

Mendocino Coast  
Recreation and Park District



Sphere of Influence  
Municipal Service Review  
Report

March 14, 2008

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF  
MENDOCINO COUNTY MAKING DETERMINATIONS FOR THE COMBINED  
SPHERE OF INFLUENCE/ MUNICIPAL SERVICE REVIEW/MAXIMUM  
SERVICE AREA REPORT FOR THE MENDOCINO COAST RECREATION  
AND PARK DISTRICT**

**August 4, 2008**

**WHEREAS**, pursuant to Government Code Sections 56378, 56425 and 56430 LAFCO initiated a combined Sphere of Influence, Municipal Service Review (MSR) and a Maximum Service Area (MSA) Report for the Mendocino Coast Recreation and Park District; and

**WHEREAS**, the Executive Officer pursuant to Government Code Section 56663 set August 4, 2008 as the hearing date for the Commission's review of this combined Report; and

**WHEREAS**, the Executive Officer pursuant to policies approved by the Commission provided a Draft copy of the Report to the MCRPD and the Board of Directors of said District have reviewed this report and provided additional input to the report; and

**WHEREAS**, the Commission called for and held a hearing on the combined Report on August 4, 2008, and at the hearing, the Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to the Report; and

**WHEREAS**, Government Code Section 56378 requires the Commission to make one determination for a district, 56425 requires the Commission to make six determinations for a district and Section 56430 requires the Commission to make nine determinations regarding the agency under review and those determinations as approved by the Commission are described in the combined SOI/MSR/MSA Report and are incorporated herein by reference.

**NOW THEREFORE**, the Local Agency Formation Commission of Mendocino County based on the findings, discussions and conclusions set forth in the combined SOI/MSR/MSA Report which is incorporated herein by this reference and information received at the noticed public hearing for this item on August 4, 2008 **DOES HEREBY DETERMINE AND APPROVE** the combined SOI/MSR/MSA Report and the determinations within.

On a motion of Commissioner Oslund, duly seconded by Commissioner Ward this Resolution was passed and adopted by the following roll call vote, to wit:

Ayes: Delbar, Ruff, Oslund, Orth, Ward, Smith and Chair Melo  
Nays: None  
Abstains: None  
Absent: Wattenburger and Shoemaker

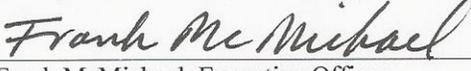
Dated: August 4, 2008

  
\_\_\_\_\_  
Jere Melo, Chairman

Attest:

I, Frank McMichael, Executive Officer of the Local Agency Formation Commission of Mendocino County, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at regular meeting thereof, held on the 4<sup>th</sup> day of August, 2008.

In witness whereof, I have hereunto set my hand on this 4<sup>th</sup> date of August, 2008:

  
\_\_\_\_\_  
Frank McMichael, Executive Officer

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF  
MENDOCINO COUNTY MAKING A SPHERE OF INFLUENCE  
DETERMINATION FOR THE MENDOCINO COAST RECREATION AND  
PARK DISTRICT (MCRPD)**

**August 4, 2008**

**WHEREAS**, pursuant to Government Code Sections 56378, 56425 and 56430 LAFCO initiated a combined Sphere of Influence (SOI), Municipal Service Review (MSR) and Maximum Service Area Report for the Mendocino RPD; and

**WHEREAS**, the Executive Officer pursuant to G. C. Section 56663 set August 4, 2008 as the hearing date for the Commission's review of the combined Report, the annexation request and the SOI determination; and

**WHEREAS**, RCFPD sought the Commission's approval to annex the balance of the territory within its historical SOI and upon annexation is requesting that its SOI be coterminous with its new boundaries; and

**WHEREAS**, if the annexation is not approved by the Commission or the voters, MCRPD is requesting that their SOI be the proposed annexation territory; and

**WHEREAS**, the Commission called for and held a hearing on the combined Report, the annexation request and SOI request on August 4, 2008, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to the MSR report; and

**WHEREAS**, the Local Agency Formation Commission of Mendocino County based on the findings, discussions and conclusions set forth in the combined SOI/MSR/MSA Report which is incorporated herein by this reference and information received at the noticed public hearing for this item on August 4, 2008 did determine and approve the combined SOI/MSR/MSA Report and the determinations within and did approve the annexation as requested by MCRPD.

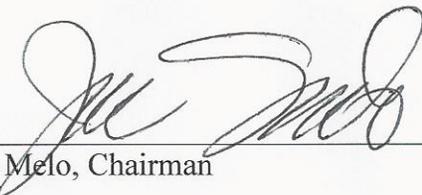
**WHEREAS**, this Commission has fulfilled its obligations as a Lead Agency as defined by the California Environmental Quality Act and has reviewed and considered the Negative Declaration and Initial Study prepared by the Executive Officer and pursuant to Section 15096(g)(1) of the State CEQA Guidelines certifies that there are no changes or alterations in the project that can be made upon LAFCO approval to mitigate any impacts identified in the environmental review that are in the jurisdiction of LAFCO; and

**NOW THEREFORE**, the Local Agency Formation Commission of Mendocino County based on the findings, discussions and conclusions set forth in the approved combined Report and information received at the hearing for this item on August 4, 2008, **DOES HEREBY DETERMINE AND APPROVE** that the SOI for the District shall be coterminous with the District's legal boundaries as approved on August 4, 2008 or shall be the same territory if the annexation is not approved by the voters.

On a motion of Commissioner Oslund, duly seconded by Commissioner Ward this Resolution was passed and adopted by the following roll call vote, to wit:

Ayes: Delbar, Ruff, Oslund, Orth, Ward, Smith and Chair Melo  
Nays: None  
Abstains: None  
Absent: Wattenburger and Shoemaker

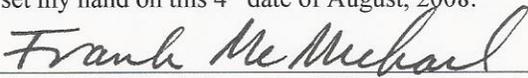
Dated: August 4, 2008

  
\_\_\_\_\_  
Jere Melo, Chairman

Attest:

I, Frank McMichael, Executive Officer of the Local Agency Formation Commission of Mendocino County, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at regular meeting thereof, held on the 4<sup>th</sup> day of August, 2008.

In witness whereof, I have hereunto set my hand on this 4<sup>th</sup> date of August, 2008:

  
\_\_\_\_\_  
Frank McMichael, Executive Officer

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF  
MENDOCINO COUNTY MAKING DETERMINATIONS APPROVING THE  
ANNEXATION OF THE BELOW DESCRIBED TERRITORY TO MENDOCINO  
COAST RECREATION AND PARK DISTRICT**

**August 4, 2008**

**WHEREAS**, the proposed annexation to the Mendocino Coast Recreation and Park District (MCRPD) of the territory as described in Exhibit "A" and depicted in Exhibit "B", short titled **MCRPD Annexation--2008** was heretofore filed with and accepted for filing by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

**WHEREAS**, the Executive Officer pursuant to Government Code Section 56663 set August 4, 2008 as the hearing date for this proposal; and

**WHEREAS**, the Executive Officer pursuant to Government Code Section 56665 and 56668 has reviewed this proposal and prepared a report including his recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

**WHEREAS**, the Commission on August 4, 2008 considered the proposal and report of the Executive Officer and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to the factors specified in Government Code Section 56668; and

**WHEREAS**, the Commission called for and held a hearing on the proposal on August 4, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

**WHEREAS**, information satisfactory to the Commission has been presented that all the owners of the land within the proposed annexation territory were provided notice of the annexation; and

**WHEREAS**, this Commission has fulfilled its obligations as a Lead Agency as defined by the California Environmental Quality Act and has reviewed and considered the Negative Declaration and Initial Study prepared by the Executive Officer and pursuant to Section 15096(g)(1) of the State CEQA Guidelines certifies that there are no changes or alterations in the project that can be made upon LAFCO approval to mitigate any impacts identified in the environmental review that are in the jurisdiction of LAFCO; and

**WHEREAS**, the annexation territory has been determined to be inhabited pursuant to Government Code Section 56046, and

**WHEREAS**, the annexing agency has given their written consent for this annexation by submittal of a Resolution of Application; and;

**WHEREAS**, the boundaries of the annexation territory as described in Exhibit "A" and depicted on a map described as Exhibit "B" attached hereto and by reference incorporated herein, are found to be definite and certain; and

**WHEREAS**, the proposed annexation territory is in the existing Sphere of Influence of the MCRPD; and

**Whereas**, the boundary of the annexation territory is contiguous to the boundaries of the MCRPD; and

**NOW THEREFORE**, the Local Agency Formation Commission of Mendocino County based on the findings, discussions and conclusions set forth in the Executive Officer's report which is incorporated herein by this reference and information received at the hearing for this item on October 2, 2006 **DOES HEREBY RESOLVE, DETERMINE CONDITION and ORDER** as follows:

1. Pursuant to Sections 15096(g)(1) of the State CEQA Guidelines, the Commission has considered the Negative Declaration prepared by the LAFCO as the Lead Agency and certifies that there are no changes or alterations in the project that can be made upon LAFCO approval to mitigate any impacts identified in the environmental review that are in the jurisdiction of LAFCO.
2. The proposal as described by the boundaries noted in Exhibit "A" and depicted on Exhibit "B" attached hereto and by reference incorporated herein, is approved.
3. The applicant has provided a final map on Mylar for signing by the Chair of LAFCO and the Chair of MCRPD.
4. The territory which includes 240 square miles is found to be inhabited and is assigned the following distinctive short form designation:  
**MCRPD Annexation --2008**
5. The end date for the reconsideration period as required in Government Code Section 56895 subdivision (b) and Section 57002 is determined to be September 4, 2008 and after this date no reconsideration can be filed.
6. Upon annexation to MCRPD, the territory shall be subject to all fees, rules and requirements of the District now and in the future.
7. The applicant (MCRPD) agrees to defend, hold harmless and indemnify LAFCO according to the requirements of the signed Indemnity Agreement attached hereto and by reference incorporated herein.
8. The Executive Officer is hereby authorized to notice and conduct a protest hearing according to the requirements of 57000 et sequens.
9. The Executive Officer is hereby authorized to prepare and record a Certificate of Completion and make filings as provided in Government Code Sections 57203 and 57204 if insufficient protest occurs at the conducting authority proceeding.

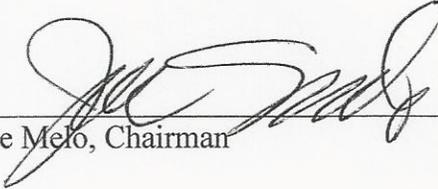
The effective date of the annexation shall be the date of recordation of the Certificate of Completion.

10. The Executive Officer is authorized and directed to mail certified copies of this resolution to the applicant agency as provided by Government Code Section 56882.

On a motion of Commissioner Oslund, duly seconded by Commissioner Ward this Resolution was passed and adopted by the following roll call vote, to wit:

Ayes: Delbar, Ruff, Oslund, Orth, Ward, Smith and Chair Melo  
Nays: None  
Abstains: None  
Absent: Wattenburger and Shoemaker

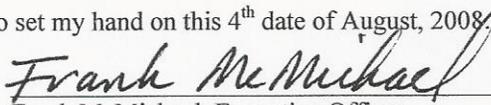
Dated: August 4, 2008

  
\_\_\_\_\_  
Jere Melo, Chairman

Attest:

I, Frank McMichael, Executive Officer of the Local Agency Formation Commission of Mendocino County, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at regular meeting thereof, held on the 4<sup>th</sup> day of August, 2008.

In witness whereof, I have hereunto set my hand on this 4<sup>th</sup> date of August, 2008

  
\_\_\_\_\_  
Frank McMichael, Executive Officer

## **Important Late Breaking News ...**

### **District Receives \$13 Million Grant to Complete New Center**

A very significant event occurred after the completion of the public draft of this Service Review - the commitment by the CV Starr Foundation to provide approximately \$13 million for construction completion of the C.V. Starr Community Center and Spath Aquatic Facility.

This Center is discussed in Section Two: Starr Community/Spath Aquatic Center on page 48. As stated on page 50:

The plan for the Aquatic Center has evolved over the past few years and will probably change again, but at this point the District is pretty clear about the road ahead. The entire project is expected to cost about \$23.5 million upon completion - not including the cost of the land. The District has raised and spent half of the Center's expected cost; it must raise the remainder to finish the project.

The District has asked the Starr Foundation to provide the funds required to complete the Center. The Foundation's Project Manager for the Center is proposing to the Foundation Board of Directors that they do so. As of the time of the drafting of this Review, the Starr Foundation has not yet provided a final funding commitment to complete the Starr/Spath Center. But there are indications they are likely to do so.

They have now done so, and this is good news indeed!

References to the required funding of the Center are scattered throughout this MSR. Readers should keep in mind that this funding commitment has now been secured.

In the "be careful what you wish for" category, the main challenge facing the District is described in Section 2: The Financial Impact When the Starr/Spath Center Opens on page 58. As stated on that page:

It has taken decades to develop the Center, and the work isn't yet done. The District has at most a year to prepare its operations to handle what will be a very sudden increase in financial and operational intensity. The District must leapfrog over several stages of organizational development, especially concerning its financial management.

The receipt of this funding from the Starr Foundation leads the authors of this Review to place even more urgent emphasis on the recommendations made in Section 3: Recommended Changes in Financial Management System on page 66.

The authors of this Review are certain that the problems described in these sections are very significant and must be resolved.

However, the Reader should keep in mind that on the whole, the authors of this Review have high praise for the District's leadership and accomplishments. These recommendations are not criticisms, but are friendly suggestions made by appreciative observers.

## Foreword

This report includes an analysis of recreation and park service delivery and policy options for the Commission to consider as it makes its decisions with respect to the Municipal Service Review (MSR) and Sphere of Influence (SOI) determinations for the Mendocino Coast Recreation and Park District (MCRPD). The studies involved in this report incorporates the requirements of Government Code Sections 56430 (Municipal Service Reviews), 56425 (Sphere of Influence Determination) and 56378 (Maximum Service Area). This Report will be used as an informational source for future changes of organization; however, this Report is not a substitute for discretionary decisions regarding changes of organization yet to be made by the Commission or for the reports mandated by law for those discretionary decisions. The decision whether or not to accept this Report or to approve or disapprove any policy options, with or without amendments, wholly partially or conditionally, rests entirely with the Commission.

The Board of Directors and Administrator of MCRPD were given the opportunity to review the Initial Draft of this report. Corrections or additions provided by the District were incorporated into this report as appropriate. LAFCO held a public hearing on August 4, 2008 to consider this Final Draft SOI/MSR Report and its contents, received comments on the Draft Report during the 21- day review period previous to the public hearing, and received additional testimony at this public hearing. Comments received during the public hearing process have been considered and incorporated into the Final Report as appropriate and as directed by the Commission. On the same date the Commission received the Report, it adopted a resolution making determinations.

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So that the reader may have context for the information provided within this report, the body of report is organized in the following way:

- Chapter One provides an overview about LAFCO and the requirements for the SOI/MSR process;
- Chapter Two provides an overview of the Principal Act for the MCRPD;
- Chapter Three provides an overview of the MCRPD and its services;
- Chapter Four, provides information about MCRPD capital projects;
- Chapter Five provides information about the financial circumstances of MCRPD;
- Chapter Six contains the MSR determinations as required by G.C. Section 56430;
- Chapter Seven contains the SOI determinations required by Section 56425 and the Maximum Service Area determination required by Section 56378;
- Chapter Eight reviews the environmental review proposed for the SOI determination and finally;
- The Appendix provides a glossary, the full context of the Principal Act for the District, various financial statements and the Initial Study for Negative Declaration.

# Executive Summary

By law each California county's Local Agency Formation Commission (LAFCO) is responsible to discourage urban sprawl, preserve open space and agricultural/resource lands, and provide for orderly and efficient extension of local government services. Each LAFCO must produce Municipal Service Reviews (MSR) of every special district and city under its jurisdiction once every five years. This document is the MSR for the Mendocino Coast Recreation and Park District (MCRPD). LAFCO also establishes most local government boundaries within each county, including annexations. MCRPD proposes to annex the remaining territory of the Fort Bragg Unified School District that is not now within MCRPD's boundary. Before this annexation proposal can move forward this MSR must be finalized.

This MSR reviews the general authority, responsibilities, and organizational mandates of Recreation and Park Districts found in California law.

The Fort Bragg Community Club opened in 1920 with an indoor swimming pool, gym, and associated facilities. The City of Fort Bragg took over its operation in the 1950's. MCRPD was organized in May of 1973 and took over the facility's operation. The original territory of MCRPD was roughly the area of the City of Fort Bragg. Two subsequent annexations brought in the entire territories of the Mendocino Unified School District in 1982 and the Point Arena Unified Elementary School District in 1989. The part of the Fort Bragg Unified School District that is not now within MCRPD is MCRPD's Sphere of Influence (SOI).

MCRPD operates the Fort Bragg and Mendocino Community Centers. MCRPD provides a range of recreational services including aquatics, gym sports, after school enrichment, youth and adult sports, summer and after school camps, and more. MCRPD also owns the land on which the Mendocino Coast Botanical Gardens is located. MCRPD has 7 full time and about 150 part time employees. MCRPD has partnered with a number of other local organizations to provide services, including the City of Fort Bragg, the Fort Bragg and Mendocino School Districts, College of the Redwoods, Mendocino Coast Hospital, and Mendocino Coast Botanical Gardens.

About 22,000 people live within MCRPD; about 1800 live in MCRPD's SOI. Population growth and characteristics vary significantly among its 3 regions. District population is expected to grow from about 25,500 in 2000 to about 37,250 in 2050. MCRPD's region is a major tourism destination in California.

This MSR analyzes MCRPD's two very different financial modes. First are its operations - the delivery of its recreational programs. Second are its major capital asset development projects. MCRPD's operational programs involve much smaller sums. However, MCRPD's numerous programs create a far more complex accounting, planning and control situation than do the capital projects.

In 2002 MCRPD was in a very difficult situation regarding the ability to make payments in a timely fashion. MCRPD has greatly improved its liquidity and financial position over the past 5 to 7 years; this is a significant accomplishment for which the District is to be applauded.

MCRPD appears to have a very strong operations Balance Sheet with \$3.3 million in assets and only \$130,000 or so in liabilities (as of 6/06). However, the nature of MCRPD's assets prevents their use as collateral to secure financing for the District's capital projects.

MCRPD has operated on razor thin operating margins for most of the past 7 years, although they have improved since 2004. The two main sources of revenue are program fees and property taxes (roughly \$400,000 each). In recent years there have been few if any programs on the South Coast. Program revenue is split about 2 to 1 between Fort Bragg and Mendocino.

Staffing is MCRPD's main expense - 2/3 of total expenses. Staffing expenses grew 15% slower than the growth of revenues from 2002 through 2006 - an indication of strong managerial expense control. However, MCRPD does not assign staffing costs to its programs. This makes it impossible to evaluate the efficiency of the District's individual programs.

The District has two major capital projects at this time - the Starr/Spath Aquatic/Community Center, and a proposed Regional Park and golf course.

The Fort Bragg Community Center is utterly out of date and falling apart. MCRPD began construction of a new Center in 2005. The center is composed of two main buildings - a 24,000 square foot Natatorium with indoor aquatic facilities, and a 16,000 square feet building housing support facilities and the District's offices.

The entire project is expected to cost about \$23.5 million upon completion - not including the cost of the land. The District has raised and spent half of the Center's expected cost; as of the date of this publication the District has secured the remaining needed balance.<sup>1</sup>

The project to develop a regional park and golf course began in earnest in 1995. The District's view then, as now, is that golf courses can produce positive cash flow that can help underwrite other recreational programs. The site of the proposed golf course and regional park is about 1 ½ miles southeast of the City of Fort Bragg and east of Highway 1. The site is approximately 600 acres. To date, the District has paid out a little over \$1 million. At this time funding has not yet been secured for construction of the project. If such funding is obtained the golf course would open 2 to 3 years later.

No other local government in Mendocino County is attempting anywhere near the degree of change within the next five years as the Mendocino Coast Recreation and Park District. If these two projects opened at the same time and the District operated both, the District's operational fixed assets would be 85 times greater, and program revenues would be over 6 times greater. That's change!

However, the timing and development of the two projects are quite different. The District is already heavily invested in the Starr/Spath Center, and now with completion financing obtained; the Center should open in about a year. In contrast, the District has only invested about 10% of the expected costs of the golf course, and it's unlikely the golf course could open in the next four years even if financing were obtained within the next half year. There is much more uncertainty about the future of the golf course than the Starr/Spath Center.

Program revenues within the Center will not completely pay the operational costs for the Center. The Center will need to be underwritten by some amount each year, and the early years will require more support than later years because it will probably take time before the Center's revenues are "mature".

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<sup>1</sup> As indicated in the "Late Breaking News" note at the beginning of this review, the District has now secured the remaining funds necessary to complete construction of the new Center.

The development cost of the Starr/Spath Center is being funded by donations. Neither the District's recreational program patrons nor its taxpayers had to fund these assets. In the past this allowed lower program fees for patrons, and the use of all tax revenue to subsidize programs and operations. Should the District assume that its future acquisitions of major assets will also be funded through gifts? It wasn't practical for the District to accumulate a significant reserve in the past to help build the new Starr/Spath Center because MCRPD was too small and "close to the edge". The future, however, will be different. As the District's finances grow and strengthen, the District should accumulate reserves out of its operational cash flow that will partially fund the acquisition of major capital assets in the future.

Annual depreciation expense will be in the range of \$666,667 a year - 20 times greater than the District's entire depreciation expense today. While it may be possible for the District to "break even" on a cash basis a year or so after the new Center opens, it will not be possible to break even for many years if depreciation expense is included.

A for-profit corporation would save around \$300,000 in income taxes if it were able to report the Starr/Spath depreciation expense on its own income tax returns. It might to pay around \$200,000 a year to achieve such tax savings. The District should investigate the possibility of using the Starr/Spath Center depreciation to obtain significant operational financing.

The most important finding in this review is that the District has at most a year to prepare for a significant increase in financial intensity when the Starr/Spath Center opens. The District must leapfrog over several stages of financial management systems development. There are significant concerns about two core financial management systems, financial reports and budgeting-planning systems.

The District's current accounting and financial reporting systems do not give District management (including the Board) the tools needed to quickly zero in on operational financial problems and correct them or adjust to them. This must be corrected as soon as possible. There are several specific steps that need to be taken. An improved system must be in place well before the Starr/Spath Aquatic Center opens. Similar improvements in the District's budgeting system need to occur in order to make the financial reporting changes effective.

Every MSR must include nine categories of "Determinations" as defined by law. These are often summarizations of analysis found elsewhere in the MSR. These nine determinations are included in this MSR.

This MSR also includes an analysis and five required findings regarding the proposed Sphere of Influence (SOI) for MCRPD. It also includes a similar section on MCRPD's proposed Maximum Service Area (MSA). The conclusion reached is that after the proposed annexation of the remainder of the Fort Bragg Unified School District's territory, the boundary of MCRPD's MSA will be coterminous with the then current boundaries of MCRPD itself. In other words, MCRPD will then occupy its MSA.

The final content section of this MSR is an "Environmental Review" (ER) conducted according to the provisions of the California Environmental Quality Act (CEQA). The project for the ER is the proposed annexation and SOI defined above. On the basis of this study, a CEQA determination was made that the proposed annexation and SOI determination for the District would not have a significant effect on the environment therefore; a Negative Declaration was prepared.

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## ***Section One: LAFCO Explained***

### **Introduction**

This explanation and overview is meant to provide information as to the role of LAFCO, information as to some of its policies and requirements of law, a summary of the Sphere of Influence (SOI) and Municipal Service Review (MSR) requirements and an explanation of the determinations or decisions required by law. It is meant to provide information and an explanation about LAFCO and the SOI/MSR process such that the reader will have context for this report.

### **Cortese-Knox-Hertzberg**

On January 1, 2001, AB 2838—the Cortese-Knox-Hertzberg (C-K-H) Local Government Reorganization Act of 2000—became the governing law of LAFCO. C-K-H dramatically changed the role of LAFCO and the requirements of law as to the application process. It expanded LAFCO’s powers, authority and role as overseer of local government boundaries, and added the responsibility of review of districts and cities as to service provision. C-K-H strengthened the powers of LAFCO to control growth by elevating and reinforcing requirements of discouraging urban sprawl, preserving open space as well as agricultural and resource lands, and by requiring LAFCO to make decisions regarding agency boundaries that provide for the orderly and efficient extension of government services. [G.C. 56000-57000]

### **What is LAFCO?**

The Local Agency Formation Commission is a state mandated independent agency with quasi-legislative authority whose decisions have planning affect. Each county has a LAFCO and LAFCOs have countywide jurisdiction in carrying out their responsibilities. LAFCO is not a part of the County government nor is it part of State government. While LAFCO is an independent agency, Commissioners are appointed by and from the county, cities and special districts with jurisdiction in Mendocino County. Commissioners, who sit as independent members, are required by law to exercise their independent judgment on behalf of the interests of residents, property owners and the public of Mendocino County as a whole, in furthering the requirements of LAFCO. While serving on LAFCO, commissioners exercise responsibility with a regional or countywide perspective in decision making while relying on their own expertise and experience. [G.C. 56325.1]

The present membership of LAFCO is as follows: Jere Melo, Chair and city representative, City of Fort Bragg; Jim Wattenburger, Vice-Chair and Board of Supervisor (BOS) representative; Michael Delbar, BOS representative; Karen Oslund, city representative, City of Willits; Richard Shoemaker, special district representative, Russian River Flood Control and Water Conservation Improvement District; Richard Ruff, district representative, Hopland Public Utilities District; Michael Kisslinger, public member.

Alternate members are: Kendall Smith, BOS representative; John McCowen, city representative, City of Ukiah; Tony Orth, special district representative, Brooktrails Community Services District; Gerald Ward, public member representative. Alternate

members are not allowed to vote, unless a regular member in the category they represent is absent or have disqualified themselves from participating in the meeting. Under LAFCO policy, alternate members are encouraged to take an active role in LAFCO business including discussions and deliberations on project proposals, and participating in policy development and other working groups, trainings, workshops and standing committees.

### **Other Requirements of Law for LAFCO**

As indicated above, Mendocino LAFCO primarily operates under the rules and requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. This Act is found in the Government Code, Sections 56000 - 57000. However, this part of the Government Code does not comprise all of the requirements of law that LAFCO must meet. Other elements of the law such as the California Environmental Quality Act (CEQA), Revenue and Taxation Code, Election Code, Brown Act, other parts of the Government Code, principal acts of districts, case decisions, state policies, and the Policy and Procedures of LAFCO, also affect the decision making and responsibilities of LAFCO.

### **Purpose and Responsibilities of LAFCO**

In essence, LAFCO has three primary responsibilities. The first is to function as a boundary commission for changes in agency boundaries, which is the historical role of LAFCO. The second is to control growth, protect open space as well as agriculture and resource lands, and assure the efficient extension of government services, primarily through boundary decisions and the determination of an agency's Sphere of Influence once every five years, as required by Government Code Section 56425. The third responsibility is to provide review of the service provision of districts and cities, primarily through meeting the requirements of Government Code Section 56430, Municipal Service Reviews. [G.C. 56100, 56301, 56425, 56430]

### **LAFCO'S Jurisdiction**

LAFCO's jurisdiction includes cities, most special districts and certain parts of the County known as County Service Areas. Jurisdiction does not include the State, the County as a whole, a school district or community college district, a special assessment district, an improvement district as defined by G.C. 56041, a Mello-Roos Community Facilities District, a road division, an air quality management district or zones within a fire protection district, a mosquito abatement district, a public cemetery district, a recreation and park district and a community services district. (G.C. 56036 & 56100)

Some districts under LAFCO oversight have been provided exceptions to the total jurisdictional requirements of Cortese-Knox-Hertzberg. The following districts are under LAFCO jurisdiction for all aspects of LAFCO requirements except for the proceedings for protest hearings as specified by G.C. 57000 et sequens:

- A union high school or high school library district,
- A bridge and highway district
- A joint highway district
- A transit or rapid transit district

- A metropolitan water district
- A separation of grade district.

A protest hearing conducted for these agencies is required to be conducted according the Principal Act of the agency instead of G.C. 57000 et seq. [G.C. 56036(b)]

The following districts are under LAFCO jurisdiction for all aspects of LAFCO requirements except that LAFCO can choose whether to follow the requirements of LAFCO law for protest hearings as specified by G. C. 57000 et seq. or the Principal Act:

- A flood control district
- A flood control and floodwater conservation district
- A flood control and water conservation district
- A water conservation district
- A water replenishment district
- The Orange County Water District
- A water agency
- A county water authority or a water authority.

These agencies can request that LAFCO conduct protest hearings according to the Principal Act. [C.C. 56036(c), 56127 & 56128]

## ***Section Two: SOI and MSA Explained***

### **Sphere Defined**

A Sphere of Influence (SOI) is defined as “*plan for the probable physical boundaries and service area of a local agency, as determined by the Commission.*” Every decision on changes of organization or reorganization made by LAFCO is required to be consistent with the sphere of influence of the agency. [G.C. 56076 & 56375.5] A sphere of influence is primarily a planning tool that will:

1. Serve as a master plan for the future organization of local government within the county by providing guidelines for the efficient provision of services to the public.
2. Discourage duplication of services by two or more local government agencies.
3. Guide the Commission when considering individual proposals for changes of organization.
4. Identify the need for reorganization studies and provide the basis for recommendations to particular agencies for government reorganizations.

### **Sphere Requirements**

In “developing and determining” the sphere of influence of any agency (city or district) LAFCO is required to prepare a written report and statement of determinations with respect to each of the following:

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 service 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.

Upon determination of a sphere of influence, the commission is required to adopt the SOI at a noticed public hearing and is required to review and update, as necessary, the adopted sphere not less than once every five years. When adopting, amending, or updating a sphere of influence for a special district, LAFCO is required do all of the following:

1. Require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.
2. Establish the nature, location, and extent of any functions or classes of services provided by existing districts.” [G.C. 56425]

### **LAFCO's Policies on Determining a Sphere**

LAFCO's policies on determining Spheres of Influence include the following statements:

1. Territory that is currently receiving services from a local agency shall be considered for inclusion in that agency's sphere.
2. Territory that is projected to need services within the next 5-to-10 years may be considered for inclusion within an agency's sphere, depending on a number of factors that will require review by LAFCO.
3. Territory will not be considered for inclusion within a city's sphere of influence unless the area is included within the city's general plan land use or annexation element.
4. A special district that provides services, which ultimately will be provided by another agency (e.g. mergers, consolidations), will be assigned a zero sphere.
5. When more than one agency can serve an area, agency service capabilities, costs for providing services, input from the affected community, and LAFCO's policies will be factors in determining a sphere boundary.
6. If additional information is necessary to determine a sphere boundary, a partial sphere may be approved and a special study may be designated.
7. A local agency may be assigned a coterminous sphere with its existing boundaries if:
  - There is no anticipated need for the agency's service outside its existing boundaries.
  - There is insufficient information to support inclusion of areas outside the agency's boundaries in a sphere of influence.
  - The agency does not have the service capacity, access to resources (e.g. water rights) or financial ability to serve an area outside its boundaries.
  - The agency's boundaries are contiguous with the boundaries of other agencies providing similar services.
  - The agency's boundaries are contiguous with the sphere of influence boundaries previously assigned to another agency providing similar services.
  - The agency requests that their sphere of influence be coterminous with their boundaries.

Given the requirements of C-K-H, the policies of the State and LAFCO, the definition of a Sphere of Influence, and Section 56425(f) that requires the Commission to review and update a Sphere of Influence once every five years as necessary, it is reasonable to assume that:

1. A Sphere of Influence generally should not be set larger than that area for which the agency would have the potential to grow within the next 5 to 10 years.
2. A Sphere of Influence for growth inducing agencies, such as sewer and water providers, should not encroach on open-space or agricultural and resource lands without strong justification. Agencies that respond to growth such as fire service providers, hospital districts, cemetery districts, etc., may include open-space, agriculture and resource lands.

3. If an agency presently has substantial areas of unserved territory within its boundaries, which if developed would eliminate the ability, capacity and resources to serve a larger territory, then enlarging the agency's territory would not be appropriate and would be in opposition to the requirements of Sections 56001, 56301, 56377, 56425.
4. If an agency is presently unable to provide services to substantial areas within its existing territory due to lack of capacity or availability of resources, then enlarging the agency's territory would make little sense and would be in opposition to the requirements of Sections 56001, 56301, 56377 and 56425.
5. Under the conditions or circumstances of 3 and 4 above, providing for a Sphere of Influence larger than the agency's boundary would be difficult to justify.
6. Under the conditions or circumstances of 2, 3 and 4 above, providing for an extended Sphere of Influence would be difficult to justify.
7. All Spheres of Influence must be determined based on local conditions and circumstances and the agency's relationship to those local conditions and circumstances.
8. There may be specific conditions or circumstances that support a decision contrary to the general statements in 1 through 5 above.
9. For land use authorities such as a city, it is necessary for LAFCO to consider the requirements of C-K-H, land use planning issues, and the general plan in determining the size of a Sphere of Influence for a city.
10. Even if territory is included in an agency's Sphere of Influence, there is no guarantee that the agency will be allowed to annex any part of the territory included in the Sphere of Influence. In making a decision on an application, the Commission must review all the requirements of law before a decision can be made to approve an annexation. Consistency with the Sphere of Influence is only one aspect of the many issues that must be examined when a boundary change is requested by an agency.

## ***Section Three: Municipal Service Review Explained***

### **Requirement for Conducting a MSR**

To develop or update a sphere of influence for an agency, LAFCO is required to conduct a review (known as a Municipal Service Review or MSR) of the agency's ability to provide services within its present jurisdictional boundaries and its proposed Sphere. This MSR is an adjunct study to the Sphere of Influence study process and is to occur "before, or in conjunction with" the Sphere of Influence determination. On the basis of this study, LAFCO is required to make judgments known as determinations about the agency in nine categories. [G.C. 5425 & 56430]

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers
8. Evaluation of management efficiencies
9. Local accountability and governance

Determinations are "decisions", "judgments" or "statements" of the Commission. LAFCO's "determinations" should be supported by appropriate information, understanding and analysis. This analysis will be a product of the information received or developed, understanding of the requirements of law, industry best practices and comparisons to other similar agencies.

Information can be obtained from existing records (agendas, minutes, budgets, contracts, audits, etc.), various agency resource documents (such as RFPs, Master Plans, Capital Improvement Plans, engineering reports, EIRs, Finance Studies, etc.) from public meetings, individual comments, state and regional agency information (permits, reviews, communications, regulatory requirements, etc.), specific returns to requests for information and other means of accessing information (inventories, field investigations, personal interviews, etc.). Under the law, each agency is required to provide the data and information as judged appropriate by LAFCO. [56425, 56430, & 56378]

The following overview provides some examples of how the informational requirements to support the determinations required by Section 56430 could be fulfilled:

#### **Determination 1—Infrastructure Needs or Deficiencies**

This evaluation category focuses on the adequacy of existing and planned public facilities in accommodating existing needs and future growth and the efficient delivery of services. Infrastructure can be evaluated in terms of capacity, condition, availability, quality and correlation with operational needs, capital improvement plans and financial plans. It is

recognized that there may be unmet infrastructure needs due to budget constraints or other factors; however, identification of deficiencies may promote public understanding and support for needed improvements.

#### Determination 2—Growth and Population Projections for the Affected Area

This evaluation category focuses on projected short- and long-term demand for services within a particular area, as measured by current and future populations and their relationship to land use plans and programs.

#### Determination 3—Financing Constraints and Opportunities

Under this evaluation category, LAFCO can identify financing conditions and practices and weigh community public service needs against the resources available to fund the services.

#### Determination 4—Cost Avoidance Opportunities

This category may relate to service duplication, inefficiencies related to overlapping boundaries, high administration to operation costs, sharing of underutilized equipment, buildings or facilities, and other practices or circumstances which may increase service costs. Cost reduction opportunities related to economies of scale, shared facilities, transferring service obligations, financing opportunities, and infrastructure upgrades may be identified or suggested

#### Determination 5—Opportunities for Rate Restructuring

This category may relate to timely rate reviews, rate setting methodologies, conditions that could impact future rates, variances among rates, fees, taxes, charges, etc., and may identify, if applicable, opportunities to modify rates through governmental reorganizations or intergovernmental cooperation without adversely affecting service quality or other factors.

#### Determination 6—Opportunities for Shared Facilities

Under this evaluation category, LAFCO may identify and evaluate capacity, staff and infrastructure needs to identify opportunities for agencies to reduce costs by sharing facilities and eliminating duplication. In this same category, LAFCO would identify ongoing existing efforts of the agency to share facilities, training, equipment, and staff with other agencies.

#### Determination 7—Government Structure Options, including Advantages and Disadvantages of Consolidation or Reorganization of Service Providers

LAFCO may adopt written determinations with respect to government structure options that could improve service or service conditions. The objective is to provide LAFCO with sufficient information to render informed decisions regarding a possible reorganization. Although service reviews are required to review and update Spheres of Influence, LAFCO is also directed to study a variety of feasible and reasonable options for reorganization. LAFCO is empowered (after studies) to initiate certain reorganizations such as district consolidation, dissolution, mergers and establishment of subsidiary districts. While LAFCO can initiate such actions, it considers it best to encourage service providers to consider alternative structures that improve service provision and to support mutual decisions.

### Determination 8—Evaluation of Management Efficiencies

There is no clear definition of the term “management efficiencies.” The term may be considered to be referential to the following items: Adequate training for staff; advance planning; implementation of effective strategies for budgeting, managing costs, utilizing personnel; customer service; community’s involvement with the agency; ability to provide service over the short and long term; provision of public services with the lowest necessary expenditure; circumstances involving gross mismanagement or fraudulent management; compliance with accepted standards; maintenance of adequate reserves and any other conditions or circumstances of the service provider management with consideration for local conditions, circumstances and resources.

