



COMMISSIONERS

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Vacant
Alternate Special District Member

STAFF

Executive Officer
Uma Hinman

Senior Analyst
Larkyn Feiler

Clerk/Analyst
Jennifer Crump

Counsel
Marsha Burch

REGULAR MEETINGS

First Monday of each month
at 9:30 AM in the
Mendocino County Board of
Supervisors Chambers
501 Low Gap Road, Ukiah

AGENDA

Executive Committee Meeting

Wednesday, March 19, 2025 at 9:30 a.m.

Location

**Ukiah Valley Conference Center – Reisling Room
200 South School Street, Ukiah, CA 95482**

Hybrid Meeting

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

Instructions for Remote Participation Option

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

1. Zoom meeting link: <https://mendocinocounty.zoom.us/j/82893739616>
2. Telephone option (audio only):
Dial: **(669) 900-9128** (*Please note that this is not a toll-free number*)
Meeting ID: **828 9373 9616**

Public Participation is encouraged and public comments are accepted:

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

Meeting Participation

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

- a) For those accessing from a computer, tablet, or smartphone, the raise hand function may be selected by clicking or tapping it from the reactions options. When joining the Zoom meeting, please enter your name so that you can be identified to speak.
- b) For those utilizing the telephone option (audio only), please use the raise hand feature by pressing ***9** on your keypad to raise your hand, and ***6** to unmute yourself. When it is your turn to speak, you will be called on by the last four digits of your phone number, if available, and asked to identify yourself for the record.

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

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

1. CALL TO ORDER and ROLL CALL

Chair Maureen Mulheren, Vice Chair/Treasurer Gerald Ward, Commissioner Mari Rodin

2. PUBLIC EXPRESSION

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

3. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

3a) Approval of Revised August 21, 2024 Executive Committee Minutes

3b) Approval of January 9, 2025 Executive Committee Minutes

3c) Proposed Modification of FY 2024-25 Work Plan

The Committee will receive a report on the status of currently scheduled work plan studies and consider proposed reprioritization of the FY 2024-25 work plan and potential recommendation to the Commission.

3d) Strategy for Conducting the FY 2024-25 Financial Audit

The Committee will discuss a strategy for conducting the FY 2024-25 financial audit and potential recommendation to the Commission.

3e) Preliminary Budget and Work Program for FY 2025-26

The Executive Officer will present the Fiscal Year 2025-26 preliminary budget and work program for discussion, direction, and recommendation to the Commission.

4. INFORMATION AND REPORT ITEMS

4a) Executive Officer Report

ADJOURNMENT

The next Regular Commission Meeting is scheduled for Monday, **April 7, 2025** at 9:30 AM in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

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

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

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

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



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Glenn McGourty
County Member

Mari Rodin
City Member

Vacant
Special District Member

Francois Christen
Alternate Special District Member

Douglas Crane
Alternate City Member

John Haschak
Alternate County Member

Vacant, Alternate
Public Member

STAFF

Executive Officer
Uma Hinman

Clerk/Analyst
Larkyn Feiler

Counsel
Marsha Burch

REGULAR MEETINGS

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

Agenda Item No. 3a

DRAFT - REVISED

Executive Committee Meeting Minutes

Hybrid Meeting of Wednesday, August 21, 2024, 11:00 a.m.
Ukiah Valley Conference Center, Chardonnay Room
200 South School Street, Ukiah, California 95482

4. CALL TO ORDER and ROLL CALL

Chair Mulheren called the meeting to order at 11:04 a.m.

Members Present: Chair Mulheren, Vice Chair/Treasurer Ward, Commissioner Rodin

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

5. PUBLIC EXPRESSION

None

6. MATTERS FOR DISCUSSION & POSSIBLE ACTION

3a) Approval of March 4, 2024 Executive Committee Minutes

Upon motion by Commissioner Ward and second by Commissioner Rodin, the March 4, 2024 Executive Committee Meeting Minutes were approved unanimously.

3b) Draft Response to the Grand Jury Report: Mendocino Coast Health Care District – Sick, but Returning to Health

Chair Mulheren introduced the item regarding the Fiscal Year (FY) 2023-24 Grand Jury Report titled *Mendocino Coast Health Care District – Sick, but Returning to Health*, to review a draft response to the Grand Jury and provide direction to staff. The Committee discussed the Grand Jury Report recommendation for Mendocino LAFCo (LAFCo) to prepare a Municipal Service Review and Sphere of Influence (MSR/SOI) update for the District.

The Committee discussed that LAFCo hasn't received apportionment fees from the Mendocino Coast Health Care District (MCHCD) in at least ten years. Executive Officer (EO) Hinman clarified that the Cortese Knox Hertzberg Local Government Act of 2000 has a provision for health care districts that exempts them from apportionment fees if net from operations finances are negative (GOV 56381(b)(1)(D)(ii), and that LAFCo is still required to prepare the MSR/SOI update.

EO Hinman further clarified that preparation of the MSR/SOI update is estimated to be \$15,000 to \$30,000; LAFCo does not have the funding to complete the study under the current Work Plan budget.

Commissioner Rodin recommended revisions to the draft Board letter response; strike the sentence regarding apportionment fees in the fourth paragraph on page 38, expand the discussion on how LAFCo is funded, and clarify that health care districts in the negative are not expected to pay apportionment fees

EO Hinman noted that LAFCo policy specifies that municipal service providers should be prioritized, and that health care districts are specifically excluded from the definition of municipal service provider. Further, staff have been directed to prioritize studies for water agencies due to the severe drought situation in 2022 compared to some older reports. The last time the water district MSRs were updated was in 2014.

Chair Mulheren added that the COVID-19 Pandemic created challenges towards Work Plan implementation and acknowledged that the current focus is on mandated orders.

The MCHCD Agency Administrator Kathy Wylie attended the meeting and shared that many of the Grand Jury Report recommendations have been implemented or are in process; in process items will likely occur by the end of FY 2024-25. The MCHCD agrees with most of the findings made in the Grand Jury Report.

Ms. Wylie offered to investigate with the County why the District wasn't paying apportionment fees, noting that the District still receives tax payments several times a year.

Commissioner Ward inquired whether the District would be able to fund an outside consultant to prepare the MSR/SOI update in lieu of payment of the apportionment fees as the cost for both are comparably similar. Kathy Wylie responded that the District went through a budget process and approved \$35,000 for consulting services for other work that hasn't been earmarked yet. Some or all of that could be absorbed by the District. Commissioner Rodin suggested that the Grand Jury may be able to share all their documents to save time and money on the MSR and thanked the District for its cooperation and willingness to support the findings and help LAFCo fulfill its obligations.

Ms. Wylie inquired about the anticipated long-term benefits and impacts of the MSR for the MCHCD. She explained that the hospital went from an operations standpoint to a landlord role and is held responsible for the facility. There are some funds set aside for expanding outpatient services or other care services. Adventist Health (Adventist) is a partner and tenant of the District who operates the hospital. Wylie noted that the original taxation was for the facility and operations of the hospital, and suggested it is undetermined if delegating the obligations of the hospital to Adventist, the tenant, changes this.

Commissioner Rodin inquired how the Board incorporates the District's expenses into the rent charged to Adventist, beyond what it collects from taxes. Wylie responded that the district receives payment from the County two times a year in total amount of \$1-2.2.6 million from the base parcel tax and Measure C assessment, and the District pays Adventist Health \$400,000 per year for maintenance of the hospital facility.

Commissioner Rodin further inquired if the District provides funds to Adventist out of what it collects to maintain the hospital facility. Wylie responds that the District is not a money-making operation and is essentially a pass through. The District collects funds from the taxpayers and lease payments from Adventist and puts it into the hospital facility through the Measure C process. The taxpayer funds are sent to Adventist twice a year where it is maintained in a Wells Fargo account. The Measure C committee, which expires in 2030, ensures that the funds conform to seven categories encompassing staff retention, facility maintenance, increasing access to care, and more. The District is in negotiations with Adventist about the upcoming increment of its lease agreement and building cost of living increases into the lease with the option for either agency to leave the agreement every five years. Wylie clarifies that there is no intention by the District or any indication from Adventist that at this point it would happen. Wylie shared that the reimbursement rates are lower with the District's rural hospital status and have funds to put into either facility repair or exploring the option of constructing an outpatient service center facility. The lease payments provided by Adventist Health are graduated and increase based on profits made by Adventist. Adventist brings in higher profits than the coastal hospital.

The Committee recommended staff coordinate with the MCHCD to work out the details of having the district fund the MSR/SOI update.

3c) Work Plan Implementation

EO Hinman introduced the item regarding inclusion of the Mendocino Coast Health Care District (MCHCD) into the Work Plan for FY 2024-25.

