



STAFF REPORT

Agenda Item No. 6a	
MEETING DATE	November 4, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	WORKSHOP Irish Beach Water District Municipal Service Review and Sphere of Influence Update

RECOMMENDED ACTION

Hold a Workshop on the Draft Irish Beach Water District Municipal Service Review and Sphere of Influence Update, provide comments and requested revisions, and direct staff to notice the matter for public hearing at a regular meeting of the Commission.

BACKGROUND

This is a Workshop to introduce the Draft Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for Irish Beach Water District (IBWD/District). This is the second [MSR](#) and [SOI](#) Update for the District; the first round was adopted in 2014 and 2016, respectively. The Workshop Draft IBWD MSR/SOI study includes the following information related to the District: history, government structure and accountability, operational efficiency, finances, projected growth, disadvantaged unincorporated communities, service capacity and needs, and proposed sphere. The District reviewed and provided feedback on an Administrative Draft of the study and changes have been incorporated into this Workshop Draft as appropriate.

As background, the District was formed on February 8, 1967, to provide water to the community of Irish Beach, a subdivision which is located on State Highway 1, approximately four miles north of Manchester and seven miles south of Elk in the unincorporated area of Mendocino County’s south coast region. In 1980, the District added a wastewater disposal zone to its purview and currently provides administrative oversight of existing and future private and community septic systems. The District encompasses 1,294 acres consisting of 460 parcels. Excepting two parcels referred to as the “Inn Site”, the SOI boundaries are coterminous with the District’s boundaries.

District facilities include five water storage facilities, three active groundwater wells, a pipeline network, a hydrant system, and a water treatment plant. Parts of the District’s distribution system date from 1965, with sections added over the years, the newest of which was installed in 2021. The District does not own or operate any wastewater collection, treatment, or disposal facilities. Other municipal service providers in the area include the Redwood Coast Fire Protection District.

In 2016, the Commission adopted a coterminous SOI that acknowledges the service area of the District as appropriate for the services provided and system capacity. The study recommends the District’s existing SOI be affirmed.

This Workshop is an opportunity to receive Commission and public input on the document; no action will be taken on the study on this date. A public hearing will be scheduled at a later date for formal consideration of the study.

ATTACHMENTS

- (1) Workshop Draft Irish Beach Water District MSR/SOI Update

WORKSHOP DRAFT



Photo Credit: Michael Rymer

Irish Beach Water District

2024 Municipal Service Review and Sphere of Influence Update

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Workshop: November 4, 2024

Public Hearing:

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

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Workshop Draft

TABLE OF CONTENTS

ACRONYMS	6
1 INTRODUCTION.....	1-1
1.1 Local Agency Formation Commission.....	1-1
1.2 Mendocino LAFCo.....	1-1
1.3 Municipal Service Review.....	1-2
1.4 Sphere of Influence	1-3
1.5 Senate Bill 215	1-3
2 AGENCY OVERVIEW	2-1
2.1 History	2-1
2.1.1 Formation.....	2-1
2.1.2 Boundary	2-1
2.1.2.1 Boundary Change History.....	2-1
2.1.3 Services.....	2-2
2.1.4 Latent Powers.....	2-2
2.2 Government Structure.....	2-5
2.2.1 Governing Body.....	2-5
2.2.2 Public Meetings.....	2-6
2.2.3 Standing Committees.....	2-6
2.2.4 Public Outreach.....	2-6
2.2.5 Complaints	2-6
2.2.6 Transparency and Accountability.....	2-7
2.3 Operational Structure.....	2-7
2.3.1 Management and Staffing.....	2-7
2.3.1.1 Contract Staffing and Services	2-8
2.3.2 Agency Performance	2-8
2.3.2.1 Challenges.....	2-9
2.3.2.2 Distinguished Services	2-9
2.3.2.3 Strategic or Succession Planning	2-9
2.3.3 Regional and Service Specific Collaboration	2-9
2.3.4 Shared Service Delivery.....	2-10
2.3.4.1 Adjacent Providers.....	2-10
2.3.4.2 Shared Services and Facilities	2-12

2.3.4.3	Duplication of Services	2-12
2.3.4.4	Interagency Collaboration	2-12
2.3.4.5	Regional and Service-Specific Participation.....	2-12
2.3.5	Government Structure and Community Needs	2-12
2.3.5.1	Enhanced Service Delivery Options.....	2-12
2.3.5.2	Government Restructure Options	2-13
2.4	Finances.....	2-13
2.4.1	Current Fiscal Health.....	2-13
2.4.1.1	Revenues and Expenditures	2-14
2.4.1.2	Assets and Liabilities.....	2-15
2.4.1.3	Net Position	2-15
2.4.2	Long Term Financial Considerations	2-15
2.4.2.1	Reserves.....	2-15
2.4.2.2	Outstanding Debt/Cost Avoidance	2-15
2.4.2.3	Rate Restructuring.....	2-16
2.4.2.4	Capital Improvement Plan	2-17
2.5	Growth.....	2-18
2.5.1	History	2-18
2.5.2	Present and Planned Land Use and Development.....	2-18
2.5.2.1	Land Use	2-18
2.5.2.2	Development	2-21
2.5.3	Existing Population.....	2-21
2.5.4	Projected Growth.....	2-21
2.5.5	California Housing Goals	2-21
2.6	Disadvantaged Unincorporated Communities	2-22
3	MUNICIPAL SERVICES.....	3-1
3.1	Service Overview	3-1
3.1.1	Services.....	3-1
3.1.2	Service Areas	3-1
3.1.3	Out-of-Agency Services	3-1
3.2	Water.....	3-1
3.2.1	Service Overview.....	3-1
3.2.2	Service Adequacy	3-2
3.2.2.1	Water Demand and Capacity.....	3-2

3.2.2.2	Drought Contingency Planning	3-3
3.2.2.3	Regulatory Permits and Compliance History	3-4
3.2.2.4	Needs and Deficiencies.....	3-5
3.2.3	Facilities and Assets.....	3-5
3.2.3.1	System History	3-8
3.2.3.2	System Improvements	3-8
3.2.3.3	Engineering Reports	3-9
3.3	Wastewater Services	3-11
3.3.1	Service Overview	3-11
3.3.2	Service Adequacy	3-11
3.3.3	Facilities and Assets.....	3-11
3.3.3.1	System History	3-11
3.3.3.2	System Improvements	3-12
3.3.3.3	Engineering Reports	3-12
3.4	Determinations.....	3-12
3.4.1	MSR Review Factors	3-13
3.4.1.1	Growth.....	3-13
3.4.1.2	Disadvantaged Unincorporated Communities	3-13
3.4.1.3	Capacity of Facilities and Adequacy of Services	3-13
3.4.1.4	Financial Ability of Agency.....	3-14
3.4.1.5	Shared Services and Facilities	3-15
3.4.1.6	Accountability, Structure and Operational Efficiencies	3-15
4	SPHERE OF INFLUENCE.....	4-1
4.1	Mendocino LAFCo Policies.....	4-1
4.2	Existing Sphere of Influence	4-4
4.2.1	Study Areas	4-4
4.2.2	Area of Interest Designation	4-5
4.3	Proposed Sphere of Influence	4-5
4.4	Consistency with LAFCo Policies.....	4-5
4.5	Determinations.....	4-5
4.5.1	Present and planned Land Uses	4-6
4.5.2	Present and probable need for facilities and services in this area	4-6
4.5.3	The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.....	4-6

4.5.4	The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency	4-7
4.5.5	The present and probable need for public facilities and services of any disadvantaged unincorporated communities	4-7
4.6	Recommendation	4-7
5	REFERENCES	5-1
6	ACKNOWLEDGEMENTS	6-1
6.1	Report Preparation	6-1
6.2	Assistance and Support	6-1
7	APPENDICES	7-1
7.1	Appendix A – Open Government Resources	7-1
7.2	Appendix B – Website Compliance Handout.....	7-2
7.3	Appendix C – Housing Legislation Trends and Results	7-3
7.4	Appendix D – District Financial Audits.....	7-6

List of Figures

Figure 2-1:	Irish Beach Water District Boundary	2-3
Figure 2-2:	Mendocino County Water and Sanitation Districts and Companies	2-4
Figure 2-3:	IBWD Organization Chart.....	2-8
Figure 2-4:	Adjacent Private Water Service Providers.....	2-11
Figure 2-5:	Mendocino County General Plan Land Use Map.....	2-19
Figure 2-6:	Mendocino County Zoning Map	2-20
Figure 3-1:	Distribution and Transmission Pipelines By Age.....	3-7
Figure 3-2:	IBWD Well Activation And Tank Replacement Project Locations.....	3-7
Figure 3-3:	IBWD Facilities	3-12

List of Tables

Table 1-1:	Current Mendocino LAFCO Commissioners, 2024.....	1-1
Table 2-1:	IBWD Profile	2-1
Table 2-2:	IBWD Board of Directors.....	2-5
Table 2-3:	IBWD Financial Summary.....	2-13
Table 2-4:	IBWD Cash Accounts	2-14
Table 2-5:	IBWD Revenues and Expenditures.....	2-14
Table 2-6:	Assets and Liabilities	2-15
Table 2-7:	IBWD Net Position	2-15
Table 2-8:	Connection Fees.....	2-16
Table 2-9:	MHI Data	2-24
Table 3-1:	IBWD Historic Total Annual Water Demand.....	3-2

Attachment 1

Table 3-2: Summary of Source Capacity3-3
Table 3-3: IBWD Water Storage Facilities3-6
Table 3-4: Proposition 218 Projects Preliminary Plan.....3-10
Table 7-1: Mendocino County RHNA Allocations 7-4

Workshop Draft

ACRONYMS

AB	Assembly Bill
ACS	American Community Survey
ADU	Accessory Dwelling Unit
AF	Acre-feet
AMI	Area Median Income
AOI	Area of Interest
APN	Accessor Parcel Number
APR	Annual Progress Report
AWDF	Alternative Water Development Fund
CAL FIRE	California Department of Forestry and Fire Protection
CALAFCO	California Association of Local Agency Formation Commissions
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPA	Certified Public Accountant
CPI	Consumer Price Index
CRWA	California Rural Water Association
CSDA	California Special Districts Association
DUC	Disadvantaged Unincorporated Community
DWR	California Department of Water Resources
ECWD	Elk County Water District
ELEC	California Elections Code
EPA	United States Environmental Project Agency
FPPC	Fair Political Practices Commission
FY	Fiscal Year
GC	California Government Code
GHG	Greenhouse Gas
GPD	Gallons Per Day
GPM	Gallons Per Minute
HCD	California Department of Housing and Community Development
HSC	California Health and Safety Code
IBWD	Irish Beach Water District
ILG	Institute for Local Government
IRWM	Integrated Regional Water Management
IWRMP	Integrated Water Resources Master Plan
JADU	Junior Accessory Dwelling Unit
LAFCo	Local Agency Formation Commission
LCP	Local Coastal Plan
MCOG	Mendocino Council of Governments (MCOG)
MG	Million Gallons
MHI	Median Household Income
MND	Mitigated Negative Declaration
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
NCRP	North Coast Resource Partnership

OPR	California Governor’s Office of Planning and Research
RHNA	Regional Housing Needs Allocation
RTP	Regional Transportation Plan
SAFER	Safe and Affordable for Equity and Resilience
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community
SDWA	Safe Drinking Water Act of 1974
SDWIS	Safe Drinking Water Information System
SOI	Sphere of Influence
SWRCB	State Water Resources Control Board
USPS	United States Postal Service
WAT	California Water Code
WDR	Waste Discharge Requirement

Workshop Draft

1 INTRODUCTION

1.1 Local Agency Formation Commission

Local Agency Formation Commissions (LAFCo/Commission) are quasi-legislative, independent local agencies established by State legislation in 1963 to oversee the logical and orderly formation and development of local government entities including cities and special districts. There is one LAFCo for each county in California.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) under California Government Code (GC) Section (§) 56000 et seq., to promote orderly growth, prevent urban sprawl, preserve agricultural and open space lands, and oversee efficient provision of municipal services.

LAFCo has the authority to establish and reorganize cities and special districts, change their boundaries and authorized services, allow the extension of public services, perform municipal service reviews, and establish spheres of influence. Some of LAFCo's duties include regulating boundary changes through annexations or detachments and forming, consolidating, or dissolving local agencies.

1.2 Mendocino LAFCo

The CKH Act provides for flexibility in addressing State regulations to allow for adaptation to local needs. Each LAFCo works to implement the CKH Act to meet local needs through the flexibility allowed in how state regulations are implemented. As part of this process, Mendocino LAFCo has adopted policies, procedures, and principles that guide its operations. These policies and procedures can be found on Mendocino LAFCo's website¹.

Mendocino LAFCo has a public Commission with seven regular Commissioners and four alternate Commissioners. The Commission is composed of two members of the Mendocino County Board of Supervisors, two City Council members, two Special District Board of Directors members, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

Table 1-1 below lists the current members, the organization they represent, if they are an alternate, and the date their term expires.

Table 1-1: Current Mendocino LAFCo Commissioners, 2024

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Gerardo Gonzalez	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Glenn McGourty	Commissioner	County	2024
Maureen Mulheren	Chair	County	2026
Mari Rodin	Commissioner	City	2025
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Vacant	Commissioner	Special Districts	2024
Francois Christen	Alternate	Special District	2026
Douglas Crane	Alternate	City	2025
John Huschak	Alternate	County	2027

¹ The Mendocino LAFCo Policies and Procedures Manual can be found here: <http://www.mendolafco.org/policies.html>.

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Vacant	Alternate	Public	2027

Source: [Mendocino LAFCo 2024a](#).

1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts ([GC §56430](#))². MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI)³. This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by Irish Beach Water District (IBWD/District).

An MSR is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. An MSR must address 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.

Municipal Service Reviews include written statements or determinations with respect to each of the seven mandated areas of evaluation outlined above. These determinations provide the basis for LAFCo to consider the appropriateness of a service provider's existing and future service area boundary. This MSR Update studies the wastewater services provided by IBWD. This review also provides technical and administrative information to support Mendocino LAFCo's evaluation of the existing boundary for the District.

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented in Chapter 3.3. LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services. This MSR/SOI study makes determinations in each of the seven mandated areas of evaluation for MSRs.

² GC §56430 (2023) can be found here: [California Government Code § 56430 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

³ Assembly Committee on Local Government, "Guide to the Cortese-Knox-Hertzburg Local Government Reorganization Act of 2020." December 2023.

Ideally, an MSR will support LAFCo and will also provide the following benefits to the subject agencies:

- Provide a broad overview of agency operations including type and extent of services provided;
- Serve as a prerequisite for a SOI Update;
- Evaluate governance options and financial information;
- Demonstrate accountability and transparency to LAFCo and to the public; and
- Allow agencies to compare their operations and services with other similar agencies.

1.4 Sphere of Influence

The CKH Act requires LAFCo to adopt a Sphere of Influence (SOI) for all local agencies within its jurisdiction. An SOI is “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission” ([GC §56076](#))⁴.

When reviewing an SOI for a municipal service provider, under [GC §56425\(e\)](#)⁵, LAFCo will consider 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 [GC §56425\(g\)](#)⁵ on or after July 1, 2012, the present and probable need for those public facilities and services of any Disadvantaged Unincorporated Communities (DUCs) within the existing SOI.

Sphere of Influence studies include written statements or determinations with respect to each of the five mandated areas of evaluation outlined above. These determinations provide the basis for LAFCo to consider the appropriateness of establishing or modifying a service provider’s SOI or probable future boundary.

1.5 Senate Bill 215

Senate Bill (SB) 215 (Wiggins) requires LAFCo to consider regional transportation plans and sustainable community strategies developed pursuant to SB 375 before making boundary decisions. Senate Bill 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas (GHG) emission reduction targets for passenger vehicles in their Regional Transportation Plan (RTP) by integrating planning for transportation, land use, and housing in a sustainable communities strategy.

⁴ GC §56076 (2023) can be found here: [California Government Code § 56076 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

⁵ GC §56425 (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

Mendocino County is not located within an MPO boundary and therefore is not subject to the provisions of SB 375. However, the Mendocino Council of Governments (MCOG) supports and coordinates the local planning efforts of Mendocino County and the cities of Fort Bragg, Point Arena, Ukiah, and Willits to address regional housing and transportation needs and helps provide a framework for sustainable regional growth patterns through the 2018 Mendocino County Regional Housing Needs Allocation (RNHA) Plan and Vision Mendocino 2030 Blueprint Plan. The MCOG is also responsible for allocating regional transportation funding to transportation improvement projects consistent with the 2017 RTP for Mendocino County.

Mendocino County and the cities of Fort Bragg, Point Arena, Ukiah, and Willits are the local agencies primarily responsible for planning regional growth patterns through adoption and implementation of general plan and zoning regulations. While Mendocino County is not subject to the provisions of SB 375, LAFCo will review applicable regional transportation and growth plans when considering a change of organization or reorganization application.

2 AGENCY OVERVIEW

Table 2-1: IBWD Profile	
Agency Name:	Irish Beach Water District
General Manager / Water System Manager	General Manager Position Vacant Brant O’Dell
Office Location:	15401 Forest View Road, Manchester, CA 95459-0067
Mailing Address:	PO Box 67 Manchester, CA 95459-0067
Phone Number:	(707) 882-2892 or (707) 913-9708
Website:	https://www.ibwd.org
Email:	General.Manager@IBWD.org or IBWD.Operations@IBWD.org
Date of Formation:	February 8, 1967
Agency Type:	California Water District
Enabling Legislation	California Water District Law: Water Code Section 34000 et seq.
Board Meeting Schedule:	The Board meets on the second Saturday of every odd month at 10:00 AM at the Rex Dunning Firehouse, also known as the Irish Beach Fire House.

2.1 History

2.1.1 Formation

The Irish Beach Water District (IBWD/District) is an independent special district established on February 8, 1967 for the primary purpose of providing water to the community of Irish Beach (Local Agency Formation Commission (LAFCo/Commission) [Resolution No. 67-2](#)). On April 4, 1967, the Mendocino County Board of Supervisors adopted Resolution No. 67-57 certifying the election process that formed the IBWD and establishing the Board of Directors under [California Water Code \(WAT\) Section \(§\) 34000 et seq.](#)⁶ In 1980, under [California Health and Safety Code \(HSC\) §6955 et seq.](#)⁷, the District added a wastewater disposal zone to its purview and currently provides administrative oversight of existing and future private and community septic systems.

2.1.2 Boundary

The District is located on State Highway 1, approximately four miles north of Manchester and seven miles south of Elk in the unincorporated area of Mendocino County’s south coast region. The District encompasses 1,294 acres or 2.02 square miles.

2.1.2.1 BOUNDARY CHANGE HISTORY

The District originally consisted of the Irish Beach Subdivision (Subdivision), which consisted of 460 parcels totaling 220 acres when it was formed in 1967 ([LAFCo Resolution No. 67-2](#)). In 1972, the Moore’s Annexation added 400 acres to the District ([LAFCo Resolution No. 72-7](#)) and a second Moore’s Annexation added an additional 720 acres in 1975 ([LAFCo Resolution No. 75-14](#)).

⁶ WAT §34000 et seq. can be found here: [Codes: Code Search \(ca.gov\)](#).

⁷ HSC §6955 et seq. can be found here: [Codes Display Text \(ca.gov\)](#).

The last completed boundary change was the Arnold Detachment, which removed 112.23 acres from the District in December 1988 ([LAFCo Resolution No. 88-9](#)).

2.1.3 Services

The IBWD provides water supply, treatment, and distribution services. Additionally, the District provides administrative oversight of customers' private septic systems, which was acknowledged in the 2014 Municipal Service Review (MSR) for the District. For more information regarding these services, refer to Chapter 3.

2.1.4 Latent Powers

Latent powers are those services, functions, or powers authorized by the principal act under which the District is formed, but that are not being exercised or authorized by LAFCo.

The California Water District Law ([WAT §34000 et seq.](#)) identifies the following potential powers:

- a) Production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes, and any drainage or reclamation works connected therewith or incidental thereto.
- b) Collection, treatment, and disposal of sewage, waste, and stormwater.

The California Health and Safety Code ([HSC §6955 et seq.](#)), under which the wastewater disposal zone was added in 1980, identifies the following potential powers:

- a) To collect, treat, reclaim, or dispose of wastewater without the use of communitywide sanitary sewers or sewage systems and without degrading water quality within or outside the zone.
- b) To acquire, design, own, construct, install, operate, monitor, inspect, and maintain on-site wastewater disposal systems, not to exceed the number of systems specified pursuant to either Section 6960 or Section 6960.1, within the zone in a manner which will promote water quality, prevent the pollution, waste, and contamination of water, and abate nuisances.
- c) To conduct investigations, make analyses, and monitor conditions with regard to water quality within the zone.
- d) To adopt and enforce reasonable rules and regulations necessary to implement the purposes of the zone. Such rules and regulations may be adopted only after the board conducts a public hearing after giving public notice pursuant to Section 6066 of the Government Code.

Any expansion of services would necessitate prior approval from LAFCo through an application for activation of latent powers, which generally follows the normal Commission proceedings for a change of organization or reorganization ([California Government Code \(GC\) §56650 et seq.](#))⁸.

For a regional map of Mendocino County's water and sanitation districts and companies, refer to Figure 2-2.

⁸ GC §56650 et seq. can be found here: [Codes: Code Search \(ca.gov\)](#).

