



## STAFF REPORT

Agenda Item No. 6a	
MEETING DATE	September 9, 2024
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	WORKSHOP Caspar South Water District Municipal Service Review and Sphere of Influence Update

### RECOMMENDED ACTION

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

### DISCUSSION

This is a Workshop to introduce the Draft Municipal Service Review (MSR) and Sphere of Influence (SOI) update for Caspar South Water District (CSWD/District). This is the second [MSR](#) and [SOI](#) Update for the District; the first round were adopted in 2014 and 2015, respectively. The Workshop Draft CSWD MSR/SOI study includes the following information related to the District: history, government structure and accountability, operational efficiency, finances, projected growth, disadvantaged unincorporated communities, service capacity and needs, and proposed sphere. The District reviewed and provided feedback on an Administrative Draft of the study and changes have been incorporated into this Workshop Draft as appropriate.

As background, the District was formed on December 19, 1978 to provide wastewater collection, treatment and disposal services to the Caspar South Subdivision, which is located on an ocean bluff west of State Highway 1 and south of the community of Caspar between Fort Bragg and Mendocino. The District boundaries are coterminous with the Subdivision boundaries and encompasses 105 acres consisting of 107 residential lots.

District facilities include collection pipes, a dosing chamber for processing, and a community leach field for disposal. Other municipal service providers in the area include the Mendocino Fire Protection District and the Caspar South Service Company, a privately-owned water company providing potable water services to the Subdivision. The collection system was originally installed in the early 1960s and the community leach field was installed in 1982.

In 2015, the Commission adopted a coterminous SOI that acknowledges the service area of the District as appropriate for the services provided and system capacity. The study recommends the District's existing SOI be affirmed.

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

### ATTACHMENTS

- (1) Workshop Draft Caspar South Water District MSR/SOI Study

# Workshop Draft



## Caspar South Water District

2024 Municipal Service Review and Sphere of Influence Study

*Photo Credit: [please provide]*

Prepared By/For:

**Mendocino LAFCo**

200 South School Street

Ukiah, California 95482

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

Workshop: September 9, 2024

Public Hearing:

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

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Workshop Draft

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## ACRONYMS

AB	Assembly Bill
ACS	American Community Survey
ADU	Accessory Dwelling Unit
AMI	Area Median Income
AOI	Area of Interest
APR	Annual Progress Report
CALAFCO	California Association of Local Agency Formation Commissions
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CSDA	California Special Districts Association
CSSC	Caspar South Service Company
CSWD	Caspar South Water District
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	California Department of Water Resources
FY	Fiscal Year
FTE	Full Time Equivalent
GC	Government Code
GHG	Greenhouse Gas
GPD	Gallons per day
HCD	California Department of Housing and Community Development
I&I	Inflow and Infiltration
IRWM	Integrated Regional Water Management
JADU	Junior Accessory Dwelling Unit
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MCCSD	Mendocino City Community Services District
MCOG	Mendocino Council of Governments
MHI	Median Household Income
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
NCRWQCB	North Coast Regional Water Quality Control Board
NPDES	National Pollutant Discharge Elimination System
OPR	Governor's Office of Planning and Research
PLSS	Public Land Survey Section
RFI	Request for Information
RHNA	Regional Housing Needs Allocation
RTP	Regional Transportation Plan
RWQCB	California Regional Water Quality Control Board
SB	Senate Bill
SDRMA	Special District Risk Management Association

SDUC	Severely Disadvantaged Unincorporated Community
SOI	Sphere of Influence
SSMP	Sewer System Management Plan
SSO	Sanitary Sewer Overflow
SWRCB	State Water Resources Control Board
WAT	California Water Code
WDR	Waste Discharge Requirements

Workshop Draft

# 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 website<sup>1</sup>.

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

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

**Table 1-1: Current Mendocino LAFCo Commissioners, 2024**

<b><i>Commissioner Name</i></b>	<b><i>Position</i></b>	<b><i>Representative Agency</i></b>	<b><i>Term Expires</i></b>
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

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

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

Source: Mendocino LAFCo 2024.

### 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)<sup>2</sup>. MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI)<sup>3</sup>. This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by Caspar South Water District (CSWD/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 CSWD. 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 3.2. 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.

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

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



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

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

#### 1.4 Sphere of Influence

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

When reviewing an SOI for a municipal service provider, under GC §56425(e)<sup>5</sup>, 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. Senate Bill 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas (GHG) emission reduction targets for passenger vehicles in their Regional Transportation Plan (RTP) by integrating planning for transportation, land-use, and housing in a sustainable communities strategy.

<sup>4</sup> California GC §56076 (2022) can be found here: [California Government Code § 56076 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia.](#)

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

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

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

## 2 AGENCY OVERVIEW

Table 2-1: CSWD Profile	
<b>Agency Name:</b>	Caspar South Water District
<b>General Manager</b>	Stephen McCormack, President
<b>Office Location:</b>	None
<b>Mailing Address:</b>	PO Box 744, Mendocino, CA 95460
<b>Phone Number:</b>	(408) 887-4708
<b>Website:</b>	http://cswd.specialdistrict.org
<b>Email:</b>	srmccormack@yahoo.com
<b>Date of Formation:</b>	December 19, 1978
<b>Agency Type:</b>	Independent Special District, Single-Service Provider
<b>Enabling Legislation</b>	California Water District Law: Water Code §34000-38501
<b>Board Meeting Schedule:</b>	As needed, typically twice per year. Meetings are held via Zoom or at one of the Board members’ residences

### 2.1 History

#### 2.1.1 Formation

Mendocino LAFCo adopted [Resolution No. 78-1](#) on April 17, 1978, approving the formation of the Caspar South Water District (CSWD/District). Subsequently, the Mendocino County Board of Supervisors adopted Resolution No. 78-501 under [California Water Code \(WAT\) Section \(§\) 34002-38501<sup>6</sup>](#), ordering the formation of the District on December 19, 1978 to provide wastewater treatment and disposal to the Caspar South Residential Subdivision (Subdivision).

#### 2.1.2 Boundary

The District is in the southern portion of the unincorporated coastal community of Caspar in Mendocino County, approximately four miles north of the Village of Mendocino, and is situated along the coastline between Caspar Headlands State Beach to the north and Point Cabrillo Light Station State Historic Park to the south. The community of Caspar is a Census Designated Place (CDP). The District boundary is approximately 105-acres in size and serves the limits of the Caspar South Subdivision within the community of Caspar. There are 107 lots within the Caspar South Subdivision. Of those lots, one serves as a community leach field, five are open space parcels, and the remaining are designated as residential lots (see Figure 2-1).

##### 2.1.2.1 BOUNDARY CHANGE HISTORY

There have been no documented changes to the District boundary since its original formation in 1978.

#### 2.1.3 Services

Of the 101 residential designated lots in the Caspar South Subdivision, the District provides service to 75 lots. Approximately 68 of the 75 lots have dwelling units while the remaining seven lots are currently vacant. There are 27 lots within the Subdivision that are not connected to the District’s wastewater

<sup>6</sup> California WAT §34002 – 38501 can be found here: [Codes: Code Search \(ca.gov\)](#).

service, and 26 lots are positioned below-grade along the eastern edge of the service boundary of the District and cannot access the District's system. One recently developed lot opted to utilize its own septic system.

No other services are provided by the District, and no connections exist outside the agency's boundaries. For more information regarding this service, refer to Chapter 3.

#### 2.1.4 Facilities

The District owns and operates a wastewater collection system. Within the Caspar South Subdivision, the District is permitted to discharge into community leach fields located on an approximately one-acre, District-owned lot within the Subdivision. The CSWD wastewater system consists of gravity-fed connection laterals, collection tanks, screen separators, a pumping station, a force main-fed large community leach field, and a sewage collection tank (see Figure 3-1). The District has an average dry weather design treatment capacity of 16,000 gallons per day (gpd). Effluent is pumped from two lift stations via a high-pressure line for processing. The pumped effluent is collected in a 10,000-gallon dosing chamber located on the leach field lot. From there, effluent is disbursed into eight 8-inch disposal lines within the community leach field for final disposal. For more information regarding District facilities and infrastructure, refer to Chapter 3.

##### 2.1.4.1 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 [WAT §55330](#), latent powers available to the District include water services, reclamation of saline water, and operation of recreational facilities in connection with water bodies owned or controlled by the District<sup>7</sup>. The CSWD is a single-service provider delivering wastewater services only. There are no other wastewater providers serving in the vicinity of the District. Properties adjacent to the District boundary rely on septic systems.

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.](#))<sup>8</sup>. Water service within the Caspar South Subdivision is currently provided by the Caspar South Service Company (CSSC/Company), a private entity with the same service boundaries as the District (see Figure 2-1). There are no recreational opportunities for the District in connection with existing facilities.

For a regional map of Mendocino County's water and sanitation districts and companies see Figure 2-3.

<sup>7</sup> California WAT §5530 can be found here: [California Code, WAT 55330.](#)

<sup>8</sup> California GC §56650 et. Seq. can be found here: [Codes: Code Search \(ca.gov\).](#)

