



San Luis Obispo Local Agency Formation Commission Meeting Agenda May 16, 2024, 9:00am

MEETING

MAY 16, 2024 – 9 A.M.
BOARD OF SUPERVISORS
CHAMBERS
COUNTY GOVT. CENTER
1055 MONTEREY STREET,
SAN LUIS OBISPO, CA 93408

CONTACT

ROB FITZROY
EXECUTIVE OFFICER
805-781-5795
FAX 805-788-2072
SLO.LAFCO.CA.GOV

COMMISSIONERS

MARSHALL OCHYLSKI, CHAIR, SPECIAL DISTRICT
STEVE GREGORY, VICE CHAIR, CITY
DEBBIE ARNOLD, COUNTY
JIMMY PAULDING, COUNTY
ED WAAGE, CITY
ROBERT ENNS, SPECIAL DISTRICT
HEATHER JENSEN, PUBLIC
DAWN ORTIZ-LEGG, COUNTY ALTERNATE
CARLA WIXOM, CITY ALTERNATE
ED EBY, SPECIAL DISTRICT ALTERNATE
DAVID WATSON, PUBLIC ALTERNATE

MEETING PARTICIPATION

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

Other Notes:

- In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate at this meeting, please contact the Clerk at 805-781-5795. Notification provided a minimum of 48 hours prior to the meeting will enable the Clerk to make reasonable arrangements to ensure accessibility to this meeting. Pursuant to the ADA, the meeting room is accessible to the physically disabled.
- It is required by Government Code Section 84308 that a participant in a LAFCO proceeding who has a financial interest in the decision and who has made a campaign contribution of more than \$250 to any Commissioner within (12) months prior, must disclose the contribution. If you are affected, please notify Commission Staff before the hearing.

**MEETING AGENDA****Pledge of Allegiance****Call to Order/Roll Call****Approval of the Minutes:** April 18, 2024 **(Pages 4 - 11)****Non-Agenda Public Comment Period**

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

Informational Matters**A-1: Informational Report on Shandon San Juan Water District Condition Compliance (Pages 12 - 21)**

Recommendation: It is recommended that the Commission receive and file an informational report on Shandon San Juan Water District condition compliance.

Regular Matters**B-1: LAFCO No. 5-S-23 | Municipal Service Review and Sphere of Influence Study for Cambria Community Healthcare District (Pages 22 - 81)**

Recommendation:

Action 1: Motion finding the Municipal Service Review & Sphere of Influence Study prepared for the Cambria Community Healthcare District (LAFCO File No. 5-S-23) 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: Motion to adopt Resolution approving the Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 5-S-23) found in Attachment A & B, reaffirming the district’s existing Sphere of Influence as depicted in Attachment A, Exhibit C.

B-2: Authorize Release of Request for Proposal for Legal Counsel (Page 82)

Recommendation:

Action: Motion to authorize the Executive Officer to issue a Request for Proposal for Legal Services.

B-3: Consideration of the Fiscal Year 2022-2023 Audit (Pages 83 - 143)

Recommendation:

Action: Motion to review and approve the Financial Report for the Fiscal Year 2022-2023 (Attachment A) and the Draft Management Report (Attachment B) and direct the Executive Officer to submit the reports to the County Auditor.



B-4: Consideration of the Final Fiscal Year 2024-2025 Budget and Work Plan (Pages 144 - 157)

Recommendation:

Action 1: Motion to adopt Resolution approving the Final Fiscal Year 2024-2025 Budget and Work Plan (Attachment A).

Action 2: Motion to direct the Executive Officer to distribute the Final Budget and Work Plan to contributing agencies per the government code.

Action 3: Motion to direct the Executive Officer to execute the agreement with the County Auditor for financial services (Attachment B).

Closed Session

C-1: Pursuant to Government Code Section 54957 – Regular Annual Public Employee Performance Evaluation | Title: Executive Officer

Commissioner Comments

Legal Counsel Comments

Executive Officer Comments

Adjournment



**SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
APRIL 18, 2024, MEETING MINUTES**

Call to Order

The San Luis Obispo Local Agency Formation Commission (LAFCO) meeting was called to order at 9:00 a.m. on Thursday, April 18, 2024, by Chairperson Ochylski in the Board of Supervisors Chambers at the County Government Center, 1055 Monterey Street, San Luis Obispo, CA 93408.

Pledge of Allegiance

Roll Call

Present: Chairperson Marshall Ochylski, Vice Chair Steve Gregory, Commissioners Debbie Arnold, Robert Enns, Jimmy Paulding, and Ed Waage, and Alternate Commissioner Ed Eby

Absent: Commissioner Heather Jensen and Alternate Commissioners Dawn Ortiz-Legg, David Watson, and Carla Wixom

Staff: Rob Fitzroy, LAFCO Executive Officer
Imelda Marquez-Vawter, LAFCO Analyst
Morgan Bing, LAFCO Clerk Analyst
Brian Pierik, LAFCO Legal Counsel

Approval of the Minutes: January 18, 2024

Chairperson Ochylski announced the consideration of approval for the January 18, 2024, Regular Meeting Minutes.

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

Chairperson Ochylski asked for Commissioner comments or a motion to approve the minutes.

Commissioner Enns motioned to approve the minutes.

Commissioner Waage seconded the motion.

AYES: Commissioners Enns, Waage, Arnold, Paulding, Vice-Chair Gregory and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Non-Agenda Public Comment Period

Chairperson Ochylski opened the item for public comment.

Greg Grewal, resident of Creston, commented on conditions of approval for water districts regarding requirements for general managers and annual budgets.

Chairperson Ochylski asked staff to respond to the question that was raised.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Ochylski directed staff to return with an item relating to water district requirements to the next Commission meeting and closed public comment.

Consent Agenda

A-1: Third Quarter Fiscal Year 2023-2024 Budget Status and Work Plan Report (Recommend Review and Approve)

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

Chairperson Ochylski asked for Commissioner comments or a motion to approve the item.

Commissioner Waage motioned to approve the item.

Commissioner Paulding seconded the motion.

AYES: Commissioners Waage, Paulding, Arnold, Enns, Vice-Chair Gregory and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Informational Matters

B-1: Informational Report on the Status of San Simeon Community Services District (Recommend Receive and File)

Mr. Fitzroy presented the item.

Chairperson Ochylski opened the item for Commissioner questions.

Commissioner Arnold asked about requirements to be on the SSCSD Board of Directors, SSCSD's current boundary, SSCSD's contract with State Parks, and inquired about the County's role as successor agency.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Waage asked about potential CSA boundaries.

Mr. Fitzroy responded to questions and provided comment.

Patrick Faverty, General Manager of San Simeon Community Services District, commented on the state of the SSCSD and the district's relationship with Hearst Ranch and State Parks.

Commissioner Enns commented on the possibility of shared facilities between Cambria Community Services District and SSCSD.

Chairperson Ochylski opened the item for public comment.

Greg Grewal, resident of Creston, commented on the possibility of a wastewater filtration system and the EPA's new standards.

Chairperson Ochylski closed public comment, opened the item for Commissioner questions, and asked for the distance between SSCSD and CCSD.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Ochylski announced the item was received and filed.

B-2: LAFCO File No. 1-R-24 | Notice of Submittal for Petition of Application for a Sphere of Influence Amendment and Annexation No. 1 to Shandon San Juan Water District (Skyview) (Recommend Receive and File)

Mrs. Marquez-Vawter presented the item.

Chairperson Ochylski opened the item for Commissioner questions.

Chairperson Arnold asked about the annexation process.

Mrs. Marquez-Vawter and **Mr. Fitzroy** responded to questions and provided comment.

Commissioner Arnold inquired about the landowners.

Mrs. Marquez-Vawter responded to questions and provided comment.

Commissioner Arnold provided additional comment on the item.

Chairperson Ochylski opened the item for public comment.

Greg Grewal, resident of Creston, provided comment related to the LAFCO File No. 1-R-24 applicants.

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

Commissioner Enns commented on the political nature of the item.

Commissioner Arnold provided comment on water issues related to the item.

Commissioner Waage commented on the work plan in relation to this item.

Mr. Fitzroy responded to questions and provided comment.

Chairperson Ochylski announced the item was received and filed.

Regular Matters

C-1: LAFCO File No. 1-O-24 | Outside Agency Agreement Between the City of Pismo Beach and Coastal Christian School for Fire Suppression Water (Recommend Review and Approve)

Ms. Bing presented the item.

Chairperson Ochylski opened the item for Commissioner questions, hearing none.

Chairperson Ochylski opened the item for public comment.

Carol Florence, the applicant's representative, thanked LAFCO staff and the City of Pismo Beach for their efforts.

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

Commissioner Waage motioned to approve staff recommendation for Action 1.

Commissioner Arnold commented on fire suppression requirements and seconded the motion.

AYES: Commissioners Waage, Arnold, Enns, Paulding, Vice-Chair Gregory, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Commissioner Waage motioned to approve staff recommendation for Action 2.

Commissioner Arnold seconded the motion.

AYES: Commissioners Waage, Arnold, Enns, Paulding, Vice-Chair Gregory, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

C-2: CALAFCO Legislative Update (Recommend Review and Approve)

Mr. Fitzroy presented the item.

Chairperson Ochylski recommended considering the bills separately.

Commissioner Arnold commented on indemnification.

Commissioner Waage stated his support of the bill.

Commissioner Enns provided comment and inquired about attorney's fees.

Mr. Pierik responded to questions and provided comment.

Commissioner Arnold provided additional comment.

Commissioner Enns asked for clarification on the action.

Mr. Fitzroy provided clarification on the action.

Mr. Pierik provided comment on the agenda item.

Commissioner Paulding asked for clarification regarding the Commission's prerogative to adopt

an indemnification policy.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Arnold motioned to provide direction to the Executive Officer to submit letters of support for SB 1209 to CALAFCO.

Commissioner Waage seconded the motion.

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

AYES: Commissioners Arnold, Waage, Enns, Paulding, Vice-Chair Gregory, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Mr. Fitzroy continued presenting the item.

Chairperson Ochylski opened the item for Commissioner questions, hearing none.

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

Commissioner Paulding motioned to provide direction to the Executive Officer to submit letters of support for AB 3277 to CALAFCO.

Commissioner Waage seconded the motion.

AYES: Commissioners Paulding, Waage, Arnold, Enns, Vice-Chair Gregory, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

C-3: Proposed Fiscal Year 2024-2025 Budget and Work Plan (Recommend Review and Approve)

Mr. Fitzroy presented the item.

Chairperson Ochylski opened the item for Commissioner questions, hearing none.

Chairperson Ochylski opened the item for public comment.

Mark Miller, resident of Cayucos, commented on the status of the Cayucos Community Services District formation.

Mr. Fitzroy responded to questions and provided comment.

Commissioner Enns responded to questions and provided comment.

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

Vice Chair Gregory motioned to approve staff recommendation for Action 1.

Commissioner Waage seconded the motion.

AYES: Vice-Chair Gregory, Commissioners Waage, Arnold, Enns, Paulding, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Vice Chair Gregory motioned to approve staff recommendation for Action 2.

Commissioner Waage seconded the motion.

AYES: Vice-Chair Gregory, Commissioners Waage, Arnold, Enns, Paulding, and Chairperson Ochylski

NAYS: None

ABSTAINING: None

The motion was passed.

Closed Session

D-1: Pursuant to Government Code Section 54957 – Public Employee Performance Evaluation | Title: Legal Counsel

Mr. Pierik introduced the item.

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

Chairperson Ochylski recommended hearing Commissioner, Legal Counsel, and Executive Officer comments before going into closed session.

Commissioner Comments: **Commissioner Enns** thanked staff and commented on SSCSD’s status as a DUC. **Commissioners Arnold** and **Chairperson Ochylski** thanked staff for their efforts.

Legal Counsel Comments: None

Executive Officer Comments: **Mr. Fitzroy** provided comment regarding the new City Alternate Member, Carla Wixom, discussed future meeting schedules, and announced staff will be attending the CALAFCO Staff Workshop April 23rd - 26th.

Chairperson Ochylski called for a break at 10:40 AM and reconvened the meeting at 10:50 AM, followed by Closed Session.

At 11:31 a.m.; **Chairperson Ochylski** called the open session back into order with no report on Closed Session.

Report on Closed Session: **Chairperson Ochylski** stated that there was no reportable action.

Adjournment: With no further business before the Commission, the meeting adjourned at 11:31 a.m. until the next meeting of the Commission in the Board of Supervisors Chambers at the County Government Center in San Luis Obispo.

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

Respectfully submitted,
Morgan Bing, LAFCO Clerk Analyst



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

**FROM: ROB FITZROY, EXECUTIVE OFFICER
BRIAN PIEIRIK, LEGAL COUNSEL**

DATE: MAY 16, 2024

SUBJECT: INFORMATIONAL REPORT ON SHANDON SAN JUAN WATER DISTRICT CONDITION COMPLIANCE

RECOMMENDATION

It is recommended that the Commission receive and file an informational report on Shandon San Juan Water District condition compliance.

BACKGROUND

At a regular meeting on April 18, 2024, the Commission provided direction to staff to return with a report on condition compliance for the Shandon San Juan Water District (SSJWD). The direction was in response to public comment that expressed concern that SSJWD does not have an adopted budget or General Manager as per the conditions of approval issued by LAFCO with approval of district formation.

ANALYSIS

On May 22, 2017, LAFCO filed the Certificate of Completion for formation of the SSJWD (Attachment A). As of the date of this filing, SSJWD formally became a water district. LAFCO's approval of the district formation included several Conditions of Approval. Condition #9 stated that SSJWD shall "set the appropriation limit as soon as feasibly possible consistent with Government Code Section 57000." Staff contacted SSJWD to understand whether regular annual budgets have been adopted since formation. LAFCO staff confirmed that SSJWD has regularly adopted annual budgets since formation in 2017. As such, SSJWD has complied with Condition of Approval #9.

Regarding the requirement to have a General Manager, staff and legal counsel reviewed LAFCO conditions of approval (Attachment A) and state law. In 2017, LAFCO did not adopt any Conditions of Approval that required SSJWD to have a General Manager. In addition, while state law explicitly requires Community Services Districts to have a General Manager, state law for water districts does not

COMMISSIONERS

Chair
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

Ed EBY
Special District Member

CARLA WIXOM
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIEIRIK
Legal Counsel

have such a requirement. Applicable water code sections are listed below:

Section 34807 of the water code states: *“The board, except as otherwise specifically provided, shall manage and conduct the business and affairs of the district.”*

Section 34800 of the water code states: *“The board shall elect a president from its members and appoint the secretary.”*

Lastly, Section 34900 (Other Officers and Employees) states: *“The board shall: (a) Employ and appoint such agents, officers, and employees as may be required, (b) Prescribe their duties and fix their salaries, (c) Prescribe other terms and conditions of employment. Subject to policies and standards established by the board, the board may delegate the powers specified in this section to any officer or employee of the district.”*

As shown above, the water code, under “internal organization” has no explicit requirement for water districts to hire a General Manager. The only officers of the district required by the water code are the President and Secretary. The board of the district has discretion to appoint employees as necessary and manage and conduct the business and affairs of the district. To date, the SSJWD does not have a General Manager, rather the President and Secretary/Treasurer conduct the business and affairs of the district.

CONCLUSION

SSJWD has complied with Condition of Approval #9 regarding appropriations and has regularly adopted an annual budget since formation. There are no applicable LAFCO Conditions of Approval for the hiring of a General Manager. And though Community Services Districts are required by law to hire a General Manager, water districts operate under different regulations and are not required to do so. To date, SSJWD does not have a General Manager and is not required to under LAFCO conditions or state law.

Attachment A: LAFCO Certificate of Completion (including Conditions of Approval)

Attachment A

LAFCO Certificate of Completion (including Conditions of Approval)

*Map & Legal Description has been removed due to length

2017022283

Recording requested by and mail to:

Executive Officer
Local Agency Formation Commission
1042 Pacific Street
San Luis Obispo, CA 93401

Tommy Gong
San Luis Obispo - County Clerk-Recorder
05/22/2017 03:02 PM
Recorded at the request of:
PUBLIC
Titles: 1 Pages: 37
Fees: \$0.00
Taxes: \$0.00
Total: \$0.00



CERTIFICATE OF COMPLETION

Pursuant to Government Codes Section 57200 and 57201 this Certificate of Completion is hereby issued by the Executive Officer of the Local Agency Formation Commission of San Luis Obispo County, California.

1. The short-form designation by San Luis Obispo LAFCO is the Shandon-San Juan Water District
2. The name of the entity involved in the formation ordered by the Local Agency Formation Commission is as follows:


Shandon-San Juan Water District

3. The above-listed entity is located within San Luis Obispo County.
4. A description of the boundaries of the above-cited formation is shown in the attached Resolution, map and legal description, marked Exhibit A and by reference incorporated herein.
5. The territory involved in this landowner-voter District is subject to protest hearings which have been completed pursuant to Government Code Section 57000.
6. This action has been approved subject to the conditions of approval found in Exhibit B Resolution No. 2016-08.
7. The formation of this District is ordered by the Local Agency Formation Commission after the Protest Hearing has been conducted and the vote of the landowners within the boundaries, pursuant to Water Code 34000 et sec., has been completed

I hereby certify that I have examined the above-cited resolution for this action and have found this document to be in compliance with Resolution No. 2016-08 approving said action and adopted by the Local Agency Formation Commission of the County of San Luis Obispo on October 20, 2016.

Date: 5-22-17

LAFCO File No: 3-R-16



David Church
Executive Officer

Exhibit B

Resolution 2016-08

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

October 20, 2016

Present: Chairman Frank Mecham, Commissioners Robert Enns, Roberta Fonzi, Tom Murray and Ed Waage, and Alternate Commissioners David Brooks and Ed Eby

Absent: Vice-Chairman Marshall Ochylski, Commissioners Bruce Gibson, and Alternate Commissioners Adam Hill and Jamie Irons

RESOLUTION NO. 2016-08

**RESOLUTION MAKING DETERMINATIONS AND APPROVING THE
FORMATION OF THE SHANDON-SAN JUAN WATER DISTRICT, SPHERE OF INFLUENCE,
AND ENVIRONMENTAL DETERMINATION**

The following resolution is now offered:

WHEREAS, a Petition of Application signed by 100 percent of the landowners within the proposed District boundary was filed with the Commission to initiate the formation of the Shandon-San Juan Water District; and

WHEREAS, application has been made to this Commission pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.) for consideration of a proposal for the formation of the Shandon-San Juan Water District as shown in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, the formation application of the Shandon-San Juan Water District, a Water District as defined in the California Water Code, Section 34000 et seq., has been filed with the Executive Officer of the Local Agency Formation Commission of San Luis Obispo County, California, Exhibit A by petition, and said application complied with all the requirements of law and the Commission; and

WHEREAS, the Executive Officer has given the notices required by law and forwarded copies of his report to officers, persons and public agencies prescribed by law; and

WHEREAS, the matter was set and noticed for public hearing at 9:00 a.m. on October 20, 2016 in the County of San Luis Obispo Board of Supervisors Chambers; and

WHEREAS, this Commission has considered the application materials, studies and other documentation at the October 20, 2016 public hearing which is incorporated by reference herein and the Benefit Assessment Plan found in Attachment C of the staff report; and

WHEREAS, on October 20, 2016 this Commission heard and received, all oral and written protests, objections and evidence, which were made, presented or filed, and all persons present were given the opportunity to hear and be heard in respect to any matter concerning this proposal; and

WHEREAS the Commission hereby finds that the formation of Water District will not have a significant effect on the environment, and is Categorically Exempt from the provisions of the California Environmental Quality Act (CEQA) under 15378(b)(4). Additionally, the SOI qualifies for a general rule exemption from environmental review based upon CEQA Regulation Section 15061(b)(3) and Section 15262; and

WHEREAS, the Commission duly considered the proposal and finds that the formation should be approved with the following conditions:

1. The name of the Water District shall be the Shandon-San Juan Water District.
2. That the Board of Directors of the Shandon-San Juan Water District be composed of five members elected as provided for in the California Water District Law, Water Code Section 34000 et. seq. The initial Board of Directors will be elected pursuant to the Water Code sections 34700; and
3. That pursuant to the applicable Water Code Sections the Shandon-San Juan Water District is authorized to exercise all powers and authorities subject to the following restrictions:
 - a. The Water District's powers to export, transfer, or move water underlying the Water District outside of the Paso Robles Groundwater Basin shall not be active and are subject to condition number five of this approval. For purposes of this Condition and Condition number five, "groundwater" shall have the meaning set forth in Water Code Section 10721(g).
 - b. The Water District's powers under Part 5 Powers and Purpose; Chapter 2; Powers; Article 5; Sewers: [35500 - 35509] of the California Water Code shall be deemed inactive or latent. The Water District could request LAFCO activate these powers in the future.
4. That formation of the Shandon-San Juan Water District shall be contingent upon a successful vote on the formation pursuant to Water Code Section 34500, and the Water

District completing a successful benefit assessment to fund the activities of the Water District. If the Proposition 218 proceeding is not successfully conducted within one year of the certificate of completion, the Water District shall be subject to dissolution. LAFCO may extend this deadline upon request by the District.

