



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

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

DATE: JANUARY 18, 2024

**SUBJECT: LAFCO FILE NO. 1-S-23 | MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE STUDY FOR AVILA BEACH COMMUNITY
SERVICES DISTRICT**

RECOMMENDATION

Action 1: Motion finding the Municipal Service Review & Sphere of Influence Study prepared for the Avila Beach Community Services District (LAFCO File No. 1-S-23) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Motion to adopt resolution approving the Avila Beach Community Services District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 1-S-23) found in Attachment A & B, reaffirming the district's existing Sphere of Influence as depicted in Exhibit C of Attachment A, and establishing that the active services provided by the district are water, wastewater, street lighting, fire, and solid waste.

DISCUSSION

Background

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

COMMISSIONERS

Chair
DEBBIE ARNOLD
County Member

Vice Chair
MARSHALL OCHYLSKI
Special District Member

JIMMY PAULDING
County Member

ROBERT ENNS
Special District Member

ED WAAGE
City Member

STEVE GREGORY
City Member

HEATHER JENSEN
Public Member

ALTERNATES

DAWN ORTIZ-LEGG
County Member

ED EBY
Special District Member

CHARLES BOURBEAU
City Member

David Watson
Public Member

STAFF

ROB FITZROY
Executive Officer

IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

local agencies in addition to any related sphere changes. The MSR for the Avila Beach Community Services District (ABCSD) has been prepared consistent with the Fiscal Year 2023-2024 Work Plan and established timeline.

Executive Summary

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

1. *Growth and Population projections for the affected area.*
2. *Location and characteristics of any disadvantaged unincorporated communities.*
3. *Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.*
4. *Financial ability of agencies to provide services.*
5. *Status of, and opportunity for, shared facilities.*
6. *Accountability for community service needs including governmental structure and operational efficiencies.*
7. *Any other matter related to effective or efficient service delivery, as required by commission policy.*

The seven criteria, MSR determinations, described above were prepared and included into this staff report as Exhibit B of Attachment A and in the MSR & SOI Study, Attachment B. In summary, ABCSD has an estimated population of 461, with an estimated build-out population of 626. ABCSD is authorized to provide water, wastewater, street lighting, fire, and solid waste services. ABCSD has the capability and capacity to adequately meet existing and future demands for water, wastewater, street lighting, fire, and solid waste as was documented in detail in the MSR & SOI Study. ABCSD appears to have adequate annual revenue and fund balance to provide the services that it currently provides. Overall, ABCSD is accountable, transparent, and functions well as a district.

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

1. *The present and planned land uses in the area, including agricultural and open-space lands.*
2. *The present and probable need for public facilities and services in the area.*
3. *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
4. *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

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

The five criteria, SOI determinations, described above were prepared and included into this staff report as Exhibit B of Attachment A and in the MSR & SOI Study (Attachment B). ABCSD's existing SOI includes 1,908 acres to the north and east of the district and is expected to remain unchanged, with no expansions or reductions for ABCSD. Land uses within ABCSD's existing SOI are predominantly residential, open space, and recreational. There is a present need and anticipated continued need for the services being provided by the ABCSD in the existing SOI area. ABCSD has capability and capacity to adequately meet existing service demand and some level of increased future service demand within the existing SOI area.

Agency Coordination / Public Comments

Staff coordinated with ABCSD throughout the preparation of this MSR. Input from ABCSD was provided via meetings, questionnaires, email correspondence, and during review of the administrative review draft. A public review and comment period was conducted for the public review draft of the ABCSD MSR from December 28, 2023, through January 18, 2024. The draft MSR was published on the SLO LAFCO website. The public review period ran simultaneous to the 21-day noticing requirement for a public hearing. A notice of Public Hearing was published in the newspaper (The Tribune) on December 28, 2023, 21-days in advance of the hearing. Email notices were sent to the district, applicable agencies, and other interested parties as required under Government Code section 56660 & 56661. All public comments received prior to the hearing date will be distributed to each Commissioner and become part of the official record of the Commission hearing. No written comments had been received at the publishing of the regular meeting agenda on January 11, 2024.

ENVIRONMENTAL REVIEW

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

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

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

There is no possibility that this MSR and SOI update may have a significant effect on the environment because there are no land use changes associated with the documents. If the Commission approves and adopts the MSR and SOI study, staff will file the Notice of Exemption (Exhibit A of Attachment A) as required by CEQA, Regulation section 15062.

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

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

Exhibit B: Written Determinations

Exhibit C: ABCSD Boundary Map

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

Attachment A

Draft LAFCO Resolution 2024-__

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

Thursday, January 18, 2024

RESOLUTION NO. 2024-XX

**RESOLUTION APPROVING THE AVILA BEACH COMMUNITY SERVICES DISTRICT MUNICIPAL
SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY**

The following resolution is now offered and read:

WHEREAS, the San Luis Obispo Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local government agencies whose jurisdictions are within San Luis Obispo County; and

WHEREAS, the Commission conducted a municipal service review to evaluate availability and performance of governmental services provided by Avila Beach Community Services District, hereinafter referred to as the “District”, pursuant to California Government Code § 56430, hereby incorporated by reference as contained in LAFCO File No. 1-S-23 Avila Beach Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the January 18, 2024, LAFCO Staff Report; and

WHEREAS, the Commission conducted a sphere of influence study for the District pursuant to California Government Code § 56425, hereby incorporated by reference as contained in LAFCO File No. 1-S-23 Avila Beach Community Services District Municipal Service Review and Sphere of Influence Study included as Attachment B of the January 18, 2024, LAFCO Staff Report; and

WHEREAS, Government Code §56425(i) requires that when adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by those districts; and

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

WHEREAS, no change in regulation, land use, or development will occur as a result of the adoption of a sphere of influence for the district; and

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

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

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence study on January 18, 2024; and

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

WHEREAS, the Notice of Exemption, prepared pursuant to § 15062 is adequate as the documentation to comply with the California Environmental Quality Act (CEQA) under the General Rule Exemption § 15061(b)(3) and Categorical Exemption § 15306, for the municipal service review and sphere of influence study for the District; and

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

1. That the recitals set forth hereinabove are true, correct, and valid and are hereby incorporated by reference.
2. The municipal service review and sphere study titled “Municipal Service Review and Sphere of Influence Study for Avila Beach Community Services District”, includes the related statements of determination, and is determined to be exempt from CEQA pursuant to § 15061(b)(3) and § 15306 of the CEQA Guidelines.
3. That the Notice of Exemption prepared for this proposal is complete and adequate, having been prepared in accordance with the provisions of the CEQA and is hereby determined to be sufficient for the Commission’s actions and is incorporated by reference as Exhibit A of this resolution.
4. That the Executive Officer of this Commission is authorized and directed to mail copies of this resolution in the manner provided by law.
5. Pursuant to Government Code § 56430(a), the Commission makes the written statement of determinations for municipal service reviews, included in Exhibit B of this resolution.

6. Pursuant to Government Code § 56425(e), the Commission makes the written statement of determinations for the sphere of influence, included in Exhibit B of this resolution.
7. That the sphere of influence for the district be adopted pursuant to the map in Exhibit C of this Resolution.
8. In adopting this sphere of influence for the district, pursuant to Government Code § 56425(i), the Commission establishes that the only function or service provided by the district within its jurisdictional boundaries is water, wastewater, street lighting, fire, and solid waste.
9. Water, wastewater, street lighting, fire, and solid waste are considered general terms used to identify the authorized powers of the district and that the powers are further described in Government Code § 61100.
10. Pursuant to Government Code § 56050.5, all other services, facilities, functions, or powers authorized by the Community Services District principal act that are not being exercised are, by operation of law, determined to be latent services or powers.

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

AYES:

NAYS:

ABSENT:

ABSTAIN:

The foregoing resolution is hereby adopted.

Debbie Arnold
LAFCO Chair

Date

ATTEST:

Rob Fitzroy
LAFCO Executive Officer

Date

APPROVED AS TO FORM AND LEGAL EFFECT:

Brian Pierik
LAFCO Legal Counsel

Date

DRAFT

Notice of Exemption

To: ✓ Office of Planning and Research
PO Box 3044, 1400 Tenth Street, Room 222
Sacramento, CA 95812-3044

From: San Luis Obispo LAFCO
Rob Fitzroy, Executive Officer
1042 Pacific St. Suite A
San Luis Obispo, CA 93401
(805) 781 – 5795
rfitzroy@slo.lafco.ca.gov

✓ County Clerk
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

Project Title: LAFCO File No. 1-S-23 | Avila Beach Community Services District Municipal Service Review and Sphere of Influence Study

Project Location: Avila Beach Community Services District (ABCSD) is located in the southwestern portion San Luis Obispo County.

