



Administrative Draft

Shandon - San Juan Water District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted ____, 2025

Resolution No. 2025 - __

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ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

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

Planning Responsibilities

LAFCOs inform their regulatory actions, in part, through two central planning responsibilities: (a) making sphere of influence determinations and (b) preparing municipal service reviews. With this, and other relevant information in the record, LAFCO makes decisions on a variety of matters, including but not limited to annexations to cities and special districts, city incorporations, activation of powers for special districts, dissolutions of special districts, etc.

Sphere of Influence

A Sphere of Influence (SOI) is defined by Government Code Section 56425 as a plan for the probable physical boundary and service area of a local agency or municipality. An SOI is generally considered a 20-year, long-range planning tool. LAFCOs establish, amend, and update SOIs for all applicable jurisdictions in California every five years, or as necessary. When updating an SOI, LAFCOs are required to consider and prepare a written statement of their determinations concerning each of the following five factors:

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

The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities.

Municipal Service Reviews

Municipal Service Reviews (MSRs), in contrast, are intended to inform, among other activities, SOI determinations. LAFCOs also prepare MSRs regardless of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. When updating an MSR, LAFCOs are required to consider and prepare written statements of their determinations with respect to each of the following seven factors:

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

LAFCO Decision-Making

LAFCO decisions are legislative in nature and, therefore, are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals, so long as they do not establish any terms that directly affect land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprised of county supervisors, city council members, independent special district members, a representative of the general public, and an alternate member for each category. SLO LAFCO is governed by a seven-member board comprised of two county supervisors, two city council members, two independent special district members, one representative

of the general public, and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs are independent of local government, with their own staff. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCOs must also appoint their own legal counsel.

SLO LAFCO

Regular Commissioners

Chair Steve Gregory	City Member
Vice Chair Heather Moreno	County Member
Dawn Ortiz-Legg	County Member
Ed Waage	City Member
Edy Eby	Special District Member
Navid Fardanesh	Special District Member
David Watson	Public Member

Alternate Commissioners

Bruce Gibson	County Member
Carla Wixom	City Member
Vacant	Special District Member
Michael Draze	Public Member

Staff

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

Contact Information

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

Acknowledgments

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

Stephanie Bertoux, Secretary/Treasurer

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DISTRICT MSR & SPHERE OF INFLUENCE STUDY

Overview

This report represents San Luis Obispo LAFCO's first scheduled municipal service review (MSR) for the Shandon-San Juan Water District (SSJWD or District) since the District was formed in 2017. The report has been prepared by staff in accordance with the requirements of the Government Code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years, or as seen 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 District, subject to the Commission's oversight. Information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere of influence updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

The period for collecting data to inform the Commission's analysis reflects information since the District was formed in 2017. The financial analysis has been set to cover the last five-year budgeted and 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.

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

At A Glance

Table 1: District Profile

Agency Name	Shandon-San Juan Water District
Formation	2017
Legal Authority	California Water Code, Section 34000 et seq.
Mailing Address	P.O. Box 150, Shandon, CA 93461
Website	www.ssjwd.org
Secretary/Treasurer	Stephanie Bertoux
Public Meetings	The Board of Directors meets on the fourth Wednesday of each month at 9 AM at 3385 Truesdale Road, Shandon, CA 93461.
Board of Directors	Five members elected to four-year terms
District Service Area	108,338 acres

Background

The Shandon-San Juan Water District (SSJWD or District) was formed by a petition of landowners under the provisions of Government Code Section 56000 et. seq. The District is a landowner-voter district¹ and its primary purpose at formation was to enable participating landowners to comply with the Sustainable Groundwater Management Act (SGMA) by creating a water district that could also serve as a Groundwater Sustainability Agency (GSA), as permitted under SGMA.

Enacted on January 1, 2015, SGMA provides a framework for the sustainable, long-term management of groundwater resources by local agencies, with provisions for state oversight if local efforts are insufficient. The legislation required the formation of GSAs by June 2017 and the adoption of Groundwater Sustainability Plans (GSPs) by January 31, 2020.

Unlike traditional water service providers, SSJWD does not deliver water or infrastructure services. Instead, it functions primarily as a representative entity for landowners who voluntarily choose to “opt

¹ “Landowner-voter district” means a district whose principal act provides that owners of land within the district are entitled to vote upon the election of district officers, the incurring of bonded indebtedness, or any other district matter.

in,” ensuring their interests are reflected in groundwater management efforts under SGMA by the SSJWD.

Population Profile

The SSJWD serves a broad agricultural area in northeastern unincorporated San Luis Obispo County. Due to the District’s irregular and non-contiguous boundaries, precise population data is not readily available. However, regional forecasts from the San Luis Obispo Council of Governments (SLOCOG) indicate slow growth in the broader unincorporated North County Area, which encompasses SSJWD. According to SLOCOG projects, the North County population is expected to increase from approximately 35,460 in 2025 to 36,961 by 2060, reflecting a growth rate of 0.12% per year over the 35-year period.²

Given SSJWD’s primarily agricultural land use and limited residential infrastructure, population growth within the District is similarly expected to remain gradual and low-density. Data from the County Clerk-Recorder’s Office suggests there are roughly 60 registered voters within SSJWD. While voter registration is not a precise measure of population, it offers a general sense of the District’s residential density. Overall, while SSJWD may experience incremental growth, it is expected to remain a sparsely populated area. Future growth will likely be closely tied to resource availability, land use planning, and agricultural priorities.

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate Disadvantaged Unincorporated Communities (DUCs) as part of this MSR, including the location and characteristics of any such community. Per Government Code Section 56033.5, a DUC is defined as any area with 12 or more registered voters where the median household income (MHI) is less than 80 percent of the statewide MHI. Once the locations of the DUCs have been identified, LAFCOs are further required to evaluate any present and probable need for services related to sewer, municipal/ industrial water, or structural fire protection of any DUC within the existing SOI. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while

