



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

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

DATE: APRIL 16, 2026

SUBJECT: LAFCO FILE NO. 1-S-25: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE CALIFORNIA VALLEY COMMUNITY SERVICES DISTRICT

RECOMMENDATION

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

Action 2: Approve, by resolution, the California Valley Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 1-S-25) as contained in Attachments A and B, and reaffirm the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

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 California Valley Community Services District (CVCSO or District).

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CVCSO MSR AND SOI STUDY

Agency Overview: CVCSO was formed in 1960 by an election after El Chicote Ranch was subdivided into more than 7,200 individual 2.5-acre “ranchos”. This community is an antiquated subdivision that has never been fully developed, and each year, many of the subdivided parcels are sold at tax auctions. Since its formation, the District's main responsibilities have been road maintenance and solid waste services.

MSR Summary: LAFCO staff prepared determinations for the seven MSR factors described in Government Code Section 56430 (Attachment A, Exhibit B). In summary, based on the buildout population projection of 15,899 and the 2025 population of 385, California Valley is considered 2% built out. The County General Plan disclosed challenges relating to future growth and development in the area due to significant constraints, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. As such, significant increases in population are not expected to occur in this area over the next 10 to 20 years.

LAFCO has established road maintenance and solid waste as CVCSO’s authorized powers as described under Government Code Section 61100(l) and (c). CVCSO is committed to continuing its responsibilities, with a newly expressed interest in activating water, weed abatement, and parks and recreation services. CVCSO has the capability and capacity to adequately provide solid waste services. However, CVCSO continues to see a decline in financial stability and failed Proposition 218 measures for road maintenance services. To ensure an adequate level of road maintenance service, it would be prudent for the District to increase road maintenance assessments or pursue alternative, stable, and long-term revenue sources.

CVCSO has approximately 271.6 miles of roadway. Most of the roads within the District are dirt with no systematic pavement or maintenance programming due to a lack of funding. The District’s road maintenance assessment rates have remained unchanged since 1998. Ongoing challenges with the current rate structure not keeping pace with inflation or rising service costs have made a substantial rate adjustment necessary. The CVCSO has held multiple Proposition 218 hearings without success and plans to attempt another assessment increase in June 2026. If CVCSO customers continue to oppose the proposed rate increases, the District’s long-term ability to provide road maintenance services may be jeopardized. In that scenario, alternative governmental structures may need to be considered.

It is important to emphasize that the California Valley Lot Acquisition Program (CVLAP) currently has a significant impact on the community and has the potential to do so in the future. With County approval of the Topaz Solar and California Valley Solar Ranch projects, a conservation program was created for the California Valley area. Conditions of approval of those solar projects required the establishment of the CVLAP, which provided funding for the acquisition and conservation of lots specifically within the boundaries of the District. To date, there are approximately 471 conserved lots that were entered into easements pursuant to the CVLAP, with thousands more identified for conservation. While the purpose and intent of the Program is limited to protecting biological and open space habitats, it is simultaneously impacting a small

existing community that has severely limited resources. The failure of recent road maintenance measures was partially attributed to opposition from entities such as the land trusts that hold a large number of conserved lots within the District. The vast majority of the existing District is proposed to be conserved in the future via a three-tier parcel ranking system discussed in the CVLAP Strategic Plan. This will encompass existing residential land uses and create significant challenges related to access, future development, and revenue streams for the existing community. To achieve the goals of both the CVCSO and conservation organizations, greater coordination and negotiations should occur amongst all affected agencies and parties.

To assess the District's financial health, key indicators, including Revenues vs. Expenditures, Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Overall, these financial indicators suggest that CVCSO is financially stable in meeting short-term financial obligations (liquidity ratio) and in balancing operating revenues and expenses for its single proprietary fund related to solid waste (operating ratio). However, the District's overall financial position (net position) is declining, and the CVCSO is depleting its fund balance (gross revenues vs. expenditures) by consistently drawing on its reserves year over year to fund its expenditures. At the beginning of the latest audited FY 2022-2023, the District's fund balance totaled approximately \$665,887, and declined to \$466,766 at fiscal year-end. More current fund balance information is not available. Maintenance and depreciation alone constitute a significant funding backlog, requiring the District to draw from reserves because annual revenues from the existing road assessment are insufficient to cover these costs. These challenges have been a general theme in the District's finances.

In addition, residents in the California Valley area rely on groundwater from private domestic wells and a community well managed by CVCSO, which provides non-potable water. To be consistent with state law, and to continue providing the community with non-potable or potable water, LAFCO recommends the District initiate a resolution of application to activate water as a function or class of service as described under Government Code Section 56824.10 through 56824.14. The CVCSO has indicated that it is working toward submitting an application to activate water, weed abatement, and parks and recreation services, the District has not provided an anticipated application submittal date. LAFCO would have a particular interest in the District's plan for financing the establishment of the new or different function or class of services and its ability to obtain sufficient revenues to carry out the services, given the financial challenges that have been described in the MSR and SOI Study. CVCSO should consider demonstrating adequate revenue to sustain existing expenses associated with authorized powers prior to requesting activation of new services and responsibilities.

SOI Study Summary: LAFCO staff also prepared determinations for the five SOI factors described in Government Code Section 56036 (Attachment A, Exhibit B). CVCSO's existing SOI is coterminous with its service area boundary. The District's SOI is proposed to remain unchanged, with no expansions or reductions.

Agency Coordination/Public Comments: Staff coordinated with CVCSO throughout the preparation of this MSR and SOI Study and received input from CVCSO via meetings, email correspondence, and review of the administrative review draft. A 21-day notice and public review and comment period were conducted between March 26, 2026, and April 16, 2026. No written

comments were received as of the staff report publishing date of April 9, 2026. All public comments received will become part of the official record of the Commission hearing.

Recommendation: Approve, by resolution, the California Valley Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 1-S-25) as contained in Attachments A and B, and reaffirm the District's Sphere of Influence as depicted in Attachment A, Exhibit C.

ENVIRONMENTAL DETERMINATION

LAFCO is the Lead Agency for the proposed MSR and SOI Study. The CVCSO 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 California Valley Community Services District (LAFCO File No. 1-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2026-XX Approving the California Valley 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: California Valley Community Services District Municipal Service Review and Sphere of Influence Study

Attachment A

Draft LAFCO Resolution No. 2026-XX
Approving the California Valley
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, April 16, 2026

RESOLUTION NO. 2026-XX

**RESOLUTION APPROVING THE CALIFORNIA VALLEY 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 California Valley 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. 1-S-25 California Valley Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the April 16, 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. 1-S-25 California Valley Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the April 16, 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 April 16, 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 "California Valley 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 "California Valley 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 and solid waste.
9. Road maintenance and solid waste are considered general terms used to identify the authorized powers of the district, and the powers are further described in Government Code Section 61100(l) and (c).
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.
11. Completion of the 30-day reconsideration period provided under Government Code Section 56895.

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

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Heather Moreno
LAFCO Chairperson

Date

ATTEST:

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. 1-S-25 | California Valley Community Services District Municipal Service Review and Sphere of Influence Study

Project Location: California Valley Community Services District (CVCS D) is located in the southeastern unincorporated area of San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Municipal Service Review (MSR) and Sphere of Influence (SOI) Study for the CVCS D 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 April 16, 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 and solid waste.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on April 16, 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 CVCS D 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 California Valley Community Services District (Government Code Section 56430)

1. Growth and population projections for the affected area.

The CVCSO area is an antiquated subdivision with thousands of lots that are unlikely to be developed in the future. The General Plan disclosed challenges relating to future growth and development in the area due to its many problems, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. The County and the San Luis Obispo Council of Governments (SLOCOG) provided more recent buildout estimates in the 2050 Regional Growth Forecast for San Luis Obispo County, estimating a population of 385 in 2025. Based on the buildout population projection of 15,899 and the 2025 population of 385, California Valley is considered 2% built out. Significant increases in population are not expected to occur in this area over the next 10 to 20 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 CVCSO's service area, existing, or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5 and as determined using the methodology described in this report.

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

Roads | CVCSO has approximately 271.6 miles of roadway. The District Maintained Road System is divided into two tiers, "Tier 1" and "Tier 2," based on observed traffic activity and level of maintenance. Most of the roads within the District are dirt roads with no systematic pavement or maintenance done due to a lack of funding. The District has indicated a need to increase fees associated with roadway infrastructure and maintenance. The District is also in need of new equipment to carry out its services. The District's road maintenance assessment rates have remained unchanged since 1998. Ongoing challenges with the current rate structure, not keeping pace with inflation and

rising service costs, have made a substantial rate adjustment necessary. The CVCS D has held multiple Proposition 218 hearings without success and plans to attempt another assessment increase in June 2026. Additionally, the CVCS D has attributed the failure of recent road maintenance measures to opposition from entities such as the land trusts that hold a large number of conserved lots within the District. To achieve the goals of both the CVCS D and conservation organizations, greater coordination among all affected agencies and the County is essential.

CVCS D currently lacks the capability and capacity to adequately provide road maintenance services unless it can increase road maintenance assessments in the near future or find another reliable source of income. If the CVCS D customers continue to oppose the proposed rate increases, it could jeopardize the District's long-term ability to provide road maintenance services. In that scenario, alternative governmental structures may need to be considered. In order to provide an adequate level of service, the CVCS D should continue to identify solutions to address these funding issues.

Solid Waste | CVCS D provides solid waste service within the District. The residents of the District desire local control regarding the nature, extent, and cost of garbage collection and have found that the District can provide garbage collection and hauling service to its residents more effectively than other private or public agencies. CVCS D has adopted ordinance No. 2024-02 and solid waste collection policies that guide the District in providing garbage collection service to its residents. CVCS D currently collects sufficient fees for solid waste services, with the most recent rate increase last adopted in June 2025. CVCS D has the capability and capacity to adequately provide solid waste services. Should the CVCS D encounter challenges with providing solid waste hauling services in the future, the District could consider contracting out to private trash hauler companies.

Unauthorized Services | LAFCO has established roads maintenance and solid waste as CVCS D's authorized powers as described under Government Code Section 61100(I) and (c); all other services listed in Government Code Section 61100 are considered latent powers. The CVCS D owns and operates a community well that is located near the CVCS D

Office at 13080 Soda Lake Road, Santa Margarita, CA 93453. The CVCS D uses this well to provide its residents with non-potable water and has been doing so for at least a decade. To be consistent with state law and to continue providing the community with non-potable or potable water, LAFCO recommends that the District initiate a resolution of application in the near future to activate water as a function or class of service as described under Government Code Section 56824.10 through 56824.14. The CVCS D has been in communication with LAFCO staff regarding application requirements and is working on submitting an application to activate water, weed abatement, and parks and recreation services. The CVCS D has not shared an anticipated application submittal date. LAFCO would have a particular interest in the District's plan for financing the establishment of the new or different function or class of services and its ability to obtain sufficient revenues to carry out the services, given the financial challenges that have been described in the MSR and SOI Study. The CVCS D should consider demonstrating enough revenue to sustain existing expenses before requesting activation of new services and responsibilities.

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 property taxes, assessments, charges for services, grants and contributions, and investment income. To assess the District's financial health, key indicators, including Revenues vs. Expenditures, Operating Ratio, Liquidity Ratio, and Net Position, were analyzed with the last 5-year audited financial statements (the latest FY 2023-2024 audit is still outstanding and is currently in progress). Regarding Revenues vs. Expenditures, from FY 2019-2020 through FY 2022-2023, the District consistently incurred expenditures that exceeded its revenues. An excess in expenditures over appropriations can be generally attributed to inflation and other rising costs and has led to a depleting fund balance. Operating Ratio, which compares annual operating revenues to operating expenses, showed the ratio slightly exceeded 1.0 in FY 2019-2020, and in the following FY 2020-2021 through FY 2022-2023, the ratio remained marginally below 1. Overall, across

all audited fiscal years analyzed, the District consistently remained marginally below or above break-even with regard to its single proprietary fund for solid waste service. Liquidity Ratio, which measures current assets relative to current obligations, remained strong across all four available audited years, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, decreased by 12% over the four-year audited period, indicating a decline in financial position and stability. Overall, these financial indicators suggest that CVCS D is financially stable regarding short-term financial obligations but is declining in its financial position and depleting its fund balance.

