



Public Review Draft

Garden Farms Community Water District Municipal Service Review and Sphere of Influence Study

Prepared by
the San Luis Obispo Local Agency Formation Commission

Adopted _____, 2026
Resolution No. 2026-XX

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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 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 this and other relevant information in the record, LAFCO makes decisions on a variety of matters, including but not limited to annexations to cities and special districts, city incorporations, activation of powers for special districts, dissolutions of special districts, etc.

Sphere of Influence

A Sphere of Influence (SOI) is defined by Government Code Section 56425 as a plan for the probable physical boundary and service area of a local agency or municipality. 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 their 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

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

Alternate Commissioners

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

Staff

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

Contact Information

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

Acknowledgments

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

Christy Hart, General Manager

Charron Sparks, Board Member

DISTRICT MSR & SPHERE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review (MSR) for the Garden Farms Community Water District (GFCWD or District), located immediately south of the City of Atascadero and west of El Camino Real, in northern San Luis Obispo County (County). The report has been prepared by staff in accordance with the requirements of the Government Code. The purpose of this report is to produce an independent assessment of municipal services in this area over the next five years, or as seen necessary, relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of municipal services within the service areas of the GFCWD, 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 warranted– (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	Garden Farms Community Water District
Formation	1955
Legal Authority	California State Water Code Section 30000
Website	None
General Manager	Christy Hart
Employees	2 part-time employees
Public Meetings	The Board of Directors meets on the second Wednesday of each month at 6:00 PM.
Board of Directors	Five members elected to four-year terms
District Service Area	155 acres
Population Estimate	449

Background

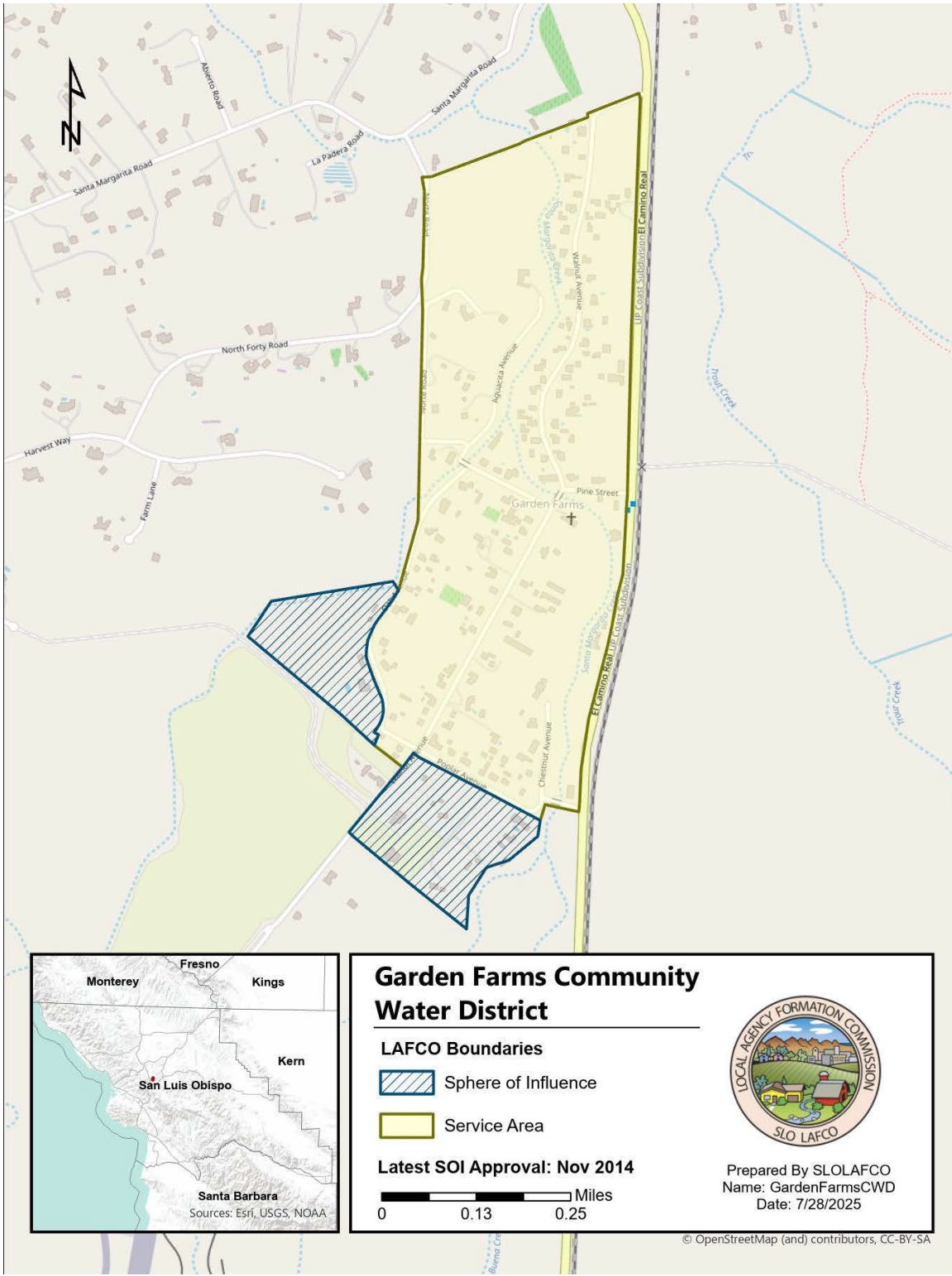
The GFCWD is an independent special district that was formed by election in 1955 for the purpose of purchasing and operating the existing water system previously managed by a private mutual water company. The District was established to ensure reliable, community-based water service to residents in the Garden Farms area.

GFCWD serves the majority of the unincorporated community of Garden Farms, located immediately south of the City of Atascadero and west of El Camino Real, in San Luis Obispo County (County). The District is responsible for the operation, maintenance, and delivery of potable water to residential customers within its boundaries. GFCWD continues to function as the primary public water purveyor for the community, maintaining critical infrastructure and ensuring compliance with state and local water quality regulations.

As a part of this MSR and SOI Study, LAFCO is evaluating potential amendments to GFCWD's existing Sphere of Influence (SOI). Detailed analysis is provided in the [Sphere of Influence](#) section. The District's current SOI and service area boundary, last updated in 2014, is shown in Figure 1.

Boundary Map

Figure 1: GFCWD Existing Boundary Map



Population Profile

According to the 2020 U.S. Census, the Garden Farms Census Designated Place (CDP) has an estimated population of 449 residents, with approximately 182 total housing units. No significant population growth is projected for the area, as the County General Plan designates Garden Farms as a rural, infill development area, with no major new development or increases in residential density anticipated outside the District's existing service area boundaries. As such, future demand for water service is expected to remain stable, with only incremental increases related to infill development, the addition of accessory dwelling units, and lot splits permitted by right under state law.

