



Gualala Community Services District

Municipal Service Review and
Sphere of Influence Update

Prepared By/For:

Mendocino LAFCo

200 South School Street

Ukiah, California 95482

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

Workshop: June 3, 2024

Public Hearing: July 1, 2024

Adopted: July 1, 2024

LAFCo Resolution No: 2024-25-02

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**Resolution No. 2024-25-02
of the Mendocino Local Agency Formation Commission**

**Approving the
Gualala Community Services District
Municipal Service Review and Sphere of Influence Update 2024**

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

WHEREAS, the Commission conducted a municipal service review to evaluate the Gualala Community Services District, hereinafter referred to as the “GCSD or District”, pursuant to California Government Code Section 56430; and

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

WHEREAS, the Commission held a public workshop on June 3, 2024 to receive public and agency comments and provide direction on revisions to the District’s Draft MSR/SOI update; and

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

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

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the Municipal Service Review and Sphere of Influence update on July 1, 2024; and

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

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

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

- service powers or areas and no physical changes to the environment are anticipated, planned, or reasonably foreseeable as a result of the SOI Update.
3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: "Gualala Community Services District MSR/SOI Update 2024".
 4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
 5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.
 6. The Executive Officer shall revise the official records of the Commission to reflect this update of the sphere of influence for the District.

BE IT FURTHER RESOLVED that the Gualala Community Services District MSR/SOI Update 2024 is hereby approved and incorporated herein by reference and that the District's existing Sphere of Influence established in 2016 is affirmed, consisting of a coterminous sphere and inclusion of the Gualala Point Regional Park, as depicted in Exhibit "A", attached hereto.

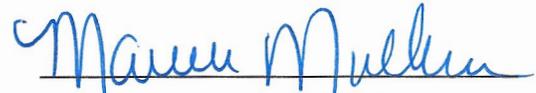
PASSED and ADOPTED by the Mendocino Local Agency Formation Commission this 1st day of July 2024 by the following vote:

AYES:

NOES:

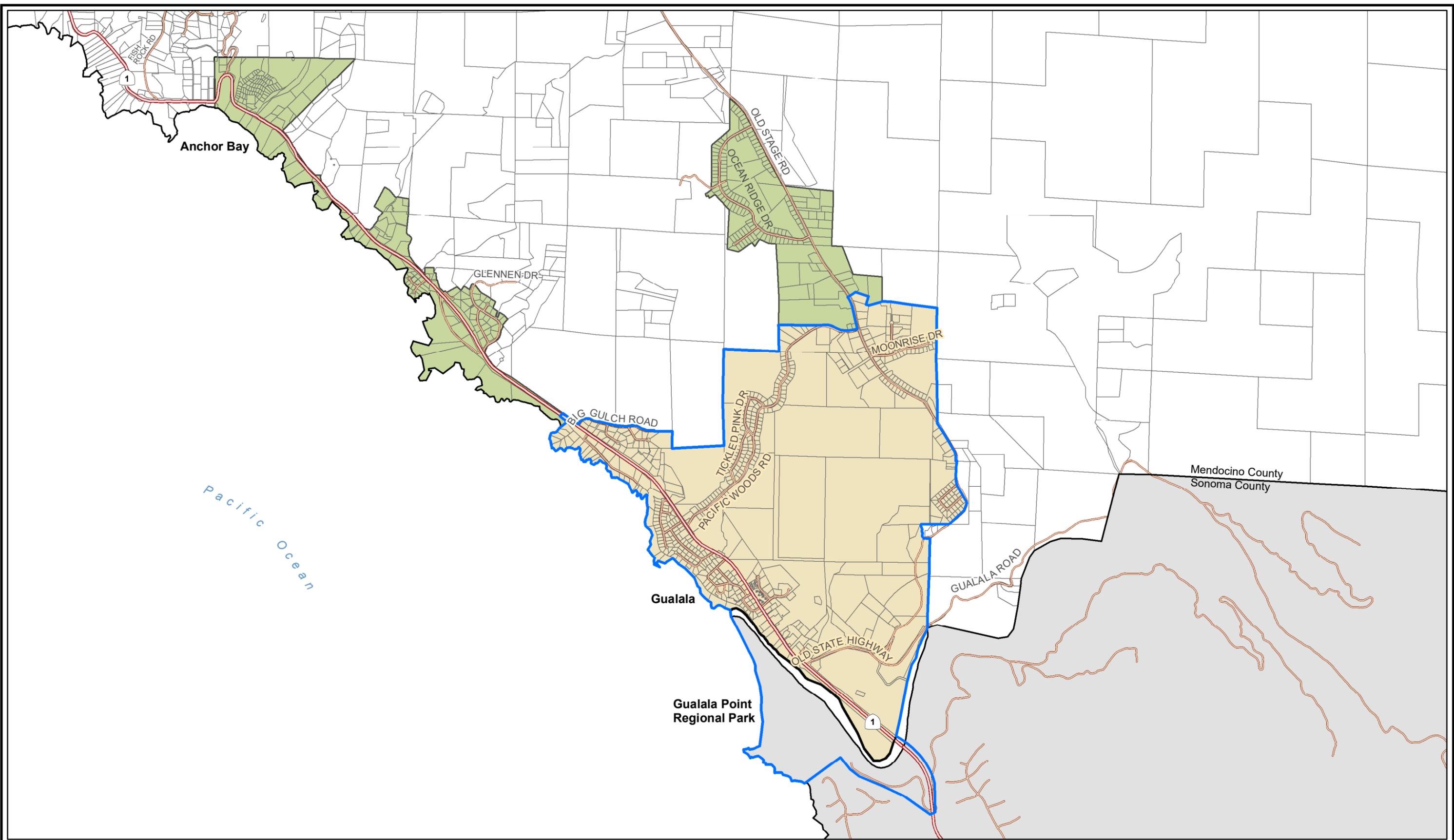
ABSTAIN:

ABSENT:


MAUREEN MULHEREN,
Commission Chair

ATTEST:


UMA HINMAN, Executive Officer



Gualala Community Services District Area of Interest

Source: This map was prepared by the Information Services Division GIS Program, July 10, 2024.
 Note: This map is not a survey product.

- Gualala Community Services District
- Area of Interest
- Sphere of Influence
- Parcels
- Highways
- Roads



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ACRONYMS

ADU	Accessory Dwelling Unit
ACS	American Community Survey
AOI	Area of Interest
BOS	Board of Supervisors
CalPERS	California Public Employees Retirement System
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPUC	California Public Utilities Commission
CSA	County Service Area
CSD	Community Services District
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
CWA	Clean Water Act
DDW	Division of Drinking Water
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	Department of Water Resources
EDU	Equivalent Dwelling Units
FY	Fiscal Year
GC	Government Code
GCSD	Gualala Community Services District
GMAC	Gualala Municipal Advisory Council
Gpd	Gallons per day
GTP	Gualala Town Plan
HOA	Homeowners Association
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MCOG	Mendocino Council of Governments
MCWD2	Mendocino County Waterworks District No. 2
Mg	Million gallons
Mgd	Million gallons per day
MHI	Median Household Income
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
MWCP	Mandatory Water Conservation Program
NGWC	North Gualala Water Company
PCH	Pacific Coast Highway
RCAC	Rural Community Assistance Corporation
RHNA	Regional Housing Needs Allocation
ROWD	Report of Waste Discharge
RTP	Regional Transportation Plan
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community

SDRMA	Special District Risk Management Association
SOI	Sphere of Influence
SRF	State Revolving Fund
SRGL	Sea Ranch Golf Links
SRN	Sea Ranch North
SRSZ	Sea Ranch Sanitation Zone
SSMP	Sewer System Management Plan
SSO	Sanitary Sewer Overflows
STEP	Septic Tank Effluent Pumping
SWA	Sonoma Water Agency
SWRCB	State Water Resources Control Board
WDR	Water Discharge Requirements
WQO	Water Quality Order
WWTP	Wastewater Treatment Plant

1 INTRODUCTION

1.1 Local Agency Formation Commission

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

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

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

1.2 Mendocino LAFCo

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

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

Table 1-1: Current Mendocino LAFCo Commissioners, 2024

Commissioner Name	Position	Representative Agency	Term Expires
Gerardo Gonzalez	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Glenn McGourty	Commissioner	County	2024
Maureen Mulheren	Chair	County	2026
Mari Rodin	Commissioner	City	2025
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Vacant	Commissioner	Special Districts	2024
Francois Christen	Alternate	Special District	2026
Douglas Crane	Alternate	City	2025
John Haschak	Alternate	County	2027

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

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
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. MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI)². This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by Gualala Community Services District (GCSD/District).

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

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

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

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented in Chapter 3. LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services. This MSR/SOI study makes determinations in each of the seven mandated areas of evaluation for MSRs.

Ideally, an MSR will support LAFCo's directives and deliberations 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;

² Assembly Committee on Local Government, "Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2020." December 2023.

- Serve as a prerequisite for an 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 SOI for all local agencies within its jurisdiction. An SOI is “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission” (GC §56076)³.

When reviewing an SOI for a municipal service provider, under GC §56425(e)⁴, 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 enumerated 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 Program⁵. Given Gualala’s coastal location, the Coastal Element includes a section of policies pertaining specifically to Gualala and the neighboring town of Anchor Bay. Policies from Section 4.12 of the Coastal Element include requirements for septic system installation for new development and

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

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

⁵ Mendocino County. “Mendocino County General Plan Coastal Element.” November 9, 2021. <https://www.mendocinocounty.gov/home/showpublisheddocument/56978/638181067153900000>

that new development be connected to the GCSO within the District boundary through the approval process. These policies and others related to Gualala can be found in the Gualala Town Plan.

1.5.2 Gualala Town Plan

On January 15, 2002, Mendocino County adopted the Gualala Town Plan (GTP/Plan) as part of the Coastal Element of the Mendocino County General Plan⁶. In accordance with the California Coastal Act, the GTP serves as the Local Coastal Plan and identifies planning goals and policies that establish a scenario for growth within the Town Plan area over a 30-year planning horizon (i.e., until 2032)⁷. The GTP also includes a map that depicts an Urban/Rural boundary for the community, which includes Service Zones 1 and 2 of the District.

The GTP notes that the District's treatment system was designed to accommodate annual increases of residential growth at a constant rate of two percent for a 20-year planning horizon. This was in conformance with population increases projected in Policy 3.9 of the GTP (Locating and Planning New Development) of between 0.5 and 2.4 percent. Annual increases in commercial development were projected at three percent for the 20-year planning period. The GTP concluded as part of its sewer service and septic availability analysis that the District may not have sufficient capacity to accommodate the demands for sewer connections for the 30-year planning horizon of the GTP, which is 2032.

In 1991, the County Board of Supervisors created the Gualala Municipal Advisory Council (GMAC) with a two-part mandate: 1) to advise the Board of Supervisors on current development applications; and 2) to inform long-range planning efforts to update the Coastal Element of the Mendocino County General Plan as it pertains to the Gualala area.

The GMAC is responsible for the development of the GTP, which was a result of community discussions at GMAC meetings over a four-year period. The GMAC ultimately reviewed the GTP, facilitated public discussions, and hosted public meetings supporting the Plan development. The GMAC's GTP was submitted to the County Board of Supervisors in May 1995. After an initial review by County staff and public agencies, a revised draft was prepared by the Gualala Town Plan Advisory Committee that included representatives of GMAC, the County Board of Supervisors, County Planning Commission, and Planning Department staff. The draft was ultimately adopted in 2002.

