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Public Review Draft

Coastal San Luis Resource Conservation District

Municipal Service Review

and Sphere of Influence Study

**Prepared by**

***the San Luis Obispo Local Agency Formation Commission***

**Adopted \_\_\_, 2025**

**Resolution No. \_\_\_\_**

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# About LAFCO

## Authority and Objectives

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

## Regulatory Responsibilities

LAFCOs’ principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California. The Government Code 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 through 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 these reports 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. 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 a 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 (MSR) 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 concerning 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 not establishing 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 |
| Ed Eby  Navid Fardanesh | Special District Member  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 | 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](https://slo.lafco.ca.gov/).

## Acknowledgments

San Luis Obispo LAFCO gratefully acknowledges the time and effort of staff with the Coastal San Luis Resource Conservation District in assisting with the preparation of this report, and includes, but is not limited to, the following:

Hallie Richard, Interim General Manager

Shelly Rachels, Director of Finance

Dominic Roques, CSLRCD Board President

# District MSR & Sphere Study

### Overview

This report represents San Luis Obispo LAFCO’s scheduled municipal service review for the Coastal San Luis Resource Conservation District (CSLRCD), located in the southwestern portion of the County of San Luis Obispo (County). The report has been prepared by staff consistent with the requirements of the government code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years or as necessary, relative to the Commission’s regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of services within the service areas of the CSLRCD, 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.

### At A Glance

Table 1: District Profile

|  |  |
| --- | --- |
| Agency Name | Coastal San Luis Resource Conservation District |
| Formation | 1953 |
| Legal Authority | Public Resources Code Division 9 |
| Office Location | 1203 Main Street, Suite B, Morro Bay, CA 93442 |
| Website | <https://www.coastalrcd.org/> |
| Executive Director | Hallie Richard, Executive Director |
| Employees | 11 |
| Public Meetings | The Board of Directors holds its regular meetings on the fourth Friday of each month at 12:00 PM. |
| Board of Directors | Seven members appointed to four-year terms by the County of San Luis Obispo Board of Supervisors. |
| District Service Area | > 463,024 acres |
| Population Estimate | 173,643 |

### Background

In 1935, the federal government passed the Soil Conservation Act in response to the devastation of the Dust Bowl. The Act was passed to form the Soil Conservation Service (later renamed the Natural Resources Conservation Services) to provide conservation assistance to ranchers, farmers, and other private landowners. Conservationists quickly realized that a centrally governed federal agency in Washington could not be as responsive to local needs, so local counterparts of the Soil Conservation Service were established under state law to be controlled by local boards of directors. And so were born the Soil Conservation Districts, now known as Resource Conservation Districts (RCDs).