Figure 2-1: Caspar South Water District Service Boundary and Sphere of Influence

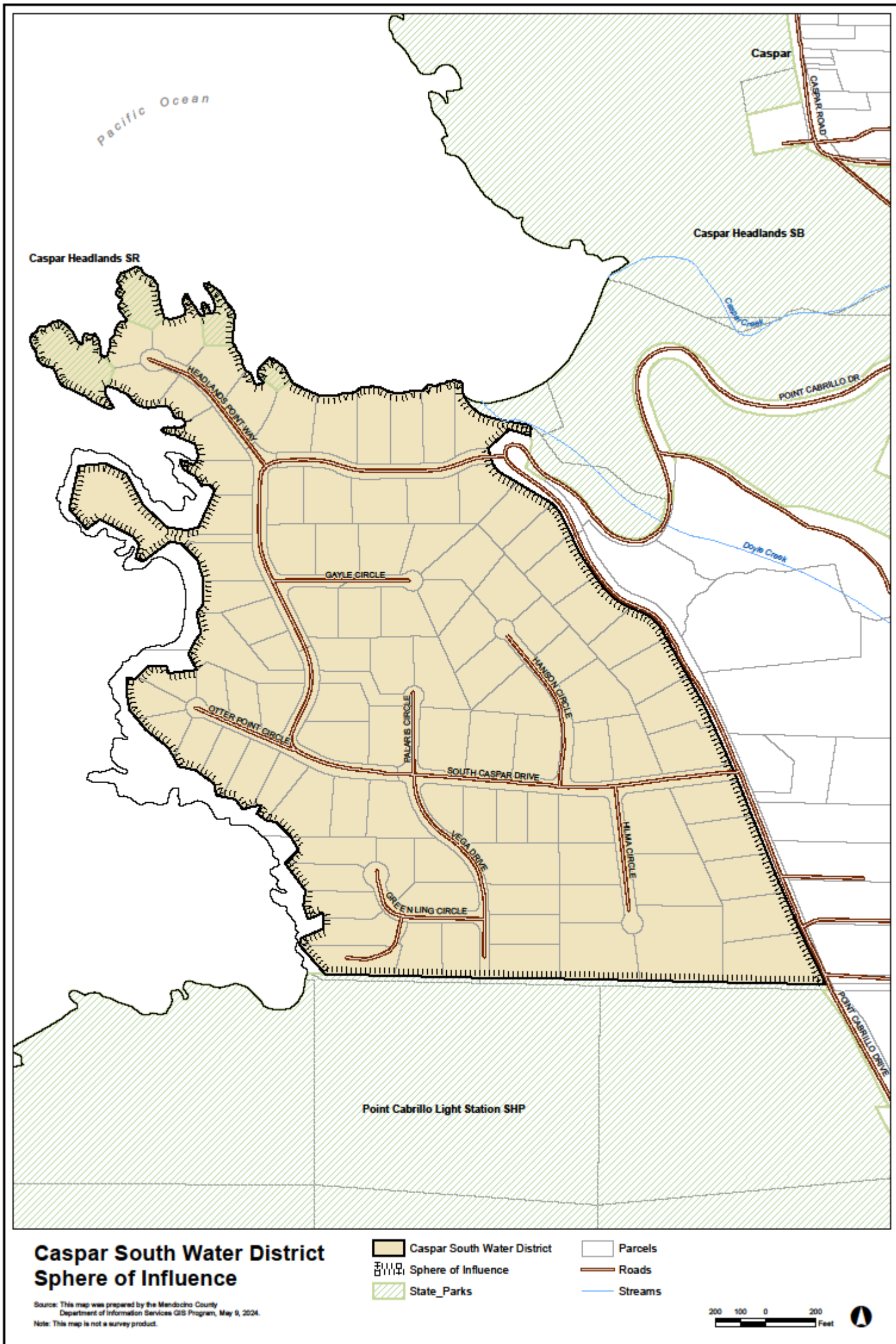


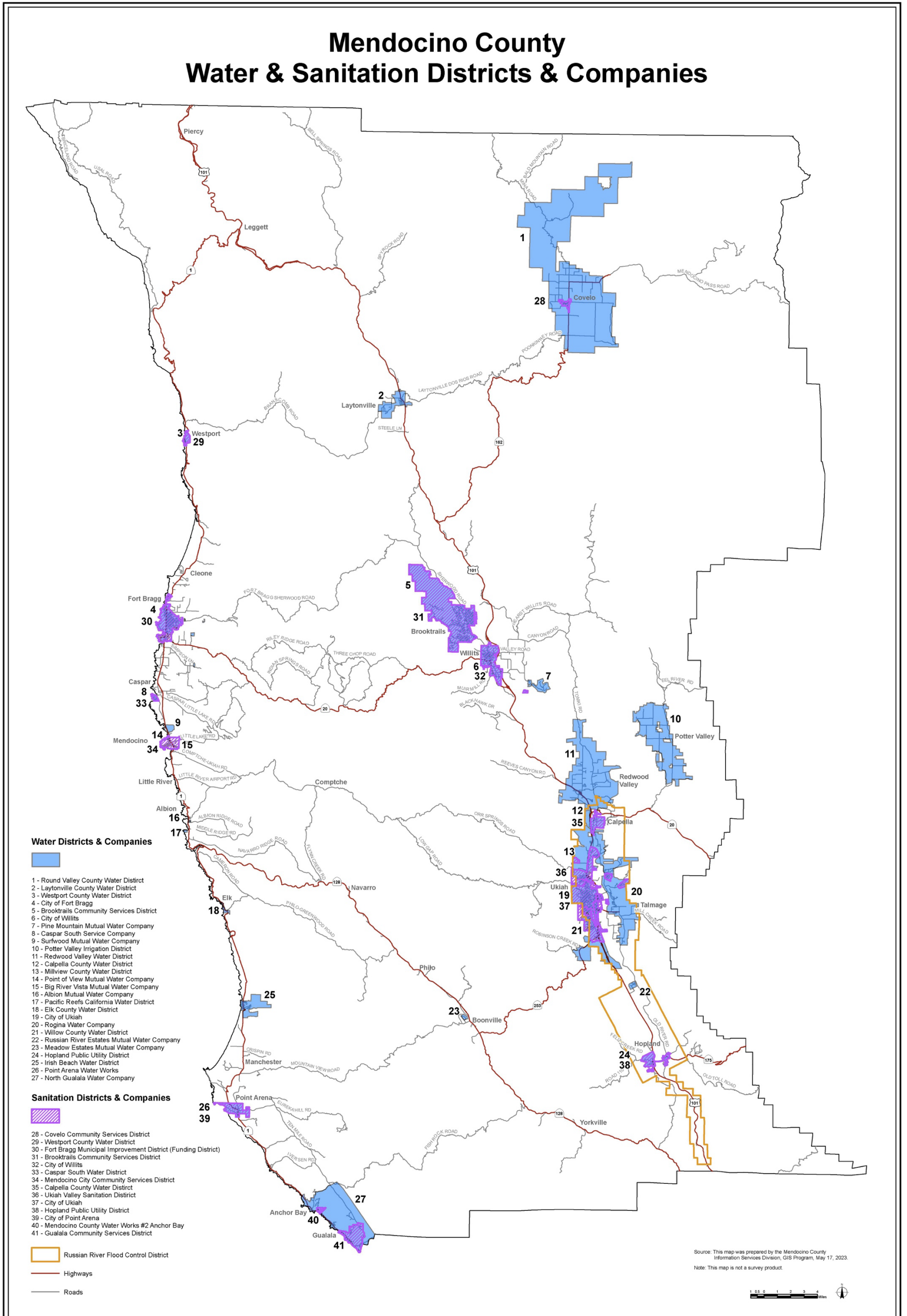


Figure 2-2: Caspar South Subdivision Map





Figure 2-3: Mendocino County Water and Sanitation District and Companies



## 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 policies, adopting and amending the annual budget, enacting ordinances, adopting resolutions, and appointing committees. The District’s governance structure is comprised of a five-member Board of Directors elected at-large to serve staggered four-year terms (see Table 2-2).

To be elected to the Board, candidates must be landowners within the District boundaries. If there are insufficient candidates for 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 in lieu of election by the County Board of Supervisors per [California Elections Code §10515](#)<sup>9</sup>. New Board members take office at noon on the first Friday in December following their election.

[Government Code §1780-1782](#) governs the process for appointment of Board of Director seats vacated prior to the scheduled term expiration date<sup>10</sup>. 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 Mendocino County Board of Supervisors can appoint a Director to the District Board during a 30-day period following the initial 60-day period. If the vacant seat is not filled during the total 90-day period, the vacant seat remains empty until the next election.

The District Board of Directors elects Officers as needed during a scheduled meeting. Officers include a President, Vice-President, Treasurer, 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 any stipend for attending meetings. The Board President serves as the General Manager for the District.

According to Board policy, no Board Member may participate in any major decision located within 300 feet of the Board Member’s residence.

<b>Name</b>	<b>Office/Position</b>	<b>Term Expiration</b>
Steve McCormack	President	2025
Simon Bruce	Vice-President	2025
Daniel Keen	Secretary/Treasurer	2027
Vacant	-	-
Vacant	-	-

*Source: Request for Information (RFI) 2024.*

The Board currently has two vacancies and, as a small district, generally has difficulty filling vacancies. 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. A limited pool of residents meeting board eligibility requirements is

<sup>9</sup> California Elections Code §10515 can be found here: [California Code, ELEC 10515](#).

<sup>10</sup> California GC §1780 – 1782 can be found here: [California Code, GOV 1780](#).

a common problem for many small service providers within the County and throughout rural areas of California. Without a full Board, the conduct of regular District business is difficult and important planning and implementation of services may suffer. The last time the Board was fully seated with five members was in 2006.

### 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.

Meetings for the District Board of Directors are held on an as-needed basis, through the teleconference platform Zoom or at one of the Board members' residences in the Caspar South Subdivision. Public notices and meeting agendas are posted at the meeting location and at the community bulletin boards at the Subdivision kiosk and at the north and south entrances to the Subdivision. Agendas are distributed by email upon request. Minutes are kept for all District Board of Directors meetings and are adopted at a subsequent meeting. Public meeting information, including past agendas, reports, resolutions, and approved meeting minutes are available on the agency's website.

Because there is no District office, there is no single repository for official records, nor are they accessible to the public. The previous Municipal Service Review (MSR) and Sphere of Influence (SOI) studies determined that a central repository for District records was necessary and suggested the District's accountant's office in Mendocino. As of June 2024, the District's records are stored in a centralized location that is a shed on District property, however they are not organized and not accessible to the public (Request for Information (RFI) 2024).

### 2.2.3 Standing Committees

Committees assist in carrying out various functions of local government. The District currently does not have any standing committees.

### 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 (a compliance handout is included in Appendix B).

The District has a website that is maintained by the District secretary and maintains a portion of the District's documents including past meeting minutes and notices (<https://cswd.specialdistrict.org/>). The District aims to publish an annual newsletter and keeps residents informed of District requirements and activities through/word-of-mouth and during public meetings.

It is recommended that the District improve their website and financial transparency by uploading the District's financial statements and audits as they become available.

### 2.2.5 Complaints

The CSWD policy to receive and address complaints is as follows:

- All formal correspondence must be in writing, addressed to the Board, and signed, not made by email or phone call to individual Board members or to the District attorney.

- Informal contact or questions are encouraged by phone, email, or via attendance and participation during the regular Board meeting public comment period.
- The District utilizes an adopted document disclosure form to better track the complaint process.

As noted in the previous MSR for the District, the District Board had previously received complaints as part of an on-going disagreement regarding erosion along a bluff and access to District public records. These issues have since been resolved and the District has received no complaints within the last five years related to this or any other issue (RFI 2024).

### 2.2.6 Transparency and Accountability

The CSWD Bylaws were approved in 1978 and last amended in 1995. The Bylaws serve as the legal guidelines of the District by providing written rules that control internal affairs. They define the District's official name, purpose, requirements for membership, officer's titles and responsibilities, how offices are to be assigned, how meetings should be conducted, and how often meetings will be held.

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](#)<sup>11</sup>. The District does not maintain any formal policies related to governing, personnel, conflicts of interest, or financial matters, other than the District's original bylaws. However, the District does maintain an operations and maintenance manual. It is recommended that the District adopt a formal conflict of interest code.

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](#)<sup>12</sup>. Under GC §87200, members of special districts are listed as "other public officials who manage public investments".

Form 700 has not been filed by District members with the Mendocino County Clerk's Office. It's recommended that the District board members each file this form annually with the County.

According to Assembly Bill (AB) 1234, if a local agency provides compensation or reimbursement of expenses to local government officials, then all local officials are required to receive two hours of training on public service ethics laws and principles at least once every two years and establish a written policy on reimbursements pursuant to [GC §53235](#)<sup>13</sup>. The District's board members are not compensated.

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

## 2.3 Operational Structure

### 2.3.1 Management and Staffing

The Board President volunteers as the General Manager with the following responsibilities and duties: overseeing the District including managing and communicating directly with the Plant Operator, handling

<sup>11</sup> California GC §87300 et seq can be found here: [Codes Display Text \(ca.gov\)](#).

<sup>12</sup> California GC §87200 can be found here: [Codes Display Text \(ca.gov\)](#).

<sup>13</sup> California GC §53235 can be found here: [California Code, GOV 53235](#).

customer service including customer billings, customer complaints, and connection enforcement duties. Usually, the Boards of Directors for special districts appoint a General Manager to support their efforts and oversee the daily operations of the District to ensure that the Board's policies, programs, and priorities are implemented.

District personnel includes one part-time employee (0.5 Full Time Equivalent (FTE)), a Plant Operator, which was previously a position held by a consultant but the District now contracts with a temporary employment agency that provides payroll services and worker's compensation insurance the Plant Operator (RFI 2024).

The Plant Operator has the following responsibilities and duties:

- Providing oversight of plant operations and maintenance, with authority to make repairs or secure replacement parts for costs not exceeding \$500;
- Inspecting the system several times per week;
- Pumping sludge and cleaning the screens and "D" boxes; and
- Sending monthly California Regional Water Quality Control Board (RWQCB) reports.

The Board of Directors assumes responsibility for annual budget preparation, expenditure monitoring, Discharge Permits compliance, and RWQCB reporting.