5. The Water District shall be prohibited from exporting, transferring, or moving water underlying the Water District (including groundwater pumped into an above ground storage facility) to areas outside of the Paso Robles Groundwater Basin.
6. That specific projects proposed by the Shandon-San Juan Water District shall be analyzed and evaluated in accordance with applicable laws prior to construction.
7. That a revised legal description and boundary map(s) be submitted to reflect the service area and sphere of influence boundaries of the Water District as adopted by the Commission.
8. That the effective date of the Shandon-San Juan Water District will be determined by the certification of the election results by the Board of Supervisors and the filing of the certificate of completion by the LAFCO Executive Officer with the County Clerk-Recorder's office.
9. That the Water District set the appropriations limit as soon as feasibly possible consistent with Government Code Section 57000.
10. The Sphere of Influence of the Shandon-San Juan Water District shall be co-terminus to the Service Area boundary. Future amendments and/or updates of the SOI shall only include properties that have submitted written landowner consent for inclusion in the SOI.
11. The District, if formed, shall provide documentation that it has been identified as a Groundwater Sustainability Agency (GSA), or a GSA partner, pursuant to the Sustainable Groundwater Management Act. If the District does not become a GSA, or is not part of a GSA within one year of the Certificate of Completion being filed, the District shall either submit a resolution stating which activities it shall be undertaking that justify its continuation to the satisfaction of LAFCO, or it shall submit a resolution of application to LAFCO requesting dissolution, LAFCO may extend this deadline upon request by the Water District.

NOW, THEREFORE, the San Luis Obispo County Local Agency Formation Commission determines the following:

1. The territory comprises approximately 144,000 acres and is found to be inhabited (having more than twelve registered voters) as defined in §56046 of the Government Code, and is a landowner-voter District subject to Water Code Section 34000, et seq.
2. The formation of the District is assigned the following distinctive short-form designation: Shandon-San Juan Water District.

3. Based on the evidence, analysis, and conclusions set forth in this resolution and the Executive Officer's report and attachments, the Commission finds that the formation of this District serves to further the purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 including, but not limited to, the following: efficiently providing government services and facilitating the orderly formation and development of local agencies based upon local conditions and circumstances.
4. The Commission determines, based upon the services currently provided to the affected territory, that the Shandon-San Juan Water District can feasibly provide the needed services in a more efficient and accountable manner than other agencies in the area.
5. The Commission adopts the determinations regarding consistency with LAFCO law and Commission Policies contained in the staff report and attachments for this proposal and incorporates them by reference herein.
6. The affected territory within which the special election shall be held includes the entire area within the boundaries of the proposed Water District, as described by Exhibit A attached hereto.

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.
2. That the Categorical Exemption prepared for this project is hereby approved as complete and adequate and as having been prepared in accordance with the provisions of the California Environmental Quality Act.
3. The Executive Officer, on behalf of the Commission and in compliance with this resolution and State law, hereby requests that the San Luis Obispo County Board of Supervisors direct the County Elections Official to conduct the necessary election, setting the matter for consideration of the voters of the affected territory on a date consistent with election law and the Cortese-Knox-Hertzberg Act. The Executive Officer is directed to coordinate with the County Clerk to formulate the election questions consistent with the Commission's determinations set forth herein.
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. That Formation of the Shandon-San Juan Water District is hereby conditionally approved.
6. Pursuant to §57144 and §56898 of the Government Code, the Executive Officer will prepare for the Commission's review an Impartial Analysis of the proposed District formation; after the Commission has approved or modified the Impartial Analysis, it shall

direct the Executive Officer to submit it to the elections official no later than the last day for submission of ballot arguments.

7. The regular County assessment roll will be used.

Upon a motion by Commissioner Waage, seconded by Commissioner Murray to adopt the Resolution and make the determinations approving the formation of the Shandon-San Juan Water District and Sphere of Influence and Environmental Determination as proposed with the Revise Conditions of Approval with inclusion of the additional inclusion requests received.

AYES: Commissioners Waage, Murray, Eby, Enns, and Chairman Mecham

NAYS: Fonzi

ABSTAIN: None

The foregoing resolution is hereby adopted.




Frank Mecham, Chair Date
Local Agency Formation Commission

ATTEST:

 11/21/16

David Church Date
LAFCO Executive Officer

APPROVED AS TO FORM AND LEGAL EFFECT:



Raymond A. Biering 10/26/16
LAFCO Legal Counsel Date



San Luis Obispo Local Agency Formation Commission

COMMISSIONERS

Chairperson
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
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ED EBY
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CARLA WIXOM
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

TO: MEMBERS OF THE COMMISSION

**FROM: ROB FITZROY, EXECUTIVE OFFICER
IMELDA MARQUEZ-VAWTER, ANALYST
MORGAN BING, CLERK ANALYST**

DATE: MAY 16, 2024

SUBJECT: LAFCO NO. 5-S-23 | MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR CAMBRIA COMMUNITY HEALTHCARE DISTRICT

RECOMMENDATION

It is recommended that the Commission consider taking the following actions:

Action 1: Motion finding the Municipal Service Review & Sphere of Influence Study prepared for the Cambria Community Healthcare District (LAFCO File No. 5-S-23) 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: Motion to adopt Resolution approving the Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 5-S-23) found in Attachment A & B, reaffirming the district's existing Sphere of Influence as depicted in Attachment A, Exhibit C.

DISCUSSION

Background

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

Community Healthcare District (CCHD) has been prepared consistent with the Fiscal Year 2023-2024 Work Plan and established timeline.

Executive Summary

CCHD is located in the north coast area of the County, which includes the communities of Cambria, San Simeon, and several rural areas on the North Coast up to the Monterey County line as depicted in Attachment A, Exhibit C. CCHD's primary function or service provided within its jurisdictional boundaries is Advanced Life Support¹ ambulance services and health and wellness education to the public.

CKH requires LAFCOs to review and update each agency's SOI every five years, pursuant to Government Code § 56425. Prior to, or in conjunction with an agency's SOI study, LAFCO is required to conduct an MSR for each agency pursuant to Government Code § 56430. When updating an MSR, state law requires that the Commission adopt written MSR determinations for each of the following seven criteria:

1. *Growth and Population projections for the affected area.*
2. *Location and characteristics of any disadvantaged unincorporated communities.*
3. *Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.*
4. *Financial ability of agencies to provide services.*
5. *Status of, and opportunity 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.*

The seven criteria, MSR determinations, described above were prepared and included in this staff report as Attachment A, Exhibit B, and in the MSR & SOI Study, Attachment B. A summary of the seven MSR determinations is provided below:

While there are no specific population growth forecasts for the CCHD boundaries due to data limitations, projections for the North Coast Planning Area boundary provide an approximation; this encompasses most of the CCHD service area. CCHD's population within the North Coast Area Plan in 2020 was approximated at 6,520, with over 1 million annual visitors, and by 2050 anticipates an estimated population of 7,095.

Two Disadvantaged Unincorporated Communities (DUCs) were identified within CCHD's SOI and service area boundary that met the characteristics of a DUC pursuant to the CKH Act. The first DUC is San Simeon DUC Area #1 and the second is Cambria DUC Area #1 as seen in Figures 2 and 3 within Attachment B.

¹ This means that there is at least a minimum of one Paramedic with an Emergency Medical Technician EMT.

In 2023, the District responded to 1,069 911 calls for service, for an average of 89 calls per month. This coverage allows for an average 10-minute emergency response time by CCHD to any location within the District's service area. CCHD Board reviews monthly Operations Reports with a goal of providing response to 100% of calls. CCHD currently reports an average response of 93% to 100%. Additional apparatus, equipment, and staffing are available through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (EMSA).

LAFCO used the five most recent audited financial statements to conduct its evaluation of the District's Financial Health. Of the three financial indicators used to determine the District's health, CCHD scored well on two of the three. CCHD's operating ratio and liquidity ratio exceeded the minimum of 1.0 for the latest FY 2022-2023. Regarding the District's net position, the CCHD operated with a net deficit over the last five-year audited period; primarily related to pension liability and OPEB liability. However, as noted within the MSR, the District pays their required annual contributions to Pension and OPEB liabilities to the State.

At present, the distinction between the CCHD and neighboring agency services in the area is clear. Additional apparatus, equipment, and staffing are available to CCHD through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (which, in part, includes County Fire/Cal Fire, San Luis Ambulance, Cambria Community Services District Fire Department, and others).

CCHD maintains an up-to-date website that contains District information, documents, and updates. CCHD has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this MSR. Overall, CCHD is accountable, transparent, and functions well as a district.

As part of the SOI study, the Commission is required to consider the following five criteria and make appropriate determinations in relationship to each:

- 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. . . the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

The five criteria, SOI determinations, described above were prepared and included in this staff report as Attachment A, Exhibit B, and in the MSR & SOI Study (Attachment B). The CCHD SOI is coterminous with the District's service area boundary and the SOI is expected to remain

unchanged, with no expansions or reductions. Land uses within CCHD's existing boundary consist of rural, unincorporated territory, and is generally located within the unincorporated North Coast Area Plan including Cambria, San Simeon, and surrounding rural areas. CCHD has capability and capacity to adequately meet existing and future service demand within the existing SOI area which remains coterminous to the District's service area boundary.

Agency Coordination / Public Comments

Staff coordinated with CCHD throughout the preparation of this MSR. Input from CCHD was provided via meetings, questionnaires, email correspondence, and during review of the administrative review draft. A public review and comment period was conducted for the public review draft of the CCHD MSR from April 25, 2024, through May 16, 2024. The draft MSR was published on the SLO LAFCO website. The public review period ran simultaneously to the 21-day noticing requirement for a public hearing. A notice of Public Hearing was published in the newspaper (The Tribune) on April 25, 2024, 21 days in advance of the hearing. Email notices were sent to the district, applicable agencies, and other interested parties as required under Government Code § 56660 & 56661. The district provided LAFCO with a minor change to the MSR after the public draft was released. In addition, no written comments had been received as of the staff report publishing date of May 9, 2024. All public comments received will become part of the official record of the Commission hearing.

ENVIRONMENTAL REVIEW

LAFCO is the Lead Agency for the proposed MSR and SOI Study. The purpose of the environmental review process is to provide information about the environmental effects of the actions and decisions made by LAFCO and to comply with the California Environmental Quality Act (CEQA).

MSRs are categorically exempt under Class 6, § 15306, which states: "*Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.*" MSRs collect data for the purpose of evaluating municipal services provided by the agencies. There are no land use changes or environmental impacts created by such studies.

Furthermore, this MSR & SOI qualifies for a general rule exemption under § 15061(b)(3), which states: "*The activity is covered by the commonsense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.*" Additionally, the SOI update qualifies for the same general exemption from environmental review based upon CEQA Regulation §15061(b)(3).

There is no possibility that this MSR and SOI update may have a significant effect on the environment because there are no land use changes associated with the documents. If the

Commission approves and adopts the MSR and SOI study, staff will file the Notice of Exemption Attachment A, Exhibit A, as required by CEQA, Regulation §15062.

Attachment A: Draft LAFCO Resolution No. 2024-_____ Approving the Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study

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

Exhibit B: Written Determinations

Exhibit C: CCHD Boundary Map

Attachment B: CCHD Municipal Service Review and Sphere of Influence Study

Attachment A

Draft LAFCO Resolution No. 2024-_____ Approving the
Cambria Community Healthcare District Municipal Service
Review and Sphere of Influence Study

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

Thursday, May 16, 2024

RESOLUTION NO. 2024-XX

**RESOLUTION APPROVING THE CAMBRIA COMMUNITY HEALTHCARE DISTRICT MUNICIPAL
SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY**

The following Resolution is now offered and read:

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 availability and performance of governmental services provided by Cambria Community Healthcare District, hereinafter referred to as the “District”, pursuant to California Government Code § 56430, hereby incorporated by reference as contained in LAFCO File No. 5-S-23 Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 16, 2024, LAFCO Staff Report; and

WHEREAS, the Commission conducted a sphere of influence study for the District pursuant to California Government Code § 56425, hereby incorporated by reference as contained in LAFCO File No. 5-S-23 Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study included as Attachment B of the May 16, 2024, LAFCO Staff Report; and

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

WHEREAS, no change in regulation, land use, or development will occur as a result of

the adoption of a sphere of influence for the district; and

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

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

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence study on May 16, 2024; and

WHEREAS, the Commission considered all of the municipal service review and sphere of influence factors required under California Government Code § 56430 (a) and 56425 (e) and adopts as its written statements of determinations therein, the determinations set in the Public Review Draft of the municipal service review and sphere study titled “Municipal Service Review and Sphere of Influence Study for Cambria Community Healthcare District”, with said determinations being included in Exhibit B of this resolution; and

WHEREAS, the Notice of Exemption, prepared pursuant to § 15062 is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) under the General Rule Exemption § 15061(b)(3) and Categorical Exemption § 15306, 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 “Municipal Service Review and Sphere of Influence Study for Cambria Community Healthcare District”, includes the related statements of determination, and is determined to be exempt from CEQA pursuant to § 15061(b)(3) and § 15306 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 § 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 § 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 §56425(i), the Commission establishes that the District exercises a number of general powers when operating the healthcare district as allowed in Health and Safety Code § 32121 - § 32140; the primary function or service provided within its jurisdictional boundaries is Advanced Life Support ambulance services and health and wellness education.
9. Advanced Life Support ambulance services and health and wellness education are considered general terms used to identify the primary authorized powers being exercised by the district and that the powers are further described in Health and Safety Code § 32121.

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.

Marshall Ochylski
LAFCO Chairperson

Date

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. 5-S-23 | Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study

Project Location: Cambria Community Healthcare District (CCHD) is located in the northwestern portion San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Sphere of Influence (SOI) Study and Municipal Service Review (MSR) for the Cambria Community Healthcare District pursuant to Government Code § 56425 and § 56430. 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 to remain coterminous to the service area boundary as depicted in Attachment A, Exhibit C of the LAFCO May 16, 2024, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>. The Commission also established that the District exercises a number of general powers when operating the healthcare district as allowed in Health and Safety Code § 32121 - § 32140; the primary function or service provided is Advanced Life Support ambulance services and health and wellness education.

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on May 16, 2024, 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: State type and section number
<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 type="checkbox"/> Other: The activity is not a project subject to CEQA.

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

 Rob Fitzroy, Executive Officer

 Date

Service Review Determinations per Government Code Section 56430 for the Cambria Community Healthcare District

1. Growth and population projections for the affected area

- a. While there are no specific population growth forecasts for the CCHD boundaries due to data limitations, projections for the North Coast Planning Area boundary provide an approximation; this encompasses most of the CCHD service area. The estimated population served by the CCHD and within the North Coast Area Plan was 6,520 in 2020 and over 1 million annual visitors according to CCHD. With an estimated build-out population of 7,095 by 2050, the North Coast Area Plan region is currently approximately 92% built out.

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

- a. LAFCO staff have identified two DUCs within CCHD's SOI and service area boundary. The locations identified as DUCs display characteristics of a DUC pursuant to the CKH Act.
- b. The threshold for a DUC (80% of CA's MHI) is an MHI less than \$67,277. Once a Census Block Group (CBG) or a Census Designated Place (CDP), meets the DUC MHI threshold, LAFCO then verifies that those areas are inhabited as specified in government code section 56033.5. Two CBGs within the CCHD boundary met the threshold for a DUC. The first is San Simeon DUC Area #1 with an estimated MHI of \$50,486; the area was also determined to be inhabited with approximately 200 registered voters. The second is Cambria DUC Area #1 with an estimated MHI of \$51,875; the area was also determined to be inhabited with approximately 529 registered voters. Therefore LAFCO, identified these two DUCs at the Census Block Group level, within the CCHD boundaries as seen in Figures 2 and 3 within the "Population Profile" Section of the Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study, LAFCO File No. 5-S-23.

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

- a. CCHD is authorized to provide a range of services as described in the California Health & Safety Code Section 32121 - 32137. However, the District only provides Advanced Life Support ambulance (ALS) service and community health education services. In 2023, the District responded to 1,069 911 calls for service, for an average of 89 calls per month. The District is capable of providing emergency response on most incidents encountered within the CCHD. Additional apparatus, equipment, and staffing are available through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (EMSA) which in part includes Cal Fire/County Fire, and the Cambria Community Services District Fire Department. This coverage allows for an average 10-minute emergency response time by CCHD to any location within the District's service area. CCHD Board reviews monthly Operations Reports with a goal of providing response to 100% of calls. CCHD currently reports an average response of 93% to 100%. CCHD indicated that existing staffing levels are adequate to provide service to its service area. According to the CCHD Facility Condition Assessment, it was determined that the main facility is in very poor condition, primarily related to its age. The District identified the need to replace the current facility that houses their crews, administration staff, and fleet of ambulances. A plan to rebuild the facility has been developed and the District is seeking state and federal grant funding and bond financing to replace the aging facility. In March 2024 the CCHD was awarded one-million-dollars in grant funding for the new facility. Anticipated completion is reliant upon a bond measure passing, which is scheduled to be placed on the November 2024 ballot. LAFCO determines that CCHD has capability and capacity to provide services where service is provided in the best manner possible within available funding.

4. Financial ability of agencies to provide services

-
- a. District revenues and expenditures are considered to assess the overall health of the District. The District's overall revenues and expenditures have fluctuated over the last five-year audited period. CCHD's expenses exceeded their revenues between FY 2018-2019 through FY 2020-2021 and in FY 2021-2022 and FY 2022-2023 revenues exceeded expenditures; ending with a revenue of \$2.359 million and expenditures of \$2.173 in FY 2022-2023. As a result, the District's operating ratio¹² was 1.09 in FY 2022-2023.
 - b. LAFCO also considers District assets and liabilities to help determine the District's health. CCHD's assets have increased by 45% over the last 5-year audited period ending with \$1.133 million in FY 2022-2023. CCHD's liabilities have increased by 14% over the last 5-year audited period ending with \$5.738 million in FY 2022-2023. As a result, the CCHD's liquidity ratio¹³ was 4.1 in FY 2022-2023.
 - c. Increases or decreases in an agency's net position is another indicator of whether its financial health is improving or deteriorating. In the case of CCHD, assets and deferred outflows were exceeded by liabilities and deferred inflows over the last five-year audited period. As a result, the District has been operating with a net deficit. CCHD's net deficit has increased by 10% over the last 5-year audited period ending with a deficit of \$4.475 million in FY 2022-2023. According to the FY 2022-2023 audit, it was determined that the most significant expenses of the District are payroll and benefit-related expenses. The primary increase in expenses and the resulting increase in the net deficit is the recognition of net pension liability, at \$2.094 million, and recognition of OPEB liability, at \$3.218 million during FY 2022-2023. However, the District pays their annual contributions to Pension and OPEB liabilities to the State. District Staff have indicated that they will continue to contribute the required contributions and look toward possibilities of instituting a Trust Fund in the future to help lower the District's Liabilities.
 - d. LAFCO determines that out of the three financial indicators used to determine the District's health, CCHD scored well on two of the three. CCHD's operating ratio and liquidity ratio exceeded the minimum of 1.0 for the latest FY 2022-2023.

Regarding the District's net position, the CCHD operated with a net deficit over the last five-year audited period; primarily related to pension liability and OPEB liability. However, as noted, the District pays their annual contributions to Pension and OPEB liabilities to the State. The District is encouraged to continue its efforts towards pursuing a plan to offset the District's liabilities such as a Trust Fund.