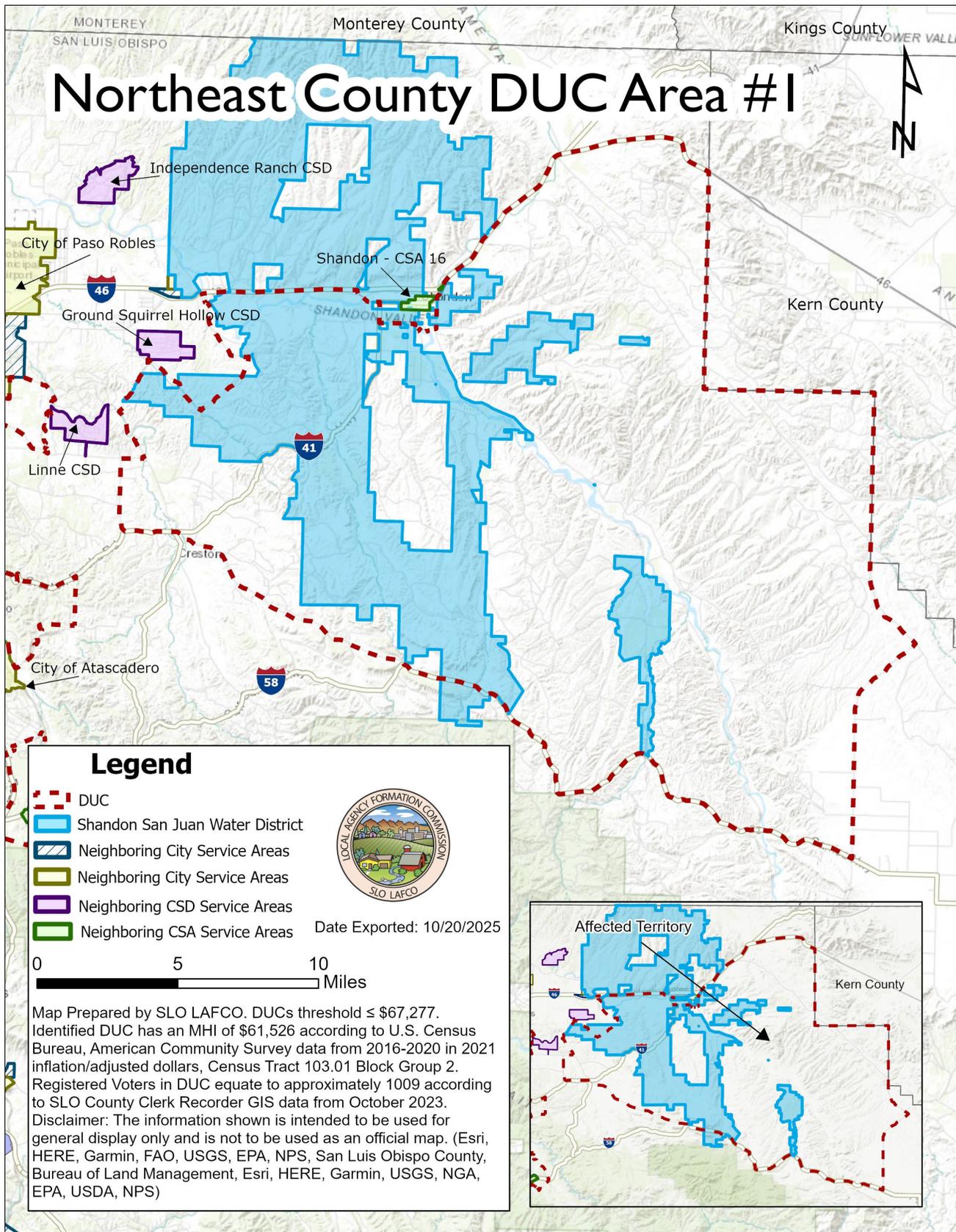
² 2060 Regional Growth Forecast for the San Luis Obispo County Region, San Luis Obispo Council of Governments

leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water, wastewater, and fire protection services.

To identify the MHI for locations within the unincorporated areas of the County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG) and Census Designated Places (CDP) data. Once a CBG or a CDP meets the DUC MHI threshold, LAFCO then verifies that those areas are inhabited as specified in Government Code Section 56033.5 using registered voter data from the County Clerk-Recorder.

Using this methodology, one DUC was identified in proximity to and partially within SSJWD's service area, as shown in Figure 1, and is referred to as Northeast County DUC Area #1. This DUC has an MHI of \$61,526 and approximately 1,009 registered voters. Although this DUC was identified, SSJWD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection. Therefore, no infrastructure deficiencies affecting a DUC would result from changes to the SSJWD's SOI or service area boundary.

Figure 1: Northeast County DUC Area #1 Map



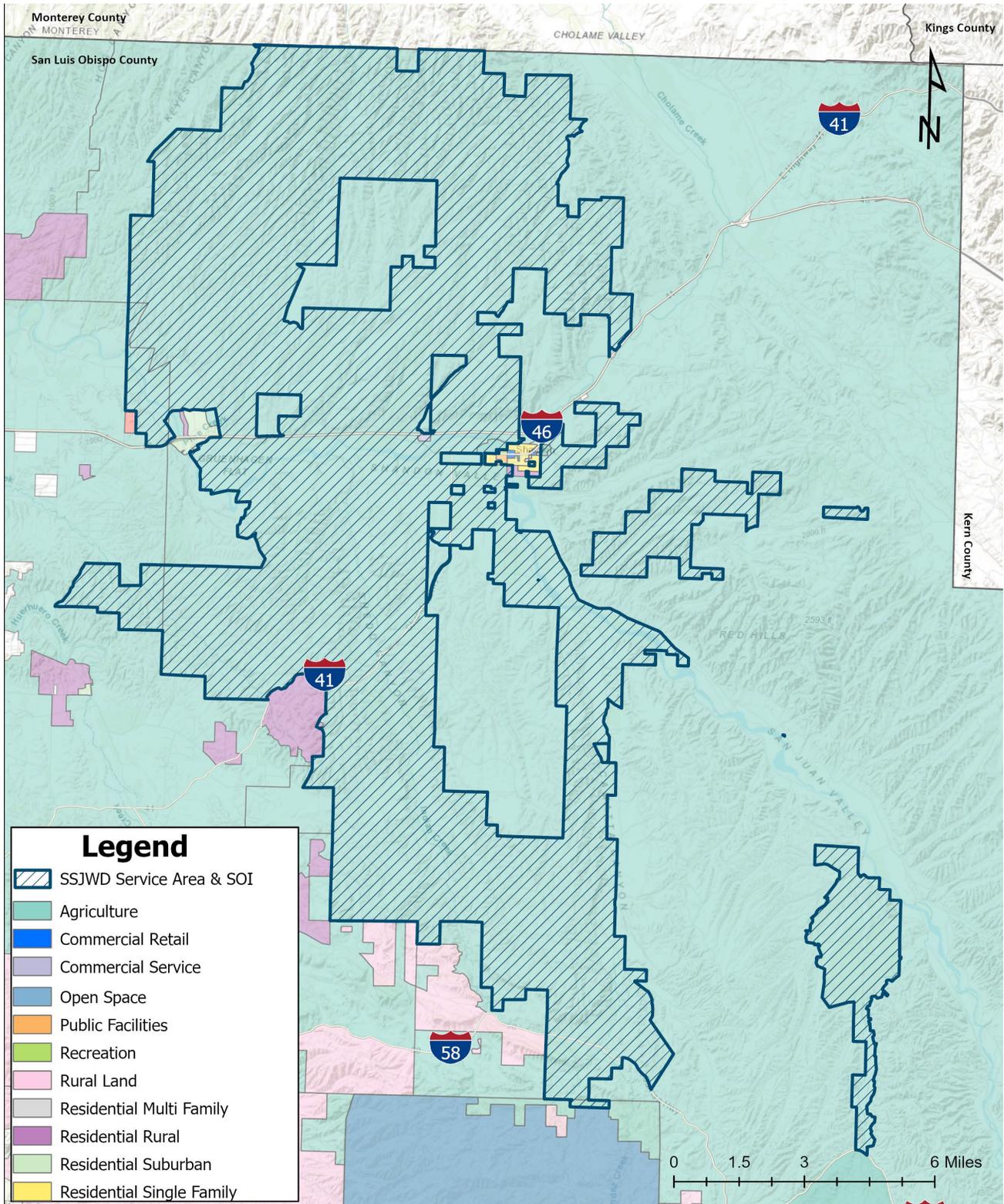
Social or Economic Communities of Interest in the Area

