



San Luis Obispo Local Agency Formation Commission

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Executive Officer

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Analyst

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Analyst

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Commission Clerk

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Legal Counsel

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: APRIL 17, 2025

SUBJECT: PROPOSED FISCAL YEAR 2025-2026 BUDGET AND WORK PLAN

RECOMMENDATION

Action: Approve the Proposed Fiscal Year 2025-2026 Budget and Work Plan (Attachment A), direct the Executive Officer to distribute the Proposed Budget and Work Plan to contributing agencies per government code requirements, and set the Final Budget and Work Plan hearing for May 15, 2025.

INTRODUCTION

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

FY 25-26 BUDGET AND WORK PLAN SUMMARY

LAFCO is in a healthy budgetary and operational state. Staff continue to bring positive, effective, and efficient changes to the organization. Numerous improvements to processes, operations, technology, communication, and budgeting have occurred. In August/September 2024, the Commission approved the addition of a ¾ time Commission Clerk position and converted the previous Clerk Analyst position to an Analyst position in an effort to increase overall workload capacity and deliverables. This will be the first regular budget cycle with

the $\frac{3}{4}$ time Commission Clerk position and converted Analyst position, thus, there is a slightly larger than normal increase in the overall budget when compared to past budget cycles. In addition, we have selected a new General Legal Counsel, and it is expected that expenses related to legal services will increase modestly.

The Fiscal Year 2025-2026 (FY 25-26) budget will remain balanced and represents an overall increase of 12%, totaling \$877,831.

LAFCO staff workload continues to be significant. With many Municipal Service Reviews (MSRs) in need of updating, multiple large-scale changes of organization in process and on the horizon, and an overall increase in application activity, we anticipate the next several years to be very busy for staff. However, with the recent addition of the Commission Clerk position and conversion of the Clerk Analyst to Analyst, workload capacity will increase once staff have been fully trained. With the additional capacity gained by these staffing changes, this year, we intend to focus on the MSR program so that within approximately two years, we will achieve a routine 5-year cycle for all 53 agencies we prepare MSR/SOI updates for, as required by government code.

WORK PLAN

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

1. Process proposal applications as mandated by statute and conduct critical operations necessary for organizations to function.
2. Update agency SOIs and MSRs every five years, as mandated by statute, based on the date an MSR was last updated.
3. Execute special work efforts as directed by the Commission.

These priorities are established in the manner listed above for a few key reasons. Processing proposal applications is by default our top priority because of the mandated timeframes in which an application must be processed. SOIs and MSRs are also mandated by law; however, the timeframe associated with updating an SOI is longer. SOIs must be updated every 5 years, though we are not able to keep pace with updating them every 5 years as we must prioritize applications and other matters. The attached Work Plan is consistent with this mandate because it lists MSRs that need updating based on which is the oldest. It is our goal to achieve a 5-year cycle within two years with the additional resources the Commission has recently approved. While prioritizing the oldest MSR is a logical approach, there may be instances where it is necessary to delay an update for a particular reason and prioritize another agency's MSR should the commission decide to do so. Nonetheless, MSRs will generally be updated based on that which is oldest.

FY 24-25 Results. For FY 24-25, pursuant to the Commission's top priority, staff prioritized the processing of various applications, including:

- Dana Reserve Specific Plan Annexation into Nipomo CSD

- Oceano Community Services District Divestiture of Fire Authority
- CSA 23 Annexation – Santa Margarita Ranch
- San Simeon CSD Dissolution
- City of San Luis Obispo Detachment
- City of Pismo Beach Outside Agency Agreement
- Shandon San Juan Water District Annexation
- Cayucos Sanitary District – Valley and Stanley Projects

In addition to the above proposal applications, staff provided preliminary consultation for future applications, various legislative updates, quarterly reports, various closed session items, and study sessions.