Description of Nature, Purpose, & Beneficiaries of Project: The Local Agency Formation Commission (LAFCO) has prepared a Sphere of Influence (SOI) Study and Municipal Service Review (MSR) for the Avila Beach Community Services District pursuant to Government Code § 56425 and § 56430. The SOI is a 20-year growth boundary that includes areas that may be served by the District in the future. State law requires the MSR to be completed either prior to or concurrent with, the SOI study. The MSR evaluates the public services provided by the District and is used as the basis for any changes to the SOI. The Commission took action to reaffirm the district’s SOI as depicted in Exhibit C of Attachment A of the LAFCO January 18, 2024, staff report found on the LAFCO website at <https://slo.lafco.ca.gov/>, and establishing that the active services provided by the district are water, wastewater, street lighting, fire, and solid waste, and deeming all remaining powers not already mentioned as latent pursuant to government code § 56425 (i).

Name of Public Agency Approving Project: The San Luis Obispo County LAFCO conducted a noticed public hearing on January 18, 2024, at 9:00 a.m. in the Board of Supervisors Chambers in San Luis Obispo at the County Government Center. Additional information is available on the LAFCO website at <https://slo.lafco.ca.gov/>.

Exemption Status: (check one)

<input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268);	<input checked="" type="checkbox"/> Categorical Exemption: State type and section number
<input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a));	<input type="checkbox"/> Statutory Exemptions: State code number
<input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c));	<input type="checkbox"/> Other: The activity is not a project subject to CEQA.

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

Rob Fitzroy, Executive Officer

Date

Service Review Determinations per Government Code Section 56430 for the Avila Beach Community Services District

1. Growth and population projections for the affected area

- a. Currently, the estimated population of ABCSD is 461. With an estimated build-out population of 626, ABCSD is about 74% built-out.

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

- a. The estimated 2021 Median Household Income for the US Census Block Group which most closely coincides with ABCSD's boundary and SOI is \$81,089, which is 96% of California's MHI. Therefore, ABCSD does not qualify as a DUC.

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

- a. **Water** | ABCSD is authorized to provide water service as it is described in Government Code section 61100 (a). ABCSD's water supply consists of surface water from Lopez Reservoir (68 AFY) and the State Water Project (100 AFY). The District also purchased 100 AFY of State Water Project drought buffer to supplement their SWP allocation. ABCSD allocates its water supply to 311 residential connections and 78 non-residential connections with an average water demand of 77.8 AFY. The District projects future water demand to be 124 AFY at build out. LAFCO determines that ABCSD has capability and capacity to adequately meet existing and future water demand.
- b. **Wastewater** | ABCSD is authorized to provide wastewater service as it is described in Government Code section 61100 (b). The District's collection system currently serves the District and conveys raw wastewater to the District WWTP which serves ABCSD and the Port San Luis Harbor District. The WWTP is currently undergoing upgrades to allow for higher peak flows and to increase operational flexibility. The WWTP has a permitted capacity of 200,000 gpd and has an average existing flow

of 50,422 gpd. The District predicts future wastewater flow to be about 78,221 gpd at buildout. LAFCO determines that ABCSD has capability and capacity to adequately meet existing and future water demand.

- a. **Fire Protection** | ABCSD is authorized to provide fire service as it is described in Government Code section 61100 (d). The District contracts with the County for fire protection services and Cal Fire responds to emergencies in ABCSD from Station 62. County Fire maintains adequate response times to serve the Avila region during emergencies and calls. LAFCO determines that ABCSD has capability and capacity to adequately provide fire protection services.
 - b. **Solid Waste** | ABCSD is authorized to provide solid waste service as it is described in Government Code section 61100 (c). ABCSD is the solid waste authority and has a Franchise Agreement with South County Sanitary Services to provide solid waste services. LAFCO determines that ABCSD has capability and capacity to adequately provide solid waste services.
 - c. **Street Lighting** | ABCSD is authorized to provide street lighting services as it is described in Government Code section 61100 (g). ABCSD provides street lighting services to the District through a contract with Pacific Gas and Electric Company. LAFCO determines that ABCSD has capability and capacity to adequately provide street lighting service.
- 4. Financial ability of agencies to provide services**
- a. ABCSD adopts balanced budgets each year that show revenues at least equal to expenditures without relying on reserves.
 - b. ABCSD appears to have adequate annual revenue and fund balance to provide the services it currently provides.
 - c. ABCSD's net position has increased over the last 5-year audited period ending in \$8.3 million in FY 2021-2022 and with a 5-year average of \$7.7 million. ABCSD is financially stable despite increasing costs and limited revenues. LAFCO determines that ABCSD is financially stable.

5. Status of and, opportunities for, shared facilities

- a. There are opportunities for continued shared relationships between agencies for services within the ABCSD boundary including coordination between the District and nearby water purveyors and coordination between the District and the Port San Luis Harbor District in regards to the WWTP.
- b. LAFCO determines that the distinction between District and County services within the service boundary is clear and there are opportunities for continued shared relationships between other agencies.

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

- a. ABCSD is governed by a five-member Board of Directors that are elected to four-year terms. 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.
- b. ABCSD maintains an up-to-date website which contains District information, documents, and updates.
- c. LAFCO determines that ABCSD is accountable and transparent.

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

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

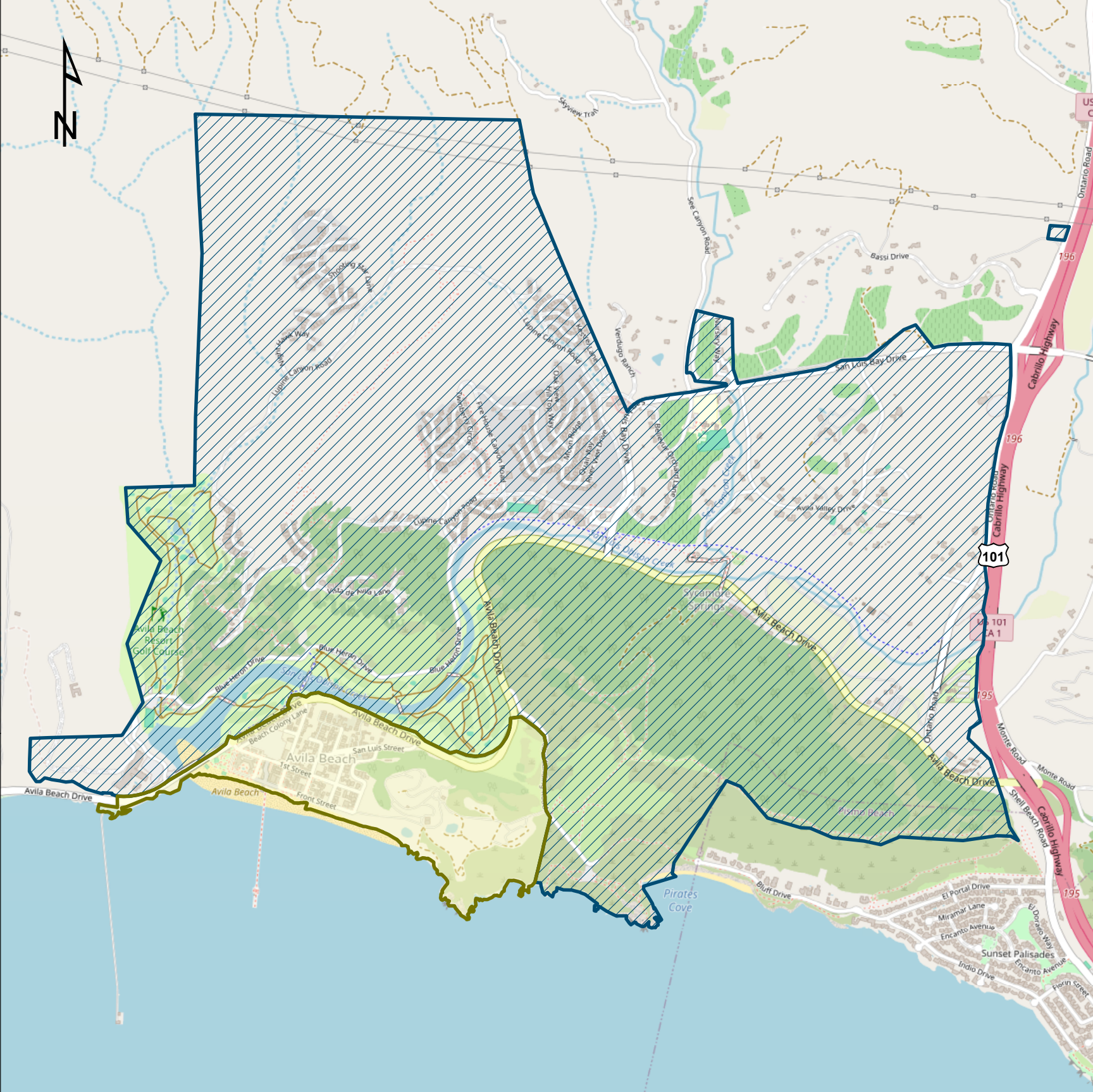
Sphere of Influence Determinations per Government Code Section 56425 for the San Miguel Community Services District