#### 2.3.1.1 CONTRACT STAFFING AND SERVICES

The District contracts with ComputAccount, a firm located in Mendocino, for all accounting services as well as the temporary employment agency for the Plant Operator mentioned above.

The District also contracts with a septic service company to dispose of the wastewater solids produced by customers. This service is monitored by the Plant Operator and occurs approximately once a year when the solids in the dosing chamber reach a depth of 12-inches and grease on the surface reaches six inches.

### 2.3.2 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District tracks its one employee's workload and productivity through a timekeeping mechanism and conducts annual written performance evaluations. In the regular performance of duty, the District's part-time employee identifies areas of improvement and takes corrective action when feasible and appropriate or informs the Board when further direction is needed.

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

#### 2.3.2.1 CHALLENGES

The CSWD service area is located along the California coast near sensitive forest, riparian, and coastal habitats. Given the surrounding geography with sensitive environmental issues, obtaining permits to develop and maintain public facilities from the various local, state, and federal agencies can be challenging.

The District's significant barriers include geographic isolation, small size, aging infrastructure, keeping up with changing laws and regulations, limited revenue base, and the reliance on volunteers to primarily run the enterprise.



### 2.3.2.2 DISTINGUISHED SERVICE

The District did not provide any information on distinguished services.

### 2.3.2.3 STRATEGIC OR SUCCESSION PLANNING

The District does not currently have an established strategic plan, mission statement, or official goals. While the District is not legally obligated to maintain these types of documents and/or plans, doing so helps to provide an identity and some sense of security when it comes to the future of the District.

In lieu of these planning documents, the Board reviews progress and setbacks over the prior year during the annual budget development process.

LAFCo staff recommends that the District prepare a strategic plan when the resources to do so are readily available.

### 2.3.3 Regional and Service-Specific Collaboration

The District does not participate in any interagency collaborative arrangements or mutual aid agreements.

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 Service Delivery

#### 2.3.4.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are no public or private wastewater service providers located adjacent to the District. The nearest sanitation providers include the Mendocino City Community Services District (MCCSD), located approximately three miles south of the District, and the City of Fort Bragg located approximately six miles to the north.

The Mendocino Fire Protection District provides fire protection services within the District boundary.

There are several small private water service providers in the Caspar area. The Caspar South Service Company (CSSC/Company) shares the same service boundary as the District and delivers water services to the Caspar South Subdivision (see Figure 2-3). The District does not currently participate in any shared collaborations with adjacent private water service providers; however, given the overlapping boundary to CSSC and shared customers, a consolidation between the two service providers could be beneficial in creating efficiencies in services and public accountability.

The CSSC provides residential drinking water to 95 service connections within the Caspar South Subdivision, mostly part-time residents. The Company owns and maintains eight active groundwater wells, 2.2-miles of distribution lines, and a filtration system at the headworks. The CSSC does not collaborate with any other local water districts or private water companies for shared facilities or services. As of 2018, the Company's governing board was non-functional, and stakeholders do not meet. currently, CSSC is operated by a private management company, under the direction of a court appointed receiver. Contract services for the Company include administration, bookkeeping, water operations, and plumbing repair services (RFI 2024).



Private water companies are not under the jurisdiction of LAFCo; however, given the overlap in service boundaries, there may be opportunity for coordinated services with CSSC in the future as discussed further in Section 2.3.5.

Other water service providers in the vicinity are summarized in Table 2-3:

Service Provider	Population	Service Connections	SAFER Status
Caspar South Service Company	188	95	Not at risk
Point Cabrillo Highlands	42	21	Not at risk
Seafair Road and Water Company	50	31	Not at risk
Shorelands Road and Water Company	78	47	Not at risk

Source: [https://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/saferdashboard.html](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html).

2.3.4.2 SHARED SERVICES AND FACILITIES

The CSWD does not share services or facilities with other districts. Fire protection for properties within District is provided by Mendocino Fire Protection District. Water is provided by the CSSC.

The District does not participate in any Joint Powers Authorities (JPAs), or joint decision-making efforts, and does not jointly own or share facilities or services with other agencies or organizations.

Due to the geographic isolation of the District, the District does not have any emergency interties.

2.3.4.3 DUPLICATION OF SERVICES

The District provides wastewater services to the Caspar South Subdivision and is the only wastewater provider for the area; all other properties rely on private on-site septic systems.

As previously stated, the CSSC currently provides residential drinking water services to the Caspar South Subdivision and thus overlaps with customers of the District. While there is no duplication of services between the District and the CSSC, there is redundancy in the organizational structure of these service providers, although the nature of service provision is different and involves a public agency and a private company. One or both providers have previously struggled, or continue to struggle, to meet their organizational needs, such as maintaining a full and functional governing body to represent constituents. Both providers serve the same area and omit opportunities to share resources, staffing, or jointly address common organizational needs. There is the potential for cost savings from pooled resources and insurance as well as shared governance.

However, as of 2024, the District stated that there were no recent communications between the two providers on the subject and expressed that, given the District’s struggles of maintaining a full Board, taking on the additional responsibilities of the water service would be daunting task for the District at this current time (RFI 2024).

LAFCo staff recommends that a consolidation between CSWD and CSSC only be explored in the next MSR if the District is in a more stable governing position.

2.3.4.4 INTERAGENCY COLLABORATION

The District does not participate in any interagency collaborative arrangements or mutual aid agreements, nor do they participate in any coordination related to drought management in the region (RFI 2024).

#### 2.3.4.5 REGIONAL AND SERVICE-SPECIFIC PARTICIPATION

The District is a member of the California Special Districts Association (CSDA) (RFI 2024).

Although the District does not currently participate in the Integrated Regional Water Management (IRWM) program for the region (North Coast Resource Partnership)<sup>14</sup>, 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 opportunities.

#### 2.3.5 Government Structure and Community Needs

Government restructure 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.

There are no existing public agencies that would better provide wastewater services to the Caspar South Subdivision at this time. Due to the geographic isolation of this small residential community, the residents are ideally suited to serve their own needs through an independent special district model.

Another service delivery model would be through a County-dependent special district, although this is not currently an available or practical avenue. An additional option would be forming a joint powers arrangement with other coastal service providers to pool resources and benefit from economies of scale.

### 2.4 Finances

#### 2.4.1 Current Fiscal Health

The District operates under a wastewater enterprise fund, meaning that charges for services are intended to pay for the costs of providing such services.

The District typically holds the first public hearing on its annual budget in February, with adoption scheduled at a public meeting in April or May. The budget is typically listed as an agenda item as part of the District's regular meeting. The Board has authorized ComputAccounts, the District's accountant, to disburse funds for expenditures as approved in the District budget. Monthly financial reports are filed with the Board.

In addition to preparation of an annual budget, the District also carefully manages its finances by having independent audits of its financial statements. The audits are conducted in accordance with auditing standards generally accepted in the United States. The last financial audit prepared for the District was completed in 2020 for Fiscal Year (FY) 2019. A more recent audit is still pending.

The District is currently behind on its required financial audits and LAFCo staff recommends that the District prioritize catching up to the current fiscal year.

While some information from FY 2019 audit has remained still true, the following table provides year-end (not budget) financial information in the form of balance sheets prepared by the District.

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<sup>14</sup> The North Coast Resource Partnership implements the region's Integrated Regional Water Management program; more information can be found here: <https://northcoastresourcepartnership.org/>.

Table 2-4 summarizes the expenses and revenues from the balance sheets from last four years.

Table 2-4: CSWD Financial Summary				
	FY 19-20 (\$)	FY 20-21 (\$)	FY 21-22 (\$)	FY 22-23 (\$)
<b>Operating Revenues</b>				
Annual Assessment	68,528.20	66,570.00	64,770.00	63,442.08
Interest Income	781.69	2,113.13	381.84	1,851.00
<b>Total Operating Revenues</b>	<b>69,310.19</b>	<b>68,863.13</b>	<b>65,151.84</b>	<b>65,293.08</b>
<b>Operating Expenses</b>				
Sewer Master	10,961.67	12,012.19	10,102.00	15,077.19
Pumping	2,524.00	-	12,450.00	-
Maintenance and Repairs	44,582.71	47,664.43	26,619.22	4,602.44
Utilities		937.60	1,188.10	2,036.58
Bookkeeping and Accounting	1,238.51	5,608.00	5,796.00	6,499.00
Insurance	4,715.50	6,163.50	8,432.38	6,012.03
Dues and Fees	8,033.65	8,687.10	10,424.72	9,938.23
Office Supplies & Postage	174.00	109.00	135.00	174.53
Meeting Costs	500.00	-	-	-
<b>Total Operating Expenses</b>	<b>73,445.04</b>	<b>81,181.82</b>	<b>75,147.42</b>	<b>44,340.00</b>
<b>Net Income/(Loss)</b>	<b>(4,134.85)</b>	<b>(12,318.69)</b>	<b>(9,995.58)</b>	<b>20,953.08</b>

Table 2-5 summarizes the District's assets including its cash accounts and infrastructure.

Table 2-5: CSWD Assets				
	FY 19-20 (\$)	FY 20-21 (\$)	FY 21-22 (\$)	FY 22-23 (\$)
<b>Current Assets</b>				
SBMC Checking	97,791.48	78,994.72	64,865.93	84,017.77
Bank Savings Account	69,622.85	69,622.85	69,692.46	69,727.30
Bank Savings CD 9972	154,096.60	154,096.60	156,423.27	158,189.67
Assessments Receivable	1,200.00	1,200.00	-	-
<b>Property and Equipment (Other Assets)</b>				
Land	60,175.00	60,175.00	60,175.00	60,175.00
Sewage Disposal Plant	381,050.00	381,050.00	381,050.00	381,050.00
Operating Equipment	897.00	897.00	9,712.32	9,712.32
Office Equipment				
Vehicles	500.00	500.00	897.00	897.00
Depreciation	(369,617.00)	(369,617.00)	500.00	500.00
<b>Total Assets</b>	<b>405,428.25</b>	<b>386,631.49</b>	<b>373,698.98</b>	<b>394,652.06</b>

#### 2.4.1.1 REVENUES AND EXPENDITURES

Expenditures totaled \$44,340.00 in FY 2022-2023, \$75,147.42 in FY 2021-2022, and \$81,181.82 in FY 2020-21. The top expenditures included maintenance/repairs, dues and fees, and the sewer master.

In FYs 2020-21 and 2021-22, the District invested significant resources into the maintenance of the system’s facilities. Minor maintenance work continued into FY 2022-23.

Table 2-5 show a general upwards trend that indicates financial stability for typical annual operations and maintenance, assuming these accounts are regularly maintained.

**2.4.1.2 ASSETS AND LIABILITIES**

The largest asset for the District is infrastructure for which depreciation costs have been accounted for in the asset. The District does not have any debts, and its liabilities are limited to accounts payable.

The District does not have a needs assessment or a Capital Improvement Plan (CIP), therefore it is not clear what improvements need to be made to the District and the costs associated with such improvements.

**2.4.1.3 NET POSITION**

While expenses have exceeded revenues in many of the last few years, the District remains net positive through relying on savings accounts the District maintains (see Table 2-5).

**2.4.2 Long Term Financial Considerations**

**2.4.2.1 RESERVES**

The District does not maintain any formal policies related to reserves. However, reserves are held in two savings accounts, which, as of April 2024, have a combined total of \$290,982.

**2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE**

The District does not currently have any debt. The District also works to maintain and control budget expenditures through discussion at its monthly Board meetings.

Insurance for its business activities is provided to the District via participation in the Special District Risk Management Authority (SDRMA) which is a 501c(6), not-for-profit association that offers cost-efficient programs to independent special districts.