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

Present and Planned Land Use

The present and planned land uses within SSJWD's service area are governed by the County General Plan. The General Plan provides a basis for local government land use decisions, providing clear guidance to citizens, developers, and decision-makers regarding how land within the County's unincorporated areas can be developed. As illustrated in Figure 2, the entirety of the District falls within the Agriculture land-use designation. However, because SSJWD was formed to assume the functions of a Groundwater Sustainability Agency, its operations and services are not influenced by specific land use designations within its boundaries.

Figure 2: SSJWD Land Use Designations



Shandon San Juan Water District Land Use Designations

San Luis Obispo County, Bureau of Land Management, Esri, HERE, Garmin, INCREMENT P, USGS, METI/NASA, NGA, EPA, USDA, Esri, HERE, Garmin, USGS, NGA, EPA, USDA, NPS

Map prepared by SLO LAFCO

Accountability

SSJWD is an independent special district governed by a five-member Board of Directors, each elected to a four-year term. To be qualified, directors must be holders of title to land within the District or the legal representative of a holder of title to land within the District. The Board holds regular meetings on the fourth Wednesday of each month at 9:00 AM at the Illy Lodge located at 3385 Truesdale Rd., Shandon, CA 93461. Special meetings are held as necessary and are publicly noticed. The public may participate in person, via phone, or by logging onto the web-based meeting link provided on each agenda. Agendas and board packets are emailed to landowners and interested parties, posted on the SSJWD website, and posted in the window at the meeting location. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 2: SSJWD Board of Directors

Board Member	Title	Term
Willy Cunha	President	2023 – 2027
Steve Sinton	Vice President	2025 – 2029
Marshall Miller	Director	2025 – 2029
Ray Shady	Director	2025 – 2029
Matt Turrentine	Director	2023 – 2027

SSJWD 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. Approved minutes of the Board’s regular meetings are also made available for public access on the website. The District also reports that all Form 700 financial disclosure statements are current and in compliance with state requirements.

Services & Capacity

Authorized Services

SSJWD’s governance authority is established under California Water District Law, Water Code Section 34000 et. seq. This principal act outlines the broad range of services and facilities that a water district may provide. In accordance with Government Code Section 56425(i), when LAFCO adopts, updates, or

amends a SOI for a special district, it must also determine the nature, location, and extent of the functions or services the district is authorized to provide. Furthermore, under Government Code Section 56050.5, any service authorized by the district's principal act that is not currently being exercised is considered a latent power, requiring LAFCO approval prior to activation.

As part of SSJWD's formation approval in 2017, the Commission also took action to activate all powers available under Water Code Section 34000 with the exception of the following powers:

1. **Exportation of Water:** SSJWD's authority to export, transfer, or move groundwater outside the boundaries of the Paso Robles Groundwater Basin was deemed latent.
2. **Sewer Services:** Powers granted under Part 5, Chapter 2, Article 5 (Sections 35500-35509) of the California Water Code, relating to sewer infrastructure and services, were also designated as latent.

This services and capacity section analyzes present and long-term infrastructure demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services that are currently available, and 2) the ability of the District to expand such resources and services in line with increasing demands. An adequate supply of services should be documented to support areas in the sphere, envisioned for eventual annexation and service by a jurisdiction.

Groundwater Sustainability Plan Implementation

The Sustainable Groundwater Management Act (SGMA), enacted in 2014, required local agencies to manage groundwater. In September 2017, five local agencies — Shandon-San Juan Water District, Heritage Ranch Community Services District³, the City of Paso Robles, San Luis Obispo County, and San Miguel Community Services District (SMCSD)— formed GSAs and formed the Paso Basin Cooperative Committee (PBCC) under a Memorandum of Agreement (MOA) to develop the Groundwater Sustainability Plan (GSP) to sustainably manage the portions of the Paso Robles Basin underlying their combined service areas (i.e. all portions of the Basin located within San Luis Obispo County). The PBCC has now been superseded by the Paso Robles Area Groundwater Authority, which was established in March 2025 through a Joint Powers Agreement (more details further below).

³ Heritage Ranch Community Services District withdrew from the Paso Basin Cooperative Committee in 2020

The GSP, which was approved by the California Department of Water Resources (DWR) on June 30, 2023, outlines the approach to achieve a sustainable groundwater resource free of undesirable results within 20 years, while maintaining the unique cultural, community, and business aspects of the Subbasin. In adopting this GSP, it was the goal of the GSAs to balance the needs of all groundwater users in the Subbasin, within the sustainable limits of the Subbasin's resources. The GSP describes the Paso Robles Subbasin, develops quantifiable management objectives that consider the interests of the Subbasin's beneficial groundwater uses and users, and identifies management actions and conceptual projects that will allow the Subbasin to achieve sustainability by 2040. The GSP covers the entire Paso Robles Subbasin.