The Committee discussed the possibility of contracting a consultant to prepare the MCHCD MSR/SOI update per the Grand Jury Report findings and to prioritize staff time and capacity towards the current Work Plan implementation goals. The MCHCD would not be added to the Work Plan program if an outside consultant is utilized. Commissioner Ward asked if a consultant could complete the MSR/SOI update by December 31, 2024. EO Hinman responded that an extended deadline would allow more time to obtain information from the district; August 2025. In addition, it was suggested that the MCHCD MSR/SOI update could be funded by MCHCD in lieu of providing back pay for the apportionment fees. The Committee suggested that the Grand Jury Report findings and recommendations can support the development of the MSR/SOI update, therefore saving time and funding.

4. INFORMATION AND REPORT ITEMS

4a) Executive Officer Report

EO Hinman provided an update on the Master Tax Share Agreement between the cities and County. There is ongoing coordination between the County, cities and LAFCo regarding the process for implementing the tax share agreement for purposes of processing LAFCo applications.

Commissioner Ward asked for an update on the MSR/SOI update for Anderson Valley Community Services District. Chair Mulheren noted that they are in the process of obtaining information from the County Auditor's Office to include in the tax share analysis.

Commissioner Ward asked for an update on implementation for the Work Plan for the water/wastewater district studies. EO Hinman noted that there have been discussions with Redwood Valley County Water District and the Russian River Flood Control District to submit an annexation application while simultaneously completing the MSR/SOI updates.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:44 a.m.



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Executive Officer
Uma Hinman

Senior Analyst
Larkyn Feiler

Clerk/Analyst
Jen Crump

Counsel
Marsha Burch

REGULAR MEETINGS

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

Agenda Item No. 3b

DRAFT

Executive Committee Meeting Minutes

Hybrid Meeting of Thursday, January 9, 2025, 2:30 p.m.
Ukiah Valley Conference Center, Chardonnay Room
200 South School Street, Ukiah, California 95482

4. CALL TO ORDER and ROLL CALL

Chair Mulheren called the meeting to order at 2:30 p.m.

Members Present: Chair Mulheren, Vice Chair/Treasurer Ward, Commissioner Rodin

Staff Present: Uma Hinman, Executive Officer; Jen Crump, Clerk/Analyst; Marsha Burch, Legal Counsel

5. PUBLIC EXPRESSION

None

6. MATTERS FOR DISCUSSION & POSSIBLE ACTION

3a) Approval of August 21, 2024 Executive Committee Minutes

Upon motion by Commissioner Rodin and second by Commissioner Ward, the August 21, 2024 Executive Committee Meeting Minutes were approved with the following changes:

Commissioner Ward recommended a revision to the second paragraph on page 1; strike the term operational revenues and revise to operations or operational net income.

Commissioner Rodin recommended a revision to the seventh paragraph on page 2; clarify that the District pays Adventist Health \$400,000 per year to cover maintenance.

3b) Mid-Year Review of Budget and Work Plan Implementation

Executive Officer (EO) Hinman presented the item regarding a mid-year review of the status of the Fiscal Year (FY) 2024-25 Budget and Work Plan studies and consideration of adding two studies to the Work Plan. Kathy Wylie, Agency Administrator for the Mendocino Coast Health Care District (MCHCD/District), participated in the meeting remotely.

EO Hinman shared that LAFCo has used about 40 percent of the Annual Budget and 40 percent of the Work Plan budget, with \$45,000 remaining in the Work Plan budget. Three coastal studies from FY 2023-24 are in progress: Westport County Water District, Irish Beach Water District, and Elk County Water District. The three studies are estimated to be 70 to 85 percent complete. EO Hinman further clarified that substantial delays in completing the FY 2023-24 Work Plan are due to districts' response time with information needs.

EO Hinman explained that eight of the nine studies for the FY 2024-25 Work Plan remain to be completed. Two studies are anticipated to be streamlined Municipal Service Review (MSR)/Sphere of Influence (SOI) Updates; the Laytonville County Water District and Hopland Public Utilities District. Administrative drafts are in progress for both Potter Valley Irrigation District and Russian River Flood Control District, both comprehensive MSR/SOI updates, and are estimated to be 50 percent complete. The remaining four studies consist of the Ukiah Valley water districts: Calpella County Water District, Millview County Water District, Redwood Valley County Water District, and Willow County Water District.

EO Hinman requested direction from the Committee regarding implementing the MCHCD MSR Update requested by the Grand Jury. The cost estimate for an outside consultant to prepare the study is \$23,000 to \$25,000 and includes an SOI update. EO Hinman noted the LAFCo response to the Grand Jury committed to initiating the MSR in December 2024 and that since the District has not authorized funding for the MSR/SOI Update as of yet, the Commission could consider using contingency funds to start the study as an option.

Commissioner Rodin inquired if the Board will be considering committing funding for the study at the next scheduled meeting of the MCHCD Board of Directors. Ms. Wylie responded that the MCHCD is prioritizing the required earthquake retrofit of the existing hospital, a condition of its State license. Ms. Wylie noted that the MCHCD has not paid LAFCo apportionments because it has not received billing from the Auditor-Controller but is willing to contribute funds.

Commissioner Ward inquired about the District's approved \$35,000 for consulting services that was discussed at the August 2024 Executive Committee meeting. Ms. Wylie responded that the funds were allocated for other consulting services and the LAFCo study wasn't on the District's radar during the FY 2024-25 budget process. Commissioner Ward asked if the District will earmark funds for the MSR/SOI Update in next year's budget. Ms. Wylie responded that it must be discussed further with the District Chief Financial Officer (CFO).

Commissioner Rodin suggested that LAFCo front the cost of the study using contingency funds and that the MCHCD pay in arrears. EO Hinman noted there may not be a way to retroactively collect apportionments through the County Auditor's Office because of the way apportionments are calculated and distributed amongst all the special districts.

At Counsel Burch's inquiry, Ms. Wylie confirmed an updated study would be useful given that there has been a substantial change in its hospital operations since the previously adopted MSR. MCHCD no longer runs the hospital and has entered a 30-year lease agreement with Adventist Health, who is now the operator of the hospital. Ms. Wylie also confirmed that the recent 60-day renegotiation period between MCHCD and Adventist Health is completed.

In response to development of a funding MOU, Counsel Burch will research whether an agreement with a deferred payment of the consulting fees would be a feasible option. Ms. Wylie stated that she could further investigate the availability of District funds to initiate the MSR.

Ms. Wylie noted that the District is behind on its audits and anticipates that the 2020 audit will be completed in the first quarter of 2025. It was generally acknowledged that it would be preferable to initiate the study once the audit information is available. Counsel Burch asked Ms. Wylie if the District was operating in the positive in the years after 2020, as it was mentioned that the District was operating in deficit in 2020. Ms. Wylie acknowledged the District wasn't aware it was operating at a deficit because financial records weren't maintained from 2020 to 2024. Commissioner Ward requested staff contact the County Auditor's Office to confirm the District would be included in future annual apportionment calculations. Ms. Wylie noted that the County Auditor needs the District's audit information to confirm the District financial status.

Commissioner Ward asked for an update regarding the ongoing coordination between LAFCo and the Mendocino County Civil Grand Jury on this issue. EO Hinman responded that correspondence had been sent to the foreperson to provide an update on delay of the study. Commissioner Ward suggested that staff prepare a letter to the Grand Jury stating that LAFCo is willing to support the development of a Memorandum of Understanding (MOU) with the MCHCD for funding the study.

The Committee recommends that staff prepare a letter to the Grand Jury clarifying that the MSR/SOI Update is on hold until LAFCo receives audit information from the MCHCD and identifies adequate funding the study, and that LAFCo will follow up with an update to the Grand Jury in six months. Staff will update the Commission at its next regular Commission meeting.

3c) Mendocino Coast Recreation and Park District Request for Municipal Service Review

EO Hinman provided a summary of the request of the Mendocino Coast Recreation and Park District (MCRPD/District) for an MSR Update. EO Hinman explained that the rolling Work Plan currently prioritizes municipal services, and that the MCRPD MSR Update is tentatively scheduled for FY 2027-28. The last MSR for the District was adopted in 2008. The Committee discussed whether to recommend to the Commission that the MSR Update be added to the FY 2024-25 Work Plan. Additionally, EO Hinman suggested that a SOI Update be prepared at the same time for efficiency purposes. District General Manager Kylie Felicich and District Board of Director Dave Shpak attended and presented at the meeting remotely.

Commissioner Rodin asked what the District hoped to gain from an MSR. Mr. Shpak responded that the service framework of the District has significantly changed since 2008, and summarized the points made by the District in the letter to LAFCo requesting the MSR.