1.6 [Senate Bill 215](#)

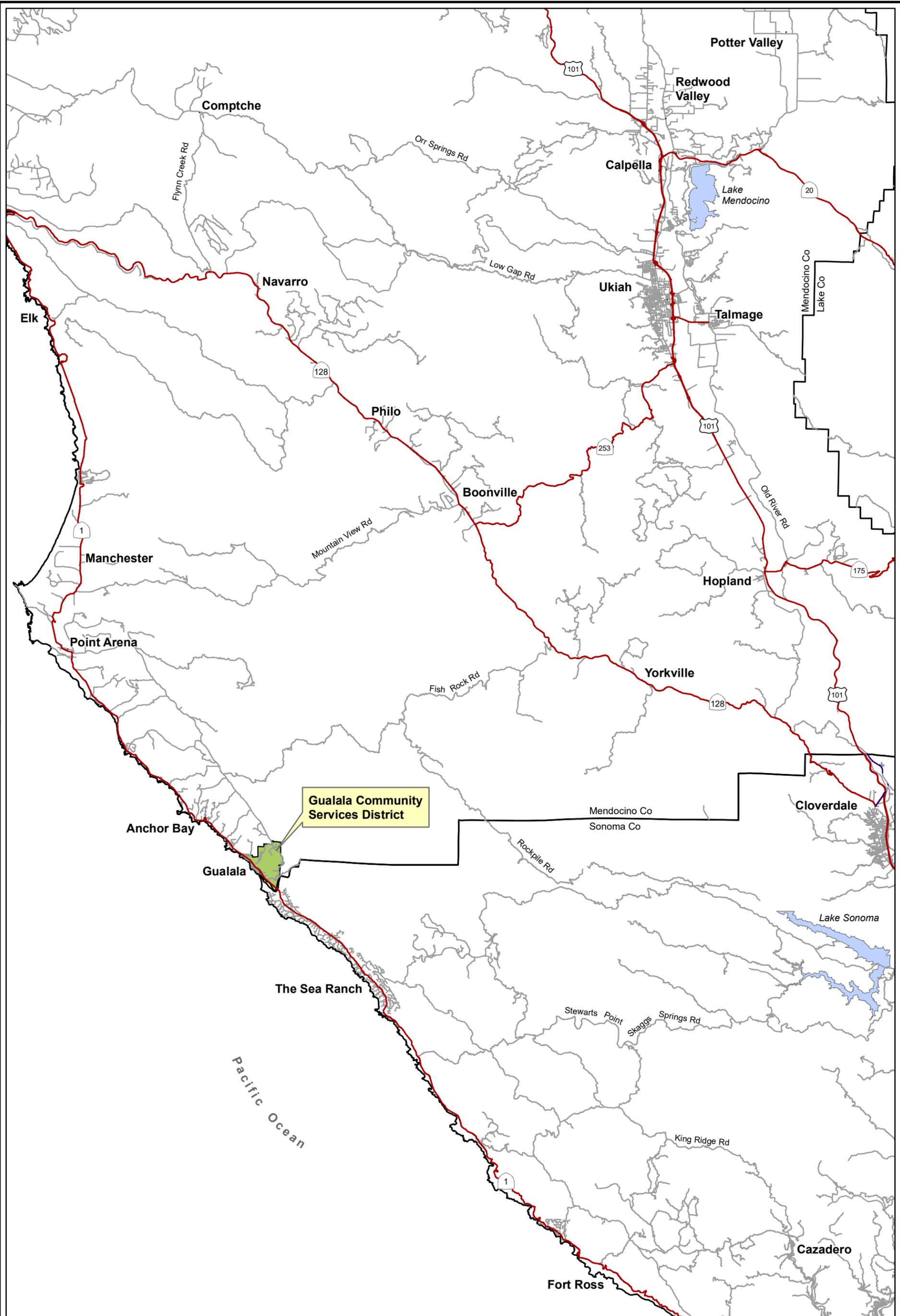
Senate Bill (SB) 215 (Wiggins) requires LAFCo to consider regional transportation plans and sustainable community strategies developed pursuant to SB 375 before making boundary decisions. SB 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas 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.

⁶ The Gualala Town Plan is located here: <https://www.mendocinocounty.gov/government/planning-building-services/plans/gualala-town-plan>

⁷ The Gualala Town Plan is available on the County's website here: <https://www.mendocinocounty.gov/government/planning-building-services/plans/gualala-town-plan>

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.

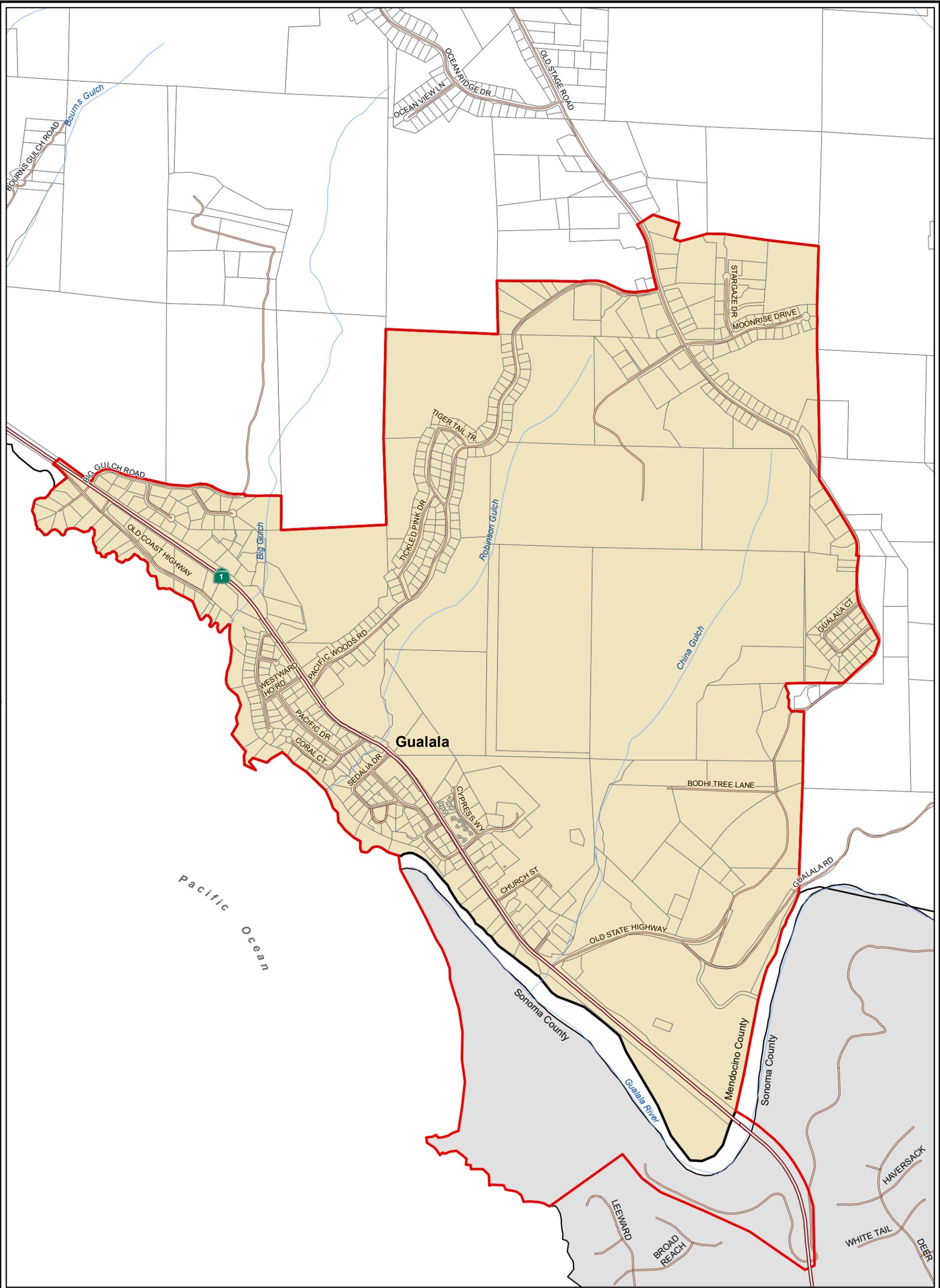


Location - Gualala Community Services District

- Gualala Community Services District
- Highways
- Roads

Source: This map was prepared by the Mendocino County Division of Information Services, GIS Program, February 5, 2024.

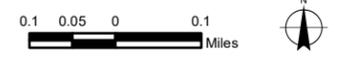




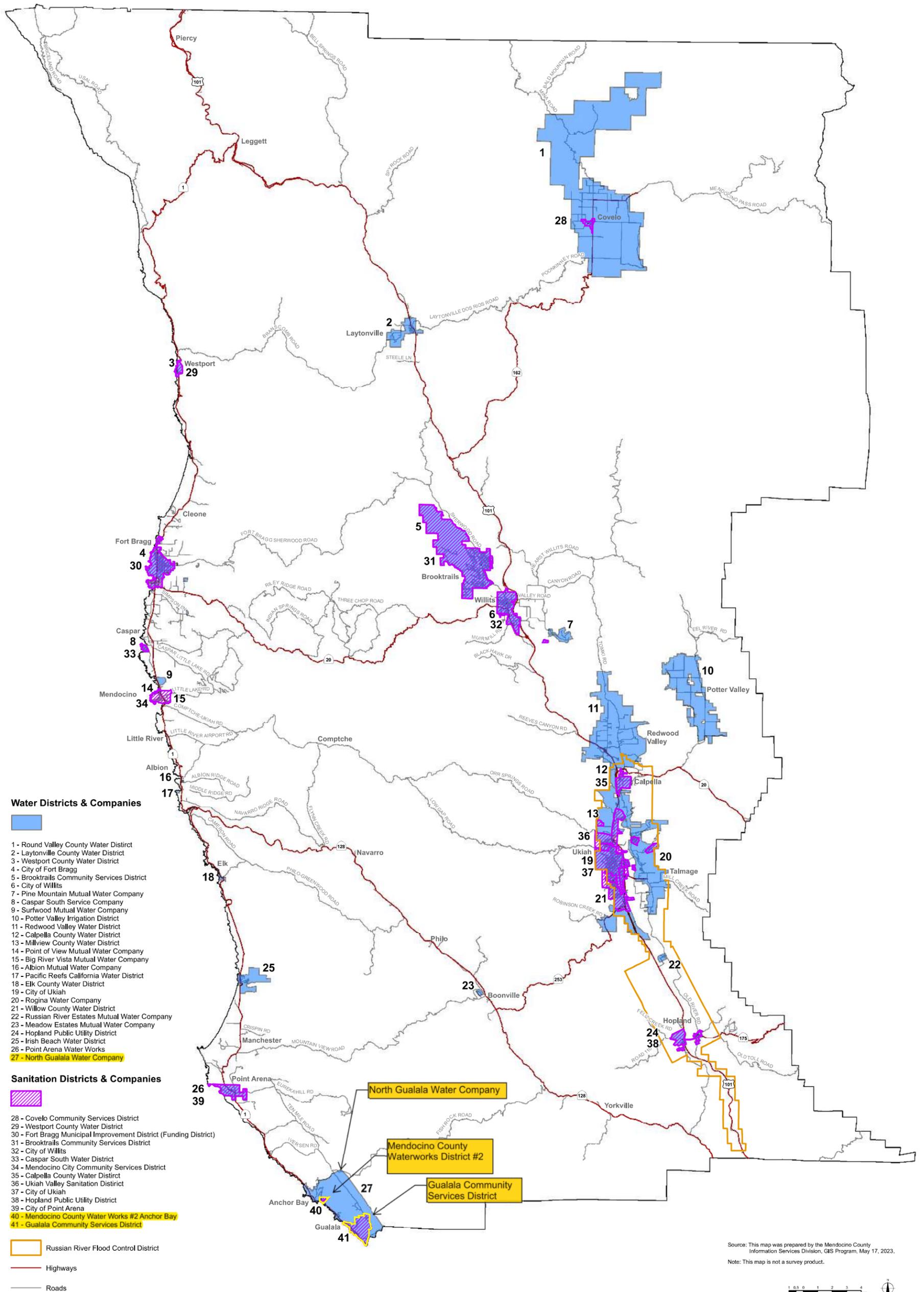
Gualala Community Services District

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 7, 2023.
 Note: This map is not a survey product.

- Gualala Community Services District
- Sphere of Influence
- Parcels
- Highways
- Roads
- Streams



Mendocino County Water & Sanitation Districts & Companies



2 AGENCY OVERVIEW

Table 2-1: GCS D Profile	
Agency Name:	Gualala Community Services District
General Manager	Chris Troyan
Office Location:	42455 CA-1, Sea Ranch, CA 95497
Mailing Address:	PO Box 124, Gualala, Ca 95445
Phone Number:	(707) 884-1715 (Office) (707) 785-2331 (Wastewater Treatment Plant)
Website:	https://gualalacsd.org
Email:	gcsdoffice@gualalacsd.org ; gcsdplant@gmail.com
Date of Formation:	August 5, 1986
Agency Type:	Community Services District, Single-Service Provider
Enabling Legislation	Community Services District Law (GC §61000 et seq.)
Board Meeting Schedule:	Fourth Thursday of each month at 5:00 PM

2.1 History

2.1.1 Formation

The Gualala Community Services District (GCS D/District) was initially formed as a Community Services District on July 7, 1986 (Mendocino LAFCo [Resolution 86-4](#); Mendocino County Board of Supervisors Resolution 86-175).

2.1.2 Boundary

The GCS D is located on the southernmost coast of Mendocino County and serves residents of the unincorporated coastal community of Gualala and surrounding areas (Figure 1-1). Located south of Point Arena and north of The Sea Ranch Community (Sonoma County), the Gualala community is the socioeconomic center of the area.

The District’s service area encompasses approximately 1,430 acres (2.23 square miles) extending from its southern boundary, formed by the County line and Gualala River, north to approximately Big Gulch Road. The Pacific Ocean forms the District's western boundary; the eastern boundary extends approximately 1.5 miles inland to the Bohdi Tree Lane area. (Figure 1-2)

There have been no changes to the District boundaries since its formation.

2.1.3 Services

The GCS D is empowered to provide wastewater services to the coastal, unincorporated community of Gualala. Services include the collection, treatment, and disposal of wastewater generated by residential and commercial connections within the service area, and maintenance of related facilities and equipment. For information regarding the District’s services, refer to Chapter 3.

