

# MENDOCINO

## Local Agency Formation Commission

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

### COMMISSIONERS

**Maureen Mulheren, Chair**  
County Member

**Gerald Ward, Vice-Chair/Treasurer**  
Public Member

**Gerardo Gonzalez**  
City Member

**Katharine Cole**  
Special District Member

**Candace Horsley**  
Special District Member

**Glenn McGourty**  
County Member

**Mari Rodin**  
City Member

**Francois Christen, Alternate**  
Special District Member

**Douglas Crane, Alternate**  
City Member

**John Haschak, Alternate**  
County Member

**Vacant, Alternate**  
Public Member

### STAFF

**Executive Officer**  
Uma Hinman

**Clerk/Analyst**  
Larkyn Feiler

**Counsel**  
Marsha Burch

### REGULAR MEETINGS

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

## A G E N D A

### Regular Commission Meeting

Monday, May 6, 2024 at 9:00 am

#### Location

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

#### Hybrid Meeting

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

#### Instructions for Remote Participation Option

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

1. Zoom meeting link: <https://mendocinocounty.zoom.us/j/88148216547>
2. Telephone option (audio only):  
Dial: **(669) 900-9128** (*Please note that this is not a toll-free number*)  
Meeting ID: **881 4821 6547**

#### Public Participation is encouraged and public comments are accepted:

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

#### Meeting Participation

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

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

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

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

## **1. CALL TO ORDER and ROLL CALL**

## **2. PUBLIC EXPRESSION**

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

## **3. OTHER BUSINESS**

None

## **4. CONSENT CALENDAR**

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

**4a) April 1, 2024 Regular Meeting Summary**

**4b) April 2024 Claims & Financial Report**

**4c) Revised Lease with City of Ukiah for Office Space in the Ukiah Valley Conference Center**

**4d) Fiscal Year 2022-23 Audit**

**4e) Resolution No. 2023-24-04 Approving the Corrected Annexation Map/Description for the Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (LAFCo File No. A-2021-02)**

## **5. PUBLIC HEARING ITEMS**

**5a) PUBLIC HEARING Proposed Fiscal Year 2024-25 Budget and Work Program**

The Commission will hold a public hearing to consider and adopt the proposed budget and work program for fiscal year 2024-2025 and direct staff to notice the public hearing to consider the final budget and work program on June 3, 2024.

## **6. WORKSHOP ITEMS**

**6a) Pacific Reefs Water District Municipal Service Review and Sphere of Influence Study**

The Commission will hold a Workshop on the Draft Pacific Reefs Water District Municipal Service Review (MSR) and Sphere of Influence (SOI) Update. The Commission will review and discuss the draft study and welcomes public comment on the document. No formal action will be taken on the draft MSR/SOI at this meeting; a public hearing will be scheduled for formal consideration by the Commission.

## **7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION**

None

## **8. INFORMATION AND REPORT ITEMS**

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

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

**8b) Correspondence** (Copies provided upon request)

**8c) CALAFCO Business and Legislative Report**

**8d) Executive Officer's Report** (Verbal)

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

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

## **9. CLOSED SESSION**

**9a) Contract Executive Officer Performance Evaluation**

Pursuant to Government Code 54957(b)(1) - Contract Executive Officer Performance Evaluation

## **ADJOURNMENT**

The next Regular Commission Meeting is scheduled for Monday, **June 3, 2024** at 9:00 AM in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

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

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

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

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

# MENDOCINO

## Local Agency Formation Commission

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

### Agenda Item No. 4a

#### COMMISSIONERS

**Maureen Mulheren, Chair**  
County Member

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**Executive Officer**  
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**Counsel**  
Marsha Burch

#### REGULAR MEETINGS

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

### DRAFT MEETING MINUTES Regular Commission Meeting

#### Regular Meeting (Hybrid) of Monday, April 3, 2024

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

**1. CALL TO ORDER and ROLL CALL (Video Time 6:48)**

Chair Mulheren called the meeting to order at 9:01 a.m.

**Regular Commissioners Present:** Maureen Mulheren, Gerald Ward, Glenn McGourty, Mari Rodin

**Regular Commissioners Absent:** Gerardo Gonzalez, Katharine Cole, Candace Horsley

**Alternate Commissioners Present:** Francois Christen (immediately seated)

**Alternate Commissioners Absent:** John Haschak, Douglas Crane

**Staff Present:** Uma Hinman, Executive Officer; Marsha Burch, Legal Counsel

**2. PUBLIC EXPRESSION (Video Time 8:00)**

None

**3. OTHER BUSINESS (Video Time 8:43)**

None

**4. CONSENT CALENDAR (Video Time 8:45)**

**4a) March 4, 2024 Regular Meeting Summary**

**4b) March 2024 Claims & Financial Report**

<b>March 2024 Claims totaling:</b>	<b>\$26,545.47</b>
Hinman & Associates Consulting	24,705.94
Commissioner Stipends	100.25
Marsha Burch Law Office	765.00
Streamline	63.00
Mendocino County IS	256.09
Ukiah Valley Conference Center	655.19

**4c) Office Lease in the Ukiah Valley Conference Center**

**4d) Ratify Support Letter for SB 1209**

**4e) Ratify Support Letter for AB 3277**

<b>Motion:</b> Approve the consent calendar.		
<b>Motion Maker:</b> Rodin	<b>Motion Second:</b> Ward	<b>Outcome:</b> Passed unanimously
<b>Roll Call Vote:</b> Ayes: (5) Ward, McGourty, Rodin, Christen, Mulheren		



## 5. PUBLIC HEARING ITEMS

None

## 6. WORKSHOP ITEMS

None

## 7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

### 7a) Ukiah Valley Water Authority (Video Time 10:30)

EO Hinman introduced Sean White, City of Ukiah Director of Water Resources, and Phillip Williams, City of Ukiah Special Counsel, who presented an overview of the Ukiah Valley Water Authority (UVWA). The UVWA is a Joint Powers Authority consisting of the City of Ukiah and the Millview County Water District (MCWD). The JPA remains open to other districts and entities wishing to join. The UVWA will pursue structural and functional consolidation of its JPA members, including permanent interties and more storage for water service resiliency. The City of Ukiah will be taking over MCWD operations beginning in 2025. Coordination meetings between UVWA representatives and LAFCo staff will be established to support communication on activities that fall under LAFCo authority.

There were no public comments on the item.

## 8. INFORMATION AND REPORT ITEMS

### 8a) Work Plan, Current and Future Proposals (Video Time 39:15)

EO Hinman presented the staff report, noting that all applications on file are pending tax share agreements. Staff is working with County Departments to support the County's tax share negotiation process for the Anderson Valley CSD and Elk CSD applications. Staff is also coordinating with the AVCSO's CEQA consultant analyzing the District's water and wastewater project, which will require activation of latent powers through LAFCo. There has been initial coordination with the Russian River Flood Control District and the Redwood Valley County Water District regarding annexation of the RVCWD into the RRFCD.

The Work Plan is progressing and staff anticipates the Gualala Community Services District and/or the Pacific Reefs Water District will be scheduled for workshop with the Commission next month.

The following discussion points were provided by Commissioners:

Commissioner Ward

- Asked for clarification on LAFCo's contracted mapping needs for the MSR/SOI studies.
- Inquired whether there were opportunities for consolidations identified for some of the smaller districts.

Commissioner Christen

- AVCSO activation of latent powers planning process is in the ninth year. CEQA is in process; however, grant funding has been on hold due to the State budget deficit, which is delaying the project.

### 8b) Correspondence (Video Time 47:05)

None

### 8c) CALAFCO Business and Legislation Report (Video Time 47:07)

None

### 8d) Executive Officer's Report (Video Time 47:15)

EO Hinman provided a brief report, summarized as follows:

- No applications were received for the alternate public member position; the application process will be extended in 60-day increments until the position is filled.
- LAFCo staff is currently working with the CPA on the FY 2022-23 audit, a draft of which is being reviewed by Treasurer Ward and staff. Treasurer Ward will sign the Management Letter required for the audit.

**8e) Committee Reports (Executive Committee, Policies & Procedures) (Video Time 51:30)**

None

**8f) Commissioners Reports, Comments or Questions (Video Time 52:38)**

Chair Mulheren urged Commissioners to take advantage of opportunities to clarify LAFCo's activities and increase understanding of LAFCo's role in the County.

Commissioner Ward requested regular updates on the UVWA during future Commission meetings.

**ADJOURNMENT (Video Time 53:05)**

There being no further business, the meeting adjourned at 9:48 a.m.

The next regular meeting of the Commission is scheduled for Tuesday, **May 6, 2024** at 9:00 a.m. The meeting will be conducted in a hybrid format to accommodate both in-person and remote participation. The in-person meeting will be held in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

*Live web streaming and recordings of Commission meetings are available via the County of Mendocino's YouTube Channel [April 1, 2024 YouTube meeting recording](#). Links to recordings and approved minutes are also available on the [LAFCo website](#).*

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: May 6, 2024  
 TO: Mendocino Local Agency Formation Commission  
 FROM: Uma Hinman, Executive Officer  
 SUBJECT: **Claims and Financial Report for April 2024**

**RECOMMENDED ACTION**

Approve the April 2024 claims and financial report.

Name	Account Description	Amount	Total
Hinman & Associates Consulting, Inc.	5300 Basics Services	\$ 18,036.00	\$ 31,746.04
	5601 Office Supplies (QB, Fiverr)	\$ 216.60	
	5700 Internet (Comcast)	\$ 96.94	
	6200 Bookkeeping	\$ 440.00	
	7001 Work Plan (Coastal W/WW Districts)	\$ 10,946.00	
	8029 Ukiah Annex Western Hills	\$ 1,449.00	
	8031 AVCSO Annexation of SOI	\$ 561.50	
Commissioner Stipends	6740 In-County Travel & Stipends		\$ 100.25
	Christen (April)	\$ 100.25	
Marsha Burch	6300 Legal Counsel	\$ 1,260.00	\$ 2,250.00
	8029 Ukiah Annexat Western Hills	\$ 990.00	
Streamline	5700 Website Hosting	\$ 63.00	\$ 63.00
Mendocino County IS	6000 Televised Meetings (March)	\$ 200.66	\$ 599.03
	6670 GIS Services (March)	\$ 398.37	
Pehling n Pehling, CPA	6100 Audit Services	\$ 2,000.00	\$ 2,000.00
Ukiah Valley Conf. Center	5500 Office Space	\$ 581.25	\$ 583.81
	5600 Postage and copies	\$ 2.56	
<b>Total Claims</b>			<b>\$ 37,342.13</b>

**Deposits:** \$100,000 (County of Mendocino; Apportionments)

**Transfers:** None

**Attachments:**

- Budget Tracking Spreadsheet
- Work Plan Tracking
- Invoices: Hinman & Associates Consulting, Marsha Burch Law Office

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

# MENDOCINO LAFCO FY 2023-24 BUDGET TRACKING

BUDGET SUMMARY		2023-24 Budget	July	August	September	October	November	December	January	February	March	April	Totals To Date	% Expended
Total Revenue		\$ 285,000.00	\$ 1,583.15	\$101,198.42	\$ 3,626.51	\$ 1,046.35	\$ 377.29	*****	\$ 778.21	\$ 278.24	\$ 1,722.11	\$100,000.00	\$ 315,973.79	
Total Expenses														
Operations		\$ 320,000.00	\$ 21,176.15	\$ 25,480.07	\$ 21,770.97	\$ 20,735.30	\$ 16,596.70	\$ 16,219.81	\$ 25,697.55	\$ 18,668.37	\$ 25,706.97	\$ 34,346.63	\$ 226,398.52	
Applications		\$ 30,000.00	\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 9,566.50	
<b>FUND BALANCES</b>		<b>Balance Beginning of Year</b>												
Treasury (apportionments held in Treasury until moved to Checking for claims)		\$ 31,732.34	\$ 33,757.62	\$195,422.70	*****	*****	*****	*****	\$ 93,682.06	\$ 93,682.06	\$129,059.82	\$ 29,059.82		
Checking Account (Bank Statement)		\$ 49,459.33	\$ 44,814.99	\$110,712.10	\$ 84,402.21	\$ 62,896.43	\$ 40,583.53	\$ 12,236.11	\$106,922.00	\$ 81,019.76	\$ 63,013.75	*****		
Reserves (Bank Statement)		\$ 116,027.49	\$ 116,033.25	\$130,009.41	*****	*****	*****	*****	\$130,700.00	\$130,935.92	\$130,935.92	*****		
Account #	REVENUE													
4000	LAFco Apportionments Fees (held in Treasury until moved to Checking for claims)	\$ 275,000.00		\$100,000.00				*****				\$100,000.00	\$ 300,000.00	
4100	Fees and Reimbursements												\$ -	
4800	Miscellaneous												\$ -	
4910	Interest	\$ 500.00	\$ 9.40	\$ 10.92	\$ 11.51	\$ 671.35	\$ 221.04	\$ 1,277.26	\$ 231.46	\$ 215.74	\$ 2.86		\$ 2,651.54	
8000	Applications													
4150	Service Fees	\$ 9,500.00	\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 382.75	\$ 912.00	\$ 3,646.50	
80XX	Applications Less Service Fees	\$ 1,082.50	\$ 817.00	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 410.25	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 9,675.75	
<b>TOTAL</b>		<b>\$ 285,000.00</b>	<b>\$ 1,583.15</b>	<b>\$101,198.42</b>	<b>\$ 3,626.51</b>	<b>\$ 1,046.35</b>	<b>\$ 377.29</b>	<b>*****</b>	<b>\$ 778.21</b>	<b>\$ 278.24</b>	<b>\$ 1,722.11</b>	<b>\$100,000.00</b>	<b>\$ 315,973.79</b>	
Account #	EXPENSES													
<b>OPERATIONS</b>														
5300	Basic Services	\$ 133,000.00	\$ 7,427.59	\$ 12,817.55	\$ 12,192.61	\$ 9,005.56	\$ 10,305.54	\$ 9,985.69	\$ 14,197.00	\$ 6,515.50	\$ 14,350.50	\$ 18,036.00	\$ 114,833.54	86%
5500	Rent	\$ 7,000.00	\$ 555.00	\$ 555.00	\$ 930.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 930.00	\$ 581.25	\$ 581.25	\$ 6,352.50	91%
5600	Office Expenses	\$ 4,500.00	\$ 249.22	\$ 309.85	\$ 630.69	\$ 218.29	\$ 216.51	\$ 260.59	\$ 399.87	\$ 304.64	\$ 163.94	\$ 219.16	\$ 2,972.76	66%
5700	Internet & Website	\$ 3,000.00	\$ 172.84	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 159.94	\$ 159.94	\$ 159.94	\$ 159.94	\$ 1,595.95	53%
5900	Publication and Legal Notices	\$ 3,000.00					\$ 605.01			\$ 619.54			\$ 1,224.55	41%
6000	Televising Meetings	\$ 2,400.00					\$ 423.61	\$ 267.54	\$ 178.36			\$ 200.66	\$ 1,070.17	45%
6100	Audit Services	\$ 4,000.00	\$ 2,000.00									\$ 2,000.00	\$ 4,000.00	100%
6200	Bookkeeping	\$ 5,500.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 605.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 4,565.00	83%
6300	Legal Counsel	\$ 30,000.00	\$ 900.00	\$ 900.00	\$ 1,867.50		\$ 495.00	\$ 540.00	\$ 360.00	\$ 1,102.50	\$ 765.00	\$ 1,260.00	\$ 8,190.00	27%
6400	A-87 Costs County Services	\$ 2,500.00								\$ 3,440.00			\$ 3,440.00	138%
6500	Insurance - General Liability	\$ 3,000.00				\$ 2,857.81							\$ 2,857.81	95%
6600	Memberships (CALAFCO/CSDA)	\$ 4,000.00	\$ 2,521.00			\$ 1,281.00							\$ 3,802.00	95%
6670	GIS Contract (County)	\$ 3,000.00					\$ 56.91			\$ 256.09	\$ 398.37		\$ 711.37	24%
6740	In-County Travel & Stipends	\$ 4,000.00				\$ 177.95	\$ 177.95	\$ 128.82		\$ 100.25	\$ 100.25	\$ 100.25	\$ 785.47	20%
6750	Travel & Lodging Expense	\$ 6,500.00				\$ 842.52							\$ 842.52	13%
6800	Conferences (Registrations)	\$ 4,500.00		\$ 1,950.00		\$ 650.00	\$ (650.00)						\$ 1,950.00	43%
7000	Work Plan (MSR/SOI)	\$ 100,000.00	\$ 6,901.50	\$ 8,342.00	\$ 5,544.50	\$ 4,541.50	\$ 3,805.50	\$ 3,876.50	\$ 9,237.38	\$ 5,051.00	\$ 8,885.00	\$ 10,946.00	\$ 67,130.88	67%
9000	Misc Expenses (bank fees)	\$ 100.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 74.00	74%
<b>TOTAL</b>		<b>\$ 320,000.00</b>	<b>\$ 21,176.15</b>	<b>\$ 25,480.07</b>	<b>\$ 21,770.97</b>	<b>\$ 20,735.30</b>	<b>\$ 16,596.70</b>	<b>\$ 16,219.81</b>	<b>\$ 25,697.55</b>	<b>\$ 18,668.37</b>	<b>\$ 25,706.97</b>	<b>\$ 34,346.63</b>	<b>\$ 226,398.52</b>	<b>71%</b>
<b>8000 APPLICATIONS</b>		<b>Deposits TD</b>												<b>Deposit Remaining</b>
8022	City of Ukiah North Annexation Pre-Application (P-2020-01)	\$ 1,500.00											\$ -	\$ 378.00
8024	Millview CWD Annexation Pre-Application (P-2020-04)	\$ 3,609.25											\$ -	\$ -
8025	City of Ukiah Annexation of City-Owned Properties (A-2021-01)	\$ 8,283.75	\$ 111.25	\$ 875.00	\$ 2,955.00	\$ 125.00							\$ 8,283.75	\$ -
8028	Elk CSD Activation of Latent Powers (L-2022-01)	\$ 5,000.00							\$ 187.50				\$ 4,516.75	\$ 483.25
8029	City of Ukiah Annexation of Western Hills Properties (A-2022-02)	\$ 5,000.00						\$ 173.75		\$ 1,719.25	\$ 3,096.25		\$ 5,239.25	\$ (239.25)
8031	AVCSD Annexation of SOI (A-2023-01)	\$ 6,000.00	\$ 285.00		\$ 660.00	\$ 250.00	\$ 156.25		\$ 250.00	\$ 62.50		\$ 816.25	\$ 4,746.75	\$ 1,253.25
8032	Fort Bragg Pre-Application Request (P-2023-02)	\$ 1,500.00	\$ 1,177.50	\$ 312.50									\$ 1,490.00	\$ 10.00
<b>Applications Less Service Fees Subtotal</b>			\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 1,336.50	\$ 3,000.50	\$ 9,566.50	
<b>Service Fees Subtotal</b>			\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 382.75	\$ 912.00	\$ 3,646.50	
<b>TOTAL</b>			\$ 1,573.75	\$ 1,187.50	\$ 3,615.00	\$ 375.00	\$ 156.25	\$ 173.75	\$ 437.50	\$ 62.50	\$ 1,719.25	\$ 3,912.50	\$ 13,213.00	
<b>EXPENSES TOTAL</b>			<b>\$ 22,749.90</b>	<b>\$ 26,667.57</b>	<b>\$ 25,385.97</b>	<b>\$ 21,110.30</b>	<b>\$ 16,752.95</b>	<b>\$ 16,393.56</b>	<b>\$ 26,135.05</b>	<b>\$ 18,730.87</b>	<b>\$ 27,426.22</b>	<b>\$ 38,259.13</b>	<b>\$ 239,611.52</b>	
<b>MONTHLY CLAIMS TOTAL (not including service fees and bank fees)</b>		<b>\$ 320,000.00</b>	<b>\$ 22,249.65</b>	<b>\$ 26,288.07</b>	<b>\$ 24,262.97</b>	<b>\$ 20,984.30</b>	<b>\$ 16,695.20</b>	<b>\$ 16,330.31</b>	<b>\$ 25,993.55</b>	<b>\$ 18,706.37</b>	<b>\$ 26,545.47</b>	<b>\$ 37,342.13</b>		

