



COMMISSIONERS

MAUREEN MULHEREN, CHAIR
County Member

GERALD WARD
Vice Chair/Treasurer
Public Member

GERARDO GONZALEZ
City Member

CANDACE HORSLEY
Special District Member

GLENN MCGOURTY
County Member

MARI RODIN
City Member

VACANT
Special District Member

FRANCOIS CHRISTEN
Alternate Special District Member

DOUGLAS CRANE
Alternate City Member

JOHN HASCHAK
Alternate County Member

VACANT, ALTERNATE
Public Member

STAFF

EXECUTIVE OFFICER
Uma Hinman

CLERK/ANALYST
Larkyn Feiler

COUNSEL
Marsha Burch

REGULAR MEETINGS

First Monday of each month
at 9:00 AM in the
Mendocino County
Board of Supervisors Chambers
501 Low Gap Road, Ukiah

A G E N D A

Regular Commission Meeting

Monday, July 1, 2024 at 9:00 a.m.

Location

**Mendocino County Board of Supervisors Chambers
501 Low Gap Road, Ukiah, CA 95482**

The Mendocino LAFCo will conduct this meeting in a hybrid format to accommodate both in-person and remote (video or telephone) participation by the public and staff pursuant to GOV 54953. Unless approved under the provisions of AB 2449, Commissioners will attend in-person at the meeting location identified above. The hybrid meeting can be accessed by the public in person, or remotely as described in the Instructions for Remote Participation Option, below.

Instructions for Remote Participation Option

Join Meeting Live: Please click the following Zoom link below to join the meeting or utilize the telephone option for audio only.

1. Zoom meeting link: <https://mendocinocounty.zoom.us/j/88148216547>
2. Telephone option (audio only):
Dial: (669) 900-9128
Meeting ID: 881 4821 6547

Public Participation is encouraged and public comments are accepted:

1. Live: via the Zoom meeting link or telephone option above
2. Via Email: eo@mendolafco.org by 8:30 a.m. the day of the meeting
3. Via Mail: Mendocino LAFCo, 200 S School Street, Ukiah, CA 95482

Meeting Participation

To provide comments, please use the raise hand function in Zoom.

a) For those accessing from a computer, tablet, or smartphone, the raise hand function may be selected by clicking or tapping it from the reactions options. When joining the Zoom meeting, please enter your name so that you can be identified to speak.

b) For those utilizing the telephone option (audio only), please use the raise hand feature by pressing *9 on your keypad to raise your hand, and *6 to unmute yourself. When it is your turn to speak, you will be called on by the last four digits of your phone number, if available, and asked to identify yourself for the record.

All comments received will be conveyed to the Commission for consideration during the meeting. All meetings are live-streamed, recorded and available through the link below.

Live web streaming and recordings of Regular Commission meetings are available via the Mendocino County YouTube Channel. Links to recordings, approved minutes, and meeting documents are available on the LAFCo website.

1. CALL TO ORDER and ROLL CALL

2. PUBLIC EXPRESSION

The Commission welcomes participation in the LAFCo meeting. Any person may address the Commission on any subject within the jurisdiction of LAFCo which is not on the agenda. There is a three-minute limit and no action will be taken at this meeting. See public participation information above.

3. OTHER BUSINESS

None

4. CONSENT CALENDAR

The following consent items are expected to be routine and non-controversial and will be acted on by the Commission in a single action without discussion, unless a request is made by a commissioner or a member of the public for discussion or separate action.

4a) June 3, 2024 Regular Meeting Summary

4b) June 2024 Claims & Financial Report

4c) Certificate of Appreciation for Commissioner Cole

5. PUBLIC HEARING ITEMS

5a) PUBLIC HEARING Mendocino County Waterworks District No. 2 Municipal Service Review and Sphere of Influence Study

The Commission will hold a Public Hearing to consider adoption of the Mendocino County Waterworks District No. 2 Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study as required by LAFCo law. The final report includes written determinations on the level and scope of services provided by the Mendocino County Waterworks District No. 2. RECOMMENDED ACTIONS: 1) Find the Mendocino County Waterworks District No. 2 Municipal Service Review is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption), and find the Mendocino County Waterworks District No. 2 Sphere of Influence Update is exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule), and approve the Notice of Exemption for filing; and 2) Adopt LAFCo Resolution 2023-24-09, approving the Mendocino County Waterworks District No. 2 Municipal Service Review and Sphere of Influence Update Study and adopting the proposed sphere of influence.

5b) PUBLIC HEARING Gualala Community Services District Municipal Service Review and Sphere of Influence Study

The Commission will hold a Public Hearing to consider adoption of the Gualala Community Services District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study as required by LAFCo law. The final report includes written determinations on the level and scope of services provided by the Gualala Community Services District. RECOMMENDED ACTIONS: 1) Find the Gualala Community Services District Municipal Service Review is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption), and find the Gualala Community Services District Sphere of Influence Update is exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule), and approve the Notice of Exemption for filing; and 2) Adopt LAFCo Resolution 2023-24-10, approving the Gualala Community Services District Municipal Service Review and Sphere of Influence Update Study and adopting the proposed sphere of influence.

6. WORKSHOP ITEMS

None

7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

7a) Master Tax Share Agreement

The Commission will receive an informational report on the Master Tax Share Agreement between the County of Mendocino and Cities.

7b) Report from University of Berkeley on LAFCo and Water System Consolidations

The Commission will receive an informational report on the University of California Berkeley report titled *LAFCo and Water System Consolidation: Bridging the gap between local and state regulators to stop and reverse water system fragmentation*.

7c) New Website Requirements and Updated Terms from Streamline

The Commission will receive an information report on new website requirements from the Department of Justice and LAFCo's webhost Streamline's updated terms and fees.

8. INFORMATION AND REPORT ITEMS

The following informational items are reports on current LAFCo activities, communications, studies, legislation, and special projects. General direction to staff for future action may be provided by the Commission. No immediate action will be taken on any of the following items.

8a) Work Plan, Current and Future Proposals (Written)

8b) Correspondence (Copies provided upon request)

8c) CALAFCO Business and Legislative Report

Call for Nominations for CALAFCO Board of Directors

CALAFCO Conference Open Registration

8d) Executive Officer's Report (Verbal)

8e) Committee Reports (Executive Committee, Policies & Procedures) (Verbal)

8f) Commissioner Reports, Comments or Questions (Verbal)

ADJOURNMENT

The next Regular Commission Meeting is scheduled for Monday, **August 5, 2024** at 9:00 AM in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

Notice: This agenda has been posted at least 72 hours prior to the meeting and in accordance with the Brown Act Guidelines and GOV 54953, including rules for teleconferencing.

Participation on LAFCo Matters: All persons are invited to testify and submit written comments to the Commission on public hearing items. Any challenge to a LAFCo action in Court may be limited to issues raised at a public hearing or submitted as written comments prior to the close of the public hearing.

Americans with Disabilities Act (ADA) Compliance: Commission meetings are held via a hybrid model – the in-person option held in a wheelchair accessible facility and also by teleconference. Individuals requiring special accommodations to participate in this meeting are requested to contact the LAFCo office at (707) 463-4470 or by e-mail to eo@mendolafco.org. Notification 48 hours prior to the meeting will enable the Commission to make reasonable arrangements to ensure accessibility to this meeting. If attending by teleconference, if you are hearing impaired or otherwise would have difficulty participating, please contact the LAFCo office as soon as possible so that special arrangements can be made for participation, if reasonably feasible.

Fair Political Practice Commission (FPPC) Notice: State Law requires that a participant in LAFCo proceedings who has a financial interest in a Commission decision and who has made a campaign contribution to any Commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission before the hearing.

MENDOCINO

Local Agency Formation Commission

Ukiah Valley Conference Center | 200 South School Street | Ukiah, California 95482
Telephone: (707) 463-4470 | E-mail: eo@mendolafco.org | Web: http://mendolafco.org

Agenda Item No. 4a

COMMISSIONERS

Maureen Mulheren, Chair
County Member

Gerald Ward, Vice-Chair/Treasurer
Public Member

Gerardo Gonzalez
City Member

Candace Horsley
Special District Member

Glenn McGourty
County Member

Mari Rodin
City Member

Vacant
Special District Member

Francois Christen, Alternate
Special District Member

Douglas Crane, Alternate
City Member

John Haschak, Alternate
County Member

Vacant, Alternate
Public Member

STAFF

Executive Officer
Uma Hinman

Clerk/Analyst
Larkyn Feiler

Counsel
Marsha Burch

REGULAR MEETINGS

First Monday of each month
at 9:00 AM in the
Mendocino County
Board of Supervisors
Chambers
501 Low Gap Road, Ukiah

DRAFT MEETING MINUTES Regular Commission Meeting

Regular Meeting (Hybrid) of Monday, June 3, 2024

County Board of Supervisors Chambers 501 Low Gap Road, Ukiah, California

1. CALL TO ORDER and ROLL CALL (Video Time 8:34)

Chair Mulheren called the meeting to order at 9:05 a.m.

Regular Commissioners Present: Maureen Mulheren, Gerald Ward, Gerardo Gonzalez, Candace Horsley, Glenn McGourty, Mari Rodin

Regular Commissioners Absent: None

Alternate Commissioners Present: Douglas Crane (remotely)

Alternate Commissioners Absent: Francois Christen, John Haschak

Staff Present: Uma Hinman, Executive Officer; Larkyn Feiler, Analyst; Marsha Burch, Legal Counsel

2. PUBLIC EXPRESSION (Video Time 9:22)

None

3. OTHER BUSINESS (Video Time 10:08)

None

4. CONSENT CALENDAR (Video Time 10:10)

4a) May 7, 2024 Regular Meeting Summary

4b) May 2024 Claims & Financial Report

May 2024 Claims totaling:	\$24,585.67
Hinman & Associates Consulting	22,330.08
Commissioner Stipends	100.25
Marsha Burch Law Office	720.00
Streamline	63.00
Newspaper	350.43
Mendocino County IS	178.36
Mendocino County Clerk	121.00
Ukiah Valley Conference Center	722.55

4c) Ratify Legislative Support Letter for AB 3277 - Ad Valorem Property Tax Analysis

4d) Ratify Legislative Support Letter for SB 1209 - LAFCo Indemnification

- Counsel Burch confirmed for Commissioner Horsley that the general public and public agencies have legal recourse related to Commission decisions on applications, and that indemnification agreements are a common requirement to ensure that applicants are responsible for the legal defense of LAFCo in such situations.

Motion: Approve the Consent Calendar (Items 4a - 4d).		
Motion Maker: McGourty	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: Ayes: (6) McGourty, Gonzalez, Ward, Rodin, Horsley, Mulheren		

5. PUBLIC HEARING ITEMS

5a) PUBLIC HEARING Pacific Reefs Water District Municipal Service Review and Sphere of Influence Study

(Video Time 14:38)

Chair Mulheren opened the public hearing at 9:11 a.m. EO Hinman presented the final draft of the Pacific Reefs Water District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study for adoption as required by LAFCo law. The final report includes written determinations on the level and scope of services provided by the Pacific Reefs Water District (Video Time 15:08-18:30). The following is a summary of discussion points for this item.

EO Hinman clarified the list of revisions that were made since the prior version of the study, including recommendations.

Commissioner Ward:

- Asked for clarity on how to better keep track of and follow-up on MSR/SOI study recommendations. EO Hinman referred to the development of a continuity plan included in the work program for next fiscal year that will track follow-up items from MSR/SOI studies and applications, and other Commission directions. what recourse there is when districts who do not respond to LAFCo recommendations. As an example of LAFCo’s recourse for non-responsive districts, MSR/SOI study determinations are reviewed during the processing of applications and considered in staff recommendations to the Commission.

Commissioner McGourty:

- Asked if consolidation of smaller water districts was considered in the study since there is currently no plan. EO Hinman noted that LAFCo has no jurisdiction over private utilities such as mutual water companies, other than to request information. However, because the State Water Board has the authority to mandate consolidation of water services providers, staff have included identification and descriptions of private water companies in the vicinity of the water districts being studied on the coast. The intent is to bring awareness to the proximity and to lay some groundwork for potential consolidations in the future.

Commissioner Rodin:

- Recommended clarifying the statement about the District adopting a hardship resolution related to not having a website; and
- Noted she had a few grammatical changes that she would share with EO Hinman later.

Chair Mulheren opened the public comment period at 9:20 a.m. No public comments were received. Chair Mulheren closed the public comment period and public hearing at 9:22 a.m.

Motion: (1) Find the Pacific Reefs Water District Municipal Service Review is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR)§15306 (Class 6 Exemption), and find the Pacific Reefs Water District Sphere of Influence Update is exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule), and approve the Notice of Exemption for filing; and (2) Adopt LAFCo Resolution 2023-24-06, approving the Pacific Reefs Water District Municipal Service Review and Sphere of Influence Update Study and adopting the proposed sphere of influence..		
Motion Maker: Rodin	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: Ayes: (6) Rodin, Gonzalez, Ward, McGourty, Horsley, Mulheren		

5b) PUBLIC HEARING Final Budget and Work Program for Fiscal Year 2024-2-25 (Video Time 26:52)

Chair Mulheren opened the public hearing at 9:23 a.m. EO Hinman presented the final proposed budget and work program (Video Time 27:04-36:07). The following is a summary of discussion points for this item.

Commissioner McGourty:

- Inquired about how consolidation efforts under the Ukiah Valley Water Authority (UVWA) would affect the MSR/SOI studies for the Ukiah Valley water districts. EO Hinman responded that staff would work with the UVWA and special districts to determine the best approach for development of studies that would be most beneficial for the Commission and the agencies’ efforts to consolidate and create efficiencies of service. She also noted that JPAs themselves are not subject to LAFCo, and that LAFCo is still required to review and update spheres of influence for individual special, regardless of their membership in the JPA.

Commissioner Rodin:

- Asked, in the context of the shifting regulatory environment, the best timing for the preparation of MSR/SOI reports. EO Hinman responded that the work plan is prioritized each year based on multiple factors and staff has discussed the proposed work plan with the Ukiah Valley Water Authority and district representatives.

Commissioner Horsley:

- Requested clarification regarding the use of cash balance. EO Hinman responded that cash balance consists of unreserved funds at year end that are used to offset the need to increase apportionments and to address work plan roll-over in the next fiscal year.

Commissioner Ward:

- Asked for clarification on when next fiscal year’s work plan would begin, particularly given the increase in application processing anticipated with approval of the new master tax share agreement, and if there was enough staff capacity for the workload. EO Hinman responded that Hinman & Associates has hired a new Analyst to increase staff capacity and also has the option to use contract consultants as needed for the work plan.

Chair Mulheren opened the public comment period at 9:36 a.m. No public comments were received. Chair Mulheren closed the public comment period and public hearing at 9:36 a.m.

Motion: (1) Adopt LAFCo Resolution 2023-24-07 with Exhibits A and B approving the Final Budget and Work Program for Fiscal Year 2024-25, which reflect the priorities for the coming fiscal year, and (2) direct the Executive Officer to transmit the Final Budget and Work Program to the funding agencies and others as specified in Government Code §56381.		
Motion Maker: McGourty	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: Ayes: (6) McGourty, Gonzalez, Ward, Rodin, Horsley, Mulheren		

6. WORKSHOP ITEMS

6a) Gualala Community Services District Municipal Service Review (MSR) and Sphere of Influence (SOI) Study (Video Time 40:54)

EO Hinman presented the Draft Gualala Community Services District MSR and SOI Study (Video Time 41:12 – 48:40). The following is a summary of discussion points for this item.

Commissioner Horsley:

- Inquired if the municipal advisory committee was comprised of public members; EO Hinman confirmed it was.
- Clarify the number of full-time versus part-time staff for the District; staff will confirm.
- Provide clarity on the statements related to the agreement with MCWWD (Anchor Bay); staff will include in next draft of the study.

- Asked how the recommendation to participate in the local watershed groups would benefit the District; EO Hinman responded that is primarily for increasing community outreach and opportunities for grant opportunities and collaborations.
- Asked if the District had received recent grant funds referenced in the report; staff will confirm.
- Requested clarity on the newly adopted rates, particularly the negotiated rates with the Sea Ranch Sanitation Zone; staff will include in the next draft of the study.

Commissioner Gonzalez:

- Noted that the Board of Directors information is still forthcoming from the District.

Commissioner McGourty:

- Commented that the recommendation to expand the District is a good idea.

Commissioner Ward:

- Asked if CEQA was an element of this project; EO Hinman confirmed it was not;
- Asked how it works when the SOI is located partially in another County; EO Hinman clarified that in this case Mendocino LAFCo is the principal LAFCo and has been coordinating with Sonoma LAFCo; and
- Expressed concern over the financial standing of the District.

Commissioner Rodin:

- Recommended that the list of acronyms be moved towards the beginning of the document;
- Requested clarification of the agreement with Anchor Bay.
- Commented on the redundancy throughout the MSR/SOI studies.
- Clarified that The Sea Ranch is not proposed to be included in the SOI because of their current planning efforts to internalize their operations.

No public comments were received. Commissioner Mulheren noted that a public hearing for the GCSO MSR/SOI would be held at a future meeting.

7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

7a) Proposed Amendment to Policy 12.2 Outside Agency Services (Video Time 1:14:31)

Analyst Feiler gave a brief presentation on the proposed policy amendment (Video Time 1:15:10-1:18:51). The following is a summary of discussion points for this item.

Commissioner Ward:

- Requested an example of what would change with implementation of the amended policy. Analyst Feiler responded that the proposed policy amendment provides greater explanation/guidance and will result in more standardization of information, and clarified that coordination with other agencies was primarily related to water hauling and exemptions.

Commissioner Horsley:

- Thanked all those that were involved in this process.

Commissioner McGourty:

- Inquired about the issues related to emergency water hauling and mutual aid agreements between public agencies. Analyst Feiler noted that for water hauling in drought emergencies, the policy amendment recommends streamlining such that LAFCo would receive notice and data reporting instead of requiring the standard permit process in order to expedite emergency response and allow for LAFCo to effectively perform its MSR function.

Chair Mulheren:

- Thanked everyone involved in developing the proposed policy amendment, recognizing the high level of flexibility and collaboration between public agencies to improve the process and end result.

No public comments were received.

Motion: Adopt LAFCo Resolution No. 2023-24-08 approving the amendment to Policy 12.2 for Outside Agency Services.		
Motion Maker: Horsley	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: Ayes: (6) Horsley, Rodin, Ward, Gonzalez, McGourty, Mulheren		

8. INFORMATION AND REPORT ITEMS

8a) Work Plan, Current and Future Proposals (Video Time 1:30:21)

EO Hinman provided an update that all applications on file are pending tax share agreements, the work plan is progressing with Gualala CSD MSR/SOI and Anchor Bay WD MSR/SOI public hearings soon, and the MSR/SOI studies for Irish Beach WD, Elk CWD, Westport CWD will be scheduled for workshop in the next few months.

8b) Correspondence (Video Time 1:34:12)

EO Hinman noted that Commissioner Cole submitted a letter of resignation to the Hopland Cemetery District Board of Directors and therefore is no longer eligible to serve as the regular special district member for LAFCo.

8c) CALAFCO Business and Legislation Report (Video Time 1:34:32)

EO Hinman noted that there were two items in the agenda packet from CALAFCO. First, the Nomination Period is now open for the fall election of the CALAFCO Board of Directors, as well as the CALAFCO achievement award nominations. Second, the 2024 CALFCO conference has been announced for October 16-18, 2024 in Yosemite.

8d) Executive Officer's Report (Video Time 1:36:49)

EO Hinman reported that:

- Alternate Commissioner Christen will be seated as the Regular Special District Member until the recently vacated seat is filled through an election process.
- The new Alternate Public Member nomination period deadline is July 1, 2024.

8e) Committee Reports (Executive Committee, Policies & Procedures) (Video Time 1:37:45)

None

8f) Commissioners Reports, Comments or Questions (Video Time 1:37:47)

- Commissioner Ward asked for an update on the rate study for the Ukiah Valley Groundwater Basin. Commissioner McGourty noted that the rate study report has been completed, they are in the process of determining the best option to move forward, and ideally the study will be adopted in August 2024.
- Chair Mulheren provided an update that the Master Tax Share Agreement between the cities and County is on the Board of Supervisors meeting agenda for June 5, 2024 and Commissioner Ward suggested there be a summary presentation provided to the Commission.

ADJOURNMENT (Video Time 1:41:56)

There being no further business, the meeting adjourned at 10:38 a.m.

The next regular meeting of the Commission is scheduled for Monday, **July 1, 2024** at 9:00 a.m. The meeting will be conducted in a hybrid format to accommodate both in-person and remote participation. The in-person meeting will be held in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

Live web streaming and recordings of Commission meetings are available via the County of Mendocino's YouTube Channel [June 3, 2024 YouTube meeting recording](#). Links to recordings and approved minutes are also available on the [LAFCo website](#).



STAFF REPORT

Agenda Item No. 4b	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	Claims and Financial Report for June 2024

RECOMMENDED ACTION

Approve the June 2024 claims and financial report.

Name	Account Description	Amount	Total
Hinman & Associates Consulting, Inc.	5300 Basics Services	\$ 7,248.00	\$ 18,175.32
	5601 Office Supplies (QB, Hostinger)	\$ 106.17	
	5700 Internet (Comcast)	\$ 96.94	
	6200 Bookkeeping	\$ 440.00	
	7001 Work Plan (Coastal W/WW Districts)	\$ 10,284.21	
	8029 Ukiah Annex Western Hills		
	8031 AVCSD Annexation of SOI		
Marsha Burch	6300 Legal Counsel	\$ 720.00	\$ 720.00
Streamline	5700 Website Hosting	\$ 63.00	\$ 63.00
Newspapers	5900 Publications and Legal Notices	\$ 989.58	\$ 989.58
Mendocino County IS	6000 Televised Meetings (May)	\$ 267.53	\$ 1,263.46
	6670 GIS Services (May)	\$ 995.93	
Ukiah Valley Conf. Center	5500 Office Space	\$ 581.25	\$ 688.75
	5600 Postage and copies	\$ 107.50	
Total Claims			\$ 21,900.11

Deposits: \$4,239.25: City of Ukiah (A-2022-02)

Transfers: None

ATTACHMENTS

- (1) Budget Tracking Spreadsheet
- (2) Work Plan Tracking
- (3) Invoices: Hinman & Associates Consulting, Marsha Burch Law Office

Please note that copies of all invoices, bank statements, reconciliation reports, and petty cash register were forwarded to the Treasurer.

MENDOCINO LAFCO FY 2023-24 BUDGET TRACKING

BUDGET SUMMARY		2023-24 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Totals To Date	% Expended	
Total Revenue		\$285,000.00	\$ 1,583.15	#####	\$ 3,626.51	\$ 1,046.35	\$ 377.29	#####	\$ 778.21	\$ 278.24	\$ 1,934.79	#####	\$ 1,669.95	\$ -	\$318,095.91		
Total Expenses		\$320,000.00	\$ 21,176.15	\$ 25,480.07	\$21,770.97	\$20,735.30	\$16,596.70	\$16,219.81	\$ 25,697.55	\$ 18,668.37	\$ 25,706.97	\$ 34,346.63	\$23,564.17	\$ 21,905.11	\$271,867.80		
Operations		\$ 30,000.00	\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 1,026.50	\$ -	\$ 10,593.00		
Applications																	
Balance Beginning of Year																	
Treasury (apportionments held in Treasury until moved to Checking for claims)		\$ 31,732.34	\$ 33,757.62	#####	#####	#####	#####	#####	\$93,682.06	\$ 93,682.06	#####	\$29,059.82	#####	\$ 29,059.82			
Checking Account (Bank Statement)		\$ 49,459.33	\$ 44,814.99	#####	\$84,402.21	\$62,896.43	\$40,583.53	\$12,236.11	#####	\$ 81,019.76	\$ 63,013.75	#####	\$97,808.65	\$ 77,583.00			
Reserves (Bank Statement)		\$116,027.49	#####	#####	#####	#####	#####	#####	#####	#####	\$131,148.60	#####	#####	#####			
Account #	REVENUE																
4000	LAFCo Apportionments Fees (held in Treasury until moved to Checking for claims)	\$275,000.00		#####				#####				#####			\$300,000.00		
4100	Fees and Reimbursements														\$ -		
4800	Miscellaneous														\$ -		
4910	Interest	\$ 500.00	\$ 9.40	\$ 10.92	\$ 11.51	\$ 671.35	\$ 221.04	\$ 1,277.26	\$ 231.46	\$ 215.74	\$ 215.54	\$ 239.49	\$ 232.70		\$ 3,336.41		
8000	Applications																
4150	Service Fees	\$ 9,500.00	\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 382.75	\$ 912.00	\$ 410.75	\$ -	\$ 4,057.25		
80XX	Applications Less Service Fees		\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 410.25	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 1,026.50	\$ -	\$ 10,702.25		
TOTAL		#####	\$ 1,583.15	#####	\$ 3,626.51	\$ 1,046.35	\$ 377.29	#####	\$ 778.21	\$ 278.24	\$ 1,934.79	#####	\$ 1,669.95	\$ -	\$318,095.91		
Account #	EXPENSES																
OPERATIONS																	
5300	Basic Services	\$133,000.00	\$ 7,427.59	\$ 12,817.55	\$12,192.61	\$ 9,005.56	\$10,305.54	\$ 9,985.69	\$ 14,197.00	\$ 6,515.50	\$ 14,350.50	\$ 18,036.00	\$10,955.00	\$ 7,248.00	\$133,036.54	100%	
5500	Rent	\$ 7,000.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 581.25	\$ 581.25	\$ 581.25	\$ 581.25	\$ 7,515.00	107%	
5500	Rent (Board Chambers)			\$ 375.00							\$ 375.00						
5600	Office Expenses	\$ 4,500.00	\$ 249.22	\$ 309.85	\$ 630.69	\$ 218.29	\$ 216.51	\$ 260.59	\$ 399.87	\$ 304.64	\$ 163.94	\$ 219.16	\$ 338.94	\$ 197.50	\$ 3,509.20	78%	
5700	Internet & Website	\$ 3,000.00	\$ 172.84	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 159.94	\$ 159.94	\$ 159.94	\$ 159.94	\$ 159.94	\$ 176.11	\$ 1,932.00	64%	
5900	Publication and Legal Notices	\$ 3,000.00						\$ 605.01		\$ 619.54			\$ 350.43	\$ 989.58	\$ 2,564.56	85%	
6000	Televising Meetings	\$ 2,400.00						\$ 423.61	\$ 267.54	\$ 178.36			\$ 200.66	\$ 178.36	\$ 267.53	\$ 1,516.06	63%
6100	Audit Services	\$ 4,000.00	\$ 2,000.00										\$ 2,000.00		\$ 4,000.00	100%	
6200	Bookkeeping	\$ 5,500.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 605.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 5,445.00	99%	
6300	Legal Counsel	\$ 30,000.00	\$ 900.00	\$ 900.00	\$ 1,867.50			\$ 495.00	\$ 540.00	\$ 360.00	\$ 1,102.50	\$ 765.00	\$ 1,260.00	\$ 720.00	\$ 9,630.00	32%	
6400	A-87 Costs County Services	\$ 2,500.00								\$ 3,440.00					\$ 3,440.00	138%	
6500	Insurance - General Liability	\$ 3,000.00				\$ 2,857.81									\$ 2,857.81	95%	
6600	Memberships (CALAFCO/CSDA)	\$ 4,000.00	\$ 2,521.00			\$ 1,281.00									\$ 3,802.00	95%	
6670	GIS Contract (County)	\$ 3,000.00					\$ 56.91				\$ 256.09	\$ 398.37		\$ 995.93	\$ 1,707.30	57%	
6740	In-County Travel & Stipends	\$ 4,000.00				\$ 177.95	\$ 177.95	\$ 128.82		\$ 100.25	\$ 100.25	\$ 100.25	\$ 100.25		\$ 885.72	22%	
6750	Travel & Lodging Expense	\$ 6,500.00				\$ 842.52									\$ 842.52	13%	
6800	Conferences (Registrations)	\$ 4,500.00		\$ 1,950.00		\$ 650.00	\$ [650.00]								\$ 1,950.00	43%	
7000	Work Plan (MSR/SOI)	\$100,000.00	\$ 6,901.50	\$ 8,342.00	\$ 5,544.50	\$ 4,541.50	\$ 3,805.50	\$ 3,876.50	\$ 9,237.38	\$ 5,051.00	\$ 8,885.00	\$10,946.00	\$ 9,735.00	\$10,284.21	\$ 87,150.09	87%	
9000	Misc Expenses (bank fees)	\$ 100.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 84.00	84%	
TOTAL		#####	\$ 21,176.15	\$25,480.07	\$21,770.97	\$20,735.30	\$16,596.70	\$16,219.81	\$ 25,697.55	\$ 18,668.37	\$ 25,706.97	\$ 34,346.63	\$23,564.17	\$ 21,905.11	\$271,867.80	85%	
8000 APPLICATIONS																	
Deposits TD																	
8022	City of Ukiah North Annexation Pre-Application (P-2020-01)	\$ 1,500.00													\$ -	\$ 378.00	
8024	Millview CWD Annexation Pre-Application (P-2020-04)	\$ 3,609.25													\$ -	\$ -	
8025	City of Ukiah Annexation of City-Owned Properties (A-2021-01)	\$ 8,283.75	\$ 111.25	\$ 875.00	\$ 2,955.00	\$ 125.00									\$ 8,283.75	\$ -	
8028	Elk CSD Activation of Latent Powers (L-2022-01)	\$ 5,000.00							\$ 187.50						\$ 4,516.75	\$ 483.25	
8029	City of Ukiah Annexation of Western Hills Properties (A-2022-02)	\$ 9,239.25						\$ 173.75			\$ 1,719.25	\$ 3,096.25	\$ 1,222.50		\$ 6,461.75	\$ 2,777.50	
8031	AVCSD Annexation of SOI (A-2023-01)	\$ 6,000.00	\$ 285.00		\$ 660.00	\$ 250.00	\$ 156.25		\$ 250.00	\$ 62.50		\$ 816.25	\$ 214.75		\$ 4,961.50	\$ 1,038.50	
8032	Fort Bragg Pre-Application Request (P-2023-02)	\$ 1,500.00	\$ 1,177.50	\$ 312.50											\$ 1,490.00	\$ 10.00	
Applications Less Service Fees Subtotal			\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 1,026.50	\$ -	\$ 10,593.00		
Service Fees Subtotal			\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 382.75	\$ 912.00	\$ 410.75	\$ -	\$ 4,057.25		
TOTAL			\$ 1,573.75	\$ 1,187.50	\$ 3,615.00	\$ 375.00	\$ 156.25	\$ 173.75	\$ 437.50	\$ 62.50	\$ 1,719.25	\$ 3,912.50	\$ 1,437.25	\$ -	\$ 14,650.25		
EXPENSES TOTAL			\$ 22,749.90	\$26,667.57	\$25,385.97	\$21,110.30	\$16,752.95	\$16,393.56	\$ 26,135.05	\$ 18,730.87	\$ 27,426.22	\$ 38,259.13	\$25,001.42	\$ 21,905.11	\$286,518.05		
MONTHLY CLAIMS TOTAL (not including service fees and bank fees)		#####	\$ 22,249.65	\$26,288.07	\$24,262.97	\$20,984.30	\$16,695.20	\$16,330.31	\$ 25,993.55	\$ 18,706.37	\$ 26,545.47	\$ 37,342.13	\$24,585.67	\$ 21,900.11			

Mendocino LAFCo
FY 2023-24 Estimated Work Plan Implementation Schedule and Cost Tracking
 July 1, 2024

Subject to Change: The estimated schedule and costs for the Fiscal Year 2023-24 Work Plan are subject to change based on agency responsiveness, timely provision of requested information, complexity of issues, level of public and affected agency controversy, and changing needs and priorities.

CEQA: Based on LAFCo practice, the work plan assumes minimal costs for CEQA compliance related to preparing a Notice of Exemption, unless an agency proposes a non-coterminous SOI and pays for any necessary studies and preparation of a Negative Declaration or Environmental Impact Report.

Rolling Work Plan: It is difficult to completely contain staff activities in a single fiscal year; therefore, completion of a study may roll over to the next fiscal year. This estimated work plan implementation schedule and cost tracking table is intended to enhance communication and transparency.

Agency	Coordination/ Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Previous FY Expenses	FY 2023-24 Budget	FY 2023-24 Expenses	Total Cost to Date ²
Coastal Water/Wastewater Districts (7)						\$ 18,754	\$ 100,000	\$ 87,150	\$ 105,904
Caspar South Water District	5/15/2024	In process	8/5/2024						
Elk County Water District	In process	In process							
Gualala Community Services District	1/31/2024	3/15/2024	6/3/2024	7/1/2024					
Irish Beach Water District	6/7/2024	In process							
Mendocino County Waterworks District No. 2	10/12/2023	1/31/2024	3/4/2024	7/1/2024					
Pacific Reefs Water District	10/27/2023	4/8/2024	5/6/2024	6/3/2024	6/7/2024				
Westport County Water District	6/4/2024	In process							



Hinman & Associates Consulting

PO Box 1251 | Cedar Ridge, CA 95924
 (916) 813-0818 | uhinman@comcast.net

Date June 24, 2024
To Mendocino LAFCo
Project Executive Officer Services
Work Period May 27 - June 23, 2024

Invoice No. 815
Invoice Total \$ 18,175.32

Account	Description	Staff/Hours			Other (At Cost)	Totals
		Executive Officer \$110	Snr Analyst \$86	Analyst/Clerk \$76		
5300	Basic Services Public Records Act Requests	54.25	10.25	5.25		\$ 7,248.00
5601	Office Supplies Quickbooks Online fee Hostinger (domain registration)				\$ 90.00 \$ 16.17	\$ 106.17
5700	Internet & Website Costs (Comcast)				\$ 96.94	\$ 96.94
6200	Bookkeeping	4.00				\$ 440.00
7001	Coastal Region Water/Wastewater MSR/SOI	54.50		17.75	\$ 2,940.21	\$ 10,284.21
8029	City of Ukiah Annex Western Hills					\$ -
8031	AVCSD Annex SOI A-2023-01					\$ -
Totals		\$ 12,402.50	\$ 881.50	\$ 1,748.00	\$ 3,143.32	\$ 18,175.32

5300 Basic Services

Administrative tasks, file research and maintenance of official records and files. Respond to public inquiries and research requests. Prepare and process April and May claims. Website updates. Preparation for June 3 and July 1, 2024 regular Commission meetings. Coordinate with Legal Counsel to determine appropriate application processes and spheres of influence. Coordination with City of Fort Bragg regarding existing outside agency services; GIS analysis of data provided by City to identify and map outside agency services. Distribute Final Budget and Work Program for FY 2024-25. Prepare and distribute public hearing notices, staff reports and presentations for public hearings on GCSD and MCWD2 MSR/SOI studies.

6200 Bookkeeping

Entered claims into Quickbooks and prepared checks. Reconciled Quickbooks.

7001 Work Plan (Sphere of Influence Updates, Municipal Service Reviews, and Special Studies)

Conduct research for coastal water and wastewater districts and private water companies Caspar South Water District, Westport County Water District, Gualala CSD, Elk CWD, Irish Beach CWD, Mendocino County Water Works Distric 2 etc.); develop administrative drafts and information requests for IBWD, WCWD, ECWD). Coordinate with agencies regarding information needs and requests. Admin draft IBWD sent to district for review. Coordinate with GCSD and MCWD2 staff and board to prepare public hearing draft studies. Finalize and publish the final PRWD MSR/SOI Study. Outreach and follow up with Caspar South Water District. Coordinate with County GIS regarding map preparation needs.

Hostinger International Ltd.
61 Lordou Vironos Street
Larnaca 6023
Cyprus
VAT Reg #: **CY10301365E**

INVOICE

Invoice # **HCY-6939587**
Invoice Issued # **Jun 24, 2024**
Invoice Amount # **\$16.17 (USD)**
Next Billing Date # **Jul 20, 2025**
Order Nr. # **hh_53514560**
PAID

BILLED TO

Uma Hinman
200 S School St
Ukiah 95482-4828
California
United States of America
clerk@mendolafco.org

DESCRIPTION	PRICE	DISCOUNT	TOTAL EXCL. VAT	VAT	AMOUNT (USD)
.ORG Domain (billed every year) mendolafco.org <small>Jul 20, 2024 to Jul 20, 2025</small>	\$15.99 x 1	-	\$15.99	-	\$15.99

ICANN fee (billed every year) <small>Jul 20, 2024 to Jul 20, 2025</small>	\$0.18 x 1	-	\$0.18	-	\$0.18
---	------------	---	--------	---	---------------

Total excl. VAT	\$16.17
Total	\$16.17
Payments	(\$16.17)
Amount Due (USD)	\$0.00

From: Intuit QuickBooks Team <No_Reply@notifications.intuit.com>
Sent: Wednesday, June 19, 2024 8:39 AM
To: eo@mendolafco.org
Subject: We received your QuickBooks subscription payment!



Payment success

Executive Officer, thank you for your payment.

Invoice number:
10001316061905
Invoice date: 06/19/2024
Total: \$90.00
Payment method: VISA ending
in

Sign in to QuickBooks where you can see your billing history and view, save, and print your invoice.

[View billing history](#)

Account details

Billed to: Mendocino LAFCo
Company ID ending:
Items on this invoice: QuickBooks Online Plus

(1) For subscriptions, your payment method on file will be automatically charged monthly/annually at the then-current list price until you cancel. If you have a discount, it will apply to the then-current list price until it expires or is canceled. Additional service fees may apply based on whether you add or remove services and your usage. See your [Subscriptions and billing](#) page for additional pricing details. To cancel your subscription at any time, go to the Subscriptions and billing page and cancel the subscription.(2) For one-time services, your payment method on file will reflect the charge in the amount referenced in this invoice. Terms, conditions, pricing, features, service, and support options are subject to change without notice



[Questions or concerns?](#)

COMCAST BUSINESS

Mendocino Lafco

Account number
8155 30 052 0354952

For service at:
200 S SCHOOL ST STE K
UKIAH CA 95482-4828

Thanks for choosing Comcast Business

Need help?
Visit business.comcast.com/help or
call 1-800-391-3000

Ready to pay?
Visit business.comcast.com/myaccount

Your monthly account summary

Previous balance	96.94
Credit Card Payment Jun 04, 2024	-96.94 cr
New charges	
Comcast Business services	94.90
Taxes and fees	2.04

Amount due **\$96.94**
Payment due Jul 04, 2024



➔ **Manage your services online**
Your Comcast Business account online is the one-stop destination to pay your bill and manage your services. Visit business.comcast.com/myaccount.

Service updates
See the "additional information" section for upcoming service updates.

COMCAST BUSINESS

9602 S 300 W. STE B SANDY UT 84070-3302
8633 0500 NO RP 09 06102024 NNNNNNNN 01 999500

MENDOCINO LAFCO
ATTN UMA HINMAN
200 S SCHOOL ST STE K
UKIAH, CA 95482-4828

Account number **8155 30 052 0354952**
Automatic payment due **Jul 04, 2024**
Please pay **\$96.94**
Credit Card Payment To Be Applied 07/04/24

COMCAST
PO BOX 60533
CITY OF INDUSTRY CA 91716-0533

Marsha Burch

131 S. Auburn Street
Grass Valley, CA 95945

INVOICE

Invoice # 204
Date: 06/20/2024
Due On: 07/20/2024

Mendocino LAFCo

00201-Mendocino LAFCo

General Counsel

Type	Date	Notes	Quantity	Rate	Total
Service	06/03/2024	Prep. questions and attend LAFCo meeting	1.80	\$225.00	\$405.00
Service	06/18/2024	Weekly meeting with EO; research re district boundaries/consolidation	0.80	\$225.00	\$180.00
Service	06/19/2024	Review draft response to grand jury	0.40	\$225.00	\$90.00
Service	06/20/2024	Review agenda	0.20	\$225.00	\$45.00
				Total	\$720.00

Detailed Statement of Account

Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
204	07/20/2024	\$720.00	\$0.00	\$720.00
			Outstanding Balance	\$720.00
			Total Amount Outstanding	\$720.00

Please make all amounts payable to: Marsha Burch

Please pay within 30 days.

Certificate of Commendation

WHEREAS, Katharine Cole was elected as Regular Special District Member on the Mendocino Local Agency Formation Commission in 2023; and

WHEREAS, she contributed greatly to the accomplishments of the Commission; and

WHEREAS, during her tenure on the Commission, her experience and dedication have been invaluable.

NOW, THEREFORE BE IT RESOLVED that the Mendocino Local Agency Formation Commission does hereby express great appreciation to

Katharine Cole

*For her valuable service and leadership as a member of the
Mendocino Local Agency Formation Commission
Presented on this 1st Day of July 2024*

Maureen Mulheren, Commission Chair

Uma Hinman, Executive Officer



STAFF REPORT

Agenda Item No. 5a	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	PUBLIC HEARING Mendocino County Waterworks District No. 2 Municipal Service Review and Sphere of Influence Update

RECOMMENDED ACTION

Staff recommends the Commission take the following actions:

- 1) Find the Mendocino County Waterworks District No. 2 Municipal Service Review categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption); find the Mendocino County Waterworks District No. 2 Sphere of Influence Update exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule); and approve the Notice of Exemption for filing; and
- 2) Adopt LAFCo Resolution 2023-24-09, approving the Mendocino County Waterworks District No. 2 Municipal Service Review and Sphere of Influence Update Study and affirming the existing coterminous sphere of influence.

BACKGROUND

This is a Public Hearing to consider public testimony and proposed adoption of Mendocino County Waterworks District No. 2 (MCWD2) Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study. This is the first MSR/SOI study for the District.

The Commission held a public workshop on the [Draft MCWD2 MSR/SOI Update](#) study (starting on PDF page 19 of 97) on March 4, 2024 to hear public/agency comments and provide direction on revisions to the draft study in preparation for this Public Hearing item. A video recording of the meeting is available [online](#) and the [summary minutes](#) are available on LAFCo's website.

The MCWD2 was formed on April 8, 1958 to provide wastewater collection and treatment services to the unincorporated coastal community of Anchor Bay. The District encompasses 103 parcels and is located on State Highway 1 approximately three miles north of Gualala and the Mendocino/Sonoma County line. The District provides services to approximately 100 residential and commercial customers. There have been no changes to the District boundary or SOI since its formation.

Revisions List

Following is a list of revisions requested by the Commission during its March workshop:

- a) Section 2.1.3: include a summary of facilities or internal reference under Agency Profile.
- b) Section 2.4.1.1: clarify why savings has increased over time while the checking account is decreasing.
- c) Section 3.1.2: update "out of agency" language to reflect updated policy language "outside agency services."

- d) Section 3.3.1.7: include a strong recommendation for consolidation of GCSD and MCWD2 (Determination No. 29).

Sphere of Influence

The District's sphere of influence (SOI) was established as a coterminous sphere with the 1984 Zion Study ([Resolution No. 84-15](#)); this is the first review of the SOI since then. This MSR/SOI Update provides a review of the District services and governance and makes a recommendation for the SOI boundary that is appropriate for the capacity of the District's system and projected growth in its service area.

The District has confirmed that their current boundary reflects existing service needs and projected service demands over the next five to ten years. There have been no annexations since formation, and growth is limited by a moratorium on water services provided by the North Gualala Water Company, which services the District's customers area. The District's SOI is recommended to be affirmed as a coterminous sphere.

CEQA Compliance

The District's MSR is categorically exempt from further review under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption). This is based on the use of the municipal service review as a data collection and service evaluation study. There are no land use changes or environmental impacts created or recommended by the MSR. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.

The District's SOI Update is exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15061(b)(3) (General Rule). This is based on a determination with certainty that the sphere of influence update will have no possibility of significantly effecting the environment given that this update does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

A draft Notice of Exemption (NOE) is provided as Attachment 2.

Public Notice

The 21-day Notice for this Public Hearing was properly published, posted, and distributed by Friday, June 7, 2024. The newspaper Proof of Publications are included as Attachment 4.

Public Comments

No public comments have been received to date.

ATTACHMENTS

- (1) Mendocino County Waterworks District No. 2 MSR/SOI Update 2024
- (2) Notice of Exemption
- (3) LAFCo Resolution No. 2023-24-09
- (4) Proof of Publication



Photo Credit: Mike Nelson

Mendocino County Waterworks District No. 2 (Anchor Bay)

Municipal Service Review and
Sphere of Influence Update

Prepared By:

Mendocino LAFCo

200 South School Street

Ukiah, California 95482

<http://www.mendolafco.org/>

Workshop: March 4, 2024

Public Hearing: July 1, 2024

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

[This page intentionally left blank]

TABLE OF CONTENTS

TABLE OF CONTENTS	1
List of Tables.....	2
List of Figures	2
ACRONYMS.....	4
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
2.1.3 Services	2-1
2.2 Government Structure	2-2
2.2.1 Governing Body.....	2-2
2.2.2 Public Meetings.....	2-3
2.2.3 Standing Committees	2-4
2.2.4 Public Outreach.....	2-4
2.2.5 Complaints	2-4
2.2.6 Transparency and Accountability	2-5
2.3 Operational Efficiency	2-6
2.3.1 Management and Staffing.....	2-6
2.3.2 Agency Performance	2-6
2.3.3 Regional and Service-Specific Collaboration	2-7
2.3.4 Shared Services and Facilities	2-8
2.3.5 Governmental Structure and Community Needs.....	2-11
2.4 Finances	2-11
2.4.2 Long Term Financial Considerations.....	2-20
2.4.3 Current Fiscal Health	2-21
2.5 Growth	2-22
2.5.1 Present and Planned Land Use and Development.....	2-22
2.5.2 Existing Population	2-25
2.5.3 Projected Growth	2-25
2.5.4 California Housing Goals	2-25
2.6 Disadvantaged Unincorporated Communities	2-26
3 MUNICIPAL SERVICES	3-1
3.1 Service Overview.....	3-1
3.1.1 Services	3-1
3.1.2 Outside Agency Services	3-1
3.2 Wastewater Services	3-1
3.2.1 Service Overview.....	3-1
3.2.2 System History.....	3-2
3.2.3 Facilities and Infrastructure	3-3
3.2.4 Service Adequacy	3-6

3.3	Determinations	3-11
3.3.1	MSR Review Factors	3-11
4	SPHERE OF INFLUENCE	4-1
4.1	Mendocino LAFCo Policies	4-1
4.2	Existing Sphere of Influence.....	4-3
4.2.1	Study Areas	4-3
4.2.2	Area of Interest Designation	4-4
4.3	Proposed Sphere of Influence	4-4
4.4	Consistency with LAFCo Policies	4-4
4.5	Determinations	4-4
4.5.1	Present and planned land uses	4-5
4.5.2	Present and probable need for facilities and services in the area	4-5
4.5.3	The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide	4-5
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	4-6
4.5.5	The present and probable need for public facilities and services of any disadvantaged unincorporated communities.....	4-6
4.6	Recommendation.....	4-6
5	Bibliography.....	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 Tables

Table 1-1:	Current Mendocino LAFCO Commissioners, 2024.....	1-1
Table 2-1:	MCWD2 Profile	2-1
Table 2-2:	Current District Directors.....	2-2
Table 2-3:	MCWD2 Financial Summary	2-12
Table 2-4:	Cash Accounts	2-13
Table 3-1:	Wastewater Flow Data 2019-2023	3-2
Table 3-2:	SWRCB – MCWD2 Regulatory Measures	3-6
Table 3-3:	SWRCB – MCWD2 Spill Incidents	3-7
Table 3-4:	SWRCB – MCWD2 Violations	3-9
Table 7-1:	Mendocino County RHNA Allocations	7-4

List of Figures

Figure 1-1:	Regional Map	1-5
Figure 1-2:	Mendocino County Waterworks District No. 2 Boundary	1-6
Figure 2-1:	Mendocino County Water and Sanitation Districts and Companies	2-10

Figure 2-2: District Revenues and Expenses 2-16

Figure 2-3: Revenues Over/Under Expenses 2-17

Figure 2-4: District Assets 2-17

Figure 2-5: District Liabilities..... 2-18

Figure 2-6: District Net Position 2-18

Figure 2-7: District Cash Accounts 2-19

Figure 2-8: Mendocino County General Plan Land Use Mapping 2-23

Figure 2-9: Mendocino County Zoning Map 2-24

Figure 3-1: District’s Ocean Discharge Location 3-2

Figure 3-2: Aerial View of Wastewater Treatment Plant..... 3-3

Figure 3-3: District Facilities Map 3-4

Figure 4-1: MCWD 2 Proposed Sphere of Influence 4-7

ACRONYMS

ACS	American Census Survey
ADU	Accessory Dwelling Unit
AMI	Area Median Income
AOI	Area of Interest
APR	Annual Progress Report
BOS	Mendocino County Board of Supervisors
CALAFCO	California Association of Local Agency Formation Commissions
CalPERS	California Public Employees Retirement System
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPUC	California Public Utilities Commission
CRP	Capital Replacement Plan
CSDA	California Special Districts Association
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	Department of Water Resources
EDU	Equivalent Dwelling Unit
FY	Fiscal Year
GC	California Government Code
GCSD	Gualala Community Services District
GPD	Gallons per day
GPM	Gallons per minute
HCD	Department of Housing and Community Development
HOA	Homeowners Association
I&I	Infiltration and inflow
IRWM	Integrated Regional Water Management
JADU	Junior Accessory Dwelling Unit
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MCOG	Mendocino Council of Governments
MCWD2	Mendocino County Waterworks District No. 2
MGD	Million gallons per day
MHI	Median Household Income
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
MWCP	Mandatory Water Conservation Program
NGWC	North Gualala Water Company
NPDES	National Pollutant Discharge Elimination System
RCAC	Rural Community Assistance Corporation
RHNA	Regional Housing Needs Allocation
RTP	Regional Transportation Plan
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDLF	Special District Leadership Foundation
SDRMA	Special District Risk Management Association

SDUC	Severely Disadvantaged Unincorporated Community
SOI	Sphere of Influence
SSO	Sanitary Sewer Overflows
SWRCB	State Water Resources Control Board
USDA	United States Department of Agriculture
WAT	California Water Code
WQO	Water Quality Order
WWTP	Wastewater Treatment Plant

1 INTRODUCTION

1.1 Local Agency Formation Commission

The Local Agency Formation Commission (LAFCo) is a quasi-legislative, independent local agency established by State legislation in 1963 to oversee the logical and orderly formation and development of local government agencies 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. with goals 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 through establishment of local policies to address the unique conditions of the county. 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 Commissioners, the organization they represent, if they are an alternate, and the date their term expires.

Table 1-1: Current Mendocino LAFCO Commissioners, 2024

Commissioner Name	Position	Representative Agency	Term Expires
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 Haschak	Alternate	County	2027

¹ Mendocino LAFCo Policies and Procedures Manual: <http://www.mendolafco.org/policies.html>.

Commissioner Name	Position	Representative Agency	Term Expires
Vacant	Alternate	Public	2027

Source: Mendocino LAFCo

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 Mendocino County Waterworks District No. 2 (MCWD2/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 MCWD2. 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,

² GC §56430 text can be found here: <https://law.justia.com/codes/california/2022/code-gov/title-5/division-3/part-2/chapter-4/section-56430/>.

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

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.

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) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

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. SB 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas emission reduction targets for passenger vehicles in their

⁴ GC §56076 text can be found here: <https://law.justia.com/codes/california/2022/code-gov/title-5/division-3/part-1/chapter-2/section-56076/>.

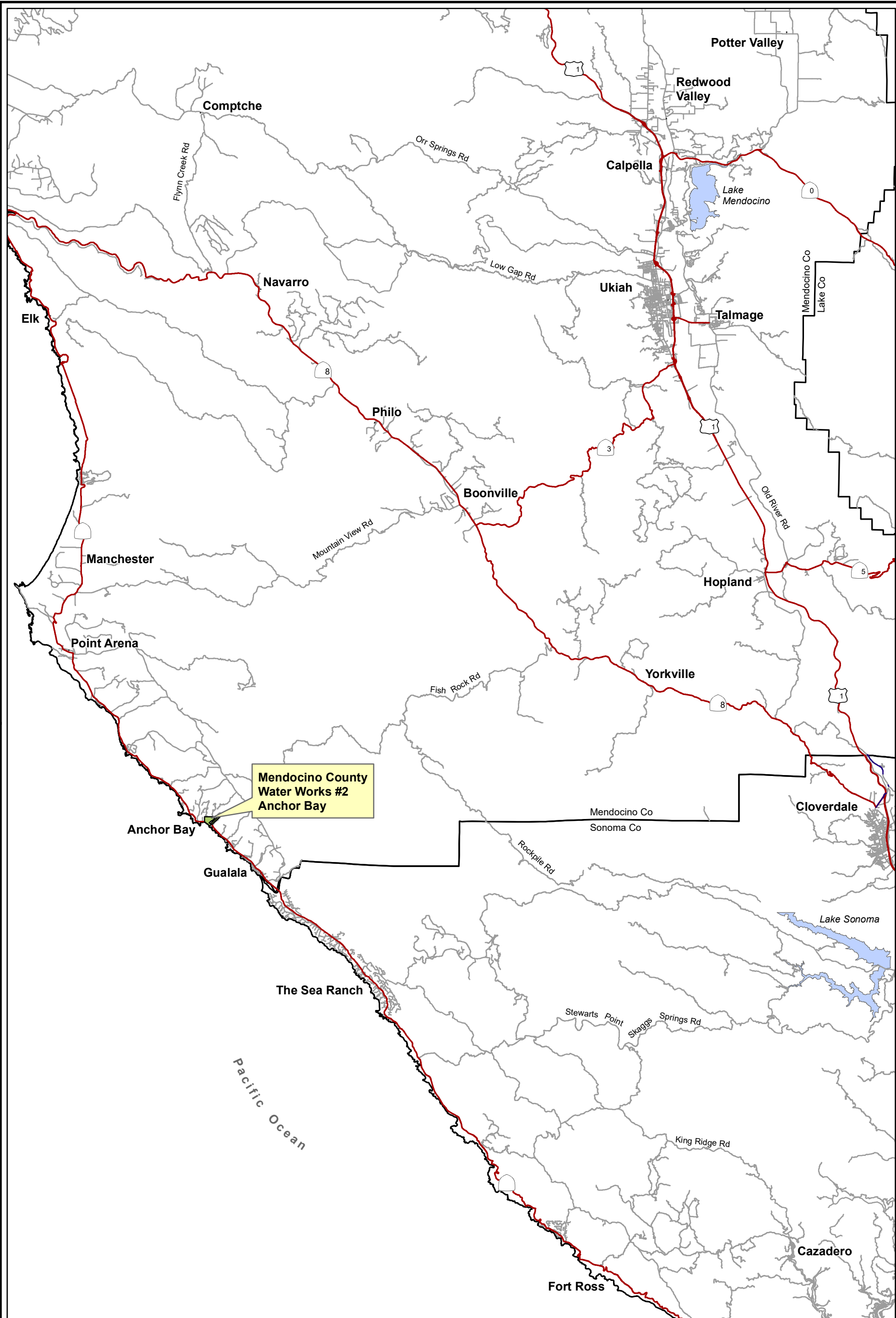
⁵ GC § 56425-56434 text can be found here: <https://law.justia.com/codes/california/2010/gov/56425-56434.html>.

Regional Transportation Plan (RTP) by integrating planning for transportation, land use, and housing in a sustainable communities strategy.




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. 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.

Figure 1-1: Regional Map



Location - Mendocino County Water Works #2 Anchor Bay

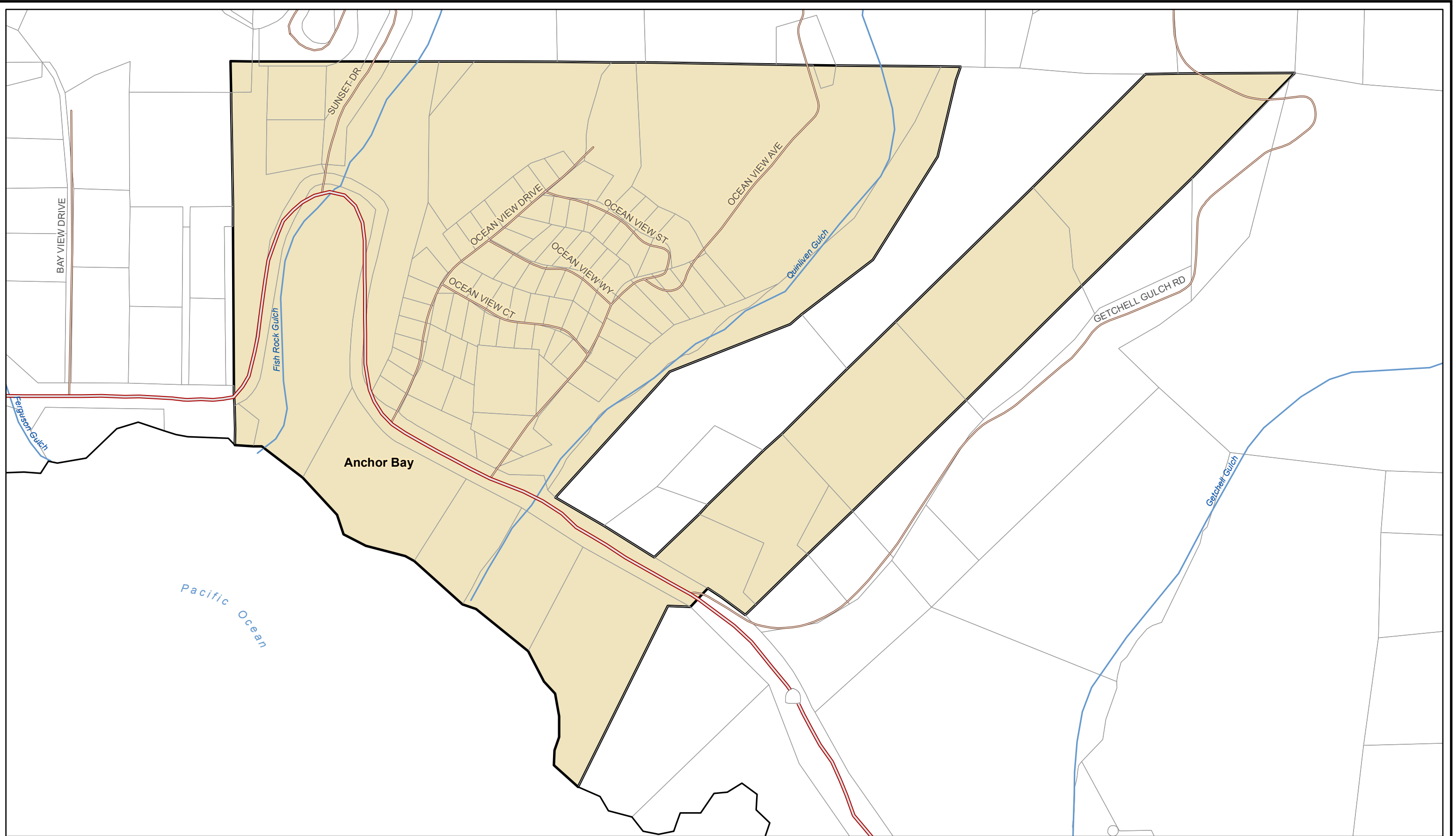
-  Mendocino County Water Works #2 Anchor Bay
-  Highways
-  Roads

Source: This map was prepared by the Mendocino County Division of Information Services, GIS Program, February 7, 2024.

2 1 0 2 Miles



Figure 1-2: Mendocino County Waterworks District No. 2 Boundary



Mendocino County Water Works District No 2

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 12, 2023.
Note: This map is not a survey product.

- Mendocino County Water Works District No 2
- Parcels
- Highways
- Roads
- Streams



2 AGENCY OVERVIEW

Table 2-1: MCWD2 Profile	
Agency Name:	Mendocino County Waterworks District No. 2
General Manager:	Chris Troyan, under contract with Gualala Community Services District (GCSD)
Board President:	Linda-Marie Koza
Office Location:	GCSD Office 39150 S Highway 1, Suite 3, Gualala CA 95445
Mailing Address:	PO Box 104, Gualala CA 95445
Phone Number:	Office: (707) 884-1715 GM: (559) 679-3604 Chris Troyan Board President: (415) 717-3568
Website:	None; interim webpage on GCSD’s website for District Board agendas and minutes at https://gualalacsd.org/mcwd2
Email:	Ms. Koza: linda@lmkoza.com ; GCSD GM: ctroyan@gualalacsd.org
Date of Formation:	1958
Agency Type:	Independent Special District, Single-Service Provider
Services Provided:	Sewer collection and treatment
Enabling Legislation	California Water Code Division 16
Board Meeting Schedule:	Every 3 rd Thursday of the month, at Coast Life Support District, 38901 Ocean Drive, Gualala 95445

(RFI, 2023)

2.1 History

2.1.1 Formation

The Mendocino County Waterworks District No. 2 (MCWD2/District) was formed on April 8, 1958, under [California Water Code \(WAT\) Section \(§\) 55100](#), by Mendocino County Board of Supervisors Resolution No. 3110 for the sole purpose of providing wastewater service to the Anchor Bay community. The District was governed by the Board of Supervisors (BOS) until July 1, 1996 when an elected MCWD2 Board of Directors was granted all the powers previously conferred upon the Board of Supervisors ([WAT §55310.2](#))⁶.

2.1.2 Boundary

The District is in an unincorporated area of southwestern Mendocino County just north of the community of Gualala. The District serves the community of Anchor Bay, which is a Census Designated Place (CDP) (see Figure 1-2).

There have been no documented changes to the District boundaries since its original formation.

2.1.3 Services

The MCWD2 is empowered to provide wastewater services to the coastal, unincorporated community of Anchor Bay. Services include the collection, treatment, and disposal of wastewater generated by

⁶ WAT §55310.2 text can be viewed here: <https://law.justia.com/codes/california/2022/code-wat/division-16/part-3/chapter-1/section-55310-2/>.

residential and commercial connections within the service area, and maintenance of related facilities and equipment. For information regarding the District’s services and facilities, refer to Section 3.2.

2.1.3.1 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 the Local Agency Formation Commission (LAFCo). Under Division 16 of the California Water Code ([WAT §55330](#)), latent powers available to County Waterworks Districts include water services, reclamation of saline water, and operation of recreational facilities in connection with water bodies owned or controlled by the District. The MCWD2 is a single-service provider delivering wastewater services only.

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 ([GC §56650 et seq.](#)). Water service for the service area of the District is currently provided by the North Gualala Water Company (NCWC), a private entity. There are no recreational opportunities for the District in connection with existing facilities.

2.2 Government Structure

2.2.1 Governing Body

The Board of Directors is the legislative body for the District and is responsible for establishing policy, adopting and amending the annual budget, enacting ordinances, adopting resolutions, and appointing committees.

The Board had only two serving members until the beginning of 2023, primarily due to limited numbers of residents meeting the eligibility requirements. According to WAT §55310.2, the Board of Directors of the MCWD2 shall consist of five members, elected at large. Board members must be residents of the District and registered to vote in Mendocino County at the time of election and throughout their four-year terms. The District has only recently achieved a full board.

