



Public Review Draft

Upper Salinas – Las Tablas Resource Conservation District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted _____, 2026

Resolution No. _____

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ABOUT LAFCO

Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are considered regional subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is 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.

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 Drazie	Public Member

Staff

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

Contact Information

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

Acknowledgments

San Luis Obispo LAFCO gratefully acknowledges the time and effort of staff with the Upper Salinas – Las Tablas Resource Conservation District in assisting in the preparation of this report, including – but not limited to – the following individuals:

Drew Loganbill, Executive Director

Spencer Gordon, Project Manager

Hailey Leurck, Project Manager

Marina Washburn, Financial Officer

DISTRICT MSR & SPHERE OF INFLUENCE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review for the Upper Salinas – Las Tablas Resource Conservation District (US-LTRCD or District), located in the northern portion of the County of San Luis Obispo (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 necessary, relative to the Commission's regional growth management duties and responsibilities as established by the State Legislature. This includes evaluating the current and future relationship between the availability, demand, and adequacy of services within the service areas of the US-LTRCD, 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 Profile

Agency Name	Upper Salinas – Las Tablas Resource Conservation District
Formation	1951
Legal Authority	Public Resources Code Division 9
Office Location	5905 Capistrano Ave, Suite F, Atascadero, CA 93422
Website	https://www.us-ltrcd.org/
Executive Director	Drew Loganbill
Employees	5
Public Meetings	The Board of Directors holds its regular meetings on the fourth Thursday of the month from 4:00 – 6:00 PM.
Board of Directors	Five members appointed to four-year terms by the County of San Luis Obispo Board of Supervisors.
District Service Area	1,859,700 acres
Population Estimate	109,594

Background

In 1935, the federal government enacted the Soil Conservation Act in response to the environmental devastation caused by the Dust Bowl. This landmark legislation created the Soil Conservation Service – now known as the Natural Resources Conservation Service – to assist farmers, ranchers, and other private landowners in implementing soil and water conservation practices. However, conservationists and federal policymakers soon recognized that a centralized federal agency could not effectively address the diverse and site-specific needs of local landowners. To bridge this gap, state-based Soil Conservation Districts – now known as Resource Conservation Districts (RCDs) – were formed under state law, governed by locally elected or appointed boards of directors.

Public Resources Code Division 9 authorizes the establishment of RCDs as independent special districts tasked with conserving soil and water, controlling runoff, preventing and controlling soil erosion, managing watersheds, protecting water quality, and developing water storage and distribution. RCDs

across California serve as local hubs for conservation and natural resource management, connecting landowners and land managers with technical, financial, and educational assistance. RCDs are a vital link between federal, state, and local programs, helping these agencies meet their conservation goals.

The Upper Salinas-Las Tablas Resource Conservation District (US-LTRCD) was established in 1951 and is made up of three previously separate districts - the Upper Salinas Resource Conservation District, the Parkfield–Cholame Resource Conservation District, and the Las Tablas Resource Conservation District. The District provides technical assistance, education, and resources to help agricultural, rural, and urban communities preserve natural resources while supporting robust land productivity. The US-LTRCD has established an assortment of services and programs to serve the needs of every land manager in the region.

Population Profile

US-LTRCD serves a broad geographic area in northern San Luis Obispo County, encompassing a mix of cities, unincorporated communities, and rural lands. Population projections for the communities within the District's service boundaries provide insight into potential future service needs and resource demands. Based on the medium-growth scenario, the estimated total population within the US-LTRCD in 2020 was 109,594. By 2050, this population is projected to increase to approximately 123,034, representing a 12.26% total increase over 30 years. This equates to an average annual growth rate of approximately 0.41%, indicating moderate, steady growth across the region.

Table 2: Population Projections (Medium Scenario)¹

Local Agencies within US-LTRCD	2020	2030	2040	2050	Percent Change in Population (2020 to 2050)	Annual Percent Change in Population (2020 to 2050)
Atascadero	31,384	33,043	34,063	34,538	10.05%	0.33%
Paso Robles	32,755	35,582	37,130	37,858	15.58%	0.52%
Cambria	6,043	6,090	6,117	6,217	2.88%	0.10%
San Simeon	451	454	456	463	2.66%	0.09%
Heritage Ranch	2,458	2,640	2,763	2,808	14.24%	0.47%
San Miguel	2,490	3,039	3,420	3,476	39.60%	1.32%
Santa Margarita	1,297	1,357	1,420	1,444	11.33%	0.38%
Templeton	7,892	8,477	8,872	9,017	14.25%	0.48%
Cayucos	2,618	2,739	2,867	2,914	11.31%	0.38%
California Valley	367	394	404	411	11.99%	0.40%
Other Unincorporated	21,839	22,928	23,525	23,888	9.38%	0.31%
Total	109,594	116,743	121,037	123,034	12.26%	0.41%

Disadvantaged Unincorporated Communities

LAFCO is required to evaluate Disadvantaged Unincorporated Communities (DUCs) as part of this MSR, including the location and characteristics of any such community. Per California Senate Bill 244, a DUC is defined as any area with 12 or more registered voters where the median household income (MHI) is less than 80 percent of the statewide MHI.² The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out underserved, inhabited areas with infrastructure deficiencies and a lack of access to reliable potable water, wastewater, and fire protection services.