Figure 2-1: Irish Beach Water District Boundary

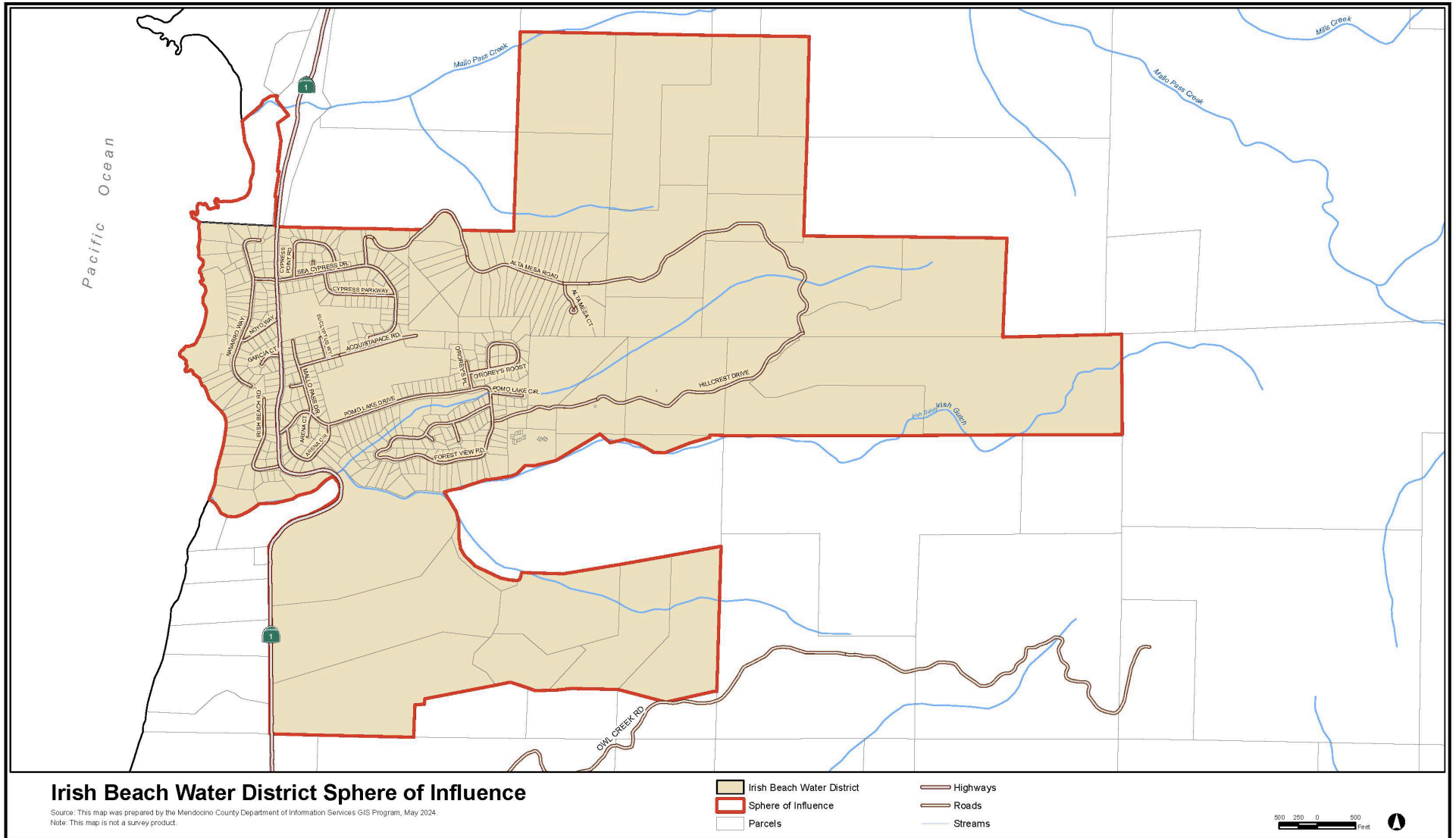
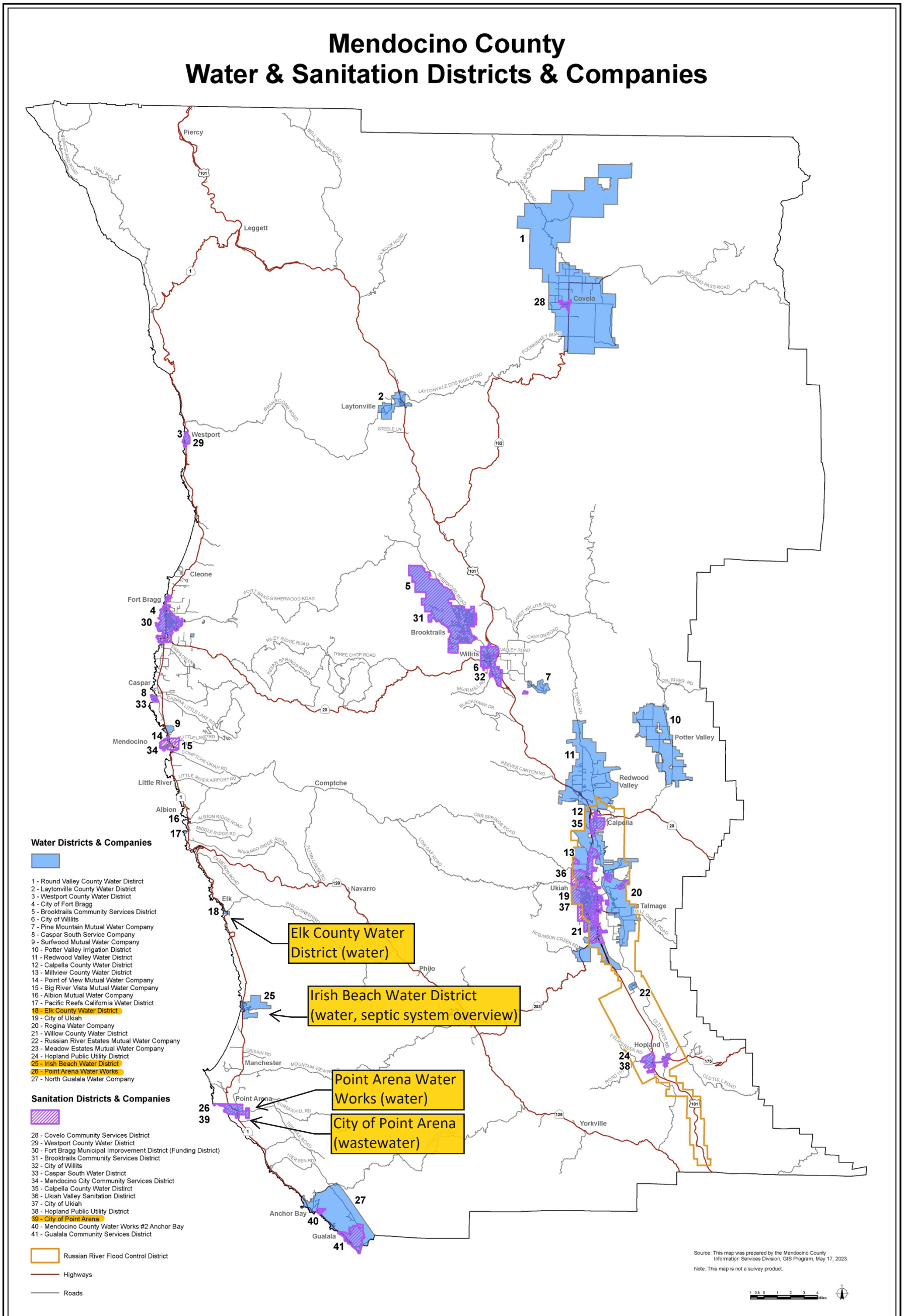


Figure 2-2: Mendocino County Water and Sanitation Districts and Companies



2.2 [Government Structure](#)

2.2.1 Governing Body

The District is governed by a five-member Board of Directors elected by landowners within the District boundaries. The directors are normally elected at-large in staggered four-year terms. Board members, positions, and term expiration dates are shown in Table 2-2.

Eligible Board candidates must be registered voters residing within the District boundaries. If the number of candidates is equal to, or fewer than, the number of Board vacancies, District Board members may be appointed in lieu of election by the County Board of Supervisors per [California Elections Code \(ELEC\) §10515⁹](#). New Board members take office at noon on the first Friday in December following their election.

The process for appointment of Board of Directors seats vacated prior to the scheduled term expiration date is governed by [GC §1780-1782¹⁰](#). The Board of Directors has 60 days to appoint an interested and qualified individual to a vacant seat if proper noticing requirements have been met. If the District cannot fill the seat within the 60-day period, the Mendocino County Board of Supervisors can appoint a director to the District Board during a 30-day period following the initial 60-day period. If the vacant seat is not filled during the total 90-day period, the vacant seat remains empty until the next election.

Four of the Board members have served the District for consecutive terms, which can be a significant benefit in establishing long-standing positive working relationships in the community, understanding the history and unique aspects of the organization, and maintaining institutional knowledge. However, much of the District is comprised of vacation homes or short-term rentals with a small number of full-time residents who would qualify to sit on the District Board. This is a common problem for other small service providers within the region and throughout rural areas of California.

Name	Office/Position	Term Expiration	Length of Term
Susan Israel	President	December 2025	4 Years
Danielle Hohos	Vice President	December 2027	4 Years
Heather Hackett	Secretary	December 2027	4 Years
Tom Ottoboni	Treasurer	December 2027	4 Years
Mel Kimsey	Director	December 2025	4 Years

Source: [IBWD 2024a](#).

The Board currently has no vacancies. While the District experienced a period of frequent changes in the composition of the Board of Directors, the Board stabilized in 2021 with a slate of knowledgeable committed directors.

⁹ ELEC §10515 (1994) can be found here: [California Code, ELEC 10515](#).

¹⁰ GC §1780-1782 (2008) can be found here: [California Code, GOV 1780](#).

2.2.2 Public Meetings

Regularly scheduled meetings are held on the second Saturday of every odd numbered month at 10:00 AM. Meetings are held at the Rex Dunning Firehouse, also known as the Irish Beach Fire House and owned by the District.

In accordance with the Brown Act, all District Board meetings are open to the public and are publicly posted a minimum of 72 hours prior to regular meetings, or a minimum of 24 hours prior to special meetings.

The District regularly maintains a [website](#)¹¹, which hosts current agendas and meeting packets, past meeting minutes, budgets, audits, water reports, and District information. Regular Board meetings, records, annual budgets, and financial audits are kept current and maintained by the Board president and Board secretary.

2.2.3 Standing Committees

Committees assist in carrying out various functions of local government. The District currently has one standing committee: the Budget and Finance Committee. In addition, the District has several ad hoc committees, including the Grant Committee, the Proposition 218 Committee, the Communications and Outreach Committee, the Litigation Committee, and the Organizational Structure Committee.

2.2.4 Public Outreach

With the passage of Senate Bill (SB) 929 in 2018, all special districts are required to establish and maintain a website with specific information and accessibility requirements by January 2020. The District's website contains information about the District, its governance, finances, meetings, projects, and other relevant information benefiting the public. The District keeps residents informed of District requirements and activities through word-of-mouth and during public meetings. In addition, the District maintains a Facebook page, posts information in community kiosks, and sends communications through the United States Postal Service (USPS) as well as email distribution lists. The District is encouraged to review Appendix B – Website Compliance Handout for a full list of SB 929 compliance requirements.

2.2.5 Complaints

Landowners within the District may file written complaints with the general manager or Board secretary via contact information located on the District's website. The complaints are typically discussed at the next Board meeting and directions are given to the general manager to address the complaints, as appropriate. The full procedure for how complaints is handled may be found in the District's [Policy Handbook \(November 2023\)](#)¹².

The District has not received any formal complaints in the last five years. The District periodically receives customer inquiries about billing issues and during operational emergencies; however, these are routine customer communications which are addressed in compliance with IBWD Policy 1030.

¹¹ The IBWD Website can be found here: www.ibwd.org.

¹² The IBWD Policy Handbook (November 2023) can be found here: [IBWD_POLICY_MANUAL.pdf](#).

2.2.6 Transparency and Accountability

The IBWD Bylaws were originally approved on July 11, 1972, and were first amended in 1977, and then again in 1987. The Bylaws serve as the legal guidelines of the organization by providing written rules that control internal affairs. They define the group's official name, purpose, requirements for membership, officers' titles and responsibilities, how offices are to be assigned, how meetings should be conducted, and how often meetings will be held.

The District also maintains a policy handbook which was last updated in November 2023 and contains policies related to operations, personnel, conflicts of interest, and financial matters. The policy manual is posted on the District's website.

The Political Reform Act requires all state and local government agencies to adopt and promulgate a Conflict-of-Interest Code pursuant to [GC §81000 et seq](#)¹³. The District currently maintains a Conflict-of-Interest Code which can be found in the District's policy manual.

The Political Reform Act also requires persons who hold office to disclose their investments, interests in real property, and incomes by filing a Statement of Economic Interests (Fair Political Practices Commission Form 700) each year pursuant to [GC §87203](#)¹⁴. The District informed LAFCo staff that the Board's five directors and acting general manager are currently up to date on their required Form 700 filings.

According to Assembly Bill (AB) 1234, if a local agency provides compensation or reimbursement of expenses to local government officials, then all local officials are required to receive two hours of training on public service ethics laws and principles at least once every two years. In addition, the agency must establish a written policy on reimbursements pursuant to [GC §53235](#)¹⁵. The District currently has one acting general manager and five Board directors who are required to attend ethics training every two years; all officials have attended ethics training within the last two years.

Refer to Appendix A – Open Government Resources for a brief list of educational resources regarding open government laws.

2.3 Operational Structure

2.3.1 Management and Staffing

Daily operations of the District are managed by the water system manager/acting general manager who oversees three part-time employees who serve as operators that run the District's water system.

Additional staff for the District include a staff assistant who takes care of the District's administrative affairs including billing, arranging for hookups, and other duties related to administrative oversight of the private septic systems. In addition, the District has a special assistant who is responsible for assisting the Board. The District also maintains one on-call employee who provides extra help when necessary. Refer to Figure 2-3 for the District's organizational chart.

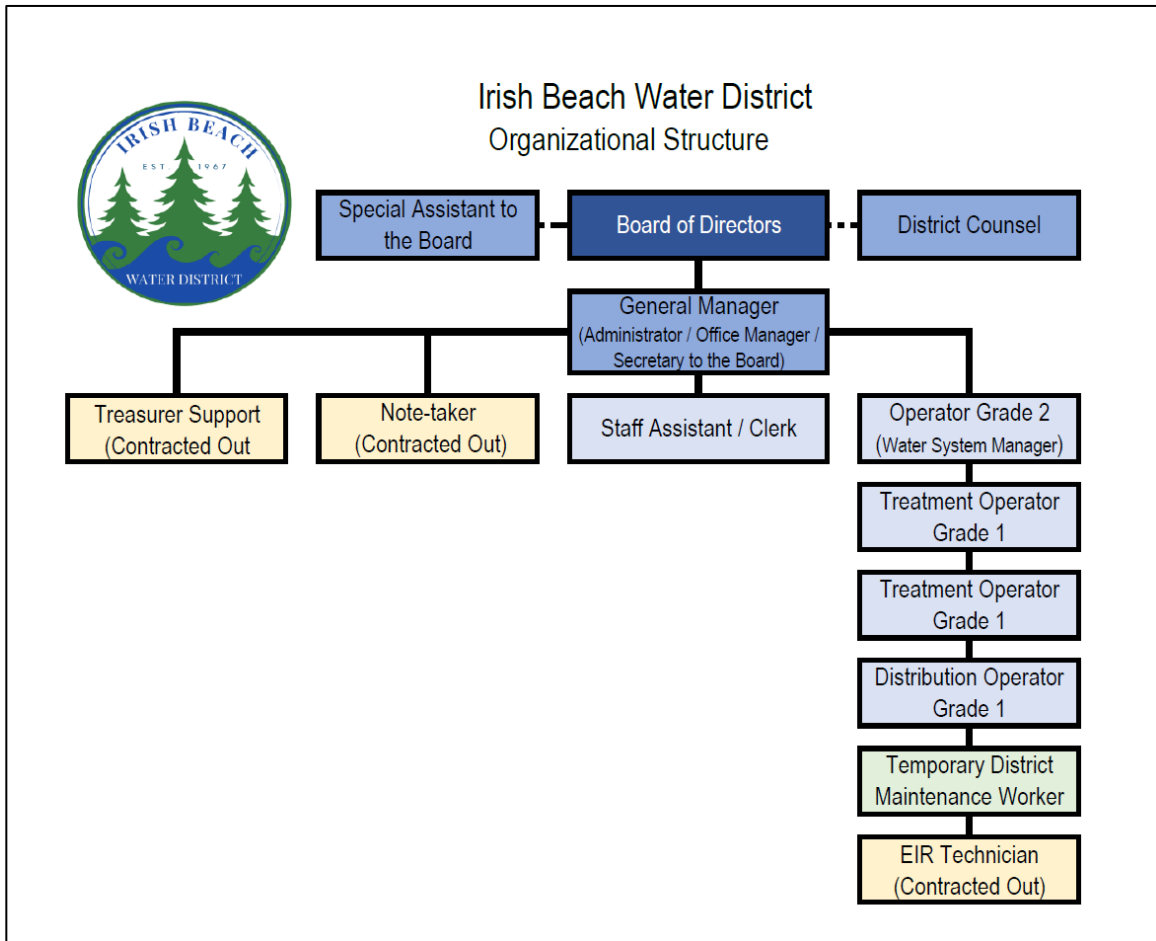
¹³ GC §87300 et seq. (2011) can be found here: [Codes Display Text \(ca.gov\)](#).

¹⁴ GC §87203 (2022) can be found here: [California Code, GOV 87203](#).

¹⁵ GC §53235 (2023) can be found here: [California Code, GOV 53235](#).

The District performs evaluations of overall agency performance, including benchmarking, budget execution reviews, and grant project status reporting.

Figure 2-3: IBWD Organization Chart



Source: [IBWD 2024b](#).

2.3.1.1 CONTRACT STAFFING AND SERVICES

The District maintains contracts for several services, including legal counsel, financial audits, information technology support, administrative support for the Board treasurer, and a notetaker ([IBWD 2024b](#)).

2.3.2 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District has indicated during this MSR process that it is planning to implement written performance evaluations in the near future (LAFCo 2024b). District staff identify areas in need of improvement and take corrective action when feasible and appropriate through the normal course of business or inform the Board when further direction is needed.

The District water system manager/acting general manager and the Board of Directors share the responsibility of monitoring and evaluating agency operations through regulatory reporting and review of District databases and records.

2.3.2.1 CHALLENGES

The District faces several challenges including drought conditions, as well as identification and development of water sources for future development. Although not a short-term project, the District will need to develop additional water sources to support the buildout of undeveloped lots. In addition, the slow pace of buildout has left the cost of running the system on a customer base that is less than half of the number of customers envisioned when the development was approved. The District has proposed a special benefit assessment to finance replacement of the District's aging infrastructure; however, if the proposed assessment is not approved by voters, current ratepayers will face a dramatic increase in water costs to keep the system running.

2.3.2.2 DISTINGUISHED SERVICES

District staff have managed the aging infrastructure on a limited budget by scheduling replacements at the point that it becomes inefficient to manage the facility through emergency repairs. In 2020, the District completed a project to install smart water meters, which provided the opportunity to identify leaks more quickly, and dramatically reduced the volume of water losses. In recent years, the District has increased outreach activities and has succeeded in engaging more of the community in participating in Board meetings resulting in greater transparency. Moreover, the District secured state funding to complete three major infrastructure projects, successfully managing grant funding and construction activities with in-house staff.

2.3.2.3 STRATEGIC OR SUCCESSION PLANNING

The District does not have an established strategic plan, mission statement, or official goals. While the District is not legally obligated to maintain these types of documents and/or plans, doing so helps to support planning related to the future of the District, and transparency to customers and residents of the District and members of the public.

In lieu of these documents, the Board considers progress and setbacks over the prior year and plans for the coming year during the annual budget development process.

2.3.3 Regional and Service Specific Collaboration

The District does not participate in any formal interagency collaborative arrangements or mutual aid agreements. However, the District does maintain informal communications with the Elk County Water District (ECWD) for shared operating resources and best practices.

The District works with Mendocino County on a variety of issues, and routinely coordinates with the State Water Resources Control Board (SWRCB). The IBWD is an active member of the California Special Districts Association (CSDA), which provides sample policies, training, updates on changing regulations, and a forum for discussing industry standards and best practices. In addition, the District is a member of the California Rural Water Association (CRWA), which provides technical assistance, as well as training resources addressing both administrative and operational issues. Moreover, the District benchmarks similarly situated water districts in Northern California.

LAFCo staff recommends that the District consider attending regional and service-specific meetings and communicating with colleagues regarding industry standards, best management practices, changing regulations, and service delivery models implemented by other agencies or organizations.

2.3.4 Shared Service Delivery

2.3.4.1 ADJACENT PROVIDERS

There are no adjacent local agencies providing water and/or wastewater services. The nearest public provider is the City of Point Arena which provides wastewater services within the city boundaries. The City of Point Arena is located approximately 7.4 miles south of the District. Approximately 7.8 miles north of the District is ECWD which provides water services.

There are a few private water service providers in the region that are located within at least 10 miles of the IBWD:

- Point Arena Water Works (CA2310013) - community water system; 202 connections
- Point Arena Lighthouse (CA2300845) – transient non-community water system; two connections; approximately six miles south; and
- Lighthouse Point (CA2300653) – transient non-community water system; 51 connections; approximately three miles south.

[Government Code §56375\(r\)](#)¹⁶ authorizes LAFCo to approve, with or without amendment, wholly, partially, or conditionally, or disapprove the annexation of territory served by a mutual water company that operates a public water system into the jurisdiction of a city, a public utility, or a special district, with the consent of the respective public agency or public utility and mutual water company.

The IBWD does not currently participate in any shared collaborations with adjacent private water service providers and given its isolation, there are no opportunities for shared collaborations identified as part of this MSR process.

¹⁶ GC §56375(r) (2023) can be found here: [California Code, Government Code - GOV § 56375 | FindLaw.](#)



Figure 2-4: Adjacent Private Water Service Providers

Source: [SWRCB 2024b](#).

2.3.4.2 SHARED SERVICES AND FACILITIES

The District does not currently own any facilities or services with other agencies. The District provides the California Department of Forestry and Fire Protection (CAL FIRE) and the Redwood Coast Fire Protection District (which serves the District area) water and hydrants for fire protection.

There are no other areas in or near the District boundaries that would be better served by a different agency. The water system manager/acting general manager manages District infrastructure within a limited budget by performing preventative maintenance and carefully evaluating the most cost-effective methods for repairs and improvements. The general manager and the Board evaluate federal and state resources, such as grants and technical assistance, using such resources when available. As such, appropriate cost avoidance measures are employed by the District (LAFCo 2024b).

2.3.4.3 DUPLICATION OF SERVICES

The District does not currently have any formal overlap, duplication, or redundancy of services with local government agencies, non-profit organizations, or private businesses nearby because of its isolated location.

However, as previously mentioned, the District informally shares some operating resources with the ECWD. As such, there is potential for further collaboration between the two.

2.3.4.4 INTERAGENCY COLLABORATION

The District does not participate in any interagency collaborative arrangements or mutual aid agreements. As previously noted, the District coordinates with the Redwood Coast Fire Protection District.

With respect to emergency drought conditions, the District collaborates informally with neighboring water service providers and answers calls for assistance when appropriate (LAFCo 2024b).

2.3.4.5 REGIONAL AND SERVICE-SPECIFIC PARTICIPATION

As previously noted, the District is an active member of CSDA and CRWA.

It is recommended that the District continue participation efforts to learn about new opportunities to achieve operational efficiencies by attending regional and service-specific meetings and communicating with colleagues regarding industry standards, best management practices, changing regulations, and service delivery models implemented by other local agencies.

The District does not participate in the North Coast Resource Partnership (NCRP) Integrated Regional Water Management (IRWM) Program. Participation in this type of joint planning activities often offers opportunities to pursue joint grant applications and to leverage other community resources, and it may be beneficial to the District to consider participation in future IRWM efforts.

2.3.5 Government Structure and Community Needs

2.3.5.1 ENHANCED SERVICE DELIVERY OPTIONS

The District is the only agency providing water services to the Irish Beach Subdivision. The IBWD does not share services or facilities with other districts apart from those listed in Section 2.3.4.2 above. Fire protection for properties within IBWD is provided by Redwood Coast Fire Protection District. Wastewater service within the IBWD is provided by private on-site septic systems which are managed by the District.

No opportunities for the District to achieve organizational or operational efficiencies were identified during the preparation of this MSR.

2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructure options should be pursued if there are potential benefits in terms of reduced costs, greater efficiencies, better accountability or representation, or other advantages to the public.

No opportunities for government restructure options were identified during the preparation of this MSR.

2.4 Finances

2.4.1 Current Fiscal Health

The District operates as a water enterprise fund, meaning that charges for services are intended to pay for the costs of providing such services. The water enterprise fund is the main source of revenue for operation and maintenance purposes. The District has reported to LAFCo staff that current financing levels are adequate for delivery of services.

Revenues for the District consist primarily of assessments and charges for water and wastewater services. The District receives a property tax assessment on landowners within the District boundaries that makes up one-third of total revenue. Other funding sources for the provision of water services include fees collected for water usage (“Water Sales” line item) and standby charges (“Water Services” line item). The District annually adopts a budget and has an independent audit performed each year. Annual audits for Fiscal Year (FY) 2018 through FY 2021 were provided by the District for this MSR. Table 2-3 below provides a summary of the audits provided.