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

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

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

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

Agency	Coordination/ Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Previous FY Expenses	FY 2023-24 Budget	FY 2023-24 Expenses	Total Cost to Date <sup>2</sup>
<b>Coastal Water/Wastewater Districts (7)</b>						\$ 18,754	\$ 100,000	\$ 67,131	\$ 85,885
Caspar South Water District	In process	In process							
Elk County Water District	In process	In process							
Gualala Community Services District	1/31/2024	3/15/2024	6/3/2024						
Irish Beach Water District	In process	In process							
Mendocino County Waterworks District No. 2	10/12/2023	1/31/2024	3/4/2024						
Pacific Reefs Water District	10/27/2023	4/8/2024	5/6/2024						
Westport County Water District	In process	In process							



**Hinman & Associates Consulting**

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

**Date** May 1, 2024 **Invoice No.** 804  
**To** Mendocino LAFCo **Invoice Total** \$ 31,746.04  
**Project** Executive Officer Services  
**Work Period** March 24 - April 30, 2024

Account	Description	Staff/Hours		Other (At Cost)	Totals
		Executive Officer \$110	Analyst \$86		
5300	Basic Services Public Records Act Requests	128.00	46.00		\$ 18,036.00
5601	Office Supplies Quickbooks Online fee Fiverr (Logo development/branding)			\$ 90.00 \$ 126.60	\$ 216.60
5700	Internet & Website Costs (Comcast)			\$ 96.94	\$ 96.94
6200	Bookkeeping	4.00			\$ 440.00
7001	Coastal Region Water/Wastewater MSR/SOI		102.25	\$ 2,152.50	\$ 10,946.00
8029	City of Ukiah Annex Western Hills	1.25	15.25		\$ 1,449.00
8031	AVCSD Annex SOI A-2023-01	1.00	5.25		\$ 561.50
<b>Totals</b>		<b>\$ 14,767.50</b>	<b>\$ 14,512.50</b>	<b>\$ 2,466.04</b>	<b>\$ 31,746.04</b>

**5300 Basic Services**

Administrative tasks, file research and maintenance of official records and files. Respond to public inquiries and research requests. Prepare and process March and April claims. Website updates. Preparation for April 1 and May 6, 2024 regular Commission meetings. Reminders and extension of deadline for Alternate Public member vacancy. Worked with Legal Counsel to refine outside agency services draft policy in preparation for policy working group meeting. Coordination with City of Fort Bragg on existing outside agency services; GIS analysis of data provided by City. Meeting and follow up with City of Willits on State Water Board (SWB) direction to serve outside agency areas. Prepare Proposed Budget and Work Program for FY 2024-25 for public hearing. Coordination with SWB staff to advise on order of processes with Prop 218 and LAFCo applications for the AVCSD activation of latent powers project. Work with Assessor/Elections and County GIS to resolve County mapping needs for UVFD annexation of the City of Ukiah in advance of the election cycle.

**6200 Bookkeeping**

Entered claims into Quickbooks and prepared checks. Reconciled Quickbooks.

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

Conduct research for coastal water and wastewater districts and private water companies (Pacific Reefs Water District, Caspar South Water District, Westport County Water District, Gualala CSD, Elk CWD, Irish Beach CWD, Mendocino County Water Works Distric 2 etc.); develop administrative drafts and information requests. Coordinate with agencies regarding information needs and requests. Admin draft GCSD and PRWD documents sent to districts for review. Coordinate with districts and preparation of workshop draft studies. Preparation of Admin Draft Caspar South Water District study. Coordinate with Sonoma LAFCo and Sonoma Water Agency regarding GCSD SOI and future service plans in The Sea Ranch community in Sonoma County. Meetings with State Water Board staff regarding public water systems on the coast.

**8029 City of Ukiah Annexation of Western Hills Properties**

Review new submittal materials and prepare incomplete letter. Work with Legal Counsel to review CEQA Addendum for sufficiency for LAFCo application needs, General Plan consistency and rezoning needs. Application coordination meeting with City staff. Prepare request and coordinate with County Assessor/Elections for voter registration information.

**8031 AVCSD Annexation of SOI (A-2023-01)**

Coordination meetings with County department heads, Legal Counsel, and District staff. Follow up on requests to County Assessor/Elections for voter registration information; GIS analysis and mapping to identify areas for Assessor/Elections. Coordinated with AVCSD staff and County GIS regarding annexation boundary mapping discrepancies.

**From:** Intuit QuickBooks Team <No\_Reply@notifications.intuit.com>  
**Sent:** Friday, April 19, 2024 8:57 AM  
**To:** eo@mendolafco.org  
**Subject:** We received your QuickBooks subscription payment!



## Payment success

Executive Officer, thank you for your payment.

**Invoice number:**  
10001301820656  
**Invoice date:** 04/19/2024  
**Total:** \$90.00  
**Payment method:** VISA ending in

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

[View billing history](#)

## Account details

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

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



# COMCAST BUSINESS

## Mendocino Lafco

Account number  
**8155 30 052 0354952**

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

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call 1-800-391-3000

Ready to pay?  
Visit [business.comcast.com/myaccount](https://business.comcast.com/myaccount)

### Your monthly account summary

Previous balance	96.94
Credit Card Payment Apr 04, 2024	-96.94 cr
<b>New charges</b>	
Comcast Business services	94.90
Taxes and fees	2.04

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



**Manage your services online**  
Your Comcast Business account online is the one-stop destination to pay your bill and manage your services. Visit [business.comcast.com/myaccount](https://business.comcast.com/myaccount).

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

# COMCAST BUSINESS

9602 S 300 W. STE B SANDY UT 84070-3302  
8633 0500 NO RP 09 04102024 NNNNNNNN 01 999627

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

Account number **8155 30 052 0354952**  
Automatic payment due **May 04, 2024**  
**Please pay** **\$96.94**  
**Credit Card Payment To Be Applied 05/04/24**

COMCAST  
PO BOX 60533  
CITY OF INDUSTRY CA 91716-0533

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#### Billing support

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and 7 am-8 pm Sat

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Please notify us immediately with any questions regarding charges billed to your account. Comcast will issue a credit or refund for any verified billing error which is brought to our attention within sixty (60) days of the bill.



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Call **1-800-391-3000**



Services from Apr 14, 2024 to May 13, 2024

## Your new charges in detail

<b>Comcast Business services</b>	<b>\$94.90</b>
<b>Comcast Business Internet</b>	
Data Only Business Internet Starter	71.95
Starter Business Internet	
Equipment Fee	22.95
Internet.	
<b>Taxes and fees</b>	<b>\$2.04</b>
Sales Tax	2.04
<b>New charges</b>	<b>\$96.94</b>

### Additional information

Hearing/speech impaired call 711

Your automatic payment on your bill due date, will include your amount due, plus or minus any payment related activities or adjustments, and less any credits issued before your bill due date.

Franchise Authority: The State of CA. For franchise issues contact the CA Public Utilities Commission; [www.cpuc.ca.gov](http://www.cpuc.ca.gov); 1-800-848-5580. The above is not a payment or service center. FCC Community ID: CA0481.





# Invoice FI18356189791

Original



**To**

uhinman  
CA, 95924  
United States

**Date issued**

Apr 3, 2024

**Order number**

[FO21E7C9FA988](#)

Service	Quantity	Unit price (USD)	Total (USD)
Brand Style Guides	1	120.00	120.00
Service Fee	1	6.60	6.60
<b>Total (USD)</b>			<b>126.60</b>

Method	Date	Total (USD)
Paid with Card	Apr 3, 2024	126.60

Fiverr Inc. is the collection agent for Fiverr International Ltd. All payments are remitted to Fiverr Inc. (EIN: 80-0861734)

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**Fiverr International Ltd.**

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8 Eliezer Kaplan St., Tel Aviv, Israel 6473409  
Company no: 514440874; Withheld tax file: 917369274; VAT ID Consol. Busn no: 558327284

# Marsha Burch

131 S. Auburn Street  
Grass Valley, CA 95945  
United States

# INVOICE

Invoice # 197  
Date: 04/30/2024  
Due On: 05/30/2024

Mendocino LAFCo

## 00201-Mendocino LAFCo

### General Counsel

Type	Date	Notes	Quantity	Rate	Total
Service	03/25/2024	Attend mtg. re AVCSD Tax Share process	0.80	\$225.00	\$180.00
Service	04/01/2024	Attend LAFCo meeting	0.80	\$225.00	\$180.00
Service	04/04/2024	Review changes to OAS policy; tel. conf. with EO.	1.00	\$225.00	\$225.00
Service	04/09/2024	Meeting with EO and Analyst	1.00	\$225.00	\$225.00
Service	04/15/2024	AVCSD Tax Share Meeting	1.00	\$225.00	\$225.00
Service	04/23/2024	Weekly meeting with EO and Analyst	1.00	\$225.00	\$225.00
				<b>Total</b>	<b>\$1,260.00</b>

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
197	05/30/2024	\$1,260.00	\$0.00	\$1,260.00
			<b>Outstanding Balance</b>	<b>\$1,260.00</b>
			<b>Total Amount Outstanding</b>	<b>\$1,260.00</b>

Please make all amounts payable to: Marsha Burch

Please pay within 30 days.

# Marsha Burch

131 S. Auburn Street  
Grass Valley, CA 95945  
United States

# INVOICE

Invoice # 198  
Date: 04/30/2024  
Due On: 05/30/2024

Mendocino LAFCo

## 00204-Mendocino LAFCo

### City of Ukiah

Type	Date	Notes	Quantity	Rate	Total
Service	04/12/2024	Review previous CEQA review for Western Hills annexation	1.20	\$225.00	\$270.00
Service	04/16/2024	Mtg. with EO and Analyst re Western Hills annexation	0.50	\$225.00	\$112.50
Service	04/17/2024	Review addendum to MND for Western Hills annexation; review correspondence	1.50	\$225.00	\$337.50
Service	04/18/2024	Respond to questions regarding annexation consistency with GP, LAFCo policies, and state law.	0.80	\$225.00	\$180.00
Service	04/19/2024	Review draft responses to Western Hills application/ CEQA review	0.40	\$225.00	\$90.00
				<b>Total</b>	<b>\$990.00</b>

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due	
198	05/30/2024	\$990.00	\$0.00	\$990.00	
				<b>Outstanding Balance</b>	<b>\$990.00</b>
				<b>Total Amount Outstanding</b>	<b>\$990.00</b>

Please make all amounts payable to: Marsha Burch

Please pay within 30 days.



**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: May 6, 2024  
TO: Mendocino Local Agency Formation Commission  
FROM: Uma Hinman, Executive Officer  
SUBJECT: **Revised Lease with City of Ukiah for Office Space in the Ukiah Valley Conference Center**

---

**RECOMMENDATION**

The Commission approve and authorize the Chair to sign the revised five-year lease with the City of Ukiah for office space in the Ukiah Valley Conference Center.

**BACKGROUND**

The Commission approved a five-year lease with the City of Ukiah (City) for an office space in the Ukiah Valley Conference Center (UVCC) at its April 1, 2024 regular meeting. The five-year lease identified a three percent annual increase.

Prior to the City's execution of the lease, the UVCC lease rate structure was re-evaluated by the City Manager and it was determined that the reduced annual increase was insufficient to cover costs. The revised five-year lease agreement includes an annual rate increase of five percent for the office space. There is also a static work room fee of \$30/month.

Attachment: Revised UVCC Lease for Office Suite

**LEASE AGREEMENT**  
**BETWEEN THE CITY OF UKIAH**  
**And**  
**MENDOCINO COUNTY LOCAL AGENCY FORMATION COMMISSION**

The Lease, made this first day of March 2024, by and between the City of Ukiah, hereinafter referred to as “Lessor” and the Mendocino County Local Agency Formation Commission, hereinafter referred to as “Lessee.”

**WITNESSETH:**

WHEREAS, Lessor does determine that the use of certain property owned by the Lessor is not requires for its use at this time and is available for lease;

NOW, THEREFORE, the parties hereto agree that on the terms and conditions hereinafter expressed, Lessor does hereby let to Lessee and Lessee does hereby hire from Lessor, approximately 200 square feet of the property and building located at 200 South School Street, Suite K in the City of Ukiah, County of Mendocino.

**1. TERM**

The term of this Lease shall be a maximum of 5 years (60 months), commencing on the date set forth above, through February 28, 2029. Both parties understand that the subject property is part of the Ukiah Valley Conference Center.

**2. RENT**

2.1 Rent for the leased premises Suite K shall be \$551.25 per month, payable on or before the fifth day of each month. If rent due under this paragraph is not received by Lessor on or before the tenth day of the month, lessee shall pay Lessor a late fee of 10% of monthly rent. The imposition of this fee is in addition to any other remedies Lessor may have for Lessee’s failure to pay rent when due under the terms of this Lease.

2.2 If the Lease is extended for one or more additional one-year terms under Section 1, at the commencement of each subsequent year, the rent shall be increased by 5% of the rent charged in the previous year.

2.3 Lessee shall also pay any real property, possessory interest or personal property taxes, and assessments imposed on the leased premises, property located on or affixed to the lease premises or as a result of the lease, use or ownership of the leased premises.

5 Year C.P.I @ 5% A Year

<b>April 1st 2024 Rent shall be</b>	<b>\$551.25</b>
<b>April 1st 2025 Rent shall be</b>	<b>\$578.81</b>
<b>April 1st 2026 Rent shall be</b>	<b>\$607.75</b>
<b>April 1st 2027 Rent shall be</b>	<b>\$638.13</b>
<b>April 1st 2028 Rent shall be</b>	<b>\$670.04</b>

**3. USE, UTILITIES, REPAIRS, MAINTENANCE AND SHARED WORKSPACE**

- 3.1 The Premises shall be used for general office business to be conducted by Lessee. Lessee shall not use or store in the Premises any hazardous or toxic substances, with the sole exception of reasonably necessary substances that are kept in reasonable necessary quantities for normal office operation, provided that their use and storage are in accordance with applicable laws. Lessee shall not do or permit anything to be done on the Premises that will obstruct or interfere with the rights of other tenants of the Building or injure or annoy them, or use or allow the Premises to be used for any unlawful purposes, nor shall Lessee cause, maintain, or permit any nuisance or waste on or about the Premises.
- 3.1(a) At Lessee's sole cost, Lessee shall promptly comply with all laws and governmental rules now or later in force; with the requirements of any board of fire underwriters or other similar body now or in the future constituted; with any direction or occupancy certificate issued by public officers ("Legal Requirements"), insofar as they relate to the condition, use, or occupancy of the Premises. Excluded are (a) structural changes or changes to the electrical, mechanical, or plumbing systems of the Building, all to the extent not necessitated by Lessee's acts or by improvements made for Lessee, other than the tenant improvements to be made pursuant to this Lease by Lessor, if any; (b) alterations or improvements to the Building as a whole or the Premises of tenants generally that are not by law the tenant's responsibility with which to comply; and (c) work necessitated by defects in the construction of the Building. Lessor shall comply in a timely manner with all Legal Requirements that are not Lessee's responsibility under this Section to the extent noncompliance would adversely affect Lessee's use or occupancy of the Premises
- 3.1(b) Lessee shall comply with all rules adopted by Lessor regarding the use of the Building or the Premises which are furnished to Lessee in writing (copy of the current rules are attached hereto as Exhibit "A"). Lessor shall not be responsible to Lessee for the nonperformance of any of these rules by any other tenant or occupant of the Building, but Lessor shall take reasonable steps to enforce any rules, the nonperformance of which by other tenants materially and adversely affects Lessee in the use of the Premises. However, if any rule conflicts with any term, covenant, or condition of this Lease, this Lease shall prevail. In addition, no rules, or any subsequent amendments adopted by Lessor shall alter, reduce, or adversely affect any of Lessee's rights or enlarge Lessee's obligations under this Lease.

- 3.1(c) Lessor may enter the Premises at reasonable hours and, except in the event of an emergency, on reasonable prior notice, to: (a) inspect the Premises; (b) exhibit the Premises to prospective purchasers, lenders, or tenants; (c) determine whether Lessee is complying with all obligations under this Lease; (d) supply janitorial service and any other services to be provided by Lessor under this Lease; (e) post notices of no responsibility; and (f) make repairs or perform maintenance required of Lessor by this Lease, make repairs to any space or utility services, or make repairs alterations, or improvements to any other portion of the Building. However, all this work shall be done as promptly as reasonably possible and cause as little interference to Lessee as reasonably possible. Subject to Lessor's undertakings in the previous sentence, Lessee waives any damage claims for inconvenience to or interference with Lessee's business or loss of occupancy or quiet enjoyment of the Premises caused by Lessor's entry. At all times Lessor shall have a key with which to unlock the doors on the Premises, excluding Lessee's vaults, safes, and similar areas designated as secure areas. In an emergency, Lessor shall have the right to use any means that Lessor deems proper to open Lessee's doors and enter the Premises. Entry to the Premises by Lessor in an emergency shall not be construed as a forcible or unlawful entry, or an actual or constructive eviction of Lessee.
- 3.2 Both parties agree that rent for the premises includes all costs for utilities and custodial maintenance.
- 3.3 Lessor shall maintain the public and Common Areas of the Building, including lobbies, stairs, corridors, restrooms, all exterior landscaping windows, the mechanical, plumbing, and electrical equipment serving the building, and the structure itself, in reasonably good order and condition so as to meet the reasonable needs of Lessee, except for damage, excluding normal wear and tear, caused by the Lessee. Damage by Lessee shall be repaired by Lessor at Lessee's expense. The standard of maintenance shall equal that of commercial office buildings of a similar class in the City of Ukiah.
- 3.3(a) Lessor shall furnish electricity for lighting and the operation of office, and heat and air conditioning to the extent reasonably required for comfortable occupancy by lessee.
- 3.3(b) Lessor shall not be in default under this lease, nor be liable for any damages resulting from, nor shall the required rental be abated because of: (I) the installation, use or interruption of use of any equipment in connection with furnishing the previously listed services, (II) failure to furnish or delay in furnishing these services, when failure or delay is caused by accident or conditions beyond the reasonable control of Lessor

or by necessary repairs or improvements to the Premises or to the building, or (III) the limitation, curtailment, rationing, or restrictions on use of water, electricity, gas or any other form of energy serving the Premises or the Building. Lessor shall use reasonable efforts to diligently remedy interruptions in the furnishing of these services.