To identify the MHI for locations within the unincorporated areas of the County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG) and Census Designated Places (CDP) data. Once a CBG or a

¹San Luis Obispo Council of Governments 2050 Regional Growth Forecast (Figure 116 & Figure 118)

² California’s MHI is \$84,097; 80% of the state’s MHI is \$67,277. Therefore, the threshold for a DUC is an MHI less than \$67,277.

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, ten DUCs were identified within the US-LTRCD service area boundary as seen in Figure 1. Although these DUCs were identified, US-LTRCD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection, and therefore, no infrastructure deficiencies to a DUC would result from changes to the US-LTRCD’s SOI or service area boundary. Table 3 below contains additional information about each DUC within the District’s boundary.

Figure 1: Countywide Disadvantaged Unincorporated Communities Map

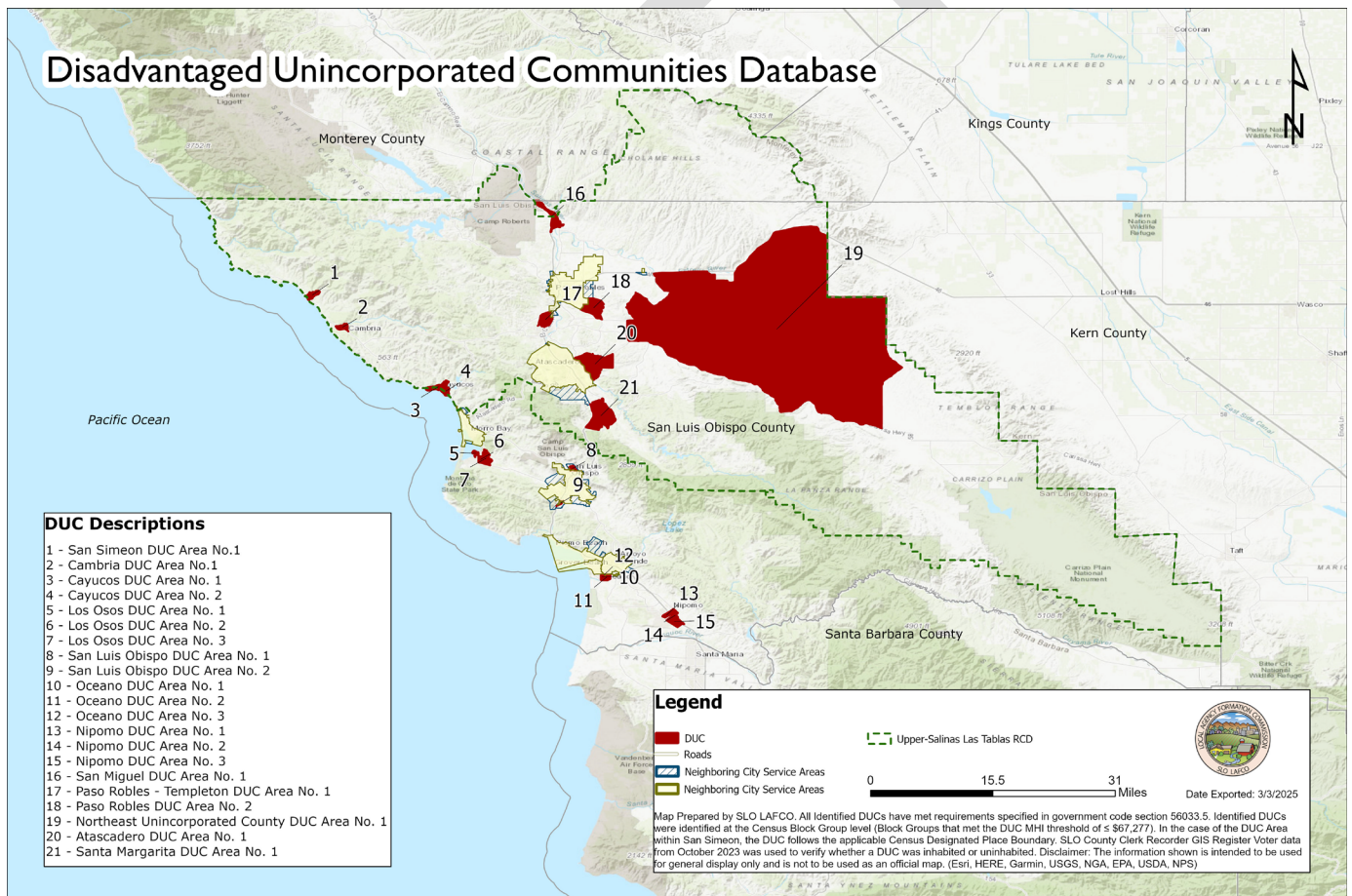


Table 3: Disadvantaged Unincorporated Communities with US-LTRCD

DUC	MHI ³	Registered Voters ⁴
San Simeon DUC Area No. 1	\$50,486	200
Cambria DUC Area No. 1	\$51,875	529
Cayucos DUC Area No. 1	\$67,273	505
Cayucos DUC Area No. 2	\$59,444	686
San Miguel DUC Area No. 1	\$66,496	1,268
Paso Robles – Templeton DUC Area No. 1	\$54,797	955
Paso Robles DUC Area No. 2	\$61,513	59
Northeast Unincorporated County DUC Area No. 1	\$61,526	1,009
Atascadero DUC Area No. 1	\$59,559	354
Santa Margarita DUC Area No. 1	\$50,625	1,189

Social or Economic Communities of Interest in the Area

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

Present and Planned Land Use

The present and planned land uses with the service area of US-LTRCD are guided by the general plans of the three land use authorities whose jurisdictions overlap the District’s boundaries. These include San Luis Obispo County, the City of Atascadero, and the City of Paso Robles.