Pursuant to the Commission's second priority and identified to be initiated in FY 24-25, staff initiated and/or completed Municipal Services Reviews for the following agencies:

- Cambria Healthcare District (completed)
- City of Paso Robles (in progress)
- Los Osos Community Services District (in progress)
- San Simeon Community Services District (initiated – paused pending dissolution action)
- Upper Salinas / Las Tablas Resource Conservation District (in progress)
- Coastal San Luis Resource Conservation District (in progress)
- Santa Margarita Fire District (in progress)
- Port San Luis Harbor District (in progress)
- California Valley Community Services District (in progress)
- Independence Ranch Community Services District (in progress)
- Linne Community Services District (in progress)
- Squire Canyon Community Services District (in progress)
- Ground Squirrel Hollow Community Services District (in progress)
- Shandon San Juan Water District (in progress)
- Estrella El Pomar Creston Water District (in progress)
- Garden Farms Water District (in progress)

FY 25-26 Work Plan. The proposed Work Plan for FY 25-26 is included in Attachment A. For FY 25-26, it is recommended that Priorities #1 and #2 remain the same; that is, staff will continue to process applications and prepare Municipal Services Reviews as efficiently as possible. No new Commission Initiatives are proposed by staff at this time.

Staffing. LAFCO staffing is currently comprised of four permanent staff: one Executive Officer, two Analysts, and a $\frac{3}{4}$ time Commission Clerk, as well as one contract legal counsel. As noted, the Commission recently approved the additional Commission Clerk position, which is expected to increase capacity. A key goal with these staffing changes is to achieve a 5-year routine cycle for MSRs within 2 years.

FY 2025-2026 BUDGET

Expenditures. Overall, FY 25-26 expenditures, when compared to the previous fiscal year, are proposed to increase by **12%** to \$877,831. The budget will remain balanced based on anticipated revenue, as discussed further below. The expenditure details are as follows.

Service and Supplies. Overall, FY 25-26 Services and Supplies expenditures are proposed to increase by **8%** to \$173,650. Increases are generally related to general consumer price index cost increases for goods/services and the addition of a new staff member, which results in the need for more office items, software licenses, etc. Increases can be seen in the following line items:

- Computer software
- Office equipment
- LAFCO Insurance Liability Policies
- County Auditor Services
- Legal Counsel Services
- Professional Memberships
- Travel (training, conferences, etc.)

Salaries, Taxes, and Benefits. Overall, FY 25-26 Salaries, Benefits, and Taxes are proposed to increase by **13%** to \$704,181. The single largest increase is directly due to the newly added Commission Clerk position and converted Analyst position approved mid-year by the Commission in September 2024, as this is the first budget cycle that reflects these additional expenses/positions. In general, increases in this category relate to the following factors:

- New Position – Commission Clerk
- Modified Position – Analyst
- New Legal Counsel
- Pension Liabilities
- Health Insurance
- Taxes
- Cost of living adjustments (3.5%) /merit-based adjustments (variable based on position)

Revenues. Commensurate with the increase in expenditures discussed above, revenues will be **12%** higher for FY 25-26 when compared to the previous fiscal year. Further details are below.

Application / Interest Revenue. It is always difficult to predict how many applications will be received. We have conservatively assumed that application/interest revenue will remain constant and will not increase from the previous year. We have processed several applications this year, and we expect a similar number of applications for FY 25-26 based on discussions with agencies, preapplication activity, and discussions with potential applicants.

Agency Contributions. Agency contributions for cities, districts, and the county are anticipated to increase by **20%**, to \$262,944. This is slightly larger than the usual increase primarily related to

the newly added/converted positions, as well as other expenditures noted above. This amount is proportionately divided among cities/districts based on an agency's total revenue as reported to the State Controller. The County Auditor uses the most recent Cities and Special Districts Annual Report prepared by the State Controller to allocate the charges to each of the agencies in the County on a proportionate basis, and as such, it is important to note that agencies do not necessarily see an increase of 20%.

Reserves. For FY 24-25, LAFCO planned to use \$84,105 of reserves; however, we anticipate the need to only use \$58,703 of reserves based on unanticipated exceedance of revenue projections for application processing (noted above). For FY 25-26, we recommend using a transfer of \$50,000 of reserves *if* needed at year end. The Commission has adopted a reserve/fund balance policy of maintaining at least a 15% reserve fund balance. It is anticipated that the year-end reserve fund balance for FY 25-26 will be \$192,170 if we need to use the entire \$50,000. This remaining amount exceeds the 15% contingency policy of LAFCO and would result in a reserve of approximately 22%.