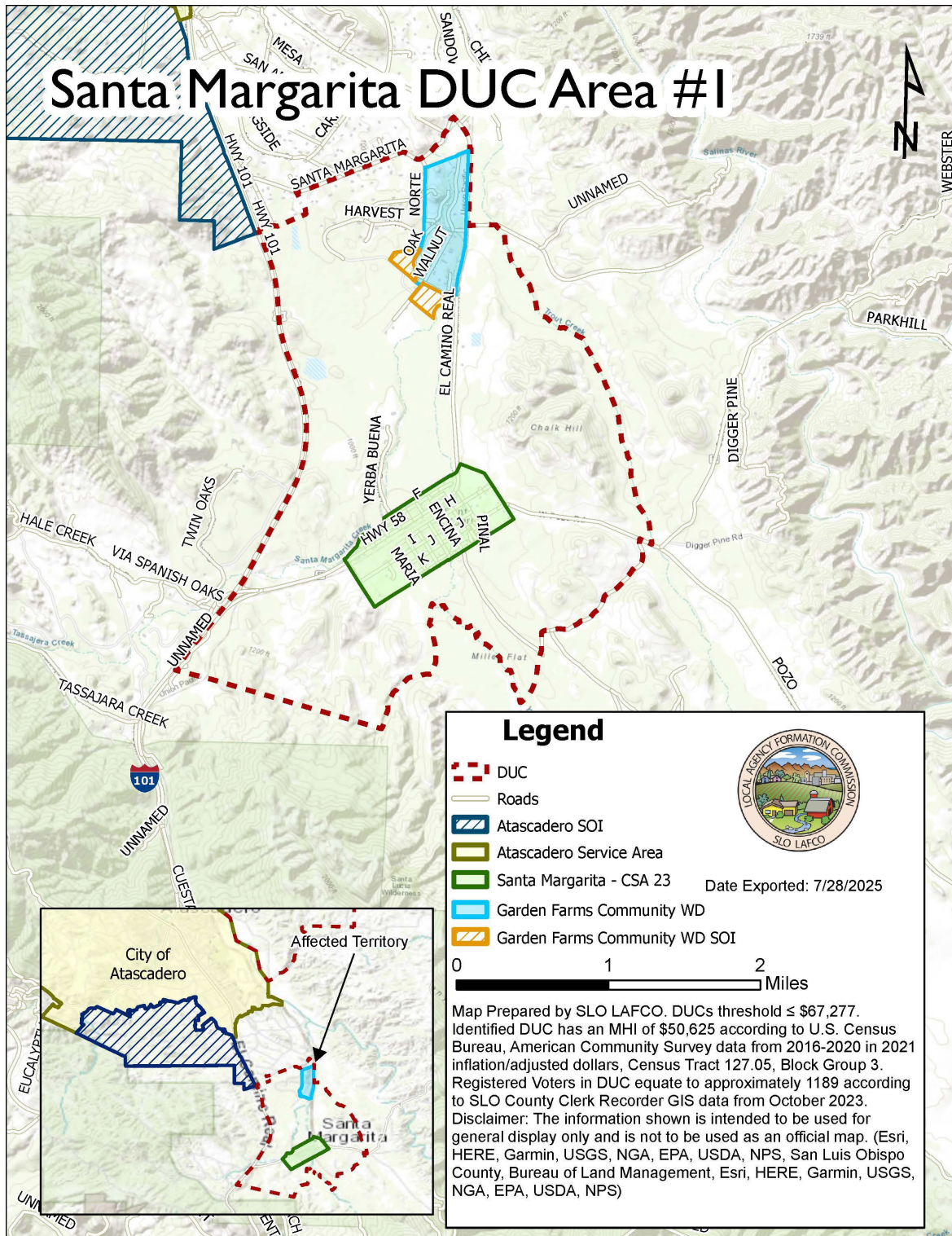
Disadvantaged Unincorporated Communities

LAFCO is required to evaluate Disadvantaged Unincorporated Communities (DUCs) as part of this MSR and SOI Study, including the location and characteristics of any such community. Per Government Code Section 56033.5, a DUC is defined as any area with 12 or more registered voters where the median household income (MHI) is less than 80 percent of the statewide MHI. The legislative intent is to prohibit selective annexations 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, one DUC was identified, encompassing the entirety of the community of Garden Farms and the community of Santa Margarita, as shown in Figure 2 and referred to as Santa Margarita DUC Area #1. This DUC has an MHI of \$50,625 and includes approximately 1,189 registered voters. Should GFCWD consider future annexations or SOI amendments, the presence of DUCs should be further evaluated to ensure service equity and access, particularly related to water infrastructure and reliability.

Figure 2: Santa Margarita DUC Area #1 Map



Social or Economic Communities of Interest in the Area

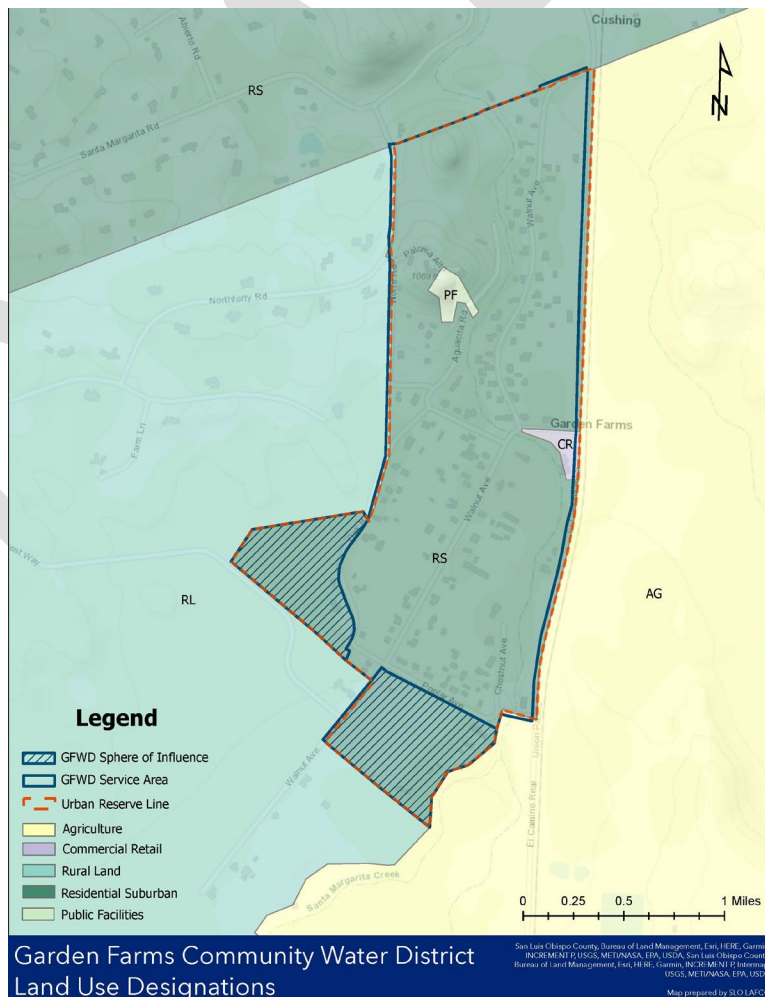
There are no District-relevant social or economic communities of interest in the area served.