Each of these jurisdictions maintains its own general plan and zoning ordinances, which establish long-term land use policies and development patterns. US-LTRCD operates within these planning frameworks, providing conservation and natural resource management services that are compatible with and supportive of local land use policies.

Accountability

US-LTRCD’s governance authority is established under the Resource Conservation District Law, established in Division 9 of the California Public Resources Code and codified under Public Resources Code Sections 9001 – 9972. Governance of US-LTRCD is independently provided by a five-member

³ American Community Survey Data from 2016-2020 in 2021 inflation/adjusted dollars

⁴ County of San Luis Obispo Clerk Recorder GIS Data from October 2023

Board of Directors appointed to four-year terms by the County Board of Supervisors. The Board of Directors meets on the fourth Thursday of each month from 4:00 – 6:00 PM in the Atascadero Library at 6555 Capistrano Avenue. Agendas are officially posted on the US-LTRCD website 72 hours prior to the meeting, in compliance with the Brown Act. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 4: US-LTRCD Board of Directors

Board Member	Title	Term Expiration
Tom Mora	President	October 2028
Steve Carter	Board Treasurer	October 2028
Mike Bonnheim	Director	October 2028
Chris Smith	Director	October 2028
Eric Michielssen	Director	October 2029

US-LTRCD maintains an up-to-date website that contains district contact information, the current agenda, approved minutes, compensation reports, and an enterprise system catalog in compliance with Senate Bill 272.

Services & Capacity

Authorized Services

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

- Conducting surveys and research, disseminating information, and partnering
- Accepting grants and gifts for conservation work
- Acquiring lands, easements, and property
- Contracting, accepting contributions, and using contributions
- Making improvements and conducting operations of public/private lands

- Performing education, outreach, and demonstration projects
- Developing annual and long-range plans
- Accepting and managing projects within districts
- Maximizing funding opportunities by working with Federal/State/Private Sources, cooperating with other districts, an association of districts, or other regional area groups
- Provide coordinated representation of districts before Federal, State, and Local Government Agencies

Under Government Code Section 56425(i), when LAFCO adopts, updates, or amends a sphere of influence (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. In the case of US-LTRCD, the District currently exercises all of the powers authorized under Sections 9401-9420 of the Public Resources Code. Therefore, no services are considered latent.

This Municipal Service Review (MSR) and Sphere of Influence (SOI) study evaluates both:

1. The current services and resources available through US-LTRCD, and
2. The District's capacity to expand services to meet future needs.

While no changes to the SOI are being proposed at this time, LAFCO has considered the District's long-term ability to provide services to additional areas if needed. Should future changes be pursued, such as annexation, consolidation, or reorganization, this review provides a foundation for those discussions.

Service Delivery & Performance

US-LTRCD provides programs which fall under three general categories: education, natural resources management, and regulatory assistance. Programs are collaborative efforts between the US-LTRCD, landowners, municipalities, agencies, and the community at large. Participation in programs is entirely voluntary. Table 5 below highlights some of the District's recent projects, project partnerships, and funding sources. Additional information on the District's projects, programs, and services is available on their [website](#).

Table 5: US-LTRCD Programs

Program	Summary	Partners	Funders
Centennial Creek Stream Restoration Project	The overall goal of this project is to restore the natural ecology and hydrologic function of Centennial Creek, which is a highly visible waterway flowing alongside a community greenbelt trail in Paso Robles. US-LTRCD recontoured and revegetated 400 feet of streambank, which has improved the riparian habitat along the creek corridor, decreased creek channel cutting and erosion, and improved stormwater management through community awareness of low-impact design methodologies.	<ul style="list-style-type: none"> • City of Paso Robles • California Department of Transportation (Caltrans) 	<ul style="list-style-type: none"> • City of Paso Robles • Caltrans • US Fish and Wildlife Service • National Fish and Wildlife Foundation
Three Bridges Oak Preserve Fuels Reduction Project	Implementation of a fuel reduction project at Three Bridges Oak Preserve with the goal of enhancing forest health and mitigating wildfire risks to the community. Treatment units are strategically located near home and in high fire hazard severity zones and are focused on reducing dead vegetation and some live vegetation that serves as wildfire fuel, both in the preserve and along roadways.	<ul style="list-style-type: none"> • Atascadero Land Preservation Society • Atascadero Fire Department • SLO County Fire Safe Council • CALFIRE 	California Department of Forestry and Fire Protection
Sustainable Land Initiative	Using a data-driven approach and innovative software, RCDs can more effectively and efficiently assist landowners in identifying, funding, and implementing climate-smart projects on their land. These practices can improve land productivity and achieve sustainability by sequestering carbon, reducing water consumption, restoring soil health, and more.	<ul style="list-style-type: none"> • CA Association of Resource Conservation Districts • Cal Poly San Luis Obispo 	California Department of Food and Agriculture
Wildlife & Pollinator Habitat Improvement	The US-LTRCD provides technical guidance to landowners to improve monarch habitat through site-specific plans and native species recommendations.	<ul style="list-style-type: none"> • Xerces Society • US Fish and Wildlife Service • CA State Parks • CA Dept of Fish and Wildlife 	Wildlife Conservation Board
Technical Assistance	The US-LTRCD works with landowners to integrate best management practices to enhance habitat for fish and wildlife, restore water quality and quantity, stabilize stream channels or roads, improve trails, and solve erosion problems. Typical projects include Permit Coordination and Assistance, Conservation Planning, Riparian Management, Habitat Management- Debris Removal and Vegetation Management, Water Quality Monitoring, Environmental Studies and Reports, Irrigation Audits (Mobile Irrigation Lab), Conservation Education and Outreach.	<ul style="list-style-type: none"> • Coastal San Luis RCD • Central Coast Soil Hub • CA Association of Resource Conservation Districts 	<ul style="list-style-type: none"> • California Department of Food and Agriculture • USDA Natural Resources Conservation Service (NRCS)