The District is currently governed by a five-member Board of Directors elected at-large to serve staggered four-year terms (see Table 2-2). Of the current five board members, two were appointed by the County BOS (Wieneke and Lemmon) and two were appointed by the MCWD2 Board (McDonnell and Koza). It is unknown how Board Member Shelby was appointed.

Name	Office/Position	First Year of Service	Term Expiration	Serving Consecutive Terms
Alex McDonnell	Vice President	02/15/24	6/30/26	No
Jens Grant Shelby	Board Member	Unknown	6/30/26	Yes
Linda-Marie Koza	President	7/20/23	6/30/28	Yes
Lisa Wieneke	Secretary	10/19/23	6/30/26	No
Donna Lemon	Board Member	10/19/23	6/30/28	No

Source: RFI⁷

⁷ Request for Information responses provided by District Board President Linda-Marie Koza in December 2023.

[California Water Code §55310.2](#) governs the process for appointment of Board of Director seats vacated prior to the scheduled term expiration date⁸. Any vacancy on the Board, other than upon the expiration of a term, shall be filled by a majority vote of the directors. However, no vacancy shall be filled by less than three member votes. If the Board fails to fill a vacancy within 60 days of the vacancy, or if the membership of the board is less than four, the BOS may appoint members to fill the vacancies. Appointed members shall serve until the next District election at which time the remainder of the unexpired term shall be filled by election in the manner provided in the code.

The Board of Directors elects officer positions annually at the first regular meeting of the calendar year. Officer positions include President, Vice President, and Secretary. The Board may create additional offices and elect Board members to fill those offices, provided that no Board member holds more than one office. District Board members do not receive compensation for their public service or a stipend for attending meetings; [WAT §55305](#) sets allowable compensation for the Board of Directors.

The Board currently has no vacancies, but as a small district generally has difficulty filling vacancies due to the eligibility requirement that Board members be, and remain, residents of the District and registered voters in the County throughout their terms. As discussed in Section 2.5, 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 widespread problem for other small service providers within the region and throughout rural areas of California. Prior to January 2023, the Board had been unable to meet its full Board requirements for years and was operating with only two to three members.

Only one of the Board members has served the District for multiple consecutive terms, which can indicate difficulty with retaining eligible residents that meet the requirements to serve on the Board. Members who serve multiple terms could offer some benefit to the District through the establishment of long-standing working relationships in the community, historical knowledge of the organization, and maintaining institutional knowledge of the District. The inability of the District to fill vacancies in the recent past could signify future difficulties with filling Board seats and maintaining adequate services. Without a full Board, the conduct of regular District business is difficult and important planning and implementation of services may suffer.

2.2.2 Public Meetings

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.

Public notices and meeting agendas are posted on a public board in front of the Anchor Bay Market and meeting dates/times and location are listed in the Independent Coast Observer. The District encourages the public to communicate with the District via email for information. In addition to timely public posting, agendas are emailed to all customers. The Board meets at the Coast Life Support office in Gualala, which is wheelchair-accessible, and all regular meetings are open to the public via Zoom. Almost all of the District's residential customers are members of a Homeowners Association (HOA). Agendas are also sent to HOA members and District business is reported at quarterly HOA meetings. For District customers who

⁸ See water code text here: <https://law.justia.com/codes/california/2022/code-wat/division-16/part-3/chapter-1/section-55310-2/>.

are not members of an HOA, the District communicates individually by email to encourage their attendance at Board meetings in person or on Zoom. Additionally, the District has recruited community members to serve on the three Citizens Advisory Committees described below (see Section 2.2.3).

Public meeting information, including past agendas, and approved meeting minutes are available on the Gualala Community Services District website for the year 2023 (<https://gualalacsd.org/mcwd2>). Minutes are kept for all District Board of Directors meetings by the Board Secretary or President and are adopted at a subsequent meeting.

2.2.3 Standing Committees

Committees assist in carrying out various functions of local government. The District appoint a Budget Committee in March 2024 consisting of two board members and contract staff.

However, the Board has established three Citizens Advisory Committees, formed with a combination of Board and community members, to assist the District in creating necessary governance documents as follows: 1) Policy Guidelines, 2) Personnel Manual, and 3) Conditions of Use Ordinance.

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 (see Appendix B – Website Compliance Handout). A grant was offered to the District by the California Special Districts Association (CSDA) to develop and maintain a website, but the District Board decided that the resources required to set up and maintain a fully compliant website exceeded the capacity of both contract staff and Board volunteers. SB 929 does allow for special districts to exempt themselves from the website requirements upon adoption of a resolution declaring that a hardship exists that prevents the district from establishing or maintaining a website. The District adopted such a resolution at its January 18, 2024, meeting, and will review the decision every January so long as the hardship exists⁹.

However, with the recent contractual relationship with the Gualala Community Services District (GCSD) for management, operations and administrative support, the GCSD added a landing page to their website to host MCWD2's 2023 and 2024 meeting agendas and minutes for public reference. Eventually the District intends to post financial reports and Prop 218 rate information as well.

2.2.5 Complaints

Complaints may be directed to the District Board President or contracted General Manager. No complaints have been received since current District management and board leadership have been in place, e.g., calendar year 2023. It is not known if there were any complaints made prior to this time.

The Board is currently developing Policy Guidelines to be adopted sometime this year, which contains the following draft comprehensive complaint procedure:

- 1) An individual with a complaint should first discuss the matter with the General Manager to resolve the matter informally, if possible.
- 2) If an individual registering a complaint is not satisfied with the disposition of the complaint by the General Manager, it shall be forwarded to the Board President. At the option of the General

⁹ Senate Bill No. 929 Section 53087.8 text can be found here:

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB929

Manager, he/she may conduct conferences and take testimony or written documentation in the resolution of the complaint. The General Manager shall memorialize his/her decision in writing, providing the individual registering the complaint with a copy.

- 3) If an individual filing a complaint is not satisfied with the disposition of the matter by the General Manager, he/she may request consideration by the Board of Directors by filing said request in writing within ten (10) days of receiving the General Manager's decision. The Board may consider the matter at its next regular meeting, call a special meeting, or decline to consider the matter further. In deciding, the Board may conduct conferences, hear testimony, and review the materials provided to the General Manager. The Board's final decision shall be memorialized in writing, copied to the individual registering the complaint. The action of the Board, including an action to decline to consider a complaint, is the last action of the District, not subject to further internal appeal. (RFI, 2023)

In part because the District serves such a small community, the District Board is often the first contact for customer complaints/inquiries.

2.2.6 Transparency and Accountability

The District adopted newly established Policy Manual and Bylaws in April 2024, which were provided to LAFCo. Bylaws serve as the legal guidelines of an 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, the conduct of meetings, and the frequency of meetings. LAFCo staff queried the District for all policies related to operations, personnel, conflicts of interest, and financial matters; however, no documents were provided.

LAFCo staff recommends that the Commission review District policies related to operations, personnel, conflicts of interest, and financial matters at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

The Political Reform Act requires all state and local government agencies to adopt and promulgate a Conflict-of-Interest Code pursuant to [GC §87300 et seq.](#) The District complied with this requirement with adoption of a Conflict-of-Interest Code on August 17, 2023.

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 according to [GC §87200](#). There is no record for previous years, but the District Board has completed their Form 700 filings for 2023.

According to Assembly Bill 1234, if a local agency provides compensation or reimbursement of expenses to its governing body, then all members are required to receive two hours of training on public service ethics laws and principles at least once every two years and establish a written policy on reimbursements under [GC §53235](#). While the District does not currently compensate its Board members, all Board members are encouraged to complete an online class and provide a certificate of completion to the District's legal counsel. Although the District does not have management staff subject to the requirements, the contract General Manager completes ethics training every two years.

Additionally, the District's attorney attends all District meetings to advise on procedures as needed.

The District does not maintain a website per SB 929. However, in compliance with the exemption procedures provided in SB 929, the District reviews annually and adopts resolutions with findings of financial hardship of establishing and maintaining a website.

Refer to Appendix A – Open Government Resources for a brief list of educational resources regarding open government laws and Appendix B – Website Compliance Handout for information on website compliance requirements.

2.3 Operational Efficiency

2.3.1 Management and Staffing

The MCWD2's contract with the GCSD includes staffing support from GCSD's General Manager and Administrative Assistant/Bookkeeper who work directly with the MCWD2 Board of Directors to lead and support operations of the District. The contract General Manager supervises the District's only employee and oversees the management of the District, including customer service, customer billings, customer complaints, and connection enforcement duties. As a result of the very limited District staffing, the Board of Directors assumes responsibility for annual budget preparation, expenditure monitoring, preparation of agendas, coordinating contract negotiations and all legal matters.

The District's paid staff is comprised of one part-time operator who works 20-hours a week and is managed by the contract General Manager (RFI, 2023).

2.3.1.1 CONTRACT STAFFING AND SERVICES

In addition to its contract with GCSD for operations and administration, the District utilizes outside legal counsel and engineering contractors on an as-needed basis. Recently, the District contracted with MC Engineering to prepare and implement a Proposition (Prop) 218 Rate Study and process.

2.3.2 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District's contract General Manager and one operator are managed by GCSD; therefore, the District Board does not track employee workload and productivity. Performance evaluations are also managed by GCSD.

The District Board members monitor and evaluate agency operations through regularly monitoring financial reports and the monthly management reports and other communications provided by the District's contract General Manager.

2.3.2.1 CHALLENGES

The District, until very recently, experienced significant challenges with governance and service provision, including an only recently established full Board. Additionally, in 2023 the District established a contract with GCSD for management, operations, and maintenance staff. The District is to be commended on proactively obtaining a full Board and contracting for experienced management, staffing, and legal counsel to identify and work towards compliance with the myriads of permit requirements, organizational duties, and system operations.

Additionally, the State Water Resources Control Board (SWRCB) has documented that the District received 22 violations in the last five years, all of which are still active in need of corrective action, albeit they appear to be common and relatively minor violations that pose no immediate threat to the District (refer to the following Sections for more information).

Further, the District reports that a complete rehabilitation of the collection system, lift stations, and the wastewater treatment plant (WWTP) is necessary to continue to provide services. While the District does not have a Capital Improvement Plan (CIP), a Prop 218 rate study was recently adopted, which included a skeletal CIP produced in collaboration with the Rural Community Assistance Corporation (RCAC). The District is also currently working with a contracted engineering firm to seek planning grants from the United States Department of Agriculture (USDA) and SWRCB to fund a comprehensive system analysis that would include a full CIP and summary of the necessary engineering for critical system upgrades.

It is apparent that the District is working diligently to improve on these items and LAFCo staff recognizes the significant efforts of the current Board to achieve compliance. However, the District is facing many organizational and financial challenges typical of very small, rural district.

LAFCo staff recommend the Commission review the District's efforts to achieve compliance with the requirements of district governance, reporting, operations and maintenance, and financial matters at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

2.3.2.2 DISTINGUISHED SERVICE

The current District Board President was awarded the Certificate in Special District Governance by the Special District Leadership Foundation (SDLF) in 2023.

2.3.2.3 STRATEGIC OR SUCCESSION PLAN

The District does not currently have an established strategic plan, mission statement, or official goals. While the District is not legally obligated to develop these types of documents and/or plans, doing so could help the District develop identify and improve upon planning efforts, accountability, and transparency. In lieu of these documents, the Board has been reviewing progress and setbacks over the prior year during the annual budget development process.

However, the Board stated as part of the MSR process that a retreat is planned for the second half of 2024 that will be devoted to establishing a mission statement and official goals. The timing of the proposed retreat is dependent on completion of the rate study, the subsequent Prop 218 hearing with District customers, and the adoption of this MSR. The District stated that the information developed by these projects will help the Board understand the realities that need to be considered before establishing a mission statement and official goals within the next fiscal year.

2.3.3 Regional and Service-Specific Collaboration

The District participates in a Joint Powers Authority (JPA) with the Special Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a JPA formed under GC§ 6500 et. seq. and is comprised of California special districts and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component of the District for financial reporting issues. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long-term risk financing for special districts. These programs are provided through collective self-insurance, the purchase of insurance coverage, or a combination thereof (Calentano, 2023). The District purchases insurance through SDRMA but does not currently have any debt with SDRMA or any other lender.

The MCWD2 is an active member of the California Special District Association (CSDA). The Board President recently attended CSDA's annual leadership conference. Further, the contract General Manager will attend the 2024 CSDA conference. New Board members are encouraged to participate in these events as

well, to build and strengthen the Board’s knowledge and skill base. The Board also actively uses the CSDA Forum for peer-sharing of information and resources, including for example, utilizing a CSDA template for the Hardship Resolution to avoid the legal expense associated with drafting the document.

LAFCo staff recommends that the District consider future group participation efforts 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 and organizations.

2.3.4 Shared Services and Facilities

The District does not jointly own or share any capital facilities or services with other agencies, apart from the management and staffing contract with GCSD. The contract provides for utilizing GCSD’s General Manager and Administrative Assistant/Bookkeeper, as well as GCSD’s operators on an as-needed basis.

The GCSD’s General Manager and Administrative Manager/Bookkeeper work directly with the MCWD2 Board of Directors and staff, providing administrative and operational support to help with budget preparation, expenditure monitoring, Discharge Permits compliance, and Regional Water Quality Control Board (RWQCB) reporting. The GCSD’s General Manager supervises the District’s part-time Operator and oversees the management of the District, including customer service and connection enforcement duties. In addition, by default, GCSD manages all issues that arise beyond what is anticipated in the contract. For example, GCSD managed the District’s response to a recent emergency construction project to bypass a compromised sewer hole, thereby avoiding a catastrophic failure and environmental disaster.

2.3.4.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are only two nearby public providers of wastewater services within the nearby vicinity: the GCSD and the City of Point Arena.

The GCSD is the closest of the two providers and, given the current relationship between the two districts, there is significant potential for future expanded collaboration or consolidation. Such an endeavor would require the support of both boards, the residents within the District, and authorization from LAFCo.

The NGWC is a privately-owned, public utility that has been serving the coastal communities around Anchor Bay and Gualala since 1953. The Company provides drinking water services to approximately 1,100 customers throughout the small coastal region. The boundaries of the MCWD2, as well as GCSD, are contained entirely within the NGWC’s boundaries and have customers in common. Private water companies are not under the jurisdiction of LAFCo; however, given the overlap in service boundaries, there may be opportunity for coordinated services in the future.

Service providers in the region are listed below:

Wastewater Services:

- Gualala Community Services District
- City of Point Arena Sewer System & Wastewater Treatment Plant
- Sea Ranch Sanitation Zone (Sonoma County)

Water Services:

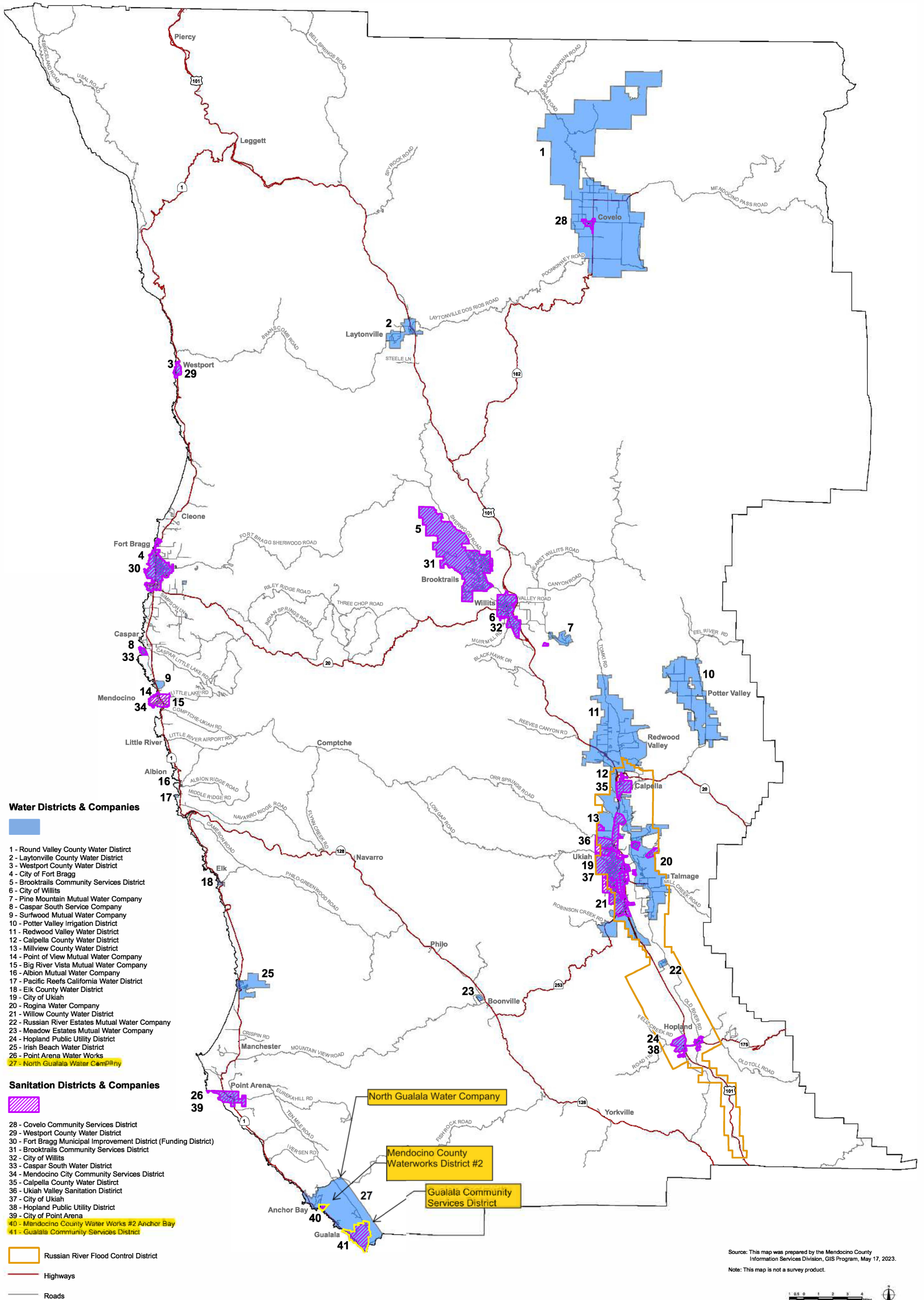
- North Gualala Water Company
- Sea Ranch Water Company

- Point Arena Water Works
- Stewarts Point Water System

For a regional map of Mendocino County's water and sanitation districts and companies see Figure 2-1.

Figure 2-1: Mendocino County Water and Sanitation Districts and Companies

Mendocino County Water & Sanitation Districts & Companies



2.3.4.2 DUPLICATION OF SERVICES

Continuing the established relationship with GCSD may support opportunities for the two districts to reorganize or consolidate, creating efficiencies of governance, operations, and infrastructure.

Additionally, the NGWC is a private water service provider that currently provides residential drinking water services to the Anchor Bay and Gualala areas, and which overlaps customers of both the MCWD2 and GCSD. Although the Company does not provide wastewater services, there is potential for consolidation of services under a single service-provider serving this region. Expansion of special district area and services require appropriate LAFCo process and approval.

2.3.4.3 INTERAGENCY COLLABORATION

The District does not participate in any interagency collaborative arrangements or mutual aid agreements and does not participate in the Integrated Regional Water Management (IRWM) Program for the region (North Coast Resource Partnership)¹⁰. Participation in these types of regional planning programs often provides opportunity to pursue joint grant applications and to leverage other community resources; it may be beneficial to the District to consider participation in future IRWM efforts.

2.3.5 Governmental Structure and Community Needs

2.3.5.1 ENHANCED SERVICE DELIVERY OPTIONS

Despite the contract support from GCSD, and because the administrative burden currently exceeds GCSD staff's capacity, the District Board is still more involved in administrative tasks than is typical or desired by the existing board members.

LAFCo staff recommends the District consider expanding the services provided by GCSD where possible. Additionally, to reduce the strain on GCSD's staff, the District should consider hiring support staff to supplement GCSD's team and relieve the District Board of the hands-on administrative work.

2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructuring options should be pursued if there are potential benefits in terms of reduced costs, greater efficiency, better accountability or representation, or other advantages to the public. The District has indicated a willingness to explore consolidation with GCSD, or alternatively some type of regionalization.

Given that GCSD already provides operations and maintenance activities for the District, consolidation could create efficiencies related to staffing and economies of scale benefitting both districts and their customers. GCSD staff have become intimately aware of the issues facing the District as they continue to identify and address long-deferred infrastructure and management issues.

LAFCo staff recommends that the MCWD2 and GCSD consider expanding the support provided by GCSD and explore consolidation of the agencies when resources and local support allow for it.

2.4 Finances

LAFCo is required to make determinations regarding the financial ability of the MCWD2 to provide public services. This section provides an overview of the financial health of the District and a context for LAFCo's

¹⁰ The North Coast Resource Partnership implements the region's Integrated Regional Water Management Program; more information can be found here: <https://northcoastresourcepartnership.org/>.

financial determinations. This MSR utilizes audited financial statements for Fiscal Years (FYs) 2018-2019, 2019-2020, 2020-2021 and 2021-2022, and the budget for FY 2022-2023 as the primary sources of information for this section. The District has not presented Management’s discussion and analysis from its most recent audit (FY 2021-2022) that generally accepted accounting principles have determined necessary to supplement, although not required, to be part of the basic financial statements.

In California, special districts are classified as either enterprise or non-enterprise, based on their source of revenue. MCWD2 operates as an enterprise District, meaning that charges for wastewater services are intended to pay for the costs of providing such services.

The primary funding source for the District is fees for services, which is generally a reliable and reoccurring revenue source, provided that adopted rates are sufficient to cover the actual cost of services. The District operates out of a single enterprise fund for operational and maintenance purposes (Refer to Figure 2-2: District Revenue and Figure 2-3: Revenues Over/Under Expenses).

The District’s sole fund is a proprietary fund. Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses essential to the primary operations of the fund and all other expenses are reported as non-operating expenses.

Table 2-3: MCWD2 Financial Summary				
	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Operating Revenues				
Service charges	135,000	135,000	135,000	137,116
Total Operating Revenues	135,000	135,000	135,000	137,116
Operating Expenses				
Personnel and Related Benefits	78,163	77,978	73,063	59,067
Insurance	4,194	4,553	5,915	6,213
Operating Supplies	3,336	2,832	3,691	1,728
Chemicals	1,403	2,460	2,600	3,810
Repairs and Maintenance	18,183	28,428	6,077	486
Utilities	9,585	9,040	8,176	8,350
Permits	10,080	10,528	12,494	12,949
Research and Monitoring	6,004	18,792	5,108	6,199
Office Expense	811	1,650	1,148	830
Legal and Other Professional Services	5,666	6,179	5,816	6,121
Rent	1,440	1,440	1,440	1,440
Dues and Subscriptions	1,580	2,530	1,282	2,207
Depreciation	34,474	35,288	34,047	34,903
Total Operating Expenses	174,847	201,698	160,857	144,303
Operating Income/(Loss)	(39,847)	(66,698)	25,857	(7,187)
Non-Operating Revenues (Expenses)				
Interest Income	1,820	1,944	1,475	1,223

Assessments – Repair and Replacement Reserve	20,070	21,185	20,070	22,200
Miscellaneous Income	3,000	-	-	1,067
Total Non-Operating Revenue (Expenses)	24,890	23,129	21,545	20,450
Net Income (Loss)	(14,957)	(42,569)	(4,312)	13,263
Beginning Net Position	911,575	896,618	853,049	848,737
Ending Net Position	896,618	853,049	848,737	862,000

Source: (Celentano, 2019-2022)

The District’s cash accounts are summarized below:

Table 2-4: Cash Accounts				
Type	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Cash and Cash Equivalents – Beginning of Year	\$344,968	\$341,536	\$344,849	\$364,705
Cash and Cash Equivalents – Ending of Year	\$341,536	\$344,849	\$364,705	\$352,353

Source: RFI

2.4.1.1 REVENUES AND EXPENDITURES

The District’s revenues and expenditures for FYs 2018-2019 through 2021-2022 are summarized in Table 2-3 and displayed in Figure 2-2: District Revenues and Expenses. District service charge revenues remained steady at \$135,000 for FY 2018-2019 through FY 2020-2021 and increased by \$2,116 in FY 2021-2022. Although the District’s current management and Board leadership were not involved in the budget or operation of the District in FY 2020-2021, it is believed the then-administrator estimated expenditures and proposed rate increases to the Board as it was then constituted. There was no Prop 218 process documented at the time.

The current management and Board transitioned into management of the District over the course of 2023 and at that time no changes were made to the rates for FY 2023-2024 as there was insufficient time to conduct a proper rate study and Prop 218 process. Notwithstanding, the District adopted a FY 2023-2024 budget, based on known and anticipated costs at mid-year, which exceeded the revenues for the FY under the old rates. Additional revenue for the District includes interest income, assessments for the repair and replacement reserve, and miscellaneous income.

The Board adopted a rate study and new rates in May 2024, which reflect annual rate increases over a five-year period. As recommended in the rate study, the first years’ rate increases will be eight percent for both residential and commercial users, with five percent increases in each of the subsequent four years. Additionally, the capital replacement program (CRP) fee will increase by 20 percent in the first year and five percent in each of the subsequent four years.

Expenditures increased 15.4 percent from FY 2018-19 to FY 2019-20, and then decreased a total of 28.5 percent over the next three years (Table 2-3). The top expenditures included maintenance/repairs, insurance, permits/fees, utilities, administration, and depreciation. Budgets for years prior to FY 2023-2024 did not include legal, engineering, project management, operating reserves, grant writing, and administrative expenses related to bringing the District into compliance with applicable rules and regulations.

As shown in Table 2-4 and Figure 2-7, the District's cash accounts indicate two different trends. The first is that the District's cash flows from operating activities are steadily decreasing each year while the District's savings account has been consistently increasing, as shown in each of the last five years. The District confirmed that the savings account that holds the funds collected on property tax bills as "Capital Reserve Assessment" is not currently invested in any capital improvements and the District's checking account is experiencing consistent decreases because the District regularly must rely on other means of funds of cover expenses.

As shown in Figure 2-3, the second trend is that the District had expenditures exceeding revenues for each of the last four fiscal years at an average of \$40,000 each year. Because existing revenues cannot cover expenses, the District has relied on its reserves to cover expenditures and is projected to do so again in 2024. The result is a continual drawdown on reserves, suggesting that the District is not in a stable financial position.

Due primarily to an outdated rate structure, expenditures have exceeded revenues for the past five years, which has required the District to draw down reserves to cover operational costs. While this indicates the District is not, and has not been, in a stable financial position, the new rate structure adopted in May 2024 will help to stabilize the District's finances and support the rebuilding of operational and capital replacement reserves.

It is worth noting that the District is actively pursuing grants to help with the necessary costs associated with infrastructure needs (see Section 2.4.2.4).

2.4.1.2 ASSETS AND LIABILITIES

As demonstrated in Figure 2-4, the largest asset for the District is infrastructure for which depreciation costs have been accounted for in the expense section. As shown in Figure 2-5, the District does not have currently carry debt and its liabilities are limited to payroll taxes and accounts payable. Many special districts in California participate in the California Public Employees Retirement System (CalPERS) program and are struggling to cover unfunded liabilities because of costly employee retirements and pensions. Because the District does not participate in CalPERS, it is not subject to the increasing payments. This leaves the District in a better position for consolidation or reorganization discussions as any agencies interested in these efforts would not need to consider that particular debt.

The District indicated the need to replace most, if not all, of the existing infrastructure, including the WWTP. Because the District does not have a needs assessment or a CIP, it is not clear what the costs associated with these replacements would be. As they would likely be substantial, and the District is currently operating at a net loss, it is anticipated that the District would need to take on significant debt in the near future to pay for infrastructure needs.

2.4.1.3 NET POSITION

The District is currently operating at a net loss because of substantial necessary investments into the District infrastructure (see Figure 2-6). The FY 2022-23 budget shows that this trend will continue in 2024, with a projected net income loss of \$44,908.

The District is investing significant resources in legal services in FY 2023-2024 to bring the District into compliance with the Brown Act, developing ordinances and policies that were lacking, and preparing the

rate study and Prop 218 process. Legal costs are expected to be lower in FY 2024-25 and beyond once the District has established the necessary administrative framework.

Figure 2-2: District Revenues and Expenses

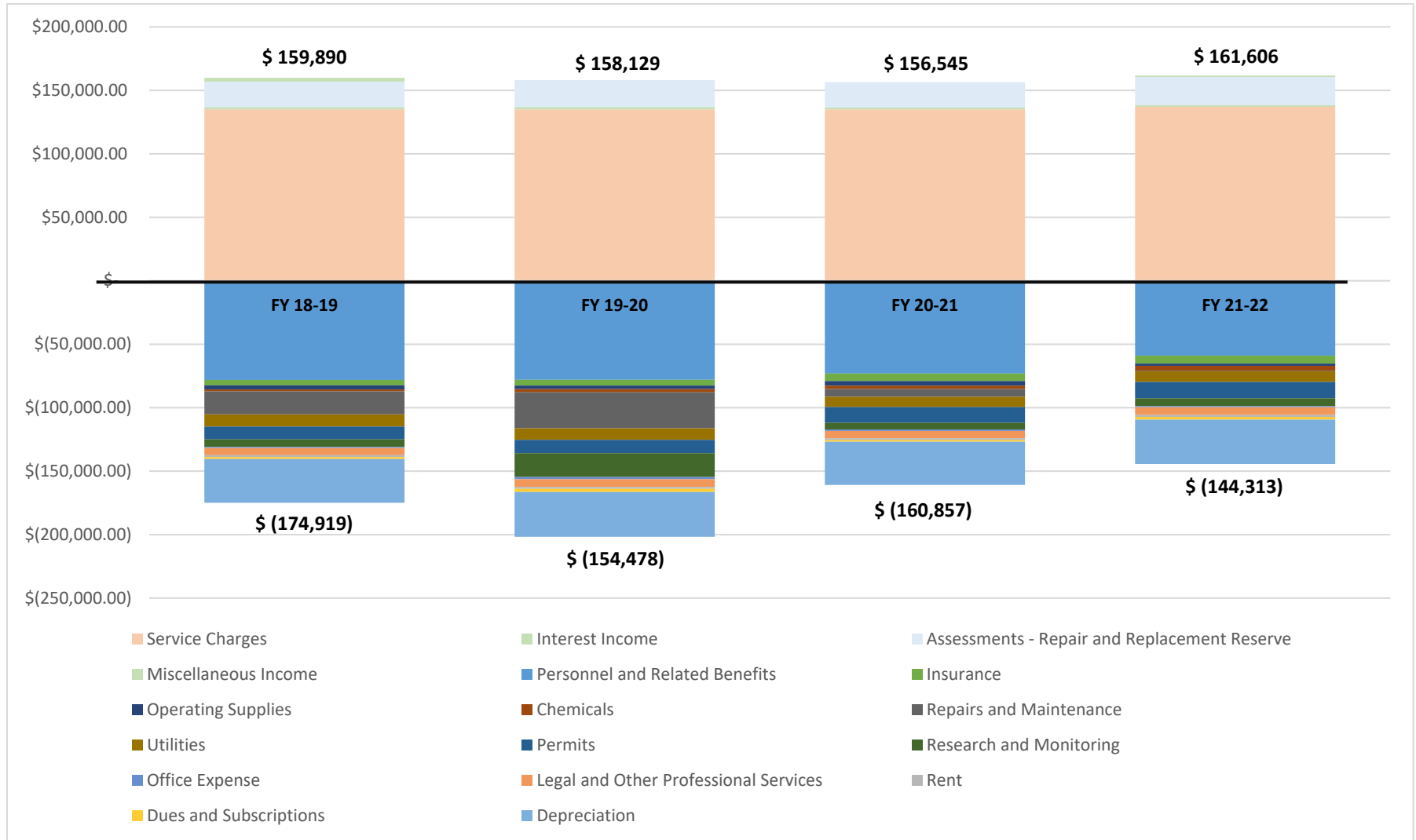


Figure 2-3: Revenues Over/Under Expenses



Figure 2-4: District Assets



Figure 2-5: District Liabilities

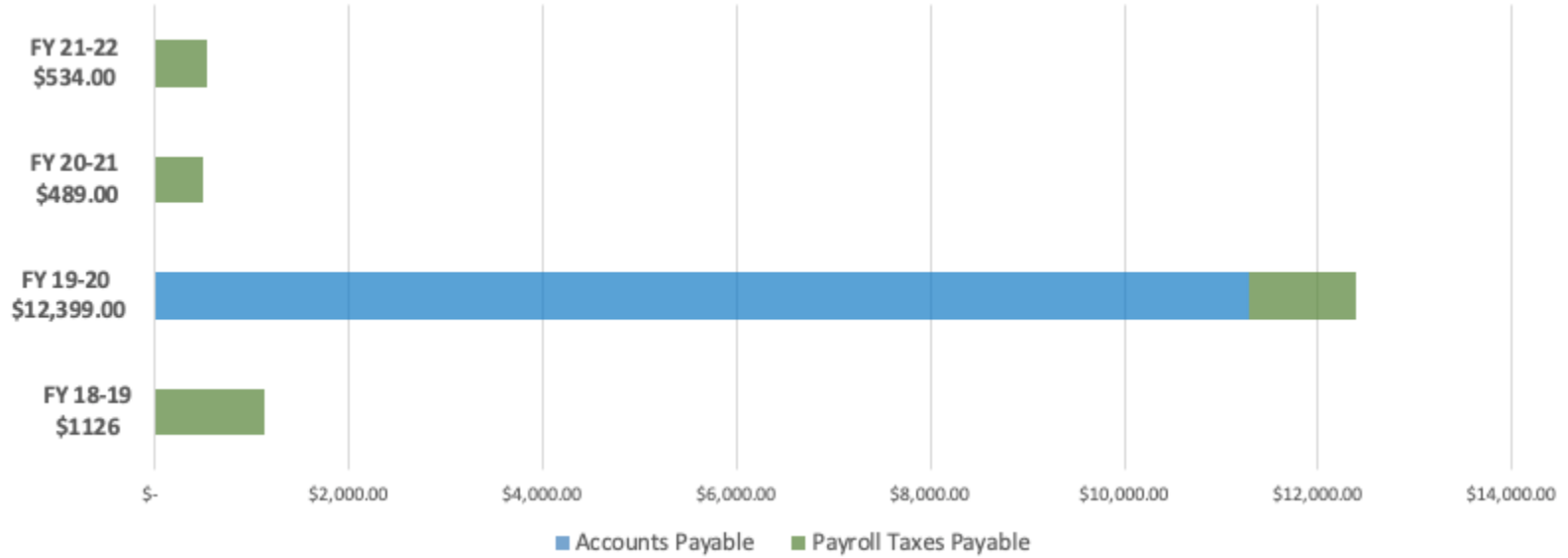


Figure 2-6: District Net Position

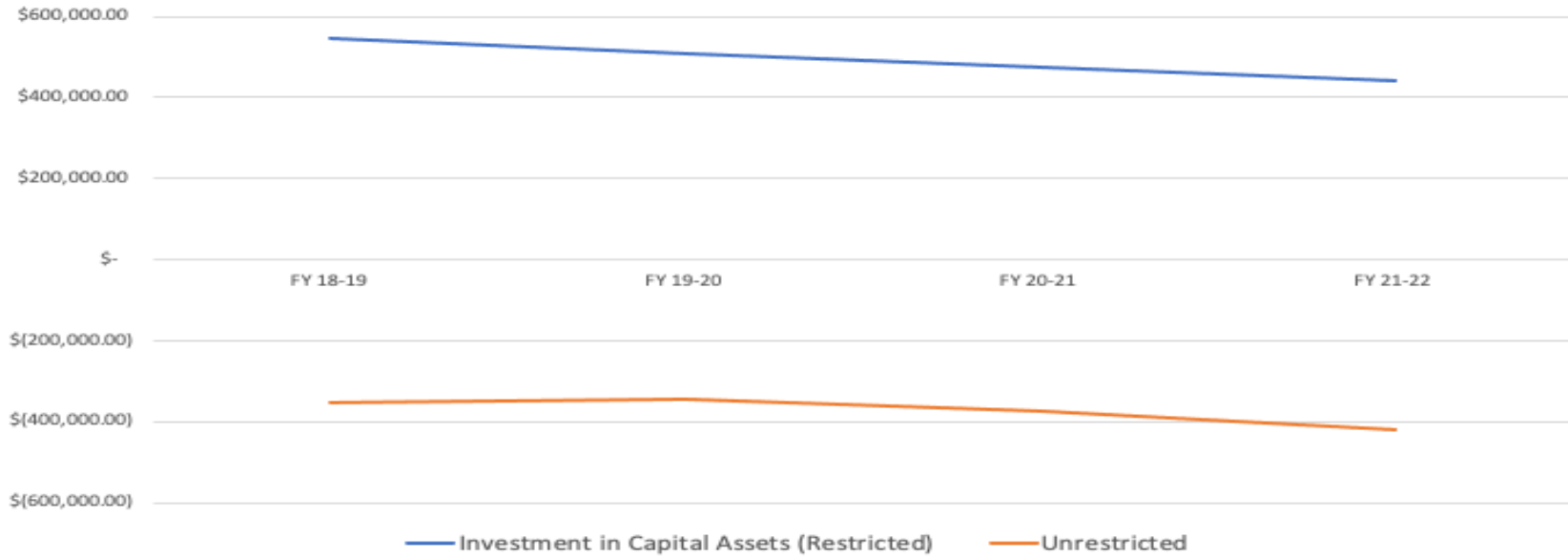
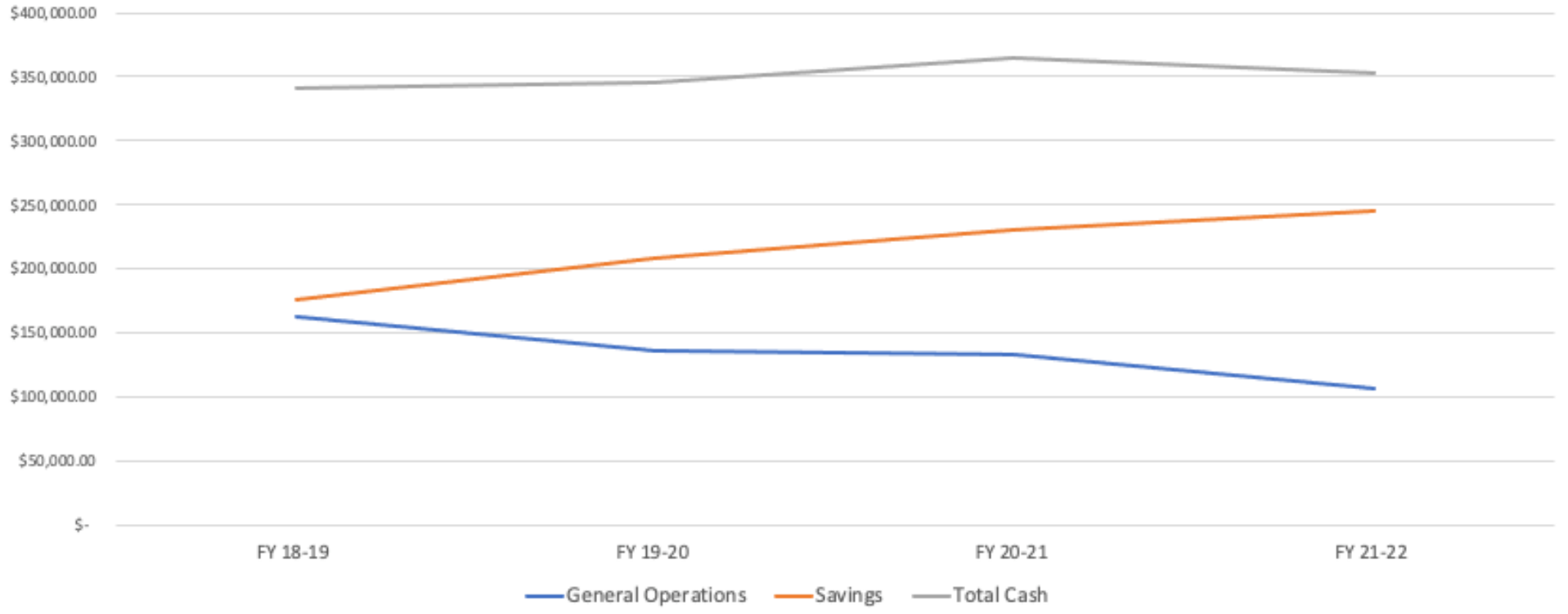


Figure 2-7: District Cash Accounts



2.4.2 Long Term Financial Considerations

2.4.2.1 RESERVES

Reserve policies provides a basis for an agency to accommodate unanticipated reductions in revenues, offset fluctuations in costs of providing services, and respond to fiscal emergencies such as revenue shortfalls, asset failure, and natural disaster. It also provides guidelines for sound financial management with an overall long-range perspective to maintain financial solvency and to mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. Further, a policy can set funds aside for replacement of capital assets as they age and for new capital projects. Additionally, adopting and adhering to a sustainable reserve policy enhances financial management transparency and helps achieve or maintain a certain credit rating for future debt issues.

In November of 2023, the Board adopted a reserves policy (District Resolution 23-24-10) requiring that the District maintain three months of operating expenses. The target amount for Operating Reserves is approximately \$53,000 based on the approved FY 2023-2024 budget of \$211,758. It is likely that the rate study will result in a larger annual operating budget because it will include items that hadn't been considered in previous budgets; therefore, the three-months' reserve amount may increase proportionally. It is expected that proposed rate increases for FY 2024-2025 will include allocation of funds to operating reserves.

At the end of FY 2023-2024, the District's capital replacement reserve account totals approximately \$235,000 (includes a \$34,000 insurance settlement claim that has not yet been deposited). The District has not needed to use capital reserves to pay operational expenses because most of the annual revenues from fees was received from the County at year-end.

The reserves policy also includes language regarding emergency reserves, equipment replacement reserves, and excess funds. The District will be working towards funding these reserves upon establishment of the new fee structure.

2.4.2.2 OUTSTANDING DEBTS/COST AVOIDANCE

The District currently has no debt. Although no information regarding cost-reduction measures was provided by the District, generally speaking, as a small district there are limited opportunities available to reduce costs while maintaining the expected service levels.

The contract amount with GCSD exceeds the amount the District had been paying to its previous administrator. However, the costs associated with the GCSD contract are invaluable as the arrangement has enabled the District to address long-deferred infrastructure and management issues that would have otherwise threatened the District's ability to provide adequate wastewater services. In addition, GCSD been able to provide engineering and grant expertise that the District did not previously have access to.

2.4.2.3 RATE RESTRUCTURING

In 2023, the District initiated a Prop 218 rate study and process, which successfully culminated in the adoption of new service rates in May 2024. The previous rate structure was adopted in 1989 and was subsequently amended in 1991 and 1992 and did not adhere to applicable laws such as Proposition 218.

The rate study recommends the District adopt a five-year budget (FYs 2024-2025 through 2028-2029) with annual service rate increases to comply with Prop 218 requirements, enhance revenue stability, meet budget predictions, and anticipate future inflationary costs.

The study proposed a change to the existing rate structure by redefining the customer classification of Equivalent Dwelling Unit (EDU), which specified the calculated average daily wastewater flow from a single-family residence. The study also recommended changing the definition of an EDU from 150 gallons per day (gpd)/residential customer to 100 gpd/residential customer to reflect the typical water usage range for residential customers (50 to 150 gpd/residential customer). This proposed calculation uses the average daily water usage over the last three full years for all residential users and divides it by the current total number of single-family residential users. For commercial customers, the study calculated the EDU equivalent based on the 100 gpd/residential customer calculation, or a charge at a minimum of 0.5 EDU per occupied rental space.

Wastewater sewer charges for residential and commercial customers with developed lots include a minimum flat rate sewer fee and Capital Replacement Plan (CRP) fee per EDU. The recommended rate increases the sewer fee and CRP fee. Undeveloped lots that are not creating wastewater flows will continue to be charged \$110/EDU based on past agreements with the District and will be defined as “standby fees”.

Prop 218 requires local governments to ensure that property-related fees comply with the measure's calculation requirements. Specifically, local governments must make sure that no property owner's fee is greater than the proportionate cost to provide the subject service to his or her parcel. Like assessments, this requirement may result in local governments setting property-related fee rates on a block-by-block, or parcel-by-parcel basis (LAO, 1996).

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District does not maintain a CIP; however, the new rate includes a skeletal CIP. Additionally, the District is working with an engineering firm to assist with obtaining planning grants from the USDA and SWRCB to help fund a comprehensive analysis that would include a full CIP and summary of the necessary engineering of system upgrades.

The District is waiting for final approval of a USDA grant application to reimburse the District approximately \$135,000 that was spent on resolving an emergency cliff edge manhole replacement in 2023.

In addition, the District has applied for a technical grant from the State Water Board to address remaining infrastructure needs. Further, the GCSO has applied for a technical grant to analyze options for regionalizing services with MCWD2. After the State announces its funding priorities in July, the District intends to apply for a Planning Grant from the State Water Board which would enable MCWD2 to upgrade more of its system and to further investigate options for regionalization from the MCWD2's perspective.

2.4.3 Current Fiscal Health

The District is operating at a net loss based on the information provided in the financial audits (see Figure 2-6). Further, the District does not have sufficient reserves to create the standard documents and studies necessary to ensure adequate funding for future services. In addition to the new rate study, the District will require a needs assessment and a CIP for which the District has not yet allocated funding. Further, the District indicated that it needs a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant. The Board of Directors and contract General Manager have been exploring funding options to fund replacement of these systems.

2.5 Growth

2.5.1 Present and Planned Land Use and Development

The MCWD2 boundaries are 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 General Plan and Zoning Regulations. The MCWD2 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 as approved by the Coastal Commission. Any proposed changes to the land use or development patterns of the District area must be approved by the Coastal Commission (County of Mendocino General Plan, 2009).

2.5.1.1 LAND USE

The specific land use General Plan designations within the District are Rural Residential (RR5 and RR10), Coastal Commercial (C), and Public and Semi-Public Facilities (PF). The principally permitted use in RR5 is residential and requires a minimum parcel size of five acres (RR10 = 10-acre minimum), though most of the residential parcels within District boundaries are only a fraction of an acre with two outlier residential parcels each approximately five-acres in size. The Rural Residential land use is not intended to be a growth area and residences should create minimal impact on agricultural viability. Included in the RR5 designation is the Anchor Bay Campground, which is currently a customer of the District for part, but not all, of its sewer needs.

The Coastal Commercial (CC) parcels are located along Highway 1 and serve the Anchor Bay community. Lastly, the Public and Semi-Public Facilities (PF) designation applies to one parcel in the center of the District that is occupied by the Fish Rock Cemetery. See Figure 2-8 for General Plan designations within the District boundary.

Parcels just south of the District are designated RR10, a residential land use that requires a minimum parcel size of 10-acres (County of Mendocino, 2023).

2.5.1.2 DEVELOPMENT

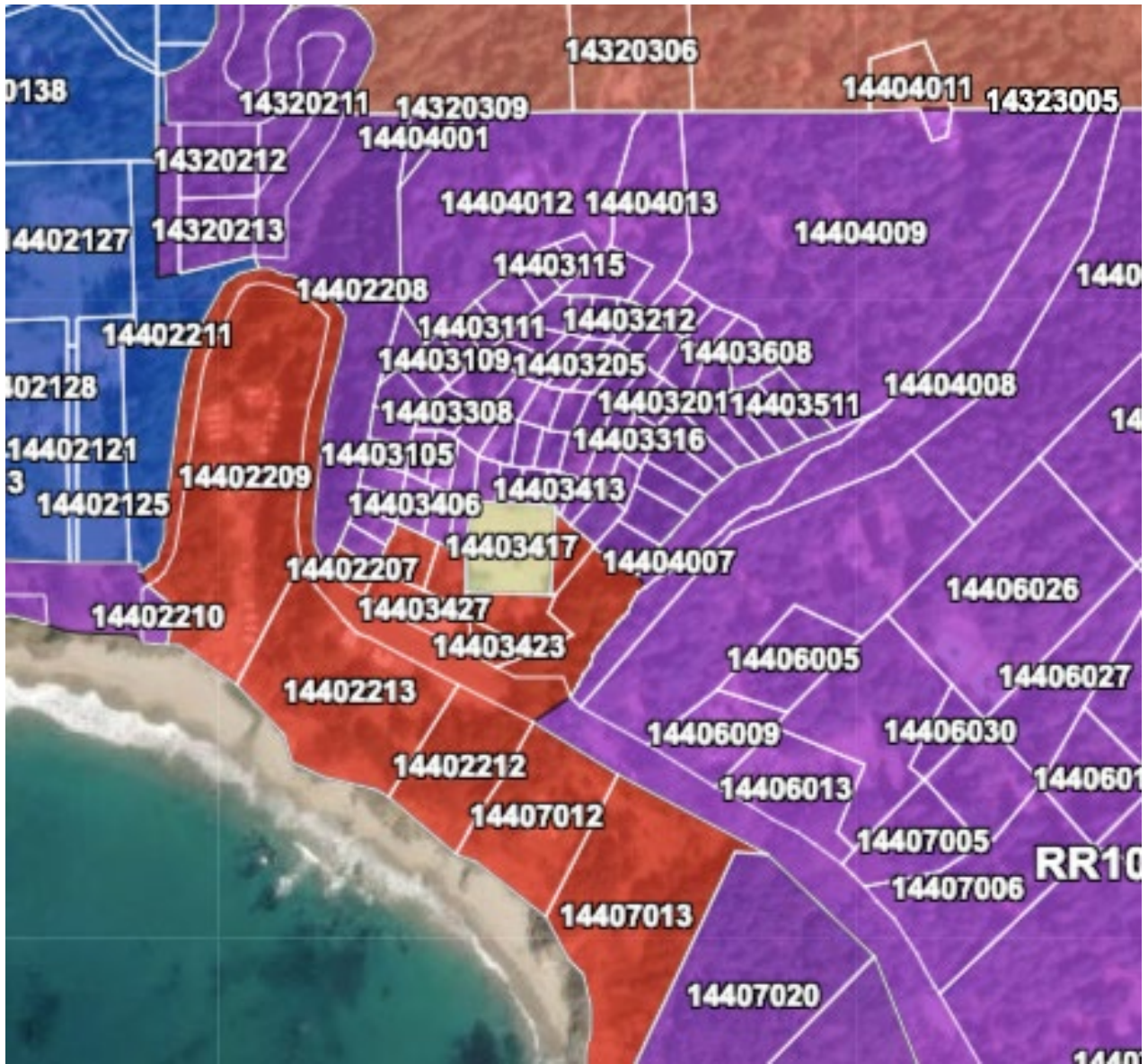
Future growth and development of the District is subject to Mendocino County land use regulations. The County has adopted plans and policies to regulate growth, including a General Plan and a Zoning Ordinance. The County's Zoning Ordinance contains three major geographical zones (Inland, Coastal, and Mendocino Town) and the Anchor Bay area is included in the Coastal Zone (County of Mendocino Coastal Element, 2021). As shown in Figure 2-9, the County's Zoning Map designates most of the Anchor Bay subdivision and surrounding parcels as single-family residential and coastal commercial.

Figure 2-8: Mendocino County General Plan Land Use Mapping



Source: Mendocino County Zoning Web Map

Figure 2-9: Mendocino County Zoning Map



Source: Mendocino County Zoning Web Map

2.5.2 Existing Population

The District serves an area limited to the unincorporated community of Anchor Bay, which is a Census Designated Place (CDP) with a population of approximately 473 residents and approximately 372 households ([US Census, 2022C](#)). The Anchor Bay CDP encompasses approximately 3.5 square miles and includes primarily rural residential properties and commercial development along Highway 1. Anchor Bay is located within Census Tract 111.02 in Mendocino County, which includes the area between Gualala to the south to areas just north of Manchester and has an estimated population of 4,305.

While MCWD2 serves a small number of commercial customers along Highway 1, the District consists primarily of second homes and short-term vacation rental properties. The number of wastewater connections that the District serves (approximately 100) does not change throughout the year, but demand for service increases during tourist seasons. It is also notable that the population within the District has increased because of refugees seeking shelter from numerous fires throughout the state and the COVID-19 pandemic; second homes are becoming primary homes.

2.5.3 Projected Growth

The District's population is projected based on development of approximately 103 parcels (13 parcels designated commercial, one parcel designated as public facility, and approximately 89 parcels designated as residential) (County of Mendocino, 2023). The State Department of Finance (DOF) projects that the population of Mendocino County will decline by a little more than 2.7 percent in the next 10 years, from 91,601 in 2023 to 89,091 in 2033 and 89,139 in 2043. (DOF, 2023)

The District anticipates little growth in resident population within the near-term (five years) and long-term (20 years) planning horizons. The projected decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will not occur until well beyond the planning horizon of this document (DOF, 2023). Given that the MCWD2 is limited to a small number of developed commercial properties and residential properties in the Anchor Bay community with only a handful of undeveloped lots, the District will likely not need to accommodate much future development and is near buildout.

While there are a couple of large parcels that could theoretically be developed as a hotel or bed and breakfast, there are currently no development plans in place. This is likely in part because of water conservation efforts mandated by the California Public Utilities Commission (CPUC) since September of 2014. For their part, the NGWC, which provides potable water services to all MCWD2 customers (except those on wells), imposes its Mandatory Water Conservation Program (MWCP) when stream flows in the North Fork of the Gualala River are at or below specific levels¹¹. During these times water use restrictions prohibit the use of water for construction purposes. Given the ebbs and flows of current drought trends, it is unlikely that any new construction will take place in the area.

However, changes to California housing laws could result in a slight increase in development and density within the District, as discussed below.

2.5.4 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)

¹¹ For more information on NGWC's water conservation efforts see their website: <https://ngwco.com/conservation/mandatory-conservation/>.

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, 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 to service providers as a result of development will continue to mount. It is imperative that small districts such as MCWD2 stay up to date on legislative changes.

For additional information and data on housing legislation see Appendix C – Housing Legislation Trends and Results.

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 services¹². 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 American Census Survey (ACS) 2022 1-Year estimates, the statewide median household income for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for Severely Disadvantaged Unincorporated Communities (SDUC) (less than 60 percent of the State MHI) is \$54,930.

DUCs 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 the 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 into an otherwise contiguous community.

¹² 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 CDP communities to help provide usable geographies for DUC boundaries, but even then, mapping and data challenges persist. MHI ratios are subject to adjustment overtime 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. SB 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 a median household income that is 80 percent or less than the statewide MHI
- For this analysis, per 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) (US Census, 2022A)
- 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.

Mendocino County has an MHI of \$65,520 with a majority of the County considered DUCs including both the census tract and block group that the District is located within. (US Census, 2022B).

The community of Anchor Bay is a CDP covering 3.5 square miles that has a population of 473 (252 households and 372 total housing units) and a MHI of \$68,452 (US Census , 2022C). Because the District is located wholly within the Anchor Bay CDP, which has an MHI which is less than the Statewide MHI threshold of \$73,240, the District is considered to be located within a DUC.

It is also worth noting that the census block group in which the District is located (Block Group 3, 20 square miles) has a population of 1,866 (843 households) and a MHI of \$79,596 (Census Reporter, 2022A). The census tract the District is located within (Census Tract 111.02, 320 square miles) has a population of 4,827 (1,968 households) and a MHI of \$83,135 (Census Reporter, 2022B). By both measures, the District would not be considered to be located within DUC territory.

The residents within Anchor Bay receive adequate services with respect to fire, which is provided by South Coast Fire Protection¹³. Water services are provided by North Gualala Water Company, though it should be noted that there are properties within the District boundaries and adjacent properties that rely on well water. According to data sourced from the State Department of Water Resources (DWR), the District is

¹³ Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here: <https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>.

located within Public Land Survey Section M11N15W1, which is documented as having 23 domestic wells¹⁴.

Some residents within the District boundary and adjacent properties continue to utilize septic tanks for their wastewater needs. Although the exact number of properties is unknown, the District estimates that there are approximately 10 properties within the District boundary using septic tanks, including at least one residence located on Getchell Gulch Road next to the District's wastewater treatment plant, a portion of homes located on Sunset Drive, and approximately two homes located on the upper-most parts of Ocean View Drive and Ocean View Avenue. Included in these estimates is also the Anchor Bay Campground, which is currently a customer of the District for part, but not all, of its wastewater needs.

According to the District President the campground may need their septic/sewer system to be upgraded to comply with MCWD2's Conditions of Use Policy and public health concerns. The District reported that the campground has a septic system that was reportedly determined to have failed in October 2022, which at the time was being used by the campground owners' permanent RVs, not by vacationing RVs that discharge to the District's sewer system. The campground's septic system is located at sea level, immediately adjacent to a stream that flows to the ocean across from a popular beach. The campground regularly sustains damage during major storms but there is evidence that the septic system has continued to be used.

While the residents of Anchor Bay are receiving the essential municipal services of fire, water, and wastewater, only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing septic and well operations. While these areas currently do not lack public services these properties could consider upgrading their systems. Particularly those utilizing septic as public health concerns have been identified.

¹⁴Well Completion Report Map Application data can be found here:

<https://dwr.maps.arcgis.com/apps/webappviewer/index.html?id=181078580a214c0986e2da28f8623b37>.

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 the current and future service area. The MSR determinations inform the Sphere of Influence (SOI) Update process and assist the Local Agency Formation Commission (LAFCo) in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapter 2 and 31 of this document form the basis for the MSR determinations provided under Section 3.3

3.1 Service Overview

This is the first MSR prepared for the District by Mendocino LAFCo.

3.1.1 Services

Mendocino County Waterworks District No. 2 (District) provides sewer collection and treatment services to approximately 100 customers (residential, commercial and campground) along the costal corridor within the town of Anchor Bay. No other services are provided by the District.

3.1.1.1 SERVICE AREA

The District service approximately 100 customers. This service area includes the Anchor Bay community of approximately 68 residences, the Anchor Bay Campground, and a small commercial area along State Highway 1. There are several customers who own more than one Equivalent Dwelling Unit (EDU); therefore, the actual number of treatment connections is closer to 100 (RFI, 2023).

3.1.2 Outside Agency Services

The District does not provide any services outside of its jurisdictional boundaries.

3.2 Wastewater Services

3.2.1 Service Overview

The District owns and operates a collection system and a wastewater treatment plant (WWTP) with a permitted outfall into the Pacific Ocean. Wastewater from the District's service area gravity flows first to Pump Station No. 1 then to Pump Station No. 2. Effluent reaches the WWTP by force main from Pump Station No. 1 located on Highway 1 downhill of the WWTP¹⁵. Secondary treated wastewater from the District's WWTP is discharged into the Pacific Ocean (see Figure 3-1). The Plant has an average dry weather design treatment capacity of 0.0240 million gallons per day (mgd).

Ocean discharges occur intermittently, approximately 120 days per year, primarily from October through April with an average duration of three hours and an average flow rate of 0.0120 mgd. The maximum daily flow rate during the 2016 permit period was 0.0615 mgd. Under Order No. R1-2016-0006, discharges occurred 105 days during the 2016-2017 discharge season, 78 days during the 2017-2018 discharge season, 113 days during the 2018-2019 discharge season, and 79 days during the 2019-2020 discharge season.

¹⁵ More information on the watershed can be found here:

https://www.waterboards.ca.gov/northcoast/water_issues/programs/watershed_info/mendocino_coast/gualala/.

During the summer and other periods of dry weather, treated wastewater is irrigated through Discharge Point 002 onto 3.3 acres of forest land. The primary irrigation area is in the northwest side of the facility, and a second small irrigation area is located between the aeration pond and Getchell Gulch Road.

Figure 3-1: District’s Ocean Discharge Location



Source: State Water Resource Control Board

Operations and maintenance are performed by the District’s part-time operator, who is managed by the contract General Manager for the Gualala Community Services District (GCSD); GCSD’s operators assist as needed.

Table 3-1 shows that the average flow rates for the District have been steadily decreasing over the last five years.

Table 3-1: Wastewater Flow Data 2019-2023							
Parameter	Unit	2019	2020	2021	2022	2023	Average
Average Daily Flow	MGD	.007227	.005753	.005753	.004690	N/A	.005856
Average Dry Weather Flow	MG	.005616	.005575	.005575	.006968	N/A	.005934
Average Wet Weather Flow	MG	.014764	.009084	.009084	.004645	N/A	.009334
Maximum Daily Flow	MGD	.011180	.008994	.008994	.007488	N/A	.009164
Maximum Monthly Flow	MG	.398736	.023088	0.23088	0.22464	N/A	.167388

(RFI, 2023)

Little growth is likely to occur within the District and, based on current customer use and facilities, the District’s wastewater facilities have the capacity to serve anticipated buildout.

3.2.2 System History

The MCWD2 was formed in 1958 and operated under the Mendocino County Board of Supervisors (BOS) until July 1, 1996. While there is no available information that can be sourced, it is known that the District

was originally formed by a small number of property owners who slowly added more connections over time. No further history of services was provided to LAFCo staff.

According to the District President, the collection system was put into service in 1960 and the WWTP was went online in 1990. The District has implemented multiple repairs over the years, but no specific historical details were provided.

3.2.3 Facilities and Infrastructure

The District owns and operates a collection system and WWTP that is located off Highway 1 adjacent to the Anchor Bay subdivision the District serves (see Figure 3-3). The District’s wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and two wastewater pump stations.

The WWTP consists of a headworks with bar screen, a 320,000-gallon mechanically aerated primary treatment pond, a 300,000-gallon aerated settling pond, a serpentine chlorine contact chamber for disinfection of treated wastewater, and dichlorination facilities.

Treated, disinfected effluent may be discharged to either the Pacific Ocean at Discharge Point 001 (after dichlorination) or to the forest irrigation system at Discharge Point 002. Aerators in the ponds run intermittently based on the dissolved oxygen levels, and pond retention times range from 15 to 20 days. Solids are retained in the pond (see Figure 3-2).

The ocean outfall (Discharge Point 001; see Figure 3-1) falls into a sea cave within the bluff, southeast of the WWTP. The outfall cave measures approximately 31.6 feet deep by 10.6 feet wide by seven to nine feet high. The outfall pipe is located near the back of the cave, extends through the roof of the cave, and is designed to provide a 35:1 initial dilution at a maximum discharge rate of 60 gallons per minute (gpm) (RFI, 2023).

