



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: DECEMBER 18, 2025

SUBJECT: FIRST QUARTER FISCAL YEAR 2025-2026 BUDGET STATUS AND WORK PLAN REPORT

RECOMMENDATION

Action: Review and approve the first quarter budget and work plan report for Fiscal Year 2025-2026 and direct the Executive Officer to file it with the County Auditor.

BUDGET OVERVIEW

This report is the first Fiscal Year (FY) 2025-2026 quarterly report for the San Luis Obispo Local Agency Formation Commission (LAFCO). The LAFCO operating budget is comprised of four components: 1) salaries, payroll taxes, and benefits, 2) services and supplies, 3) revenues, and 4) fund balance and reserves. Day-to-day management of the budget is based on “bottom-line” principles that allow for variation within individual line-item accounts as long as the overall expenditures remain within the approved budget.

LAFCO’s budget is funded by the County, Cities, and Independent Special Districts. City and District shares are pro-rated based on general revenues reported to the State Controller’s Office on an annual basis. LAFCO also receives revenue from application fees and interest earnings.

The County Auditor Controller provides LAFCO with various financial services. Every financial transaction of LAFCO is processed through the County Auditor’s financial system. This approach ensures accuracy, transparency, and accountability. The County Auditor’s Office also provides LAFCO with claims processing, invoicing, and financial review services. The Auditor’s financial tracking system assists LAFCO in monitoring the budget, compiling budget report data, and providing an independent review of the budget.

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QUARTERLY BUDGET SUMMARY

Executive Officer Comments. The first quarter's budget actuals indicate that LAFCO continues to be in a strong budgetary position. Expenditures are as expected within the first quarter. With 25% of the fiscal year complete, revenues are 89% realized.

Expenditures. Overall, first-quarter expenditures are at 28%, with 25% of the fiscal year complete, as expected. A detailed budget report is provided in Attachment A. Below is a brief summary of line-item expenditures:

- Salaries and benefits are 27% expended.
- Services and Supplies are 31% expended.

LAFCO uses a credit card from a program implemented by the Special District Risk Management Association (SDRMA) for public agencies. LAFCO's policy is to pay each bill in full each month. The statements for July, August, and September are included as Attachment B. Additionally, with any "significant value" (i.e., a purchase over \$400), a receipt is provided for that item for further transparency.

- **July:** Adobe Subscription \$155.88, Microsoft Subscription \$52.52, Smart and Final Commission Meeting Snacks \$14.99, Canva Business Cards \$22.00, County Clerk Recorder Filing Fees \$247.47
- **August:** Microsoft Subscription \$52.52, CALAFCO Conference Registration \$700.00, Trophy Hunters Name Plate \$13.01, Late Fee and Finance Charge \$44.20 (corrected on subsequent statement)
- **September:** Reversed Late Fee and Finance Charge -\$44.20, Microsoft Subscription \$52.52, League of California Cities Conference \$425.00, County Clerk Recorder Filing Fees \$82.49, Association of Environmental Professionals CEQA Workshop \$810.00, CSDA Meeting Luncheon \$25.00

Revenues. Overall, revenues are 89% realized through the first quarter. Contributing agencies (Cities, Special Districts, and the County) have paid 97% of the LAFCO contributions billed in the first quarter by the County Auditor. Application fees have been 9% realized.

It is important to note that the line item identified as "pass-through revenue" is specifically related to revenue received for litigation related to the Dana Reserve Specific Plan. As per our indemnification policy, the applicant was required to submit a deposit to offset any expenses incurred related to the litigation. Staff time and legal counsel time are billed against the deposit. This is a temporary revenue source and is only for pass-through purposes, and as such, it is not included in the general revenue line item. Once the litigation is resolved, any remaining funds will be refunded to the applicant.

Fund Balance (Reserves). Fund Balance is the LAFCO reserve of funds for various expenditures. Fund Balance expenditure requires Commission approval. The current fund balance available is \$254,363.

WORK PLAN QUARTERLY UPDATE

Work Plan Update. In conjunction with the FY 2025-2026 budget process, the Commission adopted an accompanying Work Plan for FY 2025-2026. Our adopted work prioritization is as follows:

1. Process proposal applications as mandated by statute and conduct critical operations necessary for the organization to function.
2. Prepare Municipal Service Reviews (MSRs) as mandated by statute, based on the date an MSR was last updated.
3. Execute special work efforts as directed by the Commission.