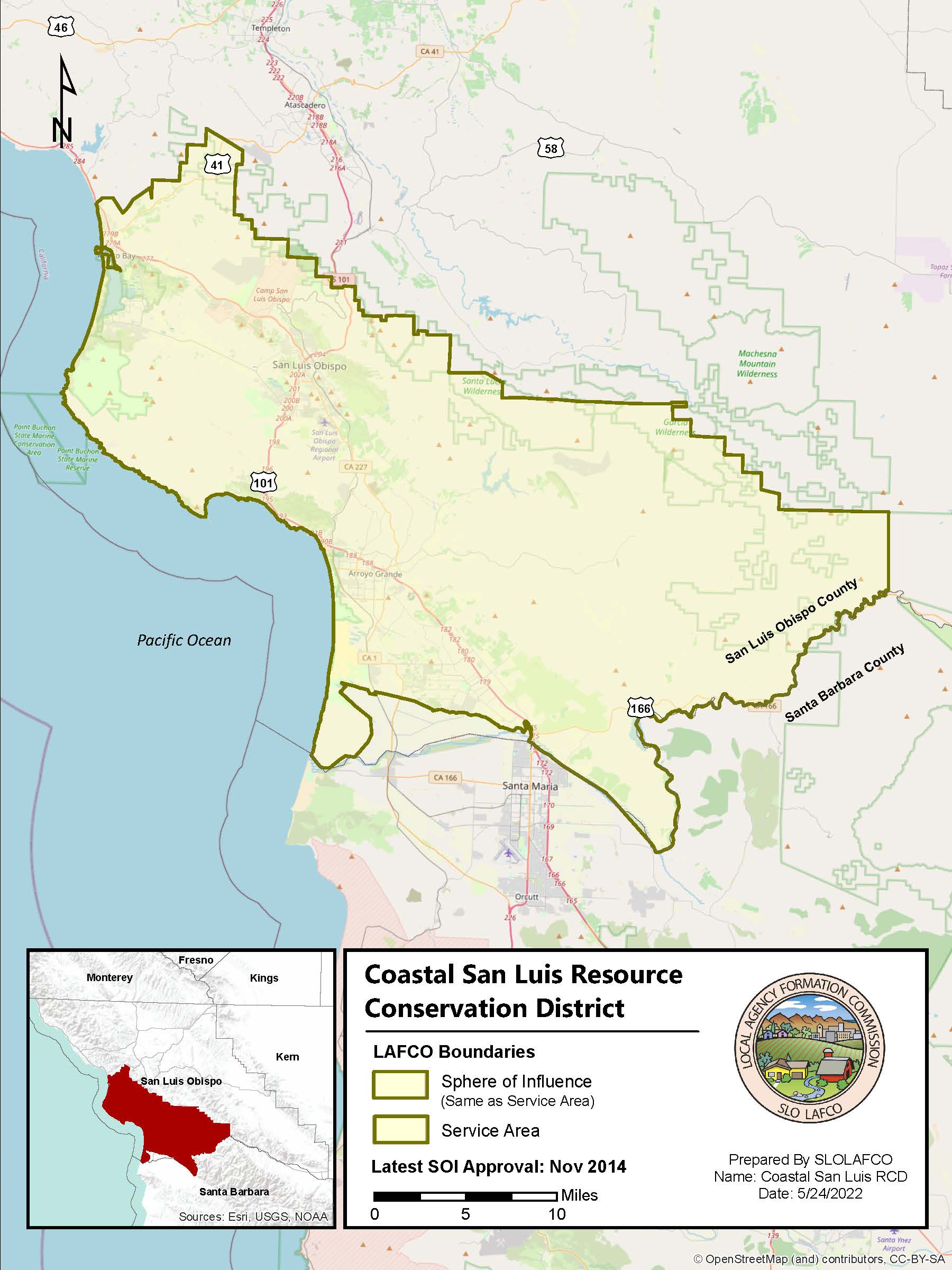
Public Resources Code Division 9 established RCDs to conserve soil and water, control runoff, prevent and control soil erosion, manage watersheds, protect water quality, and develop water storage and distribution. RCDs are special districts of the State of California, established to be locally governed agencies with their own locally appointed or elected, independent boards of directors. RCDs across California serve as local hubs for conservation, connecting people with the technical, financial, and educational assistance they need to conserve and manage natural resources. RCDs are a vital link between federal, state, and local programs, helping these agencies meet their conservation goals.

The Coastal San Luis Resource Conservation District (CSLRCD) began as the Arroyo Grande Resource Conservation District and was established in 1953. The District provides integrated services addressing wildlife, water, climate, and agriculture. CSLRCD uses diverse means to protect, implement, conserve, and restore natural resources and serves as a focal point for local conservation efforts through collaboration with private and public landowners, land managers, public agencies, interest groups, and others.

### Sphere of Influence & Service Area Boundary

CSLRCD’s existing Sphere of Influence (SOI) is coterminous with its service area boundary and is depicted in the boundary map in Figure 1 below. The District covers more than 463,024 acres along the coastal communities from Morro Bay south to Oso Flaco, including San Luis Obispo. The District’s boundaries overlap five cities, including Morro Bay, San Luis Obispo, Pismo Beach, Arroyo Grande, and Grover Beach; five Community Services Districts, six County Service Areas, two cemetery districts, the Port San Luis Harbor District, South County Sanitation District, and Nipomo Lighting District. CSLRCD is bordered to the north and east by the Upper Salinas Las Tablas Resource Conservation District, by the Cachuma Resource Conservation District and County of Santa Barbara to the south, and by the Pacific Ocean to the West. CSLRCD wishes to retain their current coterminous SOI and therefore changes to the District’s SOI are not being studied as part of this MSR and Sphere Study.

Figure 1: CSLRCD Boundary Map



### Population Profile

Table 2 shows population projections for the cities and communities located within the CSLRCD service area boundary. Based upon this data, in 2020, the total population within CSLRCD was estimated at 173,643. By 2050, it is expected that the total population within the CSLRCD will be approximately 195,722. This equates to a growth rate of approximately 0.42% per year.