Figure 3-2: Aerial View of Wastewater Treatment Plant

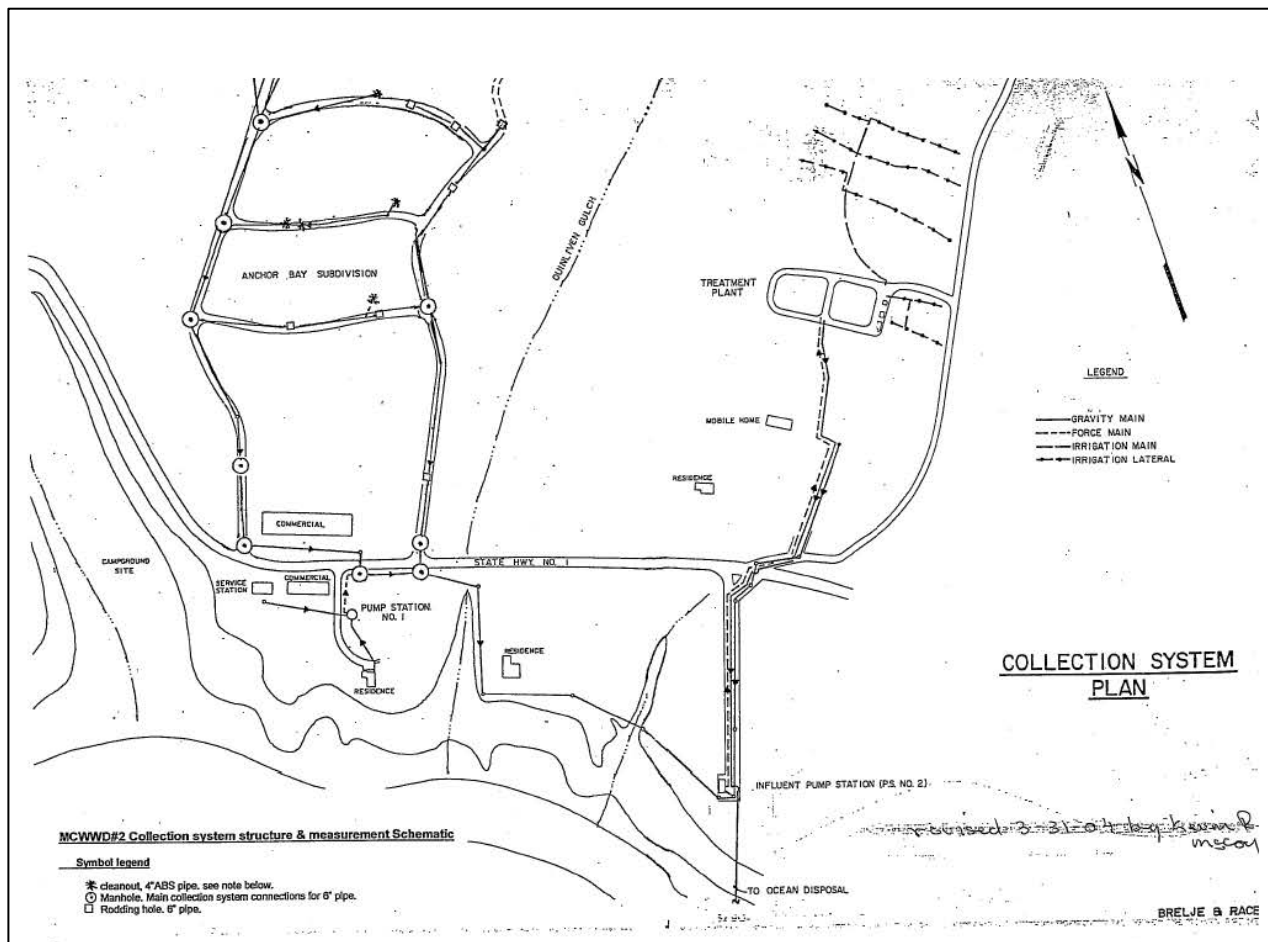


Source: Google Maps

The District indicates that a complete rehabilitation of the collection system, lift stations, and the WWTP is needed to maintain adequate services. Much of the collection system consists of material changes including the use of Orangeburg pipe, which only has a useful life of approximately 50 years. Infiltration and inflow issues have also been identified and are a result of aging infrastructure.

The newly adopted rates will allow the District to begin replacement of the Orangeburg pipes. A contract for planning and design of the first section of collection system replacement has been approved by the Board; construction is anticipated to begin in FY 2025-2026. Additionally, the Board of Directors and contract General Manager have been exploring funding options that could help cover the costs of any other infrastructure needs.

Figure 3-3: District Facilities Map



Source: North Coast RWQCB WDR R1-2021-0005, April 15/16, 2021.

3.2.3.1 SYSTEM IMPROVEMENTS

The District’s most recent system improvements took place after rainstorm damage in the early part of 2023. The District was notified by a customer that a manhole in their backyard was dangerously close to the cliff edge due to a landslide that occurred as a result of the storms. The District installed an emergency bypass to isolate the manhole and abandoned it in place. Completion of the project is scheduled for summer of 2024.

The District’s rate study identified a number of short-term, high priority projects totaling approximately \$270,000 over the next five years:

- Collection System Improvements – The primary consideration is the replacement of the existing Orangeburg pipe, which is over 60 years old and has not been used as a pipeline material since the early 1960s. Orangeburg pipe is tar and cardboard, and is no longer an acceptable material.
- Large Lift Stations 1 and 2 – both lift stations are large, old and deteriorated with premature corrosion.
- Wastewater Treatment and Outfall Facilities – the facilities are old, deteriorated and lack monitoring capabilities.

Funding to implement these projects will require the District to generate additional CRP revenue through the new rate structure, along with funding assistance from the USDA Rural Development, State Water Resources Control Board SRF DFA Program, Community Development Block Grants, and others.

3.2.3.2 ENGINEERING REPORTS

No engineering reports were provided to LAFCo staff.

3.2.4 Service Adequacy

Based on information provided by the District regarding facilities, management practices, accountability, and financing, MCWD2’s service is deficient. The District is not able to fund basic studies in order to determine adequate rates, does not have a website, has one part-time employee, and has a history of being unable to fill board vacancies. The District is not meeting some transparency and reporting requirements and has very little reserves. LAFCo staff acknowledge that the District is making strides to meet some of these requirements; however, inadequate funding is a major barrier to effective management and provision of services for the District. Though little growth within the District is anticipated, current facilities are not sufficient to serve any further development beyond what is currently provided. The District’s infrastructure suffers from extensive deferred maintenance and is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant.

3.2.4.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

The District is currently regulated by Order No. R1-2021-0005 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0024040, adopted on April 15, 2021, with an expiration date May 31, 2026 (RFI, 2023). A summary of the District’s regulatory measures as identified by the State Water Resources Control Board (SWRCB) is shown below in Table 3-2. The District has held an active permit with the SWRCB since 1986.

Table 3-2: SWRCB – MCWD2 Regulatory Measure

Reg Measure ID	Reg Measure Type	Region	Program	Order No.	WDID	Effective Date	Expiration Date	Status
443040	NPDES Permit	1	NPDMUNIOTH	R1-2021-0005	1B83118OMEN	06/01/2021	05/31/2026	Active
405526	NPDES Permit	1	NPDMUNIOTH	R1-2016-0006	1B83118OMEN	06/01/2016	05/31/2021	Historical
371496	NPDES Permit	1	NPDMUNIOTH	R1-2010-0038	1B83118OMEN	12/01/2010	12/01/2015	Historical
133365	NPDES Permit	1	NPDMUNIOTH	R1-2005-0009	1B83118OMEN	04/20/2005	04/20/2010	Historical
139168	NPDES Permit	1	NPDMUNIOTH	R1-1997-0024	1B83118OMEN	03/27/1997	03/26/2002	Historical
137776	NPDES Permit	1	NPDMUNIOTH	92-060	1B83118OMEN	06/25/1992	06/24/1997	Historical
137060	NPDES Permit	1	NPDMUNIOTH	86-004	1B83118OMEN	01/30/1986	01/30/1991	Historical

In November 2022, the SWRCB prepared a Treatment Facility Compliance Evaluation Inspection Report for the District as part of regular compliance and in response to an odor complaint received in September 2022. The results of the report indicated that the Facility was operating properly, and no odors were present at the time of the inspection; however, concern was noted about deferred maintenance identified during the inspection. Additionally, the SWRCB has documented that the District received 22 non-priority violations in the last five years, all of which remain active (SWRCB, 2023). A summary of the violations in the previous five years can be found in Table 3-4. It should be noted that almost all the violations documented by the SWRCB are minor offenses that are common for such facilities.

3.2.4.2 SANITARY SEWER SPILLS

A sanitary sewer spill is a discharge of sewage from any portion of a sanitary sewer system due to a sanitary sewer system overflow, operational failure, and/or infrastructure failure. The SWRCB's Sanitary Sewer Spill Incident Map shows spill reports for individual locations where sewage was discharged from a sanitary sewer system enrolled under the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems Order, Water Quality Order (WQO) No. 2022-0103-DWQ (the Statewide Sanitary Sewer Systems Order).

When searching the SWRCB's sanitary sewer overflow (SSO) incident data for MCWD2, six spill incidents were identified; all of which were Category 3 Spill Events¹⁶.

Category 3 Spill Events are defined as:

- A spill of equal to or greater than 50 gallons and less than 1,000 gallons, from or caused by a sanitary sewer system regulated under the General Order that does not discharge to a surface water; and
- A spill of equal to or greater than 50 gallons and less than 1,000 gallons, that spills out of a lateral but is caused by a failure or blockage in the main lines of the sanitary sewer system.

All the noted spill incidents from the SWRCB data can be found summarized below in Table 3-3.

Spill Event ID	Spill Date	Category	Volume	Reason
763097	10/16/2007	3	150 gallons spilled	Debris-General
763099	2/4/2008	3	500 gallons spilled	Pipe structural problem/failure
752083	4/28/2010	3	20 gallons spilled	Debris-General
785639	8/28/2012	3	5 gallons spilled	Other
790877	1/28/2013	3	300 gallons spilled	Root intrusion

¹⁶ Data for Spill Events can be found here: https://www.waterboards.ca.gov/water_issues/programs/ssol/.

792924	3/24/2013	3	100 gallons spilled	Root intrusion
--------	-----------	---	---------------------	----------------

Source: SWRCB

Table 3-4 summarizes MCWD2's violations for the last five years (spill incidents are not included in this list). The table includes the date the violation occurred, the violation type, a description of the violation, what corrective action has been taken (if any), and the status of the violation.

A total of eight violations were noted for 2023, most of which were responded to with "training related to proper sampling technique" as the corrective action.

Table 3-4: SWRCB – MCWD2 Violations

Violation ID	Date	Type	Description	Corrective Action	Status	Classification	Source
1117904	06/02/2023	LREP	Once Only One Time (MONRPT) (Evaluation of Sea Level Rise Impact on Sea Cave Discharge Outfall Work Plan) report for 2021/06/01 (2473157) was due on 01-JUN-23		Violation	B	Report
1115497	03/31/2023	CAT1	Biochemical Oxygen Demand (BOD) (5-day @ 20 Deg. C) Percent Reduction limit is 85 % and reported value was 80 % at EFF-001.	Smoke test to locate the I&I locations.	Violation	B	eSMR
1115498	03/31/2023	CAT1	Total Suspended Solids (TSS), Percent Removal Percent Reduction limit is 85.0 % and reported value was 51.0 % at EFF-001.	Need to conduct a smoke test to locate the I&I locations.	Violation	B	eSMR
1115496	03/07/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sampling techniques.	Violation	B	eSMR
1115495	02/28/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sample techniques.	Violation	B	eSMR
1115493	02/21/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 240 MPN/100 mL at EFF-001.	Watch training videos on proper sampling techniques.	Violation	B	eSMR
1115494	02/14/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sample techniques.	Violation	B	eSMR
1115499	01/31/2023	DMON	No Ammonia sample was taken during the month of January. This was caused by the regular operator being injured in a car accident and the transition of finding a replacement.	None taken. The sample was missed due to events beyond our control.	Violation	B	eSMR
1112540	11/30/2022	DMON	The monthly ammonia sample was forgotten.	Have sampled for ammonia in December	Violation	B	eSMR
1109514	08/11/2022	DMON	coliform result on 8/4 was 41 MPN which exceeded the median value of 23 MPN. We are required to resample within 7 days. I did not get sample results until 8/22 and resampled on 8/24 with a result of 2 MPN.	The sample result of 2 MPN put us in compliance with a median value of 21MPN.	Violation	B	eSMR
1107108	08/02/2022	LREP	Once Only OneTime (SUMRPT) (Biological Survey Work Plan) report for 2021/06/01 (2473159) was due on 01-AUG-22		Violation	B	Report
1095491	09/22/2021	OEV	Total Coliform Monthly Median limit is 23 MPN/100 mL and reported value was 36 MPN/100 mL at LND-001.	The chlorine contact chamber was drained and cleaned	Violation	B	eSMR
1092303	05/20/2021	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 240 MPN/100 mL at LND-001.	cleaned chlorine contact chamber and increased chlorine dose	Violation	U	eSMR
1092302	04/28/2021	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 540 MPN/100 mL at EFF-001.	increased chlorine dose	Violation	U	eSMR

Violation ID	Date	Type	Description	Corrective Action	Status	Classification	Source
1089198	03/06/2021	DMON	lab was closed due to Covid outbreak missed weekly coliform and BOD/TSS samples	lab is now open	Violation	B	eSMR
1089197	02/20/2021	DMON	missed weekly BOD/TSS and coliform samples due to lab closure for Covid outbreak	lab is now open	Violation	B	eSMR
1077521	06/24/2020	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 49 MPN/100 mL at LND-001.	We will clean the chlorine contact chamber and if necessary increase the chlorine.	Violation	U	eSMR
1069965	10/23/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 1600 MPN/100 mL at LND-001. *** MMP Exempt Reason: Discharge was to land, not to surface water.	coliform count is back within limits	Violation	B	eSMR
1071422	10/23/2019	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at LND-001. *** MMP Exempt Reason: Discharge to land, not surface water.	increased chlorine and cleaned contact chamber	Violation	B	eSMR
1071421	09/25/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 30 MPN/100 mL at LND-001.	increase chlorine	Violation	U	eSMR
1071424	07/24/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 30 MPN/100 mL at LND-001.	increased chlorine	Violation	U	eSMR
1065579	07/24/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 70 MPN/100 mL at LND-001.	Increased the chlorine dose rate. Samples done since have been fine.	Violation	U	eSMR

Source: State Water Resources Control Board

3.2.4.3 CAPACITY

The design capacity of the WWTP is 24,000 gallons per day (gpd), but the permit capacity is only 19,000 gpd. The District has significant infiltration and inflow (I&I) issues within the collection system, heavily impacted by the result of strong storms which result in downed trees and power outages. There are numerous areas of root intrusion and areas where there is a change of material in the system, all of which create potential infiltration spots for groundwater to enter the collection system. In 2023, two of the violations involved issues that required the District to find the points of infiltration and inflow. The District does not appear to have the capacity to address emergencies adequately (RFI, 2023).

LAFCo staff recommends that the Commission review the District Board’s efforts to define the I&I issues, incorporate into a CIP, and schedule for maintenance at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

3.2.4.4 NEEDS AND DEFICIENCIES

The District is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant. The Board of Directors and contract General Manager have been exploring funding options to help cover the costs of upgrading these systems.

3.3 Determinations

This section presents the required MSR determinations pursuant to Government Code (GC) Section (§) 56430(a) for the MCWD2. This is the first MSR for the District.

3.3.1 MSR Review Factors

3.3.1.1 GROWTH

Growth and population projections for the affected area

1. The estimated population of the District is 473 and is comprised of a small number of commercial property owners along Highway 1 and rural residences, many of which are second homes and short-term vacation rental properties.
2. With the commercial areas already built out, the District is limited in growth to buildout of any remaining undeveloped rural residential lots. Based on population projections for the County, it is unlikely buildout of the residential parcels will occur until well beyond the planning horizon of this document
3. The North Gualala Water Company (NGWC), which provides potable water services to MCWD2 customers (except those on wells), is currently imposing a moratorium on water services within its service area, which includes customers and boundaries of both the MCWD2 and the GCSO. Consequently, growth is anticipated to be negligible within the planning horizon of this study.

3.3.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

4. The District is located within the Census Designated Place (CDP) of Anchor Bay which has a Median Household Income (MHI) of \$68,452. This is less than the MHI Disadvantaged Unincorporated Community (DUC) Threshold of \$73,240, therefore the District is considered to be in a DUC. While the residents of Anchor Bay are receiving the essential municipal services of fire, water, and wastewater,

only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing private septic systems and wells. While these areas currently do not lack public services, unsewered properties may benefit from future connection to the District's system should their private septic systems fail.

3.3.1.3 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

5. The District provides wastewater collection and treatment services to approximately 100 customers. Although the number of customers in the District does not fluctuate throughout the year, service demand increases during tourist seasons.
6. The District's wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and two wastewater pump stations.
7. The District conveys wastewater flows through its collection system from the Anchor Bay community, the commercial district, and Anchor Bay Campground to Pump Station No. 1 then to Pump Station No. 2. Effluent reaches the treatment plant by force main from Pump Station No. 1, located on Highway 1, downhill of the WWTP. The Plant has an average dry weather design treatment capacity of 0.0240 mgd.
8. The District's entire infrastructure system is in need of extensive repairs and rehabilitation in order to continue providing adequate service to its existing customers and protect public health.
9. The SWRCB issued a total of eight violations for the year 2023, and a total of 22 violations since July 2019.
10. Operations and maintenance are performed by the District's part-time operator, who is managed by the contract General Manager of the Gualala Community Services District (GCSD).
11. No boundary changes are pending or proposed.

3.3.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services.

12. The District recently approved a new rate study, which includes a priority list of infrastructure improvement/replacement needs.
13. The District is attempting to obtain planning grants from the United States Department of Agriculture (USDA) and the SWRCB in order to help fund a comprehensive analysis that would include a full CIP and summary of the necessary engineering of system upgrades.
14. Due primarily to an outdated rate structure, expenditures have exceeded revenues for the past five years, which has required the District to draw down reserves to cover operational costs. While this indicates the District is not, and has not been, in a stable financial position, the new rate structure adopted in May 2024 will help to stabilize the District's finances and support the rebuilding of operational and capital replacement reserves.
15. The Board adopted a Proposition 218 rate study and new rates in May 2024, which reflect annual rate increases over a five-year period. As recommended in the rate study, the first years' rate increases will be eight percent for both residential and commercial users, with five percent increases in each of

the subsequent four years. Additionally, the capital replacement program (CRP) fee will increase by 20 percent in the first year and five percent in each of the subsequent four years. The new rate structure reflects service operations and maintenance and plans for capital replacement needs.

16. Funding to implement the capital replacement program will require the District to generate additional CRP revenue through the new rate structure, along with funding assistance from the USDA Rural Development, State Water Resources Control Board SRF DFA Program, Community Development Block Grants, and others.
17. The District adopted a reserves policy under Resolution 23-024-10 in November 2023, which requires the District to reserve at least three months of operating expenses. The District's current target for Operating Reserves is approximately \$53,000 based on the approved FY 2023-2024 budget of \$211,758. The District has not yet allocated actual funds to the reserve account because such funds were not anticipated in the current rates.
18. At the end of FY 2023-2024, the District's capital replacement reserve account totals approximately \$235,000.
19. The District is currently operating at a net loss because of substantial necessary investments into the District.
20. No cost avoidance measures have been identified.

3.3.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

21. The District operates with minimal staffing and facilities. However, since 2023 the District has maintained an agreement with GCSD to provide administrative services as well as General Manager responsibilities and facility operations on a part-time basis. The District does not own or lease any administrative facilities and currently shares office space with the GCSD and meeting space with Coast Life Support District.
22. The MCWD2 and GCSD are applying for planning grants to study options for regionalization or consolidation of services.
23. No other opportunities for shared facilities have been identified at this time.

3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

24. The District has difficulty filling Board vacancies, primarily due to the limited number of eligible and interested residents available to serve on the Board.
25. The District demonstrated accountability and transparency by disclosing financial and service-related information in response to LAFCo requests. However, some information requested from the District was not provided as past record keeping has been lacking and information was not available.
26. The District demonstrates accountability to its constituents through holding regular monthly board meetings and distribution of agendas, notices, and meeting records by email. The District does not maintain a website; however, the District adopted a Hardship Resolution in November of 2023, thus making the District compliant with Senate Bill (SB) 929. The GCSD hosts a land page for the MCWD2 on GCSD's website, which contains their meeting agendas and minutes for 2022 and 2023. It is recommended that the District Board review the decision to maintain its own website every January so long as the hardship exists.

27. Until recently, the District had struggled to meet transparency and reporting requirements, primarily due to an insufficient number of Board members and lack of staffing to manage and administer the District. Since FY 2022-2023, the District has made great strides towards improving governance and transparency, having established a full Board and contracted with GCSD for management, operations and administration services. While there has been substantial improvement, District board members have identified the difficulty in filling Board vacancies and a lack of funding as major barriers to effective governance of the District.
28. The District does not have a written mission statement or established goals and objectives. The District is planning a retreat in the second half of 2024 that will be dedicated to adopting a mission statement and associated goals.
29. The District relies heavily on the agreement with GCSD to maintain operations and provide adequate wastewater service. Given the District's overall position, consolidation or regionalization with GCSD should be considered. Towards that end, both the District and the GCSD are pursuing planning grants to explore options.

3.3.1.7 OTHER SERVICE DELIVERY MATTERS

Any other matter related to effective or efficient service delivery, as required by commission policy

30. There are no other matters related to service delivery required by Mendocino LAFCo Policy.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo) prepares a Municipal Service Review (MSR) prior to or in conjunction with the Sphere of Influence (SOI) review process. An SOI study considers whether a change to the SOI, or probable future boundary, of a local government agency is warranted to plan for the logical and orderly development of that agency in a manner that supports the Cortese-Knox-Hertzberg (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 review. This chapter presents the SOI study and required determinations pursuant to California Government Code (GC) § (Section) 5642(e).

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 local LAFCo policies. SOI policies can be found in the Mendocino LAFCo Policies and Procedures Manual adopted November 5, 2018¹⁷.

10.1.1 Legislative Authority and Intent

An SOI 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.

10.1.4 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.

¹⁷ Mendocino LAFCo Policies and Procedures Manual can be found here:

<https://www.mendolafco.org/files/8e5477867/FINAL+Adopted+Mendo+LAFCo+PP+Manual+2018+upd+12-15-23.pdf>.

10.1.5 Zero Spheres

LAFCo may adopt a “zero” sphere of influence 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 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 sphere of influence 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 sphere of influence 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). 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 sphere of influence, 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 sphere of influence 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
- 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 sphere of influence or a city sphere of influence 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. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted 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 sphere of influence as an Area of Interest to any local agency.

- a) An Area of Interest (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.
- 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 existing SOI for the District is coterminous with the District's boundary. The SOI was established with the 1984 Zion Study and has not been reviewed by LAFCo since. The District has confirmed the adequacy of their existing boundary and SOI. The coterminous SOI is appropriate given the District's current operating level. There are no proposed SOI changes for MCWD2.

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.
- 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 Area of Interest to earmark areas for enhanced interagency coordination or for future SOI consideration.

The only study area in this SOI is the community of Anchor Bay. Due to its geographic isolation and financial standing, there are no other nearby areas that should be considered as a study area.

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 MCWD2.

4.3 Proposed Sphere of Influence

There are no proposed changes to the SOI at the time. The District and LAFCo staff recommend the Commission affirm the existing coterminous sphere.

4.4 Consistency with LAFCo Policies

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

The proposed District SOI is consistent with Mendocino LAFCo Policies (refer to Section 1.5 for the specific SOI policies).

4.5 Determinations

In determining the Sphere of Influence (SOI) for an agency, LAFCo must consider and prepare written determinations with respect to five factors as outlined in Government Code §56425(e). 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;
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 primary land uses within the District service area are described in Section 2.5.1.1. The entirety of the District is located within the Anchor Bay Census Designated Place (CDP) in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and small commercial zones, agricultural uses also exist within the area. Future development in the District is limited in growth to buildout of any remaining undeveloped rural residential lots as the commercial district is already built out. Furthermore, 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 the area

The District provides wastewater treatment services to approximately 100 customers. This service area includes the Anchor Bay community of approximately 68 residences, the Anchor Bay Campground, and a small commercial strip that straddles State Highway 1. There are several customers who own more than one equivalent dwelling unit (EDU); therefore, the actual number of connections is closer to 100. The District anticipates little growth in resident population within the near term (five years) and long-term planning horizon (20 years). Given that the MCWD2 is limited to a small number of commercial properties that are developed, and the residential properties in the Anchor Bay community with only a handful of undeveloped lots, the District will likely not need to accommodate much future development and is near buildout. While there are some large parcels that in theory could be developed as a hotel/bed and breakfast, there are no current development plans in plans and more notably, the North Gualala Water Company (NGWC) currently has a water moratorium in place that does not allow for any new connections for potable water. Until that moratorium is lifted, no new building permits will be issued. The projected 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 provides wastewater conveyance services to approximately 100 wastewater connections. The District's wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and two wastewater pump stations. The District has experienced multiple violations; 22 since July 2019 and 8 within the last year (2023). Some of the

violation events are described as ‘beyond District control’ though many of these violations appear to have received corrective action in the form of training. The design capacity of the wastewater treatment plant (WWTP) is 24,000gallons per day (gpd), but the permit capacity is only 19,000 gpd. The District’s infrastructure is in need of extensive repairs in order to continue providing adequate service to its existing customers and does not appear to have the capacity to address emergencies despite its current efforts.

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

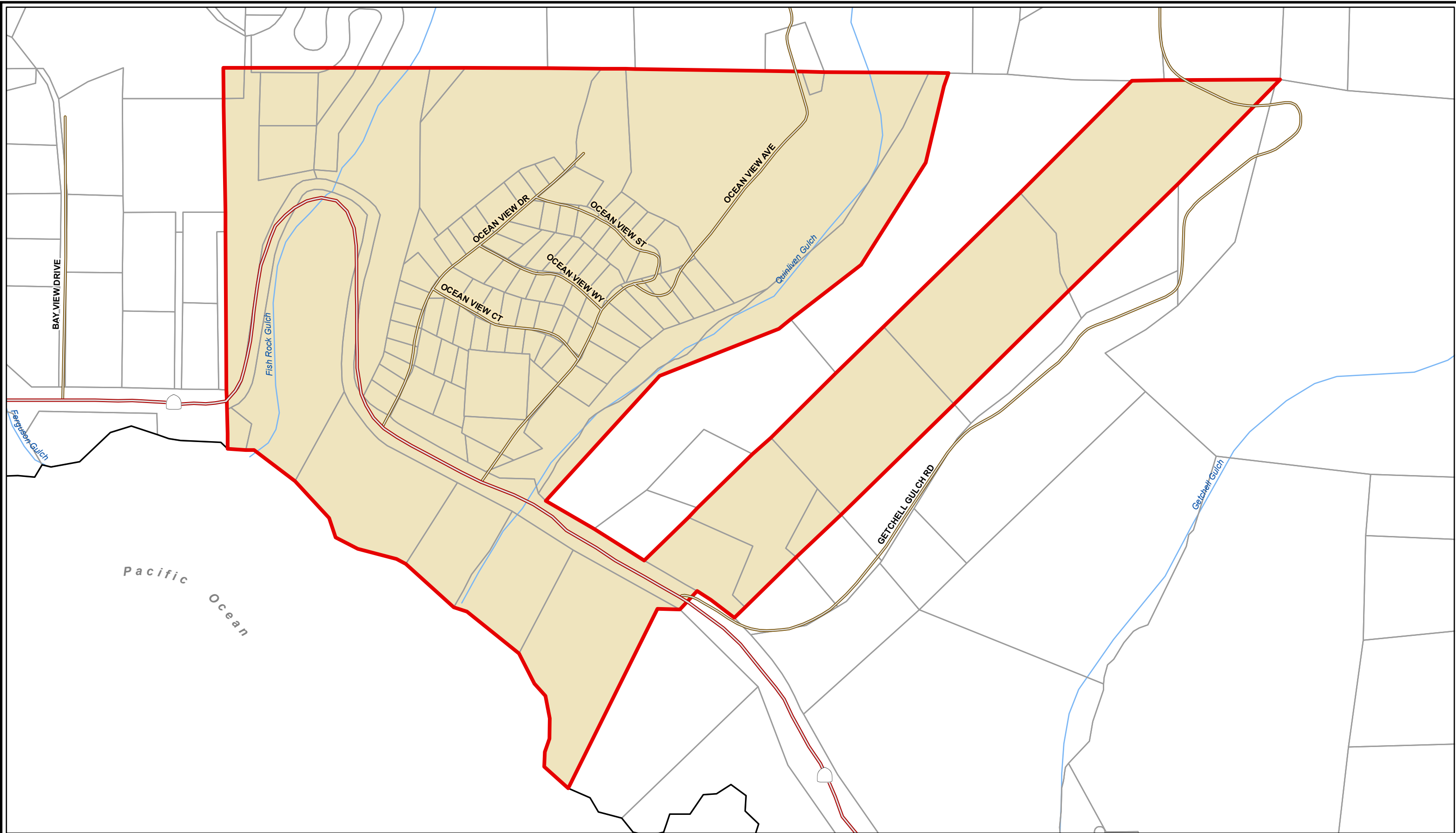
The District is located within the unincorporated coastal zone of Mendocino County and is wholly located within the Anchor Bay CDP. Most of the coastal zone is made up of rural uses and is geographically isolated from other communities. Given its isolated location and financial standing, no additional communities of interest have been identified for the District.

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

The District is located within the Anchor Bay CDP which has a Median Household Income (MHI) of \$68,452. With an MHI that is less than the Statewide MHI Threshold of \$73,240, the District is considered to be a Disadvantaged Unincorporated Community (DUC). While the residents of Anchor Bay are currently receiving the essential municipal services of fire, water, and wastewater, only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing private septic systems and wells. While these areas currently do not lack public services these properties could consider upgrading their system; particularly those utilizing septic as public health concerns.

4.6 Recommendation

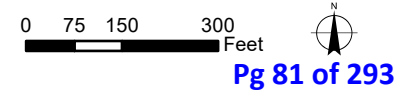
Pursuant to California Water Code (WAT) §55100, the Commission does hereby establish the functions and classes of services provided by the MCWD2 as limited to wastewater collection and treatment. Based upon the information contained in this report, it is recommended that the District Service Area Boundary and SOI for all services remain unchanged and coterminous (Figure 4-1).



Mendocino County Waterworks District No. 2 - Anchor Bay

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 26, 2024.
Note: This map is not a survey product.

- Mendocino County Waterworks No 2
- Sphere of Influence
- Parcels
- Highways
- Roads
- Streams



5 Bibliography

- Assembly Committee on Local Government. (2023, December). *Guide to the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000*. Retrieved from <https://calafco.org/sites/default/files/resources/CKH-Guides/CKH%20GUIDE%20-%202023%20-%20linked.pdf>
- Celentano, Michael. (2019). *Audited Financial Statements June 30, 2019 and 2018*
- . (2020). *Audited Financial Statements June 30, 2020 and 2019*
- . (2021). *Audited Financial Statements June 30, 2021 and 2020*
- . (2022). *Audited Financial Statements June 30, 2022 and 2021*.
- Census Reporter. (2022A). *Block Group 3 Statistics Based on ACS 2022*. Retrieved from <https://censusreporter.org/profiles/15000US060450111023-bg-3-tract-11102-mendocino-ca/>
- Census Reporter. (2022B). *Census Tract 111.02 Statistics Based on 2022 ACS*. Retrieved from <https://censusreporter.org/profiles/14000US06045011102-census-tract-11102-mendocino-ca/>
- County of Mendocino. (2023). *Zoning Web Map*. Retrieved from <https://www.mendocinocounty.org/government/planning-building-services/zoning-web-map>
- County of Mendocino Coastal Element. (2021, November). *County of Mendocino Coastal Element*. Retrieved from <https://www.mendocinocounty.org/home/showpublisheddocument/56978/638181067153900000>
- County of Mendocino General Plan. (2009, August). *County of Mendocino General Plan*. Retrieved from <https://www.mendocinocounty.org/government/planning-building-services/plans/mendocino-county-general-plan>
- DOF. (2023, December). *Department of Finance*. Retrieved from County Population Projections: <https://dof.ca.gov/forecasting/demographics/projections/>
- Justia US Law. (2023A). *CA Govt Code § 56076 (2022)*. Retrieved from <https://law.justia.com/codes/california/2022/code-gov/title-5/division-3/part-1/chapter-2/section-56076/>
- Justia US Law. (2023B). *Government Code Section 56425-56434* . Retrieved from <https://law.justia.com/codes/california/2010/gov/56425-56434.html>
- Justia US Law. (2023C). *CA Water Code § 55310.2 (2022)*. Retrieved from <https://law.justia.com/codes/california/2022/code-wat/division-16/part-3/chapter-1/section-55310-2/>
- LAO. (1996). *Understanding Proposition 218*. Retrieved from Legislative Analyst Office: https://lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html#:~:text=Proposition%20218%20specifies%20that%20no,to%20the%20property%2Drelated%20service.

LegInfo. (2018). *Senate Bill No. 929*. Retrieved from Senate Bill No. 929

Mendocino LAFCo. (2018, November). *Policies and Procedures Manual*. Retrieved from <http://www.mendolafco.org/policies.html>.

MC Engineering. (2024). "Asset Evaluation, Rate Study, and Revenue Strategies for the Mendocino County Water District No. 2 (Representing the Community of Anchor Bay, California)."

OPR. (2013). *Senate Bill 244*. Retrieved from Office of Planning and Research: https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf

RFI, L.-M. K. (2023, December). President. (RFI, Interviewer)

SWRCB. (2023, January). *State Water Resources Control Board*. Retrieved from Facility at a Glance Report: <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/CiwqsReportServlet?inCommand=drilldown&reportName=facilityAtAGlance&placeID=240318&reportID=7468273>

US Census . (2022C). *2022 ACS MHI Anchor Bay*. Retrieved from https://data.census.gov/profile/Anchor_Bay_CDP,_California?g=160XX00US0602028

US Census. (2022A). *2022 ACS Survey MHI California*. Retrieved from <https://data.census.gov/profile/California?g=040XX00US06>

US Census. (2022B). *2022 ACS MHI Mendocino County*. Retrieved from https://data.census.gov/profile/Mendocino_County,_California?g=050XX00US06045

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.

Uma Hinman, Executive Officer
Spencer Richard, Analyst
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.

Mendocino County Waterworks District No. 2	Linda-Marie Koza, Board President Chris Troyan, GCSD General Manager
--	---

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 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 §6250 et seq.), (2) **Political Reform Act** – Conflict-of-Interest regulations (Government Code §81000 et seq.), (3) **Ethics Principles and Training** (AB 1234 and Government Code §53235), (4) **Brown Act** – Open Meeting regulations (Government Code §54950 et seq.), and (5) **Online Compliance** regulations (Section 508 of the US Rehabilitation Act and Government Code §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 Fair Political Practices Commission is available at the following link: <http://www.fppc.ca.gov/>.
- Refer to the California Department of Rehabilitation website for information regarding Section 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 Institute for Local Government (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 Institute for Local Government (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

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
CSDA
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

7.3 Appendix C – Housing Legislation Trends and Results

Mendocino County and ADUs

In response, the County of Mendocino has taken a number 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 General Plan update was adopted on 11/9/2021 which amended the Coastal Zoning Code component of the Local Coastal Plan to establish and revise standards for ADUs in the Coastal Zone.

Because Anchor Bay is located in the Coastal Zone of the County 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 (JADU), 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 - Public Health and Safety Requirements, of 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 located in a service district (such as Pacific Reefs), 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 Section 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 Governor's Office of Planning and Research (OPR) and the State's 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 the Mendocino County Waterworks District No. 2 (MCWD2) in Anchor Bay. 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 State 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 took into account 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 was 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 8/15/2019 and 8/17/2027. 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 Government Code 65583(a)(1).

Extremely Low-Income Units*		145			15	26	21	62	83
-----------------------------	--	-----	--	--	----	----	----	----	----

(HCD, 2023)

With respect to how RHNA requirements may affect Anchor Bay, the State continues to push for more housing across the state including in communities located on the coast such as Anchor Bay. 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 Anchor Bay, 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. SB 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 Jan. 1, 2021, and Jan. 1, 2029, and is exempt from the California Environmental Quality Act (CEQA).
- SB 35 - Applies in cities that are not meeting their Regional Housing Need Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80 percent area median income (AMI). SB-35 amends Government Code (GC) Section (§) 65913.4 to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

7.4 Appendix D – District Financial Audits

MENDOCINO COUNTY WATERWORKS DISTRICT #2

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

MENDOCINO COUNTY WATERWORKS DISTRICT #2
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements	
Statement of Net Position	5
Statement of Activities And Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	9

MICHAEL A. CELENTANO
Certified Public Accountant
12204 E Camino Loma Vista
Yuma AZ 85367

707-367-9729

maccpa@pacific.net

Board of Directors
Mendocino County Waterworks District #2
Ukiah, CA 95482

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Mendocino County Waterworks District #2 as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Mendocino County Waterworks District #2's basic financial statements as listed in the table of contents. In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Mendocino County Waterworks District #2 as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities 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 Mendocino County Waterworks District #2 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 Mendocino County Waterworks District #2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 generally accepted auditing standards 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, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Mendocino County Waterworks District #2'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mendocino County Waterworks District #2'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of the basic financial statements.



Michael A Celentano
Certified Public Accountant

November 3, 2022

MENDOCINO COUNTY WATERWORKS DISTRICT #2
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 352,353	\$ 364,705
Accounts receivable	69,300	8,617
Prepaid expenses	<u>-</u>	<u>120</u>
Total Current Assets	421,653	373,442
<u>Capital Assets - Note 3</u>	<u>440,881</u>	<u>475,784</u>
Total Assets	<u>\$ 862,534</u>	<u>\$ 849,226</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ -	\$ -
Payroll taxes payable	<u>534</u>	<u>489</u>
Total Current Liabilities	<u>534</u>	<u>489</u>
Total Liabilities	<u>\$ 534</u>	<u>\$ 489</u>
<u>Net Position</u>		
Investment in capital assets	\$ 440,881	\$ 475,784
Unrestricted	<u>421,119</u>	<u>372,953</u>
Total Net Position	<u>\$ 862,000</u>	<u>\$ 848,737</u>

MENDOCINO COUNTY WATERWORKS DISTRICT #2
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues</u>		
Charges for services	\$ 137,116	\$ 135,000
 Total Operating Revenue	 137,116	 135,000
<u>Operating Expenses</u>		
Personnel and related benefits	59,067	73,063
Insurance	6,213	5,915
Operating supplies	1,728	3,691
Chemicals	3,810	2,600
Repairs and maintenance	486	6,077
Utilities	8,350	8,176
Permits	12,949	12,494
Research and monitoring	6,199	5,108
Office expense	830	1,148
Legal and other professional services	6,121	5,816
Rent	1,440	1,440
Dues and subscriptions	2,207	1,282
Depreciation	<u>34,903</u>	<u>34,047</u>
 Total Operating Expenses	 <u>144,303</u>	 <u>160,857</u>
 Operating Income (Loss)	 (7,187)	 (25,857)
<u>Non-Operating Revenues (Expenses)</u>		
Interest income bank	1,223	1,475
Assessments - repair and replacement reserve	22,200	20,070
Miscellaneous lincome	1,067	-
Refund of prior years sewer fees	<u>(4,040)</u>	
 Total Non-Operating Revenues (Expenses)	 <u>20,450</u>	 <u>21,545</u>
 Net Income (Loss)	 13,263	 (4,312)
<u>Net Assets, Beginning of Year</u>	<u>848,737</u>	<u>853,049</u>
 <u>Net Assets, Ending of Year</u>	 <u>\$ 862,000</u>	 <u>\$ 848,737</u>

MENDOCINO COUNTY WATERWORKS DISTRICT #2
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 76,433	\$ 137,151
Payments to suppliers for goods and services	(50,213)	(65,150)
Payments to employees and related items	(59,022)	(73,690)
Net Cash Provided by Operating Activities	(32,802)	(1,689)
<u>Cash Flows From Capital and Related Financing Activities</u>		
Assessments - repairs and replacements	22,200	20,070
Miscellaneous income	1,067	-
Refund of prior year sewer fees	(4,040)	-
Net Cash Flows Provided by Capital and Related Financing Activities	19,227	20,070
<u>Cash Flows From Investing Activities</u>		
Interest	1,223	1,475
Net Cash Flows Provided by Investing Activities	1,223	1,475
Net Change in Cash and Cash Equivalents	(12,352)	19,856
<u>Cash and Cash Equivalents, Beginning of Year</u>	364,705	344,849
<u>Cash and Cash Equivalents, Ending of Year</u>	\$ 352,353	\$ 364,705
<u>Reconciliation of Operating Income (Loss) to Net Cash (Used) by Operating Activities</u>		
Operating income (loss)	\$ (7,187)	\$ (25,857)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	34,903	34,047
(Increase) decrease in current assets:		
Accounts receivable	(60,683)	2,151
Prepaid expenses	120	(120)
Increase (decrease) in current liabilities		
Accounts payable	-	(11,283)
Payroll taxes payable	45	(627)
Net Cash Provided by Operating Activities	\$ (32,802)	\$ (1,689)

MENDOCINO COUNTY WATERWORKS DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District was formed in 1958 under the provisions of the Water Code for the State of California. The District operates under a board of directors' form of government. Members of the board of directors were the County of Mendocino's Board of Supervisors until November 2, 1993 at which time they appointed an independent board of directors to serve the District. Legislation has passed making the District independent from the County of Mendocino starting July 1, 1996. Accordingly, the Board of Directors are an elected body of officials.

The District provides sewer services to residents and businesses within the district boundaries. The District's boundaries include a relatively confined region representing the area known as "Anchor Bay" which is located in the County of Mendocino. The District's financial statements include the accounts of all District operations.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles as applicable to state and local governments.

The following is a summary of the more significant policies:

Basis of Presentation

The statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2022 and 2021. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2022 and 2021 consisted of Category 1 type only.

Receivables

Bad debts associated with accounts receivable for services are provided for by use of the allowance method. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or estimated cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Assets with a value of \$1,000 or less are expensed in the year acquired.

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of

Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The ranges of estimated useful lives are as follows:

Treatment plant	10-40 years
General plant assets	8-40 years

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Note 2 - Cash

As of June 30, 2022 and 2021 cash consisted as follows:

	<u>2022</u>	<u>2021</u>
Cash		
General operations	\$106,903	\$133,796
Savings	<u>245,450</u>	<u>230,909</u>
Total Cash	<u>\$352,353</u>	<u>\$364,705</u>

All above deposits are either insured or collateralized and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents. The deposits approximate fair market value.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The District’s deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution.

The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

Note 3 - Property, Plant and Equipment

Items included in the equipment account are almost solely related to the treatment facilities in the form of pumps, motors, regulators, filters, etc., which are anticipated to wear out much sooner than the facilities themselves. The Other Property account consists of assets not as directly related to the treatment facilities and equipment and may have been acquired after construction such as: fencing, drainage and berm road work, access road paving, etc.

The following is a summary of the changes in property, plant and equipment for the fiscal year:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Land	\$ 146,087	\$	\$	\$ 146,087
Treatment plant, structures and improvements	1,296,781			1,296,781
Equipment	138,937			138,937
Other property	<u>70,664</u>	<u>0</u>	<u>0</u>	<u>70,664</u>
Total Cost	1,652,469			1,652,469
Less accumulated depreciation	<u>(1,176,685)</u>	<u>(34,903)</u>	<u>0</u>	<u>(1,211,588)</u>
Net Book Value	<u>\$ 475,784</u>	<u>\$ (34,903)</u>	<u>\$ 0</u>	<u>\$ 440,881</u>

Depreciation expense of \$34,903 and \$34,047 were recorded as operating expense for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through November 3, 2022 that meet the above definition.

Note 5 - Joint Powers Agreement

The District participates in a joint venture under joint powers (JPA) with the Special Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

Attachment 2

Notice of Exemption

(Exempt from fees per GOV Section 27383)

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk

County of: Mendocino

From: (Public Agency): Mendocino LAFCo
200 S School Street
Ukiah, CA 95482

(Address)

Project Title: Mendocino County Water Works District No. 2 Municipal Service Review & Sphere of Influence UpdateProject Applicant: N/A

Project Location - Specific:

Anchor Bay, 3 miles north of Gualala on State Hwy 1Project Location - City: Anchor BayProject Location - County: Mendocino

Description of Nature, Purpose and Beneficiaries of Project:

This is a LAFCo-initiated Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Mendocino County Water Works District No. 2 prepared in accordance with California Government Code Sections 56430 and 56425

Name of Public Agency Approving Project: Mendocino Local Agency Formation CommissionName of Person or Agency Carrying Out Project: Mendocino Local Agency Formation Commission

Exempt Status: (check one):

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: 15306 (Class 6 Exemption)
- Statutory Exemptions. State code number: _____

Reasons why project is exempt:

15306 (Information Collection): the MSR is a data collection and service evaluation study, does not make land use changes, and any future actions will be subject to additional environmental review.

15061(b)(3) (General Rule): the SOI Update does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

Lead Agency

Contact Person: Uma Hinman, Executive Officer Area Code/Telephone/Extension: (707) 463-4470**If filed by applicant:**

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: _____ Date: 07/01/2024 Title: Executive Officer

▪ Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

Attachment 3

Resolution No. 2023-24-09 of the Mendocino Local Agency Formation Commission

Approving the Mendocino County Waterworks District No. 2 Municipal Service Review and Sphere of Influence Update 2024

WHEREAS, the Mendocino Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local governmental agencies whose jurisdictions are within Mendocino County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the Mendocino County Waterworks District No. 2, hereinafter referred to as the “MCWD2 or District”, pursuant to California Government Code Section 56430; and

WHEREAS, the Commission conducted a sphere of influence update for the District pursuant to California Government Code Section 56425; and

WHEREAS, the Commission held a public workshop on March 4, 2024 to hear public and agency comments and provide direction on revisions to the District’s Draft MSR/SOI update; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner prescribed by law; and

WHEREAS, the Executive Officer’s report and recommendations on the municipal service review and sphere of influence update were presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the Municipal Service Review and Sphere of Influence update on July 1, 2024; and

WHEREAS, the Commission considered all the factors required under California Government Code Sections 56430 and 56425.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Mendocino Local Agency Formation Commission, as follows:

1. The Commission, as Lead Agency, finds the municipal service review is categorically exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15306 (Class 6 Exemption). This finding is based on the use of the municipal service review as a data collection and service evaluation study. There are no land use changes or environmental impacts created or recommended by the MSR. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.
2. The Commission, as Lead Agency, finds the sphere of influence update is exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15061(b)(3) (General Rule). This finding is based on the Commission determining with certainty that the sphere of influence update will have no possibility of significantly effecting the environment given that this update does not grant new municipal

service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: “Mendocino County Waterworks District No. 2 MSR/SOI Update 2024”.
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the District.

BE IT FURTHER RESOLVED that the Mendocino County Waterworks District No. 2 MSR/SOI Update 2024 is hereby approved and incorporated herein by reference and that a coterminous Sphere of Influence be established for the District as depicted in Exhibit “A”, attached hereto.

PASSED and ADOPTED by the Mendocino Local Agency Formation Commission this 1st day of July 2024 by the following vote:

AYES:

NOES:

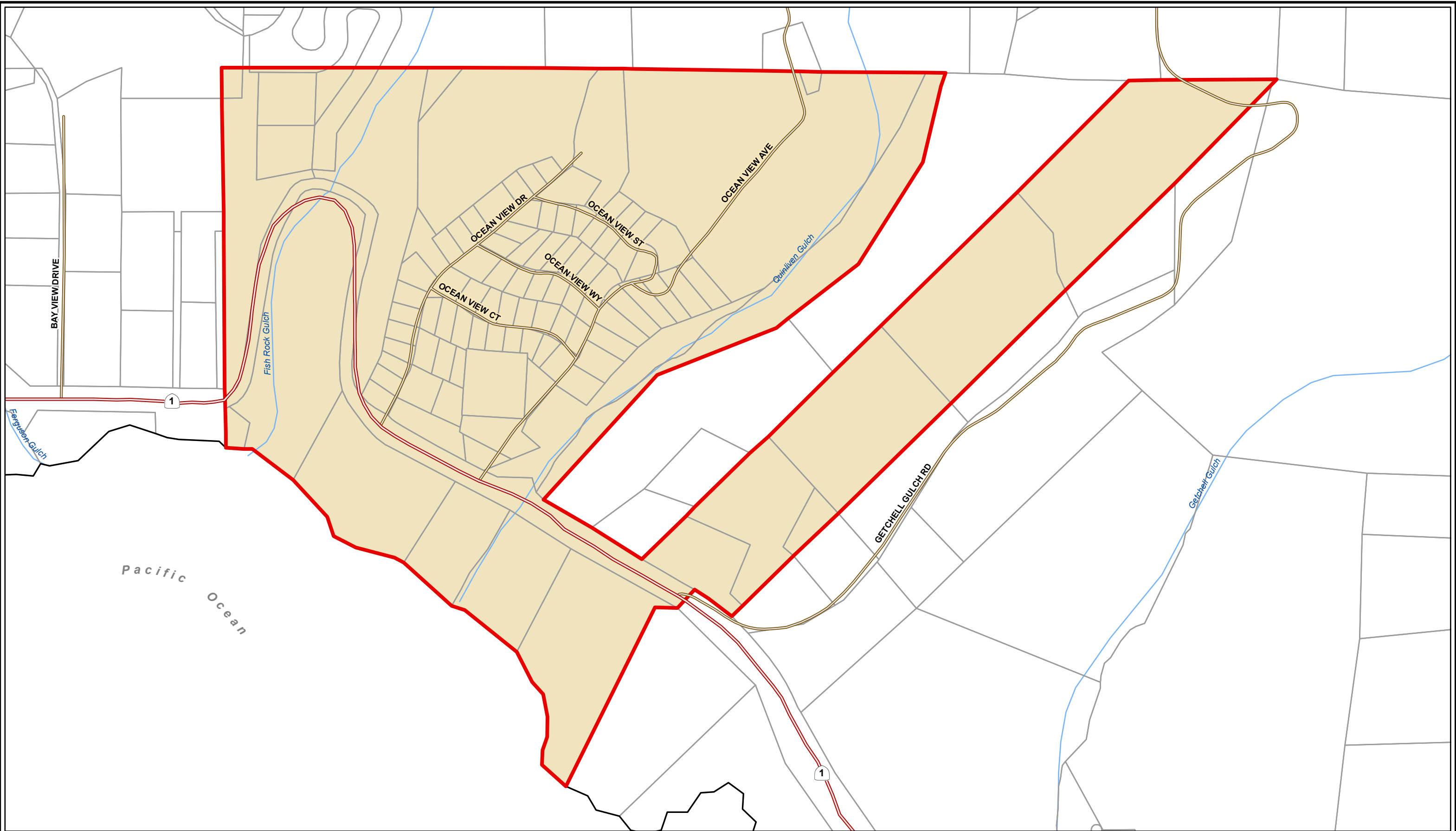
ABSTAIN:

ABSENT:

MAUREEN MULHEREN,
Commission Chair

ATTEST:

UMA HINMAN, Executive Officer



Mendocino County Waterworks District No. 2 - Anchor Bay

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 26, 2024.
Note: This map is not a survey product.

- Mendocino County Waterworks No 2
- Sphere of Influence
- Parcels
- Highways
- Roads
- Streams

Independent Coast Observer

P.O. Box 1200
Gualala, CA 95445

(707) 884-3501
(707) 884-1710 fax
www.mendonoma.com

Proof of Publication of Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING

I, the undersigned say:

That I am over the age of eighteen and am not a party to or interested in the above entitled matter of proceeding; and am, and at all times embraced in the publication herein mentioned, was the principal clerk of the editor and publisher of the INDEPENDENT COAST OBSERVER, a weekly newspaper printed, published and circulated in the County of Mendocino, and adjudged a newspaper of general circulation by the Superior Court of California, Proceeding #15294, that the

above **Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING** of which is annexed a true printed copy, was printed in type not smaller than nonpareil and published in said newspaper on the following date(s), to wit: June 7, 2024.

I certify (or declare) under penalty of perjury that the foregoing is true and correct.
Executed and dated at Gualala, California, this June 4, 2024

Signature 

(ICO Ad number 8028)

Public Notice

MENDOCINO LOCAL AGENCY FORMATION COMMISSION NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Monday, July 1, 2024, at 9:00 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the Mendocino County Waterworks District #2 (Anchor Bay) Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study. This MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Title 14 CCR § 15306 and § 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
(8028) June 7, 2024

Fort Bragg Advocate-News

690 S. Main Street
Fort Bragg, California 95437
707-964-5642

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

PROOF OF PUBLICATION (2015.5 C.C.P.)

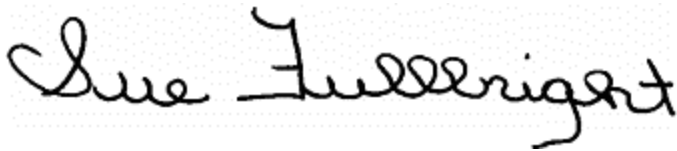
STATE OF CALIFORNIA COUNTY OF MENDOCINO

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the Office Clerk of the Fort Bragg Advocate-News, a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California under the date of May 9, 1952 - Case Number 9151, that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been printed in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates:

06/06/2024

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Fort Bragg, California,
June 6th, 2024



Sue Fullbright, LEGAL CLERK

Legal No. **0006833025**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on Monday, July 1, 2024, at 9:00 AM (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Mendocino County Waterworks District #2 (Anchor Bay) Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study.** This MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Title 14 CCR § 15306 and § 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463- 4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
6-6/2024



STAFF REPORT

Agenda Item No. 5b	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	PUBLIC HEARING Gualala Community Services District Municipal Service Review and Sphere of Influence Update

RECOMMENDED ACTION

Staff recommends the Commission take the following actions:

- 1) Find the Gualala Community Services District Municipal Service Review categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption), and find the Gualala Community Services District Sphere of Influence Update exempt from CEQA pursuant to 14 CCR §15061(b)(3) (General Rule), and approve the Notice of Exemption for filing; and
- 2) Adopt LAFCo Resolution 2023-24-10, approving the Gualala Community Services District Municipal Service Review and Sphere of Influence Update Study and affirming the existing sphere of influence established in 2016, consisting of a coterminous sphere and including the Gualala Point Regional Park.

BACKGROUND

This is a Public Hearing to consider public testimony and proposed adoption of the Gualala Community Services District (GCSD) Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study.

The Commission held a public workshop on the [Draft GCSD MSR/SOI Update](#) study on June 3, 2024 to hear public/agency comments and provide direction on revisions to the draft study in preparation for this Public Hearing item. A video recording of the meeting is available [online](#) and the recent summary minutes are included in the July 1, 2024 agenda packet.

The GCSD was formed on July 7, 1986 to provide wastewater services to the unincorporated coastal community of Gualala, which is located on State Highway 1 on the Mendocino/Sonoma County line. The District consists of 1,430 acres divided into four service zones, two of which currently receive services. Additionally, the District provides outside agency services to a portion of The Sea Ranch Development and the Gualala Point Regional Park, both of which are located in Sonoma County. The GCSD provides treatment of raw effluent from The Sea Ranch Development's North Plant, which is then sold back to the Sea Ranch Golf Links for irrigation of tertiary treated wastewater. The District has provided sewer collection and treatment services to the Gualala Point Regional Park since 1992.

There have been no changes to the District boundary since its formation. In 2016, the SOI was expanded to include the Gualala Point Regional Park in recognition of the service arrangement.

Revisions List

At the request of the Commission, staff prepared extensive revisions of the document to reduce redundancy and increase internal references throughout the study. However, substantive changes to data and analyses were limited to the following list of items identified by Commission during the June workshop:

- Section 2.2.1: add Board of Director information.
- Section 2.3.1: clarify the number of full-time versus part-time staff members.
- Section 2.3.2.1: clarify the scope of the agreement with Mendocino County Waterworks District No. 2.
- Section 2.3.4: clarify how participation in the local watersheds groups would benefit the District.
- Section 2.4.1.1: include explanation of why the District agreed to negotiated rates with SWA at less than the rate study analysis.
- Section 2.4.1.1: include discussion of if and how new adopted rates will stabilize District.

Areas of Interest

Two areas of interest have been identified for the District: the Anchor Bay community and a residential neighborhood in the area of Old Stage Road and Ocean View Road just north of the District boundary.

The Mendocino County Waterworks District No. 2 serves 100 customers in the Anchor Bay community, located approximately three miles north of the GCSD. Under contract, GCSD provides management, operations, and administrative support to MCWD2. Both districts are seeking grant funding to study options for potential reorganization or regionalization of services.

A recently completed engineering report identified a residential area located adjacent and north of the GCSD boundaries as experiencing failing septic systems. The area is identified in the report as Proposed Zone 5 and is located along Old Stage Road and Ocean Ridge Drive. Due to the health and safety risk associated with potential contamination of ground and surface water resulting from failing septic systems, Proposed Zone 5 is discussed in the MSR and identified as an Area of Interest.

Sphere of Influence

The District's last sphere of influence update was in 2016, at which time the Gualala Point Regional Park was added to what was otherwise a coterminous sphere. This MSR/SOI Update provides a review of the District services and governance and makes a recommendation for the SOI boundary that is appropriate for the capacity of the District's system and projected growth in its service area.

The GCSD has confirmed that their current boundary is reflective of the District's current service capacity. Although additional service needs and projected service demands have been identified, additional WWTP capacity and collection infrastructure will be required to provide service to unserved areas within their boundary as well as the areas identified as Areas of Interest.

There have been no annexations since formation, and growth is limited by a moratorium on water services provided by the North Gualala Water Company, which services the District's customers area. The District's 2016 SOI is recommended to be affirmed as a coterminous sphere and including the Gualala Point Regional Park.

CEQA Compliance

The District's MSR is categorically exempt from further review under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15306 (Class 6 Exemption). This is based on the use of the municipal service review as a data collection and service evaluation study. There are no land use changes or environmental impacts created or recommended by the MSR. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.

The District's SOI Update is exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15061(b)(3) (General Rule). This is based on a determination

with certainty that the sphere of influence update will have no possibility of significantly effecting the environment given that this update does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

A draft Notice of Exemption (NOE) is provided as Attachment 2.

Public Notice

The 21-day Notice for this Public Hearing was properly published, posted, and distributed by Friday, June 7, 2024. The newspaper Proof of Publications are included as Attachment 4.

Public Comments

No public comments have been received to date.

ATTACHMENTS

- (1) GCSD MSR/SOI Update 2024
- (2) Notice of Exemption
- (3) LAFCo Resolution No. 2023-24-10
- (4) Proof of Publication



Gualala Community Services District

Photo Credit:

Municipal Service Review and Sphere of Influence Update

Prepared By/For:

Mendocino LAFCo

200 South School Street

Ukiah, California 95482

<http://www.mendolafco.org/>

Workshop: June 3, 2024

Public Hearing: July 1, 2024

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

[This page intentionally left blank

Table Of Contents

List of Tables.....	1-2
List of Figures	1-2
ACRONYMS	1-1
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 Additional Local Policies.....	1-3
1.5.1 Mendocino County General Plan – Coastal Element	1-3
1.5.2 Gualala Town Plan.....	1-4
1.6 Senate Bill 215.....	1-4
2 AGENCY OVERVIEW	2-1
2.1 History	2-1
2.1.1 Formation	2-1
2.1.2 Boundary.....	2-1
2.1.3 Services.....	2-1
2.2 Government Structure	2-2
2.2.1 Governing Body	2-2
2.2.2 Public Meetings	2-3
2.2.3 Standing Committee	2-3
2.2.4 Public Outreach	2-4
2.2.5 Complaints	2-4
2.2.6 Transparency and Accountability.....	2-4
2.3 Operational Efficiency	2-4
2.3.1 Management and Staffing.....	2-4
2.3.2 Contract or JPA Services.....	2-5
2.3.3 Agency Performance.....	2-5
2.3.4 Regional and Service Specific Collaboration	2-6
2.3.5 Shared Services and Facilities	2-7
2.3.6 Government Structure and Community Needs	2-8
2.4 Finances	2-9
2.4.2 Long Term Financial Considerations.....	2-17
2.4.3 Current Fiscal Health.....	2-19
2.5 Present and Planned Land Use and Development.....	2-19
2.5.2 Existing Population.....	2-21
2.5.3 Projected Growth.....	2-21
2.5.4 California Housing Goals.....	2-22
2.6 Disadvantaged Unincorporated Communities	2-23
3 MUNICIPAL SERVICES	3-1
3.1 Service Overview.....	3-1
3.1.1 Services	3-1
3.1.2 Outside Agency Services.....	3-1
3.2 Wastewater Services	3-4
3.2.1 System History	3-4
3.2.2 Service Overview	3-4
3.2.3 Infrastructure and Facilities	3-4

3.2.4	Service Adequacy.....	3-9
3.3	Determinations	3-14
3.3.1	MSR Review Factors.....	3-14
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.....	4-6
4.4	Consistency with LAFCo Policies	4-6
4.5	Determinations	4-7
4.5.1	Present and Planned Land Uses.....	4-7
4.5.2	Present and probable need for facilities and services in the area.....	4-7
4.5.3	The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide	4-8
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	4-8
4.5.5	The present and probable need for public facilities and services of any disadvantaged unincorporated communities	4-9
4.6	Recommendation.....	4-9
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 - Community Services District Law (California Government Code §61100 Latent Powers.....	7-1
7.2	Appendix B – Open Government Resources	7-4
7.3	Appendix C – Website Compliance Handout	7-5
7.4	Appendix D – Housing Legislation Trends and Results.....	7-6
7.5	Appendix E – District Financial Audits.....	7-9

List of Tables

Table 1-1:	Current Mendocino LAFCO Commissioners, 2024.....	1-1
Table 2-1:	GCS D Profile	2-1
Table 2-2:	GCS D Board of Directors	2-2
Table 2-3:	GCS D Financial Summary	2-10
Table 2-4:	Cash Accounts	2-10
Table 3-1:	Service connections in Service Zones 1 and 2.....	3-4
Table 3-2:	Recommended Capital Improvements	3-9
Table 3-3:	SWRCB – GCS D Regulatory Measures.....	3-10
Table 7-1:	Mendocino County RHNA Allocations	7-7

List of Figures

Figure 1-1:	Regional Location.....	1-6
Figure 1-2:	Gualala Community Services District Boundary	1-7

Figure 1-3: Mendocino County Water and Sanitation Districts and Companies 1-8

Figure 2-1: District Revenues and Expenses 2-13

Figure 2-2: District Revenues Over/Under Expenses 2-14

Figure 2-3: District Assets 2-15

Figure 2-4: District Liabilities..... 2-15

Figure 2-5: District Net Position 2-16

Figure 2-6: District Cash Accounts 2-16

Figure 2-7: Mendocino County General Plan Land Use Mapping..... 2-20

Figure 2-8: Mendocino County Zoning Map 2-20

Figure 3-1: The Sea Ranch Development 3-2

Figure 3-2: GCSD Service Zone Map..... 3-3

Figure 3-3: Aerial View of GCSD's Treatment Facilities 3-5

Figure 3-4: GCSD Gravity and Pressurized Sewer Mains..... 3-6

Figure 3-5: Facility Location Map 3-7

Figure 4-1: GCSD Proposed Sphere of Influence and Area of Interest 4-10

ACRONYMS

ADU	Accessory Dwelling Unit
ACS	American Community Survey
AOI	Area of Interest
BOS	Board of Supervisors
CalPERS	California Public Employees Retirement System
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPUC	California Public Utilities Commission
CSA	County Service Area
CSD	Community Services District
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
CWA	Clean Water Act
DDW	Division of Drinking Water
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	Department of Water Resources
EDU	Equivalent Dwelling Units
FY	Fiscal Year
GC	Government Code
GCSD	Gualala Community Services District
GMAC	Gualala Municipal Advisory Council
Gpd	Gallons per day
GTP	Gualala Town Plan
HOA	Homeowners Association
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MCOG	Mendocino Council of Governments
MCWD2	Mendocino County Waterworks District No. 2
Mg	Million gallons
Mgd	Million gallons per day
MHI	Median Household Income
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
MWCP	Mandatory Water Conservation Program
NGWC	North Gualala Water Company
PCH	Pacific Coast Highway
RCAC	Rural Community Assistance Corporation
RHNA	Regional Housing Needs Allocation
ROWD	Report of Waste Discharge
RTP	Regional Transportation Plan
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community

SDRMA	Special District Risk Management Association
SOI	Sphere of Influence
SRF	State Revolving Fund
SRGL	Sea Ranch Golf Links
SRN	Sea Ranch North
SRSZ	Sea Ranch Sanitation Zone
SSMP	Sewer System Management Plan
SSO	Sanitary Sewer Overflows
STEP	Septic Tank Effluent Pumping
SWA	Sonoma Water Agency
SWRCB	State Water Resources Control Board
WDR	Water Discharge Requirements
WQO	Water Quality Order
WWTP	Wastewater Treatment Plant

1 INTRODUCTION

1.1 Local Agency Formation Commission

The Local Agency Formation Commission (LAFCo) is a quasi-legislative, independent local agency established by State legislation in 1963 to oversee the logical and orderly formation and development of local government agencies 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. with goals 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 Commissioners, the local government category 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 Haschak	Alternate	County	2027

¹ Mendocino LAFCo Policies and Procedures Manual: <http://www.mendolafco.org/policies.html>.