The District reports it is behind on its audit schedule. The financial statement audit for the FY ending September 30, 2022, is in progress and should be published soon. The audit for the FY ending September 30, 2023, will commence once the audit for FY 2022 has been completed (LAFCo 2024b).

Table 2-3: IBWD Financial Summary				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Beginning Net Position	1,155,268	1,128,646	953,263	951,298
Ending Net Position	1,128,646	953,263	951,298	935,383
Operating Revenue				
Water Usage	35,419	33,588	44,709	52,479
User Availability	160,374	166,924	188,694	206,127
Late Fees	2,335	1,478	2,310	3,620
Other Income	2,662	1,877	400	500
Total Operating Revenues	200,790	205,867	236,113	262,726
Operating Expenses				
Source of Supply	(4,981)	(6,699)	(15,251)	(9,976)
Transmission and Distribution	(20,057)	(40,808)	(30,532)	(39,552)
Water Treatment	(23,487)	(19,883)	(23,692)	(54,494)
Customer Accounts	(5,360)	(8,568)	(15,209)	(6,407)
Meter Installations	-	(51,740)	-	-
General and Administrative	(81,552)	(76,835)	(59,331)	(105,171)
Legal Fees	(61,612)	(149,131)	(64,264)	(31,399)
Depreciation	(35,916)	(35,916)	(34,325)	(34,888)
Total Operating Expenses	(232,965)	(389,130)	(242,604)	(281,887)

Table 2-3: IBWD Financial Summary				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Operating Income/(Loss)	(32,175)	(183,263)	(6,491)	(19,161)
Non-Operating Revenues (Expenses)				
Investment Earnings	6,302	8,383	6,942	6,810
Interest Income	(72)	(36)	(1,662)	(2,407)
Other Expense	(677)	(467)	(754)	(1,157)
Total Non-Operating Revenue (Expenses)	5,553	7,880	4,526	3,246
Change in Net Position from Prior FY	(26,622)	(175,383)	(1,965)	(15,915)

Source: Rich Bowers, CPA 2021 and 2023.

Cash accounts for the District are summarized below in Table 2-4:

Table 2-4: IBWD Cash Accounts				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Cash in Checking and Savings	59,254	33,221	20,682	80,856
Capital Asset Assessments – Redwood Credit Union	247,597	224,663	503,364	466,913
Capital Asset Assessments – Mendocino County	366,298	372,092	-	-
Total Cash and Cash Equivalents	673,149	629,976	524,046	547,769

Source: Rich Bowers, CPA 2021 and 2023.

2.4.1.1 REVENUES AND EXPENDITURES

The District has historically generated revenue through two primary sources; water service charges and connection fees. On March 9, 2024, the Board voted to reinstate the 2002 capital improvement portion of the annual assessment collected on the property tax bills starting in FY 2024-25, which would yield approximately \$32,000 per year.

Expenses for the District vary by year. Legal fees represent a large amount of the expenses during years of litigation as shown in FY 2019. However, all expense costs are steadily rising and outpacing revenues.

Table 2-5: IBWD Revenues and Expenditures				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Revenue	207,092	214,250	243,055	269,536
Expenditures	233,713	389,633	245,020	285,441

Source: Rich Bowers, CPA 2021 and 2023.

2.4.1.2 ASSETS AND LIABILITIES

Table 2-6: Assets and Liabilities				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Assets	1,491,558	1,439,011	1,396,796	1,432,077
Liabilities	(362,912)	(485,748)	(445,498)	(496,694)

Source: Rich Bowers, CPA 2021 and 2023.

2.4.1.3 NET POSITION

As shown in Table 2-7 below, the District’s net position is steadily decreasing over time.

Table 2-7: IBWD Net Position				
	FY 18 (\$)	FY 19 (\$)	FY 20 (\$)	FY 21(\$)
Cash in Checking and Savings	1,128,646	953,263	951,298	935,383

Source: Rich Bowers, CPA 2021 and 2023.

2.4.2 Long Term Financial Considerations

2.4.2.1 RESERVES

The District does not maintain any formal policies related to reserves. As of February 2024, reserve funds totaled \$547,916.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

Safe Drinking Water Loan

The District’s Safe Drinking Water Loan was paid in full as of 2024 (LAFCo 2024b).

Litigation

In November 2009, a local developer-initiated court proceedings for inverse condemnation, claiming the District trespassed and inversely condemned private property for the drilling of a well.

On February 26, 2024, a final judgment was issued by the Mendocino County Superior Court in litigation entitled Moores v. Irish Beach Water District. The judgment ended a long-standing litigation, which took place in three phases:

- Phase One concerned the Moores' inverse condemnation liability claims against the District;
- Phase Two concerned the damages attributable to the finding of liability in Phase One; and
- Phase Three concerned all remaining claims of the Moores, including issues as to the Proposition (Prop) 218 assessment, declaratory and injunctive relief, trespass, unjust enrichment, and breach of contract. The judgement also addressed various attorney fees, costs, expert fees, and interest awards.

The Court found in favor of the Moores for Phase One and Phase Two. The Phase Two judgment awarded Moores \$25,000 plus some fees and costs. Regarding Phase Three, the parties partially settled these claims in 2016.

As to the remaining claims, the Court reviewed four components of the Proposition 218 special assessments: System Wide; Mallo Pass; Capital Replacements (greater than 40 years); and Loan Replacements. The Moores' claims concerned all but loan replacements. The Court found in favor of the Moores regarding the System Wide and Mallo Pass assessments and in favor of the District regarding the

Capital Replacement assessment. The Court also found in the District's favor regarding the Moores' claims of trespass, unjust enrichment, and breach of contract ([IBWD 2024c](#)). Plaintiffs sought \$632,470.00 in attorney's fees related to taking of T5 Well easement. The Trial Court awarded Plaintiffs \$48,614.00 in attorney's fees on July 8, 2024. Plaintiffs sought to recover trial-related costs in the amount of \$206,875.52. On July 8, 2024, the Trial Court awarded Plaintiffs their trial-related costs in the amount of \$16,984.00 ([IBWD 2024e](#)).

2.4.2.3 RATE RESTRUCTURING

The District charges fees for parcels connected to the water system. Each year the Board reviews water rates in conjunction with the annual budget and adjusts as required to assure that the water rates accurately reflect the needs of the approved budget including consideration of inflationary adjustments tied to the Consumer Price Index (CPI) as of January of each succeeding year with a maximum annual adjustment not to exceed three percent.

The current rate structure was adopted on September 14 , 2024 under [IBWD Resolution No. 2024-7](#) and reflects the following:

- Usage Rate (per 100 gallons) \$0.83
- Availability Charge / 1 month \$108.56
- Availability Charge / 2 months \$217.13

In May of 2022, the District increased the service connection fee to cover the estimated reasonable cost of materials and labor necessary to make connections to the District's water system. The District's current connection fees are listed below in Table 2-8.

Table 2-8: Connection Fees		
	¾ inch	1 inch
Materials& Equipment (Meter, EMR Upgrade, Pipes & Fittings, Backhoe)	\$338	\$1,138
Labor (Workers, Admin., Manager, Benefits)	\$187	\$398
Indirect Costs	\$75	\$75
Total Connection Fee	\$600	\$1,611

Source: LAFCo 2024b.

Proposition 218 was approved by California voters in November 1996 to ensure that the setting of all taxes and most charges to property owners be transparent and subject to voter approval. In addition, Proposition 218 seeks to curb some perceived abuses in the use of assessments and property-related fees, specifically the use of these revenue-raising tools to pay for general governmental services rather than property-related services ([O'Malley 1996](#)).

The District currently collects an annual assessment to fund the maintenance of and improvement of existing facilities. A previous capital assessment of the District's 459 parcels was suspended in 2017 pending the outcome of litigation. As previously mentioned, on March 9, 2024, the Board voted to reinstate the capital improvement portion of the 2002 District-wide Capital Improvement Assessment effective with FY 2024 - 2025 at the rate of \$72 per parcel, regardless of connection to the water system, which would yield approximately \$32,000 per year.

In April 2024, the District contracted with SCI Consulting Group to prepare an independent study and engineering report related to conducting the Proposition 218 process to approve assessments necessary to fund the maintenance, replacement, and/or improvement of the facilities that have been identified as part of this Proposition 218 process. On August 10, 2024, the Board approved the engineering report and moved to provide for the notice of hearing and the mailing of assessment ballots for the [Irish Beach Water District 2024 Water System Upgrade and Sustainability Assessment](#). The public hearing is scheduled for October 5, 2024.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

In 2023, the District recognized the need for a comprehensive assessment of its potable water system and engaged Hazen & Sawyer, Water Quality and Supply Engineers to prepare the report. The subsequent assessment, utilizing the existing asset pipeline inventory, identified a capital improvement plan (CIP) for the rehabilitation and replacements of potable pipes within the District over the next 25 plus years, including the replacement of over 3,000 feet of pipe and other infrastructure within one to five years. The complete technical memorandum from Hazen & Sawyer is available as Exhibit A of the 2024 Water System Upgrade and Sustainability Assessment.

During the February 2024 Board of Director's meeting, the Board voted to use the remaining funds from the capital replacement assessment to implement high priority projects identified during the 2024 Proposition 218 study. As of February 2024, the District's Capital Replacement Fund had a balance of \$101,557.

As previously noted, in August 2024 the Board moved to provide for the notice of hearing and the mailing of assessment ballots for the [Irish Beach Water District 2024 Water System Upgrade and Sustainability Assessment](#). If approved by parcel owners, this assessment along with funds from the reinstated 2002 assessment (capital replacement) would provide a stable and reliable source of revenue for long-term capital improvement planning for the District.

2.5 Growth

2.5.1 History

The Irish Beach Subdivision was originally a large sheep ranch purchased in the early 1960s by Bill Moores, Senior, a lumberman from Ukiah, California, whose ambition was to establish a second home development on the coast ([Irish Beach Rental Agency 2024](#)). The Subdivision was developed in 1967 and includes a total of 450 residential lots, 204 of which are currently developed.

2.5.2 Present and Planned Land Use and Development

The IBWD boundary is entirely located within the unincorporated area of Mendocino County. Mendocino County has land use authority over privately-owned lands within the District boundary and makes land use decisions based on the County's adopted General Plan and zoning regulations. The IBWD is also located in the coastal zone and is subject to the regulations of the Coastal Element, a part of Mendocino County's Local Coastal Plan (LCP) as approved by the Coastal Commission. Any proposed changes to the land use or development patterns of the District area must also be approved by the Coastal Commission.

2.5.2.1 LAND USE

The specific land use designations within the District according to the County's adopted General Plan are primarily rural residential uses with two open space parcels. The designations include the following:

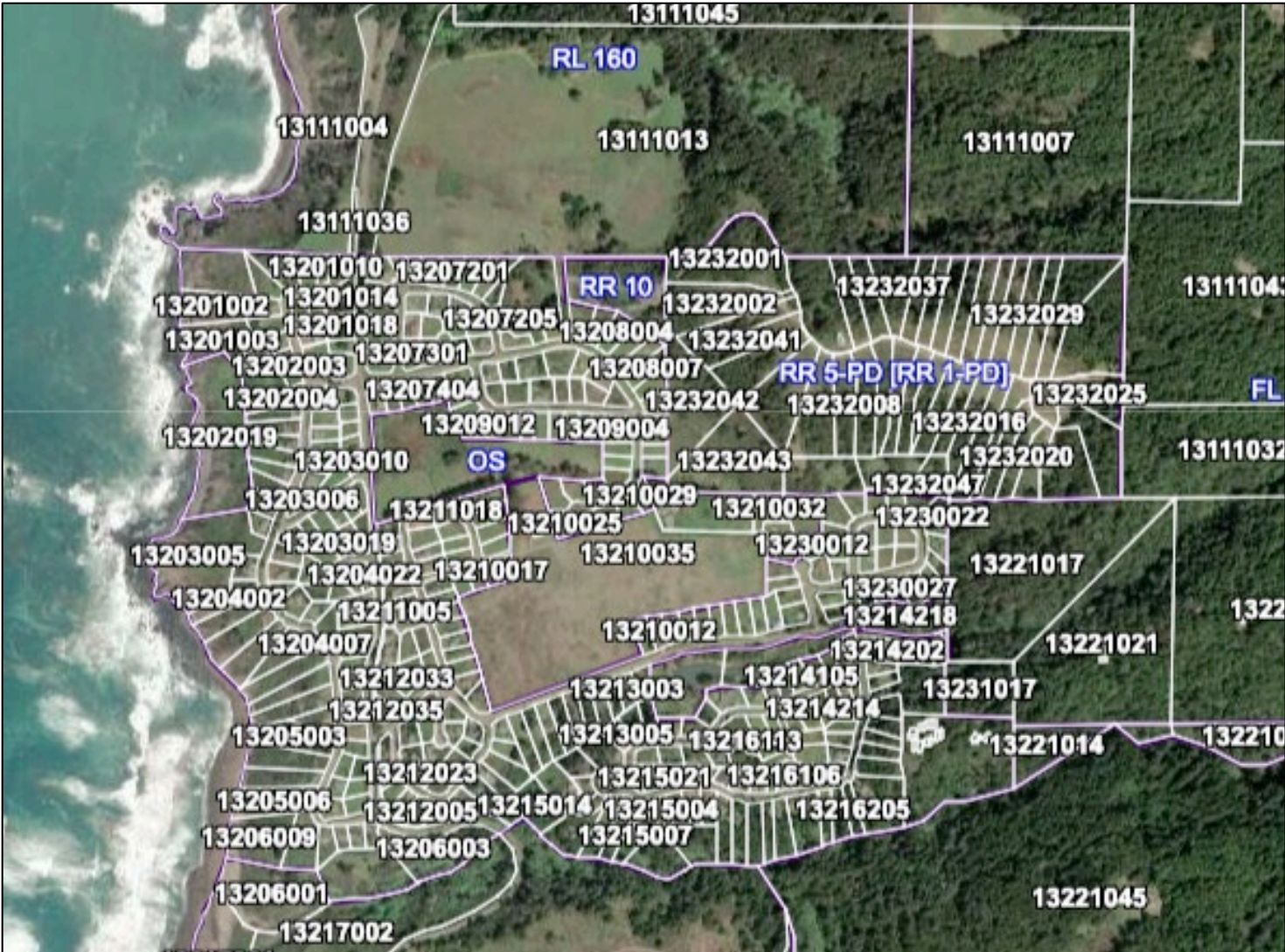
- Rural Residential, 10 acre minimum (RR10);
- Rural Residential, one acre minimum, (RR1);
- Rural Residential, one acre minimum: Planned Development, one acre minimum 1 (RR1:PD);
- Rural Residential, five acre minimum: Planned Development, five acre minimum (RR5:PD5); and
- Suburban Residential Planned Development (SR:PD).

Refer to Figure 2-5 for the Mendocino County General Plan land use map.

Two parcels located within the District's SOI are currently designated Rangelands (RL) with a Visitor Accommodation and Services Combining District (VAS) for hotel, inn, or motel use types (*2C) up to 20 units. These parcels, identified as the "Inn Site", are currently undeveloped and the property owner has an agreement with the District to provide services should the property ever be developed. However, given the constraints of the parcels, only a small portion of which is developable, it is unlikely that an inn of the maximum size would be feasible.

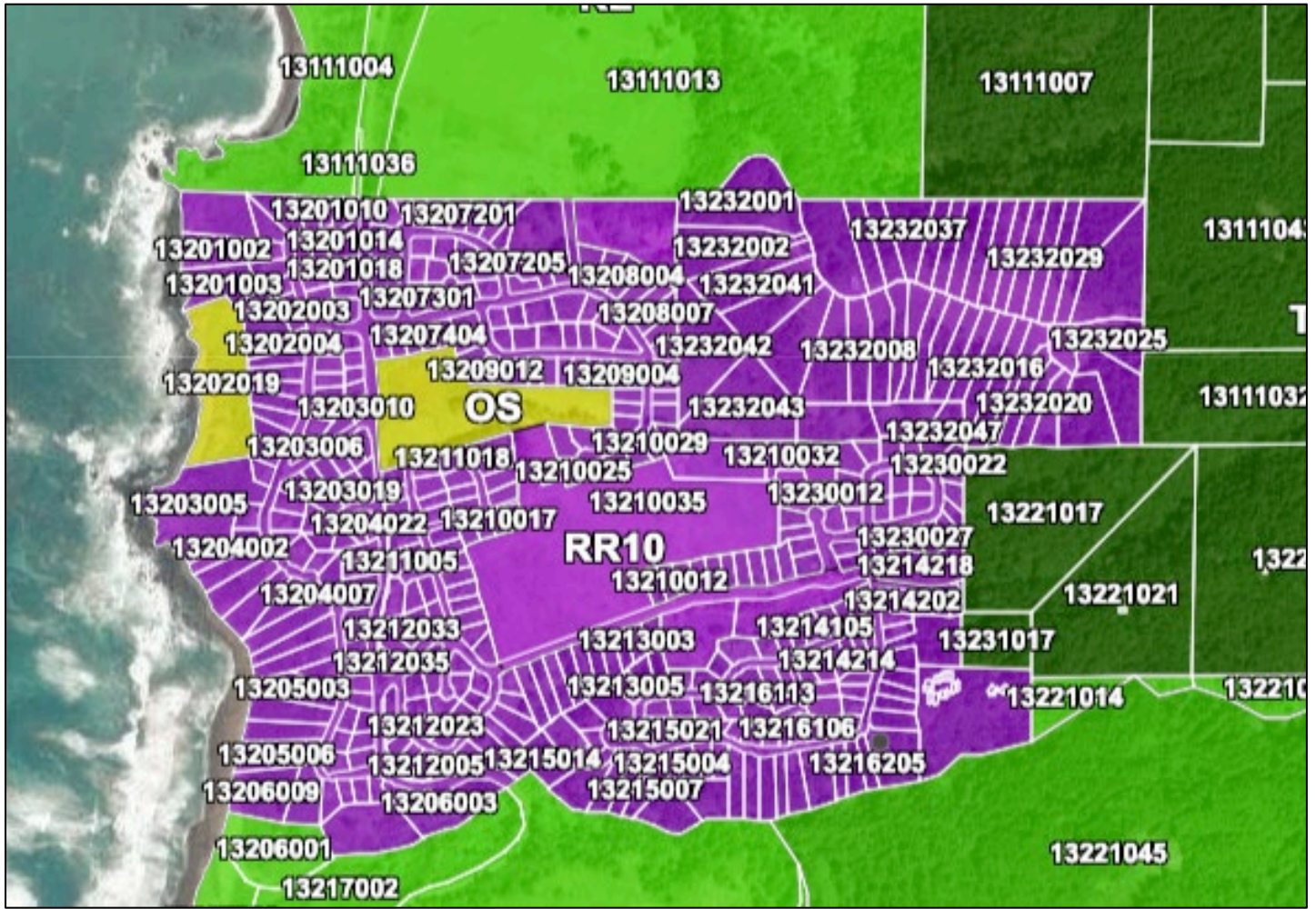
The surrounding parcels adjacent to the District boundary include a mix of open space uses including Rural Open Space (OS), Timber production (TP), and Rangeland (RL).

Figure 2-5: Mendocino County General Plan Land Use Map



Source: [Mendocino County 2024](#).

Figure 2-6: Mendocino County Zoning Map



Source: [Mendocino County 2024](#).

2.5.2.2 DEVELOPMENT

Future growth and development of the District is subject to the Mendocino County land use regulations. The County has adopted plans and policies to regulate growth, including a General Plan and a Zoning Ordinance. The County's Zoning Ordinance contains three major geographical zones: Inland, Coastal, and Mendocino Town. The Irish Beach area is included in the Coastal Zone ([County of Mendocino 2021](#)). As shown in Figure 2-6, the zoning map designates most of the Irish Beach Subdivision and surrounding parcels as single-family residential.

2.5.3 Existing Population

The limits of the District include the unincorporated community of Irish Beach, which consists of primary and secondary homes owned and occupied primarily by retirees. The nearest community is Manchester, which is a Census Designated Place (CDP) with a population of 153. Irish Beach is located within Census Tract 111.02 in Mendocino County, which has a population of 4,827 (1,968 households) and an MHI of \$83,135 ([U.S. Census Bureau 2022c](#)).

The number of water connections that the District serves (204) does not change throughout the year; however, demand for service increases seasonally. The District consists of a mixture of primary residences, second homes, and short-term vacation rental properties, though the exact number of each is unknown (LAFCo 2024b).

2.5.4 Projected Growth

The District's population is limited to residents within the Irish Beach community. Currently, 204 of the 450 lots in the Irish Beach Subdivision are developed. The anticipated growth of the District is limited to the development of the additional 246 lots. Currently, a population of approximately 254 people reside in Irish Beach year-round, which fluctuates with seasonal residents at various times of the year. Assuming the County's average of 2.46 people per household, full buildout of the Subdivision would result in an estimated population of 1,107 residents. However, while the District's original application for formation estimated a buildout population of 1,200, the District has since undergone several annexations, and the District has experienced little development within the remaining undeveloped areas. Historically on average the District has added one to two new connections per year (LAFCo 2024b).

The District anticipates little growth in resident population within the near-term (five years) and long-term (20 years) planning horizons. The projected population decline of 2.7 percent throughout the county suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document ([California Department of Finance 2024](#)). Fluctuating water availability also plays a role in the future development of the District. As it currently stands, the District has enough supply to provide water to 141 future connections (LAFCo 2024b). Given that the projected population trends countywide predict an overall decline in population and the existing number of undeveloped lots in the Subdivision, there is more than sufficient land for the District to accommodate any future development.

However, changes to California housing laws could result in a slight increase in development and density within the District beyond what is discussed above.

2.5.5 California Housing Goals

In 2017, the State of California passed SB 299 and SB 1069 to address the increasingly desperate need for affordable housing in the State. The legislation allowed local ordinances for Accessory Dwelling Unit (ADU) construction in districts zoned for single and multifamily residential uses. An ADU is a secondary dwelling

unit for one or more persons on the same parcel as a larger, primary dwelling. An ADU can either be attached or detached to the primary residential structure on the property but must include complete independent living facilities (including permanent provisions for entry, living, sleeping, eating, cooking and sanitation, and adequate water service and sewage disposal systems).

As codified by [GC §65852.150](#)¹⁷, the California Legislature found and declared that, among other things, allowing ADUs in zones that allow single-family and multifamily uses provides additional rental housing and is an essential component in addressing California's housing needs. In the years since, state ADU law has been revised to improve its effectiveness in creating more housing units.

New laws have since been passed which address barriers to their implementation at scale; for example, setting development criteria for ADUs, streamlined permit processing, and limiting impact fees. Implementation of state law requires updating local ordinances, estimating ADU capacity when used to address Regional Housing Needs Allocation (RHNA) in housing element updates, and a housing element program to incentivize and promote ADUs that can be offered at affordable rents.

As the state continues to pass legislation to help tackle the ongoing housing crisis, the inevitable impacts on service providers because of development will continue to mount. It is imperative that small districts such as IBWD stay up to date on legislative changes.

For additional information and data on housing legislation see Appendix 7.3.

2.6 [Disadvantaged Unincorporated Communities](#)

Senate Bill 244, which became effective in January 2012, requires LAFCo to evaluate any Disadvantaged Unincorporated Communities (DUCs), including the location and characteristics of any such communities, when preparing an MSR that addresses agencies that provide water, wastewater, or structural fire protection services¹⁸. A DUC is an unincorporated geographic area with 12 or more registered voters with a median household income (MHI) that is less than 80 percent of the State MHI. According to the United States American Community Survey (ACS) 2022 1-Year Estimates, the statewide MHI for California was \$91,551 ([U.S. Census Bureau 2022d](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for Severely Disadvantaged Unincorporated Communities (SDUCs) (less than 60 percent of the State MHI) is \$54,930.