**2.4.2.3 RATE RESTRUCTURING**

The Board publishes its rate structure in its annual newsletter ensuring the rate schedule is transparent; the current rate structure was adopted in October 2011. A payment schedule on a quarterly basis is also offered to homeowners, which includes a \$15 service charge with each payment. Table 2-6 below summarizes the current fee structure and estimated revenue. Additionally, all new construction is charged an \$875 connection fee.

<b>Table 2-6: CSWD Rate Structure and Estimated Revenue</b>		
<b>Annual Fee</b>	<b>Number of Lots</b>	<b>Total Estimated Revenue</b>
\$900 per developed lot	68*	\$61,200
\$600 per vacant lot	7	\$4,200
Total Served	75	\$65,400

*\*Includes two homes under construction*

Proposition (Prop) 218 was approved by California voters in November 1996 to ensure that the setting of all taxes and most charges to property owners be transparent and subject to voter approval. In addition,

Prop 218 seeks to curb some perceived abuses in the use of assessments and property-related fees, specifically the use of these revenue-raising tools to pay for general governmental services rather than property-related services (O'Malley 1996). The existing rate structure does not specify wastewater rates for District customers, but instead gives the Board the authority to annually calculate sewer service charges to equal the total cost of operating, maintaining, and expanding the District sewer system for that year.

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 (O'Malley 1996).

The District's current rates were adopted in 2011, but it is unknown when the last rate study was prepared for the District.

LAFCo staff recommends that the District prepare a rate study to identify and plan for infrastructure needs and anticipated operating costs and establish appropriate rates in compliance with the Prop 218 process.

#### 2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District currently does not maintain a CIP. The District has indicated that repairs to the existing wastewater system may need to be conducted in the future, but 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. Further, development of a CIP would identify and prioritize infrastructure maintenance and replacement needs, allowing for better overall planning, financing, and implementation.

LAFCo staff recommends that the District prioritize identifying and documenting its infrastructure needs.

## 2.5 [Growth](#)

### 2.5.1 Present and Planned Land Use and Development

#### 2.5.1.1 CASPAR HISTORY

Caspar was settled in 1857 by Siegfried Caspar, a German trapper who lived and worked near what would become known as Caspar Creek. Siegfried later sold the land to Jacob Green Jackson, one of the founders of the Caspar Lumber Company, which turned Caspar into a significant logging town in Northern California from 1864 to 1955 (Caspar Commons 2024).

The scale of the Caspar Lumber Company operation was large and entailed a thriving mill that extracted and shipped millions of board feet of virgin redwood, and reduced the largest logs ever milled to lumber, often 12 feet in diameter. In addition, many timber industry innovations were pioneered in Caspar, including redwood water main and sewer pipe, the double-sided band saw, and the wire chute that delivered finished lumber to the decks of schooners (California State Parks 2024).

In 1989, heirs to the Caspar Lumber Company sold their holdings to Georgia-Pacific and private investors. In 1997, the Caspar Cattle Company acquired 300-acres, comprising much of the central parcels in Caspar. In 1999, a 30-acre headlands parcel and adjoining beach were acquired for public benefit (Wikipedia 2024).

The Caspar South Subdivision encompasses 105 acres and was established in 1965. It consists of 107 lots, 101 of which are designated for residential development. See Chapter 3 for more information.

#### 2.5.1.2 LAND USE

The CSWD 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 CSWD 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).

The 105-acres of land within the District boundary is primarily zoned Rural Residential 5-Acre Minimum [Variable Density of 1 Acre Minimum] (RR5 [RR1]), with a few small areas zoned Open Space (OS). The Rural Residential land use indicates areas not intended to be high growth and residences should create minimal impact on agricultural viability. Many of the homes within the District's service area are vacation/secondary homes. There is no commercial or industrial zoning located within or near the District boundary.

Variable Density Zoning, which applies to the residential parcels within the District, are allowed to be developed to the smaller parcel size (one acre as opposed to five acres), provided the parcels are served by a public water system which utilizes surface waters and does not impact upon the ground water resource, or by completion of a hydrological study which supports those greater densities. Since the CSSC takes its water from groundwater wells, a hydrological study would need to be prepared in order to ensure compliance with these requirements.

The surrounding parcels adjacent to the District boundary consist of a mix of rural residential and open space uses including Rural Residential 5, 10, 20 Acre Minimum: Planned Development (RR5), Open Space (OS), Rural Village (RV), Public Facility (PF), Forestland (FL), and Rangeland (RL). The areas adjacent to the District include the Caspar Headlands State Beach to the north, Point Cabrillo Drive to the east, Point Cabrillo Light Station State Historic Park to the south, and a rugged coastline and bluff overlooking the ocean to the west. There are single-family homes, including vacation home rentals, throughout the area.

#### 2.5.1.3 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 Caspar area is included in the Coastal Zone (County of Mendocino Coastal Element 2021). As shown in Figure 2-5, the County's Zoning Map designates most of the Caspar South Subdivision and surrounding parcels as single-family residential and open space uses.

The District is bounded on three sides by state parks and, therefore, future expansion and development around the community is constrained by geography and land ownership patterns.

## 2.5.2 Existing Population

The District serves an area limited to a Subdivision located in the unincorporated community of Caspar, which is a CDP with a population of approximately 500 residents and approximately 320 households (US



Census 2024). The Caspar CDP encompasses three-square miles and includes primarily rural residential properties and commercial development along State Highway 1. Caspar is located within Census Tract 110.03 in Mendocino County, which includes the area between Noyo to the north, Pine Grove to the south, and Whiskey Springs to the west and has an estimated population of 3,240.

Many developed lots in the District are seasonally occupied homes. The District estimates that approximately one-third of the parcels have full-time residents. During the low season, assuming that approximately 25 customer parcels are occupied and assuming the County's average of 2.46 people per household, then the District serves approximately 62 people. Assuming the County's average of 2.46 persons per household and assuming all homes are occupied, the District serves approximately 185 people during the peak season. However, vacation home rentals generally allow for two persons per room and an additional two persons per home. Vacation homes could have maximum occupancy during peak season of eight to ten persons for three to four-bedroom homes. Assuming the other two-thirds of the parcels are utilized as vacation homes for at least a portion of the year, the peak population could potentially reach up to 500 people.

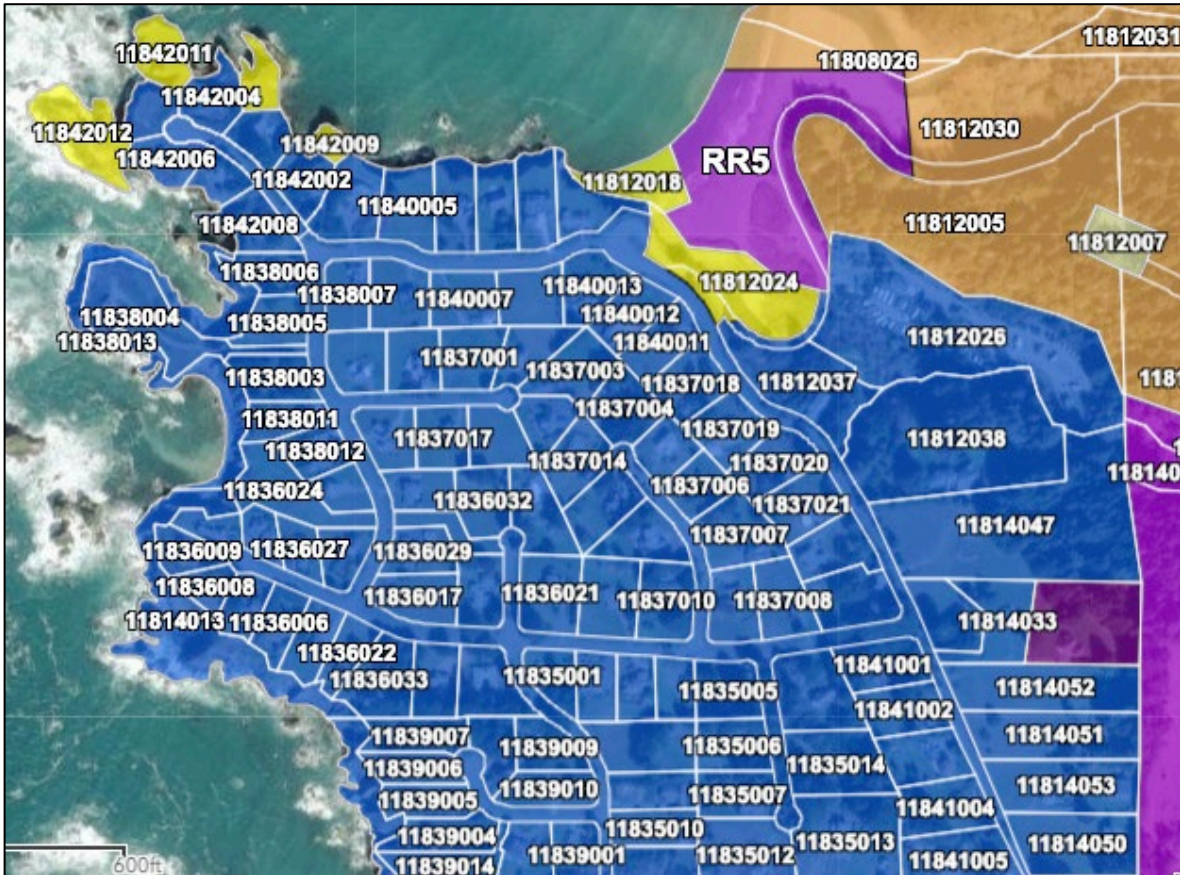
### 2.5.3 Projected Growth

The District's population at buildout can be projected based on development of the remaining seven vacant parcels in the District. If all parcels are developed, the population of the District would likely increase by approximately 23 persons, assuming the County's average of 2.46 people per household, which could result in a total population of 248 people. This also assumes full-time residents as opposed to seasonal occupants.

The California 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 likely not occur until well beyond the planning horizon of this document (DOF 2023). Given that the CSWD system is only designed to accommodate the full buildout of the Subdivision (i.e., the seven currently vacant lots), the District will likely not need to accommodate much future development and is near buildout.

Figure 2-4: Caspar Area Zoning Map



Source: Mendocino County Zoning Web Map.

## 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 services<sup>15</sup>. 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 American Census Survey (ACS) 2022 1-Year estimates, the statewide MHI 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.

Disadvantaged Unincorporated Communities are identified to address a myriad of issues from environmental justice to land-use planning. Linking these disparate issues together, the sole statutory criterion for determination of a DUC is 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

<sup>15</sup> Technical advisory on SB 244 can be found here: [https://opr.ca.gov/docs/SB244\\_Technical\\_Advisory.pdf](https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf).

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.

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 differ 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. In particular, 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. Senate Bill 244 describes the general characteristics of DUCs, but it does not provide specific guidance or methodology for how to identify them, other than providing the following criteria:

- Contains 10 or more dwelling units in close proximity to one another;
- Is either within a city SOI, is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has 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 US Census American Community Survey (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 Caspar is a CDP covering approximately 3 square miles that has a population of 500 (159 households and 320 total housing units) and an MHI of \$235,805 (US Census 2024). Because the District is located within the Caspar CDP, which has an MHI which is significantly higher than the Statewide MHI threshold of \$73,240, the District is not considered to be located within a DUC.

As shown in Table 2-7 below, which includes MHI data on all the adjacent areas to the District, the District is located wholly within one census tract which has widely varying MHIs depending on the specific block group. The economic data shows that the District does not meet the income threshold to qualify as a DUC; however, MHI data is not available at a geographic unit smaller than census tract block group that would support conducting a more refined level of economic analysis specific to the Caspar South Subdivision.

