



Public Review Draft

Los Osos Community Services District Municipal Service Review and Sphere of Influence Study

Prepared by

The San Luis Obispo Local Agency Formation Commission

Adopted ____, 2025

Resolution No. ____

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ABOUT LAFCO

Authority and Objectives

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

Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California. 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, 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. An SOI is generally considered a 20-year, long-range planning tool. LAFCOs establish, amend, and update SOIs for all applicable jurisdictions in California every five years, or as necessary. When updating an SOI, LAFCOs are required to consider and prepare a written statement of their determinations concerning each of the following five factors:

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

The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities.

Municipal Service Reviews

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

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

LAFCO Decision-Making

LAFCO decisions are legislative in nature and, therefore, are not subject to an outside appeal process; only courts can overturn LAFCO decisions. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals, so long as they do not establish any terms that directly affect land use density or intensity, property development, or subdivision requirements.

LAFCOs are generally governed by a board comprised of county supervisors, city council members, independent special district members, a representative of the general public, and an alternate member for each category. SLO LAFCO is governed by a seven-member board comprised of two county supervisors, two city council members, two independent special district members, one representative

of the general public, and an alternate member for each category. All members serve four-year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs are independent of local government with their own staff. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the Commission. In addition, all LAFCOs must also appoint their own legal counsel.

SLO LAFCO

Regular Commissioners

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

Alternate Commissioners

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

Staff

Rob Fitzroy	Executive Officer
Imelda Marquez-Vawter	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 Los Osos Community Services District in assisting in the preparation of this report, including – but not limited to – the following individuals:

Ron Munds, Los Osos Community Services District, General Manager

Laura Durban, Los Osos Community Services District, Administrative Services Manager

DISTRICT MSR & SPHERE OF INFLUENCE STUDY

Overview

This report represents San Luis Obispo LAFCO's scheduled municipal service review (MSR) for the Los Osos Community Services District (LOCSD or District), located in the western portion 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 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 LOCSD, 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 budgeted and 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	Los Osos Community Services District
Formation	1998
Legal Authority	Government Code Section 61000 - 61850
Office Location	2122 9th Street, Suite 110, Los Osos, CA 93402
Website	https://www.losososcscsd.org/
General Manager	Ron Munds
Employees	10 Full-time
Public Meetings	Meetings are held on the 1 st Thursday of each month at 6:00 PM at the Los Osos Community Services District Board Room, 2122 9 th Street, Suite 106, Los Osos, CA 93402
Board of Directors	Five members elected to four-year terms
Active Powers	Water, Wastewater ¹ , Street Lighting, Fire Protection, Parks & Recreation, Solid Waste
District Service Area	3,252 acres
Population Estimate	14,465

Background

The Los Osos Community Services District (LOCSO or District) was formed by petition of the area residents in 1998 after failed attempts in 1979 and 1991. The District was formed to provide services previously provided by the County of San Luis Obispo (County) in specific benefit zones of what was formerly County Service Area (CSA) 9. In 2006, LAFCO considered the dissolution of the LOCSO, however the proposal was denied, and the District continues to provide services to the community.

¹ Although wastewater is technically an active power of the District, pursuant to Government Code Section 61105(2)(A)(i) the LOCSO shall not undertake any efforts to design, construct, and operate a community wastewater collection and treatment system within, or for the benefit of the district. The district shall resume those powers on the date specified in any resolution adopted pursuant to subdivision (I) of Section 25825.5. The County of San Luis Obispo currently operates and maintains the Los Osos Water Recycling Facility which provides wastewater collection to the Los Osos community. At this time, LOCSO only operates limited drainage services throughout the District as part of their wastewater power.

Population Profile

The estimated population in the Los Osos Community, based on 2020 U.S. Census Data, is 14,465.² The total buildout population is estimated to be 18,000.³ The buildout year is unknown at this time, as the growth rate allowed under the County's Growth Management Ordinance is contingent on the health of the groundwater basin.

The County Growth Management Ordinance (County Code Title 26) contains provisions for the County Board of Supervisors to establish the annual residential growth rate for the unincorporated county, based on existing housing stock and available community resources. The residential growth rate for undeveloped lots in Los Osos has effectively been zero percent since 1988 due to water and wastewater concerns related to nitrate contamination from private septic systems. In light of the progress on such issues following completion of the Los Osos Water Recycling Facility and the management efforts of the Los Osos Basin Management Committee (BMC), on June 13, 2024, the Coastal Commission held a public hearing and determined that a maximum growth rate of one percent, which covers all residential development (including accessory dwellings and affordable housing), is appropriate for the sustainable buildout of Los Osos if groundwater production remains below sustainable yield.

To ensure that the annual residential growth rate is data-driven and is not overly affected by exceptional "wet" or "dry" years, the determination of the annual residential growth rate for each calendar year would use a five-year rolling average of the Basin Yield Metric (BYM) which is the annual groundwater production divided by the annual sustainable yield. While the groundwater basin is technically considered sustainable if the BYM is at 100 percent, the BMC's target for the BYM is 80 percent or below to provide a conservative buffer. Table 2 presents the annual growth rate allowed under the Growth Management Ordinance based on annual BYM.

² 2020 Census Data, Los Osos Census Designated Place

³ Los Osos Community Plan, December 2024

Table 2: Annual Maximum Residential Growth Rate for the Los Osos Urban Area

5-Year Rolling Average of BYM	Annual Residential Growth Rate
≤80%	1.0%
>80% to 81%	0.8%
>81% to 82%	0.6%
>82% to 83%	0.4%
>83% to 84%	0.2%
>84%	0.0%

To ensure that the determination of the annual residential growth rate utilizes a conservative approach in the early years of these new regulations, the annual residential growth rate for each calendar year will be incrementally metered to a maximum of 1 percent until at least five years of BYM data using the revised sustainable yield methodology is available for consideration. Table 3 exhibits the interim incremental steps for the annual maximum residential growth rate. For reference, a 0.4 percent residential growth rate for calendar year 2025 would allow 25 new dwelling units in the community of Los Osos (0.4% x 6,321 existing dwelling units = 25 dwelling units).

Table 3: Interim Incremental Steps for Annual Maximum Residential Growth Rate

Calendar Year	Annual Residential Growth Rate for Los Osos Urban Area
2025	0.4%
2026	0.6%
2027	0.8%

Disadvantaged Unincorporated Communities

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

To identify the MHI for locations within the unincorporated areas of the County, and to identify those that meet the DUC MHI threshold, LAFCO used U.S. Census American Community Survey (ACS) five-year reports for Census Block Groups (CBG) and Census Designated Places (CDP) data. Once a CBG or a CDP meets the DUC MHI threshold, LAFCO then verifies that those areas are inhabited as specified in Government Code Section 56033.5 using registered voter data from the County Clerk-Recorder.

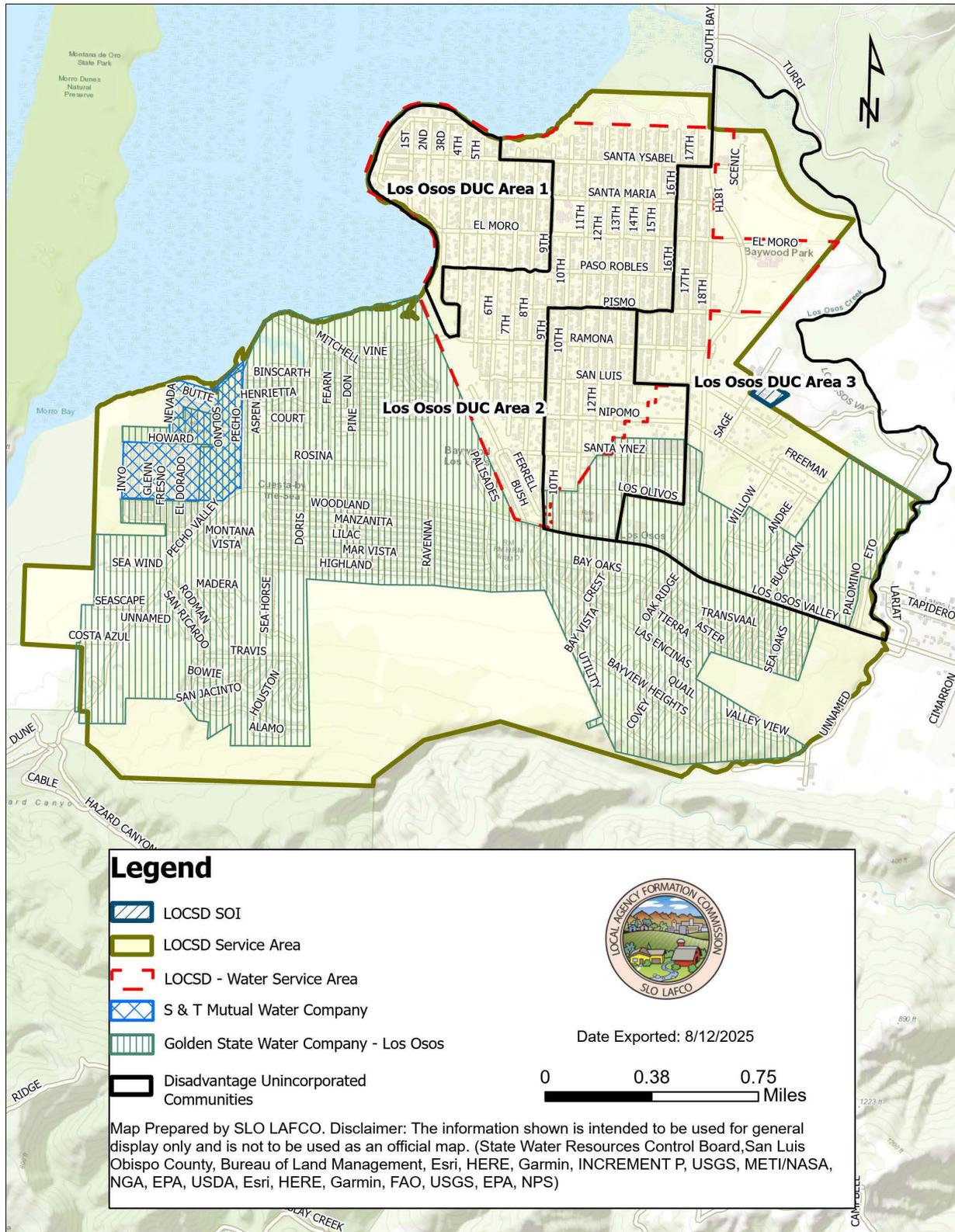
Using this methodology, three DUCs were identified within LOCSO’s service area as seen in Figure 1. Information related to the DUC’s MHIs and the number of registered voters is presented in Table 4. The DUCs identified may include some agriculture-zoned areas with no registered voters.