As previously stated, the GSP includes a set of management actions and projects designed to achieve groundwater sustainability by 2040. While the GSP is a joint plan, some projects are specific to individual GSAs, including SSJWD. Basin-wide management actions include:

- Monitoring, reporting, and outreach
- Promoting best water use practices
- Promoting stormwater capture
- Promoting voluntary fallowing of irrigated crop land

To support these actions, the GSP identifies infrastructure projects that will enhance water supply and reduce reliance on groundwater. Several potential projects are described in the GSP that may be implemented by willing entities to offset pumping and lessen the degree to which management actions would be needed. The implementation of projects depends on willing participants and/or successful funding votes. There are six potential sources of water for projects under the GSP, including:

1. Tertiary treated wastewater supplied and sold by the City of Paso Robles and the San Miguel CSD to private groundwater extractors to use in lieu of groundwater. This water is commonly referred to as recycled water (RW).
2. State Water Project Water
3. Nacimiento Water Project Water
4. Salinas Dam/Santa Margarita Reservoir Water

5. Local Recycled Water
6. Flood flows/stormwater from local rivers and streams

As one of the GSAs, SSJWD plays a vital role in implementing the GSP within its jurisdiction. While the GSP is basin-wide, SSJWD is responsible for advancing specific projects and management actions tailored to its service area. These may include local infrastructure improvements, water conservation initiatives, and participation in regional water supply projects. Below is a summary of key projects and management actions SSJWD has undertaken or contributed to between 2020 and 2025.

Stormwater Capture & Groundwater Recharge Feasibility Study and 3D Geologic Model Development:

In collaboration with Estrella – El Pomar – Creston Water District (EPCWD), SSJWD conducted a basin-wide groundwater recharge feasibility study. A key outcome of this effort was the development of a detailed 3D geologic model, which is now actively used by the Paso Robles Groundwater Authority and continues to be refined as new data becomes available. The study and model provide several important benefits, such as:

- Maintaining a visual and graphical representation of the local geologic setting and distribution of principal aquifers, faults, and aquitards, thereby allowing improved understanding of groundwater conditions
- Supporting characterization of groundwater level and water quality conditions
- Enabling the development of additional geologic cross sections
- Providing input data for a numerical groundwater flow model update

Filling data gaps identified in the GSP Synoptic Streamflow Study: The SSJWD funded a synoptic streamflow survey on several tributary streams to the Salinas River in the Subbasin. The survey included measurements of stream flow and stream depth at regularly spaced intervals collected along 19 transects located on Huer Huero Creek, Shell Creek, San Juan Creek, and the Estrella River. The data collected in this synoptic streamflow study enhances the understanding of surface water/groundwater interactions within the Subbasin and helps to fill an important data gap identified in the GSP. This synoptic streamflow survey dataset will be used to improve the Subbasin groundwater model and to run more highly constrained, predictive surface water groundwater interaction simulations.

SSJWD Groundwater Level Monitoring Network: SSJWD launched a pilot program to monitor groundwater levels by partnering with member well owners across the District. Since 2020, approximately 40 wells have been measured monthly at no cost to participating landowners. The collected data is shared with the PBCC/Authority and is incorporated into the GSP Annual Report. This effort has helped fill critical data gaps and significantly reduced uncertainty in analyses of groundwater elevations and changes in groundwater storage.

Participation in Basin-wide Monitoring Network Development & Expansion TAC: One SSJWD Board Member volunteered their time to serve on the PBCC's Technical Advisory Committee to develop a framework for the Well Monitoring Network Expansion for the Subbasin.

Economic Impact Study: SSJWD – in partnership with EPCWD, SLO County Farm Bureau, Paso Robles Wine Country Alliance, and AgWest Farm Credit - commissioned an economic impact study examining irrigated agriculture in the Paso Robles area. The study evaluates the potential economic consequences of groundwater reductions associated with SGMA and GSP implementation. It highlights the significant risks to the local economy and encourages the exploration of creative, flexible GSP implementation strategies beyond groundwater pumping cutbacks alone.

Temporary Flood Flow Diversion Projects: In 2023, two temporary flood flow diversion projects were implemented in the Shandon and Paso Robles areas under the authority of California State Executive Order N-4-23. Together, these projects diverted an estimated 47 acre-feet of floodwater, which was recharged into underlying aquifers. These projects support key goals outlined in the GSP by contributing to Measurable Objectives related to groundwater levels, groundwater storage, and the reduction of land subsidence.

Promoting Voluntary Fallowing of Agricultural Land – Multipurpose Irrigated Land Re-Purposing Program: Two SSJWD Board Members volunteered their time to serve on the PBCC's Technical Advisory Committee to develop a framework for the Multipurpose Irrigated Land Re-Purposing Program.

Blended Irrigation Water Supply Project TAC Participation: Two SSJWD Board members volunteered their time to serve on the PBCC's Technical Advisory Committee to assess the practicality of delivering blended water supplies from the Lake Nacimiento pipeline and the City of Paso Robles recycled water system for agricultural use in lieu of groundwater pumping.

Applications to the State Water Resources Control Board: On January 25, 2021, SSJWD submitted two water right Applications to the SWRCB for the purpose of capturing stormwater for groundwater recharge. Revised applications were submitted in 2024. Water Right Application A033189 is to divert 14,000 acre-feet per year (AFY) of unallocated Salinas River water from Santa Margarita Lake via a proposed pipeline to Huer Huero Creek for groundwater recharge and underground storage. Surface water diverted would be infiltrated to storage in the underlying Paso Robles Subbasin using the Huer Huero Creek streambed. Water stored underground would be extracted by overlying wells within the Subbasin for agricultural irrigation use within a 12-month period. Water right Application A033190 is to divert 14,000 AFY of unallocated Salinas River water from Lake Nacimiento to the Nacimiento Pipeline to two proposed pipelines (Wellsona Road Pipeline and Creston Road Pipeline). Water diverted to the proposed pipelines would be conveyed to the Estrella River and Huer Huero Creek for groundwater recharge and underground storage for agricultural irrigation use and stock watering within a 12-month period. In summary, the Salinas River watershed unallocated flood flows that normally would pass through Lake Nacimiento and Santa Margarita Lake during high flow events would be diverted and discharged into the creek beds. The creek beds will act as groundwater “recharge facilities” to the underlying Paso Robles Subbasin. The recharged water would later be recovered for agricultural use in the Subbasin. The concepts that formed the basis for the proposed Project are listed in the GSP as one of the basin-wide management actions (Section 9.3) and also as a project (Section 9.5). The benefits of recharging the Paso Robles Subbasin with unallocated flood flows from this Project would be shared by all groundwater users within the Subbasin. SSJWD envisions that the remaining member GSAs will recognize the benefits of the proposed project and participate as stakeholders in developing the Project to completion.