### Determination 9—Local Accountability and Governance

This category could focus on the visibility and accessibility of the decision-making body to their constituents, accessibility of staff, involvement of the public in the agency decision-making process, public participation in elections, publicly disclosed agency budgets, programs, adherence to requirements of law both in the principal act and in general requirements of the law such as the Brown Act, CPRA and others, plans of the agency and participation of the public in the consideration of plans and other work of the agency.

### Service Review Objectives

The primary reason for LAFCO to conduct a Municipal Service Review is because the law says that this study must be completed so as to provide information to support the development and determination of the Sphere of Influence for an agency. Therefore, it is a support study that has multiple objectives:

1. It is an evaluation of the agency’s present and future ability to provide services within the agency’s existing jurisdiction and within its proposed Sphere of Influence.
2. It is an informational document for the public to understand the provision of services, and the performance of the District’s Board of Directors and the District’s management.
3. It is a performance review of the agency. At its most extensive form, it can be thought of as a performance audit of the District.
4. It is a study of regional influences on the agency and the services it provides within its boundaries and within its Sphere of Influence.
5. It will be used as an informational document for determining the Sphere of Influence of each agency.

### Definitions of Services

Section 56430 does not define services. However, Government Code Section 56074 states: “*Service means a class established within, and as part of, a single function, as provided by regulations adopted by the commission.*” Function is defined by Section 56040 as “*any power granted by law to a local agency or a county to provide designated government or proprietary services or facilities for the use, benefit, or protection of persons or property.*”

In the review for every proposal, including SOI determinations or updates, the Commission is required to account for all of its responsibilities under the law. It is required to include the factors to be considered found in Government Code Section 56668 in its analysis, review and decision-making. Section 56668 defines services in this way: “*Services, as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.*”

### **Why LAFCO Began the Service Review**

LAFCO is required to complete MSRs for all independent special districts and all cities in Mendocino County. By statute and policy, LAFCO will not allow sphere of influence determinations or amendments, annexations or other organizational changes until the Municipal Service Reviews have been completed for the agencies requesting changes.

At this time, LAFCO is primarily working on SOI/MSRs for agencies that are seeking boundary changes or sphere of influence updates. MCRPD is interested in annexing additional territory to include the balance of the lands in the Fort Bragg Unified School District boundaries. It is also seeking a co-terminus Sphere of Influence with this territory once annexation is accomplished.

### **Consolidation and/or Reorganization**

Government Code Section 56430(a)(7) requires LAFCO to make a determination regarding “government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.” LAFCOs are also authorized to initiate proposals for consolidation of special districts, dissolution of special districts, mergers of special districts with a city, establishment of subsidiary districts to cities, or reorganizations that includes any of the preceding changes of organization. [56375(a), 56378, and 56425]

Note: While the SOI/MSR process does require the Commission make determinations for the need for consolidation, the SOI/MSR process does not require LAFCO to initiate changes of organization based on SOI/MSR findings; it only requires that LAFCO make determinations per the provisions of G.C. Sections 56425 and 56430. However, LAFCO, local agencies, and the public may use these determinations as a basis to pursue changes to local jurisdictions or Spheres of Influence. There are no proposals by LAFCO for reorganization of the MCRPD.

## ***Section One: Governing Body and Functions and Powers***

### **Overview**

A “district” or “special district” means an agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries. An “independent special district” includes any special district having a legislative body all of whose members are elected by registered voters or landowners within the district, or whose members are appointed to fixed terms, and excludes any special district having a legislative body consisting, in whole or in part, of ex officio members who are officers of a county or another local agency or who are appointees of those officers other than those who are appointed to fixed terms. A Principal Act means, in the case of a district, the law under which the district was formed and in case of a city, the general laws or charter as the case may be. [G.C. 56036, 56044 & 56065]

The primary way for the public to understand a district is through the lens of the Principal Act which is the statutory authority for the existence of the district. The Principal Act is the primary controlling authority for a district; it provides the ground rules for the actions of the board of directors and the authority for the daily activities of the district. Reviewing the provision of services and activities of the district through the lens of the Principal Act is also one of the better ways that LAFCO can accomplish its mandates for the SOI/MSR process.

Therefore, in prelude to a detailed review of the service provisions of the MCRPD, a summary of the Principal Act is provided below; the full content of the Act is provided in the Appendix. The Principal Act for a Recreation and Park District (RPD) is found in Public Resources Code (PRC) Sections 5780 - 5791; unless otherwise indicated all citations are from the PRC.

### **Governing Body**

Recreation and Park Districts (RPD) are governed by a five member board of directors. The initial board of directors of a district formed after January 1, 2002 may be elected or appointed. No person can be a candidate or be appointed to a RPD board of directors unless he or she is a voter in the district. The District is subject to the Uniform District Election Law (UDEL), commencing with Elections Code Section 10500 et seq. For a discussion of the election process for the initial board of directors refer to 5783.11 and the UDEL. [5784].

The method of initial election or appointment and continuing appointment of board members varies according to whether the district territory is incorporated, unincorporated or mixture of both. For detailed information about these processes refer to Sections 5783.1, 5783.3, 5783.5, 5783.7, and 5783.9.

The board is required to meet at least once every three months and the meetings are controlled by the requirements of the Brown Act (G.C. 54950 et seq.). A majority of the board constitutes a quorum and the board is required to act only by ordinance, resolution or motion. A recorded majority vote is required for each action and a record (minutes) of all of its acts including financial activities is required. [5784.11 & 5784.13]

The officers of the board are chair and vice-chair. A board may create additional officers, such as secretary, and elect members to those positions provided that no member holds more than one office. The board of directors is required to adopt policies for the operations of the district and is to see to the faithful implementation of those policies which is the responsibility of the employees of the district. The district is also required to adopt policies and procedures for bidding regulations governing the purchase of supplies and equipment. [5784 & 5784.7]

The board may adopt an ordinance providing for compensation for each member not to exceed \$100 per meeting for a maximum compensation of \$500 per month. In addition, members of the board may receive their actual and necessary traveling and incidental expenses incurred while on business of the district. Reimbursement for expenses is subject to Sections 53232.2 and 53232.3 of the Government Code. [5786.15]

### **Functions and Powers**

The specific functions that a district may exercise are to organize, promote, conduct and advertise programs of community recreation, including but not limited to, parks and open space, parking and transportation, and other related services that improve the community's quality of life. The board of directors may also establish systems of recreation and recreation facilities, including, but not limited to parks and open space and may acquire, construct, improve, maintain, and operate recreation facilities, including but not limited to parks and open space, both inside and subject to LAFCO approval beyond the district's boundaries. [5786 7 G.C. 56133]

The general powers that a district has and may exercise includes the right: to sue and be sued; to acquire and convey real property within or without the district and the exercise of those ownership rights; to the power of eminent domain subject to the limitations of Sections 5882.and 5786.5; to hire necessary employees and set their duties; to engage counsel; to enter into contracts; to borrow money and purchase on contract subject to the limitations of Section 5788.1; to adopt a seal; to enter into joint powers agreements; to adopt ordinances; to adopt and enforce rules and regulations for the properties and programs of the district and; to perform any acts necessary to carry out the provisions of the Principal Act. [5786.1]

Violation of any rule, regulation or ordinance adopted by the board of directors is a misdemeanor punishable by up to six months in jail or up to a \$1,000 fine [5786.17 & Penal Code Section 19]

The Meyers-Milias-Brown Act which governs employer-employee relations applies to the RPD. [5786.19 & G.C. Section 3500 et seq.]

## ***Section Two: District Finances***

### **Finance Officer**

The board of directors is mandated to appoint a finance officer for the district who shall serve at the pleasure of the board and may be compensated as thought appropriate by the board. The finance officer may be a member of the board of directors, the general manager or the office may be consolidated with the office of secretary, however, it is not required that the finance officer be one of these persons. [5784.9]

Note: If the board appoints one of its members, he or she cannot hold any other board office and because of conflict of interest issues cannot vote on board compensation issues or acceptance of financial reports to the board. Therefore it is best that the Finance Officer not be a member of the board.

The finance officer shall assure the installation and maintenance of a system of accounting and auditing that will at all times show the financial condition of the district and that annual or more frequent reports to the board are accurate regarding receipts, disbursements and balances in the accounts of the district. The finance officer is required to draw all warrants of the district. The warrants shall be signed by either the chair or another member of the board and by either the secretary or the general manager. Code section 5784.9 states “the board of directors shall fix the amount of and approve the finance officer's bond.”

### **Budget**

On or before July 1<sup>st</sup> of each year the board of directors is required to adopt a preliminary budget that shall conform to the accounting and budgeting procedures for special districts (CCR 1031.1 et seq. & 1121). Also, on or before July 1<sup>st</sup> of each year the board is required to publish a notice for at least two weeks in a newspaper of general circulation that provides information that: (1) It has adopted a preliminary budget; (2) The time and place where the budget is available for inspection; (3) The date and time that the board will meet to adopt the final budget and; (4) Any person may appear and be heard regarding the budget. On or before August 30<sup>th</sup> of each year the board is required to adopt a final budget and is required to provide a copy to the County Auditor. However, at any regular meeting or at any properly noticed special meeting, the board may amend the final budget by resolution. [5788, 5788.1, 5788.3, 5788.5 & 5788.7]

The budget may be divided into the following categories but is not limited to these categories.

1. Maintenance and Operation
2. Employee Compensation
3. Capital Outlay
4. Interest and redemption for indebtedness
5. Restricted reserve for capital outlay
6. Restricted reserve for contingencies
7. Unallocated general reserve

Note: Regarding Items 5 and 6: When the board establishes a restricted reserve, it is required to declare the exclusive purposes for which those reserves are only to be spent. If the board determines that the funds are no longer needed for the purpose for which the reserve was established, the board may discontinue the restricted reserve and transfer the restricted reserves to the general fund upon a four-fifths vote of the total membership of the board. The record of the reserves is to be maintained according to generally accepted accounting principles.

### **Gann Limit and Audits**

Local agencies are subject to certain spending limits (Gann Limit or Proposition 4). Annual appropriations that are subject to spending limits may not exceed an appropriations limit based on a calculated limit for fiscal year 1978-1979, adjusted annually for population and cost of living increases. Not all appropriations are subject to this limit. The limit only applies to tax revenues. The limit does not apply to proceeds from user charges, user fees or other such assessments provided that these revenue sources do not exceed the costs reasonably borne in providing the product or service for which the fee or assessment is imposed. On or before July 1<sup>st</sup> of each year the board is required to adopt its appropriation limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution and Government Code Section 7900 et seq. [5788.11]

Special districts must have regular, independent audits. The board of directors is required to provide for regular audits of the district's accounts pursuant to Section 26909 of the Government Code. [5788.25]

### **Grants and Indebtedness**

A district can accept revenue, money, grants, goods or services from any government agency and any person for lawful purposes of the district. Local governments can use "dry period loans" or working capital loans to borrow money against future revenues. A district may borrow money and incur indebtedness pursuant to Sections 53840-53844, 53850-53858 and 53859-53859-53859.08 of the Government Code. A local agency can loan any of its available funds to a district. A district can acquire real property by borrowing money or by purchasing on contract; the amount of the indebtedness cannot exceed two times the property tax revenue received the preceding year and must be paid back within ten years. [5788.17 & 5788.19 & 5788.21]

Subject to an election and two-thirds approval of the electorate of the districts, a district can incur bonded indebtedness for the acquisition or improvement of real property or for funding or refunding of outstanding indebtedness. The bonded indebtedness can not exceed 10 percent of the assessed value of all taxable property in the district at the time of issuance of the bonds. [5790 et seq.]

### **District Taxes and Fees**

A "general tax" is an involuntary charge against an individual, landowner, or business without regard for benefit and is for general use of the taxing agency. A "special tax" is one restricted for special or specific purpose as opposed to a general tax. A special tax requires two-thirds voter approval. A "benefit assessment" is an involuntary charge on property owners to pay for

public works that directly benefit property. [California Constitution Articles XIII A, §4 and XIII C, §2, Government Code §50075 et seq., §53722, et seq., & §53970, et seq.]

Unlike Cities, districts cannot install a sales tax or a transient occupancy tax (hotel or room tax). Special districts ability to raise revenue is usually restricted to fees-for-service or some form of a tax against property. All taxes are subject to the approval of the voters in the district. MCRPD does receive a percentage of the general property tax that is allocated to districts within the County. [5788.13 & R&T Section 95]

Pursuant to Government Code Section 50075 et seq. and subject to two-thirds voter approval a district may levy special taxes which must be applied uniformly to all taxpayers or all real property. For certain public capital facilities and services, pursuant to G.C. Section 53311 et seq. a district may form a Mello-Roos District which is a form of a special tax district. [5789.1]

A district may levy a benefit assessment consistent with the requirements of Article XIII D of the California Constitution pursuant to the Improvement Act of 1911, the Improvement Bond Act of 1915, the Municipal Improvement Act of 1913 and the Landscaping and Lighting Assessment Act of 1972. [5889.3]

A RPD can charge fees for its services, provided that the fee does not exceed the reasonable cost of providing the service(direct costs, overhead, reserves, depreciation, etc.) for which the fee is charged and is not levied for general revenue purposes. If the fee exceeds the reasonable cost of providing the service, it is a special tax requiring a two-thirds vote of the district electorate. Residents or taxpayers of the district may be charged fees which are less than it charges non-residents or non-taxpayers. The board of directors can authorize the waiver of fees if in their opinion payment would not be in the public interest. [5789, 5789.5, G.C. 50076 & 66016]

### ***Section Three: Formation, Boundaries and Annexations***

#### **Formation**

The formation process may be initiated by resolution of application by the legislative body of any county or city that contains territory proposed to be included in the district, or by a petition presented to LAFCO signed by 25% of the registered voters within the boundaries of the proposed district. The contents of the petition shall comply with Government Code Section 56700 and, in addition, shall include the following:

- Set forth the methods by which the district shall be financed, including, but not limited to, special taxes, benefit assessments, and fees.
- Propose a name for the district
- Specify the method of selecting the initial board of directors
- Specify whether the district will have the power of eminent domain

[5782.1 & 5782.5]

Before circulating any petition, the proponents shall publish a Notice of Intention including a written statement not to exceed 500 words in length, setting forth the reasons for forming the district and the method by which the district would be financed. The notice shall be published in one or more newspapers of general circulation within the territory proposed to be included in the district. Within five days after the date of publication, the proponent shall file with the Executive Officer of LAFCO a copy of the notice together with the affidavit certifying publication. After filing the notice, the petition may be circulated. [5782.3]

Upon filing of an application for the formation of recreation and park district, the Executive Officer shall notify the Director of the State Department of Parks and Recreation. The director shall have 60 days to comment on the proposal. The Commission shall consider all comments received from the director in making its decision. [Government Code 56131.7]

After the formation proceedings have been initiated and CEQA has been completed, LAFCO must conduct a noticed public hearing. After hearing public testimony, the Commission may either, approve, modify, or deny the proposed formation. If it is approved, the Commission also will adopt terms and conditions for the formation, and establish a sphere of influence for the new district. Then the proposed formation is sent to the conducting authority where no further modifications may be made.

#### **Protest Hearing**

At the conducting authority hearing (protest hearing), the Commission shall terminate proceedings if protest is filed by property owners owning more than one-half of the total assessed value of real property within the proposed district, or the Commission shall call an election. If an election is called and a majority of the qualified voters of the district vote in its favor, the district shall be formed. [[Government Code Sections 58103, 58130 & 58132]

**Boundaries and Annexation**

The following territory may be included within the proposed boundaries of a recreation and park district: [5781]

- Contiguous or noncontiguous territory
- Incorporated or unincorporated territory
- Territory not included in another recreation and park district.

After the district has been formed, the boundaries of the district may be altered, and the following territory may be annexed to the district: [5785]

- Contiguous territory or noncontiguous
- Incorporated or unincorporated territory
- Territory not included in another recreation and park district

Proceedings for annexation are initiated pursuant to Section 56000, et seq. of the Government Code.



## ***Section One: District General Information***

### **History of MCRPD**

The Fort Bragg Community Club opened in 1920 featuring an indoor swimming pool, a basketball gymnasium, changing rooms, and associated facilities. The Fort Bragg community broadly supported the development of this facility with donated capital, materials and labor. The services established by the Club in 1920 are still offered by MCRPD and are the “historical service core” of the District. Tens of thousands of Fort Bragg kids have learned to swim in the pool over the past 88 years! The City obtained the facility in the 1950’s and operated it until MCRPD was formed in May of 1973. Initially the District’s lone facility was the former Community Club - now known as the Fort Bragg Recreation Center. The Center is leased from the City of Fort Bragg. The District’s business offices are also housed in the facility.

Nearly 30 years ago MCRPD understood it was going to have to replace the aging Community Center. In 1978, MCRPD purchased a five acre parcel known as Green Memorial Field from the Fort Bragg Unified School District. The purpose for the acquisition was to provide a location for the District’s proposed new Recreation and Aquatic Center. Until construction started on the Aquatic Center in 2005, several recreational activities were provided at Green Memorial. At this point in time, the Recreation and Aquatic Center is partially complete. (See Chapter 4, Section Two: Starr Community/Spath Aquatic Center on page 48 for additional information regarding the Center.)

In 1982 the MCRPD obtained, through a California Coastal Conservancy Grant, 12 acres of the Mendocino Coast Botanical Gardens with a five acre easement allowing access to the coast. An additional 35 acres were purchased in 1990 through another Coastal Conservancy grant allowing the entire Botanical Gardens to be placed in public ownership. The Recreation District in turn leases the facility to a non-profit corporation, the Mendocino Coast Botanical Gardens Corporation, which is responsible for the day-to-day operation of the facility.

Shortly after annexation of the territory of the Mendocino Unified School District in 1982, the Recreation District negotiated a lease arrangement with the Mendocino Unified School District that allowed the District to lease the vacated Mendocino Grammar School building and to utilize it as the Mendocino Recreation and Community Center. In the early 1990’s the non-profit group, Mendocino Ballpark Association, approached the District about developing the vacant field on the site into a baseball facility. After significant efforts with this group along with the Mendocino Unified School District, the Ballpark Association undertook and completed the development of the facility which features a little league ball field.

Significant efforts began in the late ‘90’s to raise funds for the proposed new Recreation and Community Center. In 1996 these efforts received a significant boost when a long-time Fort Bragg resident, Harry Spath donated \$1 million towards construction of the new Aquatic Center. Then in 2002 the largest donation so far, \$3,500,000, was given by the Starr Foundation in honor of the center’s namesake, Fort Bragg’s most famous native son, C.V. Starr. Starr was the founder of AIG, the world’s largest insurance firm. Starr’s father was a railroad engineer in Fort Bragg at the end of the 19th century. In addition individuals

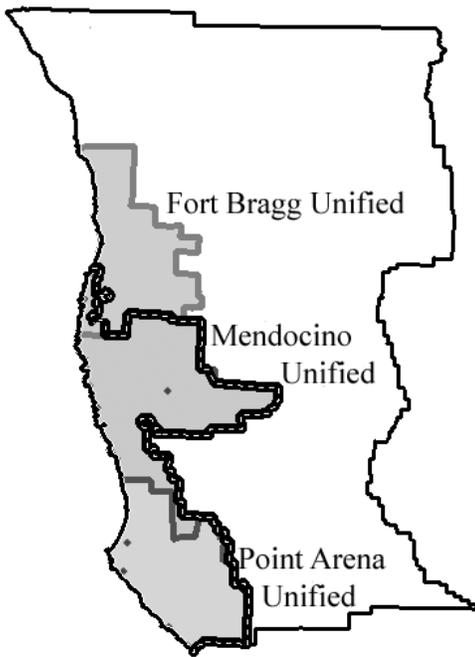
associated with the foundation donated another \$500,000 so that the total from the foundation and its associates was \$4 million. Construction of the new facility began in 2005 and is approximately 50 percent complete. The facility is now known as the “CV Starr Community Center - Sigrid and Harry Spath Aquatic Facility. (See Chapter 4, Section Two: Starr Community/Spath Aquatic Center on page 48 for additional information regarding the Center.)

Over this same period the District also engaged in significant efforts to develop a “high-end” public golf course and regional park. Discussions began in 1991, but the effort really started in 1995. Although this project is not as far along as the Starr - Spath Center, land has been purchased by a support group - Friends of MCRPD - an EIR has been approved, and the District has an advanced plan identifying what is necessary to initiate actual construction. The lands for this Regional Park and Golf Course are in the territory of the proposed annexation. (See Chapter 4, Section 2 for additional information regarding the golf course.)

**Boundaries of District**

MCRPD’s original District boundaries encompassed approximately 20 square miles of the then-greater Fort Bragg area. In 1982 interest from residents of the Mendocino area led the District to annex the entire Mendocino Unified School District area. In 1989 MCRPD annexed the area of the Point Arena Unified Elementary School District, again at the request of area residents desiring to obtain recreational services.

*Map 1 - MCRPD Boundaries* shows the 3 school districts - Fort Bragg, Mendocino, and Point Arena. The heavy dark line is the MCRPD boundary. MCRPD entirely includes the area of the Mendocino and Point Arena districts. Only the City of Fort Bragg in the Fort Bragg Unified School District is within the present MCRPD boundary. The remaining area of the School District is MCRPD’s Sphere of Influence.



**Map 1 - MCRPD Boundaries**

**Current Proposals for Boundary Change**

The District is currently proposing to update its Sphere of Influence and annex all of the remaining territory of the Fort Bragg Unified School District. Upon successful completion of the annexation process the boundaries of the District will be contiguous with the boundaries of the three school districts. The District is requesting that upon completion of this annexation process that its Sphere of Influence be coterminous with the proposed boundary lines of the District.

## ***Section Two: Governance and Operations***

### **Governance**

As indicated, the District was formed in 1973 and is governed and operates under the Recreation and Park District law per Public Resources Code Sections 5780-5790 (See Chapter 2.). The MCRPD is an independent special district, which means that the members of the Board of Directors are to be elected to serve overlapping four year terms. In order to be elected to the Board, candidates must be registered voters residing within the District boundaries. If there are insufficient candidates for election for the vacancies on the board or if the number of filed candidates is equal to the number of vacancies then board members may be appointed in lieu of election by the Board of Supervisors [Elections Code 10515].

Note: Any vacancy on an “appointed governing board” (dependent district) must be filled according to the requirements of Government Code Section 1778 & 1779, which essentially provides that the Board of Supervisors shall make the appointment within 90 days. Any vacancy in the “elective office of the governing board” of an independent district shall be filled according to the requirements of G.C. 1780, which essentially allows the remaining majority of the Board of Directors to appoint someone within 60 days, provided that the District has noticed County Elections and has posted a notice of the vacancy in three or more conspicuous locations in the district at least 15 days before the Board makes the appointment. Additionally, whenever an unscheduled vacancy occurs in the board a special vacancy notice is required to be posted at the office of the clerk of the board and at the designated local library not earlier than 20 days before or not later than 20 days after the vacancy occurs [G.C. 56973 & 56974]

Board members elect the Chair of the District and appoint a secretary for the Board. Per RPD law additional officers may be created provided that no member of the board holds more than one office. The present Board members are David Yeomans, Chairman; Robert Krebs, Vice-chairman; Cesar Yanez, Secretary; Harold Sipila and; Melissa Ivankay. All of the present Board members have been appointed in lieu of election.

The District Administrator, Beth Pine, functions as the chief staff official for the District; she can be contacted at 213 E. Laurel St., Fort Bragg, CA, by phone at (707) 964-9446 or email at mcrpdadmin@mcn.org. Legal Counsel is James Jackson, who can be contacted at 245 E. Laurel St. Fort Bragg, CA, 707 962 0222. The independent auditor for the District is Rick Bowers, 776 S. State St. #204, Ukiah, CA 95482.

Note: At the time of the first draft of this MSR the MCRPD Board had not appointed a Finance Officer as required by PRC 5784.9. The first draft indicated that at this stage of the organization it would make sense that the Finance Officer be the District Administrator; the future may require a different decision. (See page 13 for additional information as to the requirements of this position.) However, by the time of the final draft of this MSR the District had appointed the District Administrator to be the Finance Officer.

### **Board Meetings and Procedural Information**

District Board meetings are held on the third Wednesday of the month starting at 5:30 PM. Most are at Fort Bragg Town Hall. Once a quarter they are at the Mendocino Community Center. Once a year they are at the Mendocino Coast Botanical Gardens. The meeting locations are ADA accessible. The Board meetings must meet the requirements of the Brown Act. MCRPD agendas are posted at meeting locations and at three prominent places within the District including the District Offices, Recreation Center Hallway and the Mendocino Recreation Center. A written account of monthly expenditures is provided to Board on a regular basis. The District should post agendas and minutes on its website.

### **Board Functions**

The Board may act only by ordinance, resolution or motion and a majority of the Board constitutes a quorum. A recorded majority vote of the total membership of the board is required of each action and a record is required to be kept of their meetings. The standing subcommittees of the board are: Capital Projects; Finance; Personnel and; Master Plan. All meetings are public. The District keeps minutes of every meeting of the Board including standing subcommittees; minutes are available at the District offices

A district is required to adopt policies and procedures to include bidding regulation and purchasing of supplies and equipment pursuant to 54201 et seq. of the Government Code. The District last updated its Policy and Procedures December 20, 2000.

Note: Since 2000, there have been substantial changes to the law regarding personnel practices, conduction of board procedures and processes, training requirements for board members, training requirements for staff, sexual discrimination requirements, bid practices, etc. Changes to Recreation and Park District law have occurred in the past five years so as to make it consistent with LAFCO law that occurred in 2001 and constitutional changes brought by Propositions 4, Proposition 218 and other law changes. The California Special Districts Association has a model set of policies and procedures for districts that are available for approximately \$400 if the District is a member. These are updated regularly with changes in the law and updates are sent to districts for inclusion in their policies and procedures. The District should update its policy and procedures and may want to consider this resource for doing so. (Subsequent to the original draft of this review the District obtained these model policies and procedures and is updating their own policies.)

### **Board Compensation**

Provided that an ordinance has been adopted, board members are permitted by law to receive up to \$100 compensation per meeting and may receive their necessary traveling and incidental expense incurred while on official business. MCRPD board members do not accept compensation for meetings and do not receive compensation for expenses incurred while on board business.

### **Board Budget Meetings**

By law, the District is required to adopt a preliminary budget by July 1<sup>st</sup> and a final budget by August 30<sup>th</sup>. The board of directors begins budget deliberations in May and holds noticed public hearings for adoption of the final budget in August with adoption by August 15<sup>th</sup>.

Copies of the preliminary budget are available at the District office or electronically by request. The District will soon begin to post its budgets on its website along with other appropriate public information.

### **Conflict of Interest and Ethics Training**

#### **Filings**

The District Administrator provides new board members with an informational orientation session. Copies of the Brown Act, FPPC requirements and public disclosure of conflict of interest requirements are provided to each board member. Regular reviews of these requirements occur; the last being February 2007. All board members, the Administrator, Treasurer, bookkeeper and some consultants are required by policy to file annual FPPC disclosure statements. These filings are available at the County Clerk's office.

Note: At the time of the first draft of this MSR the District's Legal Counsel had not made such a filing. The first draft pointed out that Counsel would likely make occasional recommendations that would have some potential to influence the Board's decision making. In that Counsel can influence board decisions, the first draft included the recommendation that Counsel file FPPC statements. Our understanding is that Counsel has now done so.

#### **Ethics Training**

Government Code §53234, et seq. requires that elected and key appointed officials must take biennial ethics training courses if they receive any form of compensation. This law requires training about conflict of interest, prohibition of use of public resources, prohibition against gifts of public funds, prohibition against acceptance of free transportation, laws about transparency of operations such as the Brown Act, Public Records Act and others. The District has indicated that the Board has not participated in ethics training because they do not accept compensation for their activities.

Note: Two of the Districts' occasional part time employees are related to a board member through marriage; one is the wife and the other is the mother-in-law of the same board member. Public officials can't participate in decisions in which they have financial interests. This board member should be extremely careful to recuse himself from any board decisions that will in any way have a financial connection such as voting to approve any form of employee compensation (e.g. payroll, raises, employee reviews) or other potential conflicts of interest. This circumstance has the potential for conflict of interest for the board member. The Board may want to seek additional training. [See Government Code §1090, et seq. & §87100 et seq. 2 Cal. Code of Reg. §18700]

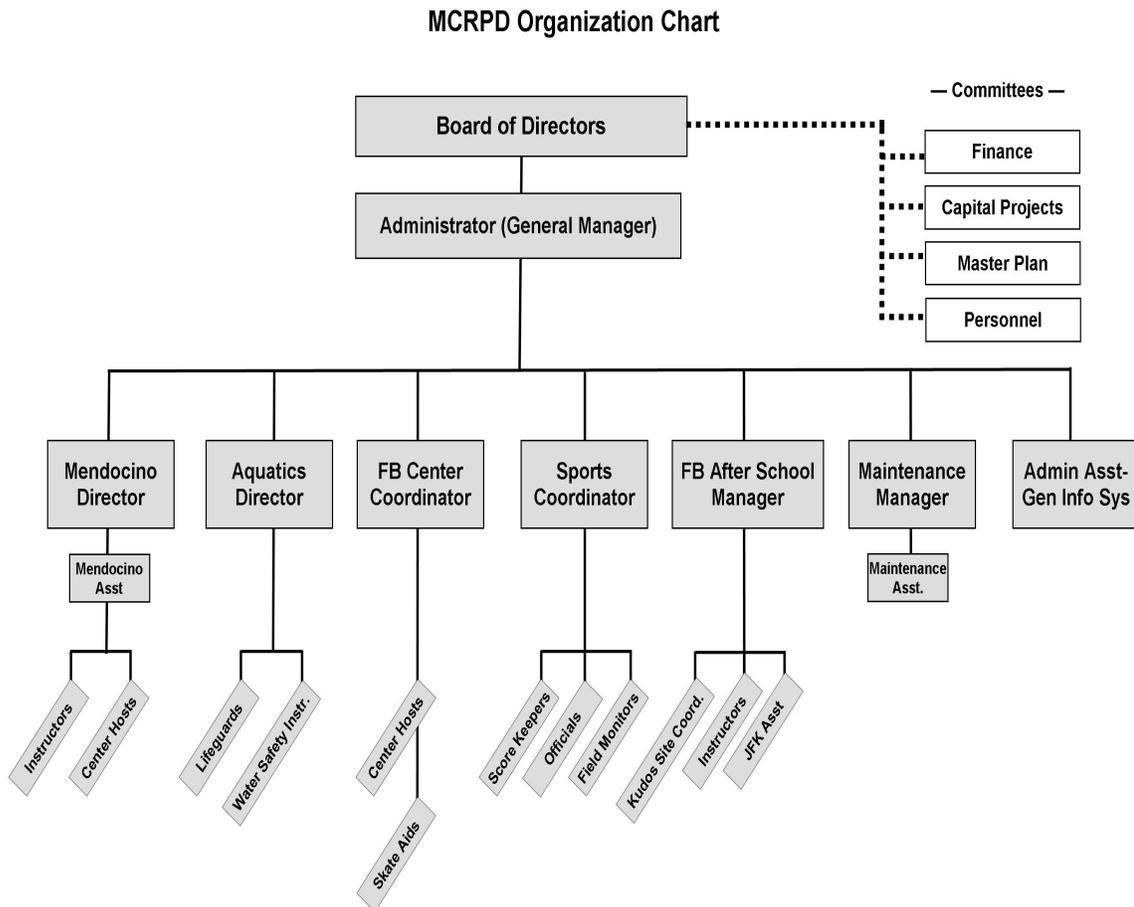
#### **Complaints**

LAFCO does not have on file any complaints about the District. The District reports that there have been no violations of the Brown Act, violations of FPPC requirements or conflict of interest laws in the last five years. In the same time frame, it reports that there have been no Grand Jury investigations, citations or investigations by any State or local regulatory agency. The Administrator reports that there are no formal citizen complaints regarding the District.

**Management and Staff**

The District has 7 full time employees and approximately 150 part time employees. This number of part time employees is unusual for most districts but is consistent with the nature of a Recreations and Parks District that provides a seasonal variety of programs and services. Six of the full time employees function in executive or management positions; one full time person provides maintenance and operations support. Beth Pine, the District Administrator, provides the services of a General Manager. Six people report directly to her; the Mendocino Center Director, the Aquatics Director, the Business Manager (who is also the District’s bookkeeper), the District Maintenance Manager, and the Administrator’s assistant.

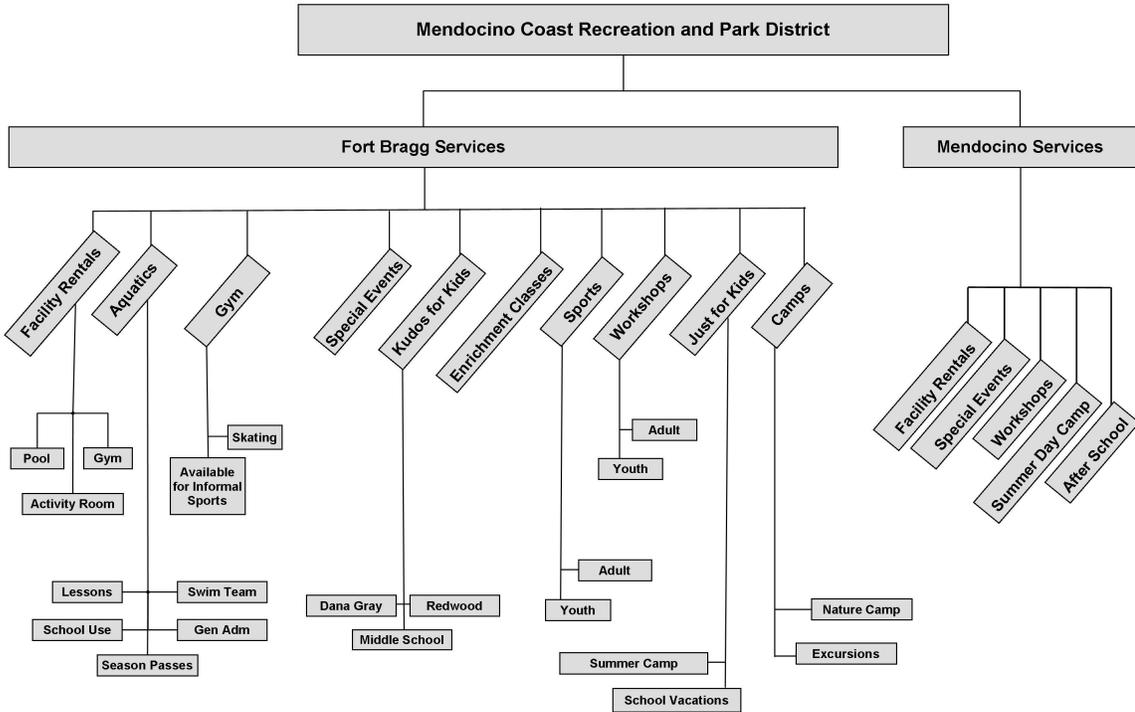
The District provides a broad range of services and has a large number of part time employees and volunteers. Staff people have to “wear many hats”. Every one of the people in these positions has additional responsibilities and functions beyond those implied in this simple organization chart.



**Figure 1 - MCRPD Organization Chart**

**Section Three: Services and Facilities**

**Current Programs and Services**



**Figure 2 - MCRPD Programs**

Figure 2 shows the main programs offered by the District at this time.

The District offers recreational services in the Fort Bragg and Mendocino areas. The proportion of program revenue between Fort Bragg and Mendocino is roughly 2 to 1.

In recent years there have been few if any programs based on the South Coast. Management reports the District is instituting several efforts to increase service to the South Coast.

Some of the District’s services are offered in its leased facilities - primarily the Fort Bragg or Mendocino Recreation Centers. Other programs are offered at various School District facilities or other locations.

One program - Kudos for Kids - produced significant growth in program revenues from 2004 through 2006, and today provides over 1/3 of the District’s program revenues. Without Kudos, total program revenue for the District would have declined. Aquatic and Day Camp Revenues increased about 25% to 35%. Revenues from Gym programs and Youth/Adult Sports significantly declined.

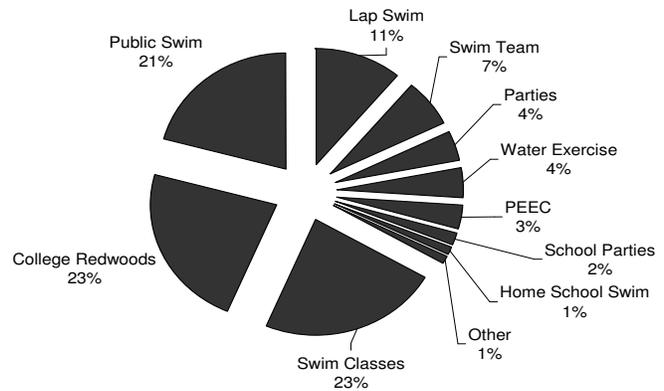
**Fort Bragg Recreation Center Programs**

The Fort Bragg Recreation Center features a small gymnasium (70’ by 40’), a small indoor pool (20 yards by 20 feet), a meeting room, and locker rooms. There are approximately 5,000 “person visits” per month, although this varies widely depending on the time of year and available activities.

**Aquatics**

The District offers year-round aquatics programs which feature an extensive learn to swim program which serves over 500 kids per year. This program provides classes for beginning students up through more advanced classes including classes for life guards. The District runs a swim team for kids with practices two days per week and swim meets occurring periodically on the weekends. Lap swim for teens and adults is offered daily at the Center in the mornings with noontime lap swim on Mondays, Wednesdays and Fridays. Recreational use of the pool for kids and adults occurs on weeknights as well as on the weekends with special times set aside during holiday periods.

The pool receives extensive use on the weekends for parties for kids and during the week is available for rental from schools and other groups. The College of the Redwoods uses the pool for a water therapy class for adults upwards of three times per week throughout the year.