Table 4: LOCSO Disadvantaged Unincorporated Communities Census Block Information

DUC	Census Block Group	Median Household Income	Registered Voters ⁴
Los Osos DUC Area #1	107.01.1	\$64,479	1,006
Los Osos DUC Area #2	107.03.1	\$63,281	1,157
Los Osos DUC Area #3	107.3.2	\$62,001	1,164

⁴ SLO County Clerk Recorder Registered Voter GIS Data, October 2023

Figure 1: Los Osos DUC Map



Los Osos DUC Area 1 is entirely within the LOCSO service area boundary. This area receives fire protection service and water service from the District, while wastewater services are provided by the County.

Los Osos DUC Area 2 is also fully within the LOCSO service area boundary. Fire protection service is provided by the District. Water service in this area is varied: some parcels receive water from the District, others from Golden State Water Company, and some rely on private or domestic wells. Wastewater service similarly varies, with some parcels served by the County and others using private septic systems.

Los Osos DUC Area 3 includes land both inside and outside the LOCSO boundary. Within this area, water service is mixed; some parcels receive water from the District, while others rely on private or domestic wells. All parcels receive fire protection service from the District as the District contracts with County Fire/CALFIRE, who responds to calls outside of the LOCSO service area boundary. Wastewater services are similarly split between County service and private septic tanks.

Parcels within Los Osos DUC Area #2 and Los Osos DUC Area #3, which are currently within the LOCSO service area boundary and on private wells and septic tanks, may consider connecting to LOCSO for water service or connecting to the County for wastewater service. Consolidation of these systems may increase service quality, resiliency, and efficiency. However, any such consolidation would require a benefit assessment, which may be costly and would not involve LAFCO oversight. Should the District seek to evaluate the surrounding area for annexation in the future, disadvantaged communities should be considered further.

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 Use within the District is subject to the Los Osos Community Plan (LOCP), adopted by the County Board of Supervisors in December 2024, which is part of the County's General Plan. The primary method for allocating land uses within the community is through mapping of 13 land use categories. The location and distribution of land use categories and the type and intensity of development allowed

within them help carry out the goals and policies of the LOCP and provide for a sufficient amount and arrangement of land uses to meet projected population and development for the next twenty years, consistent with available resources and services.

Table 5 shows a summary of the different land use categories, the approximate acreage of each category, and its relative distribution as a percentage of the total net acreage within the Los Osos Urban Reserve Line (URL). The County's Land Use Element establishes URLs, which are boundaries separating urban and non-urban areas, and defines the proper level of service needed for each. As seen in Figure 2 below, the URL established for Los Osos does not coincide with its current SOI. For residential land use categories, the table identifies the buildout in terms of dwelling units and population. In the Commercial Retail, Commercial Service, and Office and Professional categories, non-residential buildout is shown in terms of potential floor area expressed in square footage. The total figures are the maximum at the buildout of this plan.

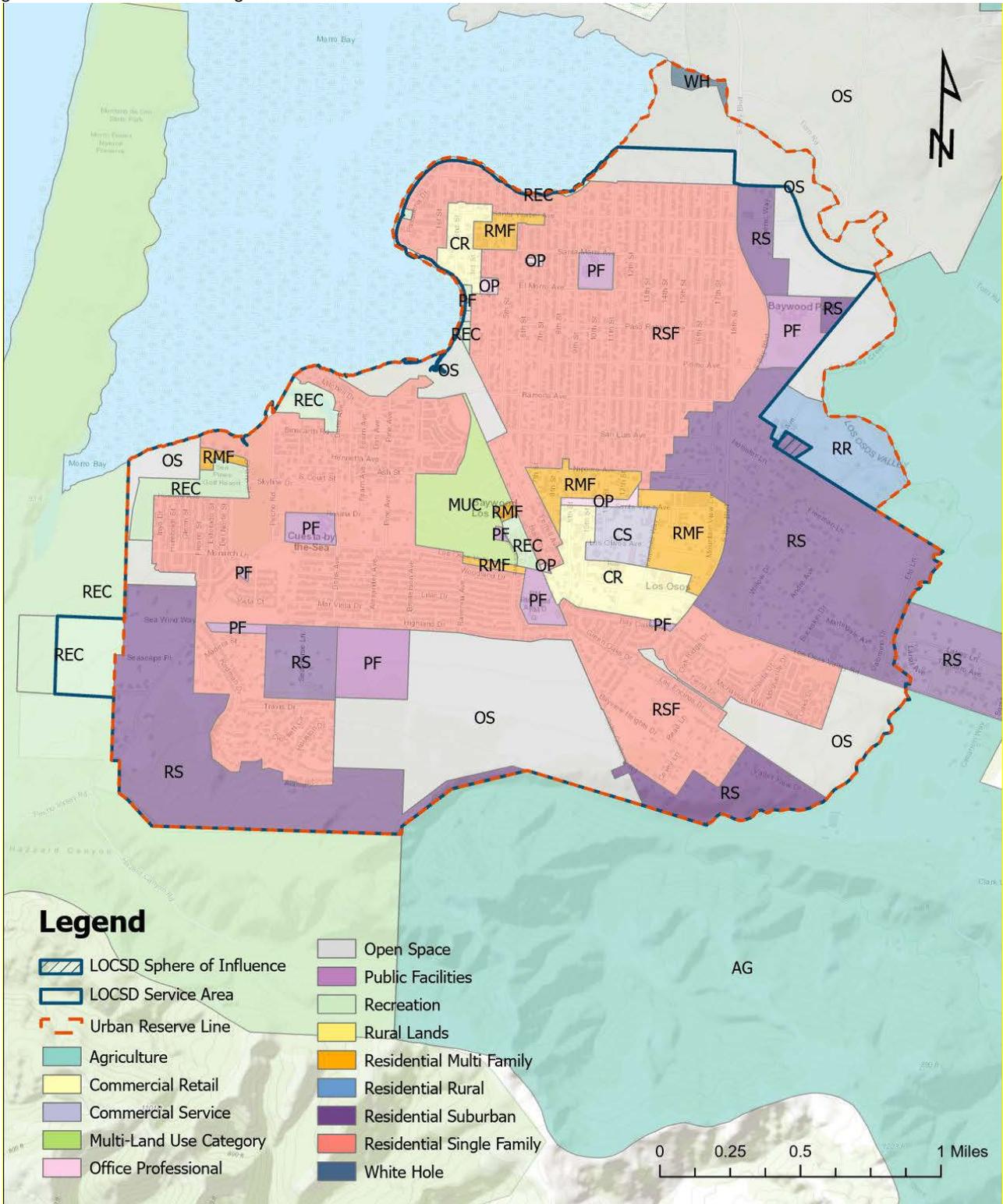
Rather than expanding the URL, the LOCP focuses on infill development as a growth strategy. This approach not only supports more efficient land use but also serves to protect critical community resources. Lands on the fringe of Los Osos generally have substantial environmental constraints, including sensitive habitats, steep slopes, and vital watershed areas. In alignment with the community's vision, future development is expected to avoid these environmentally sensitive areas, preserve scenic viewsheds, and minimize ecological impacts. A primary strategy for achieving this vision is to surround Los Osos with a greenbelt and focus new development towards the center of the community and within the URL.

Table 5: Los Osos Land Use Designations⁵

Land Use Category	Acreage	Land Use Distribution (%)	Dwellings at Buildout	Population at Buildout	Maximum Non-Residential Square Feet at Buildout
Residential Multi-Family	106	3	1,430	3,146	-
Residential Single Family	1,442	42	5,806	12,773	-
Residential Suburban	789	23	279	614	-
Residential Rural	68	2	10	22	-
Commercial Retail	92	3	244	420	668,100
Commercial Service	27	0.77	23	51	186,600
Office and Professional	9	0.26	10	22	61,600
Open Space	705	20	0	0	-
Recreation	49	1.6	10	22	10,000
Public Facilities	115	3.3	0	0	-
Morro Shores Mixed Use (RMF, RSF, CS)	56	1.8	370	814	98,000
Midtown Mixed Use (PF, REC)	12	0.34	0	0	-
Total	2851 (net) 3472 (gross) ⁶	100%	8,182	18,001	1,024,300

⁵ Los Osos Community Plan, Board of Supervisors Adopted Plan, December 2024

Figure 2: Los Osos Land Use Designations



Los Osos Community Services District Land Use Designations

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

Map prepared by SLO LAFCO

Accountability

LOCSD is an independent special district governed by a five-member Board of Directors, each elected to a four-year term. Directors receive \$100.00 as compensation for each regular, adjourned, or special meeting of the Board of Directors, provided that a board member’s compensation does not exceed \$600.00 in any month. The Board holds regular meetings on the first Thursday of the month at the LOCSD Board Room located at 2122 9th Street, Suite 106, Los Osos, CA 93402. Closed Session meetings begin at 5:00 PM, and open sessions begin at 6:00 PM. Special Meetings, if needed, are held on the third Thursday of the month or otherwise noticed. Members of the public may attend the meeting in person or via teleconference. Agendas and board packets are officially posted on the LOCSD website, the District’s office window, and sent via email to those who sign up through the District website. Every agenda for a regular meeting provides an opportunity for members of the public to directly address the board.

