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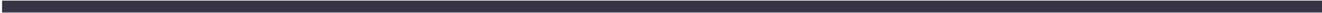
Pacific Reefs Water District

Municipal Service Review and
Sphere of Influence Update

Prepared By/For:
Mendocino LAFCo
200 South School Street
Ukiah, California 95482
<http://www.mendolafco.org/>

Workshop: May 6, 2024
Public Hearing: June 3, 2024

Adopted: June 3, 2024
LAFCo Resolution No: 2023-24-06



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**Resolution No. 2023-24-06
of the Mendocino Local Agency Formation Commission**

**Approving the
Pacific Reefs Water District
Municipal Service Review and Sphere of Influence Update**

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

WHEREAS, the Commission conducted a municipal service review to evaluate the Pacific Reefs Water District, hereinafter referred to as the “PRWD or District”, pursuant to California Government Code Section 56430; and

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

WHEREAS, the Commission held a public workshop on May 6, 2024 to hear public and agency comments and provide direction on revisions to the District’s Draft MSR/SOI update; and

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

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

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the Municipal Service Review and Sphere of Influence update on June 3, 2024; and

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

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

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

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

3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: "Pacific Reefs Water District MSR/SOI Update 2024".
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the District.

BE IT FURTHER RESOLVED that the Pacific Reefs Water District MSR/SOI Update 2024 is hereby approved and incorporated herein by reference and that the District's existing coterminous Sphere of Influence established in 2015 is affirmed as depicted in Exhibit "A", attached hereto.

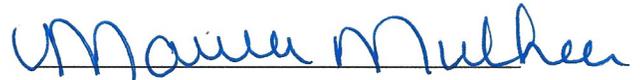
PASSED and ADOPTED by the Mendocino Local Agency Formation Commission this 3rd day of June 2024 by the following vote:

AYES: Ward, Mulheren, Horsley, Rodin, Gonzalez, McGourty

NOES:

ABSTAIN:

ABSENT: Christen


MAUREEN MULHEREN,
Commission Chair

ATTEST:


UMA HINMAN, Executive Officer

TABLE OF CONTENTS

1	INTRODUCTION	1-1
1.1	Local Agency Formation Commission	1-1
1.2	Mendocino LAFCo	1-1
1.3	Municipal Service Review	1-2
1.4	Sphere of Influence	1-3
1.5	Additional Local Policies	1-3
1.5.1	Mendocino County General Plan – Coastal Element.....	1-3
1.6	Senate Bill 215	1-4
2	AGENCY OVERVIEW	2-1
2.1	History	2-1
2.1.1	Formation.....	2-1
2.1.2	Boundary.....	2-1
2.1.3	Services	2-1
2.1.4	Facilities	2-1
2.2	Government Structure	2-5
2.2.1	Governing Body.....	2-5
2.2.2	Public Meetings.....	2-6
2.2.3	Standing Committees	2-6
2.2.4	Public Outreach.....	2-6
2.2.5	Complaints	2-6
2.2.6	Transparency and Accountability	2-7
2.3	Operational Structure	2-7
2.3.1	Management and Staffing	2-7
2.3.2	Agency Performance	2-8
2.3.3	Regional and Service-Specific Participation	2-8
2.3.4	Shared Service Delivery	2-9
2.3.5	Governmental Structure and Community Needs.....	2-11
2.4	Finances.....	2-11
2.4.1	Current Fiscal Health	2-11
2.4.2	Long Term Financial Considerations.....	2-13
2.5	Growth.....	2-15
2.5.1	Area History	2-15
2.5.2	Present and Planned Land Use and Development	2-17
2.5.3	Existing Population	2-19
2.5.4	Projected Growth	2-19
2.5.5	California Housing Goals	2-19
2.6	Disadvantaged Unincorporated Communities	2-20
3	MUNICIPAL SERVICES.....	3-1
3.1	Service Overview.....	3-1
3.1.1	Services	3-1
3.1.2	Service Area	3-1
3.1.3	Outside Agency Services	3-1
3.2	Water.....	3-2

3.2.1	System History.....	3-2
3.2.2	Service Overview	3-2
3.2.3	Facilities and Infrastructure	3-2
3.2.4	Service Adequacy	3-3
3.3	Determinations	3-5
3.3.1	MSR Review Factors	3-5
4	SPHERE OF INFLUENCE	4-1
4.1	Mendocino LAFCo Policies.....	4-1
4.2	Existing Sphere of Influence	4-3
4.2.1	Study Areas	4-3
4.2.2	Area of Interest Designation	4-4
4.3	Proposed Sphere of Influence	4-4
4.4	Consistency with LAFCo Policies	4-4
4.5	Determinations	4-4
4.5.1	Present and planned land uses	4-5
4.5.2	Present and probable need for facilities and services in the area	4-5
4.5.3	The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.....	4-5
4.5.4	The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.....	4-6
4.5.5	The present and probable need for public facilities and services of any disadvantaged unincorporated communities.....	4-6
4.6	Recommendation.....	4-6
5	REFERENCES	5-1
6	ACRONYMS.....	6-1
7	ACKNOWLEDGEMENTS.....	7-1
7.1	Report Preparation	7-1
7.2	Assistance and Support	7-1
8	APPENDICES	8-1
8.1	Appendix A – Open Government Resources	8-1
8.2	Appendix B – Website Compliance Handout.....	8-2
8.3	Appendix C – Housing Legislation Trends and Results	8-3
8.4	Appendix D – District Financial Audits	8-6

Table of Figures

Figure 2-1:	Pacific Reefs Water District Boundary.....	2-3
Figure 2-2:	Mendocino County Water and Sanitation Districts and Companies	2-4
Figure 2-3:	Adjacent private water service providers.....	2-10
Figure 2-4:	Albion and Schooner's Landing Marina	2-15
Figure 2-5:	Albion, California	2-16
Figure 2-6:	Pacific Reefs Subdivision.....	2-16
Figure 2-7:	Mendocino County General Plan Designations	2-18
Figure 2-8:	Mendocino County Zoning Map	2-18
Figure 3-1:	Mendocino Coast Hydrologic Unit Watershed.....	3-1
Figure 3-2:	New 30,000-gallon bolted steel water tank replacement project schematic	3-3

1 INTRODUCTION

This chapter provides an introductory overview of Local Agency Formation Commissions (LAFCo), Mendocino LAFCo, and additional details relevant to the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update process for Pacific Reefs Water District (PRWD/District).

1.1 Local Agency Formation Commission

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

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

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

1.2 Mendocino LAFCo

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

Mendocino LAFCo has a public Commission with seven regular Commissioners and four alternate Commissioners. The Commission is composed of two members of the Mendocino County Board of Supervisors, two City Council members, two Special District Board of Directors members, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category. Table 1-1 below lists the current members, the category they represent, if they are an alternate, and the date their term expires.

Table 1-1: Current Mendocino LAFCo Commissioners, 2024

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Gerardo Gonzalez	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Glenn McGourty	Commissioner	County	2024
Maureen Mulheren	Chair	County	2026
Mari Rodin	Commissioner	City	2025

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

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Vacant	Commissioner	Special Districts	2024
Francois Christen	Alternate	Special District	2026
Douglas Crane	Alternate	City	2025
John Haschak	Alternate	County	2027
Vacant	Alternate	Public	2027

Source: Mendocino LAFCo

1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts (GC §56430)². MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI) (Assembly Committee on Local Government, 2023). This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by PRWD.

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

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

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

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented

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

in Chapter 3.3. LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services.

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

- Provide a broad overview of agency operations including type and extent of services provided;
- Serve as a prerequisite for a SOI Update;
- Evaluate governance options and financial information;
- Identify areas within the factors noted above that may benefit from improvement;
- Demonstrate accountability and transparency to LAFCo and to the public; and
- Allow agencies to compare their operations and services with other similar agencies.

1.4 Sphere of Influence

The CKH Act requires LAFCo to adopt an Sphere of Influence (SOI) for all local agencies within its jurisdiction. An SOI is “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission” (GC §56076)³.

When reviewing an SOI for a municipal service provider, under GC §56425⁴, LAFCo will consider the following five factors:

1. The present and planned land uses in the area, including agricultural and open space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to GC §56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

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

1.5 Additional Local Policies

1.5.1 Mendocino County General Plan – Coastal Element

The Mendocino County General Plan was originally adopted in November 1985 and last updated in November of 2021. In conformance with the Coastal Act, the County maintains a Coastal Element as part of their Local Coastal Program. Given Pacific Reefs’ coastal location, the Coastal Element includes a section

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

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

of policies pertaining specifically to Pacific Reefs and the neighboring community of Albion. The Mendocino County General Plan Coastal Element identifies the Albion Planning Area, which includes Albion Ridge, Middle Ridge, Navarro Ridge, and the Pacific Reefs Subdivision. There are no coastal plan policies specific to the area served by Pacific Reefs Water District.

(County, 2021a)

1.6 [Senate Bill 215](#)

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

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

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

2 AGENCY OVERVIEW

Table 2-1 PRWD Profile	
Agency Name:	Pacific Reefs Water District
General Manager/Contact:	Robert Cutler, President
Office Location:	34177 Pacific Reefs Road, Albion, CA 95410
Mailing Address:	PO Box 314, Albion, CA 95410
Phone Number:	(707) 937-2234
Website:	None
Email:	robert.cutler@attglobal.net
Date of Formation:	June 5, 1967
Agency Type:	Independent Special District, Single-Service Provider
Enabling Legislation	County Water District Law: Water Code § 34000–38501
Board Meeting Schedule:	Quarterly at Board member residences within the District, on a rotating basis; dates and agendas are distributed two weeks prior to meetings.

2.1 [History](#)

2.1.1 Formation

The Pacific Reefs Water District (PRWD/District) was formed on June 5, 1967 under [California Water Code §34503](#), by LAFCo Resolution No. 67-5, for the sole purpose of providing water service to the Pacific Reefs Subdivision residents. The Certificate of Filing with the Office of the Secretary of State is dated January 8, 1968.