CVCS D's financial decline may be primarily attributed to inflation and other rising costs. Revenues don't fully cover existing District expenditures and don't afford any budget for necessary vehicle and equipment upgrades to maintain the roads properly and consistently. The lack of revenue within the Roads Maintenance Fund has resulted in the District being able to provide only minimal maintenance to many District roads. Due to inflation over the 27 years since the assessment rates were last updated, the rates will need to increase significantly to cover costs. CVCS D has made multiple attempts to implement rate increases through Proposition 218 hearings; however, residents have consistently voted against the proposed changes. If CVCS D continues to see a decline in financial stability, and if CVCS D customers continue to oppose the proposed rate increases, the District's long-term ability to provide services may be jeopardized. In that scenario, alternative governmental structures may need to be considered.

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 CVCS D Boundary. Opportunities for increased and continued coordination may include:

- Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.

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- Continued coordination with IWMA to ensure the CVCSO effectively manages local solid waste programs.
 - Coordination with the County, LAFCO, MKN Associates, State Water Resources Control Board, and Regional Water Quality Control Board regarding the District's interest in exploring options to provide safe drinking water to the community due to groundwater issues in the community.
 - Coordination with the County and Council of Governments (COG) on "Local Roads First" 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 between the CVCSO, the County, and local land trusts to meet the goals of both the CVCSO (in providing road maintenance services) and conservation organizations (in preserving lots of high environmental value).

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

CVCSO 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. CVCSO maintains an up-to-date website that contains District information, documents, and updates. It is recommended that the CVCSO include an Enterprise System Catalog on its website as required by SB 272. The District is also in need of an additional full-time employee; however, budget limitations don't allow for this at this time. In order to provide an adequate level of service, the CVCSO should continue to identify solutions to address these funding issues.

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

Other governmental structure options are available to CVCSO, if warranted, such as jurisdictional changes consisting of reorganizations, detachment, or dissolution. Should

CVCSO continue to see a decline in financial stability, and if CVCSO customers continue to oppose the proposed rate increases, it could jeopardize the District's long-term ability to provide services. If the CVCSO continues to experience challenges with providing road maintenance or solid waste services, there are several considerations that could be explored, which are summarized in the "Other Matters Related to Efficient Service Delivery" section of the CVCSO MSR & SOI Study. Neither LAFCO nor the CVCSO sees the need to pursue a change of organization at this time. The options outlined in the report are presented as a tool to inform and guide initial discussions should the District pursue any of these options in the future. It is important to note that any change in the District's governmental structure would require significant analysis, coordination with affected parties, and community outreach.

Sphere of Influence Determinations for the California Valley Community Services District (Government Code Section 56425)

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

Land uses within the District's coterminous SOI and service area are primarily designated as Residential Suburban, with additional areas zoned for Agriculture, Open Space, Recreation, Commercial Retail, and Public Facilities. Land surrounding the District is predominantly zoned Agriculture and Rural Lands. The CVCSO area is an antiquated subdivision with thousands of lots that are unlikely to be developed in the future. The General Plan disclosed challenges relating to future growth and development in the area due to its many problems, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. CVCSO should maintain a coterminous SOI and service area boundary.

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

Within the CVCSO service area, the District presently provides road maintenance and solid waste services; all other services listed in Government Code Section 61100 are considered latent powers. CVCSO has recently expressed interest in adding parks and recreation, water, and weed abatement powers to its active powers. The District may initiate a

resolution of application to activate a latent power as described under Government Code Section 56824.10 through 56824.14. The CVCS D has been in communication with LAFCO staff regarding application requirements and is working on submitting an application. The CVCS D has not shared an anticipated application submittal date. LAFCO would have a particular interest in the District's plan for financing the establishment of the new or different function or class of services and its ability to obtain sufficient revenues to carry out the services, given the financial challenges that have been described in the MSR and SOI Study. The CVCS D should consider demonstrating enough revenue to sustain existing expenses before requesting activation of new services and responsibilities. CVCS D should maintain a coterminous SOI and service area boundary.

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

CVCS D has the capability and capacity to adequately meet existing service demand and some level of increased future service demand with regard to solid waste services. However, CVCS D continues to see a decline in financial stability and failed Proposition 218 measures for road maintenance services. In order to continue serving current and future road maintenance needs, the CVCS D is encouraged to continue with Proposition 218 measures to increase road maintenance assessments in the near future and identify solutions to address funding issues to provide needed improvements and upgrades. CVCS D should maintain a coterminous SOI and service area boundary.

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

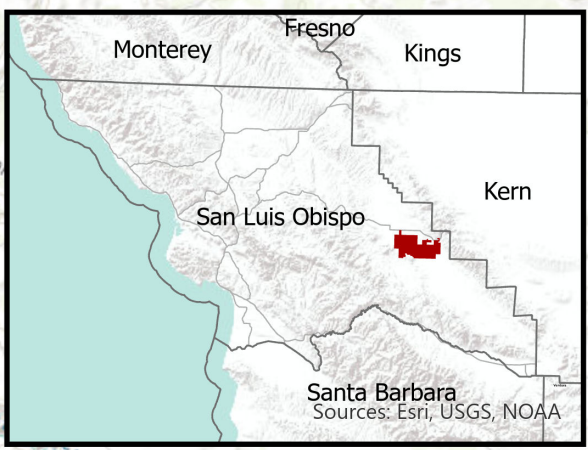
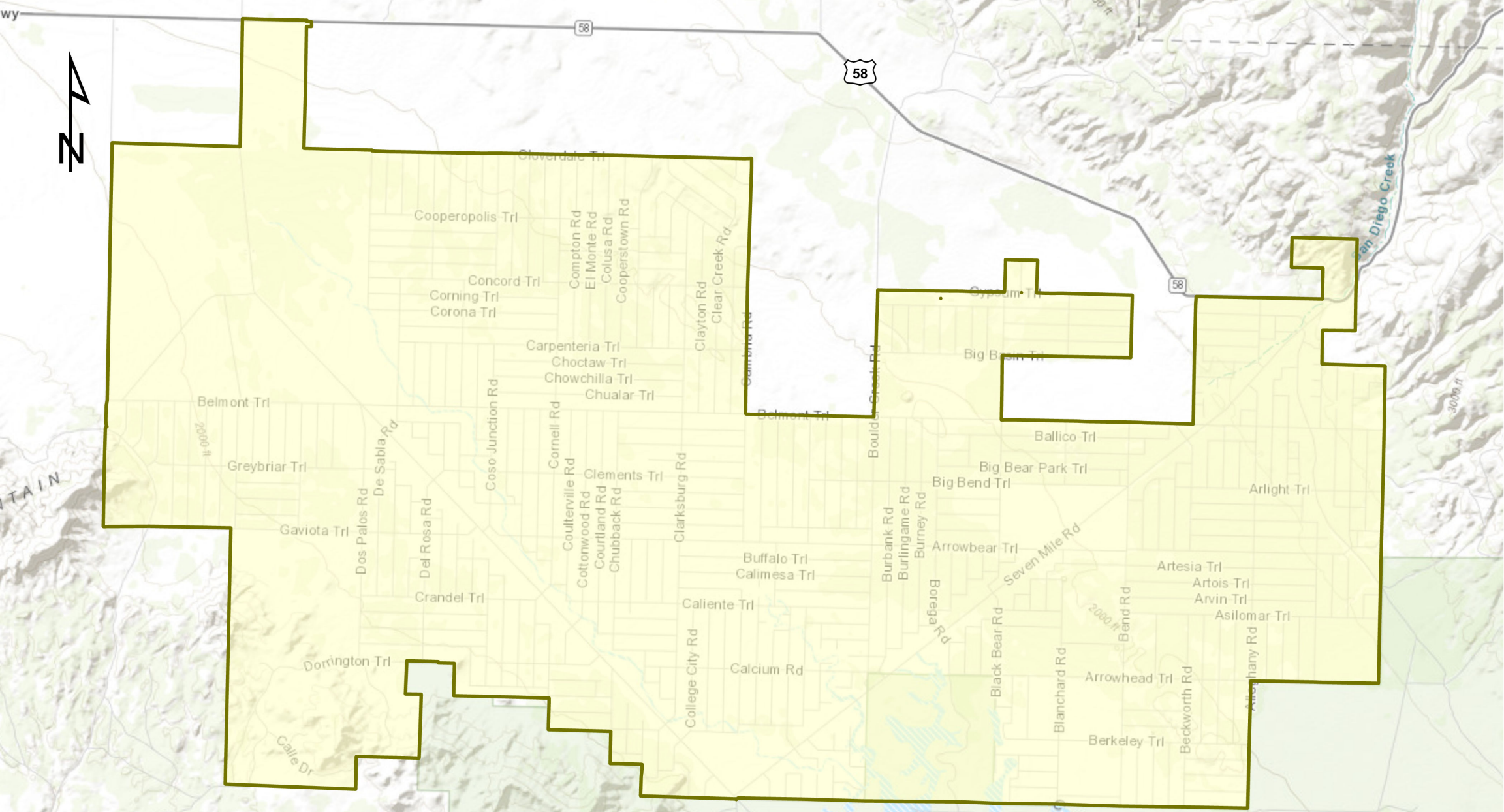
There are no social or economic communities of interest within the District service area boundary.

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 CVCSD's service area, existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5 and as determined using the methodology described in this report.

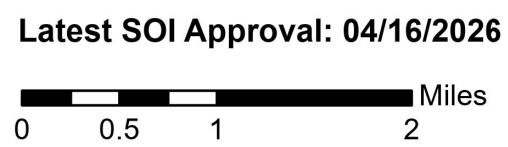
Exhibit C

District Boundary Map



California Valley Community Services District

- LAFCO Boundaries**
- Sphere of Influence
(Same as Service Area)
 - Service Area



Prepared By SLOLAFCO
 Name: Cal Valley CSD
 Date: 3/25/2026

Attachment B

California Valley
Community Services
District Municipal Service
Review and Sphere of
Influence Study



Public Review Draft

**California Valley 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 Drazé	Public Member

Staff

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

Contact Information

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

Acknowledgments

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

Humberto Renteria, California Valley Community Services District, Interim General Manager
Jeff Minnery, California Valley Community Services District, Legal Counsel

DRAFT

DISTRICT MSR & SOI STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review (MSR) for the California Valley Community Services District (CVCSD or District), located in the eastern portion of San Luis Obispo County (County). The report has been prepared by staff in accordance with the requirements of the Government Code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years, or as necessary, relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of municipal services within the service areas of the CVCSD, 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 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	California Valley Community Services District
Formation	1960
Legal Authority	Government Code Section 61000 - 61850
Office Location	13080 Soda Lake Road, Santa Margarita, CA 93453
Website	https://www.californiavalley.org/
Interim General Manager	Humberto Renteria
Employees	4 Full-time
Public Meetings	Meetings are held on the 1 st Tuesday of each month at 10:00 AM at the Cal Valley Community Services District event space (Hall)/District Office, 13080 Soda Lake Road, Santa Margarita, CA 93453
Board of Directors	Five members elected to four-year terms
Active Powers	Roads Maintenance and Solid Waste
District Service Area	25,423 acres
Population Estimate	385 ¹