Disadvantaged unincorporated communities are identified to address a myriad of issues from environmental justice to land use planning. Linking these disparate issues together, the sole statutory criterion for determination of a DUC is MHI. The smallest geographic units for which MHI data is publicly available are Census Block Groups. Outside of heavily urbanized areas, however, Census Block Groups are geographically expansive. They often include both incorporated and unincorporated territory and do not necessarily coincide with typically understood community boundaries. Although a block group might be identified as having a MHI of less than 80 percent, various portions of that block group could be significantly wealthier in rural areas, or the block group could split an otherwise contiguous community.

¹⁷ GC §65852.150 (2023) can be found here: [California Government Code § 65852.150 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

¹⁸ Technical advisory on SB 244 can be found here: https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf.

As a result, within rural areas, such as Mendocino County, assembling income data for specific unincorporated communities is not always straightforward. In Mendocino County, identifying and mapping DUC locations is a complex process because the delineation of DUC boundaries often differs from those common to the local agency and the public. Some entities, such as Sonoma County LAFCo and Stanislaus County, utilize CDPs to help provide usable geographies for DUC boundaries, but even then, mapping and data challenges persist. Median household income ratios are subject to adjustment over time and can result in a change to a community's disadvantaged status. Similarly, the number of registered voters can fluctuate during election years causing further variability. Senate Bill 244 describes the general characteristics of DUCs, but it does not provide specific guidance or methodology for how to identify them, other than providing the following criteria:

- Contains 10 or more dwelling units in close proximity to one another;
- Is either within a city SOI, is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has an MHI that is 80 percent or less than the statewide MHI
- For this analysis, per the California Association of Local Agency Formation Commissions (CALAFCO) recommendation, calculated the "MHI Threshold" i.e. 80 percent of the statewide MHI as \$73,240, per the ACS MHI data (the MHI for the State of California is \$91,551) ([U.S. Census Bureau 2022d](#)).
- Income data was sourced from the ACS 5-Year Estimates dataset for 2018-2022 and the 2022 ACS 1-Year Estimates.

This State legislation is intended to ensure that the needs of these communities are met when considering service extensions and/or annexations in unincorporated areas.

The smallest geographic unit with publicly available data that includes the District is a Census Block Group (Block Group 1). A Census Block Group is a smaller subdivision of a Census Tract, offering more detailed demographic information about an area. However, it is important to consider that Census Block Groups are generally geographically expansive in rural areas. Block Group 1 has a population of 1,108 (476 households; 273.2 square miles) and a MHI of \$66,300 which is lower than the MHI DUC threshold of \$73,240 ([U.S. Census Bureau 2022a](#)). For further comparison, the Census Tract that Block Group 1 is located within (Census Tract 111.02) has a population of 4,827 (1,968 households; 320.8 square miles) and a MHI of \$83,135 which is higher than the MHI DUC threshold ([U.S. Census Bureau 2022b](#)).

The Irish Beach community is a mixture of primary homes, second homes, and vacation rentals located immediately on the coastline. The District and surrounding areas have a notable amount of seasonal homes that are only occupied a portion of the year. As such, these high earning households tend to skew the data thus making it even more difficult to get an accurate representation of the District's representative MHI. Table 2-9 below summarizes the Census Tract and block group the District is in, as well as those adjacent to the District's boundary.

Census Tract	Census Block Group	Population	Number of Households	Median Household Income (MHI)
110.01	1	762	463	\$42,428
110.01	2	1,127	523	\$30,393
111.02*	1**	1,108	476	\$66,300
111.02	2	1,853	649	\$91,806
111.02	3	1,866	843	\$79,596
1543.08	1	935	463	\$86,806

* Census Tract IBWD is located within.

** Census Block Group IBWD is located within.

Data sourced from Census Reporter which utilized the ACS 2022 Estimates.

Source: [U.S. Census Bureau 2022a](#) and [2022e](#).

The residents within District receive adequate services with respect to water as provided by IBWD, and fire services which are provided by Redwood Coast Fire Protection District¹⁹. Wastewater services are provided by on-site septic systems with administrative oversight by the District. No service issues were brought to the attention of LAFCo staff during the preparation of this study.

¹⁹ The 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI can be found here: <https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>.

3 MUNICIPAL SERVICES

A Municipal Service Review (MSR) is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. The MSR determinations inform the Sphere of Influence (SOI) Update process and assist the Local Agency Formation Commission (LAFCo/Commission) in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapters 2 and 3 of this document form the basis for the MSR determinations provided under Section 3.4

This is the second MSR prepared for the District; the first was adopted by the Commission in October 2014.

3.1 Service Overview

3.1.1 Services

The District provides water services and monitoring and maintenance of the private and community septic systems for lot owners within the Irish Beach community.

3.1.2 Service Areas

The District encompasses 1,294 acres (2.02 square miles) and provides water service to 204 of 450 lots within the Irish Beach Subdivision (Subdivision); 246 lots remain undeveloped.

3.1.3 Out-of-Agency Services

The District is obligated to serve the "Inn Site" through a 2002 settlement agreement (Mendocino County Superior Court Case No. SCU-K-CVG-0083930) with the current property owner. This group of parcels, which are currently undeveloped, are located north of the District consists of approximately 17 acres and was included in the District's SOI in 1994. As part of this agreement, water services are provided by the District to two lots; accessor parcel numbers (APNs) 131-110-04 and 131-110-36 located within the Inn Site. The agreement indicates that the District will provide the equivalent of 10 hook-ups at the rate of 500 gallons per day (gpd) per hook-up appurtenant to the two lots (LAFCo 2024b). The District does not provide wastewater services to the Inn Site and is not obligated to provide wastewater services in the future.

3.2 Water

3.2.1 Service Overview

The District's water supply is regulated by the State Water Resources Control Board (SWRCB) Division of Drinking Water (SWRCB Permits No. 15580 and 20443). The District has five sources of water supply regulated under the State Division of Drinking Water ([Water System No. CA2310012](#)).

The District has three wells, two water diversion access points (Upper Irish Gulch and lower Irish Gulch), as well as an option to divert from Moores Creek / Pomo Lake. Infrastructure includes five water storage tanks, a pipeline network totaling 7.6 miles ranging from two to six inches in diameter, a hydrant system consisting of 41 hydrants, and a water treatment plant all of which are located on District-owned land, or property on which the District has an existing easement. The five water tanks are strategically located throughout the District as shown in Figure 3-3. Further, the location of wells owned and operated by the District can be found in Figure 3-2.

The District's primary water source is Irish Gulch, which fed by the adjacent Irish Creek located within District boundaries. There are two supply diversions in the Irish Gulch: the Upper Diversion and the Lower Diversion. Water is gravity fed from two intake sites to the District's water treatment plant. Additionally, the District also has two deep wells connected to a one-million-gallon (three acre-feet) aquifer in the hills east of the development. One well can pump out 11 gallons per minute (gpm), the second well can pump nine gpm, and the third pumps five gpm, which is an ample amount for the District. The wells are only for emergency use, only to be used if the surface water supplies are not adequate.

The water sources used by the District are as follows:

- Irish Gulch Upper Diversion
- Irish Gulch Lower Diversion
- Unit Well 9 (located east of the main Subdivision)
- Tank 5 Well (located southeast of Storage Tank 5)
- Tank 2 Well (located east of Tank 2; which was activated in 2024 and is currently pending permitting)

The District supplies an average of approximately 8,422,857 gallons annually to its 204 residential customers. Average daily use for the District is estimated at 23,076 gpd (111 gallons per residence per day on average), with an average peak day demand at 34,680 gpd (170 gallons per residence). The system is operating at approximately 31 percent capacity.

The District is currently in the process of identifying water supply sources for future growth. Development of water sources for future growth is contingent on District funding. The proposed 2024 assessment includes tentative plans for two new wells (LAFCo 2024b).

3.2.2 Service Adequacy

While the District does not have an Integrated Water Resources Master Plan (IWRMP), the 1998 Facility Planning document was used to address future water and infrastructure needs. The District's Board has reviewed water availability several times over the years; however, an IWRMP could be an option to consider when funding is available.

It is recommended that the District prioritize creating a planning document that plans for future water supplies to the community and analyzes the needs and deficiencies of the existing system.

3.2.2.1 WATER DEMAND AND CAPACITY

On average, the District supplies approximately 8,422,857 gallons annually to its 204 customers. Average daily use for the District is estimated at 23,076 gpd (111 gallons per residence per day on average), with an average peak day demand at 34,680 gpd (170 gallons per residence). See Table 3-1 for a summary of annual water demand over the past eight years.

	2016	2017	2018	2019	2020	2021	2022	2023
Million gallons (MG)	9.3	6.05	8.78	12.24	9.64	8.9	7.77	5.58
Acre-feet (AF)	28.54	18.58	26.96	37.58	29.6	27.31	23.85	17.13

Source: LAFCo 2024b.

The District's system is currently operating at approximately 31 percent capacity. The District maintains that the current water system capacity is adequately sized for existing development with some room for growth. Current capacity estimates an adequate water supply for 379 homes at 300 gpd per home.

Water Source	Permit No.	Capacity as of 2024 (gpm)
Irish Gulch Upper Diversion	2310012-002-002	12
Irish Gulch Lower Diversion	2310012-001-001	35
Unit 9 Well	2310012-004-004	9
Tank 5 Well	2310012-008-008	11
Tank 2 Well	WW21351	5
Total		72 gpm or 103,690 gpd

Source: LAFCo 2024b.

The District's primary water source is the Irish Gulch Upper Diversion, which diminishes in the fall, especially during drought conditions. When the Irish Gulch Upper Diversion supply gets too low, the Irish Gulch Lower Diversion source is brought online.

A Mitigated Negative Declaration (MND) prepared in 2007 for an extension of time for SWRCB Permit No. 15580 concluded that there will be insufficient water in Irish Gulch for the District, even if the entire stream flow is utilized. In response to these determinations, the SWRCB added mitigation limiting the diversions in Irish Gulch to 56.7 gpm at the Upper Diversion and 40.8 gpm at the Lower Diversion.

The District supplements its Irish Gulch water diversions with three groundwater wells. These wells are anticipated to have enough water to supplement the loss of stream flow during drought conditions. Additionally, Tank 2 Well is expected to be brought online in 2024, which will further supplement for the Irish Gulch (LAFCo 2024b).

3.2.2.2 DROUGHT CONTINGENCY PLANNING

The District does not have a formal drought contingency plan; however, the water system manager reviews operating and drought conditions with the Board at each meeting. The District updates policies and restrictions as needed based on current conditions. For further information, refer to the "Drought Information" web page on the [IBWD website](#).

In the time since the last MSR/SOI report was prepared for the District, cyclic drought conditions throughout the state have occurred, the most serious and recent being the 2021-2022 severe drought emergency, which has had significant impact on many of the County's water agencies.

Annual stream flows for the Irish Gulch have been dropping over time owing to reduced annual rainfall, a trend that has been improving in recent years. Historically, the stream has maintained sufficient flows for District diversions through the summer/fall until the rainy season and full stream flows return. While summer/fall flows have been reducing over time, 2021 was the first year the stream fell below the level necessary to draw and treat water.

Historically, the coastal communities of Elk and Irish Beach have supplied approximately 45,000 gallons of water per day to licensed water haulers serving homes and coastal communities that lack sufficient water resources. The District sells to individual licensed water haulers that haul District drinking water to tanks

north and south of the District; the District does not have records of the water delivery locations (LAFCo 2024b).

The District has taken various measures over the years to ensure an adequate water supply is available. In November of 2000 the District adopted [IBWD Resolution No. 2000-7](#), which enacted a moratorium on the drilling of groundwater wells within District boundaries indefinitely. This resolution was extended in 2016 until at least 2021 and has not been rescinded or modified to date.

In July 2015, the District adopted Resolution 2015-02, which established limits on outdoor watering. In July 2016, the District adopted [Resolution 2016-02](#) in response to strict State-mandated drought regulations, which determined that the District had adequate water supply to provide service to its present users for the next three years with reasonable voluntary drought conservation measures. Such measures include extending the well drilling moratorium and an overall reduction in water use by 15 percent, among other things. Since that time, the District has had sufficient water supply for the existing population during the drought conditions, including the severe drought of 2021-2022.

At the end of August 2021, drought conditions reduced surface water flow to a level that precluded sales to these coastal Mendocino County residents, which severely impacted water purchasers facing increasingly dire drought conditions and with no affordable place to purchase water. The District has recently had sufficient surface water flow to allow sales to resume (LAFCo 2024b).

Based on past concerns and the likelihood of drought conditions to occur in the future, LAFCo recommends that, given the volatility of water resources throughout the state and the District's reliance on groundwater, the District develop a drought contingency plan within the next five years.

3.2.2.3 REGULATORY PERMITS AND COMPLIANCE HISTORY

The Safe Drinking Water Act (SDWA) requires states to report drinking water information periodically to the United States Environmental Protection Agency (EPA). This information is maintained in a federal database, the Safe Drinking Water Information System (SDWIS) Federal Data Warehouse. According to the most recent data uploaded to SDWIS, IBWD appears to be in compliance with state monitoring requirements.

There are nine individual sampling sites tested as part of the SDWIS monitoring for IBWD:

- Irish Gulch Lower Diversion Intake – Not currently in use;
- Irish Gulch Upper Diversion Intake – Last sampled - 9/26/2023; Next sample date due 09/2024;
- Unit 9 Well – Last sampled – 9/23/2022; Next sample due date 09/2025;
- Treatment Plant – Irish Beach Treated – Last sampled - 9/26/2023; Next sample date due 09/2024;
- DBP 1502 – Last sampled – 9/26/2023; Next sample date due 09/2024;
- DBP 43491 Alta Mesa Road – Not currently in use;
- Tank 5 Well – Last sampled 12/20/2020; Next sample due date 09/2024;
- Treatment Plant Tank 5 Well – Not currently in use; and
- Lead and Copper – Last sampled 12/31/2023; Next sample due date 9/30/2024.

There have been no recent violations, and seven individual violations noted. The most recent violation was in 2018 and has been resolved. No site visits are reported on SDWIS. The last six years of Consumer Confidence Reports for the District are available on SDWIS.

The SWRCB has developed the Safe and Affordable for Equity and Resilience (SAFER) Dashboard to assess the risk drivers of California public water systems by using data from the SWRCB, the California Department of Water Resources (DWR), and the Office of Environmental Health Hazard Assessment.

For IBWD, the SAFER status and risk assessment results are “not at-risk” for system failure. Although many of the risk category thresholds score as “no risk”, it is worth noting that the SAFER Dashboard identified several thresholds in the accessibility and affordability categories as low, medium, and high risk. The threshold for drought and water shortage risk for small and rural communities was scored as “low risk” (top 25 percent of systems most at risk of drought and water shortage). The indicator for drinking water customer charges that meet or exceed 150 percent of statewide average drinking water charges at six hundred cubic feet level of consumption scored as “medium risk”. Further, the household socioeconomic burden score (combined score of 0.25 – 0.5) were scored as “medium risk”. The percentage of median household income (MHI) relative to the annual system-wide average residential water bill for six hundred cubic feet score (2.5 percent or higher) was indicated as “high risk”. Lastly, the absence of an intertie was scored as “high risk” under the accessibility risk level.

The SAFER Dashboard also identified missing data for three thresholds that fall under the financial capacity category. The dashboard did not provide a score for operating ratio, total net annual income, and cash/liquid reserves (SWRCB 2024).

3.2.2.4 NEEDS AND DEFICIENCIES

Based on information within the MSR, the provision of water services to the customers located in the District’s boundaries appears to be sufficient for the current population and customers. The District is continuing to upgrade its facilities with the replacement of two water tanks and improvements to another through grant funding obtained from the DWR. However, the District system has an estimated useful life that varies by type:

- Storage Tanks = 30-60 years;
- Pipelines = 40 years; and
- Wells = 25-35 years.

As such, much of the system is therefore in need of replacing and sourcing adequate funds for capital improvements are and will remain a challenge. It follows that the District may not be able to provide sufficient water supplies to existing residents in the future unless substantial funding for infrastructure is obtained. Maintaining the small system is an ongoing challenge and with such a limited customer base and small number of registered voters.

3.2.3 Facilities and Assets

The District has five water storage facilities, a pipeline network, hydrant system, and a water treatment plant, all of which are located on District-owned land, or on easements of property owned by others.

The District’s water treatment plant is comprised of three stages:

- 1) A flocculation stage where polymer is injected into the flow and allowed to mix in a serpentine chamber;
- 2) Backwashable sand and mixed media filtration tanks with 2000 square inches of surface, followed by;
- 3) A disinfection stage where sodium hypochlorite is injected before being sent into a 210,000 gallon clearwater holding tank.

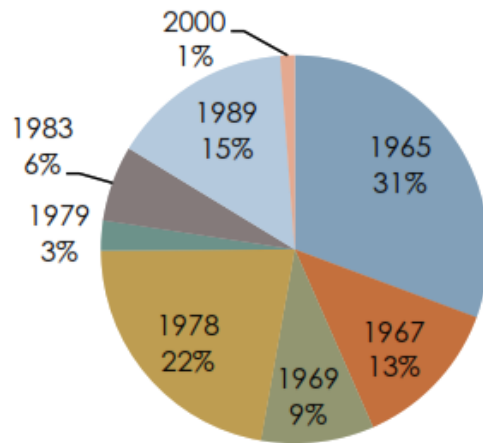
The District's storage facilities consist of five water tanks of varying capacity of which have been upgraded or replaced in recent years (see Table 3-4):

Source	Construction	Year Installed	Capacity (gallon)
Tank 1	Bolted steel	2013	210,000
Tank 2	In-ground gunite with metal roof	1972; new roof in 2023	60,000
Tank 3	Bolted steel	2010	84,000
Tank 4	In-ground gunite with wooden truss cover.	1989	125,000
Tank 5	Bolted steel	2023	11,000

Source: LAFCo 2024b.

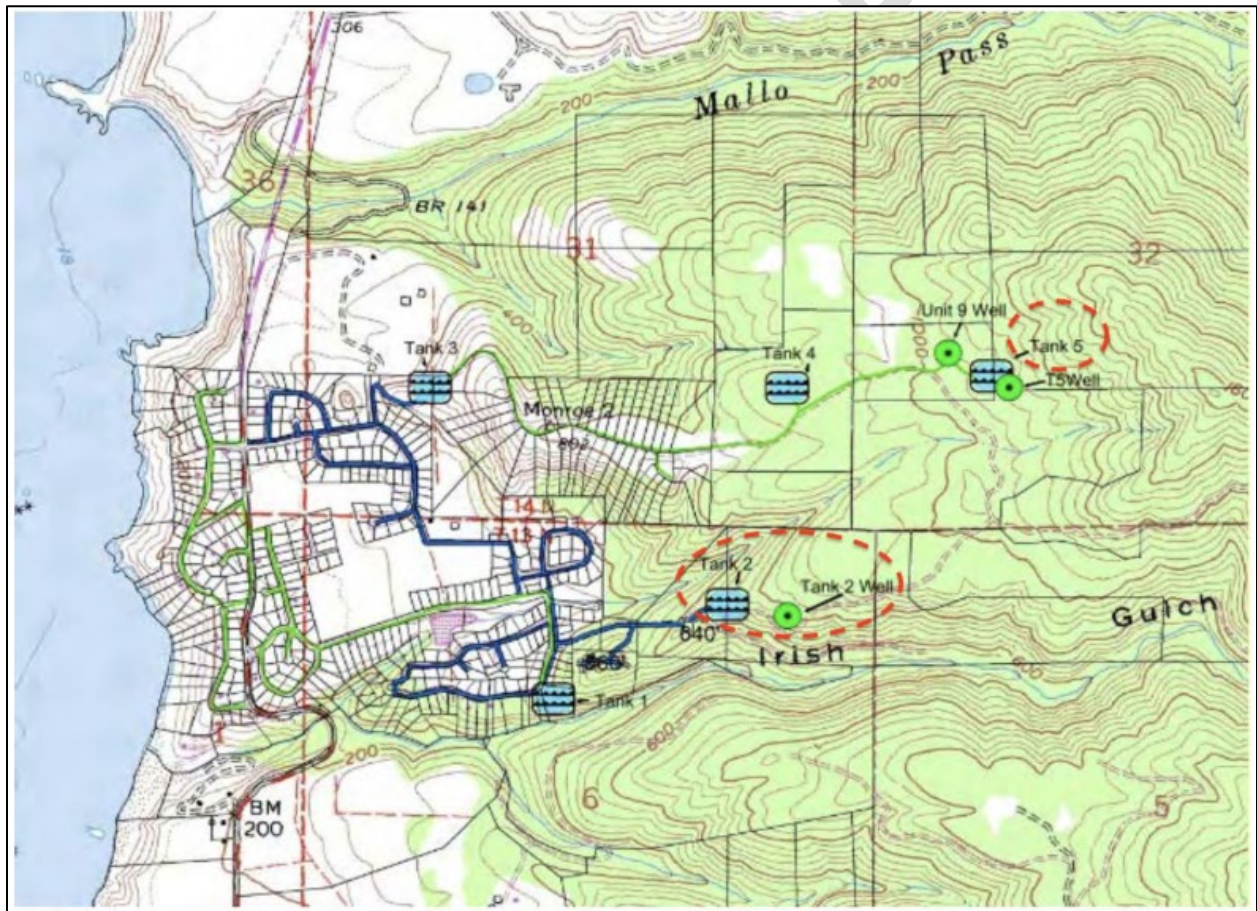
The distribution system consists of approximately 7.6 miles of pipeline ranging from two to six inches in diameter. Parts of the District's distribution system date from 1965, with sections added over the years, the newest of which was installed in 2021. Over 83 percent of the District's distribution and transmission system is more than 40 years old and has reached the end of its useful life span. See Section 2.4.2.3 to learn how the District is addressing aging infrastructure needs.

Figure 3-1: Distribution and Transmission Pipelines By Age



Source: [LAFCo 2014, pg. 70.](#)

Figure 3-2: IBWD Well Activation And Tank Replacement Project Locations



Source: [IBWD 2021, pg. 18.](#)

3.2.3.1 SYSTEM HISTORY

The District's Unit 9 Well was originally built by a developer in the 1970s before the Unit 9 area was annexed to the District ([LAFCo Resolution No. 75-14](#)). The well was transferred to the District in 1988 (LAFCo 2024b).

The District at one point held a permit for stream diversion from Mallo Pass Creek (Permit No. 16622) to ensure adequate water supply for undeveloped portions of the Irish Beach Subdivision. The permit was originally issued to an individual in 1974 and was assigned to the District by that individual in 1988. The permit's issuance included a condition that the project be completed within a specified time period, to which several extensions of time had been granted by the SWRCB. However, due to the slow pace of development and ongoing litigation, the project was not completed and on March 11, 2009, the SWRCB revoked the permit, finding that the water was not being put to 'beneficial use.' In September of 2009, the Board of Directors adopted Resolution 2009-1 officially abandoning the Mallo Pass Creek project and transferred assessment monies from that project to the new Alternative Water Development Fund (AWDF).

As a result, in 2008 the District built two new wells in addition to the existing Unit 9 Well; the Tank 5 Well, which is still in use, and the Tank 2 Well, which was built on an easement of a private lot was activated in 2024 and is still pending SWRCB permitting approval (LAFCo 2024b).