Commissioner Name	Position	Representative Agency	Term Expires
Vacant	Alternate	Public	2027

Source: Mendocino LAFCo

1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts. MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI)². This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by Gualala Community Services District (GCSD/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 enumerated 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 GCSD. This review also provides technical and administrative information to support Mendocino LAFCo’s evaluation of the existing boundary for GCSD.

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. 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.

Ideally, an MSR will support LAFCo’s directives and deliberations 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;

² Assembly Committee on Local Government, “Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2020.” December 2023.

- Serve as a prerequisite for an SOI Update;
- Evaluate governance options and financial information;
- Identify areas within the factors noted above that may benefit from improvement;
- 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 an 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)³.

When reviewing an SOI for a municipal service provider, under GC §56425(e)⁴, 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) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Sphere of Influence studies include written statements or determinations with respect to each of the five mandated areas of evaluation enumerated 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 Additional Local Policies

1.5.1 Mendocino County General Plan – Coastal Element

The Mendocino County General Plan was originally adopted in November 1985 and last updated in November of 2021. In conformance with the Coastal Act, the County maintains a Coastal Element as part of their Local Coastal Program⁵. Given Gualala’s coastal location, the Coastal Element includes a section of policies pertaining specifically to Gualala and the neighboring town of Anchor Bay. Policies from Section 4.12 of the Coastal Element include requirements for septic system installation for new development and

³ GC §56076 text can be found here: <https://law.justia.com/codes/california/2022/code-gov/title-5/division-3/part-1/chapter-2/section-56076/>

⁴ GC §56425-56434 text can be found here: <https://law.justia.com/codes/california/2010/gov/56425-56434.html>

⁵ Mendocino County. “Mendocino County General Plan Coastal Element.” November 9, 2021. <https://www.mendocinocounty.gov/home/showpublisheddocument/56978/638181067153900000>

that new development be connected to the GCSO within the District boundary through the approval process. These policies and others related to Gualala can be found in the Gualala Town Plan.

1.5.2 Gualala Town Plan

On January 15, 2002, Mendocino County adopted the Gualala Town Plan (GTP/Plan) as part of the Coastal Element of the Mendocino County General Plan⁶. In accordance with the California Coastal Act, the GTP serves as the Local Coastal Plan and identifies planning goals and policies that establish a scenario for growth within the Town Plan area over a 30-year planning horizon (i.e., until 2032)⁷. The GTP also includes a map that depicts an Urban/Rural boundary for the community, which includes Service Zones 1 and 2 of the District.

The GTP notes that the District's treatment system was designed to accommodate annual increases of residential growth at a constant rate of two percent for a 20-year planning horizon. This was in conformance with population increases projected in Policy 3.9 of the GTP (Locating and Planning New Development) of between 0.5 and 2.4 percent. Annual increases in commercial development were projected at three percent for the 20-year planning period. The GTP concluded as part of its sewer service and septic availability analysis that the District may not have sufficient capacity to accommodate the demands for sewer connections for the 30-year planning horizon of the GTP, which is 2032.

In 1991, the County Board of Supervisors created the Gualala Municipal Advisory Council (GMAC) with a two-part mandate: 1) to advise the Board of Supervisors on current development applications; and 2) to inform long-range planning efforts to update the Coastal Element of the Mendocino County General Plan as it pertains to the Gualala area.

The GMAC is responsible for the development of the GTP, which was a result of community discussions at GMAC meetings over a four-year period. The GMAC ultimately reviewed the GTP, facilitated public discussions, and hosted public meetings supporting the Plan development. The GMAC's GTP was submitted to the County Board of Supervisors in May 1995. After an initial review by County staff and public agencies, a revised draft was prepared by the Gualala Town Plan Advisory Committee that included representatives of GMAC, the County Board of Supervisors, County Planning Commission, and Planning Department staff. The draft was ultimately adopted in 2002.

1.6 [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. SB 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas 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.

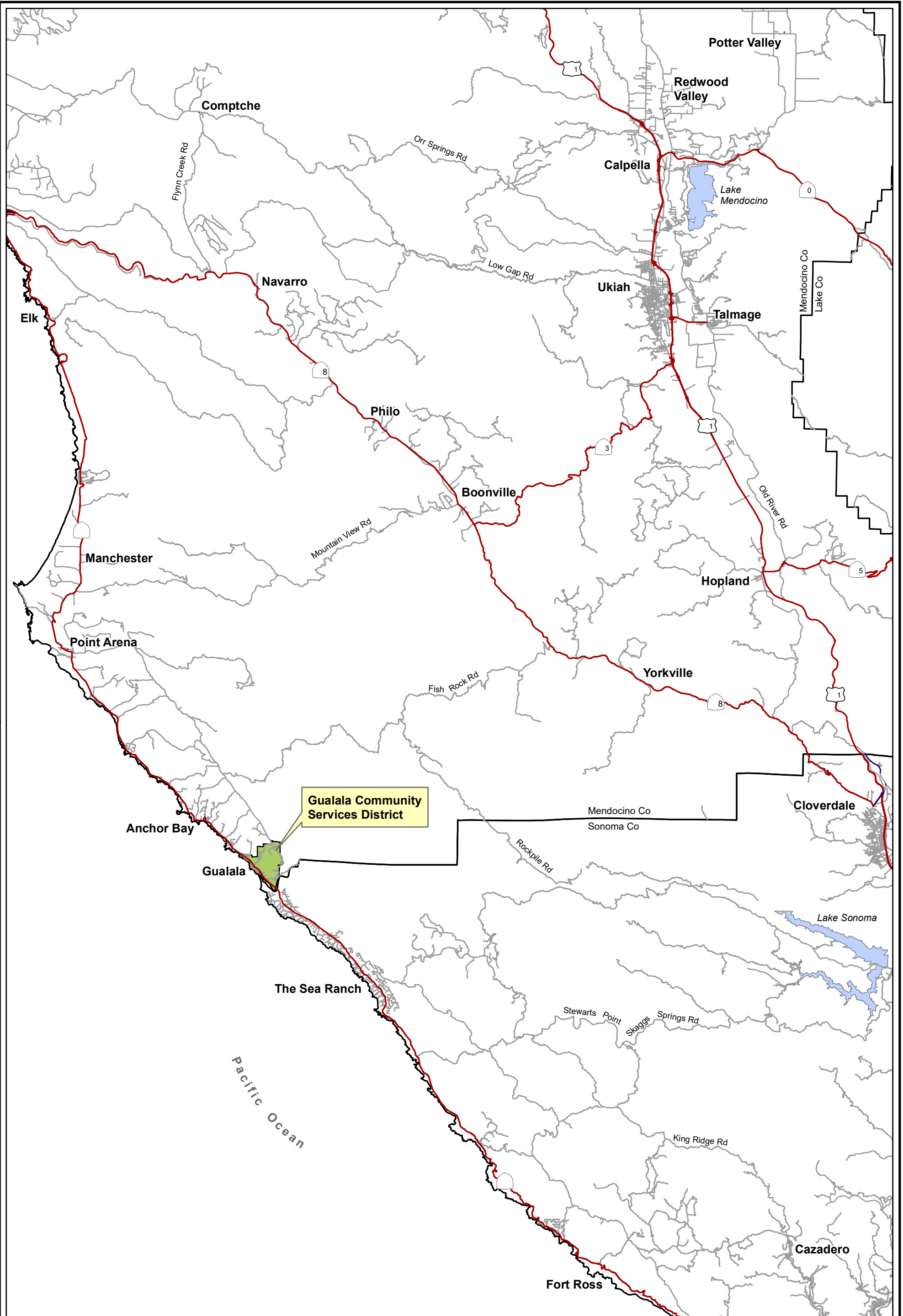
⁶ The Gualala Town Plan is located here: <https://www.mendocinocounty.gov/government/planning-building-services/plans/gualala-town-plan>

⁷ The Gualala Town Plan is available on the County's website here: <https://www.mendocinocounty.gov/government/planning-building-services/plans/gualala-town-plan>




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. 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.

Figure 1-1: Regional Location



Location - Gualala Community Services District

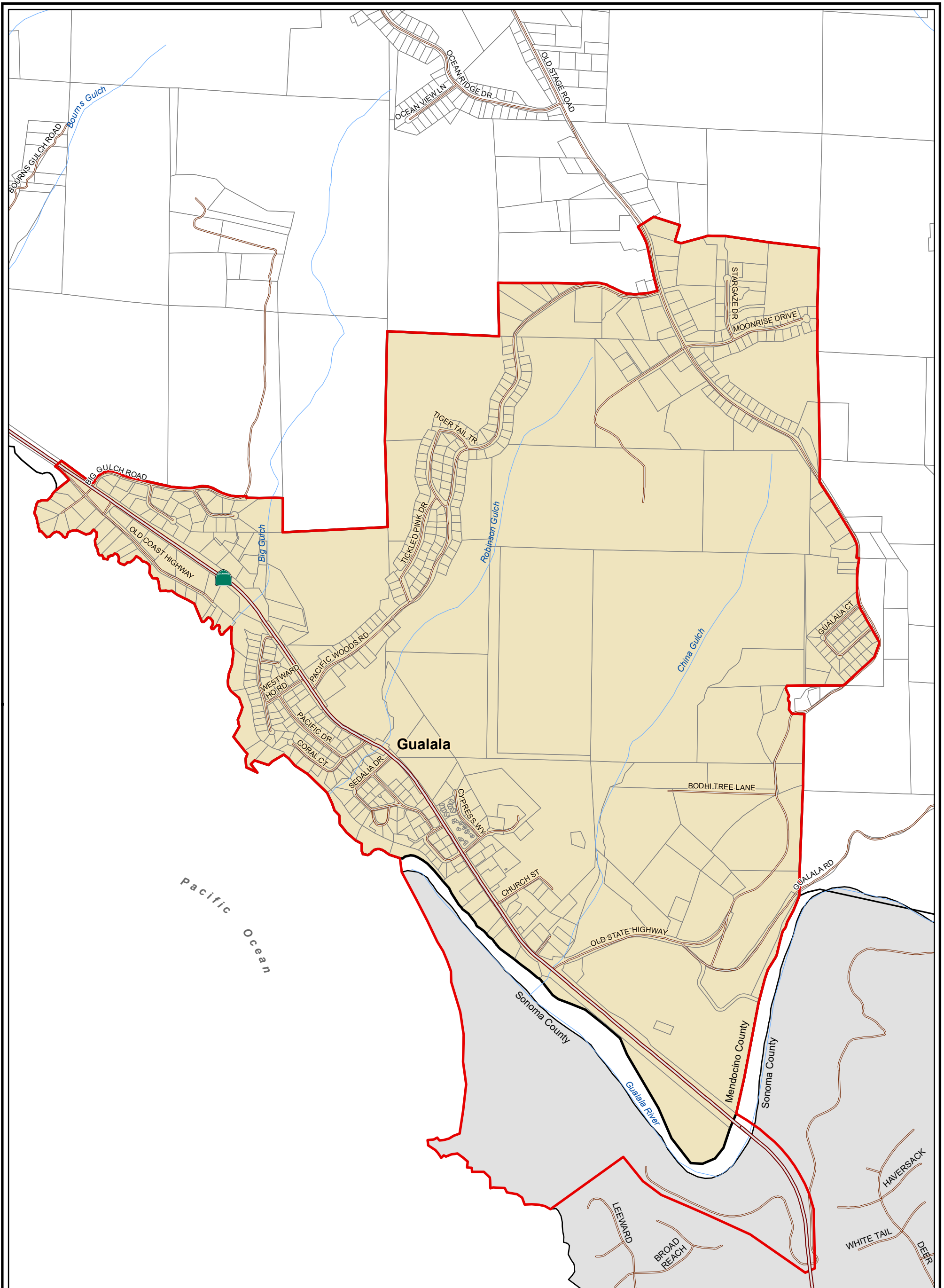
-  Gualala Community Services District
-  Highways
-  Roads

Source: This map was prepared by the Mendocino County Division of Information Services, GIS Program, February 5, 2024.

2 1 0 2 Miles



Figure 1-2: Gualala Community Services District Boundary



Gualala Community Services District

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 7, 2023.

Note: This map is not a survey product.

- Gualala Community Services District
- Sphere of Influence
- Parcels
- Highways
- Roads
- Streams

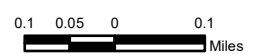
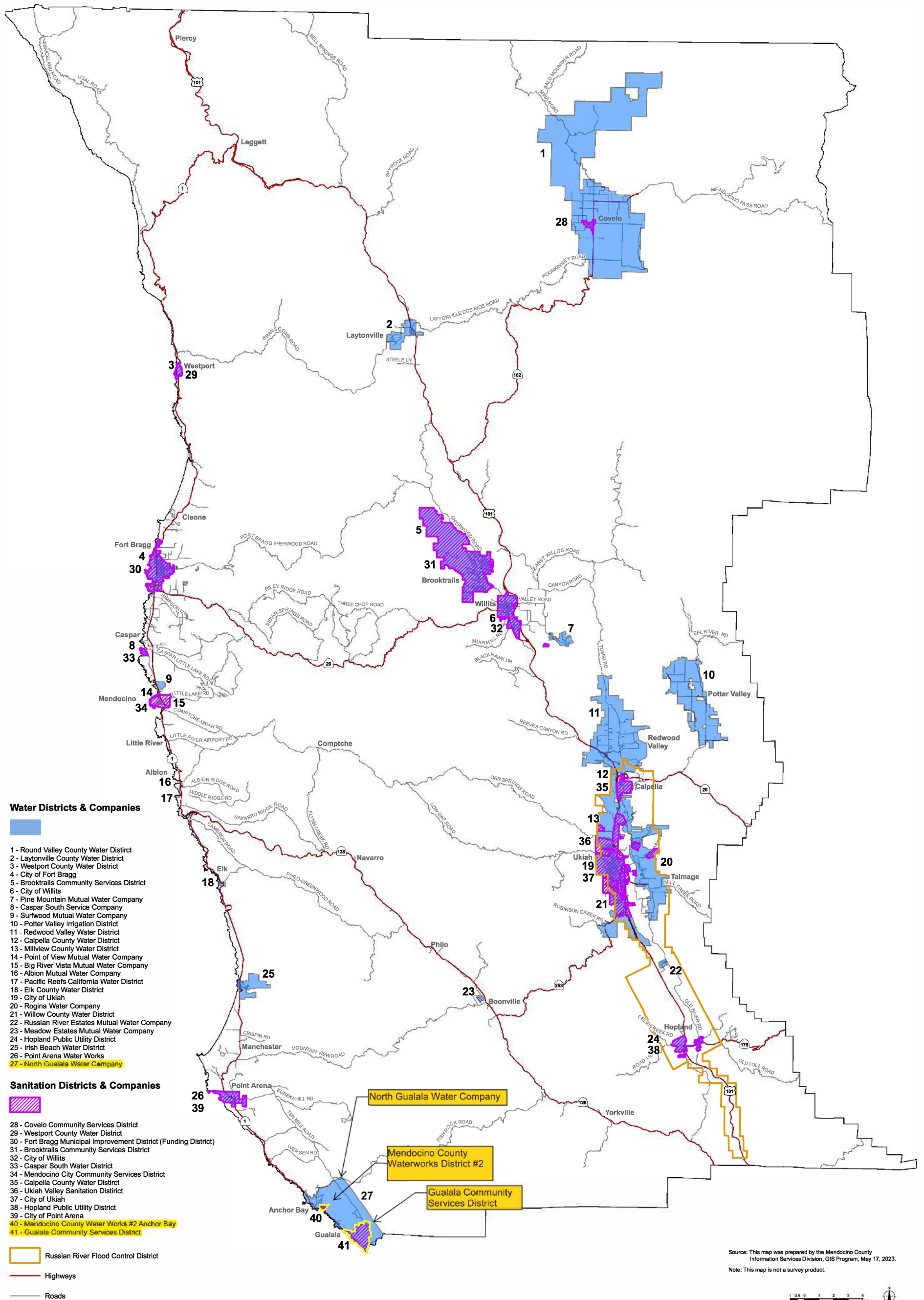


Figure 1-3: Mendocino County Water and Sanitation Districts and Companies

Mendocino County Water & Sanitation Districts & Companies



2 AGENCY OVERVIEW

Table 2-1: GCSO Profile	
Agency Name:	Gualala Community Services District
General Manager:	Chris Troyan
Office Location:	42455 CA-1, Sea Ranch, CA 95497
Mailing Address:	PO Box 124, Gualala, Ca 95445
Phone Number:	(707) 884-1715 (Office) (707) 785-2331 (Wastewater Treatment Plant)
Website:	https://gualalacsd.org
Email:	gcsdoffice@gualalacsd.org ; gcsdplant@gmail.com
Date of Formation:	August 5, 1986
Agency Type:	Community Services District, Single-Service Provider
Enabling Legislation:	Community Services District Law (GC §61000 et seq.)
Board Meeting Schedule:	Fourth Thursday of each month at 5:00 PM

2.1 History

2.1.1 Formation

The Gualala Community Services District (GCSO/District) was initially formed as a Community Services District on July 7, 1986 (Mendocino LAFCo [Resolution 86-4](#); Mendocino County Board of Supervisors Resolution 86-175).

2.1.2 Boundary

The GCSO is located on the southernmost coast of Mendocino County and serves residents of the unincorporated coastal community of Gualala and surrounding areas (Figure 1-1). Located south of Point Arena and north of The Sea Ranch Community (Sonoma County), the Gualala community is the socioeconomic center of the area.

The District's service area encompasses approximately 1,430 acres (2.23 square miles) extending from its southern boundary, formed by the County line and Gualala River, north to approximately Big Gulch Road. The Pacific Ocean forms the District's western boundary; the eastern boundary extends approximately 1.5 miles inland to the Bohdi Tree Lane area (Figure 1-2).

There have been no changes to the District boundaries since its formation.

2.1.3 Services

The GCSO is empowered to provide wastewater services to the coastal, unincorporated community of Gualala. Services include the collection, treatment, and disposal of wastewater generated by residential and commercial connections within the service area, and maintenance of related facilities and equipment. For information regarding the District's services, refer to Chapter 3.

The District also provides wastewater treatment services to an adjacent wastewater service provider under the terms of a Tri-Party Agreement⁸. The Agreement between the District, Sonoma Water Agency

⁸ The Tri-Party Agreement was amended in 2016 and is located here: https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/1c79bo1jp_384347.pdf?ver=1713304824442

(a division of Sonoma County) (SWA), and the Sea Ranch Golf Links (SRGL) covers the treatment of effluent from a portion of The Sea Ranch development at the District’s Wastewater Treatment Plant (WWTP). The District also provides collection and treatment services for Gualala Point Regional Park, a Sonoma County park located adjacent to the District just south of the County line. For more information regarding outside agency services and services provided by contract or agreement, refer to Section 3.1.2.

2.1.3.1 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 the Local Agency Formation Commission (LAFCo). The Community Services District Law ([Government Code \(GC\) Section \(§\) 61100](#))⁹ allows for the delivery of up to 32 different types of services, such as fire protection, water, sewer, and recreation services (see Appendix 7.1).

It is often considered favorable to add new services to existing special districts where possible, rather than creating new entities, due to the base cost of operating a special district, including electing directors, conducting meetings, hiring management, and maintaining insurance and facilities.

The GCSO is currently a single-service provider providing wastewater services. However, GMAC has inquired with the District about creating a Parks and Recreation division. It is noted that there are no recreational opportunities for the District in connection with existing facilities.

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

2.2 Government Structure

2.2.1 Governing Body

The District is governed by a five-member Board of Directors elected at-large by registered voters within the District boundaries. To be elected to the Board, candidates must be registered voters residing within the District boundaries. If there are insufficient candidates for the election of Board vacancies, or if the number of filed candidates is equal to the number of Board vacancies, then District Board members may be appointed instead of elected by the County Board of Supervisors (BOS) per [Elections Code §10515](#); all current members of the Board were appointed by the BOS. New directors take office at noon on the first Friday in December following their election. The current directors, positions, and terms are shown in Table 1-1Table 2-2.

Table 2-2: GCSO Board of Directors			
Name	Office/Position	First Year of Service	Term Expiration
De Denten	President	2017	2024
Gary Abel	Vice-President	2022	2026
Bruce Jones	Secretary	2019	2026
John Denten	Member	2015	2024

⁹ GC §61100 can be found here:

https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=GOV&division=3.&title=6.&part=&chapter=&article=

Randy Burke	Member	2020	2026
-------------	--------	------	------

[Government Code §1780-1782](#) governs the process for appointment of Board of Director seats vacated prior to the scheduled term expiration date. The District Board of Directors has 60 days to appoint an interested and qualified individual to a vacant seat if proper notice requirements have been met. If the District cannot fill the seat within the 60-day period, the County BOS 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.

There are currently no vacancies on the Board, but as a small district, generally has difficulty filling vacancies due to the eligibility requirement that Board members be, and remain, residents of the District and registered voters in the County throughout their terms. As discussed in Section 2.5 below, 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 widespread problem for other small service providers within the region as well as throughout rural areas of California in general.

Five of the Board members have served the District for multiple 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, it can also indicate difficulty in attracting interested individuals to serve on the Board.

The GCSO has several external partners including The Sea Ranch (and its golf course), the GMAC, the SWA, and Mendocino County. Issues with both the GMAC and the Sea Ranch were documented in a 2007 Grand Jury report produced by the County of Mendocino¹⁰; however, a process to help maintain positive relations with the SRGL, Sea Ranch, and the SWA has been developed and includes a monthly meeting among the signatories of the Tri-Party Agreement. These monthly meetings have been effective in opening communication and resolving issues. Additionally, the 2007 Grand Jury report also reported on differences between the District and GMAC concerning future buildout of the District area. Those discrepancies have also since been resolved amongst the parties.

2.2.2 Public Meetings

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. Postings and meeting agendas are located on public information boards in town at the Gualala Post Office. Meeting agendas and minutes are posted on the District’s website and distributed by email upon request.

Regularly scheduled meetings are held on the fourth Thursday of the month at 5:00 PM. Meetings are located at the Coast Life Support District office at 38901 Ocean Drive in Gualala.

2.2.3 Standing Committee

Committees assist in carrying out various functions of local government to support and implement Board direction. The District currently has a standing ordinance committee consisting of two board members. Additionally, the District appoints a budget committee at every March meeting, which also consists of two board members.

¹⁰ The May 3, 2007 Mendocino County Grand Jury Report titled *Waste Not...Want Not* is located here: <https://www.mendocinocounty.gov/home/showpublisheddocument/4420/636239889631330000>.

2.2.4 Public Outreach

With the passage of Senate Bill (SB) 929 in 2018, all special districts were required to establish and maintain a website with specific information and accessibility requirements by January 2020 (a compliance handout is included in Appendix C – Website Compliance Handout). The District maintains a website at <https://gualalacsd.org/>, which includes recent meeting agendas and minutes, rates, current annual budget, recent studies, permit information, personnel manual, etc.

The District keeps residents informed of District requirements and activities through word-of-mouth and during public meetings.

2.2.5 Complaints

Complaints are directed to the General Manager and may be submitted in person, by phone, or through the website's contact page. In the last five years, the District has received 10 complaints that may be generally characterized as data entry errors. The data entry errors are typically a result of the District's transmittal of individual customer sewer charges to Mendocino County for entry and collection via property tax bills. Over the past five years, the data entry errors have resulted in the District overcharging undeveloped parcels; the issues have been resolved through refunds to the property owners.

2.2.6 Transparency and Accountability

The GCSO Bylaws were originally adopted in 1986 and serve as the District's legal guidelines by providing written rules that control internal affairs. They define the District's official name, purpose, director eligibility requirements, officer titles, responsibilities, how offices are to be assigned, how meetings should be conducted, and the frequency of meetings.

The District also maintains a District Policy Manual to guide operations, personnel, conflicts of interest, and financial matters; the Manual was last revised in November 2019.

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.](#) The 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 under [GC §87203](#). The District staff confirm that they comply with the requirement and are current through 2023.

According to Assembly Bill 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 and establish a written policy on reimbursements pursuant to [GC §53235](#). District compensation for its Board members is \$50 per meeting they attend; its directors and staff attend Brown Act/Ethics training regularly.

Refer to Appendix B for a brief list of educational resources regarding open government laws and Appendix C for a website compliance handout.

2.3 [Operational Efficiency](#)

2.3.1 Management and Staffing

The District employs five individuals, including three full-time employees: a General Manager/Chief Plant Operator, an Operations Supervisor (Grade 2), and a Grade 1 Operator. The District also employs two part-time employees, including a Finance Director and an Administrative Assistant. GCSO has an extensive training program that supports its employees in expanding their abilities and knowledge. The General

Manager oversees all plant and collection system operations; schedules all maintenance and work assignments for the operators; helps prepare the annual budget; monitors expenditures; keeps the operations in compliance with the Discharge Permits; and prepares monthly and annual reports for the Regional Water Quality Control Board (RWQCB). The General Manager and both operators have recently upgraded their operator grade levels issued through the State Office of Operator Certification. The General Manager holds a Grade 5 Wastewater License from the State Water Resources Control Board (SWRCB).

2.3.2 Contract or JPA Services

The District utilizes contract services for various tasks including the preparation of financial audits for the District, rate studies, and grant administration.

This District does not contract with private or public entities or provide services to District residents through Joint Powers Authority (JPAs).

However, the GCSO does support other service providers in the region through contracts and agreements. The Tri-Party Agreement to provide treatment services to a portion of The Sea Ranch development is discussed further in Section 3.1.2, as is the contract with Sonoma County to serve the Gualala Point Regional Park.

Additionally, the Mendocino County Waterworks District No. 2 (MCWD2) receives staffing support from the GCSO through a contract.

2.3.2.1 MENDOCINO COUNTY WATERWORKS DISTRICT NO. 2

Since 2023, the District has maintained a services agreement with MCWD2 to provide management, operations, and administrative services to support MCWD2. GCSO's General Manager and staff work directly with the MCWD2 Board of Directors to provide administrative and operational support.

The MCWD2 is located approximately three miles north of the District and serves the small unincorporated community of Anchor Bay. As part of the agreement, the District provides management, operations, and administrative staff to assist with budget preparation, expenditure monitoring, Discharge Permits compliance, and RWQCB reporting. The GCSO's General Manager supervises MCWD2's only employee, a part-time Operator who works 20 hours per week, and oversees the day-to-day management of the MCWD2, including customer service and connection enforcement duties. In addition, by default, GCSO oversees all issues that arise beyond what is anticipated in the contract. For example, GCSO fully managed a recent emergency construction project to bypass a compromised sewer hole, avoiding a catastrophic failure and environmental disaster.

2.3.3 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District does not track employee workload and productivity through a timekeeping mechanism but does conduct annual written performance evaluations for their employees. The District outlines its evaluation procedures in the District's Personnel Manual¹¹.

In the regular performance of duty, District staff identifies areas of improvement and takes corrective action when feasible and appropriate or informs the Board when further direction is needed.

¹¹ The GCSO Personnel Manual is located on their website: <https://gualalacsd.org/files>.

The District also monitors and evaluates agency operations through regulatory reporting and review of District databases and records.

2.3.3.1 CHALLENGES

The District reported that in recent years it has relied on its reserves for operations due to various challenges, but primarily cash-flow issues associated with delayed grant reimbursements. In 2018, the District implemented an engineering project under a planning grant from the SWRCB. The contractor billing for the project outpaced the grant reimbursements, thereby forcing the District to rely on reserve funds to meet its contractor commitments. With the completion of the project, the issue has been resolved.

In 2023, the District successfully completed a Proposition 218 process to establish a 28 percent service rate increase to be implemented over the next five years. Further, the District, Sonoma County, and SRGL renegotiated their Tri-Party Agreement, resulting in a substantial rate increase of 56 percent to be consistent with GCSD customer rates. However, the increased revenue will still not be sufficient to address the District's significant capital improvement challenges related to aging and failing infrastructure. To address this challenge, the GCSD is actively pursuing grant funding to upgrade the system's collection system and treatment plant.

2.3.3.2 DISTINGUISHED SERVICE

In 2023, the District was awarded a safety award from the Special District Risk Management Authority (SDRMA) for no workman compensation claims in five consecutive years.

2.3.3.3 STRATEGIC OR SUCCESSION PLAN

The District does not currently have an established strategic plan, mission statement, or official goals. In lieu of these documents, the Board reviews progress and setbacks over the prior year during the annual budget development process, adjusting as needed for the next fiscal year.

2.3.4 Regional and Service Specific Collaboration

The District participates in the SDRMA JPA for insurance purposes. The SDRMA JPA was formed according to GC Section 6500 et seq. and is comprised of California special districts and agencies for the purpose of jointly funding and developing programs to provide stable, efficient, and long-term risk financing for special districts. These programs are provided through collective self-insurance, the purchase of insurance coverage, or a combination thereof (Calenteno, 2023). The District purchases insurance through SDRMA but does not currently have any debt with SDRMA or any other lender. Further, the relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting issues.

The Gualala River Watershed Council is a nonprofit community group that promotes facilitation and shared understanding among landowners, resource managers, agencies, community organizations, and interested citizens in working towards restoring the natural balance of the Gualala River Watershed. Although the GCSD does not currently participate in the Council, participation could be beneficial in increasing District outreach with its residents, and collaboration within the community through this network of community leaders. Participation in the Watershed Council could also give the District advance notice on upcoming grant opportunities, potentially leveraging watershed and community projects to also support infrastructure and service improvements, and other opportunities for community collaborations.

2.3.5 Shared Services and Facilities

The District works cooperatively with other local agencies to deliver services more effectively or efficiently by sharing public facilities, resources, and/or service delivery responsibility when feasible.

The sharing of services and facilities is demonstrated by the District's participation in three service agreements with neighboring agencies and parties:

- 1) Tri-Party Agreement with Sonoma County's Community Service Area 6 (CSA6) and the SRGL golf course.
- 2) Service Agreement with Sonoma County for Gualala Point Regional Park.
- 3) Contract with MCWD2 to provide management, operations, and administration staff to that district.

The first two agreements are for the treatment of collected effluent through the GCSD WWTP (see Section 3.1.2). The third contract is for shared management and staffing to support the MCWD2 board and operations (see Section 2.3.2.1).

Additionally, the District shares office space with the MCWD2, and holds its board meetings in the Coast Life Support District offices.

2.3.5.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are only two nearby providers of wastewater services within the vicinity and two water providers in the area.

- Wastewater
 - Mendocino County Waterworks District No 2 – Anchor Bay (MCWD2)
 - Sea Ranch North Sanitation Zone (Owned by SWA)
- Water
 - North Gualala Water Company (NGWC)
 - Sea Ranch Water Company (SRWC)

The District maintains service agreements with both MCWD2 and the Sea Ranch Sanitation Zone (for more detail, see Sections 2.3.2.1 and 3.1.2, respectively).

The North Gualala Water Company is a private water service provider that currently provides residential drinking water services to the Anchor Bay and Gualala areas, and which overlaps customers of both the GCSD and the MCWD2. Although the Company does not provide wastewater services, there is potential for consolidation of services under a single service-provider serving this region. Expansion of the special district area and services requires appropriate LAFCo process and approval.

2.3.5.2 DUPLICATION OF SERVICES

Based on feedback from the RWQCB, the District's WWTP was located south of the Gualala to be regionally located and available for treatment of effluent from communities and entities in proximity (i.e., The Sea Ranch community and Gualala Point State Park). The Sea Ranch is located within Sonoma County's CSA6 Sea Ranch Sanitation Zone (SRSZ), which is managed by the Sonoma Water Agency and has its own collection system and wastewater plants. However, the SRSZ North Plant is no longer permitted by the RWQCB and since 2014 has served as a pumping station to move effluent to the GCSD WWTP for treatment (see Section 3.1.2.1 for more detail).

During the preparation of this MSR, staff communications with Sonoma LAFCo revealed the planning efforts of the SWA and The Sea Ranch Association to study the potential infrastructure and permitting needs to internalize all wastewater services within the SRSZ. Doing so may eliminate the need for the GCSD to provide treatment services for The Sea Ranch development in the future. It is anticipated that the feasibility of those plans will be more defined before the next MSR cycle for GCSD.

Although the District's contract with MCWD2 for management, operational, and administrative staff support rather than duplicate services, the interconnectedness of the agencies indicates room for efficiencies of services in general (see Section 2.3.2.1 for more detail).

2.3.5.3 INTERAGENCY COLLABORATION

As previously stated, the District collaborates with multiple neighboring agencies through the three existing agreements. These agreements dictate the varying levels of collaboration that exist between the District and its neighbors.

Members of the MCWD2 board have stated that their contract with GCSD has enabled MCWD2 to address long-deferred infrastructure and management issues that would have otherwise threatened their ability to provide adequate wastewater services. In addition, GCSD has been able to provide engineering and grant expertise that MCWD2 did not previously have access to. Through the agreement with MCWD2, there may be potential for reorganizations or consolidations of wastewater services if there is district and community support.

2.3.6 Government Structure and Community Needs

2.3.6.1 ENHANCED SERVICE DELIVERY OPTIONS

The District is the primary provider of wastewater services in the community of Gualala and the immediate surrounding area. The County of Mendocino provides law enforcement, code enforcement, transportation, and stormwater collection services within the District. The South Coast Fire Protection District provides fire suppression, basic life support and medical services, cliff and water rescue, hazardous conditions, and vehicle collision response, as well as other safety assistance such as lift assist, vehicle lock-ins, etc. CAL FIRE Mendocino Unit provides wildland fire suppression and mutual aid to local fire agencies during the declared fire season. The Coast Life Support District provides ambulance services to the region.

There is no redundancy in the provision of municipal services to the District, and no new opportunities for the District to achieve organization or operational efficiencies were identified during the preparation of this MSR.

2.3.6.2 GOVERNMENT RESTRUCTURE OPTIONS

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

Community Services Districts (CSDs) are typically formed in unincorporated communities "to achieve local governance, provided needed facilities, and supply public services." Per [GC §61001\(b\)](#), CSDs are a permanent form of local government that can provide locally adequate levels of public facilities and services; a form of governance that can serve as an alternative to incorporation. It is also an effective form of governance for combining two or more special districts that serve overlapping or adjacent territories into a single, multifunctional special district. Many efficiencies can be gained through the consolidation of services.

The District's agreement with MCWD2 provides management, operational, and administrative support to MCWD2. Despite the assistance from the District, the MCWD2 Board is still more involved in administrative tasks than is typical or desired by the existing board members of MCWD2. There has been expressed interest in expanding the agreement with GCSD to provide additional support, even seeking consolidation if the respective boards are amenable.

In developing the 2024 Draft MCWD2 MSR/SOI Study, the Board President indicated an interest in continuing discussions of consolidation or some form of regionalization with GCSD. With the existing contract with GCSD for support already in place, such a reorganization would benefit MCWD2 residents and create efficiency of services to the region served by both Districts.

The current contract gives the GCSD a solid understanding of MCWD2's operations, infrastructure needs, and an awareness of the issues that MCWD2 is currently facing. From a financial standpoint, consolidation would primarily benefit MCWD2. MCWD2 has expressed that the District's infrastructure needs significant upgrades to maintain its service, which will incur high infrastructure costs. The benefits to the GCSD of absorbing the MCWD2 are mostly limited to increased economies of scale and quality of services to the MCWD2 customers.

Although not a special district, the North Gualala Water Company service area encompasses both GCSD and the MCWD2 and provides domestic water services to its customers. In the future, if there is interest in absorbing water services into the GCSD, an application would be made to LAFCo for activation of appropriate powers and likely an expansion of boundaries.

2.4 Finances

LAFCo is required to make determinations regarding the financial ability of the GCSD to provide its services. This section provides an overview of the financial health of the District and a context for LAFCo's financial determinations. This MSR utilizes audited financial statements for Fiscal Years (FYs) 2019-2020, 2020-2021 and 2021-2022, and the budget for FY 2022-2023 as the primary sources of information for this section.

In California, special districts are classified as either enterprise or non-enterprise based on their source of revenue. GCSD operates as an enterprise District, meaning that charges for wastewater services are intended to pay for the costs of providing such services.

The primary funding source for the District is fees for services, which is generally a reliable and reoccurring revenue source, provided that adopted rates are sufficient to cover the actual cost of services. The District operates out of a single enterprise fund for operational and maintenance purposes (Refer to Table 2-3 and Table 2-4.

The District's sole fund is considered a proprietary fund. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses essential to the primary operations of the fund and all other expenses are reported as non-operating expenses.

Table 2-3: GCSO Financial Summary				
	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Operating Revenues				
Service charges	583,735	564,007	532,845	493,949
Other operating income	232,710	198,376	188,732	199,174
Total Operating Revenues	816,445	762,383	721,557	693,123
Operating Expenses				
Salaries	269,995	257,920	294,725	328,105
Employee Benefits	83,535	101,711	109,171	114,501
Collection System	102,600	61,275	47,751	51,317
Treatment Plant	209,825	151,455	132,482	101,077
Utilities	39,957	50,957	43,224	7,153
Vehicle Expense	10,864	15,425	10,794	19,246
Legal and Other Professional Services	26,964	47,680	31,520	29,420
Office Expense	1,498	2,460	2,878	2,703
Insurance	17,886	16,954	22,723	22,646
Other Administrative Expenses	11,250	25,091	28,455	26,280
Depreciation	268,531	269,672	263,328	260,303
Total Operating Expenses	1,042,887	1,000,600	987,051	1,023,251
Operating Income/(Loss)	(226,442)	(238,217)	(265,495)	(330,128)
Non-Operating Revenues (Expenses)				
Interest Income – Bank & County Treasury	4,871	3,164	1,031	1,546
Federal and State Funding	-	-	-	195,549
Grant Income	-	142,723	327,340	66,405
Grant Expense	-	(89,863)	(345,596)	(105,815)
Gain/(Loss) on Sale of Capital Assets	700	-	-	19,202
PERS Actuarial Assumption Changes	(33,250)	(20,192)	(23,862)	7,267
Interest Expense	(45,108)	(41,488)	(38,547)	(33,574)
Total Non-Operating Revenue (Expenses)	(72,787)	(5,656)	(79,634)	150,580
Net Income (Loss)	(299,229)	(243,873)	(345,128)	(179,548)
Beginning Net Position	5,313,394	5,014,165	4,770,292	4,425,164
Ending Net Position	5,014,165	4,770,292	4,425,164	4,245,616

Source: Celentano, 2023

The District's cash accounts are summarized below:

Table 2-4: Cash Accounts				
Type	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Cash and Cash Equivalents – Beginning of Year	736,736	715,746	512,721	324,159
Cash and Cash Equivalents – Ending of Year	715,746	512,721	324,159	364,398

Source: RFI

2.4.1.1 REVENUE AND EXPENDITURES

The District's revenues and expenditures for FYs 2019-2020 through 2021-2022 are summarized in Figure 2-1. District service charge revenues have declined over each of the last few FYs due to a number of factors

all occurring at the same time. In 2018 the District received a planning grant totaling \$484,000 through the SWRCB Disadvantaged Community (DAC) program; contractor billing for the project outpaced State reimbursements, causing a substantial cash-flow problem for the District and forcing reliance on reserves to bridge the reimbursement gap and address contractor obligations. Further, project expenditures exceeded grant funding and the requested grant amendment took nearly two years to receive State approval. In addition, the District did not collect revenue from SRGL service charges for nearly a year due to a disagreement over rate prices; however, the issue has since been resolved. Furthermore, impacts from the COVID-19 pandemic (2020-2021) resulted in increases in operating costs that were not readily recoverable, in part due to some customers' inability to pay fees.

Collectively, the District's wastewater fees and charges provide approximately 70-72 percent of the District's annual revenue, the SWA consists of approximately 18-22 percent of the District's total annual revenue, and the SRGL makes up the difference. Wastewater fees are collected by Mendocino County with the property taxes and paid to the District three times a year: August, December, and April.

It should be noted that as part of the District's most recent rate study, which was produced in March 2023, an extensive analysis was prepared that included an evaluation of the Tri-Party Agreement. The terms of the original Tri-Party Agreement were based on the GCSD customers paying for most of the fixed operational costs while the Sea Ranch customers were responsible for relatively small percentages of the overall costs. The arrangement was determined and stipulated in the Agreement using various calculations for estimating increases in energy, chemicals, and un-burdened manpower to operate the plant. However, the findings in the 2023 rate study illustrated that this prior model was no longer fiscally sustainable for the GCSD. A combination of "fair share" costs must be collected from the SRSZ customers in addition to significant rate increases for GCSD customers for the District to be financially viable in the future. At the time of this rate study, Sonoma Water was paying the District \$8.49 per 1,000 gallons of wastewater treated, but actual costs were estimated to be approximately \$15.36 per 1,000 gallons.

In response to the 2023 rate study, in November 2023 the Sonoma County Supervisors approved a negotiated new rate of \$13.28 per 1,000 gallons; the 56 percent increase took effect January 1, 2024. This increase will have a substantial impact on the revenues brought in from the Tri-Party Agreement and should support the District's financial stability.

During negotiations, the District and SWA agreed to a rate of approximately \$13.28 per 1,000 gallons, with the difference in actual versus negotiated rate to be recovered through the sale of tertiary treated water back to the SRGL, based on the incoming flow percentage. Currently, SRGL pays approximately \$2.65 per 1,000 gallons for tertiary treated water, which is reflected in the total cost estimate calculated in the rate study. Because SWA agreed to the new rate of \$13.28 per 1,000 gallons, the District's new cost agreement with the SRGL will be a rate of \$2.08 per 1,000 gallons, which amounts to the difference between \$15.36 and \$13.28.

Expenditures in FY 2019-2020 totaled \$1,000,600; \$987,051 in FY 2020-2021; and \$1,023,251 in FY 2021-2022. The top expenditures for FY 2019-2020 included salaries/benefits; maintenance to the WWTP, which included repairs to the system's clarifier and collection system; and depreciation.

Effective January 1, 1997, the District entered into the California Public Employees Retirement System (CalPERS). Qualified employees are covered under a multiple employer defined benefit pension plan maintained by an agency in the State of California. Contribution requirements of plan members and the District are established and may be amended by CalPERS.

As shown in Figure 2-6, the District's cash accounts have varying trends. The most reliable cash account is the cash from operating activities. The significant drop in cash flows from capital and related financing activities in 2022 is attributed to a replacement of the control panel for Lift Station #2.

As shown in Figure 2-4, the District's expenditures exceeded revenues for each of the last three fiscal years, necessitating reliance on reserves to cover the difference. The District's inability to regularly cover the expenses of operating the District without utilizing its reserves suggests it is not in a stable financial position. However, in recent years the District has been able to support its revenue/expenditures balance with grant funding, particularly for capital improvements and maintenance. Additionally, the implementation of the 2024 rate increases for District customers as well as parties to the Tri-Party Agreement should support the District's financial stability. However, to address needed and costly infrastructure improvements, the GCSD will need to secure grant funding to upgrade the system's collection system and treatment plant.

2.4.1.2 ASSETS AND LIABILITIES

As shown in Figure 2-3, the District's largest asset is infrastructure for which depreciation costs have been accounted for in the expense section. The District's other largest assets are income from grants and a special assessment debt.

The District also recently applied for a \$10.7 million dollar grant through the SWRCB State Revolving Fund (SRF) Program. If awarded, these grant funds will be used to rehabilitate the WWTP to become fully compliant with Title 22 and to also rehabilitate the collection system within Zones 1 and 2.

2.4.1.3 NET POSITION

As shown in Table 2-3, the District is currently operating at a net loss as a result of the various factors discussed in Section 2.4.1.1.

Figure 2-1: District Revenues and Expenses

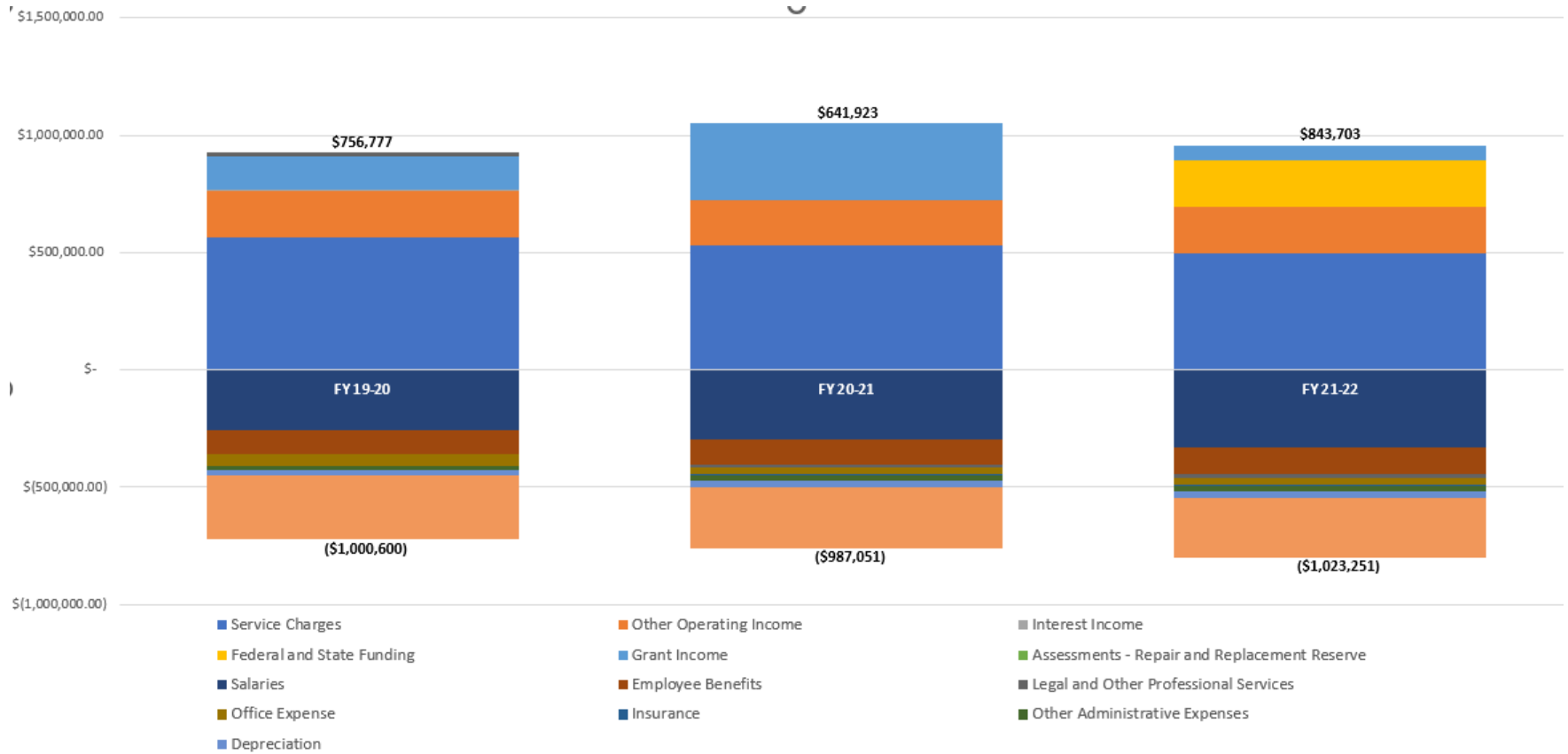


Figure 2-2: District Revenues Over/Under Expenses

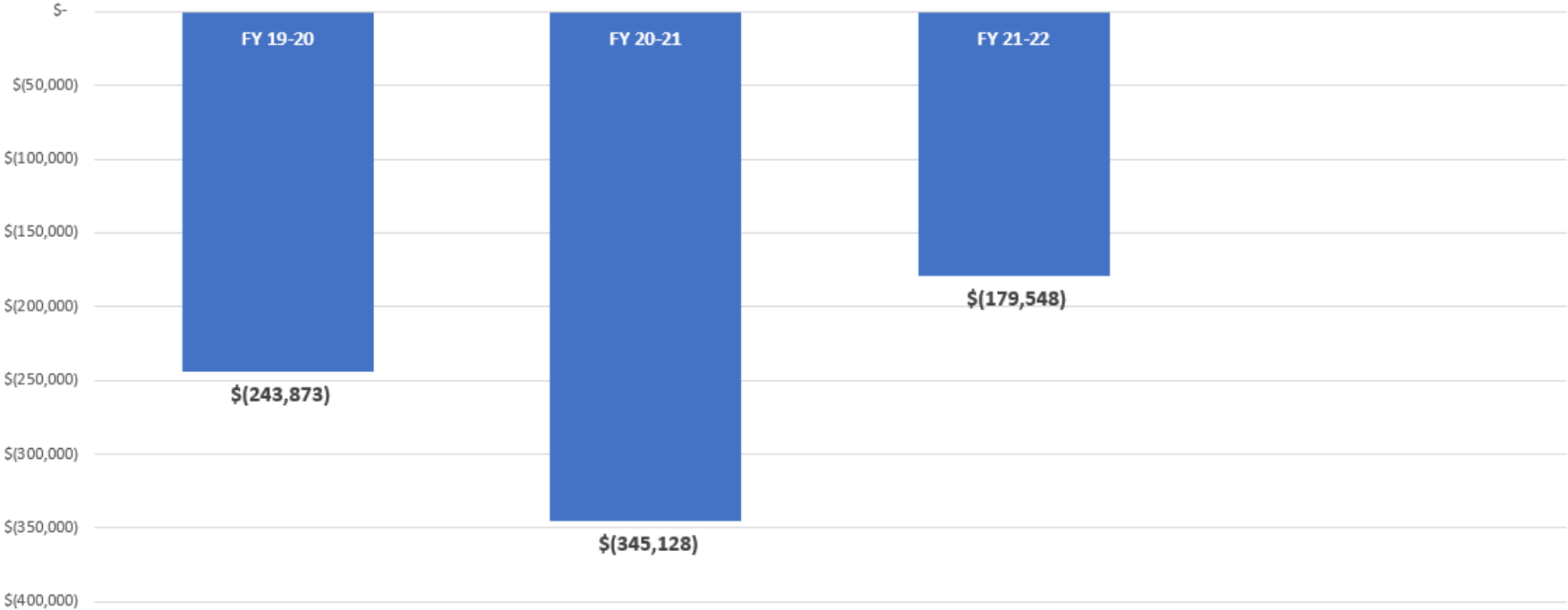


Figure 2-3: District Assets

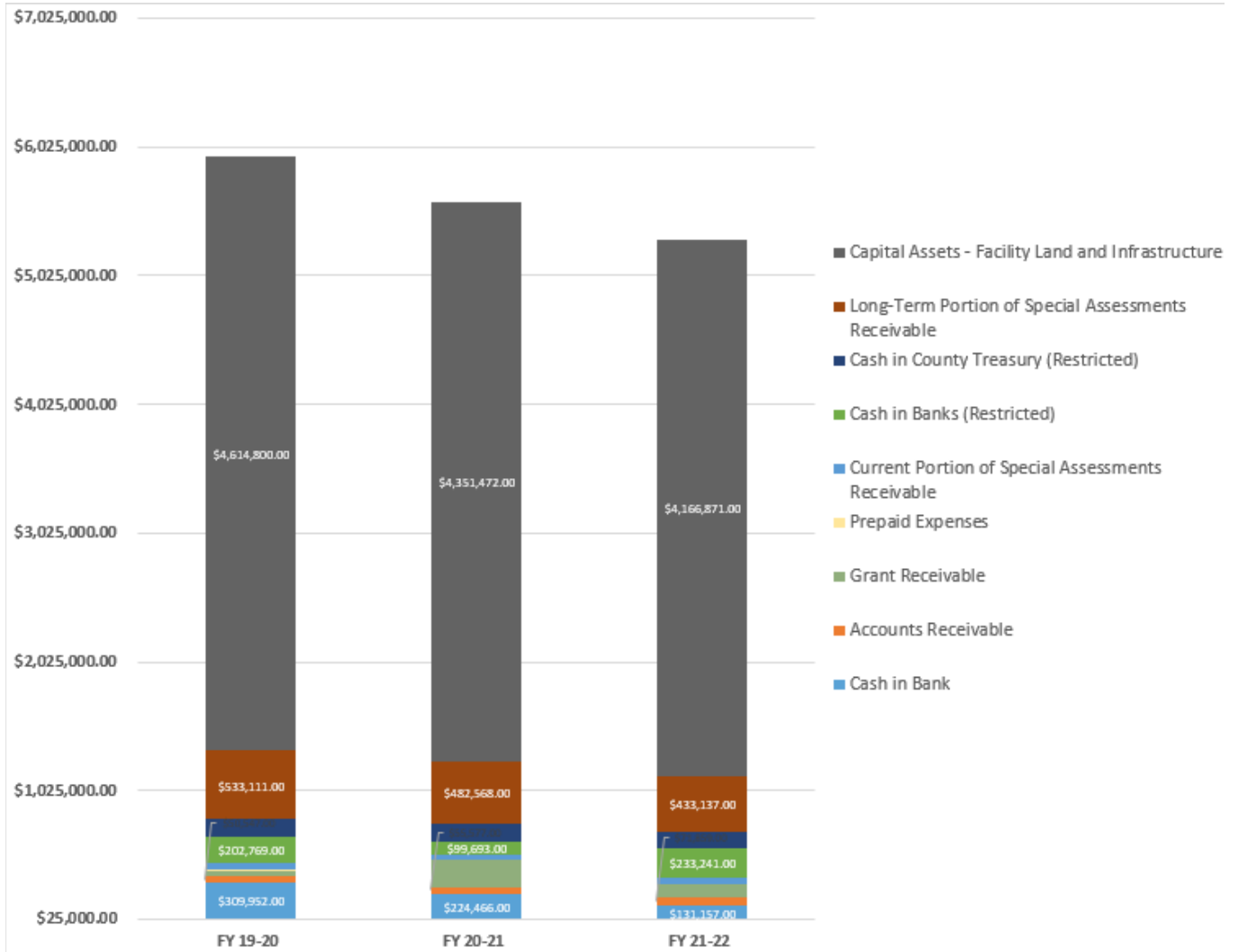


Figure 2-4: District Liabilities

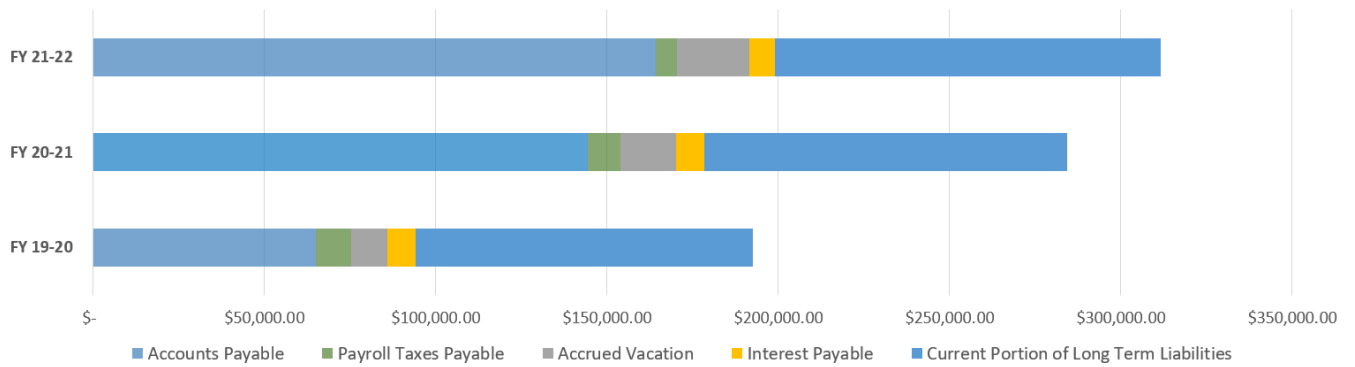


Figure 2-5: District Net Position

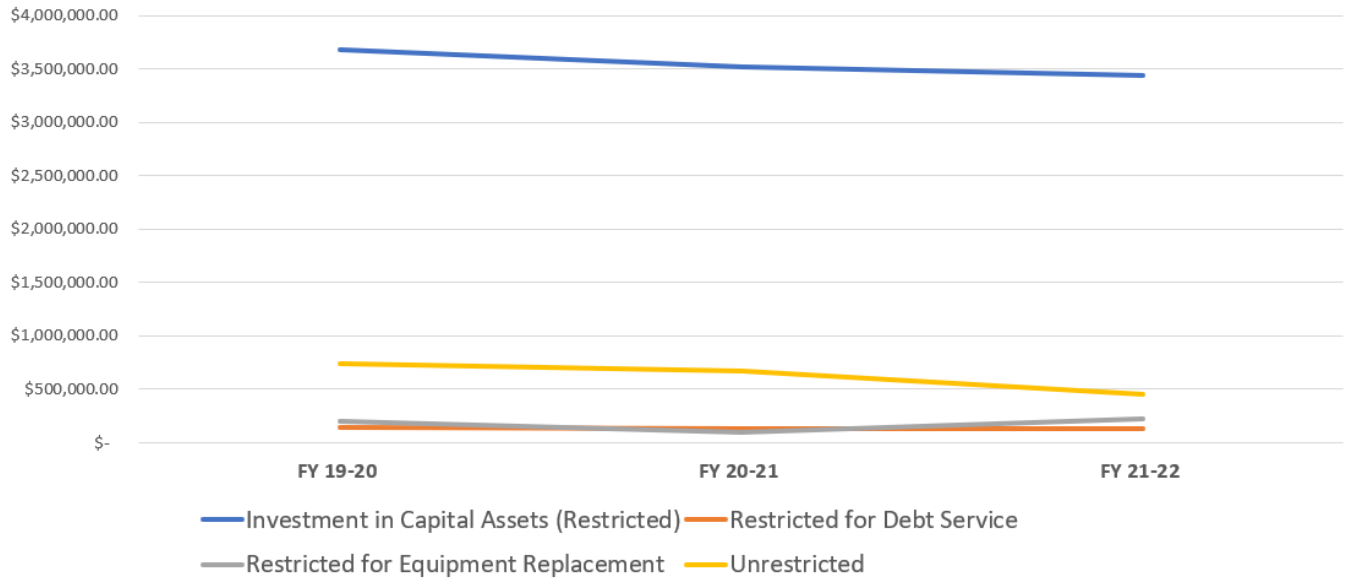
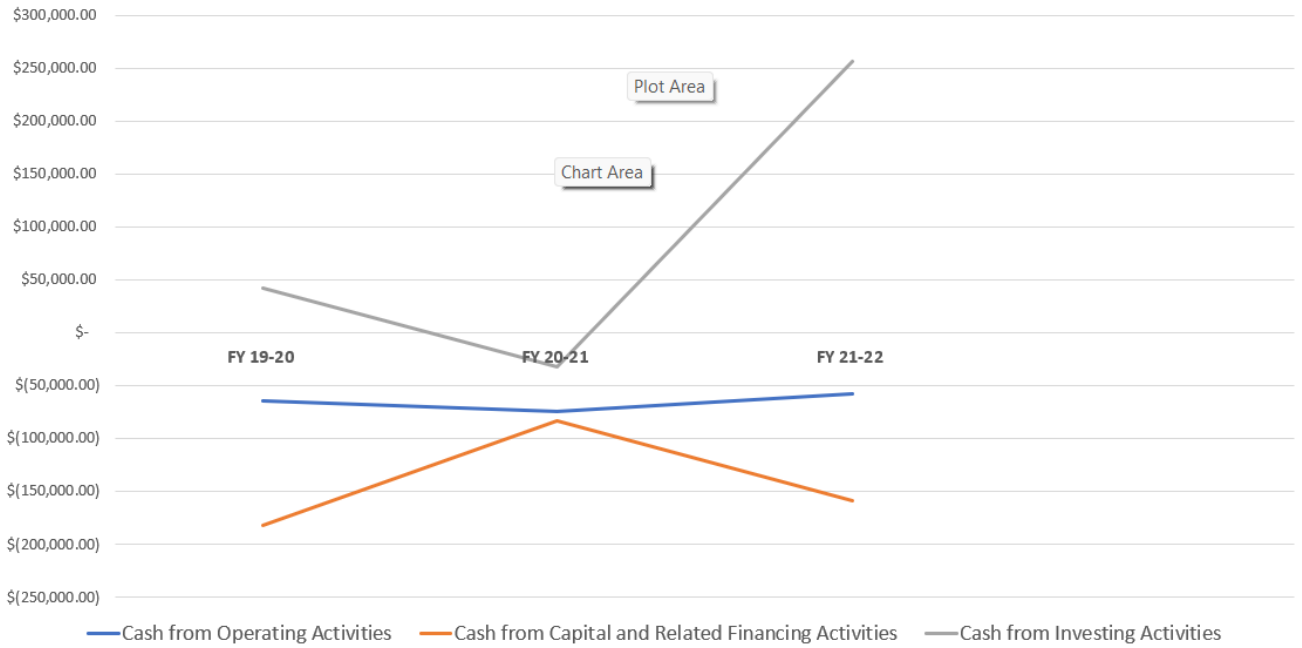


Figure 2-6: District Cash Accounts



2.4.2 Long Term Financial Considerations

2.4.2.1 RESERVES

The District maintains a policy on reserves that limits use to available “Unrestricted” Funds (not obligated by law, contract, or agreement), including donations, interest earned, fees for service, or other non-grant earnings. All special use funds are designated by formal action of the Board of Directors. The General Manager, in collaboration with the Administrative Assistant, performs a reserve status analysis annually, which is provided to the Board of Directors during the annual deliberation/approval of Budget and Reserve Funds.