Table 6: LOCSD Board of Directors

Board Member	Title	Term Expiration
Christine Womack	President	2022 – 2026
Matthew Fourcroy	Vice President	2022 - 2026
Charles Cesena	Director	2022 – 2026
Tom Cross	Director	2024 – 2028
Richard Hubbard	Director	2024 - 2028

The District currently employs 10 full-time and 12 part-time staff, including key positions such as the general manager, a utility systems manager, an administrative services manager, water resource crew, a utility billing specialist, an administrative clerk, and reserve firefighters. Full-time staffing levels are considered adequate to support service delivery within the District’s service area. However, while the District allows for up to 25 reserve firefighter positions, it has experienced ongoing challenges in filling these vacancies.

LOCSD maintains an up-to-date website in compliance with Senate Bill 929, which contains contact information for the District, the current agenda, financial transaction reports, compensation reports, and an SB 272 Enterprise System catalog. Approved minutes and recordings of the Board’s regular

meetings are also made available for public access on the website. The District also reports that all Form 700 financial disclosure statements are current and in compliance with state requirements.

Services & Capacity

Authorized Services

LOCSD's governance authority is established under Government Code Section 61000. This principal act identifies a range of services and facilities that a community services district may provide. 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.

The last MSR and SOI Study for LOCSD, adopted in 2014, found that the District was authorized to provide the following services: water, sewer, street lighting, fire protection, storm drainage, parks and recreation, and solid waste. However, although "storm drainage" was identified as a separate power, Government Code Section 61100 does not list it as a standalone service. Instead, stormwater management is encompassed within the District's wastewater collection authority, as outlined in Government Code Section 61100(b) and the Sanitary District Act of 1923 (Health and Safety Code, Division 6, beginning with Section 6400).

This current MSR and SOI Study establishes the following as active powers for LOCSD:

- Water
- Wastewater
- Street Lighting
- Fire Protection
- Parks and Recreation
- Solid Waste

All other services listed under Government Code Section 61100 are considered latent powers of the District. This Services and Capacity section analyzes present and long-term infrastructure demands and resource capabilities of the local agency. LAFCO reviews and evaluates 1) the resources and services that are currently available, and 2) the ability of the LOCSD to expand such resources and services in line with increasing demands. An adequate supply of services should be documented to support areas in the sphere, envisioned for eventual annexation and service by a jurisdiction.

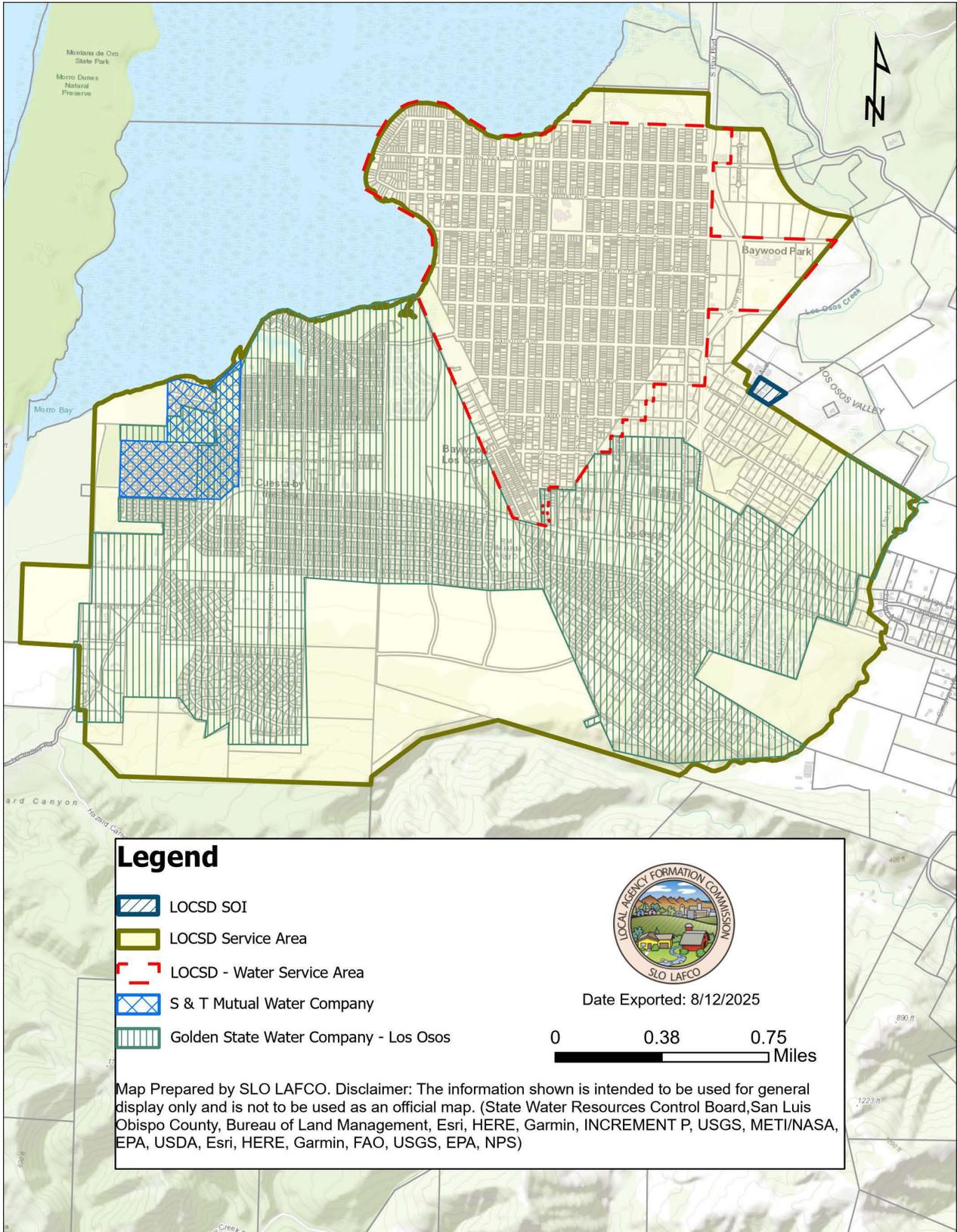
Water

LOCSD is authorized to provide water service as it is described in Government Code Section 61100(a). The sole water source for the Los Osos Community and the surrounding area is groundwater from the Los Osos Groundwater Basin (Basin), which is identified as a Level III severity. This means that the Basin is at or approaching overdraft conditions. Water quality issues facing the Basin include nitrate contamination in the upper aquifer from septic systems and seawater intrusion due to over-extraction from the lower aquifer.

The Basin was adjudicated in October 2015 (*Los Osos Community Services District v. Southern California Water Company [Golden State Water Company] et al.*) and as a result is now managed by the Los Osos Groundwater Basin Management Committee (BMC) consisting of representatives from LOCSD, Golden State Water Company (GSWC), S&T Mutual Water Company (S&T), and the County of San Luis Obispo. In January 2015 the parties finalized the Updated Basin Plan for the Los Osos Groundwater Basin (Basin Plan) which establishes several immediate and continuing goals for management of water resources such as halting or reversing seawater intrusion, establishing a long-term environmentally and economically sustainable and beneficial use of the Basin, and the equitable allocation of costs associated with Basin management.

As seen in Figure 3, within the LOCSD service area, the LOCSD water service area covers 826 acres, the GSWC water service area covers 1,469 acres, and the S&T water service area covers 70 acres.

Figure 3: Los Osos Groundwater Water Basin Purveyor Service Areas



Existing Water Supply & Demand

The Basin Plan established a sustainable yield estimate for the Basin and aims to maintain groundwater production at 80 percent or less of the sustainable yield estimate to provide a conservative buffer to account for uncertainty in the groundwater modeling assumptions. The sustainable yield is the maximum amount of water that may be extracted from the basin each year (a) using existing infrastructure, (b) without causing seawater to intrude further than the current extent, and (c) without active wells producing water with a chloride concentration exceeding 250 mg/L.

The current sustainable yield estimate for the Basin is 2,380-acre feet per year (AFY).⁷ This is an updated sustainable yield estimate with more conservative groundwater modeling assumptions compared to the previous sustainable yield estimate of 2,760 AFY.⁸ The most recent groundwater production estimate of 1,650 AFY in 2023 is 69 percent of the current sustainable yield estimate (2,380 AFY), and, as such, estimated groundwater production does not exceed the sustainable yield estimate. Table 7 shows the recent trend in Basin water use, which is an overall decline since 2013, with a slight increase between 2019 and 2020. Produced water from purveyors declined through 2016 and has remained at a relatively consistent rate since then.