**Figure 3 - Distribution of Aquatic Program Attendance - 2004 - 2007**

Figure 3 shows the distribution of participation in the various aquatic programs offered by the District over the last 4 years. This is based on daily attendance.

**Gymnasium Programs**

The gym is used on a daily basis year-round for a variety of activities. Drop in activities include basketball, volleyball and indoor soccer. Roller skating for all ages is held on Friday and Saturday nights. The gym is used in conjunction with the District’s “Just for Kids” after school and summer drop-in recreation program. The gym is also used for private parties.

### **Fort Bragg Unified School District Facility Programs**

Several Fort Bragg area programs are planned at the offices in the Fort Bragg Recreation Center, but are actually delivered in other locations - mostly those of the School District.

#### ***Kudos for Kids***

Kudos for Kids, a Fort Bragg area program, was by far the largest revenue generating service provided by the District in FY05-06. The funding for this program comes from the After School Education and Safety (ASES) program. ASES was created pursuant to Proposition 49, the After School Education and Safety Program Act, passed by state voters in 2002.

(Governor Arnold Schwarzenegger was the architect and chief sponsor of the measure.) The intent of the ASES program is to encourage schools and school districts to provide safe and educational alternatives for children and youth during non-school hours. The program creates incentives for establishing locally driven before and after school education and enrichment programs.

The schools obtain the grants and partner with other local organizations to provide the programs. Schools do not have to participate. For example, the Mendocino School District has elected not to participate. And, schools can choose which local organizations with which to partner. The Fort Bragg District chose to partner with MCRPD, whereas Point Arena Unified chose another organization.

#### ***Adult and Youth Sports***

The District offers men's Recreation Basketball Leagues in the Fort Bragg High School Gym. The Men's basketball league commences in January and runs through March on Sunday afternoons. It normally features 10 to 12 teams.

The District makes extensive use of the Fort Bragg School District's playfields for several adult sports programs. The Adult Coed Softball League normally has about 12 teams consisting of 20 players each. This program runs for about 3 months. A Men's Softball league has approximately 10 teams with about 16 players per team and runs from May through July. Two adult softball tournaments are conducted each year; one coed tournament over the 4th of July weekend for 12 teams and one in August for 12 men's teams. The Recreation District also sponsors a 32-team Adult Coed soccer tournament over Labor Day weekend.

#### ***Other Programs***

The School District collaborates with MCRPD to operate the "Grooves and Moves" Dance Studio in a modular building at Dana Grey School. MCRPD provides summer and day camp for kids. A range of special events, classes, and excursions occur throughout the year.

### **Mendocino Recreation Center Programs**

The District leases the Mendocino Recreation and Community Center from the Mendocino Unified School District. Facilities at the Center include Friendship Park (a baseball field), the 7000 square foot Community Center, several portable buildings, an outdoor basketball court, a community garden, and a small playground.

MCRPD operates extensive after school and summer programs for children. About 170 children participate in the after school program during each of the 6 week sessions. The

summer program is divided into four two-week sessions with each session accommodating up to 50 kids. Activities cover a wide variety of activities including arts and crafts, ceramics, fencing, gardening, dance, theater, music, sports, and more.

A variety of other activities for children are offered during both the summer and the school year. The District also offers a variety of adult classes with the adult ceramics program being the most prominent.

### **Facilities**

MCRPD operates in a number of facilities, most of which the District does not own.

#### ***Fort Bragg Recreational Center***

The completion of the financing and construction of the new Starr/Spath Center is the most important issue facing the District at this time. The District is approximately half way to completion of this important project. The District will own this facility upon completion.

#### ***Mendocino Community Center and Friendship Park***

The District leases the former Mendocino Grammar School building from the Mendocino Unified School District and uses it as the Mendocino Recreation and Community Center. The Center is in fair condition. The School District has obtained financing to upgrade the Center; this work should commence in June, 2008.

#### ***Grooves & Moves Dance Studio***

The studio is in a modular building located at Dana Gray Elementary School in Fort Bragg. It is owned by the Fort Bragg Unified School District. Services are provided in a collaborative effort between the School District and MCRPD. The facility is used for after school programs and leased to groups and individuals for classes. The facility is in fair condition.

#### ***Mendocino Coast Botanical Garden***

The District owns the property on which the Mendocino Coast Botanical Gardens are located just south of Fort Bragg. The District leases the property to the Mendocino Botanical Gardens Corporation, a 501c3 non-profit. The District does not use this property in its own operations. The property is in good condition.

#### ***Green Memorial Field - Site of Starr/Spath Center***

The District owns the land on which the new Starr/Spath Center is being constructed.

#### ***Regional Park/Golf Course***

The District leases the property on which the new regional park and golf course is planned to be developed. It is leased from Friends of MCRPD. The District intends to purchase the property as a part of the regional park - golf course project.

## **Section Four: Cooperative Arrangements with Other Agencies**

### **City of Fort Bragg**

Since its founding in 1973 the District has leased the Fort Bragg Recreation Center and its offices from the City of Fort Bragg for \$1/year.

### **Fort Bragg and Mendocino Unified School Districts**

The District has numerous cooperative arrangements with the Fort Bragg and Mendocino School Districts. It uses facilities at both Districts for a variety of programs. MCRPD operates the Mendocino Recreation and Community Center under an agreement with the Mendocino Unified School District. MCRPD partners with the Fort Bragg Unified School District to provide the Kudos for Kids program. The Programs section above describes a number of such cooperative programs.

In 1978, the MCRPD purchased Green Memorial Field, the site of the new Starr/Spath Center, from the Fort Bragg Unified School District.

### **Mendocino Coast Botanical Garden**

The District owns the land on which this outstanding institution and resource is located. See "*Mendocino Coast Botanical Garden*" on page 28.

### **Mendocino Coast Hospital District**

Aquatic therapy and medical services will be offered through the Mendocino Coast District Hospital, utilizing the leisure pool and the "running river." This is a program that is not currently offered through the District and it has significant growth potential.

### **College of the Redwoods**

The District has provided the hospital with aquatic rehabilitation facilities.

## Section Five: Demographics

### Resident Population

#### **Total Population**

About 22,200 people lived within the boundaries of MCRPD in 2000. The District's present Sphere of Influence has about 1800 residents. About 1600 people lived just across the Sonoma County border in the Sea Ranch area and are within the Point Arena Unified School District. About 60% of the District's population lives in the Fort Bragg region, with 20% in each of the other 2 regions (if the Sea Ranch area is included).

**Table 1 - Total Population<sup>2</sup>**

	2000		1990	
	MCRPD	School Districts	MCRPD	School Districts
Fort Bragg				
within MCRPD	12,728		12,726	
SOI	1,792		1,698	
Total	<u>14,520</u>	14,520	<u>14,424</u>	14,424
Mendocino	5,530	5,530	5,347	5,347
Point Arena				
In Mendocino County	3,943	3,943	3,405	3,405
In Sonoma County		1,567		1,158
Total	<u>3,943</u>	<u>5,510</u>	<u>3,405</u>	<u>4,563</u>
Totals	<u>23,993</u>	<u>25,560</u>	<u>23,177</u>	<u>24,335</u>
Less SOI	<u>(1,792)</u>		<u>(1,698)</u>	
	<u>22,201</u>		<u>21,479</u>	

<sup>2</sup> Data sources - Census Bureau: Census 2000 & 1990, Census 2000 & 1990 School District Tabulation, County of Mendocino GIS borders for school districts

**Population Growth**

Population growth in MCRPD’s 3 regions has been quite variable. All 3 regions had strong growth rates in the ‘70’s. The Mendocino region then dropped to less than 5% growth per decade. After 2 decades of strong growth the Fort Bragg region was basically flat during the ‘90’s. The South Coast - Point Arena Unified School District’s growth has remained strong throughout.

**Table 2 - Four Decades of MCRPD Residents<sup>3</sup>**

	1970	1980	1990	2000
<b>TOTAL POPULATION</b>				
Fort Bragg	10,124	12,055	14,465	14,520
Mendocino	3,654	5,067	5,300	5,530
South Coast	3,083	3,811	4,549	5,510
Population	16,861	20,933	24,314	25,560
<b>CHANGE</b>				
Fort Bragg		1,932	2,410	55
Mendocino		1,413	233	230
South Coast		728	738	961
Change		4,072	3,381	1,246
<b>GROWTH RATE</b>				
Fort Bragg		19.1%	20.0%	0.4%
Mendocino		38.7%	4.6%	4.3%
South Coast		23.6%	19.4%	21.1%
Regional Growth Rate		24.2%	16.2%	5.1%

**Age Groups**

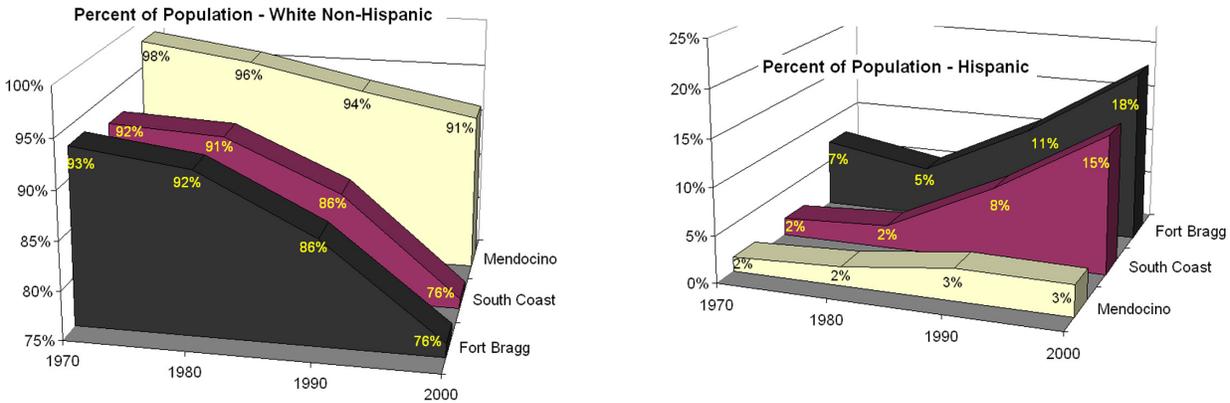
The population in inner Fort Bragg is significantly younger than the other regions, and Mendocino’s is significantly older. The distribution of the age groups in the SOI area of Fort Bragg and the South Coast is similar, with the South Coast being slightly “younger”.

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<sup>3</sup> Based on Census Bureau School District Data - South Coast includes population in Sea Ranch area.

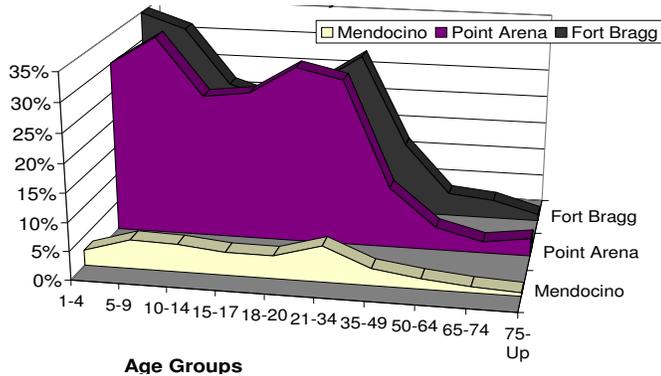
### Racial & Ethnic Composition

There have been significant shifts in the composition of the population. The most striking is a very significant growth in the Hispanic population in Fort Bragg and the South Coast.



**Figure 4 - Demographic Shifts - Fewer Non-Hispanic Whites, More Hispanics**

Hispanics make up around 1/3 of the population in Fort Bragg and the South Coast below the age of 34. The proportion falls off dramatically to about 10% of the 35 - 49 age group, and 5% or less of older age groups. Hispanic families are significantly larger than other racial/ethnic groups - slightly over 4. Non-Hispanic white families are about 2.2 people.



**Figure 5 - Hispanic Share of Population by Age**

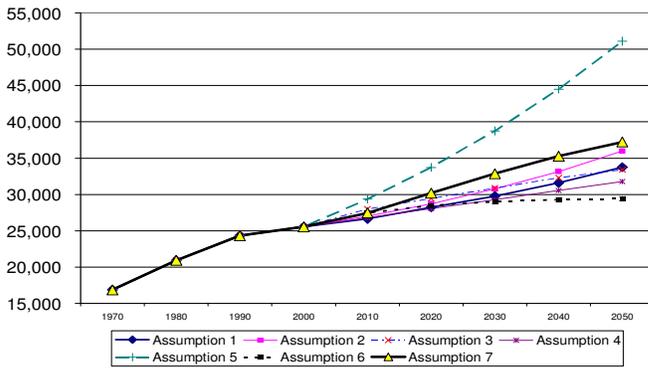
These trends are producing a very different ethnic configuration of the youth market for MCRPD compared to the mature adult market.

These changes are reflections of the evolution in the local economy of the Coast. In 1970 there was a significant timber industry; by 2000 it had suffered a very significant decline in income and

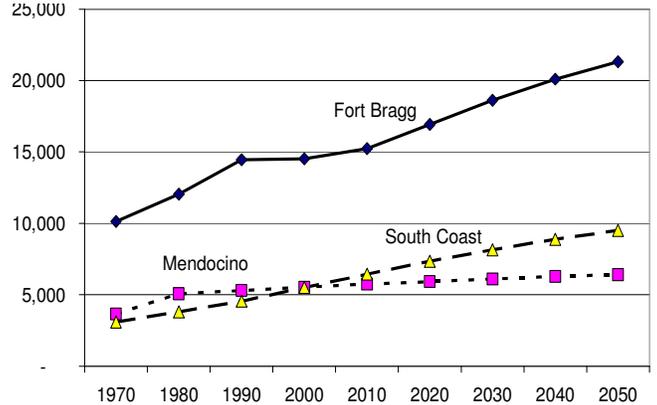
employment. This forced many blue collar working families to leave the area to find employment. During the same period two other trends emerged - the growth of tourism and of retired people moving to the coast. Both these trends lead to more service jobs, many of which are filled by Hispanic immigrants.

**Population Projections**

Numerous data sources were analyzed, including the City of Fort Bragg’s draft MSR, various County of Mendocino documents, numerous Census Bureau data sources, State of California Demographic Research Unit/Department of Finance data sets, etc. Seven future population scenarios were developed for this Review.



**Figure 7 - Seven MCRPD Population Projections**



**Figure 7 - 3 Regional “Most Likely” Population Projections**

Table 3 - Growth Rates - “Most Likely Scenario” below shows historical and projected population. Figures through 2000 are obtained from the US Census Bureau, whereas those for 2010 on are projections made for this review.

**Table 3 - Growth Rates - “Most Likely Scenario”**

	1970	1980	1990	2000	2010	2020	2030	2040	2050
<b>POPULATION</b>									
Fort Bragg	10,124	12,055	14,465	14,520	15,246	16,923	18,615	20,105	21,311
Mendocino	3,654	5,067	5,300	5,530	5,751	5,924	6,101	6,284	6,410
South Coast	3,083	3,811	4,549	5,510	6,447	7,349	8,158	8,892	9,514
	16,861	20,933	24,314	25,560	27,444	30,196	32,874	35,281	37,235
<b>GROWTH RATE</b>									
Fort Bragg		19.1%	20.0%	0.4%	5%	11%	10%	8%	6%
Mendocino		38.7%	4.6%	4.3%	4%	3%	3%	3%	2%
South Coast		23.6%	19.4%	21.1%	17%	14%	11%	9%	7%
Growth Rate		24.2%	16.2%	5.1%	7%	10%	9%	7%	6%

## **Visitor Population**

The Mendocino Coast is a significant tourist destination. While most of MCRPD's current programs are not highly relevant to visitors, the District's two main development projects are. The Swim Center could serve a number of visitors. The golf course is specifically conceived as being a major tourist attraction for the North Coast.

### **Types of Visitors**

The State of California's Division of Tourism contracts with Dean Runyon Associates for statewide visitor statistics. Dean Runyon defines visitors by where they spend the night. These definitions suggest two important observations: (1) Visitors to the District's region are not only tourists, but also those traveling for business, attending meetings, attending to family needs, obtaining medical or temporary educational services, etc. (2) Visitors don't just stay in lodging establishments. They also stay in private homes, in campgrounds, and may also be day visitors who won't spend the night in the region.

**Table 4- Visitor Categories<sup>4</sup>**

Type of Visitor	Description
Hotel/Motel/B&B Guest	Travelers staying in hotels, motels, resorts, bed & breakfast establishments, and other commercial accommodations, excluding campgrounds, where a transient lodging tax is collected.
Private Camper	Travelers staying in a privately owned (i.e., commercial) campground.
Public Camper	Travelers staying in a publicly managed campground such as those managed by the state or federal government.
Private Home Visitor	Travelers staying as guests with friends or relatives.
Vacation Home Visitor	Travelers using their own vacation home or timeshare and those borrowing or renting a vacation home where transient lodging tax is not collected.
Day Visitor	Both in-state and out-of-state residents whose trip does not include an overnight stay at a destination in California.

### **Model Estimating Numbers of Visitors to the Mendocino Coast**

There is not an existing systematic source of this data. That is, no entity regularly produces such an estimate. Most visitor industry statistics are for all of Mendocino County, and are developed under statewide contracts. These statistics, such as from Dean Runyon or DK Shifflet & Associates are based on models that are themselves not developed from data

<sup>4</sup> *California Travel Impacts by County*, March 2007, Dean Runyon Associates, p. 3

derived from Mendocino County. Their application to Mendocino County is problematic at best. However, the number of visitors to MCRPD's territory was estimated by developing a step-by-step model of the visitor industry in the County. This model unavoidably involves numerous estimates, some of which are somewhat speculative.

### **Estimated Number of Visitors to MCRPD Territory**

The model developed for this report suggests that the total number of visitors to MCRPD's territory is in the range of 850,000 to 900,000 a year. Of these about 720,000 visit the North Coast and about 170,000 visit the South Coast. About 20% visit during the winter, 25% in spring, nearly 40% during the summer, and back around 20% during the fall.

According to this model, most visitors stay in lodging establishments - around a half million a year. Most of these are tourists, but some are on business trips, family visits, and other purposes. Around 100,000 stay in private homes, again for a variety of reasons. Somewhere around 135,000 people stay in campgrounds - mostly during the warmer months. Based on state generated estimates and this model around 75,000 people make day trips to the Coast. And perhaps as many as 50,000 people may stay in homes they borrow or rent where no bed tax is collected<sup>5</sup>.

### **Estimate Compared to Peterson Economics Estimate**

As discussed in "Chapter Four: Section Three: Regional Park and Golf Course" on page 52" Peterson Economics produced a Market and Financial Analysis study for the District's proposed new golf course<sup>6</sup>. This study included one of the better efforts to estimate the numbers of visitors to the coast. Table 5 provides a comparison between the Peterson estimate and the estimates provided in this review.

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<sup>5</sup> As shown in

Table 4- Visitor Categories on page 34, the State's analyst of the visitor industry - Dean Runyon Associates, believes a significant visitor category are people who borrow homes or rent them from people who do not pay bed tax - most of these people only rent their homes on a very "casual" basis.

<sup>6</sup> A Market and Financial Analysis for a Proposed New Public Golf Facility in Fort Bragg, California", Peterson Economics, January 19, 2007, pages V-5 through V-16

**Table 5 - Visitor Estimate Compared to Peterson Economics**

	Estimate Made in This Review			Peterson Economics
	North Coast	South Coast	Total	
Bed Tax Establishment	416,703	97,178	513,881	435,000
Private Campground	68,523	15,980	84,503	30,000
Public Campground	49,044	11,438	60,482	240,000
Private Home	82,019	19,127	101,146	95,000
Home Rental	43,727	10,198	53,925	No estimate
Overnight Visitors	660,017	153,921	813,938	800,000
Day Travel	58,987	13,756	72,743	
Total	719,003	167,677	886,680	

All things considered, these are remarkably congruent estimates. Both are admittedly based on assumptions and are “reasoned” estimates, rather than on actual surveys or enumerations. And, they do vary within their categories. But - bottom line - this reviewer estimates a total of about 814,000 overnight visitors, while Peterson estimates 800,000. (Peterson didn’t estimate day visitors.)

### **Section Six: MCRPD's Current Financial Circumstance**

Internal and Audited Statements for fiscal years ending 6/02 through 6/06 were analyzed, and draft internal fiscal year 06-07 statements were considered as well. The audited statement for the most recently completed fiscal year ending June 2007 was not available for this analysis. For a number of reasons, these historical statements had to be adjusted for the purposes of this analysis.

The District's Operational Income Statements and Balance Sheets and Capital Projects Balance Sheet are provided in the Appendix of this report.

#### **Friends of the Mendocino Coast Recreation and Park District**

A separate non-profit (501c3) association, Friends of MCRPD, was organized in 1989. The Friends of MCRPD has been a significant source of local funding for Capital Projects. This funding took two forms. First, the Friends raised a significant amount of funds that were given to the District to pay for Capital Project development and construction. Second, the Friends purchased and holds title to the land on which the Regional Park - Golf Course is to be developed.

The Friends of MCRPD Financial Statements are provided in the Appendix as Section Four: Friends of MCRPD Financial Statements.

Because Friends is a totally separate legal entity, its financial statements are not and can not be incorporated into MCRPD's statements. However, if the Friends financial statements were "folded" into MCRPD's, the District's Capital Projects Fund would appear much stronger. As of June 30, 2006 Friends had Cash and Liquid Investments of \$4.6 million.

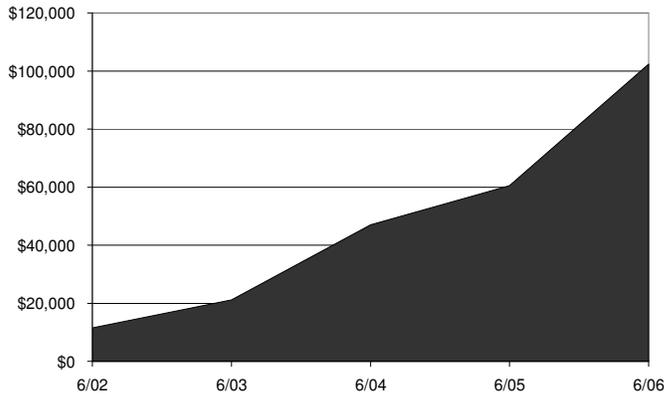
#### **Two Different Financial Modes**

Financially, MCRPD operates in two very different modes. First are its *operations* - the delivery of numerous recreational programs and the management of those programs. Second are its *capital activities*, specifically the development of the CV Starr/Spath Center and a proposed regional Golf Course. The millions of dollars involved in the finances of these two capital projects dwarf its operations. Fund-raising for these projects has been a major challenge, and these capital projects are very significant to the future of the District. Even so, the accounting and financial management issues of the Capital Projects appear relatively simple while under development. In contrast, while the District's operational programs involve much smaller sums (only three of its approximately 18 individual programs generate more than \$30,000 a year) these numerous small programs create a far more complex financial accounting, planning and control situation than do the capital projects.

**District Operations**

**Balance Sheet Analysis**

***Working Capital***



**Figure 8 - General Fund Current Assets in Excess of Short Term Debt**

“Working Capital” is the amount of current assets (cash, receivables and other highly liquid assets) in excess of short term debt (debt that must be paid within a year). A broad rule of thumb is that an organization should have \$2 of current assets for every \$1 of current debt.

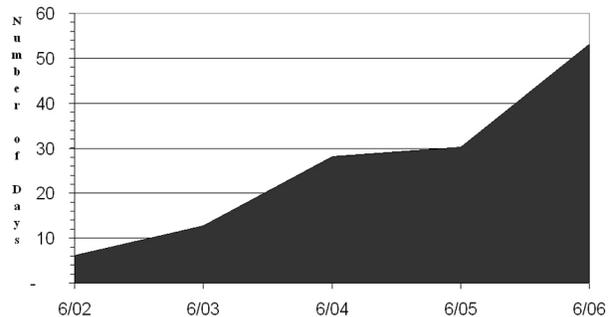
Figure 8 shows the value of working capital - the amount of current assets over short term debt - over these five years. Working capital - the amount of current assets in excess of short term liabilities - increased from 14 cents for

every dollar of short term debt in FY02 to over \$4.00 in FY06.

Working Capital Turnover” is the number of days the supply of “free cash” will last before you need to replace it. If you assume you need to “reserve” an amount of current assets equal to short term liabilities so that you can pay those debts on time, the amount of current assets greater than short term debt (working capital) is what you “have to work with” - cash not “claimed” by debt. In effect, this is a “management franticness” measure - the more days of cash you have, the less frantic you are about the ability to pay bills.

Figure 9 shows that Working Capital Turnover at the end of FY02 was 6 days. By the end of FY06 it was 55 days - nine times longer.

During 2002 through 2004 the District endured a rather extreme shortage of liquidity. But by the end of this 5 year period the District had made very substantial improvements.



**Figure 9 - Working Capital Turnover in Days**

In the past the District’s General Fund borrowed cash from its Capital Project Fund as a short term working capital loan. This practice has been curtailed during the past year.

In the future, the District may still find itself short of cash in the periods before the 2 months in which it receives the bulk of its property tax receipts. If the District faces cash shortages in the future because of the timing of property tax receipts, it may well be better to arrange a short term working capital loan as authorized by PRC Code Section 5788.17.

Note: The District's operational liquidity, the ability to make payments when due, has greatly improved in the past three years. This is a very significant accomplishment for which management and the board should be applauded.

***Financial Position- Total Assets and Debt***

The District has a substantial amount of fixed assets on its balance sheet. The District has no long-term debt. It's only liabilities are short term and quite small compared to its asset base. Unfortunately the nature of these assets precludes their being used as security to obtain significant debt financing for the District's capital project development.

The value of land on the District's balance sheet is nearly 80% of the District's total assets. Most of the land is the location of the Mendocino Coast Botanical Gardens. This land was gifted to MCRPD by the Coastal Conservancy. The purpose of the gift was to place ownership of the land underlying this very valuable Mendocino Coast institution in a long-lived public agency. The terms of the gift require the District to obtain the Conservancy's permission to sell the property or pledge it to secure debt. The land is leased to the Mendocino Coast Botanical Gardens Preservation Corporation (a non profit) for \$1 a year through September 2016.

These provisions effectively prevent MCRPD from using the property as leverage to help pay for other capital improvements, such as the Starr/Spath Aquatic Center. Further, the District does not use this land in its own operations.

Most of the rest of the fixed assets are leasehold improvements - the value of improvements made to property leased by the District. The net value of these improvements is about 10% of the District's total assets. Since they cannot be separated from property owned by other entities, they also are not useful as security to support debt.

This leaves equipment. But much of the equipment is also directly attached to facilities leased by the District (such as the swimming pool), and is not very useful if separated from those facilities. This further reduces the ability to use fixed assets as support for leverage.

Note: The amount of money that the District may generally borrow is restricted by statute to two times the property tax revenue received the preceding year and must be paid back within ten years. Subject to an election and two-thirds approval of the electorate the District can incur bonded indebtedness for the acquisition or improvement of real property. The bonded indebtedness cannot exceed ten percent of the assessed value of all taxable property in the district at the time of issuance of the bonds. (See PRC 5788.2)

**Operational Income and Expense**

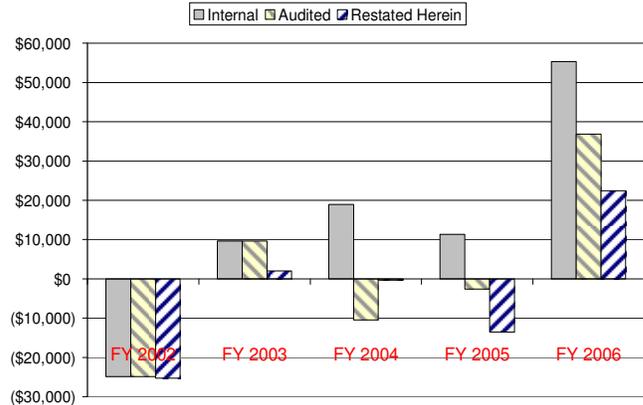
**Net Operating Margin**

During the four years of FY 02 into FY 05, MCRPD operated on razor thin operating margins, temporary transfers from its capital accounts, and depletion of its cash reserves. Improvements in operating margins probably beginning in FY05 and extending through FY06 allowed replenishment of cash reserves.

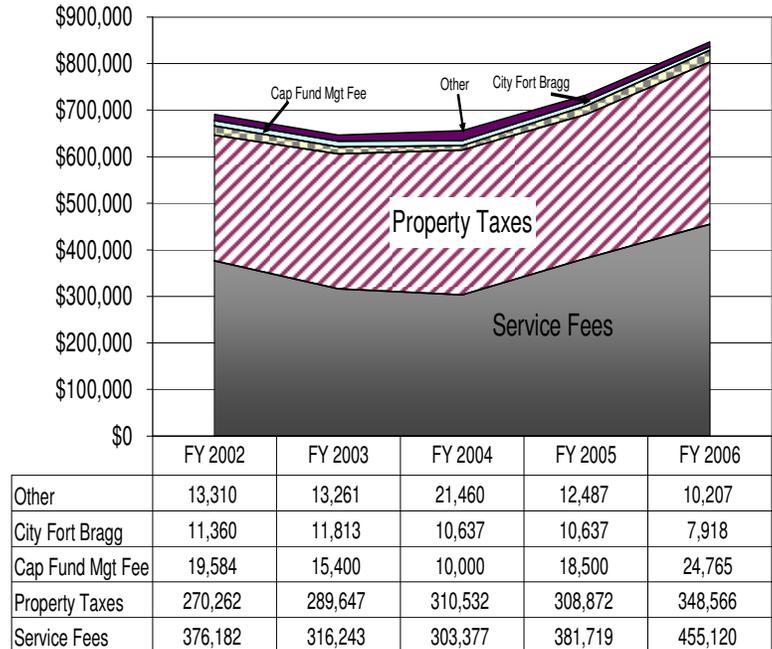
Figure 10 shows the operating margins reported by the District’s internal and audited financial statements and those obtained in this analysis. The main differences among these three sets of numbers are that the internal statements didn’t include depreciation expense, the audited statements didn’t until 2004 when new governmental accounting standards were implemented, and there were some significant differences in values reported in internal statements vis a vis the audited statements that had to be reconciled.

**Revenues**

There are 2 main sources of revenue - program fees and property taxes. There are several much smaller sources of revenue.



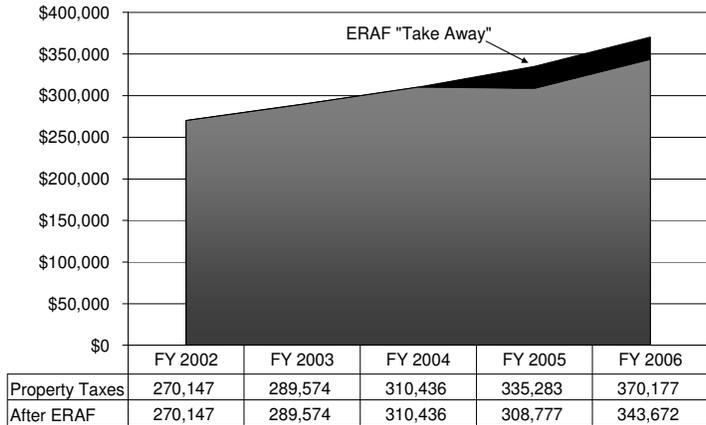
**Figure 10 - Operating Margins**



**Figure 11 - Sources of Revenue**

*Property Tax Revenues*

Underlying property tax revenues, without considering the two year Education Revenue Augmentation Fund (ERAF III) diversions<sup>7</sup>, has grown consistently through this 5 year period at a little over 8% per year. The state transferred about \$26,500 a year out of the District’s property tax revenue into ERAF III during fiscal years 04-05 and 05-06. These ERAF III transfers terminated after FY05-06. This will provide significant support to the District’s general and administrative expenditures.



**Figure 12 - ERAF Reduction in Property Tax**

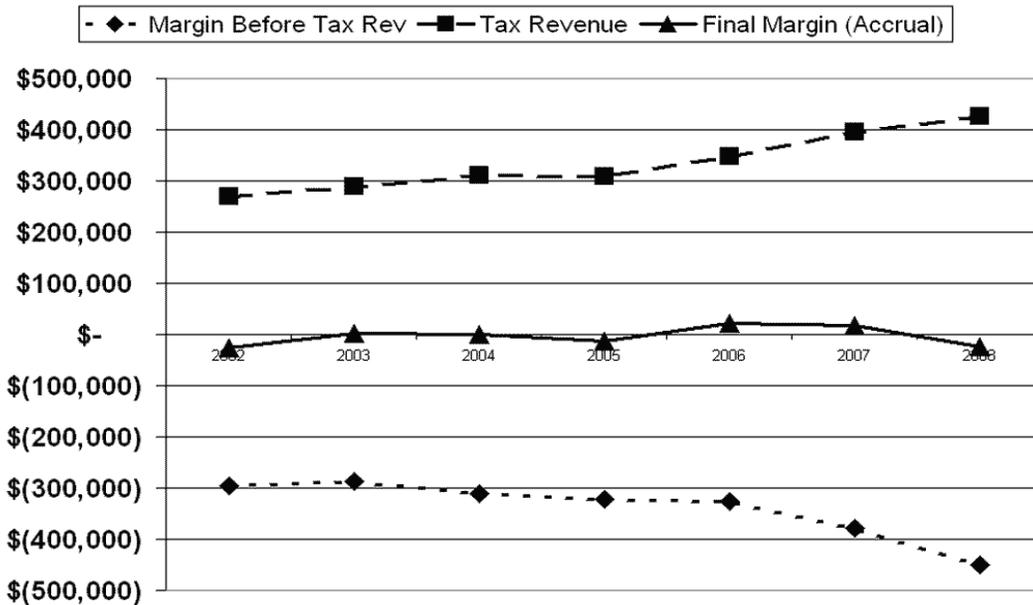
Note: The State is once again facing a major budget crisis. Although Proposition 1A of 2004 may appear to protect local government finances from “raids” by the State, history suggests the State views local budgets as a source of emergency funding to overcome such crises. Unfortunately, MCRPD has reason to be concerned about whether the State may find a way to once again seize control over some portion of the District’s revenues.

Note: Underlying property tax revenues have grown consistently through this 5 year period at a little over 8% per year. However, the national and regional problems with housing values may reduce this growth in the next several years. The proposed annexation of the balance of the Fort Bragg Unified School District territory will help offset any decline in receipts associated with housing values decline and will eventually provide increased revenues to the District.

<sup>7</sup> “In 1992, the State of California found itself in a serious deficit position. To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts) ... by instructing county auditors to shift the allocation of local property tax revenues from local government to ‘education revenue augmentation funds’ (ERAF’s), directing that specified amounts of ... local agency property taxes be deposited into these funds to support schools. ... Since their inception, the ERAF shifts have deprived local governments of over \$72.4 billion. ... As a part of the budget agreement that put Proposition 1A of 2004 on the ballot to protect city revenues from additional shifts ..., cities counties and special district agreed to contribute an additional \$1.3 billion per year in FY04-005 and FY05-06. Although these ERAF III shifts ended in FY06-07, the original on-going shifts that began in 1992-94 have not been reduced at all.”- *Fact Sheet: The ERAF Property Tax Shift*, League of California Cities, May 2007

Property taxes have paid for a significant portion of the costs of the services provided to the District’s patrons.

Figure 13 shows how property taxes have made up the gap between the District’s historical costs of services and their fees (including the budget for the current fiscal year - FY07-08). The line at the bottom is the District’s margin before tax revenues including depreciation expense. The line at the top is the District’s tax revenue. The line in the middle is the District’s final margin - “bottom line” - after property taxes are included. Property taxes have allowed the District to roughly “break even” over these years (including the current fiscal year), and it has been entirely used to cover operational losses.



**Figure 13- Property Taxes Allowed Break Even**

*City of Fort Bragg Contributions*

In recent years, the City provided between approximately \$8,000 and \$12,000 in redevelopment funds. In addition, the City has provided a substantial contribution to the District by leasing the District’s main facility, the Fort Bragg Recreation Center, to the District for \$1 a year. The City has been doing this for decades.

*Capital Projects Management Fee*

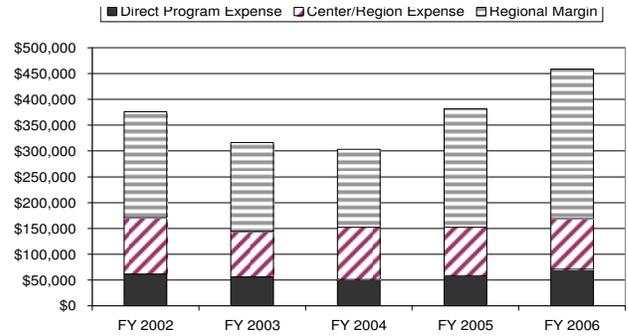
The District’s General Fund charges its Capital Projects Fund a Management Fee. This fee covers various administrative expenses including accounting, reporting, project management performed by District personnel, etc. This fee will continue, but will decline.

2001-02	\$19,584	2004-05	18,500
2002-03	15,400	2005-06	24,765
2003-04	10,000		

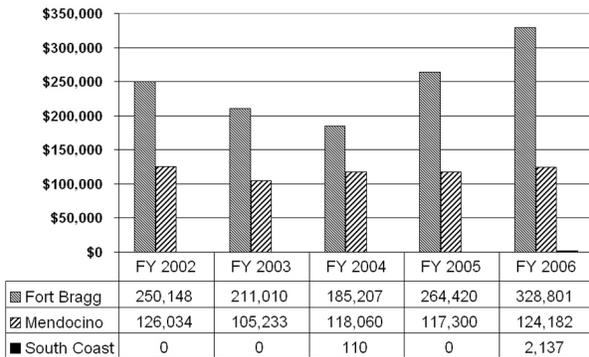
While the Management Fee is not directly related to ERAF3, in effect it helped make up some of the reduced income caused by ERAF3.