By the terms of a loan received in 2016 from CoBank, the District is required to maintain a reserve of approximately \$65,000.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

In the early 1990s, the District issued special assessment debt to help finance the acquisition and construction costs of the land, structures, water treatment plant, and equipment. The bonds are issued upon and are secured by paid and unpaid assessments, lawfully levied under the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). The bonds are described as *Gualala Community Services District Sewer System Assessment District 1987-1* and were originally issued on March 12, 1991, for \$973,118.18. The bonds bear an interest rate of five percent per annum with interest paid semi-annually on March 2 and September 2 each year; principal payments are scheduled to be paid annually in various amounts on September 2 of each year. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity date upon thirty days prior notice and upon payment of accrued interest and principal plus a redemption premium of three percent of the principal amount redeemed.

Required with the bond issuance was the establishment of a Bond Reserve Fund as security should the District become delinquent on its bond payments. The funds are maintained in the County treasury and are restricted for bond repayment use only. The County of Mendocino has no other payment obligation for these bonds except to advance funds from the reserve fund to the bond redemption fund, as needed.

The District borrowed \$750,000 to fund improvements on November 17, 2016, through a CoBank loan. Terms of the loan include variable monthly payments and an annual interest rate of 3.51 percent, which varies based with the London Interbank Offered Rate and is fully amortized on December 20, 2026.

The District has been making regular principal and loan payments on a yearly basis, with the loan payments historically being between \$84,000 to \$90,000 per year. Since the GCSO has very limited reserves set aside on an annual basis for both emergency and planned capital replacements, it has relied heavily on outside loan funding agencies to assist in the financing of necessary improvements. The remaining debt for the loan is currently \$260,631 in principal and \$39,946 in interest for a total of approximately \$300,000.

The District also received a line of credit through the Rural Community Assistance Corporation (RCAC) in 2023 for \$150,000 as an advance on the reimbursements from the planning grant amendment. The loan supports cash flow needs as the District implements the grant.

The District’s CalPERS annual pension cost for FY 2021-2022 was \$14,093. These costs are expected to increase because of CalPERS unfunded liability. Contributions to the District’s pension plans are expected

to increase to \$15,877 in FY 2022-2023, \$16,212 in FY 2023-2024, and \$18,661 in FY 2024-2025 (CalPERS, 2024).

2.4.2.3 RATE RESTRUCTURING

In March of 2023, a Rate Study was prepared for the District in accordance with Proposition 218. As a result, effective July 1, 2024, the District adopted the following fees for its three classes of users: (1) residential, (2) commercial, and (3) hotels. For 2023, residential customers pay a flat rate of \$1,263.53 per year, which is assessed on property annual tax bills and collected by Mendocino County. That rate consists of a sewer fee of \$901.11, a maintenance fee of \$56.18, and a capital improvement/reserves fee of \$306.24. This represents a 10 percent increase in fees from the previous year and rate structure.

Residential customers with two separate septic tanks are charged twice the annual flat rate of \$1,263.53. Residential customers with multiple units on their property that share a single septic tank are charged a single sewer fee, the maintenance fee, and the capital improvement/reserves fee, multiplied by the number of Equivalent Dwelling Units (EDUs). For example, for a customer with three units on their property, the maintenance fee of \$56.18 and the capital improvement/reserve fee of \$306.24 are totaled and multiplied by three, to equal \$1,087.26 ($\$56.18 + \$306.24 = \$362.42 \times 3 = \$1,087.26$). The single sewer fee of \$901.11 is then added for an annual total of \$1,988.37 for the sewer fee in this example.

The District bills commercial properties on a monthly basis at the minimum rate of \$105.29 per month, which includes a minimum sewer fee of \$75.09 per month, a maintenance fee of \$4.68 per month, and a capital improvement/reserve fee of \$25.52 per month. Those fees are multiplied for each EDU of wastewater use, as described below.

The EDU of wastewater use is calculated by the total amount of wastewater used by all District customers divided by the number of customers. For the District's FY 2021-22, that wastewater usage was 122 gallons per day (gpd). Thus, if a commercial customer uses 366 gpd for the billing period, the customer will be considered to have three EDUs of use and the monthly fees would be multiplied by three to determine the sewer bill for that month, $\$105.29 \times 3 = \315.87 .

Hotels are billed in the same manner as commercial accounts, but the total monthly bill is multiplied by the average occupancy rate percentage. GCSD uses the state average when determining the occupancy rate each year. Using the above example, if a hotel has EDU wastewater usage at three units, but had average occupancy during of 70 percent, then the hotel's bill for the month would be $\$315.87 \times 0.70 = \221.11 .

The most recent rate study recommended annual rate increases over the next five years: 10 percent from FY 2023-2024; seven percent from FY 2024-2025; five percent from FY 2025-2026; and three percent from July 1, 2026, to June 30, 2028. The new rates were adopted by the District Board in May of 2023 and should improve the District's financial stability.

According to GCSD staff, the rate increase has enabled the District to transition all commercial customers to monthly accounts, who previously had a mix of monthly and property tax payment structures. This shift has reportedly increased the District's revenue from \$14,000 to \$32,000 and reduces the need to depend on county disbursements.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District does not currently have a Capital Improvement Plan (CIP), although one is currently being developed. While the most recent rate study prepared for the District outlines the necessary improvements that need to be made in order to provide adequate service, a CIP will help identify potential funding sources and prioritize projects.

2.4.3 Current Fiscal Health

The District is currently operating at a net loss based on the information provided in the financial audits and shown in Table 2-3. The District anticipates that recently approved and implemented rate increases, including the 56 percent rate increase approved by the Sonoma County Board of Supervisors for the Tri-Party Agreement, will support the District's goals for financial stability.

Further, while the District does not currently have existing reserves to fund the multiple infrastructure improvements to the WWTP and collection system that are needed, the District has applied for a \$10.7 million grant through the SWRCB to cover some of the improvements; the grant application is still under review as of April 2024.

2.5 Present and Planned Land Use and Development

The GCSO boundaries are entirely located within the unincorporated area of Mendocino County. Mendocino County has land use authority over privately-owned lands within the GCSO boundaries and makes land use decisions guided by the County's General Plan and Zoning Regulations. The District is also located in the Coastal Zone and land use proposals are subject to the regulations of the County's Coastal Element as part of Mendocino County's Local Coastal Plan that was approved by the Coastal Commission. As such, any proposed changes to the land use or development patterns of the District area must also be approved by the Coastal Commission (County of Mendocino General Plan, 2009).

The Gualala Town Plan serves as the Local Coastal Plan required by the California Coastal Act and covers most of the GCSO service area. The Plan identifies planning goals and policies that establish a scenario for growth within the Plan area over a 30-year planning horizon (to 2032).

2.5.1.1 LAND USE

The Mendocino County General Plan identifies land use designations for the area that are generally rural residential and resource-based, with areas of commercial and higher density residential within the core Gualala Town area along State Highway 1 (Figure 2-7).

The specific land use zones are identified in the County's Zoning Ordinance and are consistent with its General Plan land use designations (Figure 2-8). Zoning within the District include Rural Residential 1-acre minimum (RR1), Rural Residential 5-acre minimum (RR5), Remote Residential 20-acre minimum (RMR20), Gualala Village Mixed Use (GVMU), Gualala Highway Mixed Use (GHMU), Gualala Planned Development (GPD), Gualala Industrial (GI), Rural Residential, 5-acre minimum [Suburban Residential] (Planned Development) RR5:PD [SR:PD], Timberland Production (TP), Forest Land (FL), Limited Industrial (LI), and Rangeland (RL).

Figure 2-7: Mendocino County General Plan Land Use Mapping

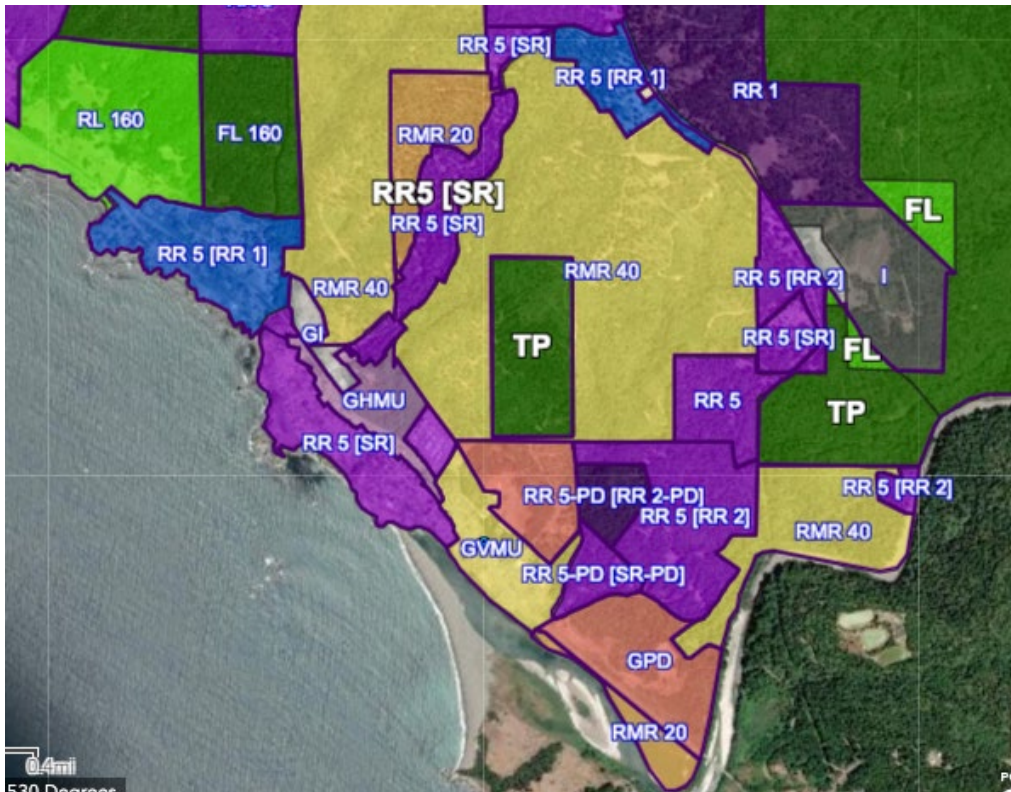
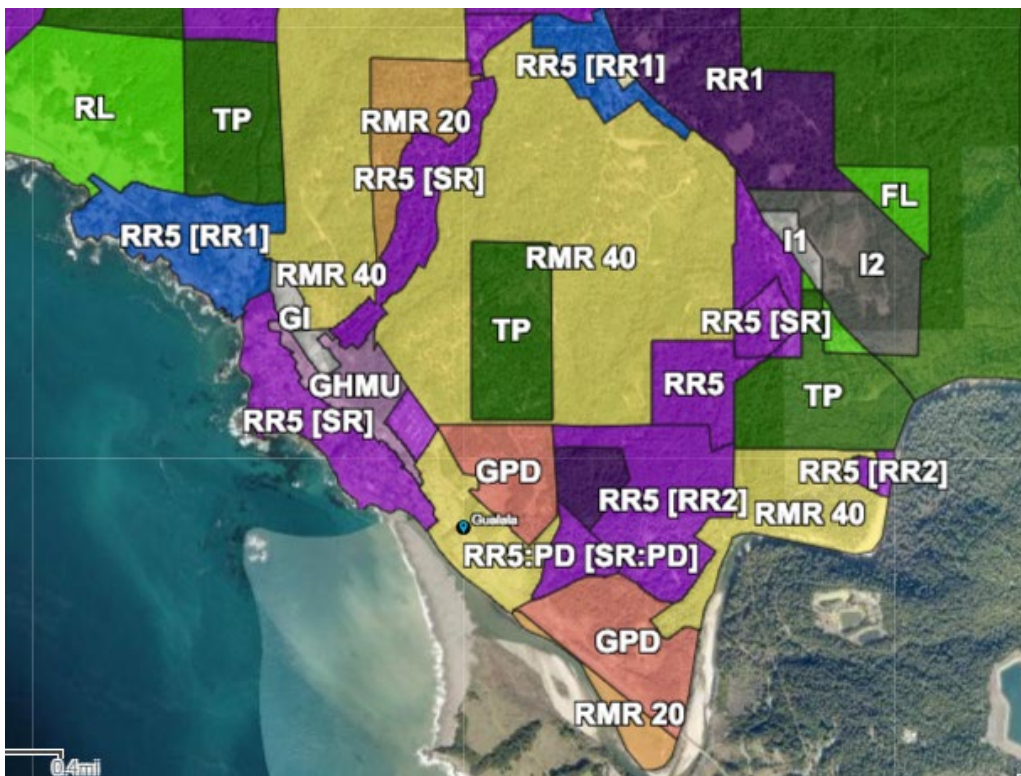


Figure 2-8: Mendocino County Zoning Map



2.5.1.2 DEVELOPMENT

Future growth and development of the District is subject to Mendocino County land use regulations, which are based on the General Plan, Zoning Ordinance, and adopted plans and policies to regulate growth. The County's Zoning Ordinance contains three major geographical zones (Inland, Coastal, and Mendocino Town); the Gualala area is included in the Coastal Zone (County of Mendocino Coastal Element, 2021). As shown in Figure 2-8: Mendocino County Zoning Map, the County's Zoning Ordinance designates the majority of the Gualala community as single-family residential.

The Gualala Town Plan includes Gualala-specific designations aimed at creating comprehensive mixed use planned development projects. Further, land use policies contained in the Plan support new residential and commercial development in the Plan Area. For example, the Ocean Ridge Subdivision, located near the eastern part of Service Zone 3, consists of 100 lots and only 40 percent of which are currently developed. Additionally, a 480-acre "residential reserve" located east of the core community was identified as a suitable location for future residential development. However, water conservation efforts mandated by the California Public Utilities Commission (CPUC) since September 2014 have severely impacted the ability to develop in the area.

Additionally, the GMAC advises the BOS on development applications and informs long-range planning efforts to update the Coastal Element of the Mendocino County General Plan as it pertains to the Gualala area.

2.5.2 Existing Population

Gualala is a small, unincorporated community that serves as the economic and social hub for the south coast of Mendocino County, as well as The Sea Ranch development located across the County line in northern Sonoma County. Gualala is a former logging town and attracts thousands of visitors each year due to its scenic qualities and recreational opportunities. State Highway 1 (Pacific Coast Highway/PCH) is the primary transportation and commercial corridor through the community.

Gualala is located within Mendocino County Census Tract 111.02, which includes the area that extends from the southern end of Gualala to areas just north of Manchester and has an estimated population of 4,305.

While the District serves a small number of commercial customers along State Highway 1, the District consists primarily of second homes and short-term vacation rental properties. The number of wastewater connections that the District serves (approximately 416) does not change throughout the year, but demand for service fluctuates seasonally. It is also notable that the year-round population within the District has increased as a result of refugees seeking relocation as a result of devastating fires throughout the state and the COVID-19 pandemic; however, it is difficult to quantify those numbers.

The 2014 MSR estimates the 2015 population for the entire District at approximately 2,133 residents. Current estimates from the District for Zones 1 and 2, based on the number of residential service connections and average household size in the County, are approximately 816 residents.

2.5.3 Projected Growth

Projecting future growth within the District boundaries is a challenge since US Census data is not specific to Gualala. Compounding this problem is that growth in the region is driven by economic activities in Sonoma County.

A Community Action Plan was prepared for Gualala in 2007, which includes a socio-economic study: *Economic Inputs to Gualala Community Action Plan* (Gualala Community Action Plan, Appendix D). The study estimated a future growth rate for Gualala at approximately 16 new residences per year with an average household size of 2.25 persons per household, which equates to an average annual growth rate of approximately eight percent.

Given that the community plans prepared for Gualala are approximately 15 years old or more, and the changes in County growth projections and trends, the population projections are likely outdated. Current State Department of Finance (DOF) projections predict that the population of Mendocino County will decline by a little more than 2.7 percent in the next 10 years, from 91,601 in 2023 to 89,091 by 2033, and 89,139 by 2043 (DOF, 2023).

A significant limiting factor affecting growth rates in the area is the moratorium on new water services imposed by the North Gualala Water Company (NGWC), which provides domestic water service to residents of the GCSD and surrounding areas. The moratorium is in part due to the water conservation efforts mandated by CPUC since September 2014. For their part, the NGWC imposes its Mandatory Water Conservation Program (MWCP) when stream flows in the North Fork of the Gualala River are at or below specific levels¹². During these times, water use restrictions prohibit the use of water for construction purposes. As of March 2024, NGWC was actively seeking funding opportunities to construct a reservoir to lift the moratorium. However, given the increasingly recurrent drought trends, it is unlikely that any new construction will be approved in the area because of the moratorium on new potable water connections. Until the moratorium is lifted, population growth in the area is expected to be minimal.

Although an outside agency service, the District's Tri-Party Agreement to treat wastewater from the (SRSZ Northern Plant requires consideration of growth within that portion of The Sea Ranch development that is served. The number of undeveloped lots in the SRSZ is unknown; however, the future development of the vacant residential lots within The Sea Ranch community is also unlikely in the near future given a current moratorium on water services provided by the Sea Ranch Water Company.

It is noted that recent changes in California Housing laws, particularly related to increased density allowances in residential areas, could result in a slight increase in development and population within the District in the years to come.

2.5.4 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, 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

¹² For more information on NGWC's water conservation efforts see their website: <https://ngwco.com/conservation/mandatory-conservation/>

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 that 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 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 to service providers as a result of development will continue to mount. It is imperative that small districts such as GCSD stay up to date on legislative changes.

For additional information and data on housing legislation see Appendix 7.4.

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 services¹³. 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 US Census American Survey (ACS) 2022 1-year estimates, the statewide MHI for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for severely disadvantaged unincorporated communities (SDUC) (less than 60 percent of the State MHI) is \$54,930.

DUCs 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 the 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 an 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 into an otherwise contiguous community.

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 Census Designated Place (CDP) communities to help provide usable geographies for DUC boundaries, but even then, mapping and data challenges persist. MHI 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. SB 244 describes the general characteristics of DUCs and provides the following criteria:

- Contains 10 or more dwelling units in close proximity to one another;

¹³ Technical advisory on SB 244 can be found here: https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf

- 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
- This analysis is based on CALAFCO recommendations that calculated the “MHI Threshold” to be 80 percent of the statewide MHI (\$73,240) (The MHI for the State of California is \$91,551) (US Census, 2022A)
- 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.

Mendocino County has an MHI of \$65,520 with a majority of the County considered DUCs, including both the census tract and block group that the District is located within (US Census, 2022B). Because Gualala falls within the County of Mendocino and is not a CDP, the MHI of its residents is assumed to approximate the County median household income of \$56,378. The MHI for Gualala is 71 percent of the statewide MHI and is therefore considered to be a DUC.

It is also worth noting that the census block group that the District is located within (Block Group 3, 20 square miles) has a population of 1,866 (843 households) and a MHI of \$79,596 (Census Reporter, 2022A); and the census tract the District is located within (Census Tract 111.02, 320 square miles) has a population of 4,827 (1,968 households) and a MHI of \$83,135 (Census Reporter, 2022B). By both of these measures the District would not be considered to be located within DUC territory.

The residents within Gualala receive adequate services with respect to fire, which is provided by South Coast Fire Protection¹⁴. Water services are provided by North Gualala Mutual Water Company, though it should be noted that there are properties within the District boundaries and adjacent properties that utilize well water. According to data sourced from the State Department of Water Resources (DWR), the District spans two Public Land Survey Sections, M11N15W27, which is documented as having eight domestic wells¹⁵.

Residents within the District’s Zones 3 and 4 continue to utilize onsite septic systems for their wastewater needs. However, some of these have failed, or are failing, and ultimately it will be incumbent upon the GCSD to provide service in these areas. Further, an unsewered area adjacent to the District has been identified with failing septic systems as well; this area has been identified as proposed Zone 5 (See Section 3.2.4.2.3 for more information).

While the Gualala area qualifies as DUCs under this methodology, the community is currently receiving adequate essential municipal services of fire, water, and wastewater.

¹⁴ Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here: <https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

¹⁵ Well Completion Report Map Application data can be found here: <https://dwr.maps.arcgis.com/apps/webappviewer/index.html?id=181078580a214c0986e2da28f8623b37>

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) 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 3.3.

3.1 Service Overview

3.1.1 Services

The District provides collection, treatment, and disposal of wastewater generated by connections within the service area and provides maintenance of related facilities and equipment. The District is divided into four service zones: Zones 1-4.

This is the second MSR prepared for the District; the first MSR was adopted by the Commission on October 6, 2014.

3.1.1.1 SERVICE AREAS

The District's jurisdictional boundaries are located entirely within Mendocino County; however, the District's wastewater treatment facilities are located on a District-owned parcel in Sonoma County. Of the four service zones, only Service Zones 1 and 2 receive services. Located along the State Highway 1 corridor, Service Zones 1 and 2 cover approximately one-third of the District's territory (see Figure 1-1). Properties within Service Zones 3 and 4, while within the District boundaries, do not currently receive services from the District and rely on individual onsite septic systems.

The District also provides outside agency services to two areas in northern Sonoma County: a portion of The Sea Ranch development and Gualala Point Regional Park (see Section 3.1.2 for more detail).

3.1.2 Outside Agency Services

The District is party to multiple service agreements with both public and private parties to provide outside agency services to areas in neighboring Sonoma County.

3.1.2.1 SONOMA WATER AGENCY – SEA RANCH SANITATION ZONE, NORTHERN FACILITY

The District maintains its Tri-Party Agreement with the County of Sonoma (Sonoma Water Agency), which owns and operates the Sea Ranch Sanitation Zone (SRSZ), and Sea Ranch Golf Links (SRGL). This 40-year agreement was adopted in 1991 and was amended and restated in March 2016; the current rates were negotiated in November 2023.

The Sea Ranch residential development and its golf course (SRGL) are located in the Sonoma Water Agency's (SWA) SRSZ, which was formed in 1972. The Sonoma County Board of Supervisors (BOS) serves as the Board of Directors for the SWA SRSZ. While Sonoma County owns the SRSZ facilities, the Sea Ranch Water Company operates the system. The SRSZ owns two wastewater treatment facilities: the Central Plant located at 37875 Highway 1, and the Northern Plant located at 41775 Highway 1. Under the Tri-Party Agreement, the District treats raw wastewater from the Northern Plant at its Wastewater Treatment Plant (WWTP). The District then disposes of the tertiary effluent through a contract with the SRGL for

irrigation purposes. The SRSZ Service Area comprises 4,600 acres in total and serves a population of 1,100 (607 single-family dwelling unit equivalents, though the exact number of parcels served is unknown).



Figure 3-1: The Sea Ranch Development

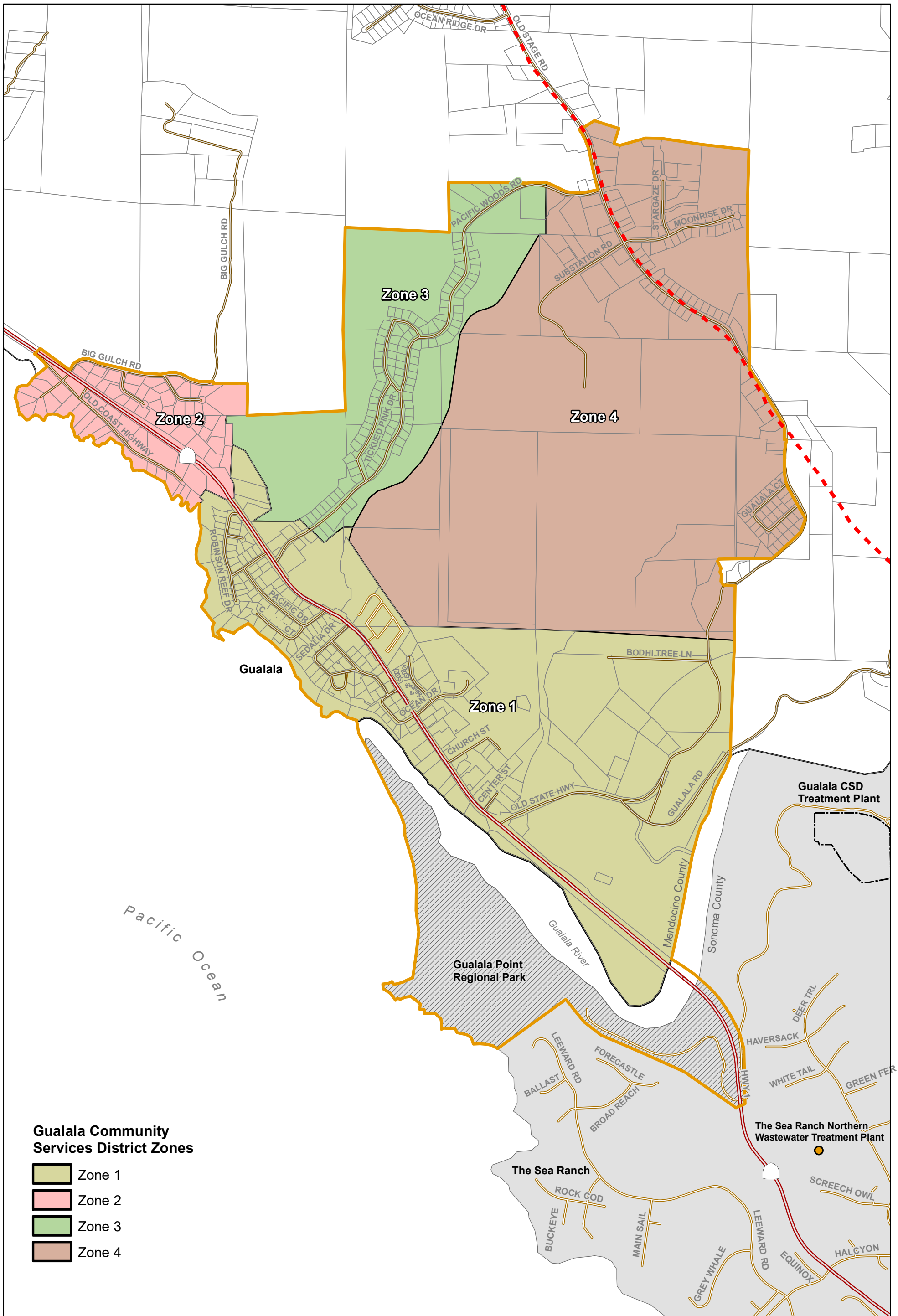
Source: The Sea Ranch [website](#); Photo credit: Bill Oxford.

3.1.2.2 SONOMA COUNTY – GUALALA POINT REGIONAL PARK

The District also maintains an agreement with Sonoma County to service Gualala Point Regional Park. The terms of the agreement include District collection and treatment of wastewater originating from the Park, which is managed by the Sonoma County Parks Department. The Park is located adjacent to the District boundary in Sonoma County, just south of the Mendocino County line and Gualala River, and north of The Sea Ranch (See Figure 3-2). In 2016, the Gualala Point Regional Park was added to the District’s SOI in acknowledgement of the extended services. The Park is part of the larger Sonoma County Regional Parks system and consists of 195 acres of open meadows and coastal forest and contains a visitors’ center, picnic tables, a campground, a 2.9-mile trail system, and Gualala Point Beach.

As part of this agreement, the District also provides pumping services via truck to six nearby facilities owned by Sonoma County: Salal Beach, Shell Beach, Pebble Beach, Black Point Beach, Stillwater Beach, and Stillwater campgrounds. No records exist of the original agreement; however, the District reports that the Park has paid fees since service began in 1992.

Figure 3-2: GCSD Service Zone Map



Gualala Community Services District Zones

- Zone 1
- Zone 2
- Zone 3
- Zone 4

- Gualala CSD SOI 2016
- Coastal Zone Boundary
- Out of District Services Area
- Highways
- Parcels
- Roads

Source: This map was prepared by the Mendocino County Information Services Division, GIS Program, March 8, 2024.

3.2 Wastewater Services

3.2.1 System History

Due to the District’s location within the environmentally sensitive Gualala River Watershed, the State Water Resources Control Board (SWRCB) took particular interest in the District during its inception and recommended that the WWTP be located in Sonoma County, partially as a reclamation facility for the SRGL. The use of the GCSD’s reclaimed water to irrigate the golf course is beneficial because the Regional Water Quality Control Board (RWQCB) regulations prohibit wastewater from being discharged directly to a ditch, creek, or stream. Authorities felt that this recommendation would also reduce and offset freshwater demands on the Gualala River.

Construction of the infrastructure and treatment facilities was completed in September 1992 and the WWTP began operations on October 1, 1992. Subsequent improvements to the system’s infrastructure are discussed in Section 3.2.3.2.

3.2.2 Service Overview

Services provided by the District include the collection, treatment, and disposal of wastewater generated by residential and commercial connections within the service area, and maintenance of related facilities and equipment. The District is regulated under North Coast RWQCB Order No. R1-2022-0004¹⁶.

The District serves approximately 415 equivalent dwelling units (EDUs) on a total of 369 parcels within Service Zones 1 and 2 (Table 3-1). Additionally, Sea Ranch North contributes approximately 494 EDUs. (MC Engineering, 2022B)

Source	Total Calculated EDUs per agency
Gualala Community Service District	415
Sea Ranch North	494
Total EDUs	909

3.2.3 Infrastructure and Facilities

The GCSD owns 15.47 acres just south of the County line and Gualala River in Sonoma County that contains the WWTP, a maintenance garage, an office trailer, and a lab. The District’s facilities were constructed utilizing 10 percent local funding and a grant under the Clean Water Act (CWA) through the SWRCB. Construction of the infrastructure and treatment facilities was completed in September 1992 and the WWTP began operations on October 1, 1992. Wastewater is collected within the GCSD service areas and piped to the District’s facility for treatment.

¹⁶ The District’s Waste Discharge Requirements and Master Reclamation Permit are available here: https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/22_0004_Gualala_CSD_WDR.pdf?ver=1713304824442

Collection System

The GCSD collection system currently serves GCSD Service Zones 1 and 2, which comprise roughly one-third of the District boundary area. The collection system consists of 34,600 feet of gravity and 27,900 feet of pressurized mains ranging in diameter from two to six inches, interceptor tanks, and three lift stations. At the terminus of the collection system a fourth lift station, Lift Station No. 4, pumps collected septic tank effluent through a six-inch diameter force main to the WWTP on the south side of the Gualala River.



Figure 3-3: Aerial View of GCSD's Treatment Facilities

Each connection to the Gualala collection system includes a Septic Tank Effluent Pumping (STEP) process, which consists of a septic tank to separate the solids and pre-treat the wastewater and a submersible, low-horsepower sump pump that discharges the wastewater to the collection system. The District currently maintains a total of 238 septic tanks and 125 control panels, including 177 residential systems and 61 commercial systems. (MC Engineering, 2022B)

Additionally, collection infrastructure is constructed within and to the Gualala Point Regional Park, which has received service from the District since the WWTP became operational in 1992. The District also provides pumping services for some of the Park systems' waste systems that are not connected to the collection system.

The existing collection system and facilities are shown in Figure 3-4 and Figure 3-5.

Wastewater Treatment Facility

The District's wastewater treatment system is designed as an extended aeration activated sludge plant. The facility includes two aerated ponds and two clarifiers for secondary treatment, a travelling bridge and fine screen filter for tertiary treatment, and a chlorine contact chamber for disinfection (See Figure 3-4).

The GCSD WWTP includes four effluent storage ponds with a combined capacity of 28.4 million gallons (mg). Three of the ponds, totaling 20 mg of capacity, are located adjacent to the Gualala WWTP and were designed with subdrain systems that can be monitored to determine if there is leakage from the ponds. The fourth pond, with a capacity of 8.4 mg, is located at the Sea Ranch Northern Plant site.

Recycled water from all four effluent storage ponds is delivered to the SRGL, an 80-acre golf course, through an eight-inch diameter pipeline for irrigation of turf grass within the fairways, tee boxes, and greens.

The GCSD also owns several pieces of construction equipment used for trenching, driveway maintenance, drying bed cleaning, and work around the facility. GCSD staff reports the backhoe is in excellent condition

and is 11 years old; the trencher is also in excellent condition and was purchased new in 2006. The Caterpillar Inc. equipment is in very good condition and is 35 years old. A recently acquired roller is in good condition and is several years old (exact age unknown).



Figure 3-4: GCSO Gravity and Pressurized Sewer Mains

Source: MC Engineering, 2022B



Source: MC Engineering, 2022B

Figure 3-5: Facility Location Map

3.2.3.1 SEA RANCH SANITATION ZONE

The SRSZ is owned by the SWA (a division of Sonoma County) and operated by the Sea Ranch Water Company. The SRSZ system consists of collection lines, a Central Plant, a Northern Plant, and several storage ponds. The SRSZ currently serves 612 equivalent single-family dwellings within a 4,600-acre service area.

Wastewater service in the southern portion of SRSZ is either by private on-site septic systems or septic systems that utilize a common area that is managed by The Sea Ranch Association. Sea Ranch Water Company staff monitor the roughly two-thirds of Sea Ranch homes that use individual septic systems. The remaining homes use one of two sanitary sewer collection and treatment systems.

The Central Plant collection system includes a total of 1.9 miles of sewer lines, for which Sonoma Water Agency is responsible: 1.3 miles of gravity sewer mains, 0.3 miles of force mains and one pump station, and 0.3 miles of service laterals. Effluent is treated in the Central Plant WWTP.

The Sea Ranch North (SRN) Collection System collects sewage from the northern portion of The Sea Ranch development and includes 11 miles of four to twelve-inch PVC and asbestos cement gravity sewer and force mains. The majority of the pipeline is gravity. Flows from the SRN are conveyed by four dedicated lift stations to the County Service Area (CSA6) primary pond where the liquids are subsequently pumped through the SRN Plant to GCSO for secondary and tertiary treatment before it is returned for disbursement on the Sea Ranch Links golf course. Since 2014, the SRSZ's Northern Plant acts as a pumping station to transfer raw effluent collected within The Sea Ranch to the GCSO WWTP for treatment, disinfection, storage, and subsequent reclamation at the SRGL (MC Engineering, 2022B).

3.2.3.2 SYSTEM IMPROVEMENTS

The District takes measures to ensure the integrity of the wastewater collection system, including regular inspections of the system (visual and video) and adding cleanouts in the gravity lines for camera access.

The District reported that the WWTP and collection system are generally in good condition. However, as identified in the 2023 Rate Study, the system is aging and system-wide deterioration has been analyzed to identify infrastructure for replacement and/or upgrading.

The District recently experienced a failing filter, which was ultimately replaced, allowing the District to recondition the failed filter at a low cost. A second clarifier was added in 2017, making the major components of the treatment plant fully redundant. This substantially reduces risk in case of a major equipment failure. Additionally, in 2022 the District replaced the control panel at Lift Station #2 as a result of weather damage.

The 2023 Rate Study included recommended capital improvements, which were compiled based on current significant and necessary replacements and upgrades and based on age, deterioration, and new Water Discharge Requirements (WDR). Identified projects totaling \$10.7 million (Table 3-2) were submitted as part of a grant application to the SWRCB State Revolving Fund (SRF) program, which is still currently under review as of the publication of this report.

Table 3-2: Recommended Capital Improvements		
Component	Component Description	Total Cost (With Soft Costs and Contingency)
Aeration Basin	Short-Term Title 22 Aeration and Sludge Storage Improvements	\$117,359
Secondary Sedimentation	RAS Pump Station w/Handrails	\$235,303
Tertiary Filtration	Metering w/Turbidimeter and Programming	\$132,193
Disinfection	Metering	\$62,339
Tertiary Storage/Reclamation	Pond 1 Liner	\$518,104
Sludge Storage Basin	New Sludge Storage Basin	\$710,444
Sludge Dewatering Facilities (Drying Beds)	Drying Beds (Bags) and Landfill Hauling	\$1,001,499
Septage Receiving Facility	Septage Receiving	\$712,726
Operations Building, Administration, Vehicle and Equipment Storage, and Chemical Storage Room	Upgrade/Replace Siding on I Control Building (1,800 sf) (N) Admin Building (N) Vehicle/Equipment Storage (N) Chemical Storage Room	\$1,963,302
Potable Water	Potable at WWTP with Use of Existing 5,000 Gallon Tank	\$52,599
Fire Protection Facilities	Emergency Fire-Flow at Plant	\$336,186
Access Road	Road Improvements, Only	\$538,427
Emergency Access for Pipeline Repairs	1065 LF Cleaning and Grubbing I(E) FM	\$89,752
GCSO STEP Systems (Interceptor Tanks)	Rehabilitation of (E) STEPS	\$2,180,202
GCSO Lift Stations	LS 1-4 Improvements	\$1,958,138
Sea Ranch North Collection System and CSA 6 Facility	Aeration/Pond/Pump Improvements	\$105,309
Total Cost for Existing Facility Improvements		\$10,713,882

Source: 2023 Rate Study prepared by MC Engineering, Inc.

3.2.3.3 ENGINEERING REPORTS

In 2022, MC Engineering prepared the *SWRCB Grant Funded Wastewater Project Engineering Report* for the District with grant funds from the Clean Water State Revolving Fund (CWSRF). The planning study addressed deficiencies and impending issues with the District’s wastewater collection system, WWTP, and the associated service area by recommending future capital improvement projects and related funding sources and responsibilities. The study also identified unsewered areas both within and outside the GCSO boundaries for potential inclusion in the District’s service area (MC Engineering, 2022A).

3.2.4 Service Adequacy

Based on information provided by the District regarding facilities, management practice and accountability, and financing, GCSO’s services appear to be limited but adequate for its current customers

and agreements. However, a number of infrastructure improvements have been identified that will be necessary in order to accommodate future growth.

Although very little growth is likely to occur within the District within the planning horizon of this study, the identified infrastructure improvements and capacity will be needed to serve the potential buildout of the District’s service area or for the District to serve its Service Zones 3 and 4. The limitations would apply to remaining undeveloped residential lots in the Sea Ranch development as well, as it pertains to the Tri-Party Agreement. Though the newly adopted service rates for both District customers and under the Agreement include escalating increases over the next five years, the increased revenue is expected to just barely cover rising expenditures, leaving the District to find additional revenue or grants to fund the identified infrastructure upgrades, particularly if not awarded the SRF grant (Table 3-2).

The cost of the recommended infrastructure improvements is beyond the District’s current finances, which will necessitate successful grant awards to support those projects. However, the District has recently applied to the SWRCB Disadvantaged Community (DAC) program for \$10.7 million to upgrade the WWTP and existing infrastructure to increase capacity to meet anticipated needs. The District was able to complete an engineering study under a planning grant from the SWRCB that supports their current grant application.

3.2.4.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

The District operates under RWQCB Order No. 91-2022-0004 (pursuant to Waste Discharge Requirements Order No. 92-120, adopted on September 24, 1992). As required by the permit, the General Manager prepares monthly and annual reports for the RWQCB. A regulatory history of the District can be found below in Table 3-3.

Table 3-3: SWRCB – GCSO Regulatory Measures

<u>Reg Measure ID</u>	<u>Reg Measure Type</u>	<u>Program</u>	<u>Order No.</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Status</u>	<u>Amended?</u>
409176	WDR	WDRMUNIOTH	R1-2022-0004	04/07/2022	04/07/2032	Active	N
261039	Letter	WDR	051203	05/12/2003		Historical	N
137948	WDR	WDRMUNIOTH	92-120	09/24/1992	09/22/2014	Historical	N
137888	WDR	WDRMUNIOTH	89-030	04/26/1989	04/26/1994	Historical	N

Source: North Coast Regional Water Quality Control Board

The District submitted incomplete Reports of Waste Discharge (ROWD) and Title 22 Recycled Water Engineering Reports in 2016, 2017, 2019, and 2020. These submittals were modified in response to Regional Water Board comments and State Water Board Division of Drinking Water (DDW) staff comments. On May 11, 2021, the District submitted a written response titled *GCSO Response to SWRCB DDW review of May 2020 Resubmittal of Title 22 Technical Report* for DDW review. On July 7, 2021, DDW provided a letter conditionally accepting the May 2020 Title 22 Recycled Water Engineering Report with the update provided by the District’s response. Additionally, on November 23, 2021, the District submitted a revised Engineering Report titled *Production, Distribution, and Use of Recycled Water – November 2021 Resubmittal* (Title 22 Engineering Report), which updated the November 2021 Title 22 Engineering Report

to include the results of a tracer study conducted by the District on its chlorine disinfection system. The DDW issued acceptance of the report in April 2022¹⁷.

The GCSD and Sea Ranch North collection systems, including the temporary storage of wastewater at the Sea Ranch North effluent pond, are enrolled separately under SWRCB Order No. 20060003-DWQ, Statewide Waste Discharge Requirements for Sanitary Sewer Systems.

3.2.4.1.1 Sanitary Sewer Spills

A sanitary sewer spill is a discharge of sewage from any portion of a sanitary sewer system due to a sewage overflow, operational failure, and/or infrastructure failure. The SWRCB's Sanitary Sewer Spill Incident Map shows spill reports for individual locations where sewage was discharged from a sanitary sewer system enrolled under the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems Order, Water Quality Order (WQO) No. 2022-0103-DWQ (the Statewide Sanitary Sewer Systems Order).

When searching the SWRCB's sanitary sewer overflow (SSO) incident data for GCSD, only one spill incident was identified for the District, which was listed as a Category 1 Spill Events¹⁸.

Category 1 Spill Events are defined as a spill of sewage from or caused by a sanitary sewer system regulated under the General Order that results in a discharge to:

- A surface water, including a surface water body that contains no flow or volume of water; or
- A drainage conveyance system that discharges to surface waters when the sewage is not fully captured and returned to the sanitary sewer system or disposed of properly.

Any spill volume not recovered from a drainage conveyance system is considered a discharge to surface water unless the drainage conveyance system discharges to a dedicated stormwater infiltration basin or facility.

On May 11, 2008, as a result of a pipe structural failure, a total of 33,264 gallons of effluent spilled; 9,000 was recovered by GCSD. Three additional SSOs took place in 2005 and 2008, which led to enforcement actions from the RWQCB. The RWQCB levied fines on the District, which were paid. Additionally, peak flow capacity was exceeded in February 2009 and January 2010 at 0.1324 million gallons per day (mgd) and 0.1726 mgd, respectively. There have been no additional spills or violations noted in the online reporting system since 2008.

3.2.4.2 CAPACITY

The District takes measures to ensure the integrity of the wastewater collection system, including regular inspections of the system (visual and video) and adding clean outs in the gravity lines for camera access. The District reported that the WWTP and collection system are generally in good condition.

The WWTP has a design capacity of 131,000 gallons per day (gpd). The current daily average of 77,500 gpd represents 59 percent of the design capacity; therefore, it can be determined that the District has capacity to handle some limited growth.

¹⁷ Summary provided by the SWRCB in the GCSD Waste Discharge Requirements and Master Reclamation Permit.

¹⁸ Data for Spill Events can be found here: https://www.waterboards.ca.gov/water_issues/programs/sso/

The WWTP annually treats approximately 28.25 million gallons (mg), which is based on actual flows from 2023. The District's four effluent storage ponds have a combined capacity of 28.4 mg. A 2016 ROWD prepared by the District in compliance with the North Coast RWQCB permit identified that the storage pond capacity for recycled water is inadequate during periods of above-average precipitation. At the time, the District stated that they were concerned that the cost of constructing additional recycled water storage to address extreme wet weather conditions was not an effective use of its limited financial resources.

Should the SRSZ treatment facilities be upgraded as needed and full wastewater services be assumed by the SWA (see Section 2.3.5.2), the GCSD would have additional capacity to serve areas in GCSD Service Zones 3 and 4, as well as Proposed Zone 5 (see below).

3.2.4.2.1 Sea Ranch Sanitation Zone

The SWA-owned SRSZ consists of two treatment facilities; however, only the Northern Plant sends its flows to the GCSD for treatment. Since 2014, the Northern Plant has operated as a pumping station to move untreated effluent to the GCSD WWTP for treatment. The Northern Plant, which began operation in 1972, is no longer permitted as a WWTP. The SWA's discharge permit was rescinded by the SWRCB in 2022 when the GCSD's WDR was issued; the Northern Plant is now classified as part of the SWA collection system.

Currently, the SRSZ Northern Plant pumps a daily average of 47,039 gpd to the GCSD WWTP, which accounts for approximately 60 percent of the overall effluent flowing through the GCSD facility.

3.2.4.2.2 Gualala Point Regional Park

In addition to a collection system, the District provides pumping services to the Gualala Point Regional Park. In 2015, the District purchased a new truck to service the Park. No other updates regarding this service were provided.

3.2.4.2.3 Future Service Areas

3.2.4.2.3.1 Service Zones 3 and 4

Service Zones 3 and 4 are located within the District's current boundaries. However, except for isolated collection system extensions to address failing septic systems, the District does not have the infrastructure or capacity to serve these zones comprehensively. In 2003, the District commissioned a *Sewer Feasibility Study*, which outlined various options and costs for extending and expanding District facilities to provide sewer service to these zones. Any service extended to these areas would require large infrastructure installations, increased capacity at the WWTP, Coastal Commission permits, and extensive environmental review.

The District would likely need a new assessment to fund an extension of services to the entirety of Zones 3 and 4, which would require a resident majority to pass. Extending full service to either zones would necessitate significant financial investment from the District and residents in this area, which is not presently feasible.

Notably, the 2018 planning grant awarded to the District was originally intended to cover the cost of an updated feasibility study to assess expanding service to Zones 3 and 4. However, during the study development, it became apparent the WWTP would need to be upgraded to accommodate the additional flow that would be created by Service Zones 3 and 4. Further, the current collection system in Service Zones 1 and 2 needed rehabilitation before an expansion of the system could take place. It is noted that

the projected effluent flows for Service Zones 3, 4, and proposed Zone 5 are estimated to be 50,000 to 75,000 gpd.

Due to costs of engineering and installation of infrastructure, and residents' preference, the District has no immediate plans to expand their facilities beyond their current service areas.

3.2.4.2.3.2 Proposed Zone 5

Also identified in the *SWRCB Grant Funded Wastewater Planning Project Engineering Report (MC Engineering 2022B)* was an area north of the District boundary that has reported septic system failures. The area, identified as Proposed Zone 5, is located along Old State Road and Ocean Ridge Drive. The need for future service within this area is critical to addressing possible groundwater and surface water pollution by replacing the current septic tanks with interceptor tanks for collection and transmission to the WWTP. Existing septic systems have a variety of inherent deficiencies as a result of, and/or a combination of, high groundwater, steep slopes, tree roots, settlement around septic tanks, improper construction techniques, and other miscellaneous issues. Providing sewer service to the expansion area will require additional force mains, gravity sewer mains, and lift stations, including new infrastructure and appurtenances from the street mains to the homes (MC Engineering, 2022B).

3.2.4.3 NEEDS AND DEFICIENCIES

The District's 2023 Rate Study identified that the condition of the existing infrastructure facilities required immediate attention, due to both age and system-wide deterioration and condition. More specifically, the General Manager noted that some collection system components were exposed to the elements within Service Zones 1 and 2 and are beyond their useful life or are corroded due to the above-average moisture in the air (i.e., components include the lift station pump control panels, lift station discharge piping, relief valves, check valves, and gate valves).

The SWRCB DAC grant application for \$10.7 million submitted by the District covers many of the infrastructure needs identified in Table 3-2.

3.3 Determinations

This section presents the required MSR determinations pursuant to California Government Code (GC) Section (§) 56430(a) for the GCSD

3.3.1 MSR Review Factors

3.3.1.1 GROWTH

Growth and population projections for the affected area

1. The estimated number of residents served within Zones 1 and 2 is approximately 816, based on the number of residential connections and average household size in the County.
2. The population growth within Mendocino County was an average of 1.1 percent annually between 2000 and 2010. The current growth trends for the County are at a slightly negative rate.
3. The District anticipates limited population growth in the future within Zones 1 and 2, primarily due to a moratorium on new potable water connections from the North Gualala Water Company (NGWC) which constrains new development.
4. A significant increase in system capacity to collect and treat wastewater would be required to expand service provision into Zones 3 and 4. However, GCSD has completed a feasibility study that analyzes and provides options for future expansion of service to Zones 3 and 4 and is actively pursuing grant funding to implement the identified capital improvements.

3.3.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

5. The District serves the unincorporated community of Gualala. Because Gualala is not a Census Designated Place (CDP), the Median Household Income (MHI) of its residents is assumed to approximate the County MHI of \$56,378. The MHI for Gualala is less than 80 percent (71 percent) of the statewide MHI of \$78,672 and is therefore categorized as a Disadvantaged Unincorporated Community (DUC). The residents of Gualala are receiving adequate essential municipal services of fire, water, and wastewater for the area. While these areas currently do not lack public services they would benefit from upgraded systems.

3.3.1.3 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

6. The GCSD was established in 1986 to provide collection and treatment of wastewater.
7. Mendocino County Board of Supervisor Resolution 86-175 also indicates the District can provide storm water services; however, it is unclear whether the District has ever provided this service and it has never been activated through LAFCo.
8. The GCSD is divided into four service zones (Zones 1, 2, 3, and 4) within its boundaries; only Service Zones 1 and 2 receive wastewater services.

9. Zones 1 and 2 consist of 353 parcels along the State Highway 1 corridor, each of which has its own interceptor tank. All new development within Service Zones 1 and 2 is required to connect to the wastewater treatment system.
10. Expansion of wastewater collection, treatment, and disposal service into Zones 3 and 4 would require significant infrastructure upgrades to the system capacity, in addition to new collection infrastructure. These upgrades have been studied in detail by the District in their 2003 Sewer Feasibility Study. No expansion is planned at this time.
11. Upon recommendation of the RWQCB, the GCSW WWTP was constructed on District-owned property located outside the District's boundaries, south of the Gualala River in Sonoma County.
12. The GCSW WWTP has a design capacity of 131,000 gpd. The current daily average of 77,500 gpd represents 59 percent of the original design capacity. The District has sufficient capacity to serve existing connections, including the outside agency service agreements for the Gualala Point Regional Park and the SRSZ North Plant.
13. The outside agency services Tri-Party Agreement with SWA and SRGL has been in place since 1991. In November 2023, the Sonoma County Supervisors approved a negotiated new rate of \$13.28 per 1,000 gallons (a 56 percent increase) that went into effect beginning January 1, 2024. The District is also in negotiations with SRGL to increase rates for tertiary treatment of wastewater for use of reclaimed water on the golf course.
14. The existing outside agency service agreement with Sonoma County to serve the Gualala Point Regional Park has been in place since 1992 and remains current.
15. The 2023 Rate Study identified numerous improvements to the collection system and WWTP necessary to maintain adequate service. The District is actively seeking grant funding to address its capital improvement needs.
16. Should the SRSZ assume full-service provision internally, the GCSW WWTP may have increased capacity to provide services to other areas (i.e., Service Zones 3, 4, and proposed Zone 5).
17. No boundary changes are pending or proposed at this time.

3.3.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services

15. The GCSW is funded primarily through service charges and sewer fees.
16. The implementation of the 28 percent rate increase scheduled over the next 5 years will support the District's financial stability.
17. The District's Sewer System Management Plan (SSMP) describes their approach to addressing long-term capital improvement needs. New development proposals will need to fund required improvements to the system's capacity.
18. Residents in Zones 3 and 4 have reported failing septic systems and expansion of service into those areas has been extensively studied by GSCD. Paying for the upgrades in infrastructure that would be needed to achieve this expansion is a concern to the District and residents. Potential sources of funding have been identified, including property assessments, bonds, and grants. However, a detailed financing plan has not yet been completed, partly due to preferences by local property owners to retain their existing septic systems.
19. Rates should continue to be reviewed and adjusted as necessary to fund District costs and provide for capital improvements as needed.

3.3.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

20. The GCSO does not presently practice wastewater facility sharing; however, it maintains a Tri-Party Agreement with SWA's SRSZ to provide treatment of wastewater from the SRSZ North Plant and to dispose of treated wastewater at the SRGL.
21. The District has provided outside agency services to Gualala Point Regional Park since 1992 as part of a service agreement with Sonoma County.
22. The District has a contract with Mendocino County Waterworks District No. 2 (MCWD2) to provide management, operations, administrative support, and a shared office space to MCWD2.
23. Based on the current contractual arrangement between GCSO and MCWD2 to provide essential services to MCWD2, the District could consider expanding the services offered to MCWD2 where possible and potentially explore consolidation options.
24. The District holds its board meetings in the Coast Life Support District offices.
25. No other opportunities for shared facilities have been identified at this time.

3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

26. GCSO demonstrated accountability through its prompt disclosure of information requested by LAFCo for preparation of this MSR.
27. Board meetings are publicly noticed and appear to comply with the Brown Act. Meetings are held on the fourth Thursday of each month.
28. The District maintains a website with recent meeting agendas and information; however, some compliance components appear to be missing. It is recommended that the District continue to develop their website to achieve compliance with Senate Bill (SB) 929. A website compliance handout is included in Appendix C.
29. The District practices cost reduction through careful purchasing and bidding processes that are guided by policies adopted by the District Board.
30. In the short-term, no additional cost avoidance opportunities have been identified.
31. According to audits provided by the District, the GCSO follows standard accounting procedures.
32. Board Members have access to GCSO data, records, and information.
33. The District does not currently have a strategic plan that outlines its mission statement, vision statement, and goals and objectives. Developing a strategic plan could help the District improve upon planning efforts, accountability, and transparency.
34. The GCSO does not currently participate in the Gualala Watershed Council, participation could be beneficial in increasing District outreach with its residents and collaboration within the community through this network of community leaders. Participation in the Watershed Council could also give the District advance notice on upcoming grant opportunities, potentially leveraging watershed and community projects to also support infrastructure and service improvements, and other opportunities for community collaborations.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo) 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 the Cortese-Knox-Hertzberg (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 Government Code (GC) Section (§) 56425(e).

4.1 Mendocino LAFCo Policies

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

The following Sphere of Influence policies are from the Mendocino LAFCo Policies and Procedures Manual, 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
- 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 shall 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

LAFCo may adopt a "zero" sphere of influence 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 sphere of influence unless the area's exclusion would impede the planned, orderly, and efficient development of the area. In addition, LAFCo may adopt a sphere of influence 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 sphere of influence 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 sphere of influence (GC §56375.5). 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 sphere of influence, 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 sphere of influence 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
- 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 sphere of influence or a city sphere of influence 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. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted 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 sphere of influence as an Area of Interest to any local agency.

- a) An Area of Interest 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.
- 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 GCSD's SOI was originally established in 1986 as part of the District's formation and was last updated by LAFCo in 2016. In 2016, the SOI was expanded to include the Gualala Point Regional Park, which is located in Sonoma County and has been served by the GCSD since 1992.

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.
- 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 Area of Interest to earmark areas for enhanced interagency coordination or for future SOI consideration.

4.2.1.1 MENDOCINO COUNTY WATERWORKS DISTRICT NO. 2 – ANCHOR BAY

The District has been party to a contract with the Mendocino County Waterworks District No. 2 (MCWD2) since early 2023 to provide management, operations, and administration of that agency's wastewater facilities and services. The MCWD2 provides wastewater treatment services to approximately 80 customers, some of whom have multiple connections. Their service area includes the unincorporated community of Anchor Bay with approximately 68 residences, the Anchor Bay Campground, and a small commercial area straddling State Highway 1. There are several customers who own more than one Equivalent Dwelling Unit (EDU); therefore, the total number of treatment connections is closer to 100.

The MCWD2 Board President has stated that the contract with GCSD has enabled the District to address long-deferred infrastructure and management issues that would have otherwise threatened the District's ability to provide adequate wastewater services. The potential for consolidation of the agencies has been broached by staff and individual members of the boards; however, no formal discussions have taken place yet.

District staff state that the WWTP has sufficient capacity to serve the MCWD2 customers should consolidation or regionalization be pursued.

4.2.1.2 UNSEWERED AREAS AND PROPOSED ZONE 5

Unsewered areas within GCSD Zones 3 and 4, as well as outside boundary areas located along Old State Road and Ocean Ridge Drive have been experiencing septic system failures. These areas were identified in the 2022 *SWRCB Grant Funded Wastewater Planning Project Engineering Report* prepared by MC Engineering as proposed Zone 5. The need for future service of unsewered development in Zones 3, 4, & 5 is critical to remove the possibility of groundwater and surface water pollution by upgrading/replacing the current septic tanks into interceptor tanks. This would facilitate the treatment and disposal of the unsewered portions of the community which is experiencing health risk and water pollution problems due to the failures of on-site septic systems (MC Engineering, 2022B) (See Figure 4-1).

The District is pursuing grant funding to implement WWTP and collection system improvements that will increase capacity sufficient to serve these unsewered areas. The Engineering Report identified specific infrastructure needs and preliminary mapping of the proposed Zone 5 and unsewered areas of Zones 3 and 4 (Figure 4-1).

4.2.1.3 THE SEA RANCH

The Sea Ranch is a planned community consisting of approximately 2,200 homes and undeveloped lots governed by a homeowners association (HOA) and a board of directors. The Sea Ranch located in Sonoma County and within County Service Area 6, which is operated by Sonoma Water Agency (a division of Sonoma County), for sewer services. GCSD has been party to the Tri-Party Agreement between Sonoma County and the Sea Ranch Sanitation Zone since 1991, with amendments in 2016 and rate adjustments in 2023. The Sea Ranch Association operates two wastewater collection and treatment facilities, one of which (the Northern Plant) acts as a pumping station to send collected raw wastewater to the GCSD WWTP for treatment. The GCSD sells its tertiary treated water to The Sea Ranch Golf Links for irrigation purposes. See Section 3.2.3.1 for more information.

As such, the District has substantial economic and service ties with the master planned community known as [the Sea Ranch](#). Although the community is located south of the District in Sonoma County, it is directly adjacent to the GCSD.

It is noted that the Sea Ranch Association (SRA) is currently in discussions with the SWA, which oversees SRSZ, regarding upgrading the two treatment facilities located within The Sea Ranch to SWA and transferring services to SWA. Should this occur, it would likely negate the relationship with GCSD and free up capacity in the District's WWTP.

4.2.1.4 RECREATION SERVICES

There has been expressed interest (particularly through the GMAC) in the creation of a special district in the south coast area (including Gualala, Anchor Bay and north to Manchester) focused on the provision of recreation services for the region. Rather than creation of a new district, it is often a more logical and efficient route to consider expanding service powers of existing special districts. The CSD principal act allows for provision of recreation services upon activation of that latent power should the District and south coast community wish to pursue recreation services. There have been no formal proposals at this time.

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 Area of Interest (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 within a LAFCo-designated AOI will be treated the same as if these areas were within the city or district SOI boundary, particularly regarding notifications and consideration of input from the city or district.

It is recommended the Commission establish AOIs, as follows (See Figure 4-1):

1. The MCWD2 (Anchor Bay) service area, acknowledging the potential for consolidation of services; and
2. GCSD's proposed Zone 5, indicating the District's interest in future annexation and service to this area once necessary capacity upgrades are implemented and that it will likely occur outside the planning horizon of this study.

4.3 Proposed Sphere of Influence

The District has expressed interest in expanding its SOI north to include the MCWD2 serving Anchor Bay, and northeast to include proposed Zone 5 along Old Stage Road and Ocean View Drive.

The MCWD2 is located approximately three miles north of the current GCSD boundaries. There has been interest expressed by staff and individual board members from both districts in studying a potential consolidation of the two agencies, or alternatively, a regionalization of wastewater services.

Although an initial planning study has been prepared, until significant infrastructure and WWTP upgrades have been funded and implemented, the expansion remains conceptual and an expansion of the SOI to cover these areas would be premature.

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 local LAFCo policies.

The proposed District SOI is consistent with Mendocino LAFCo Policies (see Section 4.1 for 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 §56425I. 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;
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.

4.5.1 Present and Planned Land Uses

The primary land uses within the District service area are described in Section 2.5. The entirety of the District service area is located around the community of Gualala in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and small commercial areas, many of which are specific to the town of Gualala (i.e., Gualala Village Mixed Use and Gualala Planned Development, etc.) and described in the County's Gualala Town Plan. Agricultural uses also exist within the area (Timberland Production and Forest Land). The outside agency service area of Gualala Point Regional Park, which is located in Sonoma County, is generally considered open space, but services provided are for recreational public facilities and therefore are also consistent with LAFCo policy. The Gualala Town Plan includes land use policies that support new residential and commercial development in the area. However, water conservation efforts mandated by the California Public Utilities Commission (CPUC) since September 2014 have severely limited development in the area. Furthermore, 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 the area

Within the GCSD service area, the District provides wastewater treatment services to approximately 416 billable units on a total of 369 parcels within Service Zones 1 and 2 (252 residential homes, 2 mobile home parks with 78 residential units, 141 commercial uses, and a handful of mixed use residences [commercial and residential]). Given the current water service moratorium and anticipated low growth rate, the need for services presently provided by the District are expected to remain fairly consistent with only a slight increase in the foreseeable future. More notably, as described in Section 2.5.3, the North Gualala Water Company (NGWC) currently has a water moratorium in place that prohibits new connections for potable water. Until that moratorium is lifted, no new building permits will be issued. The US Census's 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.

The outside agency service area of Gualala Point Regional Park is expected to continue to require service and services may expand as Sonoma County improves its visitor amenities.

The outside agency services provided to the Sea Ranch Sanitation Zone (SRSZ) may become unnecessary soon, as the Sonoma Water Agency (SWA) and SRSZ explore options for providing services independently.

With development of the 2022 *SWRCB Grant Funded Wastewater Planning Project Engineering Report*, numerous failed or failing septic systems were identified in GCSD Service Zones 3 and 4, as well as within an area identified as proposed Zone 5. Zones 3 and 4 are within the GCSD boundaries but do not currently receive wastewater services; proposed Zone 5 is located adjacent to the northeastern boundary of the District along Old Stage Road and Ocean View Drive. Serving these areas will require infrastructure installation and WWTP upgrades to increase capacity, and, in the case of proposed Zone 5, annexation into District.

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

The current design capacity of the Wastewater Treatment Plant (WWTP) is 131,000 gallons per day (gpd). The District's WWTP serves approximately 416 billable units on a total of 369 parcels within Service Zones 1 and 2. District facilities include four effluent storage ponds with a combined capacity of 28.4 million gallons; it has been noted that capacity of the ponds is insufficient during periods of above average precipitation. The District has experienced only a few noted violations; five since July 2005 with the most recent taking place in September 2022. The District's infrastructure is in need of extensive repairs in order to continue providing adequate service to its existing customers. The District applied for State grant funding totaling \$10.7 million to help cover the costs of the needed improvements; this grant is currently still under review for approval.