2.1.2 Boundary

The District is located in an unincorporated area of southwestern Mendocino County, near the small unincorporated coastal community of Albion. The District is located approximately a half mile south of Albion, which is approximately seven miles south of the Village of Mendocino. The District’s service area is a narrow strip of land on the ocean bluffs located between State Highway 1 and the Pacific Ocean. The District boundary coincides with the Pacific Reefs Subdivision, a 24-lot gated, residential subdivision served by private streets that encompasses approximately 34 acres. See Figure 2-1.

2.1.2.1 BOUNDARY CHANGE HISTORY

There have been no changes to the District boundary since its formation in 1967.

2.1.3 Services

The District provides water services to lot owners within the Pacific Reefs Subdivision. No other services are provided and no out-of-agency connections exist. For more information regarding this service, refer to Section 3.

2.1.4 Facilities

On average, the District supplies approximately 400,000 gallons of drinking water annually to its 14 customers and provides backup water supply to 3 additional customers within the District that are on private wells. The District owns a small parcel less than an acre in size, which houses the springs and well, water storage tanks and pump house facilities. The storage tanks include a 30,000-gallon steel-bolted tank,

constructed in 2024; two 5,000 gallon plastic tanks; a water treatment shed; and associated infrastructure. The distribution system consists of approximately 2,000 feet of 3-inch and 4-inch graduated water supply lines from the water tanks to each of the 24 lots within the subdivision. For more information regarding District facilities and infrastructure, refer to Section 3.

2.1.4.1 LATENT POWERS

Latent powers are those services, functions or powers authorized by the principal act under which the District is formed, but that are not being exercised and have not been authorized by LAFCo. The California Water District Law ([Water Code §34000 – 38501](#)) identifies the following potential powers:

- a) Production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes, and any drainage or reclamation works connected therewith or incidental thereto.

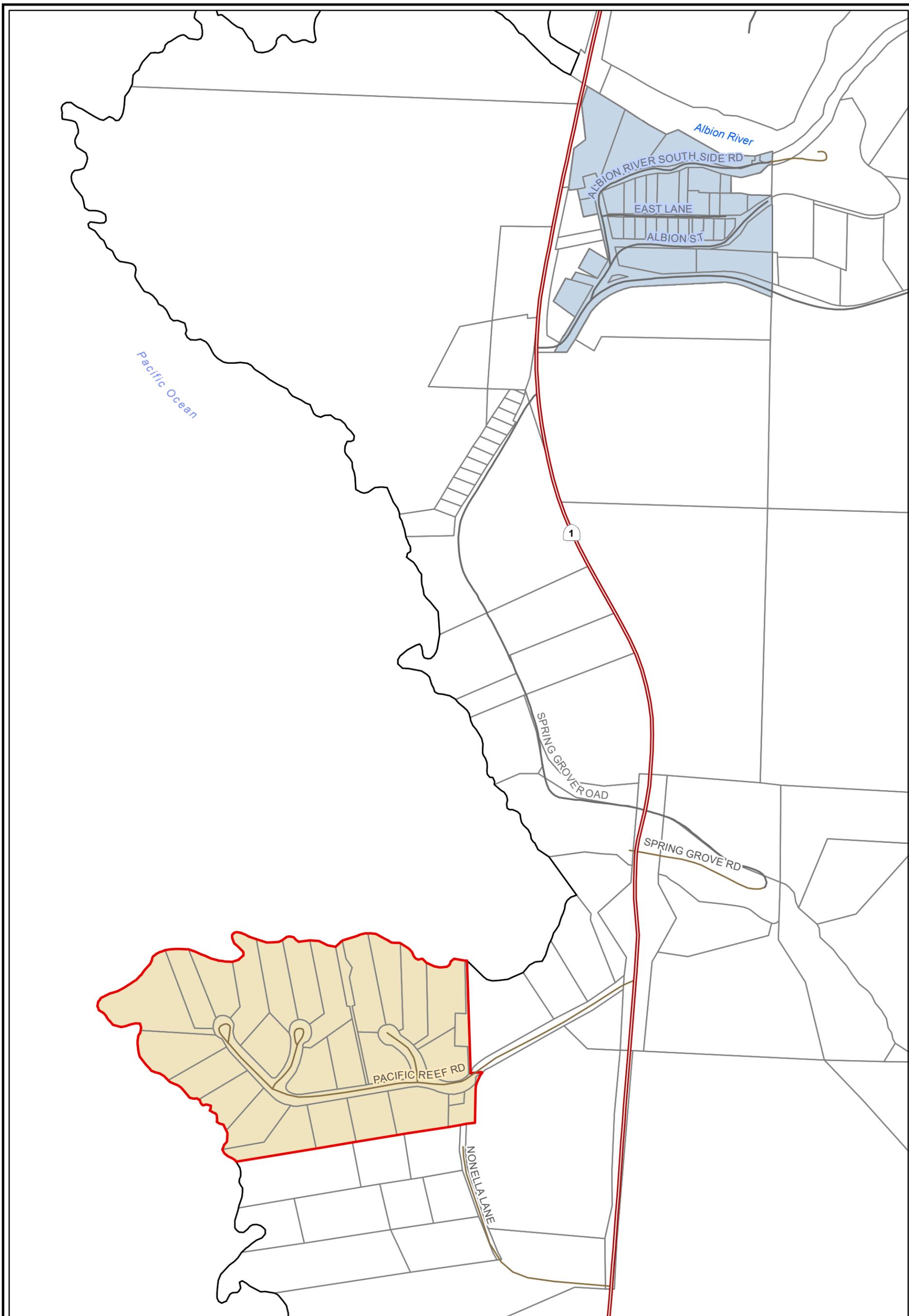
The PRWD is a single-service provider delivering water services only and no other latent powers are authorized under its principal act. Wastewater service within the District boundaries is currently provided by private on-site septic systems.

Other water service providers in the nearby region are listed below:

- Albion Mutual Water Company
- Albion Field Station
- Seafoam Lodge

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

Figure 2-1 Pacific Reefs Water District Boundary Map



Pacific Reefs Water District

Source: This map was prepared by the Mendocino County Information Services Division GIS Program, May 30, 2023.
 Note: This map is not a survey product.

- Pacific Reefs Water Distirct
- Pacific Reefs Water District SOI
- Albion Mutual Water Company
- Parcels
- Highways
- Roads

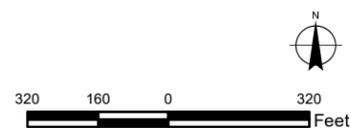
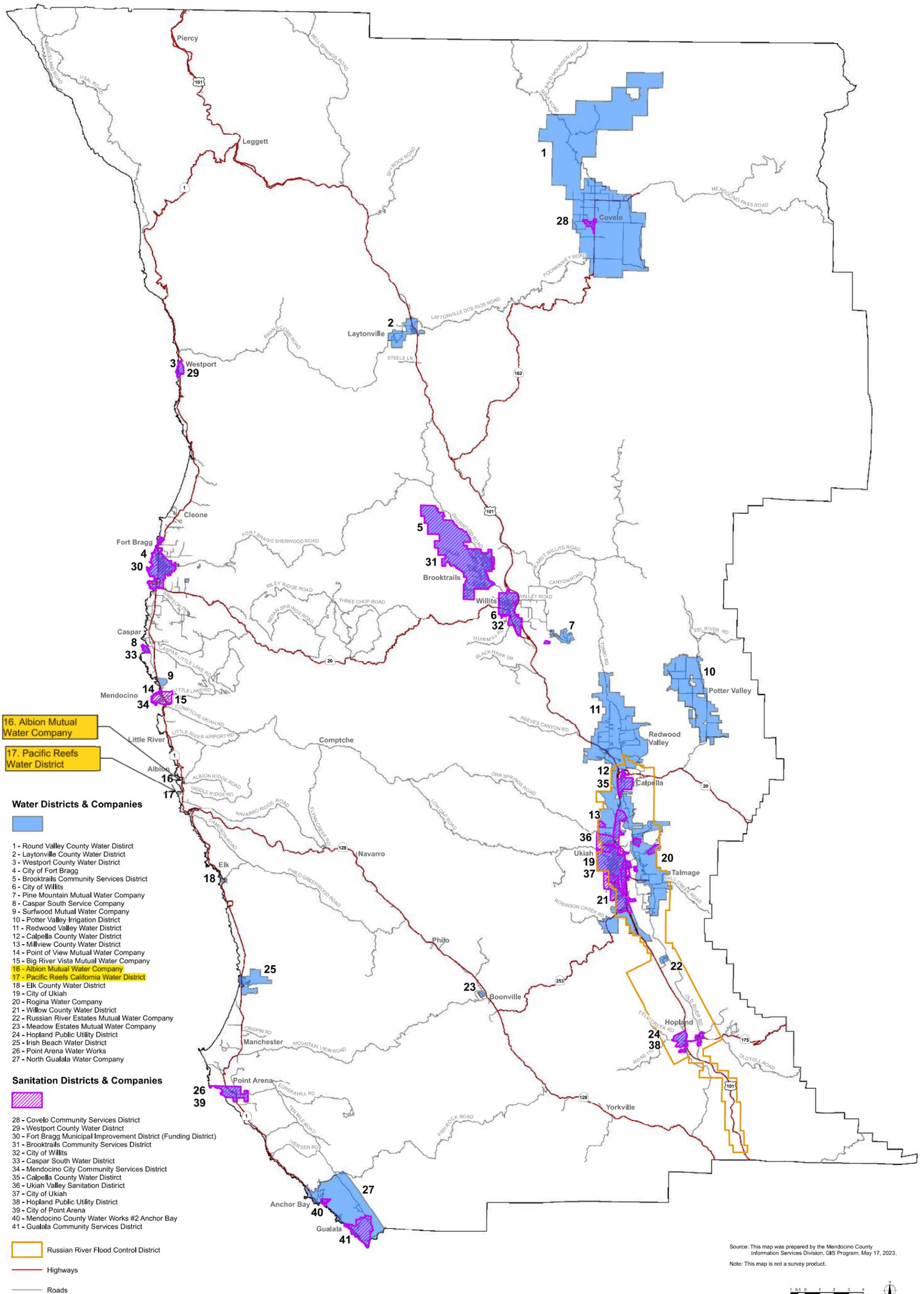


Figure 2-2 Mendocino County Water & Sanitation Districts & Companies

Mendocino County Water & Sanitation Districts & Companies



2.2 Government Structure

2.2.1 Governing Body

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

The District is governed by a five-member Board of Directors, which until 1993 was the Mendocino County Board of Supervisors. In 1993, an independent board was appointed by the Board of Supervisors to serve the District. PRWD is a landowner-voter district ([§56050](#)) with directors elected by landowners within the district boundary to serve four-year terms. In accordance with best practices and the intent of Elections Code 10505, the board should consider establishing staggered terms aligned with the General Election cycle.