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

- a. Land uses within ABCSD's existing SOI are residential suburban, commercial retail, open space, residential rural, rural land, public facilities, and recreation.
- b. The SOI is expected to remain unchanged, with no expansions or reductions for ABCSD.

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

- a. There is an anticipated need for service within the existing SOI area.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions for ABCSD.
 - c. Some SOI areas have remained within the sphere for over 20 years; if needed, ABCSD is encouraged to review and determine whether areas within the existing SOI should remain in the sphere for eventual annexation to the District or be excluded in the future. If consolidation continues to be unlikely, the next MSR should consider reducing the sphere boundary to better reflect the District's future growth.
- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
- a. ABCSD has capability and capacity to adequately meet existing service demand and some level of increased future service demand within the existing SOI. Although it is important to make note that certain services face more significant challenges to capacity than others.
- 4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.**
- a. There are no District relevant social or economic communities of interest within the existing SOI area.
- 5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.**
- a. Unincorporated territory surrounding the District may qualify as disadvantaged. Should future annexations or service extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with Government Code section 56375(8)(A) and LAFCO policy.

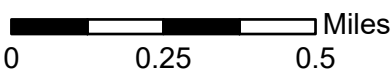


Avila Beach Community Service District

LAFCO Boundaries

- Sphere of Influence
- Service Area

Latest SOI Approval: Jan 2024



Prepared By SLOLAFCO
Name: Avila Beach CSD
Date: 12/14/2023

B-2-15

Attachment B

ABCSD Municipal Service Review and Sphere of Influence Study



Public Review Draft

Avila Beach Community Services District

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

Prepared by

the San Luis Obispo Local Agency Formation Commission

Adopted _____, 2024

Acknowledgments

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

Bradley Hagemann, Avila Beach Community Services District, General Manager

DRAFT

TABLE OF CONTENTS

About LAFCO _____	5
Authority and Objectives _____	5
Regulatory Responsibilities _____	5
Planning Responsibilities _____	6
LAFCO Decision-Making _____	7
SLO LAFCO _____	8
District MSR & Sphere Study _____	10
Overview _____	10
At A Glance _____	11
Boundary Map _____	12
Sphere of Influence _____	13
Accountability _____	13
Population Profile _____	14
Present and Planned Land Use _____	17
Services & Capacity _____	19
Finance _____	26
Determinations _____	33
Service Review Determinations per Government Code Section 56430 _____	33
Sphere of Influence Determinations per Government Code Section 56425 _____	36
Appendix _____	38
Sources _____	38
Written Comments on the Draft Report _____	39

List of Figures

Figure 1: ABCSD Boundary Map.....12
Figure 2: ABCSD Land Use Designations18
Figure 3: Incidents Per Year25
Figure 4: Average Response Times25
Figure 5: Revenues vs. Expenditures.....28

List of Tables

Table 1: District Profile11
Table 2: ABCSD Board of Directors14
Table 3: ABCSD Population15
Table 4: Water Supply Summary.....21
Table 5: Historic Water Demand.....22
Table 6: Future Water Demand22
Table 7: Historic Wastewater Flow23
Table 8: Future Average Wastewater Flow24
Table 11: Audited Assets.....29
Table 12: Audited Liabilities.....30
Table 13: Audited Net Position31

ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

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

Planning Responsibilities

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

Sphere of Influence (SOI)

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

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

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

Municipal Service Reviews (MSR)

MSRs in contrast, are intended to inform, among other activities, SOI determinations. LAFCOs also prepare MSRs regardless of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. When updating a MSR, LAFCOs are required to consider and prepare written statements of its determinations with respect to each of the following 7 factors:

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

LAFCO Decision-Making

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

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

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

SLO LAFCO

Regular Commissioners

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

Alternate Commissioners

Charles Bourbeau	City Member
Dawn Ortiz-Legg	County Member
Ed Eby	Special District Member
David Watson	Public Member

Staff

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

Contact Information

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

DISTRICT MSR & SPHERE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review for the Avila Beach Community Services District (ABCSD), located in the southwestern portion of San Luis Obispo County. The report has been prepared by staff consistent with the requirements of the CKH Act. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years or as 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 ABCSD 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 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 Profile¹

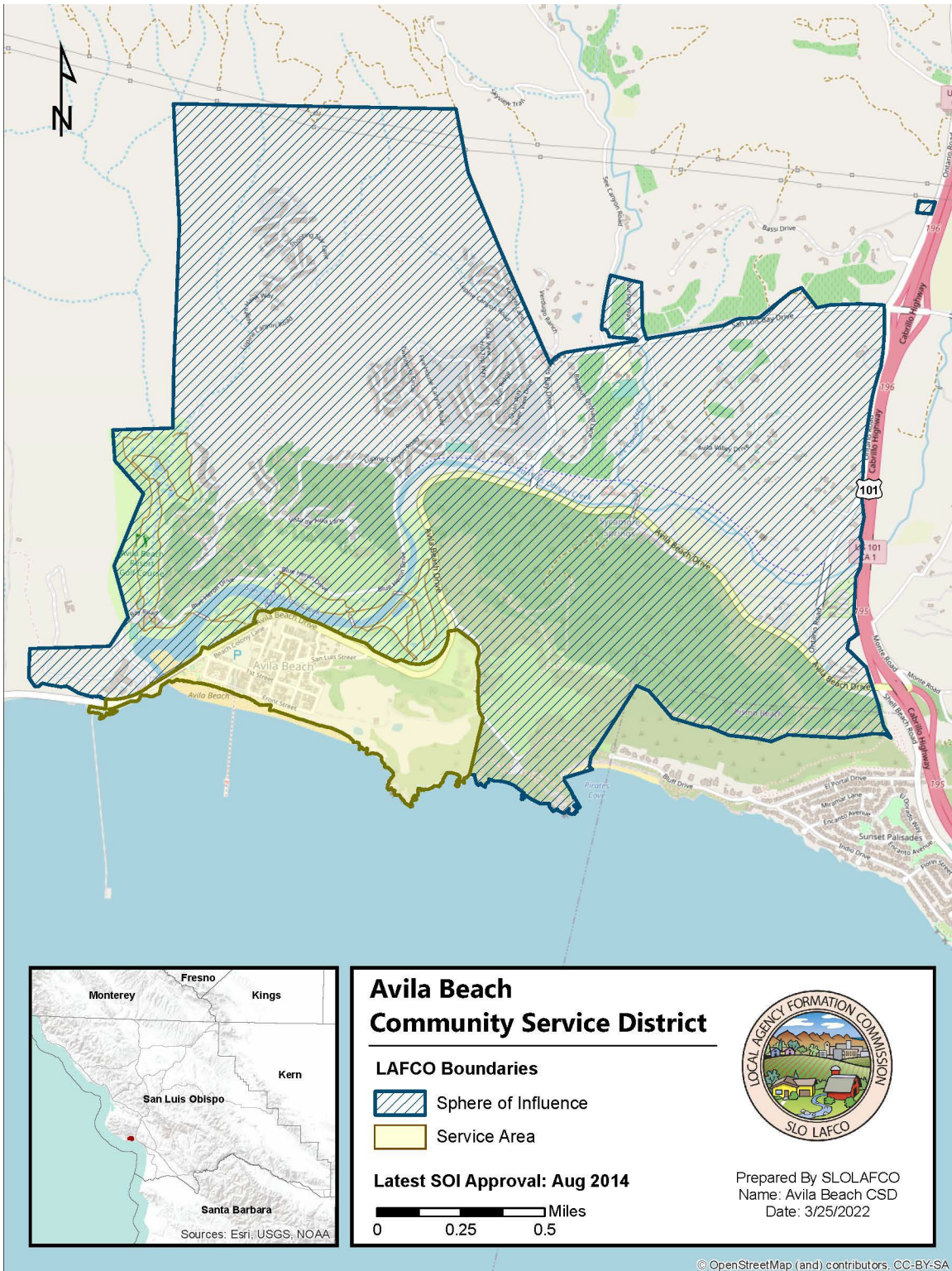
Agency Name	Avila Beach Community Services District
Formation	1997
Legal Authority	Government Code §61000- 61850
Office Location	100 San Luis Street, Avila Beach, CA 93424
Website	https://www.avilabeachcsd.org/
General Manager	Bradley Hagemann
Employees	1 Part-time employee, 2 Part-time contractors
Public Meetings	The Avila Beach Community Services District (ABCSD) Board of Directors holds its regular meetings on the on the second Tuesday of each month at 1:00 PM in the District Office Board Room.
Board of Directors	Five members elected to four-year terms
Active Powers	Water, Wastewater, Street Lighting, Solid Waste, and Fire Protection
District Service Area	75 acres
Population Estimate	461
Revenues	\$1,965,803 ²