In 2022, MC Engineering prepared the *State Water Resources Control Board Grant Funded Wastewater Planning Project Engineering Report*, which the District is using to pursue grant funding to implement. The District has submitted an application for the State Water Resources Control Board (SWRCB) Disadvantaged Community (DAC) program grant funding amounting to approximately \$10.7 million to implement the improvements and upgrades to its collection system and WWTP in order to increase capacity to serve Zones 3 and 4, as well as proposed Zone 5.

There have been initial conversations regarding potential consolidation or regionalization of services with MCWD2, which is located several miles north of the District. The GCSD currently provides management, operations, and administration services under contract with MCWD2, which has, until recently, been run primarily by board members. Should the GCSD consolidate with the MCWD2, or regionalize services, a robust plan for services would be developed, including a financial analysis and plan for providing the services to the Anchor Bay community. Any such change of organization would require consideration and approval by LAFCo. District staff have indicated there is sufficient capacity to treat effluent from the MCWD2 customers.

Another capacity consideration relates to the current consideration by the SWA and SRSZ to assume full service provision internally. Should that occur, the GCSD WWTP would have increased capacity to provide to other service areas (i.e., Service Zones 3, 4, and proposed Zone 5).

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 District has substantial economic and service ties with the community of Sea Ranch immediately south of the District. The Sea Ranch is located in the SRSZ, which is owned by the SWA and who is one of the

parties to the Tri-Party Agreement with GCSO and Sonoma County. The Tri-Party Agreement has been in place since 1991, was updated in 2016, and again in 2023 to establish new rates that reflect a 56 percent increase and take effect as of January 1, 2024; this increase should have a substantial impact on the District's revenues. Given that the District treats a significant amount of the wastewater generated from the SRSZ, any changes that may affect the Sea Ranch will likely have an impact on the District.

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

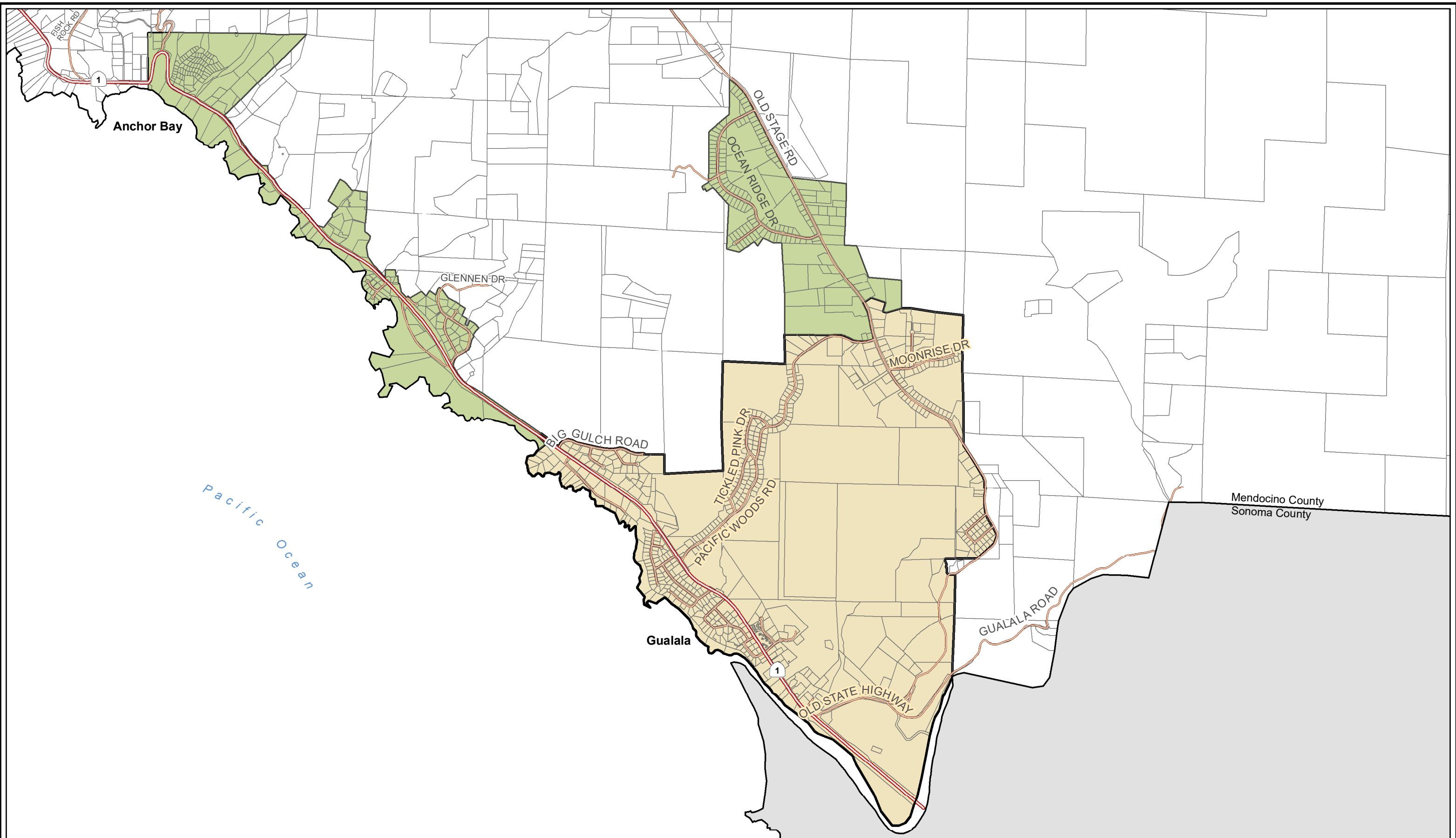
The District serves the unincorporated town of Gualala. Because the community of Gualala is not a Census Designated Place (CDP), the Median Household Income (MHI) of its residents is assumed to approximate the County MHI of \$56,378. The MHI for Gualala is less than 80 percent (71 percent) of the statewide MHI of \$78,672 and is therefore considered to be a Disadvantaged Unincorporated Community (DUC). The residents of Gualala are receiving adequate essential municipal services of fire, water, and wastewater for the area. While these areas currently do not lack public services they would benefit from upgraded systems

4.6 Recommendation

Pursuant to The Community Services District Law (GC §61100), the Commission does hereby establish the functions and classes of services provided by the Gualala Community Services District as limited to wastewater collection and treatment.

Based upon the information contained in this report and the expressed interest of the GCSO, it is recommended that the 2014 Gualala Community Services District Area SOI be affirmed with no changes. Further, it is recommended that two AOs be established: (1) the MCWD2 boundaries, serving the Anchor Bay community; and (2) the proposed Zone 5, located adjacent to the northeast boundary of the District along Old Stage Road and Ocean View Drive. (Figure 4-1)

Figure 4-1: GCSD Proposed Sphere of Influence and Area of Interest



Gualala Community Services District Area of Interest

- Gualala Community Services District
- Area of Interest
- Parcels
- Highways
- Roads

Source: This map was prepared by the Information Services Division GIS Program, May 24, 2024.
 Note: This map is not a survey product.

5 REFERENCES

- Assembly Committee on Local Government. (2023, December). *Guide to the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000*. Retrieved from <https://calafco.org/sites/default/files/resources/CKH-Guides/CKH%20GUIDE%20-%202023%20-%20linked.pdf>
- Calenteno. (2023). *GCS D Audit*.
- CalPERS. (2024). *Actuarial Resources* . Retrieved from <https://www.calpers.ca.gov/page/employers/actuarial-resources>
- Census Reporter. (2022A). *Block Group 3 Statistics Based on ACS 2022*. Retrieved from <https://censusreporter.org/profiles/15000US060450111023-bg-3-tract-11102-mendocino-ca/>
- Census Reporter. (2022B). *Census Tract 111.02 Statistics Based on 2022 ACS*. Retrieved from <https://censusreporter.org/profiles/14000US06045011102-census-tract-11102-mendocino-ca/>
- County of Mendocino Coastal Element. (2021, November). *County of Mendocino Coastal Element*. Retrieved from <https://www.mendocinocounty.org/home/showpublisheddocument/56978/638181067153900000>
- County of Mendocino General Plan. (2009, August). *County of Mendocino General Plan*. Retrieved from <https://www.mendocinocounty.org/government/planning-building-services/plans/mendocino-county-general-plan>
- County, M. (2002). *Gualala Town Plan*. Retrieved from <https://www.mendocinocounty.gov/government/planning-building-services/plans/gualala-town-plan>
- County, M. (2009). *Mendocino County General Plan, Coastal Element*. Retrieved from <https://www.mendocinocounty.gov/government/planning-building-services/plans/mendocino-county-general-plan>
- DOF. (2023, December). *Department of Finance*. Retrieved from County Population Projections: <https://dof.ca.gov/forecasting/demographics/projections/>
- HCD. (2023). *Housing Element Annual Progress Report (APR) Data*. Retrieved from California Open Data Portal: <https://data.ca.gov/dataset/housing-element-annual-progress-report-apr-data-by-jurisdiction-and-year>
- MC Engineering (2022A). *Gualala Community Services Asset Evaluation, Rate Study, and Revenue Strategies*. Available Online: <https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/9%2026%202022%20Asset%20Evaluation%20Rate%20Study%20and%20Reve.pdf?ver=1713882305002>. Accessed April 23, 2024.

MC Engineering (2022B). *Gualala Community Services District SWRCB Grant Funded Wastewater Planning Project Engineering Report*. Available Online:
<https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/SWRCB%20Grant%20Funded%20Wastewater%20Planning%20Project.pdf?ver=1713882305002>. Accessed April 23, 2024.

US Census. (2022A). *2022 ACS Survey MHI California*. Retrieved from
<https://data.census.gov/profile/California?g=040XX00US06>

US Census. (2022B). *2022 ACS MHI Mendocino County*. Retrieved from
https://data.census.gov/profile/Mendocino_County,_California?g=050XX00US06045

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.

Uma Hinman, Executive Officer
Spencer Richard, Analyst
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.

Gualala Community Services District	Chris Troyan, General Manager Geraldine LiaBraaten, Administrator
-------------------------------------	--

7 APPENDICES

7.1 Appendix A - Community Services District Law (California Government Code §61100 Latent Powers

- a) Supply water for any beneficial uses, in the same manner as a municipal water district, formed pursuant to the Municipal Water District Law of 1911, [Division 20 \(commencing with Section 71000\) of the Water Code](#). In the case of any conflict between that division and this division, the provisions of this division shall prevail.
- b) Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as a sanitary district, formed pursuant to the Sanitary District Act of 1923, [Division 6 \(commencing with Section 6400\) of the Health and Safety Code](#). In the case of any conflict between that division and this division, the provisions of this division shall prevail.
- c) Collect, transfer, and dispose of solid waste, and provide solid waste handling services, including, but not limited to, source reduction, recycling, and composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with [Section 41821.2 of the Public Resources Code](#).
- d) Provide fire protection services, rescue services, hazardous material emergency response services, and ambulance services in the same manner as a fire protection district, formed pursuant to the Fire Protection District Law, Part 2.7 (commencing with [Section 13800](#)) of Division 12 of the Health and Safety Code.
- e) Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with [Section 5780](#)) of Division 5 of the Public Resources Code.
- f) Organize, promote, conduct, and advertise programs of community recreation, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with [Section 5780](#)) of Division 5 of the Public Resources Code.
- g) Acquire, construct, improve, maintain, and operate street lighting and landscaping on public property, public rights-of-way, and public easements.
- h) Provide for the surveillance, prevention, abatement, and control of vectors and vector borne diseases in the same manner as a mosquito abatement and vector control district formed pursuant to the Mosquito Abatement and Vector Control District Law, Chapter 1 (commencing with [Section 2000](#)) of Division 3 of the Health and Safety Code.
- i) Provide police protection and law enforcement services by establishing and operating a police department that employs peace officers pursuant to Chapter 4.5 (commencing with [Section 830 of Title 3 of Part 2 of the Penal Code](#)).
- j) Provide security services, including, but not limited to, burglar and fire alarm services, to protect lives and property.
- k) Provide library services, in the same manner as a library district formed pursuant to either Chapter 8 (commencing with [Section 19400](#)) or Chapter 9 (commencing with [Section 19600](#)) of Part 11 of the Education Code.
- l) Acquire, construct, improve, and maintain streets, roads, rights-of-way, bridges, culverts, drains, curbs, gutters, sidewalks, and any incidental works. A district shall not acquire, construct,

improve, or maintain any work owned by another public agency unless that other public agency gives its written consent.

- m) Convert existing overhead electric and communications facilities, with the consent of the public agency or public utility that owns the facilities, to underground locations pursuant to Chapter 28 (commencing with [Section 5896.1](#)) of [Part 3 of Division 7 of the Streets and Highways Code](#).
- n) Provide emergency medical services pursuant to the Emergency Medical Services System and the Prehospital Emergency Medical Care Personnel Act, Division 2.5 (commencing with [Section 1797](#)) of [the Health and Safety Code](#).
- o) Provide and maintain public airports and landing places for aerial traffic, in the same manner as an airport district formed pursuant to the California Airport District Act, Part 2 (commencing with [Section 22001](#)) of [Division 9 of the Public Utilities Code](#).
- p) Provide transportation services.
- q) Abate graffiti.
- r) Plan, design, construct, improve, maintain, and operate flood protection facilities. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities within the boundaries of another special district that provides those facilities unless the other special district gives its written consent. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities in unincorporated territory unless the board of supervisors gives its written consent. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities within a city unless the city council gives its written consent.
- s) Acquire, construct, improve, maintain, and operate community facilities, including, but not limited to, community centers, libraries, theaters, museums, cultural facilities, and childcare facilities.
- t) Abate weeds and rubbish pursuant to [Part 5 \(commencing Section 14875\) of the Health and Safety Code](#). For that purpose, the board of directors shall be deemed to be a “board of supervisors” and district employees shall be deemed to be the “persons” designated by [Section 14890 of the Health and Safety Code](#).
- u) Acquire, construct, improve, maintain, and operate hydroelectric power generating facilities and transmission lines, consistent with the district's water supply and wastewater operations. The power generated shall be used for district purposes or sold to a public utility or another public agency that generates, uses, or sells electrical power. A district shall not acquire hydroelectric power generating facilities unless the facilities' owner agrees.
- v) Acquire, construct, improve, maintain, and operate television translator facilities.
- w) Remove snow from public streets, roads, easements, and rights-of-way. A district may remove snow from public streets, roads, easements, and rights-of-way owned by another public agency, only with the written consent of that other public agency.
- x) Provide animal control services pursuant to [Section 30501 of the Food and Agricultural Code](#). Whenever the term “board of supervisors,” “county,” “county clerk,” or “animal control officer” is used in Division 14 (commencing with [Section 30501](#)) of [the Food and Agricultural Code](#), those terms shall also be deemed to include the board of directors of a district, a district, the general manager of the district, or the animal control officer of a district, respectively. A district shall not provide animal control services in unincorporated territory unless the county board of supervisors gives its written consent. A district shall not provide animal control services within a city unless the city council gives its written consent.

- y) Control, abate, and eradicate pests, in the same manner as a pest abatement district, formed pursuant to Chapter 8 (commencing with [Section 2800](#)) of Division 3 of the Health and Safety Code. A district's program to control, abate, or eradicate local pine bark beetle infestations shall be consistent with any required plan or program approved by the Department of Forestry and Fire Protection.
- z) Construct, maintain, and operate mailboxes on a district's property or rights-of-way.
 - aa) Provide mail delivery service under contract to the United States Postal Service.
 - bb) Own, operate, improve, and maintain cemeteries and provide interment services, in the same manner as a public cemetery district, formed pursuant to the Public Cemetery District Law, [Part 4 \(commencing with Section 9000\)](#) of Division 8 of the Health and Safety Code.
 - cc) Finance the operations of area planning commissions formed pursuant to [Section 65101](#).
 - dd) Finance the operations of municipal advisory councils formed pursuant to [Section 31010](#).
 - ee) Acquire, own, improve, maintain, and operate land within or without the district for habitat mitigation or other environmental protection purposes to mitigate the effects of projects undertaken by the district.
 - ff) Construct, own, improve, maintain, and operate broadband facilities and provide broadband services. For purposes of this section, broadband has the same meaning as in [subdivision \(a\) of Section 5830 of the Public Utilities Code](#). A district shall comply with Article 12 (commencing with [Section 53167](#)) of Chapter 1 of Part 1 of Division 2 of Title 5 when providing broadband services pursuant to this subdivision. If the district later determines that a private person or entity is ready, willing, and able to acquire, construct, improve, maintain, and operate broadband facilities and to provide broadband services, and to sell those services at a comparable cost and quality of service as provided by the district, the district may do one of the following:
 - a. Diligently transfer its title, ownership, maintenance, control, and operation of those broadband facilities and services at a fair market value to that private person or entity.
 - b. Lease the operation of those broadband facilities at a fair market value to that private person or entity.

7.2 Appendix B – 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 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 §6250 et seq.), (2) **Political Reform Act** – Conflict-of-Interest regulations (Government Code §81000 et seq.), (3) **Ethics Principles and Training** (AB 1234 and Government Code §53235), (4) **Brown Act** – Open Meeting regulations (Government Code §54950 et seq.), and (5) **Online Compliance** regulations (Section 508 of the US Rehabilitation Act and Government Code §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 Fair Political Practices Commission is available at the following link: <http://www.fppc.ca.gov/>.
- Refer to the California Department of Rehabilitation website for information regarding Section 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 Institute for Local Government (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 Institute for Local Government (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/>.

7.3 Appendix C – Website Compliance Handout

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
CSDA
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

7.4 Appendix D – Housing Legislation Trends and Results

Mendocino County and ADUs

In response, the County of Mendocino has taken a number of steps to facilitate 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 General Plan update was adopted on 11/9/2021 which amended the Coastal Zoning Code component of the Local Coastal Plan to establish and revise standards for Accessory Dwelling Units in the Coastal Zone.

Because Anchor Bay is located in the Coastal Zone of the County 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 (JADU), 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 - Public Health and Safety Requirements, of 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 located in a service district (such as Pacific Reefs), 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 Section 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 Governor's Office of Planning and Research (OPR) and the State's 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 RHNA allocations.

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 MCWD2 in Anchor Bay. 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 State of California Department of Housing and Community Development (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 took into account 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 was 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 8/15/2019 and 8/17/2027. 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 Government Code 65583(a)(1).

Extremely Low-Income Units*		145			15	26	21	62	83
-----------------------------	--	-----	--	--	----	----	----	----	----

(HCD, 2023)

With respect to how RHNA requirements may affect Anchor Bay, the State continues to push for more housing across the state including in communities located on the coast such as Anchor Bay. 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 Anchor Bay, 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.

- SB9 - 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. SB 9 also mandates that local agencies approve development projects that meet specified size and design standards.
- SB10 - 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 Jan. 1, 2021, and Jan. 1, 2029, and is exempt from the California Environmental Quality Act (CEQA).
- SB35 - Applies in cities that are not meeting their Regional Housing Need Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80% area median income. SB-35 amends Government Code Section 65913.4 to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

7.5 Appendix E – District Financial Audits

GUALALA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

GUALALA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements	
Statement of Net Position	6
Statement of Activities And Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	11

MICHAEL A. CELENTANO
Certified Public Accountant
12204 E Camino Loma Vista
Yuma AZ 85367

707-367-9729

maccpa@pacific.net

Board of Directors
Gualala Community Services District
Gualala CA 95445

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Gualala Community Services District as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Gualala Community Services District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Gualala Community Services District as of June 30, 2022 and 2021 and the respective 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 Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 9 for more detail.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities 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 Gualala Community Services District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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 Gualala Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 generally accepted auditing standards 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, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Gualala Community Services 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gualala Community Services 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United State has determined is necessary to supplement, although not required to be part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'M. Celentano', with a long horizontal line extending to the right.

Michael A Celentano
Certified Public Accountant

November 22, 2022

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 131,157	\$ 224,466
Accounts receivable - net	71,859	55,577
Grant receivable	95,354	204,008
Current portion of special assessments receivable - Note 4	<u>49,432</u>	<u>47,932</u>
Total Current Assets	347,802	531,983
<u>Non Current Assets</u>		
Restricted		
Cash in banks - Note 3	233,241	99,693
Cash in county treasury - Note 3	127,463	135,907
Special assessments receivable - long-term portion - Note 4	<u>433,137</u>	<u>482,568</u>
Total Non Current Assets	793,841	718,168
<u>Capital Assets - Note 5</u>	<u>4,166,871</u>	<u>4,351,472</u>
Total Assets	<u>\$ 5,308,514</u>	<u>\$ 5,601,623</u>

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>LIABILITIES</u>	<u>2022</u>	<u>2021</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 164,373	\$ 144,335
Accrued payroll and payroll liabilities	6,161	9,483
Accrued vacation	20,906	16,254
Interest payable	7,501	8,289
Current portion of long term liabilities	<u>112,770</u>	<u>105,935</u>
 Total Current Liabilities	 311,711	 284,296
 <u>Long Term Liabilities</u>		
Net Pension Liability	135,556	164,904
Special assessment bonds payable - Note 6	390,000	425,000
CoBank Loan Payable - Note 7	338,401	408,194
Less current portion shown above	<u>(112,770)</u>	<u>(105,935)</u>
 Total Long Term Liabilities	 <u>751,187</u>	 <u>892,163</u>
 Total Liabilities	 <u>\$ 1,062,898</u>	 <u>\$ 1,176,459</u>
 <u>Net Position</u>		
Investment in capital assets	3,438,270	3,518,278
Restricted for debt service	127,463	135,907
Restricted for equipment replacement	223,241	99,693
Unrestricted	<u>456,642</u>	<u>671,286</u>
 Total Net Position	 <u>\$ 4,245,616</u>	 <u>\$ 4,425,164</u>

The accompanying notes are an integral part of these statements

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues</u>		
Charges for services	\$ 493,949	\$ 532,825
Other operating income	<u>199,174</u>	<u>188,732</u>
 Total Operating Revenue	 693,123	 721,557
<u>Operating Expenses</u>		
Salaries	328,105	294,725
Employee benefits	114,501	109,171
Collection system	51,317	47,751
Treatment plant	161,577	132,482
Utilities	7,153	43,224
Vehicle expense	19,246	10,794
Legal and other professional services	29,420	31,520
Office expense	2,703	2,878
Insurance	22,646	22,723
Other administrative expenses	26,280	28,455
Depreciation	<u>260,303</u>	<u>263,328</u>
 Total Operating Expenses	 <u>1,023,251</u>	 <u>987,051</u>
 Operating Income (Loss)	 (330,128) -	 (265,494)
<u>Non-Operating Revenues (Expenses)</u>		
Interest income - bank and county treasury	1,546 -	1,031
Federal and State funding	195,549 -	
Grant income	66,405	327,340
Grant expense	(105,815)	(345,596)
Gain/(Loss) on sale of capital assets	19,202 -	-
PERS actuarial assumption changes	7,267 -	(23,862)
Interest expense	<u>(33,574) -</u>	<u>(38,547)</u>
 Total Non-Operating Revenues (Expenses)	 <u>150,580</u>	 <u>(79,634)</u>
 Net Income (Loss)	 (179,548)	 (345,128)
 <u>Net Position, Beginning of Year</u>	 <u>4,425,164</u>	 <u>4,770,292</u>
 <u>Net Position, Ending of Year</u>	 <u>\$ 4,245,616</u>	 <u>\$ 4,425,164</u>

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 696,043	\$ 716,527
Payments to suppliers for goods and services	(312,260)	(233,857)
Payments to employees and related items	<u>(441,276)</u>	<u>(399,274)</u>
Net Cash Provided by Operating Activities	(57,493)	83,396
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from special assessments	47,931	49,123
Acquisition of capital assets	(75,702)	-
(Increase) decrease in restricted cash - County Treasury	8,444	3,860
Principal payments on the bond	(35,000)	(30,000)
Principal payments on the loan	(69,793)	(67,938)
Interest paid	<u>(34,362)</u>	<u>(38,310)</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	(158,482)	(83,265)
<u>Cash Flows From Investing Activities</u>		
Interest income	1,546	1,031
Federal and State funding	195,549	
Grant income (expense)	81,200	(175,359)
Payment of unfunded pension liability	<u>(22,081)</u>	<u>(14,365)</u>
Net Cash Flows Provided by Investing Activities	<u>256,214</u>	<u>(31,590)</u>
Net Change in Cash and Cash Equivalents	<u>40,239</u>	<u>(188,562)</u>
Cash and Cash Equivalents, Beginning of Year	<u>324,159</u>	<u>512,721</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 364,398</u>	<u>\$ 324,159</u>
<u>Supplemental Disclosures:</u>		
Interest Paid During the Year	<u>\$ 34,362</u>	<u>\$ 38,310</u>

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating income (loss)	\$ (330,128)	\$ (265,494)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	260,303	263,328
(Increase) decrease in current assets:		
Accounts receivable	2,920	(5,030)
Grant receivable	-	
Prepaid expenses	-	6,559
Increase (decrease) in current liabilities		
Accounts payable excluding grant expenses	8,082	79,411
Accrued payroll, vacation and payroll liabilities	<u>1,330</u>	<u>4,622</u>
 Net Cash Provided by Operating Activities	 <u>\$ (57,493)</u>	 <u>\$ 83,396</u>

GUALALA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Gualala Community Services District is an entity which consists of the District as the primary government. Status as a primary government is determined by such criteria as financial interdependency, legal separation, and type of governing authority.

The Gualala Community Services District was organized on August 5, 1986, by resolution of the Board of Supervisors of Mendocino County. The District is governed by five directors, all registered voters of Mendocino County. The District is not included in any other governmental reporting entity since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District was organized for the purpose of providing the services of collection, treatment or disposal of sewage and waste of the District and of its inhabitants, in accordance with Government Code Section 61600(b). The District began operating the treatment plant in October, 1992 and is limited to providing sewage collection, treatment and disposal services to the geographic area located in the immediate vicinity of Gualala, California.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles as applicable to state and local governments.

The following is a summary of the more significant policies:

Basis of Presentation

The Statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the Enterprise Fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position.

Basis of Accounting

The District Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2022 and 2021. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.
- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2022 and 2021 consisted of Category 1 type only.

Receivables

Bad debts associated with accounts receivable for services are provided for by use of the direct write off method. Other receivables, if any, are shown at the anticipated recoverable amount, unless otherwise noted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or estimated cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated. Assets with a value of \$1,000 or less are expensed in the year acquired.

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The range of estimated useful lives is as follows:

Treatment plant	5-75 years
General plant assets	5-40 years

Assessments

The County of Mendocino and not the District is responsible for collection of the assessments. The District recognizes assessments when received from or collected by the county.

Proprietary Fund Financial Statements

The District has a sole fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, A Statement of Activities and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Note 2 - Cash

As of June 30, 2022 and 2021 cash consisted as follows:

	<u>2022</u>	<u>2021</u>
Cash		
General operations	\$ 56,876	\$130,447
Money market/Savings accounts	<u>74,281</u>	<u>94,019</u>
	<u>\$131,157</u>	<u>\$224,466</u>

The deposits approximate fair market value and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents. The deposits approximate fair market value.

Note 3 - Cash – Restricted

As of June 30, 2022 and 2021 cash of restricted assets consisted as follows:

	<u>2022</u>	<u>2021</u>
Cash in banks		
Money market/Savings accounts	<u>\$233,241</u>	<u>\$ 99,693</u>
	<u>\$233,241</u>	<u>\$ 99,693</u>
Cash in county treasury		
Bond reserve fund	<u>\$ 127,463</u>	<u>\$135,907</u>
	<u>\$ 127,463</u>	<u>\$135,907</u>

All above deposits are either insured or collateralized and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents, except for the cash and county treasury. The deposits approximate fair market value.

Note 4 - Special Assessments Receivable

As discussed in Note 6, the District issued special assessment debt to facilitate the construction of a sewage plant for the District. The debt is being paid back by the land owners that benefit from the treatment plant within the District in accordance with their individual share of the debt. The bonds are collateralized by a lien on the property located within the District and annual assessments of principal, interest and collection costs are made. The amount of the assessment has been recorded as a receivable and is reduced by principal payments made by the property owners to the District. Property owners can pay the full amount of the lien before the scheduled due date. The amount that is due within one year from the balance sheet date is shown as a current asset.

Note 5 - Property, Plant and Equipment

The following is a summary of the changes in property, plant and equipment for the fiscal year:

	<u>Balance</u> <u>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Land and land improvements	\$ 481,300	\$	\$	\$ 481,300
Treatment plant, structures and improvements	10,884,185	75,702		10,959,887
Buildings	94,556			94,556
Equipment and vehicles	573,540		(25,984)	547,556
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cost	12,033,581	75,702	(25,984)	12,083,299
Less accumulated depreciation	<u>(7,682,109)</u>	<u>(260,328)</u>	<u>25,984</u>	<u>(7,916,428)</u>
Net Book Value	<u>\$ 4,351,472</u>	<u>\$ (184,601)</u>	<u>\$ 0</u>	<u>\$ 4,166,871</u>

Depreciation expense of \$260,303 and \$263,328 were recorded as operating expense for the years ended June 30, 2022 and 2021, respectively.

Note 6 - Special Assessment Bonds Payable

The District issued special assessment debt to help finance the acquisition and construction costs of the land, structures, water treatment plant, and equipment. The bonds are issued upon and are secured by paid and unpaid assessments lawfully levied pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). The bonds are described as: Gualala Community Services District Sewer System Assessment District 1987-1; originally issued on March 12, 1991 for \$973,118.18; maturing in various amounts on September 2; bearing interest rate of 5% per annum with interest paid semi-annually on March 2 and September 2 each year; principal payments are scheduled to be paid annually in various amounts on September 2 each year. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity date upon thirty days prior notice and upon payment of accrued interest and principal plus a redemption premium of three percent (3.0%) of the principal amount redeemed.

Required with the bond issuance was the establishment of a Bond Reserve Fund in case the District became delinquent on its bond payments. The funds are maintained in the County treasury and are restricted for that use only. The County of Mendocino has no other payment obligation for these bonds except to advance funds from the reserve fund to the bond redemption fund as needed.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,000	\$ 18,625
2024	35,000	16,875
2025	40,000	15,000
2026	40,000	13,000
2027	45,000	10,875
2028-2031	<u>195,000</u>	<u>19,875</u>
	390,000	<u>\$ 94,250</u>
Less current portion	<u>35,000</u>	
	<u>\$355,000</u>	

Interest expense of \$20,375 and \$22,000 was incurred and was recorded as a non-operating expense for the years ended June 30, 2022 and 2021 respectively.

Note 7 - CoBank Loan Payable

The District borrowed \$700,000 to fund improvements on November 17, 2016. Terms of the loan include variable monthly payments which was \$ 7,166.28 in June 2017 which included an annual interest rate of 3.51% which varies based with the LIBOR Index Rate and is fully amortized on December 20, 2026. Security for the loan is pledged revenues.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 77,770	\$ 13,194
2024	73,804	10,663
2025	75,835	8,043
2026	77,906	5,329
2027	<u>33,086</u>	<u>2,518</u>
	338,401	<u>\$ 39,946</u>
Less current portion	<u>77,770</u>	
	<u>\$260,631</u>	

Interest expense of \$13,324 and \$16,211 was incurred and was recorded as a non-operating expense for the years ended June 30, 2022 and 2021 respectively.

Note 8 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2022:

Type of Debt	Balance <u>07/01/21</u>	Additions	Reductions	Balance <u>06/30/22</u>	Due within <u>one year</u>
Special Assessment Bond	\$ 425,000	\$ 0	\$ 35,000	\$ 390,000	\$ 35,000
CoBank Loan	<u>408,194</u>	<u>0</u>	<u>69,793</u>	<u>338,401</u>	<u>77,770</u>
	<u>\$ 833,194</u>	<u>\$ 0</u>	<u>\$104,793</u>	<u>\$ 728,401</u>	<u>\$112,770</u>

Note 9 - Defined Benefit Pension Plan (Unaudited)

Effective January 1, 1997, the District entered into the Public Employees Retirement System (PERS). Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California. Employees are members of the Public Employees' Retirement System.

Plan Description: The District contributes to the PERS, an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and district ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 6.92% for classic plan and 6.75% for PRPRA of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate for June 30, 2022 was 8.65% for non-safety employees and 7.59% for PEPRA of annual covered payroll plus an employer payment of \$22,801 for unfunded liability. The rate for June 30, 2023 will be 8.63% for the classic plan and 7.47% for PEPRA plus an employer payment of \$ 15,877 for non-safety employees and \$271 for PEPR for unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost: For June 30, 2022 the District's annual pension cost of \$14,093 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was

determined by an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2022 was determined as part of the June 30, 2019 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/20	23,617	100%	0
6/30/21	21,172	100%	0
6/30/22	14,093	100%	0

The table below shows a three-year analysis of the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
Classic					
6/30/19	784,671	617,680	166,991	78.7%	149,313
6/30/20	520,388	343,461	176,927	66.0%	91,270
6/30/21	475,700	332,558	143,142	69.9%	104,998
PEPRA					
6/30/19	22,343	20,924	1,419	93.6%	89,424
6/30/20	39,575	37,233	2,342	94.1%	123,692
6/30/21	74,481	82,067	(7,586)	110.2%	133,751

Note 10 - Joint Power Agreement

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurances purposes. The SDRMA is a joint powers agency formed pursuant to Section 6500 et. seq., California Government Code, is comprised of California special districts, and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient and long term risk financing for special districts. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

Note 11 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through November 22, 2022 that meet the above definition.

Attachment 2

Notice of Exemption*(Exempt from fees per GOV Section 27383)***Appendix E**

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk

County of: Mendocino

From: (Public Agency): Mendocino LAFCo
200 S School Street
Ukiah, CA 95482

(Address)

Project Title: Gualala Community Services District Municipal Service Review & Sphere of Influence Update

Project Applicant: N/A

Project Location - Specific:

Community of Gualala on State Hwy 1, Mendocino County's southern coast

Project Location - City: Gualala Project Location - County: Mendocino

Description of Nature, Purpose and Beneficiaries of Project:

This is a LAFCo-initiated Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Gualala Community Services District prepared in accordance with California Government Code Sections 56430 and 56425

Name of Public Agency Approving Project: Mendocino Local Agency Formation Commission

Name of Person or Agency Carrying Out Project: Mendocino Local Agency Formation Commission

Exempt Status: **(check one):**

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: 15306 (Class 6 Exemption)
- Statutory Exemptions. State code number: _____

Reasons why project is exempt:

15306 (Information Collection): the MSR is a data collection and service evaluation study, does not make land use changes, and any future actions will be subject to additional environmental review.

15061(b)(3) (General Rule): the SOI Update does not grant new municipal service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

Lead Agency

Contact Person: Uma Hinman, Executive Officer Area Code/Telephone/Extension: (707) 463-4470

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: _____ Date: 07/01/2024 Title: Executive Officer

▪ Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

**Resolution No. 2023-24-10
of the Mendocino Local Agency Formation Commission**

**Approving the
Gualala Community Services District
Municipal Service Review and Sphere of Influence Update 2024**

WHEREAS, the Mendocino Local Agency Formation Commission, hereinafter referred to as the “Commission”, is authorized to conduct municipal service reviews and establish, amend, and update spheres of influence for local governmental agencies whose jurisdictions are within Mendocino County; and

WHEREAS, the Commission conducted a municipal service review to evaluate the Gualala Community Services District, hereinafter referred to as the “GCSD or District”, pursuant to California Government Code Section 56430; and

WHEREAS, the Commission conducted a sphere of influence update for the District pursuant to California Government Code Section 56425; and

WHEREAS, the Commission held a public workshop on June 3, 2024 to receive public and agency comments and provide direction on revisions to the District’s Draft MSR/SOI update; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission in the form and manner prescribed by law; and

WHEREAS, the Executive Officer’s report and recommendations on the municipal service review and sphere of influence update were presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the Municipal Service Review and Sphere of Influence update on July 1, 2024; and

WHEREAS, the Commission considered all the factors required under California Government Code Sections 56430 and 56425.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Mendocino Local Agency Formation Commission, as follows:

1. The Commission, as Lead Agency, finds the municipal service review categorically exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15306 (Class 6 Exemption). This finding is based on the use of the municipal service review as a data collection and service evaluation study. There are no land use changes or environmental impacts created or recommended by the MSR. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.
2. The Commission, as Lead Agency, finds the sphere of influence update exempt from further review under the California Environmental Quality Act pursuant to Title 14 of the California Code of Regulations §15061(b)(3) (General Rule). This finding is based on the Commission determining with certainty that the sphere of influence update will have no possibility of significantly effecting the environment given that this update does not grant new municipal

service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.

3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: “Gualala Community Services District MSR/SOI Update 2024”.
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the District.

BE IT FURTHER RESOLVED that the Gualala Community Services District MSR/SOI Update 2024 is hereby approved and incorporated herein by reference and that the District’s existing Sphere of Influence established in 2016 is affirmed, consisting of a coterminous sphere and inclusion of the Gualala Point Regional Park, as depicted in Exhibit “A”, attached hereto.

PASSED and ADOPTED by the Mendocino Local Agency Formation Commission this 1st day of July 2024 by the following vote:

AYES:

NOES:

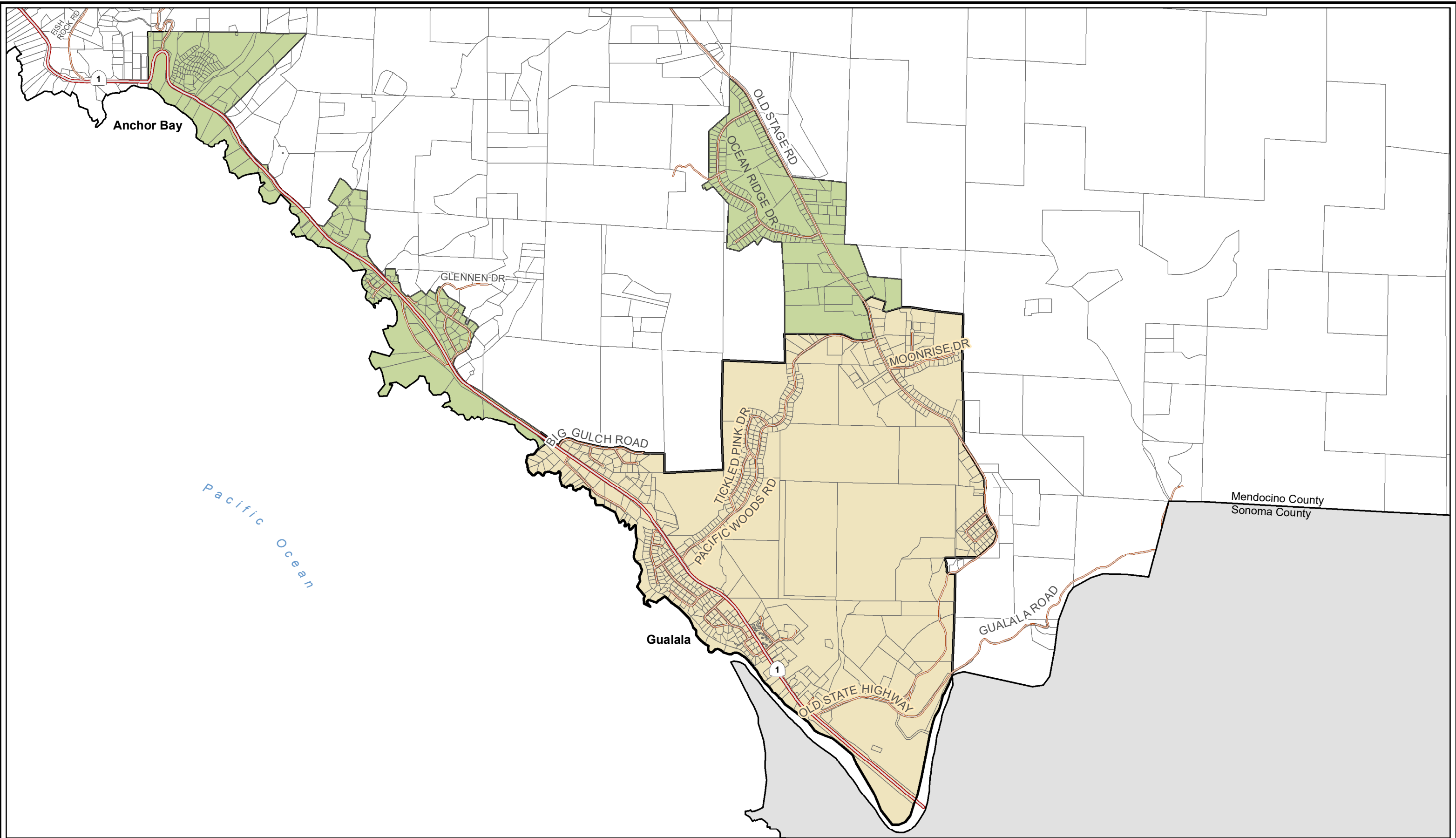
ABSTAIN:

ABSENT:

MAUREEN MULHEREN,
Commission Chair

ATTEST:

UMA HINMAN, Executive Officer



Gualala Community Services District Area of Interest

Source: This map was prepared by the Information Services Division GIS Program, May 24, 2024.
 Note: This map is not a survey product.

- Gualala Community Services District
- Area of Interest
- Parcels
- Highways
- Roads

1,000 500 0 1,000
 Feet

Fort Bragg Advocate-News

690 S. Main Street
Fort Bragg, California 95437
707-964-5642

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

**PROOF OF PUBLICATION
(2015.5 C.C.P.)**

**STATE OF CALIFORNIA
COUNTY OF MENDOCINO**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the Office Clerk of the Fort Bragg Advocate-News, a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California under the date of May 9, 1952 - Case Number 9151, that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been printed in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates:

06/06/2024

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated at Fort Bragg, California,
June 6th, 2024



Sue Fullbright, LEGAL CLERK

Legal No. **0006833014**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on Monday, July 1, 2024, at 9:00 AM (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Gualala Community Services District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study**. This MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Title 14 CCR § 15306 and § 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463- 4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
6-6-2024

Independent Coast Observer

P.O. Box 1200
Gualala, CA 95445

(707) 884-3501
(707) 884-1710 fax
www.mendonoma.com

Proof of Publication of Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING

I, the undersigned say:

That I am over the age of eighteen and am not a party to or interested in the above entitled matter of proceeding; and am, and at all times embraced in the publication herein mentioned, was the principal clerk of the editor and publisher of the INDEPENDENT COAST OBSERVER, a weekly newspaper printed, published and circulated in the County of Mendocino, and adjudged a newspaper of general circulation by the Superior Court of California, Proceeding #15294, that the

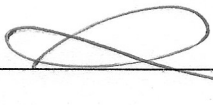
above Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING of which is annexed a true printed copy, was printed in type not smaller than nonpareil and published in said newspaper on the following date(s), to wit: June 7, 2024.

I, if
The
inte
ent
via
INT

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Executed and dated at Gualala, California, this June 4, 2024

Signature _____



(ICO Ad number 8027)

I, if
The
inte
ent
via
INT

Public Notice

MENDOCINO LOCAL AGENCY FORMATION COMMISSION NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Monday, **July 1, 2024, at 9:00 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Gualala Community Services District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update Study**. This MSR/SOI Update is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Title 14 CCR § 15306 and § 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.

(8027) June 7, 2024



STAFF REPORT

Agenda Item No. 7a	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	Master Tax Share Agreement between Mendocino County and Cities

RECOMMENDED ACTION

This item is for informational purposes only. No actions will be taken as a part of this item.

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act (Govt. Code section 56000 et seq.) outlines the procedures Mendocino LAFCo must follow to process applications for annexations. One of the processing requirements for an annexation is a tax sharing agreement as provided for in Revenue and Taxation Code (RTC) §99, which sets forth how tax revenues generated by the property being annexed are shared between the county and the annexing city. Further, RTC §99(d) provides for a Master Tax Sharing Agreement (MTSA) that encompasses all the primary taxes and all jurisdictions, and establishes the basis of exchange of taxes upon annexation.

When a city annexes land from a county, the responsibility for providing municipal-type services transfers from the county to the city while the county continues to provide county-wide services such as public health and social services. Government revenue, derived primarily from property tax, local sales tax, and transient occupancy tax, funds essential services, with responsibilities shared between the cities and the county. The allocation of tax revenue between the county and city jurisdictions must effectively direct resources to the jurisdiction best equipped to deliver specific services.

Annexation facilitates the strategic extension of city-provided municipal services to higher populated areas, while ensuring the County can continue to provide vital county-wide services; a MTSA is designed to facilitate this transfer without creating sudden financial stress and allows for the orderly transition of resources and changes in service delivery. Such a MTSA is beneficial in that it provides consistency and efficiency in the annexation process as opposed to having to negotiate a separate agreement for each annexation.

Benefits of a MTSA include enhancing cooperation between the County and its Cities, thereby reducing competition for tax revenue, and establishing a consistent and efficient approach to tax sharing across the region that coordinates tax revenue and provision of government services.

The absence of a MTSA in Mendocino County has resulted in no significant annexations to a city since the 1980s, which has inhibited orderly growth of urban areas and resulted in piecemeal development and sprawl in the surrounding unincorporated regions. As a result, all jurisdictions are struggling to provide services without the necessary funding stream or capacity to support them. Establishing a MTSA facilitates annexations and ensures

the proper distribution of revenues to support City and County services while fostering economic collaboration and resiliency.

The Mendocino County MTSA was developed between the County of Mendocino and the Cities of Fort Bragg, Point Arena, Ukiah, and Willits. The County Board of Supervisors and the City of Ukiah City Council approved the MTSA in June 2024 (see Attachments 1 and 2); it is scheduled for consideration by the remaining City Councils in the coming weeks.

With the MTSA in place, LAFCo staff anticipate an increase in City applications for annexations. Note that the MTSA does not apply to special districts, which will continue to require tax share processes on an individual basis.

ATTACHMENTS

- (1) Mendocino County Board of Supervisors Staff Report (including MTSA)
- (2) City of Ukiah Staff Report

Attachment 1

Mendocino County Board of Supervisors Master Tax Share Agreement Staff Report

Details Reports

File #: 24-0412 **Version:** 1 **Name:**
Type: Approval **Status:** Agenda Ready
File created: 4/2/2024 **In control:** Board of Supervisors
On agenda: 6/5/2024 **Final action:**
Title: Discussion and Possible Action Including Adoption of a Resolution Approving a Master Tax Sharing Agreement between the County of Mendocino, the City of Fort Bragg, the City of Point Arena, the City of Ukiah, and the City of Willits (Sponsors: Supervisor Mulheren and Supervisor Gjerde)
Attachments: 1. [Resolution](#), 2. [MTSA Key Terms](#), 3. [Agreement](#)

History (1) Text

To: BOARD OF SUPERVISORS

From: Supervisor Mulheren and Supervisor Gjerde

Meeting Date: June 5, 2024

Department Contact: Darcie Antle **Phone:** 707-463-4441
Department Contact: Steve Dunnycliff **Phone:** 707-463-4441

Item Type: Regular Agenda **Time Allocated for Item:** 1 Hour

Agenda Title:

Discussion and Possible Action Including Adoption of a Resolution Approving a Master Tax Sharing Agreement between the County of Mendocino, the City of Fort Bragg, the City of Point Arena, the City of Ukiah, and the City of Willits (Sponsors: Supervisor Mulheren and Supervisor Gjerde)

Recommended Action/Motion:

Adopt Resolution approving a Master Tax Sharing Agreement between the County of Mendocino, the City of Fort Bragg, the City of Point Arena, the City of Ukiah, and the City of Willits; authorize Chair to sign same.

Previous Board/Board Committee Actions:

Appointment of Supervisors Gjerde and Mulheren to a Tax Sharing Ad Hoc Committee.

Summary of Request:

The County of Mendocino and its Cities need an equitable and modern tax sharing agreement to facilitate the annexation of property and ensure the continued provision of essential public services in the relevant jurisdictions. Creating a sustainable tax sharing agreement will allow for improvements and efficiencies in delivering quality government services and create a strategic pathway for housing development and economic growth.

Currently, there is not a uniform approach to tax sharing across the region that coordinates tax revenue and provision of government services between the County of Mendocino and the cities of Fort Bragg, Point Arena, Ukiah, and Willits. As such, there have been no significant land annexations by a city in Mendocino County since the 1980s. As a result, all jurisdictions are getting stretched to provide services without the funding stream or capacity to support them. Moreover, the lack of annexations inhibits orderly growth of our urban areas and results in piecemeal development and sprawl in the surrounding unincorporated regions.

Approval of a master tax sharing agreement will help facilitate annexations and ensure the proper distribution of revenues to support city and county services while fostering economic collaboration and resiliency.

Background

The Cortese- Knox-Hertzberg Local Government Reorganization Act outlines the procedures in which the Mendocino County Local Agency Formation Commission (LAFCO) must follow to process an application for an annexation. When a city annexes land from a county, the responsibility for providing municipal-type services transfers from the county to the city while the county continues to provide county-wide services such as public health and social services. This agreement is not an annexation agreement, nor does it guarantee certain annexations must occur.

Government revenue, derived primarily from property tax, local sales tax, and transient occupancy tax, funds essential services, with responsibilities shared between the Cities and the County. The allocation of tax revenue between the County and City jurisdictions requires modernization to more effectively direct resources to the jurisdiction best equipped to deliver specific services. Annexation facilitates the strategic extension of city-provided municipal services to higher populated areas, while ensuring the County can continue to provide vital county-wide services; the Master Tax Sharing Agreement is designed to facilitate this transfer without creating a sudden financial shock.

One of the requirements to process an application for an annexation through LAFCO is a tax sharing agreement. A tax sharing agreement sets forth how tax revenues generated by the property being annexed are shared between the County and the annexing City. A master tax sharing agreement—one that encompasses all of the primary taxes and all jurisdictions—is beneficial in that it provides consistency and efficiency in the annexation process as opposed to having to negotiate a separate agreement with each annexation.

A primary objective of a master tax sharing agreement is to enhance cooperation between the county and its cities, thereby reducing competition for tax revenue. This allows land use and development decisions to be guided by sound planning principles, such as the development of necessary infrastructure and impact mitigation, efficient and rational service delivery, ensure orderly growth patterns, and the preservation of quality of life.

Discussion

City and County staff, along with an ad-hoc committee from the Board of Supervisors comprising Supervisors Mulheren and Gjerde, have collaborated for months on the details of a master tax sharing agreement. Their goal has been to devise a solution equitable to all jurisdictions and to mitigate budget impacts. This Master Tax Sharing Agreement facilitates economic development in ways that will increase tax revenue while relieving the County of municipal service obligations, benefiting every jurisdiction, and ultimately improving service delivery. As annexation occurs, the proposed Master Tax Sharing Agreement ensures both urban and rural areas receive the necessary support tailored to their unique needs. This Master Tax Sharing Agreement also enables the municipalities to program the expansion of services without sacrificing existing responsibilities.

A detailed term sheet for the proposed Master Tax Sharing Agreement is included as an attachment along with the Master Tax Sharing Agreement itself.

The proposed Master Tax Sharing Agreement is fair for all jurisdictions, will create a uniform approach that can be followed for decades to come, and will allow for appropriate growth. Benefits include:

- **Better provision of services:** With annexation, the tax sharing agreement allows each jurisdiction to more efficiently focus their efforts and resources on the responsibilities that are in their “lane.” Furthermore, it will “right-size” the tax revenue provided for each jurisdiction to meet its service obligations and match how these services are divided and delivered.
- **Addresses unsustainable pressure on City and County budgets:** The County of Mendocino is being stretched to provide different services to unincorporated areas that are beyond the County’s core capacities. A tax sharing agreement that supports future annexations which would assign service responsibility for these areas to cities would reduce the strain on the County to try to provide services that it is not set up for and would improve sustainability of the County budget and operations. Furthermore, reasonable growth for cities will help create a better economy of scale to address the demand for costly municipal services.
- **Equity for disadvantaged communities:** The unincorporated areas of the county that are currently underserved by government infrastructure are disproportionately lower income and minority populations. These communities deserve more investment in streets, sidewalks, streetlights, parks, emergency response and other infrastructure. To improve equity in our region, there must be a focus on bringing resources and investment and infrastructure improvements to these disadvantaged communities. That can only happen with a tax sharing agreement that better aligns revenue and responsibility to the appropriate jurisdictions.
- **Pathway for economic growth:** Better municipal services will allow for orderly, successful, and sustainable growth. Housing development will proceed and business activity will expand, which will bring heightened property and sales tax revenue to the region. Without a tax sharing agreement, government services will likely remain sub-par in areas that could accommodate such development, and growth will be stagnated.
- **Pathway for housing:** There are aggressive requirements for new housing development to meet shortfalls across the state of California. In Mendocino County, there are good opportunities for housing development that lie just outside city jurisdictions. With a tax sharing agreement and appropriate land annexation, the cities will work collaboratively with the County to take on new housing development and would be in the position to provide appropriate municipal services to support that buildout.

- Time for solution: There have been no significant land annexations in Mendocino County since the 1980s, which has left some developed areas without the appropriate extension of adequate municipal services. The tax sharing agreement fosters City and County collaboration to serve higher populated areas with the array of governmental services that are necessary for urban communities to thrive.
- Fairness for jurisdictions across the region: All four Cities in Mendocino County would adopt the same tax sharing provisions with the County. This would ensure fairness and fiscal responsibility for all jurisdictions and prevent the Cities from competing against each other for development opportunities.
- Fairness for residents: Currently, city residents are having to subsidize the delivery of basic services to areas outside city boundaries. Likewise, county residents are supporting delivery of municipal services that are typically outside of the County's responsibility, thereby stretching valuable resources. A tax sharing agreement will ensure all residents pay an equal amount for the services they receive, and all residents have access to the proper level of services for their community. In addition, incorporation into city boundaries provides individuals and businesses with expanded representation to help shape city policies.
- Common solution: Many cities and counties across California have adopted tax sharing agreements to resolve the discrepancies that can occur with how tax revenue is collected and how services are being delivered in different areas.
- The math adds up: City and county representatives have been working together on the specifics of the agreement for months to identify a fiscal solution that is fair for all jurisdictions and does not create budget shortfalls in any year as the agreement is incrementally implemented and revenue sharing is phased over time with each annexation. With this agreement in place, the expectation is that tax revenue will grow and every jurisdiction will be better off than before.

The Master Tax Sharing Agreement will promote annexations which are long overdue in many regions throughout Mendocino County. Assurance that our existing communities and future development will receive the appropriate services from our cities and the County is a key component to retaining and attracting businesses and investment in our region. The Agreement supports collaboration among our Cities and County to support safe and healthy communities, enhance economic growth, deliver high quality government services, and drive investment in well-planned infrastructure. The Agreement will set the stage for responsible growth in the right places, while improving the fiscal health of Fort Bragg, Point Arena, Willits, Ukiah, and the County.

The Cities and County have been developing a spreadsheet, with the assistance of the Acting Auditor/Controller & Treasurer/Tax-Collector, that models how the property tax will be transferred in future annexations pursuant to the agreement. It is the parties' intent to finalize that agreed-upon spreadsheet so that City and County officials can use it to implement the agreement in the future.

Alternative Action/Motion:

Provide direction to staff

Strategic Plan Priority Designation: An Effective County Government

Supervisory District: All

Vote Requirement: Majority

Supplemental Information Available Online At: N/A

Fiscal Details:

source of funding: N/A

current f/y cost: N/A

budget clarification: This master tax sharing agreement does not have any budgetary impact by itself. However, this agreement addresses a requirement for any incorporated City to annex land from the unincorporated areas of the County. Any specific future annexation would likely have a fiscal impact; this agreement is intended to ensure that revenue shifts would be equitably offset by shifts in the burden of service responsibility.

annual recurring cost: Unknown

budgeted in current f/y (if no, please describe): No

revenue agreement: N/A

AGREEMENT/RESOLUTION/ORDINANCE APPROVED BY COUNTY COUNSEL: Yes

CEO Liaison: Executive Office

CEO Review: Yes

CEO Comments:

FOR COB USE ONLY

Executed By: Atlas Pearson, Senior Deputy Clerk

Final Status: **Approved**

Executed Item Type: Resolution
Number: 24-093

Executed Item Type: Interim Agreement
Number: *24-085



RESOLUTION NO. 24-

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF MENDOCINO APPROVING THE MENDOCINO COUNTY MASTER TAX SHARING AGREEMENT AMONG MENDOCINO COUNTY AND THE CITIES OF UKIAH, WILLITS, FORT BRAGG AND POINT ARENA

WHEREAS, Mendocino County ("County") collects Real Property Tax Revenue within its jurisdiction; and

WHEREAS, the California Department of Tax and Fee Administration, formerly part of the State Board of Equalization, administers the Statewide general tax on the retail sale or use of merchandise or goods within the State (the "Bradley-Burns Sales Tax"); and

WHEREAS, the California Department of Tax and Fee Administration collects the 1% Bradley-Burns Sales Tax on behalf of cities and counties in the State and distributes the revenue to those local governments; and

WHEREAS, each Party levies a transient occupancy tax on those territories within its jurisdiction; provided, however, that the County does not levy a separate transient occupancy tax in areas within a City's jurisdiction; and

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the "CKH Act") governs changes in organization which changes in organization may need to be approved by the Mendocino LAFCo, and other local agencies; and

WHEREAS, the cities of Ukiah, Willits, Fort Bragg and Point Arena (collectively, "the Cities") anticipate changes in organization within the County, such as Annexations to the Cities, and desire to plan for the orderly and financially viable transition of public services; and

WHEREAS, the County and the Cities intend the attached Agreement to provide an equitable approach to distributing certain identified tax revenues in anticipation of changes in organization; and

WHEREAS, recognizing that the residents of the Cities are also residents of the County, the County and the Cities acknowledge their shared responsibility to provide adequate services to their shared residents and recognize the importance of the County's and the Cities' services and that those services complement each other for the benefit of their residents; and

WHEREAS, the Parties recognize the importance of maintaining adequate service levels throughout the County and within the Cities to provide for the health, safety, and welfare of the residents of the County and the Cities. The Parties intend, given the mutual economic and other benefits that flow from annexations to the Cities, to cooperate as provided for in the attached Agreement to address the respective City's and the County's fiscal considerations in providing such services and their respective present and future economic and planning needs; and

WHEREAS, for certain changes of organizations, such as annexations, Revenue and Taxation ("R&T") Code Section 99 requires an agreement of the City and the County to a property tax revenue exchange and to provide a resolution of approval of the same by each legislative body to Mendocino LAFCo prior to consideration of the change of organization; and

WHEREAS, the County and the Cities have negotiated a master property tax exchange agreement, pursuant to Revenue and Taxation Code section 99(d), that is intended to satisfy the requirements of Revenue and Taxation Code section 99 for future changes of organization as specified in the agreement; and

WHEREAS, while not required by R&T Code Section 99, the Parties acknowledge that this Agreement also provides for the exchange of Bradley-Burns Sales Tax and transient occupancy tax which the Parties agree to accept in accordance with the Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Mendocino County Board of Supervisors as follows:

SECTION 1. The Board hereby approves the Mendocino County Master Tax Sharing Agreement ("the Agreement"), a true and correct, but unsigned, copy of which is attached hereto as Attachment 1.

SECTION 2. The Board of Supervisors authorizes the Board Chair to sign the Agreement on behalf of the County of Mendocino.

SECTION 3. Pursuant to the terms of the Agreement the County agrees to accept the exchange of property tax revenue in accordance with the Agreement.

The foregoing Resolution introduced by Supervisor _____, seconded by Supervisor _____, and carried this _____ day of _____, 2024, by the following vote:

AYES:
NOES:
ABSENT:

WHEREUPON, the Chair declared said Resolution adopted and SO ORDERED.

ATTEST: DARCIE ANTLE
Clerk of the Board

MAUREEN MULHEREN, Chair
Mendocino County Board of Supervisors

Deputy

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

APPROVED AS TO FORM:
JAMES R. ROSS
Interim County Counsel

BY: DARCIE ANTLE
Clerk of the Board

Deputy

**MENDOCINO COUNTY
MASTER TAX SHARING AGREEMENT**

THIS MASTER TAX SHARING AGREEMENT (this “Agreement”) is entered by and between the **County of Mendocino**, a subdivision of the State of California (the “County”), the **City of Fort Bragg** (“Fort Bragg”), the **City of Point Arena** (“Point Arena”), the **City of Ukiah** (“Ukiah”), and the **City of Willits** (“Willits”) (the Cities shall be collectively referred to herein as the “Cities”), each City being a California municipal corporation, as of the date it is executed on behalf of the last of the Parties to do so (the “Effective Date”). The Cities, each of them, and the County may sometimes be referred to herein individually as a “Party” or collectively as the “Parties” to this Agreement.

RECITALS

WHEREAS, the County collects Real Property Tax Revenue within its jurisdiction; and

WHEREAS, the California Department of Tax and Fee Administration, formerly part of the State Board of Equalization, administers the State-wide general tax on the retail sale or use of merchandise or goods with the State (the “Bradley-Burns Sales Tax”); and

WHEREAS, the California Department of Tax and Fee Administration collects the 1% Bradley-Burns Sales Tax on behalf of cities and counties in the State and distributes the revenue to those local governments; and

WHEREAS, each Party levies a transient occupancy tax on those territories within its jurisdiction; *provided*, however, that the County does not levy a separate transient occupancy tax in areas within a City’s jurisdiction; and

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the “CKH Act”) governs changes in organization, including annexations such as those contemplated in this Agreement, and which changes in organization may need to be approved by the Mendocino LAFCo, and other local agencies; and

WHEREAS, the Parties anticipate changes in organization within the County, such as Annexations to the Cities, and desire to plan for the orderly and financially-viable transition of public services; and

WHEREAS, the Parties intend this Agreement to provide an equitable approach to distributing certain identified tax revenues in anticipation of changes in organization; and

WHEREAS, recognizing that the residents of the Cities are also residents of the County, the Parties acknowledge their shared responsibility to provide adequate services to their shared residents and recognize the importance of the County’s and the Cities’ services and that those services complement each other for the benefit of their residents; and

WHEREAS, the Parties recognize the importance of maintaining adequate service levels throughout the County and within the Cities to provide for the health, safety, and welfare of the residents of the County and the Cities. The Parties intend, given the mutual economic and other benefits that flow from annexations to the Cities, to cooperate as provided for in this Agreement to address the respective City’s and the County’s fiscal considerations in providing such services

and their respective present and future economic and planning needs; and

WHEREAS, for certain changes of organizations, such as annexations, Revenue and Taxation Code section 99 requires an agreement of the city and the county to a property tax revenue exchange and to provide a resolution of approval of the same by each legislative body to Mendocino LAFCo prior to consideration of the change of organization; and

WHEREAS, the Parties intend this Agreement to satisfy the requirements of Revenue and Taxation Code section 99; and

WHEREAS, initiatives like the California Business Roundtable's AG#21-0042A1 Initiative threaten local funding measures and may limit or restrict the ability to overlay local transaction and use taxes of an annexing entity to newly annexed territory.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. Incorporation of Recitals.