*Program Revenues*

Program revenues declined from 2002 through 2004, and then greatly increased.



**Figure 14 - Program Revenue and Margin**

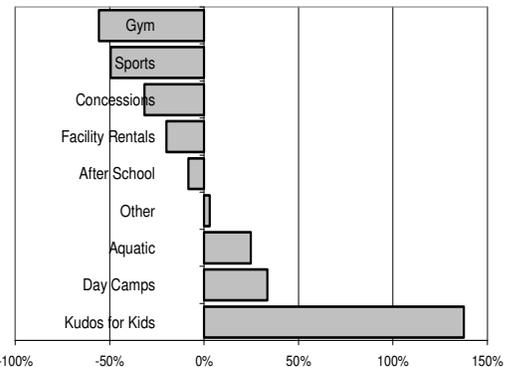


**Figure 15 - Regional Program Revenue**

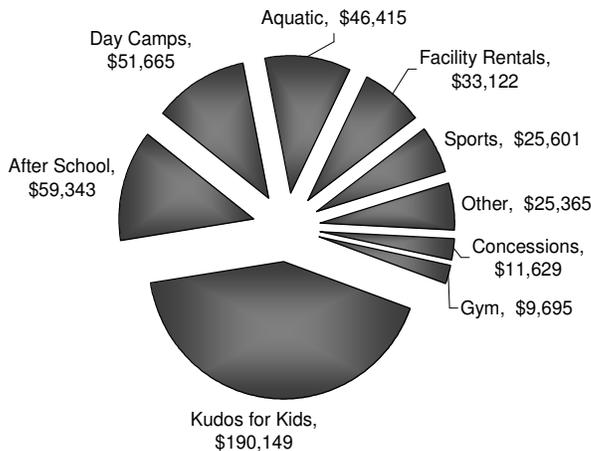
In recent years there have been few if any programs based on the South Coast.

The proportion of program revenue between Fort Bragg and Mendocino is roughly 2 to 1, with Fort Bragg’s proportion growing as a result of the growth of the Kudos for Kids program. Management reports the District is instituting several efforts to increase service to the South Coast.

One program - Kudos for Kids - produced the significant growth in program revenues from 2004 through 2006. Revenues from Gym programs and Youth/Adult Sports have significantly declined. Aquatic and Day Camp Revenues have increased about 25% to 35%.



**Figure 16 - Percent Change - Program Revenues**



**Figure 17- Program Revenues - FY05-06**

Kudos for Kids today provides over 1/3 of the District’s program revenues.

Note: Without Kudos, total program revenue for the District would have declined. Unlike the District's other programs, Kudos is funded by one program that is reliant on government funding. This constitutes a "concentration of customers" strategic risk. This business strategy concept is that if your organization is highly reliant on one customer, it could be badly damaged if that customer withdrew its support. In this case the underlying program (ASES) exists because of a proposition passed by the people and organized by the legislature. The State of California funds the program. All that could change. For example, the State is facing another funding crisis, and it's not inconceivable that funding for this program could be in jeopardy. Further, each school district can choose another local organization with which to partner. MCRPD may be chosen one year, and could perhaps "lose the contract" in another.

Most of Kudos' funding is absorbed by direct expenses of the Kudos program. If Kudos funding were withdrawn from the District, most of the expenses associated with the program would no longer be incurred. However, some amount of Kudos funding does make a contribution to the general overhead of the District. The loss of that important contribution, while perhaps not critical, constitutes the major strategic risk.

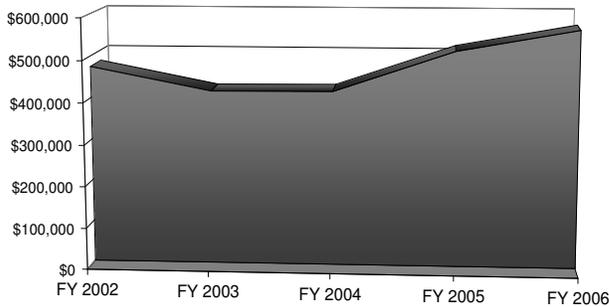
That's not to say any of this will happen, but rather to note that if it did it could have a significant effect on MCRPD.

**Expenses**

*Staff*

Staffing is the District’s main expense. The cost of staffing grew at a rate 15% slower than the growth of total revenues.

Note: This demonstrates strong management control of expenses. This control was a significant factor in increasing operating margins and providing increased liquidity.



**Figure 18 - Staffing Expense Over 5 Years**

Note: Two-thirds of the District’s operating expenses are staff expenses, most of which are generated to provide services, but they are all charged to “general and administrative” expenses. This makes it impossible to accurately evaluate the relative financial efficiency or operating margin of the District’s individual programs. This is a major concern addressed in recommendations regarding financial management systems changes Financial Reports Must Support Effective Financial Control on page 66

*Maintenance and Replacement of Equipment*

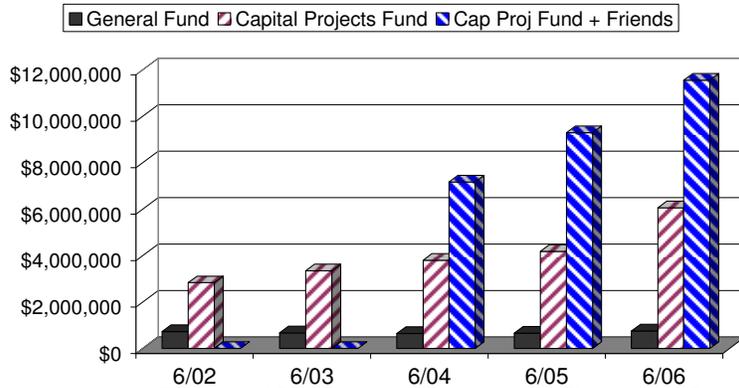
It is difficult to definitively evaluate the adequacy of the District’s Repair and Maintenance of equipment and facilities, or the purchase of minor operational equipment, solely on the basis of the District’s financial statements.

Overall R&M and purchase of minor operational equipment is somewhat low, given the scale of the District’s operations.

**Section 2: Capital Projects**

As noted before, while the accounting for capital projects is considerably simpler than that required for operations, the values involved are much greater.

The financial value of the District’s Capital Projects (including the value of assets held by Friends of MCRPD) as of June 2006 was about 15 times larger than the value of fixed assets used today in its operations. This portends a very significant increase in the “financial intensity” of the District’s operations when those projects (Swim Center and Regional Park-Golf Course) come on line. Figure 19 shows the total value of assets - first, in the District’s General Fund, second in its Capital Projects Fund, and third the sum of the District’s Capital Projects Fund and the total assets of the Friends of MCRPD (from 6/04 onward). (The value of the land on which the Coast Gardens is located is not included here.)



**Figure 19 - Operating Assets Compared to Capital Project Assets - Friends Assets included from 6/04 Forward**

See the next chapter - r: MCRPD Capital Projects - for a larger discussion of the District’s current Capital Projects.

## ***Section One: District's Vision of the Future***

The City of Fort Bragg and its community has been working on a vision and plan for future uses of the Georgia Pacific Mill Site. The availability for new uses for the GP Mill Site in Fort Bragg is an opportunity unmatched in the state - perhaps on the entire West Coast. As well, the Leadership of MCRPD has a powerful vision for the future of the District. This vision will have a positive impact on the social, cultural and economic future of the coast community; it has the potential for synergy with future development of the Mill Site.

The District's vision focuses on two significant opportunities and trends. In recent years, there has been massive economic change in the service area of the District. Timber is no longer the community's economic foundation; tourism is the largest private sector employer today. High-quality tourist attractions bring visitors and help increase jobs, incomes and tax base. Building a strong tourist customer base will support higher quality facilities than the community could afford on its own.

It will take years to realize the potential represented by the GP mill Site. The District's efforts will come to fruition first and, as indicated, will be supportive and synergistic to the efforts for the Mill Site. The District has proposed two high-quality recreational facilities and amenities that will greatly help in attracting tourism and will be supportive of the community as a whole.

### *Starr Community/Spath Aquatic Center*

The Fort Bragg Recreation Center is nearly 90 years old. Hundreds of people came together in the early 20th century to build a wonderful recreation center for generations to come. It has served the community for 5 generations. But the Center is old and at the end of its life. North Coast residents are once again working together in the spirit of a century ago to build a new Center that will serve for another century. And it is fitting that the new Center's main financial "angel" is a foundation formed by CV Starr - the founder of the world's largest insurance firm. Starr grew up in Fort Bragg when the vision of the first Recreation Center was created. Starr was one of the kids in town for whom the Center was built. Today the new CV Starr/Henry and Sigrid Spath Aquatic Center is being built. Without a doubt it will be the finest aquatic facility on the North Coast. It will be where the next 5 generations to learn how to swim.

### *Regional Park and Golf Course*

The District has also planned a new Regional Park with an 18-hole championship golf course. This has the potential to be the finest golf course on California's North Coast; one that could bring \$5 million of new visitor spending a year, increase city and county tax receipts by at least \$100,000 a year, and provide funds to help augment the District's services for its residents.

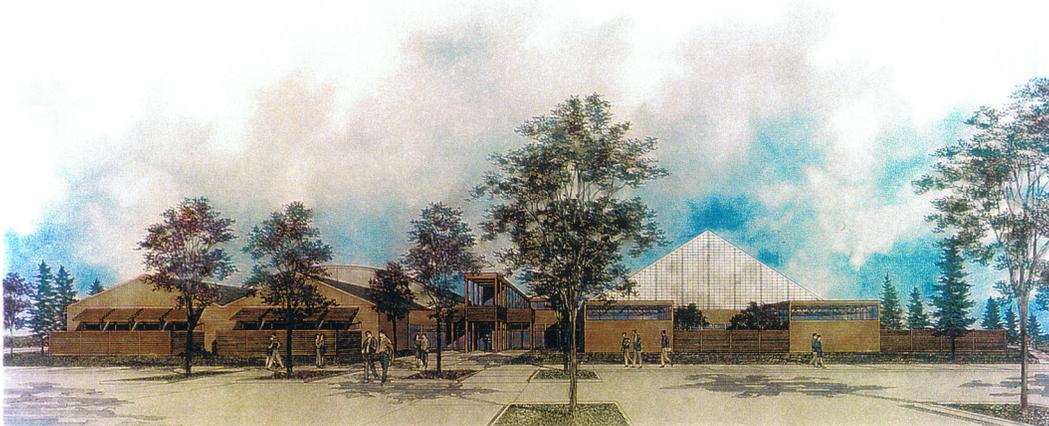
## ***Section Two: Starr Community/Spath Aquatic Center***

### **History of the Project**

The Fort Bragg Community Club opened in 1920 featuring an indoor swimming pool, a basketball gymnasium, changing rooms, and associated facilities. The City obtained the facility in the 1950s. The City of Fort Bragg leased the facility to MCRPD when the District was organized in 1973; the District pays \$1/year. Over the decades tens of thousands of area residents have utilized these facilities. This year the Center is 87 years old. While the Center has been a precious resource in the community for several generations, the facility is on its last legs. Parts are no longer available for much of the aged equipment and must be fabricated. Dry rot infects the structure. Rust is evident on most metal parts. Doors no longer work. The facility uniquely represents both the technology and the community spirit of Fort Bragg half its life ago. But as a recreational facility, it is utterly out of date and falling apart.

The District has been patching the old Recreation Center together for decades. But the facility is far beyond the point at which it needed to be replaced and there are great uncertainties about how much longer it can function. In addition, the District's landlord - the City of Fort Bragg - is expanding its offices and city hall facilities into space currently occupied by the District. The Recreation Center is directly connected to City Hall; the District's administrative offices are under City Hall's roof. The District must move the offices for its District Administrator and Business Manager sometime before the end of the year.

In 1978 the District purchased a five acre parcel from the Fort Bragg Unified School District known as Green Memorial Field using state park bond moneys. The purpose was to obtain a site for a new Recreation and Aquatic Center. Until 2005 Green Field was the site of a baseball field, two portable classrooms, a field house and several other out-buildings.



**Image 1 - CV Starr Community - Harry & Sigrid Spath Aquatic Center**

### **Center Design**

Glass Architects has developed the overall design and has modified it several times to attempt to make the design fit the District's fund raising capacity. *Image 1* is the architect's drawing of the new Center. The center is composed of two main buildings. The building on the right is

the 24,000 square foot Natatorium - indoor pool area. Amenities are to include an 8 Lane Indoor Pool, Indoor Leisure Pool, Spa, Waterslide, Sprays, Play Features, Lazy River, Kiddie Slide, and a Zero Depth Beach. The building on the left (the North Wing) will have 16,000 square feet housing changing and locker rooms, showers, exercise and event rooms, and the District's offices.



Dozens of locals have made contributions, including Elizabeth Norvell who baked cookies for sale, went door to door asking for donations, and in various other ways raised \$5000 for the cause.



**Capital Development Costs and Fund Raising**

The donation by

**Image 2- Two Contributors - CV Starr (\$4 million) & Elizabeth Norvell (\$5000)**

Henry Spath of \$1 million in 1996 allowed the District to proceed with initial studies followed by the design and architectural work. Additional funding from the Starr Foundation and some of its associates in 2002 increased the pace of the pre-construction design stage of the project. The District's main financing "angel" to date has been the Starr Foundation in New York City. Cornelius Starr is probably Fort Bragg's most financially successful native son.

Cornelius Vander Starr was born in 1892 in Fort Bragg where his Dutch father was a railroad engineer. He joined the U.S. army in 1918 but was not sent overseas. Instead, he joined the Pacific Mail Steamship Company as a clerk in Yokohama, Japan. Later that year, he traveled to Shanghai where he worked for several insurance businesses. In 1919, the following year, he founded American International Group, then known as 'American Asiatic Underwriters'. When the Communist Party came to power in China, Starr moved the company headquarters to New York City. Today, AIG is the world's largest insurance company, and the sixth-largest company in the world.<sup>8</sup>

CV Starr established the Starr Foundation in 1955 which today has assets of around \$3.5 billion. Starr died in 1968. To date, the Starr Foundation has provided \$3.5 million to the

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<sup>8</sup> *Cornelius Vander Starr*, Wikipedia (on line encyclopedia), [http://en.wikipedia.org/wiki/Cornelius\\_Vander\\_Starr](http://en.wikipedia.org/wiki/Cornelius_Vander_Starr)

Districts project. Individuals associated with the Foundation, including relatives of CV Starr, have individually provided an additional \$500,000.

The plan for the Aquatic Center has evolved over the past few years and will probably change again, but at this point the District is pretty clear about the road ahead. The entire project is expected to cost about \$23.5 million upon completion - not including the cost of the land. The District has raised and spent half of the Center's expected cost; it must raise the remainder to finish the project.

The District has asked the Starr Foundation to provide the funds required to complete the Center. The Foundation's Project Manager for the Center is proposing to the Foundation Board of Directors that they do so. As of the time of the drafting of this Review, the Starr Foundation has not yet provided a final funding commitment to complete the Starr/Spath Center. But there are indications they are likely to do so.<sup>9</sup>

### **Construction**

Site preparation of the new Starr/Spath Center began in August 2005. The construction plan was designed to proceed in stages.

After much of the site preparation was done, MCRPD entered into an agreement with BRCO Constructors, Inc. on 3/22/06 under which BRCO is constructing the Natatorium wing of the Starr/Spath Aquatic Center.

The "shell" of the Natatorium is complete - the foundation, walls, roof, and much of the electrical and heating/venting/air conditioning systems infrastructure. Work has not yet started on the actual aquatic features - pools, stands, etc.

Work has also not begun on the North Wing which will add about \$6 million to the project. The north wing will be a 16,000 square foot building housing changing - locker - shower rooms, rooms for other activities (exercise, classes, events), and the District's offices.

The District believes it isn't feasible to defer construction of the North Wing until after the natatorium is opened. First, and most obviously, the support rooms must be available (changing rooms, shower, toilets, etc.) for the activities in natatorium. But equally important, the additional activity and rental rooms can assist the Center towards operating on a positive margin.



**Image 3 - - Natatorium Construction Summer 2007**

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<sup>9</sup> After the public draft of this MSR was finished the Starr Foundation did indeed agree to provide the nearly \$13 million that will allow for the completion of the Center.

### **Value to the Community**

MCRPD’s leadership has taken a long-term strategic view of the role of the District in helping to build the future economic and social health of the community. The Starr/Spath Center is part of that vision and will be a major community asset for generations to come.

Starr/Spath’s design is consistent with other recently constructed aquatic centers in other communities. In fact, it is a somewhat less costly version of a recently opened facility in Newark, CA. It will be a “state of the art” community aquatic center. It will seem “fresh” for decades to come.

When it opens the Center will encourage the development of strong school and community aquatic teams. The Hospital District has agreed to use the facility for physical therapy and rehabilitation services. The Center will serve as a significant attraction for visitors. It will be the premier indoor swim center on California’s North Coast that would undoubtedly become the site for competitive aquatic sports meets. It will be a very nice addition to the “things to do” list for tourists. And it will be a major expansion of recreational opportunities for the community. And - the next 5 generations of North Coast kids will learn to swim at the Starr/Spath Center, just as the previous 5 generations did in the Fort Bragg Recreation Center.



**Image 4: Newark CA Natatorium - Similar Design**

### **Future Operations**

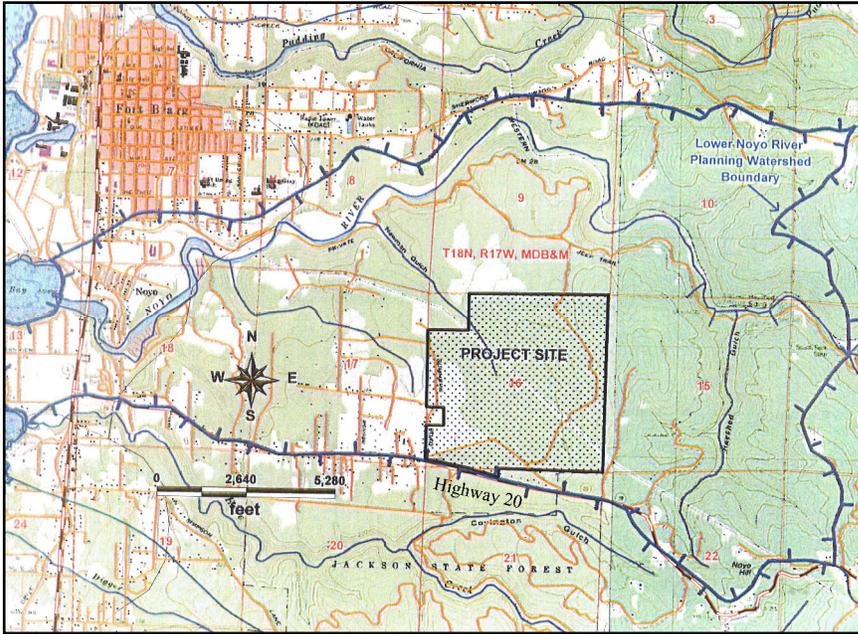
See Section 2: The Financial Impact When the Starr/Spath Center Opens on page 58.

**Section Three: Regional Park and Golf Course**

**History of the Project**

Discussions began in 1991 about the potential for the District to develop an 18 hole championship golf course and regional park. The project began in earnest in 1995.

The original motives for this project were to provide a high quality golf course for District residents and visitors, and to establish a positive income stream for the District.



**Map 2 - Location of Proposed Golf Course & Regional Park**

is approximately 600 acres.

**Project Design**

The “grand long-term design” is for the Regional Park to include a 4 acre Family & Group Pocket Park with a covered barbecue area, children’s playground, horseshoe, basketball and volleyball facilities; a 40 acre Sports Park with 4 soccer fields, 4 softball fields, 1 baseball field and outdoor tennis and basketball courts; an 18-Hole Championship Golf Course designed by Peter Jacobsen and Jim Hardy; 5 miles of hiking and biking trails; a combination Clubhouse and Conference Center/Banquet Facility with seating for 350 people; and a Nature Camp for the District’s summer programs. A fenced dog park, Frisbee golf course, multiple use building, maintenance building and caretaker trailer space are also included in the Master Site Plan.

Sixty percent (360 acres) of the project site will be retained in its natural state. Conservation Easements on the project site total 181 acres: 75 acres of Pygmy Forest; 56 acres of Northern Bishop Pine; and 50 acres of Mixed Conifer, (Redwood/Douglas-Fir/Mendocino Cypress and Bishop Pine). Native vegetation will be featured throughout the park and golf course. Natural

The District’s view then, as now, is that golf courses can produce positive cash flow that can help underwrite other recreational programs, most of which by their nature do not pay for the full cost of their provision.

**Location**

The site of the proposed golf course and regional park is about 1 ½ miles southeast of the City of Fort Bragg and east of Highway 1. The site

organic fertilizers, integrated pest management, and state of the art technology for irrigation and water conservation will minimize the project environmental impacts.

The project has by necessity gone through several design and cost projection iterations. The current plan assumes a smaller initial club house compared to the “long-term” vision defined above. Construction of a banquet-event facility would be deferred. It also does not include building out the sports complex at this time (soccer and baseball fields, tennis and basketball courts, etc.)

### **Development Schedule**

It was originally hoped the golf course would open before the Community/Aquatic Center to provide a “positive cash flow” to help the development of the Center. Unfortunately the development of the golf course fell behind that for the new aquatic center for several reasons. The District had to obtain control over a large site for the golf course; it already owned land for the Starr/Spath Center. The CEQA - Environmental Review process consumed several years and was quite complicated. The District’s current Recreation Center was seriously deteriorating; it has to be replaced soon. A constituency for the District’s aquatic programs built up over the past 87 years that can be engaged in a replacement effort. The District received significant funding to move development on the new aquatic center forward whereas such funding for the golf course hasn’t yet occurred.

At this time funding has not yet been secured for construction of the project. If such funding is obtained the golf course would open 2 to 3 years later.

### **Capital Development Costs and Fund Raising**

To date, the District has paid out a little over \$1 million mostly for pre-construction costs, much of which was the cost of the EIR and CEQA process. Some clearing of land and development of roadways has occurred. This has been financed mostly by the Friends of MCRPD (see Friends of the Mendocino Coast Recreation and Park District on page 37).

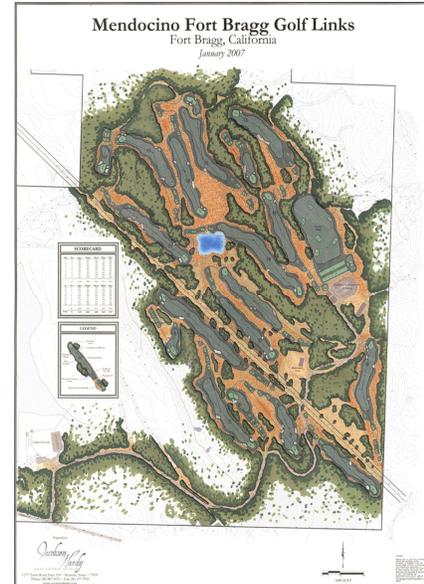
Friends of MCRPD purchased the land for the proposed golf course and is leasing it to the District. Friends paid \$865,000 for the land from Hawthorne Timber Company - a very beneficial price. The land has appraised for \$3,440,000. The District purchased the land from Friends at its cost through a sublease option with the Municipal Finance Corporation.

The current plan projects a total development cost of a little over \$20 million for the golf course and regional park. The District and Friends have together spent about \$2 million leaving about \$18 million to go.

The District’s advisors have calculated that the project’s estimated income would support \$12.5 million in municipal revenue bonds. This would leave the District about \$5 million short. The District has identified a number of ways this might be obtained. They are at this time soliciting proposals from golf course development companies for either a “Turn Key” contract for the financing, construction, grow-in and management of the golf course, or a Joint Venture Partnership using a combination of public and private financing. Among the alternatives are a proposed financing of the development by such a firm with a buy-back scheduled for about five years after the golf course opens.

### **Value to Community**

The Regional Park/Golf Course would provide greatly expanded recreation opportunities for residents. It would support local golf teams - schools and community. It would attract Golf tournaments. It needs to be and should be the premier golf course on California's North Coast. It would preserve open space. It would create about 33 full time jobs. It would provide \$8 million in construction spending over two years. It should create about \$5 million a year in new spending on the coast and generate over \$100,000 per year in local taxes. According to the District's analysis it should provide around \$350,000/yr support for MCRPD after paying a fee to a management company to run the Golf Course and facilities, - an amount equal to the District's property tax receipts until just a couple of years ago.



**Map 3- Golf Course Layout**

### **Future Operations**

#### **Peterson Economics Golf Course Feasibility Study**

The District contracted for a market and financial analysis for the golf course with Peterson Economics. The final report is dated 1/19/07<sup>10</sup>. The Peterson study focused solely on the golf course, including sales of related merchandise and concessions. It did not attempt to project other sources of revenue such as facility rentals for special events, etc.

The Peterson study itself is well done. The study does a very good job in evaluating comparable golf courses and relating them to the proposed MCRPD facility. The market analysis (including potential demand and market area) is also very good. And it explicitly addresses the “ramp up” issue of how long will it take for the course to “financially mature” and what will the ramp up period “look like” financially. Of course, since the District does not have a golf course, Peterson could not relate the District's experience to the new facility.

The study's key objectives were to evaluate the site, estimate demand for the golf course both from residents and visitors, compare the proposed project to all golf courses in Mendocino County and comparable courses in the larger region, investigate the possibility that other courses may be developed in the region, recommend a market positioning, project future demand, and prepare 10 year projections of operating income before debt service.

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<sup>10</sup> A Market and Financial Analysis for a Proposed New Public Golf Facility in Fort Bragg, California”, Peterson Economics, January 19, 2007

The report’s key conclusion is:

... a well designed golf course on the subject site positioned as a high-end, public facility with a dual rate structure (i.e., resident and non-resident rates) could potentially develop strong market acceptance and provide attractive net operating income, if properly marketed and properly operated. Although the local resident population is small and fairly price sensitive, the Mendocino County coastline is a major tourist destination. ... many of these visitors are affluent and many likely play golf. Despite the strong potential demand for high-end golf from the visitor market, the area clearly lacks a high-quality golf facility. Given the attractiveness of the subject site and the planned characteristics of the proposed golf facility ... the proposed course could effectively serve this currently empty market niche. However, visitor demand would only be effectively captured if the proposed golf facility is actively and effectively marketed as a destination golf course to visitors staying in the area, as well as to affluent golfers from the San Francisco Bay Area and the Sacramento Valley.<sup>11</sup>

Peterson Economics projects that the proposed golf facility could generate net operating income of about \$310,000 in Year 1 growing to more than \$1.0 million by Year 6. Expressed in 2007 dollars, projected stabilized net operating income equates to about \$820,000 per year.

Residents are projected to play 10,000 rounds in the first year and a “mature” volume of 12,000 a year would be reached in Year 3. Visitors start at 20,000 rounds and grow to 26,000, but Peterson projects it will take one more year - a total of 4 - to reach “mature” volume. The total rounds grow from 30,000 in year 1 to 38,000 in year 4<sup>12</sup>.

Peterson provided a 10 year projection of operating income and expense for the golf course, Table 6 is a summary of that projection.

**Table 6 - 10 Year Projected Income Statements<sup>13</sup>**

Operating Revenues	2,027.0	2,296.6	2,580.5	2,834.2	2,919.2	3,006.8	3,097.0	3,189.9	3,285.6	3,384.1
Operating Expenses	1,714.7	1,770.9	1,829.0	1,887.7	1,942.8	1,999.6	2,058.1	2,118.3	2,180.4	2,244.3
Net Operating Income	312.3	525.7	751.5	946.5	976.4	1,007.2	1,038.9	1,071.6	1,105.2	1,139.8

Peterson emphasized one major point -

... given the unique nature of this market and the fact that demand for high-end daily-fee golf in the market remains untested, it is impossible to draw firm conclusions about likely market reaction to this course and its likely financial potential particularly since its performance will depend to a large degree on how well the project is embraced by local hotel and inn operators, and how effectively they market the course to their guests<sup>14</sup>.

<sup>11</sup> Ibid, page II-1

<sup>12</sup> Ibid, Table VI-1 after page VI-2

<sup>13</sup> Ibid, Table VI-3 after page VI-9

<sup>14</sup> Ibid, p VI - 1

### **Management and Development Company**

As Peterson Economics emphasizes, assuming the actual presence of an adequate market, the success of the course is based on 3 factors: the quality of the course when it opens, the quality of its maintenance and operation, and the quality of its marketing. The District has no experience with any of these factors regarding a golf course.

As regards the quality of the course when it opens, the District is primarily relying on the quality of the course's design and construction. The design quality is to be provided by the recognized team of Jacobson and Hardy. The District would need a construction manager to assure the quality of construction. The District has determined that the other two factors - operations and marketing - would have to be provided by a third party as well.

The District has decided to seek a contract with a golf course management firm to provide these third party capabilities - to help manage construction, and then provide operational management and marketing for the course.

As discussed in Capital Development Costs and Fund Raising above, the District is seeking a golf course development and management firm to provide these services. The District has received several proposals and is evaluating them. It is unlikely that such an agreement could be reached before this Review is concluded.

Note: Although it's too soon to know if the District will find a firm through this process, there are challenges to this concept. One major hurdle is whether or not the "take-out", or "buy-out", is guaranteed or contingent on the success of the golf course. Who takes the risk? If the developer-manager takes the risk, one would assume the buy-out would be more costly.

### ***Section 1: The Financial Impact of the Capital Projects***

No other local government authority in Mendocino County is attempting anywhere near the degree of change within the next five years as the Mendocino Coast Recreation and Park District. The future of the GP Mill Site in Fort Bragg will probably have a much greater impact on the City, but that impact is certainly more than five years in the future.

By far the most significant issue facing MCRPD is its major capital projects; the new CV Starr Community Center/Harry and Sigrid Spath Aquatics Center and the proposed regional park and golf course. Each presents two main issues: First is financing and constructing these projects; second is managing their operations after they open. The scale of these projects will drive significant change in the District.

The District has raised and spent about \$11.5 million for the Starr/Spath Center so far, but needs to raise a similar amount to complete the project. In contrast, significant construction of the golf course-regional park has not yet begun. The District and the Friends of MCRPD have raised and spent about \$2 million so far and need to raise about \$18 million more.

The total expected development cost of the two projects is around \$43 million; a little less than 1/3 has been raised and spent. The District needs to raise about \$30 million more to complete both projects, not including any required increases in working capital.

The value of fixed assets the District uses in its operations today is about \$500,000<sup>15</sup>.

The District's total program revenues today are approaching \$500,000. The District's projected program revenue from the Starr/Spath Center is about \$775,000 in its first year of operation. Peterson Economics projects total revenues during the first year of the golf course operations would be around \$2.4 million.

As a way of visualizing the impact these projects could have on the District's operations, consider that if these two projects opened at the same time and the District operated both:

- The District's operational fixed assets would be 85 times greater.
- The District's program revenues would be over 6 times greater.

That's change!

However, the timing and development of the two projects are quite different. The District is already heavily invested in the Starr/Spath Center, and assuming completion financing will be obtained, the Center should open in about a year. In contrast, the District has only invested about 10% of the expected costs of the golf course, and it's unlikely the golf course could open in the next four years even if financing were obtained within the next half year. There is much more uncertainty about the future of the golf course than the Starr/Spath Center.

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<sup>15</sup> The value of the land on which the Mendocino Coast Gardens is located is not an operating fixed asset for the reasons discussed in on page 39.

## **Section 2: The Financial Impact When the Starr/Spath Center Opens**

As challenging as financing and construction of the Center has been, more challenges will come when it opens. Expenses for the programs offered in the new Center and the cost of operations for the Center itself will increase from about \$250,000 (today's total cost for the programs to be moved to the new Center) to more than \$1 million when the Center opens. The District's current projection indicates it is necessary for aquatic revenues to increase by a factor of 12 times and other Center programs to increase by a factor of 6 over revenues in the District's current Center. This section analyzes several significant impacts the Center will have on the District when it opens. Most of these are well known by the District's leadership.

Note: It has taken decades to develop the Center, and the work isn't yet done. The District has at most a year to prepare its operations to handle what will be a very sudden increase in financial and operational intensity. The District must leapfrog over several stages of organizational development, especially concerning its financial management.

The District contracted with the Sports Management Group (SMG) in Berkeley, CA to provide a Financial Analysis of the Starr/Spath facility<sup>16</sup>. SMG projected operating costs would range from about \$971,000 to \$1,085,000. On the low end, Sports Management estimated that the District would have to support the Center with as much as \$140,000 of "outside funds" a year. At the high end, the Center could produce around a \$60,000 "profit".<sup>17</sup>

The Sports Management Group's Report has these weaknesses:

1. A market demand analysis for the programs to be offered in the new Center
2. Analysis of program participation and financial experience of comparable facilities during their first several years of operation.
3. Consideration of a possible "ramp up" period during which the Center's revenues would grow from those of the current Fort Bragg Recreation Center to the new Center's market potential.
4. Analysis of the degree of continuity between the District's historical experience in operating an indoor swim facility and operating in the new Center.

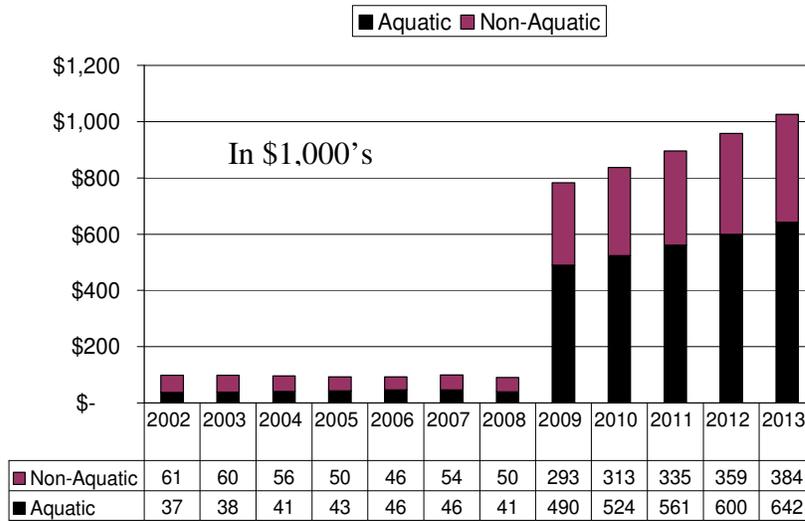
### **District's Projections**

See Section Five: MCRPD 10-Year Projection of Starr/Spath Center on page 121. The purpose of the District's 10-Year Projection was to show the income and expense for the Center as part of a submission to the Starr Foundation. Therefore it doesn't project the Center's impact on the operational finances of the District as a whole. The property taxes shown in the 10-Year Projection are not the total property tax the District expects to receive, but rather the amount of tax revenue it expects to commit to funding the Center's operations. The purpose of the projections is to show the District's expected revenues and expenses in the Center. Therefore they didn't include calculations of required increases in working capital.

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<sup>16</sup> Sigrid & Harry Spath Aquatic Facility - Financial Analysis, Sports Management Group, 2/14/2006.

<sup>17</sup> Ibid, p 3



**Figure 20 - Projected Program Revenues - Starr/Spath Center**

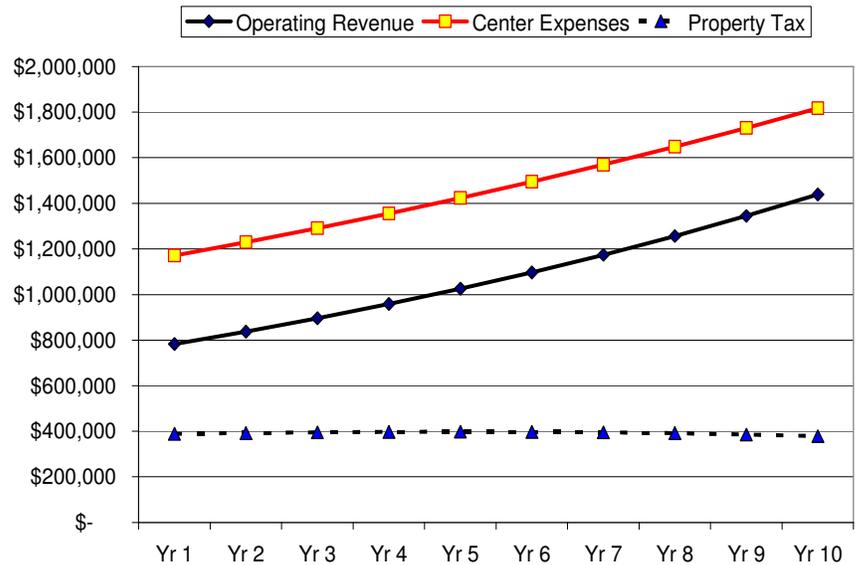
Figure 20 shows the District’s projections for program revenues in the first five years of the Center’s operations compared to revenues for the same programs offered in the current Center over the past six years and the budgeted values for the current fiscal year.

The District’s projections assume that aquatic revenues will increase by a factor of 12 in the first year of the Center’s operations, and other

programs will increase by a factor of nearly 6. Subsequent years show revenue growth of 7% a year.

Figure 21 shows the District’s projections for Operating - or Program - Revenue, Center Expenses, and Property Tax committed to support the Center for its first 10 years.

The District’s projection is a “break even” model; the Operating Margin each year is zero - no loss, no gain. Another way of looking at this model is that the item “Property Taxes, etc.” is in fact the Operating Loss projected by the District, and that the District plans to use that amount of Property Tax to support the Center. This projection shows Aquatic and North Wing Revenues growing 7% a year for the entire period, and Total Expenses growing 5% a year. Around \$400,000 in property taxes are required to support the Center in these projections.