¹ As of submission of MSR-SOI Request for Information Questionnaire, October 2022

² Avila Beach Community Services District Annual Financial Report, FY 2021-2022

Boundary Map

Figure 1: ABCSD Boundary Map



© OpenStreetMap (and) contributors. CC-BY-SA

Sphere of Influence

Existing SOI

ABCSD's existing sphere of influence is depicted in the boundary map in Figure 1. The existing SOI includes 1,908 acres to the north and east of the District. On May 18, 2000, the ABCSD SOI was revised and adopted by LAFCO to coincide with County Service Area 12 and the Avila Beach Urban Reserve Line of the County's General Plan. This action was at the request of ABCSD by resolution. The SOI includes several developments in the area including the Kingfisher Development, the San Luis Bay Estates Development, the Mallard Green Development, the Heron Crest Development, and the San Luis Bay Inn to the west. These developments are not served by ABCSD but use private water and sewer services from San Miguelito Mutual Water Company. ABCSD's existing SOI was originally established to plan for the possible future consolidation of government services; more specifically, the eventual consolidation of County Service Area 12 with the ABCSD. If annexation of any of these areas were to occur, it would involve the transfer of water and wastewater resources and facilities over to ABCSD to assist the District in serving the areas.

Proposed SOI

ABCSD wishes to retain their current sphere, therefore no changes are proposed to the District's SOI at this time by the affected agency. Some SOI areas have remained within the sphere for over 20 years; if needed, ABCSD is encouraged to review and determine whether areas within the existing SOI should remain in the sphere for eventual annexation to the District or be excluded in the future. If consolidation continues to be unlikely, the next MSR should consider reducing the sphere boundary to better reflect the District's future growth. At this time, no areas are being studied for removal or possible inclusion into the District.

Accountability

ABCSD is an independent special district governed by a five-member Board of Directors that are elected to four-year terms. The Board of Directors meet on the second Tuesday of each month at 1:00 PM in

the District office board room at 100 San Luis Street, Avila Beach, CA 93424. The public may participate in meetings in-person or via teleconference. Agendas and board packets are officially posted on the ABCSD website. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 2: ABCSD Board of Directors

Board Member	Title	Term Expiration
Peter Kelley	President	December 2026
Ara Najarian	Vice President	December 2026
Howie Kennett	Director	December 2024
Kristin Berry	Director	December 2024
John Janowitz	Director	December 2026

ABCSD currently employs 1 part-time staff and 2 part-time contracted employees. The District currently outsources the operation and maintenance of the water and wastewater systems, and fire protection is provided through a contract with Cal Fire. Current staffing levels are considered adequate to provide services within the District’s service area.

ABCSD maintains an up-to-date website which contains contact information for the District, the current agenda, and financial transaction reports. To maintain compliance with Senate Bill 929, the District is encouraged to annually update their enterprise system catalog and make compensation reports available on their website. Approved minutes and audio/visual recordings are not made available for public access on the website.

Population Profile

ABCSD’s historical population was estimated through use of Geographical Information Systems based analysis of US Census data calculated using the California Department of Water Resources (DWR’s) Population Tool. According to the DWR Population Tool, which assumes a 1.21 persons per water

connection factor, the District’s population was 370 in 1990, 262 in 2000, 362 in 2010, and 461 in 2020³. Future populations are projected based on the assumption that the District’s population will grow at the same rate as the surrounding region. Historical, projected, and buildout population are shown in Table 3.

Table 3: ABCSD Population

Year	ABCSD Population	Growth Percentage
1990	370	-
2000	262	-29%
2010	362	38%
2020	461	27%
2030	519	13%
2040	602	15%
Buildout	626	4%

Disadvantaged Unincorporated Communities

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

“(5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.”

DUCs are defined in Government Code section 56033.5 as inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income. LAFCOs are required to make written determinations

³ Water Resources Analysis Technical Memorandum, 2017.

regarding DUCs within a city or special districts' SOI and in MSRs. In addition, Government Code Section 56375 (a)(8)(A) prohibits LAFCO from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCO. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services.

As previously mentioned, one of the qualifications for a DUC is a community with an annual MHI that is less than 80 percent of the statewide annual MHI. California's MHI is \$84,097; therefore, the threshold for a DUC (80% of the states MHI) is an MHI less than \$67,277. For the purpose of identifying the MHI for locations within the unincorporated areas of SLO County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups and Census Designated Places data. Once a Census Block Group (CBG)⁴ or a Census Designated Place (CDP)⁵ meets the DUC MHI threshold, LAFCO must then verify that those areas are inhabited as specified in Government Code section 56033.5. For the purpose of identifying whether a location is inhabited, LAFCO staff used Registered Voter data from the SLO County Clerk Recorder to verify that any CBG and CDP area that was flagged is also inhabited (containing 12 or more registered voters).

The estimated 2021 MHI for the CBG which most closely coincides with the ABCSD boundary and SOI is \$81,089⁶. This is approximately 96% of the estimated California MHI of \$84,097, and therefore the District does not qualify as a DUC.

Social or Economic Communities of Interest in the Area

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

⁴ Block groups are a group of blocks within a census tract with populations of 600 to 3,000 people.

⁵ CDPs are a statistical geography representing closely settled, unincorporated communities that are locally recognized and identified by name.