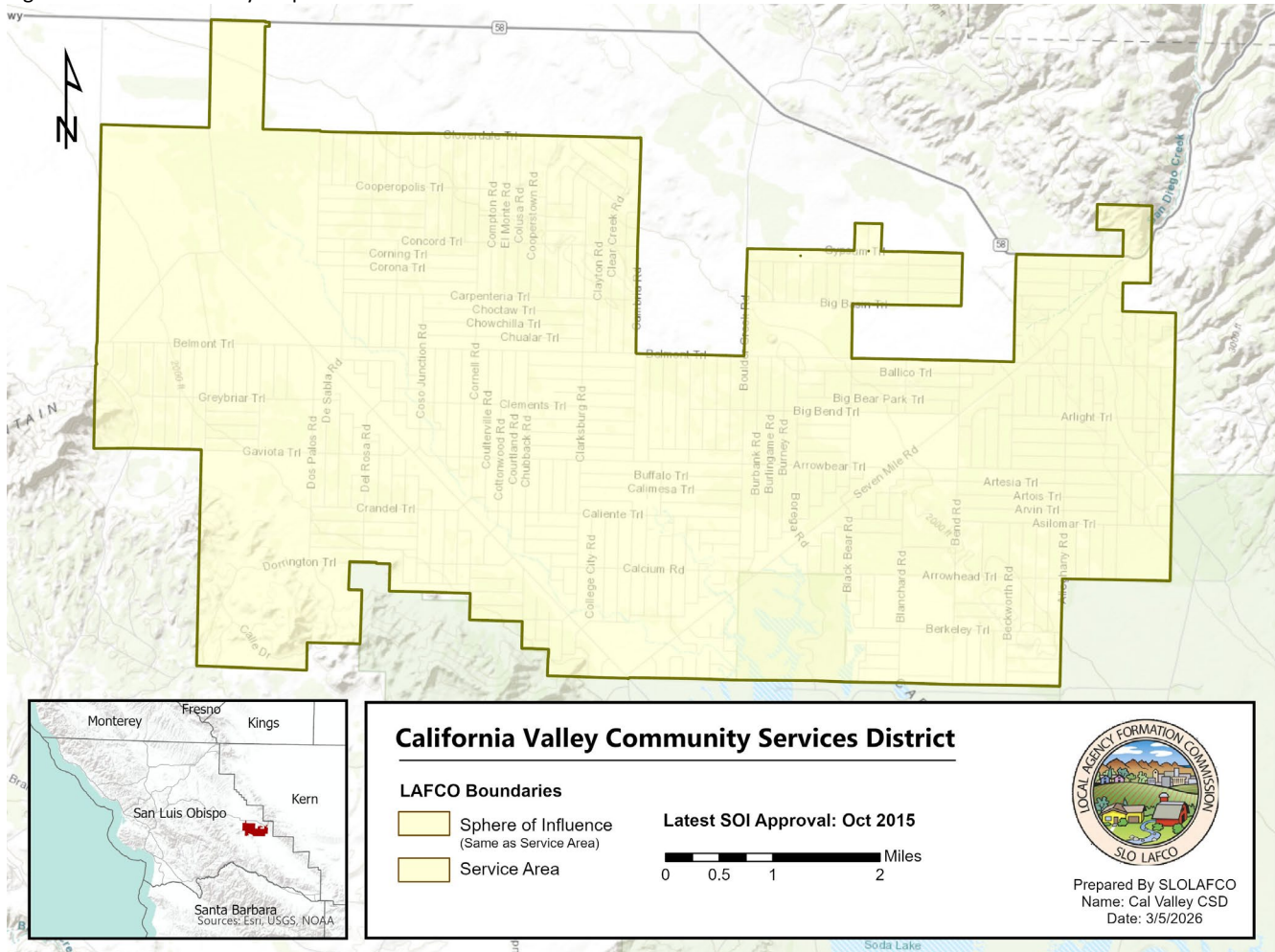
Background

The California Valley Community Services District (CVCSD or District) was formed in 1960 by an election after El Chicote Ranch was subdivided into more than 7,200 2.5-acre “ranchos” and sold through nationwide advertising. This community is an antiquated subdivision that has never been fully developed, and each year, many of the subdivided parcels are sold at tax auctions. Since its formation, the District's main responsibilities have been road maintenance, and solid waste services. One annexation has occurred since the District’s formation. In 1981, LAFCO denied a proposal that would dissolve the CSD. In recent years the CVCSD has considered activating powers such as parks, recreation, weed abatement, and water; however, none have been successfully activated.

¹ 2025 Population Projection for California Valley Village, 2050 Regional Growth Forecast for San Luis Obispo County (Figure 118), San Luis Obispo Council of Governments, June 2017

Boundary Map

Figure 1: District Boundary Map



Present and Planned Land Use

Land Use within the District is subject to the California Valley Village Plan (CVVP), adopted by the County Board of Supervisors in February 2014, which is Part III of the Land Use and Circulation Elements of the County General Plan. The CVVP establishes a vision for the future that guides land use and transportation over the next 20 years. The Carrizo Area Plan also contains regional land use and circulation goals, policies, and programs that also apply to the California Valley village reserve area. The location and distribution of the land uses within the District are presented below in Figure 2.

Table 2 shows a summary of the different land use categories and the approximate acreage of each category within the California Valley Village Reserve Line (VRL). Urban reserve and VRL define growth

areas around unincorporated communities where, in some cases, special districts exist to provide some, but not all, of the services provided by incorporated cities. As seen in Figure 2 below, the VRL established for California Valley does not coincide with CVCSO's current coterminous service area and SOI boundary. In addition, most of the California Valley VRL is land designated as Residential Suburban. The subdivided portion of California Valley includes approximately 7,256 lots of 2.5 acres or slightly larger, covering a total area of approximately 25,500 acres. The CVVP identified several problems, such as remoteness, questionable prospects of developing an economic base other than as a retirement community, lack of community facilities, poor access, and shortages of potable water that must be resolved before additional growth can be anticipated. The community, however, appeals to those who wish to live in a remote rural setting and a dry climate. Further, the County plans to review development patterns in this area when the Shandon-Carrizo Area Plan is updated, to determine whether planning area standards Nos. 2, 3, and 4 for the Residential Suburban land use category should be repealed. These standards are found in Article 10 (Chapter 22.102.010 – California Valley Standards) of the Land Use Ordinance².

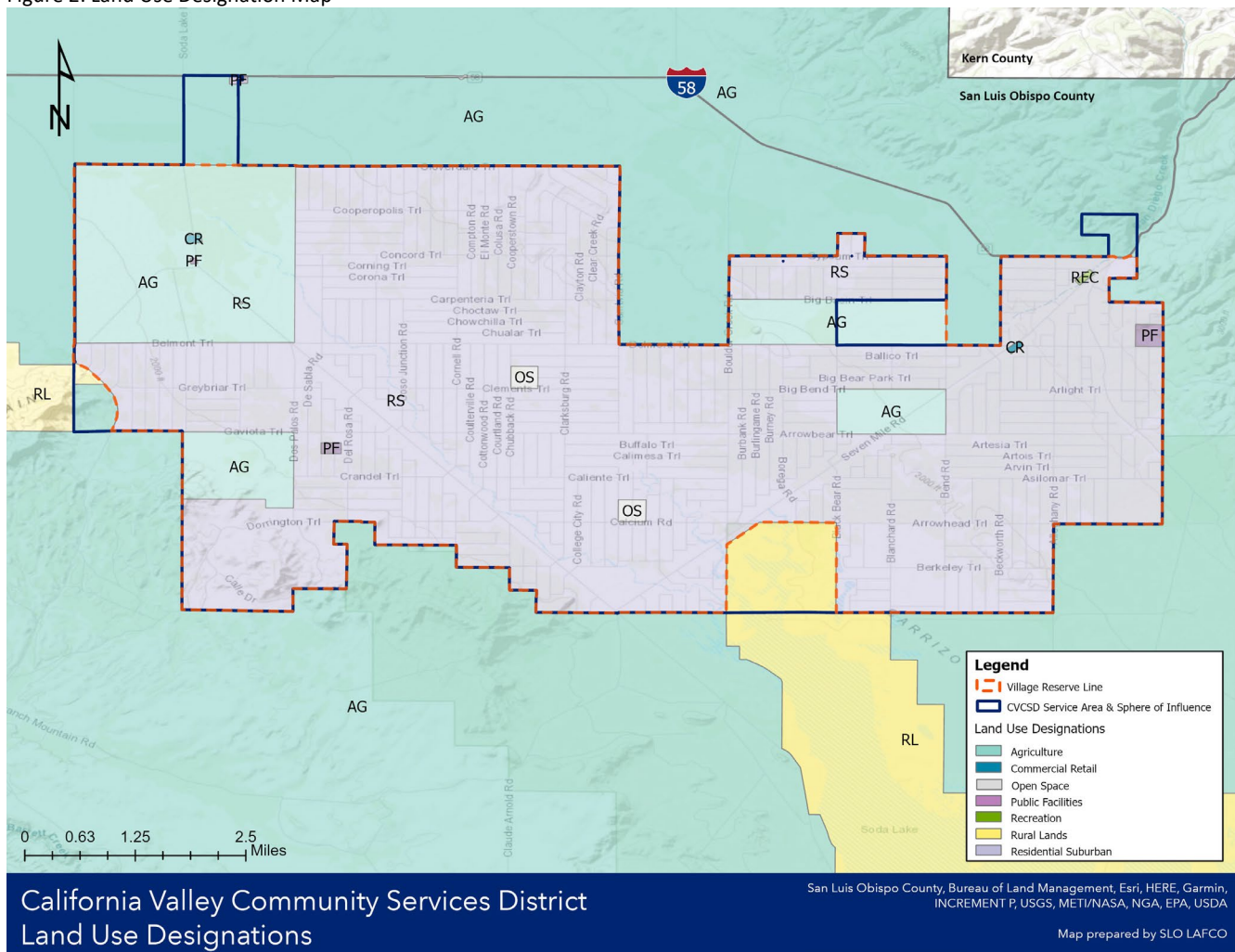
²https://library.municode.com/ca/san_luis_obispo_county/codes/county_code?nodetid=TIT22LAUSOR_ART10COPLST_CH_22.102CAARCOVI_22.102.010CAVAST

Table 2: Land Use Designations by Acreage³

Land Use Category	Acreage
Agriculture	4,134.81
Rural Lands	0
Recreation	7.80
Open Space	80.79
Residential Rural	0
Residential Suburban	20,239.92
Residential Single Family	0
Residential Multi Family	0
Office and Professional	0
Commercial Retail	14.45
Commercial Services	0
Industrial	0
Public Facilities	57.20
Dalidio Ranch	0
Total	24,534.97

³ California Valley Land Use Designation Map Acreage Breakdown, Adopted February 2014

Figure 2: Land Use Designation Map



Population Profile

The California Valley Village Plan establishes a vision for the future of the community that guides development and includes an analysis of population projections. The plan estimated a population of 3,722 by 2025, which was found to exceed more recent population projections as seen in Table 3. The plan also projected an absorption capacity of 41,434, which is the potential planning area population resulting from unconstrained growth and fully-occupied development to the maximum permitted in each land use category.⁴ However, the area is an antiquated subdivision with thousands of lots that are undevelopable for a variety of reasons. The General Plan disclosed challenges relating to future

⁴ California Valley Village Plan, Adopted February 2014

growth and development in the area due to its many problems, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. The County of San Luis Obispo (County) and the San Luis Obispo Council of Governments (SLO COG) provided more recent buildout estimates in the 2050 Regional Growth Forecast for San Luis Obispo County. Based on SLO COG’s buildout projection of 15,899 and the 2025 population of 385, California Valley is considered 2% built out. Significant increases in population are not expected to occur in this area over the next 10 to 20 years. In addition, numerous lots have been entered into conservation easements as a result of the California Valley Lot Acquisition Program⁵, which renders them undevelopable.