Mr. Shpak clarified that MCRPD believes the MSR will provide an objective understanding of its financial standing and how costs differentiate both geographically and programmatically. The District's service area encompasses 77 miles extending to the County's south coast border, and the District is interested in better understanding the recreational needs throughout its service area. Mr. Shpak commented on the financial commitments in the Fort Bragg area and the change in ownership and obligations warrants an update of the MSR. Lastly, Mr. Shpak shared the District's concern about the ongoing operations and maintenance of Bower Park in Gualala, which is currently the responsibility of the County. The County has received \$2.2 million from the State to rehabilitate the park, with the District's contribution of \$188,000 of capita allocation to close the gap for the project. However, capital costs have increased, and the ability of the County to complete the planned project is a concern. The project will need to be completed in 2026 as outlined in the state funding requirements. Historically, the County hasn't had the financial capacity to maintain the facility. Both the District and County want to be able to demonstrate to taxpayers that there is a plan and an agreement in place to guarantee perpetual maintenance of the park facility. Mr. Shpak shared that their hope is the MSR will help the District address these urgent issues and increase transparency with the public.

Commissioner Rodin noted that an MSR provides a snapshot of a special district's finances and governance; if an in-depth financial analysis is needed, the California Special Districts Association (CSDA) might be able to recommend a consultant that has the knowledge and capacity to analyze the District's financial status. Commissioner Rodin further clarified that the MSR examines certain findings that may or may not be suitable to the District's needs. EO Hinman added that LAFCo examines factors such as governance, finances, services being provided, operations, and efficiencies for its reporting and that an update of the District's MSR does seem appropriate given that there have been substantial changes in its operations. However, if the District is looking for strategic planning, then a consultant might be more suitable. Mr. Shpak affirmed that the District is seeking an MSR Update.

Upon Commissioner Ward's inquiry, EO Hinman noted a rough estimate of \$20,000 for the MSR. Mr. Shpak indicated that the District Board of Directors is prepared to assume the cost, but would prefer to share the cost.

Commissioner Ward inquired if the SOI Update is required as it is an additional cost. EO Hinman responded that the requirement for a five-year MSR is based on the SOI Update requirement per statute and that staff have found it is more efficient to do the studies concurrently. Chair Mulheren noted that the SOI Update could cost more money if it is completed separately from the MSR Update. EO Hinman responded that MCRPD is not requesting an expansion of its SOI, so the SOI Update portion would be a fairly minimal cost. Mr. Shpak shared that the District is willing to work with LAFCo on the scope and cost of the study.

Commissioner Ward inquired if the MSR request will need to be presented to the Commission. EO Hinman recommended staff develop a funding MOU with the District and schedule it for Commission consideration. EO Hinman suggested that the District fund the MSR portion and LAFCo assume the costs of the SOI Update, reminding the Committee of the work plan contingency that could be drawn on to pay LAFCo's responsibility.

Staff will coordinate with the District to develop a draft MOU and will schedule the item for the next regular Commission meeting.

3d) Options for Alternative Schedule of Regular Commission Meetings

The Committee discussed options for an alternative schedule for regular Commission meetings, including changing the start time and/or day of the meeting. The item was in response to Commissioners' direction during the January regular meeting and was proposed to provide more time for commuting Commissioners, District representatives, and public members who attend the regular Commission meetings in-person.

The Committee recommended 9:30 a.m. as the new regular Commission meeting start time with meetings to continue to fall on the first Monday of the month excepting holidays. Staff will present the recommendation for consideration at the next scheduled regular Commission meeting.

4. INFORMATION AND REPORT ITEMS

4a) Executive Officer Report

EO Hinman advised the Committee that working with the City of Fort Bragg (City) on outside agency services related to its Municipal Improvement District (MID) will require substantial staff and legal counsel time and resources. EO Hinman further shared that staff and legal counsel is continuing to research the MID and work with the City on developing options.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:49 p.m.



STAFF REPORT

Agenda Item No. 3c	
MEETING DATE	March 19, 2025
MEETING BODY	Mendocino Local Agency Formation Commission Executive Committee
FROM	Uma Hinman, Executive Officer
SUBJECT	Proposed Modification to FY 2024-25 Work Plan

RECOMMENDED ACTION

The Executive Committee will consider staff’s recommendation to modify the current FY Work Plan and potential recommendation to the Commission:

1. Delay the Ukiah Valley water district studies, including Willow, Millview, Calpella, and Redwood Valley County Water Districts to allow time for the Ukiah Valley Water Authority and City of Ukiah annexation plans to proceed, or until as determined appropriate.
2. Add the City of Point Arena and the City of Willits to the current Work Plan, both of which could be initiated in April and would roll into the following FY.

BACKGROUND

With each year’s budget and work program, the Commission adopts a Work Plan scheduling prioritized agencies under LAFCo’s jurisdiction for Municipal Service Review and Sphere of Influence (MSR/SOI) updates. Because there are numerous factors that impact implementation of the Work Plan in any given year, studies often roll into the following fiscal year (FY).

Work Plan implementation is subject to change due to various factors, such as: (a) agency responsiveness and timely provision of requested information, (b) complexity of issues involved, (c) level of public and affected agency controversy, (d) changing needs and priorities, (e) overall staff workload, and (f) higher than anticipated costs. In any given year, it may be beneficial or necessary to reprioritize the Work Plan studies to address unforeseen circumstances.

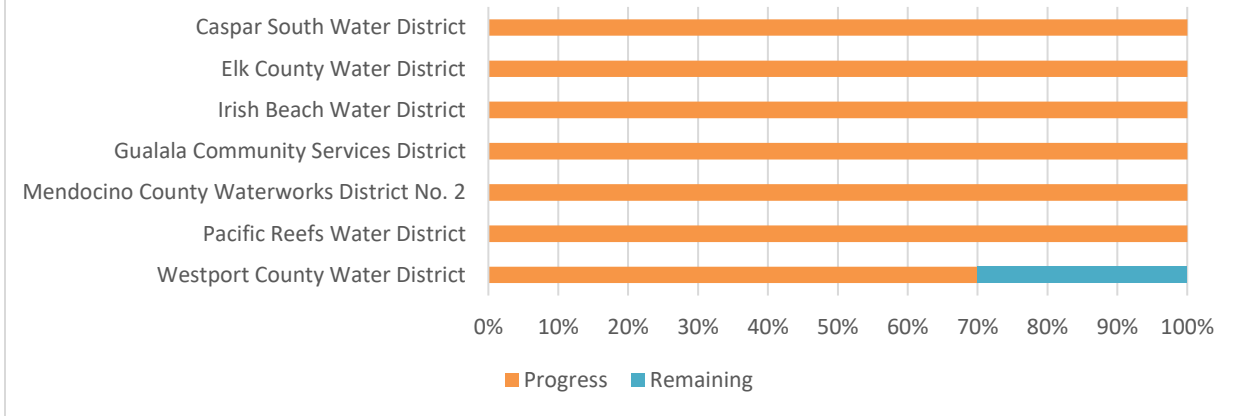
Work Plan Schedule

The schedule for each study identified in the Work Plan is an estimate and is subject to change based on overall staff workload, agency responsiveness and timely provision of requested information, complexity of issues, and public controversy. Each study is assumed to consist of a combined MSR and SOI Update and be exempt from CEQA. The Work Plan may be reviewed at any time during the fiscal year and modified to reprioritize studies, as needed.

FY 2023-24 Work Plan

Tasks for the current year include finishing the remaining coastal water/wastewater district studies from FY 2023-24, as well as initiating the MSR/SOI studies for inland water districts. Staff have completed six of the seven coastal studies; the remaining study is approximately 75 percent complete and scheduled for workshop April 7 (Figure 1).