Present and Planned Land Use

Land uses within GFCWD are subject to the North County Village Plan, which is part of Part III of the Land Use and Circulation Elements of the County General Plan. The Village Plan is consistent with all other elements of the County General Plan and serves as the guiding framework for development within the three small, unincorporated villages of North County, including Garden Farms.

The predominant land use in GFCWD is Residential Suburban, characterized by small-acreage parcels. To fit with the “hobby farm” character of Garden Farms, there is a small commercial area which contains a country market to supply convenience goods to residents. Areas surrounding the District are zoned Rural Lands and Agriculture. Garden Farms is nearly built out, with minimal opportunity for large-scale new development. The location and distribution of land uses within the District are presented below in Figure 3.

Figure 3: GFCWD Land Use Designation Map



Accountability

GFCWD’s governance authority is established under California State Water Code Section 30000. The District is independently governed by a five-member Board of Directors, whose members are elected or appointed to four-year terms. The Board of Directors holds regular meetings on the second Wednesday of each month at 6:00 PM. Meeting agendas are physically posted at 17005 Walnut Avenue, Atascadero, CA 93422. However, the agendas do not identify the location of Board meetings as required by law. To comply with the Ralph M. Brown Act, the District must specify the time and location of regular meetings on each agenda and formally establish the time and place of its regular meetings by ordinance, resolution, or bylaws.

Table 2: GFCWD Board of Directors

Board Member	Title	Term Expiration
Cory Pereira	Chairman	12/4/2026
Charron Sparks	Financial Officer	12/4/2026
Jay Jamison	Director	12/4/2026
John Billings	Director	12/1/2028
John Pinson	Director	12/1/2028

At the time this report was prepared, GFCWD did not maintain a website as required by law. As a result, key information and documents required to be publicly accessible under state law are not available online. These include District contact information; current meeting agendas, which are legally required to be posted 72 hours before each regular meeting; the State Controller’s Financial Transaction Report; Board and Staff Compensation Report (or a link to each of the State Controller’s website where these are hosted); and the District’s Enterprise System Catalog required by SB 272. Senate Bill 929 requires every independent special district to create and maintain an internet website to provide this information.

Special districts may exempt themselves from the website requirements of SB 929 if their Board of Directors adopts a resolution with detailed findings that a hardship prevents them from establishing or maintaining a website. Examples of valid hardships include limited access to broadband or other types of Internet, significantly limited financial resources, and/or insufficient staff resources. Any adopted

hardship resolution is valid for one year and must be readopted annually if the hardship still exists. LAFCO was not provided with any documentation of a hardship exemption resolution. The District appears to have sufficient revenue to support the development and maintenance of a website and to fund staffing necessary to ensure compliance. Additionally, internet access is widely available in the area, making an online platform an effective means of providing public access to information.

In addition, GFCWD's Policy 3.1.10 states: *"Entities shall be charged for the General Manager's telephone time and for the time required to provide information and forms, at the General Manager's hourly rate and a minimum of \$100 per request."* However, under the California Public Records Act (PRA), a public agency may charge only the direct costs of duplication or a statutory fee if applicable when responding to a PRA request. Labor charges, including staff time associated with the retrieval, inspection, and handling of records, are not permitted under Government Code Section 6253(b).

To ensure transparency and compliance with the Brown Act, SB 929, and the California Public Records Act, the District must develop and maintain a website to provide public access to required documents and meeting information. The District must also revise its policies and procedures regarding processing public records requests to align with PRA requirements. The District has acknowledged these deficiencies and has stated that it will revise its policies and fee structure accordingly.

Services & Capacity

Authorized Services

GFCWD's governance authority is established under the County Water District Law of 1913, codified in California Water Code Section 30000 et seq. This principal act identifies a range of services that a County Water District may provide, including but not limited to:

- Water Supply and Distribution
- Wastewater Services
- Stormwater Management
- Fire Protection Services
- Solid Waste Services
- Electric Power Generation

Under Government Code Section 56425(i), when LAFCO adopts, updates, or amends a SOI for a special district, it must also determine the nature, location, and extent of the functions or services the district is authorized to provide. In accordance with Government Code Section 56050.5, any service authorized by the district's principal act that is not currently being exercised is considered a latent power and requires LAFCO approval to be activated in the future.

At present, GFCWD exercises all powers solely related to water supply and distribution, including the operation and maintenance of wells, storage, and treatment infrastructure. All other powers granted under California Water Code Section 30000, including wastewater, stormwater, fire protection, solid waste, and energy, are considered latent under the Government Code and require LAFCO approval to activate.

The 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 GFCWD to expand such resources and services in line with increasing demands. An adequate supply of services should be documented to support areas in the SOI envisioned for eventual annexation and service by a jurisdiction.

Water Supply & Storage Capacity

The District currently provides water service to approximately 117 connections through a system that includes three active wells, three treatment facilities, 35 fire hydrants, and a 225,000-gallon storage tank. The average annual single-family residential water use is approximately 13,124 cubic feet. The District holds a total water entitlement of 93 acre-feet, which is completely groundwater from the Atascadero Basin. The District states that current water demand is approximately 35 Acre Feet Per Year (AFY).

Table 3 below outlines the pumping capacity of each of the District's wells. Well No. 1 and Well No. 3 both have chlorination at the wellhead and provide system chlorination. Well No. 2 is the District's deepest well. While Well No. 2 was previously used more frequently, it is now pumped at lower gallons per minute (GPM) so as to extend its lifespan.

Well No. 3 previously served as a backup well and was taken offline following an earthquake due to sanding issues when pumped above approximately 35 GPM. The well was brought back online

approximately eight years ago and, since that time, has generally been operated at lower pumping rates of approximately 35 to 50 GPM. Although the well is capable of higher production, it has not been intentionally pumped at its maximum rate except during a limited number of operational errors.

Table 3: GFCWD Well Pumping Capacity

Well	2014 Pumping Capacity (Gallons Per Minute)	2025 Pumping Capacity (Gallons Per Minute)
Well No. 1	150	150
Well No. 2	90	50
Well No. 3	130	35
Total	370	235

The California State Water Resources Control Board utilizes the Safe and Affordable Funding for Equity and Resilience (SAFER) program to identify public water systems and domestic wells that are “at-risk” of failure. According to the SAFER program, GFCWD is “Not At-Risk”. This was determined based on drivers of risk, including water quality, accessibility, affordability, and the technical, managerial, and financial capacity of the District.

Infrastructure Needs and Deficiencies

The District reports that there are infrastructure needs related to interior repairs to the District’s existing water storage tank. District staff also identified system deficiencies related to the distribution network not being fully looped, resulting in several dead-end lines. The District has not provided any information regarding the anticipated timing or cost of the necessary repairs and upgrades, or whether such improvements are being planned or budgeted for. However, GFCWD maintains financial reserves designated for infrastructure upgrades, and routine maintenance is scheduled to ensure system reliability.

Staffing & Personnel

The District employs two part-time staff, including a General Manager and a bookkeeper. Maintenance operations are contracted out to Certified Water Systems Services.

