk

HOLLY WHATLEY
Legal Counsel

WORK PLAN

Work Plan Priorities. The Commission established the following workload prioritization:

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

These priorities are established in the manner listed above for several key reasons. Processing proposal applications remains LAFCO's top priority due to mandated timeframes in which an application must be processed. While Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) Studies are also mandated by law, the timeframe associated with updating an SOI is longer (every five years). As a result, staff must first prioritize application processing and other mandated tasks, which can limit the ability to consistently maintain a five-year MSR and SOI Study update cycle.

The attached Work Plan is consistent with this mandate by prioritizing MSR and SOI Studies based on their age, beginning with the oldest. It is our goal to achieve a five-year cycle within the next one to two years. While prioritizing the oldest MSR and SOI Study is generally the most logical approach, there may be instances in which the Commission determines that an update should be deferred to address a higher priority MSR.

FY 25-26 Results. For FY 25-26, staff initiated or completed the following items:

- City of San Luis Obispo Detachment (complete)
- Nipomo CSD annexation applications (in progress)
- Cayucos Sanitary District annexation (in progress)
- San Simeon Community Services District Dissolution (in progress)
- County Service Area 23 Annexation Time Extension (complete)
- Santa Margarita Fire Protection District MSR and SOI Study (complete)
- Coastal San Luis Resource Conservation District MSR and SOI Study (complete)
- Upper Salinas – Las Tablas Resource Conservation District MSR and SOI Study (complete)
- Los Osos Community Services District MSR and SOI Study (complete)
- Shandon - San Juan Water District MSR and SOI Study (complete)
- Estrella - El Pomar - Creston Water District MSR and SOI Study (complete)
- City of Paso Robles MSR and SOI Study (complete)
- Independence Ranch Community Services District MSR and SOI Study (complete)
- Port San Luis Harbor District MSR and SOI Study (in progress)
- California Valley Community Services District MSR and SOI Study (in progress)
- Linne Community Services District MSR and SOI Study (in progress)
- Squire Canyon Community Services District MSR and SOI Study (in progress)
- Ground Squirrel Hollow Community Services District MSR and SOI Study (in progress)
- Garden Farms Community Water District MSR and SOI Study (in progress)

- City of San Luis Obispo MSR and SOI Study (in progress)
- Cayucos Sanitary District MSR and SOI Study (in progress)

In addition to the above, staff provided preliminary consultations for future applications, various legislative updates, quarterly reports, various closed session items, informational items, and helped host the 2026 Statewide California Association of Local Agency Formation Commissions Staff Workshop.

FY 26-27 Work Plan. The proposed Work Plan for FY 26-27 is included in Attachment A. It is recommended that Priorities #1 and #2 remain the same, that is, staff will continue to process applications and prepare MSR and SOI Studies as efficiently as possible. No new Commission initiatives are proposed by staff at this time.

Staffing. LAFCO staffing is currently comprised of four permanent staff: one Executive Officer, two Analysts, and one Commission Clerk, as well as one contract legal counsel. No changes are proposed.

FY 2026-2027 BUDGET

Expenditures. Overall, FY 26-27 expenditures are proposed to increase by **5%**. The budget will remain balanced based on anticipated revenue, as discussed further below. Expenditure details are as follows.

Service and Supplies. Overall, FY 26-27 Services and Supplies expenditures will slightly decrease by **1%** compared to the prior fiscal year. While total expenditures are decreasing, certain expenditure categories are increasing due to operational needs, offset by decreases in other areas. Key categories that experience increases include:

- County Auditor-Controller-Treasurer-Tax Collector Services
- Software – increased licensing costs and increased users
- Postage – increased frequency of large-scale mailings for MSR and SOI Studies
- Training – increased costs and need for staff-level training
- General Commission meeting expenses – increased costs for general goods
- Vehicle rental – increased cost of rental vehicles for staff travel