Table 3: Population Projections for California Valley Village Plan ⁶

Year	Population	Five-year Increment % Increase	Estimated % Built-out
2010	356	-	2.2%
2015	358	0.56%	2.3%
2020	367	2.51%	2.3%
2025	385	4.90%	2.4%
2030	394	2.34%	2.5%
2035	403	2.28%	2.5%
2040	404	0.25%	2.5%
2045	407	0.74%	2.6%
2050	411	0.98%	2.6%
Indefinite Buildout Year	15,899	-	100%

⁵ In the late 1980s, the County Board of Supervisors recognized that several areas throughout the county had allowed land subdivisions that were inappropriate. Supervisors established a policy that sought to place many of these properties into conservation, by allowing conservation organizations such as land trusts to purchase the properties for permanent conservation purposes. Conservation efforts were further accelerated upon completion of the Topaz Solar and California Valley Solar Ranch projects. Conditions of approval required the establishment of the California Valley Lot Acquisition Program which provided funding and prioritization for the acquisition and conservation of lots.

⁶ 2050 Regional Growth Forecast for San Luis Obispo County (Figures 11 and 118), San Luis Obispo Council of Governments, June 2017

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate Disadvantaged Unincorporated Communities (DUCs) as part of this MSR, 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 MHI⁷. Once the locations of the DUCs have been identified, LAFCOs are further required to evaluate any present 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)⁸ and Census Designated Places (CDP)⁹ 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 the CSD's service area, existing or proposed SOI boundaries that meet this definition. However, the CVCS is within a large Census Block Group that encompasses a large area, including the southeastern portion of the County near the Carrizo Plains, La Panza Range, and Santa Margarita Lake areas; if the CVCS community were surveyed separately, it is possible that it could meet the definition of disadvantaged unincorporated communities.

Social or Economic Communities of Interest in the Area

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

⁷ 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.

⁸ CBGs are a group of blocks within a census tract with populations of 600 to 3,000 people.

⁹ CDPs are a statistical geography representing closely settled, unincorporated communities that are locally recognized and identified by name.

Accountability

CVCSO is an independent special district governed by a five-member Board of Directors, each elected to a four-year term. Directors receive \$100.00 as compensation for each regular, adjourned, or special meeting of the Board of Directors. In addition, they receive \$50.00 for each standing committee meeting and \$50.00 for attending each required training session or other functions or meetings when requested by the Board. The District President, or an appointed Board Member in the President’s absence, receives \$100.00 for attending meetings of County or State agencies. Board Member compensation cannot exceed \$100.00 per day or \$600.00 in any month. The Board holds regular meetings on the first Tuesday of the month at the CVCSO Board Room located at 13080 Soda Lake Road, California Valley, CA 93453. Special Meetings, if needed, are held and noticed at least 24 hours prior. The Board Room is open to the public who wish to attend meetings in person; meetings are not available via teleconference. Agendas and board packets are officially posted on the CVCSO website and the District’s office window; however, they are not sent via email to specific individuals as they do not maintain a mailing list through their website. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 4: Board of Directors

Board Member	Title	Term Expiration
Ruth Legaspi	President	2024 – 2028
Piper Wilson	Vice President	2022 - 2026
Nacy Glowski	Director	2024 – 2028
Roberta Petersen	Director	2024 – 2028
Stephen McVicar	Director	2022 - 2026

CVCSO has several committees that help shape the District’s needs and guide District operations. There’s a total of five committees (Safety, Finance, Policy, Solid Waste Collection / Disposal, and Roads Committees). The CVCSO posts each committee’s meeting agendas, including dates, times, locations, and committee member names, on the website.

The District currently employs 1 full-time Interim General Manager and 3 additional full-time staff. The District indicated that staffing levels are not considered adequate to support service delivery within

their service area. The District is in need of an additional full-time employee; however, budget limitations don't allow for this at this time.

CVCS D maintains a website that is in compliance with Senate Bill 929¹⁰, with the exception of fulfilling requirements associated with publishing an Enterprise System Catalog, as seen in Table 5 below. Approved minutes of the Board's regular meetings 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.

Table 5: Website Requirements for Special Districts

Requirements	CVCS D Website
Contact Information	✓
Most Recent Agenda <i>(posted 72 hours in advance of each upcoming meeting)</i>	✓
Financial Transaction Report¹¹	✓
Compensation Report	✓
Enterprise System Catalog <i>(as required by SB 272)</i>	✗

Services & Capacity

Authorized Services

CVCS 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

¹⁰ 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.

¹¹ Financial Transaction Report must be submitted within seven months after the close of the fiscal year— CVCS D does report to the State Auditor Controller's Office and provides a link to their site annually.

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 CVCSD, adopted in 2015, established the District's authority to provide two services: road maintenance and solid waste management. This current MSR and SOI Study reaffirms these as active powers for the CVCSD:

- Roads Maintenance – (Government Code Section 61100 (I))
- Solid Waste – (Government Code Section 61100 (c))

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.

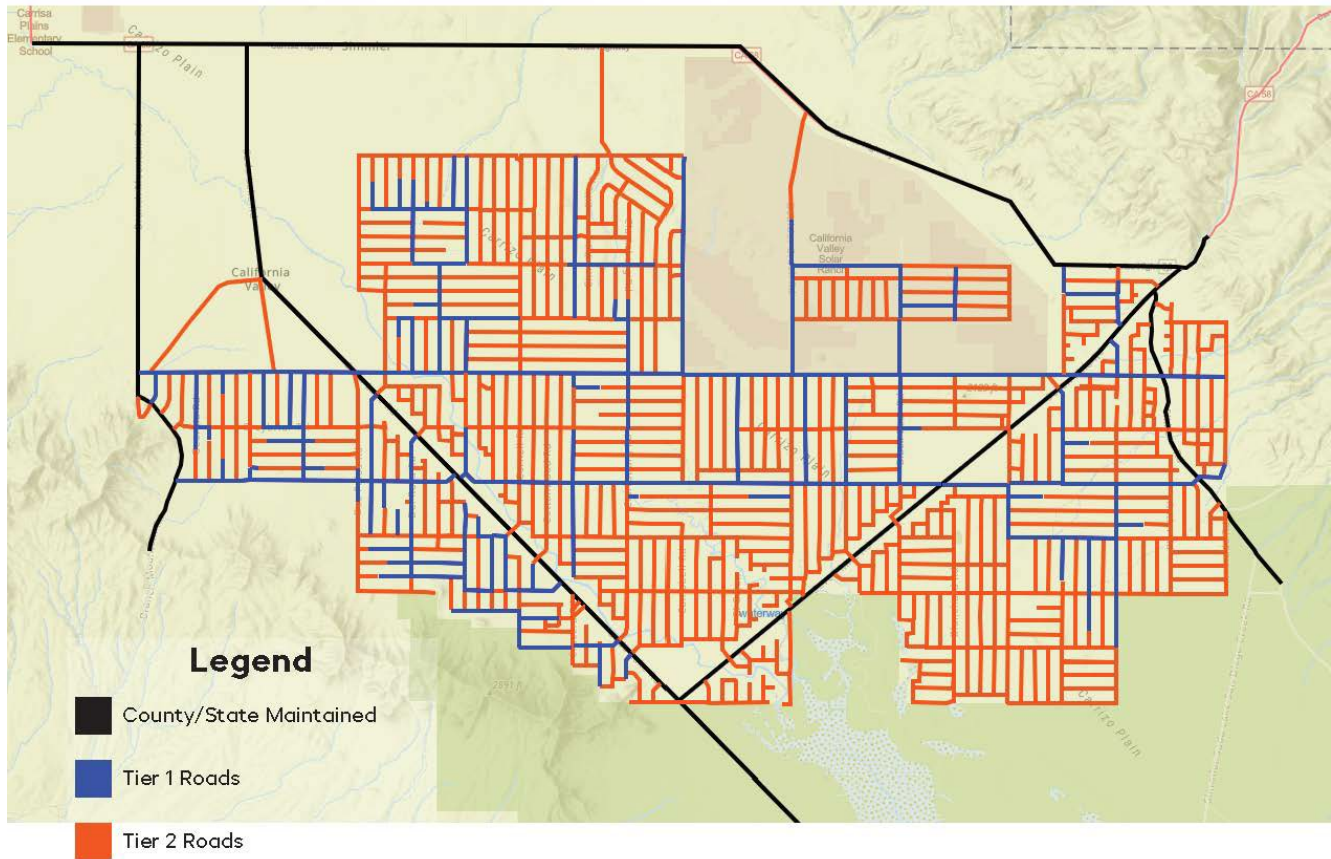
Roads Maintenance

CVCSD is authorized to provide street maintenance services as it is described in Government Code Section 61100(I). CVCSD has approximately 271.6 miles of roadway, excluding major roads maintained by the County or State.¹² Approximately 17.9 miles are maintained by the County, and State Highway 58, which crosses the northern border for approximately 2.4 miles, is maintained by Caltrans. The CVCSD maintains the rest of the road network within the service area. The District's maintained road system is divided into two tiers, Tier 1 and Tier 2, based on observed traffic activity and level of maintenance. Maintenance of Tier 1 roads includes watering, grading, rolling, mowing, and the addition of gravel material as needed. Maintenance of Tier 2 roads includes watering, grading, rolling, and mowing. Figure 3 depicts the roads within the District's jurisdiction. The 2024 Road Maintenance Engineering Report, prepared by CLAD Consulting, Inc. for CVCSD, contains a full list of the roads associated with Tier 1 and Tier 2.

¹² Road Maintenance Engineering Report prepared by CLAD for CVCSD, April 2024

Figure 3: District Maintained Road System Map¹³

CVCS D - District Maintained Road System



The District completes road maintenance activities by discussing the roads that need repair work at a Board of Directors meeting, and when the budget allows, it hires a contractor to complete the road maintenance work. Most of the roads within the District are dirt roads with no systematic pavement or maintenance done due to a lack of funding. The District has indicated a need to increase fees associated with roadway infrastructure and maintenance. The current rate structure and amounts for the District’s road maintenance assessment have been in place since 1998. Due to inflation over the 27 years since the assessment rates were last updated, the rates will need to increase significantly to cover costs. In addition, the District is in need of new equipment to carry out its services. Their equipment is outdated and inadequate for the District's needs, i.e., they report having a roller for asphalt, but not for dirt. In April 2024, the District hired CLAD Consulting, Inc. to prepare an Engineering Report for

¹³ Attach A of the Road Maintenance Engineering Report prepared by CLAD for CVCS D, April 2024

CVCS D Proposition 218 Procedures for Road Maintenance Special Assessment. The report found that between 1998 and 2023, the California Consumer Price Index (CPI) increased by about 203%, while the District was only allowed to incorporate inflationary adjustments of up to 2% per year without having to incur the expense of repeating the Proposition 218 process. Therefore, the District proposed no more than a 203% increase in its annual road maintenance assessment, causing Tier 1 to increase from \$33/year to \$100/year, and Tier 2 to increase from \$29.70/year to \$90.00/year. In June 2024, a Proposition 218 hearing was held, where it was found that the increase to road maintenance fees had failed to receive voter approval. The CVCS D plans to hold a 218 hearing in June 2026 in an attempt to increase assessments once again. If the CVCS D customers oppose the proposed rate increase, it could jeopardize the District's long-term ability to provide road maintenance services. In that scenario, alternative governmental structures may need to be considered, as is further discussed in the "[Other Matters Related to Efficient Service Delivery](#)" section of this report.