See Table 2-2 PRWD Board of Directors for the current directors and their term limits.

Name	Office/Position	Term Expiration
Robert Cutler	President	November 2025
Donald Falk	Director	November 2025
Stephen Francescini	Director	November 2025
Howard Pines	Director	November 2025
Jeannette Rasker	Director	November 2025

Source: Cutler, 2023

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 of Board vacancies, or if the number of filed candidates is equal to the number of Board vacancies, then District Board members may be appointed in lieu of election by the County Board of Supervisors per [Elections Code §10515](#). New Board members take office at noon on the first Friday in December following their election.

[Government Code §1780-1782](#) governs the process for appointment of Board of Director seats vacated prior to the scheduled term expiration date. The District Board of Directors has 60 days to appoint an interested and qualified individual to a vacant seat if proper notice requirements have been met. If the District cannot fill the seat within the 60-day period, the Mendocino County Board of Supervisors can appoint a Director to the District Board during a 30-day period following the initial 60-day period. If the vacant seat is not filled during the total 90-day period, the vacant seat remains empty until the next election.

The District Board of Directors elect officers annually at the January regular meeting. Officers include a President, Secretary and Treasurer. The Board President serves as the representative for the District. District Board members do not receive compensation for their public service or a stipend for attending meetings (Cutler, 2023).

There have been no board vacancies in recent years.

2.2.2 Public Meetings

Board meetings are held quarterly on the third Thursday of every third month (February, May, August, November). Meetings are held by Zoom at board member residences on a rotational basis. To promote transparency and accessibility for the public, the District should consider holding meetings in a public meeting space.

Agendas are e-mailed and mailed to each of the property owners and interested parties two weeks prior to each meeting. Minutes of the meetings are distributed within two weeks following the meetings. Public comments are accepted at each meeting.

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

Public notices and meeting agendas are posted at the meeting location and emailed to all residents. Meeting summaries are kept for all District Board of Directors meetings and are adopted at a subsequent meeting. Additionally, public notices regarding Board of Director vacancies are emailed to all residents.

Regular board meetings, records, annual budgets and financial audits are kept current and maintained by the Board President and Secretary. Public meeting information, including past agendas, reports, resolutions, and approved meeting minutes are available upon request from the District Secretary.

2.2.3 Standing Committees

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

2.2.4 Public Outreach

With the passage of Senate Bill (SB) 929 in 2018, all special districts are required to establish and maintain a website with specific information and accessibility requirements by January 2020 (a compliance handout is included in Appendix B – Website Compliance Handout). SB 929 does allow for a special district to be exempt from the website requirements if the District has adopted a resolution declaring that a hardship exists that prevents the district from establishing or maintaining a website; the District has done so.

The District currently does not have website; however, the District emails all customers with updated information including meeting notices and agendas. If any immediate problems occur with the water system, the District will email all customers and physically post the pertinent information at each customer's property if appropriate.

2.2.5 Complaints

Landowners within the District may file complaints with any Director or staff member in person or by phone, e-mail or mail. Complaints are typically discussed at the next board meeting. No complaints have been received in the last five years.

LAFCo staff recommends that the Commission review any complaints at the next MSR/SOI Update, or within three years of the completion of this MSR, whichever comes first.

2.2.6 Transparency and Accountability

The PRWD Bylaws were originally approved on February 24, 1996; there have been no updates since (Cutler, 2023). The Bylaws serve as the legal guidelines of the organization and provide written rules that control internal affairs. They define the District's official name, purpose, officers titles and responsibilities, how officers are to be assigned, how meetings should be conducted, and how often meetings will be held. The District does not maintain any other additional policies outside of the Bylaws (Cutler, 2023).

The Political Reform Act requires all state and local government agencies to adopt and promulgate a Conflict-of-Interest Code pursuant to GC §81000 et seq. The District does not currently maintain a Conflict-of-Interest Code; however, Board members prepare annual Form 700s and submit to the State.

The Political Reform Act also requires persons who hold office to disclose their investments, interests in real property, and incomes by filing a Statement of Economic Interests (Fair Political Practices Commission Form 700) each year pursuant to GC §87203. The District maintains that they are current on their required Form 700 filings with the Mendocino County Clerk's Office (Cutler, 2023).

According to AB 1234, if a local agency provides compensation or reimbursement of expenses to local government officials, then all local officials are required to receive two hours of training on public service ethics laws and principles at least once every two years, and establish a written policy on reimbursements pursuant to Government Code §53235. The District currently pays a stipend to the Board Treasurer (\$2,240/year) and a Secretary (\$1,200/year), neither of which are Board members.

Presently, neither the District staff or Directors attend any Brown Act related or ethics trainings making the District in violation of the AB 1234. LAFCo recommends the District Board members and staff comply with these requirements.

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

2.3 [Operational Structure](#)

2.3.1 Management and Staffing

Operations and maintenance are performed year-round by a part-time Water Master under contract with the District. The Water Master conducts daily inspections to ensure the system is operating correctly and within the parameters of the District's permit. The District holds its meetings at board member residences and has no administrative office outside residences.

The Board President volunteers as the General Manager with the following responsibilities and duties: oversee all management and customer service including customer billings, customer complaints, connection enforcement duties, and managing the contract of the Water Master. (Cutler, 2023)

The Board of Directors assumes responsibility for annual budget preparation, expenditure monitoring, Discharge Permits compliance, and Regional Water Quality Control Board (RWQCB) reporting.

Given the small size and lack of District staff, there is little need for evaluations and work load monitoring. Board members review and approve meeting minutes, quarterly budgets and perform financial reviews. The District does not conduct formal evaluations of overall district performance, such as benchmarking or

annual reports. However, the Water Master attends all Board meetings to report and receive feedback and direction from the Board. The contract with the Water Master is reviewed annually.

2.3.1.1 CONTRACT STAFFING AND SERVICES

The District maintains a contract for a Water Master and utilizes an independent Certified Public Account (CPA) for biennial audits. (Cutler, 2023)

2.3.2 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. Because the District has no employees other than the contracted Water Master, the District measures performance through the Water Master's regular reports at each District meeting. (Cutler, 2023)

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

2.3.2.1 CHALLENGES

The District states they are experiencing no challenges in providing services.

2.3.2.2 DISTINGUISHED SERVICE

The District did not provide any information related to distinguished services.

2.3.2.3 STRATEGIC OR SUCCESSION PLAN

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

In lieu of these documents, the Board considers progress and setbacks over the prior year during the annual budget development process. (Cutler, 2023)

2.3.3 Regional and Service-Specific Participation

The District does not participate in any interagency collaborative arrangements or mutual aid agreements. During the 2020-2022 drought emergency, the District was able to meet customer demand with existing supply. While there has been no formal collaboration with the Albion Mutual Water Company (AMWC) to date, the District's Water Master also serves that water service provider as well.

The District participates in a Joint Powers Authority (JPA) with the Special Risk Management Authority (SDRMA) for the purchasing of insurance. The SDRMA is a JPA formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts and agencies including such districts. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long-term risk financing for special districts. These programs are provided through collective self-insurance, the purchase of insurance coverage, or a combination thereof. (Calentano, 2023)

PRWD also participates in the North Coast Resource Partnership (NCRP) Integrated Regional Water Management (IRWM) Program and received a grant from the organization in 2021 to install a new water tank. The District does not participate in any other regional or service-specific associations and organizations.

LAFCo staff recommends that the District consider future group participation efforts by attending regional and service-specific meetings and communicating with colleagues regarding industry standards, best

management practices, changing regulations, and service delivery models implemented by other local agencies and organizations.

2.3.4 Shared Service Delivery

2.3.4.1 ADJACENT PROVIDERS

There are several private water service providers in the Albion area that are located within a mile of the PRWD (Figure 2-2):

- Albion Mutual Water Company ([CA2300502](#)) – community water system; 27 connections
- Albion Field Station ([CA2300512](#)) – transient non-community water system; 29 connections
- Seafoam Lodge ([CA2300620](#)) – transient non-community; 24 connections

The PRWD does not currently participate in any shared collaborations with nearby private water service providers; however, given the close proximity (0.7 miles) to Albion Mutual Water Company the District could consider future collaborations as part of the scope of water service provision of in the local area.

The Albion Mutual Water Company, the closest private service provider to PRWD, currently has 27 service connections and provides residential drinking water to approximately 30 full time residents. Average service fees range between \$41 and \$60 per month. The Company has two active wells (East and West Wells) and owns and/or maintains approximately 0.8 miles of pipeline and a treatment plant at the East Well. The Albion Mutual Water Company’s governing board consists of five elected members with one-year terms. There are no restrictions to the number of terms a member can serve. Stakeholders meet annually at the Whitesboro Grange. The Company has no employees though it does contract for a Water Master and bookkeeping services. Additionally, Board members assist with administrative and operational responsibilities.