Table 2: Population Projections (Medium Scenario)[[1]](#footnote-2)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Local Agencies within CSLRCD | 2020 | 2030 | 2040 | 2050 | Percent Change in Population (2020 to 2050) | Annual Percent Change in Population  (2020 to 2050) |
| Arroyo Grande | 18,436 | 19,505 | 20,158 | 20,449 | 10.92% | 0.36% |
| Grover Beach | 12,706 | 14,536 | 14,934 | 15,091 | 18.77% | 0.63% |
| Morro Bay | 10,757 | 11,715 | 12,092 | 12,261 | 13.98% | 0.47% |
| Pismo Beach | 8,074 | 9,486 | 9,901 | 10,079 | 24.83% | 0.83% |
| San Luis Obispo | 47,106 | 49,759 | 51,105 | 51,672 | 9.69% | 0.32% |
| Avila Beach | 1,508 | 1,578 | 1,643 | 1,671 | 10.81% | 0.36% |
| Los Osos | 14,764 | 17,541 | 18,842 | 19,154 | 29.73% | 0.99% |
| Nipomo | 17,032 | 17,651 | 18,292 | 18,598 | 9.19% | 0.31% |
| Oceano | 6,868 | 7,572 | 7,924 | 8,054 | 17.27% | 0.58% |
| Other Unincorporated | 36,392 | 37,936 | 38,284 | 38,693 | 6.32% | 0.21% |
| Total | **173,643** | **187,279** | **193,175** | **195,722** | **12.72%** | **0.42%** |

#### **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 California Senate Bill 244, 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. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water, 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, eleven DUCs were identified within the CSLRCD service area boundary as seen in Figure 2. Although these DUCs were identified, CSLRCD 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 CSLRCD’s SOI or service area boundary. Table 3 below contains additional information about each DUC within the District’s boundary.

Table 3: Disadvantaged Unincorporated Communities with CSLRCD

|  |  |  |
| --- | --- | --- |
| DUC | MHI [[2]](#footnote-3) | Registered Voters [[3]](#footnote-4) |
| Los Osos DUC Area No. 1 | $64,479 | 1,006 |
| Los Osos DUC Area No. 2 | $63,281 | 1,157 |
| Los Osos DUC Area No. 3 | $62,001 | 1,164 |
| San Luis Obispo DUC Area No. 1 | $9,233 | 64 |
| San Luis Obispo DUC Area No. 2 | $59,318 | 23 |
| Oceano DUC Area No. 1 | $48,264 | 935 |
| Oceano DUC Area No. 2 | $45,494 | 1,280 |
| Oceano DUC Area No. 3 | $62,000 | 69 |
| Nipomo DUC Area No. 1 | $50,298 | 783 |
| Nipomo DUC Area No. 2 | $59,063 | 644 |
| Nipomo DUC Area No. 3 | $64,537 | 1,277 |

Figure 2: Countywide Disadvantaged Unincorporated Communities Map

A map of a region

AI-generated content may be incorrect.

#### **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 in the area are planned for in the general plans prepared by the six land use authorities whose jurisdictions overlap CSLRCD’s service area boundary. These jurisdictions include the County and the Cities of Arroyo Grande, Grover Beach, Morro Bay, Pismo Beach, and San Luis Obispo.

### Accountability

CSLRCD’s governance authority is established under the Resource Conservation District Law Act of Division 9 of the California Public Resources Code and codified under Public Resources Code Sections 9001 – 9972. Governance of CSLRCD is independently provided by a seven-member Board of Directors appointed to four-year terms by the County Board of Supervisors. The Board of Directors meets on the fourth Friday of each month at 12:00 PM at the UC Cooperative Extension Auditorium at 2156 Sierra Way in San Luis Obispo, CA. The public may participate in meetings in person or via Zoom. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board. Staff reports, meeting minutes, and resolutions are available to the public upon request. CSLRCD maintains an up-to-date website that contains district contact information, the current agenda, financial transaction reports, compensation reports, and an enterprise system catalog in compliance with Senate Bill 272.