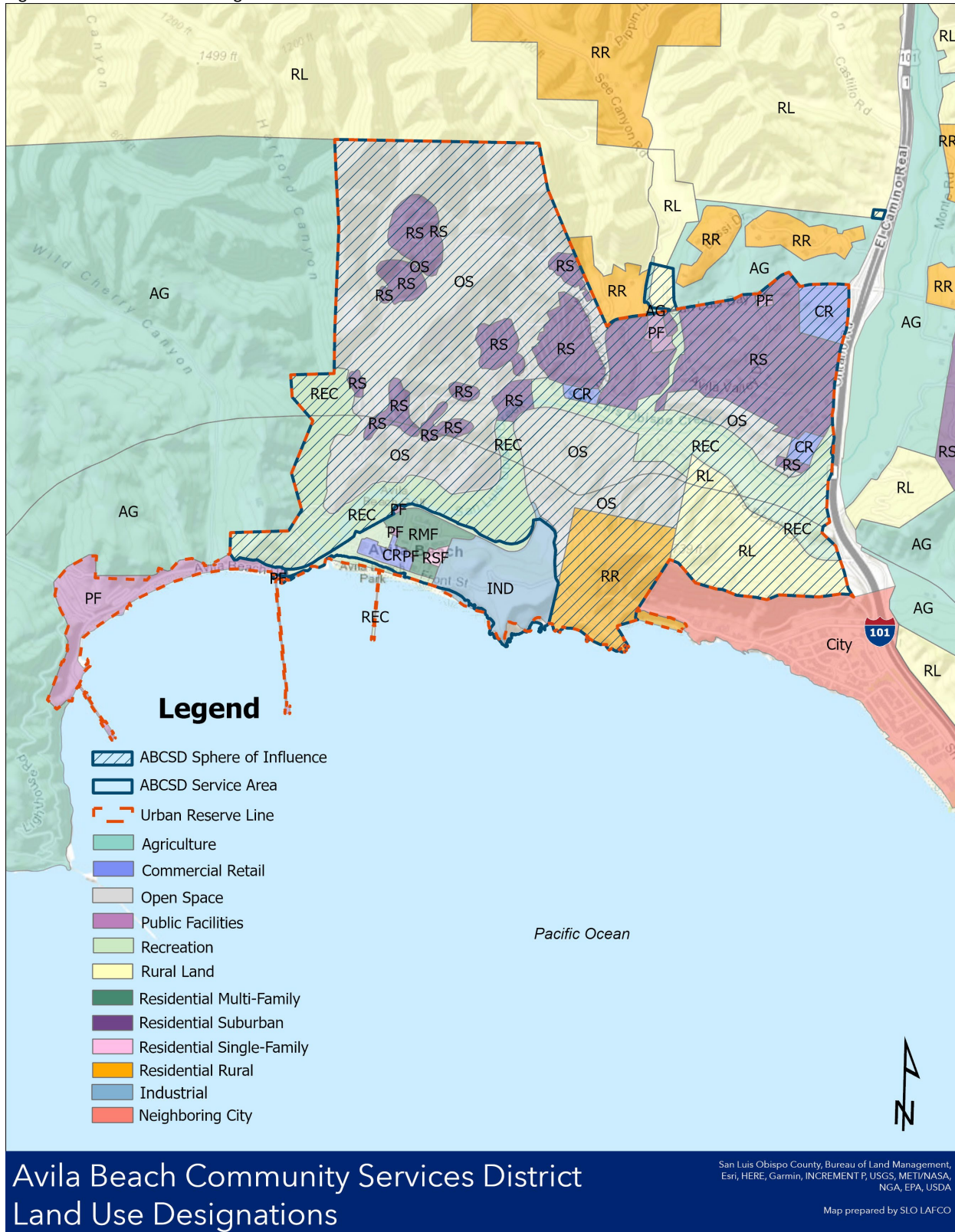
⁶ U.S. Census Bureau, American Community Survey data from 2016-2020 in 2021 inflation/adjusted dollars, Census Tract116.00, Block Group 3

Present and Planned Land Use

Land Use within the District is subject to the Avila Beach Community Plan, adopted in February 2014, which is Part III of the Land Use and Circulation Elements (LUCE) of the County General Plan. The County's Land Use Element establishes URLs, which are boundaries separating urban and non-urban areas, and define the proper level of service needed for each. Any change to a URL requires an amendment to the Land Use Element approved by the County. In addition, any proposed expansion of a URL is required to be within the SOI of the community and any separate service districts. The following map shows the Land Use Categories (zoning) for the community of Avila Beach as established by the Avila Beach Community Plan.

DRAFT

Figure 2: ABCSD Land Use Designations



Avila Beach Community Services District
Land Use Designations

Services & Capacity

Authorized Services

In January of 2006, Senate Bill (SB) 135 took effect and revised state laws governing Community Services Districts (CSD). SB 135 consolidated the provisions for CSDs into a list of 31 services and facilities and changed the definition of latent powers. The previous CSD Principal Act from 1955 required voter approval of latent powers and predated the statewide creation of LAFCO in 1963. With SB 135, all powers authorized for CSDs but not being exercised became latent powers, regardless of the initial formation petition. SB 135 redefined latent powers as those services and facilities authorized by the new CSD Principal Act that a CSD did not provide before January 1, 2006, as determined by LAFCO. Therefore, SB 135 effectively grandfathered in all services and facilities that CSDs provided before January 1, 2006.

Following such legislative changes, SLO LAFCO passed resolution No. 2006-03 to clearly document which powers were being exercised by Districts in SLO County and deemed all other powers, not mentioned in the resolution, as latent. According to LAFCO resolution no. 2006-03, ABCSD's active powers were determined to be as follows: 1) Water, 2) Sewer, 3) Street Lighting, and 4) Fire Protection

The exercise of a latent service or power requires LAFCO approval. In November of 2005, ABCSD applied to LAFCO and received approval in January 2006 to activate and exercise a latent power to provide solid waste service (LAFCO No. 1-E-05).

Government Code § 56425 (i) provides that “[w]hen 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 § 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 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 last time the Commission adopted a SOI and MSR Update for ABCSD was August 2014. In that update, the Commission determined that ABCSD was authorized to provide the following services:

1. Water
2. Wastewater
3. Street Lighting
4. Solid Waste
5. Fire

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

Water

Existing Water Supply

ABCSD is authorized to provide water service as it is described in Government Code section 61100 (a). The District’s water supply consists of surface water from Lopez Reservoir and the State Water Project (SWP). ABCSD does not own or operate any groundwater production wells.

The District is entitled to 68 AFY of Lopez Water through a contract with the San Luis Obispo Flood Control District and Water Conservation District (SLOFC&WCD) and CSA 12. The reliability of the District’s Lopez Water allocation is determined by hydrological conditions and is governed by the contracts between the SLOFC&WCD and the Zone 3 member agencies. According to the Zone 3 2020

Urban Water Management Plan, the Lopez Reservoir is a very reliable water supply source⁷. Historically, Zone 3 has been able to deliver full entitlements to Contract Agencies, except during the longest drought periods on record (2015/2016), when the District was operating Zone 3 in accordance with certain policies and procedures set forth in the Low Reservoir Response Plan developed by Contract Agencies and SLOFC&WCD staff in 2014. In response to the ongoing drought conditions and declining reservoir levels, entitlements were reduced by 10% in 2015 through April 2017. Recently completed reservoir modeling predicts that Zone 3 will continue to be able to provide Contract Agency entitlements under anticipated future conditions.

In addition to the District’s Lopez Water allocation, ABCSD also has a 100 AFY allocation of SWP Table A water⁸. Contracted Table A allocations vary annually due to hydrologic variability. In response, ABCSD purchased 100 AFY of SWP drought buffer to supplement their Table A allocation of SWP. Drought buffer water is water that has no pipeline capacity for delivery, rather, it is used to increase deliveries when Table A allocations are less than 100%. For example, if Table A allocations were 50% of contracted amounts, the District would receive an additional 50 AFY through their drought buffer allocation.

Table 4: Water Supply Summary

Source	Existing Water Supply (AFY)
Lopez Supply	68
SWP Table A Water	100
SWP Drought Buffer	100
Total Surface Water Supply	168

Existing Water Demands

ABCSD allocates its available water supply to 311 residential connections and 78 non-residential connections (restaurant, commercial, industrial, landscape, hydrant) for a total of 389 service

⁷ San Luis Obispo County Flood Control and Water Conservation District Zone 3, 2020 Urban Water Management Plan

⁸ Table A Water is a term that refers to the maximum amount of water each State Water Project contractor can receive each year, excluding certain “interruptible” deliveries.

connections⁹. ABCSD’s historic water demand is presented below in Table 5. Water demand includes all water sold to customers and non-revenue water that consists of water lost during production and distribution.

Table 5: Historic Water Demand

	2016	2017	2018	2019	2020	2021	2022	Average
Water Demand (AFY)	77.73	75.36	75.88	75.55	86.73	77.4	75.9	77.8

Future Water Demand

Water demand within the District is expected to increase as buildout occurs within the service area. Per capita water use methodology is used to project future water demand¹⁰. This methodology involves establishing a water demand factor measured in gallons per capita per day (GPCD) and applying that factor to projected population to estimate future demand. ABCSD’s projected water demand is shown below in Table 6.

Table 6: Future Water Demand

	2025	2030	2035	2040	Buildout
ABCSD Estimated Population	482	519	573	602	626
Gallons Per Capita Per Day	177	177	177	177	177
Estimated Water Demand (AFY)	96	103	114	119	124

Wastewater

ABCSD is authorized to provide wastewater service as it is described in Government Code section 61100 (b). ABCSD provides its customers with wastewater collection, treatment, and disposal services. The District’s collection system currently serves the District and conveys raw wastewater to the District

⁹ ABCSD Staff, 2023.

¹⁰ Water Resources Analysis Technical Memorandum, 2017.