- 3.3(c) Upon receipt of a bill, Lessee shall reimburse Lessor for the cost of: (I) all heat or air conditioning provided to the Premises during hours requested by Lessee when those services are not otherwise furnished by Lessor, and (II) all power and cooling energy provided for supplementary air conditioning facilities in the Premises. Lessee shall also pay the cost of any transformers, additional risers, panel boards, and other facilities, if reasonably required to furnish power for supplementary air conditioning facilities in the Premises. The cost of item (I) shall be a per hour charge reflecting the electrical energy, labor and fixed plant costs (excluding depreciation) of operating the heating and air conditioning system.
- 3.3(d) In the event that Lessor, at Lessee's request, provides services to Lessee that are not otherwise provided for in this Lease, Lessee shall pay Lessor's reasonable charges for these services on billing of Lessor.
- 3.4 In addition to the monthly rental and other charges to be paid by Lessee under this Lease, Lessee shall pay Lessor for all of the following items (collectively, "Impositions"): possessory interest or other taxes imposed on the leased premises, its contents or the activities conducted in them, to the extent not paid to the taxing entity by Lessee.
- 3.5 Lessee accepts the Premises as being in the condition in which Lessor is obligated to deliver the Premises, subject to the tenant improvements, if any, that Lessor has agreed to make. At all times during the term of this Lease and at Lessee's sole cost, Lessee shall keep the Premises in good condition and repair; exceptions are ordinary wear and tear and damage to the Premises by fire, earthquake, or act of God or the elements. Lessee waives all rights to make repairs at the expense of Lessor or instead to vacate the Premises, and Lessee further waives the provisions of Civil Code §§1941 and 1942 with respect to Lessor' obligations under this Lease. At the end of the term of this Lease, Lessee shall surrender to Lessor the Premises and all Alterations that are to remain in the Premises in the same condition as when received; exceptions are ordinary wear and tear and damage by fire, earthquake, or act of God or the elements. Lessor has no obligation and has made no promise to alter, remodel, improve, repair, decorate, or paint the Premises, except as specifically set forth in this Lease. Lessor has made no representations respecting the condition of the Premises or the Building, except as specifically set forth in this Lease.

**4. ALTERATIONS**

- 4.1 Lessee shall not make any alterations to the interior or exterior of the leased premises without the prior written consent of the Lessor. Lessor may, but need not, require the Lessee to furnish drawings, plans or specifications for any proposed alterations, which the Lessor may review prior to authorizing any such alterations.
- 4.2 Lessee shall keep the Premises and the Building free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee. Lessor may have posted on the Premises any notices that may be provided by Law or that Lessor may deem proper for the protection of Lessor, the Premises, and the Building from those liens. Lessee may contest any lien for which Lessee is responsible under this Section, provided that Lessee shall have caused the lien to be bonded against.

**5. HOLD HARMLESS AND LIABILITY INSURANCE**

- 5.1 Indemnification. Lessor shall not be liable for and is free from the cost of any damages for personal injury or property damage resulting from the use made by Lessee of the leased premises, any defective condition or faulty construction of the leased premises existing at the time of letting or arising thereafter and Lessee covenants and agrees to indemnify and save harmless said Lessor and its officers, agents and employees from and against any and all claims, liability, loss, cost, or other obligation, including reasonable attorneys' fees, on account of or arising out of Lessee's use of the leased premises.
- 5.2 Liability insurance. Lessee covenants and agrees during the life of this Lease at Lessee's sole expense to comply with the requirements of Exhibit "B", Insurance Requirements for Lessees (No Auto Risks) attached hereto and incorporated herein by reference.

**6. ASSIGNMENT**

Lessee will not assign this Lease, or any interest therein, and will not let or underlet the said premises, or any part thereof, without the prior written consent of the Lessor.

## **7. OWNERSHIP OF IMPROVEMENTS**

If Lessee installs any permanent improvements, in accordance with paragraph four of this Lease or otherwise, such improvements shall become a part of the leased premises and title to said improvements shall be vested in the Lessor upon termination of this Lease. Lessor shall have the right to demand that Lessee restore the premises to the condition it was in prior to the date this Lease is made and if such demand is made, Lessee shall so restore the premises within ten (10) days of the date such notice is given.

## **8. TERMINATION**

Notwithstanding any other provision of this Lease to the contrary, the parties shall have the right to terminate this Lease under the following circumstances.

- 8.1 Upon ninety (90) days prior written notice to the other party Lessor and Lessee shall have the mutual right to terminate the Lease for any reason.
- 8.2 Either party shall have an immediate right to terminate this Lease without prior notice to the other party other than that required by law for any breach of a term of the Lease by the other party, including, but not limited to, the Lessee's obligation to provide liability insurance.
- 8.3 Even though Lessee has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all rights and remedies under this Lease, including the right to recover the rental as it becomes due under this Lease. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver upon initiative of Lessor to protect Lessor's interest under this Lease shall not constitute a termination of Lessee's right to possession.
- 8.4 The remedies provided in this Lease are in addition to any other remedies available to Lessor at law, in equity, by statute, or otherwise.
- 8.5 Agreements and provisions to be performed by Lessee under this Lease shall be at Lessee's sole cost and without abatement of rental, except as specifically provided in this Lease. If Lessee (I) fails to pay any sum of money, other than rental, required under this Lease, or (II) fails to perform any other act required of lessee under this Lease, and this failure continues for thirty (30) days after notice of the failure by Lessor, or a longer period as may be allowed under this Lease, Lessor may, without waiving or releasing Lessee from any obligations of Lessee, make payment or perform other acts required by this Lease on Lessee's behalf.



All sums paid by Lessor and all necessary incidental costs shall be payable to Lessor on demand and shall constitute additional rental under this Lease.

- 8.5(a) If, without objection by Lessor, Lessee holds possession of the Premises after expiration of the term of this Lease, Lessee shall become a tenant from month-to-month on the terms specified in this lease, except those pertaining to term, option to extend, and option to acquire the Building, but at a monthly rental equivalent to one hundred ten percent (110%) of the then prevailing monthly rental paid by Lessee at the expiration of the term of this Lease, payable in advance on or before the first day of each month. Each party shall give the other notice of intention to terminate the tenancy at least one (1) month prior to the date of termination of a monthly tenancy.
- 8.5(b) If, over Lessor's objection, Lessee holds possession of the Premises after expiration of the term of this Lease or expiration of the holdover tenancy, Lessee shall be deemed to be a tenant-at-sufferance and, without limiting the liability of Lessee for unauthorized occupancy of the Premises, Lessee shall indemnify Lessor and any replacement tenant for the Premises for any damages or loss suffered by either Lessor or the replacement tenant resulting from Lessee's failure to vacate the Premises in a timely manner.

**9. ATTORNEY'S FEES**

If either party to this Lease prevails in any legal proceeding arising under or in connection with the terms of the Lease, that party shall recover its reasonable attorney's fees from the other party.

**10. NOTICE**

Whenever notice is required to be given under this Lease, it shall be deemed given when deposited in the U.S. Mail with first class postage properly affixed thereto or when personally delivered and addressed as follows:

City of Ukiah  
300 Seminary Avenue  
Ukiah, CA 95482

Mendocino County Local Agency  
Formation Commission  
200 S. School Street, Suite K  
Ukiah, CA 95482

**11. WAIVER**

Waiver of any breach of this Lease, including the failure to pay rent or obtain prior approval for an assignment of the Lease, shall not be deemed a waiver of any subsequent breach of the same or a different provision of the Lease.

**12. PARAGRAPH HEADINGS**

Paragraph headings are included for the convenience of the parties and are not intended to define or limit the scope of this Lease.

**13. PREVIOUS AGREEMENT**

Any and all existing statement or agreements, whether oral or written, or renewals thereof between the parties hereto, covering the same subject matter, are hereby canceled and superseded by the terms of this Lease, and such prior agreements, statements or understandings shall have no further force or effect.

**14. DUPLICATE ORIGINALS**

This Lease may be executed in one or more duplicate originals bearing the original signature of both parties and when so executed any such duplicate original shall be admissible as proof of the existence and terms of this Lease.

Entered on this date \_\_\_\_\_

\_\_\_\_\_  
Sage Sangiacomo, City Manager, City of Ukiah

\_\_\_\_\_  
Mendocino County Local Agency Formation Commission

**MENDOCINO LOCAL AGENCY FORMATION COMMISSION  
FINANCIAL STATEMENTS  
JUNE 30, 2023 and 2022**

**MENDOCINO LOCAL AGENCY FORMATION COMMISSION  
FINANCIAL STATEMENTS  
JUNE 30, 2023 & 2022**

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# Mendocino Local Agency Formation Commission Management Discussion & Analysis of Fiscal Years Ending June 30, 2022 & 2023

## 1 MANAGEMENT DISCUSSION AND ANALYSIS

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### 1.1 DISCUSSION OF BASIC FINANCIAL STATEMENTS

Mendocino Local Agency Formation Commission's (LAFCo) primary funding source for its annual budget is mandated by Government Code Section 56381. Section 56381 requires that the costs of LAFCo are to be paid in equal one-third shares by the agencies represented on the Commission; that is, the County pays one-third of the adopted budget, the four Cities pay one-third and the fifty Special Districts pay one-third. LAFCo does not receive its annual income directly; instead, an independent third party, the County Auditor, receives and holds the funds for LAFCo.

LAFCo's General Fund is its primary operating fund; it is used to account for most all transactions of the Commission. When application fees are received, a Project Fund will be developed for the income and expenditures associated with that particular Project.

The Commission also maintains a reserves account for holding funds for legal and operational contingencies. Commission policies specify a minimum legal reserve of \$35,000 and an operational reserve of 25% of the operational budget (Mendocino LAFCo Policy 5.1.5). Although the Commission did not revise the legal reserve policy, during Fiscal Year 2020/2021, the Commission directed staff to increase legal reserves to \$50,000; direction that has since remained unchanged.

LAFCo has no other specialized funds such as enterprise funds, capital asset funds, debt payment funds, or other similar funds. Because of the size of its budget, the type of income, and the nature of the funding process mandated by Government Code Section 56381 and the keeping of the funds by the County Auditor, LAFCo has historically utilized a modified cash basis of accounting.

### 1.2 COMPARATIVE FINANCIAL INFORMATION

All services needed by LAFCo, including County services received by LAFCo, must be paid for from LAFCo's budget. This includes such services as staff, legal counsel, GIS, County surveyor, Auditor, (A-87 costs), Assessor and Recorder, engineering services, publications of legal notices, communications, website, insurance, the cost of annual audits, etc. These costs have been reflected in LAFCo's budget since Fiscal Year 2001-2002. Additionally, the costs of the Sphere of Influence/Municipal Service Review process as mandated by G.C. 56425 and 56430 have been reflected in LAFCo's budget.

For several years the Commission relied on excess reserves resulting from underutilized work plan budget to balance the budget, thereby adopting lower apportionment fees. The excess reserves were exhausted in Fiscal Year 2018/2019 and the Commission began to increase apportionment fees annually to work towards adoption of a balanced annual budget. Apportionment fees in Fiscal Year 2019/2020 were \$135,000 and were increased to \$150,000 with the Fiscal Year 2020/2021 budget. In FY

2021/2022, apportionment fees were increased to \$265,000 for a balanced annual budget and to meet Commission direction to increase the legal reserves to \$50,000. Apportionment fees remained \$265,000 in FY 2022/2023 to accommodate the work plan.

### 1.3 CONDENSED FINANCIAL INFORMATION

A summation of LAFCo’s financial circumstances is provided in the tables below.

#### 1.3.1 Statement of Net Position

<b>Statement of Net Position</b>		
<b>June 30, 2023 &amp; 2022</b>		
<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash	237,095	174,896
Accounts Receivable	110	110
Total Assets	237,205	175,005
Liabilities	37,859	30,749
Total Net Position	199,346	144,257
<b>Statement of Activities</b>		
<b>June 30, 2023 &amp; 2022</b>		
	<b>2023</b>	<b>2022</b>
Program Expenses	227,245	229,875
Program Revenues	280,926	297,626
Net Program Income	53,681	67,650
General Revenue	1,409	627
Increase in Net Position	55,089	68,277
Net Position-July 1	144,257	75,980
Net Position-June 30	199,346	144,257

### 1.4 LAFCo’s OVERALL FINANCIAL POSITION

The particular financial circumstances of LAFCo are different from most public agencies. LAFCo has no authority to tax, borrow or enter into capital projects. It does have the power to assess fees for applications and services provided. By law, fees can only be the actual, direct costs of providing the service, and cannot be used to fund the operating costs of LAFCo. The primary expenditures for the budget are paid by the participating agencies rather than from fees, taxes or assessments on property. LAFCo has no debt. Its primary monetary assets are its reserve funds. At end of Fiscal Year 2022/2023, general reserve funds were at \$116,027.

### 1.5 ANALYSIS AND TRANSACTIONS OF GENERAL FUND-LAFCo’s BUDGET

Following is the adopted amended budget for Fiscal Year 2022/2023, which was adopted by the Commission on June 6, 2022 (LAFCo Resolution No. 2021-22-18) and amended on June 5, 2023 (LAFCo Resolution No. 2022-22-13).

<b>Commission's Final Budget Fiscal Year 2022/2023</b>				
	Quick Books		Original	Amended
Line #	Account #	Description	2022/2023	2022/2023
<b>Revenue</b>				
1	4000	LAFCo Apportionment Fees	\$ 265,000	\$ 265,000
2	4030	Application Filing Fees	-	-
3	4800	Miscellaneous	-	-
4	4910	Interest Income	100	100
5		<b>Total</b>	\$ 265,100	\$ 265,100
<b>Use of Residual Cash</b>				
6			-	-
7		<b>Total Income</b>	\$ 265,100	\$ 265,100
<b>Expenses</b>				
8	5300	Contract Services - Office & Staff	125,100	125,100
9	5500	Office Rent	6,500	6,500
10	5600	Office Expense	3,300	3,300
11	5700	Internet & Website Costs	2,500	2,500
12	5900	Publication & Legal Notices	2,000	2,000
13	6000	Televising Commission Meetings	2,000	2,000
14	6100	Audit Services	3,800	3,800
15	6200	Bookkeeping	4,500	4,500
16	6300	Legal Counsel	19,000	19,000
17	6400	A-87 Costs - County Services	2,100	3,200
18	6500	Insurance - General Liability	3,200	3,200
19	6600	Memberships (CALAFCO/CSDA)	3,700	3,700
20	6670	GIS Contract (Counsel training/IS Support)	2,000	4,000
21	6740	In-County Travel & Stipends	4,000	4,000
22	6750	Travel & Lodging	6,000	2,900
23	6800	Conferences (Registrations)	4,100	4,100
24	7000	Work Plan (MSRs and SOIs)	70,000	70,000
25		<b>Total Expenses before Application Fees</b>	\$ 263,800	\$ 263,800
26	8000	Application Filing Fees	-	-
27		<b>Total Expense</b>	\$ 263,800	\$ 263,800
28		Fund Balance	\$ 30,815	\$ 30,815
29		General Reserves (Legal & Operational)	\$ 115,950	\$ 115,950
		Work Plan Contingency (Cash Balance)	\$ 30,815	\$ 30,815

## 1.6 ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS-UNSPENT FUNDS



Each year, since the beginning of the budget process under Cortese-Knox-Hertzberg (CKH), there have been unspent funds from the various line items. The Commission through its budget deliberations process has determined that money not spent in one budget year from various line items, is to be used in the next year's budget to increase reserves and as a Fund Balance Carryover to offset the forthcoming year's budget for G.C. 56425 & 56430 mandates.

Additionally, LAFCo Policies dictate maintenance of a reserve account. LAFCo Policy 5.1.5 *Reserves for Fiscal Stability, Cash Flow, and Contingencies* (Resolution No. 2018-19-06) states: *"Mendocino LAFCo will strive to maintain reserves for fiscal stability, unforeseen operating or capital needs, cash flow requirements, revenue source stability from revenue shortfalls, and unanticipated legal fees. The reserves consist of an Operating Reserve of 25 percent of the annual operating budget and a Legal Reserve of \$35,000 and are to be maintained in separate accounts."*

During Fiscal Year 2020/2021, the Commission directed staff to increase legal reserves to \$50,000. Commission direction remained unchanged through FY 2022/2023.

## **1.7 DESCRIPTION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

Except for a provision in CKH that allows the Board of Supervisors to lend temporary operational funds to the Commission, LAFCo has no authority to borrow or to develop capital projects. The Commission has no mortgages, leases, liens, short-term loans, long-term debt, or any other encumbrances. It owns no stocks, bonds, securities or other investments. It has no capital assets or capitalization programs. The Commission does have the authority to pursue grants to assist in its decision making, but has no grants at this time.

## **1.8 DISCUSSION OF SIGNIFICANT CHANGES IN CONDITIONS AND ESTIMATED MAINTENANCE EXPENSES FOR INFRASTRUCTURE ASSETS**

The Commission owns no land, buildings or infrastructure. Other than normal office furniture, filing cabinets, telephone, computer, and printer, the Commission has no physical assets. Paper and electronic records or past actions and activities are maintained in the LAFCo office, and from the date of inception of LAFCo in 1963.

## **1.9 CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

There are no facts, decisions or conditions that are currently known that are expected to significantly alter LAFCo's future financial picture.

## **1.10 ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide LAFCo's participating agencies, members of the public, customers, and other interested parties with an overview of LAFCo's financial results and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Mendocino LAFCo at 200 South School Street, Ukiah, CA 95482; 707-463-4470.

## 2 INDEPENDENT AUDITOR'S REPORT

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February 14, 2024

Mendocino LAFCO

Ukiah, CA

INDEPENDENT AUDITOR'S REPORT

### Opinions

We have audited the accompanying financial statements of Mendocino LAFCO as of and for the year-ended June 30, 2023, as listed in the Table of Contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino LAFCO as of June 30, 2023, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 The 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

Our 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 our 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 GAAS 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 GAAS, we:

- 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 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are 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.