In addition to the programs and projects discussed above, US-LTRCD partners with the County to offer agricultural grading permits through the Alternative Review Program (ARP). ARP is a low-cost alternative to obtaining a County grading permit and includes engineering and environmental review, an Agricultural Grading Permit, and post-project erosion control monitoring. The District cites infrequency in utilization of this program and difficulty in recruiting a District engineer to help deliver these services.

Staffing & Personnel

The US-LTRCD employs an Executive Director who runs the day-to-day operations of the RCD. The Executive Director reports to the Board of Directors at the monthly board meetings. The District also employs additional personnel, such as a Conservancy Steward, a Forestry Project Manager, a Conservation Project Manager, and technicians as needed to support various grants and projects dependent on available funding.

Capital Facilities and Equipment

The Willow Creek Conservancy is 375 acres of unique coastal ranchland, owned and maintained by the US-LTRCD. The Conservancy aims to support a regenerative agricultural economy while educating and inspiring the northern San Luis Obispo County community to adopt sustainable land management practices. Serving as a living laboratory, the Conservancy provides a space where community members can explore and apply best practices, test integrated technologies, and collaborate on innovative solutions addressing climate change and water conservation.

Shared Services and Facilities

As illustrated in Table 5, US-LTRCD has established a strong history of collaboration with local, state, and federal partners. These partnerships are critical to the District's ability to deliver a wide range of conservation programs across its expansive service area and to ensure efficient, non-duplicative use of public resources. US-LTRCD continues to engage in interagency partnerships and is encouraged to maintain or expand the following collaborative relationships:

- Coordination with Neighboring RCDs, including the Coastal San Luis Resource Conservation District. These neighboring districts share similar goals and environmental priorities, and over

time, the respective Boards of Directors have explored the potential benefits and drawbacks of district consolidation. While each district currently remains separate and autonomous, collaboration on shared regional issues remains a best practice.

- Coordination with the County of San Luis Obispo and Local Agencies
- Coordination between US-LTRCD and state entities/agencies such as the State Water Resource Control Board and the California Department of Parks and Recreation

Finance

Background

In alignment with the Commission's FY 2025-26 Work Plan, staff prepared the MSR and SOI Study for the US-LTRCD and presented the report at the Commission's regular meeting on September 18, 2025. At that meeting, the Commission expressed significant concerns regarding the determinations made in the report, specifically related to the District's financial transparency, noncompliance with audit requirements, and findings identified in the District's FY 2021-22 audit. As a result, the Commission deferred action on the MSR and SOI Study pending receipt of additional information.

As directed at the LAFCO meeting held on December 18, 2025, LAFCO staff provided a status update on the District's outstanding financial audits and outlined governance structure options, including potential LAFCO-initiated consolidation with Coastal San Luis Resource Conservation District (CSLRCD). LAFCO staff reported that since the September 18, 2025, LAFCO meeting, the District had completed the audit for FY 2022-23. Similar to the District's FY 2021-22 audit, the audit for FY 2022-23 resulted in another disclaimer of opinion due to the auditor being unable to obtain auditable records to enable testing to provide a basis for an audit opinion. In addition, LAFCO staff reported that the District had recently adopted new Fiscal Policies and Procedures in an effort to correct deficiencies.

Based on this information, the Commission directed staff to return with an updated US-LTRCD MSR and SOI Study for approval, incorporating determinations that document the District's financial deficiencies and a condition of approval requiring a 12-month remediation period for the District to complete financial audits for FY 2023-24 and FY 2024-25. As such, the following section provides a general overview of the District's financial health, summarizes recent audit findings, and establishes the context for LAFCO's financial determinations.

Budget

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures and encumbrances are charged against the budgeted appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent fiscal year expenditures, as they do not constitute expenditures or liabilities.

Audited Financial Statements

Pursuant to Government Code Section 26909, all special districts are required to complete an annual independent audit of their financial accounts and records. These audits must be filed with the California State Controller's Office (SCO), the County Auditor, and LAFCO within 12 months following the end of the fiscal year. The SCO enforces audit compliance through reporting requirements, audit standards, and funding restrictions. Additionally, the County Auditor has the authority to appoint an independent auditor to conduct a full audit if a district fails to comply.