Shared Services and Facilities

The District's facilities, primarily groundwater wells, distribution pipelines, and storage infrastructure, are self-contained and not physically interconnected with neighboring water providers. Opportunities for shared services and facilities exist. These could include interagency coordination on emergency planning, mutual aid arrangements, shared equipment on an as-needed basis, or participation in regional groundwater sustainability efforts.

The County, as part of its mission to support maintaining resilient water supplies for domestic wells and small water systems, has prepared a Water System Consolidation Plan to identify potential opportunities for physical and managerial consolidation of these systems. Given the District's size and "Not At-Risk" SAFER Status, water system consolidation is not anticipated at this time; however, the County's Water System Consolidation Plan provides data related to the potential costs, viability, and funding available for consolidation of GFCWD with the Atascadero Mutual Water Company. Consolidation actions described in this plan are presented as conceptual projects that would require additional technical, financial, and consultation actions led by project proponents to determine project feasibility.

Finance

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

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

The primary data sources for this evaluation are the District's financial statements from Fiscal Years (FY) 2020-2021 through FY 2024-2025.

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. At this time, the District's budget documents are not made publicly available on a District website.

Audited Financial Statements

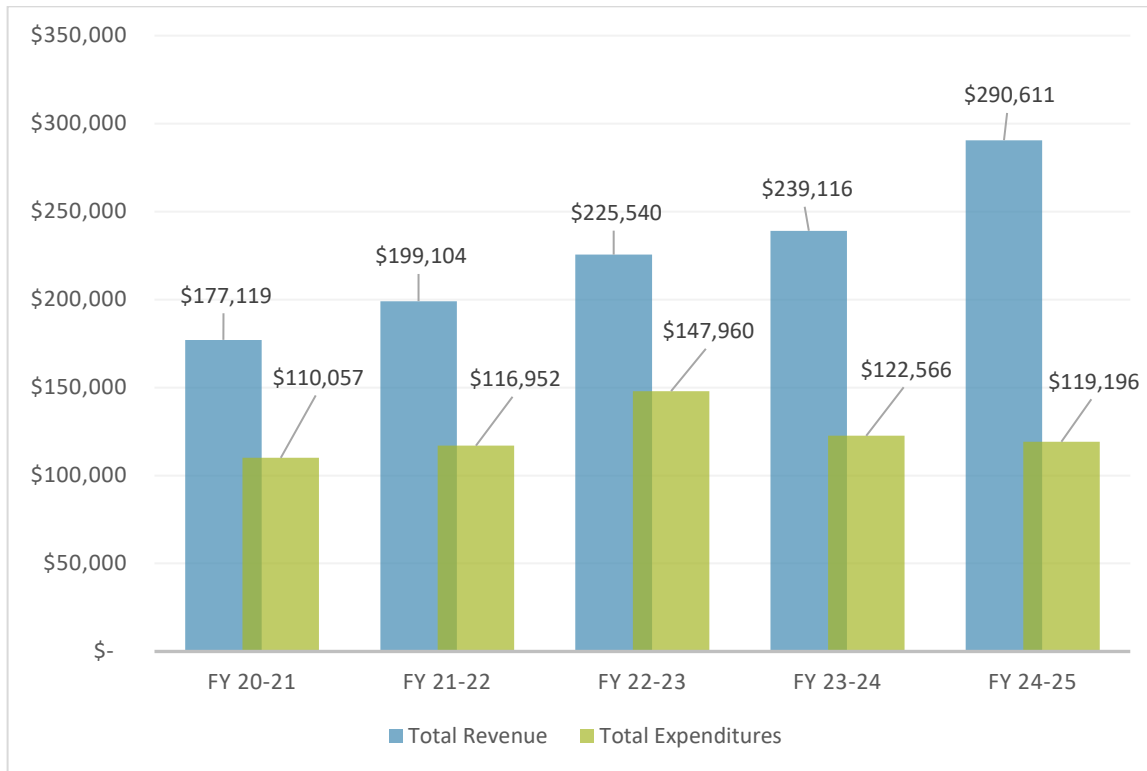
GFCWD hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing GFCWD's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measures in assessing GFCWD'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 GFCWD's principal sources of revenue are from water sales, lease income¹, taxes, and assessments. As shown in Figure 4 below, the District has experienced an increase in revenue over the past five fiscal years. The District's total expenditures experienced decreases in FY 2023-24 and FY 2024-25 due to an overall decrease in salaries and benefits, repairs, and maintenance. The District's principal expenses are for repairs and maintenance, salaries and benefits, and depreciation.

¹ On September 21, 2017, the District entered into an amended 5-year lease with AT&T for the use of space for a wireless communications facility commencing June 1, 2022, with 3 options to extend the lease an additional 5 years. Under the lease, AT&T shall pay the District \$2,384.64 per month with a 15% increase after each 5-year term has ended. On April 22, 2009, the District entered into a 5-year lease with T-Mobile for the use of space for a wireless communications facility with 4 options to extend the lease an additional 5 years. Under the lease, T-Mobile shall pay the Authority \$1,500 per month with the rate increasing annually by 4% at the lease commencement date.

Figure 4: Revenues vs. Expenditures

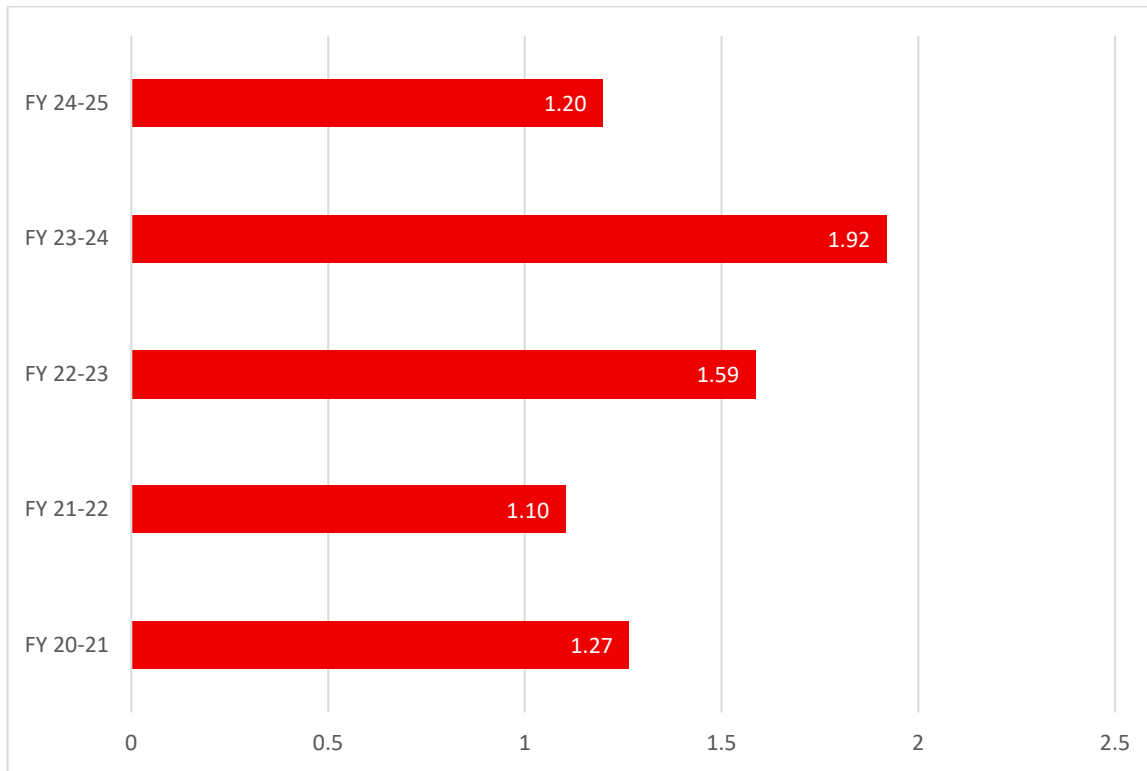


To assess the District’s ability to meet its financial obligations, Figure 5 displays the Operating Ratio for the past five audited FYs. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