The District also provides wastewater treatment services to an adjacent wastewater service provider under the terms of a Tri-Party Agreement⁸. The Agreement between the District, Sonoma Water Agency (a division of Sonoma County) (SWA), and the Sea Ranch Golf Links (SRGL) covers the treatment of effluent

⁸ The Tri-Party Agreement was amended in 2016 and is located here: https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/1c79bo1jp_384347.pdf?ver=1713304824442

from a portion of The Sea Ranch development at the District’s Wastewater Treatment Plant (WWTP). The District also provides collection and treatment services for Gualala Point Regional Park, a Sonoma County park located adjacent to the District just south of the County line. For more information regarding outside agency services and services provided by contract or agreement, refer to Section 3.1.2.

2.1.3.1 LATENT POWERS

Latent powers are those services, functions, or powers authorized by the principal act under which the District is formed, but that are not being exercised or authorized by the Local Agency Formation Commission (LAFCo). The Community Services District Law ([Government Code \(GC\) Section \(§\) 61100](#))⁹ allows for the delivery of up to 32 different types of services, such as fire protection, water, sewer, and recreation services (see Appendix 7.1).

It is often considered favorable to add new services to existing special districts where possible, rather than creating new entities, due to the base cost of operating a special district, including electing directors, conducting meetings, hiring management, and maintaining insurance and facilities.

The GCSO is currently a single-service provider providing wastewater services. However, GMAC has inquired with the District about creating a Parks and Recreation division. It is noted that there are no recreational opportunities for the District in connection with existing facilities.

Any expansion of powers would necessitate prior approval from LAFCo through an application for activation of latent powers, which generally follows the Commission proceedings for a change of organization or reorganization ([GC §56650 et seq.](#)).

2.2 [Government Structure](#)

2.2.1 Governing Body

The District is governed by a five-member Board of Directors elected at-large by registered voters within the District boundaries. To be elected to the Board, candidates must be registered voters residing within the District boundaries. If there are insufficient candidates for the 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 instead of elected by the County Board of Supervisors (BOS) per [Elections Code §10515](#); all current members of the Board were appointed by the BOS. New directors take office at noon on the first Friday in December following their election. The current directors, positions, and terms are shown in Table 1-1Table 2-2.

Table 2-2: GCSO Board of Directors			
Name	Office/Position	First Year of Service	Term Expiration
De Denten	President	2017	2024
Gary Abel	Vice-President	2022	2026
Bruce Jones	Secretary	2019	2026
John Denten	Member	2015	2024
Randy Burke	Member	2020	2026

⁹ GC §61100 can be found here:

https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=GOV&division=3.&title=6.&part=&chapter=&article=

[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 County BOS 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.

There are currently no vacancies on the Board, but as a small district, generally has difficulty filling vacancies due to the eligibility requirement that Board members be, and remain, residents of the District and registered voters in the County throughout their terms. As discussed in Section 2.5 below, much of the District is comprised of vacation homes or short-term rentals with a small number of full-time residents who would qualify to sit on the District Board. This is a widespread problem for other small service providers within the region as well as throughout rural areas of California in general.

Five of the Board members have served the District for multiple terms, which can be a significant benefit in establishing long-standing positive working relationships in the community, understanding the history and unique aspects of the organization, and maintaining institutional knowledge. However, it can also indicate difficulty in attracting interested individuals to serve on the Board.

The GCSO has several external partners including The Sea Ranch (and its golf course), the GMAC, the SWA, and Mendocino County. Issues with both the GMAC and the Sea Ranch were documented in a 2007 Grand Jury report produced by the County of Mendocino¹⁰; however, a process to help maintain positive relations with the SRGL, Sea Ranch, and the SWA has been developed and includes a monthly meeting among the signatories of the Tri-Party Agreement. These monthly meetings have been effective in opening communication and resolving issues. Additionally, the 2007 Grand Jury report also reported on differences between the District and GMAC concerning future buildout of the District area. Those discrepancies have also since been resolved amongst the parties.

2.2.2 Public Meetings

In accordance with the Brown Act, all District Board meetings are open to the public and are publicly posted a minimum of 72 hours prior to regular meetings, or a minimum of 24 hours prior to special meetings. Postings and meeting agendas are located on public information boards in town at the Gualala Post Office. Meeting agendas and minutes are posted on the District's website and distributed by email upon request.

Regularly scheduled meetings are held on the fourth Thursday of the month at 5:00 PM. Meetings are located at the Coast Life Support District office at 38901 Ocean Drive in Gualala.

2.2.3 Standing Committee

Committees assist in carrying out various functions of local government to support and implement Board direction. The District currently has a standing ordinance committee consisting of two board members. Additionally, the District appoints a budget committee at every March meeting, which also consists of two board members.

¹⁰ The May 3, 2007 Mendocino County Grand Jury Report titled *Waste Not...Want Not* is located here: <https://www.mendocinocounty.gov/home/showpublisheddocument/4420/636239889631330000>.

2.2.4 Public Outreach

With the passage of Senate Bill (SB) 929 in 2018, all special districts were required to establish and maintain a website with specific information and accessibility requirements by January 2020 (a compliance handout is included in Appendix C – Website Compliance Handout). The District maintains a website at <https://gualalacsd.org/>, which includes recent meeting agendas and minutes, rates, current annual budget, recent studies, permit information, personnel manual, etc.

The District keeps residents informed of District requirements and activities through word-of-mouth and during public meetings.

2.2.5 Complaints

Complaints are directed to the General Manager and may be submitted in person, by phone, or through the website’s contact page. In the last five years, the District has received 10 complaints that may be generally characterized as data entry errors. The data entry errors are typically a result of the District’s transmittal of individual customer sewer charges to Mendocino County for entry and collection via property tax bills. Over the past five years, the data entry errors have resulted in the District overcharging undeveloped parcels; the issues have been resolved through refunds to the property owners.

2.2.6 Transparency and Accountability

The GCSD Bylaws were originally adopted in 1986 and serve as the District’s legal guidelines by providing written rules that control internal affairs. They define the District’s official name, purpose, director eligibility requirements, officer titles, responsibilities, how offices are to be assigned, how meetings should be conducted, and the frequency of meetings.

The District also maintains a District Policy Manual to guide operations, personnel, conflicts of interest, and financial matters; the Manual was last revised in November 2019.

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 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 under [GC §87203.](#) The District staff confirm that they comply with the requirement and are current through 2023.

According to Assembly Bill 1234, if a local agency provides compensation or reimbursement of expenses to local government officials, then all local officials are required to receive two hours of training on public service ethics laws and principles at least once every two years and establish a written policy on reimbursements pursuant to [GC §53235.](#) District compensation for its Board members is \$50 per meeting they attend; its directors and staff attend Brown Act/Ethics training regularly.

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

2.3 [Operational Efficiency](#)

2.3.1 Management and Staffing

The District employs five individuals, including three full-time employees: a General Manager/Chief Plant Operator, an Operations Supervisor (Grade 2), and a Grade 1 Operator. The District also employs two part-time employees, including a Finance Director and an Administrative Assistant. GCSD has an extensive training program that supports its employees in expanding their abilities and knowledge. The General

Manager oversees all plant and collection system operations; schedules all maintenance and work assignments for the operators; helps prepare the annual budget; monitors expenditures; keeps the operations in compliance with the Discharge Permits; and prepares monthly and annual reports for the Regional Water Quality Control Board (RWQCB). The General Manager and both operators have recently upgraded their operator grade levels issued through the State Office of Operator Certification. The General Manager holds a Grade 5 Wastewater License from the State Water Resources Control Board (SWRCB).

2.3.2 Contract or JPA Services

The District utilizes contract services for various tasks including the preparation of financial audits for the District, rate studies, and grant administration.

This District does not contract with private or public entities or provide services to District residents through Joint Powers Authority (JPAs).

However, the GCSO does support other service providers in the region through contracts and agreements. The Tri-Party Agreement to provide treatment services to a portion of The Sea Ranch development is discussed further in Section 3.1.2, as is the contract with Sonoma County to serve the Gualala Point Regional Park.

Additionally, the Mendocino County Waterworks District No. 2 (MCWD2) receives staffing support from the GCSO through a contract.

2.3.2.1 MENDOCINO COUNTY WATERWORKS DISTRICT NO. 2

Since 2023, the District has maintained a services agreement with MCWD2 to provide management, operations, and administrative services to support MCWD2. GCSO's General Manager and staff work directly with the MCWD2 Board of Directors to provide administrative and operational support.

The MCWD2 is located approximately three miles north of the District and serves the small unincorporated community of Anchor Bay. As part of the agreement, the District provides management, operations, and administrative staff to assist with budget preparation, expenditure monitoring, Discharge Permits compliance, and RWQCB reporting. The GCSO's General Manager supervises MCWD2's only employee, a part-time Operator who works 20 hours per week, and oversees the day-to-day management of the MCWD2, including customer service and connection enforcement duties. In addition, by default, GCSO oversees all issues that arise beyond what is anticipated in the contract. For example, GCSO fully managed a recent emergency construction project to bypass a compromised sewer hole, avoiding a catastrophic failure and environmental disaster.

2.3.3 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District does not track employee workload and productivity through a timekeeping mechanism but does conduct annual written performance evaluations for their employees. The District outlines its evaluation procedures in the District's Personnel Manual¹¹.

In the regular performance of duty, District staff identifies areas of improvement and takes corrective action when feasible and appropriate or informs the Board when further direction is needed.

¹¹ The GCSO Personnel Manual is located on their website: <https://gualalacsdo.org/files>.

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

2.3.3.1 CHALLENGES

The District reported that in recent years it has relied on its reserves for operations due to various challenges, but primarily cash-flow issues associated with delayed grant reimbursements. In 2018, the District implemented an engineering project under a planning grant from the SWRCB. The contractor billing for the project outpaced the grant reimbursements, thereby forcing the District to rely on reserve funds to meet its contractor commitments. With the completion of the project, the issue has been resolved.

In 2023, the District successfully completed a Proposition 218 process to establish a 28 percent service rate increase to be implemented over the next five years. Further, the District, Sonoma County, and SRGL renegotiated their Tri-Party Agreement, resulting in a substantial rate increase of 56 percent to be consistent with GCSD customer rates. However, the increased revenue will still not be sufficient to address the District's significant capital improvement challenges related to aging and failing infrastructure. To address this challenge, the GCSD is actively pursuing grant funding to upgrade the system's collection system and treatment plant.

2.3.3.2 DISTINGUISHED SERVICE

In 2023, the District was awarded a safety award from the Special District Risk Management Authority (SDRMA) for no workman compensation claims in five consecutive years.

2.3.3.3 STRATEGIC OR SUCCESSION PLAN

The District does not currently have an established strategic plan, mission statement, or official goals. In lieu of these documents, the Board reviews progress and setbacks over the prior year during the annual budget development process, adjusting as needed for the next fiscal year.

2.3.4 Regional and Service Specific Collaboration

The District participates in the SDRMA JPA for insurance purposes. The SDRMA JPA was formed according to GC Section 6500 et seq. and is comprised of California special districts and agencies for the purpose of jointly funding and developing 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 (Calenteno, 2023). The District purchases insurance through SDRMA but does not currently have any debt with SDRMA or any other lender. Further, the relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting issues.

The Gualala River Watershed Council is a nonprofit community group that promotes facilitation and shared understanding among landowners, resource managers, agencies, community organizations, and interested citizens in working towards restoring the natural balance of the Gualala River Watershed. Although the GCSD does not currently participate in the Council, participation could be beneficial in increasing District outreach with its residents, and collaboration within the community through this network of community leaders. Participation in the Watershed Council could also give the District advance notice on upcoming grant opportunities, potentially leveraging watershed and community projects to also support infrastructure and service improvements, and other opportunities for community collaborations.

2.3.5 Shared Services and Facilities

The District works cooperatively with other local agencies to deliver services more effectively or efficiently by sharing public facilities, resources, and/or service delivery responsibility when feasible.

The sharing of services and facilities is demonstrated by the District's participation in three service agreements with neighboring agencies and parties:

- 1) Tri-Party Agreement with Sonoma County's Community Service Area 6 (CSA6) and the SRGL golf course.
- 2) Service Agreement with Sonoma County for Gualala Point Regional Park.
- 3) Contract with MCWD2 to provide management, operations, and administration staff to that district.

The first two agreements are for the treatment of collected effluent through the GCSD WWTP (see Section 3.1.2). The third contract is for shared management and staffing to support the MCWD2 board and operations (see Section 2.3.2.1).

Additionally, the District shares office space with the MCWD2, and holds its board meetings in the Coast Life Support District offices.

2.3.5.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are only two nearby providers of wastewater services within the vicinity and two water providers in the area.

- Wastewater
 - Mendocino County Waterworks District No 2 – Anchor Bay (MCWD2)
 - Sea Ranch North Sanitation Zone (Owned by SWA)
- Water
 - North Gualala Water Company (NGWC)
 - Sea Ranch Water Company (SRWC)

The District maintains service agreements with both MCWD2 and the Sea Ranch Sanitation Zone (for more detail, see Sections 2.3.2.1 and 3.1.2, respectively).

The North Gualala Water Company is a private water service provider that currently provides residential drinking water services to the Anchor Bay and Gualala areas, and which overlaps customers of both the GCSD and the MCWD2. Although the Company does not provide wastewater services, there is potential for consolidation of services under a single service-provider serving this region. Expansion of the special district area and services requires appropriate LAFCo process and approval.