Figure 1. Status of FY 2023-24 Studies (%)

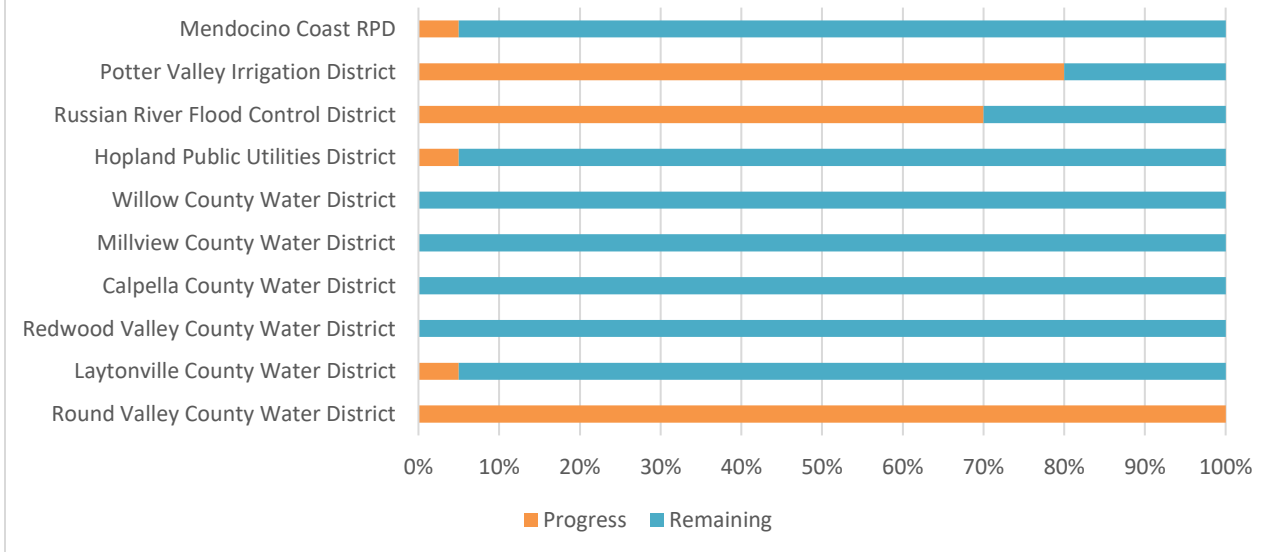


FY 2024-25 Work Plan

The Work Plan for FY 2024-25 prioritized the inland water districts and included a total of nine water districts (Figure 2). Outreach and requests for information were initiated for all of the districts; one district review has been completed under the streamlined review process. Additionally, Potter Valley Irrigation District is scheduled for public hearing and Russian River Flood Control District is scheduled for a workshop, both on April 7th.

The Mendocino Coast Recreation and Park District MSR/SOI update was recently added to this FY’s work plan. Under a Memorandum of Understanding (MOU), the District is funding preparation of the MSR and LAFCo is assuming the cost of the SOI Update portion of the study. The study has been initiated and research and data collection is in process. It is anticipated that the study will roll into FY 2025-26 and be completed by December 2025.

Figure 2. Status of FY 2024-25 Studies (%)



In coordinating with the Ukiah Valley Water Authority (UVWA) representatives, we have learned that the City of Ukiah (City) is planning annexation proposals that would affect at least two of the Ukiah Valley water districts: Willow County Water District (CWD) and Millview CWD. The City is developing a Pre-Application, which we expect to receive within the next month. In light of the ongoing efforts of the City of Ukiah and the UVWA, it is recommended that the four Ukiah Valley water districts (Willow CWD, Millview CWD, Calpella CWD, Redwood Valley CWD) MSR/SOI updates be put on hold as the planning efforts proceed.

Staff recommends proceeding with a review of Hopland Public Utility District, which we anticipate may qualify for the streamlined MSR/SOI review process.

Proposed Modification of Work Plan

In delaying the Ukiah Valley water district studies, staff proposes to modify the FY 2024-25 Work Plan to include other priority agencies. In reviewing the rolling work plan (Attachment 1), staff is proposing to initiate studies for the City of Willits and the City of Point Arena, both of which are due for an MSR/SOI Update. Staff has communicated with staff from both agencies, which have indicated their willingness to proceed.

Both of these studies would extend into the next fiscal year; however, staff could make substantial progress within the current FY.

City of Point Arena

The City of Point Arena is in the process of recruiting a City Manager and anticipates the transition to new staff to occur in July of this year. For purposes of conducting an MSR/SOI update, it would be beneficial to draw upon the experience and knowledge of the current Interim City Manager before her retirement. The last MSR and SOI update adopted for the City of Point Arena was in 2015. *Estimated cost: \$20,000.*

City of Willits

The City of Willits is preparing an application to LAFCo to amend the City's SOI consistent with the City's recently adopted Land Use Element. Conducting an MSR concurrently with the City's application would be greatly beneficial to both LAFCo and the City. The last MSR/SOI for the City was adopted in 2019. *Estimated cost \$20,000.*

Work Plan Budget

Approximately \$40,000 remains in the FY 2024-25 Work Plan budget. Staff estimates approximately \$10,000 to finish the water district studies currently in progress, which are expected to be completed by the end of the FY. Staff proposes to reallocate the remaining budget for this FY to initiate studies for the Cities of Point Arena and Willits; additional allocation in the next FY budget would be likely.

ATTACHMENTS

- (1) Rolling Work Plan

Attachment 1

Sphere of Influence Update Tracking / Rolling Work Plan

March 2025

Type	Agency	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
C	City of Point Arena																					
C	City of Fort Bragg																					
C	City of Willits																					
C	City of Ukiah																					
CSA	County Service Area 3																					
CSD	Anderson Valley Community Services District																					
CSD	Gualala Community Services District																					
CSD	Brooktrails Township Community Services District																					
CSD	Mendocino City Community Services District																					
CSD	Covelo Community Services District																					
F	Albion-Little River Fire Protection District																					
F	Comptche Community Services District																					
F	Covelo Fire Protection District																					
F	Elk Community Services District																					
F	Leggett Valley Fire Protection District																					
F	Little Lake Fire Protection District																					
F	Long Valley Fire Protection District																					
F	Mendocino Fire Protection District																					
F	Piercy Fire Protection District																					
F	Potter Valley Community Services District																					
F	Redwood Valley-Calpella Fire District																					
F	South Coast Fire Protection District																					
F	Hopland Fire Protection District																					
F	Redwood Coast Fire Protection District																					
F	Fort Bragg Rural Fire Protection District																					
F	Ukiah Valley Fire District																					
HCD	Mendocino Coast Health Care District																					
HD	Noyo Harbor District																					
ID	Potter Valley Irrigation District																					
PUD	Hopland Public Utility District																					
RCD	Mendocino County Resource Conservation District																					
RPD	Mendocino Coast Recreation and Park District																					



STAFF REPORT

Agenda Item No. 3d	
MEETING DATE	March 19, 2025
MEETING BODY	Mendocino Local Agency Formation Commission Executive Committee
FROM	Uma Hinman, Executive Officer
SUBJECT	Strategy for Conducting FY 2024-25 Financial Audit

RECOMMENDED ACTION

The Executive Committee will discuss a strategy for conducting the FY 2024-25 financial audit and potential recommendation to the Commission and/or direction to staff.

BACKGROUND

Mendocino LAFCo Policy 5.2.2 directs that “an annual audit shall be performed utilizing the services of a qualified Certified Public Accountant. The contract for audit services shall be awarded by the Commission based on proposals solicited for this purpose, either on an annual basis or a multi-year renewable contract.”

Following a Request for Proposals (RFP) process conducted in 2019, the Commission selected Pehling & Pehling CPAs to conduct the FY 2018-19 financial audit, with options for up to four annual extensions. In 2024, the Commission opted for a fifth annual extension to conduct the FY 2023-24 audit, which was completed and adopted by the Commission in February 2025.

As it affects budget development for FY 2025-26, staff is seeking Committee discussion and direction regarding contracting for the FY 2024-25 financial audit, including a potential solicitation for proposals to conduct the next audit(s).



STAFF REPORT

Agenda Item No. 3e	
MEETING DATE	March 19, 2025
MEETING BODY	Mendocino Local Agency Formation Commission Executive Committee
FROM	Uma Hinman, Executive Officer
SUBJECT	Preliminary Budget and Work Program for Fiscal Year 2025-26

RECOMMENDED ACTION

Executive Committee review and discuss the Preliminary FY 2025-26 Budget and Work Program, and provide recommendation to the Commission and/or direction to staff.

BACKGROUND

The Executive Officer prepares a Preliminary Budget and Work Program for the upcoming fiscal year, which is submitted to the Executive Committee in March for review, input and comment. The Preliminary Budget describes anticipated revenues and expected expenditures by line item and in sufficient detail to facilitate Commission, agency, and public review.

Per the [Cortese-Knox-Hertzberg Local Government Act of 2000 \(CKH\)](#) (Section 56381(a)), at a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs.

The following discussion summarizes the preliminary budget that is detailed in Attachment 1 *FY 2025-26 Preliminary Budget Development Guide*.

PROPOSED OPERATING EXPENSES

The proposed operating expenses for Fiscal Year (FY) 2025-26 are \$332,000 and reflect the anticipated staffing for day-to-day operations, and initiating a considerable Work Plan effort. The following table provides a summary of the adopted FY 2024-25 budget and the preliminary budget for FY 2025-26.

Estimated Budget Summary	FY 2024-25		FY 2025-26 Preliminary Budget (\$)	Increase (Decrease)
	Adopted (\$)	Projected (\$)		
Basic Services (Staffing)	155,000	155,000	155,000	0%
Services and Supplies	78,000	61,000	77,000	(1.3%)
Work Plan	75,000	70,000	100,000	33.3%
Applications		4,000		
Estimated Operations Total	308,000	290,000	332,000	7.8%

As of March 2025, approximately 46% of the budget remains. The budget expenses through the remainder of FY 2024-25 are estimated at \$125,000 for a projected year-end total of \$290,000.