CALAFCO Update. During last year's budget cycle, staff provided the Commission with an update on the California Association of Local Agency Formation Commissions (CALAFCO), of which SLO LAFCO is a member. At that time, there was uncertainty regarding the organization's future due to significant leadership and operational challenges. Given that corrective efforts had begun around that time, the Commission agreed to maintain membership for one year, with the understanding that participation would be reevaluated during the FY 26–27 budget cycle based on demonstrated progress. Staff is pleased to report that CALAFCO has made substantial improvements over the past year. These efforts include major updates to its bylaws to enhance transparency, strengthen codes of conduct, and improve organizational structure, as well as the

hiring of a new Executive Director. In addition, the organization has undertaken extensive outreach, hosted regional workshops, and significantly improved communications. Many LAFCOs that had previously paused their memberships have since rejoined, and overall, the organization is now in a more stable condition. Educational training programs have been reinstated, and SLO LAFCO will serve as the host for the upcoming statewide CALAFCO Staff Workshop. Finally, the Legislative Committee has been strengthened and continues to provide significant value to members, particularly in monitoring and responding to legislative matters. Based on these improvements, staff recommends that the Commission continue its membership in CALAFCO for the foreseeable future.

Salaries, Taxes, and Benefits. Overall, FY 26-27 Salaries, Benefits, and Taxes are proposed to increase by **7%**. In general, increases in this category relate to the following factors:

- Health Insurance
- Pension Liabilities
- Cost of living adjustment (2%) and merit-based adjustments for Analyst and Commission Clerk positions (variable based on position)

Revenues. Commensurate with the increase in the expenditures discussed above, revenues will be **5%** higher for FY 26-27 when compared to the previous fiscal year. Further details are below.

Application / Interest Revenue. It is always difficult to predict how many applications will be received. We are proposing to keep application projections the same as FY 25-26. Though we will likely fall short of our revenue actuals for FY 25-26, we are expecting strong application activity for FY 26-27 based on discussions with agencies, pre-application activity, and discussions with potential applicants. Therefore, staff assumes it is reasonable to keep projections constant.

Agency Contributions. Agency contributions for cities, districts, and the county are anticipated to increase by **11%** for each category for a total of \$874,005. This amount is proportionately divided among cities/districts based on an agency's total revenue as reported to the State Controller and the formulas specified in the Government Code. The County Auditor uses the most recent Cities and Special Districts Annual Report prepared by the State Controller to allocate the charges to each of the agencies in the County on a proportionate basis based on annual revenue.

Reserves. For FY 25-26, LAFCO budgeted the use of up to \$50,000 from reserves; however, current projections indicate that approximately \$36,360 will be required. For FY 26-27, staff recommends not utilizing reserves in order to discontinue reliance on fund balance and thereby begin to increase LAFCO's reserve balance over time. The Commission's adopted reserve/fund balance policy requires maintaining a minimum reserve fund balance of 15% of annual expenditures. It is anticipated that the year-end reserve fund balance for FY 25-26 will be \$218,003, which exceeds the 15% contingency policy and represents approximately 23.5% of total expenditures.

Distribution. As required by Government Code Section 56381, the proposed budget has been transmitted to the Board of Supervisors, each City Manager, and each Independent Special District. The budget has also been sent to the County Executive Office and the County Auditor-

Controller-Treasurer-Tax Collector Office. A legal notice was published 21 days in advance of the hearings.

ATTACHMENTS

Attachment A: Proposed FY 26-27 Budget & Work Plan

Attachment A

Proposed Fiscal Year
2026-2027 Budget and
Work Plan



Proposed FY 26-27 Budget and Work Plan

April 16, 2026

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ABOUT US

Commissioners

Chair: Heather Moreno, County Member

Vice Chair: Dave Watson, Public Member

Dawn Ortiz-Legg, County Member

Ed Waage, City Member

Steve Gregory, City Member

Ed Eby, Special District Member

Navid Fardanesh, Special District Member

Alternates

Bruce Gibson, County Member

Carla Wixom, City Member

Vacant, Special District Member

Michael Draze, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Senior Analyst

Morgan Bing, Analyst

Melissa Morris, Commission Clerk

Holly Whatley, Legal Counsel

Introduction

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

Mission

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

Goals

LAFCO's goals are to:

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

Priorities

Our workload prioritization is as follows:

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

WORK PLAN

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

SLO LAFCO
FY 26-27 Budget & Work Plan

BUDGET

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