5. Status of and, opportunities for, shared facilities

- a. At present, the distinction between the CCHD and neighboring agency services in the area is clear.
- b. Additional apparatus, equipment, and staffing are available to CCHD through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (EMSA) (which includes County Fire/Cal Fire, San Luis Ambulance, Cambria Community Services District Fire Department, and others).
- c. Opportunities for shared facilities may include:
 - i. Continued coordination between CCHD and San Luis Obispo County EMSA
 - ii. Continued coordination between CCHD and Cambria Community Service District Fire Department
 - iii. Continued coordination between CCHD and Monterey County
 - iv. Continued coordination between CCHD and San Luis Ambulance

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

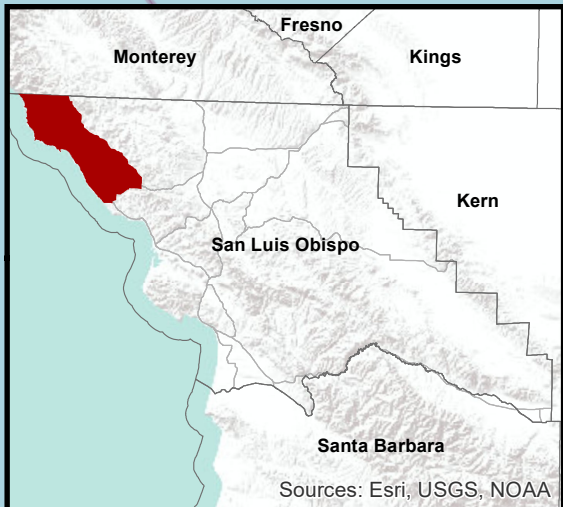
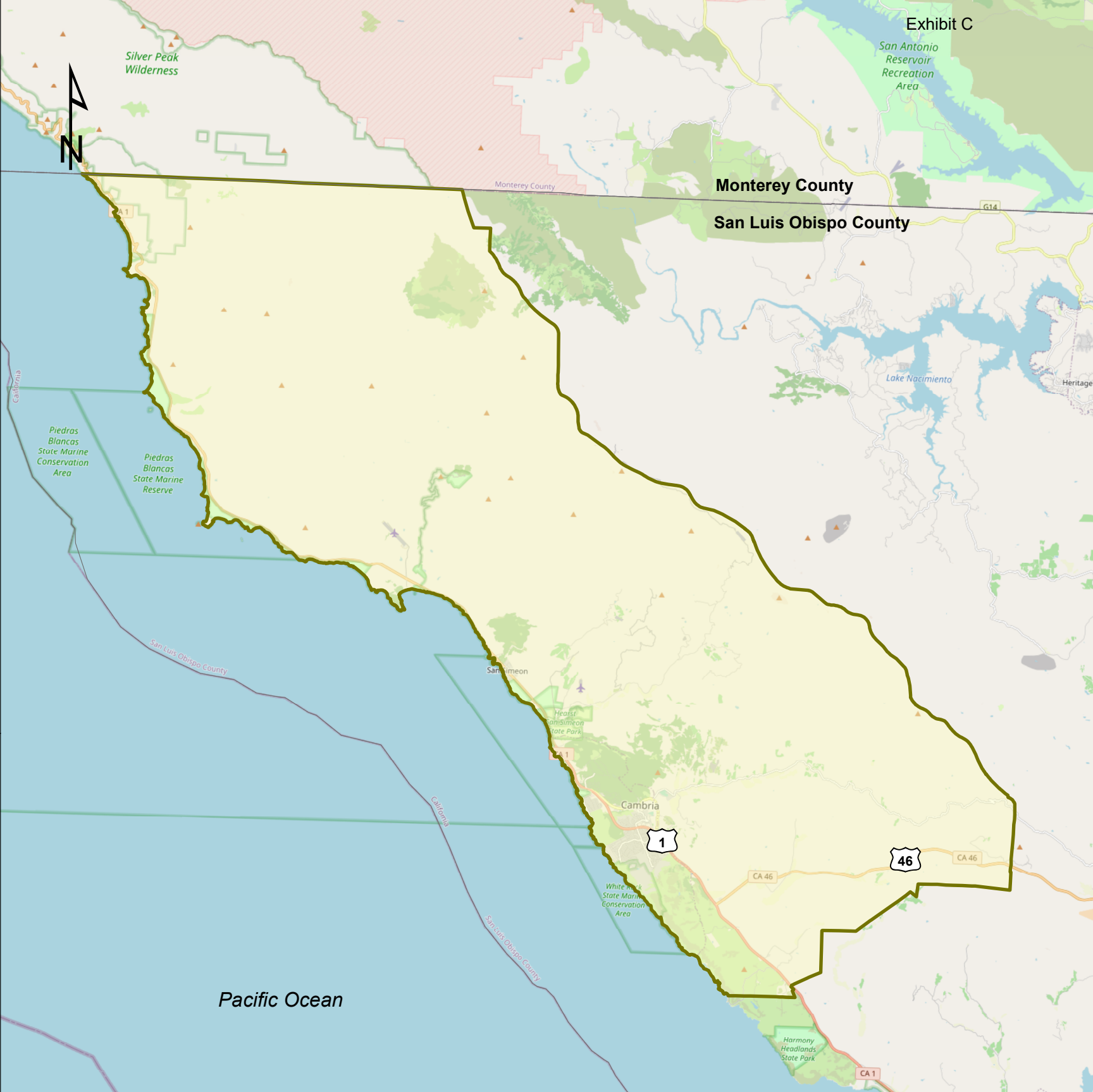
- a. CCHD is governed by a five-member Board of Directors who are elected to four-year terms. Regularly scheduled monthly Board meetings are held on the fourth Tuesday of the month and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act.
- b. CCHD maintains an up-to-date website that contains District information, documents, and updates.

-
- c. CCHD has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this MSR. The District responded to the questionnaires and cooperated with document requests.
 - d. LAFCO determines that CCHD is accountable and transparent.
- 7. Any other matter related to effective or efficient service delivery**
- a. No changes are recommended at this time.

Sphere of Influence Determinations per Government Code Section 56425 for the Cambria Community Healthcare District

- 1. Present and planned land uses in the area, including agricultural and open-space lands.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. Land uses within CCHD's existing boundary consist of rural, unincorporated territory, and is generally located within the unincorporated North Coast Area Plan including Cambria, San Simeon, and surrounding rural areas. Some areas on the eastern side of the CCHD boundary are within the North County Planning Area.
 - d. Land uses within the unincorporated territory are governed by the County of San Luis Obispo General Plan land use designations and zoning.
- 2. Present and probable need for public facilities and services in the area.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. There is an existing need for service within the existing SOI boundary which is coterminous to the service area boundary.
- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.

-
- c. CCHD has capability and capacity to adequately meet existing and future service demand within the existing SOI area which remains coterminous to the District's 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.**
- a. The CCHD SOI is coterminous with the District's service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. There are no District relevant social or economic communities of interest in the existing SOI area.
- 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, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.**
- a. The CCHD SOI is coterminous with the District's service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. LAFCO staff has identified two DUCs, within part of CCHD's service area and SOI, as seen in Figures 2 and 3 within the "Population Profile" Section of the Cambria Community Healthcare District Municipal Service Review and Sphere of Influence Study, LAFCO File No. 5-S-23.
 - d. . The locations identified as a DUC displays characteristics of a DUC pursuant to the CKH Act of 2000.
 - e. CCHD does not provide public facilities or services related to water, wastewater, or fire protection, therefore this SOI factor does not apply.

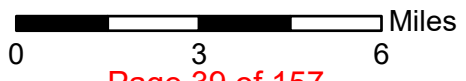


Sources: Esri, USGS, NOAA

Cambria Healthcare District

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

Latest SOI Approval: Aug 2014



Prepared By SLOLAFCO
 Name: Cambria Healthcare District
 Date: 5/23/2022
 B-1-18

Attachment B

CCHD Municipal Service Review and Sphere of Influence Study



Public Review Draft

Cambria Community Healthcare District

**Municipal Service Review
and Sphere of Influence Study**

Prepared by
the San Luis Obispo Local Agency Formation Commission

Adopted _____, 2024

Acknowledgments

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

Linda Hendy, Cambria Community Healthcare District, Administrator

Michael Bryant, Cambria Community Healthcare District, Paramedic Supervisor

Cecilia Montalvo, Cambria Community Healthcare District, Board President

Iggy Fedoroff, Cambria Community Healthcare District, Board Member

DRAFT

TABLE OF CONTENTS

About LAFCO _____	5
Authority and Objectives _____	5
Regulatory Responsibilities _____	5
Planning Responsibilities _____	6
LAFCO Decision-Making _____	7
SLO LAFCO _____	8
District MSR & Sphere Study _____	10
Overview _____	10
At A Glance _____	12
Boundary Map _____	13
Sphere of Influence _____	14
Accountability _____	14
Population Profile _____	15
Present and Planned Land Use _____	19
Services & Capacity _____	20
Finance _____	24
Other Matters Related to Efficient Service Delivery _____	32
Determinations _____	34
Service Review Determinations per Government Code Section 56430 _____	34
Sphere of Influence Determinations per Government Code Section 56425 _____	38
Appendix _____	40
Sources _____	40

List of Figures

Figure 1: CCHD Boundary Map 13

Figure 2: San Simeon Disadvantaged Unincorporated Community Area #1 Boundary Map 18

Figure 3: Cambria Disadvantaged Unincorporated Community Area #1 Boundary Map 19

Figure 4: Actual Revenues vs. Actual Expenditures (FY 2018-19 to FY 2022-23) 27

Figure 5: Operating Ratio (FY 2018-19 to FY 2022-23) 27

Figure 6 Liquidity Ratio (FY 2018-19 to FY 2022-23) 31

List of Tables

Table 1: District Profile 12

Table 2: CCHD Board of Directors 14

Table 3: Population Projections 16

Table 4: Summary of Service Calls 22

Table 5: Audited Assets and Deferred Outflow 29

Table 6: Audited Liabilities and Deferred Inflow 30

Table 7: Audited Net Position 32

ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

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

Planning Responsibilities

LAFCOs inform their regulatory actions, in part, through two central planning responsibilities: (a) making sphere of influence determinations and (b) preparing municipal service reviews. With these 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 (SOI)

A SOI is defined by G.C. 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI is generally considered a 20-year, long-range planning tool. LAFCOs establish, amend, and update spheres for all applicable jurisdictions in California every five years, or as necessary. When updating the SOI, LAFCOs are required to consider and prepare a written statement of its determinations with respect to each of the following 5 factors:

- 1) The present and planned land uses in the area, including agricultural and open-space lands.
- 2) The present and probable need for public facilities and services in the area.
- 3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- 4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
- 5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

SOI determinations have been a core planning function of LAFCOs since 1971. The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities.

Municipal Service Reviews (MSR)

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 a MSR, LAFCOs are required to consider and prepare written statements of its determinations with respect to each of the following 7 factors:

- 1) Growth and population projections for the affected area.
- 2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- 3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- 4) Financial ability of agencies to provide services.
- 5) Status of, and opportunities for, shared facilities.
- 6) Accountability for community service needs, including governmental structure and operational efficiencies.
- 7) Any other matter related to effective or efficient service delivery, as required by commission policy.

LAFCO Decision-Making

LAFCO decisions are legislative in nature and therefore are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning

regulatory and planning approvals so long as not establishing any terms that directly affects land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprising of county supervisors, city council members, independent special district members, representatives of the general public, and an alternate member for each category. SLO LAFCO is governed by a 7-member board comprising of two county supervisors, two city council members, two independent special district members, one representative of the general public, and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs are independent of local government with their own staff. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCOs must also appoint their own legal counsel.

SLO LAFCO

Regular Commissioners

Chair Marshall Ochylski	Special District Member
Vice Chair Steve Gregory	City Member
Jimmy Paulding	County Member
Debbie Arnold	County Member
Robert Enns	Special District Member
Ed Waage	City Member
Heather Jensen	Public Member

Alternate Commissioners

Carla Wixom	City Member
Dawn Ortiz-Legg	County Member
Ed Eby	Special District Member
David Watson	Public Member

Staff

Rob Fitzroy	Executive Officer
Imelda Marquez-Vawter	Analyst
Morgan Bing	Clerk Analyst
Brian Pierik	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.

DISTRICT MSR & SPHERE STUDY

Overview

Hospital districts in California began forming in the mid-1940's in order to fund the construction and operation of hospital facilities in rural and urbanizing areas during a period of rapid population growth and comparatively undeveloped capital markets that now provide private financing for healthcare facilities of all types. The use of the property tax for this purpose required an organization with a boundary and service area – a special district.

This report represents San Luis Obispo LAFCO's scheduled municipal service review for the Cambria Community Healthcare District (CCHCD or District) which provides Advanced Life Support ambulance service and community health education, located in the northwestern coastal region of San Luis Obispo County and serves the communities of Cambria, San Simeon, and the surrounding North Coast of San Luis Obispo County. CCHD also provides ambulance services outside of its boundaries as allowed under the CA Health and Safety Code Section 32121 (I). The areas receiving service outside of CCHD's service area boundary, pursuant to Health and Safety Code Section 32121 (I), are the Coastal Zone in Monterey County which is the southern portions of the County bordering SLO County and at times numerous areas within SLO County through the San Luis Ambulance move up and cover system as it is discussed further later in the report.

The report has been prepared by staff consistent with the requirements of the CKH Act. 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 CCHD subject to the Commission's oversight. The 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 2014. The financial analysis has been set to cover the last five-year audited fiscal year period. The timeframe for the report has been generally oriented to cover the next five to seven-year period with the former (ten years) serving as the analysis anchor as contemplated under State law.

The document outline serves to inform all the state-mandated requirements outlined in government code sections 56430 and 56425. Written determinations have been included as the concluding chapter of this document.

DRAFT

At A Glance

Table 1: District Profile¹

Agency Name	Cambria Community Healthcare District
Formation	1947
Legal Authority	California Health and Safety Code §32000-32003
Office Location	2535 Main Street Cambria, CA 93428
Website	www.cambria-healthcare.org
Administrator ²	Linda Hendy
Employees	15 Full-time Employees, 15 Reserve/Contracted employees
Public Meetings	The Cambria Community Healthcare District (CCHD) Board of Directors holds its regular meetings on the fourth Tuesday of the month at 9:00 a.m. Special meetings may be scheduled on an as-needed basis.
Board of Directors	Five members elected to four-year terms
Powers	The District operates an Advanced Life Support ambulance service and provides community health education.
District Service Area	Approx. 310 square miles not including the 500 square miles within Monterey County
Population Estimate	6,520 ³ residents and over 1 million annual visitors
Revenues	\$2,359,807 ⁴

¹ As of submission of MSR-SOI Request for Information Questionnaire, December 2023

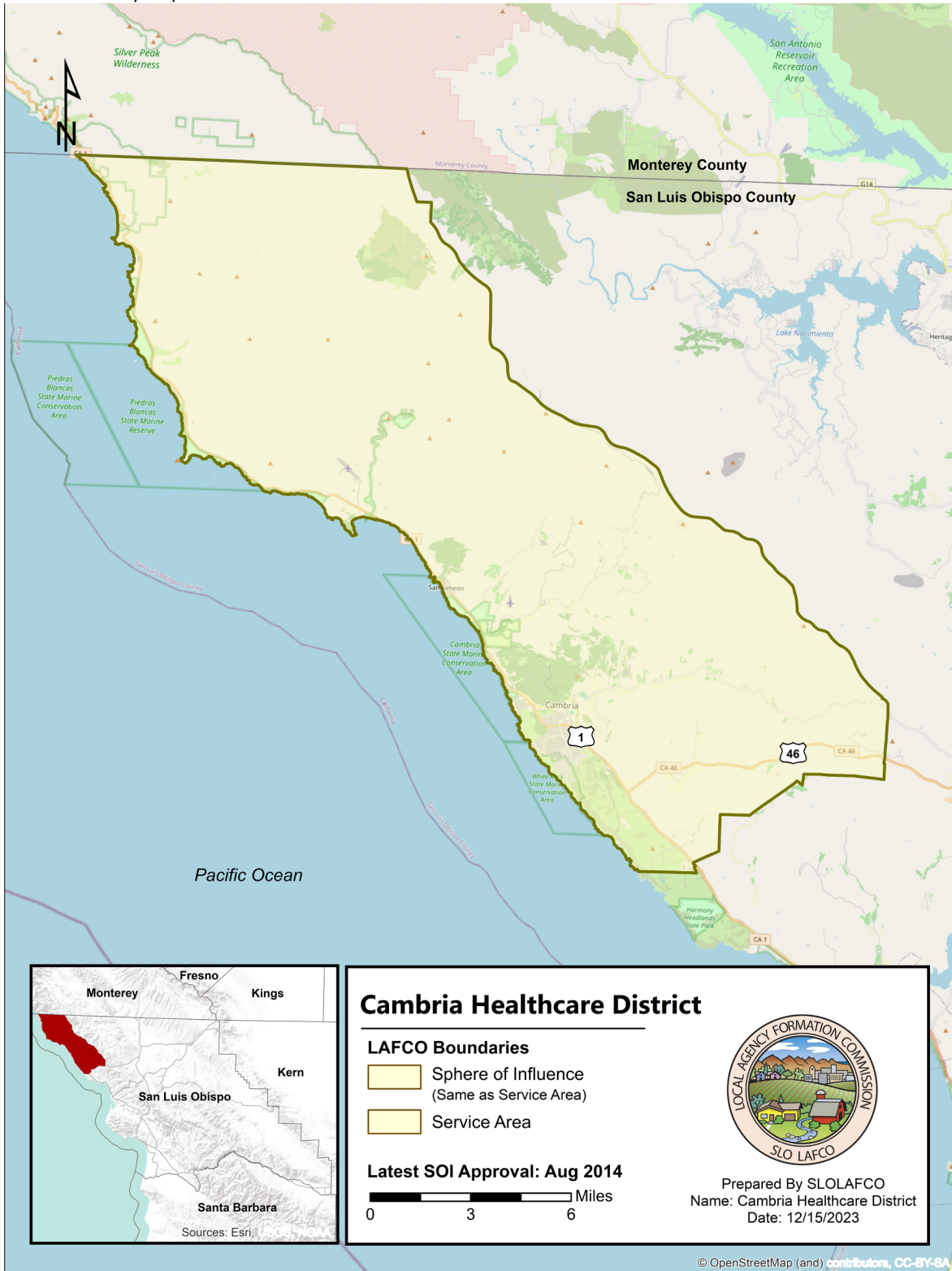
² Health and Safety Code Sections 32121 – 32140 outlines a Healthcare District’s Powers, wherein the district is allowed to enter into a written employment agreement with a hospital administrator or employ any officers and employees the board of directors deems necessary to carry on properly the business of the district.

³ Cambria CDP 2020 US Census Data, San Simeon CDP 2020 US Census Data and San Luis Obispo Council of Governments 2050 Regional Growth Forecast (Figure 118)

⁴ Cambria Community Healthcare District Audited Financial Statements June 30, 2023

Boundary Map

Figure 1: CCHD Boundary Map



Sphere of Influence

Existing & Proposed SOI

In 1984 LAFCO adopted a Sphere of Influence for the CCHD that was coterminous with the District service boundary. In 2007 and 2014 LAFCO reaffirmed the coterminous SOI for the District. CCHD’s existing SOI remains coterminous to the District’s service area boundary. The CCHD does not wish to make any SOI adjustments at this time; therefore, no areas specifically requested by the District are being studied for possible inclusion into the District.

Accountability

CCHD is an independent special district governed by a five-member Board of Directors who are elected to four-year terms. In 2022, the CCHD moved from at-large to by-district elections to eliminate the risk of any potential litigation against the District. Directors do not receive per diem or compensation for attending board meetings or board committee meetings. The Board holds regular meetings on the fourth Tuesday of the month at 9:00 AM at Old Cambria Grammar School, 1350 Main Street Cambria, CA 93428. Currently, the board room is open to the public who wish to attend meetings in person; however, meetings are also available by teleconference. Agendas and board packets are officially posted on the CCHD website and bulletin boards at the meeting location and are made available a minimum of 72 hours prior to the meeting in accordance with the Brown Act. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the Board.

Table 2: CCHD Board of Directors

Board Member	Title	Term Expiration
Cecilia Montalvo	President	December 2024
Laurie Mileur	Vice President	December 2026
Dawn Kulesa	Board Member	December 2026
Bruce Mumper	Board Member	December 2024
Igor Fedoroff	Board Member	December 2024

CCHD has several sub-committees that help shape the District’s needs and guide District operations. There are a total of 8 sub-committees (Executive Committee (Ad Hoc); Finance Committee; Property and Facility Committee (Standing); Development Committee (Standing); Healthcare Advocacy and Outreach Committee (Standing); Strategic Planning Committee (Ad Hoc); Facility Project Committee (Ad Hoc); and Trust Committee (Ad Hoc)). The CCHD website posts each committee’s purpose and the members involved.

CCHD currently employs 15 full-time and 15 reserve or contracted employees including the Administrator/Finance, Director of Operations and Supervisor of Paramedics. Current staffing levels are considered adequate to provide services within the District’s service area. CCHD recently implemented new supervisor positions to provide 24/7 coverage and additional cross-training.

CCHD maintains an up-to-date website in compliance with Senate Bill 929 which contains contact information for the District, the current agenda, financial transaction reports, compensation reports, and an SB 272 Enterprise System catalog. Audio/visual recordings are also made available for public access on the website. CCHD reports that all Form 700 financial disclosures are current. The District maintains active memberships with several supportive associations including the California Special Districts Association and Special District Risk Management Authority.

Population Profile

CCHD is located in the north coast area of the County which includes the following communities and areas: 1)Cambria, 2)Harmony, 3)San Simeon, and 4)Rural areas on the North Coast up to the Monterey County line. CCHD predominantly follows the North Coast Planning Area boundary although the District’s boundaries do not overlap exactly and some areas on the eastern side extend beyond the planning area discussed. While there are no specific population growth forecasts for CCHD boundaries due to data limitations, Table 3 shows projections for the North Coast Planning Area boundary. During the summer months, the population increases dramatically with the influx of tourists to the area.

Tourist population numbers are not shown in the table below but are estimated at over 1 million⁵ annual visitors.

Table 3: Population Projections⁶

Population Forecast	2010	2020	2050	Growth Rate
Forecasted population served by CCHD and within the North Coast Area Plan Boundary				
Cambria	6,025	5,678	6,217	3.2%
San Simeon	450	445	463	2.9%
Rural Areas	385	397	415	7.8%
Total	6,860	6,520	7,095	3.4%

Disadvantaged Unincorporated Communities

In 2011, SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to Disadvantaged Unincorporated Communities (DUCs), including the addition of SOI determination number five, which states:

“(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.”

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 percent of the statewide annual median household income. LAFCOs are required to make written determinations regarding DUCs within a city or special district’s SOI in Municipal Services Reviews. In addition, Government Code Section 56375 (a)(8)(A) prohibits LAFCO from approving a city annexation of more

⁵ As of submission of MSR-SOI Request for Information Questionnaire, December 2023

⁶ Cambria CDP 2020 US Census Data, San Simeon CDP 2020 US Census Data and San Luis Obispo Council of Governments 2050 Regional Growth Forecast (Figure 118)

than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal unless an application to annex the DUC has been filed with LAFCO. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services.