No further history of services was provided to LAFCo staff.

3.2.3.2 SYSTEM IMPROVEMENTS

The District's distribution system dates from 1965 and is almost 60 years old, while other sections have been improved over the years with the newest pipelines were installed in 2021. Approximately 83 percent of the District's distribution and transmission system is more than 40 years old. The District's oldest pipelines have reached their useful life expectancy, which suggests that replacement or upgrades to the distribution system should be prioritized.

The District's most recent improvements to the system are summarized below.

Raw Water Line

In 2016 the District replaced a nearly 4,000-foot-long raw water line from the Irish Gulch Upper Diversion point to the water treatment plant at the Rex Dunning Firehouse. The heavy-duty, three-inch polyethylene pipe was fused together and pulled into place with a portable winch to replace an old three-inch PVC line that was brittle and prone to failure.

O'Rorey's Roost Pipe Replacement

In 2016 the District replaced 1,630 feet of PVC pipe that has been the greatest source of leakage and emergency repairs in the District. The PVC pipe was replaced with C-900 and has a lifespan of 75 years.

Storage Tanks

As previously noted, water for the District is pumped from existing wells and stored in five water tanks. In recent years, the District has replaced two large storage tanks with modern epoxy-coated steel on concrete, free-standing water tanks.

Additionally, in 2022 the District was awarded a Small Community Drought Relief Program grant from the DWR totaling \$400,000. The projects were completed in FY 2023 – 2024 and included the following components:

- a) Installation of an 11,000-gallon bolted steel on concrete foundation water storage tank (\$120,000);
- b) Equipment and connection of Tank Well 2 to the water system (\$100,000); and
- c) Replacement of the containment roof on an existing 60,000-gallon in ground gunite water tank with an engineered metal roof (\$175,000).

Planned capital improvement projects are contingent on approval of the Proposition 218 initiative. A list of tentative projects from the [2024 Water System Upgrade and Sustainability Assessment](#) is included below as Table 3-4. If approved, the assessment will fund capital projects, which will be scheduled as part of the annual budgeting process.

3.2.3.3 ENGINEERING REPORTS

As previously noted, in 2023, the District engaged Hazen & Sawyer, Water Quality and Supply Engineers to prepare a District assessment, utilizing the existing asset pipeline inventory which identified a capital improvement plan. Subsequently, in April of 2024 the District contracted with SCI Consulting Group to prepare an independent study and engineering report relative to conducting a Proposition 218 process to approve assessments necessary to fund the maintenance, replacement, and/or improvement of the facilities that have been identified as part of this Proposition 218 process.

Table 3-4: Proposition 218 Projects Preliminary Plan

Capital Improvement Plan - 2024 Water System Upgrade and Sustainability Assessment

Time-frame	Quantity	Description	Acquisition Date, FY	Estimated Useful Life	Estimated Replacement Cost	Comments
Short	1 Ea.	Tank 3 - 84,000 gal - Bolted Steel on Concrete	2010	30-60	\$29,604	Bolted steel tank showing areas of coating damage. Special 2- part paint. exterior needs recoating.
Short	1,470 LF	6" PVC Pipeline, Valves & Connections	1978	40	\$266,592	O'Rorey's along North side of Pomo - South from O'Rorey's loop replacement, across Pomo Creek to Pump Station A at the bottom of Hillcrest. High risk - H&S recommendations.
Short	1 Ea.	Tank 4 - 125,000 Concrete Tank	1989	30-60	\$266,936	Wooden truss structure over tank: deteriorating roof & siding, carpenter ant & termite infestation rendering tank vulnerable to contamination. Cost effective to replace tank.
Short	Various	Water Treatment Plant Filters & Equipment	1985	10-15	\$91,292	Replaced failing parts as urgent repairs needed. Entire water plant filter assembly is showing age and needs replacement.
Mid	1,327 LF	6" PVC Pipeline, Valves & Connections	1978	40	\$441,082	From U5 to Hunolt - thin wall, glue joint, PVC through open space field. High risk - H&S recommendations.
Mid	1 Ea.	New Well A - Easement & Wellhead (Location TBD - connect to existing tank)	New	25-35	\$100,136	Expand system capacity to support build-out.
Mid	1 Ea.	Tank 1 - 210,000 gal - Bolted Steel on Concrete	2013	30-60	\$41,537	Bolted steel tank exterior will need recoating. Special 2- part paint.
Mid	1,200 LF	3" & 6" PVC Pipeline, Valves & Connections	1989	40	\$450,785	From Lot 3 to Tank T3 - deducted 250 LF replaced in Alta Mesa repaving project - remaining pipeline is glued joints and prone to failure. High risk - H&S recommendations.
Mid	1 Ea.	New Well A - Electrical, controls, pipeline (Location TBD - connect to existing tank)	New	25-35	\$253,959	Expand system capacity to support build-out.
Mid	1 Ea.	New Well B - Easement & Wellhead (Location TBD - connect to new tank)	New	25-35	\$128,758	Expand system capacity to support build-out.
Mid	1 Ea.	New Well B - Electrical, controls, pipeline (Location TBD - connect to new tank)	New	25-35	\$272,741	Expand system capacity to support build-out.
Mid	1 Ea.	New Tank B - bolted steel on concrete (Location TBD - connect to new well)	New	30-60	\$525,834	Expand system capacity to support build-out.
Long	935 LF	4" & 6" PVC Pipeline, Valves & Connections	1978	40	\$360,541	Unit V - High risk - H&S recommendations.
Long	1,110 LF	6" PVC Pipeline, Valves & Connections	1989	40	\$721,012	Unit IX - High risk - H&S recommendations.
					\$3,950,808.39	

Source: [SCI Consulting Group 2024, pg. 47.](#)

3.3 Wastewater Services

3.3.1 Service Overview

In 1980, under [California Health and Safety Code \(HSC\) Section \(§\) 6950-6982 et seq.](#)²⁰, the District added a wastewater disposal zone to its purview and currently provides maintenance oversight of existing and future private and community septic systems, which are regulated under [SWRCB Waste Discharge Requirements \(WDRs\) Order No. 93-10](#). The District provides administrative/monitoring services for 204 private septic systems within the District boundary.

When formed, the District estimated wastewater quantity was 25,000 gpd from 150 residences with projected quantities reaching 80,000 gpd from 400 residences (buildout of District). At this time, the total buildout is expected to potentially decline based on parcel mergers and current average water use; the District expects wastewater to reach approximately 55,000 gpd at total buildout (LAFCo 2024b).

The District's wastewater responsibilities are limited to maintaining individual wastewater disposal system records including date of installation, as-built plans of installed systems, and service records of individual systems. The District also sends new owners and owners of new systems information regarding maintenance practices that should be followed and local contractors that provide such services. To enforce this, IBWD passed [Resolution No. 93-5](#), which requires that all septic tanks be inspected and/or pumped if necessary every five years by a registered sanitarian or a septic tank operator.

3.3.2 Service Adequacy

The District's responsibilities are limited to monitoring and maintenance records for on-site septic systems. There appears to be adequate staffing to provide the administrative functions of this service; therefore, the District's wastewater service appears to be adequate.

3.3.3 Facilities and Assets

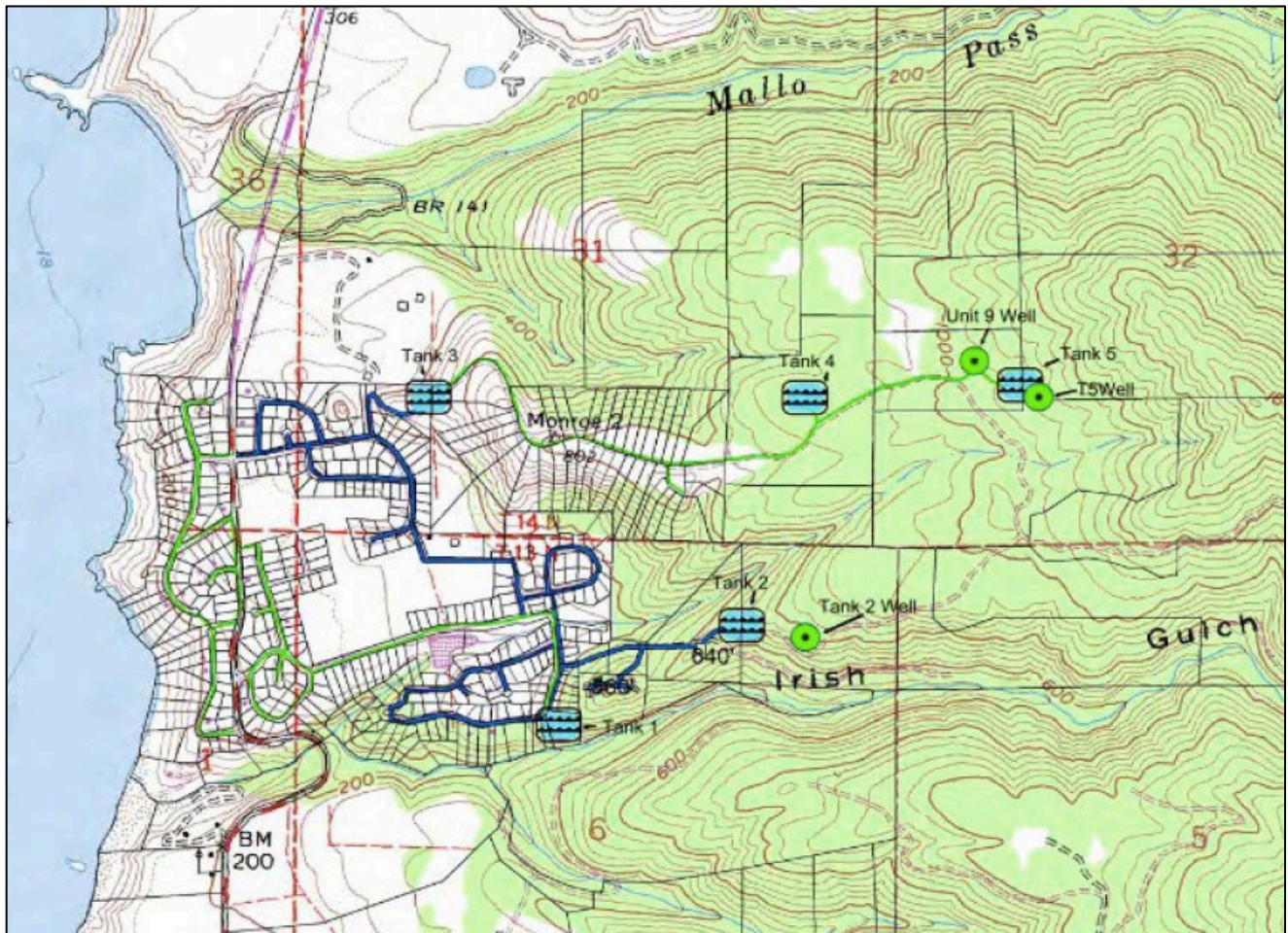
The District does not own, lease, operate, or maintain any wastewater facilities or collection systems.

3.3.3.1 SYSTEM HISTORY

In 2011, the Board of Directors determined that it was necessary and proper, given the lack of existing status quo, to adopt a resolution establishing a discharge limit with respect to the disposal of waste or activity which might contaminate the waters of the state flowing through the IBWD. This action was not in response to any contamination.

²⁰ HSC §6955 et seq. can be found here: [Codes Display Text \(ca.gov\)](#).

Figure 3-3: IBWD Facilities



Source: [SCI Consulting Group 2024, pg. 5.](#)

3.3.3.2 SYSTEM IMPROVEMENTS

Because the District does not own or operate any wastewater system facilities or components, no system improvements have been identified.

3.3.3.3 ENGINEERING REPORTS

The District reported that there is no history of any engineering reports being prepared to analyze wastewater services (LAFCo 2024b).

3.4 Determinations

This section presents the required MSR determinations pursuant to [GC §56430\(a\)](#) for the District²¹.

²¹ GC §56430(a) (2023) can be found here: [California Government Code § 56430 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia.](#)

3.4.1 MSR Review Factors

3.4.1.1 GROWTH

Growth and population projections

1. Of the 450 lots in the District, 204 are developed with residences. The District is currently at 45 percent of total buildout.
2. A population of approximately 254 people reside in Irish Beach year-round, which fluctuates with seasonal residents at various times of the year.
3. The District consists primarily of second homes and short-term vacation rental properties.
4. The number of water connections that the District serves (204) does not change throughout the year, but demand for service increases seasonally.
5. As it currently stands, the District has enough supply to provide water to 141 future connections. Given that the projected population trends Countywide predict an overall decline in population and the existing number of undeveloped lots in the Subdivision, there is more than sufficient land for the District to accommodate any future development.

3.4.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the SOI

6. The District is wholly located in a Census Block Group. Because the MHI of the block group is lower than the statewide MHI DUC threshold of \$73,240, by this measure, it would meet the income threshold to qualify as a DUC. However, the District and surrounding areas have a notable number of seasonal homes that are only occupied a portion of the year; as such, these high earning households tend to skew the data, making it difficult to get an accurate representation of the District's representative MHI.
7. The residents of the Irish Beach community are receiving the essential municipal services of fire, water, and limited wastewater. Water services provided by the District could be improved by addressing aging infrastructure needs which it is actively meeting. With respect to wastewater services, customers within the District utilize individual septic tanks for their wastewater needs for which the District provides administrative oversight over.

3.4.1.3 CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

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

8. The District was established in 1967 to provide water collection, treatment, and disposal service to the Irish Beach Subdivision (Subdivision).
9. Of the 450 residential lots in the Subdivision, the District provides water services to 204 lots.
10. The IBWD system has sufficient water supply and capacity to serve existing connections as well as 141 future connections; however, the District does not currently have sufficient capacity for the complete buildout of the Subdivision.
11. The District serves an out-of-agency area known as the "Inn Site" per settlement agreement; APNs 131-110-04 and 131-110-36 which are currently undeveloped and consist of approximately 17 acres. The District provides water services to two lots at the Inn Site.

12. The District's water supply is regulated by the SWRCB Division of Drinking Water Permits No. 15580 and 20443.
13. The District has five sources of water, consisting of both surface and groundwater resources. The District's primary water source is the Irish Gulch, which is fed by the adjacent Irish Creek. There are two access diversions in the Irish Gulch: the Upper Diversion and the Lower Diversion. The District also utilizes three active wells (Well 9, Tank Well 2, and Tank 5 Well).
14. The District supplies an average of approximately 8,422,857 gallons annually to its 204 residential customers. Average daily use for the District is estimated at 23,076 gpd (111 gallons per residence per day on average), with an average peak day demand at 34,680 gpd (170 gallons per residence).
15. The system is operating at approximately 31 percent capacity.
16. The District provides adequate water services to its customers despite fluctuating drought conditions. However, the District should establish a drought contingency plan to ensure adequate supplies for its customers in future drought conditions.
17. Parts of the District's distribution system date from 1965, with sections added over the years, the newest of which was installed in 2021. A total of over 83 percent of the District's distribution and transmission system is more than 40 years old. The District should develop a capital improvement plan to identify and prioritize system needs and consider funding sources for implementing the improvements.
18. In 1980, under [HSC §6955 et seq.](#), the District added a wastewater disposal zone to its purview and currently provides maintenance and administrative oversight of existing and future private and community septic systems. The District monitors, ensures maintenance and repair, and informs and maintains records of individual septic systems.
19. There are currently 204 septic systems being monitored within the District boundaries.
20. The District does not own or operate any wastewater collection, treatment, or disposal facilities.

3.4.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services

21. The IBWD is funded through service charges, fees, and tax assessments.
22. The District continues to research various funding options for development of additional water sources and implementation of capital improvements.
23. The District has a good bond rating.
24. In 2023, the District contracted Hazen & Sawyer, Water Quality and Supply Engineers to prepare an assessment, utilizing the existing asset pipeline inventory, which identified a capital improvement plan (CIP) for the rehabilitation and replacements of potable pipes within the District over the next 25 plus years, including the replacement of over 3,000 feet of pipe and other infrastructure within 1-5 years.
25. During the February 2024 Board of Director's meeting, the Board voted to use the remaining funds from the capital replacement assessment to implement high priority projects identified during the 2024 Proposition 218 study.
26. As of February 2024, the District's Capital Replacement Fund had a balance of \$101,557.
27. In August 2024, the Board moved to provide for the notice of hearing and the mailing of assessment ballots for the [Irish Beach Water District 2024 Water System Upgrade and Sustainability Assessment](#). If approved by parcel owners, this assessment along with funds from the reinstated 2002 assessment (capital replacement) would provide a stable and reliable source of revenue for long-term capital improvement planning for the District.

3.4.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

28. The District holds in-person meetings at the Rex Dunning Firehouse, also known as the Irish Beach Fire House, owned by the District.
29. The District informally shares operating resources with the Elk County Water District (ECWD) to the north of the IBWD, which streamlines communication and coordinating efforts.
30. No further opportunities for facility sharing were identified.

3.4.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

31. The District demonstrated accountability through its disclosure of information requested by LAFCo for preparation of this MSR.
32. The District IBWD follows standard accounting procedures and practices cost reduction through careful purchasing, bidding processes, and other mechanisms.
33. The District maintains a policy handbook that guides the activities and operations of the Board, which is posted on the District website.
34. The District does not currently have a strategic plan that outlines its mission statement, vision statement, and goals and objectives. Such a strategic plan could help the District improve upon 1) planning efforts, 2) accountability and transparency, and 3) plan for and prioritize facilities and system upgrades.
35. The District provides accountability to its constituents through holding board meetings at the Rex Dunning Firehouse, maintaining current meeting records and notices on its website, posting notices and reports in suitable public places, and preparing annual reports.
36. To ensure compliance with Senate Bill 929 website compliance requirements for local governments, the District should review Appendix B – Website Compliance Handout of this report and implement outstanding items.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo/Commission) prepares a Municipal Service Review (MSR) prior to or in conjunction with the Sphere of Influence (SOI) Update process. An SOI Update considers whether a change to the SOI, or probable future boundary, of a local government agency is warranted to plan the logical and orderly development of that agency in a manner that supports Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) Law and the Policies of the Commission. The MSR and required determinations are presented in Chapters 2 and 3 of this document and form the basis of information and analysis for this SOI Update. This chapter presents the SOI Update and required determinations pursuant to California Government Code (GC) Section (§) [56425\(e\)](#)²².

4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying an SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with LAFCo policies.

The following SOI policies are from the Mendocino LAFCo Policies and Procedures Manual²³, adopted November 5, 2018.

10.1.1 Legislative Authority and Intent

A sphere of influence is the probable 20-year growth boundary for a jurisdiction's physical development. The Commission shall use spheres of influence to:

- a) promote orderly growth and development within and adjacent to communities;
- b) promote cooperative planning efforts among cities, the County, and special districts to address concerns regarding land use and development standards, premature conversion of agriculture and open space lands, and efficient provision of public services;
- c) guide future local government reorganization that encourages efficiency, economy, and orderly changes in local government; and
- d) assist property owners in anticipating the availability of public services in planning for the use of their property.

10.1.2 Definitions

The Commission incorporates the following definitions:

- a) an "establishment" refers to the initial development and determination of a sphere of influence by the Commission;
- b) an "amendment" refers to a limited change to an established sphere of influence typically initiated by a landowner, resident, or agency; and

²² GC §56425(e) (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

²³ The Mendocino LAFCo Policies and Procedures Manual can be found here: <http://www.mendolafco.org/policies.html>.

- c) an “update” refers to a comprehensive change to an established sphere of influence typically initiated by the Commission.

10.1.3 Sphere Updates

In updating spheres of influence, the Commission’s general policies are as follows:

- a) The Commission will review all spheres of influences every five years for each governmental agency providing municipal services. Municipal services include water, wastewater, police, and fire protection services.
- b) sphere of influence changes initiated by any agency providing a municipal service generally require either an updated or new service review unless LAFCo determines that a prior service review is adequate.
- c) spheres of influence of districts not providing municipal services including, but not limited to, ambulance, recreation, hospital, resource conservation, cemetery, and pest control shall be updated as necessary.

10.1.4 Reduced Spheres

The Commission shall endeavor to maintain and expand, as needed, spheres of influence to accommodate planned and orderly urban development. The Commission shall, however, consider removal of land from an agency’s sphere of influence if either of the following two conditions apply:

- a) the land is outside the affected agency’s jurisdictional boundary but has been within the sphere of influence for 10 or more years; or
- b) the land is inside the affected agency’s jurisdictional boundary but is not expected to be developed for urban uses or require urban-type services within the next 10 years.

10.1.5 Zero Spheres

The Commission may adopt a “zero” SOI encompassing no territory for an agency. This occurs if LAFCo determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency (e.g., mergers, consolidations). The local agency which has been assigned a zero sphere should ultimately be dissolved.

10.1.6 Service Specific Spheres

If territory within the proposed sphere boundary of a local agency does not need all of the services of the agency, a “service specific” sphere of influence may be designated.

10.1.7 Agriculture and Open Space Lands

Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency’s SOI unless the area’s exclusion would impede the planned, orderly, and efficient development of the area. In addition, LAFCo may adopt an SOI that excludes territory currently within that agency’s boundaries. This may occur when LAFCo determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation

would be jeopardized by inclusion within an agency's sphere. Exclusion of these areas from an agency's SOI indicates that detachment is appropriate.

10.1.8 Annexations Are Not Mandatory

Before territory can be annexed to a city or district, it must be within the agency's SOI ([GC §56375.5](#))²⁴. However, territory within an agency's sphere will not necessarily be annexed. A sphere is only one of several factors that are considered by LAFCo when evaluating changes of organization or reorganization.

10.1.9 Islands or Corridors

Sphere of influence boundaries shall not create islands or corridors unless it can be demonstrated that the irregular boundaries represent the most logical and orderly service area of an agency.

10.1.10 Overlapping Spheres

LAFCo encourages the reduction of overlapping spheres of influence to avoid unnecessary and inefficient duplication of services or facilities. In deciding which of two or more equally capable agencies shall include an area within its SOI, LAFCo shall consider the agencies' service and financial capabilities, social and economic interdependencies, topographic factors, and the effect that eventual service extension will have on adjacent agencies. Where an area could be assigned to the SOI of more than one agency, the following hierarchy typically applies:

- a) inclusion within a city's sphere;
- b) inclusion within a multi-purpose district's sphere; and
- c) inclusion within a single-purpose district's sphere.

Territory placed within a city's sphere indicates that the city is the most logical provider of urban services. LAFCo encourages annexation of developing territory (i.e., area not currently receiving services) that is currently within a city's sphere to that city rather than to one or more single-purpose special districts. LAFCo discourages the formation of special districts within a city's sphere. To promote efficient and coordinated planning among the county's various agencies, districts that provide the same type of service shall not have overlapping spheres.

10.1.11 Memorandum of Agreements (For City Sphere Amendments and Updates)

Prior to submitting an application to LAFCo for a new city SOI or a city SOI Update, the city shall meet with the County to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements as contained in [GC §56425](#)²⁵. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt an SOI for the city consistent with the policies adopted

²⁴ GC §56375.5 (2023) can be found here: [California Code, Government Code - GOV § 56375 | FindLaw.](#)

²⁵ GC §56425 (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia.](#)

by LAFCo and the County, and LAFCo shall give great weight to the agreement to the extent that it is consistent with LAFCo policies in its final determination of the city sphere.

10.1.12 Areas of Interest

LAFCo may, at its discretion, designate a geographic area beyond the SOI as an Area of Interest (AOI) to any local agency.