Distribution. As required by Government Code Section 56381, the proposed budget has been transmitted to the Board of Supervisors, each City Manager, and each Independent Special District. The budget has also been sent to the County Administrative and Auditor's Offices. A legal notice was published 21 days in advance of the hearings.

ATTACHMENTS

Attachment A: Proposed FY 25-26 Budget & Work Plan

Attachment A

Proposed FY 25-26 Budget & Work Plan



Final FY 25-26 Budget and Work Plan

Adopted May 15, 2025

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ABOUT US

Commissioners

Chair: Steve Gregory, City Member

Vice Chair: Heather Moreno, County Member

Dawn Ortiz-Legg, County Member

Ed Waage, City Member

Robert Enns, Special District Member

Vacant, Special District Member

Dave Watson, Public Member

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Bruce Gibson, County Member

Carla Wixom, City Member

Ed Eby, Special District Member

Michael Drazee, Public Member

Staff

Rob Fitzroy, Executive Officer

Imelda Marquez-Vawter, Analyst

Morgan Bing, Analyst

Melissa Morris, Commission Clerk

Holly Whatley, Legal Counsel

Introduction

This document represents the Fiscal Year 2025-2026 Budget and Work Plan for the San Luis Obispo Location Agency Formation Commission.

Mission

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

Goals

LAFCO's goals are to:

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

Priorities

Our workload prioritization is as follows:

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

WORK PLAN

Project	Latest MSR Adopted	MSR Update Due Date	Status
Application Processing	N/A	N/A	Ongoing, Highest Priority
Commission Initiatives	N/A	NA	No Active Initiatives
Los Osos CSD MSR	Aug-14	Aug-19	In Progress, ETA 2025
San Simeon CSD MSR	Aug-14	Aug-19	On Hold - Pending Active Dissolution
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	In Progress, ETA 2025
Upper Salinas-Las Tablas RCD MSR	Nov-14	Nov-19	In Progress, ETA 2025
Santa Margarita Fire Protection District	Nov-14	Nov-19	In Progress, ETA 2025
Garden Farms Community Water District	Nov-14	Nov-19	In Progress, ETA 2025
Port San Luis Harbor District	Nov-14	Nov-19	In Progress, ETA 2025
Cayucos Sanitary District	Jan-15	Jan-20	Initiate 2025, ETA 2026 (Pending Potential Reorg)
Cal Valley CSD MSR	Dec-15	Dec-20	In Progress, ETA 2025
Independence Ranch CSD MSR	Dec-15	Dec-20	In Progress, ETA 2025
Linne CSD MSR	Dec-15	Dec-20	In Progress, ETA 2025
Squire Canyon CSD MSR	Dec-15	Dec-20	In Progress, ETA 2025
Ground Squirrel Hollow CSD MSR	Dec-15	Dec-20	In Progress, ETA 2025
Shandon-San Juan Water District MSR	Oct-16	Oct-21	In Progress, ETA 2025
Estrella-El Pomar-Creston Water District MSR	Apr-17	Apr-22	In Progress, ETA 2025
City of San Luis Obispo MSR	Oct-16	Oct-21	Initiate 2026, ETA 2026
City of Morro Bay MSR	Mar-17	Mar-22	Initiate 2026, ETA 2026
County Service Area 1 - and Nipomo Lighting District MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 7 - Oak Shore MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 9 - Los Osos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 10 - Cayucos MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 12 - Lopez Water MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 16 - Shandon MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 18 - SLO Country Club MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 21 - Countywide Roads MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 22 - Airport Area MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
County Service Area 23 - Santa Margarita MSR	Aug-17	Aug-22	Initiate 2026, ETA 2027
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	Initiate 2027, ETA 2027
City of Atascadero MSR	Nov-19	Nov-24	Initiate 2027, ETA 2027
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	Apr-23	Apr-28	Up to Date
Templeton Community Services District (CSD) MSR	Aug-23	Aug-28	Up to Date
San Miguel CSD MSR	Oct-23	Oct-28	Up to Date
Avila Beach CSD MSR	Jan-24	Jan-29	Up to Date
Cambria CSD MSR	Jan-24	Jan-29	Up to Date
Cambria Community Healthcare District MSR	May-24	May-29	Up to Date