#### **Other Matters**

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

*PnPCPA*

PnPCPA

### 3 FINANCIAL STATEMENTS

#### 3.1 STATEMENT OF NET POSITION & GOVERNMENTAL FUNDS BALANCE SHEET

LOCAL AGENCY FORMATION COMMISSION OF MENDOCINO COUNTY						
STATEMENT OF NET POSITION						
& GOVERNMENTAL FUNDS BALANCE SHEET						
AS OF JUNE 30, 2023 & 2022						
	Statement of Net Position 2023			Statement of Net Position 2022		
	General Fund	Adjustments Note 3	Position 2023	General Fund	Adjustments Note 3	Position 2022
<b>Assets</b>						
Cash - Note 2	\$237,095	\$ -	\$237,095	\$174,896	\$ -	\$174,896
Accounts Receivable	110	-	110	110	-	110
<b>Total Assets</b>	<b>237,205</b>	<b>-</b>	<b>237,205</b>	<b>175,006</b>	<b>-</b>	<b>175,006</b>
<b>Liabilities</b>						
Accounts Payable	26,044	-	26,044	18,302	-	18,302
Fees Received in Advance	11,815	-	11,815	12,448	-	12,448
<b>Total Liabilities</b>	<b>37,859</b>	<b>-</b>	<b>37,859</b>	<b>30,750</b>	<b>-</b>	<b>30,750</b>
<b>Fund Balance/Net Position</b>						
<b>Fund Balances</b>						
Reserved for Legal	50,000	(50,000)	-	50,000	(50,000)	-
Reserved for Operating Reserve	66,030	(66,030)	-	56,750	(56,750)	-
Unassigned	83,316	(83,316)	-	37,506	(37,506)	-
<b>Total Fund Balance</b>	<b>199,346</b>	<b>(199,346)</b>	<b>-</b>	<b>144,256</b>	<b>(144,256)</b>	<b>-</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>237,205</b>	<b>(237,205)</b>	<b>-</b>	<b>175,006</b>	<b>(175,006)</b>	<b>-</b>
<b>Net Position</b>						
Unrestricted		199,346	199,346		144,256	144,256
<b>Total Net Position</b>		<b>\$ 199,346</b>	<b>\$199,346</b>		<b>\$ 144,256</b>	<b>\$144,256</b>

### 3.2 STATEMENT OF ACTIVITIES

<b>LOCAL AGENCY FORMATION COMMISSION OF MENDOCINO COUNTY</b>		
<b>STATEMENT OF ACTIVITIES</b>		
<b>FOR THE YEARS ENDED JUNE 30, 2023 &amp; 2022</b>		
	2023	2022
<u>General Government - Planning</u>		
Insurance-General	\$ 2,800	\$ 2,601
Memberships	3,579	3,470
Audit Fees	3,750	3,520
Internet and Website Costs	1,670	1,976
Legal Counsel	10,800	12,768
Architect, Engineering and Planning Services	-	-
Professional Services	159,491	152,407
Rent	6,510	5,959
Office Expenses	3,240	2,790
Publication and Legal Notices	1,295	1,296
County Support Services (GIS)	4,765	1,469
Televising Commissioner Meetings	1,944	2,014
Bookkeeping-Financial	4,455	4,500
Professional Fees-Applications	16,593	32,157
Transportation and Travel Out of County	1,269	-
In-County Travel & Stipends	757	426
Miscellaneous Expense	4,327	2,624
Special District Training Support		-
<b>Total Program Expenses</b>	<b>227,245</b>	<b>229,977</b>
<u>Program Revenues</u>		
Assessments	265,000	265,000
Application Fees & Reimbursements	15,926	32,626
<b>Total Program Revenues</b>	<b>280,926</b>	<b>297,626</b>
Net Program Income	53,681	67,649
<u>General Revenues</u>		
Interest Earnings	1,409	627
<b>Total General Revenues</b>	<b>1,409</b>	<b>627</b>
Increase in Net Position	55,089	68,277
Net Position - July 1,	144,257	75,980
<b>Net Position - June 30,</b>	<b>\$ 199,346</b>	<b>\$ 144,257</b>

### 3.3

## **3.4 NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1 – Summary of Significant Accounting Policies**

#### **Organization**

The Mendocino Local Agency Formation Commission's (LAFCo) primary operates under the rules and requirements of the Cortese-Knox-Hertzberg Local Government Act of 2000 (CKH). This act is commonly referred to as CKH or AB 2838. This act is found in the Government Code beginning with Section 56000. However, this part of the Government Code does not comprise of all the requirements of laws that LAFCo must meet. Other elements of the law such as the Public Resources Code, Guidelines to California Environmental Quality Act (CEQA), Revenue and Taxation Code, Election Code, Brown Act, case decisions, state and local policies and the policies and procedures of LAFCo also affect the decision-making responsibilities of LAFCo. However, the primary controlling authority of LAFCo is the Government Code beginning with Section 56000 and LAFCo's policies which implement the law.

#### **Accounting Policies**

The Commission'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 of the Commission as a whole.

The Commission is comprised of only one fund, the General Fund. The General Fund is the primary operating fund of the Commission and is always classified as a major fund. It is used to account for all activities. The Commission maintains two bank accounts to manage the Fund: a checking account with Savings Bank of Mendocino County and a reserves account with Westamerica Bank in Ukiah, CA. The reserves are set aside for legal and operational contingencies; policies are established for both.

#### **Basis of Accounting**

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

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

In the General Fund Financial Statements, government funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within sixty days after year end. Expenditures are recorded

when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When an expense is incurred for the purpose for which either committed, assigned or unassigned net assets are available, the Commission's policy is to apply committed or assigned net asset first.

## **Budget**

The Commission is required to adopt an annual budget for the Commission's general operations each fiscal year. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by the Commission. The budget is amended from time-to-time as needed and is approved by the Commissioners with each amendment.

## **Deposits and Investments**

It is the Commission's policy for deposits and investments to either be insured by the FDIC or collateralized. The Commission's deposits and investments are categorized to give an indication of the level of risk assumed by the Commission as of June 30, 2023 and 2022. 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, 2023 and 2022 consist of Category 1 type only.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The Commission'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.

## **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 reported period. Actual results could differ from those estimates.

## **Risk Management**

The Commission is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, errors and omissions, injuries to contract staff, and natural disasters. The Commission carries

insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverages in the past three years.

### **Equity Classifications – Government-wide Statements**

Equity is classified as net position and displayed as follows:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities used for acquisition, construction or improvement of these assets.
- b. Unrestricted net position – All other net assets that do not meet the definition of “Investment in capital assets, net of unrelated debt”.

### **Equity Classifications – Fund Statements**

Government fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned.

### **Note 2 – Cash**

The Commission maintains an account with Savings Bank of Mendocino County used for issuing checks for the payment of general operating expenses. The County of Mendocino collects the Apportionment Fees from the County, Cities and Special Districts and holds those funds in an account (Treasury) with the County Auditor. When sufficient funds are collected (Apportionment Fees), LAFCo will then transfer funds from the Treasury into the checking account at Savings Bank of Mendocino County. Treasury Savings Bank of Mendocino County balances for the fiscal year ended June 30, 2023 and 2022 were \$75,504 and \$52,912, respectively. Cash on deposit in the County of Mendocino’s treasury is a pooled money investment account similar to a money market account. The funds deposited with the County, until transferred, are invested in accordance with Sections 53601 and 53635 of the California Government Code that specify the authorized investments that an investment pool can purchase. Treasury balances for the fiscal year ended June 30, 2023 and 2022 were \$31,372 and \$6,016, respectively.

The County’s investment policy as of July 7, 1997 prohibits the following: reverse repurchase agreements, collateralized mortgage securities, futures or options, lend securities or security with a stated or potential maturity longer than five years. Interest earnings recorded by the Commission for these funds for the fiscal year ended June 30, 2023 and 2022 were \$1,409 and \$537, respectively. The County of Mendocino issues a separate comprehensive annual financial report. Copies of the County of Mendocino’s annual financial report may be obtained from the County of Mendocino’s Auditor-Controller’s office, 501 Low Gap Road, Room 1080, Ukiah, CA 95482.

The Commission’s deposits with County Treasury have a risk category of “uncategorized” which represents investments in pools where the Commission’s investments are not evidenced by specific identifiable securities.

The Commission also maintains an account with Westamerica Bank used for holding reserve funds for legal and operational contingencies. Commission policies specify a minimum legal reserve of \$35,000 and an operational reserve of 25% of the operational budget. However, beginning in FY 2020/2021, the Commission continues to direct legal reserves be maintained at \$50,000 in response to increases in



complicated applications and work plan tasks. Reserves balances for the fiscal year ended June 30, 2023 were \$50,000 in legal reserves and \$66,030 in operational reserves.

### **Note 3 – Reconciliation to Statement of Net Position**

There are no differences in the amounts reported for government activities in the Statement of Net Position.

### **Note 4 – Accounts Receivable**

On an accrual basis, revenues are recognized in the fiscal year in which the services are billed.

### **Note 5 – Accounts Payable**

On an accrual basis, expenses are recognized in the fiscal year in which the goods or services are received.

### **Note 6 – Fees Received in Advance**

On an accrual basis, revenues are recognized in the fiscal year in which the services are provided. Some fees are received by the Commission in advance of performing the requested services and are therefore carried as a liability until the work has been completed and the revenues earned.

### **Note 7 – Joint Powers Agreement**

The Commission participates in a joint venture under a joint agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the Commission and the JPA is such that is not a component unit of the Commission and the JPA is not a component unit of the Commission for financial reporting purposes.

The JPA's purpose is to jointly fund and develop programs to provide comprehensive and economical funding of property, workers compensation and employers liability coverage for bodily injury by accident or by disease, including resulting from death, arising out of and in the course of an employee's employment with the Commission. This program is provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof. Copies of SDRMA annual financial reports may be obtained from their executive office at 1112 I Street #300, Sacramento, CA 95814.

### **Note 8 – Risk Management**

The Commission is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets, errors and omissions; injuries to employees; and natural disasters. During FY 2022-23 the Commission contracted insurance for liability, property, crime damage, and director insurance.

### **Note 9 – Contingencies**

As of June 30, 2023, the Commission had no pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

## **Note 10 – Subsequent Events**

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

There are no subsequent events that have occurred that meet the above definition.

## 4 SUPPLEMENTARY INFORMATION

### 4.1 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

LOCAL AGENCY FORMATION COMMISSION OF MENDOCINO COUNTY					
BUDGETARY COMPARISONS SCHEDULE - GENERAL FUND					
FOR THE YEAR ENDED JUNE 30, 2023					
					Variance with
		Amended			Final Budget
		Budgeted	Amounts	Actual	Positive
		Original	Final	Amounts	(Negative)
Beginning Budgetary Fund Balance		\$ 144,257	\$ 144,257	\$144,257	\$ 144,257
Resources (Inflows)					
Assessments		\$ 265,000	\$ 265,000	\$265,000	-
Fees & Reimbursements		-	-	15,926	15,926
Miscellaneous		-	-	29	29
Interest Earnings		100	100	1,409	1,309
Total Resources		<b>\$ 265,100</b>	<b>\$ 265,100</b>	<b>\$282,364</b>	<b>17,264</b>
Charges (Outflows)					
5300 Basic Services (Contract)		125,100	125,100	120,481	4,619
5500 Office Rent		6,500	6,500	6,510	(10)
5600 Office Expenses		3,300	3,300	3,240	60
5700 Internet and Website Costs		2,500	2,500	1,670	830
5900 Publication & Legal Notices		2,000	2,000	1,295	705
6000 Televising Commission Meetings		2,000	2,000	1,944	56
6100 Audit Services		3,800	3,800	3,750	50
6200 Bookkeeping		4,500	4,500	4,455	45
6300 Legal Counsel		19,000	19,000	10,800	8,200
6400 A-87 Costs-County Services		2,100	3,200	3,152	48
6500 Insurance-General		3,200	3,200	2,800	400
6600 Memberships		3,700	3,700	3,579	121
6670 Contract Services-GIS Services		2,000	4,000	4,765	(765)
6740 In-County Travel & Stipends		4,000	4,000	757	3,243
6750 Travel & Lodging		6,000	2,900	1,269	1,631
6800 Conferences (Registrations)		4,100	4,100	1,064	3,036
7000 Work Plan (MSR and SOI)		70,000	70,000	39,011	30,990
Misc Expenses (Special District Training Support, bank service cha		-	-	109	(109)
8000 Applications and Projects		-	-	16,593	(16,593)
Total Charges		<b>\$ 263,800</b>	<b>\$ 263,800</b>	<b>\$227,243</b>	<b>\$ 36,557</b>
Ending Budgetary Net Position		\$ 145,557	\$ 145,557	\$199,377	

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: May 6, 2024  
TO: Mendocino Local Agency Formation Commission  
FROM: Uma Hinman, Executive Officer  
SUBJECT: **Resolution No. 2023-24-04 Correcting the Map/Description for the Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (A-2021-02)**

---

**RECOMMENDATION**

Adopt Resolution No. 2023-24-04 Approving the Corrected Annexation Map/Description for the Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (LAFCo File No. A-2021-02).

**BACKGROUND**

The Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (A-2021-02) was approved by the Commission on October 4, 2021 under Resolution No. 2021-22-03, and was submitted and accepted by the Board of Equalization on December 2, 2021.

Corrections needed for the annexation map/description have been identified, based on coordination with County staff, to ensure accurate administrative records for the annexation. A resolution of correction is proposed to correct the annexation map to include a title and written description (all territory within the City Limits of the City of Ukiah as of November 22, 2021) for the approved annexation area.

The proposed resolution is a non-substantive correction and is not a reconsideration of this approved annexation. The terms and conditions of Resolution 2021-22-03 approving the annexation remain in effect and no changes are necessary. The map/description corrections do not alter the area of annexation, and therefore no map correction with the Board of Equalization is necessary.

Attachment: Draft Resolution No. 2023-24-04

**Resolution No. 2023-24-04**  
**of the Local Agency Formation Commission of Mendocino County**

**Approving the Corrected Annexation Map/Description for the Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (A-2021-02)**

WHEREAS, the Ukiah Valley Fire District (UVFD or District) Annexation of the City Limits of the City of Ukiah for Fire Services (A-2021-02) was approved subject to terms and conditions set forth in LAFCo Resolution No. 2021-22-03 adopted on October 4, 2021 and attached hereto; and

WHEREAS, the UVFD Annexation of Ukiah City Limits for Fire Services was ordered without an election based on insufficient written protest received consistent with conducting authority proceedings (pursuant to GOV §57000 et seq.) by the Commission on November 8, 2021 under LAFCo Resolution No. 2021-22-08; and

WHEREAS, a Certificate of Completion (Document 2021-17205) was filed with the Mendocino County Recorder on November 22, 2021 for the annexation; and

WHEREAS, the Board of Equalization acknowledged submittal of complete and accurate documentation of the annexation on December 2, 2021; and

WHEREAS, the County of Mendocino subsequently identified the need to correct the annexation area written description in order to ensure accurate administrative records for the annexation; and

WHEREAS, the map/description corrections do not alter the area of annexation, and therefore no map correction with the Board of Equalization is necessary; and

WHEREAS, the corrected annexation map includes a title and written description (all territory within the City Limits of the City of Ukiah as of November 22, 2021) for the approved annexation area.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Mendocino DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

1. The terms and conditions of LAFCo Resolution 2021-22-03 approving the Ukiah Valley Fire District Annexation of the City Limits of the City of Ukiah for Fire Services (A-2021-02) remain in effect and no changes to the adopted conditions and terms of approval are necessary.
2. The corrected annexation map/description is hereby approved as shown in Exhibit A, attached hereto, and replaces the annexation map shown in the original Exhibit A that was attached to Resolution No. 2021-22-03 and referenced under 3.a) of the annexation terms and conditions.

PASSED and ADOPTED by the Local Agency Formation Commission of Mendocino County this 6th day of May 2024 by the following vote:

AYES:

NOES:

ABSTAIN:

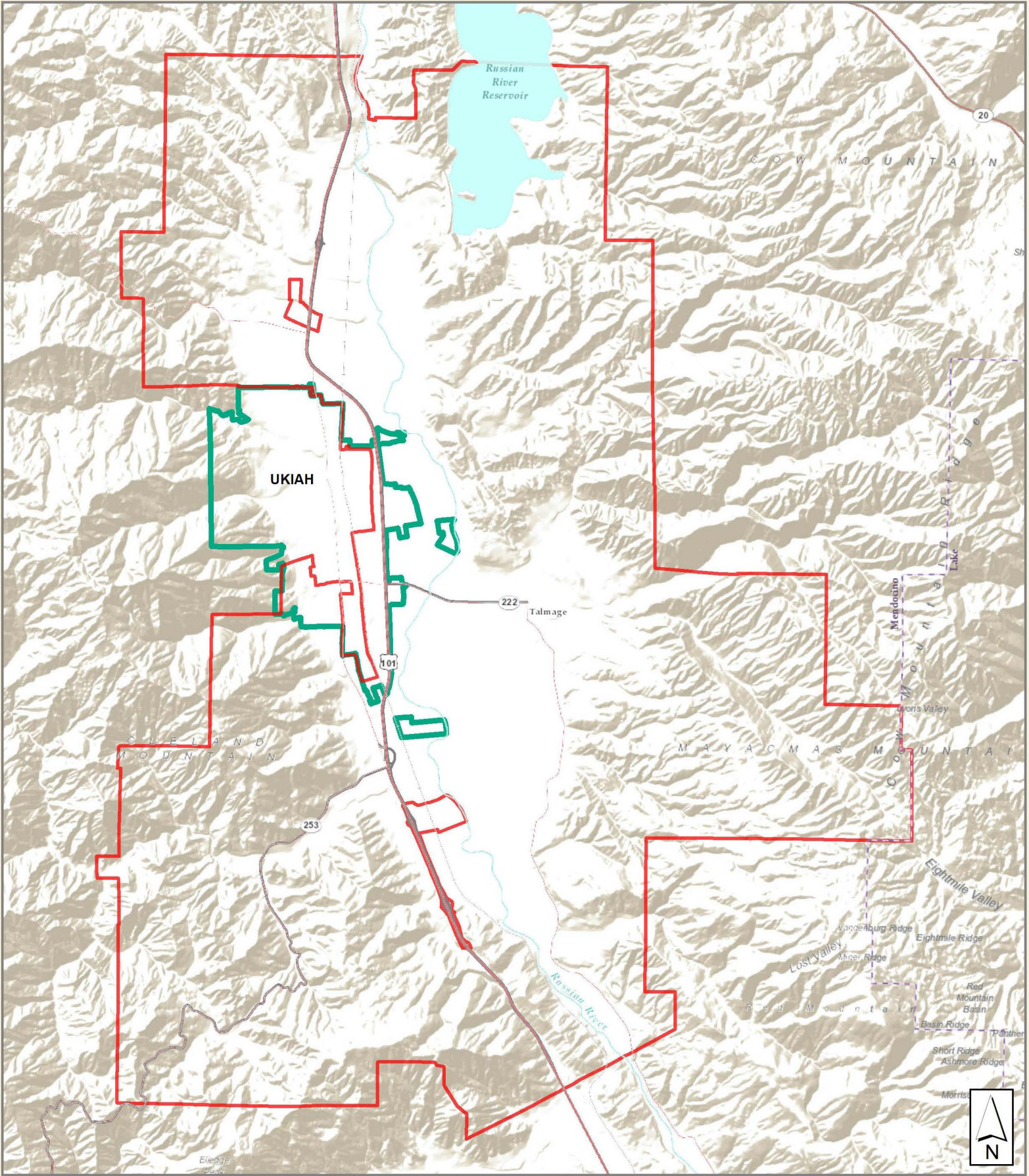
ABSENT:

ATTEST:

\_\_\_\_\_  
MAUREEN MULHEREN, Commission Chair



\_\_\_\_\_  
UMA HINMAN, Executive Officer





**Annexation Area Written Description**

The approved boundary of the Ukiah Valley Fire District Annexation Area (A-2021-02) is all territory within the City Limits of the City of Ukiah as of November 22, 2021.

	Fire District Boundary
	Ukiah City Limits



This map is a guide. Every reasonable effort has been made to ensure the accuracy of the map and data provided. Parcel lines are not intended to represent surveyed data.



