



LAFCO and Cambria CSD MSR/SOI Study Recap



What We Do

- LAFCO is an independent agency that facilitates collaborative and efficient government services for SLO County
 - Our mission is to ensure agencies provide efficient services, foster orderly and logical growth and development, preserve agricultural /open space, and discourage urban sprawl
 - SLO LAFCO currently serves 53 local government agencies, including 7 cities and 35 special districts and 11 dependent special districts within the county
 - LAFCOs are responsible for approving changes of governmental organizations, this includes but is not limited to, evaluating annexations and SOIs, approving the formation of districts, activating or divesting district powers, and the incorporation of cities
-



LAFCO and MSR

- Required by state law to prepare MSR and SOI Studies every 5 years
 - The information in an MSR & SOI study is used as a basis for decision making for future LAFCO actions (annexations, activations of powers, Sphere of Influence Amendments etc.)
 - The purpose of the MSR & SOI study is to produce an independent assessment of municipal services in the area
-



LAFCO's Regulatory Requirements

- MSR's include two main components:
 - 1) **MSR's**: a comprehensive study of the level, range, and performance of governmental services provided within a defined geographic area
 - 7 specific MSR factors (§ 56430)
 - 2) **SOI Study**: a 20-year long range planning tool that indicates future expansion of its service area. Required to be updated every five years and are supported by the information in the MSR
 - 5 specific SOI factors (§ 56425)
-



2024 Cambria CSD MSR Overview



MSR Factors

Written Determinations for the 7 MSR factors were prepared & can be found in Attachment B of the staff report, as required by code section 56430 (a):

1. Growth & Population
 2. Disadvantaged Unincorporated Communities
 - 3. Adequacy of Public Services and Infrastructure**
 - 4. Financial ability to provide services**
 5. Status of, and opportunities for, shared facilities
 6. Accountability
 7. Any other matter related to effective or efficient service delivery
-



MSR Factor No. 3 – Water and Wastewater

LAFCO determined that CCSD has capability to adequately meet existing and future water and wastewater demand as these primarily operate as enterprise funds



MSR Factor No. 3 – Fire

LAFCO determines that CCSD has capability and capacity to adequately provide fire protection service, however, to continue providing the same level of service the District will need to identify a sustainable source of funding into the future once the SAFER grant expires



MSR Factor No. 3 – Parks, Rec, & Open Space

LAFCOs summarized determinations:

- CCSD owns, operates, and maintains the Veterans Memorial Building Center, Cambria Dog Park, Fiscalini Ranch Preserve, & San Simeon Creek open space.
 - An ongoing challenge that the Facilities and Resources Department faces is limited funding for recreation operation and maintenance which could conflict with the District's ability to provide adequate service
 - As CCSD continues to maintain the Fiscalini Ranch and take ownership of more open space parcels with insufficient funding, the General Fund budgets for Fire, Facilities and Resources, and Administration will continue to decline and impact operations and safety
-



MSR Factor No. 3 – Parks, Rec, & Open Space

LAFCO determines that CCSD has capability to provide parks and recreation services where service is provided in the best manner possible within available funding. However, the District will need to identify a sustainable level of service with available funding into the future.



MSR Factor No. 4

General Fund *(Fire, Parks, Rec & Open Space, Administration, Facilities and Resources)*

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Total Revenue	5,207,118	5,256,862	5,327,304	5,452,591	5,501,631
Total Expenditures	5,755,883	5,173,018	5,104,390	5,491,787	5,988,560

- In recent years, the General Fund expenses exceeded their revenues

Enterprise Fund *(Water, Wastewater, & Water Reclamation Facility Operation/Maintenance)*

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Total Revenue	5,486,200	6,371,917	7,317,430	8,159,580	7,855,033
Total Expenditures	7,048,970	6,692,170	7,285,949	7,393,777	7,498,857

- Rate increases have helped stabilize water & sewer finances
- In more recent years, the Enterprise Fund revenues exceed their expenditures



MSR Factor No. 4

LAFCO determined:

- Net position has decreased by 12% over the last 5-year audited period ending at \$29 million in FY 21-22
 - Expenditures have exceeded revenues within the General Fund primarily related to increased operational costs
 - Financially stable despite increasing costs, limited revenues, & regulatory requirements
 - The District will need to identify a sustainable level of service within available funding
-



What does this all mean?

- Like with any agency, funds are limited and without any increase in revenue streams, decisions must be made to operate within your financial limitations
 - Any agency should generally avoid incurring new responsibilities, liabilities and other financial commitments without an identified revenue stream
 - An agency should only expand its responsibilities once it has secured a long-term revenue stream to support those new responsibilities
-



Discretionary Spending

- Spending property tax dollars is at the Districts discretion
 - The District should consider community needs and input, as well as its fiduciary responsibility to be good stewards of public funds
 - A common practice amongst public agencies to establish **criteria and/or policies** that help guide decision making the use of public funds
 - The District needs to consider whether critical services such as fire protection are a higher priority than park and recreational services, this is particularly important when fire services are paid in part by a substantial portion property tax allocations
-



Fiscal Projections

- Common practice to conduct projects
 - Fire costs continuously increase, likely lead to increased need for revenue
 - Similarly, maintenance costs rise
 - Project estimated increases
 - Funding gaps should inform either service reductions or new revenue
-



New Fees

- Increase revenue streams usually means new fees
 - If the Community desires to enhance Parks and Rec services, the District should consider whether the Community would support an increase in fees to support the parks they desire
 - Before placing a fee on the ballot, consider polling to gauge level of support for a new fee
 - If yes, the District could consider a new fee, and then expand its responsibilities
 - If not, the District should consider shedding its responsibilities to operate within its revenue limitations and avoid taking on new responsibilities
-



Shed Responsibility

- If the District continues to be constrained with funding for parks and recreation services, consider shedding some responsibilities within its activated power
 - Parks and Rec services vary significantly from agency to agency; there is no legal requirement or standard by which to maintain your service to a certain level
 - If responsibilities are too significant relative to funding, it should consider divesting its power
-



Recap

- MSR identified two key areas of concern – fire protection and parks & rec
 - Noted the District should not assume new responsibilities without commensurate funding sources
 - District will need to decide how to prioritize and spend its discretionary property tax between fire and parks & rec
 - Funding shortfalls should indicate a need to reduce services or increase revenue streams
 - Establishing budget policies can guide decision making and set course for the future
-