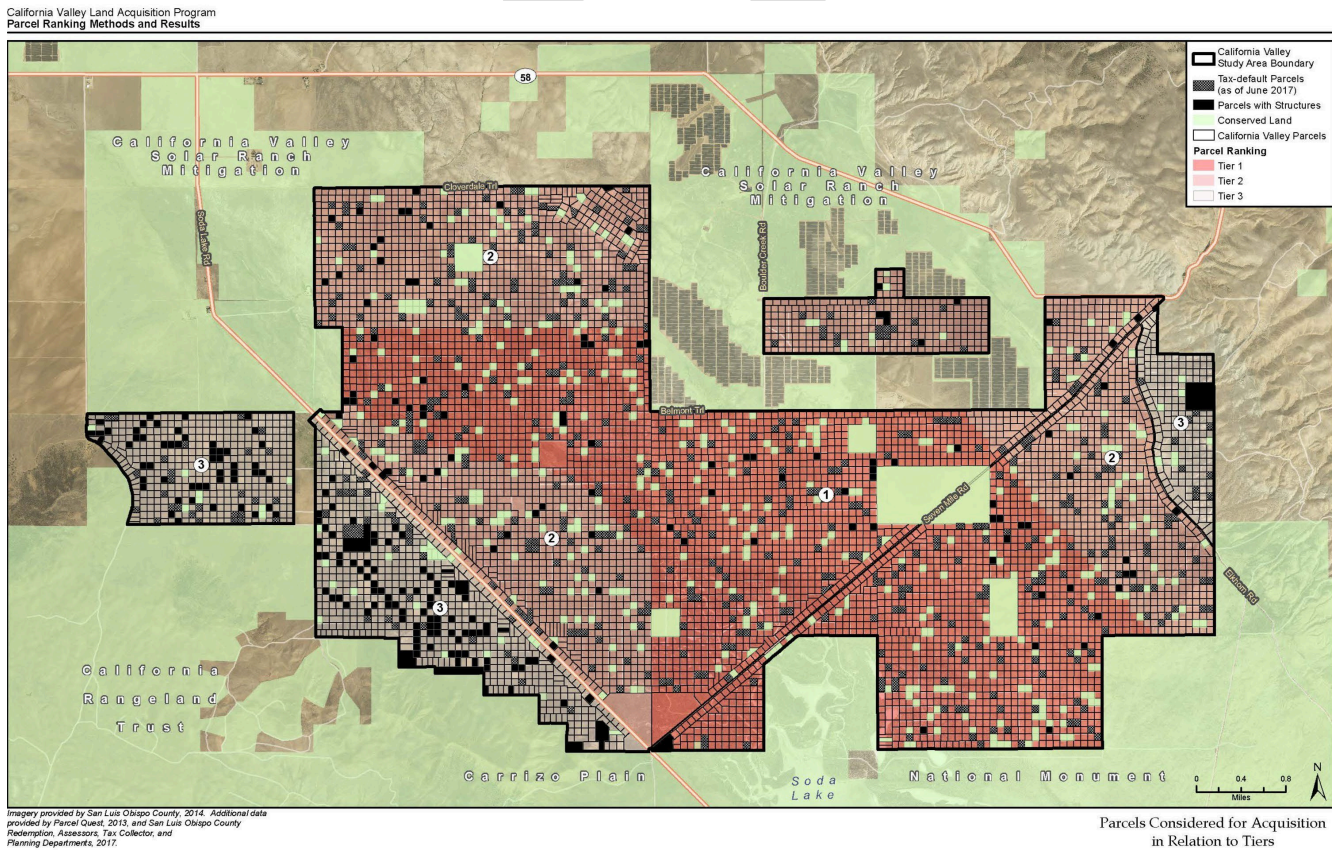
Another challenge that the CVCS D faces is an increased number of requests for road fee waivers for the approximately 471 conserved lots within the District's service area boundary. In the late 1980s, the County Board of Supervisors recognized that several areas throughout the County had been allowed to subdivide inappropriately. In response, the County established a policy that sought to place many of these properties into conservation by allowing conservation organizations such as land trusts to purchase the properties for permanent conservation purposes. State law allows properties placed into conservation easements to be exempt from general property taxes, exemption from local fees is at the discretion of the local governing body. Conservation efforts were further accelerated upon completion of the Topaz Solar and California Valley Solar Ranch projects. As part of their conditions of approval, the California Valley Lot Acquisition Program was established, which provided funding and prioritization for the acquisition and conservation of lots.

It is legally difficult to waive road maintenance fees for lots placed in conservation, and it creates ongoing challenges with the current rate structure not keeping pace with inflation and rising service costs. Additionally, the CVCS D has attributed the failure of recent road maintenance measures to opposition from entities such as the land trusts that own a large number of conserved lots. Meanwhile, this reluctance from the CVCS D to waive fees has had a negative impact on conservation organizations' ability to acquire lots of high environmental value for permanent conservation. To achieve the goals of

both the CVCSD and conservation organizations, greater coordination among all affected agencies and the County is essential.

It is important to emphasize that the California Valley Lot Acquisition Program currently has a significant impact on the community and has the potential to do so in the future. The impacts of this program should, therefore, be reflected in the CSD’s planning. While the purpose and intent of the California Valley Lot Acquisition Program are well understood and its scope is limited to mitigate biological and open space impacts, it is simultaneously impacting a small existing community that has severely limited resources. As shown in Figure 4, the vast majority of the existing CSD is slated to be conserved in the future, through a three-tier parcel ranking system. This will encompass existing residential land uses and create significant challenges related to access, future development, and revenue streams.

Figure 4: California Valley Acquisition Program Parcel Ranking Methods and Results¹⁴



¹⁴ Page 29 of the California Valley Acquisition Program Strategic Plan, March 2019

Solid Waste & Recycling

CVCSO is authorized to provide solid waste and recycling service as it is described in Government Code Section 61100 (c). The residents of the District have expressed a preference for local control regarding the nature, extent, and cost of garbage collection, and the District has determined that it can provide garbage collection and hauling service to its residents more effectively than other public or private agencies. CVCSO utilizes the Chicago Grade Landfill, which is the nearest landfill located at 2290 Homestead Road, Templeton, CA 93465. CVCSO has adopted ordinance No. 2024-02 and solid waste collection policies that guide the District in providing garbage collection service to its residents. The District collects trash every Wednesday unless severe weather or equipment breakdown delays collection. If these events occur, the District makes every attempt to collect the next day. CVCSO has also implemented a recycling program, where residents can have recyclables picked up on the first Monday of every other month in accordance with CVCSO's adopted Guidelines, Solid Waste, and Recycling Policies. The District has been averaging 13.5 tons of trash each month, with the goal to reduce trash by 20% each month, according to CVCSO's recycling policy 5060.30. The District was not able to determine whether it is meeting this policy/goal. Funding for solid waste and recycling services comes primarily from fees charged to residents. CVCSO currently collects sufficient fees for solid waste services, with the most recent rate increase last approved in June 2025. The area being served with solid waste service is consistent with the boundaries of the District. Should the CVCSO encounter challenges with providing solid waste hauling services in the future, the District could consider contracting out to private trash hauler companies.

CVCSO is a member of the Integrated Waste Management Authority (IWMA), which is a Joint Powers Authority (JPA) formed in 1994 by San Luis Obispo County and the Cities and Community Service Districts within it to more effectively manage local solid waste programs. IWMA provides CVCSO with the following:

- Serves as a bridge between local government and solid waste industry professionals.
- Equips the community to manage their resources responsibly through public education and outreach.
- Designs and implements programs for the community to stay compliant with mandated state laws regarding resource management.

Unauthorized Services

In accordance with Government Code Section 56425 (i), when LAFCO adopts, updates, or amends a SOI for a special district, it must also determine the nature, location, and extent of the functions or services the District is authorized to provide. LAFCO has established roads maintenance and solid waste as CVCS D's authorized powers as described under Government Code Section 61100 (l) and (c); all other services listed in Government Code Section 61100 are considered latent powers. The CVCS D owns and operates a community well that is located near the CVCS D Office at 13080 Soda Lake Road, Santa Margarita, CA 93453. The CVCS D uses this well to provide its residents with non-potable water and has been doing so for at least a decade. To be consistent with state law and to continue providing the community with non-potable water, LAFCO recommends that the district initiate a resolution of application to activate water as a function or class of service as described under Government Code Section 56824.10 through 56824.14. The CVCS D should consider demonstrating enough revenue to sustain existing expenses associated with authorized powers before requesting activation of new services and responsibilities. LAFCO staff have embedded this recommendation within the [MSR and SOI Determinations](#).

Agency Interest in Activating a New Function or Service

In recent years, the CVCS D has considered adding parks and recreation, water, and weed abatement powers to the list of services. A brief description is provided below regarding the latent powers that the District is interested in activating.

- 1) Water: California Valley area residents' water source consists of groundwater from private domestic wells and a community well managed by CVCS D, which provides non-potable water to residents. As previously disclosed, CVCS D providing non-potable water warrants the need to activate water as a function or class of service as described under Government Code Section 56824.10 through 56824.14. However, this section describes CVCS D's interest in providing the community with potable water. Many domestic wells, as well as the CVCS D community well, are in areas where groundwater quality does not meet California Drinking Water Standards listed in Title 22 of the California Code of Regulations, leading many residents to avoid using/drinking their well water. The District has reported that many residents must travel to

nearby municipalities to purchase and transport drinking water back to their homes, with the nearest municipalities being the City of Paso Robles or Templeton, located about one hour away by car.

To address this, CVCSO sought funding to improve the community's water infrastructure and provide safe drinking water. CVCSO received grant funding from the Division of Financial Assistance (DFA) of the California State Water Resources Control Board (SWRCB). In addition, the California Urban Water Agencies (CUWA) serves as a Technical Assistance Provider (TAP) to help CVCSO and the community identify solutions to their water supply challenges. CUWA engaged MKN & Associates, Inc. (MKN) to conduct a characterization of water quality/supply issues and a limited alternatives analysis, including well sampling, community outreach, water quality analysis, and potential field testing (e.g., test well and/or monitoring well program), culminating in the development of an Engineering Report to identify a preferred alternative for potable water supply. The Study and Technical memorandum identified a total of ten alternatives, and of these, three were selected as alternatives representing the most feasible solutions for the community that balance water supply quality, availability, access, and cost. The options that were recommended for further consideration are listed below:

- Alternative 1 - Strategic Community Well Construction – Centralized Fill Station
- Alternative 2 - Strategic Community Well Construction – Localized Fill Station
- Alternative 10 - Bottled Water Deliveries

The Study and Technical memorandum were finalized on October 10, 2025. The most viable solutions will be further evaluated in the Engineering Report that follows this technical memorandum. Work efforts remain ongoing.

- 2) Parks and Recreation: Two neighboring Solar Companies provided a one-time funding gift to the District to construct a park for future use. In 2013, the CVCSO came forward to LAFCO with an application to activate parks and recreation power, the application was withdrawn, and application fees were reimbursed. The District has a renewed interest in the activation of parks and recreation powers to enhance leisure opportunities in the CVCSO community, where no recreational options currently exist for children or adults. As of the FY 2024-25 Budget, the CVCSO has \$26,426.99 in the "Park/Topaz Contributions" Fund.

- 3) Weed Abatement: The District has expressed an interest and need to activate weed abatement as a service. The 2025 Madre Fire burned approximately 80,779 acres and extended over large portions of the southeastern SLO County boundary, according to Cal Fire. CVCS D has expressed concern regarding recent fires and is interested in taking proactive steps to abate weeds and rubbish throughout the community.

On December 1, 2025, the CVCS D Policy Committee met to discuss and take action on creating policies for the three above-mentioned latent powers. The Committee's recommendation was to prioritize the activation of weed abatement and water. If the CVCS D and its residents are interested in providing any of the above-mentioned latent powers, then the District may initiate a resolution of application to activate a latent power as described under Government Code Section 56824.10 through 56824.14. The CVCS D has been in communication with LAFCO staff regarding application requirements. However, the CVCS D should consider demonstrating enough revenue to sustain existing expenses associated with authorized powers before requesting activation of new services and responsibilities. The Commission considers the following key information in reviewing a request to activate a new or additional function/class of service:

- 1) Whether the special district will have sufficient revenues to carry out the proposed new or different functions of the class of services;
- 2) Whether another local agency already provides substantially similar services or facilities to the territory where the District proposes to exercise that latent power;
- 3) The plan for providing services for a new or different function of class of service. Government Code section 56824.12 states the Plan for Services should include the following:
 - Total estimated cost to provide the new or different function or class of services.
 - Estimated cost of the new or different function or class of services to customers within the district's boundaries.
 - Identification of existing providers, if any, and the potential fiscal impact to the customers of those existing providers.
 - Summary of whether the new or different function or class of services will be within all or part of the jurisdictional boundaries.