To evaluate the District's overall financial condition, LAFCO utilizes three key financial indicators, including Operating Ratio, Liquidity Ratio, and Net Position. The primary data sources for this evaluation are typically audited financial statements from the five most recent fiscal years. As of the adoption of this report, US-LTRCD has not completed a financial audit for FY 2023-24. The District attributes the delay to staff turnover, changes in accounting systems, and ongoing litigation, as well as the limited availability of Certified Public Accountants (CPAs) willing to audit special districts. The District stated that the FY 2023-24 audit has commenced, and a timeline for completion has not been identified.

Due to the absence of recent audit data, LAFCO's financial evaluation relied on the five most recently completed audits (FY 2018-19 through FY 2022-23). However, both the FY 2021-22 and FY 2022-23 resulted in disclaimers of opinions due to a lack of proper record keeping, leaving the auditors unable to obtain auditable records to enable testing to provide a basis for an audit opinion. Specifically, the FY 2022-23 audit stated the following:

- Documentation supporting revenues and expenditures was incomplete

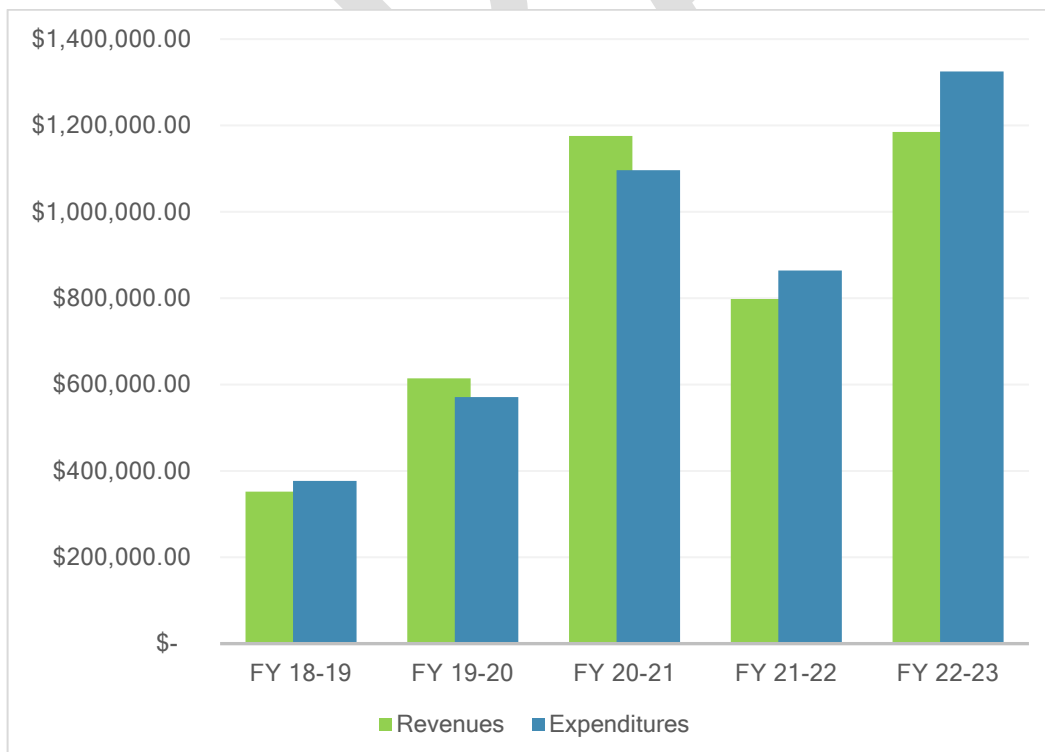
- Bank reconciliations were not performed for major funds
- Supporting schedules for capital assets and liabilities were not available
- Internal controls were absent

Data from the five most recently completed audits (FY 2018-19 through FY 2022-23) is provided below. However, due to the findings in the FY 2021-22 and FY 2022-23 audits, LAFCO cannot confirm the accuracy of the financial indicators. As a result, a definitive financial determination cannot be made at this time.

Revenues and Expenditures

US-LTRCD’s principal sources of revenue are from grants and program income. The District also receives funding through interest income; however, the District does not receive any property tax funding. As shown in Figure 2 below, the District experienced an overall increase in revenues from FY 2018-19 through FY 2022-2023 primarily due to increases in grant funding. Similarly, the District’s total expenditures experienced an overall increase from FY 2018-19 to FY 2022-23. The District’s principal expenses are for salaries and benefits, professional fees, software expenses, and office expenses.