As previously stated, the District and surrounding areas are proliferated with seasonal homes that are only occupied a portion of the year; as such, these high earning households tend to skew the data, making it even more difficult to get an accurate representation of the District's representative MHI.

Table 2-7: Median Household Income Data

Census Tract	Census Block Group	Population	Number of Households	Median Household Income (MHI)
103	BG4	1,066	453	\$42,809
104	BG1	456	208	\$48,511
105	BG3	1,308	298	\$68,750
110.03	BG1	1,147	533	\$46,705
110.03*	BG2**	228	190	\$78,846
110.03	BG3	1,865	698	\$62,378
110.04	BG1	516	258	\$81,515
110.04	BG3	1,142	536	\$49,428

\* Census Tract CSWD is located within

\*\* Census Block Group CSWD is located within

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

The residents within the Caspar South Subdivision receive adequate services with respect to fire, which is provided by Mendocino Fire Protection District<sup>16</sup>. Water services are provided by CSSC. According to data sourced from the California Department of Water Resources (DWR), the District is located within Public Land Survey Section (PLSS) M17N18W12, which is documented as having 17 domestic wells<sup>17</sup>.

With respect to wastewater services, there are approximately 26 properties within the District that utilize private on-site septic systems for their wastewater needs as a result of topographic necessity (properties are below grade).

The residents of Caspar South Subdivision receive the essential municipal services of fire, water, and wastewater, and all services have proven to be adequate in the area. However, wastewater services provided by the District could be improved in the areas that are utilizing septic and as well as addressing aging infrastructure needs.

<sup>16</sup> 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>

<sup>17</sup>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

This is the second MSR prepared for the Caspar South Water District (CSWD/District). The first District MSR was completed as part of the Countywide Water and Wastewater MSR adopted on December 1, 2014.

#### 3.1.1 Services

The CSWD is a small independent special district that administers a community sewage disposal system for a residential subdivision and provides wastewater services including collection, processing through a dosing chamber, disposal via leach field system, and the regular maintenance of related facilities and equipment.

#### 3.1.2 Service Area

CSWD serves the Caspar South Subdivision (Subdivision) located along the coast in Mendocino County, south of the unincorporated community of Caspar. There are 107 lots within the Subdivision. Of those lots, one serves as a community leach field (Subdivision Lot No. 24), five are open space parcels, and the remaining are designated for residential development. Of the 101 residential lots in the Subdivision, the District services 75 lots (68 of the 75 lots have residential dwellings while the remaining seven lots are currently vacant). There are 27 lots within the Subdivision that are not provided with wastewater service from the District, 26 are located below-grade and cannot access the system and one recently developed lot chose to utilize its own septic system.

#### 3.1.3 Outside Agency Services

The District does not provide any services outside its jurisdictional boundary. During the preparation of this MSR, no developed properties adjacent to the District boundary with failing septic systems requiring connection to the District wastewater system to address public health and safety issues were identified. Further, no requests for outside agency services have been made.

### 3.2 Wastewater Services

#### 3.2.1 System History

The original centralized sewage system for the Caspar South Subdivision was constructed in 1965 when the Subdivision was developed and initially discharged effluent into a cave that led directly to the Pacific Ocean. The District acquired the centralized sewage system upon formation in 1978 and was tasked with addressing new water quality regulations.

On December 5, 1979, the North Coast Regional Water Quality Control Board (NCRWQCB) adopted Cease and Desist Order No. 79-210 due to non-conforming discharge of waste to the Pacific Ocean from the

Caspar South Subdivision. In 1982, the District obtained a permit from the California Coastal Commission, Mendocino County Department of Environmental Health, and the NCRWQCB to construct a pumping station and install one large community leach field to serve the Subdivision. The District-owned community leach field was subsequently installed in 1982 on Lot 24, a 0.75-acre Subdivision lot, and eliminated the effluent discharge into the ocean. At that time, the treatment plant located at the end of Otter Point Circle was decommissioned and repurposed to serve as a sewage collection tank and pump station.

### 3.2.2 Service Overview

The District owns and operates a wastewater collection system with permitted discharge into community leach fields located on a lot within the subdivision. The District has an average dry weather design treatment capacity of 16,000 gallons per day (gpd).

Effluent is pumped from two lift stations via a high-pressure line for processing. The pumped effluent is collected in a 10,000-gallon dosing chamber located on the leach field lot. From there, effluent is disbursed into eight 8-inch disposal lines within the community leach field for final disposal. These leach lines are utilized on a rotating basis.

Over the last two years, the average daily flow for the District is 5,844 gallons. The District is currently operating at 36.5 percent of its capacity. See Table 3-1 for the District's most recent wastewater flows.

<b><i>Month/Year</i></b>	<b><i>Average 24-hour Flow (Gallons)</i></b>
June 24	4,748
May 24	4,982
April 24	5,388
March 24	17,978
February 24	2,122
January 24	6,068
December 23	3,840
November 23	4,096
October 23	4,046
September 23	4,407
August 23	4,848
July 23	5,400
June 23	5,618
May 23	6,185
April 23	8,029
March 23	11,357
February 23	5,840
January 23	7,014
December 22	4,386
November 22	4,220
October 22	4,253
September 22	4,736

August 22	5,049
July 22	5,650

Source: RFI 2024.

### 3.2.3 Facilities and Infrastructure

The CSWD wastewater system consists of gravity-fed connection laterals, collection tanks, screen separators, a pumping station, a dosing chamber, and a force main-fed large community leach field (see Figure 3-1).

The contracted Plant Operator is responsible for monitoring and reporting effluent conditions, and inspects and monitors the system weekly. Additionally, the Plant Operator prepares a Monthly Monitoring Report and a Weekly Log Report which are made available to the Board of Directors and the public. The reports address average daily flow, any occurrences within the system, and any maintenance activity. It was also reported that the Chief Plant Operator was tasked to prepare a Sewer System Management Plan (SSMP), though its preparation is still pending.

As previously stated, the District contracts with a septic service company to dispose of the wastewater solids from the dosing chamber. This service occurs approximately once a year when the solids in the dosing chamber reach a depth of 12-inches and grease on the surface reaches 6-inches.

#### 3.2.3.1 SYSTEM IMPROVEMENTS

Within the last five years, the District has installed new filters at the pump stations, and added fans and stainless-steel cat walks to ensure that the pump stations operate properly. The District has also installed backflow prevention devices in each residential lateral and has added two generators at each pump station in case of a power outage; the exact date of these improvements is unknown, but is estimated to have been within the last six years (RFI 2024).

In 2014, the District replaced a 300-foot section of pipe in the southerly portion of the District. In May 2015, the District conducted a hydro-flush and camera inspection of the entire system and identified and prioritized the necessary repairs and/or replacements based on the results. Additionally, in September 2015, the District replaced 900 linear feet of six-inch pipe in the system.

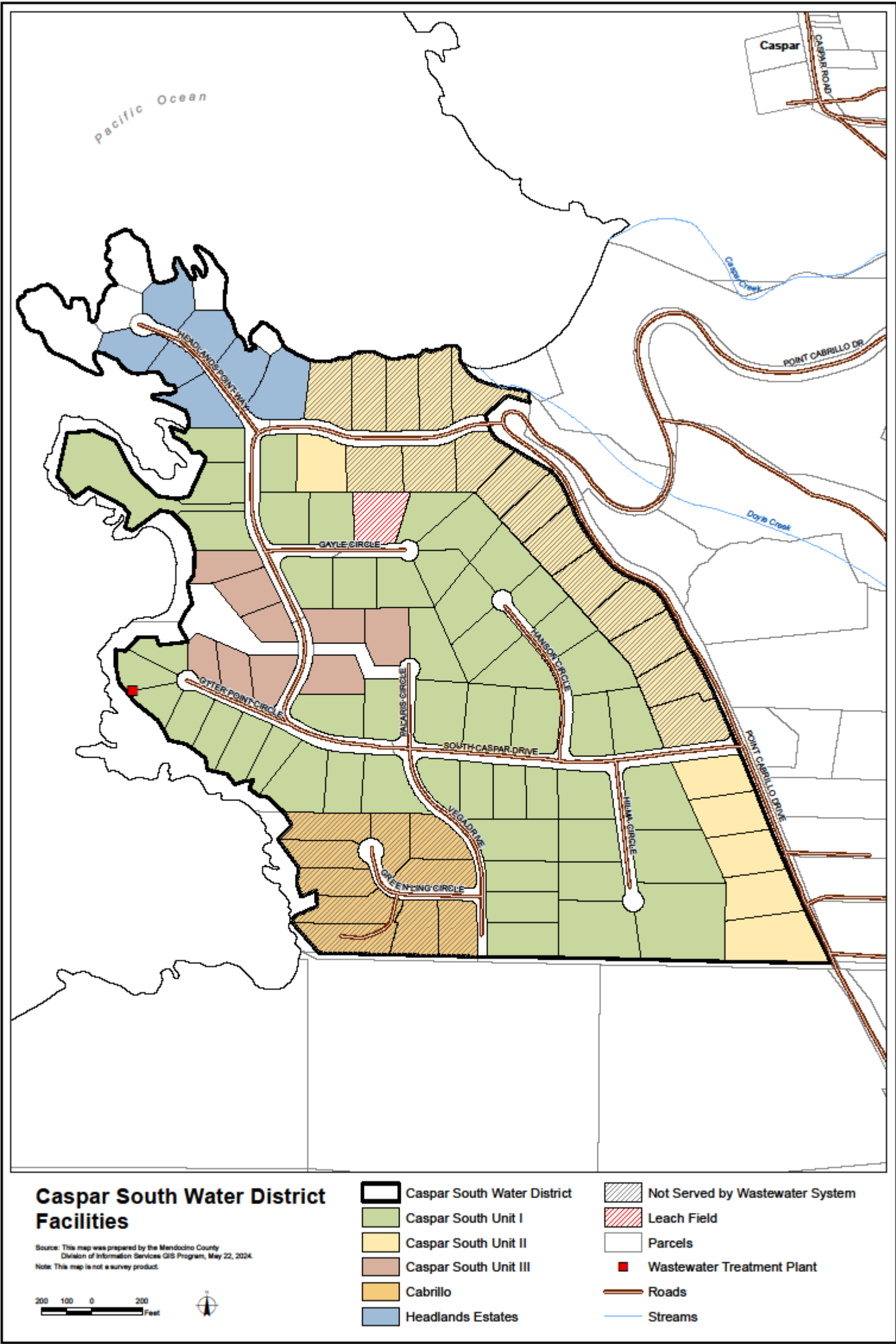
The District works to ensure the integrity of its system via testing and other measures including continual maintenance and monitoring, video camera inspection of lines, and locating and eliminating 'wet areas' where leaks are indicated. Additional pipe replacement work is anticipated to continue as the aging system needs repair in multiple areas.

The District does not currently have plans to increase the wastewater system capacity. In the past, the District had considered purchasing easements on property adjacent to the existing community leach field parcel. However, this option has been reviewed by a qualified engineer that concluded there was no need for any additional land at this time (RFI 2024). Should additional capacity become necessary, the District would then consider adding an additional 8,000 to 10,000-gallon dosing chamber and additional leach lines to the system.

#### 3.2.3.2 ENGINEERING REPORTS

No engineering reports were provided to LAFCo staff.

Figure 3-1: CSWD Facilities Map





### 3.2.3.3 REGULATORY PERMITS AND COMPLIANCE HISTORY

The District is enrolled under the Statewide General Waste Discharge Requirements (WDR) for Sanitary Sewer Systems (State Water Board Order No. 2006-0003-DWQ). This Order regulates the District's sewage collection system (pipelines, pumps, intermediate septic tanks, etc.) up to the point where sewage enters the main septic tanks. Currently, the District is not in compliance with Order No.2006-0003-DWQ due to its lack of a SSMP and associated plans and programs.