⁷ Los Osos Basin Plan Groundwater Monitoring Program 2023 Annual Monitoring Report

⁸ Los Osos Basin Plan Groundwater Monitoring Program 2021 Annual Monitoring Report

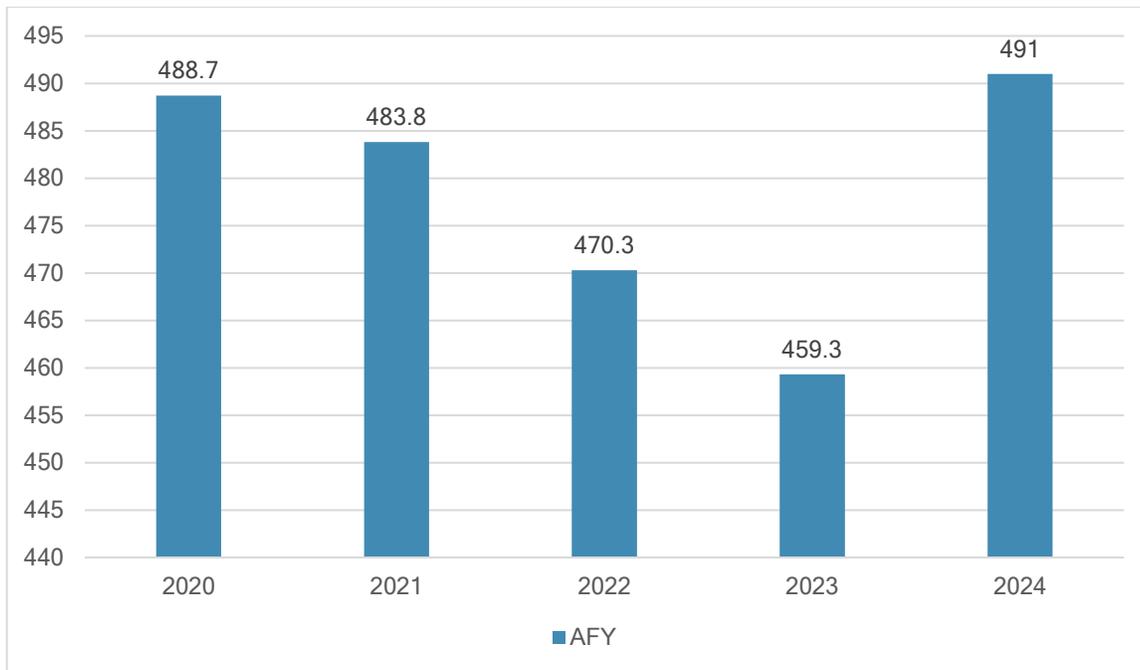
Table 7: Estimated Basin Groundwater Production (AFY)⁹

Year	LOCS D	G S W C	S & T	Domestic	Community	Agriculture	Total
2013	726	689	55	200	140	750	2,560
2014	634	564	48	220	130	800	2,400
2015	506	469	32	220	140	800	2,170
2016	519	453	31	220	140	800	2,160
2017	568	450	32	220	130	670	2,070
2018	522	464	32	220	120	670	2,030
2019	506	454	31	220	60	630	1,900
2020	527	502	34	220	80	650	2,010
2021	503	491	32	220	130	620	2,000
2022	496	491	29	220	90	680	2,010
2023	487	470	27	110	60	500	1,650

The LOCS D water system uses six source wells. The delivery of water to the District’s water customers is conveyed through a network of over 27 miles of water mains lines, utilizing 3 water storage tanks, 6 groundwater wells connected through approximately 2,780 water service lines and meters serving residences and businesses. Included in the domestic water service infrastructure are 167 fire hydrants with some 558 valves that require periodic maintenance and inspection. These services provided by Utilities Department personnel not only assure delivery of clean, safe, and potable drinking water, but also provide the water essential for firefighting. Figure 4 shows the total demand in AFY for all service connections over the last 5 years.

⁹ Los Osos Basin Plan Groundwater Monitoring Program 2023 Annual Monitoring Report

Figure 4: Total Service Demand (AFY)



Future Water Supply & Demand

On June 13, 2024, the Coastal Commission held a public hearing and determined, based on their technical staff’s review of BMC Annual Reports and consideration of the BYM, that the groundwater basin is at a level of sustainability that can support further community development, that the County has identified sustainable buildout limits for the community, and that the appropriate mechanisms to stay within such limits would be in place if the County accepts the Coastal Commission’s suggested modifications to the Estero Area Plan. More specifically, the Coastal Commission determined, in issuing their suggested modifications, that a maximum residential growth rate of one percent is appropriate for the sustainable buildout of Los Osos if groundwater production remains below the sustainable yield based on the best available science. The County’s Growth Management Ordinance (Title 26) was amended to be consistent with the Coastal Commission's suggestion of a one percent maximum growth rate. Additional details on the implementation strategy are outlined in the [Population Profile](#) section above.

Although the future water supply and demand are unknown at this time, several programs within the Basin Plan could result in increasing the Sustainable Yield of the Basin if implemented. Table 8 lists each

of the Basin Plan programs that focus on increasing water supply and lowering water demand, and the corresponding abbreviation for each plan.

Table 8: Abbreviations for Basin Plan Programs¹⁰

Program	Abbreviation
No Programs	N
Groundwater Monitoring Program	M
Urban Water Use Efficiency Program	E
Urban Water Reinvestment Program	U
Agricultural Water Reinvestment Program	G
Basin Infrastructure Program A (Shift to Upper Aquifer)	A
Basin Infrastructure Program B (Nitrate Removal Facility)	B
Basin Infrastructure Program C (Shift to Central Area)	C
Basin Infrastructure Program D (Shift to Central & Eastern Areas)	D
Supplemental Water Program	S
Wellhead Protection Program	P

While each of these programs may have individual impacts on water supplies in the Basin, none of the programs would be implemented separately, but in some combination. The Basin Plan analyzes several combinations of the programs to determine the resulting Sustainable Yield of the Basin, as depicted in Table 9. The Basin Plan estimates the sustainable yield for a “No Programs” scenario as 2,450 AFY.¹¹ The programs recommended for immediate implementation are modeled to increase sustainable basin yield to 3,000 AFY. Depending upon which additional programs are implemented to accommodate buildout demand, the Basin Plan estimates the sustainable yield to rise as high as 3,500 AFY. As more program components are implemented with each combination, the sustainable yield generally increases.

¹⁰ Updated Basin Plan for the Los Osos Groundwater Basin, January 2015

¹¹ 2015 LOBP established the Sustainable Yield methodology and estimated it to be 2,450 AFY. The subsequent 2015 Stipulated Judgement set the default Sustainable Yield at 2,400 AFY. On June 30, 2016, the BMC unanimously approved the 2015 Annual Report with a Sustainable Yield of 2,450 AFY. On June 21, 2017, the BMC unanimously approved the 2016 Annual Report with a Sustainable Yield of 2,760 AFY. On June 16, 2021, the BMC approved submitting the 2020 Final Draft Annual Report to the Court with a Sustainable Yield of 2,760 AFY, but clarified that approval of the report should not be construed as “evaluating, setting, or establishing” the sustainable yield under the terms of the Stipulated Judgement. In October 2021, a Sustainable Yield of 2,380 AF for 2022 was approved by the BMC. In December 2022, a Sustainable Yield of 2,380 AF for 2023 was approved by the BMC.

Table 9: Summary of Water Supply Program Combinations¹²

Program Combination	Sustainable Yield (AFY)
N	2,450
U	2,540
A	2,570
U+A	2,650
U+AB	3,170
U+AC	3,000
U+ABC	3,350
UG+ABC	3,350
U+ABC+S	>3,350
U+ABCD	3,500
UG+ABCD	3,500
U+ABCD+S	>3,500

Water Supply Resiliency Intertie Project

The LOCSO is considering the Water Supply Resiliency Intertie project to allow delivery of potable water to the LOCSO water distribution system, which would reduce the amount of local groundwater pumping from the Basin and provide further protection against seawater intrusion.¹³ The purpose of the intertie to the Chorro Valley Pipeline (CVP) is to provide an alternative source of potable water for the LOCSO.¹⁴ During wet years and based on supply, the LOCSO could receive unused allocations of State Water Project water through the CVP to offset pumping in the Basin or for an emergency water reserve. It is anticipated that state water could provide up to 200 AFY of water supply. The intertie is anticipated to enhance the reliability and resiliency of the LOCSO's water supply and guarantee a dependable and robust supply, especially in the face of climate change and persistent drought conditions. The proposed intertie would consist of a vault with piping, meter, backflow prevention, valves, and may also consist of a booster pump station that would facilitate a controlled and metered flow of potable water to the LOCSO.

The LOCSO has discussed this project in detail with the County of San Luis Obispo Flood Control and Water Conservation District (County FCWCD), and although LOCSO has indicated that it will request

¹² Updated Basin Plan for the Los Osos Groundwater Basin, January 2015

¹³ Draft Initial Study and Mitigated Negative Declaration for the LOCSO Water Resiliency Intertie Project, November 2023

¹⁴ The Chorro Valley Pipeline is owned and operated by the San Luis Obispo Flood Control and Water Conservation District

200 AFY, the County FCWCD has informed the LOCSO that up to 600 AFY of potable water from the CVP can be made available at the proposed intertie location near South Bay Boulevard and Highway 1. The County FCWCD and LOCSO would both be required to update their respective California Division of Drinking Water (DDW) permits for operating public water systems. Since this project would be used primarily to reduce local groundwater pumping, the LOCSO's network of water supply wells and storage reservoirs would remain fully functional during receipt of State Water Project water, and thus temporary and extended interruptions to delivery of water into the intertie pipeline would not disrupt the LOCSO's ability to supply domestic water and fire protection to its customers. The design and construction of the Water Supply Resiliency Intertie project are dependent on funding available for design and construction.