- a) an AOI is a geographic area beyond the sphere of influence in which land use decisions or other governmental actions of one local agency (the "Acting Agency") impact directly or indirectly upon another local agency (the "Interested Agency"). For example, approval of a housing project developed to urban densities on septic tanks outside the city limits of a city and its sphere of influence may result in the city being forced subsequently to extend sewer services to the area to deal with septic failures and improve city roads that provide access to the development. The city in such a situation would be the Interested Agency with appropriate reason to request special consideration from the Acting Agency in considering projects adjacent to the city;
- b) when LAFCo receives notice of a proposal from another agency relating to the Area of Concern, LAFCo will notify the Interested Agency and will consider its comments; and
- c) LAFCo will encourage Acting and Interested Agencies to establish joint powers agreements or other commitments as appropriate.

4.2 Existing Sphere of Influence

The Irish Beach Water District's SOI was last updated in 2016 and is coterminous with the inclusion of an area adjacent to the northwest corner of the District known as the "Inn Site" (accessor parcel numbers (APNs) 131-110-04 and 131-110-36), which consists of approximately 17 acres.

The District considers the current SOI to be appropriate (LAFCo 2024b).

4.2.1 Study Areas

Study areas are unique to a specific agency and are used to define the extent of one or more locations for SOI analysis purposes. Study areas may be created at different levels of scope and/or specificity based on the circumstances involved. The following descriptions demonstrate the array of scenarios that may be captured by a SOI study area:

- an area with clear geographic boundaries and scope of service needs based on years of interagency collaboration or public engagement and a project ready for grant funding or implementation;
- an area involving broader community regions or existing residential subdivisions with a large or long-term vision in need of fostering and/or establishing interagency partnerships;
- an area in early stages of conception that is not currently geographically well-defined and generally involves one or more ideas identified by agency or community leaders needing further definition;
- an area geographically defined by a gap between the boundaries of existing public service providers; and
- an area adjacent to an existing agency's boundary slated for development needing urban services.

Study areas can result in a proposed SOI or sphere expansion area or the designation of an AOI to earmark areas for enhanced interagency coordination or for future SOI consideration.

There are no study areas in or immediately surrounding the Irish Beach Water District (IBWD/District).

4.2.2 Area of Interest Designation

LAFCo's Area of Interest Policy, per Section 10.1.12, provides for the designation or identification of unincorporated areas located near to, but outside the jurisdictional boundary and established SOI of a city or district, in which land use decisions or other governmental actions of another local agency directly or indirectly impact the subject local agency.

An AOI designation serves as a compromise approach that recognizes situations involving challenging boundary or municipal service delivery considerations, or for which urbanization may be anticipated in the intermediate or long-range planning horizons. It is a tool intended to enhance communication and coordination between local agencies.

An AOI designation is most helpful when the county and city or district can reach agreement that development plans related to LAFCo designated AOI will be treated the same as if these areas were within the city or district SOI boundary, particularly regarding notification to and consideration of input from the city or district.

No AOIs have been identified for the IBWD (LAFCo 2024b).

4.3 Proposed Sphere of Influence

There are no proposed changes to the SOI at the time.

The District considers its SOI to be appropriate and does not provide services to any properties outside the SOI boundary.

Additionally, as previously noted, there is an existing relationship between the District and Elk County Water District (ECWD) in which the two share operational resources. As such there is potential for further collaboration between the two.

4.4 Consistency with LAFCo Policies

Mendocino LAFCo has established local policies to implement its duties and mandates under the CKH Act. This section identifies potential inconsistencies between the proposed SOI and LAFCo policies.

The proposed District SOI is consistent with Mendocino LAFCo policies (refer to Section 1.4 for the specific SOI policies).

4.5 Determinations

In determining the SOI for an agency, LAFCo must consider and prepare written determinations with respect to five factors as outlined in [GC §56425\(e\)](#)²⁶. These factors are as follows:

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;

²⁶ GC §56425(e) (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia.](#)

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; and
5. The present and probable need for public facilities and services (including sewers, municipal and industrial water, or structural fire protection) of any disadvantaged unincorporated communities within the existing Sphere of Influence.

LAFCo staff propose no change to the existing SOI for the District and recommend the Commission approve the SOI determinations as presented below.

4.5.1 Present and planned Land Uses

The entirety of the District is located south of the community of Elk and north of the City of Point Arena in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and agricultural. Future development in the District is limited to buildout of the remaining 246 residential lots within the Irish Beach Subdivision, however the IBWD system has sufficient water supply and capacity to serve existing connections as well as 141 future connections. Based on population projections for the County, it is likely buildout of the residential parcels will not occur until well beyond the planning horizon of this document. Based on the District's location in the coastal zone, the area is subject to additional development regulations, and land use changes in the area must be approved by both the County and Coastal Commission.

4.5.2 Present and probable need for facilities and services in this area

The District provides water services to 204 residential connections and provides wastewater oversight services to 204 customers. The District also provides out-of-agency water service to the "Inn Site" which are currently undeveloped and consist of approximately 17 acres (accessor parcel numbers (APNs) 131-110-04 and 131-110-36) per a settlement agreement. The service area is limited to the boundaries of the Irish Beach Subdivision located immediately east of State Highway 1. The District anticipates little growth in resident population within the near term (five years) and long-term planning horizon (20 years). While there are currently 246 undeveloped lots it is anticipated the District can accommodate 141 lots of future development. Further, the projected population decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document.

4.5.3 The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

The District utilizes five main sources of water. The District's primary water source is the Irish Gulch, which is fed by the adjacent Irish Creek. There are two access diversions in the Irish Gulch: the Upper Diversion and the Lower Diversion. The District also utilizes three active wells (Well 9, Tank 2 Well, and Tank 5 Well). The District supplies an average of approximately 8,422,857 gallons annually to its 204 residential customers. Average daily use for the District is estimated at 23,076 gallons per day (gpd) (111 gallons per residence per day on average), with an average peak day demand at 34,680 gpd (170 gallons per residence). The system is operating at approximately 31 percent capacity. The current water system capacity appears to be adequately sized for existing development with some room for growth. Given the low anticipated growth rate, the District should have sufficient water supply and service capability for the planning horizon of this document. On March 9, 2024, the Board voted to approved reinstatement of the capital replacement portion of the 2002 District-wide Capital Improvement Assessment effective with

Fiscal Year (FY) 2024-2025. In addition, on October 5, 2024, the Board ordered the level of assessments for the 2024 Water System Upgrade and Sustainability Assessment effective with FY 2024-2025. Combined, these assessments will ensure that the District is positioned to provide water services for the foreseeable future.

4.5.4 The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

The IBWD serves the community of Irish Beach which is the primary community of interest for this SOI Update. There are no other communities identified in the immediate area.

The District is located within the unincorporated coastal zone of Mendocino County just south of the community of Elk and north of the City of Point Arena. Most of the coastal area is made up of rural uses and is geographically isolated from other communities. Given its isolated location and financial standing, no additional communities of interest have been identified for the District. However, given the existing relationship between the District and ECWD in which the two share operational resources, there is potential for further collaboration between the two.

4.5.5 The present and probable need for public facilities and services of any disadvantaged unincorporated communities

The District is wholly located in a Census Block Group. Because the median household income (MHI) of the block group is lower than the statewide MHI disadvantaged unincorporated community (DUC) threshold of \$73,240, by this measure, it would meet the income threshold to qualify as a DUC. However, the District and surrounding areas have a notable number of seasonal homes that are only occupied a portion of the year; as such, these high earning households tend to skew the data, making it difficult to get an accurate representation of the District's representative MHI.

Residents of the Irish Beach community are currently receiving the essential municipal services of fire and water at adequate service levels. Wastewater is provided by private on-site septic systems, which are monitored by the District and regulated by the Mendocino County Department of Environmental Health. No health or safety issues have been identified.

4.6 Recommendation

Pursuant to [California Water Code \(WAT\) §34000 et seq.](#), and [California Health and Safety Code \(HSC\) §6955](#), the Commission does hereby establish the functions and classes of services provided by the IBWD as limited to providing water and wastewater monitoring and maintenance services. Based upon the information contained in this report, it is recommended that the District Service Area Boundary and SOI for all services remain unchanged and coterminous.

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6 ACKNOWLEDGEMENTS

6.1 Report Preparation

This Municipal Service Review and Sphere of Influence Update was prepared by Hinman & Associates Consulting, Inc., contracted staff for Mendocino LAFCo.

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Jen Crump, Analyst

6.2 Assistance and Support

This Municipal Service Review and Sphere of Influence Update could not have been completed without the assistance and support from the following organizations and individuals.

Irish Beach Water District	Heather Hackett, District Board Secretary Brant O'Dell, Water System Manager
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7 APPENDICES

7.1 Appendix A – Open Government Resources

The purpose of this appendix is to provide a brief list of some educational resources for local agencies interested in learning more about the broad scope of public interest laws geared towards government transparency and accountability. This appendix is not intended to be a comprehensive reference list or to substitute legal advice from a qualified attorney. Feel free to contact the Mendocino Local Agency Formation Commission (LAFCo) office at (707) 463-4470 to make suggestions of additional resources that could be added to this appendix.

The websites listed below provide information regarding the following open government laws: (1) **Public Records Act** (Government Code (GC) Section (§) 6250 et seq.), (2) **Political Reform Act** – Conflict-of-Interest regulations (GC §81000 et seq.), (3) **Ethics Principles and Training** (Assembly Bill (AB) 1234 and GC §53235), (4) **Brown Act** – Open Meeting regulations (GC §54950 et seq.), and (5) **Online Compliance** regulations (Section 508 of the US Rehabilitation Act and GC §11135).

- Refer to the State of California Attorney General website for information regarding public access to governmental information and processes at the following link: <https://oag.ca.gov/government>.
- Refer to the State of California Attorney General website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <https://oag.ca.gov/ethics>.
- The Fair Political Practices Commission (FPPC) is primarily responsible for administering and enforcing the Political Reform Act. The website for the FPPC is available at the following link: <http://www.fppc.ca.gov/>.
- Refer to the California Department of Rehabilitation website for information regarding §508 of the US Rehabilitation Act and other laws that address digital accessibility at the following link: <http://www.dor.ca.gov/DisabilityAccessInfo/What-are-the-Laws-that-Cover-Digital-Accessibility.html>.
- Refer to the Institute for Local Government (ILG) website to download the Good Governance Checklist form at the following link: www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices.
- Refer to the ILG website to download the Ethics Law Principles for Public Servants pamphlet at the following link: www.ca-ilg.org/node/3369.
- Refer to the ILG website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <http://www.ca-ilg.org/ethics-education-ab-1234-training>.
- Refer to the California Special Districts Association (CSDA) website for information regarding online and website compliance webinars at the following link: <http://www.csda.net/tag/webinars/>.

7.2 Appendix B – Website Compliance Handout

Workshop Draft

Appendix B

California Website Compliance Checklist

Use this checklist to keep your district's website compliant with State and Federal requirements.

Public Records Act

SB 929

Our district has created and maintains a website

Passed in 2018, all independent special districts must have a website that includes contact information (and all other requirements) by Jan. 2020

SB 272

Our Enterprise System Catalog is posted on our website

All local agencies must publish a catalog listing all software that meets specific requirements—free tool at getstreamline.com/sb272

AB 2853 (optional):

We post public records to our website

This bill allows you to refer PRA requests to your site, if the content is displayed there, potentially saving time, money, and trees

The Brown Act

AB 392:

Agendas are posted to our website at least 72 hours in advance of regular meetings, 24 hours in advance of special meetings

This 2011 update to the Act, originally created in 1953, added the online posting requirement

AB 2257:

A link to the most recent agenda is on our home page, and agendas are searchable, machine-readable and platform independent

Required by Jan. 2019—text-based PDFs meet this requirement, Microsoft Word docs do not

State Controller Reports

Financial Transaction Report:

A link to the Controller's "By the Numbers" website is posted on our website

Report must be submitted within seven months after the close of the fiscal year—you can add the report to your site annually, but posting a link is easier

Compensation Report:

A link to the Controller's PublicPay website is posted in a conspicuous location on our website

Report must be submitted by April 30 of each year—you can also add the report to your site annually, but posting a link is easier

Healthcare District Websites

AB 2019:

If we're a healthcare district, we maintain a website that includes all items above, plus additional requirements

Including budget, board members, Municipal Service Review, grant policy and recipients, and audits

Open Data

AB 169:

Anything posted on our website that we call "open data" meets the requirements for open data

Defined as "retrievable, downloadable, indexable, and electronically searchable; platform independent and machine readable" among other things

Section 508 ADA Compliance

CA gov code 7405:

State governmental entities shall comply with the accessibility requirements of Section 508 of the federal Rehabilitation Act of 1973

Requirements were updated in 2018—if you aren't sure, you can test your site for accessibility at achecker.ca



California Special Districts Association
Districts Stronger Together

csda.net



getstreamline.com

The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

Placement:

What it says: An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda.

What that means: Add a link to the **current agenda directly to your homepage**. It cannot be in a menu item or otherwise require more than a single click to open the agenda.

Exception:

What it says: A link to the agenda management platform may be added to the home page instead of a link directly to the current agenda, if the agency uses an integrated agenda management platform that meets specified requirements, including, among others, that the current agenda is the first agenda available at the top of the integrated agenda management platform.

What that means: If you use an agenda management system, you may add a link to that system directly to your homepage (again, not in a menu item), if the format of the agenda meets the requirements below, and if the current agenda is the first at the top of the list.

Format:

What it says: [agenda must be] Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications. Platform independent and machine readable. Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

What that means: You cannot add Word Docs or scanned (image-based) PDFs of your agenda to your website—Word Docs are not platform independent (the visitor must have Word to read the file), and scanned PDFs are not searchable. Instead, **keep your agenda separate from the packet** and follow these steps:

1. From Word or other document system: Export agenda to PDF
2. Add that agenda to your website (or to your agenda management system), and include a link to that agenda on your homepage
3. Then, you can print the agenda, add it to your pile of documents for the packet, and scan that to PDF - just keep the packet separate from the agenda (only the agenda must meet AB 2257)
4. Keep the link on the homepage until the next agenda is available, then update the link

Questions? Contact sloane@getstreamline.com or dillong@csga.net



California 2024 Web Accessibility Checklist

Updated May 1, 2024. Download the latest at getstreamline.com/ada

Congratulations on your commitment to ensuring that your district's website is accessible to your entire community, including those with disabilities. This checklist will help you ensure compliance with **The Unruh Act** and **AB 434**.

Before you begin

- Perform an initial scan to check for known issues using checkmydistrict.org or another tool
- Have your website provider's contact information to report any issues

One-time actions - examples available at <https://getstreamline.com/accessibility-policy>

1. **Designate an accessibility officer** - We have designated one staff member as the accessibility officer who will be the go-to contact for accessibility issues.
2. **Approve an accessibility policy** - Our board has approved an accessibility policy that includes the level of accessibility you are adhering to, like WCAG 2.1 AA.
3. **Create and post an accessibility page** - We have created a dedicated accessibility website page to house all accessibility-related content, including the policy and plan. If we have components that are not yet compliant, we have added information about our remediation plan and timeline to get compliant.
4. **Create a process for community concerns** - We have a process in place where a community member can submit a concern via form, phone number, and/or email address.
5. **Enable closed captions on your videos** - Our videos all have closed captions, and we have a process for including closed captions in future videos. (YouTube includes this for free when enabled. [Learn how](#). It is important that a human verifies the general accuracy of the captions.)

Ongoing actions - recommended once per month

6. **Scan your website pages each month** - We have scanned every page of our website, every page has a score and list of issues to remediate. Free tools include checkmydistrict.org, Google Chrome Lighthouse (F12 will activate), and wave.webaim.org. Demand your web developer address any issues that arise.
7. **Check your attachments**. We have checked all of our attachments and we have removed or added a written a disclaimer for any third-party attachments that we are unable to remediate.
8. **Perform remediations** - We have taken action to fix issues detected by a scan/reported by our community

Other actions to consider

- **Third-party ADA audit** - larger districts should consider hiring an outside firm to conduct an audit. Manual testing by users with disabilities is the gold standard to ensure access.
- **Indemnification** - Choosing a platform or insurance that indemnifies or insures you against the risk of fines

*Remember, Streamline is only a software company, and Streamline's templates and guides are not a substitute for getting your own competent legal advice.

7.3 Appendix C – Housing Legislation Trends and Results

Mendocino County and ADUs

In response, the County of Mendocino has taken a series of steps to facilitate Accessory Dwelling Unit (ADU) construction and operation in an attempt to address the local housing crisis. This includes adopting an ADU ordinance which outlines specific development standards. Another County General Plan update was adopted on November 9, 2011, which amended the Coastal Zoning Code component of the Local Coastal Plan (LCP) to establish and revise standards for ADUs in the Coastal Zone.

Because Irish Beach is in the County Coastal Zone, it is subject to coastal specific ADU regulations. The number of permitted ADUs within the Coastal Zone of Mendocino County (excluding the Gualala Town Plan area) is limited to 500 units. Junior Accessory Dwelling Units (JADUs), which are accessory structures typically limited to 500 square feet in an existing space, are exempted from this cap. Any change to the cap on the number of ADUs shall require a Local Coastal Program amendment.

Per Section (§) 20.458.040 of the Public Health and Safety Requirements in the County's Municipal Code, both an adequate water supply and sewage capacity must be available to serve the proposed new residence as well as existing residences on the property. Most notably, if the property is in a service district (such as Irish Beach), the property owner must provide written approval from the service district specifically authorizing the connection of the ADU.

With respect to coastal resource protections, ADUs and JADUs are subject to additional requirements that impact the viability of their development. Some of the most pertinent requirements can be found in §20.458.045 of the County's Municipal Code.

The Larger Picture

As for how ADUs fit into the larger picture of the Mendocino County population trends, the housing data provided in the County's General Plan Annual Progress Report (APR) provides a reliable snapshot. Required by the California Governor's Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD), every jurisdiction is required to provide an annual report detailing the progress made towards implementing their housing element and meeting their Regional Housing Needs Allocations (RHNA).

The data provided in the most recent APR for unincorporated Mendocino County (adopted June 6TH, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. This small number of ADUs compared to single-family home applications suggests that there could continue to be some limited development of ADUs throughout the unincorporated areas of the County. This kind of development could very slightly increase demand for wastewater services provided by IBWD in Irish Beach. However, any new development requires written approval from the service provider to authorize services.

Regional Housing Needs Allocation (RHNA)

It is worth noting that in response to statutory requirements, policy direction from the HCD, and mandated deadlines for delivery of housing need allocation numbers to local jurisdictions within

Mendocino County, the Mendocino Council of Governments (MCOG) adopted a Regional Housing Needs Plan in 2018.

Although MCOG does not typically deal with housing issues, they have been designated by HCD as the appropriate regional agency to coordinate the housing need allocation process. The political jurisdictions that comprise the region consist of the Mendocino County unincorporated area and the cities of Ukiah, Fort Bragg, Willits, and Point Arena.

The Regional Housing Needs Plan went through numerous iterations prior to being adopted which considered different allocation factors for the methodology. Throughout the process, each member jurisdiction provided statements of constraints to HCD which detailed the land constraints that challenge residential development in unincorporated Mendocino County. Water resources and availability were cited by multiple MCOG member jurisdictions as a constraint and contributed to the adjustments made by the State on the region's required housing allocations.

The RHNA allocations for unincorporated Mendocino County are projected for a planning period between August 15, 2019, and August 17, 2027. Since adopting the Regional Housing Needs Plan in 2018 the County has made progress across all income levels; the number of housing units developed and how many remain with respect towards its RHNA allocation are detailed below broken down by income level and deed restricted versus non-deed restricted.

Table 7-1: Mendocino County RHNA Allocations

Income Level		RHNA Allocation	Projection Period - 01/01/2019-08/14/2019	2019	2020	2021	2022	Total Units to Date (All Years)	Total Remaining RHNA
Very Low	Deed Restricted	291	--	--	39	--	21	125	166
	Non-Deed Restricted		--	--	--	65	--		
Low	Deed Restricted	179	--	--	--	--	--	21	158
	Non-Deed Restricted		--	-	--	21	--		
Moderate	Deed Restricted	177	--	--	--	--	--	156	21
	Non-Deed Restricted		4	--	--	--	--		
Above Moderate		702	46	40	67	51	58	262	440
Total RHNA		1,349							
Total Units			50	60	149	186	119	564	785

*Progress toward extremely low-income housing need, as determined pursuant to GC §65583(a)(1).

Extremely Low-Income Units*		145			15	26	21	62	83
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Source: HCD 2023.

With respect to how RHNA requirements may affect Irish Beach, the State continues to push for more housing across the state including in communities located on the coast such as Irish Beach. While these coastal communities are subject to additional regulation and governing bodies (i.e. the Coastal Commission), housing mandates can affect these areas just the same as more inland communities. While there is not currently much left to develop under current regulations in Irish Beach, evolving legislation could allow for increased development potential that supports the State's housing goals.

Additional Recent State Housing Legislation

While the state legislator has made a concerted effort to progress ADU development throughout the state, there have been numerous other housing bills passed in recent years aimed at addressing the housing affordability crisis.

- Senate Bill (SB) 9 - Authorizes a property owner to split a single-family lot into two lots and place up to two units on each new lot. Therefore, the bill permits up to four units on properties currently limited to single-family houses. Senate Bill 9 also mandates that local agencies approve development projects that meet specified size and design standards.
- SB 10 - Establishes a process for local governments to increase the density of parcels in transit-rich areas or on urban infill sites to up to 10 residential units per parcel. Such an ordinance must be adopted between January 1, 2021, and January 1, 2029 and is exempt from the California Environmental Quality Act (CEQA).
- SB 35 - Applies in cities that are not meeting their RHNA goal for construction of above-moderate income housing and/or housing for households below 80 percent Area Median Income (AMI). Senate Bill 35 amends [California Government Code \(GC\) §65913.4](#)²⁷ to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

²⁷ GC §65913.4 (2024) can be found here: [California Code, GOV 65913.4](#).

7.4 Appendix D – District Financial Audits

Workshop Draft

IRISH BEACH WATER DISTRICT

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended September 30, 2019 and 2018

IRISH BEACH WATER DISTRICT

TABLE OF CONTENTS

September 30, 2019 and 2018

	<u>Page Number</u>
Independent Auditor's Report.....	1 - 1a
Management Discussion and Analysis.....	mda
Financial Statements:	
Statements of Net Position.....	2
Statements of Revenues, Expenses, and Changes in Net Position.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 10



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Independent Auditor's Report

Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Board of Directors
Irish Beach Water District
Manchester, CA

Report on Financial Statements

I have audited the accompanying financial statements of the Irish Beach Water District as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Irish Beach Water District as of September 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages mda be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Rick Bowers, CPA
Ukiah, California
February 17, 2021

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

IRISH BEACH WATER DISTRICT AUDIT REPORT SEPTEMBER 30, 2019 and 2018 MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of the Irish Beach Water District during the fiscal year ended September 30, 2019 and 2018. Please read this analysis in conjunction with the District's Basic Financial Statements and accompanying Notes immediately following this section.

Overview of the Financial Statements

The District operates under California Irrigation District Law as a utility enterprise. As such, the District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting, similar to methods used by private sector companies. These financial statements are designed to provide readers with a broad overview of the finances and also present changes in cash balances, and information about both short-term and long-term activities of the District. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes to the Financial Statements. As an enterprise fund, the District's Financial Statements include four components.