Unutilized budget is primarily expected in the work plan, legal services, conference registration and expenses, and Commissioner stipend and mileage accounts. See the Work Plan section below for more discussion.

Basic Services

The preliminary Basic Services are described in the Work Program (Attachment 1), and supports a 0.72 FTE shared between the Executive Officer and Clerk/Analyst. Additionally, applications are processed per the currently adopted service fees and there is a separate budget line item for the Work Plan tasks, which may either be prepared in-house or by an outside consultant (outsourced).

No change to the Basic Services budget is proposed for next FY.

Services and Supplies

Services and supplies include office operating expenses, membership fees, insurance, contracted Legal Counsel and GIS services, Commissioner and staff trainings and conferences, and Commissioner stipends and travel expenses.

A slight decrease is primarily related to a reduction in the Legal Services budget. See Attachment 1 for an explanation of budget changes by account.

Work Plan

The Work Plan consists of proposed studies for the next FY and continuing studies already in progress that will roll into the next year. Both the remaining coastal region water and wastewater districts initiated in FY 2023-24 and the inland water agencies identified for FY 2024-25 that are in process are expected to be completed by the end of this FY. Note that the proposed modification to the current Work Plan includes putting on hold four of the Ukiah Valley water districts scheduled for this FY and adding two agencies to be initiated before the end of the FY: Cities of Point Arena and Willits.

The preliminary budget includes a Work Plan budget of \$100,000 for studies of the following agencies (see Attachment 1 for more detail):

- Complete City of Point Arena
- Complete City of Willits
- Initiate and complete the Mendocino Coast Healthcare District (outsourced)
- Initiate a multi-year, county-wide study of 17 fire and emergency medical services (EMS) providers. It is expected that the fire and EMS studies will roll into FY 2026-27 and will require additional funding be allocated to complete them.

Summary of Changes

The preliminary FY 2025-26 expenses are an increase of 7.8% over the current fiscal year. See Attachment 1 for a detailed description of changes by budget account.

REVENUE AND RESERVES

Apportionment Fees

The CKH mandates operating costs for LAFCos shall be annually funded by the affected counties, cities, and independent special districts on a one-third apportionment process (Section 56381(b)). Apportionments for cities and independent special districts are further divided and proportional to each agency’s total revenues as a percentage of the overall revenue amount collected in the county. Apportionments have remained the same for the past two years.

The preliminary budget recommends a small increase (3.6%) in apportionments to \$285,000 for FY 2025-26 (Table 2). The following table summarizes options for apportionment fees to ensure proposed expenditures are met, reserves are maintained per policy and Commission direction, and to maintain some work plan contingency funds.

Table 2. Summary of FY 2025-26 apportionment options and impacts to reserves				
	Projected FY 2024-25 (\$)	Preliminary FY 2025-26 (\$)		
Expenditures	290,000	332,000		
Revenue/Funds				
<i>Anticipated Cash Balance</i>	6,000	35,000	35,000	35,000
Apportionment fees	275,000	275,000	285,000	295,000
Service Fees and Interest ¹	9,000	12,000	12,000	12,000
Total Revenue/Funds	290,000	322,000	332,000	342,000
<i>Difference</i>	0	(10,000)	0	10,000
Reserves				
Funds balance at beginning of FY	213,278 ²	163,000	163,000	163,000
Balance at end of FY	198,000	153,000	163,000	173,000
<i>Reserves balance</i>	134,500	134,500	134,500	134,500
<i>Estimated cash balance at FY end</i>	63,500	18,500	28,500	38,500
<i>Work Plan contingency</i>	28,500			
¹ Revenue from service fees and bank interest.				
² Balance from FY 2023-24 (year-end) audited financial statements.				

Service Fees

The adopted service fees applied to application processing accommodates contract staff rates and a portion that is retained by LAFCo as revenue and applied towards operations and long-term planning (Work Plan) costs in the following FY. It is projected that approximately \$2,000 in service fee revenue will be collected in the current FY, less than was anticipated due to incomplete applications delaying processing.

Staff anticipates an increase in application activity for changes of organizations and reorganizations. The service fee revenue retained by LAFCo in the next FY is estimated to increase to approximately \$9,000.

Reserves

Mendocino LAFCo Policy 5.1.5 directs maintenance of reserves for fiscal stability, unforeseen operating or capital needs, cash flow requirements, revenue source stability from revenue shortfalls, and unanticipated legal fees. The reserves consist of a minimum operating reserve of 25% of the annual operating budget and a legal reserve of \$50,000 as directed by the Commission.

The current reserves meet the target operating and legal reserves per policy and Commission direction; no change in reserves is proposed for FY 2025-26.

Cash Balance and Work Plan Contingency

Unassigned fund balance (cash balance) consists of the FYE net position minus the reserves set aside for legal and operations. The cash balance is used towards balancing the next FY budget and minimizing large variances in apportionment needs from year to year.

A portion of the cash balance has been assigned to a work plan contingency. Generally, the work plan contingency consists of the unused portion of the previous FY work plan budget that rolls between FYs and is intended to allow for flexibility in implementing the Work Plan, such as unanticipated or higher than estimated expenses associated

with issues arising during the preparation of MSR and SOI updates and for associated California Environmental Quality Act (CEQA) compliance. The contingency also allows for a buffer to support Work Plan efforts that are by nature not limited to a single fiscal year.

Unanticipated costs may include the need for outside consultant-prepared MSR/SOI studies that generally incur much higher costs than in-house staff prepared studies due primarily to higher consultant billing and production rates. It may also include modifications of the Work Plan mid-year for reasons such as rescheduling agency studies based on emerging needs and/or unresponsive agencies.

End of FY 2024-25 projections estimate a cash balance of approximately \$63,500 (Attachment 3); staff proposes applying \$35,000 towards next year’s budget, with the remaining funds assigned to the work plan contingency (Table 2).

BUDGET DEVELOPMENT SCHEDULE

Budget development steps and schedule are set forth in the Mendocino LAFCo Policies and Procedures (Chapter 5) and Government Code Section 56381(a), and states that the Proposed Budget is to be adopted by May 1 and the Final Budget by June 15. The budget is based on a July 1 to June 30 fiscal year.

Table 3. Budget development schedule	
Budget Phase	Schedule
Preliminary Budget and Proposed Work Plan – Executive Committee	March
Proposed Budget and Work Plan – Public Hearing	April 7
Final Budget and Work Plan – Public Hearing	May 5 or June 2

ATTACHMENTS

- (1) Preliminary Budget Development Guide for FY 2025-26
- (2) Rolling Work Plan for MSR/SOI Studies
- (3) Projected Financial Summary for FY 2024-25

Attachment 1



MENDOCINO LAFCO

FY 2025-26 PRELIMINARY BUDGET DEVELOPMENT GUIDE

Contents

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Summary

This development guide provides a summary of the assumptions, basis and projections that went into developing the FY 2025-26 Preliminary Budget and Work Program. The guide includes a description of each budget account and changes in proposed budget from the previous FY.

The following table summarizes the adopted and projected budgets for FY 2024-25 and the preliminary budget for FY 2025-26.

	FY 2024-25 (\$)		FY 2025-26 (\$)
	Adopted	Projected	Preliminary
Cash Balance	23,000	6,000	35,000
Apportionments	275,000	275,000	285,000
Misc Revenues (fees and interest)	10,000	9,000	12,000
Total Revenue	308,000	290,000	332,000
Staffing	155,000	155,000	155,000
Services & Supplies	80,000	65,000	77,000
Work Plan	75,000	70,000	100,000
Total Expenses	308,000	290,000	332,000
Work Plan Contingency/Cash Balance	46,465	63,465	28,465
Reserves	131,500	134,600	134,600

Budget Development

Budget development consists of a transparent process that requires at minimum three public meetings, which is summarized as follows:

1. The Executive Officer prepares a Preliminary Budget and Work Program for the upcoming fiscal year, which is submitted to the Executive Committee in March for review, input and comment. The Preliminary Budget describes anticipated revenues and expected expenditures by line item and in sufficient detail to facilitate Commission, agency, and public review.
2. Executive Committee Meeting – Preliminary Budget and Work Program. the Executive Committee receives the Preliminary Budget and Work Program and makes recommendation to the Commission.
3. Public Hearing - Proposed Budget and Work Program. The Executive Committee's recommendation is presented to the Commission in a public hearing and a Proposed Budget and Work Program is adopted and distributed to funding agencies.
4. Public Hearing – Final Budget and Work Program. The Commission considers agency and public comment and adopts the Final Budget and Work Program, which is distributed to funding agencies and the County Auditor-Controller.

Per the [Cortese-Knox-Hertzberg Local Government Act of 2000 \(CKH\)](#) (Section 56381(a)), at a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs.