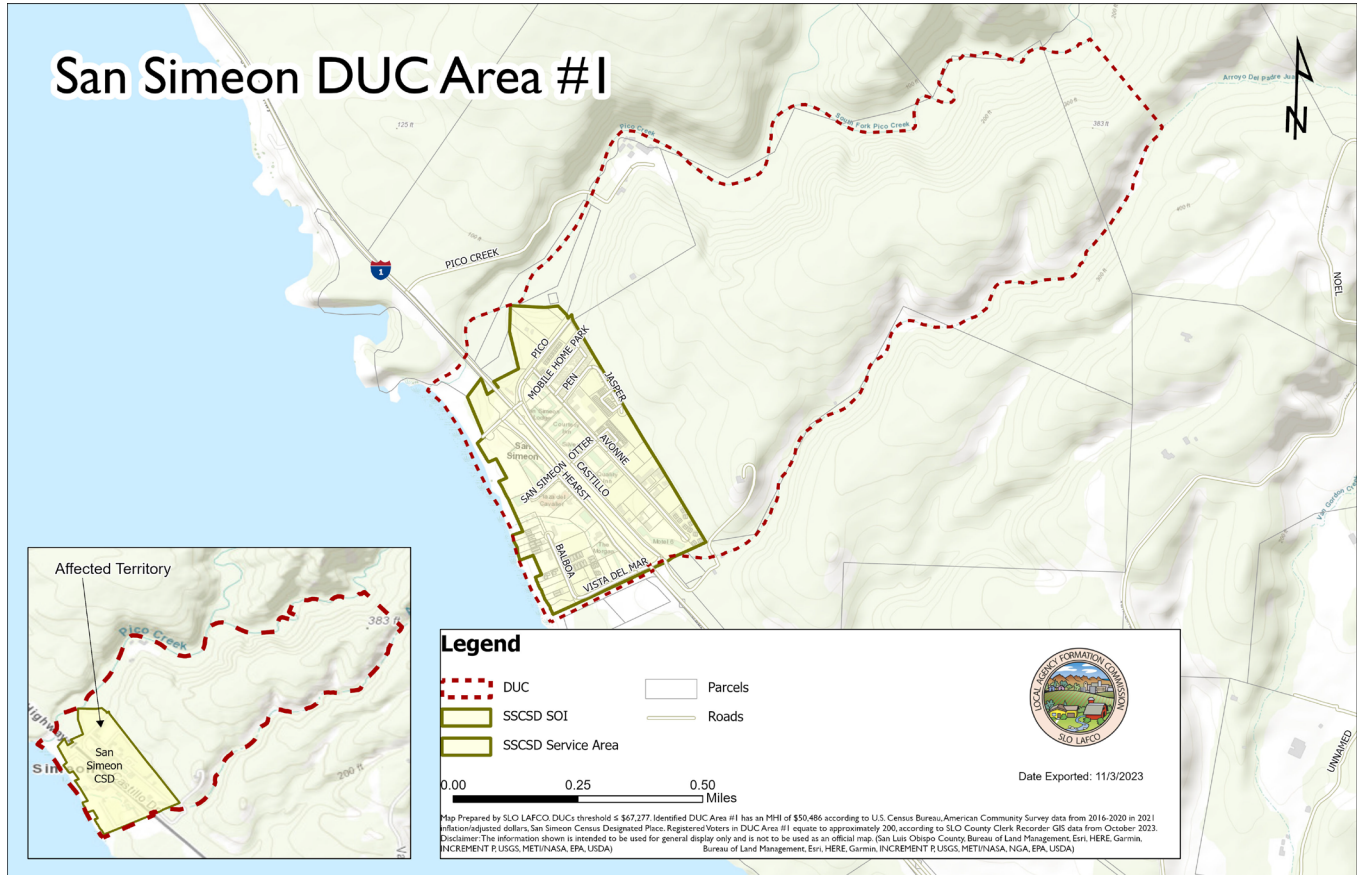
As previously mentioned, one of the qualifications for a DUC is a community with an annual MHI that is less than 80 percent of the statewide annual MHI. California's MHI is \$84,097; therefore, the threshold for a DUC (80% of the state's MHI) is an MHI less than \$67,277. To identify the MHI for locations within the unincorporated areas of SLO County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups and Census Designated Places data. Once a Census Block Group (CBG)⁷ or a Census Designated Place (CDP)⁸ meets the DUC MHI threshold, LAFCO must then verify that those areas are inhabited as specified in government code section 56033.5. For the purpose of identifying whether a location is inhabited, LAFCO staff used Registered Voter data from the SLO County Clerk-Recorder to verify that any CBG and CDP area that was flagged is also inhabited (containing 12 or more registered voters).

Two communities within CCHD's boundaries meet this definition: the unincorporated communities of San Simeon and a portion of the community of Cambria. LAFCO identified the DUCs at the Census Block Group level, as seen in Figure 2 on the following page. The first is San Simeon DUC Area #1 with an estimated MHI of \$50,486 and approximately 200 registered voters. The second is Cambria DUC Area #1 with an estimated MHI of \$51,875 and approximately 529 registered voters. It should be noted that the identified DUCs include some open space, recreation, public facilities, and agriculture-zoned areas with no registered voters, and determinations made are for the inhabited areas only, per State law.

⁷ Block groups are a group of blocks within a census tract with populations of 600 to 3,000 people.

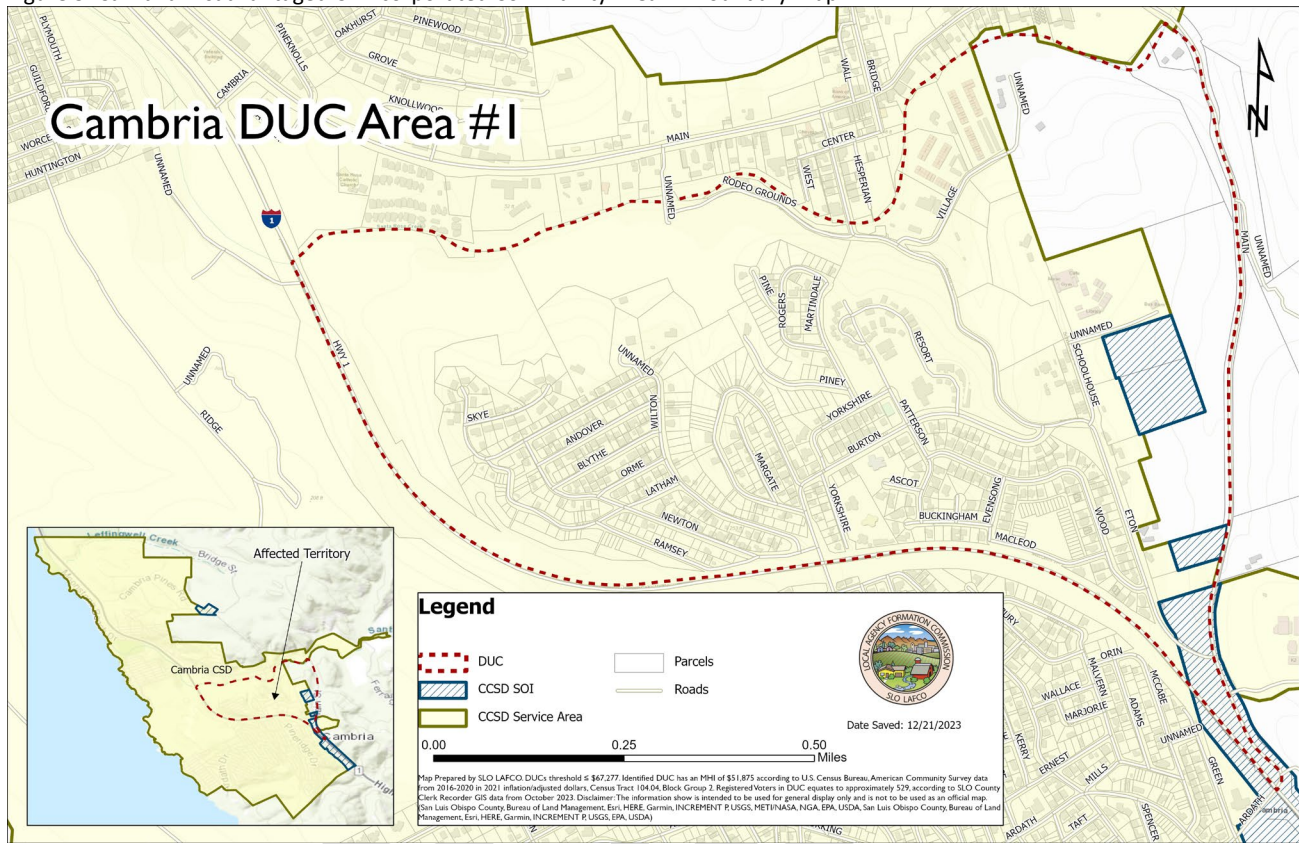
⁸ CDPs are a statistical geography representing closely settled, unincorporated communities that are locally recognized and identified by name.

Figure 2: San Simeon Disadvantaged Unincorporated Community Area #1 Boundary Map



DR

Figure 3: Cambria Disadvantaged Unincorporated Community Area #1 Boundary Map



Social or Economic Communities of Interest in the Area

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

Present and Planned Land Use

The CCHD’s service area consists primarily of rural, unincorporated territory, and is generally located within the unincorporated North Coast Area Plan including Cambria, San Simeon, and surrounding rural areas. Although the CCHD and North Coast Area Plan boundaries do not exactly align, some areas on the eastern side of the CCHD boundary are within the North County Planning Area. Land uses within the unincorporated territory are governed by the County of San Luis Obispo General Plan land use designations and zoning.

Services & Capacity

Authorized Services

California Health & Safety Code Section 32121, identifies a range of services that a Healthcare District may provide. A complete listing of the powers afforded to Healthcare Districts is located in Health and Safety Code Sections 32121 – 32137. Some Healthcare Districts in California operate hospitals and community-based medical clinics; others focus on wellness and prevention programs. Authorized healthcare services granted to Healthcare Districts under current law include, but are not limited to:

- Operating healthcare facilities such as hospitals, clinics, skilled nursing facilities, adult day health centers, nurses' training schools, and child care facilities.
- Operating ambulance services within and outside of the district.
- Operating programs that provide chemical dependency services, health education, wellness and prevention, rehabilitation, and aftercare.
- Carrying out activities through corporations, joint ventures, or partnerships.
- Establishing or participating in managed care.
- Contracting with and making grants to provider groups and clinics in the community.
- Other activities that are necessary for the maintenance of good physical and mental health in communities served by the district.

Healthcare Districts have generally evolved to meet the changing healthcare market demands. Divestitures of local Healthcare District facilities and services have raised significant governance questions by public and private groups as to the necessity of retaining the public Healthcare District model supported by local property tax revenues in such a competitive, for-profit market environment. The MSR and Sphere of Influence Study provides discussions on present and long-term service demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services that are currently available, and 2) the ability of the CCHD to expand such resources and services in line with increasing demands. An adequate ability to provide service should be documented to support areas in the sphere envisioned for eventual annexation and service by a jurisdiction. If warranted, different governance options may be reviewed for the local Healthcare District, including potential jurisdictional changes such as consolidation, reorganization, and dissolution. As was

previously mentioned, CCHD does not wish to make any SOI adjustments at this time; therefore, no areas are being studied for possible inclusion into the District.

CCHD provides emergency 911 ambulance transportation for the community of Cambria, San Simeon, and the surrounding area of the North Coast of San Luis Obispo County. CCHD also provides ambulance services outside of its boundaries as allowed under the CA Health and Safety Code Section 32121 (l). CCHD provides services north of the San Luis Obispo County line in the southern portions of the Monterey County coastal zone; which includes a coastal area extending up to the community of Pacific Valley. Service is provided in Monterey County through an American Medical Response (AMR) contract with the County of Monterey and the CCHD is a subcontractor. As stated in the AMR contract, services are provided in and around the "South Valley Zone". The boundaries of the South Valley Zone are defined as HWY 1 north from the San Luis Obispo and Monterey County line to Plaskett Ridge Road intersection, or further north on HWY 1 in cases of road closure due to landslides or other causes if available. The contract was initiated on January 30, 2010, and is reviewed and updated when a fee increase is initiated by the District; the last increase was approved on May 1, 2023. CCHD also participates in a county-wide move-up and cover system for San Luis Ambulance, which means that when other ambulance response zones are busy, CCHD ambulance crews may be called to help cover their area. San Luis Obispo Emergency Medical Services Agency (EMSA) move-up and cover system calls were reported at a total of 729 calls in 2023 and 747 calls in 2022, please note that these numbers are not included in Table 4.

The CCHD operates an Advanced Life Support (ALS) ambulance service and provides community health education. The District does not currently, nor has it at any time in the past, operated a hospital facility. In 2023, the District responded to 1,069 911 calls for service, for an average of 89 calls per month. The District is capable of providing emergency response on most incidents encountered within the CCHD. Additional apparatus, equipment, and staffing are available through Automatic or Mutual Aid agreements with SLO County EMSA (which in part includes County Fire/Cal Fire, San Luis Ambulance, and Cambria Community Services District Fire Department). This coverage allows an average 10-minute emergency response time by CCHD to any location within the District service area and ensures that the

needs of area residents are addressed most efficiently. Cambria Community Services District Fire Department and CCHD work collaboratively as parties to the EMSA Mutual Aid Agreement and as agencies whose service areas overlap with one another. Cambria Community Services District Fire Department’s EMSA response requirements differ from the healthcare district’s requirements, therefore resulting in a lower response time of 5-minutes. CCHD Board reviews monthly Operations Reports with a goal of providing response to 100% of calls. CCHD currently reports an average response of 93% to 100%. Table 4 below summarizes CCHD’s 911 calls within the last two years.

Table 4: Summary of Service Calls⁹

Description	2022	2023
Total number of responses	1161	1069
Number of emergency responses	1114	1043
Number of non-emergency responses	47	26
Total number of transports	673	609
Number of emergency transports	88	81
Number of non-emergency transports	585	533
Total of responses outside jurisdictional boundaries ¹⁰	37	15

Staffing & Personnel

CCHD employs a highly trained team of Emergency Medical Technicians (EMT)/Paramedics and staff dedicated to providing the highest level of pre-hospital care. The District consists of 1 Administrator, 1 Office Manager, 6 Full-Time Paramedics, 6 Full-Time EMT’s, 8 Paramedics Reserve, and 7 EMT’s Reserve. CCHD recently implemented three new supervisor positions to provide 24-7 coverage and cross-training. The District indicated that existing staffing levels are adequate to provide service to its service area.

Service Delivery & Performance

⁹ Five Year Emergency Medical Service Plan, May 2023 and CCHD Staff, Feb 2024

¹⁰ Responses within Monterey County

The CCHD offers 24-hour emergency medical services, ambulance transport, and community health education. CCHD has a total of four ambulances. Two ambulance units are available 24/7, each staffed with one Paramedic and one EMT. The other two ambulance units are stationed as a backup unit, placed into service when a unit is out of service for repairs or used for additional EMS coverage. The District participates in a county-wide cover system, which means that when other ambulance response zones are busy, the District ambulance crew may be called to help cover the area within San Luis Obispo County. The District also maintains a contract to provide services in the south coastal zone of Monterey County.

Capital Facilities & Equipment

The CCHD facilities include two larger buildings and several small, relatively temporary outbuildings. The main building contains the CCHD administrative offices and crew quarters. The other larger building (the ambulance building) is no longer in use, has been red-tagged by the County, and is intended to be demolished. According to the CCHD Facility Condition Assessment that was done in January 2022, it was determined that the main facility is in very poor condition, primarily related to its age. Most building systems are either original or well beyond their normal useful life expectancy. The District identified the need to replace the current facility that houses their crews, administration staff, and fleet of ambulances. CCHD placed a Bond Measure G-22 on the November 2022 ballot which would have funded the replacement of the facility. The Measure did not receive the required 2/3 voter majority approval and as a result, the District is currently seeking other funding sources in order to move forward with temporary repairs or replacement of the current facility. A plan to rebuild the facility has been developed and the CCHD is seeking state and federal grant funding and bond financing to replace the aging facility. In March 2024 CCHD was awarded a one-million-dollar Community Project Funding Grant for a new ambulance station. Federal support was secured through the FY2024 appropriations process sponsored by Congressman Jimmy Panetta. Anticipated completion of the new facility is reliant upon a bond measure passing, which is scheduled to be placed on the November 2024 ballot. CCHD utilizes (1) 2019 Demers Ford Ambulance, (1) 2016 Chevrolet Ambulance, (1) 2005 Ford F350 Ambulance Type I, (1) 2023 Ford E350 Ambulance CCL 150 Type III, and associated medical

equipment and communications systems (radios). The District indicated that existing vehicles and medical /communications equipment are adequate.

Shared Services and Facilities

There are opportunities for continued shared relationships between agencies for services within the CCHD boundary. At present, the distinction between the CCHD and neighboring agencies in the area is clear. Opportunities for coordination may include:

- Continued coordination between CCHD and San Luis Obispo County EMSA
- Continued coordination between CCHD and Cambria Community Service District Fire Dept
- Continued coordination between CCHD and Monterey County
- Continued coordination between CCHD and San Luis Ambulance

Finance

LAFCO is required to make a determination regarding the financial ability of the CCHD to provide public services. This section provides a general overview of financial health and provides a context for the financial determinations. LAFCO uses three financial indicators to help evaluate the District's general health; those are an assessment of Revenues & Expenditures (Operating Ratio), Assets and Liabilities (Liquidity Ratio), and Net Position. The audited Financial Statement Reports from the District for the fiscal years (FY) 2018-2019 through FY 2022-2023 are the primary source of information for this section.

Budget and Financial Statements

CCHD is a public, tax and fee supported special district. An annual budget is prepared prior to the beginning of each fiscal year, which includes estimates for the District's principal income sources to be received during the fiscal year, as well as estimated expenses and cash reserves needed for operations. The District maintains a financial reserve that equates to 5% of its general fund. The District posts its current budget on its website. CCHD staff conduct monthly financial statements that provide their board with frequent reporting on their financial performance; these documents are also available on the District's website.

Audited Financial Statements

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

Revenues and Expenditures

One way to measure the District’s financial health is by comparing its revenues against its expenses. CCHD revenues are primarily comprised of general and special tax, insurance and patient billings, federal grants, community grants, and receipts from a Charitable Trust that help fund budgeted expenditures. In December 2022, the District approved a 2023 Ambulance Service Rate Schedule Fee Increase to cover the District’s reasonable cost for services. Annual increases to the Special Tax Assessment are based on each parcel. The County of San Luis Obispo determines the general tax rate increases using a CPI that averages 3% per year for the District’s Assessment charges. CCHD expenses are primarily comprised of payroll, operational costs associated with the ambulance service activities, and also include management, administrative, and depreciation expenses. While revenue is sufficient to cover operation costs, the District must seek outside funding for facility repairs and fleet replacements.

CCHD’s revenue during the latest audited FY 2022-2023 was \$2.359 million. CCHD is primarily funded through property tax/assessment and charges for services. CCHD’s expense during the last audited FY 2022-2023 was \$2.173 million.

When analyzing the previous five-year audited period, it was found that expenses exceeded their revenues between FY 2018-2019 through FY 2020-2021. In 2018, a newly elected Board of Directors began cost-saving efforts to reduce expenses by fully implementing a strategic deployment plan to maximize the potential for emergency response based on the highest probability for 911 requests for service, and at the same time, reduce unnecessary payroll expenses. Medical billing for ambulance transports was brought in-house, legal fees were reduced, and the 24-hour unit was reinstated resulting in additional billable transports increasing revenue and reducing overtime by full-time staff. During the fiscal year ending on June 30, 2021, the District continued to recognize their recorded operating expenses in excess of operating revenues, property tax, and special assessment revenues which resulted in a net deficit for the year, similar to the previous years. Throughout the 2021 year, the CCHD Board took corrective action to address prior year auditor findings, as a result operating expenses such as professional services and contract accounting services increased along with the reconciliation of bad debt expense for the fiscal year ending on June 30, 2021. In 2022, the District proceeded with a reorganization of the management structure for operations and as a result, promoted the Director of Operations to the Administrator position and hired a Director of Finance. The new hire of the Director of Finance has provided a full-time accounting professional in-house employee to regularly reconcile all accounts and decrease the need for outside contractor services which will continue to generate cost savings for the District. The 2018 strategic deployment plan effort to, in part, reduce payroll expenses was realized in 2022 and the District continues to experience positive cash flow. Consequently, in FY 2021-2022 and FY 2022-2023, the District's revenues exceeded expenditures, as depicted in Figure 4.

Figure 4: Actual Revenues vs. Actual Expenditures (FY 2018-19 to FY 2022-23)¹¹

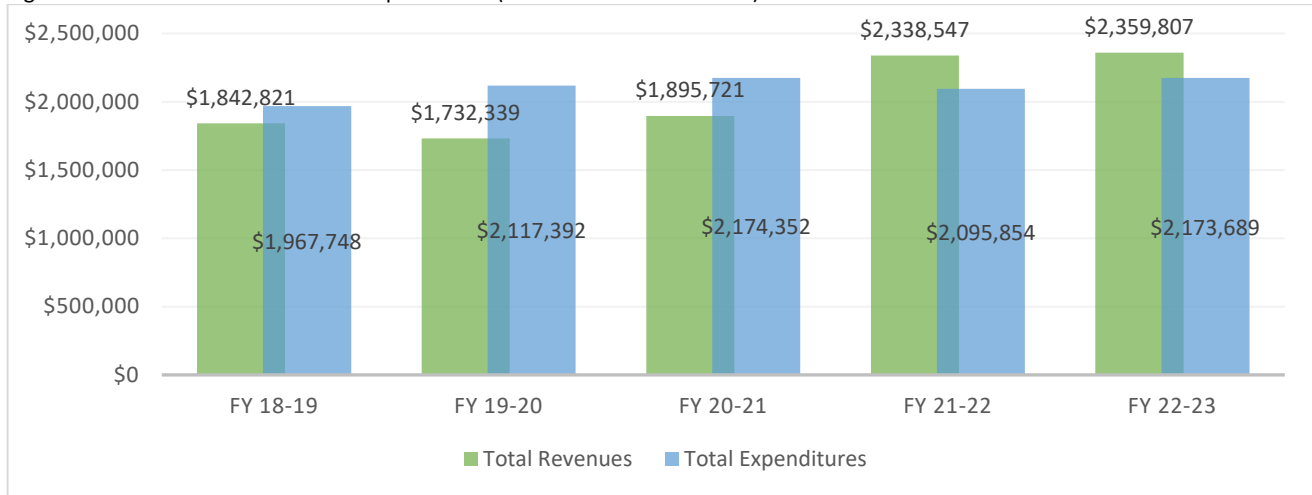
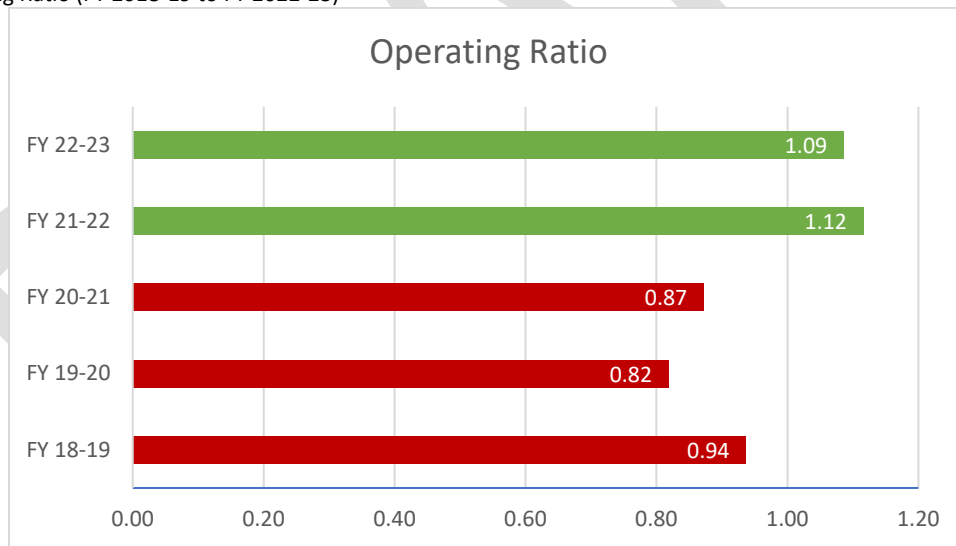


Figure 5 shows CCHD’s operating ratio which measures the ratio of annual operating revenues to annual operating expenses. A ratio of 1.0 means the agency is breaking even, a ratio of less than 1.0 indicates insufficient operating revenue to cover operating expenses, and a ratio greater than 1.0 means an agency can pay all its operating expenses and has revenue left over to spend on other items.