- 1) **Statements of Net Position** present information on all of the District's assets and liabilities with the difference between the two reported as net position. The Statements of Net Position provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: Net investment in Capital Assets, Restricted for Capital Projects, and Unrestricted.
- 2) **Statements of Revenues, Expenses, and Changes in Net Position** present information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the District has recovered its costs through water sales (usage charges on water bills and contract water sales), user fees (availability charges on water bills), and other charges.
- 3) **Statements of cash flows** provide information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in three categories: Operating; Capital and Related Financing Activities; and Investing. These statements differ from the Statements of Revenues, Expenses, and Changes in Net Position in that they account only for transactions that result from cash receipts and cash disbursements. As in the past, the Statements of Cash Flows continue to reconcile the reasons why cash from operating activities differ from operating income.
- 4) **Notes to the Basic Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes are located immediately following the Financial Statements.

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

Financial Highlights

During the year ended September 30, 2019 and 2018, the District's operating loss was \$(183,263) and \$(32,175), respectively. This 2019 operating loss is the result of operating expenses of \$51,740 for the electronic meter replacement project, the expenditure of over \$149,000 in legal fees, and a \$20,000 increase in Transmission and Distribution. This \$20,000 increase is due to the increasing occurrence of leaks and repairs to our aging water system. Water district board is seeking another Prop 218 Capital Projects Assessment which would be to all 459 home and lot owners. It is hoped this new assessment will begin in F/Y 21-22. The increase of revenue from availability charges of \$8,550 in 2019 reflect half a year of a rate increase.

Financial Analysis of the District

Statements of Net Position – The District's net position decreased between fiscal years 2016-2017 and 2018-2019, decreasing from \$1,155,268 to \$953,263. The change can be seen in the condensed Statement of Net Position below as a \$-110,677 decrease in net position. There was decrease in capital assets of \$-69,753. Current assets decreased by \$-4,393. Restricted assets increased \$98,482 which is the reimbursement of expenditures to restricted asset accounts. Change in current liabilities was increase of \$36,531; this amount is an increase to a non-operating payable of \$11,531 due to RCFPD for pass through SDAF and a loan to operating from restricted asset equipment replacement reserve of \$25,000.

Condensed Statements of Net Position

	2019	2018	2017	Difference 2019-2017
Current and Other Assets	\$700,550	\$ 717,181	\$ 704,943	\$ -4,393
Capital assets	<u>738,461</u>	<u>774,377</u>	<u>808,214</u>	<u>-69,753</u>
Total assets	<u>1,439,011</u>	<u>1,491,558</u>	<u>1,513,157</u>	<u>-74,146</u>
Other liabilities: Current & Def Rev	485,748	362,912	357,889	127,859
Debt outstanding Net of Current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>485,748</u>	<u>362,912</u>	<u>357,889</u>	<u>127,859</u>
Net investment in capital assets	738,461	774,377	808,214	-69,753
Restricted	309,897	301,515	211,415	98,482
Unrestricted	<u>(95,095)</u>	<u>52,754</u>	<u>135,639</u>	<u>-230,734</u>
Total net position	<u>953,263</u>	<u>\$1,128,646</u>	<u>\$1,155,268</u>	<u>-202,005</u>

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

Changes in Revenues, Expenses, and Net Position – The District’s net operating income before capital improvement assessments decreased \$(164,801) due to increase in operating expenses of \$177,076 mainly from legal fees, which was offset by increase in total revenues of \$12,275. The change in net position that resulted can be seen in the table below, which summarizes the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statements of Revenues, Expenses, and Net Position

	2019	2018	2017	Difference 2019-2017	Operating
Revenues:					
Water Usage	\$ 33,588	\$35,419	\$ 33,671	\$ -83	
Water Availability	168,924	160,374	156,749	12,175	
Late Fees	1,478	2,335	2,722	-1,244	
Other Income	<u>1,877</u>	<u>2,662</u>	<u>450</u>	<u>1,427</u>	
Total Operating Revenues	<u>205,867</u>	<u>200,790</u>	<u>193,592</u>	<u>12,275</u>	
Non-Operating Revenues	<u>8,383</u>	<u>6,302</u>	<u>9,957</u>	<u>-1,574</u>	
Total Revenues	<u>214,250</u>	<u>207,092</u>	<u>203,549</u>	<u>10,701</u>	
Operating Expenses	389,130	232,965	212,054	177,076	
Non-Operating Expenses	<u>503</u>	<u>749</u>	<u>2,080</u>	<u>-1,577</u>	
Total Expenses	<u>389,633</u>	<u>233,713</u>	<u>214,134</u>	<u>175,499</u>	
Income (loss) before Contributions	<u>(175,383)</u>	<u>(26,622)</u>	<u>(10,585)</u>	<u>(164,798)</u>	
Capital Contribution Assessments	<u>0</u>	<u>0</u>	<u>64,437</u>	<u>-64,437</u>	
Change in Net Position	<u>(175,383)</u>	<u>(26,622)</u>	<u>53,852</u>	<u>(229,236)</u>	

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

Economic Factors and Prospective Information

The District's Board of Directors has been responsive to changes in economic factors and has increased rates as necessary to ensure that the District's costs continue to be covered by revenues. Following is a table of approved rates for the last four years. 17-18 is last year for collections of prop 218 assessments. The Court ordered the Mallo Pass portion of the assessment discontinued in 16-17.

	15-16	16-17	17-18	18-19	19-20
Assessments	\$242.03	\$157.90	\$-0-	0	0
Availability Charge	\$66.49/200	\$66.49/202	\$66.49/202	\$73.14/202	\$78.87/202
Usage Charge	\$0.51/100g	\$0.51/100g	\$0.51/100g	\$0.57/100gal	\$0.58/100gal
	20-21				
Assessments	0				
Availability Charge	\$85.49/202				
Usage Charge	\$0.65/100g				

There are 202 property owners connected to the system who pay all three charges, and 257 additional property owners that only pay the assessment charges.

Availability and Usage rates are based on operating budget approved each year, and may change from year to year. The District, by special election, was authorized to impose a special assessment for capital improvement to the water system. The assessment was levied annually and collected by Mendocino County Treasurer by placing these assessments on the property tax bills at a cost of 2%.

The Irish Beach Water District has three developed sources of water: 1) The Upper Diversion on Irish Gulch, 2) the well (Well #9) located east of the main subdivision; and 3) the Lower Diversion on Irish Gulch. Two new wells were drilled in 2008. One was drilled by agreement on a parcel owned by Gordon and Sandra Moores near Tank 2. This well has not been connected to the system because of the current law suit by Wm. Moores preventing the utility connection to that well. A second well was drilled on a deeded easement granted to the District for a well and a water tank (Tank5) in the Unit 9 area. The longtime existing Unit 9 well is on that same easement. The Unit 9 well has been diminishing in production volume. The two new wells were envisioned as a way to provide water to existing parcels and future homes yet to be built. (Ground water can be held in future reserve where surface water cannot.)

The new T5 Well was tested for recovery rate, water quality, and was licensed for use by the State Department of Public Health. More than a year went by before the Wm. Moores' lawsuit was filed in 2009 against the District regarding liability for inverse condemnation for the drilling of the T5 Well. In a decision dated June 20, 2012, the Court ruled against the District. The trial for inverse condemnation was held August 18, 2014, where the District was found liable for \$401,000 in damages and \$734,000 in attorney fees and costs. The District is appealing. To date, Feb 2021, appeal has not been heard in the California Supreme Court in San Francisco

In the spring of 2016 the second and third phase of this trial was held to invalidate certain prop 218 assessments, seek damages for road maintenance and an alleged breach of a 2002 settlement agreement. This phase II and III of the trial resulted in an award against the district of \$133,649 and ordered various refunds of the Districts Prop 218 assessment funds including the total Mallo Pass funds collected. The district appealed the phase II and III judgements and expect this action to be heard in fall 2021. All actions have been stayed pending the appeal.

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

Well Moratorium – The District continues to enforce a new well drilling moratorium. However, exemptions from the moratorium are considered on case by case basis by board of directors.

Projects in Process – None at this time. Previous projects include the upper diversion pipe replacement which was completed August 2016 for a total of \$21,055 from Systemwide Capital Projects Fund. Finding and repairing leaks in the distribution system is a constant challenge due to the age and inferior quality of the work and materials when originally built. A project to replace over a mile of pipe on the O’Rorey’s Roost Road loop was completed December 2016 for total of \$127,776. Funding for this project was the greater than 40 year equipment replacement reserve. After the final collections for this restricted fund, the balance for future replacement projects is \$195,130. With an estimate of \$100 per foot, this would fund the replacement of less than 200 feet of pipe. This assessment was intended for collection to replenish the reserve as it was used. The lower court ruled that the assessment had a 15 year collection period like the other components and thus must end.

Contacting the District’s Management

This financial report is designed to provide our citizens, rate payers, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the financial resources it manages. If you have questions about this report or need additional information, please contact the District or our Certified Public Accountant.

Irish Beach Water District
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15401 Forest View Rd
Manchester, Ca 95459

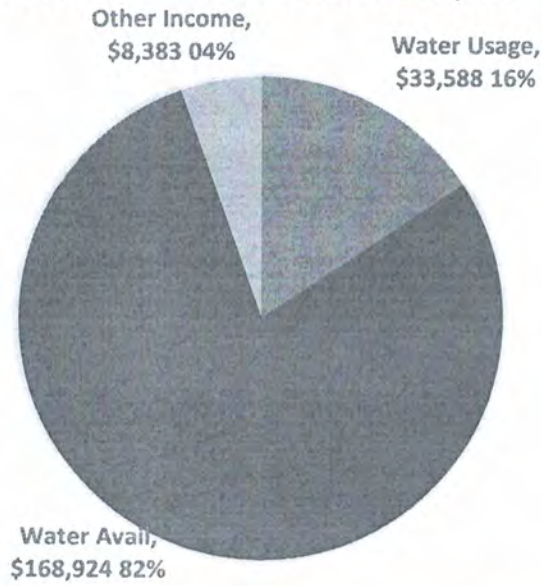
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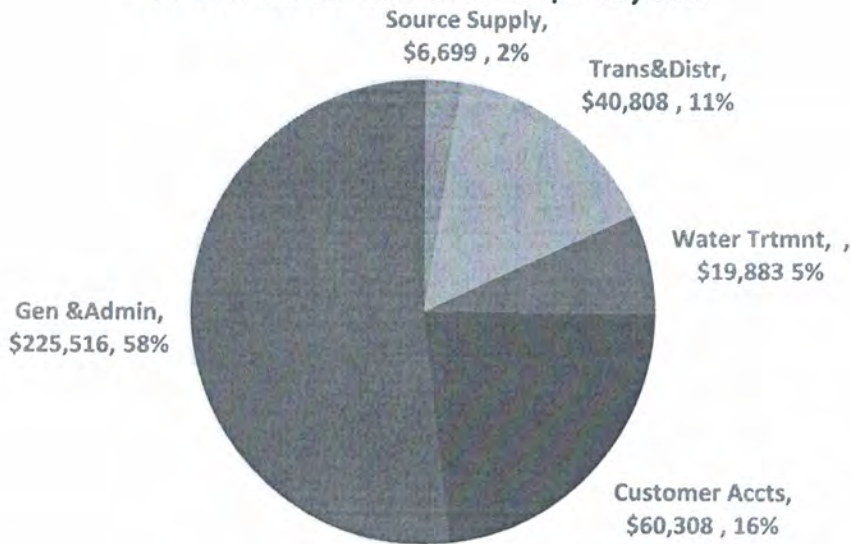
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IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2019 and 2018

OPERATING REVENUES \$205,867



OPERATING EXPENSES \$389,130



DOES NOT INCLUDE DEPRECIATION OF \$35,000

CUSTOMER ACCOUNTS: = \$8,568 + \$51,740 Meter Project

IRISH BEACH WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and Cash Equivalents	\$ 33,221	\$ 59,254
Accounts Receivable	35,739	24,205
Assessments Receivable		10,105
Prepaid Insurance	8,088	8,497
Total Current Assets	<u>77,048</u>	<u>102,061</u>
Restricted Assets		
Cash and Cash Equivalents	596,755	613,895
Due From Operations	25,000	
Interest Receivable	1,747	1,225
Total Restricted Assets	<u>623,502</u>	<u>615,120</u>
Capital Assets		
Property, Plant and Equipment - Net of Accumulated Depreciation	<u>738,461</u>	<u>774,377</u>
TOTAL ASSETS	<u>1,439,011</u>	<u>1,491,558</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	6,430	3,433
Accrued Payroll and Taxes	10,213	8,601
Accrued Legal Fees	89,778	2,244
Due to Restricted Assets	25,000	
Due to Redwood Coast Fire	40,722	35,029
Total Current Liabilities	172,143	49,307
Long-Term Liabilities		
Deferred Revenue - Water Source Dev.	<u>313,605</u>	<u>313,605</u>
TOTAL LIABILITIES	<u>485,748</u>	<u>362,912</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	738,461	774,377
Restricted for Capital Projects	309,897	301,515
Unrestricted	<u>(95,095)</u>	<u>52,754</u>
TOTAL NET POSITION	<u>\$ 953,263</u>	<u>\$ 1,128,646</u>

The accompanying notes are an integral part of these financial statements.

IRISH BEACH WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For The Years Ended September 30, 2019 and 2018

Operating Revenues	2019	2018
Water Usage	\$ 33,588	\$ 35,419
Water Availability	168,924	160,374
Late Fees	1,478	2,335
Other Income	1,877	2,662
Total Operating Revenues	205,867	200,790
 Operating Expenses		
Source of Supply	6,699	4,981
Transmission and Distribution	40,808	20,057
Water Treatment	19,883	23,487
Customer Accounts	8,568	5,360
Meter Installations	51,740	
General and Administrative	76,385	81,552
Legal Fees	149,131	61,612
Depreciation	35,916	35,916
Total Operating Expenses	389,130	232,965
Operating Income (Loss)	(183,263)	(32,175)
 Non-Operating Revenues (Expenses)		
Investment Earnings	8,383	6,302
Interest Expense	(36)	(72)
Other Expense	(467)	(677)
Total Non-Operating Revenues (Expenses)	7,880	5,553
Change in Net Position	(175,383)	(26,622)
Net Position - Beginning of Year	1,128,646	1,155,268
Net Position - End of Year	\$ 953,263	\$ 1,128,646

The accompanying notes are an integral part of these financial statements.

IRISH BEACH WATER DISTRICT
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 204,438	\$ 198,467
Payments to Suppliers	(167,281)	(104,370)
Payments for Employees and Taxes	(87,688)	(90,571)
Net Cash Provided (Used) by Operating Activities	(50,531)	3,526
Cash Flows from Capital and Related Financing Activities		
Interest Expense	(36)	(72)
Other Expense	(467)	(677)
Net Cash Used by Capital and Related Financing Activities	(503)	(749)
Cash Flows from Investing Activities		
Investment Income	7,861	5,078
Net Increase (Decrease) in Cash and C.E.	(43,173)	7,855
Cash and Cash Equivalents - Beginning	673,149	665,294
Cash and Cash Equivalents - End of Year	\$ 629,976	\$ 673,149
Components of Cash and Cash Equivalents		
Cash in Checking and Savings	\$ 33,221	\$ 59,254
Restricted Cash and Cash Equivalents:		
Capital Asset Assessments -		
Redwood Credit Union	224,663	247,597
Mendocino County	372,092	366,298
Total Cash and Cash Equivalents	\$ 629,976	\$ 673,149
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (183,263)	\$ (32,175)
Depreciation and Amortization	35,916	35,916
Net Changes in Assets and Liabilities:		
Accounts Receivable	(11,534)	3,812
Assessments Receivable	10,105	(6,135)
Prepaid Insurance	409	(835)
Accounts Payable	2,997	(5,642)
Accrued Payroll and Taxes	1,612	(980)
Accrued Legal Fees	87,534	2,244
Due to Redwood Coast Fire	5,693	7,321
Net Cash Provided (Used) by Operating Activities	\$ (50,531)	\$ 3,526

The accompanying notes are an integral part of these financial statements.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018**

The Irish Beach Water District (the District) was formed in 1967 under the provisions of the Water Code of the State of California for the purpose of providing water to properties within the District, which include the subdivision known as Irish Beach along the southern Mendocino County coast line.

Fire protection services were added by legislation in 1978 but were subsequently taken over by the Redwood Coast Fire Protection District as part of an annexation of that department. The fire department is not a component unit of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Criteria used in determining the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The reporting entity consists of the District as the primary, and sole, reporting entity.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America, as defined by the Government Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The District's reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from services for usage and availability of water, and related activities. Operating expenses include all expenses applicable to the furnishing of these activities. Non-operating revenues and expenses include revenues and expenses not associated with the District's normal business of providing water services.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Budgetary Accounting

An annual budget is adopted by the Board of Directors each fiscal year. The budget may be revised during the year to reflect unanticipated revenues or expenses. The budget is used for operating management and internal accounting control purposes, and is prepared on the modified cash basis of accounting.

d. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and with the county treasury, as well as short-term highly liquid investments with maturities of three months or less. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

e. Accounts Receivable

Accounts receivable represent amounts due for water services. All amounts are considered to be collectible, and no allowance for doubtful accounts has been recorded. Liens are placed on properties with outstanding balances. If accounts receivable do result in losses they are recognized when the amounts become determinable.

f. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

g. Restricted Assets

Assessments for capital improvements are considered restricted because their use is limited to future developments within the water system.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018**

h. Capital Assets

Capital assets are recorded at cost. Major improvements and additions are charged to the related capital asset accounts. Improvements and additions which do not significantly improve or extend the life of the asset are charged against earnings in the period incurred. Donated capital assets are recorded at their estimated fair market value on the date received.

i. Depreciation

Depreciation is charged to expense for all capital assets; except land, right of ways, and any projects in progress. Projects in progress are considered depreciable upon completion of the related project.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Improvements and Infrastructure	20 - 40 years
Equipment and Vehicles	5 - 15 years
Office Equipment and Furniture	5 - 10 years

j. Net Position

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets – This represents the District's total investment in capital assets, net of accumulated depreciation, and reduced by any outstanding debt obligations related to those capital assets.

Restricted Net Position – Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

k. Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**IRISH BEACH WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 September 30, 2019 and 2018**

I. Subsequent Events

Management has evaluated subsequent events through February 17, 2021, which is the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2019 that would require recognition or disclosure in the financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Checking Accounts	\$ 33,221	\$ 59,254
Restricted:		
Money Market	224,663	247,597
County Treasury	<u>372,092</u>	<u>366,298</u>
	<u>596,755</u>	<u>613,895</u>
 Total	 <u>\$ 629,976</u>	 <u>\$ 673,149</u>

District deposits are fully insured or collateralized with securities held by the District or its agent in the District's name. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.

NOTE 3. CAPITAL ASSETS

There were no changes to capital assets for the years ended September 30, 2019 and 2018:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Improvements and Infrastructure	\$ 1,458,641	\$ -	\$ -	\$ 1,458,641
Equipment	34,249			34,249
Office Equipment	<u>13,789</u>			<u>13,789</u>
Totals	<u>\$ 1,506,679</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 1,506,679</u>

Depreciation expense for both fiscal years was \$35,916, and accumulated depreciation for the years ended September 30, 2019 and 2018 was \$768,218 and \$732,302, respectively.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018**

NOTE 4. DEFERRED REVENUE

The Deferred Revenue – Water Source Development account with a balance of \$313,605 represents assessments through September 30, 2016. The Court ordered a stop to collection of assessments for future water development. It is anticipated that when any appeals are final, the full amount of the water development funds will be returned to the property owners. See below for continued discussion.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Alternate Water Source Development and Litigation

The District had a permit from the State Water Resources Control Board (SWRCB) to divert surface water from Mallo Pass Creek. The permit was originally issued to an individual in 1974 and was assigned to the District by that individual in 1988.

The permit was issued with a requirement that the project be completed within a specified period of time, to which several extensions had been granted by the SWRCB. Due to litigation and other factors the project was not completed, and the SWRCB has denied any additional extensions and revoked the permit. The District retained legal counsel for this issue, and, after numerous appeals and discussions, it was determined that the revocation will stand.

In November of 2008 the District passed a resolution officially abandoning the project. It was determined by the District that the funds originally accumulated for this project could be held as restricted for other water source developments. This contention was challenged in a legal suit filed in 2009. A landowner in the District brought this action among numerous causes of action, and included the District's four Proposition 218 Assessments.

Proposition 218, which was approved by the voters in November 1996, and amended Article 13 of the State Constitution, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the recent court decision of *Bighorn-Desert View Water Agency vs. Virgil* which states "an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority" of the affected property owners. In addition, the District's ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain its current level of service.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2019 and 2018**

The Court found that the District's Mallo Pass / Alternative Water Supply Assessment ended in 2009 when the Mallo Pass permit was rescinded. The entire fund was ordered by the Court to be refunded to all landowners in the District. The District is appealing the judgement, but anticipates returning the full funding. Total legal expenses paid out of the Mallo Pass / Alternative Water Supply Assessment of \$80,810 that were not allowed by the court ruling were paid back out of operating cash.

Continued Litigation

In addition to the above, additional combined actions by the same plaintiff have been brought against the District for (1) inverse condemnation, (2) various allegations surrounding alleged violations of a 2002 settlement agreement and (3) deficiencies in the District's share of road maintenance fees. On August 18, 2014, the trial for inverse condemnation was held and the District was found liable for \$401,000 in damages. The District has appealed, and the Plaintiffs are currently seeking approximately \$734,000 in attorney's fees and costs. The District presently believes there is a good likelihood of prevailing on appeal.

The third phase of this trial was completed in 2016. In this third phase of trial, Plaintiffs alleged the invalidity of certain of the District's assessments, seek damages for alleged road maintenance issues, and allege the District breached a 2002 Settlement Agreement between the parties. The trial resulted in an award of breach of contract against the District for \$133,649. The Court also ordered various refunds of the District's Proposition 218 assessment funds totaling an amount greater than \$2,000 in the aggregate. This judgement has also been appealed.

To date the District has spent and accrued over \$600,000 in legal fees on these and other issues. Legal fees to the District for the years ended September 30, 2019 and 2018 were about \$61,612 and 149,131, respectively. The ultimate outcome of this litigation cannot presently be determined. Judgements are being appealed. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in these financial statements.

NOTE 6. COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic. The spread of COVID-19, and the resulting work and travel restrictions, have not negatively impacted the District from its primary business of supplying water to local residences and businesses within its jurisdiction.

IRISH BEACH WATER DISTRICT

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

Years Ended September 30, 2021 and 2020

IRISH BEACH WATER DISTRICT

TABLE OF CONTENTS

September 30, 2021 and 2020

	<u>Page Number</u>
Independent Auditor's Report.....	1 - 1a
Management Discussion and Analysis.....	mda
Financial Statements:	
Statements of Net Position.....	2
Statements of Revenues, Expenses, and Changes in Net Position.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 10



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Certified Public Accountant
Personal Financial Specialist
Certified Management Accountant

Independent Auditor's Report

Board of Directors
Irish Beach Water District
Manchester, CA

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Irish Beach Water District (the District) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Irish Beach Water District as of September 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months after the date that financial statements are issued, including any currently known information that may raise substantial doubt shortly thereafter.

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

IRISH BEACH WATER DISTRICT AUDIT REPORT SEPTEMBER 30, 2021 and 2020 MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of the Irish Beach Water District during the fiscal year ended September 30, 2021 and 2020. Please read this analysis in conjunction with the District's Basic Financial Statements and accompanying Notes immediately following this section.