Wastewater Treatment Plant which serves the ABCSD and the Port San Luis Harbor District. Treated wastewater is disposed of through the District’s ocean outfall.

To date, funding for a WWTP Improvement Project has been included in the District’s approved annual Capital Improvement Program budget. The project consists of improvements at the influent lift station and added wastewater treatment capacity to allow for operational flexibility and adequate process redundancy to ensure continued treatment as the District receives higher peak flows than it was originally designed for.

Existing Wastewater Flow

Four years of wastewater flow records, from 2019 through 2022, were analyzed to determine the average daily flows to the ABCSD WWTP. The wastewater records exhibit an increase over time due to an increase in District customers due to infill and development. According to District staff, ABCSD’s current flow is approximately 70,000 gpd and the WWTP has a permitted capacity of 200,000 gpd¹¹. The District’s WWTP flows are summarized below in Table 7.

Table 7: Historic Wastewater Flow¹²

	2019	2020	2021	2022	Average
Total Wastewater (gal)	19,565,418	17,843,767	18,446,787	17,762,135	18,404,527
Average Flow (gpd)	53,600	48,887	50,539	48,663	50,422

Future Wastewater Flow

Future wastewater collection system flow was estimated based on projected future development and land use in accordance with San Luis Obispo County zoning. Flow values were calculated by population with respect to total number of potential residential wastewater service connections and based on existing commercial wastewater flow with respect to potential commercial development. Table 8 depicts projected wastewater collection system flows.

¹¹ ABCSD Staff, 2023.

¹² ABCSD Staff, 2023.

Table 8: Future Average Wastewater Flow¹³

	Residential Flow (gpd)	Commercial Flow (gpd)	Total Flow (gpd)
Buildout	51,537	26,684	78,221

Fire Protection

ABCSD is authorized to provide fire service as it is described in Government Code section 61100 (d). Although ABCSD has active fire protection authority, the District does not maintain its own fire department. The District began contracting for fire protection service delivery from the County through a contract with CAL FIRE in 2000. San Luis Obispo County Fire Station 62 is located in Avila at 1551 Sparrow Road and has a varied response area which includes the hills west of U.S. 101 in Avila Valley, U.S. 101 from the southern rim of San Luis Obispo to Pismo Beach, Avila Valley, Avila Beach, Port San Luis, Pirates Cove beach area, northern Shell Beach, and Diablo Canyon Nuclear Power Plant.

Currently, Station 62 responds with an ICS Type-1 Engine and a regional Breathing Support unit. A Personal Watercraft is assigned to Station 62 for water rescues as well as an ICS Type 3 engine for wildland incidents. Engine 62 is staffed with two permanent CAL FIRE employees, one Fire Apparatus Engineer, and a Fire Captain.

As shown in Figure 3, on average County Fire responds to about 85 incidents per year for ABCSD. County Fire maintains adequate response times to serve ABCSD during emergencies and calls, averaging 5 minutes from 2018 through 2022, as depicted in Figure 4. In addition, the District has an Insurance Services Office (ISO) rating of three¹⁴. A representative from CAL FIRE attends the ABCSD Board of Director’s meetings each month and provides information and data on service calls and announcements.

¹³ ABCSD Wastewater Collection System Master Plan, 2020.

¹⁴ The ISO scores fire departments on how they are doing against its organization’s standard to determine property insurance costs. The ISO assigns a Public Protection Classification on a scale from 1 to 10, with the higher the ISO fire protection class (with Class 1 being the best), the “better” the department.

Figure 3: Incidents Per Year

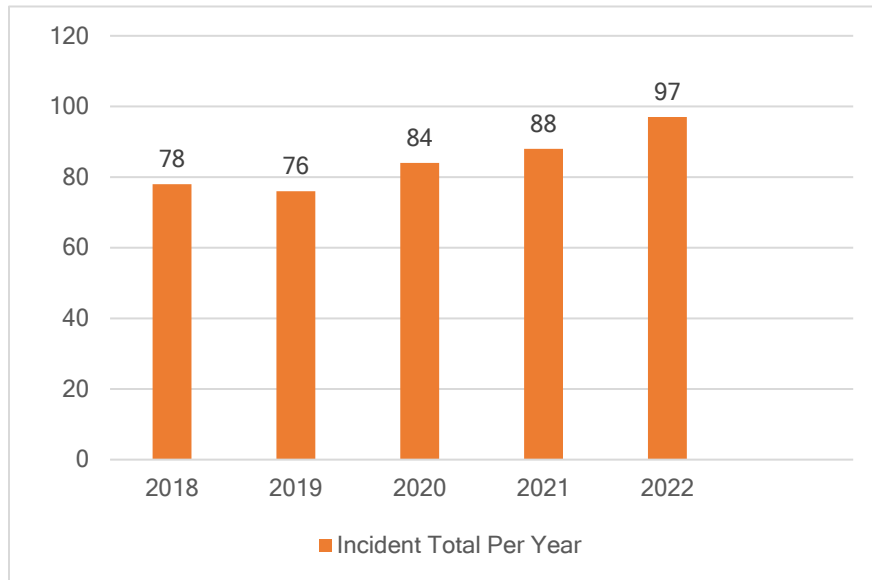
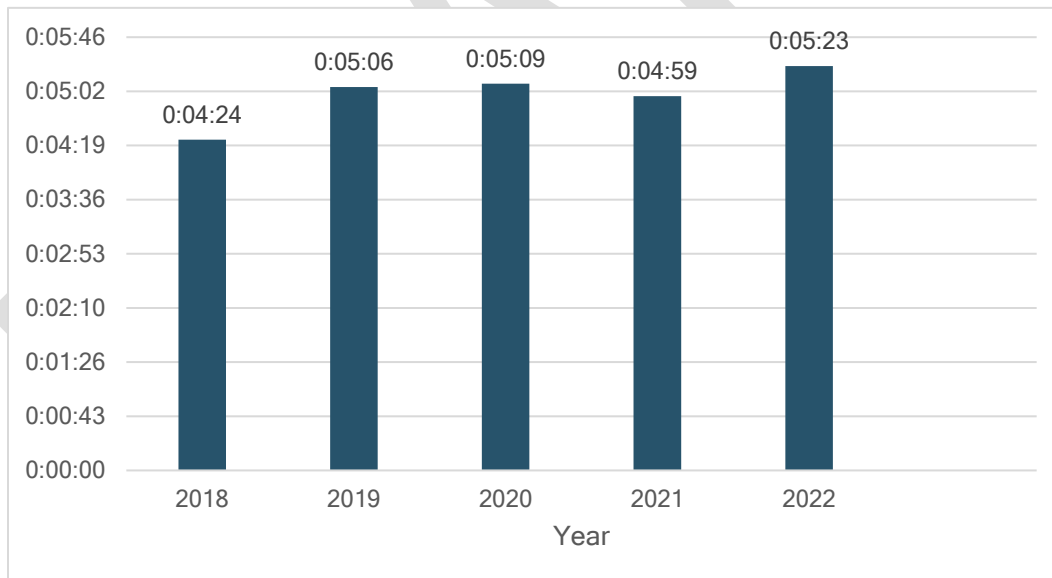


Figure 4: Average Response Times



Solid Waste

ABCSD is authorized to provide solid waste service as it is described in Government Code section 61100 (c). ABCSD has a Franchise Agreement with South County Sanitary Services, Inc. to provide commercial and residential collection and disposal of solid waste services within the District service area. The

current agreement was set as a twenty-year term, having commenced August 25, 2016. Funding for solid waste collection and disposal activities comes primarily from fees charged to residents.

Street Lighting

ABCSD is authorized to provide street lighting services as it is described in Government Code section 61100 (g). ABCSD provides street lighting service to the District through a contract with the Pacific Gas and Electric Company. PG&E operates and maintains 23 streetlights in the District, all of which are funded through property tax.