The District is currently regulated by WDR Order No. 82-76 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0023931, adopted on October 28, 1976. 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 had an active permit with the SWRCB since 1982<sup>18</sup>.

**Table 3-2: District Regulatory Measures**

Reg Measure ID	Reg Measure Type	Region	Program	Order No.	WDID	Effective Date	Expiration Date	Status	Amended?
379716	Enrollee	1	WDR	2006-0003-DWQ	1SSO11609	06/15/2011		Never Active	N
261062	Letter	1	WDRMUNIOTH	001	1B82076OMEN	08/12/2003		Historical	N
136963	WDR	1	WDRMUNIOTH	<a href="#">82-076</a>	1B82076OMEN	07/22/1982	07/04/2011	Active	N
<b>Total Reg Measures: 3</b>									

Source: SWRCB.

Between 2000 and 2008, the District's average daily flow exceeded 13,200 gallons eleven times in the months of January, February, and March. The most recent instance of the District exceeding its capacity was in 2017. These incidents all took place prior to significant upgrades to the pipe system when Inflow and Infiltration (I&I) was a more common issue (RFI 2024).

In addition, the SWRCB had previously documented that the District received five violations since November 2022, all related to late or missing monthly monitoring report submittals (SWRCB 2024). However, the District stated that all the noted reports have been submitted and accepted by the SWRCB (RFI 2024). A summary of these violations can be found in Table 3-3.

### 3.2.3.4 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, WQO No. 2022-0103-DWQ (the Statewide Sanitary Sewer Systems Order).

When searching the SWRCB's sanitary sewer overflow (SSO) incident data for CSWD, zero spill incidents were identified<sup>19</sup>.

<sup>18</sup> State WRCB Facility at a Glance' report on CSWD found here:

<https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/CiwqsReportServlet?inCommand=drilldown&reportName=facilityAtAGlance&placeID=213470&reportID=2023620>

<sup>19</sup> <sup>19</sup>Data for Spill Events can be found here: [https://www.waterboards.ca.gov/water\\_issues/programs/ss/o/](https://www.waterboards.ca.gov/water_issues/programs/ss/o/)

Table 3-3: SWRCB District Violations

<a href="#">Violation ID</a>	<a href="#">Occurred Date</a>	<a href="#">Violation Type</a>	<a href="#">(-) Violation Description</a>	<a href="#">Corrective Action</a>	<a href="#">Status</a>	<a href="#">Classification</a>	<a href="#">Source</a>
1114850	03/16/2023	LREP	Failed to submit monthly monitoring report for February 2023 monitoring period.		Violation	B	Report
1114849	02/16/2023	LREP	Failed to submit monthly monitoring report for January 2023 monitoring period.		Violation	B	Report
1114848	01/17/2023	LREP	Failed to submit monthly monitoring report for December 2022 monitoring period.		Violation	B	Report
1114847	12/16/2022	LREP	Failed to submit monthly monitoring report for November 2022 monitoring period.		Violation	B	Report
1114846	11/16/2022	LREP	Failed to submit monthly monitoring report for October 2022 monitoring period.		Violation	B	Report

Report displays most recent five years of violations. Refer to the [Interactive Violation Report](#) for more data.

**Total Violations: 5** **Priority Violations: 0**

Source: SWRCB.

### 3.2.3.5 CAPACITY

Waste Discharge Requirements Order No. 82-076 authorizes the CSWD collection system to serve 78 lots and includes a discharge capacity limit for average daily wastewater flow not to exceed 13,200 gpd. The design capacity of the District's system totals 16,000 gpd and applies to the full build out of the Subdivision's 75 dwelling units (assuming 2.5 persons per residence and 85-gallons per person per day) (RFI 2024).

Currently, 66 of the lots are utilizing the District's services resulting in the processing of an average daily flow of 5,844 gpd thus the system is operating at 36.5 percent capacity (RFI 2024).

### 3.2.3.6 NEEDS AND DEFICIENCIES

Periodic reviews of the condition of the District's facilities have been conducted in recent years, resulting in targeted capital improvements to address water intrusion and leaks. While a comprehensive assessment of the overall health of the District's system has not been conducted in recent years, identified repairs are completed on an as-needed basis.

Maintaining the small system is problematic, and with such a limited customer base, adequate funds for capital improvements are a constant challenge. The District Board and contract staff continue to focus on identifying and remedying system needs and deficiencies. Areas of concerns that have been noted by the District include the following:

- Water intrusion/I&I into the system (an on-going issue)
- Deferred maintenance items on an aging system
- Properties with illegally piped rooftop and stormwater drains into the wastewater collection system

The District continues to identify and eliminate water intrusion or leaks into the system known as I&I. The system is designed for wastewater only and stormwater runoff has the potential to contribute to exceedance of system capacity.

### 3.2.4 Service Adequacy

Based on information within the MSR, the provision of wastewater treatment and disposal services to the customers located in the District's boundaries appears to be adequate in some areas and inadequate in others.

With current and past difficulties in securing enough Board members to fill vacancies, due to a very small eligible population, the District could have trouble managing the system in the future. In addition, the District does not have any future planning documents and did not provide LAFCo with any information regarding the age of infrastructure or when replacement would be necessary. It is unknown when the last rate study was prepared for the District, therefore, it is unknown if the District is compliant with Proposition 218. Additionally, the District does not currently have a Capital Improvement Plan (CIP) in place to identify the infrastructure priorities.

The District did note that, based on the recent performance of the system, particularly during the past two years when rain totals were high, the system continued to operate efficiently and well below the permitted capacity. Recent upgrades to the system, including the replacement of old asbestos/concrete pipe, generators, and pumps, have largely been responsible for these efficiencies (RFI 2024).

Very little growth will occur within the District and its facilities, while aging, are currently sufficient to serve buildout of the subdivision (the remaining seven vacant residential lots). However, with respect to the lots located below-grade, the District should assess the feasibility of providing services to those lots on a case-by-case basis, as needed (RFI 2024).

### 3.3 Determinations

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

#### 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 by CSWD varies, depending on the season; from 62 people during the low occupancy season, up to 185 people during the high occupancy season.
2. It is not likely that the population within the District's boundaries/SOI will grow significantly, or that the District will see an increased demand for wastewater services beyond the current design capacity of the system.
3. A significant increase in the capacity to collect, process, and dispose of wastewater for the system would be required to expand service provision. Such an expansion would require additional land for additional leaching capacity.

##### 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 one Census tract, which has widely varying different median household incomes (MHIs), depending on the specific block group. Further, the District and surrounding areas are proliferated with seasonal homes that are only occupied a portion of the year; as such these high earning households tend to skew the data, thus making it even more difficult to get an accurate representation of the District's representative MHI. However, based on the value of the homes in the Subdivision and that the majority of them are second homes, it can be concluded that the District does not meet the income threshold to qualify as a Disadvantaged Unincorporated Community (DUC).

5. There are 26 developed lots within the District that utilize septic tanks for their wastewater needs as a result of topographic necessity (properties are below grade). No failing systems were reported during the preparation of this MSR.
6. The residents of Caspar South Subdivision receive the essential municipal services of fire, water, and wastewater; all services are considered to be adequate in the area. However, wastewater services provided by the District could be improved in the areas that are utilizing private on-site septic systems, and aging infrastructure needs should be addressed.

### 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

7. The CSWD was established in 1978 as a single-service provider of wastewater/sewage collection, treatment, and disposal services.
8. Of the 101 residential lots in the Subdivision, the District provides service to 75 lots (66 of the 75 have residential dwellings and actively receive wastewater services while the remaining 7 lots are currently vacant). There are 27 lots within the Subdivision that are not provided with wastewater service from the District, 26 are located below-grade and cannot access the system and 1 recently developed lot chose to utilize its own septic system rather than connect to the District's system.
9. The CSWD sewage processing facilities are located within its boundaries.
10. The CSWD system has sufficient capacity to serve existing connections as well as future connections for the seven additional, currently vacant, residential lots. With respect to the lots located below-grade, the District assesses the feasibility of providing services to those lots on a case-by-case basis as needed.
11. The average flows for the District during the past two years are 5,844 gpd. The District is currently operating at 36.5 percent of its capacity.
12. The District reported that the sewage processing system is in good condition and is operating properly now that effluent is being discharged on a rotating basis to the leach field from the eight discharge pipes.
13. Expansion of wastewater collection, processing, and disposal service would require significant infrastructure upgrades in the system capacity.
14. The District does not currently have plans to increase the wastewater system capacity. In the past, the District had considered purchasing easements on property adjacent to the existing community leach field parcel. However, this option has been reviewed by a qualified engineer that concluded there was no need for any additional land at this time.
15. 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

16. The CSWD is funded through new connection service charges and annual assessments.
17. The District is currently behind on its required financial audits and it is recommended that the District prioritize catching up to the current fiscal year.

18. The District's current rates were adopted in 2011 but it is unknown when the last rate study was prepared for the District therefore the District is not compliant with Prop 218.
19. The District should prepare a rate study to identify and plan for infrastructure needs and anticipated operating costs and establish appropriate rates in compliance with the Prop 218 process.
20. While expenses have exceeded revenues in many of the last few years, the District remains net positive because of the savings accounts the District maintains.
21. The District's savings accounts show a general upwards trend that indicates financial stability for typical annual operations and maintenance, assuming these accounts are regularly maintained.
22. The District currently does not have a Capital Improvement Plan (CIP) to assess, identify, and plan for infrastructure maintenance and replacement needs. The District has indicated that repairs to the existing wastewater system need to be conducted, but 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.
23. It is recommended that the District participate in future Integrated Regional Water Management (IRWM) efforts through the North Coast Resource Partnership. The North Coast Resource Partnership supports regional efforts focused on water resources and disadvantaged communities and is a source of funding and technical assistance opportunities.

#### 3.3.1.5 SHARED SERVICES AND FACILITIES

##### Status of, and opportunities for, shared facilities

24. CSWD does not presently practice facility sharing due to its geographic isolation and limited availability of suitable partners.
25. The District and Caspar South Service Company (CSSC/Company) share the Caspar South Subdivision boundaries. Further, they share mutual customers specific to the Subdivision indicating there could be opportunities for shared facilities and resources between the two entities.
26. The California Water District Law, which governs the CSWD, includes water services as one of its powers. Should the CSWD and CSSC seek consolidation of services in the future, the District would be required to seek activation of water service powers through LAFCo. However, as of 2024, the District stated that there were no recent communications between the District and CSSC on the subject.
27. A consolidation between CSWD and CSSC should only be explored in the next MSR if the District is in a more stable governance position.

#### 3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

28. With the passage of Senate Bill 929 in 2018, all special districts are required to maintain a website that includes contact information and all other requirements by January 2020. The District has a website with current board member and staff contact information, and meeting agendas and materials since 2018. It recommended that the District continue to build their website and financial transparency by uploading the District's financial statements and audits as they become available.
29. The District does not maintain any formal policies related to governance, personnel, conflicts of interest, or financial matters, other than the District's original bylaws. However, the District does maintain an operations and maintenance manual.
30. The District aims to publish an annual newsletter and keeps residents informed of District requirements and activities through word-of-mouth and during public meetings.