The preliminary budget for FY 2025-26 represents little change from the current fiscal year except in the work plan account. In general, estimated increases in membership and insurance fees have been received and incorporated into the preliminary budget.

Trends

As staff it is our responsibility to understand LAFCo's historical role in the County and also to look at current and emerging trends in development pressures, legislative changes, and local conditions to support the Commission in meeting its obligations and responsibilities.

Mendocino LAFCo has continued to evolve and expand its focus in response to the need for organizational improvements and efficiencies, customer and public services, coordination and relationship building with agencies, and a more dynamic work plan that responds to the most pressing issues.

Staffing demands continue to trend towards an increasing number of applications and a need for proactive involvement in regional planning and relationship building to ensure that LAFCo's guiding principles, statutes, and local policies are considered in response to increasing development pressures.

In developing the FY 2025-26 budget and work program, staff proposes continuing to build on the strategies initiated in the current FY to support a successful, proactive, and responsive organization and work plan implementation.

Work Program

The Work Program include Basic Services and the annual Work Plan. The annual Work Program identifies tasks and goals for staff to implement and a list of prioritized agencies for MSR/SOI updates and any special studies.

Basic Services (Staffing)

The following tasks were identified in the FY 2024-25 Work Program:

- Development of an annual report to track Commission direction, MSR/SOI and application follow up items.
- Update of Application forms and guides.
- Policy and procedures development, as needed.
- Transparency improvements to the website.

For FY 2025-26, staff is proposing the following:

- Continued development and refinement of the annual and reporting and tracking report.
- Continued update of Application forms and guides.
- Policy and procedures development, as needed.
- Continued improvements to the website to promote transparency and access to official records of the Commission.

During the current fiscal year, LAFCo staff have dedicated time and resources to improving the core services of the organization through enhancing transparency, outreach to member agencies, and updates and improvements to forms and templates. Additionally, we have developed and implemented strategies for streamlining processes and records accessibility that creates efficiencies for staff, member agencies and the public. Staff will continue to identify and implement ways to improve operational efficiencies, productivity and flexibility.

Staff and Legal Counsel continue to research a number of complicated issues and coordinate with agencies to develop meaningful solutions. The collaborative approach will ultimately result in more efficient and beneficial service provision and accountability.

Additionally, staff continues to develop an annual report to the Commission to track and manage Commission direction and requests for follow up on MSR/SOI studies and applications.

Staffing and Efficiencies

Consistent with Commission direction, staff has prioritized applications and responsiveness to inquiries and organizational duties. During 2023, Hinman & Associates Consulting added a planner/analyst to its team who has been focused solely on implementing the Work Plan. In 2024, a clerk/analyst was added to focus on applications, administrative support, and Work Plan tasks.

With a master tax share agreement now in place between the cities and County, it is anticipated that additional applications for annexations will be submitted by the City of Ukiah. Additionally, the City of Willits is expected to soon be submitting an application for a sphere amendment.

To track and manage Commission direction and requests for follow up on MSR/SOI studies and applications, staff has been developing an annual report to increase accountability and transparency. A draft will be provided to the Executive Committee for review and feedback in the coming months.

Particularly with remote working environments, and also to more readily respond to requests for information and records, it is becoming increasingly important to tackle a number of long-standing office needs such as scanning files (historic meeting materials, applications, budgets, etc.). Last FY, staff scanned and catalogued online all of Commission resolutions, which are now available on our website. This FY we have continued to build our online repository by continuing to add prior years' agendas and meeting minutes. Per Commission recommendation, staff will continue this effort of adding historic records to our website as time and budget allows. Ultimately, these efforts will promote a more efficient work environment, records archive, and increase overall agency transparency.

Policies and Procedures

In the current FY, staff has initiated review and updates to local policies and procedures in response to legislative changes and local conditions. Staff will continue to review the Manual and work with the Policies & Procedures Committee to update policies in the next FY.

Additionally, a comprehensive update of application forms and guides to promote consistent processes is nearly complete. Staff has conducted substantial outreach with the Board of Equalization, the County Surveyor, and various County departments regarding mapping requirements for LAFCo applications, which is a critical component of the application form updates. The form updates are expected to be completed by the end of this FY.

Work Plan

Balancing LAFCo's statutory obligation to prepare MSR/SOI studies for the 50 special districts and 4 cities on a 5-year schedule with priority tasks such as applications and responsiveness to the public and agencies, as well as budget limitations, requires careful strategy.

We continue to make good progress on updating agency studies, and continue to prioritize the municipal service providers (locally defined as water, wastewater, police, and fire protection) as directed in local policy. Additionally, we are addressing non-municipal service providers as needed.

Recognizing (1) the statutory responsibilities of LAFCo to review the agencies on a five-year schedule, as needed; (2) the Commission's direction for increased progress on the work plan tasks; and (3) staff capacity limitations due to organizational priorities; staff is implementing a multi-pronged course of action to effectively and efficiently implement the work plan:

- Outsourcing the MSR/SOI work plan and related CEQA reviews when it makes sense
- Continuing to budget work plan contingencies to support flexibility in developing MSR/SOI updates and related CEQA processes above exemptions
- Utilizing the streamlined review procedure to apply on a 5-year schedule for agencies with little to no changes, and to identify agencies that need updated SOIs

Outsourcing studies and associated CEQA reviews tend to incur higher contractor rates but can provide a valuable option for implementation of the Work Plan on a reasonable timeline. Maintaining a work

plan contingency allows for flexibility in utilizing this option, especially in response to shifting agency needs.

The Commission completed the first streamlined review process of agencies' MSR and SOI in 2024. The process may be applied to those agencies that have experienced little change since the last review, allowing LAFCo to focus staffing and budget on in-depth comprehensive studies for agencies with greater needs.

FY 2025-26 Work Plan

Staff proposes a budget of \$100,000 to conduct studies in FY 2025-26, including the Mendocino Coast Healthcare District (MCHCD) MSR/SOI Update and initiating a County-wide study of fire and EMS service providers. Additionally, tasks initiated this FY are expected to roll into FY 2025-26 for completion.

Mendocino Coast Healthcare District

As recommended by the Grand Jury in a 2024 report, the MCHCD should be scheduled for a MSR in the next FY. Staff continue to coordinate with district staff and have agreed that waiting for completion of a multi-year financial audit is important prior to initiating the MSR; the audit is expected to be completed by June 2025. Staff anticipates outsourcing the study and has received a consultant estimate of \$25,000.

Fire Protection Districts (17)

The majority of the County's fire districts were last updated in 2018. At that time, staff had identified a need for a more comprehensive and countywide review of the districts as many of the districts identified similar issues (i.e., insufficient funding, declining volunteerism, and gaps in service areas). Staff is recommending a robust, comprehensive study of the County's fire service and EMS provisions to develop recommendations to identify and support operational improvements, efficiencies, and options for reorganization. Following are the fire districts proposed for inclusion in the study:

Albion-Little River Fire Protection District	Long Valley Fire Protection District
Anderson Valley Community Services District	Mendocino Fire Protection District
Comptche Community Services District	Piercy Fire Protection District
Covelo Fire Protection District	Potter Valley Community Services District
Elk Community Services District	Redwood Coast Fire Protection District
Fort Bragg Rural Fire Protection District	Redwood Valley-Calpella Fire District
Hopland Fire Protection District	South Coast Fire Protection District
Leggett Valley Fire Protection District	Ukiah Valley Fire District
Little Lake Fire Protection District	

Staff recommends allocating \$60,000 in FY 2025-26 to initiate the outreach and studies; it is expected that this will be a two-year study requiring additional allocation of funds in FY 2026-27. For budget planning purposes, it is anticipated that completing the fire districts MSR/SOI studies will require an additional \$60,000-\$70,000 in FY 2026-27. For example, a recent similar study conducted by consultants covering 10 fire districts in Nevada County was approximately \$110,000.

Continuation of FY 2024-25 Work Plan

As is often the case, a number of work plan tasks initiated in FY 2024-25 are expected to roll into the following FY. Unused work plan budget rolls into the work plan contingency to support the completion of

the studies, which may also require additional funding allocation in the new FY. The following summary assumes approved reprioritization of studies for FY 2024-25, including delaying four of the Ukiah Valley water districts and initiating the Cities of Willits and Point Arena.

Mendocino Coast Recreation and Park District

The Mendocino Coast Recreation and Park District (MCRPD) was initiated in March 2025 and the MSR portion of the study is being funded by the district. Cost of the SOI update component of the combined study will be assumed by LAFCo. It is anticipated that the study will roll into FY 2025-26 and be completed by December 2025. Total estimated cost of SOI update is \$2,500.