**Figure 21 - MCRPD 10 Year Projection for Starr/Spath Center**

The 10 Year Projection includes several items that are actually general and administrative expenses for the District as a whole. These include a percentage of three District G&A staff positions expenses are assigned to the Center (District Administrator, Business Manager/Accountant, and Operations Manager). Similarly, the 10 Year Projection has a line

item “Facility Operating Costs”, which for Year One is \$440,000. This amount is detailed by a one year projection “Operating Costs CV Starr Community Center” produced by the District. Several items on this list are also probably District G&A expenses rather than Center expenses strictly speaking. The District’s offices will be in the new Center, but the expenses of that office are not solely assignable to the Center; the District office serves the entire District. These “general and administrative” expenses are not included in Figure 21.

The District’s projections are on a “cash” basis; they do not include depreciation expenses (neither do those from Sports Management). The entire Starr/Spath Center is expected to cost about \$23.5 million. This does not include the cost of the land. On the face of it, it would appear that the entire \$23.5 million may well be depreciable assets.

An element of the District’s fund raising is to obtain operating reserves for the Center that would provide a “safety cushion” for unforeseen contingencies in the first couple of years. The District intends to maintain an operating reserve after year 1 that is 20% of each year’s total Center expenses. The increases in those reserves would probably also have to be generated by fund raising.

### **Review Model**

A financial model of the District was developed for this Review to analyze how the Center will fit into the District’s finances as a whole. There are several goals for the model. First is to allow analysis of the operational financing requirements including working capital of the District as a whole. Another is to identify and “test” key assumptions behind current projections.

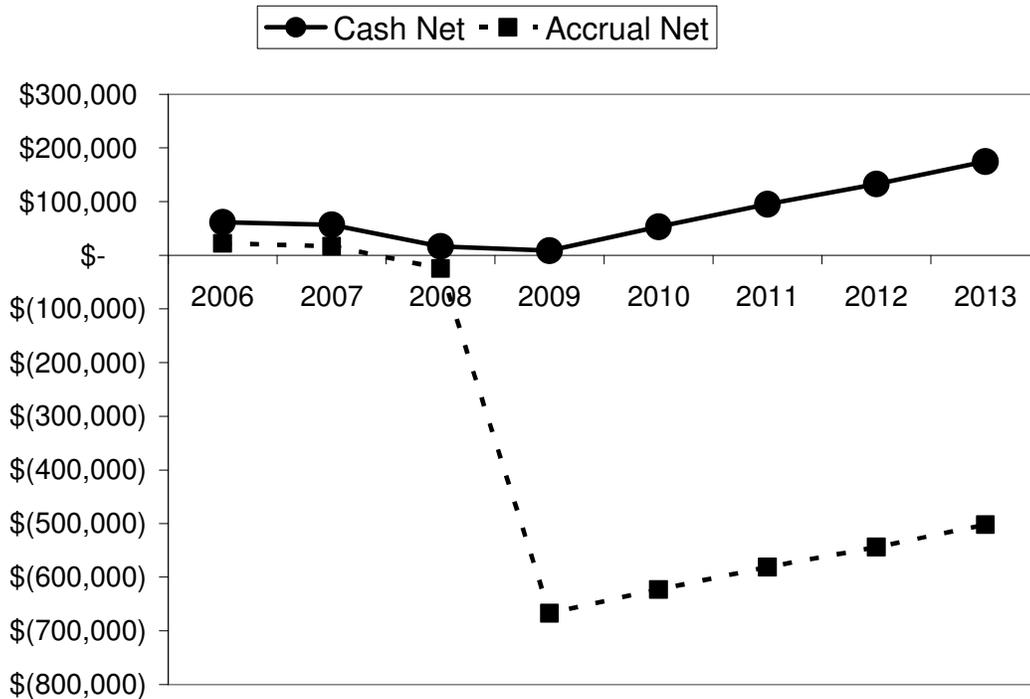
The model shows historical data back to fiscal year 2002, and projections for the next five years. The model’s data comes from historical financial statements, the District’s operational budgets, and the District’s 10-year Starr/Spath projection. Extensions of historical trends were made for financial items for the rest of the District not included in the District’s budgets and projections. The model assumes the Starr/Spath Center opens July 1, 2008. Even though the Center can’t possibly open that soon, the model shows what the impact of the District’s projections would be on the District as a whole.

Even though the model directly incorporates the District’s projections for the Starr/Spath Center and historical financial reports, there are several significant differences between the model and previous District financial statements, budgets and projections. First, depreciation is included. This (as will be seen) is very significant. Second, the model is based on “fully absorbed revenue/cost centers” (See “Revenue-Cost Center” Reporting & Analysis on page 66). Third, the model includes working capital as a part of operational financing requirements.

Results of Model

Figure 22 shows the model’s projection of the District’s Income Statement “bottom line” on both a cash and accrual basis during the first five years of operating the new Starr/Spath Center. The main difference between the two is that the accrual net includes the effect of depreciation expense.

It’s important to note that these results assume the various projections in the model (based on the District’s projections) are accurate predictions of how the future will really unfold.



**Figure 22 - Model Income Statement “Bottom Line”**

The most striking thing this graph shows is that if the greatly increased depreciation expense associated with the new Starr/Spath Center is included the overall District’s “bottom line” is significantly negative. In contrast, if depreciation is not considered, the District breaks even during the first year and then grows steadily more “profitable”.

The District will need to finance about \$40,000 in increased working capital when it opens the new Center. The working capital requirements projection is based on an assumption that the District would be willing to operate with a 30 day supply of working capital instead of the 40+ day supply of recent years - thereby reducing the amount of working capital financing required.

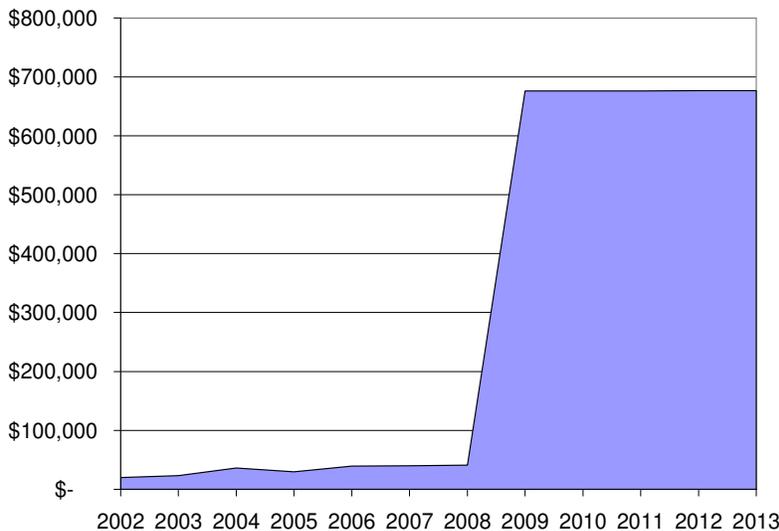
Note: The District’s analysis, this review’s analysis and comparison of other locations with similar operations to the Aquatic Center indicates that revenues received from programs within the Center will not completely pay the operational costs for the Center. The District understands that the Center will need to be underwritten by some amount each year, and that the early years will require more support than later years because it will probably take time before the Center’s revenues are “mature”. The “ramp up” time and the amount of needed support can be modeled but in truth only the reality of experience will provide information as to actual support needs of the Center. The District also understands that once the Center comes on line, a larger amount of operating or working capital will be needed over that required for present operations. The District leadership has begun a contingency reserve for these needs and has begun discussion of possible external fundraising efforts that could be accomplished to support the Center.

**Depreciation of the Starr/Spath Center**

As noted above, the District’s 10 year projection for the Starr/Spath Center does not include depreciation expenses. These assets would fall into different classes in terms of their depreciable life - the building would be long lived (say close to 30 years), whereas various equipment would have shorter lives.

This model assumes \$20 million of assets depreciated over 30 years on a straight-line basis - or \$666,667 a year. This is probably a low estimate for two reasons. First, a substantial amount of the assets are likely to have shorter “depreciable lives”, which will raise depreciation in the next several years more than the estimate used here. Second, it may well be that the entire \$23.5 million would be depreciable, which would increase depreciation.

Total depreciation expense for the entire District has grown from around \$20,000 in fiscal year 2001-02 up to \$40,000 a year today. The depreciation expense for the new Starr/Spath Center will be around 20 times greater than the District’s entire depreciation expense in recent years.



**Figure 23 - Historical and Projected Depreciation Expense**

***Should Program Patrons and Taxpayers Help Pay For Major Capital Assets?***

This is an important, almost “philosophical” question underlying this entire discussion of depreciation. As a practical matter, all the development cost of the Starr/Spath Center is being funded by donations. This is also how the first and current Fort Bragg Center was financed nearly 90 years ago. Neither the District’s recreational program patrons nor its taxpayers had to fund these assets. This allowed lower program fees for patrons, and the use of all tax revenue to partially fund programs and operations.

Should the District assume that its future acquisitions of major assets will also be funded through gifts? In contrast, should normal everyday program patrons and yearly taxpayers help fund those acquisitions with a share of their program fees and yearly taxes? The answers to these questions determine what the District’s attitude about depreciation should be.

If an organization makes the strategic decision that some share of future major capital asset acquisitions should be funded from its operations, then depreciation expense is a useful accounting and financial tool to accomplish that goal.

As a very simplistic example, assume an organization built a building for \$30 million, recorded a depreciation expense of \$1 million a year for 30 years, and had enough yearly income to not only pay its cash expenses but also set that \$1 million aside into a reserve fund. Also assume the reserve fund earned interest that equaled the inflation in building costs. Then at the end of 30 years the organization would have enough money in its reserve fund to build an equivalent new building.

In this case the organization used its depreciation expense as an estimate of the amount of money it needed to set aside each year so that at the end of the useful life of the building it would have enough money to replace it. In real life this exact equivalence doesn’t happen, but the use of depreciation as a funding mechanism for future acquisitions still makes good sense.

But if the District makes the strategic assumption that all future major capital assets will continue to be funded by gifts, then as a practical matter depreciation expense and accumulated depreciation of the building and major systems can pretty much be disregarded.

When this review was developed the District had raised half the funds necessary to complete the Starr/Spath Center. And there is good reason to believe that the District will receive the other half as a grant. However, if the District had accumulated half the cost of building the new Center in a reserve fund over the previous decades, the new Center most likely would have been open by now.

Unfortunately, it would have been very difficult to build such a significant reserve fund in the past. As discussed on page 38, the District has fought its way through very severe working capital and liquidity constraints; setting aside millions of dollars just wasn’t possible.

The future, however, will be different. The District expects its revenues to more than double during the first year the new Center is open and to grow consistently after that. If the golf course opens, the District’s revenues will grow even more than that. Many things that couldn’t be done before will not only become possible because of greater resources, but will be critical in a larger more complex operation.

Note: This review recommends that the District adopt the long-term strategic principal that as the District's finances grow and strengthen, the District will begin to accumulate reserves out of its operational cash flow that will be available to partially fund the acquisition of major capital assets in the future. A good target would be to have half the value of accumulated depreciation of a particular significant asset in reserves by the end of its depreciable life, and to begin to set aside these reserves no later than 1/3 into that asset's depreciable life.

Note: It will not be feasible in the next several years to significantly fund a Reserve for the facility that will replace the Starr/Spath Center decades from now. It will take some time for the Starr/Spath Center to produce value up to its full potential and "start up" costs for the Center will probably increase total costs in its early years. But once the District has gone through the "ramp up" period and the Starr/Spath Center is being more fully used, it's prudent to begin to build significant replacement/upgrade reserves.

Note: Equipment will need to be replaced sooner than the building. The District should begin to set aside equipment reserves within a couple of years to provide a significant amount of the eventual replacement costs for that equipment.

**Starr/Spath Center Depreciation - A Source of Significant Financing?**

As a governmental entity, MCRPD does not pay federal or state corporate income tax. Therefore, there is no income tax consequence of the District operating either at a “profit” or a “loss” as there is for private sector corporations.

If MCRPD were a for-profit corporation, the very large Starr/Spath Center depreciation expense would “protect” its revenues from income tax because they will produce bottom line losses on the District’s income statements. But because MCRPD is not subject to income tax, there is no “value” of the depreciation expense in terms of reducing income tax.

The Starr Spath depreciation would be of significant value to a profitable for-profit entity. As a simple example, assume:

Value of Depreciable Starr/Spath Fixed Assets	\$20,000,000
Depreciation Method	30 Year Straight-Line
Yearly Depreciation Expense	\$666,667
Assume	
Marginal Federal Corporate Tax Rate	35%
State Corporate Income Tax Rate	8.84%
Corporate Income Tax <u>Saved</u>	\$292,267

This “quick and dirty” model indicates that a for-profit corporation might save around \$300,000 in income taxes if it were able to report the Starr/Spath depreciation expense on its own income tax returns.

How much would such a corporation be willing to pay MCRPD each year to obtain that ~\$300,000 tax savings? For the sake of argument, say, \$200,000. That is a very significant amount of financing for the District.

An obvious approach would be some sort of a “sale-leaseback-repurchase” arrangement in which the District would sell the assets to a for-profit entity and then lease them back, perhaps with a clause allowing the District to repurchase the assets at some point in the future. The values of the sales price, financing, lease payments, and repurchase would have to wind up providing the District with ~\$200,000 more cash each year than it would otherwise obtain.

This concept is highly theoretical at this time. Further study would be needed to determine if the concept is both legally possible and financially practical; it may not be. There are several immediate problems that could prevent such an approach from being viable.

But the fundamental economic fact is that if such an arrangement were able to be made, it could result in very significant financing for the District.

Note: The District should investigate the possibility of using the Starr/Spath Center depreciation to obtain significant operational financing.

### **Section 3: Recommended Changes in Financial Management System**

The District has at most a year to prepare for a significant increase in financial intensity when the Starr/Spath Center opens. The District must leapfrog over several stages of financial management systems development. The consultant in his working documents provided to the District developed considerable data and analysis that is summarized in this report. There are significant concerns about two core financial management systems -

- Financial Reports Must Support Effective Financial Control
- Budgeting and Planning Systems Need Parallel Upgrades to be Effective

#### **Financial Reports Must Support Effective Financial Control**

The Starr/Spath Center's greatly increased expenses must be kept in balance with revenues and reserves. There is very little room for "error". *The District's current accounting and financial reporting systems do not give District management (including the Board) the tools needed to quickly zero in on operational financial problems and correct them or adjust to them.* This must be corrected as soon as possible. There are several specific steps that need to be taken. An improved system must be in place well before the Starr/Spath Aquatic Center opens.

#### **"Revenue-Cost Center" Reporting & Analysis**

It's impossible to look at the District's financial statements and determine the performance of individual programs, departments of programs, and regional functions. In order to control its fate, the District must be able to direct and control these individual activities. These are "Cost" Centers and "Revenue" Centers - cohesive groupings of activities managed by one individual, with material costs and/or revenues, that can be budgeted and individually "accounted for" and that can have reports produced comparing budgets/projections to actual results.

#### **Targeted Report Formats for Different Decision-Makers**

People in the District's organization, from the Board of Directors to someone in charge of a soccer league, need information to do their jobs properly. But the information they need is very different. The District produces only one form of Income Statement. In this case, one size does NOT fit all. The District should design and implement different financial report formats targeted at the information needs and roles of different levels of management decision makers.

#### **Assignment of Direct Expenses to Cost Centers**

Two-thirds of the District's operating expenses are staff related. Most of the District's employees are directly engaged in providing program services to the public. But all staff related expenses are currently reported in General District Expenses; staff expenses are not assigned to programs. This makes it impossible to evaluate the efficiency of different programs. Several other expenses also need to be charged to their appropriate cost or revenue/cost centers.

### **Appropriate Allocation of Indirect Expenses to Cost Centers**

Some expenses are difficult to assign directly to cost centers but are created by those cost centers. These “indirect expenses” should be allocated as accurately as possible to provide a “true sense” of the efficiency of cost centers. The allocation method used in the District’s audited statements needs to be based on factors such as staff hours, relative space occupied, etc.

### **Internal Statements Should Accrue Depreciation**

The main goal of the District’s internal financial statements should be to provide management and the board with the tools needed to effectively manage the District. The public audited statements have a different goal which is to convey the fundamental financial realities of the District to the public in a format that allows comparison of the District to other similar Districts. Part of the annual audited statements must report depreciation. In the past the District hasn’t reported depreciation in internal financial statements; it should do so because depreciation is a very substantial and real expense to the District, and it will prod boards of directors to take seriously the need to build a partial replacement fund.

### **Effective Variance Reporting and Analysis**

Budget targets and variances should be reported for the same time period of each financial statement. Budgets should probably not be produced for periods shorter than full quarters.

### **Balance Sheet and Cash Flow Issues**

The District should incorporate some form of a “cash flow” statement produced according to Generally Accepted Accounting Principles in its internal statements. It shouldn’t include in its budgets any amount in the “Appropriation for Contingency” budget line item that is really a reserve for unexpected needs for cash because this distorts variance reporting and analysis.

### **Budgeting and Planning**

Several issues concern the District’s current budgeting spreadsheet structure whereas other issues are simply about budgeting in general.

### **The Need to “Parallel” the Financial Statement Model**

The District’s budgeting system needs to parallel the structure of its financial reports so that a “budget” to “actual” comparison - or variance - can be calculated. Assuming the District implements the recommendations above, its budgeting spreadsheets should copy that model. The budgeting system doesn’t have to go to the detail of accounting ledgers. A model of the new financial reporting formats can be developed in spreadsheet software, which can then be converted into the budgeting model.

### **Include Balance Sheet & Cash Flow Model in Budgeting System**

It will soon no longer be enough to only project income and expenses as has been the District’s practice in the past. As the District’s revenues and fixed assets used in operations undergo the rapid growth required, changes in the balance sheet will impact the District’s cash flow far more than in the past (working capital requirements, payments on debt, purchases of fixed assets, etc.)

**Linked Cells on Different Spreadsheets**

Numbers entered or calculated on one spreadsheet should *not* be re-entered on other sheets. This practice produces errors and takes a lot of time. Spreadsheets can “link” cells in different spreadsheets. A formula in a cell in one sheet “points at” a cell in a second sheet. All the sheets in a budget system should be in one workbook with links between sheets.

**Start Program Revenue Projections with Patron Count Projections**

“Customer-driven” revenue planning starts with projecting numbers of customers. A specific program manager’s objective is rarely “You need to make \$5000 this quarter.” Rather, it’s usually like “You need 500 patrons this quarter”. This focuses attention on the number of customers you need. It can directly relate projections to market demand estimates. It highlights programs with the greatest potential to grow, and programs that are close to market demand. Patron count projections can be related to facility capacity. The District hopes to increase aquatic revenues 12 times in the first year of the Center. This approach places more control in the hands of the District over the numbers of patrons achieved.

**Exchanging Data with Accounting and Database Systems**

Budget sheets should have several periods of actual results for each account or factor being projected. But entering them by hand introduces errors and takes a lot of time. Historical numbers can be “imported” from accounting and database systems. Data can flow both ways. Approved budget numbers can be automatically moved from the planning spreadsheets back into the accounting and database systems.

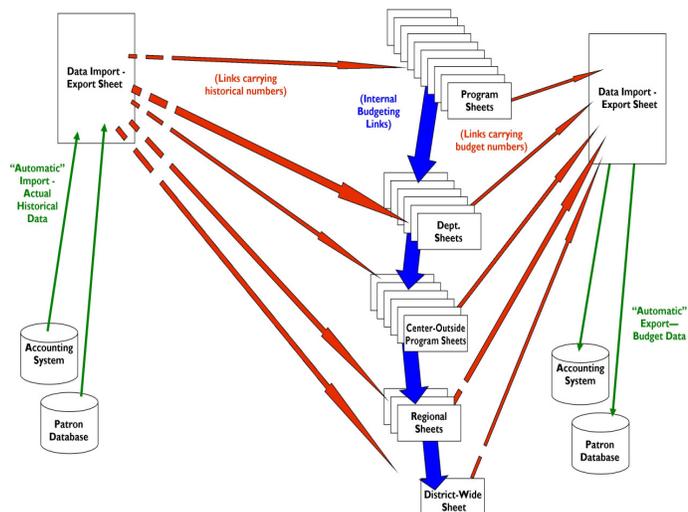
**Budget Spreadsheets as Report Writer for Financial Reports**

Small-business accounting systems are somewhat limited in their ability to produce the sophisticated reports recommended herein. Typically you have to buy more powerful “Report Writer” modules or transfer financial statement data into powerful database management systems, both of which usually require some programming ability. There’s a shortcut - using the Budgeting Spreadsheets as the Financial Statement Report Writer. Financial statement numbers can be imported into the budgeting system that can be more flexible in how reports can be formatted.

**How the Budgeting Spreadsheet System Would Function**

This figure presents the concepts regarding “linking”, “importing-exporting”, “revenue-cost centers”, and “multi-level centers”.

Historical data is imported from the accounting and database systems. It is then “moved” by “links” to where it is needed in the budgeting system. As each “program level” sheet is



**Figure 24 - Proposed Budget Spreadsheet**

filled out, its summary data is “carried” to department sheets through links. This process continues to automatically move summary data up ultimately to the overall District budget. Once the budget is set, budget numbers are exported automatically back into the accounting and database systems.

This is very important - a number is entered into this system only once. From there on it and calculations based on it are automatically carried to where ever else it is needed.

### **Less Intensive Recommended Changes**

These 3 concerns will not require nearly the effort to implement than the 2 concerns above, but they are important.

### **Disconnect Between Internal and Audited Statements**

There are significant differences between some of the values reported on the District’s audited financial statements and those reported in its internal statements. The District should be able to readily explain the difference in both form and content and justify those differences. The District should adjust the values in its ledgers to reflect corrections and adjustments made by the auditor. The District’s management and finance committee need to understand fundamental accounting principles and GAAP issues and apply them to convey the District’s true financial circumstances in both its internal and audited statements.

### **Financial and Systems Assistance for Management**

The District should secure as a consultant to the District’s management the services of an experienced individual who understands the accounting, reporting and budgeting issues above and knows how to use financial management systems effectively. This individual would work with District management to design the new reports and systems suggested in this review. The District should also secure the services of a second consultant - a “full-charge bookkeeper” highly experienced in the accounting software used by the District to implement the recommendations. It’s not likely one person could perform both roles.

After the new systems are implemented the District will still need similar services for the long-term. First, the District’s Board and management need occasional advice regarding higher level systems and financial issues. Second, the District’s management and bookkeeper need a full-charge bookkeeper expert in the District’s accounting system to help them with complicated accounting system issues. The District should establish a regular schedule of consultations with these contractors rather than operate on an “as needed” basis. The need will be continuous.

### **Fixed Asset Management - Records**

The District should develop an accurate Fixed Asset Register that, among other things, would include calculations for depreciation. In addition, the District should adopt standard fixed asset management practices such as labeling equipment, periodically inventorying fixed assets, making sure such assets are removed from the register’s active list when sold or retired from service, projecting major repairs and maintenance, anticipating replacements, etc.

Note: One of the most important findings of this review is that the District's current accounting and financial reporting systems do not give District management (including the Board) the tools needed to quickly zero in on operational financial problems. Given the imminent increase in financial intensity to be imposed by the Center, an improved system needs to be in place well before the Starr/Spath Center is open.

The District will also need to develop a revenue/cost center, multi-sheet, linked spreadsheet budgeting system incorporating program participant projections

The District will almost certainly need to obtain help from two people to implement these recommendations - an experienced manager capable of designing these systems and a full charge bookkeeper who can implement the design in the District's accounting software.

The District is generally in agreement with this recommendation and has begun the process of review and examination necessary for a decision about the new system.

## **Section 1: Nine Municipal Service Review Determinations**

Government Code Section 56430 mandates the Commission to make determinations about the District in the following nine categories. Determinations can be thought of as “decisions,” “judgments” or “statements” by the Commission about any aspect of the categories for which the Commission is required to make determinations. It is apparent that the determinations should be consistent with the data, information and analysis provided in the Report. Therefore the determinations will often be a summary of information or statements taken from the body of the Report which may make for some repetition. (For additional information about Section 56430 requirements and determinations, see Chapter One, Section 3.)

### **Determination One: Infrastructure Needs or Deficiencies**

By far the most significant issue facing MCRPD is its major capital projects; the new CV Starr Community Center/Harry and Sigrid Spath Aquatics Center and the proposed regional park and golf course. Each presents two main issues: First is financing and constructing these projects; second is managing their operations after they open. The scale of these projects will drive significant change in the District.

The District has raised and spent about \$11.5 million for the Starr/Spath Center so far, but needs to raise a similar amount to complete the project. In contrast, significant construction of the golf course-regional park has not yet begun. The District and the Friends of MCRPD have raised and spent about \$2 million so far and need to raise about \$18 million more.

The total expected development cost of the two projects is around \$43 million; a little less than 1/3 has been raised and spent. The District needs to raise about \$30 million more to complete both projects, not including any required increases in working capital.

The value of fixed assets the District uses in its operations today is about \$500,000<sup>18</sup>.

The District’s total program revenues today are approaching \$500,000. The District’s projected program revenue from the Starr/Spath Center is about \$775,000 in its first year of operation. Peterson Economics projects total revenues during the first year of the golf course operations would be around \$2.4 million.

The Starr Community Center and Aquatic Facility is currently under construction. An additional approximately \$12 million is needed to complete the construction. Property for the Regional Park and Golf Course has been obtained by Friends of the District, an EIR has been certified and some design has been completed. Funds are not presently available for construction. The District is submitting an application for annexation of territory that will include the location for the RPGC.

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<sup>18</sup> The value of the land on which the Mendocino Coast Gardens is located is not an operating fixed asset for the reasons discussed in on page 39.

Both of these projects are multi-million dollar projects which at this time dwarf the District's present operational budget. The fruition of the development of these two facilities by the District will have significant positive impact on the social, cultural and economic segments of the coast community. With the exception of City of Fort Bragg's efforts with the Georgia Pacific Mill Site, no other local government authority in Mendocino County is attempting any where near the degree of change as is represented by the Mendocino Coast Recreation and Park District's vision and leadership.

The District has been patching the old Recreation Center together for decades. But the facility is far beyond the point at which it needed to be replaced and there are great uncertainties about how much longer it can continue to function. In addition, the District's landlord, the City of Fort Bragg, is expanding its offices and city hall facilities into space currently occupied by the offices of the District. The Recreation Center is directly connected to City Hall; the District's administrative offices are under City Hall's roof. The City has leased this space to the District for \$1.00 a year. The City now needs this space for its own needs.

By the end of 2008 the District will have to move its District management offices. The design for the C.V. Starr Center includes space for the District's offices but this building will not be completed by the move-out date. The District may have to rent temporary offices somewhere in town or rent portable offices which can be sited at Green Memorial Field, the location for the C.V. Starr Center.

There is a tremendous amount of work and fundraising required before these two facilities will be available for use by the coast community. Late breaking news indicates that, the C.V. Starr Foundation will provide the additional funding needed for completion of the Starr Center.

The leadership and management of the District are to be commended and applauded for its visionary efforts for the Fort Bragg and coast community.

## **Determination Two: Growth and Population Projections**

### **Resident Population**

About 22,200 people lived within the boundaries of MCRPD in 2000. The District's present Sphere of Influence has about 1800 residents which upon annexation will be within the District. About 1600 people lived just across the Sonoma County border in the Sea Ranch area and are within the Point Arena Unified School District. About 60% of the District's population lives in the Fort Bragg region, with 20% in each of the other 2 regions (if the Sea Ranch area is included).

Population growth in MCRPD's 3 regions has been quite variable. All 3 regions had strong growth rates in the 70's. The Mendocino region then dropped to less than 5% growth per decade. After 2 decades of strong growth the Fort Bragg region was basically flat during the 90's. The South Coast - Point Arena Unified School District's growth has remained strong throughout.

The population in inner Fort Bragg is significantly younger than the other regions, and Mendocino's is significantly older. The distribution of the age groups in the SOI area of Fort Bragg and the South Coast is similar, with the South Coast being slightly "younger".

There have been significant shifts in the composition of the population. The most striking is a very significant growth in the Hispanic population in Fort Bragg and the South Coast.

**Visitor Population**

The Mendocino Coast, especially the North Coast, is a significant tourist destination. The Swim Center could attract a number of visitors. The golf course is specifically conceived as being a major tourist attraction for the North Coast. The model developed for this report suggests that the total number of visitors to MCRPD’s territory is in the range of 850,000 to 900,000 a year. Of these, about 720,000 visit the North Coast, and about 170,000 visit the South Coast. About 20% visit during the winter, 25% in spring, nearly 40% during the summer, and back around 20% during the fall.

**Population Projections**

Numerous data sources were analyzed, including the City of Fort Bragg’s draft MSR, various County of Mendocino documents, numerous Census Bureau data sources, State of California Demographic Research Unit/Department of Finance data sets, etc. The following projection (assumption) is considered the “most likely” scenario for population growth.

**Table 7 - Assumed Growth Rates**

	1970	1980	1990	2000	2010	2020	2030	2040	2050
<b>POPULATION</b>									
Fort Bragg	10,124	12,055	14,465	14,520	15,246	16,923	18,615	20,105	21,311
Mendocino	3,654	5,067	5,300	5,530	5,751	5,924	6,101	6,284	6,410
South Coast	3,083	3,811	4,549	5,510	6,447	7,349	8,158	8,892	9,514
	16,861	20,933	24,314	25,560	27,444	30,196	32,874	35,281	37,235
<b>GROWTH RATE</b>									
Fort Bragg		19.1%	20.0%	0.4%	5%	11%	10%	8%	6%
Mendocino		38.7%	4.6%	4.3%	4%	3%	3%	3%	2%
South Coast		23.6%	19.4%	21.1%	17%	14%	11%	9%	7%
Growth Rate		24.2%	16.2%	5.1%	7%	10%	9%	7%	6%

**Determination Three: Financing Constraints and Opportunities**

A “general tax” is an involuntary charge against an individual, landowner, or business without regard for benefit and is for general use of the taxing agency. A “special tax” is one restricted for special or specific purpose as opposed to a general tax. A special tax requires two-thirds voter approval. A “benefit assessment” is an involuntary charge on property owners to pay for public works that directly benefit property. [California Constitution Articles XIII A, §4 and XIII C, §2, Government Code §50075 et seq., §53722, et seq., & §53970, et seq.]

Unlike Cities, districts cannot install a sales tax or a transient occupancy tax (hotel or room tax). Special district’s ability to raise revenue is usually restricted to fees-for-service or some form of a tax against property. All taxes are subject to the approval of the voters in the

district. MCRPD does receive a percentage of the general property tax that is allocated to districts within the County. [5788.13 & R&T Section 95]

Pursuant to Government Code Section 50075 et seq. and subject to two-thirds voter approval a district may levy special taxes which must be applied uniformly to all taxpayers or all real property. For certain public capital facilities and services, pursuant to G.C. Section 53311 et seq. a district may form a Mello-Roos District which is a form of a special tax district. [5789.1]

A district may levy a benefit assessment consistent with the requirements of Article XIII D of the California Constitution pursuant to the Improvement Act of 1911, the Improvement Bond Act of 1915, the Municipal Improvement Act of 1913 and the Landscaping and Lighting Assessment Act of 1972. [5889.3]

A RPD can charge fees for its services, provided that the fee does not exceed the reasonable cost of providing the service for which the fee is charged and is not levied for general revenue purposes. If the fee exceeds the reasonable cost of providing the service, it is a special tax requiring a two-thirds vote of the district electorate. Residents or taxpayers of the district may be charged fees which are less than it charges non-residents or non-taxpayers. The board of directors can authorize the waiver of fees if in their opinion payment would not be in the public interest. [5789, 5789.5, G.C. 50076 & 66016]

While the District owns a number of properties with significant value, the District is restricted by agreements or circumstances from using these assets as collateral for loans for future needs.

The District has no previously established capital improvement reserves for future needs.

The District has decided to seek a contract with a golf course management firm to help manage construction, and then provide operational management and marketing for the golf course. The District has received several proposals and is evaluating them. It is unlikely that such an agreement could be reached before this Review is concluded.

#### **Determination Four: Cost Avoidance Opportunities**

Financially, MCRPD operates in two very different modes. First are its *operations* - the delivery of numerous recreational programs and the management of those programs. Second are its *capital activities*, specifically the development of the CV Starr/Spath Swim Center and a proposed regional Golf Course. The millions of dollars involved in the finances of these two capital projects dwarfs that involved in operations. Cost avoidance opportunities for capital projects will be inherent in the decisions about the design of these projects and the financing programs used for construction of these projects.

The District has raised and spent about \$11.5 million for the Starr/Spath Center, but needs to raise a similar amount to complete the project. Based on present understanding, there is some likelihood that the Starr Foundation will provide the additional funding needed to complete the Center. If this occurs, the District will have a completely paid for, brand new Center for its offices and many of its services including aquatic services. Community fundraising and grants received for the development of this represents a significant cost avoidance and a significant success story for the District and its leadership.

Friends of MCRPD purchased the land for the Regional Park and Golf Course for less than a million dollars; the land is worth approximately 4 million dollars. In the near term, as loans are completed by the District for the purchase prices, ownership of the property will be transferred to the District. The purchase process used for acquiring this property represents significant cost avoidance for the purchase over the normal market price.

Construction of the golf course-regional park has not yet begun. The District and the Friends of MCRPD have raised and spent about \$2 million so far and need to raise about \$18 million more. The total expected development cost of the two projects (Starr/Spath and Regional Park) is around \$43 million; a little less than 1/3 has been raised and spent. The District needs to raise about \$30 million more to complete both projects, not including any required increases in working capital. Additional, fundraising efforts are planned.

The District has two main sources of annual revenue; fees for program services and property taxes. They have ranged from roughly equal to each other to 60:40 in favor of program fees. Property taxes have paid for a significant portion of the costs of the services provided to the District's patrons.

Staffing is the District's main expense. Two-thirds of the District's operating expenses are staff expenses, most of which are generated to provide services. The cost of staffing grew at a rate 15% slower than the growth of total revenues. Overall Repair and Maintenance (R&M) and purchase of minor operational equipment are somewhat low, given the scale of the District's operations. Inadequate liquidity in FY02-03 may have forced the District to defer some R&M expenditures. However, increasingly comfortable liquidity in FY 05-06 should have relieved this pressure but it did not. The District has continued to control costs associated with R&M.

Control over these costs is an example of strong management oversight and control of expenses.

### **Determination Five: Opportunities for Rate Restructuring**

MCRPD does not have "rates" for services similar to services provided by sewer or water districts. It does charge fees for its various programs and activities. These fees will vary according to direct cost for the individual programs and the type of clientele being served. Programs for kids may be underwritten by other sources of income of the District while fees for adult programs will tend to be equal to the costs of the programs.

When the C.V. Starr Center and Aquatic Facility comes on line, the District will be able to increase the number of programs it can make available and will be able to increase the variety of programs that it can provide. It is a given that the operational costs for the new Center will be of a higher order than present operational costs. This will require the District to evaluate its fee structure in light of its costs and will require the District to analyze its markets for the optimal blend of fees and programs.

This new Center will also provide significant opportunity for the District to develop new programs which will cater to niche markets. Niche markets, by definition, often provide opportunities for higher fees than the more general programs that might be provided for kids activities.

The Golf Course, once developed, would be one of the premier golf courses in northern California. Its primary clientele would be visitors outside the Fort Bragg area who can afford

fees for a premier course. The District's view is that this golf course can produce positive cash flow that can help underwrite other District recreational programs, most of which by their nature do not pay for the full cost of their provision. If this is the case, then the District can structure its fees for local recreational programs more in line with local ability to pay.

### **Determinations Six: Opportunities for Shared Facilities**

The District has numerous cooperative arrangements with the Fort Bragg Unified School District. It uses the School District facilities for a variety of programs. The District offers men's Recreation Basketball Leagues and Adult Volleyball programs in the Fort Bragg High School Gym. The Men's basketball league commences in January and runs through March on Sunday afternoons. It normally features 10 to 12 teams. Volleyball Leagues are held in the spring with men's, women's and coed league being offered, if demand suffices. Each league normally has 4 to 6 teams.

The District makes extensive use of the Fort Bragg School District's playfields for several adult sports programs. The Adult Coed Softball League normally has about 12 teams consisting of 20 players each. This program runs for about 3 months. A Men's Softball league has approximately 10 teams with about 16 players per team and runs from May through July. Two adult softball tournaments are conducted each year; one coed tournament over the 4th of July weekend for 12 teams and one in August for 12 men's teams. The Recreation District also sponsors a 32-team Adult Coed soccer tournament over Labor Day weekend.

The School District collaborates with MCRPD to operate the "Grooves and Moves" Dance Studio in a modular building at Dana Grey School. The School District partners with MCRPD to provide Kudos for Kids, which is by far the largest revenue generating service provided by the District in FY05-06.

In 1978, the District purchased from the School District, Green Memorial Field; the site of the new Starr/Spath Center.

The District has several relationships with the Mendocino School District. The District operates the Mendocino Recreation and Community Center under an agreement with the Mendocino Unified School District. Facilities at the Center include Friendship Park (a baseball field), the 7000 square foot Community Center, several portable buildings, an outdoor basketball court, a community garden, and a small playground.

The District operates extensive after school and summer program for children. About 170 children participate in the after school program during each of the 6 week sessions. The summer program is divided into four-two week sessions with each session accommodating up to 50 kids. Activities cover a wide variety of activities including arts and crafts, ceramics, fencing, gardening, dance, theater, music, sports, and more.

A variety of other activities for children are offered during both the summer and the school year. The District also offers a variety of adult classes with the adult ceramics program being the most prominent.

The new Starr/Spath Center will create the opportunity for a number of cooperative arrangements with the school districts for aquatic sports or use for physical education.

The District owns the property on which the Mendocino Coast Botanical Gardens are located just south of Fort Bragg. The District leases the property to the Mendocino Botanical Gardens Corporation, a 501c3 non-profit. The District does not use this property in its own operations.

