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TO: MEMBERS OF THE COMMISSION

FROM: MORGAN BING, ANALYST
VIA: ROB FITZROY, EXECUTIVE OFFICER

DATE: DECEMBER 18, 2025

SUBJECT: LAFCO FILE NO. 7-S-25: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE SHANDON-SAN JUAN WATER DISTRICT

RECOMMENDATION

Action 1: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Shandon-San Juan Water District (LAFCO File No. 7-S-25) to be exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

Action 2: Approve, by resolution, the Shandon-San Juan Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 7-S-25) as contained in Attachments A and B, and reaffirm the District's existing Sphere of Influence as depicted in Attachment A, Exhibit C.

OVERVIEW

The Cortese-Knox-Hertzberg Act directs Local Agency Formation Commissions (LAFCO) to regularly prepare municipal service reviews (MSRs) in conjunction with establishing and updating each local agency's sphere of influence (SOI). The legislative intent of MSRs is to proactively assess the availability, capacity, and efficiency of local governmental services prior to making SOI determinations. MSRs may also lead LAFCOs to take other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies in addition to any related SOI changes. As part of the Commission's work plan, staff have prepared the MSR and SOI Study for the Shandon-San Juan Water District (SSJWD or District).

SSJWD MSR AND SOI STUDY

Agency Overview: The SSJWD was formed in 2017 by a petition of landowners under the provisions of Government Code Section 56000 et. seq. The District’s primary purpose at formation was to enable participating landowners to comply with the Sustainable Groundwater Management Act (SGMA) by creating a water district that could also serve as a Groundwater Sustainability Agency (GSA), as permitted under SGMA.

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

Unlike traditional water service providers, SSJWD does not deliver water or infrastructure services. Instead, it functions primarily as a representative entity for landowners who voluntarily choose to “opt in,” ensuring their interests are reflected in groundwater management efforts under SGMA by the SSJWD.

Municipal Service Review Summary: LAFCO staff prepared determinations for the seven MSR factors described in Government Code Section 56430 (Attachment A, Exhibit B). In summary, LAFCO determined that SSJWD serves a sparsely populated agricultural-zoned region in northeastern San Luis Obispo County, where population growth is projected to remain minimal. The District’s primary purpose upon formation was to enable participating landowners to comply with SGMA by creating a water district that could also serve as a GSA. Although this was the primary purpose of the District, the Commission also took action to activate all powers available under Water Code Section 34000, with the exception of exportation of water and sewer services.

The District has demonstrated adequate capacity to fulfill its role as a GSA. As a member of the Paso Basin Cooperative Committee (PBCC), SSJWD contributed to the development of the Paso Robles Subbasin GSP, which was approved by the California Department of Water Resources in June 2023. SSJWD has played a key role in advancing several important projects and management initiatives, including an Economic Impact Study on irrigated agriculture in the Paso Robles region, a Stormwater Capture and Groundwater Recharge Feasibility Study, the development of a 3D Geologic Model, and the establishment of a comprehensive groundwater level monitoring network. The District’s capacity is further demonstrated through its participation in the GSP’s five-year evaluation, submitted in January 2025. SSJWD now participates in the Paso Robles Area Groundwater Authority, which was formed in March 2025 by a Joint Powers Agreement to replace the PBCC and establish a formal structure for implementing the GSP.

Financially, the District shows strong indicators of stability and health, with consistent liquidity and a 48% increase in net position over five years. However, to sustain the continued implementation of the GSP, identifying additional funding sources will be essential. Governance is maintained through a five-member elected board, with operations conducted transparently and in compliance with state laws. No additional issues affecting service efficiency were identified.

Sphere of Influence Study Summary: LAFCO staff also prepared determinations for the five SOI factors described in Government Code Section 56036 (Attachment A, Exhibit B). SSJWD’s current SOI is coterminous with its service area boundary. Because the District’s primary role is to serve as a Groundwater Sustainability Agency, there is no logical way to envision or predict growth for the District. Accordingly, LAFCO will evaluate any SOI amendments or annexation requests concurrently and on a case-by-case basis. Therefore, staff recommend reaffirming SSJWD’s coterminous SOI and service area boundary.

Agency Coordination/Public Comments: Staff coordinated with SSJWD throughout the preparation of this MSR and SOI Study and received input from SSJWD via meetings, questionnaires, email correspondence, and review of the administrative review draft. A 21-day notice and public review and comment period were conducted between November 26, 2025, and December 18, 2025, for the SSJWD MSR and SOI Study. No written comments were received as of the staff report publishing date of December 11, 2025. All public comments received will become part of the official record of the Commission hearing.

Recommendation: Approve, by resolution, the Shandon–San Juan Water District Municipal Service Review and Sphere of Influence Study (LAFCO File No. 7-S-25) as contained in Attachments A and B, and reaffirm the District’s existing Sphere of Influence as depicted in Attachment A, Exhibit C.

ENVIRONMENTAL DETERMINATION

LAFCO is the Lead Agency for the proposed MSR and SOI Study. The SSJWD MSR and SOI Study is categorically exempt from further review under CEQA under Section 15306 (Class 6 Exemption). This is based on the use of the MSR as a data collection and service evaluation study. There are no land use changes or environmental impacts created by such studies. In addition, the District’s MSR and SOI Study is exempt from further review under Section 15061(b)(3) (General Rule Exemption). This is based on a determination with certainty that the MSR and SOI Study will have no possibility of significantly affecting the environment, given that this report does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the MSR and SOI Study.

Recommendation: Find, by motion, the Municipal Service Review and Sphere of Influence Study prepared for the Shandon–San Juan Water District (LAFCO File No. 7-S-25) to be exempt from the CEQA pursuant to CEQA Categorical Exemption Section 15306 and CEQA General Rule Exemption 15061(b)(3).

ATTACHMENTS

Attachment A: Draft LAFCO Resolution No. 2025-XX Approving the Shandon–San Juan Water District Municipal Service Review and Sphere of Influence Study

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

Exhibit B: MSR & SOI Study Determinations

Exhibit C: SSJWD Boundary Map

Attachment B: Shandon–San Juan Water District Municipal Service Review and Sphere of Influence Study