Figure 5: Operating Ratio (FY 2018-19 to FY 2022-23)



¹¹ CCHD Financial Statements between FY 2018-19 to FY 2022-23

Agency Assets

An agency’s assets provide current, future, or potential economic benefit for the entity. An agency asset is therefore something that is owned by the agency or something that is owed to the agency. In this section agency assets will be reviewed in two separate categories as defined below:

- 1) Current Assets: cash and other assets that are expected to be converted to cash within a year.
- 2) Non-Current Assets: long-term investments that are not expected to become cash within an accounting year.

CCHD’s audited assets at the end of FY 2022-2023 totaled \$1.133 million and are 26% higher than the average year-end amount of \$0.897 million documented during the previous five-year audited period. Assets classified as current, with the expectation they could be liquidated within a year, represented 60% of the total amount, or \$0.680 million, and are primarily tied to cash and investments. Assets classified as non-current make up the remainder of the total, \$0.452 million, and are primarily attributed to property, plant, and equipment capital. Overall, all assets for CCHD have increased by 45% over the corresponding 5-year audited period.

In addition to assets, the District’s net position also considers deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category; those are 1) Deferred Pensions and 2) Deferred Other Post-employment Benefits (OPEB). A total of \$1.685 million was reported in FY 2022-2023 as deferred outflows of resources and will be recognized as a reduction of the net pension liability in a future reporting period.

Table 5: Audited Assets and Deferred Outflow

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	5-yr % Change	5-yr Average
Current Assets	604,050	569,012	505,740	675,901	680,892	13%	607,119
Non-Current Assets	177,646	226,996	327,072	268,270	452,958	155%	290,588
Total Assets	781,696	796,008	832,812	944,171	1,133,850	45%	897,707
Deferred Pensions	357,871	287,194	258,042	477,064	956,493	167%	467,333
Deferred OPEB	57,264	82,547	348,893	933,240	729,247	1173%	430,238
Total Deferred Outflow of Resources	415,135	369,741	606,935	1,410,304	1,685,740	306%	897,571

Agency Liabilities

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:

- 1) Current Liabilities: an agency's short-term financial obligations due to be paid within a year
- 2) Other Non-Current Liabilities: an agency’s long-term financial obligations that are due more than a year away

CCHD’s audited liabilities at the end of FY 2022-2023 totaled \$5.738 million and were 10% higher than the average year-end amount of \$5.207 million documented during the previous five-year audited period. Liabilities classified as current and representing obligations owed in the near term account for 2.9%, or \$0.165 million, of the total. Non-current liabilities represent the remaining total, or \$5.572 million, and are largely tied to payments on liabilities due after one year. Most of the non-current liabilities are composed of net pension liabilities, at \$2,094,778, and OPEB liabilities, at \$3,218,908, during FY 2022-2023. Relating to pension liabilities, as of June 30, 2023, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2023. Relating to OPEB liabilities, the District currently finances benefits on a pay-as-you-go basis and does not have any assets in a trust. District Staff have indicated that they do not currently have an additional

plan to pay down the OPEB liabilities and will continue to contribute required contributions and look toward possibilities of instituting a Trust Fund in the future. CCHD also participates in loan agreements for ambulance acquisition and agreements to lease certain equipment that have led to increased liabilities. Overall, all liabilities have increased by 14% over the corresponding 5-year audited period.

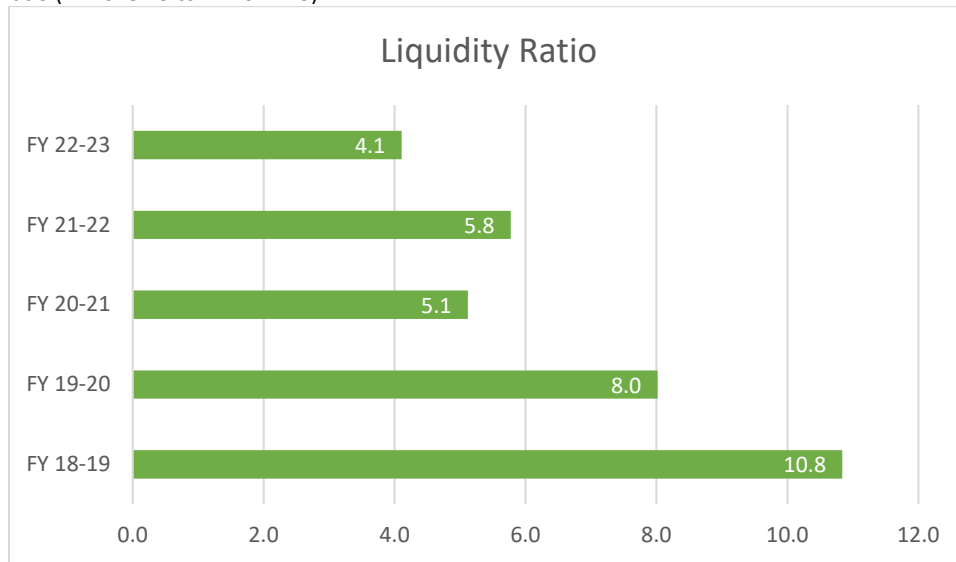
In addition to liabilities, the District’s net position also considers deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items that qualify for reporting in this category; those are 1) Deferred Pensions and 2) Deferred OPEB. A total of \$1.556 million was reported as deferred inflows of resources in FY 2022-2023 and will be recognized as an acquisition of the net position in a future reporting period.

Table 6: Audited Liabilities and Deferred Inflow

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	5-yr % Change	5-yr Average
Current liabilities	55,734	70,980	98,840	117,069	165,831	198%	101,691
Non-Current Liabilities	4,974,000	4,484,727	5,222,187	5,276,206	5,572,551	12%	5,105,934
Total Liabilities	5,029,734	4,555,707	5,321,027	5,393,275	5,738,382	14%	5,207,625
Deferred Pensions	139,979	239,935	262,876	938,596	244,726	75%	365,222
Deferred OPEB	269,034	997076	761444	683,799	1,311,559	388%	804,582
Total Deferred Inflow of Resources	409,013	1,237,011	1,024,320	1,622,395	1,556,285	280%	1,169,805

Figure 6 shows the District’s liquidity ratio which measures current assets against current/near-term obligations. The liquidity ratio is another way to measure the District’s financial health. A ratio of less than 1.0 indicates insufficient short-term resources to cover short-term liabilities and anything over 1.0 indicates good financial health (the higher the number, the greater the degree of liquidity).

Figure 6 Liquidity Ratio (FY 2018-19 to FY 2022-23)



Agency Net Position

The agency’s net position is the difference between an entity’s (1) assets plus deferred outflows of resources and (2) liabilities plus deferred inflows of resources. Net position should be displayed in three categories which focus on the accessibility of the underlying assets:

- Net investment in capital assets: consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt
- Restricted Net Position: is 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 net position that does not meet the definition of net investment in capital assets or restricted net position

CCHD operated with a net deficit over the last five-year audited period, ending with a deficit of \$4.475 million at the end of FY 2022-2023 which represents the difference between the District’s total assets and total liabilities along with adjusting for deferred resources (i.e., pension & OPEB outflows and inflows). The most recent year-end deficit amount is 2% lower than the average year-end deficit of \$4.582 million documented during the previous 5-year audited period. The ending net investment in capital assets is 4% of the net position, or \$0.188 million, with the remainder categorized as

unrestricted, at \$4.663 million. According to the FY 2022-2023 audit, it was determined the significant expenses of the District are payroll and benefit-related expenses. The primary increase in expenses and resulting increase in the net deficit is the recognition of net pension liability and OPEB liability and recognition of their related expenses as required by the Governmental Accounting Standards Board. It should be noted that the District lacks capital assets, which typically helps an agency offset its liabilities (Including OPEB and Pension Liabilities). The District pays their annual contributions to Pension and OPEB liabilities. Overall, the net deficit for CCHD has increased by 10% through the corresponding 5-year audited period.

Table 7: Audited Net Position

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	5-yr % Change	5-yr Average
Net Investment in Capital Assets	79,518	77,411	132,476	139,679	188,226	137%	123,462
Restricted	0	0	0	0	0	-	-
Unrestricted	-4,321,434	-4,704,380	-5,038,076	-4,800,874	-4,663,303	8%	-4,705,613
Total Net Position	-4,241,916	-4,626,969	-4,905,600	-4,661,195	-4,475,077	10%	-4,582,151

Other Matters Related to Efficient Service Delivery

Government Structure Options

In 2014, the Commission adopted the last version of the CCHD SOI and MSR Study; this report included a discussion about a proposed shared service structure between the Cambria Community Services District (CCSD) and the CCHD. At the time, both Districts were considering a Joint Powers Agreement (JPA) or special legislation that would allow for shared services between the two agencies. The agencies anticipated and identified challenges they’d face in pursuing this effort; where the Health and Safety Law allows healthcare district personnel to provide Transportation and Paramedic service and not firefighting duties that are required of the CCSD. Additional issues that were identified in 2014, were

the need to address unity of command, shared facilities, and long-term qualification of personnel duties for efficient services. Since 2014, no progress has been made in pursuing the effort of shared facilities through a JPA between CCHD and CCSD. It is LAFCO's understanding that neither the CCHD nor the CCSD are interested in shared services or facilities at this time.

Other governmental structure options are available to Healthcare Districts, such as jurisdictional changes consisting of reorganizations that may involve consolidation or dissolution if warranted. Any proposed changes of organization or reorganization for a Healthcare District may be initiated by petition of local voters or landowners within the proposal area; a resolution of subject/affected agencies; or by LAFCO action. 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 Healthcare Districts involves the identification of a successor agency that is authorized, capable, and willing to sustain the provision and level of healthcare services provided by the dissolved Healthcare District. A proposed reorganization involving dissolution/annexation, or a consolidation/merger, would transfer the extinguished Healthcare District's assets and facilities to the successor agency, along with responsibilities for any Healthcare District bonded indebtedness. A plan for service is also required to be submitted to LAFCO by the annexing agency/successor agency with these types of jurisdictional changes. Neither LAFCO nor CCHD see the need to pursue a jurisdictional change. The current coterminous sphere of influence for CCHD should be reaffirmed.

DETERMINATIONS

Service Review Determinations per Government Code Section 56430

As set forth in Section 56430(a) of the CKH Act—In order to prepare and update the SOI in accordance with 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

- a. While there are no specific population growth forecasts for the CCHD boundaries due to data limitations, projections for the North Coast Planning Area boundary provide an approximation; this encompasses most of the CCHD service area. The estimated population served by the CCHD and within the North Coast Area Plan was 6,520 in 2020 and over 1 million annual visitors according to CCHD. With an estimated build-out population of 7,095 by 2050, the North Coast Area Plan region is currently approximately 92% built out.

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

- a. LAFCO staff have identified two DUCs within CCHD’s SOI and service area boundary. The locations identified as DUCs display characteristics of a DUC pursuant to the CKH Act.
- b. The threshold for a DUC (80% of CA’s MHI) is an MHI less than \$67,277. Once a Census Block Group (CBG) or a Census Designated Place (CDP), meets the DUC MHI threshold, LAFCO then verifies that those areas are inhabited as specified in government code section 56033.5. Two CBGs within the CCHD boundary met the threshold for a DUC. The first is San Simeon DUC Area #1 with an estimated MHI of \$50,486; the area was also determined to be inhabited with approximately 200 registered voters. The second is Cambria DUC Area #1 with an estimated MHI of \$51,875; the area was also determined

to be inhabited with approximately 529 registered voters. Therefore LAFCO, identified these two DUCs at the Census Block Group level, within the CCHD boundaries as seen in Figures 2 and 3 within the "[Population Profile](#)" Section of this report.

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

- a. CCHD is authorized to provide a range of services as described in the California Health & Safety Code Section 32121 - 32137. However, the District only provides Advanced Life Support ambulance (ALS) service and community health education services. In 2023, the District responded to 1,069 911 calls for service, for an average of 89 calls per month. The District is capable of providing emergency response on most incidents encountered within the CCHD. Additional apparatus, equipment, and staffing are available through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (EMSA) which in part includes Cal Fire/County Fire, and the Cambria Community Services District Fire Department. This coverage allows for an average 10-minute emergency response time by CCHD to any location within the District's service area. CCHD Board reviews monthly Operations Reports with a goal of providing response to 100% of calls. CCHD currently reports an average response of 93% to 100%. CCHD indicated that existing staffing levels are adequate to provide service to its service area. According to the CCHD Facility Condition Assessment, it was determined that the main facility is in very poor condition, primarily related to its age. The District identified the need to replace the current facility that houses their crews, administration staff, and fleet of ambulances. A plan to rebuild the facility has been developed and the District is seeking state and federal grant funding and bond financing to replace the aging facility. In March 2024 the CCHD was awarded one-million-dollars in grant funding for the new facility. Anticipated completion is reliant upon a bond measure passing, which is scheduled to be placed on the November 2024 ballot. LAFCO determines that CCHD has capability and capacity to provide services where service is provided in the best manner possible within available funding.

4. Financial ability of agencies to provide services

- a. District revenues and expenditures are considered to assess the overall health of the District. The District's overall revenues and expenditures have fluctuated over the last five-year audited period. CCHD's expenses exceeded their revenues between FY 2018-2019 through FY 2020-2021 and in FY 2021-2022 and FY 2022-2023 revenues exceeded expenditures; ending with a revenue of \$2.359 million and expenditures of \$2.173 in FY 2022-2023. As a result, the District's operating ratio¹² was 1.09 in FY 2022-2023.
- b. LAFCO also considers District assets and liabilities to help determine the District's health. CCHD's assets have increased by 45% over the last 5-year audited period ending with \$1.133 million in FY 2022-2023. CCHD's liabilities have increased by 14% over the last 5-year audited period ending with \$5.738 million in FY 2022-2023. As a result, the CCHD's liquidity ratio¹³ was 4.1 in FY 2022-2023.
- c. Increases or decreases in an agency's net position is another indicator of whether its financial health is improving or deteriorating. In the case of CCHD, assets and deferred outflows were exceeded by liabilities and deferred inflows over the last five-year audited period. As a result, the District has been operating with a net deficit. CCHD's net deficit has increased by 10% over the last 5-year audited period ending with a deficit of \$4.475 million in FY 2022-2023. According to the FY 2022-2023 audit, it was determined that the most significant expenses of the District are payroll and benefit-related expenses. The primary increase in expenses and the resulting increase in the net deficit is the recognition of net pension liability, at \$2.094 million, and recognition of OPEB liability, at \$3.218 million during FY 2022-2023. However, the District pays their annual contributions to Pension and OPEB liabilities to the State. District Staff have indicated that they will continue to contribute the required contributions and look toward possibilities of instituting a Trust Fund in the future to help lower the District's Liabilities.

¹² The operating ratio measures the ratio of annual operating revenues to annual operating expenses. A ratio greater than 1.0 means an agency is able to pay all its operating expenses and has revenue left over to spend on other items. A ratio of less than 1.0 indicates insufficient operating revenue to cover operating expenses.

¹³ The liquidity ratio indicates the necessary cash the agency has (current assets) to fund its current liabilities; the higher the number, the greater the degree of liquidity. A ratio of less than 1.0 indicates insufficient short-term resources to cover short-term liabilities.

- d. LAFCO determines that out of the three financial indicators used to determine the District's health, CCHD scored well on two of the three. CCHD's operating ratio and liquidity ratio exceeded the minimum of 1.0 for the latest FY 2022-2023. Regarding the District's net position, the CCHD operated with a net deficit over the last five-year audited period; primarily related to pension liability and OPEB liability. However, as noted, the District pays their annual contributions to Pension and OPEB liabilities to the State. The District is encouraged to continue its efforts towards pursuing a plan to offset the District's liabilities such as a Trust Fund.

5. Status of and, opportunities for, shared facilities

- a. At present, the distinction between the CCHD and neighboring agency services in the area is clear.
- b. Additional apparatus, equipment, and staffing are available to CCHD through Automatic or Mutual Aid agreements with SLO County Emergency Medical Services Authority (EMSA) (which includes County Fire/Cal Fire, San Luis Ambulance, Cambria Community Services District Fire Department, and others).
- c. Opportunities and continued coordination for shared facilities may include:
 - i. Continued coordination between CCHD and San Luis Obispo County EMSA
 - ii. Continued coordination between CCHD and Cambria Community Service District Fire Department
 - iii. Continued coordination between CCHD and Monterey County
 - iv. Continued coordination between CCHD and San Luis Ambulance

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

- a. CCHD is governed by a five-member Board of Directors who are elected to four-year terms. Regularly scheduled monthly Board meetings are held on the fourth Tuesday of the month 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.
- b. CCHD maintains an up-to-date website that contains District information, documents, and updates.

- c. CCHD has demonstrated accountability and transparency in its disclosure of information and cooperation during the process of this MSR. The District responded to the questionnaires and cooperated with document requests.
- d. LAFCO determines that CCHD is accountable and transparent.

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

- a. No changes are recommended at this time.

Sphere of Influence Determinations per Government Code Section 56425

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 G.C. Section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

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

- a. The CCHD SOI is coterminous with the District’s service area boundary.
- b. The SOI is expected to remain unchanged, with no expansions or reductions.
- c. Land uses within CCHD's existing boundary consist of rural, unincorporated territory, and is generally located within the unincorporated North Coast Area Plan including Cambria, San Simeon, and surrounding rural areas. Some areas on the eastern side of the CCHD boundary are within the North County Planning Area.
- d. Land uses within the unincorporated territory are governed by the County of San Luis Obispo General Plan land use designations and zoning.

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

- a. The CCHD SOI is coterminous with the District’s service area boundary.
- b. The SOI is expected to remain unchanged, with no expansions or reductions.
- c. There is an existing need for service within the existing SOI boundary which is coterminous to the service area boundary.

- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. CCHD has capability and capacity to adequately meet existing and future service demand within the existing SOI area which remains coterminous to the District’s 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.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. There are no District relevant social or economic communities of interest in the existing SOI area.

- 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, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.**
 - a. The CCHD SOI is coterminous with the District’s service area boundary.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions.
 - c. LAFCO staff has identified two DUCs, within part of CCHD’s service area and SOI, as seen in Figures 2 and 3 within the “[Population Profile](#)” Section of this report. The locations identified as a DUC displays characteristics of a DUC pursuant to the CKH Act of 2000.
 - d. CCHD does not provide public facilities or services related to water, wastewater, or fire protection, therefore this SOI factor does not apply.