**Resolution No. 2021-22-03**  
**of the Local Agency Formation Commission of Mendocino County**

**Approving the Ukiah Valley Fire District Change of Organization to  
Annex the City Limits of the City of Ukiah for Fire Services**

WHEREAS, on May 18, 2021, the Ukiah Valley Fire District (UVFD or District) Board of Directors approved Resolution No. 2021-04 to initiate a proposed District annexation of the City of Ukiah City limits for fire services and concurrent amendment of the District's Sphere of Influence to be contiguous with the proposed new boundary; and

WHEREAS, on May 19, 2021, the City of Ukiah (City) City Council approved Resolution 2021-21 to support the District's proposed annexation and SOI amendment; and

WHEREAS, the application was received on June 29, 2021 and was referred to the County Assessor and Auditor for negotiation of a property tax exchange pursuant to Revenue and Tax Code Section 99 and Resolutions adopted by the County Board of Supervisors, City of Ukiah City Council, and UVFD Board of Directors has been received regarding the allocation of property tax within the annexation area; and

WHEREAS, a Certificate of Filing was issued on September 29, 2021 indicating receipt of a complete application pursuant to California Government Code Section 56658; and

WHEREAS, the Executive Officer gave sufficient notice of a public hearing to be conducted by the Commission by September 13, 2021 in the form and manner prescribed by law; and

WHEREAS, the Executive Officer's report and recommendations on the application were presented to the Commission on October 4, 2021 in the manner provided by law; and

WHEREAS, the Commission conducted a duly noticed public hearing on the application on October 4, 2021. At the hearing, all interested persons were given the opportunity to hear and be heard. At the conclusion of public testimony, the Commission closed the public hearing and considered and deliberated on all relevant oral and written testimony and evidence presented or filed, the Executive Officer's report, the applicant's plan for services and other application materials, and all the factors required under California Government Code Section 56668 and 56668.3; and

WHEREAS, the Commission has reviewed and considered this resolution and hereby finds that it accurately sets forth the intentions of the Commission with respect to the application.

NOW, THEREFORE, the Mendocino Local Agency Formation Commission does hereby RESOLVE, DETERMINE, and ORDER as follows:

1. The Commission, as Responsible Agency, agrees with the environmental determination of the Ukiah Valley Fire District, as Lead Agency, for the proposed annexation and sphere of influence amendment as found to be exempt from the California Environmental Quality Act in the Notice of Exemption recorded June 8, 2021 (Mendocino County Official Records 2021-E0033) pursuant to PRC §21065 and Title 14 CCR §15378(a), 15061(b)(3), 15261, 15301, and 15320, with no evidence presented of unusual circumstances (Title 14 CCR §15300.2(c)).
2. The Ukiah Valley Fire District Change of Organization to Annex the City Limits of the City of Ukiah for Fire Services (File No. A-2021-02) is approved.

3. The Annexation shall be subject to the following terms and conditions:
  - a) The boundaries of the Annexation Area shall be defined by the map depicted in Exhibit "A", attached hereto and incorporate herein by reference.
  - b) The Ukiah Valley Fire District parcel taxes Measures J and B shall be imposed and levied in the entire annexation area, more specifically the City Limits of the City of Ukiah.
  - c) The Amended and Restated Agreement for Shared Management of Fire Department between the Ukiah Valley Fire District and City of Ukiah executed on June 17, 2020, and scheduled to be effective upon annexation approval, shall be implemented with proof of executed agreements provided to the Executive Officer.
  - d) The City of Ukiah maintains all of its rights and obligations under Health and Safety Code Section 1797.201 for administering Emergency Medical Services (EMS) upon Ukiah Valley Fire District annexation of the City Limits of the City of Ukiah.
4. The application is assigned the following distinctive short-term designation: "UVFD Fire Services Annexation and Fire District Sphere Amendment".
5. The effective date of the annexation shall be the date of the filing of the Certificate of Completion for the application. The Certificate of Completion shall not be filed until all charges assessed and fees due to the Commission have been paid by the applicant(s) and all materials required by the Commission for final processing of the application have been submitted.
6. The affected territory is inhabited (contains more than twelve registered voters) pursuant to GOV §56046 and property owners within the affected territory have not consented in writing to the proposal. Conducting Authority proceedings, with a minimum 21-day public notice, will be scheduled pursuant to Government Code Section 57000 et seq.
7. The Clerk of the Commission is designated as the custodian of the documents and other materials that constitute the record of the proceedings upon which the Commission's decision herein is based. These documents may be found at the office of the Clerk of the Commission, 200 South School Street, Ukiah, CA 95482.

PASSED and ADOPTED by the Local Agency Formation Commission of Mendocino County this 4th day of October 2021 by the following vote:

AYES (6): Mulheren, McGourty, Gonzalez, Ward, Ignacio, Orth.

NOES: (1) Froneberger

ABSTAIN:

ABSENT:



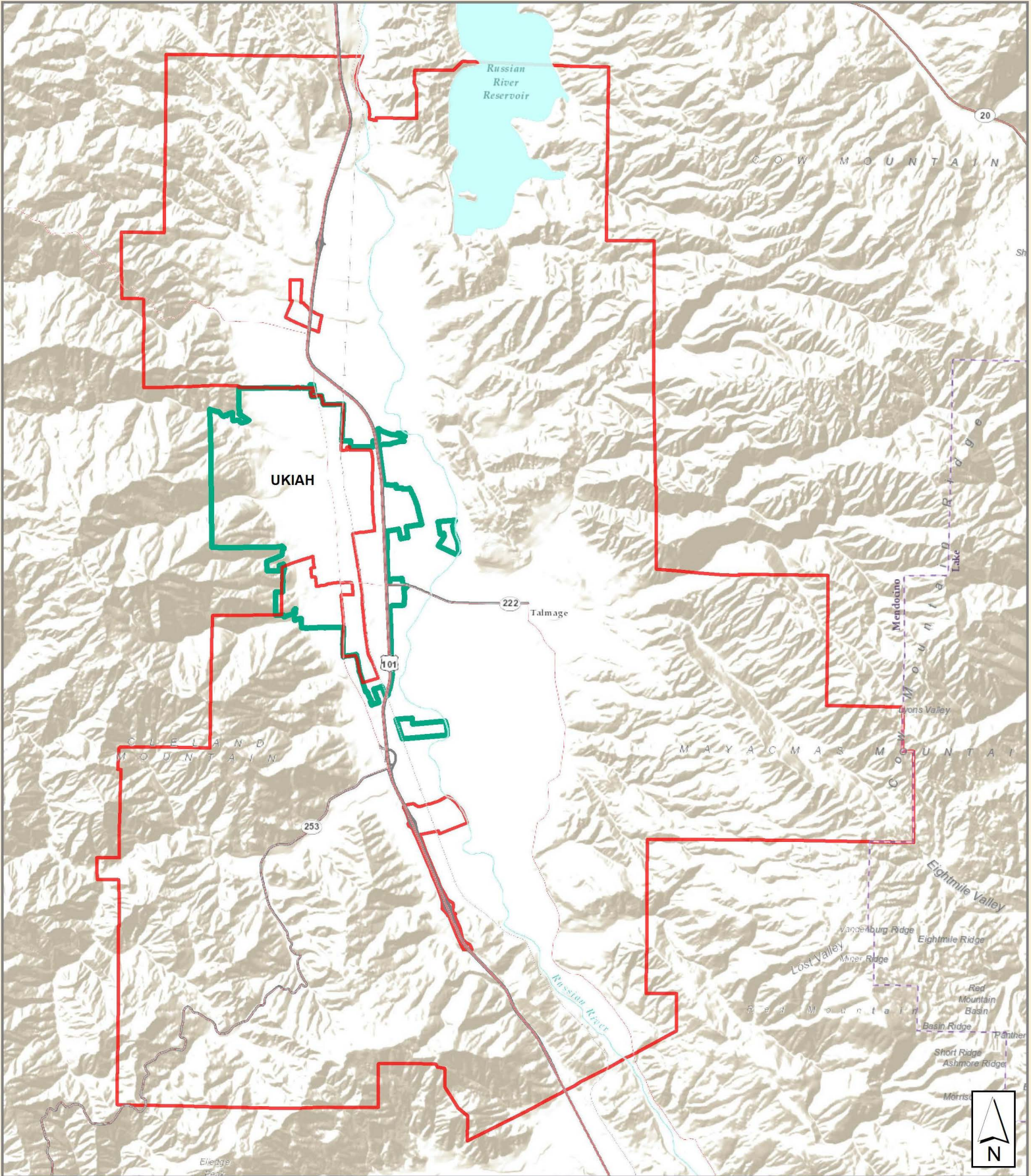
CHARLES A. ORTH, Commission  
Chair

ATTEST:



UMA HINMAN, Executive Officer





This map is a guide. Every reasonable effort has been made to ensure the accuracy of the map and data provided. Parcel lines are not intended to represent surveyed data.

	Fire District Boundary
	Ukiah City Limits



0 6,000 12,000 Feet



**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: May 6, 2024  
TO: Mendocino Local Agency Formation Commission  
FROM: Uma Hinman, Executive Officer  
SUBJECT: **PUBLIC HEARING Proposed Budget and Work Program for FY 2024-25**

---

**RECOMMENDATION**

Review the Proposed Budget and Work Program for FY 2024-25, accept all public testimony and adopt Resolution 2023-24-05 approving the Proposed Budget and Work Program as presented, and direct staff as follows:

- a) Distribute the adopted Proposed Budget and Work Program to the 55 member agencies (county, 4 cities, and 50 independent special districts) as required by GOV 56381; and
- b) Schedule a public hearing for June 3, 2024 to consider and adopt a Final Budget and Work Program for FY 2024-25.

**DISCUSSION**

LAFCo is an independent commission established by legislature to carry out specific duties and objectives. It is responsible for adopting its budget to fulfill the purposes described in the [Cortese-Knox-Hertzberg Local Government Act of 2000 \(CKH\)](#). The law does not require approval of the Commission budget by the County or any other local agencies.

Per the CKH (Section 56381(a)) states: "At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill the purposes and programs of this chapter."

Government Code Section 56381(a) directs the Commission, after conducting public hearings, to:

- (1) Adopt a proposed annual budget for the next fiscal year by May 1. This is transmitted to the County, each city and each special district for their review and comment.
- (2) Adopt the final budget for the next fiscal year by June 15.

The Proposed Budget shows anticipated revenues and expected expenditures by line item in sufficient detail to allow for Commission, member agency, and public review (Attachment 1). The Work Program provides a narrative of the expected work products to be accomplished during the fiscal year, and likewise shall be in sufficient detail to allow for Commission, member agency, and public review.

On March 4, 2024, the Executive Committee (comprised of Chair Mulheren, Vice Chair/Treasurer Ward and Commissioner Rodin) held a meeting to review the preliminary budget developed by the Executive Officer. In accordance with the Commission's Policies and Procedures, the Executive Committee reviews

the preliminary budget and serves in an advisory role on this matter to the full Commission. At this meeting, the Committee supported and recommended the following:

- Development of a Continuity Plan to track Commission direction from MSR/SOI studies and application conditions/terms;
- A 0.75 full-time equivalent (FTE) for LAFCo staff time;
- A \$275,000 apportionment needed to sustain LAFCo;
- Continued staff efforts on policy development, application form updates, and rebuilding the website document library;
- Priorities for the current and upcoming Work Plan and the new streamlined MSR/SOI process, including identification of opportunities for consolidation and efficiencies of service;
- Increasing the Basic Services budget to raise staff capacity and complete more work; and

### Summary of Proposed Budget

The recommended Proposed Budget is balanced and represents a decrease of \$12,000 from the FY 2023-24 budget. The reductions are primarily in the legal services and work plan budgets.

Table 1 presents a summary of the proposed budget for fiscal year (FY) 2024-25.

Table 1. Summary of Adopted FY 2023-24 and Proposed FY 2024-25 Budgets			
	FY 2023-24 Adopted (\$)	FY 2024-25 Proposed (\$)	Difference
<b>REVENUES</b>			
<i>Anticipated Use of Cash Balance</i>	56,000	23,000	
Apportionments	275,000	275,000	0
Fees/Reimbursements/Interest	10,000	10,000	0
<b>Revenues Total</b>	<b>341,000</b>	<b>308,000</b>	
<b>EXPENDITURES</b>			
Basic Services (Staffing)	133,000	155,000	22,000
Services and Supplies	87,000	78,000	(9,000)
Work Plan	100,000	75,000	(25,000)
<b>Expenditures Total</b>	<b>320,000</b>	<b>308,000</b>	<b>(12,000)</b>
Reserves – increase/(decrease)	14,025	0	
Work Plan Contingency - increase/(decrease)	6,975	29,000	
<b>Net Financial Impact</b>	<b>0</b>	<b>0</b>	

### Expenditures

The proposed expenditures reflect the resources necessary to support LAFCo’s operations and to effectively manage mandated projects such as preparing updates of agencies’ spheres of influence (SOIs) and conducting municipal service reviews (MSRs).

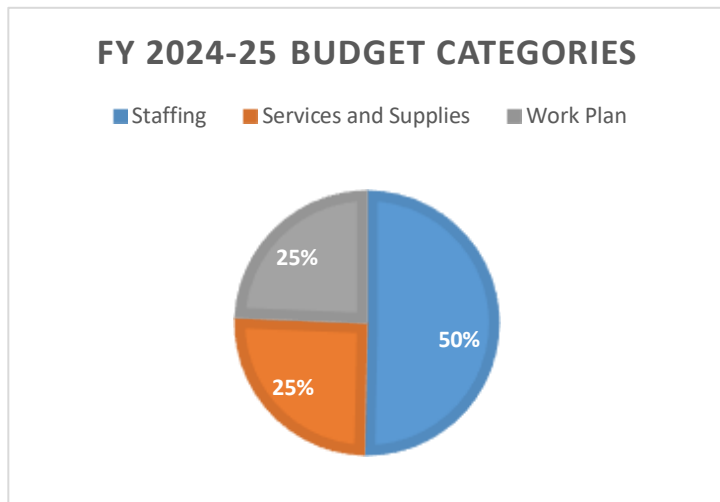
The proposed operating expenses for FY 2024-25 are \$308,000. See Attachment 1 for the adopted FY 2023-24 budget, projected year end expenses, and the Proposed Budget for FY 2024-25. Expenditures are described in three categories: (1) Basic Services (staffing), (2) Services and Supplies, and (3) Work Plan. The budget allocation by category is depicted in Figure 1 and described briefly in the following sections.

#### (1) Basic Services

The proposed FY 2024-25 Basic Services budget represents 50 percent of the annual budget and supports a 0.75 FTE shared between the Executive Officer and Analyst(s).

Additionally, applications are processed at cost to the applicant and there is a separate budget line item for the Work Plan tasks, which may either be prepared in-house or by an outside consultant (outsourced).

Clerk duties continue to be covered by the EO and Analyst(s). Administrative support may be utilized in the future; however, at this time it is more efficient for an Analyst to continue to cover the Clerk duties, with the EO providing office hours as needed.



The 16.5% increase in the Basic Services budget will provide for staff time to develop a continuity plan to track follow-up items from MSR and SOI studies and application approvals, increased outreach and coordination with member agencies, and increased administrative/clerk tasks. See Attachment 2 for a summary of Basic Services tasks.

### (2) Services and Supplies

Services and supplies make up 25 percent of the budget and include office operating expenses, membership fees, insurance, contracted Legal Counsel, Commissioner and staff trainings and conferences, and Commissioner stipends and travel expenses. The 10% decrease is primarily related to a reduction in the Legal Services budget to reflect the new legal services contract. See Attachment 3 for a summary of account changes.

### (3) Work Plan

Development of studies for the coastal region water and wastewater districts and mutual water companies were initiated in the final quarter of FY 2022-23 and continued through FY 2023-24. These coastal studies will roll into FY 2024-25 and are expected to be completed by the end of calendar year 2024. The remaining work plan budget from the current FY will follow (roll-over) the coastal studies into the next FY and is accounted for in the Work Plan Contingency.

The inland water districts and agencies that rely on water supply through the existing Potter Valley Project have been prioritized for MSR/SOI updates in the second half of FY 2024-25, and include: Redwood Valley County Water District, Calpella County Water District, Millview County Water District, Willow County Water District, Hopland Public Utilities District, Russian River Flood Control District, and Potter Valley Irrigation District. Other inland water districts included in the FY 2024-25 work plan are Laytonville County Water District and Round Valley County Water District, which will be initiated in the first half of the FY. A budget of \$75,000 is proposed in the FY 2024-25 budget to initiate preparation of the studies for the inland water districts. It is expected that at least half of the studies will roll into FY 2025-26 due to the complexity of the studies.

It is notable that while mutual water companies are not under the jurisdiction of LAFCo, they are required to respond to LAFCo requests for information. Because they play a significant role in the overall provision of water services in the region, it is important to include their service information in these studies. Further, the State Water Board has the authority to mandate consolidation of mutual water companies with other agencies, including special districts, and so warrants consideration in the water district MSRs. This is particularly true in the Ukiah Valley, as mutual water companies rely on the same water source and have been included in discussions of regionalization and consolidation of water services.

### ***Summary of Changes***

The proposed FY 2024-25 overall expenses are a decrease of 3.8% below the previous fiscal year. Per the [Cortese-Knox-Hertzberg Local Government Act of 2000 \(CKH\)](#) (Section 56381(a)), at a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the Commission finds that reduced staffing or program costs will nevertheless allow the Commission to fulfill its purposes and programs. The Proposed Budget will not result in reduced staffing or operations. See Attachment 3 for a detailed description of changes by budget account.

### **Proposed Revenue**

Proposed and estimated revenues in FY 2024-25 total \$308,000. There are four categories of revenues: (1) unreserved equity or cash balance; (2) County, cities, and special districts apportionments; (3) service fees; and (4) interest (refer to Table 2). Apportionments from the member agencies constitute the majority of annual revenue.

#### **(1) Unreserved Equity**

Unreserved equity, or cash balance, is any balance available above those minimums and typically consists of unutilized funds from the previous fiscal year. The FY 2023-24 year-end projections estimate approximately \$52,000 in unreserved equity available for use in the next FY: \$23,000 identified as “Cash Available” and \$29,000 identified as “Work Plan Contingency” to continue the FY 2023-24 Work Plan studies. Doing so minimizes the increase in apportionments necessary to support the proposed expenditures outlined above.

The projected unreserved equity is primarily savings in the conference registration and travel accounts, the legal services account, and roll-over work plan expenditures.

#### **(2) Apportionment Fees**

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

The proposed budget recommends the apportionments remain the same as the current FY at \$275,000, which will be spread amongst the 55 member agencies, and calculated by the Auditor per the state formula.

#### **(3) Service Fees Overhead**

The adopted service rates billed to applicants for proposal and application processing include a portion of revenue to support administrative overhead and long-term planning (Work Plan) costs. It is projected that approximately \$9,000 in service fee revenue will be collected in the current FY and will be applied to next year's budget as part of the “Anticipated Cash Balance.”

#### **(4) Interest**

Interest earned comes from LAFCo's reserves account, checking account, and the Mendocino County Treasury. Since the Commission receives an influx of revenue in the beginning of each fiscal year from the member agencies, which are collected by the County Auditor-Controller, the apportionments are held in the Mendocino County Fund (Treasury). Throughout the fiscal year, LAFCo's Treasurer withdraws funds from the account to cover operational expenses; the balance continues to accrue interest in accordance with County of Mendocino financial policies. LAFCo also has a reserves account held at Westamerica Bank and a checking account at Savings Bank of Mendocino County, both of which earn standard interest throughout the year. The proposed budget estimates the combined interest of these accounts to be \$1,000.