Table 4: CSLRCD Board of Directors

|  |  |  |
| --- | --- | --- |
| Board Member | Title | Term Expiration |
| Neil Havlik | President | November 2026 |
| Jean-Pierre Wolff | Vice President | November 2026 |
| Dan Chesini | Director | November 2028 |
| Ron Munds | Director | November 2028 |
| Linda Chipping | Director | November 2028 |
| Dominic Roques | Director | November 2028 |
| Lexie Bell | Director | April 2028 |
| Chris Bersbach | Associate Director |  |
| Jeana Cadby | Associate Director |  |

### Services & Capacity

#### **Active Services**

Public Resources Code Division 9 established RCDs to conserve soil and water, control runoff, prevent and control soil erosion, manage watersheds, protect water quality, and develop water storage and distribution. The Public Resources Code identifies a range of services that an RCD may provide, and a complete listing of the powers afforded to RCDs is located in Public Resources Code Sections 9401 - 9420. Authorized services granted to RCDs under current law include, but are not limited to:

• Conducting surveys and research, disseminating information, and partnering

• Accepting and implementing grants and gifts for conservation work

• Acquiring lands, easements, and property

• Contracting, accepting contributions, and using contributions

• Making improvements and conducting operations of public/private lands

• Performing education, outreach, and demonstration projects

• Developing annual and long-range plans

• Accepting and managing projects within districts

• Maximizing funding opportunities by working with Federal/State/Private Sources, cooperating with other districts, an association of districts, or other regional area groups

• Provide coordinated representation of districts before Federal, State, and Local Government Agencies

Government Code Section 56425(i) provides 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 existing districts.” Government Code Section 56050.5 defines a latent service or power as “those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not being exercised, as determined by the commission pursuant to subdivision (i) of Government Code Section 56425.” Therefore, once the Commission has established what services are being provided pursuant to § 56425 (i), all other services, functions and powers become “latent services or powers” by operation of law. The CSLRCD exercises all powers listed in Division 9 of the Public Resources Code Sections 9401-9420; as such, there are no powers that would become latent by operation of law. In other words, all powers in sections 9401-9420 are active.

The MSR and SOI 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 CSLRCD 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 District, including potential jurisdictional changes such as consolidation, reorganization, and dissolution. As previously mentioned, CSLRCD does not wish to make any SOI adjustments at this time; therefore, no areas are being studied for possible inclusion into the District.

**Service Delivery & Performance**

CSLRCD provides comprehensive, integrated services addressing wildlife, water, climate, and agriculture. The District uses diverse means to protect, conserve, and restore natural resources while serving as a focal point for local conservation efforts and collaborating with private and public land owners, land managers, public agencies, interest groups, and others. The CSLRCD manages and implements many projects, which are mostly funded by grants. In addition, CSLRCD also offers professional services, which are charged by a fee. Table 5 below highlights some of the District’s recent projects, project partnerships, and funding sources. Additional information on the District’s projects, programs, and services is available on their [website](https://www.coastalrcd.org/programs).

Table 5: CSLRCD Projects and Programs

|  |  |  |  |
| --- | --- | --- | --- |
| Project | Summary | Partners | Funders |
| Oceano Dunes Restoration Project | Improve air quality on the Nipomo Mesa by reduction of fine-particle dust that comes from the dunes through ecological restoration | * California State Parks * California Conservation Corps * American Conservation Experience | * CA Department of Parks & Recreation * Oceano Dune District |
| Stenner Creek Watershed Enhancement Project | Enhances water quality, aquatic and riparian habitat, agricultural viability, and public access through improved rural ranch roads and improving 30+ stream crossings along 10 miles of Stenner creek. | * Cal Poly * Pacific Watersheds Associates | * CA Department of Conservation * Wildlife Conservation Board |
| Arroyo Grande Creek Cooperative Watershed Management Program | Increase the sustainability and equity of water resources in the watershed through increased water quality monitoring, expanding the existing MOU group, developing outreach materials, and updating the existing Watershed Management Plan. | * Creek Lands Conservation * City of Arroyo Grande * SLO County Flood Control Zone 1/1A * Natural Resources Conservation Service | * Bureau of Reclamation * SLO County Flood Control Zone 1/1A |
| Morro Bay Watershed On-farm Water Quality Enhancement Project | Improve water quality in the Morro Bay watershed by reducing sedimentation and nutrient loads. | * Cal Poly * Camp San Luis Obispo * Morro Bay National Estuary Program * Private Landowners | * State Water Resources Control Board |
| Central Coast Regional Fine-scale Vegetation Mapping Program | Development of a publicly accessible fine-scale vegetation map of San Luis Obispo, Monterey, and San Benito Counties for the purpose of data-driven natural resource management and conservation. | * SLO County Planning & Building * Tuckman Geospatial * CA Native Plant Society * CSUMB * Cal Poly | * CA Department of Fish & Wildlife * State Coastal Conservancy |
| Central Coast Soil Hub | Collaboration between four Central Coast RCDs to provide technical and financial support to Central Coast agriculture community. | * Upper Salinas Las Tablas RCD * Cachuma RCD * Ventura County RCD | * Carbon Cycle Institute * California Association of RCDs |
| Permit Preparation and Compliance | Provides technical assistance to partners, project proponents, and landowners to develop CEQA documents and regulatory permits. | * Project Proponents * Private Landowners | * Project Proponents * Private Landowners |