2.3.5.2 DUPLICATION OF SERVICES

Based on feedback from the RWQCB, the District's WWTP was located south of the Gualala to be regionally located and available for treatment of effluent from communities and entities in proximity (i.e., The Sea Ranch community and Gualala Point State Park). The Sea Ranch is located within Sonoma County's CSA6 Sea Ranch Sanitation Zone (SRSZ), which is managed by the Sonoma Water Agency and has its own collection system and wastewater plants. However, the SRSZ North Plant is no longer permitted by the RWQCB and since 2014 has served as a pumping station to move effluent to the GCSD WWTP for treatment (see Section 3.1.2.1 for more detail).

During the preparation of this MSR, staff communications with Sonoma LAFCo revealed the planning efforts of the SWA and The Sea Ranch Association to study the potential infrastructure and permitting needs to internalize all wastewater services within the SRSZ. Doing so may eliminate the need for the GCSD to provide treatment services for The Sea Ranch development in the future. It is anticipated that the feasibility of those plans will be more defined before the next MSR cycle for GCSD.

Although the District's contract with MCWD2 for management, operational, and administrative staff support rather than duplicate services, the interconnectedness of the agencies indicates room for efficiencies of services in general (see Section 2.3.2.1 for more detail).

2.3.5.3 INTERAGENCY COLLABORATION

As previously stated, the District collaborates with multiple neighboring agencies through the three existing agreements. These agreements dictate the varying levels of collaboration that exist between the District and its neighbors.

Members of the MCWD2 board have stated that their contract with GCSD has enabled MCWD2 to address long-deferred infrastructure and management issues that would have otherwise threatened their ability to provide adequate wastewater services. In addition, GCSD has been able to provide engineering and grant expertise that MCWD2 did not previously have access to. Through the agreement with MCWD2, there may be potential for reorganizations or consolidations of wastewater services if there is district and community support.

2.3.6 Government Structure and Community Needs

2.3.6.1 ENHANCED SERVICE DELIVERY OPTIONS

The District is the primary provider of wastewater services in the community of Gualala and the immediate surrounding area. The County of Mendocino provides law enforcement, code enforcement, transportation, and stormwater collection services within the District. The South Coast Fire Protection District provides fire suppression, basic life support and medical services, cliff and water rescue, hazardous conditions, and vehicle collision response, as well as other safety assistance such as lift assist, vehicle lock-ins, etc. CAL FIRE Mendocino Unit provides wildland fire suppression and mutual aid to local fire agencies during the declared fire season. The Coast Life Support District provides ambulance services to the region.

There is no redundancy in the provision of municipal services to the District, and no new opportunities for the District to achieve organization or operational efficiencies were identified during the preparation of this MSR.

2.3.6.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructuring options should be pursued if there are potential benefits in terms of reduced costs, greater efficiency, better accountability or representation, or other advantages to the public.

Community Services Districts (CSDs) are typically formed in unincorporated communities "to achieve local governance, provided needed facilities, and supply public services." Per [GC §61001\(b\)](#), CSDs are a permanent form of local government that can provide locally adequate levels of public facilities and services; a form of governance that can serve as an alternative to incorporation. It is also an effective form of governance for combining two or more special districts that serve overlapping or adjacent territories into a single, multifunctional special district. Many efficiencies can be gained through the consolidation of services.

The District's agreement with MCWD2 provides management, operational, and administrative support to MCWD2. Despite the assistance from the District, the MCWD2 Board is still more involved in administrative tasks than is typical or desired by the existing board members of MCWD2. There has been expressed interest in expanding the agreement with GCSD to provide additional support, even seeking consolidation if the respective boards are amenable.

In developing the 2024 Draft MCWD2 MSR/SOI Study, the Board President indicated an interest in continuing discussions of consolidation or some form of regionalization with GCSD. With the existing contract with GCSD for support already in place, such a reorganization would benefit MCWD2 residents and create efficiency of services to the region served by both Districts.

The current contract gives the GCSD a solid understanding of MCWD2's operations, infrastructure needs, and an awareness of the issues that MCWD2 is currently facing. From a financial standpoint, consolidation would primarily benefit MCWD2. MCWD2 has expressed that the District's infrastructure needs significant upgrades to maintain its service, which will incur high infrastructure costs. The benefits to the GCSD of absorbing the MCWD2 are mostly limited to increased economies of scale and quality of services to the MCWD2 customers.

Although not a special district, the North Gualala Water Company service area encompasses both GCSD and the MCWD2 and provides domestic water services to its customers. In the future, if there is interest in absorbing water services into the GCSD, an application would be made to LAFCo for activation of appropriate powers and likely an expansion of boundaries.

2.4 Finances

LAFCo is required to make determinations regarding the financial ability of the GCSD to provide its services. This section provides an overview of the financial health of the District and a context for LAFCo's financial determinations. This MSR utilizes audited financial statements for Fiscal Years (FYs) 2019-2020, 2020-2021 and 2021-2022, and the budget for FY 2022-2023 as the primary sources of information for this section.

In California, special districts are classified as either enterprise or non-enterprise based on their source of revenue. GCSD operates as an enterprise District, meaning that charges for wastewater services are intended to pay for the costs of providing such services.

The primary funding source for the District is fees for services, which is generally a reliable and reoccurring revenue source, provided that adopted rates are sufficient to cover the actual cost of services. The District operates out of a single enterprise fund for operational and maintenance purposes (Refer to Table 2-3 and Table 2-4).

The District's sole fund is considered a proprietary fund. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. 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 essential to the primary operations of the fund and all other expenses are reported as non-operating expenses.

Table 2-3: GCS D Financial Summary				
	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Operating Revenues				
Service charges	583,735	564,007	532,845	493,949
Other operating income	232,710	198,376	188,732	199,174
Total Operating Revenues	816,445	762,383	721,557	693,123
Operating Expenses				
Salaries	269,995	257,920	294,725	328,105
Employee Benefits	83,535	101,711	109,171	114,501
Collection System	102,600	61,275	47,751	51,317
Treatment Plant	209,825	151,455	132,482	101,077
Utilities	39,957	50,957	43,224	7,153
Vehicle Expense	10,864	15,425	10,794	19,246
Legal and Other Professional Services	26,964	47,680	31,520	29,420
Office Expense	1,498	2,460	2,878	2,703
Insurance	17,886	16,954	22,723	22,646
Other Administrative Expenses	11,250	25,091	28,455	26,280
Depreciation	268,531	269,672	263,328	260,303
Total Operating Expenses	1,042,887	1,000,600	987,051	1,023,251
Operating Income/(Loss)	(226,442)	(238,217)	(265,495)	(330,128)
Non-Operating Revenues (Expenses)				
Interest Income – Bank & County Treasury	4,871	3,164	1,031	1,546
Federal and State Funding	-	-	-	195,549
Grant Income	-	142,723	327,340	66,405
Grant Expense	-	(89,863)	(345,596)	(105,815)
Gain/(Loss) on Sale of Capital Assets	700	-	-	19,202
PERS Actuarial Assumption Changes	(33,250)	(20,192)	(23,862)	7,267
Interest Expense	(45,108)	(41,488)	(38,547)	(33,574)
Total Non-Operating Revenue (Expenses)	(72,787)	(5,656)	(79,634)	150,580
Net Income (Loss)	(299,229)	(243,873)	(345,128)	(179,548)
Beginning Net Position	5,313,394	5,014,165	4,770,292	4,425,164
Ending Net Position	5,014,165	4,770,292	4,425,164	4,245,616

Source: Celentano, 2023

The District’s cash accounts are summarized below:

Table 2-4: Cash Accounts				
Type	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Cash and Cash Equivalents – Beginning of Year	736,736	715,746	512,721	324,159
Cash and Cash Equivalents – Ending of Year	715,746	512,721	324,159	364,398

Source: RFI

2.4.1.1 REVENUE AND EXPENDITURES

The District’s revenues and expenditures for FYs 2019-2020 through 2021-2022 are summarized in Figure 2-1. District service charge revenues have declined over each of the last few FYs due to a number of factors

all occurring at the same time. In 2018 the District received a planning grant totaling \$484,000 through the SWRCB Disadvantaged Community (DAC) program; contractor billing for the project outpaced State reimbursements, causing a substantial cash-flow problem for the District and forcing reliance on reserves to bridge the reimbursement gap and address contractor obligations. Further, project expenditures exceeded grant funding and the requested grant amendment took nearly two years to receive State approval. In addition, the District did not collect revenue from SRGL service charges for nearly a year due to a disagreement over rate prices; however, the issue has since been resolved. Furthermore, impacts from the COVID-19 pandemic (2020-2021) resulted in increases in operating costs that were not readily recoverable, in part due to some customers' inability to pay fees.

Collectively, the District's wastewater fees and charges provide approximately 70-72 percent of the District's annual revenue, the SWA consists of approximately 18-22 percent of the District's total annual revenue, and the SRGL makes up the difference. Wastewater fees are collected by Mendocino County with the property taxes and paid to the District three times a year: August, December, and April.

It should be noted that as part of the District's most recent rate study, which was produced in March 2023, an extensive analysis was prepared that included an evaluation of the Tri-Party Agreement. The terms of the original Tri-Party Agreement were based on the GCSD customers paying for most of the fixed operational costs while the Sea Ranch customers were responsible for relatively small percentages of the overall costs. The arrangement was determined and stipulated in the Agreement using various calculations for estimating increases in energy, chemicals, and un-burdened manpower to operate the plant. However, the findings in the 2023 rate study illustrated that this prior model was no longer fiscally sustainable for the GCSD. A combination of "fair share" costs must be collected from the SRSZ customers in addition to significant rate increases for GCSD customers for the District to be financially viable in the future. At the time of this rate study, Sonoma Water was paying the District \$8.49 per 1,000 gallons of wastewater treated, but actual costs were estimated to be approximately \$15.36 per 1,000 gallons.

In response to the 2023 rate study, in November 2023 the Sonoma County Supervisors approved a negotiated new rate of \$13.28 per 1,000 gallons; the 56 percent increase took effect January 1, 2024. This increase will have a substantial impact on the revenues brought in from the Tri-Party Agreement and should support the District's financial stability.

During negotiations, the District and SWA agreed to a rate of approximately \$13.28 per 1,000 gallons, with the difference in actual versus negotiated rate to be recovered through the sale of tertiary treated water back to the SRGL, based on the incoming flow percentage. Currently, SRGL pays approximately \$2.65 per 1,000 gallons for tertiary treated water, which is reflected in the total cost estimate calculated in the rate study. Because SWA agreed to the new rate of \$13.28 per 1,000 gallons, the District's new cost agreement with the SRGL will be a rate of \$2.08 per 1,000 gallons, which amounts to the difference between \$15.36 and \$13.28.

Expenditures in FY 2019-2020 totaled \$1,000,600; \$987,051 in FY 2020-2021; and \$1,023,251 in FY 2021-2022. The top expenditures for FY 2019-2020 included salaries/benefits; maintenance to the WWTP, which included repairs to the system's clarifier and collection system; and depreciation.

Effective January 1, 1997, the District entered into the California Public Employees Retirement System (CalPERS). Qualified employees are covered under a multiple employer defined benefit pension plan maintained by an agency in the State of California. Contribution requirements of plan members and the District are established and may be amended by CalPERS.

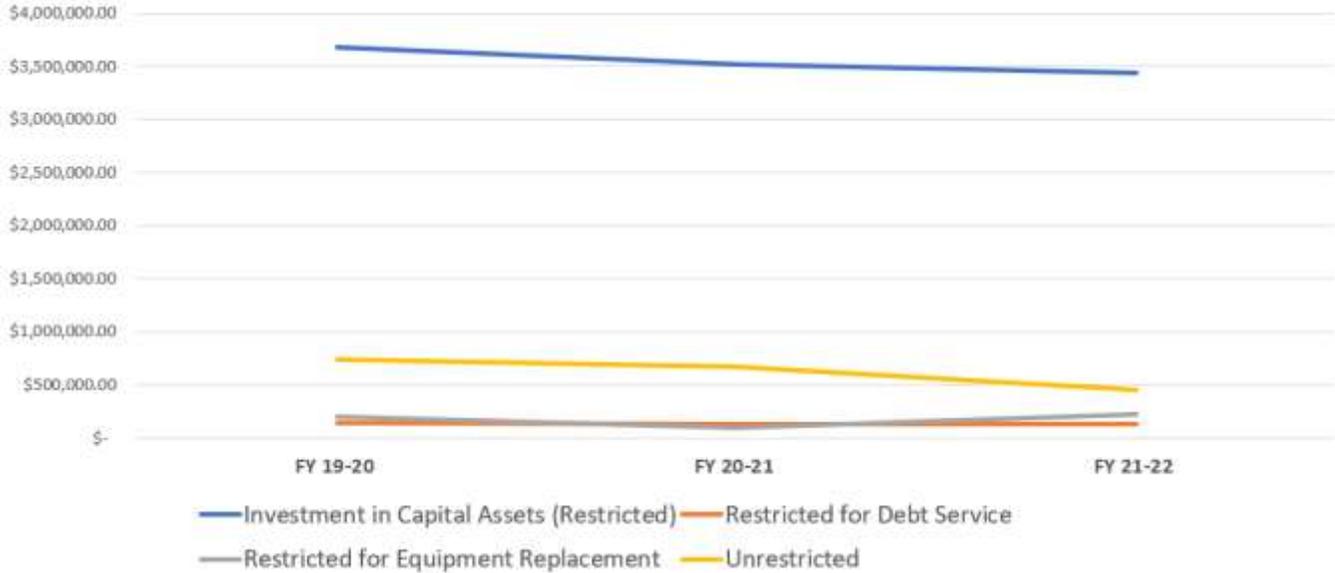


Figure 2-6, the District’s cash accounts have varying trends. The most reliable cash account is the cash from operating activities. The significant drop in cash flows from capital and related financing activities in 2022 is attributed to a replacement of the control panel for Lift Station #2.