31. Board meetings are publicly noticed and appear to comply with the Brown Act, California's open meeting law.
32. Every elected official and public employee who makes or influences governmental decisions is required to submit a Statement of Economic Interest (Form 700) to provide transparency and accountability. The District's board members have not filed Form 700 with the Mendocino County Clerk's Office. It is recommended that the District board members each file this form annually with the County.
33. Because there is no District office, as of June 2024, the District's official records are stored in a centralized location on District property; however, they are not organized and not readily accessible to the public.
34. The District does not have a written mission statement, established goals and objectives, or a strategic plan. While not requirements, they are considered best practices for governance, organizational direction and planning, and accountability and transparency to the public.
35. The District is not in compliance with Statewide General Requirements under Order No.2006-0003-DWQ, including the preparation of a Sewer System Management Plan (SSMP) and associated plans and programs.

#### 3.3.1.7 OTHER SERVICE DELIVERY MATTERS

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

36. 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) 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 Local Government Reorganization Act of 2000 (CKH) Law and the Policies of the Commission. The MSR and required determinations are presented in Chapters 2 and 3 of this document and form the basis of information and analysis for this SOI Update. This chapter presents the SOI Update and required determinations pursuant to California Government Code (GC) Section (§) 56425(e).

### 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 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 (G.G. §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 (AOI) to any local agency.

- a) An AOI is a geographic area beyond the sphere of influence in which land use decisions or other governmental actions of one local agency (the "Acting Agency") impact directly or indirectly upon another local agency (the "Interested Agency"). For example, approval of a housing project developed

to urban densities on septic tanks outside the city limits of a city and its sphere of influence may result in the city being forced subsequently to extend sewer services to the area to deal with septic failures and improve city roads that provide access to the development. The city in such a situation would be the Interested Agency with appropriate reason to request special consideration from the Acting Agency in considering projects adjacent to the city.

- b) When LAFCo receives notice of a proposal from another agency relating to the Area of Concern, LAFCo will notify the Interested Agency and will consider its comments.
- 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 Caspar South Water District (CSWD/District) SOI was first established by LAFCo via Resolution No. 94-4 dated August 1, 1994. LAFCo's approval of the SOI included Master Service Element approval and a Negative Declaration per the California Environmental Quality Act (CEQA). The last review of the CSWD SOI was in November 2015, at which time the Commission affirmed a coterminous SOI with adoption of [LAFCo Resolution No. 15-16-05](#).

### 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 AOI to earmark areas for enhanced interagency coordination or for future SOI consideration.

No study areas have been identified in or immediately surrounding the CSWD. (RFI, 2024)

### 4.2.2 Area of Interest Designation

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

An AOI designation serves as a compromise approach that recognizes situations involving challenging boundary or municipal service delivery considerations, or for which urbanization may be anticipated in

the intermediate or long-range planning horizons. It is a tool intended to enhance communication and coordination between local agencies.

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

No AOIs have been identified for the CSWD. (RFI, 2024)

### 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 policies to help meet its CKH Act mandates. 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 4.1 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 GC §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, based on the SOI determinations presented below, and recommend affirming a coterminous SOI for the CSWD.

#### 4.5.1 **The Present and Planned Land Uses in the Area, including Agricultural and Open Space Lands**

The primary land uses within the District service area are described in Section 2.5.1.2. The entirety of the District is located within the Caspar 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 the seven undeveloped residential lots. 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 Need for Facilities and Services

Of the 101 residential lots in the Caspar South Subdivision (Subdivision), the District services 75 lots (68 of the 75 lots have residential dwellings while the remaining seven lots are currently vacant). There are 27 lots within the Subdivision that do not receive wastewater service from the District; 26 are located below-grade and cannot access the system and one recently developed lot chose to utilize a private on-site septic system.

Many developed lots in the District have seasonally occupied (i.e., second) homes. The District estimates that approximately one-third of the parcels have full-time residents. During the low season, if approximately 25 customer parcels are occupied and assuming the County's average of 2.46 people per household, then the District serves approximately 62 people. Assuming the County's average of 2.46 the persons per household and assuming all homes are occupied, the District serves approximately 185 people during the peak season. However, vacation home rentals generally allow for two persons per room and an additional two persons. Vacation homes could have maximum occupancy during peak season of eight to ten persons for three-to-four-bedroom homes. Assuming the remaining two-thirds of the parcels are utilized as vacation homes for a portion of the year, the peak population could potentially reach up to 248 people.

The District anticipates little growth in resident population within the near term (five years) and long-term planning horizon (20 years). Given that CSWD is limited to the development of the remaining seven vacant residential lots, the District will likely not need to accommodate much future development and is near buildout. 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 Capacity of Facilities and Adequacy of Services

The District provides wastewater conveyance services to 75 wastewater connections. The CSWD wastewater system consists of gravity-fed connection laterals, collection tanks, screen separators, a pumping station, a dosing tank, and a force main-fed large community leach field. The District's system is operated by one part time contracted employee and because of financial constraints, the District Board President volunteers as General Manager. The District contracts with a septic service company to dispose of the wastewater solids collected in the dosing chamber. The design capacity of District's system is 16,000 gallons per day (gpd). Average flows for the District are 5,844 gpd and the District is operating at 36.5 percent capacity. As such, the CSWD system has sufficient capacity to serve existing connections as well as future connections for the seven additional, currently vacant, residential units. With respect to the lots located below-grade, the District assesses the feasibility of providing services to those lots on a case-by-case basis as needed.

Additional pipe replacement work is anticipated to continue as the aging system needs repair in multiple areas, however a comprehensive assessment of the overall health of the District's system has not been done in recent years. Periodic reviews of the condition of the District's facilities have been conducted in recent years, resulting in targeted capital improvements to address water intrusion and leaks.

The District's system continued to operate efficiently and well below the permitted capacity during the past two years when rain totals were high; however, the District's infrastructure is still in need of repairs to continue providing adequate service to its existing customers.

#### 4.5.4 Communities of Interest

The District is located within the unincorporated coastal zone of Mendocino County and is wholly located within the Caspar CDP. Given its isolated location, no additional communities of interest have been identified for the District.

#### 4.5.5 Disadvantaged Unincorporated Communities

The statewide median income household income (MHI) for the US Census American Community Survey (ACS) 2016-2020 is \$78,672, thus 80 percent of that value, \$62,938 represents the DUC threshold and 60 percent of that value, \$47,203 represents the Severely Disadvantaged Unincorporated Communities (SDUC). The District is located within one census tract which has drastically different MHIs depending on the specific block group. The District does not meet the income threshold to qualify as a DUC, however MHI data is not available at a geographic unit smaller than census tract block group to conduct a more refined level of economic analysis for the small area in question that is the Caspar South Subdivision. The District and surrounding areas are proliferated with seasonal homes that are only occupied a portion of the year and as such, these high earning households tend to skew the data thus making it even more difficult to get an accurate representation of the District's representative MHI.

With respect to wastewater services, there are 26 properties within the District that utilize individual septic tanks for their wastewater needs because of topographic necessity (properties are below grade). While the residents of Caspar South Subdivision are receiving the essential municipal services of fire, water, and wastewater, and all water services have proven to be adequate in the area. However, wastewater services provided by the District could be improved in the areas that are utilizing private on-site septic systems and as well as addressing aging infrastructure needs.

#### 4.6 Recommendation

Pursuant to California Water Code §55100, the Commission does hereby establish the functions and classes of services provided by the CSWD 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.



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## 6 ACKNOWLEDGEMENTS

### 6.1 Report Preparation

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Uma Hinman, Executive Officer  
 Larkyn Feiler, Analyst  
 Spencer Richard, Analyst  
 Jen Crump, Analyst

### 6.2 Assistance and Support

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Caspar South Water District	Steve McCormack, President Marc Wasserman, Vice President Daniel Keen, Secretary/Treasurer
South Fork Consulting, LLC	Amanda Ross, Principal

## 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](http://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](http://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

Workshop Draft

# Appendix B

## California Website Compliance Checklist

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

### Public Records Act

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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](http://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

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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

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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

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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

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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

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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](http://achecker.ca)



California Special Districts Association  
CSDA  
Districts Stronger Together

[csda.net](http://csda.net)



STREAMLINE  
Website compliance made easy

[getstreamline.com](http://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](mailto:sloane@getstreamline.com) or [dillong@csga.net](mailto:dillong@csga.net)



# California 2024 Web Accessibility Checklist

*Updated May 1, 2024. Download the latest at [getstreamline.com/ada](https://getstreamline.com/ada)*

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

## Before you begin

- Perform an initial scan to check for known issues using [checkmydistrict.org](https://checkmydistrict.org) or another tool
- Have your website provider's contact information to report any issues

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

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

## Ongoing actions - recommended once per month

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

## Other actions to consider

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

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

### 7.3 Appendix C – Housing Legislation Trends and Results

#### Mendocino County and ADUs

In response, the County of Mendocino has taken a 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 (ADUs) in the Coastal Zone.

Because Caspar 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 (JADUs), which are accessory structures typically limited to 500 square feet in an existing space, are exempted from this cap. Any change to the cap on the number of ADUs shall require a Local Coastal Program amendment.

Per Section 20.458.040 - 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 Caspar South), 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 California Department of Housing and Community Development (HCD), every jurisdiction is required to provide an annual report detailing the progress made towards implementing their housing element and meeting their RHNA allocations.

The data provided in the most recent APR for Unincorporated Mendocino County (adopted June 6<sup>TH</sup>, 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 CSWD in Caspar. However, any new development requires written approval from the service provider to authorize services.

#### Regional Housing Needs Allocation (RHNA)

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

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

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

The Regional Housing Needs Plan went through numerous iterations prior to being adopted which 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
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(HCD, 2023)

With respect to how RHNA requirements may affect Caspar, the State continues to push for more housing across the state including in communities located on the coast such as Caspar. 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 Caspar, 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 Needs Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80% area median income (AMI). 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.

## 7.4 Appendix D – District Financial Audits

Workshop Draft

**R. J. RICCIARDI, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Board of Directors  
Caspar South Water District  
Mendocino, California

In planning and performing our audit of the basic financial statements of Caspar South Water District for the period ending June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Caspar South Water District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Caspar South Water District in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and management of Caspar South Water District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Caspar South Water District's staff for its cooperation during our audit.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 6, 2020



**CASPAR SOUTH WATER DISTRICT**

**MENDOCINO, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Caspar South Water District  
Mendocino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Caspar South Water District, as of June 30, 2019 and the related notes to the financial statements, which collectively comprise the Caspar South Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Caspar South Water District, as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, as listed in the table of contents, be presented to supplement the basic financial statements.

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

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 6, 2020

Caspar South Water District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

This section of Caspar South Water District's (the District's) annual financial report presents our analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: Financial Statements and the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The District operates as a utility enterprise, which means that it relies mainly on sewer rates and charges to fund its operation. The Financial Statements of the District report information about the District using the full accrual basis of accounting. These statements offer short and long-term financial information about the District's activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine the District's credit worthiness and whether the District has successfully recovered all its costs through user fees and other charges.

The final financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investments. It also provides answers to questions such as: where did cash come from, what was cash used for, and what was the change in the cash balance during the year.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about an entity's finances is "As a whole, are we better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that helps answer this question. These two statements report the net position of the District and changes in net position.

The following condensed financial information provides an overview of the District's financial activities for the fiscal years ended June 30, 2019 and June 30, 2018.

NET POSITION

Net position, (the difference between assets and liabilities) is one way to measure financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other factors such as desired reserve levels, changes in economic conditions, population growth, housing trends and government legislation.

Caspar South Water District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2019

The largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, sewer collection system and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance: unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of fiscal years June 30, 2019 and June 30, 2018, the District was able to report positive balances in net position.