Wastewater

LOCSO is authorized to provide wastewater service as it is described in Government Code Section 61100 (b). Although wastewater is technically an active power of the District, special legislation limits LOCSO's ability to provide wastewater service. Pursuant to Government Code Section 61105(2)(A)(i), the LOCSO shall not undertake any efforts to design, construct, and operate a community wastewater collection and treatment system within, or for the benefit of, the district. The district shall resume those powers on the date specified in any resolution adopted pursuant to subdivision (l) of Section 25825.5. The County currently operates and maintains the Los Osos Water Recycling Facility, which provides wastewater collection to the Los Osos community. At this time, LOCSO only operates limited drainage services as part of its wastewater power as described below.

Drainage

The LOCSO maintains four drainage pump stations throughout the District. They are located at the corners of Don Avenue and Mitchell Drive, 8th Street and El Moro Avenue, 16th Street and Paso Robles Avenue, and 6th Street and El Moro Avenue. In addition to the drainage pump stations, LOCSO crews maintain four drainage retention basins in Los Osos. The drainage retention basins are Bay Oaks and Tierra retention basins in the Bayridge Estates subdivision; Madera retention basin in Cabrillo Estates; and Los Arboles retention basin in Vista de Oro. The District operates and complies with the

General National Pollutant Discharge Elimination System (NPDES) Permit for storm water discharges for small Municipal Separate Storm Sewer Systems (MS4).

Street Lighting

LOCSD is authorized to provide street lighting services as it is described in Government Code Section 61100(g). LOCSD provides street lighting service to the District through a contract with the Pacific Gas and Electric Company. PG&E operates and maintains 63 streetlights in the District, which are funded by various funding sources.

Fire Protection

LOCSD is authorized to provide fire service as is it described in Government Code Section 61100(d). Although LOCSD has active fire protection authority, the District provides services through a consolidation agreement with County Fire/CAL FIRE. LOCSD appoints the chief of County Fire as their chief and delegates authority and responsibility for the day-to-day administration and operation of the fire/rescue service to County Fire, while retaining ownership of the physical assets. The District provides fire suppression, Basic Life Support (BLS) and Advanced Life Support (ALS) pre-hospital emergency medical, initial rescue and hazardous materials response, fire prevention, and related fire and life safety services. Jurisdictional governance remains with the CSD Board of Directors. LOCSD's fire service is funded through tax and fee revenues generated by property taxes and fire protection assessments.

Capital Facilities & Equipment

The District is served by South Bay Fire Station 15, which is located in Los Osos at 2315 Bayview Heights Drive. The station location is considered adequate to provide first-unit travel times sufficiently quick to facilitate positive outcomes in the more densely populated areas of the District's service area. The station responds with a paramedic fire engine (Medic Engine-15) and a paramedic rescue squad (Medic Squad-15). Other equipment at South Bay Fire Station 15 available for emergency response is Engine-215, Utility-15 (U15), Boat 15 rescue watercraft, and a 4x4 Ford F250.

Staffing & Personnel

Full-time personnel are provided through LOCSD's contract with County Fire/CALFIRE, and the District provides for up to 25 reserve firefighters. Over a four-year study period from July 1, 2019, to June 30,

2023, the District's staffing model provides a minimum of four response personnel on duty daily, including three full-time County Fire/CALFIRE personnel and one reserve firefighter.¹⁵ As identified in the Strategic Plan for the San Luis Obispo County Fire Department, there has been a significant shift regarding volunteer firefighters over the last few decades, as there has been a dramatic decrease in the number of Reserve and Paid Call Firefighters throughout California. With recent changes to minimum training and certification requirements, no residency or service requirements, and a self-scheduling process, recruitment and retention of reserve firefighters often result in only three response personnel on duty most days. This staffing model was determined to be insufficient to ensure both response units are staffed with at least two personnel each and, when only three personnel are available, both units respond as a single unit, leaving no immediate response capacity for a concurrent incident and insufficient staffing to initiate a rescue requiring respiratory protective equipment in conformance with federal OSHA regulations.

Service Delivery & Performance

Over the most recent four fiscal years, overall service demand increased nearly 17 percent, with EMS calls representing 74 percent of total demand. Residents over the age of 65 increased from 19.4 percent of the population in 2000 to nearly 28 percent in 2023, suggesting an aging service area population likely to drive up future service demand, particularly for emergency medical services. The District experienced two or more simultaneous calls for service 13.2 percent of the time over a four-year study period, with total simultaneous incidents increasing approximately 29 percent over the same period. Individual response unit utilization was also found to be well below maximum, indicating that capacity for additional non-concurrent service demand is available.¹⁶

Table 10 below shows a response performance summary separated by response components. As the table shows, call processing/dispatch and crew turnout performance appear to meet recommended best practice goals; however, the call processing component does not include the time for dispatch. First unit travel performance is 2:00 minutes slower than the recommended 4:00-minute best practice goal to facilitate positive outcomes in urban/suburban density communities. Overall, first-unit call-to-arrival performance, however, is just less than 1:00-minute slower than the recommended 7:30-minute

¹⁵ Standards of Coverage Assessment, Los Osos Community Services District, February 15, 2024

¹⁶ Standards of Coverage Assessment, Los Osos Community Services District, February 15, 2024

best practice goal to facilitate positive outcomes in urban/suburban density communities, and less than 30 seconds slower than the County’s desired suburban service level of 8:00-minutes. This suggests that most urgent calls are nearer to the core of the service area than the outer, more rural sections.

At nearly 19:00-minutes, response performance to more serious/complex incidents requiring outside mutual aid resources is significantly slower than the recommended 11:30-minute best practice goal to facilitate positive outcomes in urban/suburban density communities, and thus should not be expected to result in positive outcomes in most cases. This is unavoidable in light of the longer travel distance for mutual aid resources. Over the four-year study period, there were only two incidents where an entire Effective Response Force (ERF) of two engines, the squad, and a chief officer arrived at the incident, and small data sets such as this are typically quite volatile depending on the incident locations and responding mutual aid resources. While the occurrence of these more serious incidents is infrequent, it is important to consider the rate of simultaneous incidents, as well as the federal OSHA regulation requiring at least four trained personnel to initiate a rescue requiring respiratory protective equipment.

Table 10: Response Performance Summary¹⁷

Response Component	Best Practice (Time)	90 th Percentile Performance	Performance vs. Best Practice
Call Processing / Dispatch	1:30	1:04	-0:26
Crew Turnout	2:00	2:06	+0:06
First-Unit Travel	4:00	6:04	-2:04
First-Unit Call to Arrival	7:30	8:23	-0:53
ERF Travel	8:00	15:46	-7:46
ERF Call to Arrival	11:30	18:44	-7:14

Parks & Recreation

LOCSO is authorized to provide Parks and Recreation services as it is described in Government Code Section 61100(e). The District does not provide any Parks and Recreation services currently; however,

¹⁷ Standards of Coverage Assessment, Los Osos Community Services District, February 15, 2024

the District does maintain a Parks and Recreation Advisory Committee (PRAC) with the purpose of assisting the LOCSD Board of Directors in establishing an understanding of the community's needs for Parks and Recreation. Currently, limited funding is allocated to Parks and Recreation through the Zone A property tax; however, this is not a dedicated revenue source. If there is substantial community support for additional parks and recreational opportunities, the LOCSD could consider funding parks and recreational services through a benefit assessment and a Proposition 218 vote.

Solid Waste

LOCSD is authorized to provide solid waste service as it is described in Government Code Section 61100 (c). In December 2013, the District assigned all of its rights and obligations under its Solid Waste Franchise Agreement with Mission Country Disposal to the County. In May 2022, the County reassigned the Franchise Agreement to the District, transferring the responsibilities to administer the provisions of the agreement back to LOCSD. With the assignment of the Franchise Agreement to the District comes the responsibility to administer the provisions of the agreement with Mission Country Disposal, the franchisee, and all regulatory compliance obligations imposed by the State.

The services provided by Mission Country Disposal pursuant to the Franchise Agreement include the furnishing of all labor, supervision, equipment, containers, materials, supplies, and all other items necessary to perform services. Funding for solid waste service comes primarily from fees charged to residents. The area being served with solid waste service is consistent with the boundaries of the District.

Shared Facilities

There are ongoing opportunities for collaboration between agencies to enhance service delivery within the LOCSD boundary. The County and the District currently coordinate efforts to deliver services efficiently and avoid duplication. At this time, the roles and responsibilities of the District and the County are clearly defined within the service area. Looking forward, there are several areas where increased coordination and shared use of facilities could benefit the community, including:

- Coordination and possible consolidation with nearby private water purveyors to improve water service efficiency and reliability

- Joint planning and management of parks and recreational facilities between the District and the County.
- Continued active participation in the Basin Management Committee (BMC) to support sustainable groundwater management.
- Coordination with the County of San Luis Obispo Flood Control and Water Conservation District on the Water Supply Resiliency Intertie to Chorro Valley Pipeline

Other Matters Related to Efficient Service Delivery

As discussed in the Services and Capacity Section of this report, two private water purveyors operate within LOCSD's service area boundary – Golden State Water Company (GSWC) and S&T Mutual Water Company (S&T). Since 2022, LOCSD has worked with S&T to provide redundancy to their water system by adding a secondary source of water.

Historically, S&T was served by multiple wells. However, due to nitrate levels exceeding public health standards and seawater intrusion, S&T currently relies on a single well to meet all drinking water and firefighting needs. If this well goes offline for any reason, such as a natural disaster or mechanical issue, there is a limited amount of time, dependent upon usage and any pipe breaks, that the system will be able to deliver water. S&T serves 179 connections and the Sea Pines Golf Course Restaurant, which collectively account for approximately 5 percent of the total drinking water used in LOCSD.