As shown in Figure 2-4, the District’s expenditures exceeded revenues for each of the last three fiscal years, necessitating reliance on reserves to cover the difference. The District’s inability to regularly cover the expenses of operating the District without utilizing its reserves suggests it is not in a stable financial position. However, in recent years the District has been able to support its revenue/expenditures balance with grant funding, particularly for capital improvements and maintenance. Additionally, the implementation of the 2024 rate increases for District customers as well as parties to the Tri-Party Agreement should support the District’s financial stability. However, to address needed and costly infrastructure improvements, the GCSD will need to secure grant funding to upgrade the system’s collection system and treatment plant.

2.4.1.2 ASSETS AND LIABILITIES

As shown in Figure 2-3, the District’s largest asset is infrastructure for which depreciation costs have been accounted for in the expense section. The District’s other largest assets are income from grants and a special assessment debt.

The District also recently applied for a \$10.7 million dollar grant through the SWRCB State Revolving Fund (SRF) Program. If awarded, these grant funds will be used to rehabilitate the WWTP to become fully compliant with Title 22 and to also rehabilitate the collection system within Zones 1 and 2.

2.4.1.3 NET POSITION

As shown in Table 2-3, the District is currently operating at a net loss as a result of the various factors discussed in Section 2.4.1.1.

Figure 2-1: District Revenues and Expenses

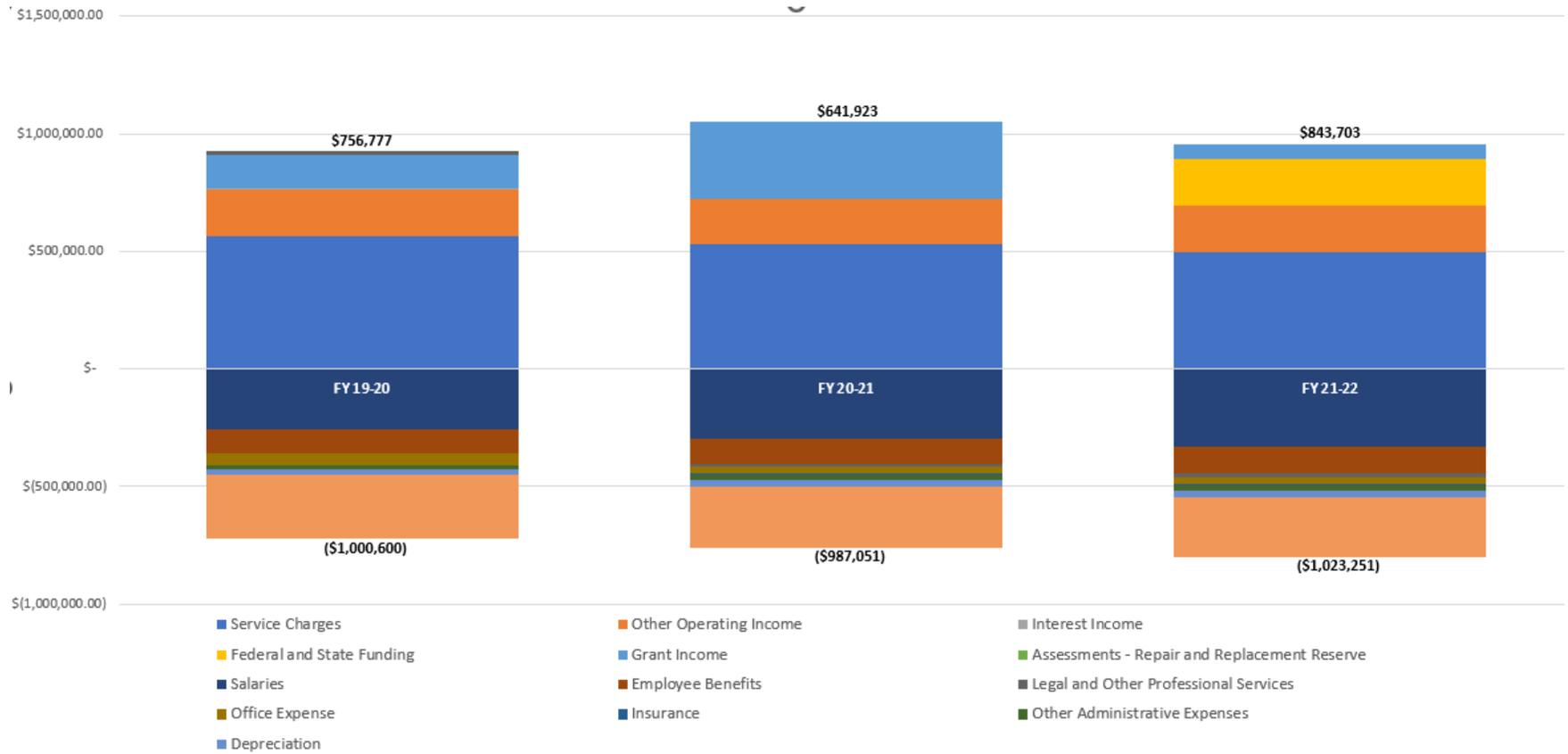


Figure 2-2: District Revenues Over/Under Expenses



Figure 2-3: District Assets

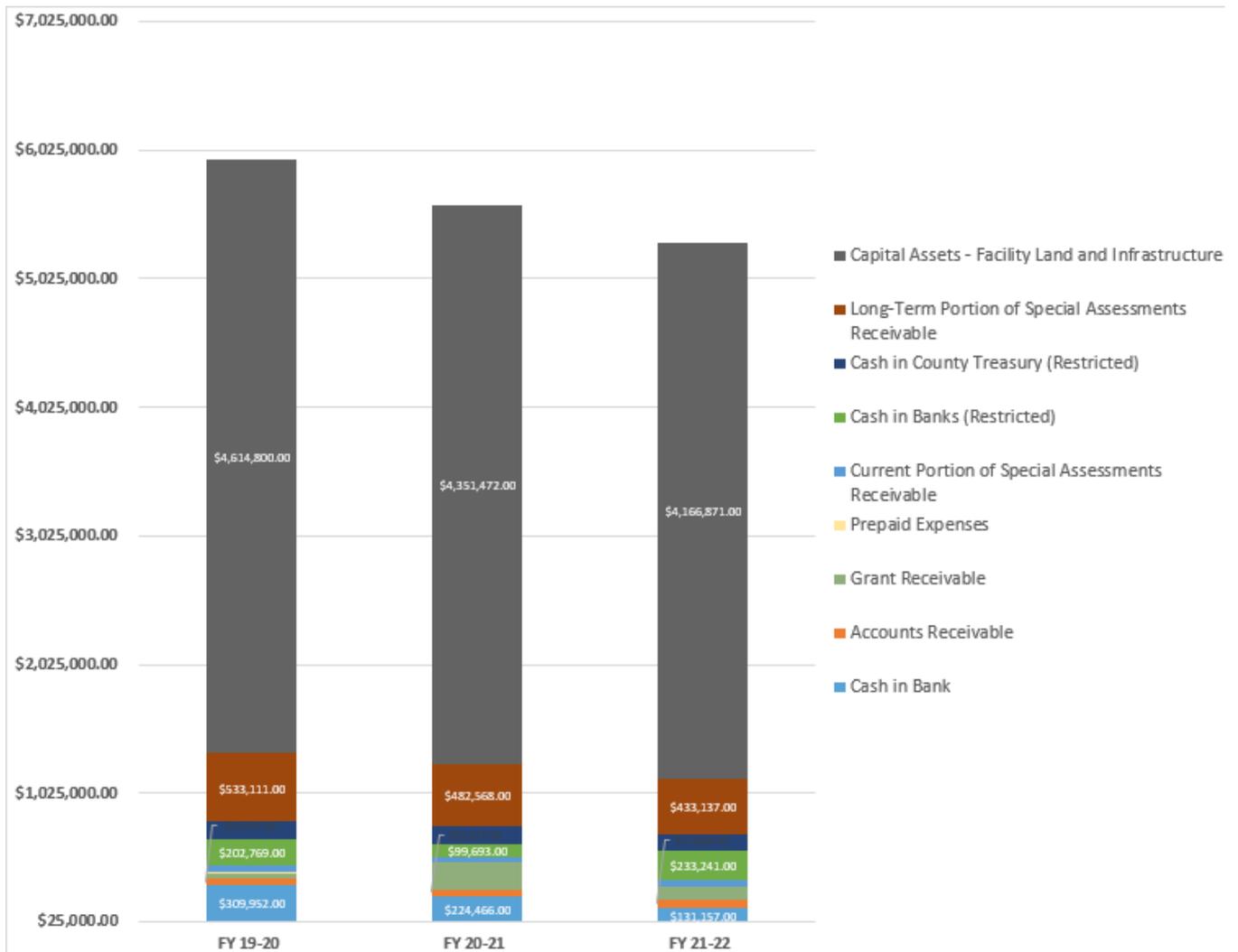


Figure 2-4: District Liabilities



Figure 2-5: District Net Position

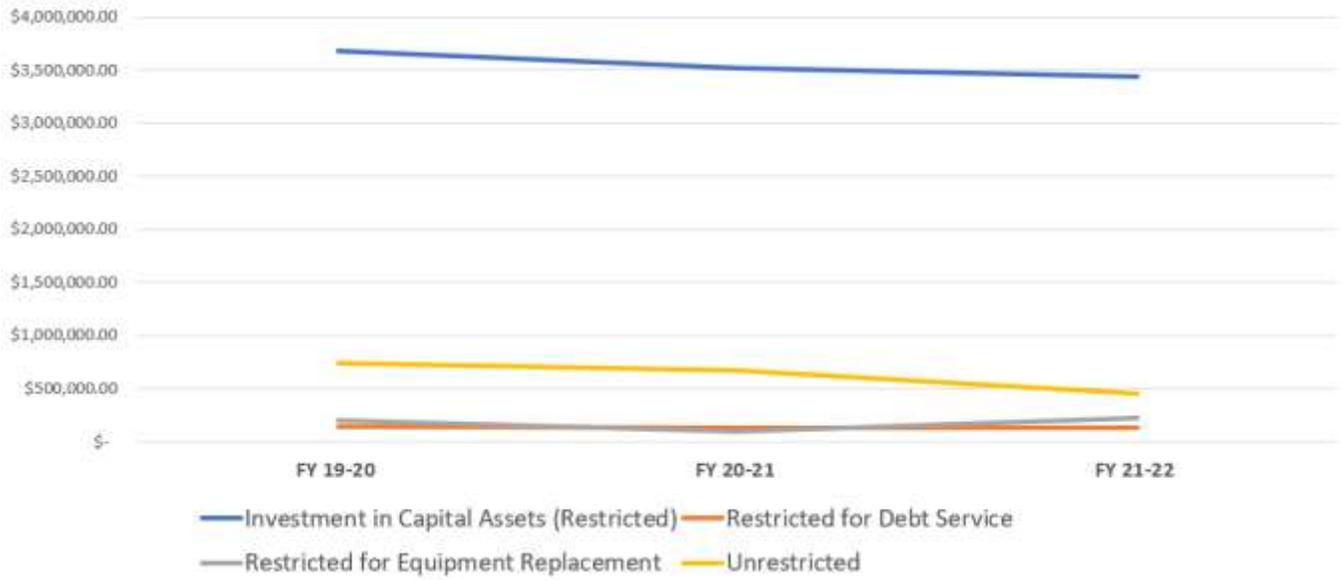
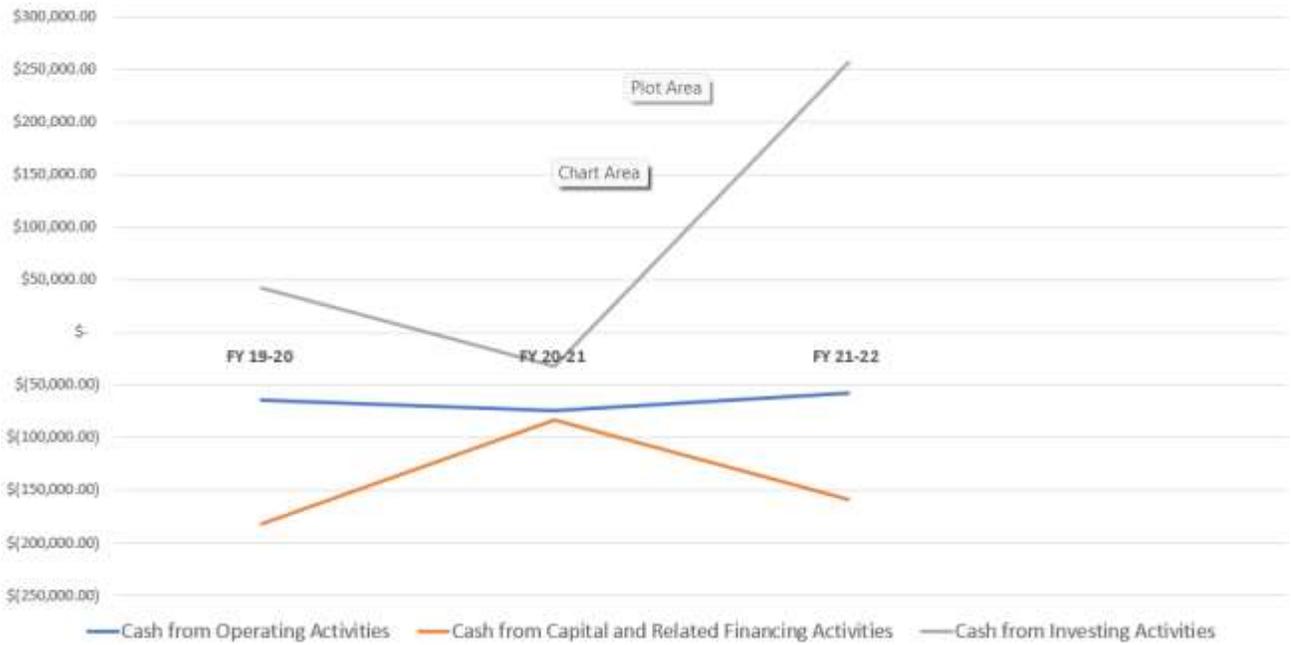