**Staffing & Personnel**

The CSLRCD employs an Executive Director who runs the day-to-day operations of the RCD. The Executive Director reports to the Board of Directors at the monthly board meetings. The District also employs additional personnel such as a Director of Finance, a Programs Manager, Project Managers, Restoration Specialists, and Technicians as needed to support various grants and projects dependent on available funding.

**Capital Facilities and Equipment**

CSLRCD owns in fee title two properties, which were acquired for the purpose of wetland restoration and conservation. Chorro Flats, a suite of agricultural parcels acquired in 1995, is located in the historic Chorro Creek floodplain. When the property was acquired, Chorro Creek had a levee along the far side of the property. The levee hydrologically disconnected the creek from the floodplain, resulting in increased sediment deposits into Morro Bay. Restoration activities included breaching the levee and creating secondary channels that allowed the flows to reconnect to the floodplain. In its first eight years, the reconnected floodplain captured more than 20,000 cubic yards of sediment. The Los Osos Wetland Property, acquired by CSLRCD in 2015 with the objective of restoration, is similarly located on the historic floodplain of Warden and Los Osos creeks. CSLRCD wrote a Restoration Plan in 2018 and implemented restoration activities in 2021. In addition to the two properties, CSLRCD owns two vehicles and leases one vehicle, which they use to facilitate their work on the Oceano Dunes Project.

**Shared Services and Facilities**

Table 5 above exemplifies the numerous local, state, and federal partnerships the CSLRCD has developed and maintained throughout its history. Due to the diversity of the District’s projects and the large service area within which they work, the District routinely works alongside multiple agencies to accomplish various goals and provide expertise where needed. The District also relies upon their partners to fill gaps in the capacity in which they lack and avoid redundancy in their efforts. Opportunities for further coordination may include:

* Continued coordination between CSLRCD and Upper Salinas Las Tablas Resource Conservation District and Cachuma Resource Conservation District. At various times in their histories, the Board of Directors of each District has discussed the advantages and disadvantages of consolidation. At this time, the Districts do not wish to consolidate; however, opportunities for coordination, such as shared contract staff, may allow for more efficient provision of services.
* Continued coordination between CSLRCD and the County of San Luis Obispo. Through a partnership with the County, CSLRCD offers an Alternative Review Program, which is an alternative, low-cost grading review process for eligible projects within the District. This program is underutilized, and further coordination between the County and District should occur to ensure the service is utilized effectively and efficiently.
* Continued coordination between CSLRCD and state entities/agencies such as the State Water Resource Control Board and the California Department of Parks and Recreation

### Finance

LAFCO is required to make a determination regarding the financial ability of the CSLRCD 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**

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget provides a framework for the District to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements, and rates and fees. The District’s annual budgets show revenues at least equal to expenditures without relying on reserves.

**Audited Financial Statements**

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

its active service functions. LAFCO has used the five most recent audited financial statements to conduct its evaluation of the District’s Financial Health, separated into three categories (Revenues and Expenditures, Assets and Liabilities, and Net Position).

***Revenues and Expenditures***

The CSLRCD’s principal source of revenue is from state and federal grants for conservation projects. The District also receives funding through local government and non-government grants, fees charged for services, and interest income. The District does not receive any property tax funding. As shown in Figure 3 below, the District experienced an increase in revenues from FY 2018-2019 to FY 2019-2020, and from FY 2021-2022 to FY 2022-2023, with a decrease in revenue in FY 2020-2021 due to a decrease in grant funding. The District’s total expenditures have experienced an overall increase in the last five fiscal years. The District’s principal expenses are for professional services of contractors, materials for conservation projects, and for salaries of District staff.