The District has provided the Mendocino Coast Hospital with aquatic rehabilitation facilities in the past, and the two Districts are arranging for the hospital to use the new aquatic center for expanded services

**Determination Seven: Government Structure Options Including Advantages and Disadvantages of Consolidation or Reorganization of Service Providers**

LAFCOs are authorized to initiate proposals for consolidation of special districts, dissolution of special districts, mergers of special districts with a city, establishment of subsidiary districts to cities, or reorganizations that includes any of the preceding changes of organization. [56375(a), 56378, and 56425] While the SOI/MSR process does require that the Commission make determinations for the need for consolidation, the SOI/MSR process does not require LAFCO to initiate changes of organization based on SOI/MSR findings; it only requires that LAFCO make determinations per the provisions of G.C. Sections 56425 and 56430. However, LAFCO, local agencies, and the public may use these determinations as a basis to pursue changes to local jurisdictions or Spheres of Influence.

The District's service area includes a large part of the coastal community in Mendocino County. The District is proposing to annex the balance of the Fort Bragg School District boundaries which lies north of the present boundaries of the District. Once this annexation is complete the District is requesting that its Sphere of Influence be co-terminus with its new boundaries. The addition of this new territory will allow the District to obtain greater property tax receipts. The LAFCO Executive Officer concurs that this is an excellent proposal for the District and will be providing a supportive recommendation for approval to the Commission once the public hearing is scheduled.

Beyond this proposed annexation, there are no reorganization concepts that would make sense for MCRPD, thus LAFCO has no proposals for consolidation or reorganization of the District.

**Determination Eight: Evaluation of Management Efficiencies**

The board of directors is mandated to appoint a finance officer. The finance officer may be a member of the board of directors, the general manager, or the office may be consolidated with the office of secretary. However, it is not required that the finance officer be one of these persons. The finance officer is required by statute to assure the installation and maintenance of a system of accounting and auditing that will at all times show the financial condition of the district and provide frequent reports to the board that are accurate regarding receipts, disbursements and balances in the accounts of the district. The District has not appointed a finance officer. It appears that the person best suited for this appointment at this time would be the District Administrator; as the District continues to grow, a different person whose primary duties are those related to financial systems may be required.

One of the most important findings of this review is that the District's current accounting and financial reporting systems do not give District management (including the Board) the tools needed to quickly zero in on operational financial problems. Given the imminent increase in financial intensity to be imposed by the Center, an improved system needs to be in place well before the Starr/Spath Center is open. The District will also need to develop a revenue/cost center, multi-sheet, linked spreadsheet budgeting system incorporating program participant projections as described in the report provided to the District. The District will almost certainly need to obtain help from two people to implement these recommendations - an

experienced manager capable of designing these systems and a full charge bookkeeper who can implement the design in the District's accounting software. The District is generally in agreement with these recommendations and has begun the process of review and examination necessary for a decision about the new system.

The District has demonstrated strong management control of expenses. This control was a significant factor in increasing operating margins and providing increased liquidity for the district over the past few years. The District operational liquidity, the ability to pay bills when they come due, has greatly improved in the past few years. This is a very significant accomplishment for which management and the board should be applauded.

### **Determination Nine: Local Accountability and Governance**

The District last updated its Policy and Procedures December 20, 2000. Since 2000, there have been substantial changes to the law regarding personnel practices, conduction of board procedures and processes, training requirements for board members, training requirements for staff, sexual discrimination requirements, bid practices, etc. Changes to Recreation and Park District law have occurred in the past five years so as to make it consistent with LAFCO law that occurred in 2001 and constitutional changes brought by Propositions 4, Proposition 218 and other law changes.

The California Special Districts Association has a model set of policies and procedures for districts that are available for approximately \$400 if the District is a member. These are updated regularly with changes in the law and updates are sent to districts for inclusion in their policies and procedures. The District should update its policy and procedures and may want to consider this resource for doing so.

Government Code §53234, et seq. requires that elected and key appointed officials must take biennial ethics training courses if they receive any form of compensation. This law requires training about conflict of interest, prohibition of use of public resources, prohibition against gifts of public funds, prohibition against acceptance of free transportation, laws about transparency of operations such as the Brown Act, Public Records Act and others. The District has indicated that the Board has not participated in ethics training because they do not accept compensation for their activities.

Two of the part time employees are related to a board member through marriage; one is the wife of a board member and the other is the father-in-law of the same board member. Public officials can't participate in decisions in which they have financial interests. This board member should be extremely careful to recuse himself from any board decisions that will in any way have a financial connection such as voting to approve any form of employee compensation (e.g. payroll, raises, employee reviews) or other potential conflicts of interest. This circumstance has the potential for conflict of interest for the board member. The Board may want to seek additional training. [See Government Code §1090, et seq. & §87100, et seq. 2 Cal. Code of Reg. §18700]

LAFCO does not have on file any complaints about the District. The District reports that there have been no violations of the Brown Act, violations of FPPC requirements or conflict of interest laws in the last five years. In the same time frame, it reports that there have been no Grand Jury investigations, citations or investigations by any State or local regulatory agency. The Administrator reports that there are no formal citizen complaints regarding the District's operations.

The District is meeting all requirements of the law for budget development and approval, and conduction of an annual audit. Public documents are made available upon request. All meetings are open and accessible to the public. The District goes beyond the requirements of law for noticing its public meetings by providing notice in multiple locations for the benefit of the community. The District is working on developing a website so that more information about the District's meetings and activities can be conveniently made to the public.



## ***Section 1: Sphere of Influence***

### **General Comments and Overview**

The Mendocino Coast Recreation and Parks District is seeking a Sphere of Influence Update to include all of the territory in the Fort Bragg Unified School District which is north and east of the present territory of the District. It is also seeking the annexation of this same territory. Once this territory is included in the District, the District is requesting that its Sphere be updated to include the proposed annexation lands and, if the annexation is approved, its new Sphere of Influence to be coterminous with its new boundaries.

The District has the ability to serve the proposed annexation territory and, indeed, has historically been de facto serving these areas.

### **Sphere of Influence Requirements and Determinations**

Government Code Section 56425(e) states, “In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determination with respect to each of the following:

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 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.”

Government Code Section 56425(i) states, “When adopting, amending, or updating a sphere of influence for a special district, the commission shall do all of the following:

1. Require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.
2. Establish the nature, location, and extent of any functions or classes of services provided by the districts.”

#### **Determination One: The present and planned land used in the SOI area including agricultural and open space**

The proposed sphere of influence for the District is the boundaries of the District once the annexations are completed. In that the SOI and the boundaries of the District will be coterminous, the land uses are the same. The District has no influence or control over the zoning or development within the boundaries of the District. These decisions are made by the County of Mendocino and the City of Fort Bragg.

#### **Determination Two: The present and probable need for public facilities in the area**

MCRPD is embarking on the development of two major capital improvement projects: The C.V. Starr Community Center and Aquatic Facility and the Regional Park and Golf Course

(RPGC) project. The Regional Park and Golf Course territory is in the proposed annexation territory. (Please see Chapters Three, Four and Five for additional information about these facilities.)

**Determination Three: The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide**

As indicated above and in other portions of this report, the present District offices, recreation center and aquatic facilities are inadequate for the needs of the community. Because of this inadequacy, the services or programs that the District can offer are limited as to numbers of participants and limited as to types of programs that may be offered. Once the new C.V. Starr Recreation Center and Aquatic Facility becomes operational, these inadequacies will be eliminated.

**Determination Four: The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency**

Due to various social and economic factors the population has shifted in numbers and in types of people. Due to the needs of the service and tourism industry, there is a growing Hispanic population whose children will be a growing segment of the use of kids programs and the adults will most likely use the adult programs to a greater degree.

**Determination Five: Require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts**

The District via the Request for Information (RFI) questionnaire for the MSR has provided this information and this information is provided in various places in Chapters Three, Four and Five.

**Determination Six: Establish the nature, location, and extent of any functions or classes of services provided by the districts**

See Chapter Three, Sections 3 and Section 4.

## **Section Two: Maximum Service Area**

In addition to completing an MSR study and a Sphere of Influence study for an agency LAFCO is also required to complete a study to determine the Maximum Service Area and Service Capacity of that agency. Government Code Section 56378 provides the following:

“In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may ask for land use information, studies, and plans of cities, counties, districts, including school districts, community college districts, and regional agencies and state agencies and departments. Cities, counties, districts, including school districts, community college districts, regional agencies, and state agencies and departments, shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person. In making these studies the commission may cooperate with the county planning commission.” (Underline added)

As seen by the underlined words above, this code section provides mandatory direction to LAFCO. In LAFCO law there are no definitions provided for Maximum Service Area (MSA) or Maximum Service Capacity (MSC) nor are there any guidelines provided as to how LAFCO would accomplish the requirements of this section.

Rather than conduct a separate study, Mendocino LAFCO’s policy is to include the requirements of this section in the same study/report as that for the Sphere of Influence and the Municipal Service Review. This approach prevents excessive study efforts and minimizes costs to the agencies and LAFCO. This approach is more efficient and effective because it provides to the public, a report available in one location that details comprehensive information about the agency.

Certain types of districts such as fire, ambulance, sewer and water districts provide services by taking the service to the service recipient. For these kinds of districts, size of territory or territoriality is an important consideration; there simply is a limit to the district’s ability to provide infrastructure or response over very large areas. Usually these kinds of districts provide a high degree of their services to the resident population within the district’s boundaries.

For other kinds of districts such as hospital, cemetery and recreation and parks districts, the services are provided at fixed locations and the service recipients travel to these locations for services. Recreation and park district service recipients or “customers” are not limited to location of their residence. Thus for recreation and park districts territoriality is not as important as it would be for a sewer or water district except as it relates to property tax revenue. These kinds of districts will have customers who are not part of the resident population.

MCRPD’s Aquatic Center and Regional Park and Golf Course will no doubt attract service recipients from a much larger area than the territory of the District. The Golf Course is being designed with that in mind and is meant primarily as an attractor for visitors and secondarily as a resource for the local population. For the Golf Course, it is likely that people will travel from the Bay Area, Sacramento, and other parts of the state to play golf. If the Botanical

Gardens are any indicator, it could well be that people will travel from international locations to play golf at a premier course. However, most of the programs and services provided by the District will be to the local resident population. It is thought that the tourism patronage that will occur will allow much higher quality facilities and services for locals than they could afford on their own.

Because there are no guidelines as to Maximum Service Area, LAFCO has determined that the MSA should include, at a minimum, the present territory of the agency, the proposed SOI and any areas provided service through either Municipal Improvement Districts, approved Out-of-Area Service Agreements (G. C. Section 56133) or historical areas of service provided by the agency prior to the requirements of Section 56133.

With the addition of the proposed annexation, the territory of the District will include all of the territory in three school districts on the coast. It will have reached the Maximum Service Area possible, given the District's access to resources, now and in the future. This determination by the Commission is based on the present understanding of the District's financial circumstances, geography and county population patterns, the District's limited future ability to increase its income, the amount and type of presently available facilities and equipment, the contiguity of the District with the County line on its southern border and the Pacific Ocean on its western border, and the size of the District once the proposed annexation is completed.

Therefore, based on the information provided by the District and this report the Commission has determined that the Maximum Service Area (MSA) for the district will be the legal boundaries of the District once the proposed annexation is completed. In making this determination the Commission is stating that the MSA is to be coterminous with the SOI which is to be coterminous with the legal boundaries of the District, once the annexation is completed.

<p><b>Section One: CEQA PROCESS</b></p>
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The California Environmental Quality Act (CEQA) applies to all discretionary activities proposed to be carried out or approved by California public agencies, unless an exemption applies. CEQA defines a project “*as the whole of an action which has the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect change in the environment.*” As used in CEQA, the term “project” is very broad. A project under CEQA is considered to be an activity directly undertaken through public agency contracts, grants, subsidies, loans, or other assistance from a public agency or an activity involving the public agency issuance of a lease, permit, license, certificate or other discretionary entitlement for use, unless exempted. In *Bozung v. Local Agency Formation Commission (1975)*, CEQA was judged to apply to changes of organization or reorganization.

An SOI determination is a discretionary decision of the Commission that will affect future growth and development. A Municipal Service Review is a study that will be used as an information source for assistance in determining SOIs and other decisions of the Commission. State CEQA Guidelines provide for an exemption for studies. Article 18 of the State CEQA Guidelines provides the following Class Six exemption in Section 15306: “*Class 6 consists of basic data collection, research, experimental management and resource evaluation activities which do not result in serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes or as a part of a study leading to an action which a public agency has not yet approved, adopted or funded.*”

Because a Municipal Service Review is a study and studies are exempted, it therefore does not require an environmental review under CEQA. It does lead to an action in that, by law, Sphere of Influence determinations or amendments cannot be approved until the Service Review is complete. Under G.C. 56425, Sphere of Influence determinations require a corollary study, which may be combined with the MSR study, with separate determinations and a discretionary decision of the Commission for which the information in the Service Review can and will be used for making those determinations and decision.

Because a Sphere of Influence determination requires a discretionary decision of the Commission as to the size and circumstance of the Sphere, Sphere of Influence determinations clearly do require an environmental review. Therefore the environmental review will occur at the time that the Commission undertakes the Sphere of Influence determination for any agency.

## ***Section Two: Environmental Review***

### **Proposed Project**

MCRPD's pre-CKH Sphere of Influence is all of that territory of the Fort Bragg Unified School District that is not presently within the boundaries of the District. The District is requesting that via the SOI/MSR study process required by CKH, its Sphere of Influence be updated/confirmed as being this territory. In addition, the District is providing an application for annexation of this territory and upon annexation is requesting that its SOI therefore be co-terminus with its jurisdictional boundaries. **The project for the environmental review is the proposed SOI designation and the proposed annexation.**

Part of the territory proposed for annexation includes 600 acres of land that will be owned by the District. The purpose of the 600 acres is to be developed as a regional park. The park is proposed to include a pocket park, a sports park, a nature camp, an 18-hole golf course and a combined clubhouse conference center/banquet facility. Initial development is to include the golf course, clubhouse, pocket park with covered barbeque area, children's playground, horseshoe pits, basketball and volleyball facilities, lawn areas, a maintenance building, caretaker trailer area and hiking and mountain biking area.

Two years ago the District completed and certified an EIR for the regional park project. At the time of the completion of the EIR, the District was proposing to annex only the 600 acres for the regional park. The EIR for the regional park did not review LAFCO issues as to annexation; LAFCO was not included as a Responsible Party to that review process. As indicated, the present project is the proposed annexation territory as described above. This is a considerably larger territory than initially considered by the District; had the EIR reviewed LAFCO issues as to annexation of the 600 acres that review would be rendered moot as to the size of the territory. While LAFCO will be relying on the EIR completed for the regional park for information that is pertinent to its review process (see G.C. 56668) it is conducting an additional environmental review.

### **Initial Study and Negative Declaration**

An Initial Study was prepared and circulated for the proposed SOI and annexation. On the basis of that Initial Study, a preliminary CEQA determination was made that the proposed annexation and SOI determination for the District would not have a significant effect on the environment therefore; a Negative Declaration was prepared. The Negative Declaration and Initial Study are in the Appendix.

## **Section One: Glossary**

**Annexation:** The annexation, inclusion, attachment, or addition of territory to a city or district.

**Appropriation:** A legal authorization granted by the Board of Directors to expend monies and incur obligations for specific purposes.

**Assessment District:** Not a separate governmental entity, but rather a defined area of land that will be benefited the acquisition, construction or maintenance of a public improvement.

**Board of Directors:** The legislative body or governing board of a district.

**Board of Supervisors:** The elected board of supervisors of a county.

**Bonds:** A certificate of debt issued by an agency guaranteeing payment of the original investment, plus interest, by a specified future date. Interest on bonds issued by a local agency is exempt from state personal income taxes.

**Buildout:** The maximum development potential when all lands within an area have been converted to the maximum density allowed under the General Plan.

**City:** Any charter or general law city.

**Consolidation:** The uniting or joining of two or more districts into a single new successor district. In the case of consolidation of special districts, all of those districts shall have been formed pursuant to the same principal act.

**Contiguous:** In the case of annexation, territory adjacent to an agency to which annexation is proposed. Territory is not contiguous if the only contiguity is based upon a strip of land more than 300 feet long and less than 200 feet wide.

**Cost avoidance:** Actions to eliminate unnecessary costs derived from, but not limited to, duplication of service efforts, higher than necessary administration/operation cost ratios, use of outdated or deteriorating infrastructure and equipment, underutilized equipment or buildings or facilities, overlapping/inefficient service boundaries, inefficient purchasing or budgeting practices, and lack of economies of scale.

**County Service Area (CSA):** A dependent agency governed by the board of supervisors

**Dependent Special District:** A special district whose board of directors is another legislative body, such as a city council or board of supervisors. Also see special district.

**Detachment:** The detachment, de-annexation, exclusion, deletion, or removal from a city or district of any portion of the territory of that city or district.

**Dissolution:** The dissolution, disincorporation, extinguishment, and termination of the existence of a district and the cessation of all its corporate powers, except for the purpose of winding up the affairs of the district.

**District or Special District:** An agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries. "District" or "special district" includes a county service area.

**District of Limited Powers:** An airport district, community services district, municipal utility district, public utilities district, fire protection district, harbor district, port district, recreational harbor district, small craft harbor district, resort improvement district, library district, local hospital district, local health district, municipal improvement district formed pursuant to any special act, municipal water district, police protection district, recreation and park district, garbage disposal district, garbage and refuse disposal district, sanitary district, or county sanitation district.

**Dissolution:** The termination of the existence of a district.

**Enabling Legislation:** Legal statute authorizing the creation of the agency or district

**Formation:** The formation, incorporation, organization, or creation of a district.

**Function:** Any power granted by law to a local agency or a county to provide designated governmental or proprietary services or facilities for the use, benefit, or protection of all persons or property.

**Functional Revenues:** Revenues generated from direct services or associated with specific services, such as a grant or statute, and expenditures.

**FY:** Fiscal year.

**General Fund:** Fund used to account for all financial resources except those required to be accounted for by another fund.

**General Plan:** A document containing a statement of development policies including a diagram and text setting forth the objectives of the plan. The general plan must include certain state mandated elements related to land use, circulation, housing, conservation, open-space, noise, and safety.

**General Revenues:** Revenues not associated with specific services or retained in an enterprise fund.

**Independent Special District:** Any special district having a legislative body all of whose members are elected by registered voters or landowners within the district, or whose members are appointed to fixed terms, and excludes any special district having a legislative body consisting, in whole or in part, of ex officio members who are officers of a county or another local agency or who are appointees of those officers other than those who are appointed to fixed terms. "Independent special district" does not include any district excluded from the definition of district contained in §56036.

**Infrastructure:** Public services and facilities, such as pipes, canals, levees, water-supply systems, other utility, systems, and roads.

**LAFCO:** Local Agency Formation Commission.

**Local Accountability and Governance:** A style of public agency decision making, operation and management that includes an accessible staff, elected or appointed decision-making body and decision making process, advertisement of, and public participation in, elections, publicly disclosed budgets, programs, and plans, solicited public participation in the consideration of work and infrastructure plans; and regularly evaluated or measured outcomes of plans, programs or operations, and disclosure of results to the public.

**Local Agency:** A city, county, special district, or other public entity that provides public services.

**Management Efficiency:** The organized provision of the highest quality public services with the lowest necessary expenditure of public funds. An efficiently managed entity (1) promotes and demonstrates implementation of continuous improvement plans and strategies for budgeting, managing costs, training and utilizing personnel, and customer service and involvement, (2) has the ability to provide service over the short and long term, (3) has the resources (fiscal, manpower, equipment, adopted service or work plans) to provide adequate service, (4) meets or exceeds environmental and industry service standards, as feasible considering local conditions or circumstances, (5) and maintains adequate contingency reserves.

**Merger:** The termination of the existence of a district, and the assumption of the district's responsibilities by a city.

**Municipal Services:** The full range of services that a public agency provides, or is authorized to provide, except general county government functions such as courts, special services and tax collection. As understood under the CKH Act, this includes all services provided by Special Districts under California law.

**Municipal Service Review (MSR):** A study designed to determine the adequacy of governmental services being provided in the region or sub-region. Performing service reviews for each city and special district within the county may be used by LAFCO, other governmental agencies, and the public to better understand and improve service conditions.

**Overlapping Territory:** Territory which is included within the boundaries of two or more districts or within one or more districts and a city or cities.

**Plan of Reorganization:** A plan or program for effecting reorganization and which contains a description of all changes of organization included in the reorganization and setting forth all terms, conditions, and matters necessary or incidental to the effectuation of that reorganization.

**Prime Agricultural Land:** An area of land that has not been developed for a use other than agriculture and meets certain criteria related to soil classification or crop and livestock carrying capacity.

**Principal Act:** In the case of a district, the law under which the district was formed and, in the case of a city, the general laws or a charter, as the case may be.

**Principal LAFCO for Municipal Service Review:** The LAFCO with the lead responsibility for a Municipal Service Review. Lead responsibility can be determined pursuant to the CKH Act definition of a Principal LAFCO as it applies to government organization or reorganization actions, by negotiation, or by agreement among two or more LAFCOs.

**Proceeding:** A course of action; procedures.

**Public Agency:** The state or any state agency, board, or commission, any city, county, city and county, special district, or other political subdivision, or any agency, board, or commission of the city, county, city and county, special district, or other political subdivision.

**Rate Restructuring:** Rate restructuring does not refer to the setting or development of specific rates or rate structures. During a municipal service review, LAFCO may compile and review certain rate related data, and other information that may affect rates, as that data applies to the intent of the CKH Act (§56000, §56001, §56301), factors to be considered (§56668), SOI determinations (§56425) and all required municipal service review

determinations (§56430). The objective is to identify opportunities to positively impact rates without adversely affecting service quality or other factors to be considered.

**Reorganization:** Two or more changes of organization initiated in a single proposal.

**Responsible LAFCO:** The LAFCO of a county other than the Principal County that may be impacted by recommendations, determinations or subsequent proposals elicited during a municipal service review being initiated or considered by the Lead LAFCO.

**Retained Earnings:** The accumulated earnings of an enterprise or intragovernmental service fund which have been retained in the fund and are not reserved for any specific purpose (debts, planned improvements, and contingency/emergency).

**Reserve:** (1) For governmental type funds, an account used to earmark a portion of a fund balance, which is legally or contractually restricted for a specific use or not appropriable for expenditure. (2) For proprietary type/enterprise funds, the portion of retained earnings set aside for specific purposes. Unnecessary reserves are those set aside for purposes that are not well defined or adopted or retained earnings that are not reasonably proportional to annual gross revenues.

**Service Review:** A study and evaluation of municipal service(s) by specific area, subregion or region culminating in written determinations regarding nine specific evaluation categories. (Same as Municipal Service Review)

**Special Reorganization:** A reorganization that includes the detachment of territory from a city or city and county and the incorporation of that entire detached territory as a city.

**Specific Plan:** A policy statement and implementation tool that is used to address a single project or planning problem. Specific plans contain concrete standards and development criteria that supplement those of the general plan.

**Sphere of Influence (SOI):** A plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCO.

**Sphere of Influence Determinations:** In establishing a sphere of influence, the Commission must consider and prepare written determinations related to present and planned land uses, need and capacity of public facilities, and existence of social and economic communities of interest.

**Subject Agency:** Each district or city for which a change of organization is proposed or provided in a reorganization or plan of reorganization.

**Subvention:** Financial support provided by another level of government. The state levies taxes that are “subvened” to agencies, including motor vehicle license fees and the motor vehicle fuel tax. Local agencies also receive reimbursement for revenue lost as a result of various tax exemptions and reductions, like the homeowners’ property tax exemption.

**Zoning:** The primary instrument for implementing the general plan. Zoning divides a community into districts or “zones” that specify the permitted/prohibited land uses.

**Section Two: Principal Act—Public Resources Code 5780 to 5891.7****General Provisions--Sections 5880-5780.9**

5780. (a) This chapter shall be known and may be cited as the Recreation and Park District Law.

(b) The Legislature finds and declares that recreation, park, and open-space facilities and services are important to improving and protecting the quality of life for all Californians. The Legislature further finds and declares that the provision of recreation, park, and open-space facilities and services are essential services which are important to the public peace, health, and welfare of California residents. Among the ways in which local communities have provided these facilities and services has been the creation and operation of recreation and park districts. For at least seven decades, state laws have authorized recreation and park districts to provide recreation programs, local parks, and open spaces. Local officials have used this statutory authority to serve the diversity of California's communities and residents. In enacting this chapter, it is the intent of the Legislature to create and continue a broad statutory authority for a class of special districts that provides community recreation, park, and open-space facilities and recreation services within specified boundaries and under local control. It is also the intent of the Legislature that recreation and park districts cooperate with other public agencies and private organizations to deliver those facilities and services. Further, the Legislature encourages local communities and local officials to adapt the powers and procedures provided by this chapter to meet the diversity of their own local circumstances and responsibilities.

5780.1. As used in this chapter:

(a) "Board of directors" means the board of directors of a district.

(b) "City" means any city whether general law or charter, including a city and county, and including any city the name of which includes the word "town."

(c) "Community recreation" means recreation facilities and services engaged in under the control of a district.

(d) "District" means a recreation and park district created pursuant to this chapter or any of its statutory predecessors.

(e) "Local agency" means a city, county, city and county, special district, school district, community college district, community redevelopment agency, joint powers agency, or any other political subdivision of the state.

(f) "Principal county" means the county having all or the greater portion of the entire assessed value, as shown on the last equalized assessment roll of the county or counties, of all taxable property within a district.

(g) "Recreation" means any voluntary activity which contributes to the education, entertainment, or cultural, mental, moral, or physical development of the individual, group, or community that attends, observes, or participates. "Recreation" includes, but is not limited to, any activity in the fields of art, athletics, drama, habitat conservation, handicrafts, literature, music, nature study, open-space conservation, science, sports, and any formal or informal play that includes these activities.

(h) "Recreation facility" means an area, place, structure, or other facility under the jurisdiction of a public agency that is used either permanently or temporarily for community recreation, even though it may be used for other purposes. "Recreation facility" includes, but is not limited to, an arts and crafts room, auditorium, beach, camp, community center, golf course, gymnasium, lake, meeting place, open space, park, parkway, playground, playing court, playing field, recreational reservoir, river, and swimming pool. A recreation facility may be owned or operated jointly by a district and other public agencies.

(i) "Voter" means a voter as defined by Section 359 of the Elections Code.

(j) "Zone" means a zone formed pursuant to Article 12 (commencing with Section 5791).

5780.3. (a) This chapter provides the authority for the organization and powers of recreation and park districts. This chapter succeeds the former Chapter 4 (commencing with Section 5780) as added by Chapter 2165 of the Statutes of 1957, as subsequently amended, and any of its statutory predecessors.

(b) Any recreation and park district organized or reorganized pursuant to the former Chapter 4 or any of its statutory predecessors which was in existence on January 1, 2002, shall remain in existence as if it had been organized pursuant to this part. Any zone of a recreation and park district formed pursuant to the former Article 10 (commencing with Section 5788) of the former Chapter 4 or any of its statutory predecessors which was in existence on January 1, 2002, shall remain in existence as if it had been formed pursuant to this chapter.

(c) Any general obligation bond, special tax, benefit assessment, fee, election, ordinance, resolution, regulation, rule, or any other action of a district taken pursuant to the former Chapter 4 or any of its statutory predecessors which was taken before January 1, 2002, shall not be voided solely because of any error, omission, informality, misnomer, or failure to comply strictly with this chapter.

5780.5. This chapter is necessary for the public health, safety, and welfare, and shall be liberally construed to effectuate its purposes.

5780.7. If any provision of this chapter or the application of any provision of this chapter in any circumstance or to any person, city, county, special district, school district, the state, or any agency or subdivision of the state is held invalid, that invalidity shall not affect other provisions or applications of this chapter which can be given effect without the invalid provision or application of the invalid provision, and to this end the provisions of this chapter are severable.

5780.9. Any action to determine the validity of the organization of or of any action of a district shall be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

### **Area and Boundary--Sections 5781-5781.1**

5781. Except as provided in this section, territory, whether incorporated or unincorporated, whether contiguous or noncontiguous, may be included in a district. Territory that is already within a recreation and park district organized pursuant to this chapter shall not be included within another recreation and park district.

5781.1. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Division 3 (commencing with Section 56000) of Title 5 of the Government Code, shall govern any change of organization or reorganization of a district.

### **Formation--Sections 5782-5782.7**

5782. A new district may be formed pursuant to this article.

5782.1. (a) A proposal to form a new district may be made by petition. The petition shall do all of the things required by Section 56700 of the Government Code. In addition, the petition shall do all of the following:

(1) Set forth the methods by which the district will be financed, including, but not limited to, special taxes, benefit assessments, and fees.

(2) Propose a name for the district.

(3) Specify the method of selecting the initial board of directors, as provided in Article 4 (commencing with Section 5783).

(4) Specify whether the district will have the power of eminent domain.

(b) The petitions, the proponents, and the procedures for certifying the sufficiency of the petitions shall comply with Chapter 2 (commencing with Section 56700) of Part 3 of Division 3 of Title 5 of the Government Code. In the case of any conflict between that chapter and this article, the provisions of this article shall prevail.

(c) The petition shall be signed by not less than 25 percent of the registered voters residing in the area to be included in the district, as determined by the local agency formation commission.

5782.3. (a) Before circulating any petition, the proponents shall publish a notice of intention that shall include a written statement not to exceed 500 words in length, setting forth the reasons for forming the district and the methods by which the district will be financed. The notice shall be published pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation within the territory proposed to be included in the district. If the territory proposed to be included in the district is located in more than one county, publication of the notice shall be made in at least one newspaper of general circulation in each of the counties.

(b) The notice shall be signed by a representative of the proponent, and shall be in substantially the following form:

"Notice of Intent to Circulate Petition

Notice is hereby given of the intention to circulate a petition proposing to form the \_\_\_\_\_ (name of the district). The reasons for forming the proposed district are: \_\_\_\_\_. The method(s) by which the proposed district will be financed are \_\_\_\_\_."

(c) Within five days after the date of publication, the proponent shall file with the executive officer of the local agency formation commission of the principal county a copy of the notice together with an affidavit made by a representative of the newspaper in which the notice was published certifying to the fact of the publication.

(d) After the filing required pursuant to subdivision (c), the petition may be circulated for signatures.

5782.5. (a) A proposal to form a new district may also be made by the adoption of a resolution of application by the legislative body of any county or city that contains the territory proposed to be included in the district. Except for the provisions regarding the signers, signatures, and the proponents, a resolution of application shall contain all of the matters specified for a petition in Section 5782.1.

(b) Before adopting a resolution of application, the legislative body shall hold a public hearing on the resolution. Notice of the hearing shall be published pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation within the county or city. At least 20 days before the hearing, the legislative body shall give mailed notice of its hearing to the executive officer of the local agency formation commission of the principal county. The notice shall generally describe the proposed formation of the district and the territory proposed to be included in the district.

(c) At the hearing, the legislative body shall give any person an opportunity to present his or her views on the resolution.

(d) The clerk of the legislative body shall file a certified copy of the resolution of application with the executive officer of the local agency formation commission of the principal county.

5782.7. (a) Once the proponents have filed a sufficient petition or a legislative body has filed a resolution of application, the local agency formation commission shall proceed pursuant to Part 3 (commencing with Section 56650) and, notwithstanding Section 57007 of the Government Code, pursuant to Part 4 (commencing with Section 57000) of Division 3 of Title 5 of the Government Code.

(b) Notwithstanding any other provision of law, a local agency formation commission shall not approve a proposal that includes the formation of a district unless the commission determines that the proposed district will have sufficient revenues to carry out its purposes.

(c) Notwithstanding subdivision (b), a local agency formation commission may approve a proposal that includes the formation of a district where the commission has determined that the proposed district will not have sufficient revenue provided that the commission conditions its approval on the concurrent approval of special taxes or benefit assessments that will generate those sufficient revenues. The commission shall provide that if the voters or property owners do not approve the special taxes or benefit assessments, the proposed district shall not be formed.

### **Selection of Initial Board of Directors--Sections 5783-5783.1**

5783. The initial board of directors of a district formed on or after January 1, 2002, shall be determined pursuant to this article.

5783.1. In the case of a district that contains only unincorporated territory in a single county, the board of directors may be elected or may be appointed by the county board of supervisors which may appoint itself as the district board.

5783.3. In the case of a district that contains only unincorporated territory in more than one county, the board of directors may be elected or may be appointed by the boards of supervisors of the counties in which the district is located. If the board of directors is appointed by the county boards of supervisors, the boards of supervisors shall appoint directors according to the proportionate share of population of that portion of each county within the district, provided that each board of supervisors shall appoint at least one director.

5783.5. In the case of a district that contains unincorporated territory and the territory of one or more cities:

(a) The board of directors may be elected or appointed by the county board of supervisors and the city councils in which the district is located. If the board of directors is to be appointed, the board of supervisors and the city council or councils shall appoint directors according to the proportionate share of population of that portion of the county and each city within the district, provided that the board of supervisors and each city council shall appoint at least one director. The board of supervisors or city council may appoint one or more of its members to the district board.

(b) Notwithstanding subdivision (a), the county board of supervisors may appoint itself as the board of directors, if the city council of each of the cities consents by resolution.

5783.7. In the case of a district that includes only incorporated territory within a single city, the board of directors may be elected or appointed by the city council which may appoint itself as the board of directors.

5783.9. In the case of a district that includes only incorporated territory in more than one city, the board of directors may be elected or appointed by the city councils in which the district is located. If the board of directors is appointed, the city councils shall appoint directors according to the proportionate share of population of that portion of each city within the district, provided that each city council shall appoint at least one director. The city council may appoint one or more of its own members to the district board.

5783.11. (a) In the case of a district where the initial board of directors is to be elected, the elections and the terms of office shall be determined pursuant to the Uniform District Election Law, Part 4 (commencing with Section 10500) of Division 10 of the Elections Code.

(b) In the case of a district where the initial board of directors is to be elected, the directors may be elected (1) at large, (2) by divisions, or (3) from divisions.

5783.13. In the case of a district where the initial board of directors is to be appointed, the county board of supervisors or the city council that appoints the board of directors shall specify

either of the following:

(a) The persons appointed to the board of directors shall serve fixed terms. The directors appointed to the initial board of directors shall classify themselves by lot into two classes, as nearly equal in number as possible, and the terms of office of the class having the greater number shall be four years and the terms of office of the class having the lesser number shall be two years.

(b) The persons appointed to the board of directors shall serve at the pleasure of the county board of supervisors or the city council which made the appointments.

### **Boards of Directors and Officers--Sections 5784-5784.15**

5784. (a) A legislative body known as the board of directors shall govern every district. The board of directors shall establish policies for the operation of the district. The board of directors shall provide for the faithful implementation of those policies which is the responsibility of the employees of the district.

(b) Except as provided in this article, the board of directors consists of five members.

(c) No person shall be a candidate for or be appointed to the board of directors unless he or she is a voter of the district or the proposed district.

(d) Service on a municipal advisory council established pursuant to Section 31010 of the Government Code shall not be considered an incompatible office with service as an elected member of a board of directors.

5784.1. Notwithstanding any other provision of law, if on December 31, 2001, a member of the board of directors was elected or appointed as a voter of this state and is an owner of real property within the district, pursuant to the former Section 5783.3, that person may continue to serve on that board of directors for the remainder of the term for which he or she was elected or appointed, and that person may be elected or appointed to that board of directors in the future after that term ends, provided that the person continues to be a voter of this state and an owner of real property within the district.

5784.2. (a) Notwithstanding any other provision of law, a local agency formation commission, in approving either a consolidation of districts or the reorganization of two or more districts into a single recreation and park district, pursuant to subdivisions (k) and (n) of Section 56886 of the Government Code, may temporarily increase the number of directors to serve on the board of directors of the consolidated or reorganized district to seven or nine, who shall be members of the board of directors of the districts to be consolidated or reorganized as of the effective date of the consolidation or reorganization.

(b) Upon the expiration of the terms of the members of the board of directors of the consolidated or reorganized district, whose terms first expire following the effective date of the consolidation or reorganization, the total number of members on the board of directors shall be reduced until the number equals five members.

(c) In addition to the powers granted under Section 1780 of the Government Code, in the event of a vacancy on the board of directors of the consolidated or reorganized district at which time the total number of directors is greater than five, the board of directors may,

by majority vote of the remaining members of the board, choose not to fill the vacancy. In that event, the total membership of the board of directors shall be reduced by one board member.

(d) For the purposes of this section, the following definitions apply:

(1) "Consolidation" means consolidation as defined in Section 56030 of the Government Code.

(2) "District" or "special district" means district or special district as defined in Section 56036 of the Government Code.

(3) "Reorganization" means reorganization as defined in Section 56073 of the Government Code.

5784.3. (a) The term of office of each member of a board of directors who has been elected or appointed to a fixed term is four years. Directors shall take office at noon on the first Friday in December following their election or their appointment to a fixed term.

(b) Notwithstanding subdivision (a), in the case of a district formed on or after January 1, 2002, the directors shall serve the terms determined pursuant to Section 5783.11.

(c) Any vacancy in the office of a member appointed to a board of directors shall be filled pursuant to Section 1779 of the Government Code.

(d) Any vacancy in the office of a member elected to a board of directors shall be filled pursuant to Section 1780 of the Government Code.

5784.5. If a county board of supervisors or a city council has appointed itself as the board of directors, the board of supervisors or city council may delegate any or all of its powers to a recreation and park commission composed of five commissioners. In the case of a district governed by a board of supervisors, the commissioners may be council members of cities that are located in the district. The board of supervisors or city council shall determine whether the commissioners shall serve at its pleasure or for staggered terms of four years, subject to removal for cause. A commissioner shall be a voter of the district.

5784.7. (a) Within 45 days after their first election and after each general district election or unopposed election, or at the beginning of each new term for members of an appointed board, the board of directors shall meet and elect its officers.