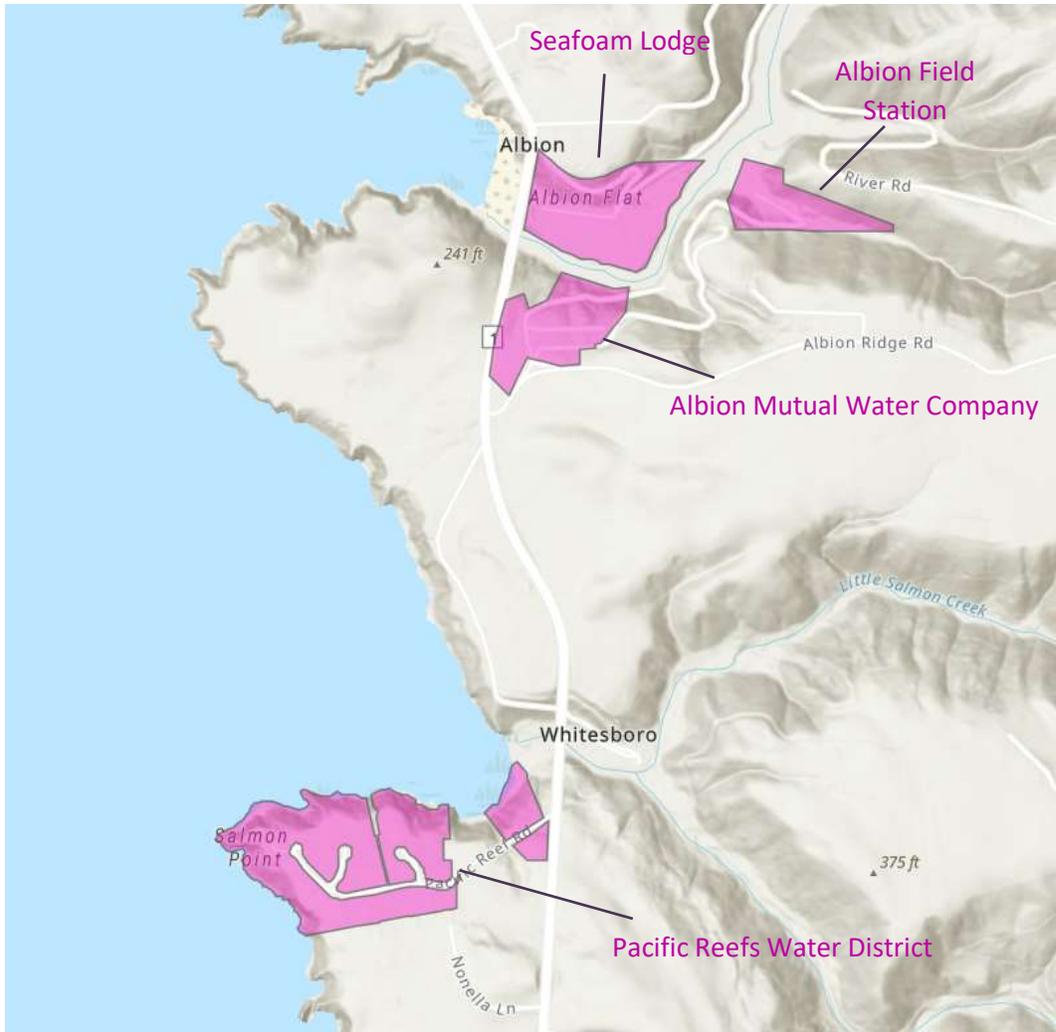


Figure 2-3 Adjacent private water service providers

Source: [State Water Board GIS Water System Tool, 2023](#)

2.3.4.2 SHARED SERVICES AND FACILITIES

The District does not currently jointly own or share facilities or services with other agencies. There are no areas in or near the District boundaries that would be better served by a different agency.

With respect to emergency coordination, the District maintains relations with both the Albion-Little River Fire Protection District and the Nonella Lane neighborhood located just south of the District. (Cutler, 2023)

2.3.4.3 DUPLICATION OF SERVICES

The AMWC is a nearby service provider providing residential drinking water services to the community of Albion. Based on its close proximity to the District there is the potential for collaboration and coordination of services.

The AMWC is regulated by the State Water Resources Control Board (SWRCB) Department of Drinking Water (DDW). At the time of this report there have been no identified needs for coordination of services between PRWD and the Company. While mutual water companies do not fall under the jurisdiction of

LAFCo, the SWRCB has the authority to encourage and mandate [consolidations](#) if the agency determines it necessary (SWRCB, 2023). Government Code §56375(r) gives LAFCo jurisdiction over annexation of territory served by a mutual water company that operates a public water system into the jurisdiction of a special district, with the consent of the respective public agency and mutual water company. Should a consolidation of the services be of interest or necessity in the future, the entities in question would submit an application to LAFCo.

2.3.4.4 INTERAGENCY COLLABORATION

The District does not participate in any interagency collaborative arrangements or mutual aid agreements. (Cutler, 2023)

2.3.4.5 REGIONAL AND SERVICE-SPECIFIC PARTICIPATION

The PRWD participates in the North Coast Regional Partnership (NCRP) Integrated Regional Water Management (IRWM) Program and has successfully obtained a Proposition 1 IRWM Round 1 Implementation Grant from DWR to install a new water storage tank. Participation in these types of joint planning activities provides opportunity to pursue joint grant applications and to leverage other regional resources.

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

2.3.5 Governmental Structure and Community Needs

2.3.5.1 ENHANCED SERVICE DELIVERY OPTIONS

The District is the only agency providing water services to the Pacific Reefs Subdivision. The PRWD does not share services or facilities with other districts. Fire protection for properties within PRWD is provided by Albion-Little River Fire Protection District. Wastewater service within the PRWD is provided by private on-site septic systems.

No opportunities for the District to achieve organizational or operational efficiencies were identified during the preparation of this MSR. However, the District is encouraged to plan for drought resilience to prepare for periods of extended drought.

2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructure options should be pursued if there are potential benefits in terms of reduced costs, greater efficiencies, better accountability or representation, or other advantages to the public. No opportunities for government restructure options were identified during the preparation of this MSR.

2.4 [Finances](#)

2.4.1 Current Fiscal Health

The PRWD operates as a water enterprise fund, meaning that charges for services are intended to pay for the costs of providing such services. Funding sources for the District include tax assessments and fees for water usage. The District operates out of a single fund for operational and maintenance purposes. The District's operational type is considered an enterprise activity in that they are financed and operated in a

manner similar to private business enterprises where the intent is that the costs (including depreciation) to provide the water services to the general public are financed or recovered primarily through user charges. These enterprise activities are accounted for in the Enterprise Fund.

The following table provides year-end (not budget) financial information for the District. Table 2-3 summarizes the Statement of Revenues, Expenses, and Changes in Fund Net Position prepared by Michael A. Celentano, CPA. The financial information in the table below represents the short-term financial standing of the District based on reporting annual income, expenses, and profits/losses using the accrual basis of accounting, which is an accounting method where revenue or expenses are recorded when a transaction occurs rather than when payment is received or made.

Table 2-3: PRWD Financial Summary				
	FY 18-19 (\$)	FY 19-20 (\$)	FY 20-21 (\$)	FY 21-22 (\$)
Beginning Net Position	74,454	83,344	78,749	87,757
Ending Net Position	83,344	78,749	87,757	157,156
Operating Revenues				
Water Service Fees	13,082	12,025	14,487	14,507
User Assessment	23,611	17,549	28,577	28,577
Total Operating Revenues	36,693	29,574	45,539	43,084
Operating Expenses				
Maintenance and Repairs	12,742	22,792	29,451	21,435
Insurance	1,374	1,460	2,562	3,234
Permits and Fees	489	923	554	1,169
Utilities	1,104	946	1,153	1,095
Administration	7,542	3,491	8,487	4,258
Depreciation	4,559	4,559	4,559	4,559
Total Operating Expenses	27,810	34,171	46,766	35,750
Net Income/(Loss)	8,883	(4,597)	(1,227)	7,334
Other Non-Operating Revenues (Expenses)				
Interest Income	7	2	2	3
Grant Revenue	0	0	10,233	62,062
Total Non-Operating Revenue (Expenses)	7	2	10,235	62,065
Change in Net Position from Prior FY	-	(4,595)	9,008	69,399

The District’s cash accounts are summarized in Table 2-4.

Table 2-4: Cash Accounts				
Type	FY 18-19	FY 19-20	FY 20-21	FY 21-22
General Operations – Checking	(\$43)	\$1,926	\$1,806	\$10,541
General Operations – Savings	\$25,004	\$25,755	\$27,099	\$32,572
Total Cash	\$25,004	\$27,681	\$28,905	\$43,113

2.4.1.1 REVENUES AND EXPENDITURES

Expenditures totaled \$35,750 in FY 2021-2022, \$46,766 in FY 2020-2021, and \$34,171 in FY 2019-2020. The top expenditures included maintenance/repairs, insurance, administration and depreciation.

In FYs 2020-21 and 2021-22, the District received grant funds from the North Coast Regional Partnership Integrated Regional Water Management Program totaling \$72,298 to fund its 30,000-gallon tank replacement project. The total grant award is \$386,000, implementation of which has extended into 2024.

The District's cash accounts (Table 2-4) show a general upwards trend that indicates financial stability for typical annual operations and maintenance.

2.4.1.2 ASSETS AND LIABILITIES

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

The District does not have a needs assessment or a capital improvement plan; therefore, it is not clear what improvements are needed and at what cost.

2.4.1.3 NET POSITION

The District is currently operating at a net positive. The District has been implementing a grant-funded project for a tank replacement; funds are accounted for in a separate line item in the budget.

The District evaluates its financial position during development of its annual budget. The District reports that if, during the analysis of operational needs, additional revenue is necessary, the annual assessments are reviewed and adjusted through a public hearing process. This suggests that the District may need to re-evaluate the existing rates and fee structure.

2.4.2 Long Term Financial Considerations

2.4.2.1 RESERVES

The District does not maintain any formal policies related to reserves. As of April 2024, reserve funds totaled \$46,283.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

The District currently has no debt.

2.4.2.3 RATE RESTRUCTURING

Revenue consists of water service fees and user assessment fees. The District's current process is to review its rates and assessments during the annual budget development process and propose increases, when necessary, to support the on-going delivery of services. The District Board of Directors adopts rates and fees annually at a duly noticed Public Hearing based on actual expenditures and cost recovery.

New water service connections to the District are charged a one-time fee of \$1,500. This fee is due in full before the water service connection is completed.

Each property owner has a metered water connection, which is read monthly by the Water Master. Billings are quarterly and prepared and sent by the District Treasurer. Rates are tiered to encourage water conservation, and are as follows:

Gallons	Rate (\$/gallon)
1 – 4,000	0.015
4,001 – 15,000	0.02
15,001+	0.06

Administrative fees are applied to those properties not currently utilizing water services. The administrative fees are billed quarterly and are dependent on whether or not the property has a well: without wells, \$90 per quarter; with wells, \$40 per quarter.