APPENDIX

Sources

General

1. Sphere of Influence Update and Municipal Service Review for Coastal Community Services Districts and Cambria Healthcare District (Avila Beach Community Services District, Cambria Community Services District, Los Osos Community Services District, San Simeon Community Services District, and Cambria Healthcare District), 2014
2. CCHD Response to LAFCO MSR-SOI Request for Information Questionnaire, December 2023
3. CCHD Website, [Cambria Community Healthcare District \(cambria-healthcare.org\)](https://www.cambria-healthcare.org)

Accountability

1. CCHD Response to LAFCO MSR-SOI Request for Information Questionnaire, December 2023
2. CCHD Website, [District Transparency - Cambria Community Healthcare District \(cambria-healthcare.org\)](https://www.cambria-healthcare.org/district-transparency)
3. CCHD District Bylaws, August 2022

Population Profile

1. CCHD Response to LAFCO Follow-Up Questionnaire, February 2024
2. SLO County North Coast Area Plan, 2007, Revised April 2022
3. San Luis Obispo Council of Governments 2050 Regional Growth Forecast
4. US Census, 2020 Cambria Census Designated Place Data
5. US Census, 2020 San Simeon Census Designated Place Data
6. U.S. Census Bureau, American Community Survey data from 2016-2020 in 2021 inflation/adjusted dollars

Services

1. California Health & Safety Code Section 32121
2. CCHD Ambulance Station/Administrative Offices Pre-Design Services, January 2022
3. CCHD Response to LAFCO MSR-SOI Request for Information Questionnaire, December 2023
4. CCHD Response to LAFCO Follow-Up Questionnaire, February 2024

5. CCHD Strategic Planning Presentation, July 2023
6. Five Year Emergency Medical Service Plan, May 2023

Finance

1. CCHD Approved Fiscal Year 23-24 Operating Budget
2. CCHD Approved Fiscal Year 22-23 Operating Budget
3. CCHD Audited Financial Statements June 30, 2023
4. CCHD Audited Financial Statements June 30, 2022
5. CCHD Audited Financial Statements June 30, 2021
6. CCHD Audited Financial Statements June 30, 2020
7. CCHD Audited Financial Statements June 30, 2019
8. CCHD Response to LAFCO MSR-SOI Request for Information Questionnaire, December 2023
9. CCHD Response to LAFCO Follow-Up Questionnaire, February 2024

DRAFT



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 16, 2024

SUBJECT: AUTHORIZE RELEASE OF REQUEST FOR PROPOSAL FOR LEGAL COUNSEL

RECOMMENDATION

It is recommended that the Commission consider taking the following action:

Action: Motion to authorize the Executive Officer to issue a Request for Proposal for Legal Services.

OVERVIEW

In November 2018, the Commission appointed the law firm of Burke, Williams & Sorensen, LLP to provide legal services to the Commission and Brian Pierik of the Burke firm was designated as Legal Counsel.

Brian Pierik is reducing the scope of his legal practice and, consequently, the Commission will need to appoint a new law firm to provide legal services to the Commission.

The recommendation is for the Commission to authorize the Executive Officer to issue a Request for Proposal for Legal Counsel Services. Mr. Pierik and the Burke firm shall continue to provide legal services to the Commission until another law firm has been appointed.

COMMISSIONERS

Chair

MARSHALL OCHYLSKI

Special District Member

Vice-Chair

STEVE GREGORY

City Member

DEBBIE ARNOLD

County Member

JIMMY PAULDING

County Member

ROBERT ENNS

Special District Member

ED WAAGE

City Member

HEATHER JENSEN

Public Member

ALTERNATES

DAWN ORTIZ-LEGG

County Member

ED EBY

Special District Member

CARLA WIXOM

City Member

David Watson

Public Member

STAFF

ROB FITZROY

Executive Officer

IMELDA MARQUEZ-VAWTER

Analyst

MORGAN BING

Clerk Analyst

BRIAN A. PIERIK

Legal Counsel



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 16, 2024

SUBJECT: CONSIDERATION OF THE FISCAL YEAR 2022-2023 AUDIT

RECOMMENDATION

It is recommended that the Commission consider taking the following action:

Action: Motion to Review and approve the Financial Report for the Fiscal Year 2022-2023 (Attachment A) and the Draft Management Report (Attachment B) and direct the Executive Officer to submit the reports to the County Auditor.

BACKGROUND

At the October 19, 2023 LAFCO meeting the Commission directed the Executive Officer and Legal Counsel to enter into contract with C.J. Brown & Company CPAs to prepare an audit for Fiscal Year (FY) 2022-2023. The audit began in January 2024 and was completed in April 2024. During this time LAFCO staff along with County Auditor staff worked with the audit firm to provide requested information.

HIGHLIGHTS

The following are financial highlights drawn from the audit. Additional details and information can be found in Attachments A & B.

- The financial statements present fairly, in all material respects, the financial position of LAFCO, in accordance with standard accounting principles.
- No deficiencies in internal financial controls were identified.
- No unusual transactions or fraud were identified.
- Pension liabilities have decreased (improved) consistently from 2018 to 2023 from \$1,543,856 in 2018 to \$1,052,739 in 2023. This is due to Tier 1 employees retiring or leaving employment. All current employees are Tier 3 pension beneficiaries and therefore cost less. It is important to note that a pension liability of \$1,052,739 does not represent current “debt”, rather it is the estimated amount that LAFCO will contribute to the pension system over

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ALTERNATES

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Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

the next twenty years incrementally. Payments are made to the pension system with each payroll every two weeks as per standard practice.

CONCLUSION

LAFCO is in a healthy budgetary position. The audit demonstrates LAFCO operates its finances consistent with standard accounting practices and controls. Once approved by the Commission, the audit will be transmitted to the County Auditor and posted on our website for transparency.

Attachment A: Draft Annual Financial Report for the Fiscal Year Ended June 30, 2023

Attachment B: Draft Management Report, June 30, 2023

Attachment A

Draft Annual Financial Report
for the Fiscal Year Ended
June 30, 2023



**Local Agency Formation Commission
of San Luis Obispo County**

Annual Financial Report

For the Fiscal Year Ended June 30, 2023



The Commission

<u>Name</u>	<u>Area Represented</u>	<u>Title</u>	<u>Term Expiration</u>
Marshall Ochylski	Los Osos CSD	Chair	12/2026
Steve Gregory	City of Paso Robles	Vice Chair	12/2025
Debbie Arnold	District 5	Member	12/2025
Jimmy Paulding	District 4	Member	12/2027
Ed Waage	City of Pismo Beach	Member	12/2027
Robert Enns	Cayucos Sanitary District	Member	12/2024
Heather Jensen	Public	Member	12/2024
David Watson	Public	Member	12/2024
Carla Wixom	City of Morro Bay	Alternate	12/2026
Dawn Ortiz-Legg	District 3	Alternate	12/2027
Ed Eby	Nipomo CSD	Alternate	12/2025

Local Agency Formation Commission of San Luis Obispo County
Rob Fitzroy, Executive Officer
1042 Pacific Street Suite A
San Luis Obispo, CA 93401 • (805) 781-5795
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Local Agency Formation Commission of San Luis Obispo County

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

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**Local Agency Formation Commission of San Luis Obispo County
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Type Funds to the Statements of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Funds to the Statements of Activities	14
Notes to the Basic Financial Statements	15-30
Required Supplementary Information Section	
Budgetary Comparison Schedule – General Fund	31
Notes to Required Supplementary Information	31
Schedules of the Commission’s Proportionate Share of the Net Pension Liability	32
Schedules of Pension Plan Contributions	33
Report on Internal Controls and Compliance	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35

Financial Section

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Independent Auditor's Report

Commissioners
Local Agency Formation Commission of San Luis Obispo County
San Luis Obispo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and each major fund of the Local Agency Formation Commission of San Luis Obispo County (Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 31 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report, continued

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended June 30, 2022, derived from those prior auditor's financial statements, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance. That report can be found on pages 34 and 35.

C.J. Brown & Company, CPAs
Cypress, California
May 16, 2024

Local Agency Formation Commission of San Luis Obispo County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Local Agency Formation Commission of San Luis Obispo County (Commission), provides an introduction to the financial statements of the Commission for the fiscal year ended June 30, 2023 (with summarized comparative information for the year ended June 30, 2022). We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2023, the Commission's net position increased 4.87 or \$37,529 to \$(732,613).
- In 2023, total revenues from all sources increased 6.34% or \$36,877 to \$618,399.
- In 2023, total expenses increased 1.25% or \$7,144 to \$580,870.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Commission using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Commission's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the Commission, and assessing the liquidity and financial flexibility of the Commission. All of the year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the Commission's operations over the past year and can be used to determine the Commission's net operating reserves and credit worthiness.

Commission Activities

The Local Agency Formation Commission of San Luis Obispo County (Commission) administers a section of California Government Code now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The Commission is delegated regulatory and planning responsibilities to coordinate the logical formation and development of local agencies in a manner preserving agricultural and open-space resources, promoting the orderly extension of municipal services, and discouraging urban sprawl. Key duties include regulating boundary changes through annexations or detachments; approving city incorporations or disincorporations; and forming, consolidating, or dissolving special districts. The Commission is also responsible for preparing studies to inform its regulatory activities, including establishing and updating spheres of influence for all cities and special districts within its jurisdiction. Spheres are planning tools used by the Commission to designate the territory it believes represents the appropriate and probable future service area of the affected agency. All jurisdictional changes, such as annexations, must be consistent with the spheres of the affected agencies with limited exceptions.

The Commission was first established in 1963 as an office within the County of San Luis Obispo (County). From 1963 to 2000, 100% of the Commission's annual budget was funded by the County. On July 1, 2001, in conjunction with the enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission became autonomous of the County in terms of fulfilling its statutory duties and responsibilities. This transition was highlighted by the Commission appointing its own executive officer and counsel as well as altering its funding to include contributions from the cities and special districts in San Luis Obispo County. The budget is funded by the County, Cities, and Special Districts with each governmental category paying 1/3 of the budget. The Cities and Special Districts shares are prorated based on revenues reported to the State Auditor-Controller.

Local Agency Formation Commission of San Luis Obispo County
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the Commission's finances is, "Is the Commission better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Commission's *net position* and changes in it. Think of the Commission's net position – assets and deferred outflows of resources, less liabilities and deferred inflows of resources – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Commission's property tax and assessment base to assess the *overall health* of the Commission.

Governmental Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 30.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by as of June 30, 2023.

At the end of fiscal year 2023, the Commission reflected a deficit balance in its unrestricted net position of \$(731,243). (See note 8 for further information). The deficit does not mean that the Commission does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments, mostly pension liabilities of \$1,052,739 that are greater than currently available resources. Specifically, the Commission did not include in past annual budgets the full amounts needed to finance future liabilities related to pensions. The Commission will include these amounts in future years' budgets as they come due.

Local Agency Formation Commission of San Luis Obispo County
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Analysis, continued

Statement of Net Position

Condensed Statements of Net Position			
	2023	2022	Change
Assets:			
Current assets	\$ 322,389	315,825	6,564
Non-current assets	166,403	-	166,403
Total assets	488,792	315,825	172,967
Deferred outflows of resources	467,066	137,011	330,055
Liabilities:			
Current liabilities	94,398	45,071	49,327
Non-current liabilities	1,181,511	494,046	687,465
Total liabilities	1,275,909	539,117	736,792
Deferred inflows of resources	412,562	683,861	(271,299)
Net position:			
Net investment in capital assets	(1,370)	-	(1,370)
Unrestricted	(731,243)	(770,142)	38,899
Total net position	\$ (732,613)	(770,142)	37,529

Statement of Activities

Condensed Statements of Activities			
	2023	2022	Change
Expenses	\$ 580,870	573,726	7,144
Total expenses	580,870	573,726	7,144
Program revenues	609,816	578,700	31,116
General revenues	8,583	2,822	5,761
Total revenues	618,399	581,522	36,877
Changes in net position	37,529	7,796	29,733
Net position, beginning of year, as restated (Note 9)	(770,142)	(777,938)	7,796
Net position, end of year	\$ (732,613)	(770,142)	37,529

The statement of activities shows how the Commission's net position changed during the fiscal year. In the case of the Commission, net position increased 4.87% or \$37,529 to \$(732,613), as a result of ongoing operations.

The Commission's total revenues from all sources increased 6.34% or \$36,877 to \$618,399. Program revenues increased \$31,116 primarily due to an increase in charges for services. General revenues increased \$5,761 primarily due to an increase in interest income.

Local Agency Formation Commission of San Luis Obispo County
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Analysis, continued

The Commission's total expenses increased 1.25% or \$7,144 to \$580,870, primarily due to increases of \$33,280 and \$3,089 in lease amortization expense and interest expense; which were offset by a decrease of \$28,920 in materials and supplies.

Governmental Funds Financial Analysis

The focus of the Commission's *governmental funds* is to provide information on near-term inflows, outflows, and balance of *spendable* resources. Such information is useful in assessing the Commission's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resource for spending at the end of the fiscal year.

As of June 30, 2023, the Commission's General Fund reported a fund balance of \$266,992. An amount of has been assigned for Commission operations. The amount of \$236,957 constitutes unassigned fund balance which is available for future Commission operations. The remaining fund balance of \$3,500 is not available for future spending because it has already been spent for prepaid expenses.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were \$110,036 less than budgeted. The variance is due primarily to salaries and benefits, and materials and supplies being less than the anticipated budget by \$94,942, and \$52,833, respectively; and capital outlay being more than anticipated budget by \$34,650. Actual revenues were lower than the anticipated budget by \$31,216. The variance is primarily due to charges for services being less than anticipated budget by \$35,799, and interest income being more than anticipated budget by \$4,583. (See Budgetary Comparison Schedule – General Fund under Required Supplementary Information section on page 31)

Capital Asset Administration

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Depreciable assets	\$ -	199,683	-	199,683
Accumulated depreciation	-	(33,280)	-	(33,280)
Total capital assets, net	\$ -	166,403	-	166,403

At the end of fiscal year 2023, the Commission's investment in capital assets (net of accumulated depreciation) amounted to \$166,403. This investment in capital assets includes right-to-use asset, which is the capital asset addition of the Commission during the year. See note 3 to the basic financial statements for further information.

Lease Obligation

	<u>2022</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>2023</u>
Lease obligation	\$ -	199,684	(31,911)	167,773

At the end of fiscal year 2023, the Commission's lease obligation amounted to \$167,773. This lease obligation includes the Commission's lease to use and occupy property from the City of San Luis Obispo. See note 6 to the basic financial statements for more information. See note 5 to the basic financial statements for further information.

Local Agency Formation Commission of San Luis Obispo County
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Conditions Affecting Current Financial Position

Management is unaware of any other conditions, which could have a significant impact on the Commission's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

The financial report is designed to provide the Commission's present users with a general overview of the Commission's basic finances and to demonstrate the Commission's accountability with an overview of the Commission's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the Executive Officer, Rob Fitzroy, at the Local Agency Formation Commission of San Luis Obispo County, 1042 Pacific Street, Suite A, San Luis Obispo, CA 93401 or (805) 781-5795.

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Basic Financial Statements

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Local Agency Formation Commission of San Luis Obispo County
Statement of Net Position
June 30, 2023

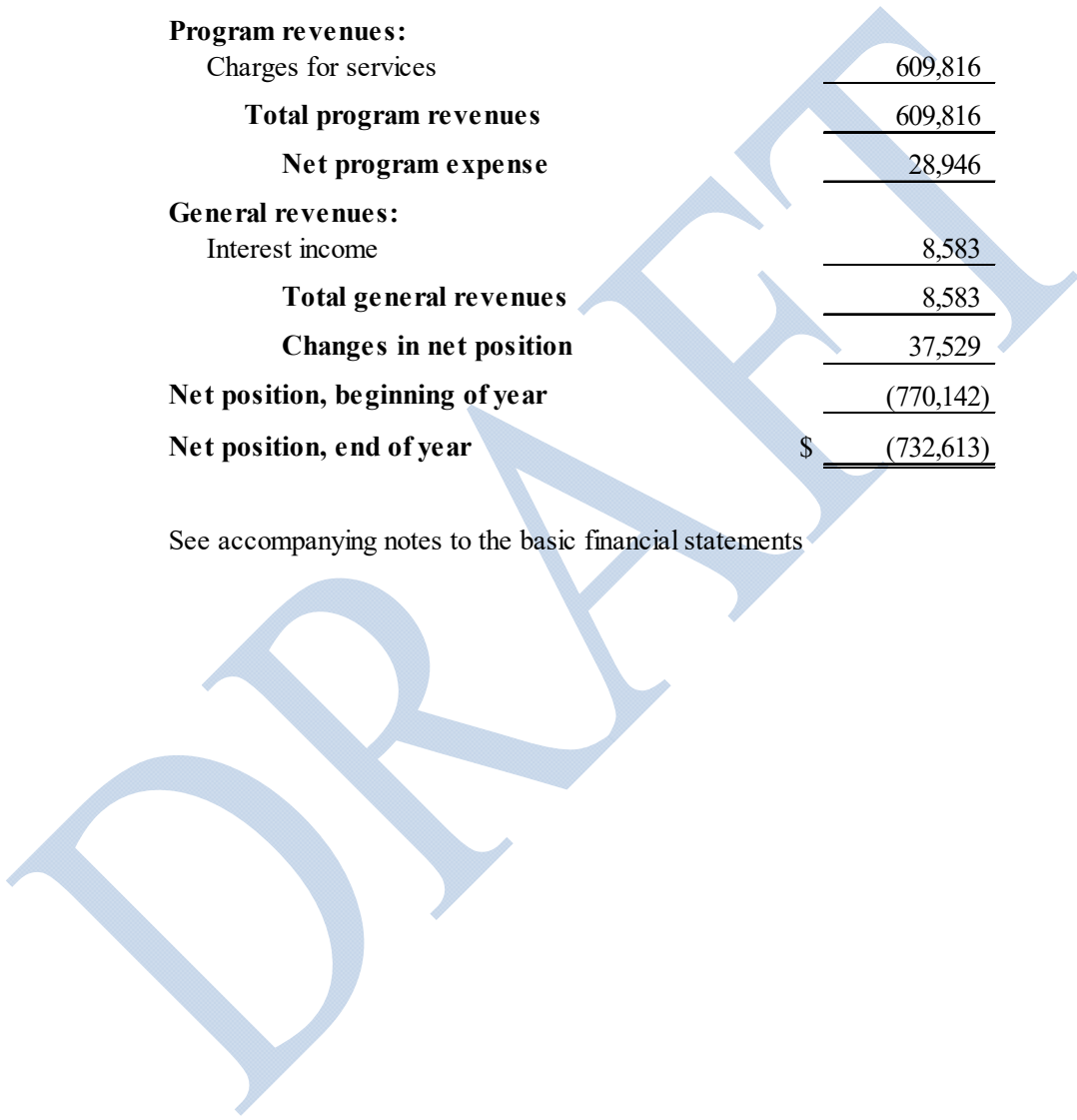
	<u>2023</u>
Current assets:	
Cash and cash equivalents (note 2)	\$ 318,889
Prepaid expenses	<u>3,500</u>
Total current assets	<u>322,389</u>
Non-current assets:	
Capital assets, being depreciated (note 3)	<u>166,403</u>
Total non-current assets	<u>166,403</u>
Total assets	<u>488,792</u>
Deferred outflows of resources:	
Deferred pension outflows (note 6)	<u>467,066</u>
Total deferred outflows of resources	<u>467,066</u>
Current liabilities:	
Accounts payable	12,230
Accrued payroll	6,068
Deposits from Trust	10,564
Long-term liabilities – due within one year:	
Compensated absences (note 4)	26,535
Lease obligation (note 5)	<u>39,001</u>
Total current liabilities	<u>94,398</u>
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Lease obligation (note 5)	128,772
Net pension liability (note 6)	<u>1,052,739</u>
Total non-current liabilities	<u>1,181,511</u>
Total liabilities	<u>1,275,909</u>
Deferred inflows of resources:	
Deferred pension inflows (note 6)	<u>412,562</u>
Total deferred inflows of resources	<u>412,562</u>
Net position: (note 8)	
Net investment in capital assets	(1,370)
Unrestricted	<u>(731,243)</u>
Total net position	<u>\$ (732,613)</u>

See accompanying notes to the basic financial statements

Local Agency Formation Commission of San Luis Obispo County
Statement of Activities
For the Fiscal Year Ended June 30, 2023

	2023
Expenses:	
Salaries and benefits	\$ 448,573
Materials and supplies	95,928
Interest expense	3,089
Amortization	33,280
Total expenses	580,870
Program revenues:	
Charges for services	609,816
Total program revenues	609,816
Net program expense	28,946
General revenues:	
Interest income	8,583
Total general revenues	8,583
Changes in net position	37,529
Net position, beginning of year	(770,142)
Net position, end of year	\$ (732,613)

See accompanying notes to the basic financial statements



Local Agency Formation Commission of San Luis Obispo County
Balance Sheet
June 30, 2023

	General Fund	Reclassifications & Eliminations	Statements of Net Position
Current assets:			
Cash and cash equivalents (note 2)	\$ 318,889	-	318,889
Prepaid expenses	3,500	-	3,500
Total current assets	322,389	-	322,389
Non-current assets:			
Capital assets, being depreciated (note 3)	-	166,403	166,403
Total non-current assets	-	166,403	166,403
Total assets	322,389	166,403	488,792
Deferred outflows of resources:			
Deferred pension outflows (note 6)	-	467,066	467,066
Total deferred outflows of resources	-	467,066	467,066
Current liabilities:			
Accounts payable and accrued expenses	12,230	-	12,230
Accrued payroll	6,068	-	6,068
Deposits from Trust	10,564	-	10,564
Long-term liabilities – due within one year:			
Compensated absences (note 4)	26,535	-	26,535
Lease obligation (note 5)	-	39,001	39,001
Total current liabilities	55,397	39,001	94,398
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Lease obligation (note 5)	-	128,772	128,772
Net pension liability (note 6)	-	1,052,739	1,052,739
Total non-current liabilities	-	1,181,511	1,181,511
Total liabilities	55,397	1,220,512	1,275,909
Deferred inflows of resources:			
Deferred pension inflows (note 6)	-	412,562	412,562
Total deferred inflows of resources	-	412,562	412,562
Fund balance: (note 7)			
Non-spendable	3,500	(3,500)	-
Assigned	26,535	(26,535)	-
Unassigned	236,957	(236,957)	-
Total fund balance	266,992	(266,992)	-
Total liabilities and fund balance	\$ 322,389		
Net position: (note 8)			
Net investment in capital assets		(1,370)	(1,370)
Unrestricted		(731,243)	(731,243)
Total net position		(732,613)	(732,613)

Continued on next page

See accompanying notes to the basic financial statements

**Local Agency Formation Commission of San Luis Obispo County
 Reconciliation of the Balance Sheet of Governmental Type Funds
 to the Statement of Net Position
 June 30, 2023**