Community Outreach: SSJWD publishes a quarterly electronic newsletter to keep Basin stakeholders informed and engaged in the ongoing implementation of the GSP. This newsletter also serves as a valuable platform for gathering community feedback. In addition, at the SSJWD Board meeting held on September 24, 2025, the Board proposed establishing an all-volunteer Ad Hoc Committee. This committee would include representatives from SSJWD, EPCWD, Basin landowners, and members of the public. Its purpose is to solicit input and develop recommendations for presentation to PRAGA. The

Ad Hoc Committee is expected to convene twice. The first meeting was successfully held in early October 2025.

Groundwater Sustainability Plan Evaluation

As part of monitoring, reporting, and outreach, SGMA requires periodic evaluation of approved GSPs at least every five years. The periodic evaluation represents the GSAs' written assessment of GSP implementation and adaptive management. The GSAs submitted the 5-Year Plan Evaluation to the DWR on January 30, 2025. The evaluation details numerous significant actions undertaken by the PBCC to demonstrate progress towards sustainability in the Subbasin within the 20-year SGMA implementation time frame. Key takeaways from the evaluation include the following:

- Over the past five years, groundwater monitoring data revealed rising water levels due to above-average precipitation, with no significant changes in subsidence or water quality conditions linked to groundwater management.
- Significant strides have been made in data collection, policy changes, and governance, with water level declines in most representative monitoring sites reversed, indicating notable progress towards sustainability.
- The GSAs believe it is premature to revise or amend the GSP at this time. Several key activities, such as the installation of more monitoring wells and the initiation of GSP projects and programs, are still in progress.

The implementation of the GSP to date, in tandem with higher-than-average rainfall over the past two years, has been effective in preventing further declines in groundwater levels and, by extension, the reduction of groundwater in storage. These activities, in addition to planned Projects and Management Actions, indicate progress toward achieving sustainability in the first 5-year period of SGMA implementation.

Paso Robles Area Groundwater Authority

With the GSP now approved by the State, a long-term governance structure was recently adopted to implement it more effectively. The Joint Exercise of Powers Agreement (JPA), adopted in March 2025, supplants the MOA and creates a legal entity, the Paso Robles Area Groundwater Authority (Authority),

to oversee and fund GSP implementation. The 4-Party JPA defines governance, voting rights, funding mechanisms, and responsibilities. The Authority will be funded primarily through groundwater extraction fees, though initial costs will be covered by contributions from the GSAs. The Authority has powers to regulate and manage groundwater use, but does not replace the individual GSAs. The JPA includes:

- City of Paso Robles
- County of San Luis Obispo
- Estrella-El Pomar-Creston Water District
- Shandon-San Juan Water District

In 2025, the Authority proposed a groundwater management charge to fund implementation of its GSP and meet the requirements of SGMA. The proposed fee would have applied to agricultural, commercial, and public water system pumpers—excluding small domestic well owners who use less than 2 acre-feet per year. The services to be funded include State-mandated monitoring and reporting, GSP program administration, regulatory programs, and groundwater demand reduction projects and management actions. However, during a public hearing on August 1, 2025, a majority of affected property owners formally protested the fee, surpassing the threshold required to block its enactment. The Authority is now working to identify alternative funding mechanisms to ensure it can continue to make essential contributions.

Finance

LAFCO is required to make a determination regarding the financial ability of SSJWD to provide public services. This section provides a general overview of the District's financial health and establishes the context for LAFCO's financial determinations. To evaluate the District's overall financial condition, LAFCO utilizes three key financial indicators:

- *Operating Ratio*: Assessment of revenues relative to expenditures;
- *Liquidity Ratio*: Analysis of assets and liabilities to gauge short-term financial stability;
- *Net Position*: Measurement of the District's overall financial worth.

The primary data sources for this evaluation are the District’s audited financial statements from Fiscal Years (FY) 2019-2020 through FY 2023-2024.

Budget

The District adopts an annual budget on or before June 30th of each fiscal year. The Board of Directors retains the authority to amend the budget by motion at any time during each fiscal year. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. The District’s budget documents are made publicly available on the District’s website.

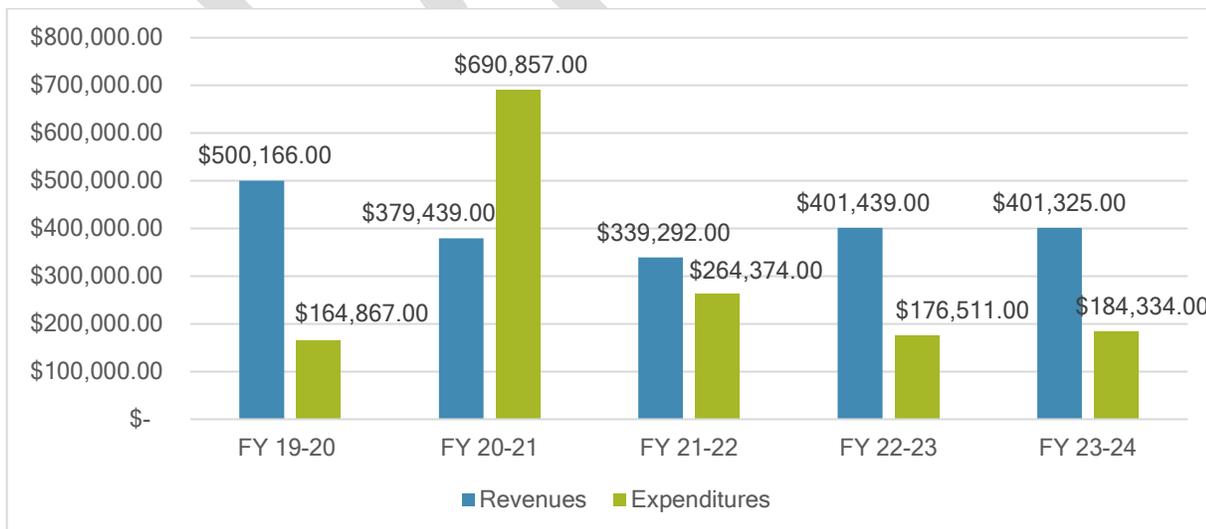
Audited Financial Statements

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

Revenues and Expenditures

The District is primarily funded through property assessments, interest income, and grant revenue. As shown in Figure 3 below, the District’s revenues have fluctuated over the last five fiscal years. Similarly, the District’s total expenditures—primarily related to project expenses, monitoring, and administration and operations—have varied during this period, with no consistent upward or downward trend.