In addition to water service rates and administration fees, the District Board adopted user/service assessment fees to pay for increased regulatory costs. The District’s annual water service assessment fee of \$750 is collected by Mendocino County Auditor-Controller as part of each property owner’s property tax bill (PRWD Resolution No. 05-2020). However, in FY 2020-21, a \$500 special assessment was added for the purpose of installing the new tank to increase the annual assessments to \$1,250 per year through 2024-25 (PRWD Resolution Nos. 04-2021 and 01-2022). The special assessment fee for tank installation is set to expire at the end of fiscal year 2024-25; the water service annual assessment of \$750 will remain in place (PRWD Resolution No. 01-2022).

The District’s increased regulatory requirements and associated higher operations costs indicate that the District may need to re-evaluate existing rates and fees on a more permanent basis.

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

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

The record is not clear on whether the assessments were established in compliance with Prop 218. It is recommended that the District prepare a rate study to identify and plan for infrastructure needs and anticipated operating costs, and establish appropriate rates in compliance with the Prop 218 process.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District currently does not maintain a Capital Improvement Plan (CIP). The District has indicated that repairs to the existing water system need to be conducted, but because the District does not have a needs assessment or a CIP, it is not clear what the costs associated with these replacements would be.

2.5 Growth

2.5.1 Area History

The District is located immediately south of the small, unincorporated community of Albion, which is a census-designated place located along State Highway 1 where the Albion River meets the Pacific Ocean. Albion was first settled in 1853 by English Sea Captain William Richardson, who built the first sawmill to begin operating on the redwood coast. A sawmill would continue to operate in Albion for the next 75 years, the last one closing in 1928. Albion has survived as a farming and ranching community and has a thriving tourism industry with bed and breakfast inns, restaurants, a small marina, the Albion River and Schooner's Landing Campgrounds, and a historic wooden bridge spanning the mouth of the Albion River. A small fishing fleet operates out of the harbor and a college-sponsored biological field station is located across the river. Albion also has a US Post Office and a general store. (Source: [A Short History of Albion, California: Tides Turn Vacation Home](#))



Figure 2-4: Albion and Schooner's Landing Marina

2.5.1.1 PACIFIC REEFS SUBDIVISION

The Pacific Reefs Subdivision was developed in the 1960s and includes a total of 24 residential lots. The Pacific Reefs Water District was formed on June 5, 1967 to serve the Subdivision; the boundaries are coterminous.



Figure 2-5 Albion, California



Figure 2-6 Pacific Reefs Subdivision

2.5.2 Present and Planned Land Use and Development

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

2.5.2.1 LAND USE

The specific land use designations within the District are Rural Residential (RR5, RR1, RR5-DL, RR1-DL). Principally permitted RR uses are residential and associated utilities, light agriculture, and home occupation. Rural Residential is not intended to be a growth area and residences should create minimal impact on agricultural viability. This designation has larger minimum parcel sizes (e.g., RR-1: 40,000 sq. ft. and RR-5: 5 acres). See Figure 2-7 for General Plan designations within the District boundary.

Within the Pacific Reefs Subdivision, all of the northeastern parcels adjacent to the ocean have a combining district designation of Development Limitations (DL). This additional designation is used on parcels or portions of parcels that have serious constraints that may prevent or severely limit development (slope over 30 percent, erosion, or landslide). Many parcels with this designation have experienced severe bluff erosion and currently may have no feasible building site remaining. In each case, on-site inspection and tests will be necessary to determine whether a building site is viable should the property owner choose to develop.

All of the parcels east of the District are designated Rangelands (RL), which is intended to encompass lands within the Coastal Zone that are suited for and are appropriately retained for the grazing of livestock; this designation may also contain some timber producing areas.

2.5.2.2 DEVELOPMENT

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



Figure 2-7: Mendocino County General Plan Designations

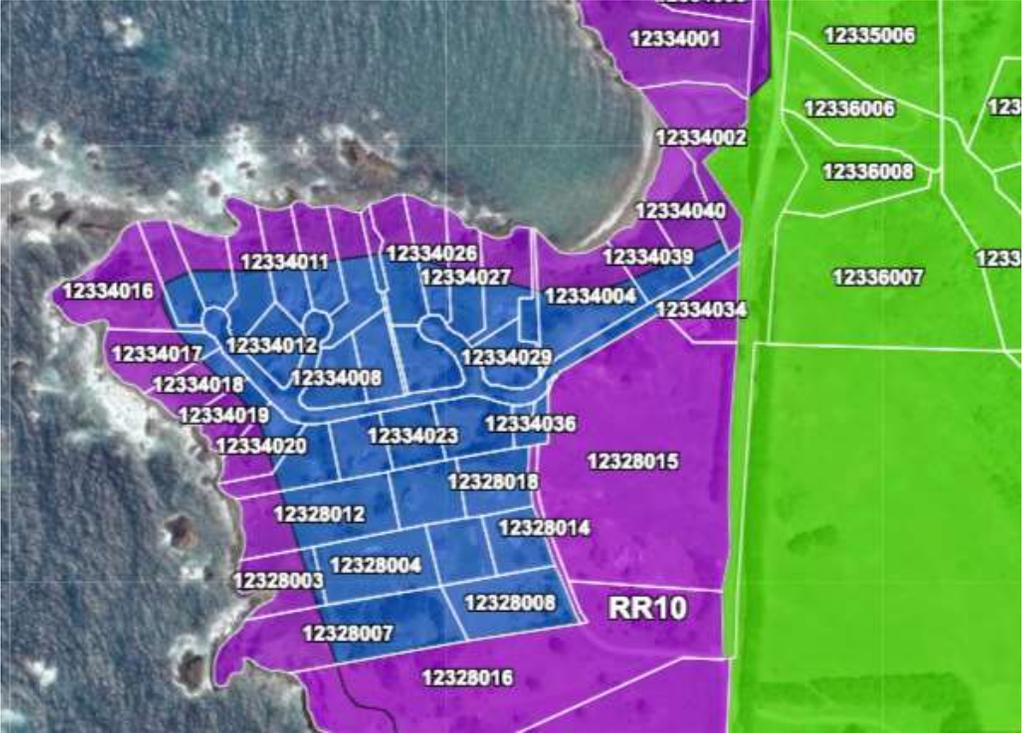


Figure 2-8: Mendocino County Zoning Map

Source: (Mendocino County Web Zoning Map, 2024)

2.5.3 Existing Population

The District serves the Pacific Reefs Subdivision, which consists of primary and secondary homes owned and occupied primarily by retirees. According to the District, the average occupancy is two persons per household and the year-round residency is approximately 34 persons, with additional weekend and seasonal residents. The Pacific Reefs Subdivision is located within Census Tract 110.01 in Mendocino County, which includes the area between Little River to the north, to areas south of Elk on the southern edge, and has an estimated population of 2,027.

The nearest community is Albion, which is a Census Designated Place (CDP) with a population of 153. The Albion CDP encompasses approximately 1.8 square miles and includes primarily rural residential properties with commercial development along Highway 1.

2.5.4 Projected Growth

The District's population is limited to residents within the Pacific Reefs Subdivision; currently, 17 of the 24 lots are developed. The anticipated growth of the District is limited to development of an additional seven lots. At the current persons per household (approximately 2 persons per household), buildout of the subdivision would result in an estimated population of 48 persons.

The State Department of Finance (DOF) projects that the population of Mendocino County will decline by a little more than 2.7 percent in the next 10 years, from 91,601 in 2023 to 89,091 in 2033, and 89,139 in 2043. (DOF, 2023) The projected decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document (DOF, 2023). Given that the PRWD is limited to the Pacific Reefs Subdivision, which has a set number of undeveloped lots, buildout of the District is limited to the remaining seven lots.

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

2.5.5 California Housing Goals

In 2017, the State of California passed SB 299 and SB 1069 to address the increasingly desperate need for affordable housing in the State. The legislation allowed local ordinances for Accessory Dwelling Unit (ADU) construction in districts zoned for single and multifamily residential uses. An ADU is a secondary dwelling unit for one or more persons on the same parcel as a larger, primary dwelling. An ADU can either be attached or detached to the primary residential structure on the property but must include complete independent living facilities (including permanent provisions for entry, living, sleeping, eating, cooking and sanitation, and adequate water service and sewage disposal systems).

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

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

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

For additional information and data on housing legislation see Appendix 8.3.

2.6 Disadvantaged Unincorporated Communities

Senate Bill 244, which became effective in January 2012, requires LAFCo to evaluate any Disadvantaged Unincorporated Communities (DUCs), including the location and characteristics of any such communities, when preparing an MSR that addresses agencies that provide water, wastewater, or structural fire protection services⁵. A DUC is an unincorporated geographic area with 12 or more registered voters with a median household income (MHI) that is less than 80 percent of the State MHI. According to the US American Census Survey (ACS) 2022 1-Year estimates, the statewide median household income for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for severely disadvantaged unincorporated communities (SDUC) (less than 60 percent of the State MHI) is \$54,930.

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

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

- Contains 10 or more dwelling units in close proximity to one another;
- Is either within a city sphere of influence (SOI), is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has a median household income that is 80 percent or less than the statewide MHI

⁵ Technical advisory on SB 244 can be found here: https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf

- For this analysis, per CALAFCO recommendation, calculated the “MHI Threshold” i.e. 80% of the statewide MHI as \$73,240, per the ACS MHI data (The MHI for the State of California is \$91,551) (US Census, 2022A)
- Income data was sourced from the American Community Survey (“ACS”) 5-year Estimates dataset for 2018-2022 and the 2022 ACS 1-Year Estimates.

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

Mendocino County has an MHI of \$65,520 with a majority of the County considered DUCs including both the census tract and block group that the District is located within. (US Census, 2024) The census tract the District is located within (Census Tract 110.01) has a population of 1,889 (986 households) and a MHI of \$40,529. (Census, 2024)

As previously stated, the District is located just south of the community of Albion which is a CDP. The population of Albion is 153 (79 households). While there is no recent income data for the CDP, approximately 44 percent of the Albion CDP population lives below the poverty line (US Census, 2024).