- A plan for financing the establishment of the new or different function or class of services.
- Alternatives for the establishment of the new or different function or class of services.

Shared Facilities

There are ongoing opportunities for collaboration between agencies to enhance service delivery within the CVCSO 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 could benefit the community, including:

- 1) Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.
- 2) Continued coordination with IWMA to ensure the CVCSO effectively manages local solid waste programs.
- 3) Coordination with the County, LAFCO, MKN Associates, State Water Resources Control Board, and Regional Water Quality Control Board regarding the District's interest in exploring options to provide safe drinking water to the community due to groundwater issues in the community.
- 4) Coordination with the County and Council of Governments (COG) on "Local Roads First"¹⁵ 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.
- 5) Coordination between the CVCSO, the County, and local land trusts to meet the goals of both the CVCSO (in providing road maintenance services) and conservation organizations (in preserving lots of high environmental value).

¹⁵ 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.

Finance

LAFCO is required to make a determination regarding the financial ability of the CVCS D 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 the following key financial indicators:

- *Revenues vs. Expenditures*: Assessment of governmental fund revenues and expenditures to account for all or most general activities;¹⁶
- *Operating Ratio*: Assessment of operating revenues relative to operating expenditures;¹⁷
- *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) 2019-2020 through FY 2022-2023 and the Operating Budget Report for FY 2024-25. Typically, LAFCO uses the last 5-year audited period; however, the latest audit for FY 2023-2024 is overdue. The CVCS D indicated the FY 2023-2024 audit is currently in progress by Brown Armstrong Accountancy Corporation. The CVCS D does not have an anticipated completion date.

Operating Budget

The District adopts an annual budget on or before June 30th of each fiscal year. The Board of Directors retains the authority to amend the budget by motion at any time during each fiscal year. All appropriations lapse at the end of the fiscal year. The District's budget documents are made publicly available on the District's website. CVCS D uses fund accounting to maintain control over resources that have been segregated for specific activities as well as to ensure compliance with legal requirements. The District maintains the following fund categories:

- a. General Fund: is used to account for the general operations and administration of the District.

¹⁶ Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies and the acquisition or construction of general capital assets.

¹⁷ Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal revenues and expenses.

- b. Road Maintenance Fund: is used to account for road maintenance assessments and for road system maintenance expenses.
- c. Solid Waste Collection / Disposal Services Fund (Proprietary Fund): is used to account for billing, collection, and disposal of the District members' trash.
- d. Topaz Fund: Topaz Solar Farms (Opti Solar) provided a one-time funding gift to the District to construct a park for future use.
- e. Local Agency Investment Fund (LAIF)¹⁸: is a voluntary program that the CVCS D participates in, and CVCS D further has established investment policies which generally limit deposits to the previous Federal Deposit Insurance Corporation determined limit of \$250,000.

The 2024 Road Maintenance Engineering Report, prepared by CLAD Consulting, Inc., relied on the FY 2023-2024 CVCS D budget, where it was found that the District must pull from its savings account annually to cover basic road maintenance operations due to the current low assessments collected from landowners. No line items have been included in the annual budgets to account for the significant vehicle replacements needed for the road maintenance operations. However, maintenance and depreciation alone constitute a significant funding backlog for the District, for which the District must draw from reserves because annual revenues from the existing road assessment are insufficient to cover these costs. These challenges have been a general theme in the District's finances.

The 2024 Road Maintenance Engineering Report denotes a 203% increase in the CPI between 1998 and 2023, a span in which the District's road maintenance special assessment has not changed at all. Therefore, the District proposed no more than a 203% increase in its annual road maintenance assessment, causing Tier 1 to increase from \$33/year to \$100/year, and Tier 2 to increase from \$29.70/year to \$90.00/year. In June 2024, the District held a Proposition 218 hearing, where the proposed increase to road maintenance fees did not pass. The District now plans to conduct another

¹⁸ The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts and it continues today under Treasurer Fiona Ma's administration. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer.

Proposition 218 hearing in June 2026 to again seek approval of the voters for an increase in road maintenance assessments.

Audited Financial Statements

CVCS D hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing CVCS D's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measures in assessing CVCS D's short and long-term fiscal health with a specific focus on delivering its active service functions. LAFCO has used the four most recent available audited financial statements to conduct its evaluation of the District's Financial Health, separated into four categories (Revenues and Expenditures, Agency Assets, Agency Liabilities, and Agency Net Position). Over the past four available audited years, CVCS D's financial statements have included several schedules of findings and questioned costs, all of which have since been addressed and corrective measures implemented. These findings are primarily related to the following areas:

- Depreciation Expense for Capital Assets was not booked during the Financial Closing Process
- Lack of Accounting Policy and Procedures
- Lack of Accounting Records for Capital Assets
- Lack of Monitoring and Internal Controls for Over Payroll
- Lack of Monitoring and Internal Controls over Information Technology and Electronic Data Processing
- Lack of Accounting Policy and Procedures
- Lack of Accounting Records for Capital Assets
- Lack of Monitoring and Internal Controls for Pay Rate Changes
- Lack of Monitoring and Internal Controls over Information Technology and Electronic Data Processing

On February 17, 2026, the CVCS D Policy Committee reviewed its policy book and committed to meeting twice a month to continuously update its policies.

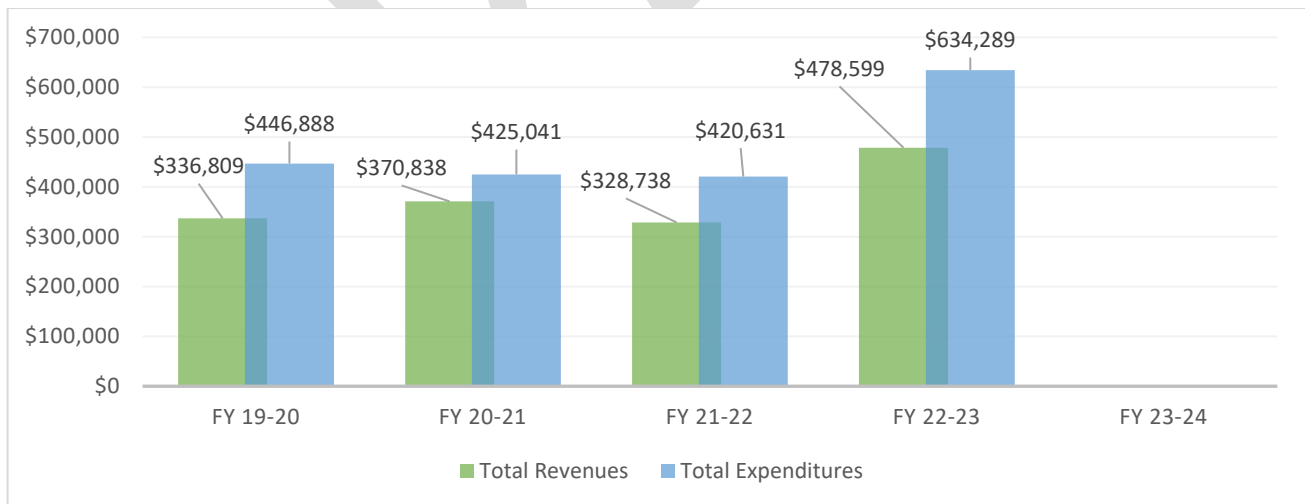
Revenues and Expenditures

The District is primarily funded through property taxes, assessments, charges for services, grants, contributions, and investment income. The County bills and collects taxes, road assessments, and solid

waste trash liens for the District. The District bills for solid waste services. As shown in Figure 5 below, from FY 2019-2020 through FY 2022-2023, the District consistently incurred governmental fund¹⁹ expenditures that exceeded its revenues. As of FY 2022-2023, the largest category with excess in expenditures was within the General Fund, associated with capital outlay²⁰ for an excess of \$178,384. In general, due to staff turnover and other District management issues, the District’s finances are not well understood. District staff were not able to explain why and what the exceedance was related to. In the previous FY 2021-2022, the largest category with excess in expenditures was within the Road Maintenance Fund, associated with capital outlay in the amount of \$48,617. Similarly, District staff could not explain this expense.

An excess in expenditures over appropriations can be generally attributed to inflation and other rising costs and has led to a depleting fund balance. Revenues don’t fully cover existing District expenditures and don’t afford any budget for necessary vehicle and equipment upgrades to maintain the roads properly and consistently for the District’s 7,239 APNs. The lack of revenue within the Roads Maintenance Fund has resulted in the District only being able to provide minimal maintenance to many District roads.

Figure 5: Audited Revenues and Expenditures



¹⁹ Governmental Funds are used to account for all or most government’s general activities, including the collection and disbursement of earmarked monies and the acquisition or construction of general capital assets.

²⁰ This financial classification represents significant investments intended for long-term use within the organization. These expenditures are crucial for maintaining and expanding an entity’s productive capacity over many years.

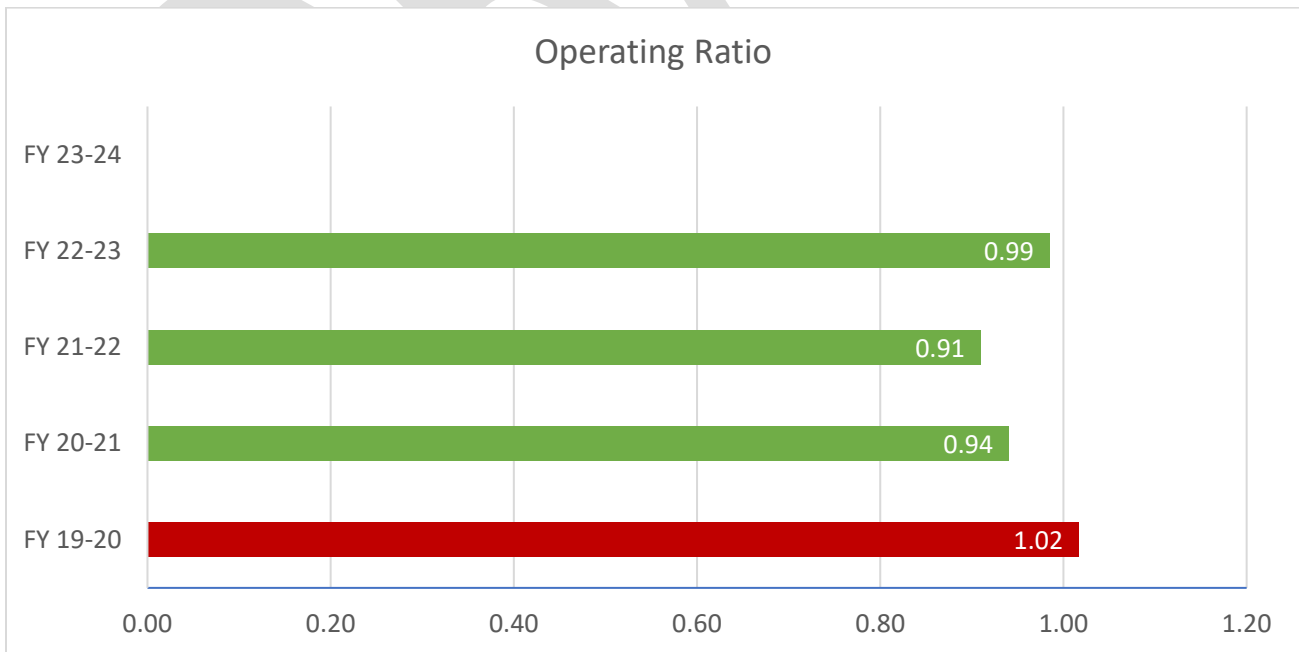
To assess the District’s ability to meet its financial obligations, Figure 6 displays the Operating Ratio for the past four available audited fiscal years (with the latest year still outstanding). This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic 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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds’ principal revenues and expenses. The CVCSO reports only one proprietary fund, the Solid Waste Collection/Disposal Services Fund. The Road Maintenance Fund is excluded from the operating ratio calculation in accordance with CVCSO auditing procedures. Throughout the audited period analyzed, the ratio exceeded 1.0 in FY 2019-2020, indicating that the District operated at a slight deficit. In the subsequent audited years, the ratio remained marginally below 1, showing that operating revenues slightly surpassed operating expenses.