Figure 2-6: District Cash Accounts



2.4.2 Long Term Financial Considerations

2.4.2.1 RESERVES

The District maintains a policy on reserves that limits use to available “Unrestricted” Funds (not obligated by law, contract, or agreement), including donations, interest earned, fees for service, or other non-grant earnings. All special use funds are designated by formal action of the Board of Directors. The General Manager, in collaboration with the Administrative Assistant, performs a reserve status analysis annually, which is provided to the Board of Directors during the annual deliberation/approval of Budget and Reserve Funds.

By the terms of a loan received in 2016 from CoBank, the District is required to maintain a reserve of approximately \$65,000.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

In the early 1990s, the District issued special assessment debt to help finance the acquisition and construction costs of the land, structures, water treatment plant, and equipment. The bonds are issued upon and are secured by paid and unpaid assessments, lawfully levied under the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). The bonds are described as *Gualala Community Services District Sewer System Assessment District 1987-1* and were originally issued on March 12, 1991, for \$973,118.18. The bonds bear an interest rate of five percent per annum with interest paid semi-annually on March 2 and September 2 each year; principal payments are scheduled to be paid annually in various amounts on September 2 of each year. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity date upon thirty days prior notice and upon payment of accrued interest and principal plus a redemption premium of three percent of the principal amount redeemed.

Required with the bond issuance was the establishment of a Bond Reserve Fund as security should the District become delinquent on its bond payments. The funds are maintained in the County treasury and are restricted for bond repayment use only. The County of Mendocino has no other payment obligation for these bonds except to advance funds from the reserve fund to the bond redemption fund, as needed.

The District borrowed \$750,000 to fund improvements on November 17, 2016, through a CoBank loan. Terms of the loan include variable monthly payments and an annual interest rate of 3.51 percent, which varies based with the London Interbank Offered Rate and is fully amortized on December 20, 2026.

The District has been making regular principal and loan payments on a yearly basis, with the loan payments historically being between \$84,000 to \$90,000 per year. Since the GCSO has very limited reserves set aside on an annual basis for both emergency and planned capital replacements, it has relied heavily on outside loan funding agencies to assist in the financing of necessary improvements. The remaining debt for the loan is currently \$260,631 in principal and \$39,946 in interest for a total of approximately \$300,000.

The District also received a line of credit through the Rural Community Assistance Corporation (RCAC) in 2023 for \$150,000 as an advance on the reimbursements from the planning grant amendment. The loan supports cash flow needs as the District implements the grant.

The District’s CalPERS annual pension cost for FY 2021-2022 was \$14,093. These costs are expected to increase because of CalPERS unfunded liability. Contributions to the District’s pension plans are expected

to increase to \$15,877 in FY 2022-2023, \$16,212 in FY 2023-2024, and \$18,661 in FY 2024-2025 (CalPERS, 2024).

2.4.2.3 RATE RESTRUCTURING

In March of 2023, a Rate Study was prepared for the District in accordance with Proposition 218. As a result, effective July 1, 2024, the District adopted the following fees for its three classes of users: (1) residential, (2) commercial, and (3) hotels. For 2023, residential customers pay a flat rate of \$1,263.53 per year, which is assessed on property annual tax bills and collected by Mendocino County. That rate consists of a sewer fee of \$901.11, a maintenance fee of \$56.18, and a capital improvement/reserves fee of \$306.24. This represents a 10 percent increase in fees from the previous year and rate structure.

Residential customers with two separate septic tanks are charged twice the annual flat rate of \$1,263.53. Residential customers with multiple units on their property that share a single septic tank are charged a single sewer fee, the maintenance fee, and the capital improvement/reserves fee, multiplied by the number of Equivalent Dwelling Units (EDUs). For example, for a customer with three units on their property, the maintenance fee of \$56.18 and the capital improvement/reserve fee of \$306.24 are totaled and multiplied by three, to equal \$1,087.26 ($\$56.18 + \$306.24 = \$362.42 \times 3 = \$1,087.26$). The single sewer fee of \$901.11 is then added for an annual total of \$1,988.37 for the sewer fee in this example.

The District bills commercial properties on a monthly basis at the minimum rate of \$105.29 per month, which includes a minimum sewer fee of \$75.09 per month, a maintenance fee of \$4.68 per month, and a capital improvement/reserve fee of \$25.52 per month. Those fees are multiplied for each EDU of wastewater use, as described below.

The EDU of wastewater use is calculated by the total amount of wastewater used by all District customers divided by the number of customers. For the District's FY 2021-22, that wastewater usage was 122 gallons per day (gpd). Thus, if a commercial customer uses 366 gpd for the billing period, the customer will be considered to have three EDUs of use and the monthly fees would be multiplied by three to determine the sewer bill for that month, $\$105.29 \times 3 = \315.87 .

Hotels are billed in the same manner as commercial accounts, but the total monthly bill is multiplied by the average occupancy rate percentage. GCSD uses the state average when determining the occupancy rate each year. Using the above example, if a hotel has EDU wastewater usage at three units, but had average occupancy during of 70 percent, then the hotel's bill for the month would be $\$315.87 \times 0.70 = \221.11 .

The most recent rate study recommended annual rate increases over the next five years: 10 percent from FY 2023-2024; seven percent from FY 2024-2025; five percent from FY 2025-2026; and three percent from July 1, 2026, to June 30, 2028. The new rates were adopted by the District Board in May of 2023 and should improve the District's financial stability.

According to GCSD staff, the rate increase has enabled the District to transition all commercial customers to monthly accounts, who previously had a mix of monthly and property tax payment structures. This shift has reportedly increased the District's revenue from \$14,000 to \$32,000 and reduces the need to depend on county disbursements.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District does not currently have a Capital Improvement Plan (CIP), although one is currently being developed. While the most recent rate study prepared for the District outlines the necessary improvements that need to be made in order to provide adequate service, a CIP will help identify potential funding sources and prioritize projects.

2.4.3 Current Fiscal Health

The District is currently operating at a net loss based on the information provided in the financial audits and shown in Table 2-3. The District anticipates that recently approved and implemented rate increases, including the 56 percent rate increase approved by the Sonoma County Board of Supervisors for the Tri-Party Agreement, will support the District's goals for financial stability.

Further, while the District does not currently have existing reserves to fund the multiple infrastructure improvements to the WWTP and collection system that are needed, the District has applied for a \$10.7 million grant through the SWRCB to cover some of the improvements; the grant application is still under review as of April 2024.

2.5 Present and Planned Land Use and Development

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

The Gualala Town Plan serves as the Local Coastal Plan required by the California Coastal Act and covers most of the GCSO service area. The Plan identifies planning goals and policies that establish a scenario for growth within the Plan area over a 30-year planning horizon (to 2032).

2.5.1.1 LAND USE

The Mendocino County General Plan identifies land use designations for the area that are generally rural residential and resource-based, with areas of commercial and higher density residential within the core Gualala Town area along State Highway 1 (Figure 2-7).

The specific land use zones are identified in the County's Zoning Ordinance and are consistent with its General Plan land use designations (Figure 2-8). Zoning within the District include Rural Residential 1-acre minimum (RR1), Rural Residential 5-acre minimum (RR5), Remote Residential 20-acre minimum (RMR20), Gualala Village Mixed Use (GVMU), Gualala Highway Mixed Use (GHMU), Gualala Planned Development (GPD), Gualala Industrial (GI), Rural Residential, 5-acre minimum [Suburban Residential] (Planned Development) RR5:PD [SR:PD], Timberland Production (TP), Forest Land (FL), Limited Industrial (LI), and Rangeland (RL).

Figure 2-7: Mendocino County General Plan Land Use Mapping

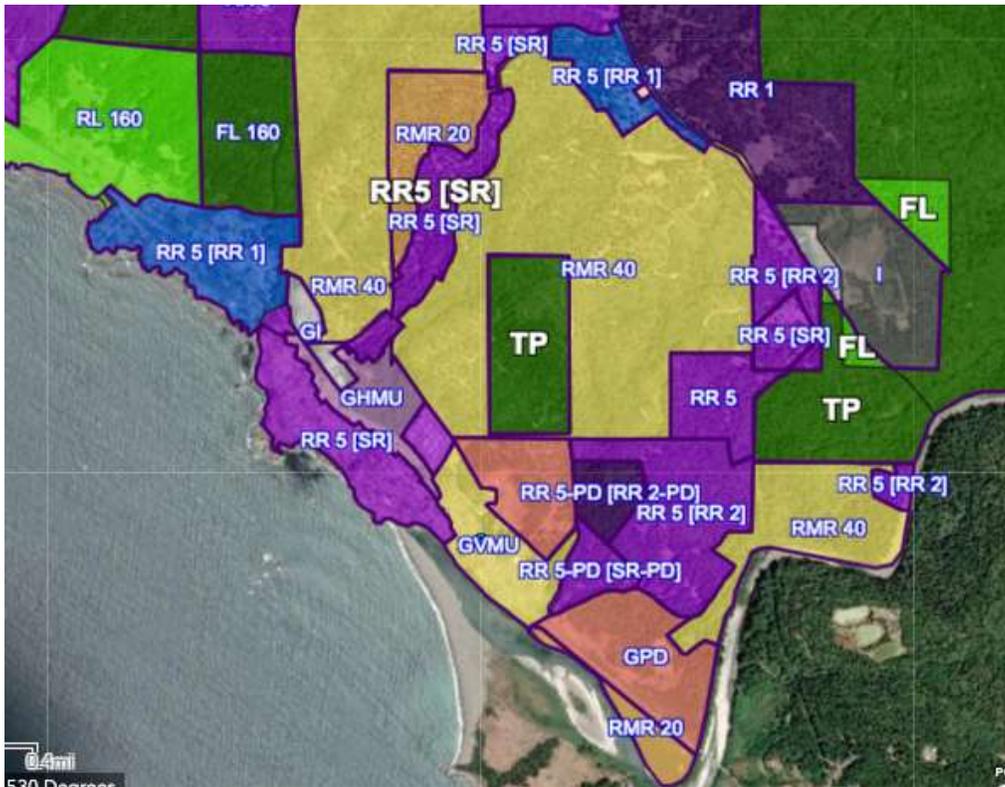
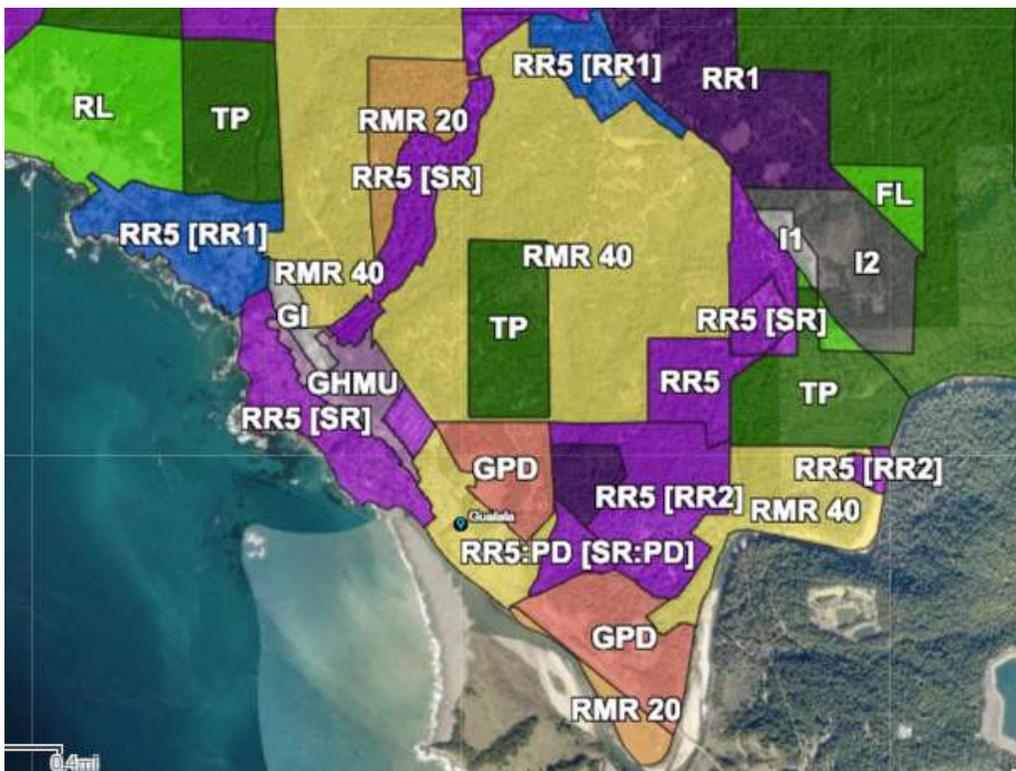


Figure 2-8: Mendocino County Zoning Map



2.5.1.2 DEVELOPMENT

Future growth and development of the District is subject to Mendocino County land use regulations, which are based on the General Plan, Zoning Ordinance, and adopted plans and policies to regulate growth. The County's Zoning Ordinance contains three major geographical zones (Inland, Coastal, and Mendocino Town); the Gualala area is included in the Coastal Zone (County of Mendocino Coastal Element, 2021). As shown in Figure 2-8: Mendocino County Zoning Map, the County's Zoning Ordinance designates the majority of the Gualala community as single-family residential.