Reconciliation:

Fund balance of governmental funds	\$	266,992
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		
Capital assets, net		166,403
Deferred outflows of resources		467,066
Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statements of net position as follows:		
Lease obligation		(167,773)
Net pension liability		(1,052,739)
Deferred inflows of resources		(412,562)
Net position of governmental activities	\$	<u>(732,613)</u>

See accompanying notes to the basic financial statements

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Local Agency Formation Commission of San Luis Obispo County
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2023

	General Fund	Reclassifications & Eliminations	Statements of Activities
Expenditures/Expenses:			
Salaries and benefits	\$ 405,912	42,661	448,573
Materials and supplies	95,928	-	95,928
Capital outlay	34,650	(34,650)	-
Amortization expense	-	33,280	33,280
Interest expense	3,089	-	3,089
	539,579	41,291	580,870
Total expenditures/expenses			
Program revenues:			
Charge for services	609,816	-	609,816
	609,816	-	609,816
Total program revenues			
Net program expense			(28,946)
General revenues:			
Interest income	8,583	-	8,583
	8,583	-	8,583
Total general revenues			
Total revenues	618,399	-	618,399
Excess of revenues over expenditures	78,820	(41,291)	-
Changes in net position	(78,820)	41,291	37,529
Fund balance/Net position, beginning of period	188,172	-	(770,142)
Fund balance/Net position, end of period	\$ 266,992	41,291	(732,613)

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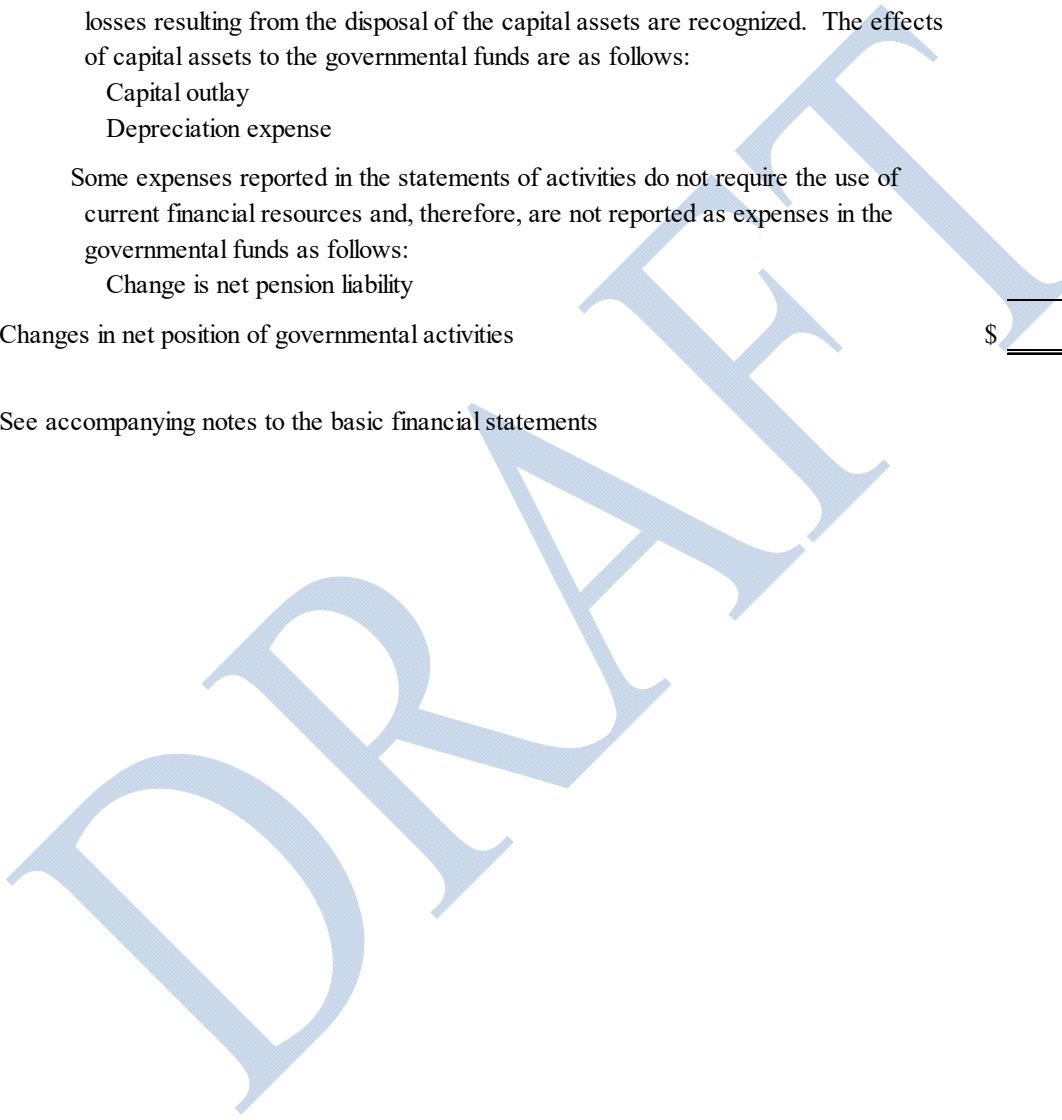
See accompanying notes to the basic financial statements

**Local Agency Formation Commission of San Luis Obispo County
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balance of Governmental Type Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2023**

Reconciliation:

Net change in fund balance of governmental fund	\$	78,820
<p>Amounts reported for governmental activities in the statements of activities is different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statements of activities, the cost of those assets are included as capital assets and allocated over their estimated useful lives as depreciation expense; and gain and losses resulting from the disposal of the capital assets are recognized. The effects of capital assets to the governmental funds are as follows:</p>		
Capital outlay		34,650
Depreciation expense		(33,280)
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental funds as follows:</p>		
Change in net pension liability		(42,661)
Changes in net position of governmental activities	\$	<u><u>37,529</u></u>

See accompanying notes to the basic financial statements



Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Local Agency Formation Commission of San Luis Obispo County (Commission) was created in 1963 by the California Legislature to encourage the orderly formation and development of local agencies, promote the efficient extension of municipal services, and protect against the premature conversion of agricultural and open-space lands. In 2001, following the enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the Commission became an independent agency separate from San Luis Obispo County (County). As of June 30, 2023, there are currently seven cities, 35 independent special districts, and 10 dependent special districts subject to Commission jurisdiction in San Luis Obispo County.

The Commission is comprised of seven regular and four alternate members. Each member is appointed pursuant to California Government Code Section 56000 et. Seq. and represents one of the following four interests:

- County Members: Two regular and one alternate member represent the County. These members are also members of the Board of Supervisors. Appointments are made by the Board of Supervisors.
- City Members: Two regular and one alternate member represent seven cities in the County. The members are mayors or council members. Appointments are made by the City Mayors.
- Special District Members: Two regular and one alternate member represent the 34 special districts in the County. Appointments are made by the Independent Special District Selection Committee.
- Public Members: One regular and one alternate member represent the general public. Appointments are made by the members of the Commission.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission has determined that no other outside entity meets the above criteria and, therefore, no agency has been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be considered financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are comprised of the following:

- Government-wide financial statements
- Governmental Fund financial statements
- Notes to the basic financial statements

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statements of Net Position. The Statements of Activities present changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statements of Activities demonstrate the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Commission are to be reported in three categories, if applicable: 1) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, if any.

Governmental Fund Financial Statements

These statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the difference in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements. The Commission has presented its General Fund as its major fund in these statements to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Commission are property taxes and assessments, interest earnings, investment revenue, and operating and capital grant revenues. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The Commission reports the following major governmental fund:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund when necessary.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Commission's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Commission has adopted the following GASB pronouncements in the current year:

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. This Statement did not have a material impact to the financial statements.

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement did not have a material impact to the financial statements.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement did not have a material impact to the financial statements.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement did not have a material impact to the financial statements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in Commission net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

The Commission maintains all of its cash and cash equivalents with the San Luis Obispo County Treasurer.

3. Investments and Investment Policy

The Commission has not adopted a formal investment policy as required by Section 53600, et al. seq., of the California Government Code.

The Commission considers all highly liquid investments, with initial maturities of three months or less, to be cash equivalents. Changes in fair value, if any, that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year.

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are the right-to-use asset of an office building.

Right-to-use asset is amortized on a straight-line basis over the life of the lease term.

6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

7. Compensated Absences

The Commission's compensated leave policy permit employees to accumulate earned but unused vacation and sick time pay benefits. Upon termination, employees are paid full value for any accrued compensated absences. Vested or accumulated compensated absences that are expected to be liquidated with expendable available financial resources is reported as an expenditure and a general fund liability. Vested or accumulated compensated absences that are not expected to be liquidated with expendable available resources are maintained separately and represents a reconciling item between the fund and government-wide statements. The outstanding liability for compensated absences is reported as a current liability in the statements of net position.

8. Lease Obligations

The Commission's lease obligation is measured at the present value of payments expected to be paid during the lease term.

9. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

10. Pension

For the purpose of measuring net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the San Luis Obispo County Pension Trust (Plan) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to the liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: January 1, 2022
- Measurement date: December 31, 2022
- Measurement period: January 1, 2022 to December 31, 2022

11. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated amortization and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Unrestricted** – consists of the net amount of assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

12. Fund Balance

The governmental fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned, based primarily on the extent to which the Commission is bound to honor constraints on how specific amounts can be spent. In the fund financial statements, the Commission has implemented the requirements of *GASB No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The Commission formally adopted the following fund balance classifications:

- **Non-spendable** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the Commission’s highest level of decision-making authority (the Commissioners) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the Commission’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the Commission’s special revenue funds.
- **Unassigned** – the residual classification for the Commission’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Commission establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

The Commission believes that sound financial management principles require sufficient funds to be retained by the Commission, to provide a stable financial base at all time. To retain this stable financial base, the Commission needs to maintain an unrestricted fund balance sufficient to fund cash flows of the Commission and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance classifications are considered unrestricted.

The purpose of the Commission’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and cash equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	2023
Cash and cash equivalents	\$ <u>318,889</u>

Cash and investments as of June 30, consist of the following:

	2023
Statements of Net Position:	
Cash in County Treasury	\$ 308,389
Imprest Cash	<u>10,500</u>
Total cash and cash equivalents	\$ <u>318,889</u>

On a quarterly basis, the County Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County’s financial statements. The County’s financial statements may be obtained by contacting the County’s Auditor-Controller’s Office at 1055 Monterey Street, Room D290, San Luis Obispo, California 93408. The County Treasurer Oversight Committee oversees the Treasurer’s investments and policies.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by an assignment of a rating by a nationally recognized statistical rating organization. The investments of the Commission do not have a rating provided by a nationally recognized statistical rating organization.

(3) Capital Assets

	Balance 2022	Additions	Deletions/ Transfers	Balance 2023
Depreciable assets:				
Right-to-use asset	\$ -	<u>199,683</u>	-	<u>199,683</u>
Total depreciable assets	-	<u>199,683</u>	-	<u>199,683</u>
Less accumulated amortization:				
Right-to-use asset	-	<u>(33,280)</u>	-	<u>(33,280)</u>
Total accumulated amortization	-	<u>(33,280)</u>	-	<u>(33,280)</u>
Total capital assets, net	\$ <u>-</u>	<u>166,403</u>	-	<u>166,403</u>

Major capital asset additions during the year include right-to-use asset of the Commission’s office building.

(4) Compensated Absences

The change to compensated absence balances at June 30 was as follows:

	Balance 2022	Additions	Deletions	Balance 2023
\$	<u>29,303</u>	<u>43,834</u>	<u>(46,602)</u>	<u>26,535</u>

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(5) Lease obligation

The change in operating lease obligation at June 30 was as follows:

	2022	Additions	Principal Payment	2023
Lease obligation	\$ -	199,684	(31,911)	167,773

The Commission’s main headquarters and facilities are located on real property leased from 1042 Pacific Street, A Partnership (Landlord). The term of the lease shall be for a period of five (5) years, commencing September 1, 2022, and ending August 31, 2027.

The Commission shall pay \$3,500 per month rent to the Landlord.

During the fiscal year ended June 30, 2023, the Commission paid the Landlord rent totaling \$41,113.

Principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	\$ 39,001	2,999	42,000
2025	39,788	2,212	42,000
2026	40,591	1,409	42,000
2027	41,410	590	42,000
2028	6,983	17	7,000
Total	167,773	7,227	175,000
Current	(39,001)		
Non-current	\$ 128,772		

(6) Defined Benefit Pension Plan

Plan Description

The Commission provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (Plans) administered by the Pension Trust. Members of the pension plans include all permanent employees for the Commission and certain independent Special Districts. The Pension Trust issues a separate Annual Comprehensive Financial Report (ACFR). This may be obtained online at www.sbcounty.ca.gov or by writing to the San Luis Obispo County Pension Trust at 1000 Mill Street, San Luis Obispo, CA 93408.

The Pension Trust was established on November 1, 1958, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for employees of the Commission and participating districts. The Commission are the governing board of the participating districts adopt resolutions, as permitted by the County Employees’ Retirement Law of 1937 (CERL), which affect the benefits of the Pension Trust members. The Pension Trust is governed by the California Constitution; California State Government Code Section 31450 (CERL); and the bylaws, policies and procedures adopted by the Pension Trust’s Board of Retirement.

Refer to the Pension Trust’s ACFR for a summary of the Pension Trust’s pension plans and eligible participants.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Defined Benefit Pension Plan, continued

Benefits Provided

All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability, or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years (or 10 years for Plan 2) of retirement service credit (5 or 10-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminated service after earning 5 or 10 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Nonservice related disability benefits are based on:

1. Years of service and final average compensation; or
2. Retirement benefits (if eligible).

General Plan 2 participants receive disability benefits through a long-term insurance policy. Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLA) after retirement are provided in all plans except General Plan 2. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics. Average Consumer Price Index (CPI) for all Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the pension plans.

Specific details for the retirement, disability, or death benefit calculations and COLA maximums for each of the pension plans are available in the Pension Trust’s publicly available ACFR.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the Pension Trust Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the Commission’s contractually required contribution (formerly known as the actuarially required contribution) rate for the fiscal year ended June 30, 2018, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors.

For the year ended June 30, 2023, contributions to the Plan were as follows:

	2023
Contributions – employer	\$ 54,710

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Defined Benefit Pension Plan, continued

Net Pension Liability

As of the fiscal year ended June 30, 2023, the Commission reported net pension liabilities for its proportionate share of the Pension Trust's net pension liability of the Plan as follows:

	2023
Proportionate share of net pension liability	\$ 1,052,739

The Commission's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The Pension Trust's net pension liability was measured as of December 31, 2022 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Pension Trust's proportion of the pension plans' net pension liability was based on a projection of the Pension Trust's long-term share of contributions to the pension plans relative to projected contributions of all pension plan participants actuarially determined. The Commission's proportion of the Pension Trust's proportion of the net pension liability was on the Commission's contributions to the pension plans during the year ended June 30, 2023, relative to the Pension Trust's contributions.

The Commission's proportionate share of the net pension liability for the Plan as of the measurement date December 31, 2022, was as follows:

	Miscellaneous
Proportion – December 31, 2021	0.07713%
Changes in proportion	0.02937%
Proportion – December 31, 2022	0.10649%

Deferred Pension Outflows(Inflows) of Resources

At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2023	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 54,710	-
Differences between actual and expected experience	43,448	-
Changes in assumptions	112,041	-
Net difference between projected and actual earnings on plan investments	99,814	-
Differences between actual contribution and proportionate share of contribution	157,053	-
Net adjustment due to differences in proportions of net pension liability	-	(412,562)
Total	\$ 467,066	(412,562)

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Defined Benefit Pension Plan, continued

Deferred Pension Outflows(Inflows) of Resources

For the fiscal year ended June 30, 2023, the Commission recognized pension expense of \$30,706. Pension expense represents the change in net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

For the year ended June 30, 2023, the Commission's deferred outflows of resources related to contributions subsequent to the measurement date totaled \$54,710 and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2024	\$ 4,950
2025	4,950
2026	4,950
2027	4,950
2028	(20,006)
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the January 1, 2022, actuarial valuations was determined using the following actuarial assumptions and methods:

Valuation date	January 1, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial assumptions:

Discount rate	6.75%
Inflation	2.50%
Salary increases	3.00%
Mortality Rate Table*	Derived using Public General Mortality Table
Cost-of-Living Adjustments	Benefits are assumed to increase after retirement at a rate of 2.75% per year for Tier 1 and 2% for Tier 2 and Tier 3.

* The mortality table for miscellaneous active members are based on the Public General 2010 amount weighted above median income employee mortality table, with generational mortality improvements projected from 2010 using Projection Scale MP-2021, without adjustment.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions from plan members will be made at the current member contribution rates and that contributions from the Commission will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the plans' fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plans' fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments and was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, the Pension Trust took into account a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The table below reflects the expected real rates of return by asset class.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Cash Equivalents/Short Duration Govt	10.00%	1.10%
Equities - Public Market	30.00%	4.88%
Real Estate	15.00%	4.63%
Private Markets	30.00%	6.30%
US Treasury - Long Duration/TIPS	15.00%	1.44%

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's proportionate share of the Pension Trust's net position liability calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2023, the Commission's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	5.75%	6.75%	7.75%
District's net pension liability \$	1,429,720	1,052,739	743,912

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in separately issued San Luis Obispo County Pension Trust financial reports. See pages 32 and 33 for the Required Supplementary Information.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Fund Balance

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned.

A detailed schedule of fund balance and their funding composition at June 30 is as follows:

	2023
Non-spendable:	
Prepaid expenses	3,500
Total non-spendable	3,500
Assigned:	
Compensated absences	26,535
Unassigned	236,957
Total fund balance	\$ 266,992

(8) Net Position

Calculation of net position as of June 30 was as follows:

	2023
Net investment in capital assets:	
Depreciable assets, net	166,403
Lease obligation	(167,773)
Total net investment in capital assets	(1,370)
Unrestricted net position	(731,243)
Net position	\$ (732,613)

(9) Restatement

In fiscal year 2023, the Commission determined that net pension liability and related deferred outflows and inflows of resources should have been included as part of the Commission's records as of July 1, 2021. As a result, net pension liability, deferred pension outflows, and deferred pension inflows of \$494,046, \$137,011 and \$683,861, respectively were not recorded by the Commission. Therefore, the Commission has recorded a prior period adjustment to net position in the amount of \$1,040,896 at July 1, 2021.

The adjustment to net position is as follows:

Net position at July 1, 2021, as previously stated		\$ 262,958
Effect of adjustment to record:		
Deferred pension outflows	\$ 137,011	
Deferred pension inflows	(683,861)	
Net pension liability	(494,046)	
Total adjustments to net position		(1,040,896)
Net position at July 1, 2021, as restated		\$ (777,938)

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(10) Risk Management

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources.

At June 30, 2023, the limits and deductibles for liability, property and worker's compensation programs of the SDRMA in which the Commission participates are as follows:

General liability: The Commission has a \$0 deductible for employee benefits/practices liability coverage per occurrence, Total risk financing self-insurance and reinsurance/excess limits or \$2,500,000 for bodily injury, property damage, employment benefits, employee/public officials' errors and omissions, and employment practices liability single limit per occurrence. For public officials personal and employee/public officials dishonesty, the total amount per occurrence is \$500,000 and \$1,000,000, respectively.

Property and Auto Insurance: The Commission has a \$500 deductible for property damage claims per occurrence, \$1,000 deductible for property damages, \$25,000 to \$350,000 deductible for boiler and machinery coverage, a \$10,000 deductible for all-risk property insurance coverage, and a \$500 deductible for auto physical damage coverage. The following insurance limits apply: personal property - \$1 billion for any one loss; boiler and machinery - \$100 million per occurrence limit; catastrophic loss - \$1 billion per occurrence; and auto physical damage (non-owned auto bodily injury and non-owned auto property damage - \$2.5 million per accident.

Worker's Compensation Insurance: Up to State statutory limits for all work-related injuries/illnesses covered by State law, and Employer's liability coverage up to \$5,000,000 limit.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Commission's insurance coverage during the year ended June 30, 2023, 2022, 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2023, 2022, 2021.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Local Agency Formation Commission of San Luis Obispo County
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(16) Contingencies

Litigation

The Commission accounts for material liability claims and judgments in accordance with GASB standards. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the Commission records the estimated loss net of insurance coverage. The Commission had no material claims that would require loss provision in the financial statements during this reporting period.

In the ordinary course of operations, the Commission is subject to claims and litigation from outside parties. After consultation with legal counsel, the Commission believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(17) Subsequent Event

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of May 16, 2024, which is the date the financial statements were available to be issued. The Commission is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

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Local Agency Formation Commission of San Luis Obispo County
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:					
Salaries and benefits	\$ 500,854	-	500,854	405,912	94,942
Materials and supplies	148,761	-	148,761	95,928	52,833
Capital outlay	-	-	-	34,650	(34,650)
Interest expense	-	-	-	3,089	(3,089)
Total expenditures	649,615	-	649,615	539,579	110,036
Program revenues:					
Charge for services	645,615	-	645,615	609,816	(35,799)
Total program revenues	645,615	-	645,615	609,816	(35,799)
General revenues:					
Interest income	4,000	-	4,000	8,583	4,583
Total general revenues	4,000	-	4,000	8,583	4,583
Total revenues	649,615	-	649,615	618,399	(31,216)
Excess of revenues over expenditures	-	-	-	78,820	78,820
Fund balance – beginning of year	188,172		188,172	188,172	
Fund balance – end of year	\$ 188,172		188,172	266,992	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The Commission follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the Commission’s Executive Officer prepares and submit a budget and work plan to the Commission no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Commission must approve all supplemental appropriations to the budget and transfers between major accounts. The Commission’s annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The Commission presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget plus supplemental appropriations, if any.