Consistent with the priorities established by the Commission for the FY 2025-2026 Work Plan, during the first quarter, staff have been diligently working on the following items:

- Special District Alternate Member Request for Nominations and Elections
- CSA 23 Annexation (Post-Approval Items)
- City of SLO Detachment (Hearing & Approval)
- Continued proposal processing of two Nipomo CSD annexations, and annexations into special independent districts
- Santa Margarita Fire Protection District MSR (Hearing & Approval)
- Coastal San Luis Resource Conservation District MSR (Hearing & Approval)
- Los Osos CSD MSR (Hearing & Approval)
- City of Paso Robles MSR (in progress)
- San Simeon CSD MSR (initiated – paused pending dissolution action, but staff involvement still required)
- Upper Salinas - Las Tablas Resource Conservation District MSR (Continued)
- Port San Luis Harbor District MSR (in progress)
- California Valley CSD MSR (in progress)
- Independence Ranch CSD MSR (in progress)
- Linne CSD MSR (in progress)
- Squire Canyon CSD MSR (in progress)
- Ground Squirrel Hollow CSD MSR (in progress)
- Shandon San Juan Water District MSR (in progress)
- Estrella - El Pomar - Creston Water District MSR (in progress)
- Garden Farms Water District MSR (in progress)
- Conducted ongoing critical operations, invoicing, payroll, records management, office administration, and directory update
- Additional work efforts include attendance/presentations at various district public meeting to discuss LAFCO processes, response to numerous public inquiries regarding annexations, incorporations, and dissolutions, coordination with numerous districts and cities regarding potential future annexations, coordination with districts regarding activation/divestiture of powers, responses to Public Record Act requests, reorganizing our record management systems, and LAFCO maps/GIS Boundary Data maintenance

Significant Project Status Updates

Below is a brief summary of the current status of significant applications currently in process or items that will be forthcoming in the near future:

- **San Simeon CSD Dissolution** – The San Simeon CSD submitted a Resolution of Application to LAFCO on May 30, 2024. As required by the Government Code, staff provided a 30-day review letter, a copy of which was provided to your Commission. The dissolution is currently on information hold. In brief, the County, the proposed successor agency, requested time to study the issue and would like to explore options. The LAFCO 30-day response letter details some of the items that need to be analyzed, much of which depends on how the County would like to proceed as the successor agency. The process requires a comprehensive analysis of existing and future governance structures and the services to be provided. It requires a detailed Plan for Service pursuant to Government Code Section 56653. The District and County have worked together and commenced a study to this end. The study is expected in December 2025. Subsequently, County staff will return to the Board of Supervisors to report on the study and obtain further direction. No date has been set. We continue to receive a number of inquiries on this matter.
- **Dana Reserve Specific Plan** – The Commission approved the annexation into Nipomo CSD on November 14, 2024. All post-approval requirements are complete; however, within the 30-day statute of limitations, a lawsuit was filed against LAFCO related to the Environmental Impact Report. A settlement agreement was reached, and the LAFCO lawsuit was stayed. In November 2025, the County Board of Supervisors approved a number of changes consistent with the settlement agreement. The lawsuit against LAFCO is expected to be withdrawn after 90 days from the November approval. Staff will provide updates as necessary.
- **Annexations into Nipomo CSD (Robins and Murguia)** – Two applications for annexation of single-family lots into the Nipomo CSD are currently on information hold pending completion of several required items before processing can continue. At this time, no hearing date has been scheduled.
- **Annexation to County Service Area 23** – The County of SLO submitted a Resolution of Application to LAFCO on June 22, 2023. Staff deemed the application complete and issued a Certificate of Filing on December 4, 2024, and set the item for hearing on January 16, 2025. The Commission approved the proposal, and staff are working on post-approval items. A time extension request will be considered by the Commission on December 18, 2025.
- **Shandon San Juan Water District Annexation** – A landowner petition of application request to annex approximately 4,000 acres into the District has been formally submitted. The proposal was reviewed within the 30-day review period and placed on hold for multiple reasons. The primary issue with the proposed annexation, as identified by the County, is that it would require a boundary modification to the County Groundwater Sustainability Agency (GSA) boundary. Currently, the County does not allow any new wells within the Paso Robles Groundwater Basin within the County's GSA boundary; however, Shandon San Juan Water District does allow new wells if certain criteria are met. Should the County allow the boundary modification, it would allow increased groundwater extraction that was not otherwise allowed. This matter would have significant

implications for the Paso Robles Groundwater Basin Groundwater Sustainability Plan and may trigger environmental review under the California Environmental Quality Act (CEQA). The County and the District are actively in discussions on this matter. Staff will keep the Commission apprised as this develops.

Work Plan Projections. Looking ahead, we expect the workload to remain high and staff to be operating at full capacity. We will be focused on MSR and applications as allowed.

TENTATIVE FUTURE MEETING SCHEDULE

- January 2026 – City of Paso Robles MSR, Estrella- El Pomar-Creston Water District MSR, Q2 Budget Report, Chair and Vice-Chair Appointments
- February 2026 – California Valley CSD MSR
- March 2026 – Independence Ranch MSR, Ground Squirrel Hollow MSR, and Squire Canyon MSR
- April 2026 – Proposed Fiscal Year 2026-27 Budget and Work Plan
- May 2026 – Final Fiscal Year 2026-27 Budget and Work Plan

ATTACHMENTS

Attachment A: Quarterly Budget Status Report

Attachment B: Credit Card Statements