Table 2. Proposed FY 2024-25 Revenue		
	Projected FY 2023-24 (\$)	Proposed Revenue FY 2024-25 (\$)
<b>Operating Expenditures</b>	<b>285,000</b>	<b>308,000</b>
<b>Revenue/Funds</b>		
(1) Unreserved equity (cash balance)	56,000	23,000
(2) Apportionment fees	275,000	275,000
(3) Service fees	5,000	9,000
(4) Interest <sup>1</sup>	1,000	1,000
Total Revenue/Funds	337,000	308,000
<i>Difference</i>	<i>52,000</i>	<i>0</i>
<b>Reserves</b>		
Funds balance at beginning of FY	196,900 <sup>2</sup>	182,660
Target Reserves balance per policy	131,500	131,500
<i>Estimated cash balance at FY end</i>	<i>52,000</i>	<i>0</i>
<sup>1</sup> Interest accrued from LAFCo banking institutions (County of Mendocino, Savings Bank of Mendocino and Westamerica. <sup>2</sup> Balance from Draft FY 2022-23 (year-end) audited Financial Statements.		

**Reserves and Contingencies**

Reserves

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

The current reserves meet the target operating and legal reserves per policy and Commission direction; no change in reserves is proposed for FY 2024-25.

Work Plan Contingency

Since FY 2022-23, the budget has included a work plan contingency consisting of unreserved equity (or cash balance) from the previous FY. The Work Plan contingency is intended to allow for flexibility in implementing the Work Plan, such as unanticipated or higher than estimated expenses associated with issues arising during the preparation of MSR and SOI updates and for associated environmental reviews required under the California Environmental Quality Act (CEQA). The contingency also supports roll-over Work Plan efforts since they are often not limited to a single fiscal year, which will be the case for the current FY Work Plan.

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

The end of FY 2023-24 projections indicates an anticipated cash balance of approximately \$52,000. Of that, \$23,000 will be applied towards next year’s budget, with the remaining portion allocated to the Work Plan Contingency to complete the remaining FY 2023-24 Work Plan studies (Table 2; Attachments 1 and 2).

### Next Steps

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

Table 3. Budget development schedule	
Budget Phase	Schedule
Preliminary Budget and Proposed Work Plan – Executive Committee	March 4, 2024
Proposed Budget and Work Plan – Public Hearing	May 6
Final Budget and Work Plan – Public Hearing	June 3

Following Commission direction on the Proposed Budget, staff will make changes as directed by the Commission and send the Proposed Budget to the City/County/Special District managers for review and comment. Staff will report on all feedback received and any proposed changes during the final budget hearing on June 3, 2024.

- Attachments:
- (1) Proposed FY 2024-25 Budget
  - (2) Proposed Work Program
  - (3) Summary of Account Changes
  - (4) Resolution No. 2023-24-05
  - (5) Proof of Public Notice

# Attachment 1

## Mendocino Local Agency Formation Commission Proposed Budget for FY 2024-2025

May 1, 2024

ACCOUNT #	DESCRIPTION	FY 2023-24		FY 2024-25
		Adopted	Projected	Proposed
<b>REVENUE</b>				
	<i>Anticipated Cash Balance</i>	\$ 56,000	\$ 56,000	\$ 23,000
4000	LAFCo Apportionment Fees	\$ 275,000	\$ 275,000	\$ 275,000
4100	Fees and Reimbursements (Includes Service Fees)	\$ 9,500	\$ 5,000	\$ 9,000
4800	Miscellaneous			
4910	Interest Income	\$ 500	\$ 1,000	\$ 1,000
	<b>REVENUE TOTAL</b>	<b>\$ 341,000</b>	<b>\$ 337,000</b>	<b>\$ 308,000</b>
<b>EXPENSES</b>				
5300	Basic Services ( <i>EO, Analyst, Clerk</i> )	\$ 133,000	\$ 133,000	\$ 155,000
5500	Rent	\$ 7,000	\$ 6,800	\$ 8,000
5600	Office Expenses	\$ 4,500	\$ 4,500	\$ 4,000
5700	Internet & Website Costs	\$ 3,000	\$ 2,500	\$ 3,000
5900	Publication and Legal Notices	\$ 3,000	\$ 3,000	\$ 3,000
6000	Televising Meetings	\$ 2,400	\$ 1,400	\$ 2,400
6100	Audit Services	\$ 4,000	\$ 4,000	\$ 4,500
6200	Bookkeeping	\$ 5,500	\$ 5,500	\$ 5,500
6300	Legal Counsel	\$ 30,000	\$ 10,000	\$ 19,000
6400	A-87 Costs County Services	\$ 2,500	\$ 3,440	\$ 3,500
6500	Insurance-General Liability	\$ 3,000	\$ 2,858	\$ 3,000
6600	Memberships ( <i>CALAFCO/CSDA</i> )	\$ 4,000	\$ 3,802	\$ 4,000
6670	GIS Contract with County	\$ 3,000	\$ 1,500	\$ 3,000
6740	In-County Travel & Stipends	\$ 4,000	\$ 1,000	\$ 3,000
6750	Travel & Lodging Expense	\$ 6,500	\$ 843	\$ 7,000
6800	Conferences ( <i>Registrations</i> )	\$ 4,500	\$ 1,950	\$ 5,000
7000	Work Plan ( <i>MSRs and SOIs</i> )	\$ 100,000	\$ 75,000	\$ 75,000
9000	Misc Exp (Special District Training Support, bank charges)	\$ 100	\$ 100	\$ 100
	<b>OPERATING EXPENSE TOTAL</b>	<b>\$ 320,000</b>	<b>\$ 261,193</b>	<b>\$ 308,000</b>
	Increase to Operational Reserves per Policy	\$ 14,025	\$ 14,025	\$ -
	Increase to Work Plan Contingency	\$ 6,975	\$ 9,782	
		<b>\$ 341,000</b>	<b>\$ 285,000</b>	<b>\$ 308,000</b>
8000	Application Fees (Revenue)	\$ 37,500	\$ 10,000	
8000	Applications (Expenses)	\$ 30,000	\$ 7,000	
8600	Special Projects	\$ -		
	<b>REVENUE/EXPENSE DIFFERENCE</b>	<b>\$ -</b>	<b>\$ 52,000</b>	<b>\$ -</b>
	<i>(Negative balance indicates use of fund balance and/or reserves)</i>			
<b>RESERVES / CONTINGENCIES</b>				
	Legal Reserves	\$ 50,000	\$ 50,000	\$ 50,000
	Operations Reserves @ min. 25% Annual Operating Budget	\$ 80,000	\$ 81,500	\$ 81,500
	<b>Total Reserves</b>	<b>\$ 130,000</b>	<b>\$ 131,500</b>	<b>\$ 131,500</b>



## Attachment 2

### Proposed Work Program (Basic Services + Work Plan)

FY 2024-25




May 1, 2024

Tasks	Description & Assumptions	Estimated Budget
<b>Basic Services</b>		
Office Hours & Administrative Duties	Clerk duties not related to projects; office hours; public assistance; PRA requests; budget development, tracking, amendments; accounts payable, QuickBooks; annual audit; EO correspondence; response to requests for Agency Comments for projects and/or environmental documents routed to LAFCo for review, etc.; carrying out Commission direction.	\$ 85,000
Commission & Committee Meetings	Commission & Committee meeting attendance (12 Regular and 8 Committee); agenda packet development, staff reports, presentations, minutes.	\$ 37,000
Work Plan Support	Prepare and distribute Public Notices, development of staff reports specifically related to MSR/SOI studies, presentation at Commission meetings for Public Workshops and Public Hearings.	\$ 6,000
Consult Legal Counsel	Contract is on an hourly basis.	Per Contract
Application Forms	Update application forms; map research and process clarification	\$ 5,000
Application Processing	Process change of organization or reorganization applications initiated by landowner petition or resolution of application from Cities and Special Districts to modify existing powers, annex and/or detach territory from agency boundaries, and create, dissolve, or consolidate/merge local agencies.	Paid by applicant
Work Plan Follow	Create a Continuity Plan and managing follow-up items identified in MSR/SOI studies and application approvals.	\$ 10,000
Policy Development	Prepare policy amendment and development as needed (overhaul)	\$ 10,000
Transparency Improvements to Website	Assess/implement website improvements (JPAs, maps, etc.)	\$ 2,000
<b>Total</b>		<b>\$ 155,000</b>
<b>Work Plan</b>		
MSR/SOI Update	Prepare and adopt combined Municipal Service Review and Sphere of Influence (MSR/SOI) Update studies pursuant to GOV \$56425 and \$56430, either in-house or by contract.	\$ 75,000
<p>The agencies listed below have priority for preparation of a LAFCo-initiated MSR/SOI Update in Fiscal Year 2024-25.</p> <p><b>The actual completion of a specific study may span multiple fiscal years. The budget allocation for each agency is based on estimated costs. Actual costs for study completion may be higher or lower than estimated below.</b></p> <p>Work Plan implementation is subject to change due to various factors, such as: (a) agency responsiveness and timely provision of requested information, (b) complexity of issues involved, (c) level of public and affected agency controversy, (d) changing needs and priorities, (e) overall staff workload, and (f) higher than anticipated costs.</p> <p>The Work Plan budget assumes minimal costs for CEQA compliance related to filing a Notice of Exemption (NOE). Agencies requesting a non-coterminous SOI may expedite a potential multi-fiscal year process by contributing to the cost of preparing an Initial Study and associated environmental document (ND/MND, EIR, etc.).</p>		
<b>The total Work Plan Budget is not limited to the following designations. These budget allocations may shift to other agencies as needed during the year.</b>	Inland Water/Wastewater Districts (9 special districts, 10 mutual water companies)	\$ 75,000
Partially Outsourced/Consultant Contract		
<b>Total</b>		<b>\$ 75,000</b>

## Attachment 3

### Description of Expenses by Account

The following table provides a description of LAFCo’s budget accounts, the proposed budget recommendation, and an explanation of any recommended changes from FY 2023-24.

<b>Account 5300</b>	<b>Basic Services</b>	
Description	Contract staffing (Executive Officer, Analyst/Clerk, Clerk/Administrative Assistant)	
Budget Recommendation	\$155,000 (increase of \$22,000)	 16.50%
Notes: An increase of \$10,000 is proposed for creating a Continuity Plan and managing follow-up items identified in MSR/SOI studies and application approvals. Slight increase (\$2,000) to accommodate staff rates approved in 2023. An increase of \$10,000 for organizational and general office tasks such as policy and procedure development; comprehensive update of application forms and process streamlining; outreach to member agencies; website improvements and increasing catalog of historic meeting documents; clerk/administrative assistant for office hours & administrative duties; Commission & Committee meetings; Work Plan support.		
<b>Account 5500</b>	<b>Rent</b>	
Description	Office space lease and work room at UVCC	
Budget Recommendation	\$7,000 (increase of \$1,000)	 14.3%
Notes: 2024 office space lease will be \$552/month for the 2024; increase to \$568 for 2025. Work room fee of \$30/month for full FY. Also includes \$1,000 for BOS chambers rental, which last FY was included in Office Expenses (Account 5600).		
<b>Account 5600</b>	<b>Office Expenses</b>	
Description	Office supplies, photocopies, postage, office equipment, phone service, software subscriptions, meeting venue fees	
Budget Recommendation	\$4,000 (decrease of \$500)	 11.1%
Notes: Decrease due to moving the BOS chambers rental to Account 5500; includes CPI adjustments for services and supplies.		
<b>Account 5700</b>	<b>Internet and Website Costs</b>	
Description	Internet service provider, website subscription, email hosting service, domain registration	
Budget Recommendation	\$3,000 (no change)	
Notes:		
<b>Account 5900</b>	<b>Publication and Legal Notices</b>	
Description	Newspaper publishing of legal notices	
Budget Recommendation	\$3,000 (no change)	
Notes: Legal notices for work plan studies, proposed and final budgets, alternate public member notice of vacancy.		
<b>Account 6000</b>	<b>Televising Meetings</b>	
Description	Live-streaming and recording regular Commission meetings	
Budget Recommendation	\$2,400 (no change)	
Notes: Contract with County Information Services for technical support for live-streaming and recording regular Commission meetings. Budget anticipated to support assumed COLAs for County staff.		

<b>Account 6100</b>	<b>Audit Services</b>	
Description	Contracted annual audit services	
Budget Recommendation	\$4,500 (increase of \$500)	12.5%
Notes: Increase assumes continuing with Pehling & Pehling, CPAs, and anticipates the 5% increase per current contract clause.		
<b>Account 6200</b>	<b>Bookkeeping</b>	
Description	Bookkeeping including Quickbooks entries, processing claims, and financial reporting	
Budget Recommendation	\$5,500 (no change)	
Notes:		
<b>Account 6300</b>	<b>Legal Counsel</b>	
Description	Contract general legal representation	
Budget Recommendation	\$19,000 (decrease of \$11,000)	36.7%
Notes: Decrease reflects lower contract rates and estimated need for the FY.		
<b>Account 6400</b>	<b>A-87 Costs County Services</b>	
Description	County services costs for treasury account and overhead for other County services	
Budget Recommendation	\$3,500 (increase of \$1,000)	40.0%
Notes: Increase reflects actual invoiced amount for FY 2023-24 (\$3,440) and assumes slightly higher billing for FY 2024-25 to accommodate County staff COLA raises.		
<b>Account 6500</b>	<b>Insurance – General Liability</b>	
Description	General liability insurance through SDRMA	
Budget Recommendation	\$3,000 (no change)	
Notes: Advisory letter from SDRMA estimates \$2,750, a slight decrease. Small cushion included to allow for final adjustments with final billing.		
<b>Account 6600</b>	<b>Memberships</b>	
Description	Membership dues for CALAFCO and CSDA	
Budget Recommendation	\$4,000 (no change)	
Notes: CALAFCO Board adopted dues of \$2,581 for Mendocino LAFCo consistent with the current CPI of 3.1%. CSDA dues are estimated to increase to \$1,300-1,500 with CPI.		
<b>Account 6670</b>	<b>GIS Services</b>	
Description	GIS services under contract with County	
Budget Recommendation	\$3,000 (no change)	
Notes:		
<b>Account 6740</b>	<b>In-County Travel and Stipends</b>	
Description	Commissioner stipends of \$50 and mileage for regular Commission meetings	
Budget Recommendation	\$3,000 (decrease of \$1,000)	25.0%
Notes: Meetings are returning to in-person; IRS mileage rate increased for 2024. However, expenses for this account are historically under budget; budget lowered accordingly.		

<b>Account 6750</b>	<b>Travel and Lodging Expenses</b>	
Description	Travel and lodging expenses associated with conference, workshop and training attendance out of county.	
Budget Recommendation	\$7,000 (increase of \$500)	7.7%
Notes: The 2024 CALAFCO Conference is at Tenaya Lodge/Yosemite; assumes four commissioners and the EO will attend. <a href="#">Mileage</a> (670 miles RT) = \$450; hotel (\$255 pp/night); <a href="#">meals</a> (\$60/day). Per person expenses: \$1,150, for a total of \$5,750. The 2025 CALAFCO Staff Workshop will be held in Temecula; one staff person to attend Staff Workshop, expenses estimated at \$1200/pp.		
<b>Account 6800</b>	<b>Conferences</b>	
Description	Conference registrations	
Budget Recommendation	\$5,000 (increase of \$500)	11.1%
Notes: CALAFCO has provided estimated registration costs for the annual conference (\$800/pp) and the 2024 Staff Workshop (\$660/pp). Assumes four Commissioners and the EO will attend the conference, for a total of \$4,000; one staff person to attend Staff Workshop. Budget allows for a slight cushion.		
<b>Account 7000</b>	<b>Work Plan</b>	
Description	Preparation of Municipal Services Reviews, Sphere of Influence Updates and special studies	
Budget Recommendation	\$75,000 (decrease of \$25,000)	25.0%
Notes: The coastal water and wastewater agency studies will roll over from FY 2023-24 into FY 2024-25 for completion purposes, but will not include additional budget allocation in FY 2024-25. The inland water and wastewater agency studies will be allocated the full \$75,000 in FY 2024-25 work plan budget. Studies for the water agencies that rely on Potter Valley Project water supply will commence in the later half of FY 2024-25 (January 2025), will likely roll into the following year (FY 2025-26) for completion, and may require an additional allocation in the FY 2025-26 work plan budget, such that study costs might be allocated from two budget cycles (FY 2024-25 and 2025-26).		
<b>Account 9000</b>	<b>Miscellaneous Expenses</b>	
Description	Bank service fees, special district training support, etc.	
Budget Recommendation	100 (no change)	
Notes:		

## Attachment 4

### Resolution No. 2023-24-05 of the Local Agency Formation Commission of Mendocino County

#### Adopting the Proposed Budget and Work Program for Fiscal Year 2024-25

WHEREAS, the Mendocino Local Agency Formation Commission, hereinafter referred to as the “Commission”, annually adopts a proposed budget by May 1<sup>st</sup> and a final budget by June 15<sup>th</sup> to fulfill its purposes and functions that are set by State law; and

WHEREAS, the Executive Committee held a public meeting on March 4, 2024 to consider the preliminary budget and work program for fiscal year 2024-25; and

WHEREAS, the Executive Committee recommends a proposed budget and work program that meets the criteria set forth in Government Code Section 56381, including a budget sufficient to allow the Commission to fulfill its purposes and programs; and

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

WHEREAS, the Commission heard and fully considered all oral and written testimony submitted and presented on the proposed budget and work program, including the Executive Officer’s report and recommendations, at a public hearing held on May 6, 2024.

NOW, THEREFORE, the Mendocino Local Agency Formation Commission does hereby RESOLVE, DETERMINE, and ORDER as follows:

1. The Commission hereby approves the Proposed Budget and Work Program for Fiscal Year 2024-25 as set forth in Exhibit A, attached hereto; and
2. Finds that the Proposed Budget, as set forth in Exhibit A, attached hereto, will not result in reductions in staffing or program costs to such an extent that the Commission would be impeded from fulfilling the purpose and programs of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and
3. Directs the Executive Officer to forward the Proposed Budget, as adopted, to all independent special districts, cities and the County, and to schedule a public hearing to consider the final budget for June 3, 2024.