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

Over the last five-year audited period, the District’s Operating Ratio remained above 1.0, indicating that operating expenses exceeded operating revenues each year, resulting in consistent operating losses. However, the District appears to have offset these deficits through the use of non-operating revenues, including lease income, taxes and assessments, and interest income. In addition, the District implemented water rate increases in FY 2025-26, which is expected to improve its Operating Ratio in future FYs.

Figure 5: Operating Ratio



Assets and Liabilities

An agency's assets represent resources that provide current, future, or potential economic benefits. These assets may include items the agency owns or amounts owed to the agency. In this section, agency assets will be reviewed in two separate categories as defined below:

- *Current Assets:* Cash and other assets that are expected to be converted to cash within a year
- *Noncurrent Assets:* Long-term investments that are not expected to become cash within an accounting year

Over the past five audited years, GFCWD's total assets have grown, reaching over \$2.1 million at the end of FY 2024-25. Approximately 58% of these assets are classified as current, primarily consisting of cash and investments expected to be liquidated within a year. The remaining assets are classified as noncurrent assets, mainly consisting of lease receivables, capital assets, and land.

Table 4: Assets

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Assets	\$855,199	\$952,894	\$1,005,762	\$1,088,629	\$1,251,379
Noncurrent Assets	\$141,845	\$126,467	\$972,222	\$949,417	\$901,593
Total Assets	\$997,044	\$1,079,361	\$1,977,984	\$2,038,046	\$2,152,972

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:

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

At the close of FY 2024-25, GFCWD reported no outstanding liabilities. District staff confirmed that there are no contingent liabilities and no pending litigation with any real financial consequence. At year-end, the District reported deferred inflows of resources totaling \$708,998, associated with a lease agreement. This amount reflects the initial recognition of the lease receivable and is recorded in accordance with applicable accounting standards.

Table 5: Liabilities²

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Current Liabilities	\$ 767	\$932	-	-	-
Total Liabilities	\$ 767	\$932	-	-	-
Deferred Inflows of Resources	-	-	\$821,975	\$765,487	\$708,998

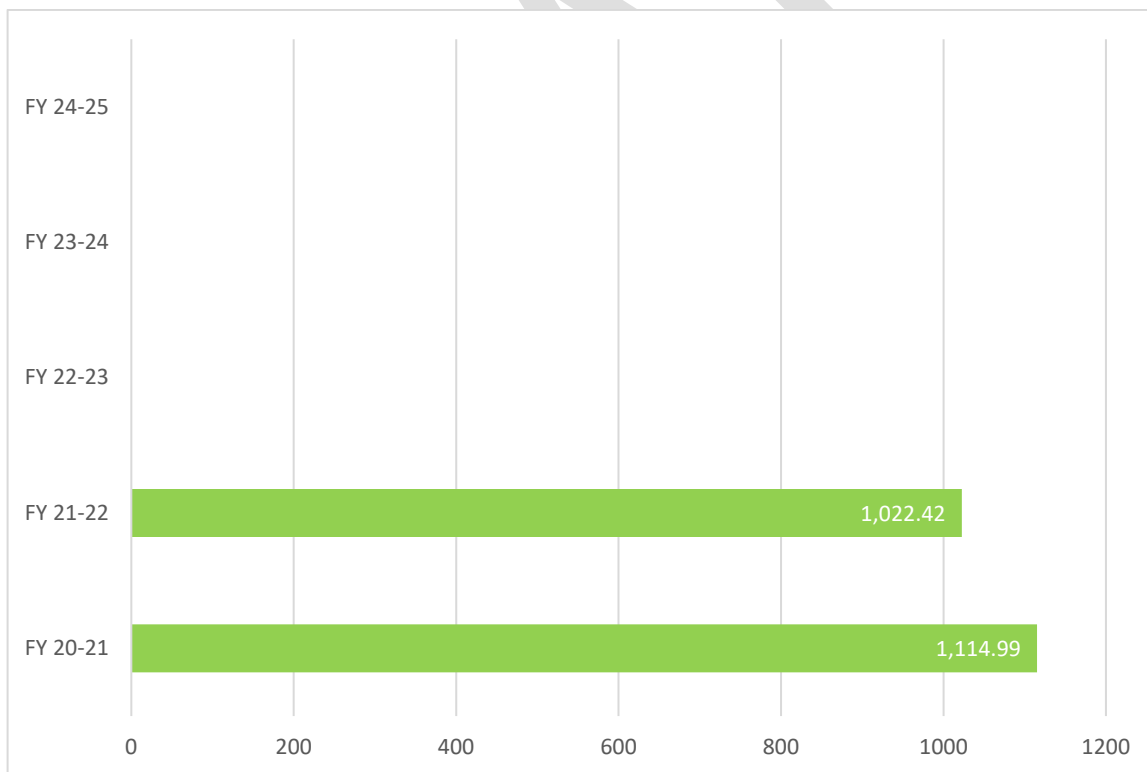
² Differences in the reporting of liabilities across the audited fiscal years may reflect changes in accounting practices or methodologies, including the use of different external audit firms during the review period.

Figure 6 illustrates the District’s Liquidity Ratios from FY 2020-21 through FY 2024-25. This ratio measures the District’s ability to meet its short-term financial obligations by comparing unrestricted current assets to current liabilities.

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

Generally, the higher the ratio, the greater the District’s short-term financial stability. However, for FY 2022-23 through FY 2024-25, the District reported no current liabilities. As a result, traditional liquidity ratios are not applicable. However, the absence of short-term obligations indicates a strong liquidity position and suggests the District is well-positioned to meet any immediate financial needs.

Figure 6: Liquidity Ratio



Net Position

The government-wide financial statements utilize a net position presentation to assess the District’s financial position at a specific point in time. Net position is defined as the difference between total

assets and deferred outflows of resources and total liabilities and deferred inflows of resources, and it serves as a key indicator of an agency’s overall financial health.

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

Net position is presented in two categories, which focus on the accessibility and restrictions of the underlying assets:

- *Net Investment in Capital Assets*: Represents capital assets, net of accumulated depreciation, reduced by the outstanding principal of the debt used to acquire those assets
- *Unrestricted Net Position*: Consists of resources that do not meet the criteria for the other two categories and may be used for general operations.