(b) The officers of a board of directors are a chair and vice chair. A board of directors may create additional officers and elect members to those positions, provided that no member of a board of directors shall hold more than one office.

(c) The board of directors may appoint one of its members as secretary. The board of directors may also employ a clerk to perform the duties of the secretary. If the board of directors does not appoint a secretary, the clerk shall perform the duties of the secretary.

(d) In the case of a district that includes only incorporated territory within a single city, the city treasurer shall act as the district treasurer and shall receive no compensation for the receipt and disbursement of money of the district. In all other cases, the county treasurer of the principal county shall act as the district treasurer and shall receive no compensation for the receipt and disbursement of money of the district.

5784.9. (a) Notwithstanding Section 5784.7, a district may establish an alternative depository pursuant to this section.

(b) The board of directors may adopt a resolution to designate a bank or a savings and loan association as the depository of any or all of its funds. The board of directors and the board of supervisors of the principal county shall determine a mutually acceptable date for the transfer of the district's funds to that depository, not to exceed 15 months from the date on which the board of directors adopted its resolution.

(c) If the board of directors does not designate that depository for all of its funds, the board of directors shall designate what funds are to be deposited in that depository. The county treasurer shall be the depository for all funds not so designated.

(d) The charges of any depository designated pursuant to this section shall be a proper expense of the district.

(e) The board of directors shall appoint a person who shall be known as the finance officer, who shall serve at the pleasure of the board of directors. The finance officer may be a member of the board of directors, the general manager, or the office of finance officer may be consolidated with the office of secretary. The board of directors shall fix the amount of the finance officer's compensation.

The board of directors shall fix the amount of and approve the finance officer's bond.

(f) Bond principal and interest and salaries shall be paid when due. Except as provided in subdivision (g), the board of directors shall approve all other claims and demands in an open meeting by a majority of the members of the board of directors.

(g) Warrants drawn in payment of claims and demands approved by the finance officer as conforming to an approved budget need not be approved by the board of directors prior to payment. These claims and demands shall be presented to the board of directors for ratification and approval in the audited comprehensive annual financial report.

(h) The finance officer shall draw the warrants. The warrants shall be signed by either the chair of the board of directors or another member of the board, and by either the secretary or the general manager. The board of directors, by ordinance or resolution, may prescribe an alternative method of drawing and signing warrants, provided that the method adheres to generally accepted accounting principles.

(i) The finance officer shall install and maintain a system of auditing and accounting that shall completely and at all times show the financial condition of the district.

(j) The finance officer shall make annual or more frequent written reports to the board of directors, as the board shall determine, regarding the receipts and disbursements and balances in the accounts that are controlled by the finance officer. The finance officer shall sign the reports and file them with the secretary.

(k) A bank or savings and loan association may act as a depository, paying agent, or fiscal agent for the holding or handling of the district's funds, notwithstanding the fact that a member of the board of directors whose funds are on deposit in that bank or savings and loan association is an officer, employee, or stockholder of that bank or savings and loan association, or of a holding company that owns any of the stock of that bank or savings and loan company.

5784.11. A board of directors shall meet at least once every three

months. Meetings of the board of directors are subject to the provisions of the Ralph M. Brown Act, Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code.

5784.13. (a) A majority of the board of directors shall constitute a quorum for the transaction of business.

(b) The board of directors shall act only by ordinance, resolution, or motion.

(c) Except as otherwise specifically provided to the contrary in this chapter, a recorded majority vote of the total membership of the board of directors is required on each action.

(d) The board of directors shall keep a record of all its acts, including financial transactions.

(e) The board of directors shall adopt rules for its proceedings.

5784.15. (a) The board of directors may provide, by ordinance or resolution, that each of its members may receive compensation in an amount not to exceed one hundred dollars (\$100) for attending each meeting of the board. The board of directors, by ordinance adopted pursuant to Chapter 2 (commencing with Section 20200) of Division 10 of the Water Code, may increase the amount of compensation received for attending meetings of the board.

(b) The maximum compensation in any calendar month shall be five hundred dollars (\$500).

(c) In addition, members of the board of directors may receive their actual and necessary traveling and incidental expenses incurred while on official business.

(d) A member of the board of directors may waive the compensation.

(e) For the purposes of this section, a meeting of the board of directors includes, but is not limited to, regular meetings, special meetings, closed sessions, emergency meetings, board field trips, district public hearings, or meetings of a committee of the board.

(f) For purposes of this section, the determination of whether a director's activities on any specific day are compensable shall be made pursuant to Article 2.3 (commencing with Section 53232) of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code.

(g) Reimbursement for these expenses is subject to Sections 53232.2 and 53232.3 of the Government Code.

### **Reorganizing the Board of Directors--Sections 5785-5785.5**

5785. (a) In the case of a district with an elected board of directors, the directors may be elected:

- (1) At large.
- (2) By divisions.
- (3) From divisions.

(b) As used in this article:

(1) "By divisions" means the election of each member of the board of directors by voters of the division alone.

(2) "From divisions" means the election of members of the board of directors who are residents of the division from which they are elected by the voters of the entire district.

(c) A board of directors may be elected by any one of the methods described in subdivision (a) if a majority of the voters voting upon the question are in favor of the question at a general district or

special election.

(d) The board of directors may adopt a resolution placing the question on the ballot. Alternatively, upon receipt of a petition signed by at least 25 percent of the registered voters of the district, the board of directors shall adopt a resolution placing the question on the ballot.

(e) If the question is submitted to the voters at a general district election, the notice required by Section 12112 of the Elections Code shall contain a statement of the question to appear on the ballot. If the question is submitted to the voters at a special election, the notice of election and ballot shall contain a statement of the question.

(f) If the majority of voters voting upon the question approves the election of directors either by divisions or from divisions, the board of directors shall promptly adopt a resolution dividing the district into five divisions. The resolution shall assign a number to each division. Using the last decennial census as a basis, the divisions shall be as nearly equal in population as possible. In establishing the boundaries of the divisions, the district board may give consideration to the following factors:

- (1) Topography.
- (2) Geography.
- (3) Cohesiveness, contiguity, integrity, and compactness of territory.
- (4) Community of interests of the divisions.

(g) If the majority of voters voting upon the question approves of the election of directors either by divisions or from divisions, the members of the board of directors shall be elected by divisions or from divisions. Each member elected by division or from division shall be a resident of the election division by which or from which he or she is elected. At the district general election following the approval by the voters of the election of directors either by divisions or from divisions, the board of directors shall assign vacancies on the board of directors created by the expiration of terms to the respective divisions and the vacancies shall be filled either by or from those divisions.

(h) If the majority of voters voting on the question approves of the election of directors at large, the board of directors shall promptly adopt a resolution dissolving the divisions that had existed.

5785.1. (a) In the case of a board of directors elected by divisions or from divisions, the board of directors shall adjust the boundaries of the divisions before November 1 of the year following the year in which each decennial census is taken. If, at any time between each decennial census, a change of organization or reorganization alters the population of the district, the board of directors shall reexamine the boundaries of its divisions. If the board of directors finds that the population of any division has varied so that the divisions no longer meet the criteria specified in subdivision (f) of Section 5785, the board of directors shall adjust the boundaries of the divisions so that the divisions shall be as nearly equal in population as possible. The board of directors shall make this change within 60 days of the effective date of the change of organization or reorganization.

(b) In the case of a board of directors that has been appointed by more than one county board of supervisors or city council, the board of directors shall adjust the proportionate distribution of the

appointments before November 1 of the year following the year in which each decennial census is taken. If at any time between each decennial census, a change of organization or reorganization alters the population of the district, the board of directors shall reexamine the proportionate distribution of appointments. If the board of directors finds that the population of the district has varied so that the distribution of appointments is no longer proportionate, the board of directors shall adjust the proportionate distribution of appointments accordingly. The board of directors shall make this change within 60 days of the effective date of the change of organization or reorganization. The county board of supervisors or city council shall appoint members to the board of directors as vacancies occur.

5785.3. (a) If a majority of the voters voting on the question at a general district or special district election are in favor, a district that has an appointed board of directors shall have an elected board of directors, or a district that has an elected board of directors shall have an appointed board of directors.

(b) The board of directors may adopt a resolution placing the question on the ballot. Alternatively, upon receipt of a petition signed by at least 25 percent of the registered voters of the district, the board of directors shall adopt a resolution placing the question on the ballot.

(c) If the question is submitted to the voters at a general district election, the notice required by Section 12112 of the Elections Code shall contain a statement of the question to appear on the ballot. If the question is submitted to the voters at a special election, the notice of election and ballot shall contain a statement of the question.

(d) If a majority of voters voting upon the question approves of changing from an appointed board of directors to an elected board of directors, the members of the board of directors shall be elected at the next general district election. If a majority of voters voting upon the question approves of changing from an elected board of directors to an appointed board of directors, members shall be appointed to the board of directors as vacancies occur.

5785.5. (a) Before circulating any petition pursuant to Section 5785 or Section 5785.3, the proponents shall publish a notice of intention that shall include a written statement not to exceed 500 words in length, setting forth the reasons for the proposal. The notice shall be published pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation within the district. If the district is located in more than one county, publication of the notice shall be made in at least one newspaper of general circulation in each county.

(b) The notice shall be signed by at least one, but not more than three, proponents and shall be in substantially the following form:

"Notice of Intent to Circulate Petition

Notice is hereby given of the intention to circulate a petition affecting the Board of Directors of the \_\_\_\_\_ (name of the district). The petition proposes that \_\_\_\_\_ (description of the proposal)."

(c) Within five days after the date of publication, the proponents shall file with the secretary of the board of directors a copy of

the notice together with an affidavit made by a representative of the newspaper in which the notice was published certifying to the fact of publication.

(d) After the filing required pursuant to subdivision (c), the petition may be circulated for signatures.

(e) Sections 100 and 104 of the Elections Code shall govern the signing of the petition and the format of the petition.

(f) A petition may consist of a single instrument or separate counterparts. The proponents shall file the petition, together with all counterparts, with the secretary of the board of directors. The secretary shall not accept a petition for filing unless the signatures have been secured within six months of the date on which the first signature was obtained and the proponents submitted the petition to the secretary for filing within 60 days after the last signature was obtained.

(g) Within 30 days after the date of filing a petition, the secretary of the board of directors shall cause the petition to be examined by the county elections official, in accordance with Sections 9113 to 9115, inclusive, of the Elections Code, and shall prepare a certificate of sufficiency indicating whether the petition is signed by the requisite number of signers.

(h) If the certificate of the secretary shows the petition to be insufficient, the secretary shall immediately give notice by certified mail of the insufficiency to the proponents. That mailed notice shall state in what amount the petition is insufficient. Within 15 days after the date of the notice of insufficiency, the proponents may file with the secretary a supplemental petition bearing additional signatures.

(i) Within 10 days after the date of filing a supplemental petition, the secretary shall examine the supplemental petition and certify the results in writing of his or her examination.

(j) The secretary shall sign and date a certificate of sufficiency. That certificate shall also state the minimum signature requirements for a sufficient petition and show the results of the secretary's examination. The secretary shall mail a copy of the certificate of sufficiency to the proponents.

(k) Once the proponents have filed a sufficient petition, the board of directors shall take the actions required pursuant to Section 5785 or 5785.3.

### **Powers and Duties--Sections 5786-5786.31**

5786. A district may:

(a) Organize, promote, conduct, and advertise programs of community recreation, including, but not limited to, parks and open space, parking, transportation, and other related services that improve the community's quality of life.

(b) Establish systems of recreation and recreation facilities, including, but not limited to, parks and open space.

(c) Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, both inside and beyond the district's boundaries.

5786.1. A district shall have and may exercise all rights and powers, expressed or implied, necessary to carry out the purposes and intent of this chapter, including, but not limited to, the following powers:

- (a) To sue and be sued.
- (b) To acquire any real or personal property within or outside the district, to hold, manage, occupy, dispose of, convey and encumber the property, and to create a leasehold interest in the property for the benefit of the district.
- (c) To acquire any real or personal property by eminent domain within the boundaries of the district, pursuant to Section 5786.5.
- (d) To appoint necessary employees, to define their qualifications and duties, and to provide a schedule of compensation for performance of their duties.
- (e) To engage counsel and other professional services.
- (f) To enter into and perform all necessary contracts pursuant to Article 53.5 (commencing with Section 20815) of Chapter 1 of Part 3 of the Public Contract Code.
- (g) To borrow money, give security therefor, and purchase on contract, as provided in this chapter.
- (h) To adopt a seal and alter it at pleasure.
- (i) To adopt ordinances following the procedures of Article 7 (commencing with Section 25120) of Chapter 1 of Part 2 of Division 2 of Title 3 of the Government Code.
- (j) To adopt and enforce rules and regulations for the administration, operation, use, and maintenance of the recreation facilities, programs, and services listed in Section 5786.
- (k) To enter joint powers agreements pursuant to the Joint Exercise of Powers Act, Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code.
- (l) To provide insurance pursuant to Part 6 (commencing with Section 989) of Division 3.6 of Title 1 of the Government Code.
- (m) To perform any acts necessary to carry out the provisions of this chapter.

5786.3. When acquiring, improving, or using any real property, a district shall comply with Article 5 (commencing with Section 53090) of Chapter 1 of Part 1 of Division 2 of Title 5 of the Government Code, and Article 7 (commencing with Section 65400) of Chapter 1 of Division 1 of Title 7 of the Government Code.

5786.5. (a) If a district was formed without the power of eminent domain, the district shall not exercise eminent domain to acquire any real or personal property, except as provided by subdivision (d).

(b) If a district was formed with the power to acquire any real or personal property by eminent domain within the boundaries of the district, the district shall comply with the requirements of the Eminent Domain Law, Title 7 (commencing with Section 1230.010) of Part 3 of the Code of Civil Procedure.

(c) In addition to the requirements imposed by subdivision (b), before a district may exercise the power of eminent domain, it shall first obtain the approval of the city council if the property is located in incorporated territory or the county board of supervisors if the property is located in unincorporated territory. The district shall notify the property owner of the district's request to the city council or county board of supervisors. The district shall mail the notice to the property owner at least 20 days before the date on which the city council or county board of supervisors will act on the district's request.

(d) (1) If a district was formed with the power to acquire real or personal property by the power of eminent domain, it shall not exercise that power if a majority of the voters voting upon the

question are in favor of the question at a general district or special election. If a district was formed without the power to acquire real or personal property by the power of eminent domain, it may exercise that power if a majority of the voters voting upon the question are in favor of the question at a general district or special election.

(2) The board of directors may adopt a resolution placing the question on the ballot. Alternatively, upon receipt of a petition signed by at least 25 percent of the registered voters of the district, the board of directors shall adopt a resolution placing the question on the ballot.

(3) If the question is submitted to the voters at a general district election, the notice required by Section 12112 of the Elections Code shall contain a statement of the question to appear on the ballot. If the question is submitted to the voters at a special election, the notice of election and ballot shall contain a statement of the question.

(4) Before circulating any petition pursuant to this subdivision, the proponents shall publish a notice of intention which shall include a written statement not to exceed 500 words in length, setting forth the reasons for the proposal. The notice shall be published pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation within the district. If the district is located in more than one county, publication of the notice shall be made in at least one newspaper of general circulation in each county.

(5) The notice shall be signed by at least one, but not more than three, proponents and shall be in substantially the following form:

"Notice of Intent to Circulate Petition

Notice is hereby given of the intention to circulate a petition affecting power of eminent domain of the \_\_\_\_\_ (name of the district). The petition proposes that \_\_\_\_\_ (description of the proposal)."

(6) Within five days after the date of publication, the proponents shall file with the secretary of the board of directors a copy of the notice together with an affidavit made by a representative of the newspaper in which the notice was published certifying to the fact of publication. After the filing, the petition may be circulated for signatures.

(7) Sections 100 and 104 of the Elections Code shall govern the signing of the petition and the format of the petition. A petition may consist of a single instrument or separate counterparts. The proponents shall file the petition, together with all counterparts, with the secretary of the board of directors. The secretary shall not accept a petition for filing unless the signatures have been secured within six months of the date on which the first signature was obtained and the proponents submitted the petition to the secretary for filing within 60 days after the last signature was obtained.

(8) Within 30 days after the date of filing a petition, the secretary of the board of directors shall cause the petition to be examined by the county elections official, in accordance with Sections 9113 to 9115, inclusive, of the Elections Code, and shall prepare a certificate of sufficiency indicating whether the petition is signed by the requisite number of signers.

(9) If the certificate of the secretary shows the petition to be insufficient, the secretary shall immediately give notice by certified mail of the insufficiency to the proponents. That mailed

notice shall state in what amount the petition is insufficient. Within 15 days after the date of the notice of insufficiency, the proponents may file with the secretary a supplemental petition bearing additional signatures.

(10) Within 10 days after the date of filing a supplemental petition, the secretary shall examine the supplemental petition and certify the results in writing of his or her examination.

(11) The secretary shall sign and date a certificate of sufficiency. That certificate shall also state the minimum signature requirements for a sufficient petition and show the results of the secretary's examination. The secretary shall mail a copy of the certificate of sufficiency to the proponents.

(12) Once the proponents have filed a sufficient petition, the board of directors shall adopt the resolution required by paragraph (2).

5786.7. Notwithstanding any other provision of law:

(a) If a majority of the voters voting on the question at a general district or special district election are in favor, the Parker Dam Recreation and Park District may do all of the following:

(1) Purchase or lease electric power from any public agency or private entity for use within the district's boundaries.

(2) Acquire water and water rights and do any act necessary to furnish sufficient water for beneficial use within the district's boundaries.

(3) Sell, dispose of, and distribute water and electric power for use within the district's boundaries.

(4) Provide street lighting facilities and services.

(b) Provided that the authority to exercise these powers is approved by the local agency formation commission and conforms to Article XIIC of the California Constitution, the Camp Meeker Recreation and Park District may exercise the powers of a county water district pursuant to:

(1) Article 1 (commencing with Section 31000) to Article 9 (commencing with Section 31100), inclusive, of Part 5 of Division 12 of the Water Code.

(2) Part 6 (commencing with Section 31300) of Division 12 of the Water Code.

(3) Part 7 (commencing with Section 31650) of Division 12 of the Water Code.

(c) The Coachella Valley Recreation and Park District and the Hesperia Recreation and Park District may provide street lighting facilities and services.

(d) The Lucerne Recreation and Park District may exercise any of the powers, functions, and duties of a fire protection district pursuant to the Fire Protection District Law of 1987, Part 3 (commencing with Section 13800) of Division 12 of the Health and Safety Code.

5786.9. (a) A district shall have perpetual succession.

(b) A board of directors may, by a four-fifths vote of its total membership, adopt a resolution to change the name of the district. The resolution shall comply with the requirements of Chapter 23 (commencing with Section 7530) of Division 7 of Title 1 of the Government Code. The board of directors shall not change the name of the district to the name of any living individual. Within 10 days of its adoption, the board of directors shall file a copy of its resolution with the Secretary of State, the county clerk, the board

of supervisors, and the local agency formation commission of each county in which the district is located.

(c) A district may destroy a record pursuant to Chapter 7 (commencing with Section 60200) of Division 1 of Title 6 of the Government Code.

5786.11. (a) A district may cooperate with any city, county, special district, school district, state agency, or federal agency to carry out the purposes and intent of this chapter. To that end, a district may enter into agreements with those other public agencies to do any and all things necessary or convenient in carrying out the purposes and intent of this chapter.

(b) A district may jointly acquire, construct, improve, maintain, and operate recreation facilities and programs of community recreation with any other public agency. Nothing in this chapter shall be construed to prohibit any joint or cooperative action with other public agencies.

5786.13. A district may contract with other public agencies to provide recreation facilities and programs of community recreation within the district's boundaries. A district may contract with other public agencies to provide recreation facilities and programs of community recreation within the boundaries of other public agencies.

5786.15. (a) Each district shall adopt policies and procedures, including bidding regulations, governing the purchase of supplies and equipment. Each district shall adopt these policies and procedures by rule or regulation pursuant to Article 7 (commencing with Section 54201) of Chapter 5 of Division 2 of Title 5 of the Government Code.

(b) A district may request the Department of General Services to make purchases of materials, equipment, or supplies on its behalf pursuant to Section 10324 of the Public Contract Code.

(c) A district may request the purchasing agent of the principal county to make purchases of materials, equipment, or supplies on its behalf, pursuant to Article 7 (commencing with Section 25500) of Chapter 5 of Division 2 of Title 3 of the Government Code.

(d) A district may request the purchasing agent of the principal county to contract with persons to provide recreation facilities and programs of community recreation, pursuant to Article 7 (commencing with Section 25500) of Chapter 5 of Division 2 of Title 3 of the Government Code. The district shall be responsible for and maintain control over those recreational facilities and programs of community recreation.

(e) A district may lease or rent private vehicles or equipment owned by district employees.

5786.17. (a) Violation of any rule, regulation, or ordinance adopted by a board of directors is a misdemeanor punishable pursuant to Section 19 of the Penal Code.

(b) Any citation issued by a district for violation of a rule, regulation, or ordinance adopted by a board of directors may be processed as an infraction pursuant to subdivision (d) of Section 17 of the Penal Code.

(c) To protect property and to preserve the peace at recreation facilities and other property owned or managed by a district, the board of directors may confer on designated uniformed district employees the power to issue citations for misdemeanor and infraction

violations of state law, city or county ordinances, or district rules, regulations, or ordinances when the violation is committed within a recreation facility and in the presence of the employee issuing the citation. District employees shall issue citations pursuant to Chapter 5C (commencing with Section 853.5) of Title 3 of Part 2 of the Penal Code.

5786.19. (a) The Meyers-Miliias-Brown Act, Chapter 10 (commencing with Section 3500) of Division 4 of Title 1 of the Government Code applies to all districts.

(b) A board of directors may adopt an ordinance establishing an employee relations system which may include, but is not limited to, a civil service system or a merit system.

(c) With the prior permission of the board of supervisors of the principal county, or in the case of a district which contains no unincorporated territory with the prior permission of the city council, a board of directors may adopt an ordinance that makes the employees of the district subject to the employee relations system of the principal county or that city. The board of directors may adopt an ordinance that withdraws the employees of the district from the employee relations system of the principal county or that city. A district in which the employees of the district are subject to the employee relations system of the principal county or that city shall receive employee relations services at cost from the county or city.

5786.21. If a county board of supervisors has appointed itself as the board of directors and the county has by ordinance provided a civil service system:

(a) A county employee holding a classified civil service position for which eligibility has been established by a competitive examination and certification, and which is similar in grade or class to a district position, shall, at the district's request, be certified by the county civil service commission as being eligible to transfer to and hold that position in the district with the same status and without further examination.

(b) A district employee holding a classified civil service position for which eligibility has been established by a competitive examination and certification, and that is similar in grade or class to a county position, shall, at the county's request, be certified by the county civil service commission as being eligible to transfer to and hold that position in the county with the same status and without further examination.

(c) Any person entitled to participate in promotional examinations for classified civil service positions in either the county or the district shall be entitled to participate in promotional examinations for classified civil service positions for both the county and the district, pursuant to the civil service commission's rules, and to be certified for those positions by the county civil service commission or board of supervisors, and to be appointed to those positions.

5786.23. (a) This section shall apply only to a district where all of the following apply:

(1) The county board of supervisors has appointed itself as the board of directors.

(2) The county has by ordinance provided a civil service system.

(3) The county operates under a freeholders' charter that requires that in the fixing of salaries or wages for county employees subject to the county's civil service system, the board of supervisors shall

provide a salary or wage at least equal to the prevailing salary or wage for the same quality of service rendered to private persons under similar employment, if the prevailing salary or wage can be ascertained.

(b) In fixing the salary or wage for district employees subject to the county's civil service system, the board of directors shall provide a salary or wage equal to the salary or wage paid to county employees for the same quality of service.

5786.25. A board of directors may require any employee or officer to be bonded. The district shall pay the cost of the bonds.

5786.27. A board of directors may provide for any programs for the benefit of its employees and members of the board of directors pursuant to Chapter 2 (commencing with Section 53200) of Part 1 of Division 2 of Title 5 of the Government Code.

5786.29. A district may authorize the members of its board of directors and its employees to attend professional or vocational meetings and pay their actual and necessary traveling and incidental expenses while on official business.

5786.31. Whenever the boundaries of a district or a zone change, the district shall comply with Chapter 8 (commencing with Section 54900) of Part 1 of Division 2 of Title 5 of the Government Code.

### **Elections--Sections 5787-5787.3**

5787. Except as otherwise provided in this chapter, districts are subject to the Uniform District Election Law, Part 4 (commencing with Section 10500) of Division 10 of the Elections Code.

5787.1. A board of directors may require that the election of members to the board of directors shall be held on the same day as the statewide general election pursuant to Section 10404 of the Elections Code.

5787.3. If the proposition on the question of formation fails, the county or counties shall pay the expenses of the election. If the proposition on the question of formation passes, the expense shall be a charge against the district and repaid to the county or counties from the first moneys collected by the district. The expense of all other elections shall be a charge against the district.

### **Finance--Sections 5788-5788.25**

5788. On or before July 1 of each year, the board of directors shall adopt a preliminary budget that shall conform to the accounting and budgeting procedures for special districts contained in Subchapter 3 (commencing with Section 1031.1) of, and Article 1 (commencing with Section 1121) of Subchapter 4 of Division 2 of Title 2 of the California Code of Regulations. The board of directors may divide the preliminary budget into categories, including, but not limited to:

- (a) Maintenance and operation.
- (b) Employee compensation.
- (c) Capital outlay.
- (d) Interest and redemption for indebtedness.

- (e) Restricted reserve for capital outlay.
- (f) Restricted reserve for contingencies.
- (g) Unallocated general reserve.

5788.1. (a) On or before July 1 of each year, the board of directors shall publish a notice stating all of the following:

(1) That it has adopted a preliminary budget that is available for inspection at a time and place within the district specified in the notice.

(2) The date, time, and place when the board of directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.

(b) The board of directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Section 6061 of the Government Code.

5788.3. At the time and place specified for the meeting, any person may appear and be heard regarding any item in the budget or regarding the addition of other items. The hearing on the budget may be continued from time to time.

5788.5. On or before August 30 of each year, after making any changes in the preliminary budget, the board of directors shall adopt a final budget. The board of directors shall forward a copy of the final budget to the auditor of each county in which the district is located.

5788.7. At any regular meeting or properly noticed special meeting after the adoption of its final budget, the board of directors may adopt a resolution amending the budget and ordering the transfer of funds between categories, other than transfers from the restricted reserve for capital outlay and the restricted reserve for contingencies.

5788.9. (a) In its annual budget, the board of directors may establish a restricted reserve for capital outlay and a restricted reserve for contingencies. When the board of directors establishes a restricted reserve, it shall declare the exclusive purposes for which the funds in the reserve may be spent. The funds in the restricted reserve shall be spent only for the exclusive purposes for which the board of directors established the restricted reserve. The reserves shall be maintained according to generally accepted accounting principles.

(b) Any time after the establishment of a restricted reserve, the board of directors may transfer any funds to that restricted reserve.

(c) If the board of directors finds that the funds in a restricted reserve are no longer required for the purpose for which the restricted reserve was established, the board of directors may, by a four-fifths vote of the total membership of the board of directors, discontinue the restricted reserve or transfer any funds that are no longer required from the restricted reserve to the district's general fund.

5788.11. On or before July 1 of each year, the board of directors shall adopt a resolution establishing its appropriations limit and

make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution and Division 9 (commencing with Section 7900) of Title 1 of the Government Code.

5788.13. The auditor of each county in which a district is located shall allocate to the district its share of property tax revenue pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.

5788.15. On or before July 1 of any year, the city council of a city which is located wholly or partially within a district may adopt a resolution ordering the transfer of funds from the city to the district in an amount equal to the entire or partial amount of property tax revenue that would have been allocated to the district from the territory that is located both in the city and the district.

The city shall file certified copies of its resolution with the district and the county auditor. Pursuant to Section 96.8 of the Revenue and Taxation Code, the county auditor shall compute and implement an effective tax rate reduction. A city's decision to pay funds to a district in lieu of property tax revenues is effective only for the fiscal year for which it is made.

5788.17. (a) A district may accept any revenue, money, grants, goods, or services from any federal, state, regional, or local agency or from any person for any lawful purpose of the district.

(b) In addition to any other existing authority, a district may borrow money and incur indebtedness pursuant to Article 7 (commencing with Section 53820), Article 7.5 (commencing with Section 53840), Article 7.6 (commencing with Section 53850), and Article 7.7 (commencing with Section 53859) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code.

5788.19. A local agency may loan any of its available funds to a district.

5788.21. (a) A district may acquire any necessary real property by borrowing money or purchasing on contract pursuant to this section. That indebtedness shall be in addition to any bonded indebtedness authorized by the voters.

(b) The amount of indebtedness shall not exceed an amount equal to two times the actual income from property tax revenues received pursuant to Section 5788.13 for the fiscal year preceding the year in which the indebtedness is incurred. Any indebtedness shall be repaid within 10 years from the date on which it is incurred. An indebtedness shall bear interest at a rate which shall not exceed the rate permitted under Article 7 (commencing with Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

(c) Each indebtedness shall be authorized by a resolution adopted by a four-fifths vote of the total membership of the board of directors and shall be evidenced by a promissory note or contract signed by the chair and the secretary or the clerk of the board of directors.

5788.23. (a) All claims for money or damages against a district are governed by Part 3 (commencing with Section 900) and Part 4

(commencing with Section 940) of Division 3.6 of Title 1 of the Government Code.

(b) All claims against a district shall be audited, allowed, and paid by the board of directors by warrants drawn on the treasurer.

(c) As an alternative to subdivision (b), the board of directors may instruct the county auditor to audit, allow, and draw his or her warrant on the county treasurer for all legal claims presented to him or her and authorized by the board of directors.

(d) The treasurer shall pay the warrants in the order in which they are presented.

(e) If a warrant is presented for payment and the treasurer cannot pay it for want of funds in the account on which it is drawn, the treasurer shall endorse the warrant, "NOT PAID BECAUSE OF INSUFFICIENT FUNDS" and sign his or her name and the date and time the warrant was presented. From that time until it is paid, the warrant bears interest at the maximum rate permitted pursuant to Article 7 (commencing with Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

5788.25. (a) The board of directors shall provide for regular audits of the district's accounts and records pursuant to Section 26909 of the Government Code.

(b) The board of directors shall provide for the annual financial reports to the Controller pursuant to Article 9 (commencing with Section 53890) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code.

### **Alternative Revenues--Sections 5789-5789.5**

5789. Whenever a board of directors determines that the amount of revenue available to the district or any of its zones is inadequate to meet the costs of providing facilities, programs, and services pursuant to Section 5786, the board of directors may raise revenues pursuant to this article or any other provision of law.

5789.1. A district may levy special taxes pursuant to:

(a) Article 3.5 (commencing with Section 50075) of Chapter 1 of Part 1 of Division 1 of Title 5 of the Government Code. The special taxes shall be applied uniformly to all taxpayers or all real property within the district, except that unimproved property may be taxed at a lower rate than improved property.

(b) The Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code.

5789.3. A district may levy special benefit assessments consistent with the requirements of Article XIIID of the California Constitution to finance capital improvements, including, but not limited to, special benefit assessments levied pursuant to:

(a) The Improvement Act of 1911, Division 7 (commencing with Section 5000) of the Streets and Highways Code.

(b) The Improvement Bond Act of 1915, Division 15 (commencing with Section 8500) of the Streets and Highways Code.

(c) The Municipal Improvement Act of 1913, Division 12 (commencing with Section 10000) of the Streets and Highways Code.

(d) The Landscaping and Lighting Assessment Act of 1972, Part 2 (commencing with Section 22500) of Division 15 of the Streets and Highways Code.

(e) Any other statutory authorization enacted in the future.

5789.5. (a) A board of directors may charge a fee to cover the cost of any service which the district provides or the cost of enforcing any regulation for which the fee is charged. No fee shall exceed the costs reasonably borne by the district in providing the service or enforcing the regulation for which the fee is charged.

(b) Before imposing or increasing any fee for property-related services, a board of directors shall follow the procedures in Section 6 of Article XIIIID of the California Constitution.

(c) A board of directors may charge residents or taxpayers of the district a fee authorized by this section which is less than the fee which it charges to nonresidents or nontaxpayers of the district.

(d) A board of directors may authorize district employees to waive the payment, in whole or in part, of a fee authorized by this section when the board of directors determines that payment would not be in the public interest. Before authorizing any waiver, a board of directors shall adopt a resolution which specifies the policies and procedures governing waivers.

### **General Obligation Bonds--Sections 5790-5790.17**

5790. (a) Whenever a board of directors determines that it is necessary to incur a general obligation bonded indebtedness for the acquisition or improvement of real property or for funding or refunding of any outstanding indebtedness, the board of directors shall adopt a resolution making determinations and calling an election on a proposition to incur indebtedness.

(b) The amount of the bonds to be issued shall not exceed the amount specified in the resolution calling the election.

(c) A district shall not incur bonded indebtedness that exceeds 10 percent of the assessed value of all taxable property in the district at the time the bonds are issued.

5790.1. The resolution shall state:

(a) The purpose for which the proposed debt is to be incurred, which may include expenses for the authorization, issuance, and sale of bonds.

(b) The amount of the debt to be incurred.

(c) The maximum term of the bonds, not to exceed 30 years.

(d) The maximum rate of interest to be paid, not to exceed the maximum rate permitted pursuant to Article 7 (commencing with Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

(e) The measure to be submitted to the voters.

(f) The date the election will be held.

(g) Any other matters that are required pursuant to Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

(h) Any other matters that are required pursuant to the Uniform District Election Law, Part 4 (commencing with Section 10500) of Division 10 of the Elections Code.

5790.3. (a) The election shall be conducted pursuant to the Uniform District Election Law, Part 4 (commencing with Section 10500) of Division 10 of the Elections Code.

(b) If two-thirds of the voters voting on the proposition favor incurring the indebtedness and issuing the bonds, the board of

directors may incur the indebtedness and issue the bonds.

5790.5. (a) The board of directors may provide for the issuance of bonds in any amounts, in any series, and on any terms, provided that they do not exceed the limits approved by the voters.

(b) The board of directors shall adopt a resolution prescribing the form and denomination of the bonds. The resolution shall specify the dates on which all or any part of the principal shall become due and payable. The payment of the first installment or principal may be deferred for a maximum period not to exceed five years from the date on which the board of directors issues the first bonds or first bonds in each series.

(c) The bonds shall be dated, numbered consecutively, and signed by the chair of the board of directors and the treasurer. Signatures may be facsimiles and may be mechanically reproduced by any means, provided that one of the signatures shall be signed by hand. If the chair of the board of directors or the treasurer whose signature appears on a bond ceases to hold that office before the delivery of the bonds to the purchaser, the signature is nevertheless valid for all purposes connected with that bond.

(d) The board of directors may provide for the call and redemption of bonds before their maturity at times and prices and upon any other terms as it specifies.

5790.7. (a) Before selling the bonds, the board of directors shall give notice inviting sealed bids. At a minimum, the board of directors shall publish notice at least once in a newspaper of general circulation in the district at least 10 days before the deadline for receiving the bids.

(b) The board of directors shall award the sale of the bonds to the highest responsible bidder.

(c) If the board of directors does not receive any bids or if it determines that the bids received are not satisfactory as to price or responsibility of the bidders, the board of directors may reject all bids, if any, and either readvertise or sell the bonds at private sale.

5790.9. Any general obligation bonds issued by a district shall have the same force, value, and use as bonds issued by a city and the bonds and interest on the bonds are exempt from all taxation within the State of California.

5790.11. (a) All premiums and accrued interest received from the sale of the bonds shall be deposited with the treasurer in a special bond service fund to be used for the payment of the principal of and interest on the bonds, and the remainder of the proceeds of the bonds shall be placed to the credit of the proper improvement fund and applied exclusively to the purposes stated in the proposition approved by the voters.

(b) When the purpose has been accomplished, any moneys remaining in the improvement fund shall be transferred to the special bond fund. When the purpose has been accomplished and all principal and interest on the bonds have been paid, any balance of money then remaining shall be transferred to the district's general fund.

5790.13. For any bond approved by the voters on or after January 1, 2001, the treasurer shall file the annual report required pursuant to Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1

of Division 2 of Title 5 of the Government Code.

5790.15. (a) After incurring a general obligation indebtedness, and annually thereafter until the indebtedness is paid or until there is a sum in the district treasury in a special bond service fund set apart for that purpose that is sufficient to meet all payments of principal and interest on that indebtedness as it becomes due, the board of directors shall adopt a resolution directing the county tax collector to levy a tax on behalf of the district.

(b) The tax shall be in addition to all other taxes levied by and for the district and shall be collected in the same manner and at the same time as county taxes. A county may recover its costs as provided in Section 29142 of the Government Code.

(c) The rate of the tax shall be fixed to result in proceeds that are sufficient to pay any principal and interest that will become due before the next proceeds of a tax to be levied will be available.

5790.17. If a district dissolves after incurring a general obligation indebtedness, the property in the territory that constituted the district at the time of its dissolution shall continue to be subject to tax sufficient to pay any principal, interest, and any other amounts owing on account of that obligation, as they become due. Any order of dissolution pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Part 1 (commencing with Section 56000) of Division 3 of Title 5 of the Government Code shall impose that obligation.

### **Zones--Sections 5891-5791.7**

5791. (a) Whenever a board of directors determines that it is in the public interest to provide different services, to provide different levels of service, or to raise additional revenues within specific areas of the district, it may form one or more zones pursuant to this article.

(b) The board of directors shall initiate proceedings for the formation of a new zone by adopting a resolution that does all of the following:

- (1) States that the proposal is made pursuant to this article.
- (2) Sets forth a description of the boundaries of the territory to be included in the zone.
- (3) States the different services, different levels of service, or additional revenues that the zone will provide.
- (4) Sets forth the methods by which those services or levels of service will be financed.
- (5) States the reasons for forming the zone.
- (6) Proposes a name or number for the zone.