Figure 3: Audited Revenues and Expenditures

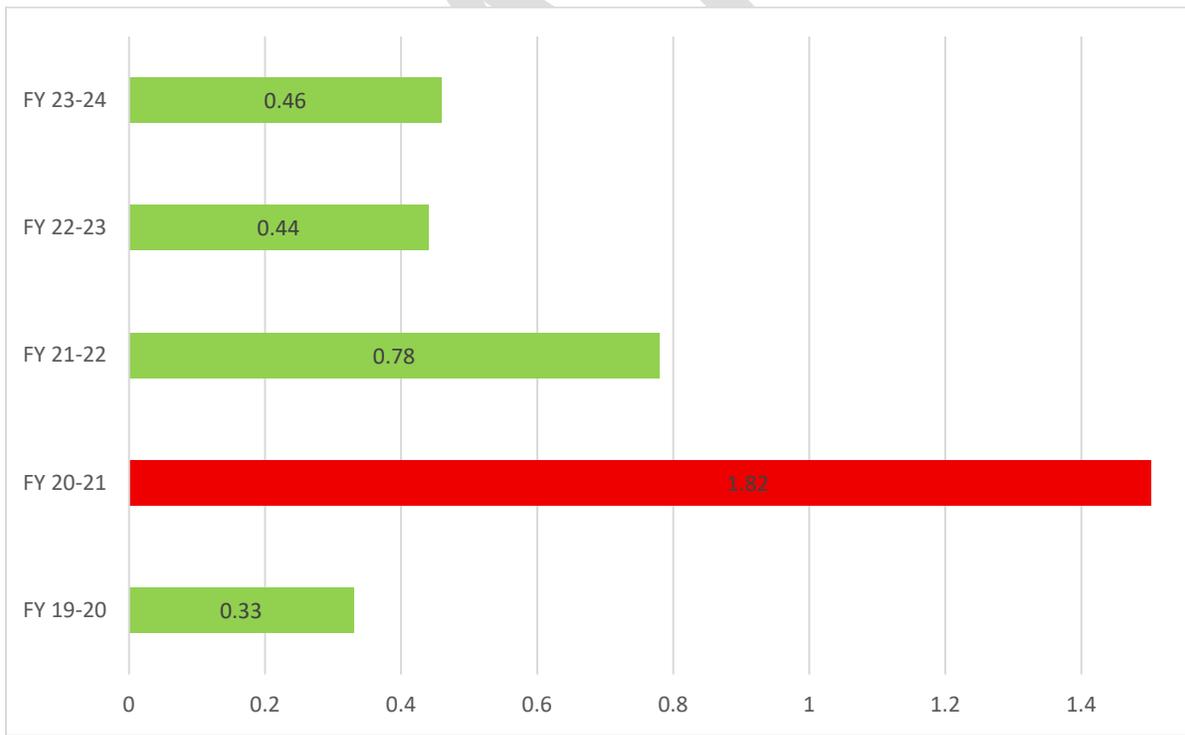


To assess the District’s ability to meet its financial obligations, Figure 4 displays the Operating Ratio for the past five audited fiscal years. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

- A ratio **below 1.0** indicates the agency is operating at a surplus
- A ratio **above 1.0** indicates the agency is operating at a deficit

Over the five-year period, the District’s Operating Ratio remained below 1.0 in four of the five years, indicating that operating revenues exceeded operating expenses in most years. In FY 2020-21, the District operated at a deficit due to high project expenses related to two water right applications that were prepared and submitted to the State Water Resources Control Board.⁴ Overall, the District’s Operating Ratios suggest stable financial performance and a consistent ability to generate positive operating margins.

Figure 4: Operating Ratio (FY 2019-20 - FY 2023-24)



⁴ SSJWD has prepared and submitted two water right applications to the State Water Resources Control Board to divert unappropriated streamflow in the Salinas River Watershed (Santa Margarita Lake and Lake Nacimiento) for the purposes of recharging the Paso Robles Subbasin. SSJWD anticipates that the remaining member GSAs will recognize the regional benefits of the proposed project and actively engage as stakeholders in its development and implementation.

Assets and Liabilities

An agency’s assets represent resources that provide current, future, or potential economic benefits. These assets may include items the agency owns or amounts owed to the agency. Over the past five audited years, SSJWD’s total assets have grown, reaching \$681,898 at the end of FY 2023-24.

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. At the close of FY 2023-24, SSJWD’s audited liabilities totaled approximately \$49,966. In FY 2019-20, FY 2021-22, and FY 2022-23, the District reported no liabilities.

Table 3: Current Assets and Liabilities

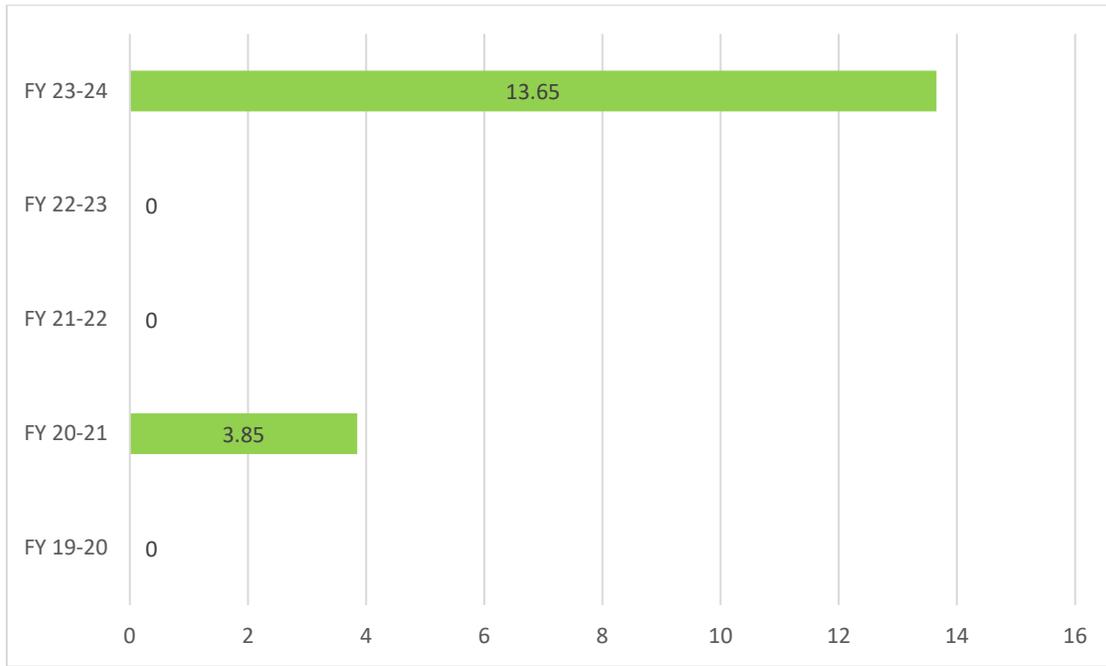
Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Current Assets	\$ 426,513.00	\$155,438.00	\$ 190,013.00	\$ 414,941.00	\$ 681,898.00
Current Liabilities	-	\$ 40,343.00	-	-	\$ 49,966.00