Shared Facilities

There are opportunities for continued shared relationships between agencies for services within the ABCSD boundary. The County and the District coordinate to provide services and avoid a duplication of effort. At present, the distinction between District and County services in the area is clear. Opportunities for increased and continued coordination between agencies may include:

- Coordination between the District and nearby private water purveyors
- Coordinated open space preservation
- District and County parks and recreational facilities
- Coordination between the District and the Port San Luis Harbor District on the Wastewater Treatment Plant

Finance

District Budget

The District prepares and adopts an operating budget and capital projects budget prior to the beginning of each fiscal year. The budget preparation process typically includes any adjustments to the water and/or sewer fee schedules. In late 2019 the Board retained a consultant to prepare a Cost of Services and Rate Study. In May 2020, the Board concluded the Prop 218 Hearing process and adopted a 5-year rate schedule which included a maximum 3% increase in both water and wastewater revenues each year through Fiscal Year 2024-2025. ABCSD uses fund accounting to maintain control over resources

that have been segregated for specific activities as well as to ensure compliance with finance-related legal requirements. The District maintains two individual governmental funds and three enterprises funds, as seen below:

- A. Governmental Funds
 - a. Administrative/General
 - b. Street Lighting
- B. Enterprise Funds
 - a. Water
 - b. Sanitary
 - c. Solid Waste

ABCSD summarizes all of the District’s fund activities into a combined Operations Maintenance Budget which is designed to illustrate the District’s overall budget status. The District’s annual budgets show revenues at least equal to expenditures without relying on reserves.

Financial Statements / Audit

ABCSD hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing ABCSD’s financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing ABCSD’s short and long-term fiscal health with 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 four categories (Revenues and Expenditures, Agency Assets, Agency Liabilities, and Agency Net Position). Financial Conclusions have also been included, based on the most recent audited Fiscal Year ending on June 30, 2022.

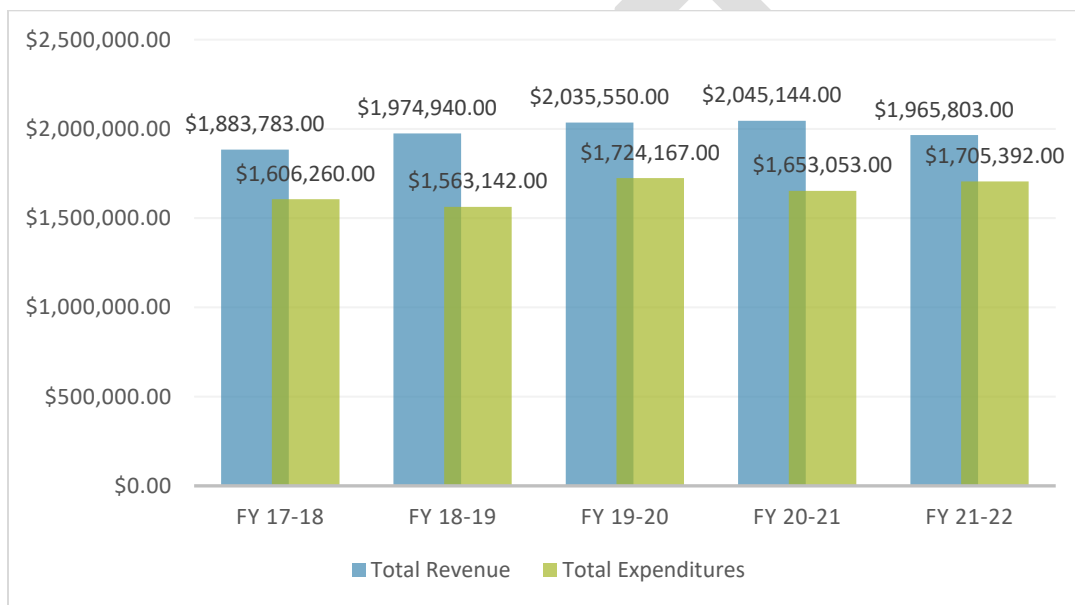
Revenues and Expenditures

The District is primarily funded through property tax, charges for services, franchise fees, and interest income. As shown in Figure 5 below, the District experienced an increase in revenues from FY 2017-2018 to FY 2020-2021 and experienced a slight decrease in revenue in FY 2021-2022 primarily due to

decreases in interest earnings, property taxes, and charges for services. The primary source of revenue over the past 5 years has been property tax, followed by charges for sanitary and water services.

Similarly, the District’s total expenditures have experienced an overall increase in the last five fiscal years, with increases in expenses related to the Administrative and Water Funds due to increased utility expenses and other operations and management expenses. In addition, expenses related to the District’s Cal Fire contract have increased overtime.

Figure 5: Revenues vs. Expenditures



Agency Assets

An agency’s assets provide current, future, or potential economic benefit for the entity. An agency asset is therefore something that is owned by the agency, or something that is owed to the agency. In this section agency assets will review 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

ABCSD’s audited assets at the end of FY 2021-2022 totaled \$11.8 million and are 38% higher than the average year-end amount of \$8.5 million documented during the previous five-year audited period. Assets classified as current, with the expectation they could be liquidated within a year, represented 57% of total assets, or \$6.7 million, and are primarily tied to cash and cash equivalents. Assets classified as capital assets make up the remainder of the total, \$5.1 million, and are primarily attributed to property, plant, and equipment capital. Overall, all assets for ABCSD have increased by 67% over the corresponding 5-year audited period.

In addition to assets, deferred outflows of resources are considered when determining an agency’s net position. Deferred outflows of resources represent the consumption of resources applicable to future periods. Deferred outflows of resources are combined with assets to determine which elements meet the criteria for major fund determination. In FY 2021-2022 ABCSD’s deferred outflows totaled \$28,724 and were related to pensions.

Table 9: Audited Assets

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-yr % Change	5-yr Average
Current Assets	\$3,482,085	\$4,028,291	\$4,436,150	\$4,838,256	\$6,652,764	91%	\$4,687,509
Capital Assets	\$3,569,614	\$3,502,430	\$3,426,401	\$3,542,148	\$5,120,010	43%	\$3,832,121
Total Assets	\$7,051,699	\$7,530,721	\$7,862,551	\$8,380,404	\$11,772,774	67%	\$8,519,630
Deferred Pension Outflows	\$31,212	\$27,497	\$24,772	\$26,376	\$28,724	-8%	\$27,716

Agency Liabilities

An agency’s liability is something the agency owes, usually a sum of money. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. In this section agency liabilities will be reviewed in two separate categories as defined below:

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

ABCSD's audited liabilities at the end of FY 2021-2022 totaled \$3.4 million and were 291% higher than the average year-end amount of \$866,366 documented during the previous five-year audited period. This increase is due to the District entering into a lease agreement to finance the acquisition, construction, and installation of a WWTP improvement in September 2021. Liabilities classified at current which represent obligations owed in the near-term account for 12%, or \$390,850, of the total liabilities. Non-current liabilities represent the remaining total, or \$3 million, and are largely tied to payment of liabilities due after one year. Overall liabilities have increased significantly by 1599% over the corresponding 5-year audited period.

In addition to liabilities, deferred inflows of resources are considered when determining an agency's net position. Deferred inflows of resources represent the acquisition of resources applicable to future periods. Deferred inflows of resources are combined with liabilities to determine which elements meet the criteria for major fund determination. In FY 2021-2022 ABCSD's deferred inflows totaled \$86,221 and were related to pensions.

Table 10: Audited Liabilities

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-yr % Change	5-yr Average
Current Liabilities	\$63,253	\$64,064	\$78,464	\$202,335	\$390,850	518%	\$159,793
Non-Current Liabilities	\$136,401	\$126,061	\$131,246	\$136,917	\$3,002,240	2101%	\$706,573
Total Liabilities	\$199,654	\$190,125	\$209,710	\$339,252	\$3,393,090	1599%	\$866,366
Deferred Pension Inflows	\$3,598	\$9,791	\$7,928	\$5,752	\$86,221	2296%	\$22,658

Agency Net Position

The statement of net position presents information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. ABCSD’s audited net position at the end of FY 2021-2022 totaled \$8.3 million and is 9% higher than the average year-end sum of \$7.7 million documented during the previous 5-year audited period. A portion of the District’s net position, 62%, reflects its net investment in capital assets (e.g. land, water/wastewater, infrastructure, and equipment), with the remainder categorized as unrestricted, totaling 38%, which may be used to meet the District’s ongoing obligations. Overall, the District’s net position has increased by 21% over the corresponding 5-year audited period.