SLO LAFCO
FY 25-26 Budget & Work Plan

BUDGET

	Adopted FY 24-25	Projected Year End FY 24-25	Proposed FY 25-26	Increase / Decrease From FY 24-25
Expenditures Summary	\$781,961	\$781,961	\$877,831	12%
Revenues Summary	\$781,961	\$781,961	\$877,831	12%
<i>Services and Supplies Expenditure Details</i>				
Vehicle Stipend	\$5,400	\$5,400	\$5,400	0%
Vehicle Rental	\$500	\$500	\$500	0%
Computer Software	\$1,000	\$1,000	\$2,000	100%
Copying-Printing	\$300	\$300	\$300	0%
Commission Meeting Expenses	\$600	\$745	\$600	0%
LAFCO Insurance Policies	\$20,000	\$18,041	\$22,000	10%
IT Support	\$850	\$850	\$850	0%
Maintenance-Equipment	\$300	\$300	\$500	67%
Maintenance-Software	\$500	\$657	\$500	0%
CALAFCO/ SDRMA / Other Memberships	\$9,000	\$7,498	\$9,000	0%
Employee Mileage Reimbursement	\$200	\$200	\$200	0%
Commissioner Mileage Reimbursement	\$1,500	\$1,500	\$1,500	0%
Office Supplies	\$2,500	\$3,500	\$3,000	20%
Custodial Services	\$1,800	\$1,800	\$1,800	0%
County Auditor Services	\$10,000	\$9,879	\$10,500	5%
Legal Counsel	\$33,600	\$33,600	\$38,000	13%
Postage	\$1,000	\$1,000	\$1,000	0%
General / Commissioner Stipends	\$15,000	\$12,206	\$17,000	13%
Publication & Legal Notices	\$1,000	\$1,000	\$1,000	0%
Training	\$5,000	\$5,000	\$6,000	20%
Office Lease	\$42,000	\$42,000	\$42,000	0%
Large Equipment	\$2,000	\$2,000	\$3,000	50%
Small Equipment	\$600	\$600	\$1,000	67%
Telephone / Internet	\$3,000	\$3,000	\$3,000	0%
Travel Expenses	\$3,000	\$3,000	\$3,000	0%
<i>Services/ Supplies Subtotal</i>	<i>\$160,650</i>	<i>\$155,576</i>	<i>\$173,650</i>	<i>8%</i>
<i>Salary, Benefits and Taxes Expenditures</i>				
Salaries	\$396,105	\$401,179	\$427,610	8%
Federal Taxes - FICA Social Security	\$21,204	\$21,204	\$26,509	25%
Federal Taxes - Medicare	\$4,959	\$4,959	\$6,200	25%
SLOCPT Pension Rate	\$112,440	\$112,440	\$145,904	30%
SLOCPT Pension Obligation Bond	\$19,303	\$19,303	\$18,358	-5%
SDI/SUI Employer Contribution	\$1,500	\$1,500	\$0	-100%
Health Insurance	\$55,800	\$55,800	\$69,600	25%
Deferred Compensation	\$10,000	\$10,000	\$10,000	0%
<i>Salary, Benefits and Taxes Subtotal</i>	<i>\$621,311</i>	<i>\$626,385</i>	<i>\$704,181</i>	<i>13%</i>
Total Expenditures	\$781,961	\$781,961	\$877,831	12%
<i>Revenues</i>				
Interest Earned	\$9,000	\$13,276	\$9,000	0%
Environmental Review Fees	\$3,000	\$3,000	\$3,000	0%
Sphere of Influence Fees	\$3,000	\$3,000	\$3,000	0%
Application Processing Fees	\$24,000	\$45,126	\$24,000	0%
Other Revenue (Transfer of Reserves)	\$84,105	\$58,703	\$50,000	-41%
<i>Agency Contributions</i>				
Cities	\$219,619	\$219,619	\$262,944	20%
County	\$219,619	\$219,619	\$262,944	20%
Special Districts	\$219,619	\$219,619	\$262,944	20%
Total Revenue	\$781,961	\$781,961	\$877,831	12%
Reserves Fund Balance	\$216,768	\$242,170	\$192,170	-11%