The above Recitals are true and correct and are hereby incorporated into this Agreement.

2. Definitions.

The following terms as used in this Agreement shall have the following meanings:

“Annexation(s)” shall have the meaning set out in Government Code section 56017 or its successor, and any reorganization that includes an annexation.

“Annexed Area(s): shall mean territory or territories which have been approved for annexation by Mendocino LAFCo.

“Annexation Effective Date” shall mean the date of the particular annexation, as may be specified in Mendocino LAFCo's terms and conditions or by Government Code section 57202; *provided*, however, that such date falls after the Effective Date.

“Annexor City” shall mean a City Party that is planning, pursuing, or has completed an Annexation.

“Annexed Tax Rate Area” (“ATRA” or “ATRA’s”) shall mean any separate Tax Rate Area created for territory annexed after the Effective Date.

“Change of Organization” shall mean the definition provided for in the CKH Act at, as of the Effective Date, Government Code section 56021 and shall also include a “reorganization” as defined in Government Code section 56073.

The “Designated Fort Bragg Area” shall mean that territory described in the attached Exhibit A.

The **“Designated Ukiah Area”** shall mean that territory described in the attached Exhibit B.

“Fiscal Year” shall mean July 1st through June 30th of the following year.

The **“Fort Bragg Balance Area”** shall mean that territory described in the attached Exhibit A.

“Distribution” shall mean the allocation and provision of tax revenue from one Party to another Party as provided for in this Agreement in order to satisfy the requirements of Revenue and Taxation Code section 99.

“Mendocino LAFCo” shall mean the Mendocino County Local Agency Formation Commission.

“Property Tax Revenue” shall mean revenues derived from ad valorem taxes on real property and from other categories of secured and unsecured property taxes including and not necessarily limited to those described in the County’s annual distribution as Current Secured General, Current Unsecured General, Prior Secured General, Prior Unsecured General, SB 813 Supplemental General, Highway Property Rental, and HOPTR General.

“Sales Tax Revenue” shall only mean those taxes collected in accordance with Bradley-Burns.

“State Action” shall mean any legislative, judicial, and/ or voter-approved initiative action that limits a City’s ability to apply a City-approved transaction and use tax to an Annexed Area.

“Tax Rate Area” (“TRA” or “TRAs”) shall mean those base tax revenue and/or incremental tax revenues available from an identified area.

“Transient Occupancy Tax Revenue” (“TOT Revenue”) shall mean any tax lawfully imposed as an incident of short-term transient occupancy and excludes any revenue collected as the result of a City-specific tax measure that is greater than that collected by the County.

The **“Ukiah Balance Area”** shall mean that territory described in the attached Exhibit B.

3. Tax Distributions for Annexations.

a. Scope. As provided for in this Agreement and in no way expanding the provisions in subparagraph 3(b) to apply to any City other than Fort Bragg and Ukiah, the tax collection and distribution provisions in this Agreement shall apply to territory annexed to a Party as of the respective Annexation Effective Date. Prior to adopting a resolution of application to initiate a Change of Organization that includes an Annexation, the respective City shall meet with the County to consult on the proposed Change of Organization. During this consultation, the respective City shall provide to the County a map of the territory, a list of the APNs of the affected territory, and, if the City is subject to Paragraph 3(b), evidence that the proposal is Balanced. The date of this transmittal shall be referred to in this Agreement as the “Change of Organization Proposal Date”.

b. Balanced Annexations. This subparagraph 3(b) shall apply only to the Cities of Fort Bragg and Ukiah. A proposal to annex territory within the respective Designated Area of Fort Bragg or Ukiah must be “Balanced” in accordance with this Paragraph 3. Balanced Annexation(s) of such territory shall be referred to in this Agreement as a “Balanced Annexation(s)”.

i. The Parties shall presume that an Annexation of territory is a Balanced Annexation if Annexation of territory within a Designated Area is attended by annexing at least 98% of the same amount of territory of the respective Annexor City’s Balance Area; *provided*, however, that Annexation of territory within a Balance Area on or after the Effective Date that was not used for balancing purposes in the prior annexation shall be credited toward the presumption of a Balanced Annexation.

ii. The Parties acknowledge that Mendocino LAFCo has the authority, and may, in the course of its review of the Change of Organization alter the boundaries of the proposed Change of Organization in a manner that causes the Annexation to no longer be a Balanced Annexation, in which case the County can request an additional 30 day negotiating period, and, in that event, a new property tax exchange agreement would have to be negotiated pursuant to Revenue and Taxation Code section 99(b)(7) or the Mendocino LAFCo proceeding would terminate.

c. The Parties will, in accordance with law, take good faith and reasonable steps to implement the Agreement as soon as is feasible. Any dispute between the Parties regarding this subparagraph 3(c) shall be resolved in accordance with the dispute resolution process set forth in Paragraphs 5 and 12.

4. Tax Revenue Collection and Distribution.

Only the following taxes and tax collection and distribution provisions shall apply, as appropriate and described in this Paragraph 4, as of the relevant Annexation Effective Date. This Agreement shall not be construed to require an allocation of taxes to a City which are designated for a County service, such as the County library, over which the respective City shall not be assuming responsibility; nor shall this Agreement be construed to expand or reduce the categories of Property Tax Revenue distributed to a City as reflected in the County’s distribution of said revenues as of the Effective Date of this Agreement.

a. Property Tax Revenue Collection and Distribution. As of the relevant Annexation Effective Date, the County shall distribute to the Annexor City the County’s general fund property tax revenue (County Auditor’s Fund Code A0001) generated in the annexation area as follows:

i. Half of the County’s portion of the “annual tax increment” (as defined in Revenue and Taxation Code section 96.5 as of the Effective Date) that does not exceed 2% of the property tax revenue in the prior year from the annexation area.

ii. All of the County’s portion of the “annual tax increment” that exceeds 2% of the property tax revenue in the prior year from the annexation area, until the total property tax revenue received by the Annexor City equals 15% of the total property tax revenue generated in the annexation area.

iii. Once the total property tax revenue received by the Annexor City equals 15% of the total property tax generated in the annexation area, no additional portion of the County's "annual tax increment" shall be distributed to the Annexor City. In other words, the City's "property tax apportionment factor" (as calculated pursuant to Revenue and Taxation Code section 96.2 as of the Effective Date) in the annexation area shall not exceed 15%.

b. Bradley-Burns Sales Tax Revenue Collection and Distribution. As of the relevant Annexation Effective Date, the Annexor City shall collect all Bradley-Burns Sales Tax in the ATRA (the "ATRA Bradley-Burns Revenue") and shall distribute to the County a share of the ATRA Bradley-Burns Revenue in accordance with this subparagraph (b).

i. From the Annexation Effective Date until the start of the first full Fiscal Year immediately following the Annexation Effective Date, the Annexor City shall distribute to the County 100% of the ATRA Bradley-Burns Revenue.

ii. Thereafter, for each subsequent full Fiscal Year, the amount of ATRA Bradley-Burns Revenue the Annexor City distributes to the County in accordance with this Agreement shall be reduced by 1/15 (one-fifteenth) which the Parties agree shall be rounded to 6.667%. Therefore, for the first full Fiscal Year, the Annexor City shall distribute 93.333% of the ATRA Bradley-Burns Revenue to the County; for the second full year, the Annexor City shall distribute 86.666% of the ATRA Bradley-Burns Revenue to the County; for the third full year, the Annexor City shall distribute 79.999% of the ATRA Bradley-Burns Revenue to the County; and so forth, reducing each subsequent year by 6.667%, until, as of the start of the fifteenth (15th) full Fiscal Year following the Annexation Effective Date, the Annexor City shall no longer distribute ATRA Bradley-Burns Revenue to the County.

iii. For any Distribution under this subparagraph (b), the Annexor City shall distribute the ATRA Bradley-Burns Revenue to the County within thirty (30) days of the Annexor City receiving the ATRA Bradley-Burns Revenue from the California Department of Tax and Fee Administration.

c. Transient Occupancy Tax Revenue Collection and Distribution. As of the relevant Annexation Effective Date, the Transient Occupancy Tax in the ATRA shall be the rate of the Annexor City. The Annexor City shall collect the Transient Occupancy Tax in the ATRA (the "ATRA TOT Revenue") and shall distribute to the County a share of the ATRA TOT Revenue in accordance with this subparagraph (c).

i. From the Annexation Effective Date until the start of the first full Fiscal Year immediately following the Annexation Effective Date, the Annexor City shall distribute to the County 100% of the ATRA TOT Revenue.

ii. Thereafter, for each subsequent full Fiscal Year, the amount of ATRA TOT Revenue the Annexor City distributes to the County in accordance with this Agreement shall be reduced by 1/5 (one-fifth) or 20%. Therefore, for the first full Fiscal Year, the Annexor City shall distribute 80% of the ATRA TOT Revenue to the County; for the second full Fiscal Year, the Annexor City shall distribute 60% of the ATRA TOT Revenue to the County; for the third full Fiscal Year, the Annexor City

shall distribute 40% of the ATRA TOT Revenue to the County; and for the fourth full Fiscal Year, the Annexor City shall distribute 20% of the ATRA TOT Revenue to the County. As of the start of the fifth full Fiscal Year following the Annexation Effective Date, the Annexor City shall no longer distribute ATRA TOT Revenue to the County.

iii. For any Distribution under this subparagraph (c), the Annexor City shall distribute ATRA TOT Revenue to the County within thirty (30) days of the Annexor City collecting the ATRA TOT Revenue.

5. Reconciliation of Tax Revenue Collection and Distribution.

Upon the request of a Party to meet with another Party regarding the collection and Distribution of taxes between them in accordance with this Agreement, the respective Parties shall make all reasonable efforts to meet within thirty (30) days of such a request.

6. Modification of Sales Tax Revenue Distribution Due to State Action.

Should State Action be taken that limits a City's ability to automatically apply a City-approved transaction and use tax to an Annexed Area, the affected Parties shall promptly meet and negotiate in good faith to amend this Agreement to address the resulting financial impacts in accordance with Paragraph 12, to include the Core Principles.

7. Regional Housing Needs Plan Allocation.

a. The Parties agree: a) the County's Regional Housing Needs Plan (the "RHNP") allocation was based on its unincorporated lands; b) subsequent Annexation(s) may limit the County's ability to satisfy its obligations under the Housing Element Law; and c) the RHNP allocation should be adjusted to reflect the impact of an Annexation on the County's obligations under the Housing Element Law. Therefore, the Parties agree, in the event that the relevant City or a non-party proposes to annex a specific territory, the relevant Parties will work together in good faith to attempt to reach a mutually acceptable agreement to transfer a portion of the County's allocation to the relevant City.

b. The following general principles shall be used as a framework to reach such an agreement:

i. Where a City Annexation includes undeveloped territory that the relevant City's general plan and rezoning proposes for residential development, a portion of the County's Regional Housing Needs Allocation ("RHNA") shall be transferred to the City in an amount equal to potential residential units, including accessory dwelling units ("ADU's"). This transfer shall be calculated by using the City's rezoning for each legal parcel. Should the territory include an approved subdivision, units will be transferred as identified on the approved tentative map or project description. If such transferred number of units is fewer than the number of units such territory is designated for in the County General Plan or in the Residential Sites Inventory of the County's Housing Element, the relevant City and the County shall negotiate in good faith the amount to be transferred.

- ii. Where a City Annexation includes developed territory that the relevant City designates and prezones for residential purposes, a portion of the County's RHNA would be transferred to the relevant City in an amount equal to the unrealized units on underutilized properties for that area; *provided*, however, that such transfer shall not include ADUs or existing mobile home parks. This transfer shall be calculated by using the relevant City's pre zoning for each legal parcel. If such transferred number of units is fewer than the number of units such territory is designated for in the County General Plan or in the Residential Sites Inventory of the county's Housing Element, the relevant City and the County shall negotiate in good faith the amount to be transferred.
 - iii. Where a City Annexation includes territory that the relevant City's general plan and pre zoning proposes for commercial or industrial purposes, no adjustment of the RHNP shall be required, unless the proposed Annexation includes commercial territories on the Residential Sites Inventory of the County's Housing Element, in which case an amount equal to the identified residential units would be transferred to the relevant City.
- c. The income-level of transferred units shall be negotiated in good faith per the existing MCOG Annexation policy and State law. The Parties acknowledge that meeting the need in the lower income category requires higher residential densities and proximity to services, that an Annexation may result in the loss of lands that would otherwise be available to the County to meet the lower income obligations, and that such losses are an important factor in the good faith negotiations.
- d. Should a City seek to annex unincorporated territory for the purposes of open-space, agriculture or public facilities, no adjustment of the RHNP shall be required, unless any portion of the territory is designated for residential development in the County's Residential Sites Inventory of the county's Housing Element, in which case the parties shall negotiate a transfer in good faith.
- e. If the County has already fulfilled its RHNA obligations for the current Housing Element Cycle, no modification of the RHNP allocation shall be required.

8. Other Agreements Affecting Rights and Obligations of This Agreement.

Notwithstanding anything in this Agreement to the contrary, this Agreement does not preclude one or more of the Parties from entering separate agreements regarding particular Annexations; *provided*, however, that nothing in any separate agreement shall affect the rights and obligations of those Parties not party to that separate agreement. To the extent terms in any such separate agreement are found to be in direct conflict with a term(s) in this Agreement as it relates to a Party which is not a party to the separate agreement, the term(s) in this Agreement shall control over those in the separate agreement.

9. Term of this Agreement.

This Agreement shall remain in effect for an initial term of twenty (20) years as of the Effective Date and shall then and thereafter have a rolling extension that automatically renews this Agreement every year for an additional five (5) years.

10. Withdrawal; Termination.

a. A Party may only withdraw from this Agreement with a July 1st effective date (the “Withdrawal Date”) and on no less than five (5) years’ notice to all other Parties in accordance with Paragraph 13. Such withdrawing Party shall perform all obligations under this Agreement until the Withdrawal Date. A withdrawing Party shall remain obligated to perform the obligations in this Agreement, including financial obligations, arising before the Withdrawal Date, even after the Withdrawal Date.

b. This Agreement may only be terminated either: a) by written notice by the County of termination to the other Parties; or b) by unanimous written agreement of all Parties to this Agreement (either of which shall be referred to herein as “Notice of Termination”); *provided*, however, that, unless otherwise agreed to in writing, any termination may only take effect as of July 1st and no sooner than five (5) years after the Notice of Termination (the “Termination Date”). Upon Notice of Termination, the Parties shall remain obligated to perform the obligations in this Agreement, including financial obligations, arising before the Termination Date, even after the Termination Date.

11. Amendment; Related Tax-Sharing Agreements.

a. Any amendment to this Agreement shall be negotiated in good faith and in accordance with the following Core Principles:

1. Simplicity: any amendment should be understandable, not unreasonably complicated, and readily-implemented and verified.
2. Mutual benefit through economic growth.
3. Maintain normal revenue sources for the respective Party: for example, the majority of property taxes should continue to go to the County and Bradley Burns Sales Tax Revenue should go to the respective City.
4. Protect funding for County-wide services and relieve ongoing service costs.
5. Provide the respective City with appropriate financial resources to meet assumed municipal service costs.

b. Any amendment to this Agreement must be approved in writing by unanimous consent of all Parties; *provided*, however, that any amendment to this Agreement which affects only certain Parties (a “Related Tax Sharing Agreement”) may be agreed to by only those certain Parties so long as such Related Tax Sharing Agreement is in writing and notice is provided to the other Parties to this Agreement.

12. Dispute Resolution.

a. If, at any time during the term of this Agreement, any dispute arises between or among the Parties regarding the interpretation or implementation of this Agreement, including an alleged breach of this Agreement, the Parties will, in the first instance, attempt in good faith to meet to discuss and informally resolve the dispute through designated representatives. The Parties must give written notice of the existence and subject of a dispute (“notice of dispute”), which notice shall commence the dispute resolution process of this Agreement.

b. If, within thirty (30) days of service of a notice of dispute, unless extended by mutual agreement of the respective Parties, the respective Parties have not resolved the dispute through informal mediation, , the matter shall be submitted to the Judicial Arbitration and Mediation Service (JAMS), or an equivalent mediation service, or a mutually agreeable mediator, for formal mediation by a single mediator who should have technical or legal expertise or experience with public financing, taxation, and local government agencies. The mediator will be selected by unanimous consent of the respective Parties, but if unanimous consent cannot be obtained, the mediator will be selected at random from a list of mediators to be provided by the respective Parties.

c. Any Party may commence formal mediation by providing to the mediator and the other Parties a written request for mediation, setting forth the subject of the dispute and the relief requested. If the formal mediation process has not concluded or has not resolved the dispute within sixty (60) days of a written request for mediation, the mediation process will be deemed completed, unless the Parties extend the sixty-day period in writing.

d. If the dispute is not resolved by informal or formal mediation, each Party will be free to pursue whatever legal or equitable remedies may be available. No Party shall be permitted to file a legal action without first complying with the requirements of this Paragraph. This provision shall not waive or otherwise affect the applicable provisions of law governing claims against a public entity or the applicable statutes of limitation.

e. The fees and expenses incurred as a result of any dispute resolution activities, including attorney fees, mediator fees and costs, expert costs, and other expenses, shall be borne solely by the Parties involved in the dispute and participating in the mediation. The Parties involved in the dispute will share the mediator's expenses on an equal basis. Should a dispute go to trial before a court of competent authority and jurisdiction, the prevailing party in such court proceeding shall be entitled to recover their reasonable attorney fees and costs; *provided*, however, that such attorney fees and costs shall not include fees and costs associated with efforts preceding the court proceeding.

13. Notices.

Whenever notice or other communication is permitted or required by this Agreement, it shall be deemed given: (i) when personally delivered; or (ii) when received, if delivered by overnight courier or email (if email receipt is acknowledged in writing); or (iii) forty-eight (48) hours after it is deposited in the United States mail with proper first-class postage affixed thereto and addressed as follows:

To County:

County of Mendocino
Attn: Board Chair and Chief Executive Officer
501 Low Gap Road
Ukiah, CA 95482
Email: ceo@mendocinocounty.gov

To City of Fort Bragg:

City of Fort Bragg
Attn: Mayor and City Manager
416 N. Franklin Street
Fort Bragg, CA 95437

Email: iwhippy@fortbragg.com

To City of Point Arena:

City of Point Arena
Attn: Mayor and City Manager
451 School Street
Point Arena, CA 95468
Email: cm@pointarena.ca.gov

To City of Ukiah

City of Ukiah
Attn: Mayor and City Manager
300 Seminary Avenue
Ukiah, CA 95482
Email: cmoffice@cityofukiah.com

To City of Willits

City of Willits
Attn: Mayor and City Manager
111 E. Commercial Street
Willits, CA 95490
Email: dpederson@cityofwillits.org

14. No Third-Party Beneficiary Rights.

This Agreement is only for the benefit of the Parties and shall not be construed as or deemed to operate as an agreement for the benefit of any third party or parties, and no third party or party shall have any right of action or obtain any right to benefits or position of any kind by reason of this Agreement.

15. Assignment; Delegation.

No Party shall assign, sublet, or transfer any interest in this Agreement or any duty hereunder without written consent of the other Parties, and no assignment shall be of any force or effect whatsoever unless and until the other Parties shall have so consented.

16. Hold Harmless; Indemnity.

To the fullest extent permitted by law, each of the Parties (the "Indemnifying Party") agrees to save, indemnify, defend and hold harmless each other Party and its officers, agents and employees ("Indemnified Parties") from any liability, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses, or costs of any kind, whether actual, alleged or threatened, including attorney fees and costs, court costs, interest, defense costs, and expert witness fees, which arise out of, or are in any way attributable in whole or in part to, negligent or intentionally wrongful acts or omissions of an Indemnifying Party or its employees except such losses to the extent caused by the negligence or intentionally wrongful act of an Indemnified Party.

17. Entire Agreement; Counterparts.

This Agreement, including its exhibits and any attachments, is intended both as the final expression of the Agreement among the Parties with respect to the included terms and as a

complete and exclusive statement of the terms of the Agreement. This Agreement may be transmitted electronically and executed in counterparts, each such executed electronic copy shall be admissible for any purpose and in any judicial or administrative proceeding as evidence of the agreement between the Parties. Signatures may be exchanged by emailed pdf or other electronic form with the same force as original signatures.

18. Agreement Controlling; Exhibits.

In the event of a conflict between the text of this Agreement and any attachment to it, the text shall prevail. All exhibits to which reference is made are incorporated into this Agreement as though fully set forth at length, whether or not actually attached.

19. Construction.

This Agreement shall not be construed against any Party in the event of an ambiguity. The transactions contemplated in this Agreement have been negotiated at arms-length, between persons sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that requires interpretation of ambiguities against the Party who has drafted it is inapplicable and waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effectuate the intent and purposes of the Parties to this Agreement as if they had been jointly drafted by the Parties. The headings and sub-headings in this Agreement are intended solely to assist the reader and are in no way intended to create binding terms between the Parties.

20. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21. Severability.

Should any part, term, portion, or provision of this Agreement or the application thereof to any person or circumstances be in conflict with any State or Federal law, or otherwise be rendered unenforceable or ineffectual, including by amendment or repeal of a statute, the validity of the remaining parts, terms, portions or provisions, or the application thereof to other persons or circumstances shall be deemed severable and shall not be affected thereby, unless the remaining portions of the Agreement no longer provide for an equitable approach to distributing certain identified tax revenues or unless the Agreement cannot be construed in substance to continue to constitute the Agreement that the Parties intended to enter into in the first instance.

22. Warranty of Legal Authority.

The Parties' Legislative Bodies have each authorized execution of this Agreement, as evidenced by the signatures below. Those who sign below warrant for the benefit of the Parties for which they do not sign that they have actual authority to execute this Agreement and to bind to it the Party for which they sign.

IN WITNESS THEREOF, the Parties have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized as of the Effective Date.

COUNTY OF MENDOCINO

Date: _____

By: _____
Maureen Mulheren, Chair of the Board of
Supervisors

Approved to Form:

County Counsel

Attest:

_____, County Clerk

CITY OF FORT BRAGG

Date: _____

By: _____
_____, Mayor

Approved to Form:

City Attorney

Attest:

_____, City Clerk

CITY OF POINT ARENA

Date: _____

By: _____
_____, Mayor

Approved to Form:

City Attorney

Attest:

_____, City Clerk

CITY OF UKIAH

Date: _____

By: _____
_____, Mayor

Approved to Form:

City Attorney

Attest:

Kristine Lawler, City Clerk

CITY OF WILLITS

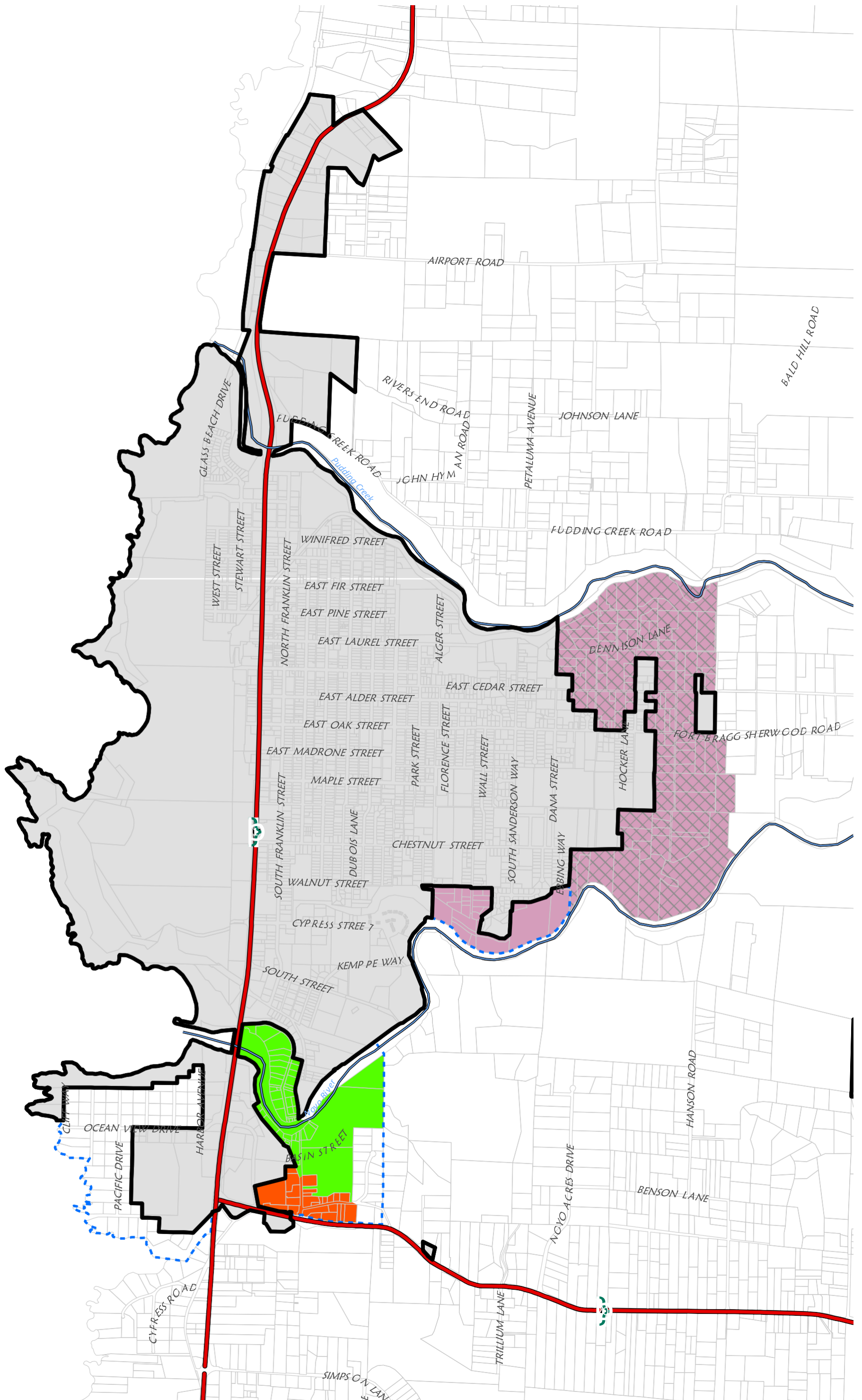
By: _____
_____, Mayor

Approved to Form:

City Attorney

Attest:

_____, City Clerk



- Major Rivers
- Highways
- Municipal Improvement District
- Municipal Improvement District SOI
- Fort Bragg Designated Area
- Fort Bragg Balance Area
- City of Fort Bragg SOI
- City Limits

CITY OF FORT BRAGG

MASTER TAX SHARE AGREEMENT

EXHIBIT A

0

750

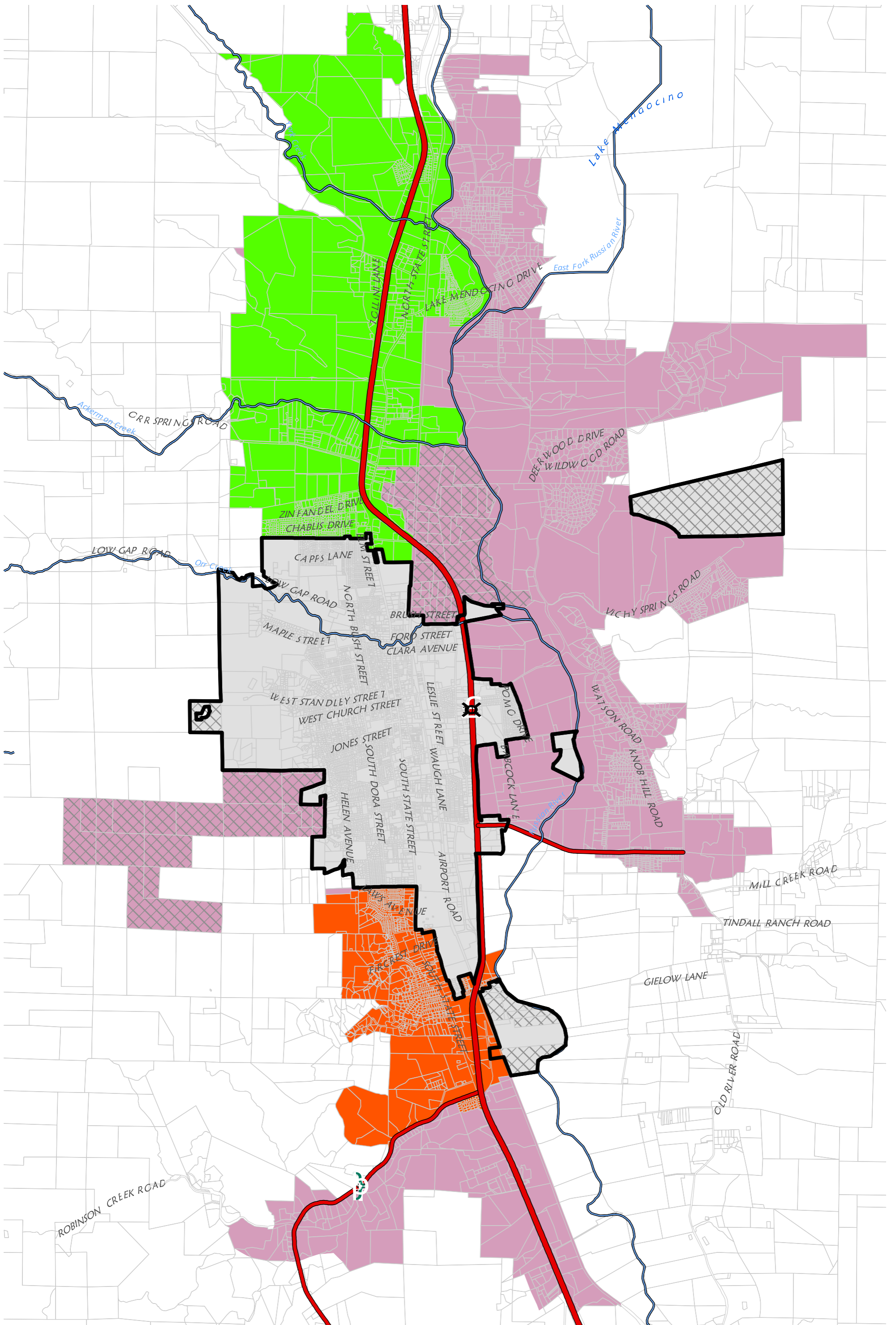
1,500 Feet

0

0.15

0.3 Miles

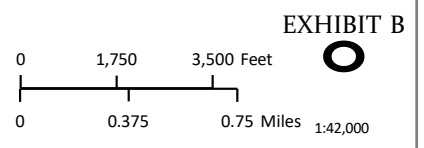
1:18,000



- Major Rivers
- Highways
- Ukiah Designated Area
- Ukiah Balance Area
- 2040 General Plan Annexation Areas
- City of Ukiah SOI
- City Limits

CITY OF UKIAH

MASTER TAX SHARE AGREEMENT



Mendocino County Master Tax Sharing Agreement 2024

Key Term Sheet

Term Sheet

Master Tax Sharing Agreement 2024

Parties: Mendocino County, City of Fort Bragg, City of Point Arena, City of Ukiah, and City of Willits

Task and Purpose: Develop a tax sharing agreement to govern the distribution of identified tax revenue between the County and the Cities following annexations by the Cities.

Cost-Benefit Analysis:

	County	Cities
Benefits	<ul style="list-style-type: none">• Immediate reduction in service area responsibility• Reduction in infrastructure and service costs• Shifts housing production to cities• Minimizes urban sprawl• <i>Enhanced long-term revenue growth</i>	<ul style="list-style-type: none">• Broadened municipal service availability• Potential to scale services and costs• Focus on Economic Development and Housing• Centralizes municipal infrastructure• <i>Enhanced long-term revenue growth</i>
Costs	<ul style="list-style-type: none">• Temporary revenue reduction in sales tax (mitigated by reduced service area & scaled shift of sales tax over 15 years)	<ul style="list-style-type: none">• Increased net cost of service (mitigated by scaled shift of sales tax)• Inherit deferred maintenance and lack of needed infrastructure

Core Principles:

1. Simplicity
2. Mutual benefit through economic growth
3. Maintains normal revenue sources (i.e. majority of property taxes to County and Bradley Burns sales tax to cities)
4. Protects funding for countywide services and relieves ongoing service costs
5. Provide City appropriate financial resources to meet assumed municipal service costs.

Key Terms:

1. Tax Sharing Provisions.
 - a. **Property Tax Revenue:** After an annexation of unincorporated territory by a city becomes final, the County must distribute to the city annexing the area a portion of the County's general fund property tax revenue (County Auditor's Fund Code A0001) from tax rate areas ("TRAs") within the annexed area as follows:
 - i. Half of County's portion of the annual tax increment (increased tax revenue resulting from increased assessed valuations) that does not exceed 2% of the property tax revenue in the prior year from the annexation area.
 - ii. All of County's portion of the annual tax increment that exceeds 2% of the property tax revenue in the prior year from the annexation area, until the allocation received by the relevant city equals 15% of the total property tax revenue generated in the annexation area

Mendocino County Master Tax Sharing Agreement 2024

Key Term Sheet

- iii. No additional distribution once the relevant city share reaches 15% of the total property tax revenue in the annexation area.
 - b. Sales Tax Revenue: From the effective date of the annexation until the start of the first full fiscal year following the effective date, the relevant city will distribute to the County 100% of the Bradley-Burns Revenue¹ the City collected from the newly-annexed Tax Rate Area. In each subsequent full fiscal year, the percentage of sales tax revenue the relevant city shall distribute to the County shall be reduced by 1/15.
 - c. Transient Occupancy Tax (TOT) Revenue: From the effective date of the annexation until the start of the first full fiscal year following the effective date, the relevant City will distribute to the County 100% of the TOT Revenue the City collected from the newly-annexed Tax Rate Area. In each subsequent full fiscal year, the percentage of TOT revenue the relevant City shall distribute to the County shall be reduced by 1/5.
2. Regional Housing Needs Plan. The Parties agree that the County’s Regional Housing Needs Plan (the “RHNP”)² allocation was based on its unincorporated lands, that annexation will necessarily limit the County’s ability to satisfy its obligations under the Housing Element Law, and that the RHNP allocation should be adjusted to reflect the impact of the annexation on the County’s obligations. Therefore, the Parties agree that, in the event that the relevant city or a third non-party proposes annexation of specific territory, the Parties will work together in good faith to attempt to reach a “mutually acceptable agreement for transfer of a portion of the County’s allocation to the city” as reflected in Government Code section 65584.07(d).
3. State Action. If legislative, judicial, and/or voter initiative action limits a city’s ability to apply a city approved transaction and use tax to an annexed area, the parties shall promptly meet and confer in good faith to amend this agreement to address the resulting financial impacts in accordance with the Core Principles.
4. Balanced Annexations. For the Tax Sharing Provisions above to apply to annexations of certain designated areas, as defined, those annexations must be “Balanced.” For an annexation by Ukiah or Fort Bragg to be considered “Balanced,” such annexation must generally be attended by the relevant City annexing an equal amount of territory within the Balance Area.
5. Service Transfer Plan. In anticipation of any annexation, a City and the County will develop a service transfer plan to coordinate the transfer of public services to ensure orderly transition for all areas affected.
6. Separate Agreements. A city and the County may develop alternate terms to address unique conditions affecting any specific annexation; *provided*, however, the terms of any separate agreement do not substantially affect the terms in the MTSA absent amendment to the MTSA.

¹ 1% of the sales price of commodities subject to statewide sales tax.

² The number of housing units the County is required to achieve under the Housing Element in its General Plan as approved by the California Department of Housing and community Development.

Mendocino County Master Tax Sharing Agreement 2024
Key Term Sheet

7. Term. Unless extended by unanimous agreement of the Parties, the MTSA shall remain in effect for twenty (20) years as of the Effective Date; thereafter it has a rolling extension that automatically renews this Agreement every year for an additional five (5) years, until Notice of Termination is provided under Section 10 of the Agreement. Tax sharing provisions implemented during the life of the Agreement shall survive termination of the Agreement.

8. Withdrawal and Termination. Withdrawal upon no less than five years' notice with an effective date of July 1st. County may terminate unilaterally, or Parties may terminate unanimously; provided in both cases on no less than five years' notice and termination effective date of July 1st.



AGENDA SUMMARY REPORT

SUBJECT: Consideration of a Resolution of the City Council of the City of Ukiah Approving the Mendocino County Master Tax Sharing Agreement Among Mendocino County and the Cities of Ukiah, Willits, Fort Bragg, and Point Arena, and Making Certain Findings of Exemption Under the California Environmental Quality Act.

DEPARTMENT: City Manager / Admin

PREPARED BY: Sage Sangiacomo, City Manager, Shannon Riley, Deputy City Manager, David Rapport, City Attorney, Dan Buffalo, Finance Director, Craig Schlatter, Community Development Director, Jesse Davis, Chief Planning Manager

PRESENTER: Sage Sangiacomo, City Manager; Phil Williams, Special Counsel; Dan Buffalo, Finance Director, Craig Schlatter, Community Development Director

ATTACHMENTS:

1. MTSA Key Terms
2. MendoCounty.MTSA - Resolution with Attachment 1
3. 14a Presentation given at Meeting

Summary: The County of Mendocino and its cities need an equitable and modern tax sharing agreement to facilitate the annexation of property and ensure the continued provision of essential public services in the relevant jurisdictions. Creating a sustainable tax sharing agreement will allow for improvements and efficiencies in delivering quality government services and create a strategic pathway for housing development and economic growth.

Currently, there is not a uniform approach to tax sharing across the region that coordinates tax revenue and provision of government services between the County of Mendocino and the cities of Fort Bragg, Point Arena, Ukiah, and Willits. As such, there have been no significant land annexations by a city in Mendocino County since the 1980s. As a result, all jurisdictions are struggling to provide services without the necessary funding stream or capacity to support them. Moreover, the lack of annexations inhibits orderly growth of our urban areas and results in piecemeal development and sprawl in the surrounding unincorporated regions.

Approval of a master tax sharing agreement will help facilitate annexations and ensure the proper distribution of revenues to support City and County services while fostering economic collaboration and resiliency.

A detailed term sheet for the proposed Master Tax Sharing Agreement is included here as Attachment #1 and the Resolution and Master Tax Sharing Agreement are included as Attachment #2.

Background:

The Cortese-Knox-Hertzberg Local Government Reorganization Act (Govt. Code section 56000 *et seq.*) outlines the procedures in which the Mendocino County Local Agency Formation Commission (LAFCo) must follow to process an application for an annexation. When a city annexes land from a county, the responsibility for providing municipal-type services transfers from the county to the city while the county continues to provide county-wide

services such as public health and social services. This agreement is not an annexation agreement, nor does it guarantee certain annexations must occur.

Government revenue, derived primarily from property tax, local sales tax, and transient occupancy tax, funds essential services, with responsibilities shared between the Cities and the County. The allocation of tax revenue between the County and City jurisdictions requires modernization to more effectively direct resources to the jurisdiction best equipped to deliver specific services. Annexation facilitates the strategic extension of city-provided municipal services to higher populated areas, while ensuring the County can continue to provide vital county-wide services; the Master Tax Sharing Agreement is designed to facilitate this transfer without creating sudden financial stress and allows for the orderly transition of resources and changes in service delivery.

One of the requirements to process an application for an annexation through LAFCo is a tax sharing agreement as provided for in Revenue and Taxation Code section 99. A tax sharing agreement sets forth how tax revenues generated by the property being annexed are shared between the County and the annexing City. Revenue and Taxation Code section 99(d) provides for a master tax sharing agreement -- one that encompasses all the primary taxes and all jurisdictions. Such a master tax sharing agreement is beneficial in this case in that it provides consistency and efficiency in the annexation process as opposed to having to negotiate a separate agreement for each annexation.

A primary objective of a master tax sharing agreement is to enhance cooperation between the County and its Cities, thereby reducing competition for tax revenue. This allows land use and development decisions to be guided by sound planning principles, such as the development of necessary infrastructure and impact mitigation, efficient and rational service delivery, ensure orderly growth patterns, and the preservation of quality of life.

Discussion:

City and County Staff, along with an ad-hoc committee from the Board of Supervisors comprising Supervisors Mulheren and Gjerde, have collaborated for months on the details of a Master Tax Sharing Agreement. Their goal has been to devise a solution equitable for all jurisdictions and to mitigate budget impacts. This Master Tax Sharing Agreement facilitates economic development in ways that will increase tax revenue while relieving the County of municipal service obligations, thus benefiting every jurisdiction, and ultimately improving service delivery. As annexation occurs, the proposed Master Tax Sharing Agreement ensures both urban and rural areas receive the necessary support tailored to their unique needs. This Master Tax Sharing Agreement also enables the municipalities to program the expansion of services without sacrificing existing responsibilities.

A detailed term sheet for the proposed Master Tax Sharing Agreement is included as Attachment #1 and the Resolution along with the Master Tax Sharing Agreement are included as Attachment #2.

The proposed Master Tax Sharing Agreement is fair for all jurisdictions, will create a uniform approach that can be followed for decades to come, and will allow for appropriate growth. Benefits include:

- **Better provision of services:** With annexation, the Tax Sharing Agreement allows each jurisdiction to more efficiently focus their efforts and resources on the responsibilities that are in their "lane." Furthermore, it will "right-size" the tax revenue provided for each jurisdiction to meet its service obligations and match how these services are divided and delivered.
- **Addresses unsustainable pressure on City and County budgets:** The County of Mendocino is being stretched to provide different services to unincorporated areas that are beyond the County's core capacities. A Tax Sharing Agreement that supports future annexations which would assign service responsibility for these areas to cities would reduce the strain on the County, which is providing services that it is not set up for, and would improve the sustainability of the County budget and operations. Furthermore, reasonable growth for cities will help create a better economy of scale to address the demand for costly municipal services.
- **Equity for disadvantaged communities:** The unincorporated areas of the county that are currently underserved by government infrastructure are disproportionately lower income and minority populations. These communities deserve more investment in streets, sidewalks, streetlights, parks, emergency response and other infrastructure. To improve equity in our region, there must be a focus

on bringing resources and investment and infrastructure improvements to these disadvantaged communities. That can only happen with a Tax Sharing Agreement that better aligns revenue and responsibility to the appropriate jurisdictions.

- **Pathway for economic growth:** Better municipal services will allow for orderly, successful, and sustainable growth. Housing development will proceed, and business activity will expand, which will increase property and sales tax revenue to the region. Without a Tax Sharing Agreement, government services would likely remain sub-par in areas that could accommodate such development, and growth will stagnate.
- **Pathway for housing:** There are aggressive requirements for new housing development to meet shortfalls across the state of California. In Mendocino County, there are good opportunities for housing development located just outside city jurisdictions. With a Tax Sharing Agreement and appropriate land annexation, the Cities will work collaboratively with the County to facilitate and administer new housing development and would be in the position to provide appropriate municipal services to support that build-out.
- **Time for solution:** There have been no significant land annexations in Mendocino County since the 1980s, which has left some developed areas without the appropriate extension of adequate municipal services. The Tax Sharing Agreement fosters City and County collaboration to serve higher populated areas with the array of governmental services that are necessary for urban communities to thrive.
- **Fairness for jurisdictions across the region:** All four Cities in Mendocino County would adopt the same tax sharing provisions with the County. This would ensure fairness and fiscal responsibility for all jurisdictions and prevent the Cities from competing against each other for development opportunities.
- **Fairness for residents:** Currently, city residents must subsidize the delivery of basic services to areas outside city boundaries. Likewise, county residents are supporting delivery of municipal services that are typically not the County's responsibility, thereby stretching valuable resources. A Tax Sharing Agreement will ensure all residents pay an equal amount for the services they receive, and all residents have access to the proper level of services for their community. In addition, incorporation into city boundaries provides individuals and businesses with expanded representation to help shape City policies.
- **Common solution:** Many cities and counties across California have adopted tax sharing agreements to resolve the discrepancies that can occur with how tax revenue is collected and how services are being delivered in different areas.
- **The math adds up:** City and County representatives have been working together on the specifics of the Agreement for months to identify a fiscal solution that is fair for all jurisdictions and does not create budget shortfalls in any year, as the Agreement is incrementally implemented and revenue sharing is phased over time with each annexation. With this Agreement in place, the expectation is that tax revenue will increase and every jurisdiction will be better off than before.

The Master Tax Sharing Agreement will allow for annexations which are long overdue in many regions throughout Mendocino County. Assurance that our existing communities and future development will receive the appropriate services from our Cities and the County is a key component to retaining and attracting businesses and investment in our region. The Agreement supports collaboration among our Cities and County to support safe and healthy communities, enhance economic growth, deliver high quality government services, and drive investment in well-planned infrastructure. The Agreement will set the stage for responsible growth in the right places, while improving the fiscal health of Fort Bragg, Point Arena, Willits, Ukiah, and the County.

The Cities and County have been developing a spreadsheet, with the assistance of the Acting Auditor/Controller and Treasurer/Tax-Collector, that models how the property tax will be transferred in future annexations pursuant to the Agreement. It is the parties' intent to finalize that collaborative spreadsheet so that City and County officials can use it to implement the Agreement in the future.

CEQA Exemption Analysis

Entering the Agreement is exempt from the requirements of the California Environmental Quality Act, Public Resources Code sections 21000, *et seq.* ("CEQA"). First, the Agreement is exempt pursuant to Title 14, section 15061 subd. (b)(3), of the California Code of Regulations. This exemption makes clear that CEQA only applies to projects which have the potential to cause a significant effect on the environment. Entering the Agreement merely provides a financial mechanism for the collection and distribution of taxes between the parties. The Agreement will not disturb, disrupt, or otherwise affect the physical environment in any way. There will be no defined physical change to the environment resulting from the Agreement.

Entering the Agreement is also exempt from CEQA in accordance with Title 14, section 15301, of the California Code of Regulations. This exemption exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's decision. The key consideration under this Existing Facilities exemption is whether the project involves negligible or no expansion of an existing use. The Agreement will not result in the expansion of the existing use of private or public facilities because the Agreement does not provide for any such expansion and the services provided through existing facilities will not change solely due to the Agreement. While the Agreement enables future changes in organization, any such change that may trigger the tax sharing provisions in the Agreement and any resulting environmental effects are, at this point, entirely speculative and undefined and will be subject to the appropriate level of environmental review at the time any such change in organization is proposed.

For the same reason, no cumulative impacts are foreseeable as no defined changes in organization are called for in the Agreement. Given the entirely administrative and financial changes provided for by the Agreement, there is no reasonable possibility the Agreement will have a significant effect on the environment due to unusual circumstances. Tax sharing agreements, including master tax sharing agreements such as the Agreement, are well-established financial vehicles jurisdictions across the state often avail themselves of and are provided for in the Revenue and Taxation Code. Therefore, in accordance with Public Resources Code Section 21084 and the CEQA Guidelines at Title 14, as cited above, the Agreement will not have a significant effect on the environment and is categorically exempt from the requirement for the preparation of environmental documents.

Recommended Action: Approve a Resolution of the City Council of the City of Ukiah approving the Mendocino County Master Tax Sharing Agreement among Mendocino County and the cities of Ukiah, Willits, Fort Bragg, and Point Arena; and making certain findings of exemption under the California Environmental Quality Act.

BUDGET AMENDMENT REQUIRED: N/A

CURRENT BUDGET AMOUNT: N/A

PROPOSED BUDGET AMOUNT: N/A

FINANCING SOURCE: N/A

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/A

COORDINATED WITH: Supervisors Mulheren and Gjerde, County Counsel and staff, Cities of Fort Bragg, Point Arena and Willits

DIVERSITY-EQUITY INITIATIVES (DEI): **Goal 5** – Instill diversity, equity, and inclusion as essential core elements of policy-making, accountability, and delivery of City services.

CLIMATE INITIATIVES (CI): **5b** – Protect against sprawl through completion of annexations.

GENERAL PLAN ELEMENTS (GP): GP-A1 - Land Use Element; GP-A8 - Housing Element (2019-2027)

Approved: 
Sage Sangiacomo, City Manager



STAFF REPORT

Agenda Item No. 7b	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	Report by UC Berkeley on LAFCo and Water System Consolidations

RECOMMENDED ACTION

This item is for informational purposes only. No actions will be taken as a part of this item.

BACKGROUND

In January 2024, the University of California Berkeley Division of Agriculture and Natural Resources published a report titled, "LAFCO and Water System Consolidation: Bridging the gap between local and state regulators to stop and reverse water system fragmentation." The report is included as Attachment 1.

Several years ago, the US Water Alliance and Water Foundation hosted a series of meetings about water systems consolidation in California. One of the gaps identified during these discussions was a need for more resources for local communities on how to design and implement consolidations from a governance perspective. Funding was then provided to academia to explore this issue, and in that process, the role and questions pertaining to LAFCOs were reoccurrences. This led to preparation of the *LAFCO and Water System Consolidation* report by UC Berkeley.

In summary, the report expounds on the legislative efforts of the State involving the human right to water and ongoing discussions involving the consolidation of small water systems in California. The report also acknowledges the lack of communication and coordination amongst state and local regulators, including LAFCo.

During the preparation of the report, LAFCos and state regulators participated in surveys and interviews with University personnel. The report has been distributed to each of the 58 LAFCos and to drinking water stakeholders throughout California.

The University personnel are giving presentations on the report upon request. Last communicated, they have given a presentation to the California Public Utilities Commission (CPUC) and are planning to share the report findings with staff from the State Water Resources Control Board (SWRCB) Division of Drinking Water.

The Commission is invited to discuss the report's recommendations and provide any feedback to staff, as appropriate.

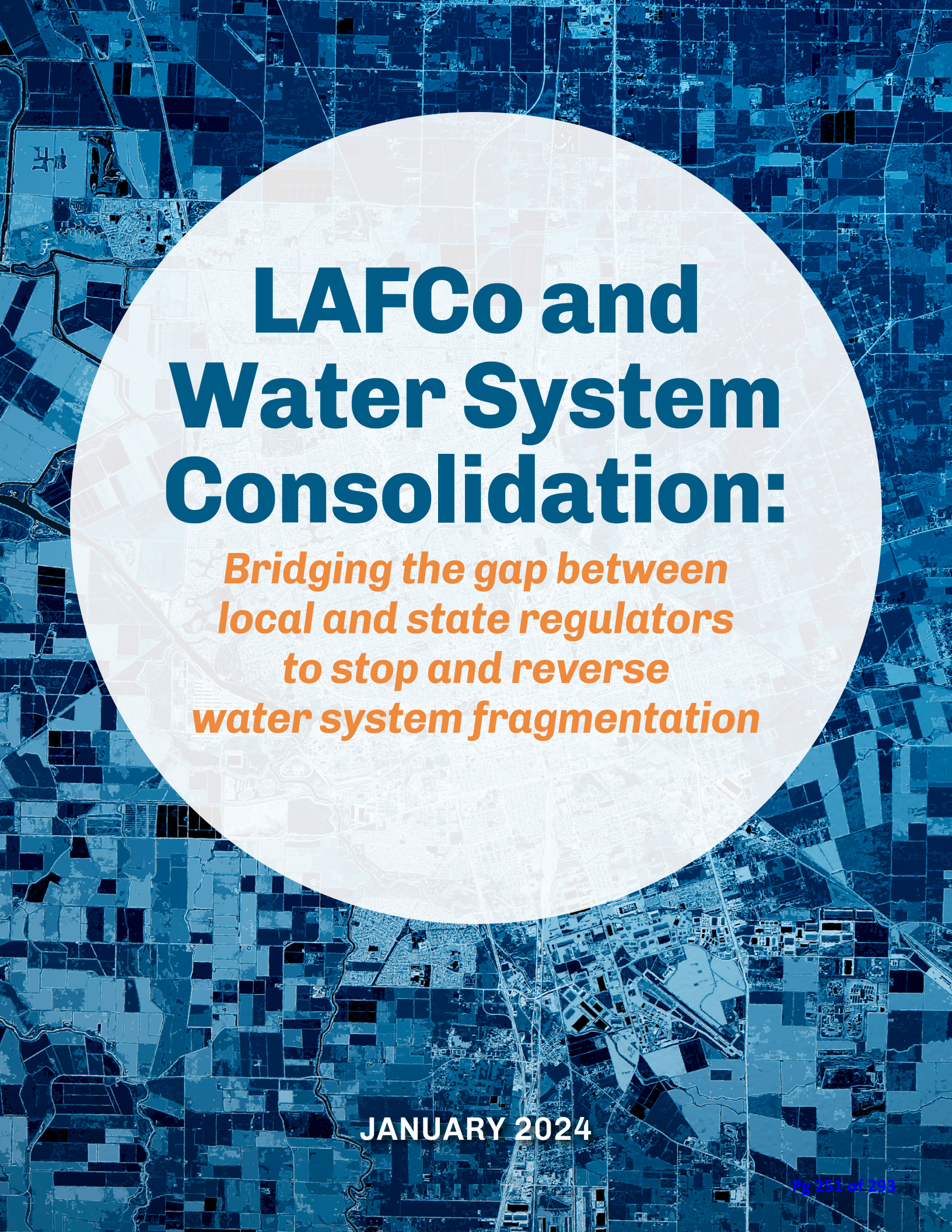
REPORT HIGHLIGHTS

Following is a summary of key highlights of the report:

- Achieving the human right to water in California requires ongoing commitment and investment by state legislators and regulators.
- Consolidation and merging of water systems in California has increasingly become a focus to achieve the human right to water effort due to the benefits they offer.
- Implementing consolidations in an efficient and equitable manner is a difficult task due to local politics and funding. LAFCo commissioners may be reluctant to engage in a consolidation discussion or process if a local agency's board does not favor consolidation.
- LAFCos play a critical role in water system consolidations through their charge to ensure that the provision of drinking water occurs in an orderly manner that does not create additional burden on residents; however, their role may be impeded by their lack of authority involving private water systems and associated user fees.
- LAFCos' evaluation of municipal services within their county through municipal service reviews (MSRs) plays an important role for evaluating water system consolidation; however, it is noted that some LAFCos do not conduct MSRs regularly, typically due to budget and capacity constraints, and the level of detail and analysis provided in an MSR varies by county.
- Some MSRs are broad in nature with a focus on the determinations provided within the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000 (CKH). Meanwhile, state regulators focus on the human right to water through compliance with the Safe Drinking Water Act.
- There is a lack of coordination and sharing of information between LAFCos, the CPUC, and drinking water regulators, in particular the SWRCB and a need to improve communication amongst these agencies and regulators involving the sustainability and governance of local water systems. The report offers the following key recommendations to improve in this area:
 - Transmission and connecting of information from MSRs and the annual state drinking water needs assessment prepared by the SWCRB.
 - Early coordination of state regulators and LAFCos involving water system consolidation projects.
 - Standardizing the assessment of consolidation feasibility as part of the MSR process and recommend consolidation, as appropriate.
 - Robust and regular MSRs for drinking water service providers.
- There is ambiguity about the role of LAFCos in addressing the fragmentation of water systems and consolidation because of their lack of oversight involving investor-owned utilities. To address this, LAFCos were granted the ability to include a discussion of private water systems in MSRs. However, this is often inhibited by resource and information constraints that may ultimately lead to those water systems most suitable for consolidation falling through the cracks.

ATTACHMENTS

- (1) LAFCo and Water System Consolidation Report (prepared by UC Berkeley)



LAFCo and Water System Consolidation:

***Bridging the gap between
local and state regulators
to stop and reverse
water system fragmentation***

JANUARY 2024

Authors

Kristin Dobbin, Assistant Professor of Cooperative Extension at the University of California Berkeley and the Division of Agriculture and Natural Resources

Justin McBride, PhD Candidate in Urban Planning at the University of California Los Angeles

Acknowledgements

This report was made possible by generous funding from the University of California Agriculture and Natural Resources (Award# 23-7000). We thank Emily Scott for the design of this report and Sunny Singhal for his help with editing. We would also like to thank the following participants in the consolidations research advisory committee for helping to inform the design and implementation of the project: Michael Claiborne, Nataly Escobedo Garcia, Blanca Surgeon, Sara Luquin, Carlos Bravo, Janaki Anagha, Katrina Hiott, Sergio Carranza, Reyna Rodriguez, Bryan Potter, Allisa Hastie, Khalid Osman, and Greg Pierce. Many additional external reviewers from around the state provided valuable feedback on our initial draft for which we are extremely grateful. Any errors are ours alone.

For more information contact Kristin Dobbin at kbdobbin@berkeley.edu

Introduction

In 2012, California passed AB 685 enshrining the human right to water into state law. Achieving this vision is not a simple task, instead it requires ongoing commitment and investment by state legislators and regulators. Water system consolidation, or the merging of two or more water systems, has increasingly become a focus of these efforts due to a wide array of potential benefits. This is particularly true for the state's very small water systems, many of which struggle to achieve consistent regulatory compliance. In the hopes of halting and reversing the proliferation of small water systems, California has implemented policy changes including developing financial incentives for larger water systems to consolidate small systems, introducing new powers to mandate consolidation under specific circumstances, and working to limit permits for new water systems in favor of extending existing systems. With these efforts as well as unprecedented financial investments in consolidation through the new Safe and Affordable Funding for Equity and Resilience (SAFER) program, the state has reduced the total number of public water systems by more than 3% in the last 9 years.¹

Despite these successes, implementing consolidations in an efficient and equitable manner continues to be a difficult task. A large array of challenges from local politics to funding regularly delay and sometimes prevent consolidations, both between existing systems and for systems intended to serve new industrial or residential development. This report focuses on one such challenge, the need to coordinate and align actions by state and local regulators. Under the Federal Safe Drinking Water Act, the state of California is responsible for ensuring compliance among public water systems. This role has put the State Water Resources Control Board (SWRCB) at the forefront of efforts to reduce the number of small water systems. Nonetheless, changes to drinking water services often implicate changes to local government, thus requiring consultation with, and sometimes the approval of, local regulators.

In particular, in California, county Local Agency Formation Commissions, known as LAFCo, are regional planning and regulatory agencies tasked with “coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify and streamline governmental structure and preparing a sphere of influence for each city and special district within each county.”² In this capacity, they have a critical role to play in promoting and implementing water system consolidations for existing and proposed water systems. Because LAFCos regulate boundaries between most public agencies, they often have the final say over water system consolidation projects that involve a local government entity including special districts and cities. Yet in practice, many water system consolidations are conceived of and planned without input from local planners and may only come before LAFCo for formal review after significant resources have already been invested in the project. Much the same can be said for local development plans. To the extent a new development relies on a new public water system, local project proponents may find themselves at odds with state regulators who wish to avoid the creation of additional small water systems they perceive as unsustainable. In these cases, there is significant potential for frustration on all sides when plans are delayed or must be changed due to inadequate coordination, conflicting policies and/or competing priorities.

These examples highlight what can be a wide gulf between drinking water regulators and LAFCos when implementing water system consolidations, whether for existing or new systems. Though intertwined in practice, the two often approach questions of water system fragmentation with distinct perspectives and priorities. Such differences can reverberate beyond individual projects, impacting broader efforts to rationalize drinking water services, increase equitable access, and ensure sustainability under a changing climate. Overwhelmingly LAFCos and state drinking water regulators share goals for promoting equitable,

efficient, and sustainable local drinking water service. Yet we are a long way from the policy alignment necessary to stop, let alone reverse, the proliferation of small water systems.

Drawing on interviews with state regulators and LAFCo representatives, input from state technical assistance providers, and a survey of county LAFCo Executive Officers, this report

aims to: 1) Highlight important intersections between LAFCos' local planning and regulatory roles and state policies and programs that prioritize water system consolidation as a safe drinking water solution; 2) Identify challenges at these intersections that limit progress on shared goals; and 3) Provide recommendations to begin to address these challenges.

Section I: Understanding LAFCos and Their Role in Water System Consolidation

About LAFCos

Local Agency Formation Commissions (LAFCos) are county-specific independent governmental agencies charged with conducting studies to evaluate, reorganize, and streamline local government functions and services. LAFCos were first created by the State of California in 1963 to manage sprawl. Subsequent legislative updates have gradually increased the scope of LAFCo powers and authorities over time. The most important of these updates occurred in 2000 with the passage of the [Cortese-Knox-Hertzberg Act](#) (CKH).³ Though amended periodically, the CKH Act remains the most important reference for understanding LAFCo powers and processes.

Each LAFCo is governed by a commission comprised of elected and appointed individuals. Every LAFCo includes representatives of the county's Board of Supervisors and city councils from cities within the county boundaries along with one appointed member of the general public.

Many LAFCos also include board members from special districts within the county. The exact structure of individual LAFCo commissions varies, but a typical commission has at least five, and up to seven, members who serve four-year terms. Though geographically coterminous with every county, LAFCos are politically independent from the county government where they operate. Commission decisions are not subject to oversight, review, or approval by the County Board of Supervisors.

LAFCo commission meetings are public meetings, and as such must be regularly held, open to the public, and are subject to the Ralph M. Brown Act.⁴ The work of the commission is carried out by staff, led by an Executive Officer. Staffing levels vary substantially between counties. Some have full-time Executive Officers and up to eight additional full-time staff members, and others have only part-time Executive Officers and minimal, or even no, additional staff ([See Appendix](#)).

The Cortese-Knox-Hertzberg Act of 2000

The Cortese-Knox-Hertzberg Act of 2000 was the most recent major overhaul of LAFCo powers. It establishes procedures for local government changes of organization, including city incorporations, annexations to a city or special district, and city and special district consolidations. In carrying out these functions, the Act specifically directs LAFCos to:

- Limit urban sprawl;
- Ensure orderly boundaries between governmental agencies;
- Preserve open space and agricultural lands.

Though LAFCos may have other priorities related to local political preferences, these three mandates are shared to some extent by all LAFCos in accordance with state law.

LAFCoS are funded from two primary sources. First, all LAFCoS receive annual funding from the local governments represented on the commission (county, cities, and sometimes special districts). The size of these contributions varies by county, as each LAFCo sets its own budget. Second, LAFCoS may charge fees for some types of applications or services. These fees are typically borne by the relevant agencies or other applicants (such as landowners) applying for the action in question, for example, an adjustment to a district's jurisdictional boundary.

LAFCoS and water system consolidations

To avoid the duplication of services and ensure that growth occurs in an orderly fashion, one of LAFCoS' primary roles is to regulate and approve changes to the jurisdictional boundaries and planning boundaries of all cities and most special districts (the most notable exception is school districts). As a result, LAFCo will be involved in any consolidation project if one or more of the systems — either consolidating or receiving — is a public agency, specifically a city or a special district.⁵ If a consolidation project involves no such water systems, there is no formal role for LAFCo, although if the consolidation involves one or more Investor-Owned Utilities, the California Public Utilities Commission (CPUC) will play a similar oversight role. If a project involves both public and private water systems, LAFCo may only be involved in certain components. For example, if an Investor-Owned Utility takes over water provision in a community previously served by a local agency (as in the case of the Sativa Water District in Los Angeles County), LAFCo would be involved in the dissolution of the public district but not in the “annexation” by the Investor-Owned Utility of the new service area which would instead be approved by the CPUC.