Figure 2: US-LTRCD Revenues and Expenditures

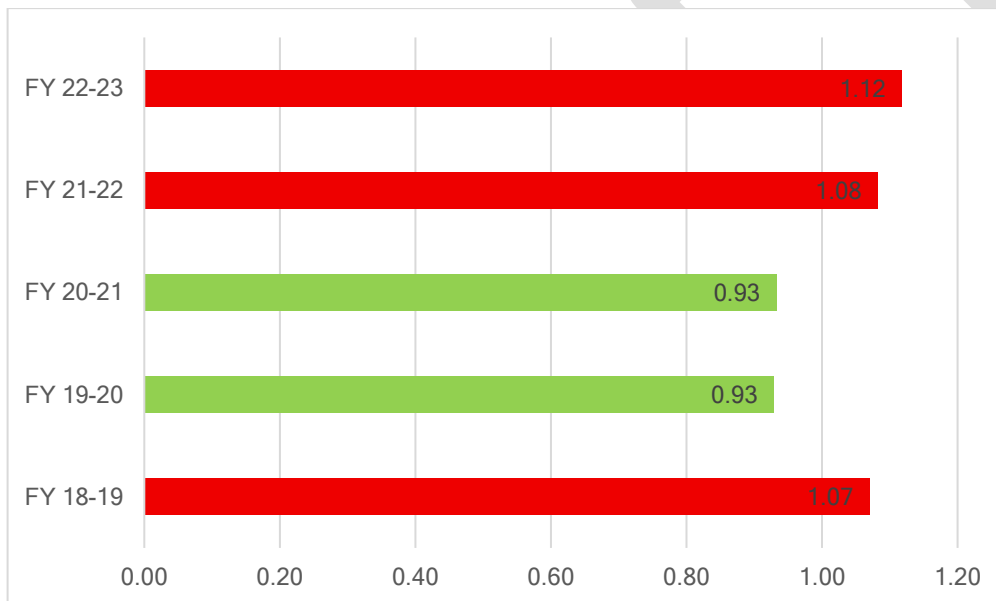


To assess the District’s ability to meet its financial obligations, Figure 3 displays the Operating Ratio for the past five audited fiscal years. This ratio—calculated as annual operating expenses divided by annual operating revenues—serves as a basic indicator of financial performance:

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

Although informative, these indicators are based on incomplete, historical data and do not accurately reflect the District’s current financial status, given the absence of recent audits and the disclaimer opinions on the last two.

Figure 3: Operating Ratios



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
- Capital Assets: Long-term investments that are not expected to become cash within an accounting year

At the end of FY 2022-23, US-LTRCD’s audited assets totaled \$269,242, which is about 19% lower than the five-year average of \$333,226. Current assets constituted 88% of total assets, primarily in cash, investments, and accounts receivable. The remaining assets are classified as capital assets, mainly representing equipment and vehicles. Overall assets increased 3.9% over the five-year audited period.

Table 6: Assets

Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Current Assets	\$259,126	\$246,232	\$466,402	\$407,212	\$237,902
Capital Assets	-	-	-	\$17,916	\$31,340
Total Assets	\$259,126	\$246,232	\$466,402	\$425,128	\$269,242

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

US-LTRCD’s audited liabilities totaled \$259,387 at the end of FY 2022-2023, about a 11% increase over the five-year average of \$232,749, mainly related to accrued expenses and unearned revenue. Current liabilities comprised 94% of total liabilities at \$266,423, while non-current liabilities accounted for \$14,783, related primarily to office lease obligations. Overall, liabilities grew about 33% over the five-year audited period.

Table 7: Audited Liabilities

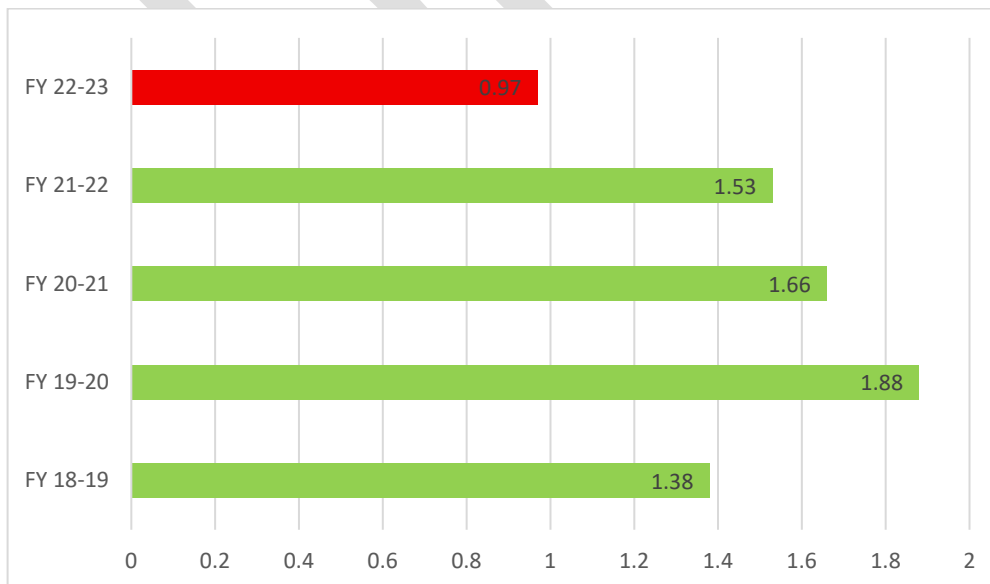
Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Current Liabilities	\$187,131	\$130,631	\$281,808	\$266,423	\$244,604
Non-Current Liabilities	\$7,779	\$10,141	-	\$20,446	\$14,783
Total Liabilities	\$194,910	\$140,772	\$281,808	\$286,869	\$259,387

Figure 4 illustrates the District’s Liquidity Ratios over the last five audited fiscal years. 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.

The District has maintained liquidity ratios above 1.0 during four of the five years analyzed. However, without recent audited data beyond FY 2022–23 and due to the disclaimer opinions issued for the two most recent audits, current liquidity conditions remain uncertain.