Because the Pacific Reefs Water District falls within the County of Mendocino and is not a CDP, the MHI of its residents is assumed to approximate the County MHI of \$65,520. Because this amount is lower than the Statewide MHI threshold of \$73,240, the District would be considered to be located within a DUC under this analysis.

It is worth noting that the census block group the District is located within (Block Group 1) has a population of 1,108 (463 households) and a MHI of \$66,300 (US Census, 2024). By this measure the District would not be considered a DUC. Further, given the specifics of the Subdivision, which is a gated residential community of 24 residential lots located immediately on the coastline, it is difficult to quantify the District as a DUC. Real estate prices in the Subdivision are in excess of a million dollars.

The residents within Pacific Reefs subdivision receive adequate services with respect to fire, which is provided by Albion-Little River Fire Protection District ⁶. Wastewater services are provided by on-site septic systems; no issues were brought to the attention of LAFCo staff during the preparation of this study.

The residents of Pacific Reefs Subdivision are receiving the essential municipal services of fire and water. Wastewater is provided by private, onsite septic systems and appears adequate; no reports of septic failures have been reported.

⁶ Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here:

<https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

3 MUNICIPAL SERVICES

A Municipal Service Review (MSR) is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. The MSR determinations inform the SOI Update process and assist LAFCo in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapters 2 and 3 of this document form the basis for the MSR determinations provided under Section 3.3.

3.1 Service Overview

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

3.1.1 Services

The District provides water services to lot owners within the Pacific Reefs Subdivision; no other services are provided.

3.1.2 Service Area

The District provides water services to 14 of the 17 developed lots within the Pacific Reefs Subdivision. Water service is provided as a secondary-connection to the remaining three property owners with private wells within the Subdivision. Of the 24 residential lots within the Subdivision, the District has adequate infrastructure in place to provide water to the remaining seven lots should a property owner choose to develop.

The PRWD is located in the Mendocino Coast Hydrologic Unit Watershed (See Figure 3-1). This watershed covers 298 square miles and is characterized by rugged mountainous terrain with erodible soils forested by redwoods, douglas firs, madrones, and tan oaks. Substantial data collection and watershed restoration efforts have been undertaken, and are continuing, in the watershed through the efforts of private and industrial landowners and local, state, and federal agencies.

3.1.3 Outside Agency Services

The District does not provide any services outside its jurisdictional boundaries and there have been no requests for extensions of services.



Figure 3-1: Mendocino Coast Hydrologic Unit Watershed

Source: California State Water Board, North Coast Region 1

3.2 Water

3.2.1 System History

The PRWD was formed in 1965 under the provisions of the Water Code for the State of California. No further history of services was provided to LAFCo staff.

3.2.2 Service Overview

The District's water supply is regulated by the SWRCB Division of Drinking Water (Permit No. 2300871) and consists of two springs and a well, all of which are located on District-owned land within the Subdivision and District boundaries. The well is equipped with a pump that operates at approximately 1.5 gallons per minute (gpm). The spring water is collected and pumped to the storage tanks. All water flows through a chlorinator and a ultraviolet (UV) system before being pumped into the District's above-ground storage tanks. Existing storage capacity is estimated to be the equivalent of 57 days of average usage.

The District supplies an average of approximately 400,000 gallons annually to its 14 customers and provides backup water supply to 3 additional customers within the District that utilize private wells as their primary water source. Average daily use for the District is estimated at 1,050 gallons per day (75 gallons per residence per day on average), with an average peak day demand at 1,400 gallons per day (gpd) (100 gallons per residence). The District reported that the backup water supply customers have not required District water, even during the 2020-2022 drought. The system is operating at approximately 60 to 80 percent capacity.

3.2.3 Facilities and Infrastructure

The District owns a small lot of less than an acre in size, which is the location of its springs and well, water storage tanks and pumphouse facilities. The storage tanks include a 30,000-gallon bolted steel water tank that will fully online by June 2024; two 5,000-gallon plastic tanks; a water treatment shed; and associated infrastructure.

The distribution system consists of graduated water lines from the water tanks to each of the 24 lots within the subdivision. The water supply is collected from springs and well and pumped into the storage tanks, from which it is distributed by gravity to the District's customers. The distribution system consists of approximately 2,000 feet of 3-inch and 4-inch supply lines.

Additional infrastructure includes fire standpipes at the tanks throughout the neighborhood.

Operations and maintenance are performed year-round by a part-time Water Master under contract with the District. The Water Master conducts daily inspections to ensure the system is operating correctly and within the parameters of the District's permit.

3.2.3.1 SYSTEM IMPROVEMENTS

The District recently received grant funding and approval of a coastal development permit to replace the 20,000 redwood water tank with a 30,000-gallon bolted steel water tank (Figure 3-2). The two existing 5,000-gallon plastic water tanks will remain. The new tank will be plumbed into the existing system to provide a year-round reliable water supply to PRWD's customers. The tank replacement project is in under construction and is expected to be completed by June 2024.

No other infrastructure needs have been identified at the time of this report.



Figure 3-2: New 30,000-gallon bolted steel water tank replacement project schematic

Source: Mendocino County Coastal Development Permit 20210030

3.2.4 Service Adequacy

Based on information provided by the District regarding facilities, management practice and accountability, and financing, PRWD's service appears to be limited. The District has a part-time contracted Water Master that provides maintenance and monitors operations, and conducts daily inspections to ensure the system is operating correctly. The District relies heavily on Board members to conduct daily affairs for the District. With past difficulties in securing enough Board members to fill vacancies, due to a very small eligible population, the District could have trouble managing the system in the future. In addition, the District does not have any future planning documents and did not provide LAFCo with any information regarding age of infrastructure or when replacement would be necessary. District revenues appear to be adequate to cover expenditures so far; however, the District has very little reserves to cover unexpected expenses and relies on grants to fund infrastructure improvements. The current system is operating at 60-80 percent capacity and it is anticipated that the system will be able to handle buildout of the remaining seven lots and the three secondary water users full-time. In addition, though the District was able to provide continuing services to customers during the most recent drought, the District does not have any future planning documents related to the effects of climate change and potential loss of groundwater resources.

With the recent infrastructure upgrade, the District's existing facilities and little growth in the service area that is expected to occur, the District and its facilities are sufficient to serve buildout of the Subdivision.

3.2.4.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

The Safe Drinking Water Act requires states to report drinking water information periodically to the United States Environmental Protection Agency (USEPA). This information is maintained in a federal database, the Safe Drinking Water Information System (SDWIS) Federal Data Warehouse. According to the most recent data uploaded to the SDWIS, the PRWD has had no recent water quality violations.

There are five individual sampling sites tested as part of the SDWIS monitoring for PCWD:

- Hydrant Lot 5 – Last sampled 10/2013
- Spring 01 – Last sampled 06/2023
- Spring 02 – Last sampled 06/2023
- HARMSCO WTP – No sample data available
- Lead and Copper Sample Sites - No sample data available

No Consumer Confidence Reports are available in the SDWIS for the last five years for the District.

3.2.4.2 CAPACITY

On average, the District supplies approximately 400,000 gallons annually to its 14 customers and provides backup water supply to three additional customers within the District that are on private wells. Average daily use for the District is estimated at 1,050 gallons per day (75 gallons per residence per day on average), with an average peak day demand at 1,400 gallons per day (100 gallons per residence).

The system is operating at approximately 60-80 percent capacity. Thus, the District's water supply and infrastructure is sufficient to accommodate full buildout (24 residential lots) of the subdivision.

3.2.4.3 DROUGHT CONTINGENCY PLANNING

In the time since the last MSR/SOI report was prepared for the District, drought conditions throughout the State have ebbed and flowed leaving some smaller service providers in dire positions. During the 2020-2022 extreme drought conditions, the District, despite not having a drought contingency plan in place, had sufficient water supplies to serve its customers.

It is worth noting that during that period the District did maintain informal conversations with the Albion Mutual Water Company as well as the Albion-Little River Fire Protection District in relation to water supplies.

Although the District did not report supply deficits during the severe drought of 2021-2022, given the wide annual variations in available water supply throughout the region and the District's reliance on groundwater, it is recommended that the District develop a drought contingency plan to prepare for that eventuality.

3.2.4.4 NEEDS AND DEFICIENCIES

Based on information within the MSR, the provision of water services to the customers located in the District's boundaries appears to be limited. Maintaining the small system is an ongoing challenge and with such a limited customer base, small number of registered voters, and unknown future system upgrades or replacement requirements, adequate funds for capital improvements are and will remain a challenge.

3.3 Determinations

This section presents the required MSR determinations pursuant to GC §56430(a) for the PRWD.

3.3.1 MSR Review Factors

3.3.1.1 GROWTH

Growth and population projections for the affected area

1. The estimated population of the District is 34 residents.
2. The District is limited in growth to buildout of the 24 lots within the Pacific Reefs Subdivision, of which 17 are currently developed.
3. At full buildout of the Subdivision, and at current occupancy rates, the District will have an estimated population of approximately 48 persons.

3.3.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

4. The PRWD falls within the County of Mendocino and is not a CDP; therefore, the MHI of its residents is assumed to approximate the County MHI of \$65,520. Because this amount is lower than the Statewide MHI threshold of \$73,240, the District would be considered as located within a DUC under the typical analysis. However, given the specifics of the Subdivision, which is a gated residential community of 24 residential lots located immediately on the coastline, it is difficult to characterize the District as a DUC.

3.3.1.3 CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence

5. The District's water sources consist of two springs and one well, which provide adequate water supply to serve its current and projected population.
6. Construction of a new 30,000-gallon steel tank secured through grant funding ensures adequate storage facilities for the District.
7. For purposes of depreciation, the most recent annual audit for the District estimates the useful life of the water system at 15-30 years and general plant assets at 7 years. The District indicates no infrastructure issues have been identified.
8. According to the most recent data uploaded to the SDWIS, the PRWD has had no recent water quality violations.
9. The District should develop a capital improvement plan to identify, schedule, and develop funding strategies to address aging infrastructure needs.