City of Point Arena

Staff has recommended prioritizing the City of Point Arena MSR/SOI Update in FY 2024-25 for several reasons (1) several agencies in the FY 2024-25 work plan have been put on hold indefinitely and there is capacity to conduct additional studies, (2) the City’s interim City Manager has announced retirement at the end of June 2025 and staff wishes to take advantage of institutional knowledge before she is gone; (3) the last MSR/SOI for the City was adopted in 2015. Upon Commission approval, staff will initiate the study in April 2025 and anticipate completing the study in fall of 2025.

City of Willits

Staff has recommended prioritizing the City of Willits MSR/SOI Update in FY 2024-25 for several reasons (1) several agencies in the FY 2024-25 work plan have been put on hold indefinitely and there is capacity to conduct additional studies, (2) the City is preparing to submit an application to amend its SOI as recommended in its recently adopted Land Use Element and updating the MSR will be necessary to support the SOI Amendment; (3) the last MSR/SOI for the City was adopted in 2019. Upon Commission approval, staff will initiate the study in April 2025 and anticipate conducting the study concurrently with the SOI Amendment application.

Inland Water/Wastewater Districts

It is expected that the inland region water and wastewater districts MSR/SOI updates scheduled for FY 2024-25 will be completed by June 30, 2025. It was anticipated that the studies for the water agencies that rely on Potter Valley Project water supply would commence in the later half of FY 2024-25 (January 2025) and likely roll into the following year (FY 2025-26) for completion. Further, it was anticipated that the studies would likely require an additional allocation in the FY 2025-26 work plan budget, such that study costs might be allocated from two budget cycles (FY 2024-25 and 2025-26). However, the establishment of the Ukiah Valley Water Authority and plans for annexations by the City of Ukiah have resulted in placing four of the Ukiah Valley water districts on hold. Delaying four agency studies opens up capacity to prioritize other studies that are due, which will be considered by the Commission in April.

Laytonville County Water District
Round Valley County Water District
Hopland Public Utilities District
Russian River Flood Control District
Potter Valley Irrigation District

~~Calpella County Water District~~
~~Millview County Water District~~
~~Redwood Valley County Water District~~
~~Willow County Water District~~

Description of Expenses by Account

The following table provides a description of LAFCo's budget accounts, the preliminary budget recommendation for FY 2025-26, and an explanation of any recommended changes from FY 2024-25.

Account 5300	Basic Services	
Description	Contract staffing (Executive Officer, Senior Analyst, Clerk/Analyst)	
Budget Recommendation	\$155,000 (no change)	
Notes: Organizational tasks such as development and updates of policy and procedures; continued updates to application forms and process streamlining; outreach to member agencies; increase transparencies through the LAFCo website. Includes general tasks such as office hours & administrative duties; research, response to inquiries, Commission & Committee meetings; Work Plan support.		
Account 5500	Rent	
Description	Office space lease and work room at UVCC	
Budget Recommendation	\$8,500 (increase of \$500)	6.3%
Notes: Office space lease will be \$579/month July-February; increase to \$638/month for March-June. Work room fee of \$30/month for full FY. Also includes \$1,000 for BOS chambers rental.		
Account 5600	Office Expenses	
Description	Office supplies, photocopies, postage, office equipment, phone service, software subscriptions	
Budget Recommendation	\$4,000 (no change)	
Notes:		
Account 5700	Internet and Website Costs	
Description	Internet service provider, website subscription, email hosting service, domain registration	
Budget Recommendation	\$3,000 (no change)	
Notes:		
Account 5900	Publication and Legal Notices	
Description	Newspaper publishing of legal notices	
Budget Recommendation	\$2,000 (decrease of \$1,000)	33.3%
Notes: Legal notices for work plan studies, proposed and final budgets.		
Account 6000	Televising Meetings	
Description	Live-streaming and recording regular Commission meetings	
Budget Recommendation	\$2,000 (decrease of \$400)	16.7%
Notes: Contract with County Information Services for technical support to provide live-streaming and recording regular Commission meetings. Budget anticipates annual COLAs for County staff.		

Account 6100	Audit Services	
Description	Contracted annual audit services	
Budget Recommendation	\$8,000 (increase of \$3,500)	77.8%
Notes: The last RFP issued for selection of a Certified Public Accountant (CPA) was conducted in 2019, which resulted in a contract with Pehling & Pehling, CPAs for a period up to five years. LAFCo will need to conduct another RFP process to select a CPA to prepare our FY 2024-25 financial audit. It is anticipated that the proposals will be substantially higher than recent contracts.		
Account 6200	Bookkeeping	
Description	Bookkeeping including Quickbooks entries, processing claims, and financial reporting	
Budget Recommendation	\$5,500 (no change)	
Notes:		
Account 6300	Legal Counsel	
Description	Contract general legal representation	
Budget Recommendation	\$15,000 (decrease of \$4,000)	21.1%
Notes: Decrease reflects lower contract rates and estimated need for the FY.		
Account 6400	A-87 Costs County Services	
Description	County services costs for treasury account and overhead for other County services	
Budget Recommendation	\$6,000 (increase of \$2,500)	71.4%
Notes: Increase reflects actual invoiced amount for FY 2024-25 (\$5,070) and assumes slightly higher billing for FY 2025-26 to accommodate County staff COLA raises.		
Account 6500	Insurance – General Liability	
Description	General liability insurance through SDRMA	
Budget Recommendation	\$3,200 (increase of \$200)	6.7%
Notes: Advisory letter from SDRMA estimates \$3,179. Small cushion included to allow for adjustments for final billing.		
Account 6600	Memberships	
Description	Membership dues for CALAFCO and CSDA	
Budget Recommendation	\$4,000 (no change)	
Notes: CALAFCO Board adopted dues of \$2,665 for Mendocino LAFCo consistent with a CPI of 3.1%. CSDA dues are estimated at approximately \$1,300-1,500 with CPI.		
Account 6670	GIS Services	
Description	GIS services under contract with County	
Budget Recommendation	\$2,500 (decrease of \$500)	16.7%
Notes:		

GIS services include map preparation for LAFCo studies and analysis needs, Sphere of Influence mapping and management, and research of agency mapping for LAFCo.		
Account 6740	In-County Travel and Stipends	
Description	Commissioner stipends of \$50 and mileage for regular Commission meetings	
Budget Recommendation	\$2,300 (decrease of \$700)	
Notes: Meetings are returning to in-person; IRS mileage rate increased for 2025. However, expenses for this account are historically under budget; budget lowered accordingly.		
Account 6750	Travel and Lodging Expenses	
Description	Travel and lodging expenses associated with conference, workshop and training attendance out of county.	
Budget Recommendation	\$6,000 (decrease of \$1,000)	
Notes: The 2025 CALAFCO Conference is in San Diego; assumes four commissioners and the EO will attend. Mileage (70 miles RT to SR Airport) = \$450; flights (\$300 pp RT); hotel (\$275 pp/night); meals (\$60/day). Per person expenses: \$1,350; for a total of \$5,400. The 2026 CALAFCO Staff Workshop location TBD; one staff person to attend Staff Workshop, lodging expenses estimated at \$600.		
Account 6800	Conferences	
Description	Conference registrations	
Budget Recommendation	\$5,000 (no change)	
Notes: The annual CALAFCO Conference will be held in San Diego in October 2025. CALAFCO has provided estimated registration costs for the annual conference (\$800/pp) and the 2026 Staff Workshop (\$660/pp). Assumes four Commissioners and the EO will attend the conference, for a total of \$4,000; one staff person to attend Staff Workshop. Budget allows for a slight cushion to include mobile workshop attendance, etc.		
Account 7000	Work Plan	
Description	Preparation of Municipal Services Reviews, Sphere of Influence Updates and special studies	
Budget Recommendation	\$100,000 (increase of \$25,000)	
Notes: Work plan efforts in FY 2025-26 will include finishing studies initiated in FY 2024-25, including the proposed modification to initiate the Cities of Willits and Point Arena, and begin a county-wide fire and emergency medical services study that will include 17 agencies. The Fire and EMS MSR/SOI studies will be partially funded in FY 2025-26 and will require additional budget allocation in the following FY such that study costs might be allocated from two budget cycles (FY 2024-25 and 2025-26). It is expected that it will be a two-year study. Also for FY 2025-26, staff proposes to include the Mendocino Coast Healthcare District, which will be out-sourced to a consultant.		
Account 9000	Miscellaneous Expenses	
Description	Bank service fees, special district training support, etc.	
Budget Recommendation	0 (decrease of \$100)	
Notes: Opted for paperless statements; no service charges for either account.		