It is important to keep in mind that while a LAFCo's purview includes districts that provide drinking water, LAFCoS do not primarily regulate drinking water providers or their day-to-day operations. Rather, their role is to ensure that drinking water provision happens in an orderly manner that does not create additional burdens on residents, does not conflict with established

local policies or encourage unwanted urban sprawl, and does not create wasteful duplication of services. In other words, in many cases LAFCoS will be concerned with the question: How will this consolidation fit into our broader planning priorities for the county?

The answer to this question will largely depend on the structure of the proposed consolidation. Water system consolidation can be accomplished in many ways including not only district or city consolidation but also through extensions of service, annexations, etc. (See ‘*Bridging differences in terminology*’ box). Any one of these procedures may also trigger reorganizations or dissolutions, all of which may have distinct procedures and requirements for implementation. In some cases, LAFCoS have a preferred pathway for how to accomplish consolidations that will need to be adhered to in order to receive the necessary approvals. However, in other cases, LAFCoS may prefer to make recommendations or determinations based on the specifics of an individual project. We recently surveyed LAFCoS across the state and received responses from 23 of the state's 58 LAFCoS. Nearly 40% of respondents indicated they preferred outright annexation to extraterritorial service agreements whereas 52% reported having no pre-set preference.

Even when a LAFCo has a preference, however, they may still approve exceptions based on specific circumstances. For example, under California law, LAFCoS may (but are not required to) approve a request for a service extension outside of a service providers' jurisdictional boundary and sphere of influence to respond to an “existing or impending threat to the health and safety of the public or the residents of the affected territory”.⁶ More than two thirds of survey respondents indicated they had approved such a request in their county. Notably the requirements for doing so vary between counties. Some counties require only a letter from an affected local government body, while others require expert documentation of the threat.

Beyond the need to coordinate with LAFCo on the structure of a proposed consolidation, LAFCo involvement has another important implication: Fees. Given that LAFCoS are authorized to collect

Bridging Differences In Terminology

This report uses the term “consolidation” in a broad sense to mean the formal merging of some or all functions of drinking water provision between two or more water providers or communities. Consolidation, in this drinking-water focused sense, can happen through a variety of different pathways that vary in not only their implementation but also outcomes (for more information see the 2022 guide [Designing Water System Consolidations](#)). Under this definition, consolidation can include the physical interconnection of existing water system infrastructure (physical consolidation) but it does not have to. Consolidation may instead entail merging only the governance and management functions of two pre-existing systems (managerial consolidation) or extending a water system to serve a domestic well community or new development. This inclusive definition is informed by, and aligned with, the definition state drinking water regulators and community water advocates employ.

However, for a LAFCo, the term consolidation refers to a narrowly defined legal process, closely constrained by state law. The CKH Act defines consolidation as “the uniting or joining of two or more cities located in the same county into a single new successor city or two or more districts into a single new successor district.” Consolidation in a LAFCo sense always entails the creation of an entirely new district.

While largely semantic, this difference can cause confusion. Projects such as the extension of a community water system to serve residents previously reliant on a state small water system or where a special district like a County Service Area is absorbed into a neighboring city would both be commonly referred to as consolidations among drinking water stakeholders. To a LAFCo representative, however, many such “consolidations” are instead understood as extensions of service, annexations, reorganizations, and/or dissolutions.

fees for services and studies and that some rely on these fees to cover the associated costs of those additional reviews, those seeking to consolidate drinking water services may have to bear the cost of any related study required by state law. LAFCOs have some degree of autonomy in setting fees to compensate for staff time. As such, relevant fees vary significantly between counties. Of the 23 LAFCOs that responded to our survey, estimated total fees associated with a consolidation project ranged from \$0 to \$50,000, depending on the LAFCo and the complexity of the project. Seventy percent of survey respondents said that they waive fees under specific circumstances, the remainder indicated that fee waivers were not available.

Municipal Service Reviews

Beyond regulating local government boundaries, LAFCOs also play an important role in evaluating municipal services within their county and making recommendations for improvements. The CKH Act mandates that every five years, as necessary, LAFCOs review and update the designated sphere of influence for each city and special district under their jurisdiction.⁷ Prior to establishing or updating a sphere of influence, LAFCOs must

perform a special study called a Municipal Service Review (MSR). MSRs are comprehensive studies designed to better inform LAFCo, local agencies, and the community about the provision of municipal services. MSRs can be conducted individually for specific cities or districts, covering all services, or on a county-wide or regional basis focused on specific services.

Based on these requirements, some LAFCOs conduct regular MSRs while others do so only when necessary, such as when a sphere of influence issues arise. Budget and capacity constraints are a major factor influencing how frequently MSRs are conducted. Some LAFCOs reported in interviews that they did not conduct MSRs as frequently as they would like due to high costs.

The requirements related to MSR contents are also loosely bounded, meaning that in practice, the content and level of detail varies by county. Ideally an MSR will have insights into the kinds of things those pursuing consolidation would likely be interested in — water quality, water source reliability, fiscal stability, managerial capacity, and technical expertise. Take for example the recent [Countywide Water Service and Sphere Review](#) by Santa Cruz County which provides significant detail

on system finances, water rates, transparency and local accountability among other items.⁸ In other cases, MSRs may have few of these details and thus provide little in the way of local insights either supporting or challenging consolidation efforts (capacity can also be a factor here). By statute, LAFcos are authorized to request information from privately owned water systems as part of their reviews including from mutual water companies.⁹ Notably, very few LAFcos currently do so and some LAFcos report mutual water companies have failed to respond to requests for information when they have attempted to include them in MSRs.

Approval of new public water systems

Recognizing the importance of stopping the further proliferation of potentially unsustainable small water systems throughout the state, recent regulatory changes now require that all applications for new public water systems¹⁰ must be approved by the SWRCB. Applicants wishing to construct a new system must apply at least six months before initiating water-related development with an accompanying “preliminary technical report.” The preliminary technical report must analyze the feasibility of connecting to any public water systems within three miles, assess the twenty-year costs of operating the proposed system, and evaluate the sustainability and

38% of LAFcos report that they evaluate the feasibility of consolidation as part of their MSR process and 61% report that they recommend consolidation in MSR findings where warranted.

resilience of the proposed system long-term. As part of the assessment of consolidation feasibility, an applicant needs to document contact with LAFco regarding the identified existing water systems. Approval of non-water system related development (e.g., a warehouse facility to be served by the proposed water system), however, remains a local decision and LAFcos retain final authority on areas where services can be provided by the existing water systems of cities and special districts. Thus, there is potential for inconsistent determinations between state and local authorities, which could cause delays and/or lead to potential litigation. These changes increase the need for coordination between state drinking water regulators and local authorities regarding when and where the creation of new water systems is appropriate.

Section II: Challenges

Based on our interviews and survey results, in this section we describe seven key challenges that limit effective coordination between state and local regulators with respect to water system consolidation, both among existing and new systems.

Lack of communication and information sharing between LAFcos and drinking water regulators

Although LAFcos, the State Water Resources Control Board (SWRCB), and the California Public Utilities Commission (CPUC) all play key roles relevant to drinking water system consolidations, each has a unique niche in the enforcement patchwork, and

communication between these agencies is limited.

While, in many cases, LAFcos rely on publicly available SWRCB data in developing their MSRs for water services, the MSR process also often generates new information about the status of local water providers, especially regarding the state of system governance and finances. This information can be highly relevant to understanding the potential of a system to encounter future challenges. Yet only 30% of surveyed LAFcos report sharing their MSR findings with drinking water regulators. And while some SWRCB staff do independently seek out and use MSRs when working with a system, not all MSRs are publicly available online.

This lack of information sharing mirrors a general lack of communication between local planners and state drinking water regulators. Nearly all LAFCo Executive Officers we interviewed reported only infrequent contact with state drinking water regulators. The lack of communication creates issues in both directions. On the one hand, the SWRCB may have information about the challenges of local agencies unavailable to LAFCos who often only have infrequent communications with the small water providers under their jurisdiction. Similarly, a LAFCo might be aware of issues which could merit consolidation in the future. These systems might be good candidates for SWRCB intervention, but intervention is unlikely if information does not flow between agencies. On the other hand, the SWRCB may pursue solutions such as consolidation without a clear understanding of locally specific challenges such as conflicting policies, or potential political barriers.

California's other key water agency, the CPUC, regulates Investor-Owned Utilities. The CPUC communicates even less frequently with LAFCos than the SWRCB. This is not surprising, given that LAFCos do not regulate private utilities. But in some cases, LAFCos might be ignorant of potential privately-owned consolidation partners for troubled local government systems or vice-versa, of struggling private systems where governmental systems could expand their service area. Additionally, consolidations involving Investor-Owned Utilities (referred to by the CPUC as acquisitions) can significantly impact local development. Currently there are no specific mechanisms for LAFCos to provide feedback to the CPUC on these matters except to file a motion for party status in an acquisition proceeding which is subject to approval and conditions by a judge.

Lack of shared language and vision

Sometimes, when drinking water stakeholders interested in water system consolidations encounter LAFCos, they find the experience to be frustrating. Often, part of the problem is that LAFCos do not share a common vision or even use the same language to talk about consolidations. As previously mentioned, for LAFCo staff the term

“consolidation” refers to a specific legal process, not a broad suite of options. Conversations that casually use the term consolidation can thus create confusion, since many water system consolidation projects fall under LAFCo descriptions for annexations, dissolutions, extraterritorial service agreements, or other arrangements.

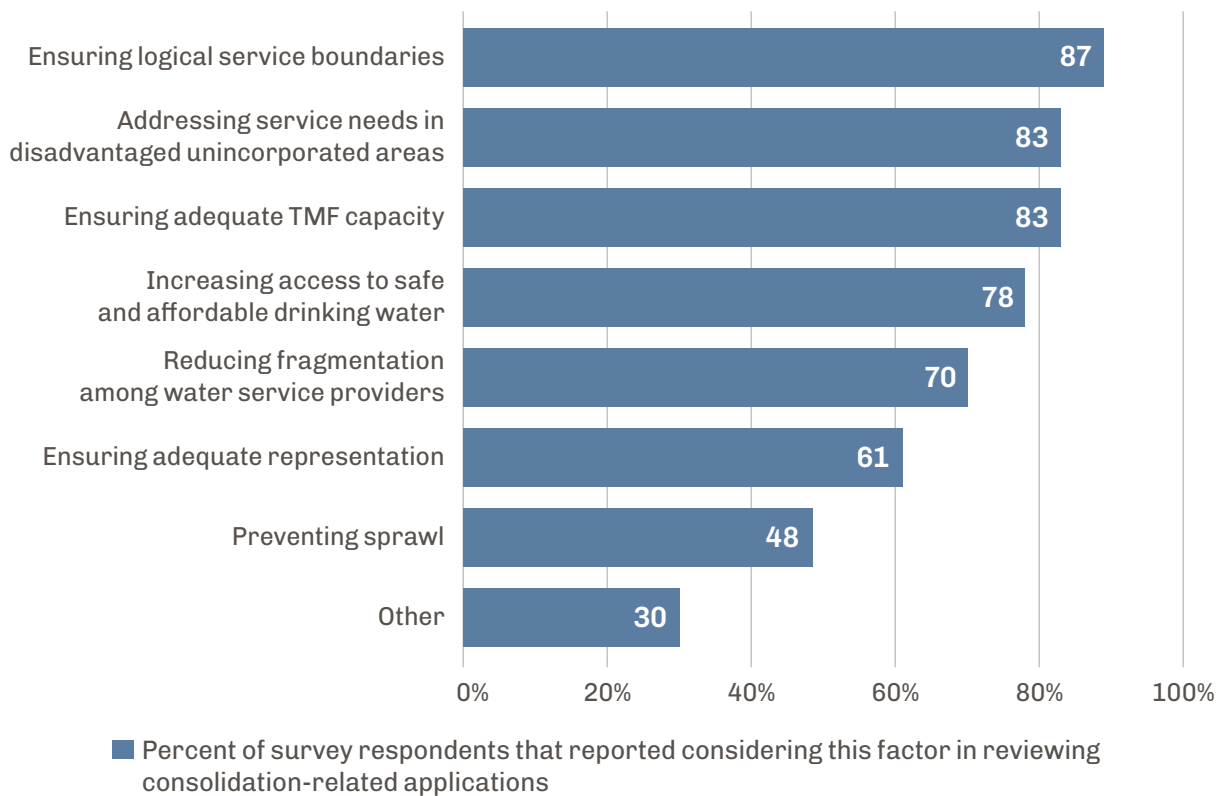
But this challenge is not only semantic. While all parties share a commitment to ensuring efficient, equitable local services, the goals that motivate system consolidation and the metrics by which “success” is assessed in these projects can also vary. State regulators tend to prioritize projects on the basis of Safe Drinking Water Act compliance, cost, and improving system sustainability (i.e., targeting “at-risk” systems). Overall LAFCos take a broader perspective, including considering impacts to different community services as well as county-wide impacts and consistency in long-term planning. This is well demonstrated by the fact that surveyed LAFCos reported considering, on average, more than five different factors when reviewing consolidation-related applications (*Figure 1*). Among these considerations, 30% of LAFCos reported that ensuring adequate Technical, Managerial, and Financial (TMF) capacity was the most important, followed by ensuring logical service boundaries and increasing access to safe and affordable drinking water, each of which was voted most important 26% of respondents. Notably, whereas preventing and reversing water system fragmentation is a top priority of the SWRCB, this consideration did not rise to the top among LAFCos, only 70% of which said they consider system fragmentation when reviewing consolidation-related applications.

Diversity in local implementation

All LAFCos are governed by the CKH Act, but policy occurs just as much in implementation as in statute. Because the CKH leaves substantial autonomy for local LAFCos to tailor their operations to local conditions, implementation varies substantially from LAFCo to LAFCo. The state's rules have few hard guidelines except when it comes to specific procedural actions.

For example, according to statute, LAFCos are supposed to interpret any requests to

Figure 1. LAFCo considerations in reviewing consolidation related applications by frequency.



accommodate a system consolidation based on the potential costs and savings, as well as other impacts to local residents. This open-ended set of criteria leaves room for interpretation leading LAFCos to review a wide range of factors as mentioned above. This statute language also allows for LAFCos to have different local policies leading some LAFCos to prioritize specific planning goals, like the prevention of urban sprawl or addressing service needs in unincorporated areas.

LAFCos vary substantially in their preferences regarding consolidation pathways. Technical assistance providers may select a consolidation pathway which they think will best suit the needs of the community they work with. LAFCos will tend to take a more holistic view and measure the proposed benefits of any consolidation project against the potential impact on development and services county-wide. For example, if a consolidation of private wells into a nearby municipal system would extend that city's sphere of influence into

an area slated for non-development purposes, the LAFCo may oppose the project for fear of losing open space. In many cases there are workable compromises that can be found if these goals and constraints are clearly communicated, for example pursuing an Extraterritorial Service Agreement (also called Out-of-Agency, Out-of-Boundary or Outside Service Agreements depending on the county).¹¹

Unclear roles and responsibilities

While the SWRCB is committed to stopping and reversing the proliferation of small water systems as part of advancing the Human Right to Water (AB 685), precisely because of the planning and local government implications, there are practical and political limits to their ability to do this work on their own. Yet there is ambiguity, and even disagreement, regarding what the role and responsibilities of local planners such as LAFCos is, or should be, with respect to advancing the same mission.

Generally, LAFcos rely on the SWRCB to flag struggling systems and initiate consolidation processes rather than do so themselves (although in certain counties, LAFcos do sometimes play a more central role in promoting projects). However, LAFcos do not necessarily view this as a positive from a local policy standpoint. Several LAFcos indicated that state-level policymakers and agencies generally lacked an understanding of the intricacies of local implementation of consolidations. Some also regarded state-initiated projects without adequate state financial support as unfunded burdens for the affected communities and for LAFcos themselves.

But locally initiating projects has its own challenges. California state law is clear that, in some circumstances, LAFcos have the power to initiate water system consolidations through district dissolution, even without the consent of targeted district.¹² These types of consolidations are rare, however, for several reasons. Perhaps unsurprisingly, LAFco commissioners are often reluctant to go against locally elected political leaders—some of whom may even sit on the LAFco commission themselves. Second, such actions are subject to public hearings and can be blocked by formal protests from residents, an outcome which is more likely because the threshold for popular motions to block the action is lower in LAFco-initiated proceedings. Third, LAFcos are generally reluctant to force other systems to take

Nearly 40% of LAFcos report facilitating or supporting local consolidation projects whereas less than 9% report initiating consolidation projects.

on new customers, even if the receiving system is best suited to serve those communities. LAFcos generally operate under tight budgets and with limited staff, and thus generally require a project proponent to fund any necessary studies to proceed with a dissolution rather than take on the cost from their own budget. Additionally, LAFcos are prohibited from initiating certain consolidation pathways, such as annexations. Thus, even if a LAFco knows consolidation is the best choice, they rarely act as proponents. An exception to this trend is when a local scandal erupts, either around system governance or water quality.

This does not mean, however, that LAFcos do not view themselves as having any role in consolidations. For some LAFcos, considering consolidation options is already a part of their standard operations. Thirty-two percent of surveyed LAFcos reported assessing the feasibility of consolidations as part of MSRs for drinking water service providers. Sixty percent reported recommending system consolidation as part of

Consolidating Sativa County Water District Post-Scandal

When some Compton residents began to notice discolored water in their taps in the spring of 2018, popular protests erupted. One entity was not surprised. Los Angeles (LA) LAFco had flagged the water provider, the Sativa County Water District, as struggling in multiple categories as early as 2005, and staff had recommended outright dissolution of the agency to the commission in 2012. However, despite these red flags, the agency continued to operate, and no consolidation efforts were formally initiated, either locally or by the SWRCB. When the protests began, however, LA LAFco was prepared to spring into action. With the changed political winds following the fallout from the scandal, the commission was able to initiate a dissolution process for Sativa just two months after complaints first arose and soon thereafter work with the state to allow the county to temporarily takeover operations while all parties looked for a new permanent provider.

The case of Sativa highlights just how effective a well-resourced LAFco can be in dealing with a local crisis. But the case also provides an example of how a lack of coordination around system dissolution priorities and political inertia can lead to a crisis in the first place. A more aggressive approach locally, or better coordination from the SWRCB, might have dealt with the issues at Sativa before brown water flowed out of residents' taps. Nonetheless, LA LAFco's quick response and effective collaboration between local and state regulators headed off the problem before things got worse.

MSRs based on assessments of water supply, governance, proximity to other systems, or other factors. In these cases, our interviews reveal that most LAFCoS view the initiative to then fall on the individual system boards to explore possible options for consolidations or alternatively, for the SWRCB to intervene if a system is underperforming to such a degree to require consolidation.

As a result, most consolidation projects in California are initiated by, or in partnership with, the SWRCB. Due to the SWRCB's responsibilities under the Safe Drinking Water Act, these consolidations tend to target existing or imminent health and safety concerns. A more proactive approach to other types of potentially challenged systems — such as small systems with governance issues, those unable to raise capital or with retiring staff or those particularly vulnerable to climate disasters — has so far not been on the agenda for lack of a clear responsible party or champion.

Gaps in relevant authorities

In addition to ambiguity about the role of LAFCoS in reversing water system fragmentation, the fact that not all water systems are subject to the jurisdiction of LAFCoS limits even the potential for LAFCoS to support consolidation projects. Water systems are regulated by a patchwork of state and local agencies, depending on the structure of the system and other key factors. Because of this, some of the systems most suitable for consolidation fall between the cracks.

LAFCoS only regulate and review cities and special districts, not private firms. Yet many struggling water systems are private systems, like mobile home parks or mutual water companies, which unlike Investor-Owned Utilities, are not regulated by the CPUC. State policymakers have noticed this oversight and granted LAFCoS the ability to include information for private water systems operating in their county in MSRs. However, doing so is optional, and often inhibited by resource and information constraints. Because most LAFCoS have their hands full performing MSRs for the public agencies under their jurisdiction, very few have included mutual water companies, mobile home parks, or other small systems in their MSR cycles, and most do not anticipate doing so in

Resident Support Is Often Non-Negotiable

Most LAFCo actions, such as district dissolutions and annexations, are subject to protest by registered voters and landowners in the affected territory. Generally, if more than 25% of the voters or landowners representing 25% of the assessed value of land in the area submit written protests, the change must then be approved by voters in an election which is a costly and time-consuming undertaking. In some instances, namely if LAFCo initiates the boundary change itself, this threshold is lowered to 10%. Moreover, some LAFCo actions that can be needed for a consolidation project, like the creation of new special district, always require a local election. This means that regardless of whether a consolidation project is initiated by the state or a local proponent, resident support is usually critical to successful implementation.

the future. While LAFCoS might seem to be natural agencies to promote consolidation for these types of systems, they ultimately do not have either the statutory mandate, funding, or powers to do so.

Competing local priorities

LAFCoS are political organizations primarily composed of elected officials. As such, local politics matter a lot. If a local agency's board does not favor consolidation, even for a consolidation that is logical and feasible, LAFCo commissioners may be reluctant to force the issue to avoid controversy or protect local relationships. The same can be true for supporting new development. To the extent that a new water system is tied to a politically favored development project or powerful local interests, LAFCoS may be subject to significant political pressure to support the preliminary technical report required by the SWRCB.

County specific priorities and policies can also impede consolidation efforts. One such example is the issue of limiting urban sprawl. If a consolidation project is seen to have the potential for increasing development in an area the county has earmarked for light or no development, a LAFCo might be unlikely to approve the consolidation. Notably, such concerns are county specific. Only 48% of survey respondents listed preventing sprawl as a factor for approving consolidation-related

applications. However, it is increasingly common for municipalities or special districts to implement their own moratoriums on new connections. Such moratoriums serve to arrest new development, but they can also prevent the consolidation of water services for existing peripheral residents.

Importantly, local priorities and interests can also have positive effects on efforts to increase water system consolidation. When locals identify system fragmentation as a major concern, LAFCo staff can work effectively to foster consolidation in unique ways. Tulare County, for example, has completed more than 16 consolidations since 2015, in part due to the active involvement and support from the Board of Supervisors.

Limited and uneven LAFCo resources

LAFCos have uneven funding levels across the state. Because represented agencies are a primary source of funds, counties with small numbers of cities,

special districts, or both, typically have small LAFCo budgets. In some of these counties, LAFCo work may be handled on a contract basis by the county planning department or be contracted out to a private firm. By contrast, counties with large amounts of regulated agencies, like San Diego or Los Angeles, often have relatively large LAFCo budgets.

In many cases, funding levels can directly correspond to staffing levels. LAFCos in counties with low staffing levels may be harder to contact and necessary procedures may take longer, especially if there is no full-time staff. MSRs in such counties may also be updated less frequently than would be preferred if local capacity was higher. Limited resources can also lead to over-reliance on fees associated with studies and applications, which can in turn increase costs and impede a county's ability to offer fee waivers. As previously mentioned, only about two-thirds of the 23 LAFCos who responded to our survey offered fee waivers for studies.

Section III: Recommendations

Based on the challenges outlined in the previous section, the following recommendations highlight potential pathways for addressing the existing gaps and improving alignment between local and state regulators organized around three key themes: Improving information sharing and communication between regulators; Identifying consolidation opportunities; and Advancing locally-driven consolidation projects.

Improving information sharing and communication between regulators

- **Ensure regular, sustained communication between LAFCos and state drinking water regulators:** Locally, LAFCo, the SWRCB, and the CPUC (as applicable) should routinely meet to discuss failing and at-risk systems within each county. Such meetings would present the opportunity for each party to share the information on specific systems as well as identify promising partnerships across a range of system types that are consistent with local plans and policies. When distinct from LAFCo staff, county planners

should also be included. At the state-level, biannual LAFCo conferences and SWRCB's internal staff training programs present opportunities for cross-learning on relevant topics with the potential to increase collaboration. Regular communication would go a long way to increasing mutual understanding of relevant priorities and limitations as well as overcoming terminology and other barriers.

- **Transmit and connect information from MSRs and the annual state drinking water needs assessment:** Currently, both MSRs and the annual SWRCB drinking water needs assessments contain information helpful for assessing the functioning and sustainability of community water systems operated by cities and special districts. Systematically sharing these findings would help connect relevant knowledge from the local and state agencies and align with the Open and Transparent Water Data Act. At a minimum, MSRs should be readily accessible online and county-level meetings can support their use by the SWRCB. Most LAFCos that responded to the

survey support this type of information sharing (See Figure 2). In the future, the SWRCB could create formal pathways for integrating MSR data and/or the state legislature could consider changes to require information sharing and coordination.

- **Clarify and message relevant state goals:** Many LAFCoS are eager to support state efforts for advancing safe, accessible, and affordable drinking water and climate resilience but do not have a clear understanding of state priorities on these topics nor the type of performance metrics they could use to assess and advance these goals locally. The state should develop clear resources that can guide LAFCoS in the development of MSRs and inform local decision-making about service boundaries.
- **Ensure early coordination on system consolidation projects:** For project proponents, ensuring early coordination between communities, the SWRCB, technical assistance providers and LAFCo staff is essential. Consolidation can be accomplished through many potential pathways that must be matched with local conditions. It is therefore important to learn what pathways are preferred or even possible locally and why. If a LAFCo has formal or informal policies related to consolidation, they should be shared as soon as possible. Having this information as a project is developed will help ensure alignment with local planning and promote success. Early communication can also help avoid unnecessary delays in planning or implementation by anticipating fees, processing times, etc.
- **Ensure early coordination on proposals that implicate new public water systems:** State regulators, LAFCoS, and counties should communicate as early as possible about development proposals that explicitly or implicitly could lead to the creation of a new public water system. Early coordination on priorities and limitations at both levels will help prevent inconsistencies that could lead to conflict and delay.

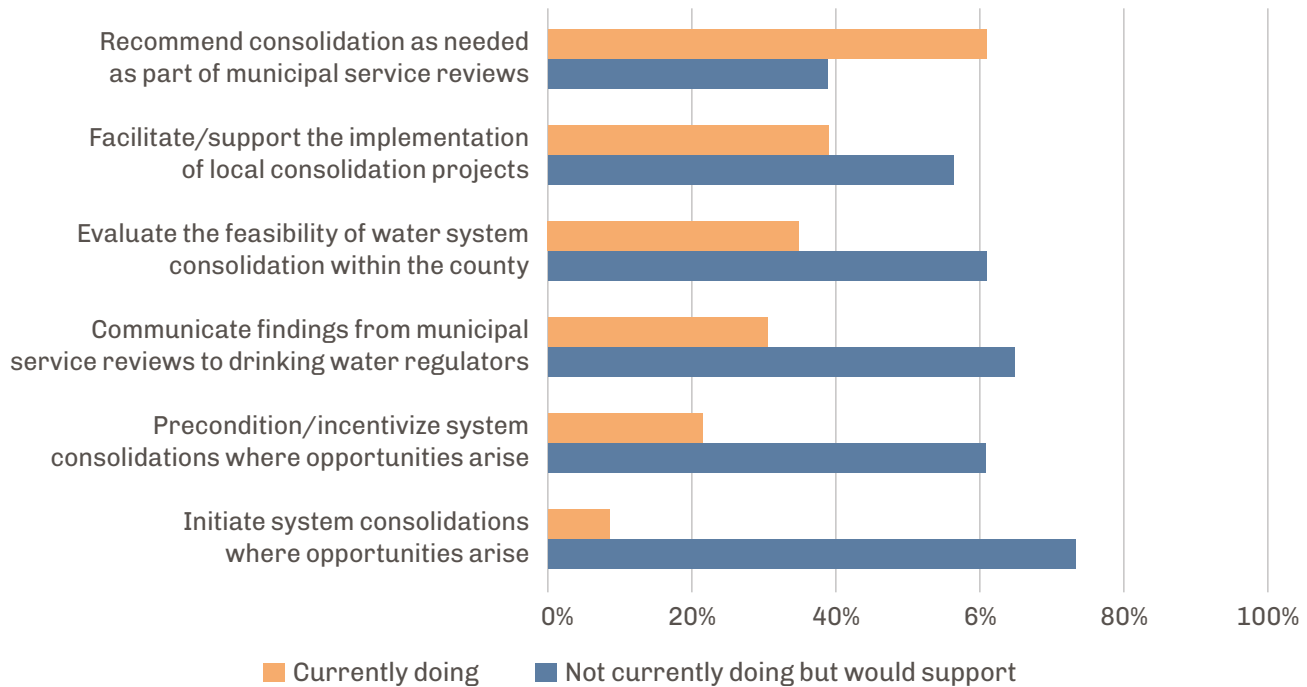
Identifying consolidation opportunities

- **Ensure robust and regular MSRs for drinking**

water service providers: Municipal Service Reviews (MSRs) are a valuable opportunity to both assess the functioning of local service providers and make recommendations for improvements. Ensuring that thorough MSRs are conducted regularly throughout the state could go a long way towards identifying and advancing consolidations. Importantly, identifying funding sources to support this work is likely key to achieving this goal.

- **Standardize assessment of consolidation feasibility as a part of the MSR process and recommend consolidation, as appropriate, in the findings:** California state law requires that LAFCoS explore “opportunities for shared facilities” for public water systems as a part of their MSR process. Some LAFCoS go beyond this requirement to assess consolidation opportunities for some or all systems under their jurisdiction. All LAFCoS should do so with an eye not only for physical consolidations but also managerial consolidations and water system partnerships (e.g., shared staff). Where appropriate based on these findings, LAFCoS should make formal recommendations for consolidation as part of their MSR findings. While not all counties responded to our survey, the results demonstrate unanimous support for both actions among those who did.
- **Fill data and oversight gaps for under-regulated water systems:** LAFCoS collect and maintain important information about the water systems operated by municipalities and special districts in their jurisdictions. The CPUC maintains similar information for the state’s Investor-Owned Utilities. For other private water systems like mutual water companies and mobile home parks data collection is limited to the drinking water needs assessment which necessarily provides very limited insights on system governance and management. Figuring out how to fill this gap should be a state priority. For example, these systems could be subject to reporting and oversight by the CPUC or included in MSRs.
- **Proactively identify priority consolidations and tie these into other opportunities for boundary expansion:** Some systems are reluctant to receive

Figure 2. Existing practices and policy preferences among surveyed LAFCoS for addressing local water challenges.



customers from struggling systems but are happy to expand with greenfield development. Working with both state drinking water regulators and local water managers (e.g. Groundwater Sustainability Agencies), LAFCoS should develop and maintain a list of priority consolidation projects in their county. LAFCoS should then use their existing authorities to tie these projects to locally promoted boundary changes, for example, annexations or sphere of influence updates, when feasible. More than 80% of LAFCoS that responded to the survey support this type of approach.

- **Clarify roles for identifying and promoting potential consolidations:** Currently the SWRCB is the primary entity identifying potential consolidation projects and initiating conversations with a particular focus on “failing systems” with pressing health and safety concerns and those at-risk of failing. There is a need to clarify who else, if anyone, should take responsibility for identifying and initiating potential consolidations among different subsets of systems such as

privately-owned non-Investor-Owned Utilities and low-hanging fruit consolidations (e.g., based on proximity or where system managers wish to retire).

Advancing locally-driven consolidation projects

- **Reduce financial impediments to locally-driven consolidations:** Proposed consolidations entail LAFCo related costs to be borne by a project proponent and/or the LAFCo itself. As such, promising projects can languish if they are not financially supported by the SWRCB and/or a local government proponent. Establishing a funding source to support LAFCoS or other local proponents to advance consolidation projects could help increase the number of locally initiated projects. Similarly, state and federal funding and technical assistance is often essential to make consolidation feasible. Creating clear pathways for accessing these resources for locally-initiated projects could similarly increase local leadership on the issue.

- **Reduce administrative and procedural hurdles to implementing consolidations:** Consolidation is a complicated and difficult process constrained by convoluted statutes with significant limitations and even contradictions. Often a single consolidation project may trigger several concurrent actions which only further increases the administrative burden and associated costs. To every extent possible, the associated statutory requirements should be clarified and streamlined.
- **Create local pathways for consolidation of mutual water companies, mobile home park systems, and other small private systems:** LAFcos do not have authority over private water systems and therefore cannot initiate consolidation among them. Thus, the state must explore possibilities to promote the consolidation of small private systems that are not Investor-Owned Utilities.
- **Allow LAFcos to initiate annexations:** Currently LAFcos can initiate dissolutions but not annexations. Given that annexation is a common and often preferred mechanism for consolidating water systems, granting LAFcos the ability to initiate annexations could increase the number of projects advanced locally.
- **Ensure technical assistance providers working on consolidations have a clear understanding of work plan elements and project requirements related to LAFCo:** The SWRCB should provide technical assistance providers clear guidance for addressing the local planning dimensions of consolidations including working with LAFCo. Ensuring that LAFCo tasks and expenses are accounted for in work plans and budgets will streamline implementation.

Resources and Further Reading

Assembly Committee on Local Government. (2023). Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. <https://alcl.assembly.ca.gov/system/files/2024-01/ckh-local-goverment-reorganization-act-of-2000-2023.pdf>

Bui, T. & Ihrke, B. (2003). It's time to draw the line: A citizen's guide to LAFCos. https://humboldtLAFCo.org/wp-content/uploads/TimetoDrawLine_LAFCos.pdf

Dobbin, K., McBride, J. & Pierce, G. (2022). Designing Water Systems Consolidation Projects. <https://innovation.luskin.ucla.edu/wp-content/uploads/2022/10/Designing-Water-System-Consolidation-Projects.pdf>

Senate Governance and Finance Committee. (2013). 50 Years of LAFCos: A guide to LAFCos. https://caLAFCo.org/sites/default/files/resources/50%20Years%20of%20LAFCos%20%282013%29%20-%20A%20guide%20to%20LAFCos_0.pdf

State Water Resources Control Board (SWRCB). (2021). Permits for Water Systems. https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/Permits.html

State Water Resources Control Board (SWRCB). (2023). Drinking water system partnerships and consolidations. https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/waterpartnership.html

US Water Alliance. (2022). Catalyzing Community-Driven Utility Consolidations and Partnerships. https://uswateralliance.org/wp-content/uploads/2023/09/Catalyzing-Community-Driven-Utility-Consolidations-and-Partnerships-PAGES_0.pdf

Appendix

LAFCo information and select survey results by county

County	# of Staff	Offers Fee Waivers?	Approx. Range for Consolidation-Related Fees
Alameda	2	N	\$6,500 - \$13,000
Alpine	1	Did not respond to survey	Did not respond to survey
Amador	4	Did not respond to survey	Did not respond to survey
Butte	4	Y	\$1,000 – \$25,000
Calaveras	2	Did not respond to survey	Did not respond to survey
Colusa	2	Did not respond to survey	Did not respond to survey
Contra Costa	2	Y	\$4,000 - \$8,500
Del Norte	2	Did not respond to survey	Did not respond to survey
El Dorado	2	Y	\$1,000 – \$50,000
Fresno	5	Did not respond to survey	Did not respond to survey
Glenn	1	Did not respond to survey	Did not respond to survey
Humboldt	3	Did not respond to survey	Did not respond to survey
Imperial	4	Did not respond to survey	Did not respond to survey
Inyo	2	Did not respond to survey	Did not respond to survey
Kern	3	Did not respond to survey	Did not respond to survey
Kings	2	Did not respond to survey	Did not respond to survey
Lake	2	Did not respond to survey	Did not respond to survey
Lassen	3	Did not respond to survey	Did not respond to survey
Los Angeles	7	Y	\$6,000 - \$30,000
Madera	2	N	\$3,000 - \$6,000
Marin	2	Did not respond to survey	Did not respond to survey
Mariposa	1	Did not respond to survey	Did not respond to survey
Mendocino	2	Did not respond to survey	Did not respond to survey
Merced	2	N	\$2,000 - \$5,000
Modoc	2	Did not respond to survey	Did not respond to survey
Mono	1	Did not respond to survey	Did not respond to survey
Monterey	4	Did not respond to survey	Did not respond to survey
Napa	2	Y	\$8,500 - \$34,000

County	# of Staff	Offers Fee Waivers?	Approx. Range for Consolidation-Related Fees
Nevada	2	Did not respond to survey	Did not respond to survey
Orange	5	N	\$10,000 - \$30,000
Placer	2	Y	\$20,000 - \$40,000
Plumas	2	Did not respond to survey	Did not respond to survey
Riverside	5	Did not respond to survey	Did not respond to survey
Sacramento	2	Y	\$3,000 - \$10,000
San Benito	2	Did not respond to survey	Did not respond to survey
San Bernardino	4	Did not respond to survey	Did not respond to survey
San Diego	10	Y	\$6,500 - \$25,000
San Francisco	1	Did not respond to survey	Did not respond to survey
San Joaquin	3	N	\$2,000 - \$2,500
San Luis Obispo	3	Y	\$3,000 - \$7,500
San Mateo	3	Y	\$2,000 - \$10,000
Santa Barbara	2	Y	\$2,000 - \$6,000
Santa Clara	2	Y	\$4,000 - \$8,500
Santa Cruz	2	Y	\$1,000 - \$2,000
Shasta	2	Did not respond to survey	Did not respond to survey
Sierra	1	Did not respond to survey	Did not respond to survey
Siskiyou	2	Did not respond to survey	Did not respond to survey
Solano	3	N	\$7,500 - \$35,000
Sonoma	3	Y	\$4,000 - \$6,000
Stanislaus	3	Y	\$500 - \$3,500
Sutter	3	Did not respond to survey	Did not respond to survey
Tehama	1	Did not respond to survey	Did not respond to survey
Trinity	2	Did not respond to survey	Did not respond to survey
Tulare	3	Y	\$3,500 - \$4,000
Tuolumne	2	Did not respond to survey	Did not respond to survey
Ventura	3	Did not respond to survey	Did not respond to survey
Yolo	2	Y	\$1,500 - \$6,500
Yuba	2	Did not respond to survey	Did not respond to survey

References and Notes

- 1 Dobbin, K. B., McBride, J., & Pierce, G. (2023). Panacea or placebo? The diverse pathways and implications of drinking water system consolidation. *Water Resources Research*, 59(12), <https://doi.org/10.1029/2023WR035179>.
- 2 CALAFCo website, What Are LAFCos responsibilities? Accessed 11/6/23. <https://caLAFCo.org/LAFCo-law/faq/what-are-LAFCos-responsibilities>
- 3 CA Government Code §56000 et seq.
- 4 CA Government Code §54950 et seq.
- 5 A consolidating water system is a system that will stop providing drinking water service after a consolidation is completed. In contrast, a receiving water system is a system that continues to provide drinking water service including to new customers/territory added through the consolidation.
- 6 CA Government Code §56133(c)
- 7 CA Government Code §56425(g); A sphere of influence or SOI is a planning boundary outside of an agency's jurisdictional boundary (such as the city limit line or water service area) that designates the agency's probable future boundary and service area.
- 8 Countywide Water Service and Sphere Review. Local Agency Formation Commission of Santa Cruz County. Accessed 01/22/24. <https://santacruzlafco.org/wp-content/uploads/2022/09/Countywide-Water-MSR-Adopted-Version.pdf>
- 9 CA Government Code §56430(7)(d)
- 10 A public water system is a water system serving at least 15 connections or 25 people for a minimum of 60 days per year. This is the body of water systems that is regulated by the SWRCB under the Federal Safe Drinking Water Act.
- 11 Extraterritorial, Out-of-Agency, Out-of-Boundary or Outside service agreements all refer to situations where a city or special district extend services outside of their jurisdictional boundaries. For drinking water service this means outside of their approved service area. Prior to 1994 service extensions only required LAFCo approval if they involved annexation. Since 1994 service extensions always require approval by LAFCo (with some exceptions such as the transfer of non-treated water).
- 12 CA Government Code §56035; For a LAFCo, a dissolution entails the “disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers.”



STAFF REPORT

Agenda Item No. 7c	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	New website requirements and updated terms with Streamline

RECOMMENDED ACTION

Informational report to the Commission, no action requested.

BACKGROUND

In April 2024, the US Department of Justice (DOJ) published new rules for Title II of the Americans with Disabilities Act (ADA) to ensure the accessibility of web content and mobile applications for people with disabilities.

The final rule mandates technical standards for state and local governments to help ensure the accessibility of their programs and services provided through the web and mobile applications. The DOJ has published the [ADA Best Practices Tool Kit for State and Local Governments](#) to assist with complying with the new website requirements.

Mendocino LAFCo has contracted with Streamline to host and maintaining its website since October 2020. Streamline is a firm specializing in hosting and supporting federal, state, and ADA compliant websites for local government agencies. In June, we received notice that Streamline has adjusted its hosting services to include implementation of the new DOJ requirements, which has been applied in advance of the July 1 deadline.

Ensuring compliance with the significant increase in ADA requirements has necessitated an increase in fees. Our current monthly rate with Streamline is \$63. As an existing client, we will automatically be transitioned to the new Compliance Basics Plan at the monthly rate of \$115 (see Attachment 1 for more information).

ATTACHMENTS

- (1) Streamline Compliance Ready Check-in Presentation

Mendocino LAFCo



Compliance
Readiness Check-in



Today's Agenda

- 1 Introduction
- 2 Legislative updates
- 3 Your compliance scorecard
- 4 Understanding your Streamline Plan

Your dedicated success manager



Your Compliance & Success Manager

Hannah Holmes

I am here to ensure that Streamline meets your needs and that you are fully compliant with ever-changing state and federal laws.

- ✓ Annual site reviews
- ✓ Need a new feature?
- ✓ Need a new site or portal?
- ✓ New tools coming out



Part of a larger support team



Your Compliance & Success Manager
Hannah Holmes

I am here to ensure that Streamline meets your needs and that you are fully compliant with ever-changing state and federal laws.



Your Technical Support
Kurt Danilson

Bug? Question? Problem? Idea to improve? I'm your guy.



Your Education & Training
Madison Wallace

I'm here for your education, training, billing issues, and site reviews. Book a training with me anytime!



We're just a click away! ⇒



Special District Legislation Updates for ADA

- 1 New ADA Rules Released by DOJ
- 2 Old vs. New Requirements
- 3 Why Does This Matter?

ADA compliance suddenly got harder

- ✓ Department of Justice rolled out sweeping new rules in May 2024 that will be enforced on all special districts
- ✓ The rules go beyond the website and call for document standards, accessibility policies, remediation methods, and more.

[Read FAQ document on ADA compliance »](#)



The screenshot shows a webpage header for the U.S. Small Business Administration Office of Advocacy, with navigation links for Regulation, Research, Outreach, Resources, and About. Below the header is a photograph of the Department of Justice building in Washington, DC, with the DOJ seal overlaid on the right. A blue banner labeled 'REGULATORY ALERTS' is positioned above the main headline: 'Justice Department Finalizes Rule Requiring State and Local Governments to Make their Websites Accessible'. The byline reads 'By Office Of Advocacy — On Apr 25, 2024'. The main text of the alert states: 'On April 24, 2024, the Department of Justice's Civil Rights Division (DOJ) issued a final rule revising Title II of the Americans with Disabilities Act (ADA). The rule requires state and local governments to make their websites and mobile applications accessible for people with disabilities. The agency is adopting the technical standards of [Web Content Accessibility Guidelines \(WCAG\) 2.1 Level AA](#), which requires 50 success criteria to make websites accessible. This includes converting pictures and documents so they can be

What has changed?

OLD ADA REQUIREMENTS

1. Checking all HTML pages for conformance to ADA compliance requirements using tool like Lighthouse
2. Technical support for reported issues

NEW DOJ AND STATE REQUIREMENTS

1. Automatically checking all PDFs for ADA compliance using industry scanner
2. Creating a process and remediation request form for PDFs created prior to July 1, 2024 and placing remediation language on all pages where the PDFs are linked
3. Checking all videos, if present, for closed captioning and automatically enabling it
4. Manual testing by users with various disabilities, with testing processes documented
5. Generating and posting an accessibility statement and updating each year
6. Creating a reliable remediation form for accessibility issues that is monitored by technical personnel and CC's district staff with two alternative forms of communication (web and non-web based).
7. Ongoing reviews by accessibility staff, who get automatically alerted of accessibility issues
8. Annual ADA compliance plan review
9. Creating court-admissible monthly ADA reports
10. Ongoing ADA support and training for your staff
11. Readiness for legal defense e.g. \$10,000 - \$50,000 of indemnification



STREAMLINE

Your Compliance Scorecard

Web Accessibility & ADA Score

July 2023

100

July 2024 Updates

82

- **Activated for you early at no charge for July 1 deadline**
- Some inaccessible PDFs missing PDF remediation notice
- Missing accessibility statement
- Missing request form on archived documents
- Need to check videos for closed captioning, if appl.

What's the risk?

2,403

Districts have been affected by a web accessibility action. 🧑🏻

56%

Increase in the number of web accessibility lawsuits in 2022. ⬆️

\$39k





















Average amount for a web accessibility claim in 2023. 💰

* Very few, if any, special district insurance policies cover the costs of web ADA issues.

Flexible New Plans built for your district's specific needs


















Current Plan

\$63/month

-  Website hosting + content management
-  Amplify™ Design Builder
-  Google maps + locations Integration
-  Social feed Integration
-  Annual design reviews
-  Annual board reports
-  **Compliance & posting checklist**
-  DOJ Required 
-  DOJ Required 
-  \$10,000 Indemnification from ADA Issues
-  **Meetings assistant**
-  One-click social sharing
-  One-click email marketing & subscriptions
-  Payments / commerce tools
-  E-Signature Forms
-  Internal communications hub
-  Support with integration of embedded tools
-  Training + support


















Compliance Basics

Essential tools for districts to meet compliance standards and regulations. Look professional while meeting state requirements & best practices.

-  Website hosting + content management
-  Amplify™ Design Builder
-  Google maps + locations Integration
-  Social feed integration
-  Annual design reviews
-  Annual board reports
-  Compliance + posting checklist
-  ADA accessibility assistant
-  \$10,000 indemnification from ADA issues
-  Meetings assistant
-  One-click social sharing
-  One-click email marketing & subscriptions
-  Payments / commerce tools
-  E-Signature Forms
-  Internal communications hub
-  Support with integration of embedded tools
-  Training + support


















Community Pro

Everything offered in our compliance plan plus design tools, email mktg, payments, e-signatures, & more. Perfect for districts that are active in their community.

-  Website hosting + content management
-  Amplify™ Design Builder
-  Google maps + locations Integration
-  Social feed integration
-  Annual design reviews
-  Annual board reports
-  Compliance + posting checklist
-  ADA accessibility assistant
-  \$25,000 indemnification from ADA issues
-  Meetings assistant
-  One-click social sharing
-  One-click email marketing & subscriptions
-  Payments / commerce tools
-  E-Signature Forms
-  Internal communications hub
-  Support with integration of embedded tools
-  Training + support

Operations Pro

Everything in compliance & community plans plus intranet, social feeds, board reports & reviews. Perfect for districts who want to streamline operations.

-  Website hosting + content management
-  Amplify™ Premium Design Builder
-  Google maps + locations Integration
-  Social feed integration
-  Annual design reviews
-  Annual board reports
-  Compliance + posting checklist
-  ADA accessibility assistant
-  \$50,000 indemnification from ADA issues
-  Meetings assistant
-  One-click social sharing
-  One-click email marketing & subscriptions
-  Payments / commerce tools
-  E-Signature Forms
-  Internal communications hub
-  Support with integration of embedded tools
-  Training + support

Rate Guaranteed <10% annual max increase

But we've got your back.

- ✓ We partnered with Allyant CommonLook for PDF Testing and Remediation Services
- ✓ We partnered with Jeffer Mangels Mitchell and Butler for Indemnification and ADA Legal Defense
- ✓ We partnered with Level Access for formal testing of your site by users disabilities

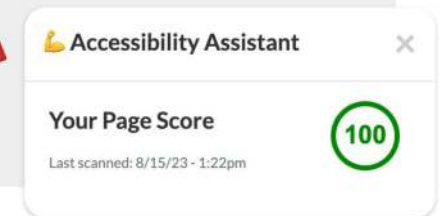
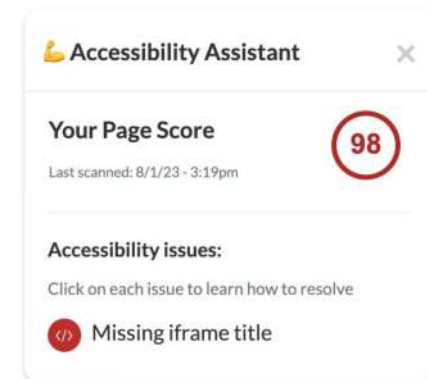
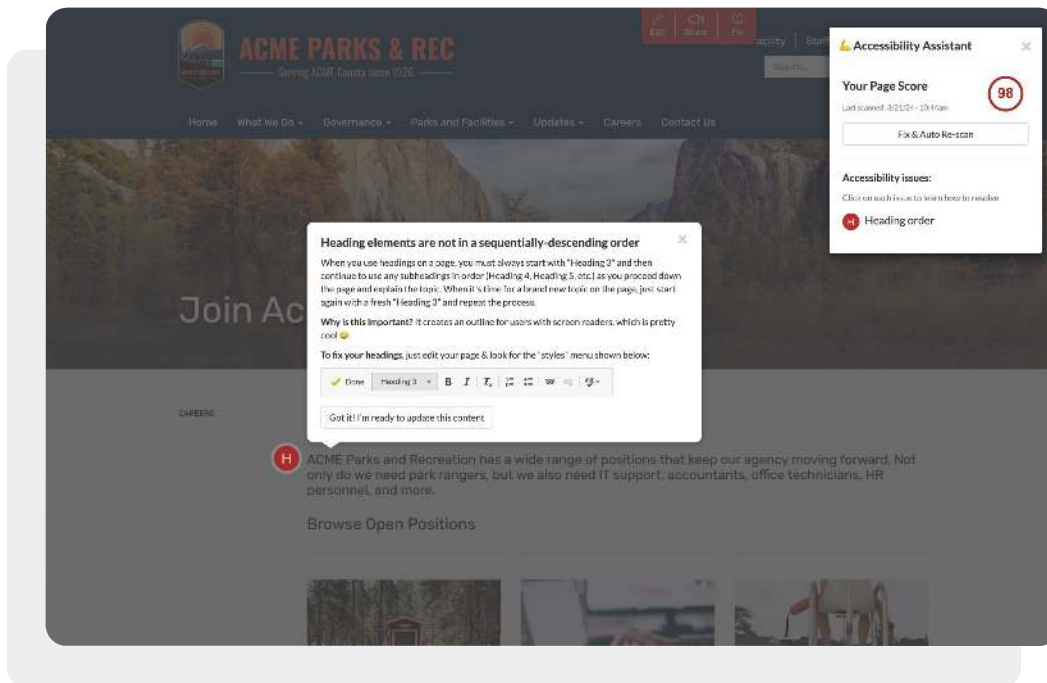


Streamline with Rep. David Ortiz at the History Colorado Center

Your New Streamline Plan

**New features deployed to
assist you with these new
mandates**

Your Accessibility Assistant guides you on how to **fix issues right on page** 100



Built-in PDF remediation services and archiving for all files on your site 🙌

- 🔒 Easily view which PDFs are not accessible
- 🔧 Request a PDF remediation on the spot
- 📁 Manage and archive all PDFs on your site
- 💰 Only \$7 a page saves you money



PDF Accessibility Scan Results

🔒 This file has been removed from public view. [Manage Visibility Settings](#)

File	Agenda 1 copy.pdf
Status	🚫 Not Accessible Download Scan Results
Scan Date	4/4/2024, 12:34 PM
Pages	2
Views/Downloads	0

Issues we Found | **How to Take Action** | Pages Affected | File Requests

Have your PDF Professionally Remediated & Certified
Our professional remediation partner will fix all errors and warnings for you and provide a certificate of remediation for this document. \$7 per page for most documents.

[Request PDF Remediation](#)

Replace PDF
Replace this pdf with an accessible version

[Replace PDF](#)

Delete PDF
If this file is not being used on this site anymore, go ahead and delete it.

[Delete PDF](#)

Flexible New Plans built for your district's specific needs


Current Plan

\$63/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance & posting checklist
- ADA accessibility assistant
- Access to PDF Remediation
- \$10,000 indemnification from ADA issues
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support


Disc.

New Plan

 **Compliance Basics**


\$350/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance & posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$10,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

 **Community Pro**

\$500/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance + posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$25,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

 **Operations Pro**

\$1,050/month

- Website hosting + content management
- Amplify™ Premium Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance + posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$50,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

Rate Guaranteed <4.8% annual max increase

Flexible New Plans built for your district's specific needs

Current Plan

\$63/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration

Disc.

New Plan

Compliance Basics

~~\$350/month~~
\$115/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance & posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$10,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

Community Pro

~~\$500/month~~
\$150/month

- Website hosting + content management
- Amplify™ Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance + posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$25,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

Operations Pro

~~\$1,050/month~~
\$500/month

- Website hosting + content management
- Amplify™ Premium Design Builder
- Google maps + locations Integration
- Social feed integration
- Annual design reviews
- Annual board reports
- Compliance + posting checklist
- ADA accessibility assistant**
- Access to PDF Remediation**
- \$50,000 indemnification from ADA issues**
- Meetings assistant
- One-click social sharing
- One-click email marketing & subscriptions
- Payments / commerce tools
- E-Signature Forms
- Internal communications hub
- Support with integration of embedded tools
- Training + support

Rate Guaranteed <4.8% annual max increase



STREAMLINE

Thank You!



STAFF REPORT

Agenda Item No. 8a	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	Report on Applications and Work Load

RECOMMENDED ACTION

Staff recommends the Commission receive and file this report.

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates local agency formation commissions (LAFcos) with regulatory and planning duties to coordinate the logical formation and development of local government agencies. This includes approving or disapproving proposals for reorganizations (i.e., annexations, detachments, dissolutions, etc.), activation of latent powers, sphere of influence amendments, and outside service agreements.

LAFco proceedings for jurisdictional changes are generally initiated by outside applicants through petitions (landowners or voters) and resolutions (local agencies). LAFcos may also initiate jurisdictional changes to form, consolidate, or dissolve special districts if consistent with the recommendations of approved municipal service reviews.

The item is for information and satisfies Mendocino LAFCo's reporting requirement for current and future applications.

Active and Future Proposals

Attachment 1 is a regular update to the Commission on active proposals on file as well as identification of future proposals staff anticipates being filed with LAFCo in the near term based on discussions with local agencies and proponents.

Work Plan

Local policy directs the Commission to annually adopt a Work Plan for purposes of providing a comprehensive overview of municipal service reviews and sphere of influence updates over the course of the fiscal year. Attachment 2 is an update on the status of activities scheduled in the Work Plan. This report also serves to inform the Commission of any changes in circumstances or priorities.

Attachments

1. Summary Table – Application Activity and Potential Future Proposals
2. Summary Table – Work Plan Tracking and Status

Attachment 1. Summary Table – Application Activity and Potential Future Proposals

LAFCo File No.¹	Applicant	Project Name	Date Application Received	Certificate of Filing	LAFCo Hearing Date	Certificate of Completion	BOE Submittal Date
Active Proposals							
P-2023-02	Fort Bragg	Pre-Application Review for Annexation of City-owned Properties	4/10/2023	N/A	N/A	N/A	N/A
The City of Fort Bragg submitted a Pre-Application Review Request for annexation of Mendocino Coast Recreation and Park District properties consisting of 6 parcels totaling 582 acres. The intended use of the parcels is for water supply reservoirs, power generation, preservation and recreation. A pre-application meeting was held with Fort Bragg staff on July 25, 2023. Staff is meeting with City staff on June 27, 2024 to pre-review the application materials for annexation.							
A-2023-01	AVCSD	Annexation of Sphere	3/6/2023				
The Anderson Valley Community Services District (AVCSD) proposes to annex the District’s Sphere of Influence (SOI) for fire and ambulance services. The Agency Referral and Notice of Filing were distributed to initiate the tax share negotiation process (3/2023). The application is incomplete pending additional information and a tax share agreement. Coordination meetings are being held with AVCSD staff and County Departments regarding the tax share process.							
A-2022-02	Ukiah	City of Ukiah Annexation of Western Hills (Hull Properties)	6/8/2022 3/21/2024				
The City of Ukiah proposes to annex approximately 791 acres in the Western Hills for open space preservation, while allowing the potential for future low density residential up to 20 dwelling units on the 40 easternmost acres. New application materials were submitted March 21, 2024; the agency referrals were distributed on 3/21/24 and the Notice of Filing sent to the Auditor and Assessor for the tax share agreement process. The Master Tax Share Agreement between the City and County was approved by the BOS and City of Ukiah in June 2024. New application materials are anticipated in July 2024. The application is deemed incomplete pending information needs and the tax share agreement. Coordination meetings are being held with LAFCo and City staff.							
L-2022-01	ECSD	Elk Community Services District Activation of Latent Powers for Wastewater Services	4/8/2022				
The Elk Community Services District (ECSD) proposes to activate latent powers for the provision of wastewater services. The district will be assuming ownership and operation of a community leach field within the community of Elk. The application has been referred to affected agencies and a Notice of Filing sent to the County Assessor and Auditor-Controller to initiate the tax share negotiation process in accordance with Revenue & Tax Code Section 99. The application is incomplete pending a tax share agreement.							
Future Proposals							
	AVCSD	AVCSD Activation of Latent Powers for Water and Wastewater Services					
For several years the AVCSD has been developing a plan and design for providing water and wastewater services to the community of Boonville, which will require activation of latent powers through LAFCo. Staff have recently provided direction to District staff regarding application needs. Staff is coordinating with District CEQA consultants to provide input for inclusion in CEQA analysis.							
	RRFC/ RVCWD	RRFC Annexation of RVCWD					
The Russian River Flood Control District and Redwood Valley County Water District have established an ad hoc committee to prepare an application to LAFCo for annexation of the RVCWD into the RRFC. The annexation will allow the RRFC to establish a contract with the RVCWD to see non-surplus water; thereby creating a more stable source of water. Currently, the RRFC is only able to sell surplus water, when available, to the RVCWD.							

Attachment 2. Summary Table – Work Plan Tracking and Status

FY 2023-24 ESTIMATED WORK PLAN IMPLEMENTATION SCHEDULE AND STATUS						
<i>Work Plan status as of June 24, 2024</i>						
<p>Subject to Change: The estimated schedule and costs for the Fiscal Year 2023-24 Work Plan are subject to change based on agency responsiveness, timely provision of requested information, complexity of issues, level of public and affected agency controversy, and changing needs and priorities.</p> <p>CEQA: Based on LAFCo practice, the work plan assumes minimal costs for CEQA compliance related to preparing a Notice of Exemption, unless an agency proposes a non-coterminous SOI and pays for any necessary studies and preparation of a Negative Declaration or Environmental Impact Report.</p> <p>Rolling Work Plan: It is difficult to completely contain staff activities in a single fiscal year; therefore, completion of a study may roll over to the next fiscal year. This estimated work plan implementation schedule is intended to enhance communication and transparency.</p>						
Agency	Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Status/Notes
Caspar South Water District	5/15/2024	In process				Response to Request for Information (RFI) due 6/14/2024. Staff is communicating with Board members, will have response to staff by end of June.
Elk County Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.
Gualala Community Services District	1/31/2024	3/15/2024	6/3/2024	7/1/2024		Public hearing scheduled.
Irish Beach Water District	6/7/2024					Response to RFI due 7/5/2024.
Mendocino County Water Works Water Works District No. 2	10/12/2023	1/31/2024	3/4/2024	7/1/2024		Public hearing scheduled.
Pacific Reefs Water District	10/27/2023	4/8/2024	5/6/2024	6/3/2024	6/4/2024	Completed.
Westport County Water District	6/4/2024	6/4/2024				Response to RFI due 6/28/2024



STAFF REPORT

Agenda Item No. 8c	
MEETING DATE	July 1, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Director
SUBJECT	CALAFCO Business and Legislative Report

RECOMMENDED ACTION

This item is for informational purposes only. No actions will be taken as a part of this item.

DISCUSSION

CALAFCO Annual Conference

The California Association of Local Agency Formation Commissions (CALAFCO) sponsors a three-day annual conference every fall. The [2024 CALAFCO Conference](#) will be held at the Tenaya Lodge in Yosemite on October 16-18. The Commission has budgeted for five attendees: four Commissioners and the Executive Officer. Expenses covered include reimbursement for registration, lodging, travel and meals. Registration opens July 1.

Call for CALAFCO Board Nominations

The CALAFCO Election Committee is accepting nominations for a city member and a public member for the Northern Region until September 16, 2024. Serving on the CALAFCO Board provides an opportunity to work with other commissioners throughout the state on legislative, fiscal, and operational issues that affect us all. The Board meets quarterly, with special meetings as needed and strategic planning retreats held every two years.

Board seats span a two-year term, with no term limits, and any LAFCo commissioner or alternate commissioner is eligible to run for a Board seat. Elections are conducted during Regional Caucuses at the CALAFCO Annual Conference prior to the Annual Membership Meeting on Thursday, October 17, 2024 in Yosemite.

The incumbent for the Northern Region City Member is Blake Inscore, Del Norte County. Josh Susman, Nevada County, is the current Public Member.

If a city or public member is interested in being nominated for the CALAFCO Board, please indicate your interest.

Legislative Updates

AB 3277 CALAFCO Omnibus

[Assembly Bill \(AB\) 3277](#) clarifies the ad valorem property tax analysis and passed the Senate Consent agenda on June 13. The bill is now in Enrollment and will be sent to the Governor for signature. If signed, the bill would eliminate the tax share agreement requirement for incorporations and formations if the local agency is not seeking a share of the one percent ad valorem property taxes.

SB 1209 LAFCo Indemnification

CALAFCo-sponsored [SB 1209](#) would allow LAFCos to require a condition of indemnification for processing applications. The bill was approved by the Assembly Local Government Committee on June 19 by unanimous vote; the next step is the Assembly Floor, then back to Senate for concurrence.

Citizen Initiative 1935

The measure is a voter initiative that attempts to increase the procedural and substantive requirements for state and local governments to adopt, increase and defend necessary revenue raising measures, and would have retroactively invalidated certain local taxes and fees implemented prior to the measure's passage. Perhaps the most profound aspect of the measure is its shifting of the traditional budgeting function from the Legislature to the voting public.

On June 20, the California Supreme Court issued a preemptory writ of mandate striking the so-called "Taxpayer Protection and Government Accountability Act" from appearing on the November ballot. In doing so, the Court unanimously ruled that the Act "would fundamentally restructure the most basic of governmental powers" and "strip the Legislature of the authority to promptly raise revenues when necessary." The Court determined the Measure constitutes an impermissible revision for three key reasons. First, the Measure would strip the Legislature of its authority to promptly raise revenues when necessary by eliminating the Legislature's ability to levy taxes without prior voter approval, or set fees without approval by both houses of the Legislature, including fees set by State agencies. Second, the Measure shifts power among the Legislature, state executive agencies, and the electorate over the setting of fees. And third, the Measure would transform the authority of local government agencies, such as cities or special districts, to set fees. ([BBK](#))

The Act would also have affected LAFCos, invalidating LAFCo's authority to extend benefit assessments over newly annexed territories.

ATTACHMENTS

None