Local Agency Formation Commission of San Luis Obispo County
Schedules of the Commission's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Description	Measurement Dates								
	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Commission's proportion of the net pension liability	0.10649%	0.07713%	0.13596%	0.19851%	0.20463%	0.19092%	0.19224%	0.18511%	0.23909%
Commission's proportionate share of the net pension liability	\$ 1,052,739	494,046	925,432	1,323,249	1,543,856	1,078,279	1,244,659	1,009,254	1,010,132
Commission's covered payroll	\$ 377,040	325,530	313,869	349,961	366,783	367,975	347,423	277,682	261,213
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	279.21%	151.77%	294.85%	378.11%	420.92%	293.03%	358.25%	363.46%	386.71%
Plan's proportionate share of the fiduciary net position as a percentage of total pension liability	61.73%	73.20%	69.71%	68.34%	62.76%	70.36%	64.59%	67.57%	73.53%

Notes to the Schedules of the Commission's Proportionate Share of the Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In 2022, the project salary increases were increased from 2.25% to 3%, while inflation increased from 2.25% to 2.50%. Investment rate of return remains the same at 6.75%, net of pension plan investment expense, including inflation.

In 2021, the investment rate of return was reduced from 6.875% to 6.75%, net of pension plan investment expense, including inflation. Projected salary increases and inflation remained the same at 2.75% and 2.25%, respectively. There were no benefit changes during the year.

In 2020, there were no benefit changes during the year. The investment rate of return was reduced from 7% to 6.875%, net of pension plan investment expense, including inflation. Projected salary increases remained the same at 2.75%. Inflation decreased from 2.50% to 2.25%. Post-retirement mortality rates were based on the MP-2019.

In 2019, there were no changes in actuarial valuation assumptions, and there were no benefit changes during the year.

In 2018, all assumptions and methods have changed. The investment rate of return, projected salary increases, and inflation all went down to 7%, 2.75%, and 2.50%, respectively (2017: 1.125%, 3.125%, and 2.625%). Post-retirement mortality rates were based on the RP-2014 Mortality Tables with generational mortality improvements using scale MP-2017.

*The Commission has presented information for those years for which information is available until a full 10- year trend is compiled.

Local Agency Formation Commission of San Luis Obispo County
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years*

Description	Fiscal Years Ended									
	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	
Actuarially determined contribution	\$ 76,775	47,183	76,551	97,186	94,627	80,838	68,150	62,232	59,389	
Contributions in relation to the actuarially determined contribution	(54,711)	(42,755)	(14,786)	(54,145)	(56,963)	(53,873)	(45,188)	(38,432)	(16,044)	
Contribution deficiency (excess)	\$ 22,064	4,428	61,765	43,041	37,664	26,965	22,962	23,800	43,345	
Covered payroll	\$ 377,040	325,530	313,869	349,961	366,783	367,975	347,423	277,682	261,213	
Contribution's as a percentage of covered payroll	14.51%	13.13%	4.71%	15.47%	15.53%	14.64%	13.01%	13.84%	6.14%	

Notes to the Schedules of Pension Plan Contributions

* The Commission has presented information for those years for which information is available until a full 10- year trend is compiled.

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Report on Internal Controls and Compliance

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**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Commissioners
Local Agency Formation Commission of San Luis Obispo County
San Luis Obispo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Luis Obispo Local Agency Formation Commission (Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated May 16, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs
Cypress, California
May 16, 2024

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Attachment B

Draft Management Report,
June 30, 2023

San Luis Obispo Local Agency Formation Commission

Management Report

June 30, 2023

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San Luis Obispo Local Agency Formation Commission

Management Report

Table of Contents

<u>Item</u>	<u>Page No.</u>
Table of Contents	i
General Introduction	1
Current Year Comment and Recommendation	2
Appendix:	
Audit/Finance Committee Letter	1-4
Schedule of Adjusting and Reclassifying Journal Entries	5

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CONFIDENTIAL

Commissioners
San Luis Obispo Local Agency Formation Commission
San Luis Obispo, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of San Luis Obispo Local Agency Formation Commission (Commission) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the Commission are properly adjusted before the audit begins. However, in many cases audit adjustments and reclassifications are made in the normal course of the audit process to present the Commission's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Commission to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Commission with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the Commission as of year end.

* * * * *

This communication is intended solely for the information and use of management, the Commission, and others within the Commission, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
May 16, 2024

APPENDIX

San Luis Obispo Local Agency Formation Commission

Audit/Finance Committee Letter

June 30, 2023

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Commissioners
San Luis Obispo Local Agency Formation Commission
San Luis Obispo, California

We have audited the financial statements of the governmental activities of the San Luis Obispo Local Agency Formation Commission (Commission) for the year ended June 30, 2023, and have issued our report thereon dated May 16, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 25, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated May 16, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards:

As auditors of the Commission, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. June 30, 2023, the Commission implemented the provisions of *GASB Statement No. 87 – Leases*. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimate affecting the financial statements is as follows:

Management’s estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Commission’s financial statements relates to:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the Commission’s capital assets, net in Note 3 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management.

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on page 4 discloses all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 16, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedules of the Commission’s Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Commission and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Conclusion

We appreciate the cooperation extended us by Morgan Bing, Clerk Analyst, and Rob Fitzroy, Executive Officer at the San Luis Obispo Local Agency Formation Commission, in the performance of our audit testwork. We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Commission.

C.J. Brown & Company, CPAs

Cypress, California

May 16, 2024

Local Agency Formation Commission of San Luis Obispo County
Audit Adjusting and Reclassifying Journal Entries
June 30, 2023

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To recognize prior year expenses as of June 30, 2022.			
3350000	Fund Balance Available	\$ 4,400.00	
5050320	Outside Legal Counsel Srv		4,400.00
Adjusting Journal Entries JE # 2			
To accrue payroll as of June 30, 2023.			
2000014	Accounts Payable Recon-Special Districts	6,067.65	
CJB0001	Accrued Payroll		6,067.65
Adjusting Journal Entries JE # 3			
To record right to use asset per GASB 87 implementation			
CJB0002	Right to use asset	199,683.24	
CJB0005	Interest expense - leases	3,089.46	
CJB0007	Amortization expense	33,280.54	
5050405	Rents & Leases-Structures/Impr/Grounds		31,910.54
5050405	Rents & Leases-Structures/Impr/Grounds		3,089.46
CJB0003	Accumulated depreciation - right to use asset		33,280.54
CJB0004	Lease obligation		167,772.70
Adjusting Journal Entries JE # 4			
To reconcile lease payments made in FY 2023			
5050405	Rents & Leases-Structures/Impr/Grounds	3,056.45	
CJB0006	Prepaid rent	3,500.00	
3350000	Fund Balance Available		3,056.45
5050405	Rents & Leases-Structures/Impr/Grounds		3,500.00
Adjusting Journal Entries JE # 5			
To accrue expenses incurred as of June 30, 2023			
5050320	Outside Legal Counsel Srv	2,600.00	
2000014	Accounts Payable Recon-Special Districts	\$	2,600.00

**Local Agency Formation Commission of San Luis Obispo County
Audit Adjusting and Reclassifying Journal Entries, continued
June 30, 2023**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
To record net pension liability and related pension components.			
SLOLAFCO1	Deferred pension outflows	\$ 467,066.11	
SLOLAFCO4	GASB 68 Pension Expense	30,706.00	
SLOLAFCO5	Fund Balance - GASB 68	1,022,239.00	
5001522	Retirement-Employer		46,081.13
5001596	Retirement-Employer-POB		8,628.98
SLOLAFCO2	Net pension liability		1,052,739.00
SLOLAFCO3	Deferred pension inflows		412,562.00
Adjusting Journal Entries JE # 7			
To recognize compensated absences as of June 30, 2023.			
SLOLAFCO8	Fund balance - compensated absences	29,303.00	
SLOLAFCO6	Accrued compensated absences		26,535.00
SLOLAFCO7	Compensated absences	\$	2,768.00



San Luis Obispo Local Agency Formation Commission

COMMISSIONERS

Chairperson
MARSHALL OCHYLSKI
Special District Member

Vice-Chair
STEVE GREGORY
City Member

DEBBIE ARNOLD
County Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CARLA WIXOM
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: MAY 16, 2024

SUBJECT: CONSIDERATION OF THE FINAL FISCAL YEAR 2024-2025 BUDGET AND WORK PLAN

RECOMMENDATION

It is recommended that the Commission consider taking the following actions:

Action 1: Motion to adopt Resolution approving the Final Fiscal Year 2024-2025 Budget and Work Plan (Attachment A).

Action 2: Motion to direct the Executive Officer to distribute the Final Budget and Work Plan to contributing agencies per the government code.

Action 3: Motion to direct the Executive Officer to execute the agreement with the County Auditor for financial services (Attachment B).

SUMMARY

On April 18, 2024, the Commission held a duly noticed hearing for the Proposed Fiscal Year 24-25 (FY 24-25) Budget and Work Plan. A comprehensive staff report and presentation was provided, and a hearing was conducted as required by law. The Commission unanimously approved the Proposed FY 24-25 Budget and Work Plan as recommended by staff. The Proposed Budget and Work Plan was transmitted to all contributing agencies. As of the date of publication of this staff report, no comments have been received. For full report of the FY 24-25 Budget and Work Plan, please refer to the previously prepared April 18, 2024, staff report, available at slo.lafco.ca.gov. Today's hearing is to consider adoption, by resolution, of the Final FY 24-25 Budget and Work Plan.

Attachment A: Draft LAFCO Resolution No. 2024-___ Adopting the Final Fiscal Year 2024-2025 Budget and Work Plan

Exhibit A: Final FY 24-25 Budget & Work Plan

Attachment B: County Auditor Agreement

Attachment A

Draft LAFCO Resolution No. 2024-___ Adopting the Final Fiscal
Year 2024-2025 Budget and Work Plan

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

Thursday, May 16, 2024

RESOLUTION NO. 2024-___

**RESOLUTION ADOPTING THE FINAL FISCAL YEAR 2024-2025
BUDGET AND WORK PLAN**

The following resolution is now offered:

RECITALS

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

WHEREAS, the matter was set for public hearing at 9:00 a.m. on Thursday, April 18, 2024, and May 16, 2024, staff reports were prepared, and the hearing was conducted as required by law, and the LAFCO Fiscal Year 2024-2025 Budget and Work Plan was considered; and

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

WHEREAS, the Commission considered and approved the Fiscal Year 2024-2025 Proposed Budget and Work Plan at the April 18, 2024, meeting as recommended by staff and approved the Final Fiscal Year 2024-2025 Budget and Work Plan on May 16, 2024, as recommended by staff;

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

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

1. That the Recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by this reference.
2. That pursuant to Cortese-Knox-Hertzberg Act Section 56381(a), the Commission hereby adopts a Final Budget and Work Plan for Fiscal Year 2024-2025 as shown in Exhibit A attached hereto. The amount charged to the Cities, Special Districts, and the County, after deducting fees from applications and using of fund balance available is in Exhibit A attached hereto. This amount will be charged to contributing agencies based on the formula and procedure contained in the

Cortese-Knox-Hertzberg Act and as implemented by the County Auditor-Controller's office.

3. That the Commission finds that it can accomplish its legislative purpose and adopted work plan with the adopted budget as required by Cortese-Knox-Hertzberg Act Section 56381(a).
4. That the Executive Officer of this Commission is hereby authorized to transmit the Fiscal Year 2024-2025 Budget and Work Plan in the manner required by law.

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

AYES:

NAYS:

ABSENT:

ABSTAIN:

Marshall Ochylski, Chairperson Date
Local Agency Formation Commission

ATTEST:

Rob Fitzroy Date
LAFCO Executive Officer

APPROVED AS TO FORM AND LEGAL EFFECT:

Brian Pierik Date
LAFCO Legal Counsel



Final FY 24-25 Budget and Work Plan

Considered May 16, 2024

TABLE OF CONTENTS

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

ABOUT US

Commissioners

Chair: Marshall Ochylski, Special District Member

Vice Chair: Steve Gregory, City Member

Debbie Arnold, County Member

Jimmy Paulding, County Member

Robert Enns, Special District Member

Ed Waage, City Member

Heather Jensen, Public Member

Alternates

Carla Wixom, City Member

Dawn Ortiz-Legg, County Member

Ed Eby, Special District Member

David Watson, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Analyst

Morgan Bing, Clerk Analyst

Brian Pierik, Legal Counsel

Introduction

This document represents the Fiscal Year 2024-2025 Budget and Work Plan for the San Luis Obispo Location Agency Formation Commission.

Mission

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

Goals

LAFCO's goals are to:

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

Priorities

Our workload prioritization is as follows:

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

SLO LAFCO
FY 24-25 Budget & Work Plan

WORK PLAN

Project	Latest MSR Adopted	MSR Update Due Date	Status
Application Processing	N/A	N/A	Ongoing, Highest Priority
Commission Initiatives	N/A	NA	In Progress, Financial Audit - ETA 2024
Los Osos CSD MSR	Aug-14	Aug-19	In Progress, ETA 2024
San Simeon CSD MSR	Aug-14	Aug-19	In Progress, ETA 2024 (pending dissolution)
Cambria Healthcare District MSR	Aug-14	Aug-19	In Progress, ETA 2024
City of Paso Robles MSR	Feb-13	Feb-18	In Progress, ETA 2025
Coastal San Luis Resource Conservation District (RCD) MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Upper Salinas/Las Tablas RCD MSR	Nov-14	Nov-19	Initiate 2024, ETA 2024
Santa Margarita Fire District	Nov-14	Nov-19	Initiate 2024, ETA 2025
Garden Farms Water District	Nov-14	Nov-19	Initiate 2024, ETA 2025
Port San Luis Harbor District	Nov-14	Nov-19	Initiate 2024, ETA 2025
Cayucos Sanitary District	Jan-15	Jan-20	Initiate 2025, ETA 2025
Cal Valley CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Independence Ranch CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Linne CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Squire Canyon CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2025
Ground Squirrel Hollow CSD MSR	Dec-15	Dec-20	Initiate 2025, ETA 2026
City of San Luis Obispo MSR	Oct-16	Oct-21	Initiate 2025, ETA 2026
Shandon-San Juan Water District MSR	Oct-16	Oct-21	Initiate 2025, ETA 2026
City of Morro Bay MSR	Mar-17	Mar-22	Initiate 2025, ETA 2026
Estrella-El Pomar-Creston Water District MSR	Apr-17	Apr-22	Initiate 2026, ETA 2026
County Service Area 1 - and Nipomo Lighting District MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 7 - Oak Shore MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 9 - Los Osos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 10 - Cayucos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 12 - Lopez Water MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 16 - Shandon MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 18 - SLO Country Club MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 21 - Countywide Roads MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 22 - Airport Area MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
County Service Area 23 - Santa Margarita MSR	Aug-17	Aug-22	Initiate 2026, ETA 2026
Adelaida Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Arroyo Grande Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Atascadero Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Cambria Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Cayucos-Morro Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Pleasant Valley Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Paso Robles Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
San Miguel Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Santa Margarita Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Shandon Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Templeton Cemetery District MSR	Mar-18	Mar-23	Initiate 2027, ETA 2027
Nipomo CSD MSR	May-18	May-23	Initiate 2027, ETA 2027
City of Pismo Beach MSR	Sep-19	Sep-24	Up to Date
City of Atascadero MSR	Nov-19	Nov-24	Up to Date
City of Arroyo Grande MSR	Jul-20	Jul-25	Up to Date
City of Grover Beach	Jul-20	Jul-25	Up to Date
South County Sanitation District	Jul-20	Jul-25	Up to Date
Oceano CSD	Jul-20	Jul-25	Up to Date
Heritage Ranch CSD MSR	May-23	May-28	Up to Date
Templeton Community Services District (CSD) MSR	Nov-13	Nov-18	Up to Date
Avila Beach CSD MSR	Aug-23	Aug-19	Up to Date
Cambria CSD MSR	Aug-14	Aug-19	Up to Date
San Miguel CSD MSR	Nov-13	Nov-18	Up to Date

SLO LAFCO
FY 24-25 Budget & Work Plan

BUDGET

	Adopted FY 23-24	Projected Year End FY 23-24	Proposed FY 24-25	Increase / Decrease From FY 23-24
Expenditures Summary	\$711,653	\$691,037	\$727,856	2%
Revenues Summary	\$711,653	\$691,037	\$727,856	2%
<i>Services and Supplies Expenditure Details</i>				
Computer Software	\$500	\$456	\$1,000	100%
Copying-Printing	\$300	\$11	\$300	0%
Commission Meeting Expenses	\$600	\$600	\$600	0%
LAFCO Insurance Policies	\$20,000	\$18,675	\$20,000	0%
Maintenance-Equipment	\$30	\$125	\$300	900%
Maintenance-Software	\$50	\$50	\$500	900%
CALAFCO/ SDRMA / Other Memberships	\$8,800	\$7,223	\$9,000	2%
Employee Mileage Reimbursement	\$200	\$200	\$200	0%
Commissioner Mileage Reimbursement	\$1,500	\$800	\$1,500	0%
Office Supplies	\$2,500	\$1,200	\$2,500	0%
Custodial Services	\$1,800	\$1,800	\$1,800	0%
County Auditor Services	\$9,619	\$9,619	\$10,000	4%
Legal Counsel	\$32,400	\$32,400	\$33,600	4%
Postage	\$1,000	\$500	\$1,000	0%
General / Commissioner Stipends	\$39,000	\$27,674	\$15,000	-62%
Publication & Legal Notices	\$1,000	\$500	\$1,000	0%
Training	\$5,000	\$4,000	\$5,000	0%
Office Lease	\$42,000	\$42,000	\$42,000	0%
Large Equipment	\$1,500	\$1,500	\$2,000	33%
Small Equipment	\$400	\$400	\$600	50%
Telephone / Internet	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$2,500	\$1,700	\$3,000	20%
IT Support	\$850	\$0	\$850	0%
Vehicle Allowance	\$5,400	\$0	\$5,400	0%
Vehicle Rental	\$500	\$5,400	\$500	0%
<i>Services/ Supplies Subtotal</i>	<i>\$180,449</i>	<i>\$159,833</i>	<i>\$160,650</i>	<i>-11%</i>
<i>Salary, Benefits and Taxes Expenditures</i>				
Salaries	\$326,000	\$326,000	\$342,000	5%
Federal Taxes - FICA Social Security	\$20,212	\$20,212	\$21,204	5%
Federal Taxes - Medicare	\$4,727	\$4,727	\$4,959	5%
SLOCPT Pension Rate	\$102,882	\$102,882	\$112,440	9%
SLOCPT Pension Obligation Bond	\$17,882	\$17,882	\$19,303	8%
SDI/SUI Employer Contribution	\$1,500	\$1,500	\$1,500	0%
Health Insurance	\$48,000	\$48,000	\$55,800	16%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
<i>Salary, Benefits and Taxes Subtotal</i>	<i>\$531,204</i>	<i>\$531,204</i>	<i>\$567,206</i>	<i>7%</i>
Total Expenditures	\$711,653	\$691,037	\$727,856	2%
<i>Revenues</i>				
Interest Earned	\$4,000	\$8,884	\$9,000	125%
Environmental Review Fees	\$3,000	\$3,500	\$3,000	0%
Sphere of Influence Fees	\$2,000	\$6,000	\$3,000	50%
Application Processing Fees	\$23,000	\$23,000	\$24,000	4%
Other Revenue (Transfer of Reserves)	\$60,000	\$30,000	\$30,000	-50%
<i>Agency Contributions</i>				
Cities	\$206,551	\$206,551	\$219,619	6%
County	\$206,551	\$206,551	\$219,619	6%
Special Districts	\$206,551	\$206,551	\$219,619	6%
Total Revenue	\$711,653	\$691,037	\$727,856	2%
Reserves Fund Balance	\$220,419	\$250,419	\$220,419	0%

Attachment B

County Auditor Agreement



April 1, 2024

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

We are pleased to confirm our understanding of the terms and costs of our services under this agreement for the 2024-2025 fiscal year.

Scope of Services

We will provide the following services:

1. **General Accounting** - includes use of the County's centralized accounting system and recording of financial system entries submitted by the agency. Transactions will be reviewed for authorization by appropriate agency personnel prior to processing. In addition, access to the accounting system's financial reports will be available to the agency as needed.
2. **Accounts Payable** - includes processing payment claims by warrant or ACH. Claims will be reviewed to validate two authorized agency signers have approved the payment prior to processing, recording and mailing payments. Any invoices submitted with payment claims will be scanned and archived for retention. Review of invoices for mathematical accuracy and appropriateness of expenditure is not part of this service agreement.
3. **Accounting Support** - includes recording your Agency's budget, ensuring expenditures do not exceed authorized budget, responding to routine inquiries, working with external auditors, and replying to bank confirmations.
4. **Term** - Our services and responsibility end on June 30, 2025.

Our Responsibilities

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

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

Your Responsibilities

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

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

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

Annual Cost and Billing

The annual cost for the services identified above is \$9,879. The cost increase over the prior year is attributed to a change in the Consumer Price Index (CPI-U) of 2.7%, based on the Los Angeles-Riverside-Anaheim region and using July as a base month. Your agency will be billed by journal entry during the first quarter of the fiscal year for the entire annual costs. A copy of the journal entry will be provided to your agency.

Agreement

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

Sincerely,



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

Authorized Signature Director _____ Date _____

Authorized Signature Board Chair _____ Date _____