Table 11: Audited Net Position

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	5-yr % Change	5-yr Average
Net Investment in Capital Assets	\$2,607,392	\$3,502,430	\$3,426,401	\$3,542,148	\$5,120,010	96%	\$3,639,676
Unrestricted	\$4,272,267	\$3,855,872	\$4,243,284	\$4,519,628	\$3,202,177	-25%	\$4,018,646
Total Net Position	\$6,879,659	\$7,358,302	\$7,669,685	\$8,061,776	\$8,322,187	21%	\$7,658,322

Financial Conclusions

Statements made in this section help explain financial trends that have been identified in the tables above. It is also important to note that the District’s audits do not express an opinion or provide any assurance on information because the limited procedures do not provide sufficient evidence. The District’s net position, which presents information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. ABCSD’s net position has increased over

the last 5-year audited period ending at \$8.3 million in FY 2021-2022 with a 5-year average of \$7.7 million.

Other nonfinancial factors, such as changes in the District's property tax base (described further in this paragraph) and the condition of the District's assets (described in the "Agency Assets" portion of the Finance Section) should also be considered to assess the overall health of the District. The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount, which is "teetered", is remitted in August each year. The District's Administrative/General, Sanitary, Water, and Street Lighting funds receive revenue from property taxes.

Overall, ABCSD's operating expenses do not exceed their revenue. ABCSD depends on property tax and rate revenue to fund most of its annual operational costs. Capital expenses, such as equipment purchases, facility construction, and infrastructure installation and replacement, are generally dependent on connection fees and grant funding to be completed. All assets have increased by 67%, liabilities have increased by 1599%, and the net position for ABCSD has increased by 21% over the last 5- year audited period.

DETERMINATIONS

Service Review Determinations per Government Code Section 56430

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

1. Growth and population projections for the affected area

- a. Currently, the estimated population of ABCSD is 461. With an estimated build-out population of 626, ABCSD is about 74% built-out.

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

- a. The estimated 2021 Median Household Income for the US Census Block Group which most closely coincides with ABCSD's boundary and SOI is \$81,089, which is 96% of California's MHI. Therefore, ABCSD does not qualify as a DUC.

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

- a. **Water** | ABCSD is authorized to provide water service as it is described in Government Code section 61100 (a). ABCSD's water supply consists of surface water from Lopez Reservoir (68 AFY) and the State Water Project (100 AFY). The District also purchased 100 AFY of State Water Project drought buffer to supplement their SWP allocation. ABCSD allocates its water supply to 311 residential connections and 78 non-residential connections with an average water demand of 77.8 AFY. The District projects future water demand to be 124 AFY at build out. LAFCO determines that ABCSD has capability and capacity to adequately meet existing and future water demand.

- b. **Wastewater** | ABCSD is authorized to provide wastewater service as it is described in Government Code section 61100 (b). The District's collection system currently serves the District and conveys raw wastewater to the District WWTP which serves ABCSD and the Port San Luis Harbor District. The WWTP is currently undergoing upgrades to allow for higher peak flows and to increase operational flexibility. The WWTP has a permitted capacity of 200,000 gpd and has an average existing flow of 50,422 gpd. The District predicts future wastewater flow to be about 78,221 gpd at buildout. LAFCO determines that ABCSD has capability and capacity to adequately meet existing and future water demand.
- a. **Fire Protection** | ABCSD is authorized to provide fire service as it is described in Government Code section 61100 (d). The District contracts with the County for fire protection services and Cal Fire responds to emergencies in ABCSD from Station 62. County Fire maintains adequate response times to serve the Avila region during emergencies and calls. LAFCO determines that ABCSD has capability and capacity to adequately provide fire protection services.
- b. **Solid Waste** | ABCSD is authorized to provide solid waste service as it is described in Government Code section 61100 (c). ABCSD is the solid waste authority and has a Franchise Agreement with South County Sanitary Services to provide solid waste services. LAFCO determines that ABCSD has capability and capacity to adequately provide solid waste services.
- c. **Street Lighting** | ABCSD is authorized to provide street lighting services as it is described in Government Code section 61100 (g). ABCSD provides street lighting services to the District through a contract with Pacific Gas and Electric Company. LAFCO determines that ABCSD has capability and capacity to adequately provide street lighting service.

4. Financial ability of agencies to provide services

- a. ABCSD adopts balanced budgets each year that show revenues at least equal to expenditures without relying on reserves.

- b. ABCSD appears to have adequate annual revenue and fund balance to provide the services it currently provides.
- c. ABCSD's net position has increased over the last 5-year audited period ending in \$8.3 million in FY 2021-2022 and with a 5-year average of \$7.7 million. ABCSD is financially stable despite increasing costs and limited revenues. LAFCO determines that ABCSD is financially stable.

5. Status of and, opportunities for, shared facilities

- a. There are opportunities for continued shared relationships between agencies for services within the ABCSD boundary including coordination between the District and nearby water purveyors and coordination between the District and the Port San Luis Harbor District in regards to the WWTP.
- b. LAFCO determines that the distinction between District and County services within the service boundary is clear and there are opportunities for continued shared relationships between other agencies.

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

- a. ABCSD is governed by a five-member Board of Directors that are elected to four-year terms. 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.
- b. ABCSD maintains an up-to-date website which contains District information, documents, and updates.
- c. LAFCO determines that ABCSD is accountable and transparent.

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

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

Sphere of Influence Determinations per Government Code Section 56425

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local agency, as defined by G.C. Section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

- 1. Present and planned land uses in the area, including agricultural and open-space lands.**
 - a. Land uses within ABCSD's existing SOI are residential suburban, commercial retail, open space, residential rural, rural land, public facilities, and recreation.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions for ABCSD.
- 2. Present and probable need for public facilities and services in the area.**
 - a. There is an anticipated need for service within the existing SOI area.
 - b. The SOI is expected to remain unchanged, with no expansions or reductions for ABCSD.
 - c. Some SOI areas have remained within the sphere for over 20 years; if needed, ABCSD is encouraged to review and determine whether areas within the existing SOI should remain in the sphere for eventual annexation to the District or be excluded in the future. If consolidation continues to be unlikely, the next MSR should consider reducing the sphere boundary to better reflect the District's future growth.
- 3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**
 - a. ABCSD has capability and capacity to adequately meet existing service demand and some level of increased future service demand within the existing SOI. Although it is important to make note that certain services face more significant challenges to capacity than others.
- 4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.**

- a. There are no District relevant social or economic communities of interest within the existing SOI area.
- 5. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.**
 - a. Unincorporated territory surrounding the District may qualify as disadvantaged. Should future annexations or service extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with Government Code section 56375(8)(A) and LAFCO policy.

DRAFT

APPENDIX

Sources

General

1. Sphere of Influence Update and Municipal Service Review for Coastal Community Services Districts and Cambria Healthcare District (Avila Beach Community Services District, Cambria Community Services District, Los Osos Community Services District, San Simeon Community Services District, and Cambria Healthcare District), 2014
2. ABCSD Response to LAFCO MSR-SOI Request for Information Questionnaire, August 2023.
3. ABCSD Website, <https://www.avilabeachcsd.org/>

Accountability

1. ABCSD Website, <https://www.avilabeachcsd.org/>

Population Profile

1. Avila Beach Water Resources Technical Memorandum, 2017.
2. US Census Bureau, American Community Survey data from 2016-2020 in 2021 inflation/adjusted dollars

Present and Planned Land Use

1. San Luis Obispo County Avila Beach Community Plan, 1980.

Water

1. ABCSD Staff, 2023
2. San Luis Obispo County Flood Control and Water Conservation District Zone 3, 2020 Urban Water Management Plan
3. Avila Beach CSD Water Master Plan, May 2010.

Wastewater

1. ABCSD Staff, 2023
2. Avila Beach CSD Wastewater Collection System Master Plan
3. ABCSD Fiscal Year 2023-2024 Budget Packet

Fire

1. Cal Fire SLO County Website, <https://calfireslo.org/>

Street Lighting

1. ABCSD Staff, 2023

Solid Waste

1. Avila Beach Community Services District Amended and Restated Solid Waste collection franchise agreement, 2016.

Finance

1. ABCSD FY 2023-2024 Budget
2. ABCSD Annual Financial Report for the Fiscal Year Ended June 30, 2022
3. ABCSD Annual Financial Report for the Fiscal Year Ended June 30, 2021
4. ABCSD Annual Financial Report for the Fiscal Year Ended June 30, 2020
5. ABCSD Annual Financial Report for the Fiscal Year Ended June 30, 2019
6. ABCSD Annual Financial Report for the Fiscal Year Ended June 30, 2028

Written Comments on the Draft Report