Overall, across all audited fiscal years analyzed, the District consistently remained marginally below or above break-even regarding its proprietary fund. CVCSO currently collects sufficient fees for solid waste services, with the most recent rate increase last approved in June 2025.

Figure 6: 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 four available audited years, CVCSD’s total assets have decreased, ending with \$945,367 at the end of FY 2022-2023. Approximately 60% 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 infrastructure and construction in progress.

Table 6: Audited Assets

Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	% Change	Average
Current Assets	898,672	813,602	770,073	564,840	-	-37%	761,797
Non-Current Assets	200,090	188,311	227,710	380,527	-	90%	249,160
Total Assets	1,098,762	1,001,913	997,783	945,367	-	-14%	808,765

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, CVCSD’s audited liabilities totaled approximately \$24,526. Of this amount, current liabilities (obligations due in the near term) accounted for \$24,526, or 100% of total liabilities. Between FY 2019-2020 through FY 2022-2023, the CVCSD did not report any long-term financial obligations that are due more than a year away.

Table 7: Audited Liabilities

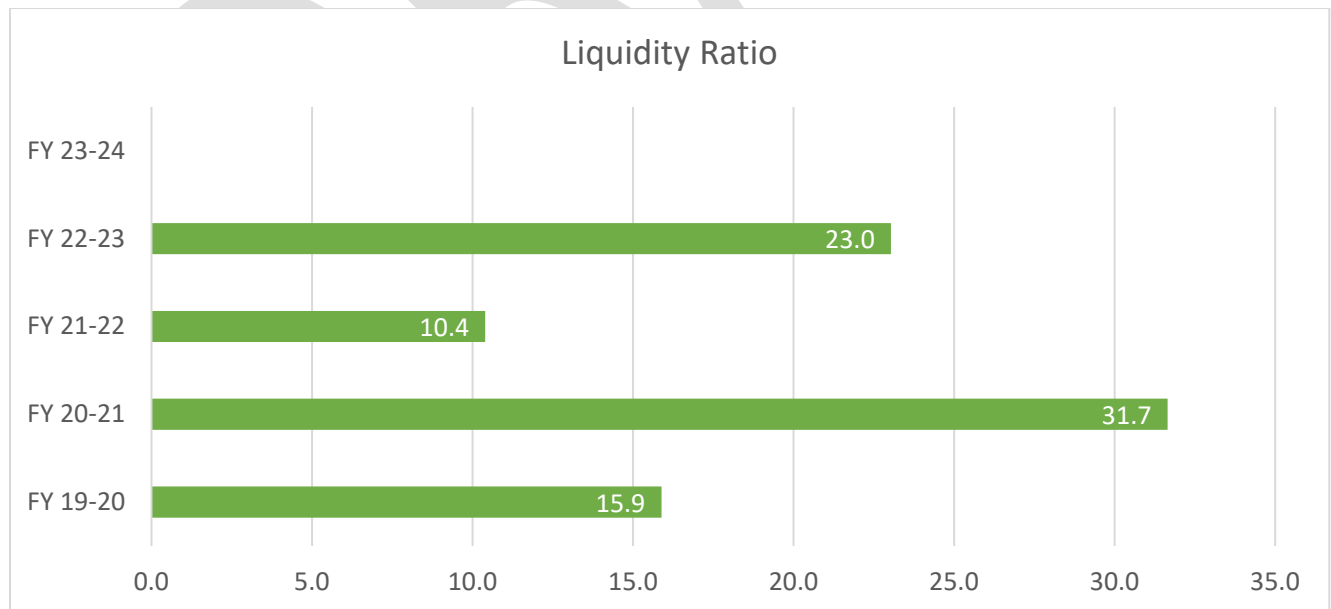
Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	% Change	Average
Current liabilities	56,573	25,705	74,069	24,526	-	-57%	45,218
Non-Current Liabilities	-	-	-	-	-	-	-
Total Liabilities	56,573	25,705	74,069	24,526	-	-57%	36,175

Figure 7 illustrates the District’s Liquidity Ratios from FY 2019-2020 through FY 2022-2023. 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 four-year period shown in Figure 7, the District’s liquidity ratio has consistently remained above 1.0, demonstrating a stable ability to meet short-term obligations.

Figure 7: Liquidity Ratio



Net Position

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

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

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

As of June 30, 2023, CVCS D’s net position totaled \$920,841, reflecting a gradual decrease over the past four available audited fiscal years. This decrease indicates a gradual decline in the District’s financial position.

Table 8: Audited Net Position

Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	% Change	Average
Net Investment in Capital Assets	200,090	188,311	227,710	380,527	-	90%	249,160
Restricted	-	-	-	-	-	-	-
Unrestricted	842,099	787,897	696,004	540,314	-	-36%	716,579
Total Net Position	1,042,189	976,208	923,714	920,841	-	-12%	772,590

Other Matters Related to Efficient Service Delivery

Other governmental structure options are available to the CVCS D, if warranted, such as jurisdictional changes consisting of reorganizations that may involve consolidation or dissolution. 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 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 would also be required from the annexing agency/successor agency with these types of jurisdictional changes.

Should the CVCS D experience challenges with providing road maintenance or solid waste services, there are several considerations that could be explored, which consist of but are not limited to the following. Neither LAFCO nor the CVCS D sees the need to pursue a change of organization at this time. The purpose of this section is to daylight the situation and establish a baseline of information, should the community or District seek a change of organization in the future. The responsibility for addressing this situation rests with the District and the community. It is important to note that any options summarized below would require significant analysis, coordination with affected parties, and community outreach. The options outlined below are presented as a tool to inform and guide initial discussions as to how the District's challenges may be addressed.

Governmental Structure Options

- 1) Continue to operate as a CSD with road maintenance and solid waste services. CVCS D is committed to continuing its responsibilities as a CSD, with a newly expressed interest in activating water, weed abatement, parks, and recreation services. The CVCS D has the capability

and capacity to adequately provide solid waste services. However, CVCS D continues to see a decline in financial stability and failed Proposition 218 measures for road maintenance services. To achieve an adequate level of service for road maintenance, it would be prudent for the District to increase road maintenance assessments or pursue alternative, stable, and long-term revenue sources. The CVCS D has attributed the failure of recent road maintenance measures to opposition from entities such as the land trusts that hold a large number of conserved lots within the District that were entered into conservation easement pursuant to the California Valley Lot Acquisition Program, an outcome related to the County's approval of nearby solar farms. To achieve the goals of both the CVCS D and conservation organizations, greater coordination and negotiations should occur amongst all affected agencies, including the County. CVCS D should consider demonstrating enough revenue to sustain existing expenses associated with authorized powers before requesting activation of new services and responsibilities.

- 2) Continue to operate as a CSD, but detach the lots that have been placed into or are planned to be placed into conservation through the California Valley Lot Acquisition Program. The CVCS D, or the land trusts that own the conserved lots, could consider initiating an application to detach the approximately 471 lots currently placed into conservation, or are planned to be placed into conservation, through the County's California Valley Lot Acquisition Program. This option would allow the land trusts to be removed from the District's service area boundary and no longer be subject to the CVCS D assessment fees currently being charged for road maintenance. In this scenario, the CVCS D would forgo revenue generated by the 471 conserved lots; however, the land trusts would in turn be excluded from the District's Proposition 218 road assessment measures, potentially increasing the likelihood of voter approval. This scenario could, however, create complications. Detaching conserved lots could create islands within the CVCS D boundary. In addition, if only existing conserved lots are proposed for detachment, it could result in a frequent need to detach future lots as they are placed into conservation. Lastly, even with these lots detached, it is still possible that voter approval for increasing road maintenance fees is not obtained. This option would require coordination and negotiations amongst all affected agencies, including the CVCS D, conservation organizations, the County, and LAFCO.

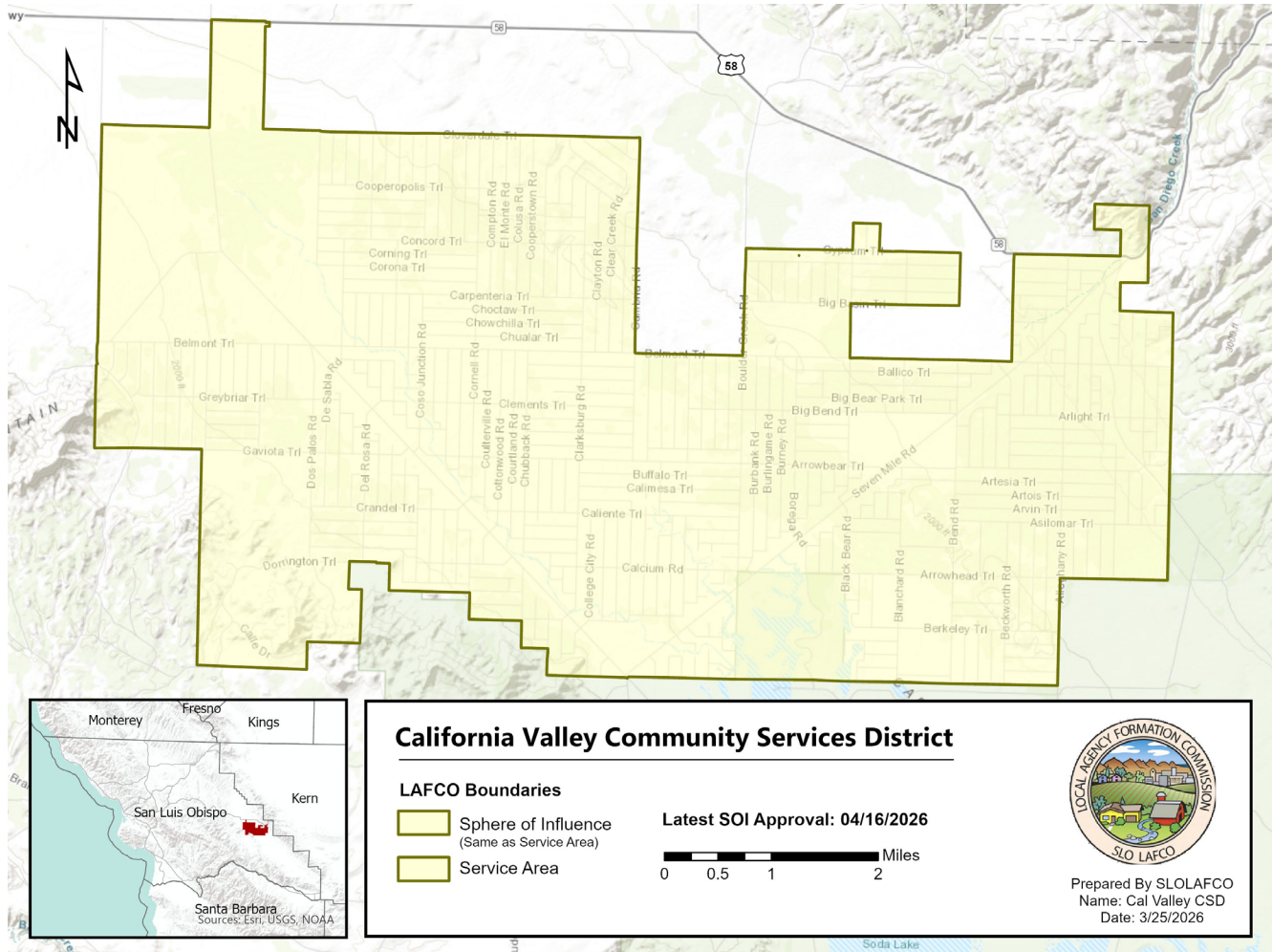
- 3) Continue to operate as a CSD by divesting road maintenance service. The CVCSO could consider divesting one or more of its active powers. It was found that the District is struggling to provide adequate road maintenance services; however, it does provide adequate solid waste services. These circumstances may warrant consideration of divesting road maintenance services and leaving the CVCSO with solid waste power. In this scenario, road maintenance could be provided through County Service Area 21, which provides road maintenance for unincorporated areas within the County.
- 4) Exploration of future consolidation or dissolution/annexation with existing neighboring agencies. CVCSO's financial decline could be primarily attributed to inflation and other rising costs. Revenues do not cover existing District expenditures and do not allow any budget for necessary vehicle and equipment upgrades to maintain the roads properly and consistently. The lack of revenue within the Roads Maintenance Fund has resulted in the District only being able to provide minimal maintenance to many District roads. Due to inflation over the 27 years since the assessment rates were last updated, the rates will need to increase significantly to cover costs. CVCSO has made multiple attempts to implement rate increases through Proposition 218 hearings; however, residents and land trusts who own land within the CSD have consistently voted against the proposed changes. If the CVCSO continues to see a decline in financial stability and if CVCSO customers continue to oppose the proposed rate increases, it could jeopardize the District's long-term ability to provide services. In that scenario, dissolution could be considered. However, as previously stated, a key issue to be determined when considering dissolution is 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.