Preliminary Budget and Work Program for FY 2025-26

Mendocino LAFCo Preliminary Budget FY 2025-26

March 19, 2025

ACCOUNT #	DESCRIPTION	FY 2024-25			FY 2025-26
		Adopted	YTD - February	Projected	Preliminary
REVENUE					
	<i>Anticipated Cash Balance</i>	\$ 23,000		\$ 6,000	\$ 35,000
4000	LAFCo Apportionment Fees	\$ 275,000	\$ 275,000	\$ 275,000	\$ 285,000
4100	Fees and Reimbursements (Includes Service Fees)	\$ 9,000	\$ 5,340	\$ 6,000	\$ 9,000
4800	Miscellaneous				
4910	Interest Income	\$ 1,000	\$ 1,571	\$ 3,000	\$ 3,000
	REVENUE TOTAL	\$ 308,000	\$ 281,911	\$ 290,000	\$ 332,000
EXPENSES					
5300	Basic Services (EO, Analyst, Clerk)	\$ 155,000	\$ 84,342	\$ 155,000	\$ 155,000
5500	Rent	\$ 8,000	\$ 4,998	\$ 8,000	\$ 8,500
5600	Office Expenses	\$ 4,000	\$ 2,535	\$ 4,000	\$ 4,000
5700	Internet & Website Costs	\$ 3,000	\$ 1,700	\$ 3,000	\$ 3,000
5900	Publication and Legal Notices	\$ 3,000	\$ 723	\$ 1,500	\$ 2,000
6000	Televising Meetings	\$ 2,400	\$ 894	\$ 1,500	\$ 2,000
6100	Audit Services	\$ 4,500	\$ 4,250	\$ 4,250	\$ 8,000
6200	Bookkeeping	\$ 5,500	\$ 3,900	\$ 5,500	\$ 5,500
6300	Legal Counsel	\$ 19,000	\$ 7,335	\$ 12,000	\$ 15,000
6400	A-87 Costs County Services	\$ 3,500	\$ -	\$ 5,070	\$ 6,000
6500	Insurance-General Liability	\$ 3,000	\$ 2,845	\$ 2,845	\$ 3,200
6600	Memberships (CALAFCO/CSDA)	\$ 4,000	\$ 3,932	\$ 3,932	\$ 4,000
6670	GIS Contract with County	\$ 3,000	\$ 900	\$ 1,500	\$ 2,500
6740	In-County Travel & Stipends	\$ 3,000	\$ 440	\$ 800	\$ 2,300
6750	Travel & Lodging Expense	\$ 7,000	\$ 3,400	\$ 3,400	\$ 6,000
6800	Conferences (Registrations)	\$ 5,000	\$ 2,800	\$ 3,600	\$ 5,000
7000	Work Plan (MSRs and SOIs)	\$ 75,000	\$ 40,500	\$ 70,000	\$ 100,000
80XX	Applications		\$ 3,660	\$ 4,000	
9000	Misc Exp (Special District Training Support, bank charges)	\$ 100	\$ 35	\$ 70	\$ -
	OPERATING EXPENSE TOTAL	\$ 308,000	\$ 165,529	\$ 289,967	\$ 332,000
	REVENUE/EXPENSE DIFFERENCE	\$ -		\$ 33	\$ -
	<i>(Negative balance indicates use of fund balance and/or reserves)</i>				
RESERVES / CONTINGENCIES					
	Legal Reserves	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
	Operations Reserves @ min. 25% Annual Operating Budget	\$ 81,500	\$ 83,450	\$ 84,650	\$ 84,650
	Total Reserves	\$ 131,500	\$ 133,450	\$ 134,650	\$ 134,650

Prreliminary Work Program (Basic Services + Work Plan)

FY 2025-26

March 19, 2025

Tasks	Description & Assumptions	Estimated Budget
Basic Services		
Office Hours & Administrative Duties	Clerk duties not related to projects; office hours; public assistance; PRA requests; budget development, tracking, amendments; accounts payable, QuickBooks; annual audit; EO correspondence; response to requests for Agency Comments for projects and/or environmental documents routed to LAFCo for review, etc.; carrying out Commission direction.	\$ 85,000
Commission & Committee Meetings	Commission & Committee meeting attendance (12 Regular and 8 Committee); agenda packet development, staff reports, presentations, minutes.	\$ 40,000
Work Plan Support	Prepare and distribute Public Notices, development of staff reports specifically related to MSR/SOI studies, presentation at Commission meetings for Public Workshops and Public Hearings.	\$ 6,000
Consult Legal Counsel	Contract is on an hourly basis.	Per Contract
Application Forms	Update application forms; map research and process clarification	\$ 2,000
Application Processing	Process change of organization or reorganization applications initiated by landowner petition or resolution of application from Cities and Special Districts to modify existing powers, annex and/or detach territory from agency boundaries, and create, dissolve, or consolidate/merge local agencies.	Paid by applicant
Work Plan Follow	Refine annual reporting and conduct follow-up on Commission direction, items identified in MSR/SOI studies and application approvals.	\$ 10,000
Policy Development	Policy development and amendments as needed	\$ 10,000
Transparency Improvements to Website	Assess/implement website improvements (JPAs, maps, etc.)	\$ 2,000
Total		\$ 155,000
Work Plan		
MSR/SOI Update	Prepare and adopt combined Municipal Service Review and Sphere of Influence (MSR/SOI) Update studies pursuant to GOV §56425 and §56430, either in-house or by contract.	\$ 100,000
<p>The agencies listed below have priority for preparation of a LAFCo-initiated MSR/SOI Update in Fiscal Year 2025-26. The actual completion of a specific study may span multiple fiscal years. The budget allocation for each agency is based on estimated costs. Actual costs for study completion may be higher or lower than estimated below.</p> <p>Work Plan implementation is subject to change due to various factors, such as: (a) agency responsiveness and timely provision of requested information, (b) complexity of issues involved, (c) level of public and affected agency controversy, (d) changing needs and priorities, (e) overall staff workload, and (f) higher than anticipated costs.</p> <p>The Work Plan budget assumes minimal costs for CEQA compliance related to filing a Notice of Exemption (NOE). Agencies requesting a non-coterminous SOI may expedite a potential multi-fiscal year process by contributing to the cost of preparing an Initial Study and associated environmental document (ND/MND, EIR, etc.).</p>		
The total Work Plan Budget is not limited to the following designations. These budget allocations may shift to other agencies as needed during the year.	County-wide Fire and EMS Service Providers (17 special districts)	\$ 60,000
	Mendocino Coast Health Care District (outsourced/consultant contract)	\$ 25,000
	Finish Cities of Willits and Point Arena started in FY 2024-25	\$ 15,000
Total		\$ 100,000

Attachment 2

Sphere of Influence Update Tracking

March 2025

Type	Agency	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
C	City of Point Arena																					
C	City of Fort Bragg																					
C	City of Willits																					
C	City of Ukiah																					
CSA	County Service Area 3																					
CSD	Anderson Valley Community Services District																					
CSD	Gualala Community Services District																					
CSD	Brooktrails Township Community Services District																					
CSD	Mendocino City Community Services District																					
CSD	Covelo Community Services District																					
F	Albion-Little River Fire Protection District																					
F	Comptche Community Services District																					
F	Covelo Fire Protection District																					
F	Elk Community Services District																					
F	Leggett Valley Fire Protection District																					
F	Little Lake Fire Protection District																					
F	Long Valley Fire Protection District																					
F	Mendocino Fire Protection District																					
F	Piercy Fire Protection District																					
F	Potter Valley Community Services District																					
F	Redwood Valley-Calpella Fire District																					
F	South Coast Fire Protection District																					
F	Hopland Fire Protection District																					
F	Redwood Coast Fire Protection District																					
F	Fort Bragg Rural Fire Protection District																					
F	Ukiah Valley Fire District																					
HCD	Mendocino Coast Health Care District																					
HD	Noyo Harbor District																					
ID	Potter Valley Irrigation District																					
PUD	Hopland Public Utility District																					
RCD	Mendocino County Resource Conservation District																					
RPD	Mendocino Coast Recreation and Park District																					

Attachment 3

FY 2024-25 Projected Financial Summary

March 1, 2025

<i>Beginning Net Position</i>		213,278
Reserves	\$	133,400
Cash in SBMC (after Feb claims)	\$	87,500
Treasury	\$	104,000
	Total Funds	\$ 324,900
Accounts Receivable	\$	-
Total Available Cash	\$	191,500
Accounts payable (by June 30)	\$	124,438
Application deposits held in SBMC	\$	2,347
Projected FYE Net Position	\$	198,115
2024-2025 Projected Budget Deficit	\$	18,033
2024-2025 Proposed additions	\$	-
Reserve Operations at FYE	\$	84,500
Reserve Legal at FYE	\$	50,000
	\$	134,500
Total Estimated Cash Balance Available at FYE	\$	63,615
<i>Anticipated Use of Cash Balance for FY25-26 budget</i>	\$	35,000
Work Plan Contingency at FYE	\$	28,615