Figure 3: Revenues vs. Expenditures

Figure 4 presents CSLRCD’s operating ratios over the last five audited years, which measure the ratio of annual operating revenues to annual operating expenses. Operating ratio is used as an indicator of the District’s financial health. 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 the agency can pay all its operating expenses and has revenue left over to spend on other items.

Figure 4: Operating Ratio (FY 2018-2019 to 2022-2023)

***Agency Assets and Liabilities***

An agency’s assets provide current, future, or potential economic benefits 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. Capital Assets: long-term investments that are not expected to become cash within an accounting year

CSLRCD’s audited assets at the end of FY 2022-2023 totaled $2,070,835 and are 6% higher than the five-year average amount of $1,949,912. Assets classified as current, with the expectation they could be liquidated within a year, represented 31% of total assets or $644,217, and are primarily tied to cash and cash equivalents. Assets classified as capital assets make up the remainder of the total, $1.4 million, and are primarily attributed to land and equipment. Overall, all assets for CSLRCD have increased by 7.5% over the corresponding 5-year audited period.

Table 6: Audited Assets

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Category | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | Percent Change  (FY 18-19 to FY 22-23) | 5-yr Average |
| Current Assets | $485,429 | $435,677 | $439,944 | $531,075 | $644,217 | 33% | $507,268 |
| Capital Assets | $1,441,444 | $1,459,637 | $1,449,909 | $1,435,611 | $1,426,618 | -1% | $1,442,644 |
| Total Assets | **$1,926,873** | **$1,895,314** | **$1,889,853** | **$1,966,686** | **$2,070,835** | **7.5%** | **$1,949,912** |

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

CSLRCD’s audited liabilities at the end of FY 2022-2023 totaled $334,560 and were 1.2% higher than the five-year average amount of $150,501. The increases are due to increased accounts payable and accrued payroll liabilities. Liabilities classified as current, which represent obligations owed in the near term, account for 83%, or $279,138, of the total liabilities. Non-current liabilities represent the remaining total, or $55,422, and are largely related to the office lease and compensated absences. Overall liabilities have increased by 4.6% over the corresponding 5-year audited period.

Table 7: Audited Liabilities

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Category | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | 5-yr % Change | 5-yr Average |
| Current Liabilities | $37,475 | $54,846 | $85,053 | $99,544 | $279,138 | 6.4% | $111,211 |
| Non-Current Liabilities | $22,572 | $13,272 | $17,823 | $87,362 | $55,422 | 1.5% | $39,290 |
| Total Liabilities | **$60,047** | **$68,118** | **$102,876** | **$186,906** | **$334,560** | **4.6%** | **$150,501** |

Figure 5 presents the District’s liquidity ratios over the last five-year audited period, which measures current assets against current/near-term obligations. The liquidity ratio is another indicator of 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 5: Liquidity Ratio (FY 2018-2019 to 2022-2023)

***Agency Net Position***

The government-wide financial statements utilize a net position presentation. Net position is the difference between assets and liabilities and is one way to measure the District’s financial health or financial position. Overtime increases or decreases in the District’s net assets are one indicator of whether its financial health is improving or deteriorating. CSLRCD’s audited net position at the end of FY 2022-2023 totaled $1,736,275 and is 3.3% lower than the five-year average amount of $1,794,825. A portion of the District’s net position, 82%, reflects its net investment in capital assets (e.g., land and equipment), with the remainder categorized as restricted, 10%, and unrestricted, 8%. Overall, the District’s net position has decreased by 6.1% over the corresponding 5-year audited period.

Table 8: 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 | $1,441,444 | $1,459,637 | $1,449,909 | $1,435,611 | $1,426,618 | -1% | $1,442,644 |
| Restricted | $182,292 | $178,335 | $171,483 | $170,193 | $170,193 | -6.6% | $174,499 |
| Unrestricted | $226,022 | $183,362 | $165,585 | $173,976 | $139,464 | -38.3% | $177,682 |
| Total Net Position | $1,849,758 | $1,821,334 | $1,786,977 | $1,779,780 | $1,736,275 | -6.1% | $1,794,825 |

# Determinations

## Service Review Determinations

As set forth in Government Code Section 56430(a) — In order to prepare and 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**

In 2020, the total population within CSLRCD was estimated at 173,643. By 2050, it is expected that the total population within the CSLRCD will be approximately 195,722. This equates to a growth rate of approximately 0.42% per year.