As of June 30, 2025, GFCWD’s net position increased to \$1,443,974, reflecting growth over the past five audited fiscal years. This increase indicates that the District’s total assets exceed its total liabilities, indicating a strong financial position.

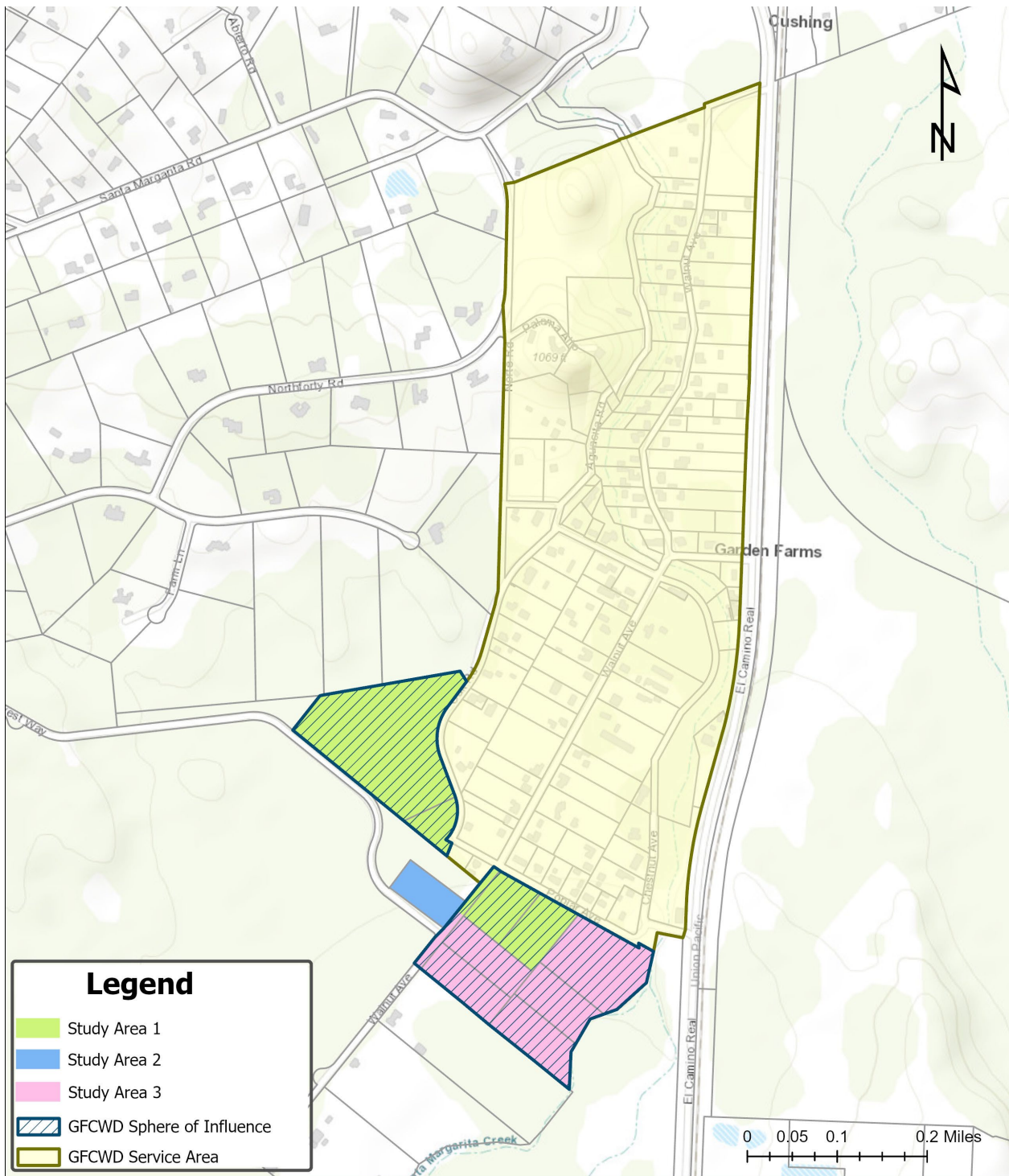
Table 6: Audited Net Position

Category	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Net Investment in Capital Assets	\$141,845	\$126,467	\$126,238	\$136,238	\$124,057
Unrestricted	\$854,432	\$951,962	\$1,029,771	\$1,136,321	\$1,319,917
Total Net Position	\$996,277	\$1,078,429	\$1,156,009	\$1,272,559	\$1,443,974

Sphere of Influence

The District’s existing SOI includes nine parcels located to the south and west of the current District service area boundary. This section evaluates two study areas within the existing SOI and considers the proposed inclusion of one additional study area currently located outside of the SOI. The purpose of this SOI Study is to assess which parcels should remain within, be added to, or be removed from the SOI. The map in Figure 7 shows the District’s existing SOI as well as the three study areas discussed below.

Figure 7: GFCWD SOI Study Area Map



Garden Farms Community Water District Sphere of Influence Study Areas

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

Disclaimer: The information shown is intended to be used for general display
only and is not to be used as an official map.

Map prepared by SLO LAFCO

SOI Study Area No. 1 | Proposed to Remain in the SOI

Study Area No. 1 consists of three parcels that currently receive water service from the District through Outside Agency Agreements (OAAs). These parcels include Assessor Parcel Numbers (APNs) 070-121-002, 070-121-031, and 070-121-032. Also included in Study Area No. 1 is APN 071-121-023, which has an approved OAA with the District but is undeveloped and does not currently receive service.

Under Government Code Section 56133, LAFCO may authorize a city or district to provide new or extended services through OAAs outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization. OAAs may also be approved for areas outside of an agency's SOI in response to an existing or impending threat to the health or safety of the public.

GFCWD has not indicated interest in annexing the properties currently under OAAs. However, because OAAs are intended to serve as a precursor to future boundary changes under state law, it is recommended that these properties ultimately annex into GFCWD. Annexation could be proposed through one of two pathways: Resolution of Application, wherein annexation is initiated by GFCWD; or Landowner Petition of Application, wherein annexation is initiated by the landowner.

Landowners receiving service through OAAs from GFCWD pay higher rates than in-District customers. In addition, under GFCWD policy, a substantial reduction in the District's available water supply may result in discontinuation of service to OAA customers at any time. Annexation would provide affected landowners with permanent service, eligibility for standard District water rates, and representation by the District's Board of Directors.

As with any Landowner Petition of Application, the District retains the authority to adopt a resolution requesting termination of proceedings subject to LAFCO review and consideration at a public hearing. Should the District wish to terminate a request for annexation, the District is legally required to pass a Resolution with written findings demonstrating substantial evidence of financial or service-related concerns, pursuant to Government Code Section 56857.

Altogether, Study Area No. 1 is proposed to remain within GFCWD's SOI based on the District's adequate capacity for service, the benefits of annexation to the landowners, and the statutory expectation that OAAs precede future changes of organization.