Figure 5 illustrates the District’s Liquidity Ratios from FY 2019-20 through FY 2023-24. This ratio measures the District’s ability to meet its short-term financial obligations by comparing unrestricted current assets to current liabilities.

- A ratio **above 1.0** indicates that the District has sufficient short-term resources to cover its liabilities, reflecting strong financial health.
- A ratio **below 1.0** signals potential liquidity concerns, suggesting short-term resources may be insufficient to meet immediate obligations.

Generally, the higher the ratio, the greater the District’s short-term financial stability. Over the five-year period shown in Figure 5, the District’s liquidity ratio was above 1.0 in FY 2020-21 and FY 2023-24, demonstrating a stable ability to meet short-term obligations. In FY 2019–20, FY 2021–22, and FY 2022–23, a liquidity ratio could not be calculated due to the District having no current liabilities. While the ratio is technically undefined in these years, the absence of short-term obligations reflects an extremely strong liquidity position, with no immediate financial risk.

Figure 5: Liquidity Ratio (FY 19-20 - FY 23-24)



Net Position

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

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

As of June 30, 2024, SSJWD’s net position increased to \$631,932, reflecting growth over the past five audited years. This increase indicates that the District’s total assets exceed its total liabilities, indicating the District is in a financially healthy state.

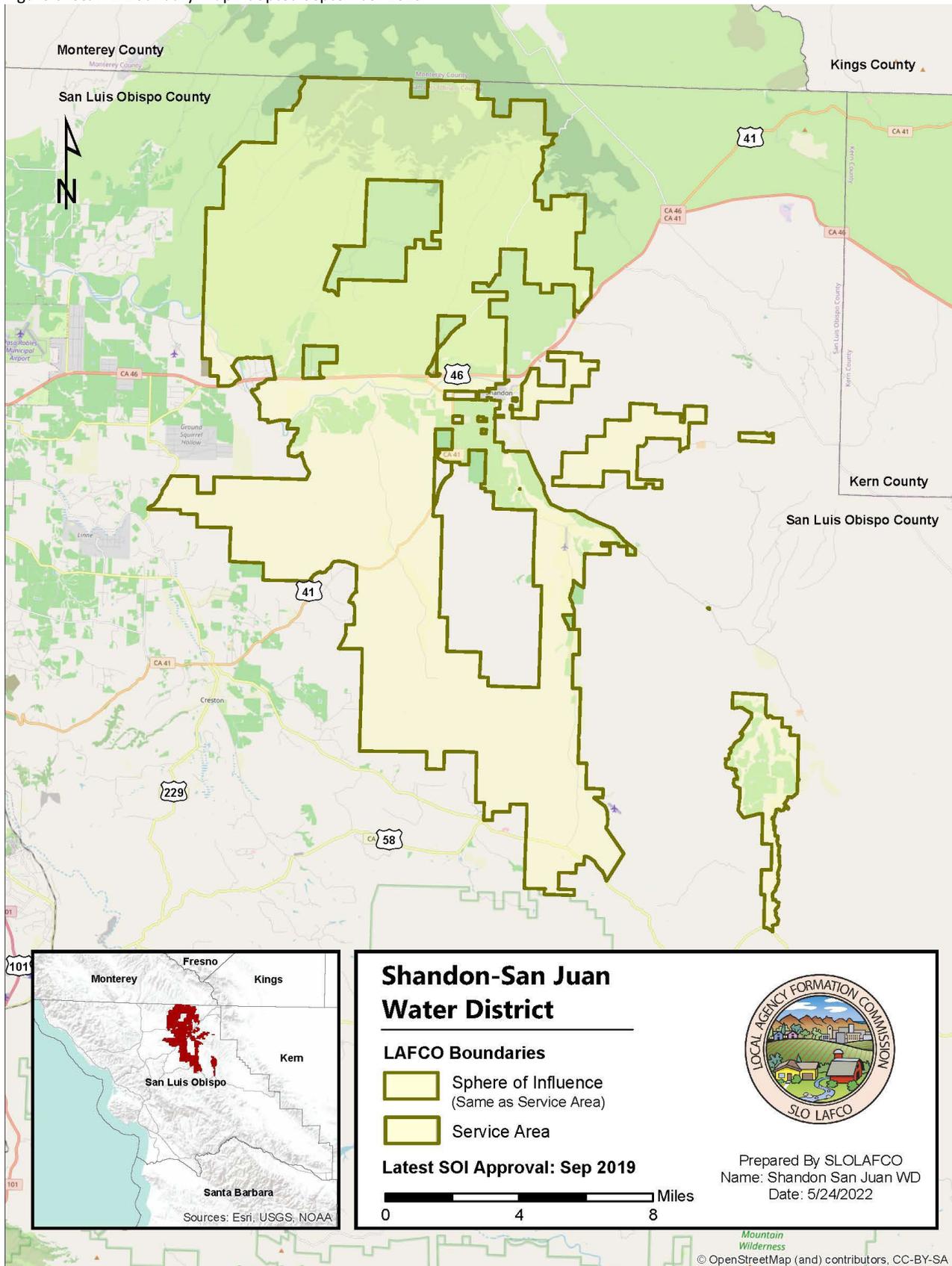
Table 4: Audited Net Position

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	5-yr % Change
Total Net Position	\$426,513.00	\$115,095.00	\$190,013.00	\$414,941.00	\$631,932.00	48.16%

Sphere of Influence

SSJWD's current SOI is coterminous with its service area boundary, as illustrated in Figure 6. The District encompasses more than 108,338 acres in northern San Luis Obispo County. Because the District's primary role is to serve as a Groundwater Sustainability Agency, there is no logical way to envision growth for the District. Accordingly, LAFCO will evaluate any SOI amendments or annexation requests concurrently and on a case-by-case basis. Future amendments and or updates of the SOI shall only include properties that have submitted written landowner consent. At present, one such request has been proposed and is currently being processed. (LAFCO File No. 1-R-24 | Sphere of Influence Amendment and Annexation No. 1 to SSJWD). Therefore, the District's SOI and service area boundary should remain coterminous.