The foregoing Resolution was passed and duly adopted at a regular meeting of the Mendocino Local Agency Formation Commission held on this 6th day of May 2024, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

---

MAUREEN MULHEREN, Chair

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UMA HINMAN, Executive Officer

## Exhibit A

### Mendocino Local Agency Formation Commission Proposed Budget for FY 2024-2025

May 1, 2024

ACCOUNT #	DESCRIPTION	FY 2023-24		FY 2024-25
		Adopted	Projected	Proposed
<b>REVENUE</b>				
	<i>Anticipated Cash Balance</i>	\$ 56,000	\$ 56,000	\$ 23,000
4000	LAFCo Apportionment Fees	\$ 275,000	\$ 275,000	\$ 275,000
4100	Fees and Reimbursements (Includes Service Fees)	\$ 9,500	\$ 5,000	\$ 9,000
4800	Miscellaneous			
4910	Interest Income	\$ 500	\$ 1,000	\$ 1,000
	<b>REVENUE TOTAL</b>	<b>\$ 341,000</b>	<b>\$ 337,000</b>	<b>\$ 308,000</b>
<b>EXPENSES</b>				
5300	Basic Services ( <i>EO, Analyst, Clerk</i> )	\$ 133,000	\$ 133,000	\$ 155,000
5500	Rent	\$ 7,000	\$ 6,800	\$ 8,000
5600	Office Expenses	\$ 4,500	\$ 4,500	\$ 4,000
5700	Internet & Website Costs	\$ 3,000	\$ 2,500	\$ 3,000
5900	Publication and Legal Notices	\$ 3,000	\$ 3,000	\$ 3,000
6000	Televising Meetings	\$ 2,400	\$ 1,400	\$ 2,400
6100	Audit Services	\$ 4,000	\$ 4,000	\$ 4,500
6200	Bookkeeping	\$ 5,500	\$ 5,500	\$ 5,500
6300	Legal Counsel	\$ 30,000	\$ 10,000	\$ 19,000
6400	A-87 Costs County Services	\$ 2,500	\$ 3,440	\$ 3,500
6500	Insurance-General Liability	\$ 3,000	\$ 2,858	\$ 3,000
6600	Memberships ( <i>CALAFCO/CSDA</i> )	\$ 4,000	\$ 3,802	\$ 4,000
6670	GIS Contract with County	\$ 3,000	\$ 1,500	\$ 3,000
6740	In-County Travel & Stipends	\$ 4,000	\$ 1,000	\$ 3,000
6750	Travel & Lodging Expense	\$ 6,500	\$ 843	\$ 7,000
6800	Conferences ( <i>Registrations</i> )	\$ 4,500	\$ 1,950	\$ 5,000
7000	Work Plan ( <i>MSRs and SOIs</i> )	\$ 100,000	\$ 75,000	\$ 75,000
9000	Misc Exp (Special District Training Support, bank charges)	\$ 100	\$ 100	\$ 100
	<b>OPERATING EXPENSE TOTAL</b>	<b>\$ 320,000</b>	<b>\$ 261,193</b>	<b>\$ 308,000</b>
	Increase to Operational Reserves per Policy	\$ 14,025	\$ 14,025	\$ -
	Increase to Work Plan Contingency	\$ 6,975	\$ 9,782	
		<b>\$ 341,000</b>	<b>\$ 285,000</b>	<b>\$ 308,000</b>
8000	Application Fees (Revenue)	\$ 37,500	\$ 10,000	
8000	Applications (Expenses)	\$ 30,000	\$ 7,000	
8600	Special Projects	\$ -		
	<b>REVENUE/EXPENSE DIFFERENCE</b>	<b>\$ -</b>	<b>\$ 52,000</b>	<b>\$ -</b>
	<i>(Negative balance indicates use of fund balance and/or reserves)</i>			
<b>RESERVES / CONTINGENCIES</b>				
	Legal Reserves	\$ 50,000	\$ 50,000	\$ 50,000
	Operations Reserves @ min. 25% Annual Operating Budget	\$ 80,000	\$ 81,500	\$ 81,500
	<b>Total Reserves</b>	<b>\$ 130,000</b>	<b>\$ 131,500</b>	<b>\$ 131,500</b>

**The Mendocino Beacon**

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

2117504

MENDOCINO COUNTY LAFCO  
200 SOUTH SCHOOL ST  
UKIAH, CA 95482

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

**STATE OF CALIFORNIA  
COUNTY OF MENDOCINO**

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

**04/11/2024**

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

Dated at Fort Bragg, California,  
April 11th, 2024



Audrey Taylor, LEGAL CLERK

**Attachment 5**

Legal No. **0006821118**

**Notice of Public Hearing**

Mendocino Local Agency Formation Commission **NOTICE OF PUBLIC HEARING**. NOTICE IS HEREBY GIVEN that on **Monday, May 6, 2024, at 9:00 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at [www.youtube.com/MendocinoCountyVideo](http://www.youtube.com/MendocinoCountyVideo), the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Proposed Budget and Work Program for Fiscal Year 2024-2025**. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website ([www.mendolafco.org](http://www.mendolafco.org)) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: [eo@mendolafco.org](mailto:eo@mendolafco.org); phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.

4/11/2024



# Fort Bragg Advocate-News

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

2117504

MENDOCINO COUNTY LAFCO  
200 SOUTH SCHOOL ST  
UKIAH, CA 95482

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

### STATE OF CALIFORNIA COUNTY OF MENDOCINO

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

04/11/2024

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

Dated at Fort Bragg, California,  
April 11th, 2024



Audrey Taylor, LEGAL CLERK

Legal No. **0006821207**

#### Notice of Public Hearing

Mendocino Local Agency Formation Commission **NOTICE OF PUBLIC HEARING**. NOTICE IS HEREBY GIVEN that on **Monday, May 6, 2024, at 9:00 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at [www.youtube.com/MendocinoCountyVideo](http://www.youtube.com/MendocinoCountyVideo), the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Proposed Budget and Work Program for Fiscal Year 2024-2025**. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website ([www.mendolafco.org](http://www.mendolafco.org)) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: [eo@mendolafco.org](mailto:eo@mendolafco.org); phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.

4/11/2024



**The Willits News**

77 W Commercial Street  
PO Box 628  
Willits, CA 95490  
707-459-4643

2117504

MENDOCINO COUNTY LAFCO  
200 SOUTH SCHOOL ST  
UKIAH, CA 95482

**PROOF OF PUBLICATION**

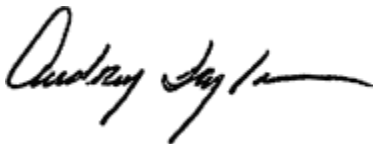
**STATE OF CALIFORNIA  
COUNTY OF MENDOCINO**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of The Willits News, a newspaper of general circulation, printed and published Every Wednesday and Friday in the City of Willits, California, County of Mendocino, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California, in the year 1903, Case Number 9150; that the notice of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

**04/13/2024**

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

Dated at Willits, California this 13th day of April, 2024.



Signature

Legal No. **0006821212**

**Notice of Public Hearing**

Mendocino Local Agency Formation Commission **NOTICE OF PUBLIC HEARING**. NOTICE IS HEREBY GIVEN that on **Monday, May 6, 2024, at 9:00 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at [www.youtube.com/MendocinoCountyVideo](http://www.youtube.com/MendocinoCountyVideo), the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Proposed Budget and Work Program for Fiscal Year 2024-2025**. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website ([www.mendolafco.org](http://www.mendolafco.org)) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: [eo@mendolafco.org](mailto:eo@mendolafco.org); phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.

4/13/2024

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

MEETING May 6, 2024  
TO Mendocino Local Agency Formation Commission  
FROM Uma Hinman, Executive Officer  
SUBJECT **Workshop for Pacific Reefs Water District Municipal Service Review and Sphere of Influence Study**

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**RECOMMENDATIONS**

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

**INTRODUCTION**

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

As background, the District was formed on June 5, 1967 for the sole purpose of providing water services to the Pacific Reefs Subdivision, which is located approximately a half mile south of Albion and west of State Highway 1. The District and Subdivision boundaries coincide and consist of 24 lots, 17 of which are developed with single-family residences.

The District provides services to an estimated population of 34; no outside agency services are provided. Other municipal service providers in the area include the Albion-Little River Fire Protection District and the Albion Mutual Water Company.

In 2015, the Commission adopted a coterminous SOI to reflect the service area of the District as appropriate for the services provided. There have been no changes to the District boundary since its formation. The District's SOI is recommended to be affirmed as a coterminous sphere, which is a sphere that is the same as the jurisdictional boundary, based on the limited projected growth for the area, low demand for additional District services, and geographic isolation. The District confirmed that their current boundary reflects existing service needs and projected service demands over the next five years.

Attachments: Workshop Draft PRWD MSR/SOI Update

# WORKSHOP DRAFT



[Photo Credit](#)

## Pacific Reefs Water District

Municipal Service Review /  
Sphere of Influence Update

Prepared By/For:

**Mendocino LAFCo**

200 South School Street

Ukiah, California 95482

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

Workshop: May 6, 2024

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LAFCo Resolution No: XXXX-XX-XX

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# 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 website<sup>1</sup>.

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

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

<b><i>Commissioner Name</i></b>	<b><i>Position</i></b>	<b><i>Representative Agency</i></b>	<b><i>Term Expires</i></b>
Katharine Cole	Commissioner	Special Districts	2024
Gerardo Gonzales	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Glenn McGourty	Commissioner	County	2024
Maureen Mulheren	Chair	County	2026

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



<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Mari Rodin	Commissioner	City	2025
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Francois Christen	Alternate	Special District	2026
Douglas Crane	Alternate	City	2025
John Huschak	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)<sup>2</sup>. 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

<sup>2</sup> 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)<sup>3</sup>.

When reviewing an SOI for a municipal service provider, under GC §56425<sup>4</sup>, LAFCo will consider the following five factors:

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

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

## 1.5 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

<sup>3</sup> 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/>

<sup>4</sup> 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	
<b>Agency Name:</b>	Pacific Reefs Water District
<b>General Manager/Contact:</b>	Robert Cutler, President
<b>Office Location:</b>	34177 Pacific Reefs Road, Albion, CA 95410
<b>Mailing Address:</b>	PO Box 314, Albion, CA 95410
<b>Phone Number:</b>	(707) 937-2234
<b>Website:</b>	None
<b>Email:</b>	robert.cutler@attglobal.net
<b>Date of Formation:</b>	June 5, 1967
<b>Agency Type:</b>	Independent Special District, Single-Service Provider
<b>Enabling Legislation</b>	County Water District Law: Water Code § 34000 - 38501
<b>Board Meeting Schedule:</b>	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 pumphouse 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.

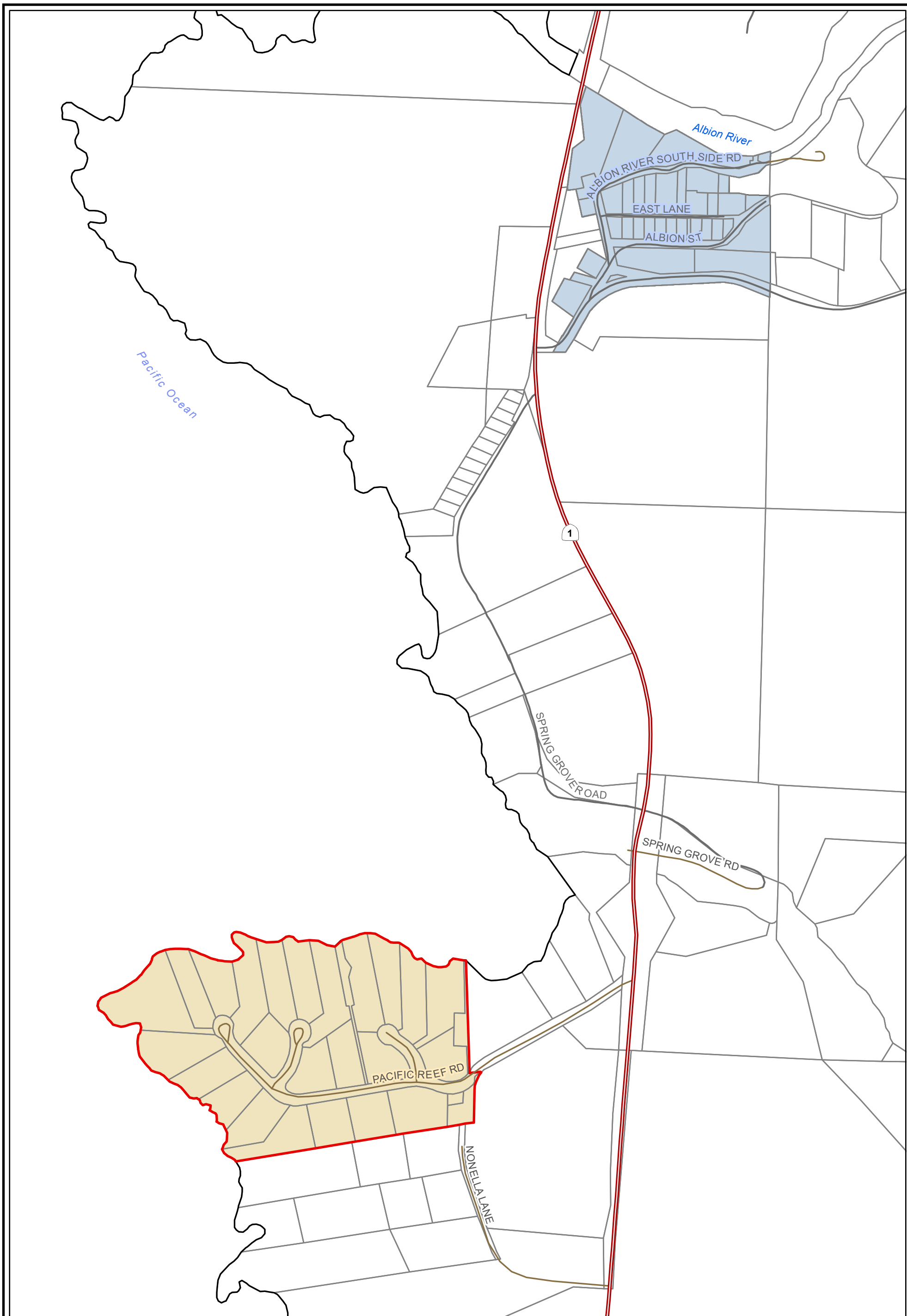
The PRWD is a single-service provider delivering water services only and no other latent powers are authorized under its principal act. Wastewater service within the District boundaries is currently provided by private on-site septic systems.

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.

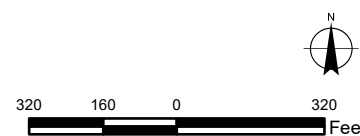
Figure 2-1 Pacific Reefs Water District Boundary Map



## Pacific Reefs Water District

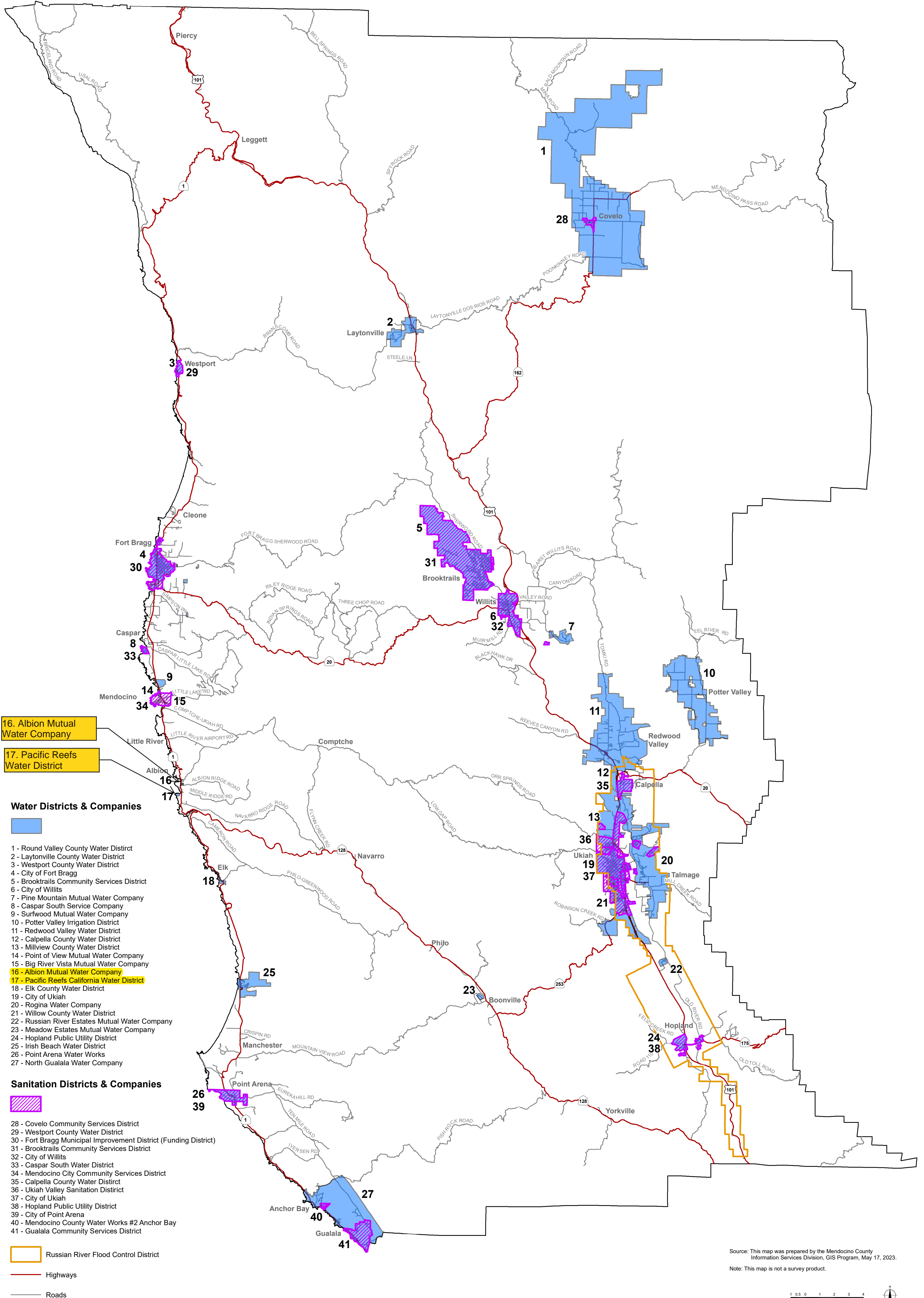
Source: This map was prepared by the Mendocino County Information Services Division GIS Program, May 30, 2023.  
 Note: This map is not a survey product.

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

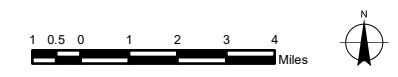




# Mendocino County Water & Sanitation Districts & Companies



Source: This map was prepared by the Mendocino County Information Services Division, GIS Program, May 17, 2023.  
Note: This map is not a survey product.





## 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 staggered four-year terms. 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 elects 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).

The Board has had no 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. 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).