The S&T Board has recognized that relying on a single water source is increasingly unsustainable both physically and financially. In response, S&T staff conducted a Consolidation Analysis, evaluating three options for consolidation—with LOCSD, GSWC, or the County. The results of the analysis found consolidation with LOCSD to be the preferred option based on resiliency and supply, ease of connection, water rates and cost, and governance and operations.

On August 1, 2024, the LOCSD Board voted to conceptually approve the water system consolidation request from S&T. This approval allowed S&T to move forward with steps in the consolidation process. Upon completion, the S&T service area would become a part of LOCSD's water system, with its shareholders becoming District customers, and S&T would cease to exist as a company.

There may be financial assistance and incentives available to S&T and the District to ensure that there is no direct financial impact on the District's current water customers. The State's SAFER program,

which encourages small water system consolidation, is designed to pay for the costs of design and connection between the two water systems and other incidental costs associated with the consolidation. As the S&T service area is currently within LOCSD's service area boundary, LAFCO will not be involved in the consolidation process.

Finance

LAFCO is required to make a determination regarding the financial ability of the LOCSD 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 audited financial statements from Fiscal Years (FY) 2019-2020 through FY 2023-2024.

Budget

The District adopts a balanced budget each year, which is available on their website and is designed to provide understanding of the District's financial health and fiscal priorities for the next fiscal year. The budget document is formatted to provide the key information for each fund, followed by a summary of revenues and expenditures. The District's budget implements the District's reserve policies, which were amended and updated in 2017 to ensure the sustainability of the District's operations and programs for emergency services, water, drainage, lighting, parks, and recreation. The budget supports the direction and objectives outlined in the District's adopted work plans.

LOCSD uses the following funds to maintain control over resources that have been segregated for specific activities:

- Fund 100: Administration
- Fund 200: Bayridge Estates
- Fund 301: Fire

- Fund 400: Vista De Oro
- Fund 500: Water
- Fund 600: Wastewater
- Fund 650: Solid Waste
- Fund 800: Drainage
- Fund 900: Parks & Recreation

In addition to the annual budget, District staff provide a monthly financial report at each Board of Directors meeting, which includes a statement of revenues and expenditures and balance sheets for each month. The District also has a standing Financial Advisory Committee which reviews and makes recommendations to the Board on budget-related items, monthly financial reports, monthly expenditures and warrants issued, quarterly investment reports, and other finance related documents.

Audited Financial Statements

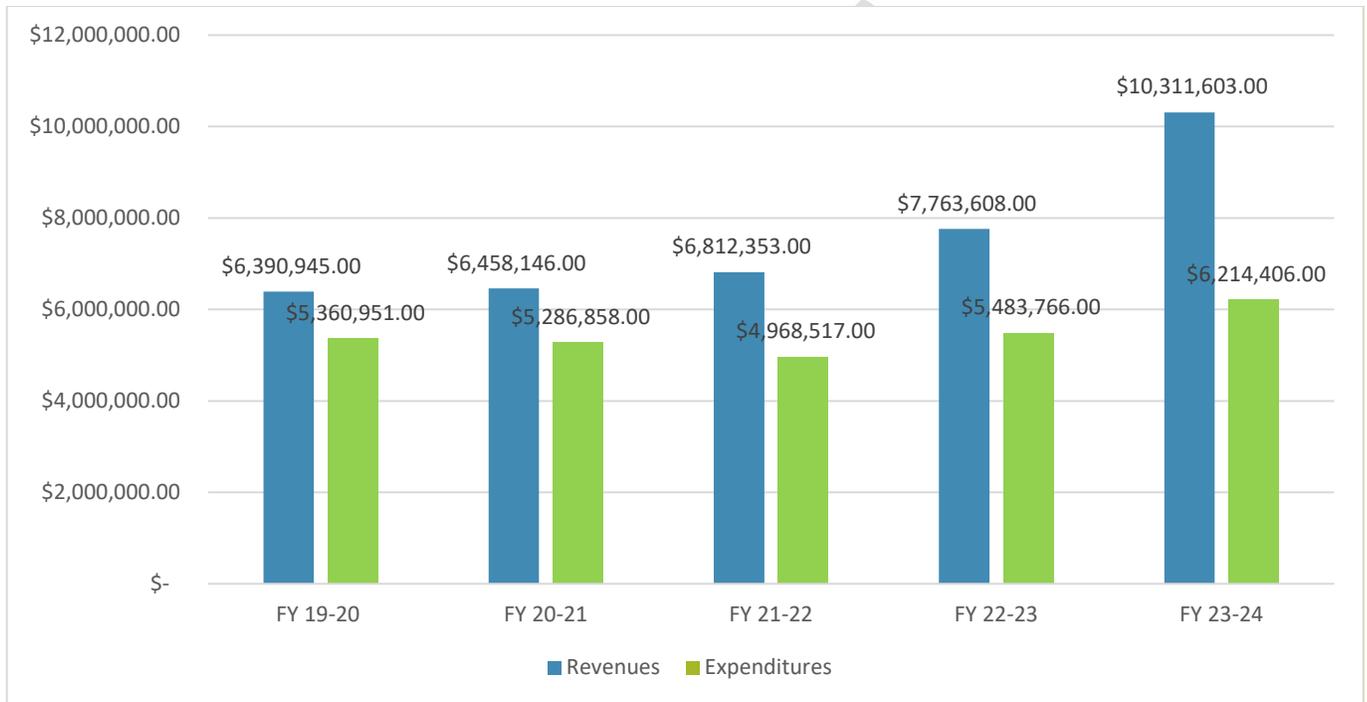
LOCSO hires an outside accounting firm to perform an annual audit in accordance with established governmental accounting standards. This includes auditing LOCSO's financial statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative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

Revenues and Expenditures

The District is primarily funded through property taxes, charges for services, grants and contributions, investment income, and other taxes. As shown in Figure 5 below, the District has experienced an increase in revenue every year from FY 2019-2020 to FY 2023-2024. From FY 2022-2023 to FY 2023-2024, water service fees increased by \$332,680, grant revenue decreased by \$139,896, and property tax revenue increased by \$1,835,741. This large increase in property tax revenue is due primarily to the accrual of refunds from CAL FIRE for Schedule A overpayments made by the District in prior years. Investment income increased by \$326,869 over FY 2023-2024 because of rising interest rates and the implementation of a new investment strategy during the fiscal year.

The District’s total expenditures have also experienced an overall increase in the last five fiscal years, with overall expenses in Governmental Activities¹⁸ increasing by \$362,271 and total expenses in Business-Type Activities¹⁹ increasing by \$368,369 from FY 2022-2023 to FY 2023-2024. At the end of the fiscal year ending on June 30, 2024, the District was able to report positive balances in both the District as a whole as well as for its separate governmental and business-type activities.

Figure 5: Audited Revenues and Expenditures



To assess the District’s ability to meet its financial obligations, Figure 6 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:

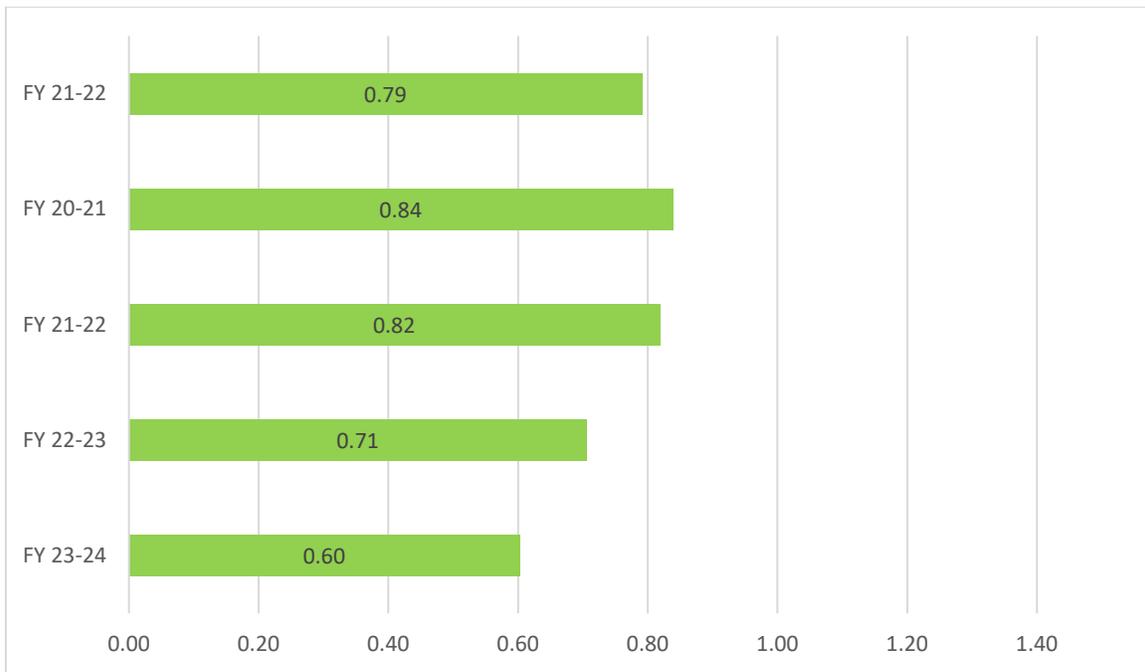
- A ratio **below 1.0** indicates the agency is operating at a surplus
- A ratio **above 1.0** indicates the agency is operating at a deficit

Throughout this period, the ratio has remained below 1.0, indicating that the District’s operating revenues have consistently exceeded operating expenses. This suggests stable financial performance with positive operating margins.