(c) A proposal to form a new zone may also be initiated by a petition signed by not less than 10 percent of the registered voters residing within the proposed zone. The petition shall contain all of the matters required by subdivision (b).

(d) Upon the adoption of a resolution or the receipt of a valid petition, the board of directors shall fix the date, time, and place for the public hearing on the formation of the zone. The board of directors shall publish notice of the hearing, including the information required by subdivision (b), pursuant to Section 6061 of the Government Code in one or more newspapers of general circulation in the district. The board of directors shall mail the notice at least 20 days before the date of the hearing to all owners of

property within the proposed zone. The board of directors shall post the notice in at least three public places within the territory of the proposed zone.

5791.1. (a) At the hearing, the board of directors shall hear and consider any protests to the formation of the zone. If, at the conclusion of the hearing, the board of directors determines either (1) that more than 50 percent of the total number of voters residing within the proposed zone have filed written objections to the formation or (2) that property owners who own more than 50 percent of the assessed value of all taxable property in the proposed zone have filed written objections to the formation, then the board of directors shall terminate the proceedings. If the board of directors determines that the written objections have been filed by 50 percent or less of those voters or property owners, then the board of directors may proceed to form the zone.

(b) If the resolution or petition proposes that the zone use special taxes, benefit assessments, fees, or general obligation bonds to finance its purposes, the board of directors shall proceed according to law. If the voters or property owners do not approve those funding methods, the zone shall not be formed.

5791.3. A board of directors may change the boundaries of a zone or dissolve a zone by following the procedures in Sections 5791 and 5791.1.

5791.5. A local agency formation commission shall have no power or duty to review and approve or disapprove a proposal to form a zone, a proposal to change the boundaries of a zone, or a proposal to dissolve a zone.

5791.7. (a) As determined by the board of directors, a zone may provide any service at any level within its boundaries that the district may provide.

(b) As determined by the board of directors and pursuant to the requirements of this chapter, a zone may exercise any fiscal powers within its boundaries that the district may exercise.

(c) Any special taxes, benefit assessments, fees, or general obligation bonds that are intended solely for the support of services within a zone shall be levied, assessed, and charged within the boundaries of the zone.

(d) A zone shall not incur a bonded indebtedness that exceeds the limit specified in subdivision (c) of Section 5790. Any bonded indebtedness of the entire district shall be included in computing that limit.

**Section Three: District Financial Statements****Operational (General Fund) Financial Statements**

The financial analysis presented in this Review is based both on the District's audited financial statements and its internally-produced statements for fiscal years 2002 through 2006. There were three significant sources of complexity directly related to these statements.

- Changes in Governmental Accounting Standards Board Requirements
- Significant Differences in Values Between Internal and Audited Statements
- Differences in the Format of Audited and Internal Financial Statements

The values reported in the audited financial statements were used unless changes were required to make the form of the statements consistent throughout the period under review and to provide the data necessary for analysis.

In particular, the restated financial statements herein

- Provide detail about departmental and program-level data (unlike audited statements)
- Include depreciation expense and accrued depreciation (unlike internal statements and earlier audited statements)
- Include inter-fund borrowings (unlike audited statements)
- Include capital management fees (unlike audited statements)

### General Fund (Operations) Restated Balance Sheet with Fixed Assets

	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
<b>ASSETS</b>					
Current					
Cash/Equivalents	66,234	53,205	47,884	95,961	95,151
Receivables (Net Bad Debt Allow.)	28,616	25,095	33,802	39,802	47,823
Prepays	0	0	0	2,100	0
Due From Other Funds	1,609	2,363	7,629	5,635	106,398
<b>Total Current Assets</b>	<b>96,459</b>	<b>80,663</b>	<b>89,315</b>	<b>143,498</b>	<b>249,372</b>
Fixed					
Buildings & Improvements	63,522	63,522	63,522	63,522	63,522
Leasehold Improvements	837,335	838,424	834,666	834,666	857,851
Equipment	97,378	88,304	94,850	86,332	87,791
<b>Depreciable Subtotal</b>	<b>998,235</b>	<b>990,250</b>	<b>993,038</b>	<b>984,520</b>	<b>1,009,164</b>
Less: Accumulated Depreciation	(363,570)	(398,892)	(435,174)	(464,656)	(503,866)
<b>Net Depreciable Fixed Assets</b>	<b>634,665</b>	<b>591,358</b>	<b>557,864</b>	<b>519,864</b>	<b>505,298</b>
Land	2,556,274	2,556,274	2,571,274	2,585,399	2,585,399
<b>Total Fixed Assets</b>	<b>3,190,939</b>	<b>3,147,632</b>	<b>3,129,138</b>	<b>3,105,263</b>	<b>3,090,697</b>
<b>TOTAL ASSETS</b>	<b>3,287,398</b>	<b>3,228,295</b>	<b>3,218,453</b>	<b>3,248,761</b>	<b>3,340,069</b>
<b>LIABILITIES, EQUITY &amp; OTHER</b>					
Short Term Liabilities					
Accounts/Vouchers Payable	16,974	28,051	28,198	30,765	18,499
Accrued Expenses	28,896	11,538	14,114	13,899	9,746
Due to Other Funds	39,084	19,915	0	38,340	103,834
<b>Total Short Term Liabilities</b>	<b>84,954</b>	<b>59,504</b>	<b>42,312</b>	<b>83,004</b>	<b>132,079</b>
Long-Term Liabilities	0	0	0	0	0
<b>Total Liabilities</b>	<b>84,954</b>	<b>59,504</b>	<b>42,312</b>	<b>83,004</b>	<b>132,079</b>
Fund Equity & Other Credits					
Investments in General Fixed Assets	3,190,939	3,147,632	3,129,138	3,105,263	3,090,697
General Fund Balances					
Reserved for Capital Outlay	0	0	0	0	0
Unreserved	11,505	21,159	47,003	60,494	117,293
<b>Total Fund Balances</b>	<b>11,505</b>	<b>21,159</b>	<b>47,003</b>	<b>60,494</b>	<b>117,293</b>
<b>Total Fund and Oper. Equity</b>	<b>3,202,444</b>	<b>3,168,791</b>	<b>3,176,141</b>	<b>3,165,757</b>	<b>3,207,990</b>
<b>TOTAL LIABILITIES, EQUITIES</b>	<b>3,287,398</b>	<b>3,228,295</b>	<b>3,218,453</b>	<b>3,248,761</b>	<b>3,340,069</b>

**MCRPD Restated Operational Income Statement**

	FY02	FY03	FY04	FY05	FY06
Program Revenues					
Fort Bragg	\$250,148	\$211,010	\$185,207	\$264,420	\$328,801
Mendocino	126,034	105,233	118,060	117,300	124,182
South Coast	0	0	110	0	2,137
	<u>376,182</u>	<u>316,243</u>	<u>303,377</u>	<u>381,719</u>	<u>455,120</u>
Direct Program Expenses					
Fort Bragg	47,752	44,618	33,736	38,761	48,005
Mendocino	13,701	11,757	17,459	19,844	22,837
South Coast	0	0	0	0	0
	<u>61,453</u>	<u>56,375</u>	<u>51,195</u>	<u>58,605</u>	<u>70,842</u>
Net of Direct Program Expenses					
Fort Bragg	202,396	166,392	151,471	225,659	280,796
Mendocino	112,333	93,476	100,601	97,456	101,345
South Coast	0	0	110	0	2,137
	<u>314,729</u>	<u>259,868</u>	<u>252,182</u>	<u>323,115</u>	<u>384,278</u>
Center/Region Expenses					
Fort Bragg	75,603	65,722	74,926	67,033	65,707
Mendocino	24,798	22,181	25,876	26,522	28,808
South Coast	9,160	0	37	37	37
	<u>109,561</u>	<u>87,903</u>	<u>100,840</u>	<u>93,593</u>	<u>98,206</u>
Regional/Program Net					
Fort Bragg	126,794	100,670	76,544	158,626	215,089
Mendocino	87,535	71,295	74,725	70,933	72,537
South Coast	(9,160)	0	73	(37)	2,100
	<u>205,168</u>	<u>171,965</u>	<u>151,343</u>	<u>229,522</u>	<u>289,725</u>
Program & Regional Net					
General Revenues					
Advertising Rev	1,410	1,085	1,200	1,290	937
Region-Designated City Funds	11,360	11,813	10,637	10,637	7,918
Interest	435	334	378	560	1,352
Capital Funds Management	19,584	15,400	10,000	18,500	24,765
Taxes	270,262	289,647	310,532	308,872	348,566
Other	105	29	9,245		
	<u>303,155</u>	<u>318,308</u>	<u>341,992</u>	<u>339,859</u>	<u>383,538</u>
General Expenses					
Staffing	474,510	418,685	420,179	518,030	569,885
Office, G&A Facilities, Travel, Etc	1,606	2,392	2,775	3,747	4,255
Professional Fees	16,142	17,744	11,621	16,538	19,393
Depreciation	20,000	23,000	36,282	29,482	39,210
Interest, Taxes, Gen Insurance, Misc	21,351	26,401	22,799	15,138	18,099
	<u>533,609</u>	<u>488,222</u>	<u>493,656</u>	<u>582,935</u>	<u>650,842</u>
General District Net	<u>(230,453)</u>	<u>(169,914)</u>	<u>(151,664)</u>	<u>(243,076)</u>	<u>(267,304)</u>
District Operational Net Margin	<u>\$(25,285)</u>	<u>\$2,051</u>	<u>\$(322)</u>	<u>\$(13,554)</u>	<u>\$22,421</u>

**Capital Projects****Adjusted Capital Projects Balance Sheet**

<b><u>ASSETS</u></b>	6/02	6/03	6/04	6/05	6/06
<b><u>Current</u></b>					
Receivables (Net Bad Debt Allow.)	65,549	176,207	38,894	12,879	91,650
Due From Other Funds	39,085	19,977	62	38,403	2,564
<b><u>Total Current Assets</u></b>	104,634	196,184	38,956	51,282	94,214
<b><u>Restricted Assets</u></b>					
Cash	488,989	202,146	331,862	312,348	273,527
Investments	1,070,126	1,401,367	1,425,288	1,449,798	1,415,304
<b><u>Total Restricted Assets</u></b>	1,559,115	1,603,513	1,757,150	1,762,146	1,688,831
<b><u>Fixed Assets</u></b>					
CIP - Swim Center	778,856	1,140,492	1,484,446	1,722,074	3,071,535
CIP - Regional Park/Golf Course	391,440	405,785	519,757	650,833	1,203,939
<b><u>Total Fixed Assets</u></b>	1,170,296	1,546,277	2,004,203	2,372,907	4,275,474
<b><u>TOTAL ASSETS</u></b>	2,834,045	3,345,974	3,800,309	4,186,335	6,058,519
<b><u>LIABILITIES</u></b>					
<b><u>Short Term</u></b>					
Accounts/Vouchers Payable	25,123	74,017	17,218	47,356	60,047
Loan Payable				89,084	
Due to Other Funds	1,609	2,425	7,691	5,635	
<b><u>Total Short Term Liabilities</u></b>	26,732	76,442	24,909	142,075	60,047
<b><u>Deferred Revenue</u></b>					
Aquatics Center	1,586,372	1,721,826	1,769,765	1,653,587	1,736,399
Regional Park/Golf Course	19,052			16,316	
Playground Construction	2,099	1,429	1,432	1,450	1,469
<b><u>Total Deferred Revenue</u></b>	1,607,523	1,723,255	1,771,197	1,671,353	1,737,868
<b><u>TOTAL LIABILITIES</u></b>	1,634,255	1,799,697	1,796,106	1,813,428	1,797,915
Inter-fund Transfers					14,870
<b><u>FUND EQUITY &amp; OTHER CREDITS</u></b>					
Investments in CIP	1,170,296	1,546,277	2,004,203	2,372,907	4,275,474
Reserved Fund Balance	29,494				
<b><u>Total Fund Equity &amp; Other Credits</u></b>	1,199,790	1,546,277	2,004,203	2,372,907	4,275,474
<b><u>TOTAL LIABILITIES, EQUITIES</u></b>	2,834,045	3,345,974	3,800,309	4,186,335	6,058,519

<b>Section Four: Friends of MCRPD Financial Statements</b>
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	6/2004	6/2005	6/2006
<b><u>STATEMENT OF NET ASSETS</u></b>			
Cash and Investments	3,373,798	5,112,488	4,597,934
Reg Park/Golf Course Land			899,152
<b><u>Total Assets</u></b>	<b>3,373,798</b>	<b>5,112,488</b>	<b>5,497,086</b>
<b><u>Total Liabilities</u></b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Total Net Assets</u></b>	<b>3,373,798</b>	<b>5,112,488</b>	<b>5,497,086</b>
	FY2004	FY2005	FY2006
<b><u>INCOME STATEMENT</u></b>			
<b><u>Revenues</u></b>			
Donations - Aquatic Facility	1,167,980	331,875	31,725
Donations - Scholarships	50,000	50,000	50,000
Investment Income	165,911	40,581	62,641
Unrealized Loss on Investments	(20,485)	(22,345)	20,213
<b><u>Total Revenues</u></b>	<b>1,363,406</b>	<b>400,111</b>	<b>164,579</b>
<b><u>Expenses</u></b>			
Fees			153
Aquatic Center	15,954	2,080	154,982
Reg Park/Golf Course Project			662,014
Scholarships	8,500	6,004	
<b><u>Total Expenses</u></b>	<b>24,454</b>	<b>8,084</b>	<b>817,149</b>
<b><u>Changes in Net Assets</u></b>	<b>1,338,952</b>	<b>392,027</b>	<b>(652,570)</b>

<b>Section Five: MCRPD 10-Year Projection of Starr/Spath Center</b>
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\$1000's

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
Property Taxes, etc.	388.8	392.6	395.5	397.4	398.1	397.5	395.4	391.7	386.1	378.5
Lap Pool	164.5	176.0	188.3	201.5	215.6	230.6	246.8	264.1	282.6	302.3
Leisure Pool/Slide	325.3	348.1	372.4	398.5	426.4	456.3	488.2	522.4	558.9	598.1
Support Wing	<u>292.7</u>	<u>313.2</u>	<u>335.1</u>	<u>358.6</u>	<u>383.7</u>	<u>410.5</u>	<u>439.3</u>	<u>470.0</u>	<u>502.9</u>	<u>538.1</u>
<b>TOTAL REVENUES</b>	1,171.3	1,229.8	1,291.3	1,355.9	1,423.7	1,494.9	1,569.6	1,648.1	1,730.5	1,817.0
<b>PERSONNEL COSTS</b>										
Center Staff (Aquatics)	432.0	453.6	476.3	500.1	525.1	551.4	578.9	607.9	638.3	670.2
Center Staff (Other)	119.0	125.0	131.2	137.8	144.6	151.9	159.5	167.4	175.8	184.6
Administrator (50%)	23.0	24.2	25.4	26.6	28.0	29.4	30.8	32.4	34.0	35.7
Office Mngr/Acctng (80%)	30.0	31.5	33.1	34.7	36.5	38.3	40.2	42.2	44.3	46.5
Operations Manager (20%)	7.0	7.4	7.7	8.1	8.5	8.9	9.4	9.8	10.3	10.9
Staff Benefits	<u>110.3</u>	<u>115.8</u>	<u>121.6</u>	<u>127.7</u>	<u>134.0</u>	<u>140.7</u>	<u>147.8</u>	<u>155.2</u>	<u>162.9</u>	<u>171.1</u>
<b>TOTAL SALARIES EXPENSES</b>	721.3	757.3	795.2	835.0	876.7	920.6	966.6	1,014.9	1,065.7	1,118.9
<b>OPERATING COSTS</b>										
Facility Operating Costs	440.0	462.0	485.1	509.4	534.8	561.6	589.6	619.1	650.1	682.6
Program Expenses	<u>10.0</u>	<u>10.5</u>	<u>11.0</u>	<u>11.6</u>	<u>12.2</u>	<u>12.8</u>	<u>13.4</u>	<u>14.1</u>	<u>14.8</u>	<u>15.5</u>
<b>TOTAL OPERATING COSTS</b>	450.0	472.5	496.1	520.9	547.0	574.3	603.0	633.2	664.9	698.1
<b>TOTAL EXPENSES</b>	1,171.3	1,229.8	1,291.3	1,355.9	1,423.7	1,494.9	1,569.6	1,648.1	1,730.5	1,817.0
<b>Operating Reserve/ Contingency Fund (20%) *</b>	207.5	246.0	258.3	271.2	284.7	299.0	313.9	329.6	346.1	363.4
<b>Capital Reserve</b>	0.0	52.0	72.0	93.0	120.0	150.0	175.0	200.0	240.0	280.0

<b>Section Six: Environmental Review Documents</b>
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**Notice of Preparation of Environmental Review**

**Negative Declaration for Mendocino Coast Recreation and Parks District Annexation  
and SOI Determination**

TO:	From: LAFCO of Mendocino County 200 S. School St. Ukiah, CA 95482
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**Date:** June 17, 2008

**Project Title:** Annexation and SOI Determination MCRPD—2008

**Project Applicant:** Mendocino Coast Recreation and Parks District

LAFCO of Mendocino County will be the Lead Agency and will prepare a Negative Declaration for the project identified above and on the following pages. LAFCO needs to know the views of your agency as to the scope and content of the environmental information which is germane to your agency' statutory responsibilities in connection with the proposed project. The project description, location and the probable environmental effects are contained in the attached materials. A copy of the Initial Study is attached.

Due to time limits mandated by state law, your response must be sent at the earliest possible date. Written comments may be submitted at any time during the 30 day public notice period **beginning on June 27 and ending at 5:00 PM on July 28, 2008.**

Please send your response to Frank McMichael at the address above. Please reply with the name for a contact person in your agency.

Sincerely,

Frank McMichael  
Executive Officer  
707 463 4470

## LAFCO of Mendocino County

**Initial Study Cover Sheet**

Mendocino Coast Recreation and Parks District (MCRPD)

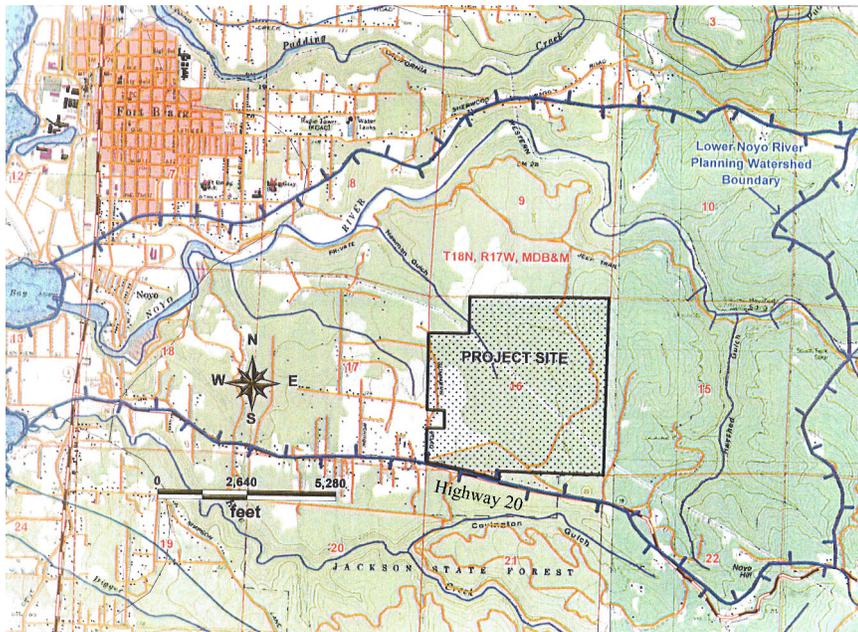
Annexation and Sphere of Influence (SOI) Determination

- Project Title:** Annexation and SOI Determination MCRPD—2008
- Lead Agency:** LAFCO of Mendocino County
- Contact Person:** Frank McMichael—707 463 447 [frankmcmichael@mendolafco.org](mailto:frankmcmichael@mendolafco.org)
- Project Location:** The proposed SOI and annexation territory encompasses approximately 240 square miles that is within the current boundaries of the Fort Bragg Unified School District that is not now within the boundaries of MCRPD. The current northern boundary of MCRPD encompasses approximately the area of the City of Fort Bragg; the territory to be annexed is the balance of the area within the School District. (See attached map)
- Project Sponsor:** LAFCO of Mendocino County  
200 S. School St.  
Ukiah, CA 95482  
707 463 4470

**Project Description:**Overview

The Mendocino Coast Recreation and Parks District is seeking a Sphere of Influence Update to include all of the territory in the Fort Bragg Unified School District which is north of the present territory of the District. It is also seeking the annexation of this same territory. Once this territory is included in the District, the District is requesting that its Sphere be updated to include the proposed annexation lands and, if the annexation is approved, its new Sphere of Influence to be coterminous with its new boundaries. The District has the ability to serve the proposed annexation territory and, indeed, has historically been de facto serving these areas.

Within this annexation territory the District owns 600 acres which is to be developed as regional park and golf course. The site of the proposed regional park and golf course is about 1 ½ miles southeast of the City of Fort Bragg and east of Highway 1.



**Location of Proposed Golf Course & Regional Park**

The long term design is for the Regional Park to include a 4 acre Family & Group Pocket Park with a covered barbecue area, children's playground, horseshoe, basketball and volleyball facilities; a 40 acre Sports Park with 4 soccer fields, 4 softball fields, 1 baseball field and outdoor tennis and basketball courts; an 18-Hole Championship Golf Course designed by Peter Jacobsen and Jim Hardy; 5 miles of hiking and biking trails; a combination Clubhouse and Conference Center/Banquet Facility with seating for 350 people; and a Nature Camp for the District's summer programs. A fenced dog park, Frisbee golf course, multiple use building, maintenance building and caretaker trailer space are also included in the Master Site Plan. Sixty percent (360 acres) of the project site will be retained in its natural state. Conservation Easements on the project site total 181 acres: 75 acres of Pygmy Forest; 56 acres of Northern Bishop Pine; and 50 acres of Mixed Conifer, (Redwood/Douglas-Fir/Mendocino Cypress and Bishop Pine). Native vegetation will be featured throughout the park and golf course. Natural organic fertilizers, integrated pest management, and state of the art technology for irrigation and water conservation will minimize the project environmental impacts.

To date the District has paid out a little over \$1 million for this project mostly for pre-construction costs, much of which was the cost of the environmental review process. An EIR for the development of this site was certified January 18, 2006. A copy of the EIR is available for review at the District's offices 213 E. Laurel St., Fort Bragg, CA.

Because the EIR has been certified, development for this park and golf course can be completed without further environmental review. **Annexation is not required for development to proceed.** At this point in time it is unknown as to when development will occur. Once developed, the regional park and golf course will be available to all residents of the District including those in the proposed annexation territory. However, **the project for this environmental review is not the development of the park and golf course but the proposed annexation.** The above information has been provided for the purpose of indicating foreseeable future development that may occur.

Other Agency Permits

Approval of the annexation and adoption the MCRPD SOI by LAFCO will not require a federal, state, or other agency permit and will not be jointly carried out by a federal or state agency or receive federal or state funds. No development is being proposed that will affect any state or federal lands.

Environmentally Factors Potentially Affected

- Aesthetics
- Agricultural Resources
- Air Quality
- Biological Resources
- Cultural Resources
- Geology/Soils
- Hazards & Haz. Materials
- Hydrology/Water Quality
- Land Use Planning
- Minerals Resources
- Noise
- Pop./Housing
- Utilities/Service Systems
- Mandatory Findings of Significance

**Preliminary CEQA Determination**

On the basis of the attached initial evaluation:

- I find the proposed project could not have a significant effect on the environment and a Negative Declaration will be prepared.

\_\_\_\_\_  
 Frank McMichael  
 Executive Officer

\_\_\_\_\_  
 Date



<b>CONSISTENCY DETERMINATIONS</b>	<b>Land Use Designation</b>	<b>Consistent</b>	<b>In-consistent</b>	<b>Comments</b>
Sphere of Influence Plan (SOI)		X		Consistent with past adopted SOI
Area Service Plans	N/A			
Other District Boundaries		X		
General Plan		X		Consistent with County's General Plan
Community Plan	N/A			
Specific Plan	N/A			
Land Use Zone		X		Consistent with County's General Plan
Airport	N/A			
Mineral Resource Zone	N/A			
Resource Conservation/ Open Space	N/A			
State or Federal Recreation Area Plan	N/A			
<b>1. LAND USE, SPHERE OF INFLUENCE AND BOUNDARY CONSIDERATIONS—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Conflict with any applicable sphere of influence,				

boundary, district or city operations, resources conservation plan, growth management plan, land use plan, policy or regulation of a local state or federal agency with jurisdiction over the project, including but not limited to a General Plan, Specific Plan adopted to avoid or mitigate an environmental effect?			<b>None</b>	
b. Result in substantial noncontiguous urban development which, in turn, results in adverse impact?			<b>None</b>	
c. Physically disrupt/divide an established community?			<b>None</b>	
<b>1. Additional Discussion</b>				
See Project Description. The SOI determination and annexation are consistent with other agency boundaries and will not cause any conflict with other service providers within this territory. There is no construction or other development being proposed for this project.				
<b>2. POPULATION/HOUSING—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Induce substantial unplanned population growth in an area by introducing increased densities, new homes and businesses or indirectly by extending infrastructure or increasing the capacity of infrastructure?			<b>None</b>	
b. Displace substantial amounts of existing housing causing replacement housing construction elsewhere?			<b>None</b>	
<b>2. Additional Discussion</b>				
There is no housing or business construction or other development being proposed for this annexation proposal. There will be future development within the regional park and golf course which is within the boundaries of the proposed annexation territory which has been reviewed by a previous EIR certified on January 18, 2006.				
<b>3. AGRICULTURAL AND OPEN SPACE RESOURCES—WOULD THE PROJECT:</b>				
		<b>Less Than</b>	<b>Less Than</b>	

AREA OF IMPACT	Potentially Significant	Significant Mitigated	Significant/ None	Comments
a. Result in substantial loss of important agricultural, open space or resource land?			None	
b. Cause premature, ill planned, illogical, or inefficient conversion of prime agricultural, open space, mineral resource or other important resource areas not planned for development in the next five years especially when such land is not located within the Sphere of Influence of a service provider and there is alternative sufficient vacant land available for development?			None	
d. Conflict with any existing Williamson Act contract?			None	
e. Involve other changes in the existing environment which due to their location or nature, could result in conversion of farmland to non agricultural uses?			None	
f. Induce development by permitting uses that adversely impact adjacent agricultural operations, significantly increase the property values of adjacent proximate resource land, or remove natural or man made buffers between urban and agricultural spaces uses?			None	
g. Conflict with agricultural, open space or resource conservation plans or programs of the state or federal government?			None	
h. See Section 15 for consideration of growth inducement on agricultural lands.			None	
<p><b>3. Additional Discussion:</b></p> <p><b>This proposed SOI and annexation project will not conflict with existing open space, agriculture or resource lands. There will be no change to the present circumstances of parcels within the territory of the proposal. The District owned land within the annexation territory will support open space availability.</b></p>				

<b>4.AESTHETICS—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Substantially alter existing viewsheds such as scenic highways, corridors or vistas?			<b>None</b>	
b. Substantially degrade the existing visual character or quality of the site and its surroundings?			<b>None</b>	
c. Create a new source of substantial light, glare or shadow that would result safety hazards or adversely affect day or nighttime views in the area.			<b>None</b>	
d. Substantially damage scenic resources, including but not limited to trees, rock outcroppings, and historic buildings within a state scenic highway?			<b>None</b>	
<b>4. Additional Discussion:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation. Foreseeable future development has been reviewed by a previously certified EIR</b></p>				
<b>5. AIRPORTS—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Result in safety hazard for people residing or working in the vicinity of an airport/airstrip?			<b>None</b>	

b. Expose people residing or working in the project area to aircraft noise levels in excess or applicable standards?			<b>None</b>	
c. Result in substantial adverse effect upon the safe and efficient use of navigable airspace by aircraft?			<b>None</b>	
d. Result in a change of traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?			<b>None</b>	
<b>5. Additional Discussion:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>6. PUBLIC SERVICES—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Cause the adequacy of services provided to decrease, costs of service provision to rise substantially, or cause those currently receiving service to receive reduced or inadequate services especially when such change may cause adverse health and safety or physical impacts?			<b>None</b>	
b. Cause the infrastructure capacity of a service provider to exceed planned and safe limits especially when such change may cause adverse health and safety or other physical impacts?			<b>None</b>	
c. Cause unnecessary service provision and adversely affects important public resources, or the cost and adequacy of public services to the detriment of the public health and safety?			<b>None</b>	

d. Have an adequate water supply for project buildout?			<b>None</b>	
e. Have an adequate wastewater treatment and disposal facilities for full buildout of the project?			<b>None</b>	
f. Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?			<b>None</b>	
g. Result in substantial adverse physical impacts associated with the construction of new water supply or wastewater treatment and disposal facilities or expansion of existing facilities?			<b>None</b>	
h. Place conflicting land uses within an odor, or other protective barrier for a solid waste disposal site energy facility, wastewater treatment plant or similar facility?			<b>None</b>	
i. Result in substantial adverse physical impact associated with the provision of storm water drainage facilities?			<b>None</b>	
j. Result in substantial adverse physical impacts associated with the provision of electric or natural gas service?			<b>None</b>	
k. Result in substantial adverse physical impacts associated with the provision of emergency services?			<b>None</b>	
l. Result insubstantial adverse physical impact associated with the provision of public school services? Note: Case law indicates that school over crowding, standing alone, is not a change in physical conditions and cannot be treated as an impact on the environment. (Goleta Sch. Dist. Vs. Regents UC)			<b>None</b>	
m. Result in substantial adverse physical impacts associated with the provision of park and recreation services?			<b>None</b>	

**6. Additional Discussion:**

**The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR. Historically and presently, residents of the proposed annexation territory have access to and use MCRPD facilities. The reason for the proposed annexation is to formally acknowledge this provision of services by including this territory within the District.**

**7. TRANSPORTATION/TRAFFIC—WOULD THE PROJECT:**

AREA OF IMPACT	Potentially Significant	Less Than Significant Mitigated	Less Than Significant/ None	Comments
a. Result in a substantial increase in peak hour vehicle trips that would exceed, either individually or cumulatively, an established level of service?			None	
b. Result in a substantial adverse impact to access or to circulation?			None	
c. Result in substantial adverse impact due to inadequate parking capacity?			None	
d. Conflict with adopted policies, plans or programs supporting alternative transportation (e.g. bus turnouts, bicycle paths, bicycle racks)?			None	
e. Result in substantial impact to public safety on area roadways?			None	

**7 Additional Discussion:**

**The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal.**

<b>Foreseeable future development has been reviewed by a previous EIR.</b>				
<b>8. AIR QUALITY—WOULD THE PROJECT:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is in non-attainment under an applicable federal or state ambient air quality standard?			<b>None</b>	
b. Expose sensitive receptors to pollutants (e.g. asbestos or lead) or pollutant concentrations in excess of standards?			<b>None</b>	
c. Create objectionable odors, dust, or other nuisances affecting a substantial number of people?			<b>None</b>	
<b>8. Additional Comments:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>9. NOISE—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Result in exposure of persons to, or generation of, noise levels in excess of standards established by the general plan, noise ordinance or noise standards such as			<b>None</b>	

OSHA?				
b. Result in substantial permanent increases in ambient noise levels in the project vicinity?			None	
c. Result in substantial temporary increase in ambient noise levels in project vicinity?			None	
<b>9. Additional Discussion:</b>				
<p>The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</p>				
<b>10. HYDROLOGY AND WATER QUALITY—WOULD THE PROJECT:</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Substantially deplete groundwater supplies or substantially interfere with ground water recharge?			None	
b. Substantially alter the existing drainage pattern of the project area and/or increase the rate or amount of surface runoff in a manner that would result in flooding on or off site?			None	
c. Develop within a 100 year floodplain as mapped on a federal Flood Insurance Rate Map or within the local flood hazard area?			None	
d. Place structures that would impede or redirect flood flows within a 100 year floodplain?			None	
e. Expose people or structures to substantial risk of loss injury, or death involving flooding, including flooding as				

a result of the failure of a levee or dam?			<b>None</b>	
f. Create or contribute to runoff that would exceed the capacity of existing or planned drainage systems?			<b>None</b>	
g. Create substantial sources of polluted runoff or otherwise substantially degrade ground or surface water quality?			<b>None</b>	
h. Violate any water quality standards or waste discharge requirements?			<b>none</b>	
<b>10. Additional Comments:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>11. GEOLOGY AND SOILS—WOULD THE PROJECT</b>				
<b>AREA OF IMPACT</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant/ None</b>	<b>Comments</b>
a. Cause premature, ill planned, illogical or inefficient conversion of land containing important mineral resources included in a state designated mineral resource zone and not planned for development in the next five years especially when such land is not located within the Sphere of Influence of a proposed service provider and there is alternative sufficient vacant land available for development?			<b>None</b>	
b. Expose people or structures to substantial risk of loss, injury, or death involving rupture of a known earthquake fault as found on the most recent Earthquake Fault Zoning Map or other evidence of a known fault?			<b>None</b>	
c. Result in substantial soil erosion, siltation or loss of				

topsoil?			<b>None</b>	
d. Be located on a geologic unit or soil that is unstable or that would become unstable as a result of the project, and potentially result in on or off site landslides, lateral spreading, subsidence, soil expansion, liquefaction or collapse or release of leaching pollutants?			<b>None</b>	
e. Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available?			<b>None</b>	
f. Result in a substantial loss of an important mineral resource?			<b>None</b>	
g. Directly or indirectly destroy a unique paleontological resource or site.			<b>None</b>	
<b>11. Additional Discussion:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed for this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>12. BIOLOGICAL RESOURCES—WOULD THE PROJECT:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. Cause premature, ill planned, illogical, or inefficient conversion of important wildlife resource areas not planned for development in the next five year especially when such land is not located within the Sphere of Influence of a proposed service provider and there is alternative sufficient vacant land available for urban uses?			<b>None</b>	

b. Have a substantial adverse effect on special status species?			<b>None</b>	
c. Have substantial adverse effect on any riparian habitat or other sensitive natural community?			<b>None</b>	
d. Have a substantial adverse effect on wetlands designated as jurisdictional waters of the United States as defined by Section 404 of the Clean Water Act?			<b>None</b>	
e. Have a substantial adverse effect on the movement of any native resident or migratory fish or wildlife species?			<b>None</b>	
f. Result in removal or damage to native/landmark trees?			<b>None</b>	
g. Conflict with local policies or ordinances protecting biological resources?			<b>None</b>	
h. Conflict with the provision of an adopted Habitat Conservation Plan or other approved local, regional, state or federal plan for the conservation of habitat?			<b>None</b>	
<b>12. Additional Discussion:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed for this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>13. CULTURAL RESOURCES—WOULD THE PROJECT:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. Cause a substantial adverse change in the significance of a historical resource?			<b>None</b>	
b. Have a substantial adverse effect on archaeological resource?				

			<b>None</b>	
c. Disturb any human remains, including those interred outside of formal cemeteries?			<b>None</b>	
<b>13. Additional Discussion:</b>				
<p>The project is to change the boundaries of the District; there is no development or construction being proposed for this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</p>				
<b>14. HAZARDS AND HAZARDOUS MATERIALS—WOULD THE PROJECT:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. Create a substantial hazard to the public or the environment through the routine transport, use or disposal of hazardous materials?			<b>None</b>	
b. Expose the public or the environment to a substantial hazard through reasonably foreseeable upset conditions involving the release of hazardous materials, emit hazardous emissions or handle hazardous or acutely hazardous materials, substances or wastes within one quarter mile of an existing or proposed school?			<b>None</b>	
c. Be located on a site that is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 resulting in a substantial hazard to the public or the environment?			<b>None</b>	
d. Impair implementation or physically interfere with an emergency response or emergency evacuation plan?			<b>None</b>	
e. Emit hazardous emissions or handle hazardous or acutely hazardous materials substances or waste within				

one quarter mile of an existing or proposed school?			<b>None</b>	
Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?			<b>None</b>	
<b>14. Additional Discussion:</b>				
<p><b>The project is to change the boundaries of the District; there is no development or construction being proposed for this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.</b></p>				
<b>15. GROWTH INDUCEMENT—WOULD THE PROJECT:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. Include or plan for infrastructure capacity, especially water and sewer lines, that exceeds the needs of the proposed project and may be used to serve areas not			<b>None</b>	
planned for development, especially those containing prime agricultural land, mineral, sensitive plant and wildlife or important resources?			<b>None</b>	
b. Induce substantial growth on important agricultural and open space land because it would:			<b>None</b>	
b(1). Permit the extension of, or require, infrastructure such as flood control levees, or water diversions, electrical, water, or sewer lines, especially trunk lines that would permit new development in a substantial area currently constrained from development?			<b>None</b>	
b(2). Encourage or foster development by permitting uses that adversely impact adjacent agricultural operations, significantly increase property values of adjacent				

resource lands or remove natural or man made buffers between urban and agricultural, mining, or other conservation areas?			<b>None</b>	
<b>15. Additional Discussion:</b>				
The project is to change the boundaries of the District; there is no development or construction being proposed for this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.				
<b>16. Cumulative Impacts—Would the Project:</b>				
<b>Area of Impact</b>	<b>Potentially Significant</b>	<b>Less Than Significant Mitigated</b>	<b>Less Than Significant None</b>	<b>Comments</b>
a. When considered in conjunction with other recent, present, and reasonably foreseeable projects, cause significant adverse cumulative impacts?			<b>None</b>	
b. Be named in any study, assessment or report from other local, regional, state or federal agencies as having problems in providing physical services to existing areas of responsibility?			<b>None</b>	
<b>16. Additional Discussion:</b>				
The project is to change the boundaries of the District; there is no development or construction being proposed concurrent with this annexation proposal. Foreseeable future development has been reviewed by a previously certified EIR.				