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

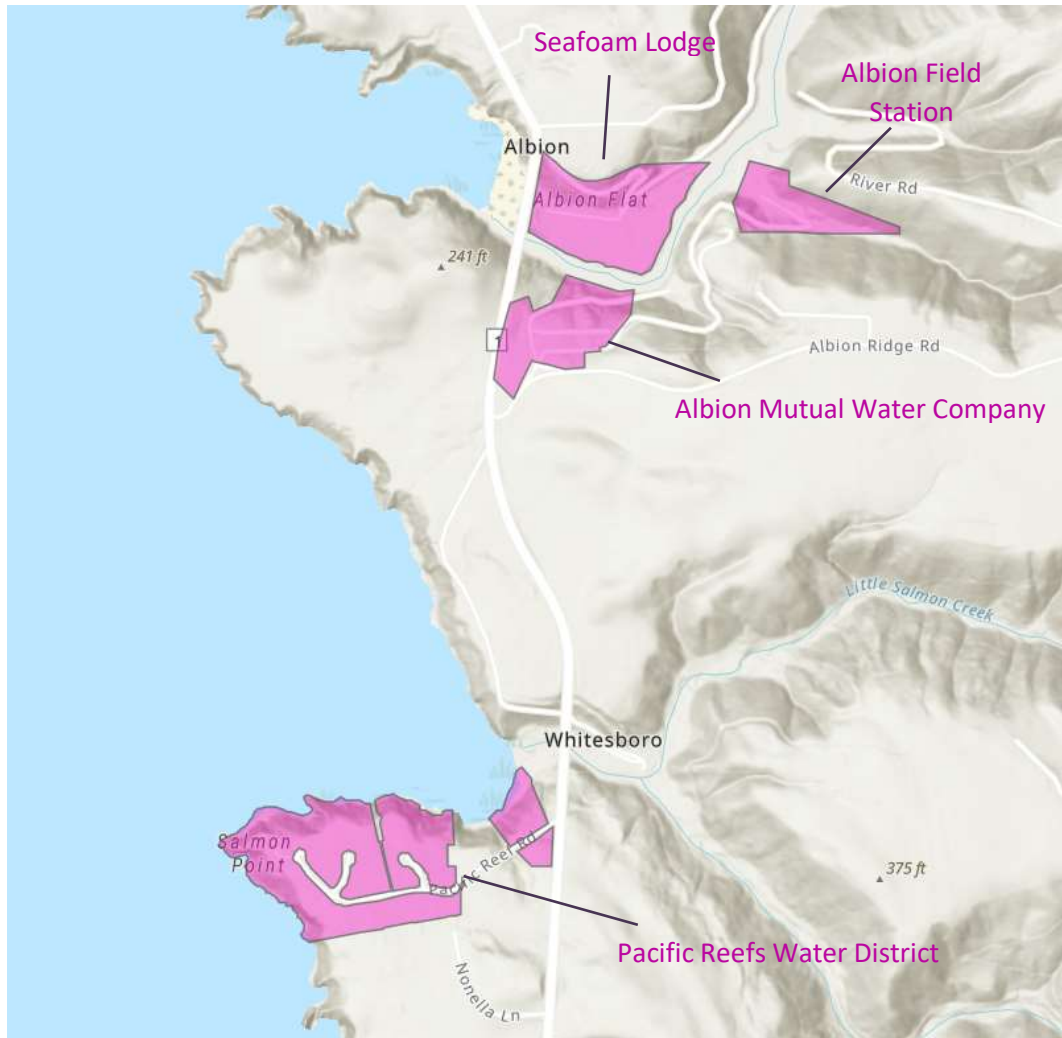
There are several private water service providers in the Albion area that are located within a mile of the PRWD (Figure 2-2):

- 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
<b>Ending Net Position</b>	<b>83,344</b>	<b>78,749</b>	<b>87,757</b>	<b>157,156</b>
<b>Operating Revenues</b>				
Water Service Fees	13,082	12,025	14,487	14,507
User Assessment	23,611	17,549	28,577	28,577
<b>Total Operating Revenues</b>	<b>36,693</b>	<b>29,574</b>	<b>45,539</b>	<b>43,084</b>
<b>Operating Expenses</b>				
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
<b>Total Operating Expenses</b>	<b>27,810</b>	<b>34,171</b>	<b>46,766</b>	<b>35,750</b>
<b>Net Income/(Loss)</b>	<b>8,883</b>	<b>(4,597)</b>	<b>(1,227)</b>	<b>7,334</b>
<b>Other Non-Operating Revenues (Expenses)</b>				
Interest Income	7	2	2	3
Grant Revenue	0	0	10,233	62,062
<b>Total Non-Operating Revenue (Expenses)</b>	<b>7</b>	<b>2</b>	<b>10,235</b>	<b>62,065</b>
<b>Change in Net Position from Prior FY</b>	<b>-</b>	<b>(4,595)</b>	<b>9,008</b>	<b>69,399</b>

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
<b>Total Cash</b>	<b>\$25,004</b>	<b>\$27,681</b>	<b>\$28,905</b>	<b>\$43,113</b>

#### 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 the improvements need to be made to the District and the costs associated with such improvements.

#### 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, 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

Additional 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 assessment fee of \$750 is collected by Mendocino County 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 to increase the annual assessment to \$1,250 per year through 2024-25 (PRWD Resolution Nos. 04-2021 and 01-2022). The special assessment fee it is set to expire at the end of fiscal year 2024-25, which will return the annual assessment to \$750 (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 District should prepare a rate study to identify and plan for infrastructure needs and anticipated operating costs, and establish appropriate rates in compliance with the Prop 218 process.

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



(Mendocino County Web Zoning Map, 2024)



Figure 2-8: Mendocino County Zoning Map



(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 services<sup>5</sup>. A DUC is an unincorporated geographic area with 12 or more registered voters with a median household income (MHI) that is less than 80 percent of the State MHI. According to the US American Census Survey (ACS) 2022 1-Year estimates, the statewide median household income for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for

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<sup>5</sup> Technical advisory on SB 244 can be found here: [https://opr.ca.gov/docs/SB244\\_Technical\\_Advisory.pdf](https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf)

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
- 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 <sup>6</sup>. 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, on site septic systems and appears adequate; no reports of septic failures have been reported.

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

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



### 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 MSR was completed and 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 R1

## 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 affects 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.

LAFCo recommends that, given the volatility of water resources throughout the state and the District's reliance on groundwater, the District consider 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 quantify 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 currently does not have a Capital Improvement Plan.
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 Prop 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.
16. The District's current rate structure is not in compliance with Prop 218.

#### 3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

17. The District demonstrated accountability and transparency by disclosing financial and service related information in response to LAFCo requests.
18. The District provides accountability to its constituents through regular quarterly board meetings and distribution of agendas, notices and meeting records.
19. The District should consider posting meeting notices on a public information board such as the Albion Store bulletin board.
20. The District does not currently maintain a website; however, the District has adopted hardship resolutions for the past few years. To continue to comply with SB 929, the District should either develop and maintain a website or reassess hardship on an annually basis, adopt hardship resolutions as needed.
21. 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.
22. 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, 2018<sup>7</sup>.

#### 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

<sup>7</sup> 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. Based upon the information contained in this report, it is recommended that the District Service Area Boundary and SOI for all services remain unchanged and coterminous.

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## 6 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  
Larkyn Feiler, Analyst  
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](http://www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices).
- Refer to the Institute for Local Government (ILG) website to download the Ethics Law Principles for Public Servants pamphlet at the following link: [www.ca-ilg.org/node/3369](http://www.ca-ilg.org/node/3369).
- Refer to the Institute for Local Government (ILG) website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <http://www.ca-ilg.org/ethics-education-ab-1234-training>.
- Refer to the California Special Districts Association (CSDA) website for information regarding online and website compliance webinars at the following link: <http://www.csda.net/tag/webinars/>.

## 8.2 Appendix B – Website Compliance Handout

# California Website Compliance Checklist

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

## Public Records Act

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SB 929

**Our district has created and maintains a website**

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

SB 272

**Our Enterprise System Catalog is posted on our website**

All local agencies must publish a catalog listing all software that meets specific requirements—free tool at [getstreamline.com/sb272](http://getstreamline.com/sb272)

AB 2853 (optional):

**We post public records to our website**

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

## The Brown Act

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AB 392:

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

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

AB 2257:

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

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

## State Controller Reports

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Financial Transaction Report:

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

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

Compensation Report:

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

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

## Healthcare District Websites

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AB 2019:

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

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

## Open Data

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AB 169:

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

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

## Section 508 ADA Compliance

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CA gov code 7405:

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

Requirements were updated in 2018—if you aren't sure, you can test your site for accessibility at [achecker.ca](http://achecker.ca)



**California Special Districts Association**  
CSDA  
*Districts Stronger Together*

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



**STREAMLINE**  
Website compliance made easy

[getstreamline.com](http://getstreamline.com)

# The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

## Placement:

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

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

## Exception:

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

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

## Format:

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

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

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

Questions? Contact [sloane@getstreamline.com](mailto:sloane@getstreamline.com) or [dillong@csga.net](mailto:dillong@csga.net)

### 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 6<sup>TH</sup>, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. 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, 2020 AND 2019



PACIFIC REEFS WATER DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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Board of Directors  
Pacific Reefs Water District  
Albion, California 95410

**Independent Auditor's Report**

I have audited the accompanying financial statements of the business-type activities of Pacific Reefs Water District as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

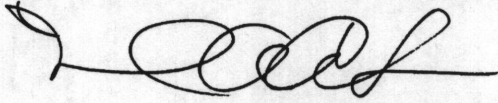
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pacific Reefs Water District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters**

*Required Supplementary Information*

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

A handwritten signature in black ink, appearing to read 'M. Celentano', with a stylized flourish at the end.

Michael A Celentano  
Certified Public Accountant

November 6, 2020



PACIFIC REEFS WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash in bank - Note 2	\$ 27,681	\$ 25,004
Accounts receivable	<u>4,298</u>	<u>5,619</u>
Total Current Assets	31,979	30,623
<u>Capital Assets - Note 3</u>	<u>48,162</u>	<u>52,721</u>
Total Assets	<u>\$ 80,141</u>	<u>\$ 83,344</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	<u>\$ 1,392</u>	<u>\$ -</u>
Total Current Liabilities	<u>1,392</u>	<u>-</u>
Total Liabilities	<u>\$ 1,392</u>	<u>\$ -</u>
<u>Net Position</u>		
Investment in capital assets	\$ 48,162	\$ 52,721
Unrestricted	<u>30,587</u>	<u>30,623</u>
Total Net Position	<u>\$ 78,749</u>	<u>\$ 83,344</u>



PACIFIC REEFS WATER DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

<u>Operating Revenues</u>	<u>2020</u>	<u>2019</u>
Charges for services	\$ 12,025	\$ 13,082
User assessment	<u>17,549</u>	<u>23,611</u>
 Total Operating Revenue	 29,574	 36,693
 <u>Operating Expenses</u>		
Maintenance and repairs	22,792	12,742
Insurance	1,460	1,374
Permits and fees	923	489
Utilities	946	1,104
Administration	3,491	7,542
Depreciation	<u>4,559</u>	<u>4,559</u>
 Total Operating Expenses	 <u>34,171</u>	 <u>27,810</u>
 Operating Income (Loss)	 (4,597)	 8,883
 <u>Non-Operating Revenues (Expenses)</u>		
Interest income	<u>2</u>	<u>7</u>
Total Non-Operating Revenues (Expenses)	2	7
 Net Income (Loss)	 (4,595)	 8,890
 <u>Net Position, Beginning of Year</u>	 <u>83,344</u>	 <u>74,454</u>
 <u>Net Position, Ending of Year</u>	 <u>\$ 78,749</u>	 <u>\$ 83,344</u>



PACIFIC REEFS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 30,895	\$ 35,954
Payments to suppliers for goods and services	<u>(28,220)</u>	<u>(30,217)</u>
Net Cash Provided by Operating Activities	2,675	5,737
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of capital assets	<u>-</u>	<u>-</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-	-
<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>2</u>	<u>7</u>
Net Cash Flows From Investing Activities	<u>2</u>	<u>7</u>
Net Change in Cash and Cash Equivalents	2,677	5,744
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>25,004</u>	<u>19,260</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>\$ 27,681</u>	<u>\$ 25,004</u>



PACIFIC REEFS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by Operating Activities</u>	<u>2020</u>	<u>2019</u>
Operating income (loss)	\$ (4,597)	\$ 8,883
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	4,559	4,559
(Increase) decrease in current assets:		
Accounts receivable	1,321	(739)
Increase (decrease) in current liabilities		
Accounts payable	<u>1,392</u>	<u>(6,966)</u>
 Net Cash Provided by Operating Activities	 <u>\$ 2,675</u>	 <u>\$ 5,737</u>



PACIFIC REEFS WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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, 2020 and 2019. 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, 2020 and 2019 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, 2020 and 2019 cash consisted as follows:

	<u>2020</u>	<u>2019</u>
Cash		
General operations - Checking	\$ 1,926	\$ (43)
General operations – Savings	<u>25,755</u>	<u>25,047</u>
Total Cash	<u>\$27,681</u>	<u>\$25,004</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 7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/20</u>
Water system	\$ 132,389	\$	\$ 0	\$ 132,389
Equipment	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>1,500</u>
Total Cost	133,889	0	0	133,889
Less accumulated Depreciation	<u>(76,609)</u>	<u>(9,118)</u>	<u>          </u>	<u>(85,727)</u>
Net Book Value	<u>\$ 57,280</u>	<u>\$ (9,118)</u>	<u>\$ 0</u>	<u>\$ 48,162</u>

Depreciation expense of \$4,559 and \$4,559 were charged as an operating expense for the years ended June 30, 2020 and 2019, 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 November 6, 2020 that meet the above definition.

**PACIFIC REEFS WATER DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**



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

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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>



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>

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.

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

MEETING      May 6, 2024  
TO              Mendocino Local Agency Formation Commission  
FROM          Uma Hinman, Executive Officer  
SUBJECT       **Applications and Work Load**

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**RECOMMENDATION**

Staff recommends the Commission receive and file this report.

**BACKGROUND**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates local agency formation commissions (LAFCos) with regulatory and planning duties to coordinate the logical formation and development of local government agencies. This includes approving or disapproving proposals for reorganizations (i.e., annexations, detachments, dissolutions, etc.), activation of latent powers, sphere of influence amendments, and outside service agreements.

LAFCo proceedings for jurisdictional changes are generally initiated by outside applicants through petitions (landowners or voters) and resolutions (local agencies). LAFCos may also initiate jurisdictional changes to form, consolidate, or dissolve special districts if consistent with the recommendations of approved municipal service reviews.

The item is for information and satisfies Mendocino LAFCo’s reporting requirement for current and future applications.

**ACTIVE PROPOSALS**

Attachment 1 is a regular update to the Commission on active proposals on file as well as identification of future proposals staff anticipates being filed with LAFCo in the near term based on discussions with local agencies and proponents.

**WORK PLAN**

Local policy directs the Commission to annually adopt a Work Plan for purposes of providing a comprehensive overview of municipal service reviews and sphere of influence updates over the course of the fiscal year. Attachment 2 is an update on the status of activities scheduled in the Work Plan. This report also serves to inform the Commission of any changes in circumstances or priorities.

Attachments

1. Summary Table – Application Activity and Potential Future Proposals
2. Summary Table – Work Plan Tracking and Status

## Attachment 1. Summary Table – Application Activity and Potential Future Proposals

LAFCo File No. <sup>1</sup>	Applicant	Project Name	Date Application Received	Certificate of Filing	LAFCo Hearing Date	Certificate of Completion	BOE Submittal Date
<b>P-2023-02</b>	Fort Bragg	Pre-Application Review for Annexation of City-owned Properties	4/10/2023	N/A	N/A	N/A	N/A
<p>The City of Fort Bragg submitted a Pre-Application Review Request for annexation of Mendocino Coast Recreation and Park District properties consisting of 6 parcels totaling 582 acres. The intended use of the parcels is for water supply reservoirs, power generation, preservation and recreation. A pre-application meeting was held with Fort Bragg staff on July 25, 2023. Recent communications with the City indicate preparation of application materials is progressing.</p>							
<b>A-2023-01</b>	AVCSD	Annexation of Sphere	3/6/2023				
<p>The Anderson Valley Community Services District (AVCSD) proposes to annex the District’s Sphere of Influence (SOI) for fire and ambulance services. The Agency Referral and Notice of Filing were distributed to initiate the tax share negotiation process (3/2023). The application is incomplete pending additional information and a tax share agreement. Coordination meetings are being held with AVCSD staff and County Departments regarding the tax share process.</p>							
<b>A-2022-02</b>	Ukiah	City of Ukiah Annexation of Western Hills (Hull Properties)	6/8/2022 3/21/2024				
<p>The City of Ukiah proposes to annex approximately 791 acres in the Western Hills for open space preservation, while allowing the potential for future low density residential up to 20 dwelling units on the 40 easternmost acres. New application materials were submitted March 21, 2024; the agency referrals were distributed on 3/21/24 and the Notice of Filing sent to the Auditor and Assessor for the tax share agreement process. Note: it is anticipated that the Master Tax Share Agreement between the City and County will be considered by the BOS in May 2024. The application is deemed incomplete pending information needs and the tax share agreement. Coordination meetings are being held with LAFCo and City staff.</p>							
<b>L-2022-01</b>	ECSD	Elk Community Services District Activation of Latent Powers for Wastewater Services	4/8/2022				
<p>The Elk Community Services District (ECSD) proposes to activate latent powers for the provision of wastewater services. The district will be assuming ownership and operation of a community leach field within the community of Elk. The application has been referred to affected agencies and a Notice of Filing sent to the County Assessor and Auditor-Controller to initiate the tax share negotiation process in accordance with Revenue &amp; Tax Code Section 99. The application is incomplete pending a tax share agreement.</p>							
<b>Potential Future Proposals</b>							
	AVCSD	AVCSD Activation of Latent Powers for Water and Wastewater Services					
<p>For several years the AVCSD has been developing a plan and design for providing water and wastewater services to the community of Boonville, which will require activation of latent powers through LAFCo. Staff have recently provided direction to District staff regarding application needs. Staff is coordinating with District CEQA consultants to provide input for inclusion in CEQA analysis.</p>							
	RRFC/ RVCWD	RRFC Annexation of RVCWD					
<p>The Russian River Flood Control District and Redwood Valley County Water District have established an ad hoc committee to prepare an application to LAFCo for annexation of the RVCWD into the RRFC. The annexation will allow the RRFC to establish a contract with the RVCWD to see non-surplus water; thereby creating a more stable source of water. Currently, the RRFC is only able to sell surplus water, when available, to the RVCWD.</p>							





## Attachment 2. Summary Table – Work Plan Tracking and Status

<b>FY 2023-24 ESTIMATED WORK PLAN IMPLEMENTATION SCHEDULE AND STATUS</b>						
<i>Work Plan status as of May 1, 2024</i>						
<b>Subject to Change:</b> The estimated schedule and costs for the Fiscal Year 2023-24 Work Plan are subject to change based on agency responsiveness, timely provision of requested information, complexity of issues, level of public and affected agency controversy, and changing needs and priorities.						
<b>CEQA:</b> Based on LAFCo practice, the work plan assumes minimal costs for CEQA compliance related to preparing a Notice of Exemption, unless an agency proposes a non-coterminous SOI and pays for any necessary studies and preparation of a Negative Declaration or Environmental Impact Report.						
<b>Rolling Work Plan:</b> It is difficult to completely contain staff activities in a single fiscal year; therefore, completion of a study may roll over to the next fiscal year. This estimated work plan implementation schedule is intended to enhance communication and transparency.						
Agency	Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Status/Notes
Caspar South Water District	In process	In process				Research and development of an Administrative Draft and Request for Information (RFI) is in process.
Elk County Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.
Gualala Community Services District	1/31/2024	3/15/2024	6/3/2024			Administrative draft reviewed by GCSD; LAFCo staff coordinating with Sonoma LAFCo regarding The Sea Ranch services.
Irish Beach Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.
Mendocino County Water Works Water Works District No. 2	10/12/2023	1/31/2024	3/4/2024			This is the first MSR for the District. Public workshop held; additional information being collected by district. Staff anticipate holding public hearing same day as public hearing for GCSD.
Pacific Reefs Water District	10/27/2023	4/8/2024	5/6/2024			Administrative Draft reviewed by PRWD; Workshop scheduled.
Westport County Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.