The following table summarizes the District's net position as of June 30:

Table 1  
Net Position

	2019	2018
Assets:		
Current and other assets	\$ 326,846	\$ 289,002
Capital assets, net of accumulated depreciation	71,608	81,134
Total assets	398,454	370,136
Net Position:		
Invested in capital assets, net of related debt	71,608	81,134
Unrestricted	326,846	414,620
Total net position	\$ 398,454	\$ 495,754

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position from one year to the next, the Statement of Revenues, Expenses and Changes in Net Position provides information concerning the nature and source of these changes.

Revenue

Total revenue decreased by \$5,189 in 2019 as compared to 2018.

Expenses

Operating expenses decreased by \$17,285 mostly due to a decrease in maintenance and repairs expense and not having audit fees in the prior year.



Caspar South Water District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2019

The following table summarizes the District's change in net position for the year ended June 30:

Table 2  
Changes in Net Position

	2019	2018	Change
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	37,484	54,769	17,285
Net operating income (loss)	<u>\$ (37,484)</u>	<u>\$ (54,769)</u>	<u>\$ 17,285</u>
Investment and other income	\$ 65,802	\$ 70,991	\$ (5,189)
Interest and other expenses	-	-	-
Non-operating net income	<u>\$ 65,802</u>	<u>\$ 70,991</u>	<u>\$ (5,189)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 3  
Capital Assets at Year End

	2019	2018
Land	\$ 60,175	\$ 60,175
Sewer plant	381,050	381,050
Subtotal	441,225	441,225
Accumulated depreciation	(369,617)	(360,091)
Net capital assets	<u>\$ 71,608</u>	<u>\$ 81,134</u>

Capital Assets

At June 30, 2019, the District had \$71,608 (net of accumulated depreciation) invested in its sewage collection system and land.

Additional information regarding the District's capital assets can be found in Note 2, Section B of the Financial Statements.

Long-Term Debt

The District does not utilize long term debt to fund operations or growth.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when adopting the fiscal year 2019 budget. The Board assessed the available reserves, the operating and capital needs of the District, potential customer growth, and potential regulatory impacts.

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability. The District will continue to maintain a watchful eye over expenditures and remains committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Caspar South Water District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Secretary of the Board of Directors at Caspar South Water District, PO Box 744, Mendocino, California 95460.

Caspar South Water District  
STATEMENT OF NET POSITION  
For the Year Ended June 30, 2019

ASSETS

Current assets:

Cash and investments	\$ 326,454
Accounts receivable	<u>392</u>
Total current assets	<u>326,846</u>

Capital assets:

Non-depreciable assets	60,175
Depreciable assets (net of depreciation)	<u>11,433</u>

Total assets	<u>398,454</u>
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NET POSITION

Invested in capital assets	71,608
Unrestricted	<u>326,846</u>
Total net position	<u>\$ 398,454</u>

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

Caspar South Water District  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the Year Ended June 30, 2019

Operating expenses:	
Sewer master	\$ 12,913
Insurance	4,195
Office expense	241
Dues and fees	6,364
Professional fees	2,855
Repairs and maintenance	499
Utilities	891
Depreciation	<u>9,526</u>
Total operating expenses	<u>37,484</u>
Operating income (loss)	<u>(37,484)</u>
Non-operating revenues (expenses):	
Interest revenue	430
Taxes and assessments	<u>65,372</u>
Total non-operating revenues (expenses)	<u>65,802</u>
Changes in net position	<u>28,318</u>
Net position, beginning of period	495,754
Prior period adjustment	<u>(125,618)</u>
Net position, beginning of period, restated	<u>370,136</u>
Net position, end of period	<u><u>\$ 398,454</u></u>

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

Caspar South Water District  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Receipts from customers	\$ -
Payments to suppliers	<u>(27,333)</u>
Net cash provided (used) by operating activities	<u>(27,333)</u>
Cash flows from non-capital financing activities:	
Taxes and assessments	<u>65,372</u>
Net cash provided (used) by non-capital financing activities	<u>65,372</u>
Cash flows from capital and related financing activities:	
Disposal of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest earned	<u>430</u>
Net cash provided by investing activities	<u>430</u>
Net increase (decrease) in cash and cash equivalents	38,469
Cash and cash equivalents - beginning of period	<u>287,985</u>
Cash and cash equivalents - end of period	<u><u>\$ 326,454</u></u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (37,484)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	9,526
Decrease in accounts receivable	<u>625</u>
Net cash provided (used) by operating activities	<u><u>\$ (27,333)</u></u>

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

Caspar South Water District  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Caspar South Water District (the District) passed and Adopted Ordinance No. 1 on December 18, 1982, an ordinance regulating the use of public and private sewers and drains, private sewage disposal and the discharge of waters and wastes into the public sewer system in Caspar South Water District, County of Mendocino, State of California.

Caspar South Water District is located in Mendocino County and serves the homeowners in the Caspar South Subdivision. The District currently bills 76 households for sewer services, which include 70 developed lots and 7 undeveloped lots.

The District has no employees and is governed by a 4-member volunteer Board of Directors that currently has one position vacant.

The major activities include the monitoring and disposal of sewage, maintenance of facilities and equipment for the District.

B. Financial Statements

The basic financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in fund net position and statement of cash flows) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District accounts for its sewer activities in one single enterprise fund.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District does not currently receive any tax revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Wastewater fees and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District is engaged primarily in business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in fund net position, a statement of cash flows, and these notes to the basic financial statements.

Proprietary enterprise funds distinguish *operating* revenues and expenses with *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operation revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



Caspar South Water District  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy has been to invest idle cash in demand deposits. Investments are reported at fair value.

Receivables and Property Taxes

All trade receivables are not shown net of an allowance for uncollectibles.

The County of Mendocino collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations. The District currently does not receive property tax revenues from the County of Mendocino.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing wastewater collection system), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of construction period interest revenues earned during such periods.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
General sewer plant	30-40
Vehicles, trucks and equipment	5-10

The District obtains insurance coverage for property and equipment and fidelity bonds insurance through its membership in the Special District Risk Management Authority (the Authority). The risk of loss is transferred from the District to the Authority in exchange for the District's payment of annual premiums. Incurred and unbilled claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance.

Caspar South Water District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position (concluded)

Net Position

In the financial statements, fund net position is reported in three categories as follows:

- Invested in capital assets, net of related debt - This category of net position reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation, and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Restricted for debt service and capital projects - This category of net position reports all unspent proceeds from the issuance of long-term debt restricted for capital asset improvement, replacement, or construction net of the related long-term debt. It also includes funds restricted for debt service payment and reserve requirements.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the District.

NOTE 2 - DETAILED NOTES

A. Cash Equivalents and Investments

Cash equivalents and investments consisted of the following at June 30:

	2019	2018
Cash:		
Demand accounts at Savings Bank of Mendocino County	\$ 326,454	\$ 287,985
Total cash	\$ 326,454	\$ 287,985

At June 30, 2019, the District maintained the majority of its cash in the Savings Bank of Mendocino County. Balances in the Savings Bank of Mendocino County are insured by the Federal Deposit Insurance Corporation up to \$250,000, are collateralized by securities at 110% of the balance, and consist of checking and savings accounts.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

Caspar South Water District  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

NOTE 2 - DETAILED NOTES (concluded)

A. Cash Equivalents and Investments (concluded)

Fair Value Reporting - Investments

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the District's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The District's holdings are classified in Level 1 of the fair value hierarchy.

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/18</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/19</u>
Capital assets, not being depreciated:				
Land	\$ 60,175	\$ -	\$ -	\$ 60,175
Total capital assets, not being depreciated	<u>60,175</u>	<u>-</u>	<u>-</u>	<u>60,175</u>
Capital assets, being depreciated:				
General sewer plant	<u>381,050</u>	<u>-</u>	<u>-</u>	<u>381,050</u>
Total capital assets, being depreciated	<u>381,050</u>	<u>-</u>	<u>-</u>	<u>381,050</u>
Total accumulated depreciation	<u>(360,091)</u>	<u>(9,526)</u>	<u>-</u>	<u>(369,617)</u>
Total capital assets being depreciated – net	<u>20,959</u>	<u>(9,526)</u>	<u>-</u>	<u>11,433</u>
Capital assets – net	<u>\$ 81,134</u>	<u>\$ (9,526)</u>	<u>\$ -</u>	<u>\$ 71,608</u>

NOTE 3 - OTHER INFORMATION

A. Risk Management

The District obtains general liability through the Special District Risk Management Authority (the Authority). The Authority is responsible for the first \$2 million per claim under its liability coverage program, and members are covered up to \$50 million for liability claims under the Authority's purchased excess insurance policies with a \$60 million aggregate limit on \$20 million excess layer, and \$30 million aggregate on each of the next \$5 million excess layers. Members are covered for \$100 million in regard to property and equipment through the Authority's purchased excess coverage. There were no significant changes in coverage in fiscal year 2019 as regards the aggregate limits on excess coverage.

The District paid no material uninsured losses during the last three fiscal years.

Caspar South Water District  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

NOTE 3 - OTHER INFORMATION (concluded)

A. Risk Management (concluded)

Liabilities of the District are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. There were no material uninsured claim liabilities at June 30, 2019.

B. Contingencies and Commitments

Litigation: In the opinion of the District's Secretary of the Board of Directors, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment is to record the prior year's depreciation expense and changes in capital assets not recorded by the District in the amount of \$125,618.

NOTE 5 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. Only the District Manager and Facilities Director positions are considered "essential" employees. The immediate impact to the District's operations includes new restrictions on employees' work location and planning heightened sanitation awareness requirements on office staff. It is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

**CASPAR SOUTH WATER DISTRICT**  
**BOARD OF DIRECTORS & MANAGEMENT REPORT**  
**For the Year Ended**  
**JUNE 30, 2019**

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**R. J. RICCIARDI, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Board of Directors  
Caspar South Water District  
Mendocino, California

In planning and performing our audit of the basic financial statements of Caspar South Water District for the period ending June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Caspar South Water District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Caspar South Water District in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and management of Caspar South Water District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Caspar South Water District's staff for its cooperation during our audit.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 6, 2020

Board of Directors  
Caspar South Water District  
Mendocino, California

We have audited the financial statements of Caspar South Water District for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 26, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Caspar South Water District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Caspar South Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Caspar South Water District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the financial statements were:

- Capital asset lives and depreciation expense.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Caspar South Water District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on Caspar South Water District's financial reporting process:

- Calculating and recording of depreciation expense and capital asset transactions was performed by R.J. Ricciardi, Inc.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 6, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Caspar South Water District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Caspar South Water District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management’s Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Board of Directors of Caspar South Water District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Caspar South Water District  
BOARD OF DIRECTORS & MANAGEMENT REPORT  
For the Year Ended June 30, 2019

**Current Year Observations**

There were no current year observations.

**Prior Year Observations (From the 2016 Audit)**

1) Fraud Prevention and Detection Policy

Observation:

During the course of our audit we noted that the Caspar South Water District (the District) does not have a written fraud prevention and detection policy as well as written accounting policies. We also noted the District's accountant maintains the accounting records, reconciles the bank statements and signs checks.

Recommendation:

We recommended the District formalize their accounting policies and fraud prevention and detection internal controls for Board approval. Please feel free to contact the independent auditor for examples and assistance. We also recommended a District Board Member sign checks whenever possible and review and initial the monthly bank statements, related reconciliations and vendor invoices.

Status:

This recommendation has not been implemented.

2) Fraud Risk Management

Observation:

During the course of our audit we noted that the District insurance policy with SDRMA does not cover any loss related to fraud on the part of the District's accountant.

Recommendation:

We recommended the District obtain an insurance certificate from the District's accountant's malpractice insurance company or broker naming the District as a certificate holder. This will ensure the District has recourse with the accountant's insurance company in a worst case scenario.

Status:

This recommendation has been implemented.