Overview of the Financial Statements

The District operates under California Irrigation District Law as a utility enterprise. As such, the District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting, similar to methods used by private sector companies. These financial statements are designed to provide readers with a broad overview of the finances and also present changes in cash balances, and information about both short-term and long-term activities of the District. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes to the Financial Statements. As an enterprise fund, the District's Financial Statements include four components.

- 1) **Statements of Net Position** present information on all of the District's assets and liabilities with the difference between the two reported as net position. The Statements of Net Position provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: Net investment in Capital Assets, Restricted for Capital Projects, and Unrestricted.
- 2) **Statements of Revenues, Expenses, and Changes in Net Position** present information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the District has recovered its costs through water sales (usage charges on water bills and contract water sales), user fees (availability charges on water bills), and other charges.
- 3) **Statements of cash flows** provide information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in three categories: Operating; Capital and Related Financing Activities; and Investing. These statements differ from the Statements of Revenues, Expenses, and Changes in Net Position in that they account only for transactions that result from cash receipts and cash disbursements. As in the past, the Statements of Cash Flows continue to reconcile the reasons why cash from operating activities differ from operating income.
- 4) **Notes to the Basic Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes are located immediately following the Financial Statements.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS, I:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that I identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages mda be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Rick Bowers, CPA
Ukiah, California
January 23, 2023

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

Financial Highlights

During the year ended September 30, 2021 and 2020, the District's operating income was a net loss of \$-15,915 and \$-1,965 respectively. However, these net losses are greatly reduced from prior years showing the Board's actions of increasing user fees. Occurrence of leaks and repairs to our aging water system continue. Water district board asked voters for another Prop 218 Capital Projects Assessment which would be to all 459 home and lot owners to begin in F/Y 21-22. However the measure failed by a narrow margin. Another prop 218 capital project assessment is planned for F/Y 22-23. This time with special benefit assessment to the 207 developed lots. The increase of revenue from availability charges and user charges reflect continued rate increases as reflected in chart on page 4.

Financial Analysis of the District

Statements of Net Position – The District's net position decreased between fiscal years 2018-2019 and 2020-2021, decreasing from \$953,263 to \$935,383. The change can be seen in the condensed Statement of Net Position below as a \$-17,880 decrease in net position. There was decrease in capital assets of \$-29,112 which can be explained by approximately \$70,000 depreciation expense offset by the \$40,000 Alta Mesa increase. Current assets increased by \$22,178. Restricted assets decreased \$33,428 which is the due to expenditure of replacement reserve funds. Change in current liabilities was increase of \$10,946; this amount is an increase to a non-operating payable.

Condensed Statements of Net Position

	2021	2020	2019	Difference 2021-2019
Current and Other Assets	\$722,728	\$ 692,659	\$ 700,550	\$ 22,178
Capital assets	<u>709,349</u>	<u>704,137</u>	<u>738,461</u>	<u>-29,112</u>
Total Assets	<u>1,432,077</u>	<u>1,396,796</u>	<u>1,439,011</u>	<u>-6,934</u>
Other liabilities: Current & Def Rev	496,694	445,498	485,748	10,946
Debt outstanding Net of Current	<u>0</u>	<u>0</u>	<u>-0-</u>	<u>0</u>
Total liabilities	<u>496,694</u>	<u>445,498</u>	<u>485,748</u>	<u>10,946</u>
Net investment in capital assets	709,349	704,137	738,461	-29,112
Restricted	276,469	309,759	309,897	-33,428
Unrestricted	<u>(50,435)</u>	<u>(62,598)</u>	<u>(95,095)</u>	<u>44,660</u>
Total net position	<u>\$ 935,383</u>	<u>\$ 951,298</u>	<u>\$ 953,263</u>	<u>- 17,880</u>

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

Changes in Revenues, Expenses, and Net Position – The District’s income before capital improvement assessments increased \$68,140 due to decrease in total expenses of \$12,854 plus an increase in total revenues of \$55,286.

The change in net position that resulted can be seen in the table below, which summarizes the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statements of Revenues, Expenses, and Net Position

	2021	2020	2019	Difference	
				2021-2019	Operating
Revenues:					
Water Usage	\$ 52,479	\$44,709	\$ 33,588	\$ 18,891	
Water Availability	206,127	188,694	168,924	37,203	
Late Fees	3,620	2,310	1,478	2,142	
Other Income	<u>500</u>	<u>400</u>	<u>1,877</u>	<u>-1,377</u>	
Total Operating Revenues	<u>262,726</u>	<u>236,113</u>	<u>205,867</u>	<u>56,859</u>	
Non-Operating Revenues	<u>6,810</u>	<u>6,942</u>	<u>8,383</u>	<u>-1,573</u>	
Total Revenues	<u>269,536</u>	<u>243,055</u>	<u>214,250</u>	<u>55,286</u>	
Operating Expenses	281,887	242,604	297,802	-15915	
Non-Operating Expenses	<u>3,564</u>	<u>2,416</u>	<u>503</u>	<u>-3,061</u>	
Total Expenses	<u>285,451</u>	<u>245,020</u>	<u>298,305</u>	<u>-12,854</u>	
Income (loss) before Contributions	<u>(15,915)</u>	<u>(1,965)</u>	<u>(84,055)</u>	<u>68,140</u>	
Capital Contribution Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Change in Net Position	<u>(15,915)</u>	<u>(1,965)</u>	<u>(84,055)</u>	<u>68,140</u>	

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

Economic Factors and Prospective Information

The District's Board of Directors has increased rates as necessary to ensure that the District's costs be covered by revenues. Following is a table of approved rates for the last seven years. 17-18 is last year for collections of prop 218 assessments. The Court ordered the Mallo Pass portion of the assessment discontinued in 16-17. The increase in availability charges in November of 2021 was for the purpose, in part, of building an unrestricted Board Reserve for unfunded capital improvements and contingencies.

	15-16	16-17	17-18	18-19	19-20
Assessments	\$242.03	\$157.90	\$-0-	0	0
Availability Charge	\$66.49/200	\$66.49/202	\$66.49/202	\$73.14/202	\$78.87/202
Usage Charge	\$0.51/100g	\$0.51/100g	\$0.51/100g	\$0.57/100gal	\$0.58/100gal
	20-21	21-22			
Assessments	0	0			
Availability Charge	\$85.50/202	\$108.56/207			
Usage Charge	\$0.65/100g	\$0.67/100g			

There are 207 property owners connected to the system who pay all three charges, and 252 additional property owners that only pay the assessment charges.

Availability and Usage rates are based on operating budgets approved each year, and may change from year to year. The District, by special election, was authorized to impose a special assessment for capital improvement to the water system. The assessment was levied annually and collected by Mendocino County Treasurer by placing these assessments on the property tax bills at a cost of 2%. Unfortunately the 2002 assessment ended in F/Y 16/17 and voters have not approved a new capital projects assessment.

The Irish Beach Water District has three developed sources of water: 1) The Upper Diversion on Irish Gulch, 2) the well (Well #9) located east of the main subdivision; and 3) the Lower Diversion on Irish Gulch. Two new wells were drilled in 2008. One was drilled by agreement on a parcel owned by Gordon and Sandra Moores near Tank 2. This well has not been connected to the system because of the current law suit by Wm. Moores preventing the utility connection to that well. A second well was drilled on a deeded easement granted to the District for a well and a water tank (Tank5) in the Unit 9 area. The longtime existing Unit 9 well is on that same easement. The Unit 9 well has been diminishing in production volume. The two new wells were envisioned as a way to provide water to existing parcels and future homes yet to be built. (Ground water can be held in future reserve where surface water cannot.)

The new T5 Well was tested for recovery rate, water quality, and was licensed for use by the State Department of Public Health. More than a year went by before the Wm. Moores' lawsuit was filed in 2009 against the District regarding liability for inverse condemnation for the drilling of the T5 Well. In a decision dated June 20, 2012, the Court ruled against the District. The trial for inverse condemnation was held August 18, 2014, where the District was found liable for \$401,000 in trespass damages and \$734,000 in attorney fees and costs. The District's appeal in Feb 2021 in the California Supreme Court in San Francisco reversed these lower court's findings and ordered the case back to the local court in October of 2023 to determine an inverse condemnation current value for the small plot of land where the well was drilled. This finding is expected to be less than \$25,000.

IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

In the spring of 2016 the second and third phase of this trial was held to invalidate certain prop 218 assessments, seek damages for road maintenance and an alleged breach of a 2002 settlement agreement. This phase II and III of the trial resulted in an award against the district for a return of dis-allowed expenditures of \$133,649 and ordered various refunds of the District's Prop 218 assessment funds to the voters including the total Mallo Pass funds collected of \$400,000+. All actions have been stayed pending the local court findings in October 2023 .

Well Moratorium – The District continues to enforce a new well drilling moratorium. However, exemptions from the moratorium are considered on case by case basis by board of directors.

Projects in Process – Previous projects include the upper diversion pipe replacement which was completed August 2016 for a total of \$21,055 from Systemwide Capital Projects Fund. Finding and repairing leaks in the distribution system is a constant challenge due to the age and inferior quality of the work and materials when originally built. A project to replace over a mile of pipe on the O'Rorey's Roost Road loop was completed December 2016 for total of \$127,776. Funding for this project was the greater than 40 year equipment replacement reserve. After the final collections for this restricted fund, the balance for future replacement projects is \$195,130. In 2021 a section of road and pipe on Alta Mesa was replaced for \$40,101 leaving approximately \$155,000. This assessment was intended for collection to replenish the reserve as it was used. The lower court ruled that the assessment had a 15 year collection period like the other components and thus must end.

POST AUDIT UPDATE: District received \$400,000 grant from State Department of Water Resources for tank restoration and well activation in June 2022.

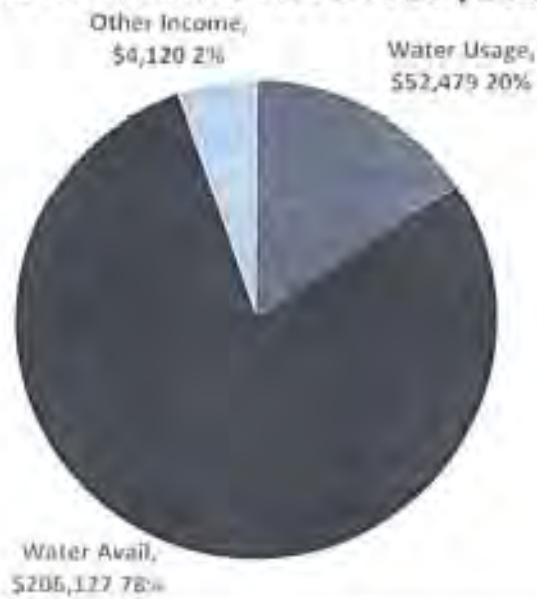
Contacting the District's Management

This financial report is designed to provide our citizens, rate payers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional information, please contact the District or our Certified Public Accountant.

Irish Beach Water District	Charles Acker	Judy Murray	Rick Bowers, CPA
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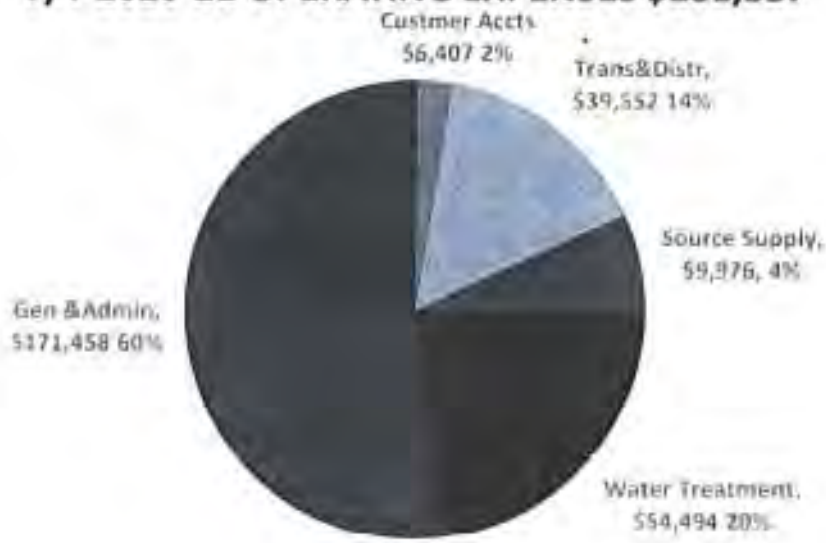
IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

F/Y 20-21 OPERATING REVENUES \$262,726



IRISH BEACH WATER DISTRICT YEAR ENDING SEPTEMBER 30, 2021 and 2020

F/Y 2020-21 OPERATING EXPENSES \$281,887



IRISH BEACH WATER DISTRICT
STATEMENTS OF NET POSITION
September 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 80,856	\$ 20,682
Accounts Receivable	41,743	38,438
Prepaid Insurance	10,055	10,177
Total Current Assets	132,654	69,295
Restricted Assets		
Cash and Cash Equivalents	466,913	503,364
Interest Receivable	761	
Due From Operations	122,400	120,000
Total Restricted Assets	590,074	623,364
Capital Assets		
Property, Plant and Equipment - Net of Accumulated Depreciation	709,349	704,137
TOTAL ASSETS	1,432,077	1,396,796
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	4,265	855
Accrued Payroll and Taxes	11,735	8,958
Due to Restricted Assets	122,400	120,000
Due to Redwood Coast Fire	44,689	2,080
Total Current Liabilities	183,089	131,893
Long-Term Liabilities		
Deferred Revenue - Water Source Dev	313,605	313,605
TOTAL LIABILITIES	496,694	445,498
<u>NET POSITION</u>		
Net Investment in Capital Assets	709,349	704,137
Restricted for Capital Projects	276,469	309,759
Unrestricted Deficit	(50,435)	(62,598)
TOTAL NET POSITION	\$ 935,383	\$ 951,298

The accompanying notes are an integral part of these financial statements.

IRISH BEACH WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For The Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenues		
Water Usage	\$ 52,479	\$ 44,709
Water Availability	206,127	188,694
Late Fees	3,620	2,310
Other Income	500	400
Total Operating Revenues	262,726	236,113
Operating Expenses		
Source of Supply	9,976	15,251
Transmission and Distribution	39,552	30,532
Water Treatment	54,494	23,692
Customer Accounts	6,407	15,209
General and Administrative	105,171	59,331
Legal Fees	31,399	64,264
Depreciation	34,888	34,325
Total Operating Expenses	281,887	242,604
Operating Income (Loss)	(19,161)	(6,491)
Non-Operating Revenues (Expenses)		
Investment Earnings	6,810	6,942
Interest Expense	(2,407)	(1,662)
Other Expense	(1,157)	(754)
Total Non-Operating Revenues (Expenses)	3,246	4,526
Change in Net Position	(15,915)	(1,965)
Net Position - Beginning of Year	951,298	953,263
Net Position - End of Year	\$ 935,383	\$ 951,298

The accompanying notes are an integral part of these financial statements.

IRISH BEACH WATER DISTRICT
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 259,419	\$ 233,416
Payments to Suppliers	(110,836)	(264,648)
Payments for Employees and Taxes	(87,245)	(80,970)
Net Cash Provided (Used) by Operating Activities	61,338	(112,202)
Cash Flows from Capital and Related Financing Activities		
Capital Expenditures	(40,101)	
Interest Expense	(2,407)	(1,662)
Other Expense	(1,157)	(754)
Net Cash Used by Capital and Related Financing Activities	(43,665)	(2,416)
Cash Flows from Investing Activities		
Investment Income	6,050	8,688
Net Increase (Decrease) in Cash and C.E.	23,723	(105,930)
Cash and Cash Equivalents - Beginning	524,046	629,976
Cash and Cash Equivalents - End of Year	\$ 547,769	\$ 524,046
Components of Cash and Cash Equivalents		
Cash in Checking and Savings	\$ 80,856	\$ 20,682
Restricted Cash and Cash Equivalents:		
Capital Asset Assessments -		
Redwood Credit Union	466,913	503,364
Mendocino County		
Total Cash and Cash Equivalents	\$ 547,769	\$ 524,046
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (19,161)	\$ (6,491)
Depreciation and Amortization	34,888	34,325
Net Changes in Assets and Liabilities:		
Accounts Receivable	(3,307)	(2,697)
Prepaid Insurance	122	(2,089)
Accounts Payable	3,410	(5,575)
Accrued Payroll and Taxes	2,777	(1,255)
Accrued Legal Fees		(89,778)
Due to Redwood Coast Fire	42,609	(38,642)
Net Cash Provided (Used) by Operating Activities	\$ 61,338	\$(112,202)

The accompanying notes are an integral part of these financial statements.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020**

The Irish Beach Water District (the District) was formed in 1967 under the provisions of the Water Code of the State of California for the purpose of providing water to properties within the District, which include the subdivision known as Irish Beach along the southern Mendocino County coast line.

Fire protection services were added by legislation in 1978 but were subsequently taken over by the Redwood Coast Fire Protection District as part of an annexation of that department. The fire department is not a component unit of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Criteria used in determining the scope of the reporting entity includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The reporting entity consists of the District as the primary, and sole, reporting entity.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America, as defined by the Government Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The District's reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2021 and 2020

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from services for usage and availability of water, and related activities. Operating expenses include all expenses applicable to the furnishing of these activities. Non-operating revenues and expenses include revenues and expenses not associated with the District's normal business of providing water services.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Budgetary Accounting

An annual budget is adopted by the Board of Directors each fiscal year. The budget may be revised during the year to reflect unanticipated revenues or expenses. The budget is used for operating management and internal accounting control purposes, and is prepared on the modified cash basis of accounting.

d. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and with the county treasury, as well as short-term highly liquid investments with maturities of three months or less. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

e. Accounts Receivable

Accounts receivable represent amounts due for water services. All amounts are considered to be collectible, and no allowance for doubtful accounts has been recorded. Liens are placed on properties with outstanding balances. If accounts receivable do result in losses they are recognized when the amounts become determinable.

f. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

g. Restricted Assets

Assessments for capital improvements are considered restricted because their use is limited to future developments within the water system.

IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2021 and 2020

h. Capital Assets

Capital assets are recorded at cost. Major improvements and additions are charged to the related capital asset accounts. Improvements and additions which do not significantly improve or extend the life of the asset are charged against earnings in the period incurred. Donated capital assets are recorded at their estimated fair market value on the date received.

i. Depreciation

Depreciation is charged to expense for all capital assets, except land, right of ways, and any projects in progress. Projects in progress are considered depreciable upon completion of the related project.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Improvements and Infrastructure	20 - 40 years
Equipment and Vehicles	5 - 15 years
Office Equipment and Furniture	5 - 10 years

j. Net Position

Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets – This represents the District's total investment in capital assets, net of accumulated depreciation, and reduced by any outstanding debt obligations related to those capital assets.

Restricted Net Position – Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represents the net amount of assets and liabilities that is not included in the determination of the net investment in capital assets or restricted components of net position. Prepaid insurance is considered a non-spendable net position.

k. Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2021 and 2020

I. Subsequent Events

Management has evaluated subsequent events through January 23, 2023, which is the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2021 that would require recognition or disclosure in the financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Checking Accounts	\$ 80,856	\$ 20,682
Restricted:		
Money Market	35,448	75,161
County Treasury	<u>431,465</u>	<u>428,203</u>
	<u>466,857</u>	<u>503,364</u>
 Total	 \$ 547,769	 \$ 524,046

District deposits are fully insured or collateralized with securities held by the District or its agent in the District's name. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency's deposits.

NOTE 3. CAPITAL ASSETS

Following is a summary of changes in capital assets for the year ended September 30, 2021:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Improvements and Infrastructure	\$ 1,458,641	\$ 40,101	\$ -	\$ 1,498,742
Equipment	34,249			34,249
Office Equipment	<u>13,789</u>			<u>13,789</u>
Totals	1,506,679	\$ 40,101	\$ _____	1,546,780
Less: Accumulated Depreciation	<u>802,542</u>	<u>34,888</u>		<u>837,431</u>
Net Capital Assets	\$ 704,137			\$ 709,349

Depreciation expense for the year ended September 30, 2020 was \$34,325.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2021 and 2020**

NOTE 4. DEFERRED REVENUE

The Deferred Revenue – Water Source Development account with a balance of \$313,605 represents assessments through September 30, 2016. The Court ordered a stop to collection of assessments for future water development. It is anticipated that when any appeals are final, the full amount of the water development funds will be returned to the property owners. See below for continued discussion.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Alternate Water Source Development and Litigation

The District had a permit from the State Water Resources Control Board (SWRCB) to divert surface water from Mallo Pass Creek. The permit was originally issued to an individual in 1974 and was assigned to the District by that individual in 1988.

The permit was issued with a requirement that the project be completed within a specified period of time, to which several extensions had been granted by the SWRCB. Due to litigation and other factors the project was not completed, and the SWRCB has denied any additional extensions and revoked the permit. The District retained legal counsel for this issue, and, after numerous appeals and discussions, it was determined that the revocation will stand, in large part because the District cannot control rate of development needed to support the project.

In November of 2008 the District passed a resolution officially abandoning the project. It was determined by the District that the funds originally accumulated for this project could be held as restricted for other water source developments. This contention was challenged in a legal suit filed in 2009. A landowner in the District brought this action among numerous causes of action, and included the District's four Proposition 218 Assessments.

Proposition 218, which was approved by the voters in November 1996, and amended Article 13 of the State Constitution, regulates the District's ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the recent court decision of *Bighorn-Desert View Water Agency vs. Virjil* which states "an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority" of the affected property owners. In addition, the District's ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain its current level of service due to slow development rate.

**IRISH BEACH WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2021 and 2020**

The Court found that the District's Mallo Pass / Alternative Water Supply Assessment ended in 2009 when the Mallo Pass permit was rescinded. The entire fund was ordered by the Court to be refunded to all landowners in the District. The District is appealing the judgement, but anticipates returning the full funding. Total legal expenses paid out of the Mallo Pass / Alternative Water Supply Assessment of \$80,810 that were not allowed by the court ruling were paid back out of operating cash.

Continued Litigation

In addition to the above, additional combined actions by the same plaintiff have been brought against the District for (1) inverse condemnation, (2) various allegations surrounding alleged violations of a 2002 settlement agreement and (3) deficiencies in the District's share of road maintenance fees. On August 18, 2014, the trial for inverse condemnation was held and the District was found liable for \$401,000 in damages. The District has appealed, and the Plaintiffs are currently seeking approximately \$734,000 in attorney's fees and costs. The District presently believes there is a good likelihood of prevailing on appeal.

The third phase of this trial was completed in 2016. In this third phase of trial, Plaintiffs alleged the invalidity of certain of the District's assessments, seek damages for alleged road maintenance issues, and allege the District breached a 2002 Settlement Agreement between the parties. The trial resulted in an award of breach of contract against the District for \$133,649. The Court also ordered various refunds of the District's Proposition 218 assessment funds totaling an amount greater than \$2,000 in the aggregate. This judgement has also been appealed.

To date the District has spent and accrued over \$695,000 in legal fees on these and other issues. Legal fees to the District for the years ended September 30, 2021 and 2020 were \$31,399 and 64,264, respectively. The ultimate outcome of this litigation cannot presently be determined. Judgements are being appealed. Accordingly, adjustments, if any, that might result from the resolution of these matters have not been reflected in these financial statements.

NOTE 6. COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, a pandemic. The spread of COVID-19, and the resulting work and travel restrictions, have not negatively impacted the District from its primary business of supplying water to local residences and businesses within its jurisdiction.