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

CSLRCD’s SOI and service area boundary includes eleven areas that meet the criteria for a DUC as defined in Government Code Section 56033.5. The location and characteristics of the eleven DUCs are described in Table 3 and Figure 2 of the [“Population Profile”](#_Population_Profile) section of this report.

1. **Present and planned capacity of public facilities and adequacy of public services, including 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.**

CSLRCD provides comprehensive, integrated services addressing wildlife, water, climate, and agriculture. The CSLRCD manages and implements many projects which are mostly funded by state and federal grants. In addition, CSLRCD also offers professional services, which are charged by a fee. The District employs an Executive Director as well as additional personnel such as a Director of Finance, a Programs Manager, Project Managers, Restoration Specialists, and Technicians as needed to support various grants and projects dependent on available funding. CSLRCD owns in fee title two properties, which were acquired for the purpose of wetland restoration and conservation as well as two vehicles used to facilitate their work for the Oceano Dunes project. At present, the District has both the ability and the capacity to serve its service area. As the RCD does not provide water, sewer, or fire protection services, the District is not responsible for assuring that these services are adequately provided to the communities within the District’s boundaries.

1. **Financial ability of agencies to provide services**

CSLRCD’s operating ratio, liquidity ratio, and net position were used to analyze the District’s financial health. CSLRCD’s operating ratio, which measures the ratio of annual operating revenues to annual operating expenses, indicated a healthy financial position in only three of the last five years audited. The District’s liquidity ratio, which measures current assets against current obligations, indicated a healthy financial position across all five audited years. The District’s net position, which is the difference between the agency's assets and liabilities, decreased over the last five-year audited period and therefore indicated financial deterioration. Overall, the District has been successful in obtaining grant funding for its programs and appears to have adequate financial resources to deliver its services.

1. **Status of and, opportunities for, shared facilities**

CSLRCD has a long history of developing partnerships with local, state, and federal agencies to assist the District in accomplishing locally developed projects and priorities.

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

CSLRCD is governed by a seven-member Board of Directors that are appointed to four-year terms by the County Board of Supervisors. Regularly scheduled monthly Board meetings are held and all meetings are open to the public and are publicly posted a minimum of 72 hours prior to the meeting in accordance with the Brown Act. CSLRCD maintains an up-to-date website that contains District information, documents, and updates.

1. **Any other matter related to effective or efficient service delivery**

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

## 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.**

Land uses within CSLRCD’s existing coterminous SOI and service area boundary are planned for in the general plans prepared by the six land use authorities whose jurisdictions overlap with the service area boundary of CSLRCD. These jurisdictions include the County and the Cities of Arroyo Grande, Grover Beach, Morro Bay, Pismo Beach, and San Luis Obispo. Reaffirmation of the District’s SOI is recommended.

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

The CSLRCD provides a unique and vital service to the coastal communities of the County. The District was established to conserve soil and water, control runoff, prevent and control soil erosion, manage watersheds, protect water quality, and develop water storage and distribution and serves as an essential liaison between a variety of private and public stakeholders in accomplishing local conservation projects. There is a present and probable future need for these services within the District’s coterminous SOI and service area boundary and reaffirmation of the District’s SOI is recommended.

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

At present, the CSLRCD has adequate grant funding and staffing to provide service within the District’s coterminous SOI and service area boundary. In addition, the District has successfully developed partnerships with local, state, and federal agencies to assist in accomplishing locally developed projects and priorities. Reaffirmation of the District’s SOI is recommended.

1. **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’s coterminous SOI and service area boundary. Reaffirmation of the District’s SOI is recommended.

1. **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**.

Eleven DUCs were identified within the CSLRCD’s coterminous SOI and service area boundary as seen in Figure 2. Although these DUCs were identified, CSLRCD does not provide public facilities or service 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 CSLRCD’s SOI or service area boundary. Reaffirmation of the District’s SOI is recommended.

1. 2020 US Census Data and San Luis Obispo Council of Governments 2050 Regional Growth Forecast (Figure 116 & Figure 118) [↑](#footnote-ref-2)
2. American Community Survey Data from 2016-2020 in 2021 inflation/adjusted dollars [↑](#footnote-ref-3)
3. County of San Luis Obispo Clerk Recorder GIS Data from October 2023 [↑](#footnote-ref-4)