The Gualala Town Plan includes Gualala-specific designations aimed at creating comprehensive mixed use planned development projects. Further, land use policies contained in the Plan support new residential and commercial development in the Plan Area. For example, the Ocean Ridge Subdivision, located near the eastern part of Service Zone 3, consists of 100 lots and only 40 percent of which are currently developed. Additionally, a 480-acre "residential reserve" located east of the core community was identified as a suitable location for future residential development. However, water conservation efforts mandated by the California Public Utilities Commission (CPUC) since September 2014 have severely impacted the ability to develop in the area.

Additionally, the GMAC advises the BOS on development applications and informs long-range planning efforts to update the Coastal Element of the Mendocino County General Plan as it pertains to the Gualala area.

2.5.2 Existing Population

Gualala is a small, unincorporated community that serves as the economic and social hub for the south coast of Mendocino County, as well as The Sea Ranch development located across the County line in northern Sonoma County. Gualala is a former logging town and attracts thousands of visitors each year due to its scenic qualities and recreational opportunities. State Highway 1 (Pacific Coast Highway/PCH) is the primary transportation and commercial corridor through the community.

Gualala is located within Mendocino County Census Tract 111.02, which includes the area that extends from the southern end of Gualala to areas just north of Manchester and has an estimated population of 4,305.

While the District serves a small number of commercial customers along State Highway 1, the District consists primarily of second homes and short-term vacation rental properties. The number of wastewater connections that the District serves (approximately 416) does not change throughout the year, but demand for service fluctuates seasonally. It is also notable that the year-round population within the District has increased as a result of refugees seeking relocation as a result of devastating fires throughout the state and the COVID-19 pandemic; however, it is difficult to quantify those numbers.

The 2014 MSR estimates the 2015 population for the entire District at approximately 2,133 residents. Current estimates from the District for Zones 1 and 2, based on the number of residential service connections and average household size in the County, are approximately 816 residents.

2.5.3 Projected Growth

Projecting future growth within the District boundaries is a challenge since US Census data is not specific to Gualala. Compounding this problem is that growth in the region is driven by economic activities in Sonoma County.

A Community Action Plan was prepared for Gualala in 2007, which includes a socio-economic study: *Economic Inputs to Gualala Community Action Plan* (Gualala Community Action Plan, Appendix D). The study estimated a future growth rate for Gualala at approximately 16 new residences per year with an average household size of 2.25 persons per household, which equates to an average annual growth rate of approximately eight percent.

Given that the community plans prepared for Gualala are approximately 15 years old or more, and the changes in County growth projections and trends, the population projections are likely outdated. Current State Department of Finance (DOF) projections predict 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 by 2033, and 89,139 by 2043 (DOF, 2023).

A significant limiting factor affecting growth rates in the area is the moratorium on new water services imposed by the North Gualala Water Company (NGWC), which provides domestic water service to residents of the GCSO and surrounding areas. The moratorium is in part due to the water conservation efforts mandated by CPUC since September 2014. For their part, the NGWC imposes its Mandatory Water Conservation Program (MWCP) when stream flows in the North Fork of the Gualala River are at or below specific levels¹². During these times, water use restrictions prohibit the use of water for construction purposes. As of March 2024, NGWC was actively seeking funding opportunities to construct a reservoir to lift the moratorium. However, given the increasingly recurrent drought trends, it is unlikely that any new construction will be approved in the area because of the moratorium on new potable water connections. Until the moratorium is lifted, population growth in the area is expected to be minimal.

Although an outside agency service, the District's Tri-Party Agreement to treat wastewater from the (SRSZ Northern Plant requires consideration of growth within that portion of The Sea Ranch development that is served. The number of undeveloped lots in the SRSZ is unknown; however, the future development of the vacant residential lots within The Sea Ranch community is also unlikely in the near future given a current moratorium on water services provided by the Sea Ranch Water Company.

It is noted that recent changes in California Housing laws, particularly related to increased density allowances in residential areas, could result in a slight increase in development and population within the District in the years to come.

2.5.4 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

¹² For more information on NGWC's water conservation efforts see their website: <https://ngwco.com/conservation/mandatory-conservation/>

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 that 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 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 GCSO stay up to date on legislative changes.

For additional information and data on housing legislation see Appendix 7.4.

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 services¹³. 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 Census American Survey (ACS) 2022 1-year estimates, the statewide MHI for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for severely disadvantaged unincorporated communities (SDUC) (less than 60 percent of the State MHI) is \$54,930.

DUCs are identified to address a myriad of issues from environmental justice to land use planning. Linking these disparate issues together, the sole statutory criterion for the determination of a DUC is 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 an MHI of less than 80 percent, various portions of that block group could be significantly wealthier in rural areas, or the block group could split into an otherwise contiguous community.

As a result, within rural areas, such as Mendocino County, assembling income data for specific unincorporated communities is not always straightforward. In Mendocino County, identifying and mapping DUC locations is a complex process because the delineation of DUC boundaries often differs 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. 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 and provides the following criteria:

- Contains 10 or more dwelling units in close proximity to one another;

¹³ Technical advisory on SB 244 can be found here: https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf

- Is either within a city SOI, is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has an MHI that is 80 percent or less than the statewide MHI
- This analysis is based on CALAFCO recommendations that calculated the “MHI Threshold” to be 80 percent of the statewide MHI (\$73,240) (The MHI for the State of California is \$91,551) (US Census, 2022A)
- Income data was sourced from the ACS 5-year Estimates dataset for 2018-2022 and the 2022 ACS 1-Year Estimates.

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

Mendocino County has an MHI of \$65,520 with a majority of the County considered DUCs, including both the census tract and block group that the District is located within (US Census, 2022B). Because Gualala falls within the County of Mendocino and is not a CDP, the MHI of its residents is assumed to approximate the County median household income of \$56,378. The MHI for Gualala is 71 percent of the statewide MHI and is therefore considered to be a DUC.

It is also worth noting that the census block group that the District is located within (Block Group 3, 20 square miles) has a population of 1,866 (843 households) and a MHI of \$79,596 (Census Reporter, 2022A); and the census tract the District is located within (Census Tract 111.02, 320 square miles) has a population of 4,827 (1,968 households) and a MHI of \$83,135 (Census Reporter, 2022B). By both of these measures the District would not be considered to be located within DUC territory.

The residents within Gualala receive adequate services with respect to fire, which is provided by South Coast Fire Protection¹⁴. Water services are provided by North Gualala Mutual Water Company, though it should be noted that there are properties within the District boundaries and adjacent properties that utilize well water. According to data sourced from the State Department of Water Resources (DWR), the District spans two Public Land Survey Sections, M11N15W27, which is documented as having eight domestic wells¹⁵.

Residents within the District’s Zones 3 and 4 continue to utilize onsite septic systems for their wastewater needs. However, some of these have failed, or are failing, and ultimately it will be incumbent upon the GCSD to provide service in these areas. Further, an unsewered area adjacent to the District has been identified with failing septic systems as well; this area has been identified as proposed Zone 5 (See Section 3.2.4.2.3 for more information).

While the Gualala area qualifies as DUCs under this methodology, the community is currently receiving adequate essential municipal services of fire, water, and wastewater.

¹⁴ 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>

¹⁵ Well Completion Report Map Application data can be found here:

<https://dwr.maps.arcgis.com/apps/webappviewer/index.html?id=181078580a214c0986e2da28f8623b37>

3 MUNICIPAL SERVICES

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

3.1 [Service Overview](#)

3.1.1 Services

The District provides collection, treatment, and disposal of wastewater generated by connections within the service area and provides maintenance of related facilities and equipment. The District is divided into four service zones: Zones 1-4.

This is the second MSR prepared for the District; the first MSR was adopted by the Commission on October 6, 2014.

3.1.1.1 SERVICE AREAS

The District's jurisdictional boundaries are located entirely within Mendocino County; however, the District's wastewater treatment facilities are located on a District-owned parcel in Sonoma County. Of the four service zones, only Service Zones 1 and 2 receive services. Located along the State Highway 1 corridor, Service Zones 1 and 2 cover approximately one-third of the District's territory (see Figure 1-1). Properties within Service Zones 3 and 4, while within the District boundaries, do not currently receive services from the District and rely on individual onsite septic systems.

The District also provides outside agency services to two areas in northern Sonoma County: a portion of The Sea Ranch development and Gualala Point Regional Park (see Section 3.1.2 for more detail).

3.1.2 Outside Agency Services

The District is party to multiple service agreements with both public and private parties to provide outside agency services to areas in neighboring Sonoma County.

3.1.2.1 SONOMA WATER AGENCY – SEA RANCH SANITATION ZONE, NORTHERN FACILITY

The District maintains its Tri-Party Agreement with the County of Sonoma (Sonoma Water Agency), which owns and operates the Sea Ranch Sanitation Zone (SRSZ), and Sea Ranch Golf Links (SRGL). This 40-year agreement was adopted in 1991 and was amended and restated in March 2016; the current rates were negotiated in November 2023.

The Sea Ranch residential development and its golf course (SRGL) are located in the Sonoma Water Agency's (SWA) SRSZ, which was formed in 1972. The Sonoma County Board of Supervisors (BOS) serves as the Board of Directors for the SWA SRSZ. While Sonoma County owns the SRSZ facilities, the Sea Ranch Water Company operates the system. The SRSZ owns two wastewater treatment facilities: the Central Plant located at 37875 Highway 1, and the Northern Plant located at 41775 Highway 1. Under the Tri-Party Agreement, the District treats raw wastewater from the Northern Plant at its Wastewater Treatment Plant (WWTP). The District then disposes of the tertiary effluent through a contract with the SRGL for

irrigation purposes. The SRSZ Service Area comprises 4,600 acres in total and serves a population of 1,100 (607 single-family dwelling unit equivalents, though the exact number of parcels served is unknown).