SOI Study Area No. 2 | Proposed for Inclusion in the SOI

Study Area No. 2 includes one parcel (APN 070-121-003), which currently receives water service from the District through an OAA, but is located outside the District's existing SOI. This parcel is zoned Rural Lands, and it appears this property has received service from the District for more than 40 years. Consistent with the rationale for Study Area No. 1, the parcel should be included within the District's SOI due to demonstrated District capacity to continue providing service, the long-term benefits of annexation to the landowner, and the legislative intent for OAAs to eventually result in annexation. Therefore, Study Area No. 2 is recommended for inclusion within the District's SOI.

SOI Study Area No. 3 | Proposed for Removal from the SOI

There are five parcels within Study Area No. 3 (APNs 070-121-026, 070-121-027, 070-121-028, 070-121-029, and 071-121-030). It appears that three of the parcels (APNs 070-121-026, 070-121-027, and 070-121-028) originated from a single parcel that once received OAA service from GFCWD. It appears that following the subdivision, the District discontinued service to the subdivided parcels. The remaining two parcels (APNs 070-121-029 and 071-121-030) do not appear to have ever been served under an OAA, and the reasoning for their prior inclusion in the District's SOI is unclear.

Given the absence of active or probable future service needs, Study Area No. 3 is proposed for removal from the SOI. If the District or landowners later express interest in receiving District service, LAFCO may reconsider SOI inclusion at that time.

Conclusion

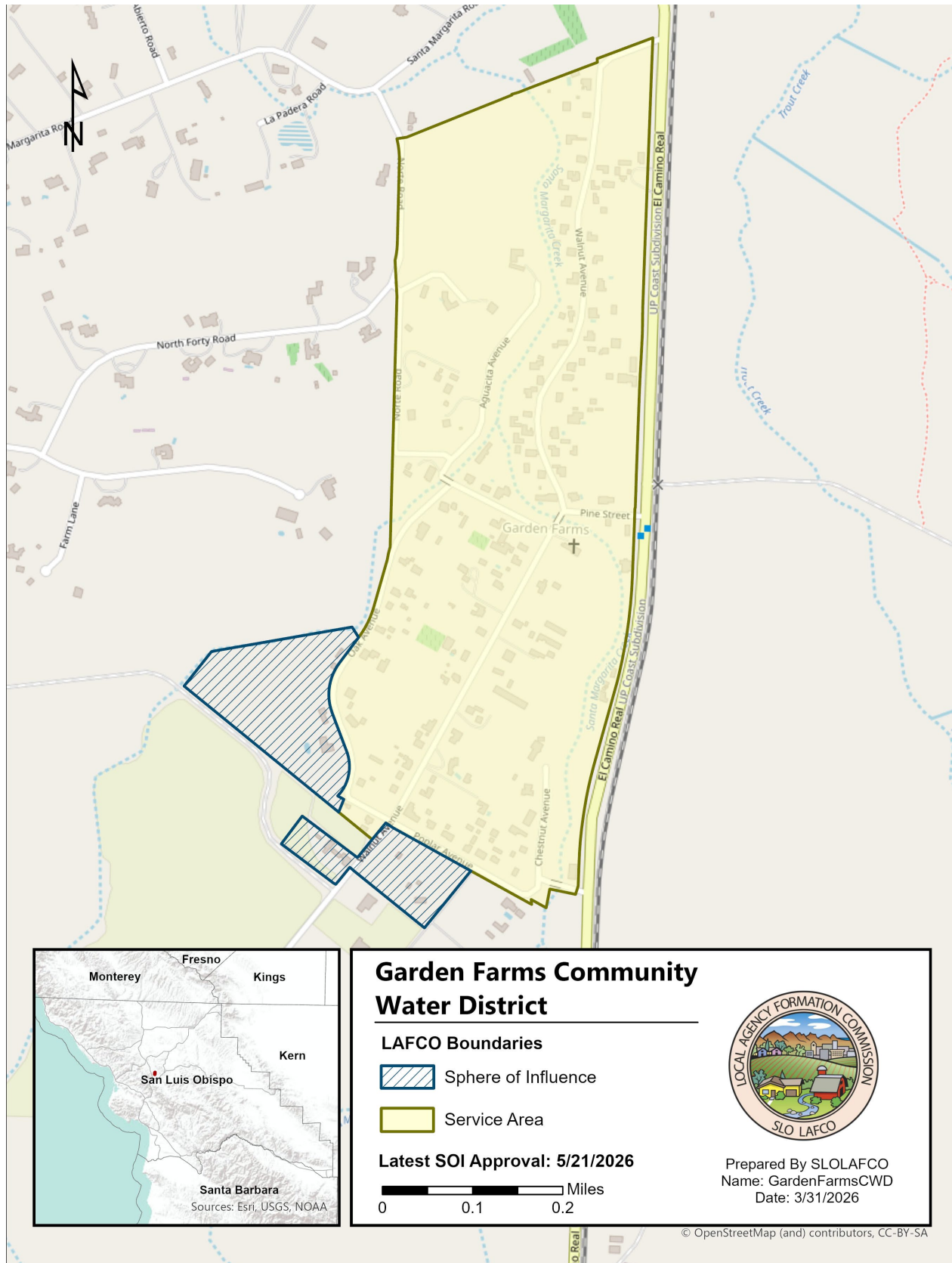
Overall, the proposed SOI adjustments more accurately reflect the District's probable future service area boundary and are consistent with the legislative intent of OAAs. Study Area No. 1 is proposed to remain within the SOI, and Study Area No 2 is recommended for inclusion based on the existing OAAs and the statutory expectation that OAAs are approved in anticipation of future changes of organization, such as annexation. Study Area No. 3 is recommended to be removed from the SOI due to the absence of current or probable service needs. A summary of the SOI recommendations for each study area is provided in Table 7 and the recommended SOI and service area boundary is shown in Figure 8.

Table 7: SOI Recommendations Summary

SOI Study Area	Parcels (APN)	Current Service Status	SOI Recommendation
Study Area No. 1	070-121-002, 070-121-031, 070-121-032, 071-121-023	Three parcels receive water service via OAAs; one parcel has approved OAA but is undeveloped	Remain in SOI
Study Area No. 2	070-121-003	Receives water service via OAA; located outside current SOI; served for ~40 years	Include in SOI
Study Area No. 3	070-121-026, 070-121-027, 070-121-028, 070-121-029, 071-121-030	No active OAA service; past service discontinued or unclear	Remove from SOI

DRAFT

Figure 8: Proposed GFCWD SOI and Service Area Boundary



DETERMINATIONS

Municipal 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

Based on 2020 Census data, the Garden Farms Census Designated Place has an estimated population of 449 with approximately 182 total housing units. Significant increases in population are not anticipated to occur as the County General Plan envisions infill development with no substantial development or increases in density proposed outside the District's service boundaries.

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

GFCWD's SOI and service area boundary contain one area that meets the criteria for a DUC as defined by Government Code Section 56033.5. Referred to as Santa Margarita DUC Area #1, the DUC, which encompasses the entirety of the community of Garden Farms, Santa Margarita, and neighboring rural areas, has an estimated median household income (MHI) of \$50,625, which is less than 80 percent of the statewide MHI, and contains approximately 1,189 registered voters. Should the District seek to evaluate the surrounding area for annexation in the future, disadvantaged communities should be considered further.