Sphere of Influence

Existing & Proposed SOI

CVCSO's existing SOI, last adopted in October 2015, is coterminous with its service area boundary and is depicted in Figure 8 below. The District covers approximately 25,423 acres within the California Valley community. The District's SOI is expected to remain unchanged, with no expansions or reductions.

Figure 8: Recommended 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 CVCSO area is an antiquated subdivision with thousands of lots that are unlikely to be developed in the future. The General Plan disclosed challenges relating to future growth and development in the area due to its many problems, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. The County and the San Luis Obispo Council of Governments (SLOCOG) provided more recent buildout estimates in the 2050 Regional Growth Forecast for San Luis Obispo County, estimating a population of 385 in 2025. Based on the buildout population projection of 15,899 and the 2025 population of 385, California Valley is considered 2% built out. Significant increases in population are not expected to occur in this area over the next 10 to 20 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 CVCSO's service area, existing, or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5 and as determined using the methodology described in this report.

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

Roads | CVCSO has approximately 271.6 miles of roadway. The District Maintained Road System is divided into two tiers, "Tier 1" and "Tier 2," based on observed traffic activity and

level of maintenance. Most of the roads within the District are dirt roads with no systematic pavement or maintenance done due to a lack of funding. The District has indicated a need to increase fees associated with roadway infrastructure and maintenance. The District is also in need of new equipment to carry out its services. The District's road maintenance assessment rates have remained unchanged since 1998. Ongoing challenges with the current rate structure, not keeping pace with inflation and rising service costs, have made a substantial rate adjustment necessary. The CVCS D has held multiple Proposition 218 hearings without success and plans to attempt another assessment increase in June 2026. Additionally, the CVCS D has attributed the failure of recent road maintenance measures to opposition from entities such as the land trusts that hold a large number of conserved lots within the District. To achieve the goals of both the CVCS D and conservation organizations, greater coordination among all affected agencies and the County is essential.

CVCS D currently lacks the capability and capacity to adequately provide road maintenance services unless it can increase road maintenance assessments in the near future or find another reliable source of income. If the CVCS D customers continue to oppose the proposed rate increases, it could jeopardize the District's long-term ability to provide road maintenance services. In that scenario, alternative governmental structures may need to be considered. In order to provide an adequate level of service, the CVCS D should continue to identify solutions to address these funding issues.

Solid Waste | CVCS D provides solid waste service within the District. The residents of the District desire local control regarding the nature, extent, and cost of garbage collection and have found that the District can provide garbage collection and hauling service to its residents more effectively than other private or public agencies. CVCS D has adopted ordinance No. 2024-02 and solid waste collection policies that guide the District in providing garbage collection service to its residents. CVCS D currently collects sufficient fees for solid waste services, with the most recent rate increase last adopted in June 2025. CVCS D has the capability and capacity to adequately provide solid waste services. Should the CVCS D encounter challenges with providing solid waste hauling services in the future, the District could consider contracting out to private trash hauler companies.

Unauthorized Services | LAFCO has established roads maintenance and solid waste as CVCS D's authorized powers as described under Government Code Section 61100 (l) and (c); all other services listed in Government Code Section 61100 are considered latent powers. The CVCS D owns and operates a community well that is located near the CVCS D Office at 13080 Soda Lake Road, Santa Margarita, CA 93453. The CVCS D uses this well to provide its residents with non-potable water and has been doing so for at least a decade. To be consistent with state law and to continue providing the community with non-potable or potable water, LAFCO recommends that the District initiate a resolution of application in the near future to activate water as a function or class of service as described under Government Code Section 56824.10 through 56824.14. The CVCS D has been in communication with LAFCO staff regarding application requirements and is working on submitting an application to activate water, weed abatement, and parks and recreation services. The CVCS D has not shared an anticipated application submittal date. LAFCO would have a particular interest in the District's plan for financing the establishment of the new or different function or class of services and its ability to obtain sufficient revenues to carry out the services, given the financial challenges that have been described in the MSR and SOI Study. The CVCS D should consider demonstrating enough revenue to sustain existing expenses before requesting activation of new services and responsibilities.

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 property taxes, assessments, charges for services, grants and contributions, and investment income. To assess the District's financial health, key indicators, including Revenues vs. Expenditures, Operating Ratio, Liquidity Ratio, and Net Position, were analyzed with the last 5-year audited financial statements (the latest FY 2023-2024 audit is still outstanding and is currently in progress). Regarding Revenues vs. Expenditures, from FY 2019-2020 through FY 2022-2023, the District consistently incurred expenditures that exceeded its revenues. An excess in expenditures over appropriations can be generally attributed to inflation and other rising costs and has led to a depleting fund balance. Operating Ratio, which compares annual operating revenues to

operating expenses, showed the ratio slightly exceeded 1.0 in FY 2019-2020, and in the following FY 2020-2021 through FY 2022-2023, the ratio remained marginally below 1. Overall, across all audited fiscal years analyzed, the District consistently remained marginally below or above break-even with regard to its single proprietary fund for solid waste service. Liquidity Ratio, which measures current assets relative to current obligations, remained strong across all four available audited years, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, decreased by 12% over the four-year audited period, indicating a decline in financial position and stability. Overall, these financial indicators suggest that CVCSO is financially stable regarding short-term financial obligations but is declining in its financial position and depleting its fund balance. CVCSO's financial decline may be primarily attributed to inflation and other rising costs. Revenues don't fully cover existing District expenditures and don't afford any budget for necessary vehicle and equipment upgrades to maintain the roads properly and consistently. The lack of revenue within the Roads Maintenance Fund has resulted in the District being able to provide only minimal maintenance to many District roads. Due to inflation over the 27 years since the assessment rates were last updated, the rates will need to increase significantly to cover costs. CVCSO has made multiple attempts to implement rate increases through Proposition 218 hearings; however, residents have consistently voted against the proposed changes. If CVCSO continues to see a decline in financial stability, and if CVCSO customers continue to oppose the proposed rate increases, the District's long-term ability to provide services may be jeopardized. In that scenario, alternative governmental structures may need to be considered.

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 CVCSO Boundary. Opportunities for increased and continued coordination may include:

- Coordination with other small special districts that specialize in road maintenance services to discuss ways to share knowledge, resources, and/or best practices.

- Continued coordination with IWMA to ensure the CVCSO effectively manages local solid waste programs.
- Coordination with the County, LAFCO, MKN Associates, State Water Resources Control Board, and Regional Water Quality Control Board regarding the District's interest in exploring options to provide safe drinking water to the community due to groundwater issues in the community.
- Coordination with the County and Council of Governments (COG) on "Local Roads First" 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 between the CVCSO, the County, and local land trusts to meet the goals of both the CVCSO (in providing road maintenance services) and conservation organizations (in preserving lots of high environmental value).

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

CVCSO 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. CVCSO maintains an up-to-date website that contains District information, documents, and updates. It is recommended that the CVCSO include an Enterprise System Catalog on its website as required by SB 272. The District is also in need of an additional full-time employee; however, budget limitations don't allow for this at this time. In order to provide an adequate level of service, the CVCSO should continue to identify solutions to address these funding issues.

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

Other governmental structure options are available to CVCSO, if warranted, such as jurisdictional changes consisting of reorganizations, detachment, or dissolution. Should CVCSO

continue to see a decline in financial stability, and if CVCSO customers continue to oppose the proposed rate increases, it could jeopardize the District's long-term ability to provide services. If the CVCSO continues to experience challenges with providing road maintenance, or solid waste services, there are several considerations that could be explored, which are summarized in the "[Other Matters Related to Efficient Service Delivery](#)" section of this report. Neither LAFCO nor the CVCSO sees the need to pursue a change of organization at this time. The options outlined in the report are presented as a tool to inform and guide initial discussions should the District pursue any of these options in the future. It is important to note that any change in the District's governmental structure would require significant analysis, coordination with affected parties, and community outreach.

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 uses within the District's coterminous SOI and service area are primarily designated as Residential Suburban, with additional areas zoned for Agriculture, Open Space, Recreation, Commercial Retail, and Public Facilities. Land surrounding the District is predominantly zoned Agriculture and Rural Lands. The CVCSO area is an antiquated subdivision with thousands of lots that are unlikely to be developed in the future. The General Plan disclosed challenges relating to future growth and development in the area due to its many problems, including remoteness, poor access, inadequate roads, poor soils (alkaline), lack of water, and poor sewage drainage. CVCSO should maintain a coterminous SOI and service area boundary.

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

Within the CVCSO service area, the District presently provides road maintenance and solid waste services; all other services listed in Government Code Section 61100 are considered latent powers. CVCSO has recently expressed interest in adding parks and recreation, water, and weed abatement powers to its active powers. The District may initiate a resolution of application to activate a latent power as described under Government Code Section 56824.10 through 56824.14. The CVCSO has been in communication with LAFCO staff regarding application requirements and is working on submitting an application. The CVCSO has not shared an anticipated application submittal date. LAFCO would have particular interest in the District's plan for financing the establishment of the new or different function or class of services and its ability to obtain sufficient revenues to carry out the services, given the financial challenges that have been described in the MSR and SOI Study. The CVCSO should consider demonstrating enough revenue to sustain existing expenses before requesting activation of new services and responsibilities. CVCSO should maintain a coterminous SOI and service area boundary.

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

CVCSO has the capability and capacity to adequately meet existing service demand and some level of increased future service demand with regard to solid waste services. However, CVCSO continues to see a decline in financial stability and failed Proposition 218 measures for road maintenance services. In order to continue serving current and future road maintenance needs, the CVCSO is encouraged to continue with Proposition 218 measures to increase road maintenance assessments in the near future and identify solutions to address funding issues to provide needed improvements and upgrades. CVCSO should maintain a coterminous SOI and service area boundary.

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 CVCSO's service area, existing or proposed SOI that meet the definition of a DUC as outlined in Government Code Section 56033.5 and as determined using the methodology described in this report.

California Environmental Quality Act

The California Environmental Quality Act (CEQA) is contained in the Public Resources Code Section 21000, et seq. Under this law, public agencies are required to evaluate the potential environmental effects of their actions. The CVCSO 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.