¹⁸ Functions of the District that are principally supported by taxes and intergovernmental revenues

¹⁹ Functions that are intended to recover all or a significant portion of their cost through user fees and charges

Figure 6: Operating Ratio (FY 2019-20 - FY 2023-24)



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

Over the past five audited years, LOCSD’s total assets have grown, reaching over \$24 million at the end of fiscal year 2023-2024. Approximately 54 percent 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 capital assets, mainly representing infrastructure and construction in progress.

Additionally, the District’s Statement of Net Position reports a separate section for deferred outflows of resources – which reflect a consumption of net position applicable to future reporting periods. In FY

2023-2024, LOCSO reported deferred pensions and other post-employment benefits (OPEB) totaling \$842,118 under this category.

Table 11: Audited Assets and Deferred Outflows

Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Current Assets	\$8,220,874	\$8,831,507	\$10,557,942	\$10,916,680	\$13,265,167
Capital Assets	\$6,548,199	\$7,163,971	\$8,219,225	\$9,794,727	\$11,437,013
Total Assets	\$14,769,073	\$15,995,478	\$18,777,167	\$20,711,407	\$24,702,180
Deferred Outflows of Resources	\$351,601	\$412,096	\$447,639	\$864,933	\$842,118

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 2023-2024, LOCSO’s audited liabilities totaled approximately \$5.9 million. Of this amount, current liabilities—obligations due in the near term—accounted for \$601,400, or about 10 percent of total liabilities. The remaining long-term debt stood at \$5,346,823, representing a decrease of \$55,910 compared to the previous fiscal year. This reduction was primarily due to loan repayments, partially offset by increases in lease liabilities, net pension liabilities, and other post-employment benefits (OPEB) liabilities.

The District’s Statement of Net Position also includes a category for deferred inflows of resources, defined as acquisitions of net position applicable to future reporting periods. For FY 2023-2024,

LOCSO reported \$246,066 in deferred inflows, consisting of deferred pensions and deferred OPEB, which will be recognized as increases to net position in upcoming periods.

Table 12: Audited Liabilities and Deferred Inflows

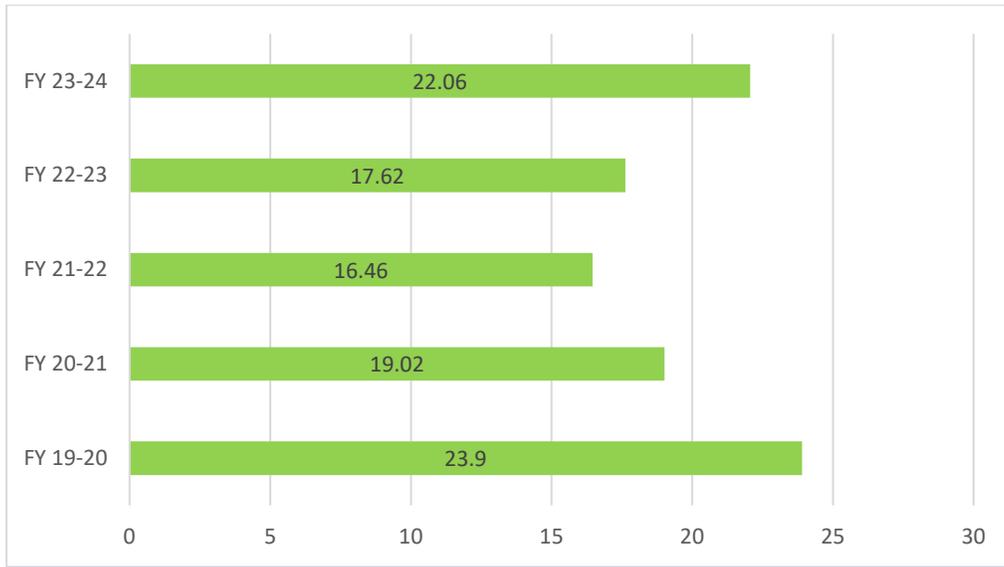
Category	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Current Liabilities	\$343,984	\$464,302	\$641,258	\$619,540	\$601,400
Long-Term Liabilities	\$4,660,176	\$4,689,483	\$4,859,655	\$5,402,733	\$5,346,823
Total Liabilities	\$5,004,160	\$5,153,785	\$5,500,913	\$6,022,273	\$5,948,223
Deferred Inflows of Resources	\$158,668	\$124,655	\$750,923	\$301,255	\$246,066

Figure 7 illustrates the District’s Liquidity Ratios from FY 2019-20 through FY 2023-24. 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. Over the five-year period shown in Figure 7, the District’s liquidity ratio has consistently remained above 1.0, demonstrating a stable ability to meet short-term obligations.

Figure 7: Liquidity Ratio (FY 19-20 - FY 23-24)



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 three 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
- *Restricted Net Position*: Includes the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation
- *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, 2024, LOCSD’s net position increased to \$19,350,009, reflecting growth over the past five audited fiscal years. This increase indicates that the District’s total assets and deferred outflows of resources exceed its total liabilities and deferred inflows of resources, indicating a strong financial position.

Table 13: Audited Net Position

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	5-yr % Change
Invested in Capital Assets, net of related debt	\$3,359,210	\$4,145,816	\$5,377,113	\$7,140,333	\$8,975,027	167.18%
Restricted	\$3,275,000	\$3,513,926	\$3,513,926	\$3,622,125	\$5,981,589	82.64%
Unrestricted	\$3,323,636	\$3,469,392	\$4,081,931	\$4,490,354	\$4,393,393	32.19%
Total net position	\$9,957,846	\$11,129,134	\$12,972,970	\$15,252,812	\$19,350,009	94.32%

Sphere of Influence

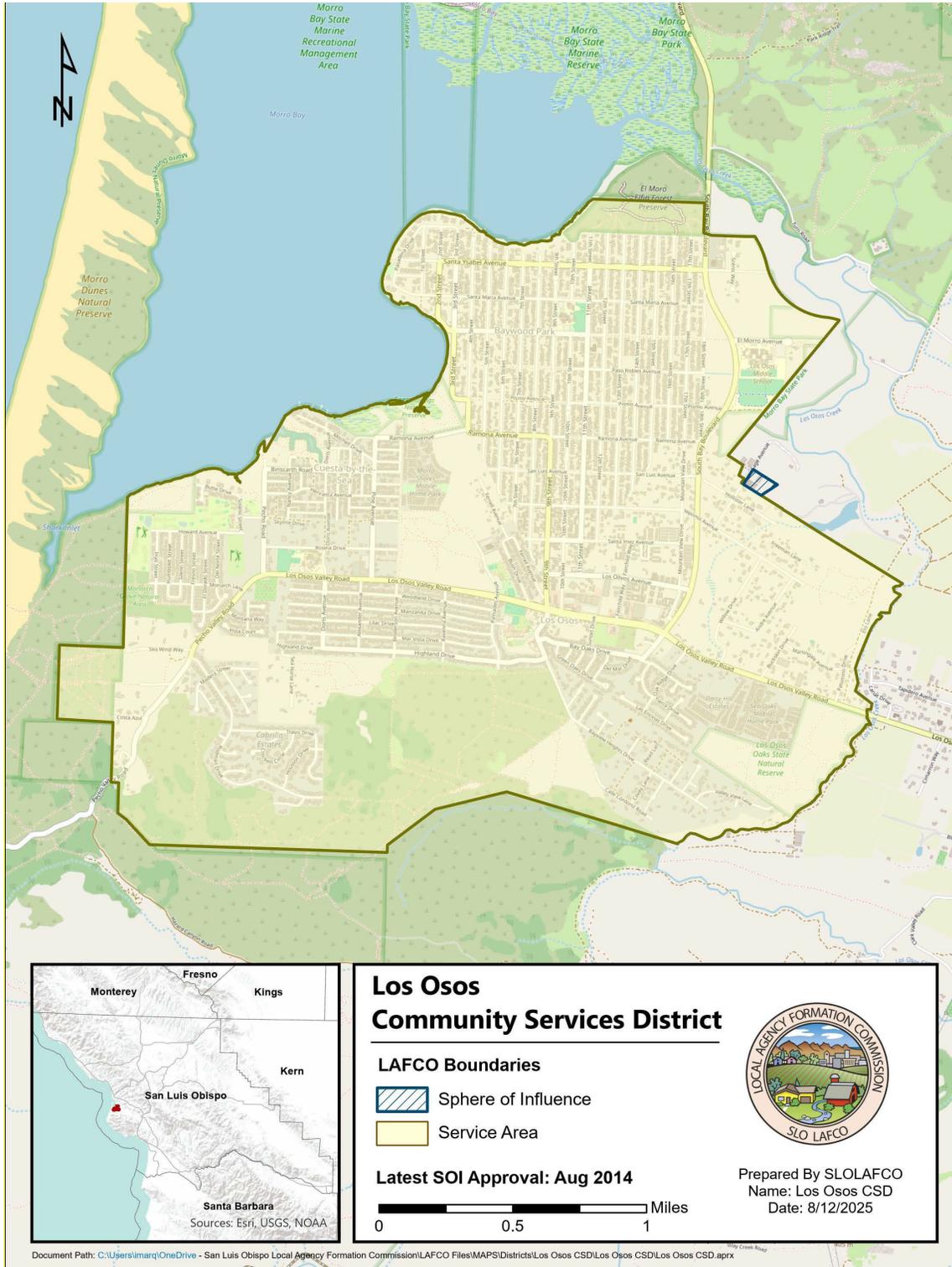
When LOCSD was formed in 1998, its SOI and service area boundary were established as coterminous. Since its formation, there have been no annexations into the District, and the SOI has not been amended. However, a mapping error was identified involving one parcel – Assessor’s Parcel Number (APN) 067-011-051. The SOI for LOCSD last adopted in August 2014 (see Figure 8), shows this approximately 5.19-acre parcel, zoned Residential Rural, as being within LOCSD’s SOI and outside of the District’s service area boundary.