3.3.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services

10. The District has been operating at a net positive and appears to be financially stable. Additionally, an infusion of grant funding supported construction of a 30,000-gallon water storage tank, which was the District's most costly infrastructure upgrade need, identified to date.
11. The District's primary source of ongoing revenue is from parcel charges and fees; therefore, the District's current financial position is dependent upon the continued collection of those parcel charges and fees. There appears to be insufficient administrative records regarding the establishment of the District's parcel charges and fees. It is highly recommended that the District Board confer with their legal counsel on this matter to ensure that this key revenue source is secure and the long-term financial health of the District remains stable.
12. The District should prepare a rate study to identify and plan for infrastructure needs and anticipated operating costs, and establish appropriate rates in compliance with the Proposition 218 process.
13. The District's reserves account as of April 2024 totaled \$46,283.

3.3.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

14. The District operates with minimal facilities and no need for facility sharing were identified either by the District or through this MSR process. However, should the need arise in the future, nearby private water service providers may provide an opportunity for shared facilities and/or support.
15. The District does not own or lease any administrative facilities.

3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

16. The District demonstrated accountability and transparency by disclosing financial and service related information in response to LAFCo requests.
17. The District provides accountability to its constituents through regular quarterly board meetings and distribution of agendas, notices and meeting records.
18. To promote transparency and accessibility for the public, the District should consider holding its meetings in a public meeting space.
19. The District should consider posting meeting notices on a public information board such as the Albion Store bulletin board.
20. In accordance with best practices, the Board should consider establishing staggered terms aligned with the General Election cycle.
21. The District does not currently maintain a website. However, the District has adopted hardship resolutions for the past few years due to financial limitations. To continue compliance with SB 929, the District should either develop and maintain a website or continue to review annually for hardships.
22. The District does not have a written mission statement or established goals and objectives. The District should consider developing a strategic plan that could help the District improve upon (1) facility planning efforts, (2) identification of future funding goals and opportunities, and (3) accountability and transparency.
23. No additional cost avoidance measures have been identified.

4 SPHERE OF INFLUENCE

LAFCo prepares a Municipal Service Review (MSR) prior to or in conjunction with the Sphere of Influence (SOI) review process. An SOI study considers whether a change to the SOI, or probable future boundary, of a local government agency is warranted in order to plan for the logical and orderly development of that agency in a manner that supports CKH Law and the policies of the Commission. The MSR and required determinations are presented in Chapters 2 and 3 of this document and form the basis of information and analysis for this SOI review. This chapter presents the SOI study and required determinations pursuant to GC §5642(e).

4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying an SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with local LAFCo policies. Sphere of Influence policies can be found in the Mendocino LAFCo Policies and Procedures Manual adopted November 5, 2018⁷.

10.1.1 Legislative Authority and Intent

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

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

10.1.4 Reduced Spheres

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

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

10.1.5 Zero Spheres

LAFCo may adopt a "zero" sphere of influence encompassing no territory for an agency. This occurs if LAFCo determines that the public service functions of the agency are either nonexistent, no longer

⁷ Mendocino LAFCo Policies and Procedures Manual can be found here:

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

needed, or should be reallocated to some other agency (e.g., mergers, consolidations). The local agency which has been assigned a zero sphere should ultimately be dissolved.

10.1.6 Service Specific Spheres

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

10.1.7 Agriculture and Open Space Lands

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

10.1.8 Annexations Are Not Mandatory

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

10.1.9 Islands or Corridors

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

10.1.10 Overlapping Spheres

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

- a) Inclusion within a city’s sphere
- b) Inclusion within a multi-purpose district’s sphere
- c) Inclusion within a single-purpose district’s sphere

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

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

Prior to submitting an application to LAFCo for a new city sphere of influence or a city sphere of influence update, the city shall meet with the County to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements as contained in GC §56425. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by LAFCo and the County, and LAFCo shall give great weight to the agreement to the extent that it is consistent with LAFCo policies in its final determination of the city sphere.

10.1.12 Areas of Interest

LAFCo may, at its discretion, designate a geographic area beyond the sphere of influence as an Area of Interest to any local agency.

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

4.2 [Existing Sphere of Influence](#)

The District's SOI was first adopted in August 1994 (LAFCo Resolution No. 94-4) and confirmed in November 2015 (LAFCo Resolution No. 15-16-06). The SOI is coterminous with its boundary, meaning the same, and coterminous with the Pacific Reefs Subdivision boundaries. The District was formed solely to provide water services to the Pacific Reefs Subdivision, with no potential for expansion. The District does not provide any services outside its boundaries. Further, due to the physical limitations of the area (i.e., its location on an isolated seaside bluff between Highway 1 and the Pacific Ocean) the provision of services beyond its boundaries is not readily feasible.

4.2.1 Study Areas

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

- An area with clear geographic boundaries and scope of service needs based on years of interagency collaboration or public engagement and a project ready for grant funding or implementation.

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

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

There are no study areas in or immediately surrounding the PRWD.

4.2.2 Area of Interest Designation

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

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

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

No AOIs have been identified for the PRWD.

4.3 [Proposed Sphere of Influence](#)

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

4.4 [Consistency with LAFCo Policies](#)

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

The proposed District SOI is consistent with Mendocino LAFCo Policies (refer to Section 4.1 for the specific SOI policies).

4.5 [Determinations](#)

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

1. The present and planned land uses in the area, including agricultural and open space lands;
2. The present and probable need for public facilities and services in the area;

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency; and
5. The present and probable need for public facilities and services (including sewers, municipal and industrial water, or structural fire protection) of any disadvantaged unincorporated communities within the existing Sphere of Influence.

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

4.5.1 Present and planned land uses

The entirety of the District is located just south of the Albion community in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and agricultural. Future development in the District is limited to buildout of the remaining seven residential lots within the subdivision. Based on population projections for the County, it is likely buildout of the residential parcels will not occur until well beyond the planning horizon of this document. Based on the District's location in the coastal zone, the area is subject to additional development regulations, and land use changes in the area must be approved by both the County and Coastal Commission.

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

The District provides water services to a 14 residential connections and provides secondary backup water supply to 3 additional connections within the District that are on private wells; there are a total of 34 customers. The service area is limited to the boundaries of the Pacific Reefs Subdivision located immediately west of State Highway 1. The District anticipates little growth in resident population within the near term (five years) and long-term planning horizon (20 years). Given that the PRWD is limited to the residential properties in the Pacific Reefs Subdivision, and there are only seven undeveloped lots within the subdivision for full build out, it is anticipated the District can accommodate future development. Further, the projected population decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document.

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

The District provides water services to a 14 residential connections and provides secondary backup water supply to 3 additional connections within the District that utilize private wells as their primary source. The District owns a small parcel less than an acre in size, which is the location of its springs and well, water storage tanks and pumphouse facilities. The distribution system consists of graduated water lines from the water tanks to each of the 24 lots within the subdivision. The distribution system consists of approximately 2,000 feet of 3-inch and 4-inch supply lines. The District is nearing completion on construction of a new 30,000-gallon steel storage tank and also maintains two 5,000 gallon plastic tanks for storage. The water storage is sufficient to provide year round reliable water supply for customers.

Operations and maintenance are performed by a part-time Water Master under contract who provides their own tools for maintenance purposes and contracts with local contractors to do larger repairs and

maintenance. Average daily use for the District is estimated at 1,050 gpd (75 gallons per residence per day on average), with an average peak day demand at 1,400 gpd (100 gallons per residence). The system is operating at approximately 60-80 percent capacity. Thus, the District's water supply and infrastructure is sufficient to accommodate full buildout (24 residential lots) of the subdivision.

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

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

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

The District is located within the County of Mendocino and is not a CDP, the MHI of its residents is assumed to approximate the County MHI of \$65,520. Because this amount is lower than the Statewide MHI threshold of \$73,240, the District would be considered as located within a DUC under the typical analysis. However, given the specifics of the Subdivision, which is a gated residential community of 24 residential lots located immediately on the coastline, it is difficult to quantify the District as a DUC.

Residents of the Pacific Reefs Subdivision are currently receiving the essential municipal services of fire and water at adequate service levels. Wastewater is provided by private on-site septic systems, which are regulated by the County Department of Environmental Health.

4.6 Recommendation

Pursuant to [California Water Code §3540 et seq.](#), and [GOV 56425\(i\)](#), the Commission does hereby establish the functions and classes of services provided by the PRWD as limited to providing water services. Based upon the information contained in this report, it is recommended that the District Service Area Boundary and SOI remain unchanged and coterminous.

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6 ACRONYMS

AB	Assembly Bill
ACS	American Census Survey
ADU	Accessory Dwelling Unit
AMWC	Albion Mutual Water Company
AOI	Area of Interest
APR	Annual Progress Report
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPA	Certified Public Accountant
DDW	Division of Drinking Water
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	Department of Water Resources
FY	Fiscal Year
GC	Government Code
GHG	Greenhouse gas emissions
GPD	Gallons per day
GPM	Gallons per minute
HCD	Housing and Community Development
IRWM	Integrated Regional Water Management
JADU	Junior Accessory Dwelling Uni
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MHI	Median Household Income
MPO	Metropolitan planning organization
MSR	Municipal Service Review
MWC	Mutual Water Company
NCRP	North Coast Resource Partnership (IRWM)
OIR	Operating Indirect Rate
OPR	Office of Planning and Research
PRWD	Pacific Reefs Water District
RHNA	Regional housing need allocations
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community
SDRMA	Special District Risk Management Association
SDWIS	Safe Drinking Water Information System
SOI	Sphere of Influence
SWB	State Water Board
SWRCB	State Water Resources Control Board

7 ACKNOWLEDGEMENTS

7.1 Report Preparation

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

Uma Hinman, Executive Officer
Spencer Richard, Analyst

7.2 Assistance and Support

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

Pacific Reefs Water District	Robert Cutler, Board President
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8 APPENDICES

8.1 Appendix A – Open Government Resources

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

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

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

8.2 Appendix B – Website Compliance Handout

Appendix B

California Website Compliance Checklist

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

Public Records Act

SB 929

Our district has created and maintains a website

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

SB 272

Our Enterprise System Catalog is posted on our website

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

AB 2853 (optional):

We post public records to our website

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

The Brown Act

AB 392:

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

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

AB 2257:

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

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

State Controller Reports

Financial Transaction Report:

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

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

Compensation Report:

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

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

Healthcare District Websites

AB 2019:

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

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

Open Data

AB 169:

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

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

Section 508 ADA Compliance

CA gov code 7405:

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

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



California Special Districts Association
CSDA
Districts Stronger Together

csda.net



STREAMLINE
Website compliance made easy

getstreamline.com

The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

Placement:

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

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

Exception:

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

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

Format:

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

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

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

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

8.3 Appendix C – Housing Legislation Trends and Results

Mendocino County and ADUs

In response to State legislation aimed at encouraging affordable housing, the County of Mendocino has taken a number of steps to facilitate ADU construction and operation in an attempt to address the local housing crisis. The County adopted an ADU ordinance, which outlines specific development standards. Further, a General Plan update was adopted on 2021 that amended the Coastal Zoning Code component of the Local Coastal Plan to establish and revise standards for ADUs in the Coastal Zone.