Figure 4: Liquidity Ratios



Agency Net Position

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

US-LTRCD’s audited net position at the end of FY 2022-23 totaled \$9,855, which represents an 85% decrease over the five-year audited period. This figure is also 90% lower than the five-year average net position of \$100,476, suggesting poor fiscal performance over the longer term. However, the reliability of this data is limited due to the inconclusive audits for FY 2021-22 and FY 2022-23. Additionally, without recent audited data beyond FY 2022-23, the District’s current net position remains uncertain.

Table 8: Audited Net Position

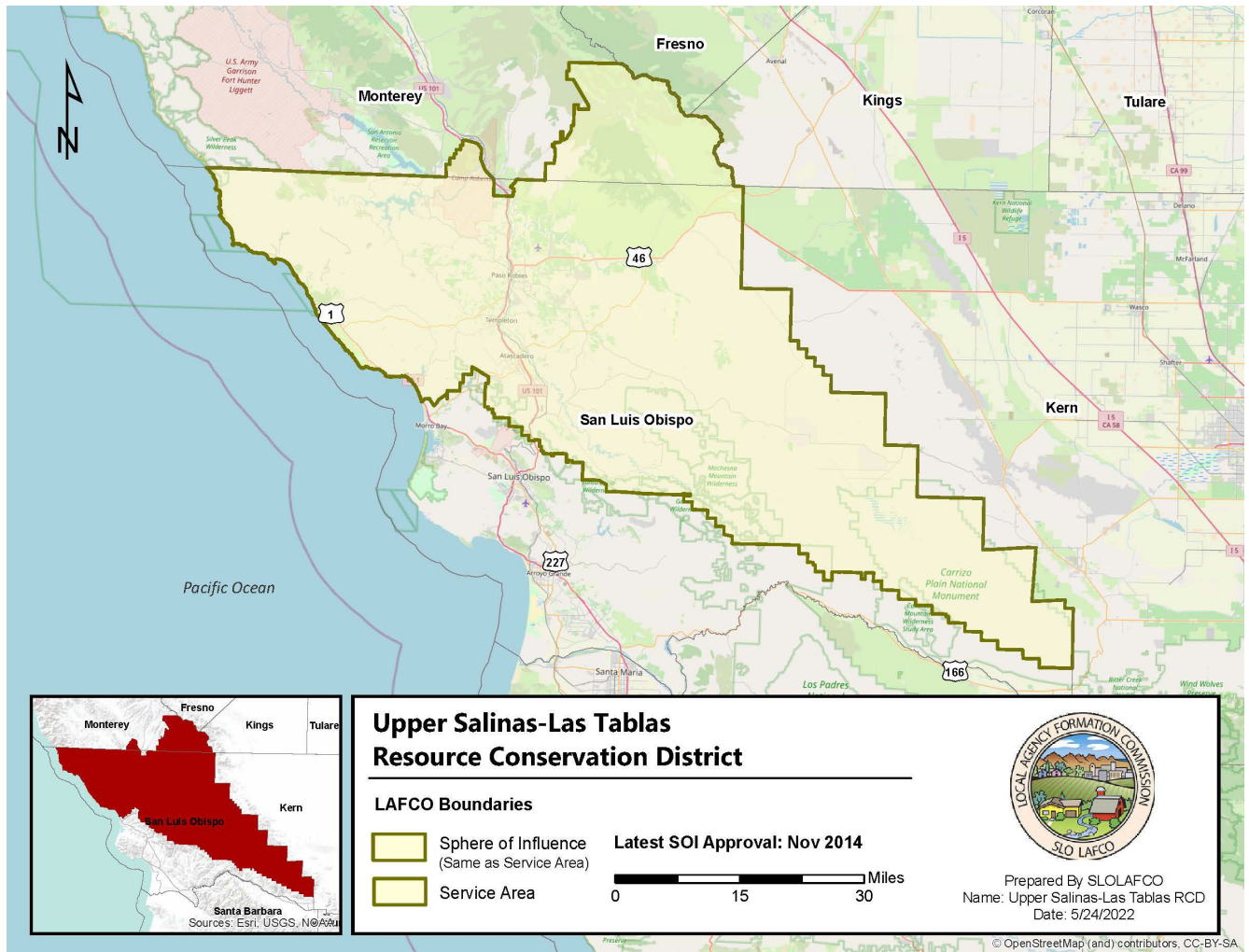
Category	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Net Investment in Capital Assets	-	-	-	\$48,921	\$38,345
Unrestricted	\$64,216	\$105,460	\$184,594	\$89,338	\$(28,490)
Total Net Position	\$64,216	\$105,460	\$184,594	\$ 138,259	\$9,855

Sphere of Influence

US-LTRCD’s existing SOI is coterminous with its service area boundary and is depicted in the boundary map in Figure 5 below. The District spans more than 1,859,700 acres in Northern San Luis Obispo County. The District’s boundaries overlap the cities of Atascadero, Morro Bay, and Paso Robles; nine Community Services Districts, 6 Special Districts, and 10 cemetery districts. US-LTRCD is partially within Monterey County to the north, and bounded by Kern County to the east, the Coastal San Luis Resource Conservation District to the south, and by the Pacific Ocean to the West. At this time, US-LTRCD has not requested any changes to its SOI, and no potential SOI amendments are under evaluation in this

MSR and SOI Study. The District has expressed its intention to maintain its current boundaries for the foreseeable future.