Upon coordination with the LOCSD, State Board of Equalization, County Auditor, and County Assessor’s office, it was determined that this parcel has, in fact, been within the District’s service area boundary since LOCSD’s formation. Despite the mapping discrepancy, the parcel has been assigned to the correct Tax Rate Area and has received LOCSD services and paid applicable taxes and fees appropriately since 1998.

In summary, while the map shown in Figure 8 inaccurately reflects the LOCSD’s service area and SOI boundary, functionally, the parcel has been within the LOCSD since formation. Therefore, the District’s

SOI and service area boundary should remain coterminous, and the only necessary change is to correct the mapping error to reflect the accurate status of APN 067-011-051.

Figure 8: LOCSO Service Area Boundary Adopted in 2014



DETERMINATIONS

Municipal Service Review Determinations

As set forth in Government Section 56430(a), in order 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

The estimated population of LOCSD is 14,465 based on 2020 US Census data. The projected buildout population is estimated to be 18,000. The County Growth Ordinance establishes a maximum annual residential growth rate of 1 percent, which is considered appropriate for the sustainable buildout of Los Osos if groundwater production remains below the basin's sustainable yield.

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

LOCSD's SOI and service area boundary includes three areas that meet the definition of a DUC as outlined in Government Code Section 56033.5. These areas—Los Osos DUC Areas 1, 2, and 3—are all inhabited and have a Median Household Income (MHI) that is less than 80 percent of the statewide MHI, qualifying them each as DUCs. If the District considers future SOI amendments or annexations, it is recommended that these DUCs be evaluated further, in alignment with objectives to ensure equitable access to public services and infrastructure.

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

Water | The sole water source for the Los Osos community is groundwater from the Los Osos Groundwater Basin (Basin), which is currently designated as a Level III severity area, indicating significant concerns regarding long-term water supply. The Basin was

adjudicated in 2015 and, as a result, is now managed by the Los Osos Groundwater Basin Management Committee, consisting of representatives from LOCSD, Golden State Water Company, S&T Mutual Water Company, and the County of San Luis Obispo. The current sustainable yield estimate for the Basin is 2,380 AFY. The most recent groundwater production estimate in 2023 was 1,650 AFY, or 69 percent of the sustainable yield – indicating that current water use remains within sustainable limits. The LOCSD water service area covers 826 acres and is served by six source wells with approximately 2,780 water meters. The County's Growth Management Ordinance limits residential growth in Los Osos to 1 percent annually, which is considered appropriate for the sustainable buildout of Los Osos if groundwater production remains below sustainable yield. Although the future water supply and demand are unknown at this time, several programs within the Basin Plan could result in increasing the Sustainable Yield of the Basin if implemented. Additionally, the District is considering a Water Supply Resiliency Intertie project, which could provide an alternative source of potable water from unused allocations of the State Water Project. In summary, LOCSD has the capability and capacity to adequately meet existing water demand; however, future water supply and demand are contingent upon continued groundwater management, implementation of Basin Plan programs, and potential infrastructure investments such as the Intertie project.

Wastewater | Although LOCSD is authorized to provide wastewater service, Government Code Section 61105(2)(A)(i) prohibits LOCSD from undertaking any efforts to design, construct, or operate a community wastewater collection treatment system within the District. At this time, LOCSD only operates limited drainage services as part of its active wastewater power, including operating and maintain four drainage pump stations and four drainage retention basins. LAFCO determines that LOCSD has the capability and capacity to adequately provide limited drainage services within its service area.

Street Lighting | LOCSD provides street lighting service to the District through a contract with the Pacific Gas and Electric Company. PG&E operates and maintains 63 streetlights in

the District, which are funded by various funding sources. LAFCO determines that LOCSD has the capability and capacity to adequately provide street lighting service.

Fire Protection | LOCSD provides fire protection to the District through a contract with County Fire/CAL FIRE. The District provides fire suppression, Basic Life Support (BLS) and Advanced Life Support (ALS) pre-hospital emergency medical, initial rescue and hazardous materials response, fire prevention, and related fire and life safety services out of South Bay Fire Station 15. The District's current staffing model is considered insufficient, providing a minimum of four response personnel on duty daily, including three full-time CAL FIRE personnel and one reserve firefighter. Over the most recent four fiscal years, overall service demand increased nearly 17 percent. In addition, first-unit call-to-arrival times are 30 seconds slower than the County's desired suburban service level of 8:00 minutes. With an aging service area population, future service demand is expected to continue increasing. While LOCSD currently has the capability and capacity to adequately provide fire protection services; in order to continue providing an adequate level of service, the District should identify opportunities to improve its staffing model or seek funding opportunities for an additional full-time position on each shift.

Parks and Recreation | The District does not currently provide Parks and Recreation services. However, the District has established a Parks and Recreation Advisory Committee, which serves to assist the Board of Directors in establishing an understanding of the community needs for Parks and Recreation. Currently, limited funding is allocated to Parks and Recreation through the Zone A property tax; however, this is not a dedicated revenue source. Should there be significant community support in expanding parks and recreation services, LOCSD could explore establishing a benefit assessment, subject to approval through a Proposition 218 vote, to provide a dedicated funding source for such services.

Solid Waste | LOCSD provides solid waste service through a Franchise Agreement with Mission Country Disposal. LOCSD has the capability and capacity to provide solid waste services.

4. Financial ability of agencies to provide services

The District Board of Directors adopts an annual budget on a basis consistent with generally accepted accounting principles. The District is primarily funded through property taxes, charges for services, grants and contributions, investment income, and other taxes. To assess the District's financial health, key indicators including Operating Ratio, Liquidity Ratio, and Net Position were analyzed. Operating Ratio, which compares annual operating revenues to operating expenses, showed a consistently positive trend over the past five audited years, indicating that revenues have exceeded expenditures on an annual basis. Liquidity Ratio, which measures current assets relative to current obligations, also remained strong across all five years, reflecting adequate short-term financial health. The District's Net Position, representing the difference between total assets and total liabilities, increased by 94 percent over the five-year audited period, a strong indicator of long-term financial growth and stability. Overall, these financial indicators suggest that LOCSD is in a financially healthy state with adequate financial resources to deliver its services.

5. Status of and opportunities for shared facilities

There are opportunities for new and continued shared relationships and facilities between agencies for services within the LOCSD Boundary. Opportunities for increased and continued coordination may include coordination between the District and nearby private water purveyors, ongoing participation with the Basin Management Committee, collaboration on a Water Supply Resiliency Intertie Project, and possible shared County and District park and recreation facilities.

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

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

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

S&T Mutual Water Company, a private water purveyor that operates within LOCSD's service area boundary, is seeking consolidation with LOCSD in order to provide increased water quality, supply, and resiliency to its customers. The LOCSD Board voted to conceptually approve the water system consolidation request from S&T, and there may be financial assistance and incentives available to S&T and the District to ensure that there is no direct financial impact to the District's current water customers. Because the S&T service area lies entirely within LOCSD's existing service area boundary, LAFCO approval is not required for consolidation.

DRAFT

Sphere of Influence Determinations

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

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

Land uses within the District's coterminous SOI and service area are predominantly residential. Lands surrounding the District are predominantly zoned Recreation, Agriculture, and Open Space. The LOCP encourages infill development as a strategy for protecting important community resources such as open space and agriculture. LOCSD should maintain a coterminous SOI and service area boundary due to the emphasis on infill development within the District and due to the land uses in the areas surrounding the District.²⁰

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

Within the LOCSD service area, the District presently provides water, wastewater (drainage), fire protection, solid waste, parks & recreation, and street lighting services. Given the maximum annual growth rate of 1 percent within the Los Osos Community, the probable need for services provided by the District is expected to increase gradually in the foreseeable future. There is limited probable need for public facilities and services in the area surrounding the District due to the emphasis on infill development within the District and due to the land uses in the areas surrounding the District. Therefore, LOCSD should maintain a coterminous SOI and service area boundary.

²⁰ The SOI for the LOCSD was last adopted in August 2014, as illustrated in Figure 8, and depicts one specific parcel as being within the SOI but outside the District's service area boundary. However, upon coordination with LOCSD, the State Board of Equalization, the County Auditor, and the County Assessor's Office, it was determined that this parcel has technically been within the District's service area boundary since its formation in 1998. This discrepancy is a mapping error, and the parcel has consistently been assigned to the correct Tax Rate Area and has received LOCSD services since the District's formation. For more information, please review the [Sphere of Influence](#) section of this report.

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

LOCSD has the capability and capacity to adequately meet existing service demand and some level of increased future service demand. However, LOCSD should maintain a coterminous SOI and service area boundary due to the emphasis on infill development within the District and due to the land uses in the areas surrounding the District.

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.

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.

Three DUCS were identified within the LOCSD service area boundary. Los Osos DUC Area 1 currently receives water service and fire protection service from the District, and portions of Los Osos DUC Area 2 and 3 receive water service and fire protection service from the District. The DUCs contain some areas that are uninhabited and zoned for open space. Should the District seek to evaluate the surrounding area for sphere of influence amendment or annexation in the future, disadvantaged communities should be considered further.