3. 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.

The District currently supplies water to approximately 117 service connections using a system composed of 3 active groundwater wells, 3 treatment facilities, 35 fire hydrants, and a 225,000-gallon storage tank. The District has a total water entitlement of 93 acre-feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently used to meet system demand.

Since the last MSR and SOI Study update in 2014, the District's well capacity has decreased by 36.5%, from a combined pumping capacity of 370 gallons per minute (GPM) to 235 GPM. Well No. 1 has maintained its 150 GPM capacity, while Well No. 2 has declined from 90 to 50 GPM, and Well No. 3 from 130 to 35 GPM. System capacity may be further reduced during dry years when groundwater availability declines.

Despite reduced pumping capacity, the State Water Resources Control Board's SAFER assessment identifies GFCWD as "Not At-Risk" based on multiple criteria, including water quality, system accessibility, affordability, and overall managerial and financial performance.

The District reports several infrastructure needs, including interior repairs to the existing 225,000-gallon storage tank. In addition, parts of the water distribution system are not fully looped, resulting in dead-end lines that may limit system redundancy and water circulation. The District has not provided timelines or cost estimates for completing these improvements. Routine maintenance is performed on a scheduled basis, and the District maintains financial reserves earmarked for infrastructure upgrades.

4. Financial ability of agencies to provide services

The District Board of Directors adopts an annual budget in accordance with generally accepted accounting principles. The District's primary revenue sources include water sales, lease income, and taxes and assessments. To evaluate overall financial health, key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, were analyzed across the five most recent audited fiscal years. The Operating Ratio, which compares annual operating revenues to operating expenses, showed that the District operated at an operating loss during the last five audited years, as operating expenses exceeded operating revenue. However, the District maintained significant non-operating revenues throughout the review period and has recently increased water rates. The Liquidity Ratio demonstrated strong short-term financial health,

with the District reporting no current liabilities in three of the five audited years, indicating an ability to meet immediate financial obligations. The District's Net Position, defined as the difference between total assets and total liabilities, increased by approximately 45% over the five-year audited period, reflecting long term financial growth and stability. Overall, these financial indicators demonstrate that GFCWD is in a sound financial position with sufficient resources to sustain operations and deliver essential services.

5. Status of and opportunities for shared facilities

GFCWD's facilities consist primarily of groundwater wells, distribution pipelines, and storage infrastructure that operate as a self-contained system. The District is not physically interconnected with neighboring water providers, and no shared water supply, treatment, or distribution facilities are currently in place. Although no physical interconnection exists, opportunities for collaboration remain available. Potential shared services could include interagency coordination on emergency response and planning, participation in mutual aid agreements, or the shared use of specialized equipment on an as-needed basis.

At the County level, efforts are underway to support the resilience of small water systems and domestic well communities. The County's Water System Consolidation Plan identifies potential opportunities for both physical and managerial consolidation of community water systems. While GFCWD is currently classified as "Not At-Risk" under the State Water Board's SAFER program, and consolidation is not anticipated at this time, the Consolidation Plan does include conceptual analysis regarding the potential costs, feasibility, and available funding for a future consolidation between GFCWD and the Atascadero Mutual Water Company.

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

The GFCWD operates under the governance authority established by California Water Code Section 30000 and is governed by an independent five-member Board of Directors, each elected or appointed to four-year terms. The Board of Directors holds regular meetings on the second Wednesday of each month at 6:00 PM. Although meeting agendas are physically posted at 17005 Walnut Avenue in Atascadero, the agendas do not identify the meeting location, as required by the Brown Act. GFCWD does not currently maintain a website, which impacts public

transparency and compliance with state law. The District appears to have sufficient revenue to support the development and maintenance of a website and to fund staffing necessary to ensure compliance with applicable laws. Additionally, internet access is widely available in the area, making an online platform an effective means of providing public access to information. In addition, the District has adopted policies that are out of compliance with the California Public Records Act, particularly with respect to charging labor-based fees for responding to records requests. To improve transparency, enhance public engagement, and ensure compliance with the Brown Act, California Government Code, and the Public Records Act, the District must post meeting locations publicly, develop and maintain a public website, and update its policies to reflect current statutory requirements.

7. 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 56425, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

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

The predominant land use within GFCWD's existing SOI and service area boundary is Residential Suburban, characterized by small-acreage parcels. SOI Study Area No. 2, which is proposed for inclusion into the District SOI, is zoned Rural Lands. The Garden Farms community is nearly built out, with minimal opportunity for large-scale new development. Land uses within the proposed SOI are expected to remain consistent with existing County land use designations. Accordingly, the proposed SOI update supports logical and orderly service planning and is consistent with the legislative intent governing Outside Agency Agreements (OAAs).

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

There is both a present and probable need for service within the proposed SOI area, as the affected properties within the proposed SOI have OAAs with the District and either currently receive water service from the District or are expected to do so once development occurs. Updating the SOI as proposed supports logical and orderly planning, as there is a present and probable need for services in the proposed SOI area, and is consistent with the legislative intent governing OAAs.

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

The District has sufficient capacity to provide adequate public services to the properties within the proposed SOI. Three of the parcels recommended for inclusion have been reliably served by the District for more than 20 years, demonstrating an established ability to meet ongoing service demands. The District holds a water entitlement of 93 acre-feet per year (AFY) from the Atascadero Basin, of which approximately 35 AFY is currently utilized to meet system demand, leaving the remaining capacity for existing and future needs. Updating the SOI as proposed supports logical and orderly planning, as there is present capacity of District facilities and services to serve the proposed SOI area, and is consistent with the legislative intent governing OAAs.

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

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

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

Santa Margarita DUC Area #1 encompasses all of GFCWD's proposed SOI and service area, as well as adjacent rural areas. Within the proposed SOI, there is a present and probable need for water service, as the included properties either currently rely on District service or are expected

to do so in the future. There is no other documented need for additional public services in the areas surrounding the District's proposed SOI and service area. However, should the District pursue future SOI amendments or consider annexation in the future, disadvantaged communities should be considered further in alignment with objectives to ensure equitable access to public services and infrastructure. Updating the SOI as proposed supports logical and orderly planning, is consistent with statutory requirements for considering DUCs, and appropriately reflects that areas within the SOI include disadvantaged populations with an identified need for continued and reliable water service.

California Environmental Quality Act

The California Environmental Quality Act (CEQA) is contained in the Public Resources Code Section 21000, et seq. Under this law, public agencies are required to evaluate the potential environmental effects of their actions. The GFCWD MSR and SOI Study is exempt from CEQA review pursuant to Section 15306 of the CEQA Guidelines, Class 6 – Information Collection, and Section 15061 (b)(3), the General Rule Exemption. This report is based on the use of the MSR as a tool for data collection and service evaluation. The MSR and SOI Study will not result in any significant environmental impact, as it does not authorize new municipal service powers. Additionally, the study does not involve changes to land use or introduce activities that would affect the environment.