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

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

With respect to coastal resource protections, ADUs and JADUs are subject to additional requirements that impact the viability of their development (County Municipal Code Section 20.458.045).

The Larger Picture

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

The data provided in the most recent APR for Unincorporated Mendocino County (adopted June 6TH, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. The number of ADUs compared to single-family home applications suggests that there could continue to be some limited development of ADUs throughout the unincorporated areas of the County. This type of development could very slightly increase demand for water services provided by PRWD. However, any new development requires written approval from the service provider to authorize services, providing the District the opportunity to limit development if capacity is not available.

Regional Housing Needs Allocation (RHNA)

It is worth noting that in response to statutory requirements, policy direction from the HCD, and mandated deadlines for delivery of housing need allocation numbers to local jurisdictions within Mendocino County, the MCOG adopted a Regional Housing Needs Plan in 2018.

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

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

The RHNA allocations for Unincorporated Mendocino County are projected for a planning period between 8/15/2019 and 8/17/2027. Since adopting the Regional Housing Needs Plan in 2018, the County has made progress across all income levels; the number of housing units developed and how many remain with respect towards its RHNA allocation are detailed below, broken down by income level and deed restricted versus non-deed restricted.

Table 8-1: Mendocino County RHNA Allocations

Income Level		RHNA Allocation	Projection Period - 01/01/2019-08/14/2019	2019	2020	2021	2022	Total Units to Date (All Years)	Total Remaining RHNA
Very Low	Deed Restricted	291	--	--	39	--	21	125	166
	Non-Deed Restricted		--	--	--	65	--		
Low	Deed Restricted	179	--	--	--	--	--	21	158
	Non-Deed Restricted		--	-	--	21	--		
Moderate	Deed Restricted	177	--	--	--	--	--	156	21
	Non-Deed Restricted		4	--	--	--	--		
Above Moderate		702	46	40	67	51	58	262	440
Total RHNA		1,349							
Total Units			50	60	149	186	119	564	785
Extremely Low-Income Units*		145			15	26	21	62	83
*Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).									

(HCD, 2023)

With respect to how RHNA requirements may affect PRWD, the State continues to push for more housing across the state including in communities located on the coast such as Albion and the Pacific Reefs Subdivision. While these coastal communities are subject to additional regulation and governing bodies (i.e. the Coastal Commission), housing mandates can affect these areas similar to inland communities. While there are few undeveloped lots in the Pacific Reefs Subdivision, evolving legislation could allow for increased development potential that supports the State's housing goals.

Additional Recent State Housing Legislation

In addition to the Legislature's concerted effort to progress ADU development statewide, there have been numerous other housing bills passed in recent years aimed at addressing the housing affordability crisis.

- SB9 - Authorizes a property owner to split a single-family lot into two lots and place up to two units on each new lot. Therefore, the bill permits up to four units on properties currently limited to single-family houses. SB 9 also mandates that local agencies approve development projects that meet specified size and design standards.
- SB10 - Establishes a process for local governments to increase the density of parcels in transit-rich areas or on urban infill sites to up to 10 residential units per parcel. Such an ordinance must be adopted between Jan. 1, 2021, and Jan. 1, 2029, and is exempt from CEQA.
- SB35 - Applies in cities that are not meeting their Regional Housing Need Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80% area median income (AMI). SB-35 amends Government Code Section 65913.4 to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

8.4 Appendix D – District Financial Audits

PACIFIC REEFS WATER DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

PACIFIC REEFS WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

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

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Board of Directors
Pacific Reefs Water District
Albion, CA 95410

Independent Auditor's Report

Opinions

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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



Michael A Celentano
Certified Public Accountant

January 7, 2023

PACIFIC REEFS WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 43,113	\$ 28,905
Accounts receivable	5,584	4,665
Grants receivable	<u>13,843</u>	<u>10,233</u>
Total Current Assets	62,540	43,803
<u>Capital Assets - Note 3</u>	<u>109,882</u>	<u>64,253</u>
Total Assets	<u>\$ 172,422</u>	<u>\$ 108,056</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 15,266	\$ 20,299
Total Current Liabilities	<u>15,266</u>	<u>20,299</u>
Total Liabilities	<u>\$ 15,266</u>	<u>\$ 20,299</u>
<u>Net Position</u>		
Investment in capital assets	\$ 96,039	\$ 45,384
Unrestricted	<u>61,117</u>	<u>42,373</u>
Total Net Position	<u>\$ 157,156</u>	<u>\$ 87,757</u>

PACIFIC REEFS WATER DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

<u>Operating Revenues</u>	<u>2022</u>	<u>2021</u>
Charges for services	\$ 14,507	\$ 14,874
User assessment	<u>28,577</u>	<u>30,665</u>
Total Operating Revenue	43,084	45,539
<u>Operating Expenses</u>		
Maintenance and repairs	21,435	29,451
Insurance	3,234	2,562
Permits and fees	1,169	554
Utilities	1,095	1,153
Administration	4,258	8,487
Depreciation	<u>4,559</u>	<u>4,559</u>
Total Operating Expenses	<u>35,750</u>	<u>46,766</u>
Operating Income (Loss)	7,334	(1,227)
<u>Non-Operating Revenues (Expenses)</u>		
Interest income	3	2
Grant revenue	<u>62,062</u>	<u>10,233</u>
Total Non-Operating Revenues (Expenses)	62,065	10,235
Net Income (Loss)	69,399	9,008
<u>Net Position, Beginning of Year</u>	<u>87,757</u>	<u>78,749</u>
<u>Net Position, Ending of Year</u>	<u>\$ 157,156</u>	<u>\$ 87,757</u>

The accompanying notes are an integral part of these statements

PACIFIC REEFS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 42,167	\$ 45,172
Payments to suppliers for goods and services	<u>(31,199)</u>	<u>(42,169)</u>
Net Cash Provided by Operating Activities	10,968	3,003
<u>Cash Flows From Capital and Related Financing Activities</u>		
Grant funds received	58,452	0
Purchase of capital assets	<u>(55,215)</u>	<u>(1,781)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	3,237	(1,781)
<u>Cash Flows From Non Capital and related Financing Activities</u>		
Net Cash Flows Provided by Non Capital and Related Financing Activities	-	-
<u>Cash Flows From Investing Activities</u>		
Interest	<u>3</u>	<u>2</u>
Net Cash Flows From Investing Activities	<u>3</u>	<u>2</u>
Net Change in Cash and Cash Equivalents	14,208	1,224
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>28,905</u>	<u>27,681</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>\$ 43,113</u>	<u>\$ 28,905</u>

The accompanying notes are an integral part of these statements

PACIFIC REEFS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by Operating Activities</u>	<u>2022</u>	<u>2021</u>
Operating income (loss)	\$ 7,334	\$ (1,227)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	4,559	4,559
(Increase) decrease in current assets:		
Accounts receivable	(919)	(367)
Increase (decrease) in current liabilities		
Accounts payable	<u>(6)</u>	<u>38</u>
 Net Cash Provided by Operating Activities	 <u>\$ 10,968</u>	 <u>\$ 3,003</u>

PACIFIC REEFS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District was formed in 1965 under the provisions of the Water Code for the State of California. The District operates under a board of directors' form of government. Members of the board of directors were the County of Mendocino's Board of Supervisors until November 2, 1993 at which time they appointed an independent board of directors to serve the District. Legislation has passed making the District independent from the County of Mendocino starting July 1, 1996. Accordingly, the Board of Directors are an elected body of officials.

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

Accounting Policies

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

The following is a summary of the more significant policies:

Basis of Presentation

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

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

Basis of Accounting

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

Deposits and Investments

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

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

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

Receivables

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

Estimates

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

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or estimated cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated.

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The ranges of estimated useful lives are as follows:

Water System	15-30 years
General plant assets	7 years

Assessments

The County of Mendocino and not the District is responsible for collection of the assessments. The District recognizes assessments when received from or collected by the county.

Proprietary Fund Financial Statements

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

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

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

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

Note 2 - Cash

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

	<u>2022</u>	<u>2021</u>
Cash		
General operations - Checking	\$10,541	\$ 1,806
General operations – Savings	<u>32,572</u>	<u>27,099</u>
 Total Cash	 <u>\$43,113</u>	 <u>\$28,905</u>

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

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The District's deposits are secured as part of an undivided collateral pool covering all public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

Note 3 - Property, Plant and Equipment

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

	<u>Balance</u> <u>7/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Water system	\$ 132,389	\$	\$ 0	\$ 132,389
Equipment	1,500	0	0	1,500
Construction in Progress	<u>0</u>	<u>70,838</u>	<u>0</u>	<u>70,838</u>
 Total Cost	 133,889	 0	 0	 204,727
 Less accumulated Depreciation	 <u>(85,727)</u>	 <u>(9,118)</u>	 <u> </u>	 <u>(94,845)</u>
 Net Book Value	 <u>\$ 48,162</u>	 <u>\$ 61,720</u>	 <u>\$ 0</u>	 <u>\$ 109,882</u>

Depreciation expense of \$4,559 and \$4,559 were charged as an operating expense for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Joint Powers Agreements

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

Note 5 - Subsequent Events

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

There are no subsequent events that have occurred through January 7, 2023 that meet the above definition.