Figure 5: US-LTRCD Boundary Map



DETERMINATIONS

Municipal Service Review Determinations

Pursuant to Government Code Section 56430(a), in order to amend an SOI in accordance with Government Code Section 56425, the Commission is required to 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 available data, the total population within the US-LTRCD was estimated at 109,594 in 2020. By 2050, the population is projected to reach approximately 123,034, reflecting a modest annual growth rate of 0.41%. As such, service demands related to natural resource conservation and land stewardship are expected to increase incrementally but remain manageable within the District's current operational capacity.

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

US-LTRCD's SOI and service area boundary includes ten areas that meet the criteria for a DUC as defined in Government Code Section 56033.5. The location and characteristics of the ten DUCs are described in Table 3 and Figure 1 of the [DUC section](#) of this report. While US-LTRCD does not provide water, sewer, or structural fire protection—typical focus areas for DUC evaluations—the District's conservation and land stewardship services may still support these communities by promoting resource sustainability, soil health, and watershed protection.

- 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.**

US-LTRCD provides programs which fall under three general categories: education, natural resources management, and regulatory assistance. These services are implemented through voluntary, collaborative efforts between the District, landowners, local municipalities, state and federal agencies, and the broader community. The District currently maintains adequate staffing and operational capacity to support its programmatic responsibilities. Its team includes an Executive Director, a Conservancy Steward, a Forestry Project Manager, a Conservation Project Manager, and technicians as needed, depending on project funding. Additionally, US-LTRCD owns and manages the 375-acre Willow Creek Conservancy, which serves as a living laboratory for regenerative agriculture, sustainable land practices, and climate resilience innovation. While at this time the District demonstrates sufficient capacity to deliver its services, it does not provide water, sewer, or fire protection services. Therefore, the District is not responsible for ensuring that these services are adequately provided to the communities within the District's boundaries.

4. Financial ability of agencies to provide services

As of the adoption of this report, US-LTRCD remains out of compliance with California Government Code Section 26909 due to an outstanding audit for FY 2023-24. In the absence of this audit, LAFCO relied on the five most recent audited financial statements (FY 2018-19 through FY 2022-23) to evaluate the District's financial health. However, audits for FY 2021-22 and FY 2022-23 were issued with Disclaimers of Opinion due to the auditor's inability to obtain sufficient records for testing, preventing a basis for an audit opinion.

Despite the limitations in available financial data, analysis of three key fiscal indicators, including Operating Ratio, Liquidity Ratio, and Net Position, was used to assess the District's financial health. Operating Ratio, which compares annual operating revenues to operating expenses, indicated the District operated at a deficit in three of the five years reviewed. Liquidity Ratio, which measures current assets relative to current obligations, showed the District generally maintained sufficient short-term resources to cover obligations in four of the five years. The District's Net Position, representing the difference between total assets and total liabilities, declined by 85% over the five-year period, signaling significant financial deterioration. However, due to the disclaimers for FY 2021-22 and FY 2022-23 and the absence of audited

data for FY 2023-24, this assessment may not accurately reflect the District's current financial position.

LAFCO determines that US-LTRCD is noncompliant with California Government Code Section 26909, and the District's current financial health is unknown due to incomplete data. Upon adoption of the US-LTRCD MSR and SOI Study, a 12-month remediation will commence for the District to complete audits for FY 2023-24 and FY 2024-25. At the conclusion of the 12-month period, LAFCO staff will report back to the Commission with an update and potential options for further action, including consideration of a change of organization if remediation efforts are deemed unsatisfactory.

5. Status of, and opportunities for, shared facilities

The US-LTRCD has a long-standing history of maintaining partnerships with local, state, and federal agencies to support the implementation of community-based conservation projects. Continued coordination with other Resource Conservation Districts, the County of San Luis Obispo, and state and federal entities presents ongoing opportunities for shared use of facilities, equipment, and technical staff to expand program reach and reduce operational redundancies.

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

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

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 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the Sphere of Influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to the following:

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

The present and planned land uses within the service area of US-LTRCD are guided by the general plans of the three land use authorities whose jurisdictions overlap the District's boundaries. These include San Luis Obispo County, the City of Atascadero, and the City of Paso Robles. There are no planned changes to the District's SOI at this time, and reaffirmation of the existing, coterminous SOI is recommended.

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

US-LTRCD provides a unique and vital service to North San Luis Obispo County. The District provides technical assistance, education, and resources to help agricultural, rural, and urban communities preserve their natural resources while supporting robust land productivity. US-LTRCD works with many private and public stakeholders in accomplishing local conservation projects. There is a clear present and probable continued need for these services within the District's coterminous SOI and service area, and reaffirmation of the District's SOI is recommended.

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

At present, the US-LTRCD appears to have adequate staffing to provide service within the District's service area boundary; however, the District's financial capacity is unknown. In addition, the District has successfully developed partnerships with local, state, and federal

agencies to assist in accomplishing locally developed projects and priorities. Reaffirmation of the District's SOI is recommended.

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

There are no social or economic communities of interest within the District service area boundary. Reaffirmation of the District's SOI is recommended.

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.

Ten DUCs were identified within the US-LTRCD service area boundary, as seen in Figure 1. Although these DUCs were identified, US-LTRCD does not provide public facilities or services related to wastewater, municipal or industrial water, or structural fire protection, and therefore, no infrastructure deficiencies to a DUC would result from changes to the US-LTRCD's SOI or service area boundary. Reaffirmation of the District's SOI is recommended.