Figure 6: SSJWD Boundary Map Adopted September 2019



DETERMINATIONS

Municipal Service Review Determinations

As set forth in Government Code Section 56430(a), in order to update the SOI in accordance with Government Code Section 56425, the commission shall conduct a service review of the municipal services provided in the County or other appropriate area designated by the Commission. The Commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- 1. Growth and population projections for the affected area**

The SSJWD serves a sparsely populated agricultural area in northeastern unincorporated San Luis Obispo County, where precise population data is unavailable due to the District's irregular boundaries. Regional forecasts suggest slow growth in the broader North County region—rising from 35,460 in 2025 to 36,961 by 2060 at an annual rate of 0.12%—with SSJWD expected to remain low-density and largely shaped by land use and resource planning.

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

SSJWD's SOI and service area boundary includes one area that meets the definition of a DUC as outlined in Government Code Section 56033.5. This area—Northeast County DUC Area #1—is inhabited and has a Median Household Income (MHI) that is less than 80 percent of the statewide MHI, qualifying it as a DUC. Although this DUC was identified, SSJWD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection. Therefore, no infrastructure deficiencies affecting a DUC would result from changes to the SSJWD's SOI or service area boundary.

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

The District's main purpose at formation was to enable participating landowners to comply with the Sustainable Groundwater Management (SGMA) Act by creating a water district that

could also serve as a Groundwater Sustainability Agency (GSA) under SGMA. In addition to its role as a GSA, the District is authorized to provide all services under Water Code Section 34000, with the exception of exportation of water and sewer services. At present, it appears that the District has the capacity to fulfill its responsibilities as a GSA under SGMA. As a member of the Paso Basin Cooperative Committee (PBCC), SSJWD contributed to the development of the Paso Robles Subbasin Groundwater Sustainability Plan (GSP), which was approved by the California Department of Water Resources in June 2023. SSJWD has played a key role in advancing several important projects and management initiatives, including an Economic Impact Study on irrigated agriculture in the Paso Robles region, a Stormwater Capture and Groundwater Recharge Feasibility Study, the development of a 3D Geologic Model, and the establishment of a comprehensive groundwater level monitoring network. The District's capacity is further demonstrated through its participation in the GSP's five-year evaluation, submitted in January 2025. Overall, SSJWD demonstrates adequate capacity to carry out its groundwater management responsibilities under SGMA.

4. Financial ability of agencies to provide services

To assess the District's financial health, key indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, remained below 1.0 in four of the five years, suggesting stable financial performance and a consistent ability to generate positive operating margins. Liquidity Ratio, which measures current assets relative to current obligations, also remained strong across all five years, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, increased by 48 percent over the five-year audited period, a strong indicator of long-term financial growth and stability. Overall, these financial indicators suggest that SSJWD is in a financially healthy state with adequate financial resources to deliver its services.

5. Status of and opportunities for shared facilities

The SSJWD participates in the Paso Robles Area Groundwater Authority (Authority), which was formed by a Joint Exercise of Power Agreement (JPA) in March 2025. The Authority replaces the prior Memorandum of Agreement and establishes a formal structure for implementing the

Groundwater Sustainability Plan. SSJWD's participation in the Authority enhances efficiency, reduces duplication of efforts, and strengthens the District's ability to meet SGMA requirements.

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

SSJWD is governed by a five-member Board of Directors, each elected to a four-year term. The Board holds regular meetings on the fourth Wednesday of each month at 9:00 AM. The District posts its agendas in compliance with the Brown Act and maintains an up-to-date website in compliance with Senate Bill 929.

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

There are no other matters related to the efficiency of services.

DRAFT

Sphere of Influence Determinations

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the Sphere of Influence of each local agency, as defined by Government Code Section 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.

The present and planned land uses within the service area of SSJWD are guided by the County's General Plan. The entirety of the District falls within the Agricultural land-use designation. Reaffirmation of the District's coterminous SOI is recommended.

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

Given the predominantly agricultural nature of the SSJWD and its primary function as a Groundwater Sustainability Agency representation, there is no present and probable need for public facilities and services in the area. The District's role is focused on groundwater management rather than direct service provision. Reaffirmation of the District's coterminous SOI is recommended.

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

At present, it appears that the District has the capacity to fulfill its responsibilities as a Groundwater Sustainability Agency (GSA) under the Sustainable Groundwater Management Act (SGMA). As a member of the Paso Basin Cooperative Committee (PBCC), SSJWD contributed to the development of the Paso Robles Subbasin Groundwater Sustainability Plan (GSP), which was approved by the California Department of Water Resources in June 2023. The District's capacity is further demonstrated through its participation in the GSP's five-year evaluation, submitted in January 2025. The evaluation reported encouraging trends, including rising groundwater levels attributed to above-average rainfall, enhanced data collection efforts, and progress in policy implementation. To support long-term GSP execution and improve regional

coordination, a new governance entity—the Paso Robles Area Groundwater Authority—was established in March 2025 through a Joint Powers Agreement. This Authority replaces the PBCC and will oversee GSP implementation, funded primarily through groundwater extraction fees. Overall, SSJWD demonstrates adequate capacity to carry out its groundwater management responsibilities. Reaffirmation of the District’s coterminous SOI is recommended.

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

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

5. For an update of the sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

One DUC was identified within the SSJWD service area boundary, as seen in Figure 1. Although this DUC was identified, SSJWD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection, and therefore, no infrastructure deficiencies to a DUC would result from changes to the SSJWD’s SOI or service area boundary. Reaffirmation of the District’s coterminous SOI is recommended.