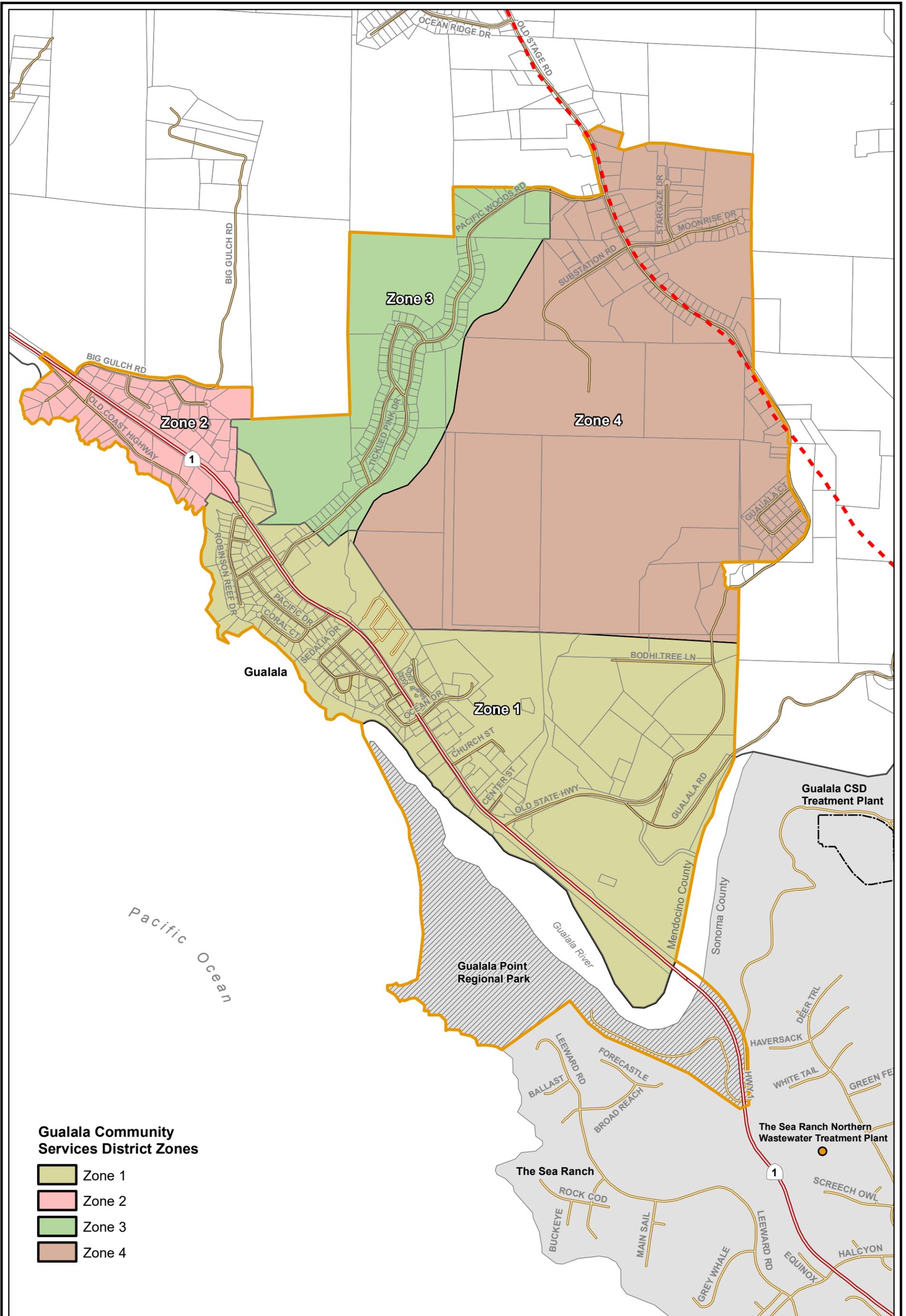
Figure 3-1: The Sea Ranch Development

Source: The Sea Ranch [website](#); Photo credit: Bill Oxford.

3.1.2.2 SONOMA COUNTY – GUALALA POINT REGIONAL PARK

The District also maintains an agreement with Sonoma County to service Gualala Point Regional Park. The terms of the agreement include District collection and treatment of wastewater originating from the Park, which is managed by the Sonoma County Parks Department. The Park is located adjacent to the District boundary in Sonoma County, just south of the Mendocino County line and Gualala River, and north of The Sea Ranch (See Figure 3-2). In 2016, the Gualala Point Regional Park was added to the District's SOI in acknowledgement of the extended services. The Park is part of the larger Sonoma County Regional Parks system and consists of 195 acres of open meadows and coastal forest and contains a visitors' center, picnic tables, a campground, a 2.9-mile trail system, and Gualala Point Beach.

As part of this agreement, the District also provides pumping services via truck to six nearby facilities owned by Sonoma County: Salal Beach, Shell Beach, Pebble Beach, Black Point Beach, Stillwater Beach, and Stillwater campgrounds. No records exist of the original agreement; however, the District reports that the Park has paid fees since service began in 1992.



Gualala Community Services District Zones

- Zone 1
- Zone 2
- Zone 3
- Zone 4

Gualala Community Services District Zones

- Gualala CSD SOI 2016
- Out of District Services Area
- Parcels
- Coastal Zone Boundary
- Highways
- Roads

Source: This map was prepared by the Mendocino County Information Services Division, GIS Program, March 8, 2024.



3.2 Wastewater Services

3.2.1 System History

Due to the District's location within the environmentally sensitive Gualala River Watershed, the State Water Resources Control Board (SWRCB) took particular interest in the District during its inception and recommended that the WWTP be located in Sonoma County, partially as a reclamation facility for the SRGL. The use of the GCSD's reclaimed water to irrigate the golf course is beneficial because the Regional Water Quality Control Board (RWQCB) regulations prohibit wastewater from being discharged directly to a ditch, creek, or stream. Authorities felt that this recommendation would also reduce and offset freshwater demands on the Gualala River.

Construction of the infrastructure and treatment facilities was completed in September 1992 and the WWTP began operations on October 1, 1992. Subsequent improvements to the system's infrastructure are discussed in Section 3.2.3.2.

3.2.2 Service Overview

Services provided by the District include the collection, treatment, and disposal of wastewater generated by residential and commercial connections within the service area, and maintenance of related facilities and equipment. The District is regulated under North Coast RWQCB Order No. R1-2022-0004¹⁶.

The District serves approximately 415 equivalent dwelling units (EDUs) on a total of 369 parcels within Service Zones 1 and 2 (Table 3-1). Additionally, Sea Ranch North contributes approximately 494 EDUs. (MC Engineering, 2022B)

Source	Total Calculated EDUs per agency
Gualala Community Service District	415
Sea Ranch North	494
Total EDUs	909

3.2.3 Infrastructure and Facilities

The GCSD owns 15.47 acres just south of the County line and Gualala River in Sonoma County that contains the WWTP, a maintenance garage, an office trailer, and a lab. The District's facilities were constructed utilizing 10 percent local funding and a grant under the Clean Water Act (CWA) through the SWRCB. Construction of the infrastructure and treatment facilities was completed in September 1992 and the WWTP began operations on October 1, 1992. Wastewater is collected within the GCSD service areas and piped to the District's facility for treatment.

¹⁶ The District's Waste Discharge Requirements and Master Reclamation Permit are available here: https://img1.wsimg.com/blobby/go/dd308714-d493-42e5-84bd-d358e0fa409d/downloads/22_0004_Gualala_CSD_WDR.pdf?ver=1713304824442

Collection System

The GCSD collection system currently serves GCSD Service Zones 1 and 2, which comprise roughly one-third of the District boundary area. The collection system consists of 34,600 feet of gravity and 27,900 feet of pressurized mains ranging in diameter from two to six inches, interceptor tanks, and three lift stations. At the terminus of the collection system a fourth lift station, Lift Station No. 4, pumps collected septic tank effluent through a six-inch diameter force main to the WWTP on the south side of the Gualala River.



Figure 3-3: Aerial View of GCSD's Treatment Facilities

Each connection to the Gualala collection system includes a Septic Tank Effluent Pumping (STEP) process, which consists of a septic tank to separate the solids and pre-treat the wastewater and a submersible, low-horsepower sump pump that discharges the wastewater to the collection system. The District currently maintains a total of 238 septic tanks and 125 control panels, including 177 residential systems and 61 commercial systems. (MC Engineering, 2022B)

Additionally, collection infrastructure is constructed within and to the Gualala Point Regional Park, which has received service from the District since the WWTP became operational in 1992. The District also provides pumping services for some of the Park systems' waste systems that are not connected to the collection system.

The existing collection system and facilities are shown in Figure 3-5 and Figure 3-4.

Wastewater Treatment Facility

The District's wastewater treatment system is designed as an extended aeration activated sludge plant. The facility includes two aerated ponds and two clarifiers for secondary treatment, a travelling bridge and fine screen filter for tertiary treatment, and a chlorine contact chamber for disinfection (See Figure 3-5).

The GCSD WWTP includes four effluent storage ponds with a combined capacity of 28.4 million gallons (mg). Three of the ponds, totaling 20 mg of capacity, are located adjacent to the Gualala WWTP and were designed with subdrain systems that can be monitored to determine if there is leakage from the ponds. The fourth pond, with a capacity of 8.4 mg, is located at the Sea Ranch Northern Plant site.

Recycled water from all four effluent storage ponds is delivered to the SRGL, an 80-acre golf course, through an eight-inch diameter pipeline for irrigation of turf grass within the fairways, tee boxes, and greens.

The GCSD also owns several pieces of construction equipment used for trenching, driveway maintenance, drying bed cleaning, and work around the facility. GCSD staff reports the backhoe is in excellent condition

and is 11 years old; the trencher is also in excellent condition and was purchased new in 2006. The Caterpillar Inc. equipment is in very good condition and is 35 years old. A recently acquired roller is in good condition and is several years old (exact age unknown).



Figure 3-4: GCS D Gravity and Pressurized Sewer Mains

Source: MC Engineering, 2022B



Figure 3-4: Facility Location Map

Source: MC Engineering, 2022B

3.2.3.1 SEA RANCH SANITATION ZONE

The SRSZ is owned by the SWA (a division of Sonoma County) and operated by the Sea Ranch Water Company. The SRSZ system consists of collection lines, a Central Plant, a Northern Plant, and several storage ponds. The SRSZ currently serves 612 equivalent single-family dwellings within a 4,600-acre service area.

Wastewater service in the southern portion of SRSZ is either by private on-site septic systems or septic systems that utilize a common area that is managed by The Sea Ranch Association. Sea Ranch Water Company staff monitor the roughly two-thirds of Sea Ranch homes that use individual septic systems. The remaining homes use one of two sanitary sewer collection and treatment systems.

The Central Plant collection system includes a total of 1.9 miles of sewer lines, for which Sonoma Water Agency is responsible: 1.3 miles of gravity sewer mains, 0.3 miles of force mains and one pump station, and 0.3 miles of service laterals. Effluent is treated in the Central Plant WWTP.

The Sea Ranch North (SRN) Collection System collects sewage from the northern portion of The Sea Ranch development and includes 11 miles of four to twelve-inch PVC and asbestos cement gravity sewer and force mains. The majority of the pipeline is gravity. Flows from the SRN are conveyed by four dedicated lift stations to the County Service Area (CSA6) primary pond where the liquids are subsequently pumped through the SRN Plant to GCSO for secondary and tertiary treatment before it is returned for disbursement on the Sea Ranch Links golf course. Since 2014, the SRSZ's Northern Plant acts as a pumping station to transfer raw effluent collected within The Sea Ranch to the GCSO WWTP for treatment, disinfection, storage, and subsequent reclamation at the SRGL (MC Engineering, 2022B).

3.2.3.2 SYSTEM IMPROVEMENTS

The District takes measures to ensure the integrity of the wastewater collection system, including regular inspections of the system (visual and video) and adding cleanouts in the gravity lines for camera access.

The District reported that the WWTP and collection system are generally in good condition. However, as identified in the 2023 Rate Study, the system is aging and system-wide deterioration has been analyzed to identify infrastructure for replacement and/or upgrading.

The District recently experienced a failing filter, which was ultimately replaced, allowing the District to recondition the failed filter at a low cost. A second clarifier was added in 2017, making the major components of the treatment plant fully redundant. This substantially reduces risk in case of a major equipment failure. Additionally, in 2022 the District replaced the control panel at Lift Station #2 as a result of weather damage.

The 2023 Rate Study included recommended capital improvements, which were compiled based on current significant and necessary replacements and upgrades and based on age, deterioration, and new Water Discharge Requirements (WDR). Identified projects totaling \$10.7 million (Table 3-2) were submitted as part of a grant application to the SWRCB State Revolving Fund (SRF) program, which is still currently under review as of the publication of this report.

Table 3-2: Recommended Capital Improvements		
Component	Component Description	Total Cost (With Soft Costs and Contingency)
Aeration Basin	Short-Term Title 22 Aeration and Sludge Storage Improvements	\$117,359
Secondary Sedimentation	RAS Pump Station w/Handrails	\$235,303
Tertiary Filtration	Metering w/Turbidimeter and Programming	\$132,193
Disinfection	Metering	\$62,339
Tertiary Storage/Reclamation	Pond 1 Liner	\$518,104
Sludge Storage Basin	New Sludge Storage Basin	\$710,444
Sludge Dewatering Facilities (Drying Beds)	Drying Beds (Bags) and Landfill Hauling	\$1,001,499
Septage Receiving Facility	Septage Receiving	\$712,726
Operations Building, Administration, Vehicle and Equipment Storage, and Chemical Storage Room	Upgrade/Replace Siding on I Control Building (1,800 sf) (N) Admin Building (N) Vehicle/Equipment Storage (N) Chemical Storage Room	\$1,963,302
Potable Water	Potable at WWTP with Use of Existing 5,000 Gallon Tank	\$52,599
Fire Protection Facilities	Emergency Fire-Flow at Plant	\$336,186
Access Road	Road Improvements, Only	\$538,427
Emergency Access for Pipeline Repairs	1065 LF Cleaning and Grubbing I(E) FM	\$89,752
GCSO STEP Systems (Interceptor Tanks)	Rehabilitation of (E) STEPS	\$2,180,202
GCSO Lift Stations	LS 1-4 Improvements	\$1,958,138
Sea Ranch North Collection System and CSA 6 Facility	Aeration/Pond/Pump Improvements	\$105,309
Total Cost for Existing Facility Improvements		\$10,713,882

Source: 2023 Rate Study prepared by MC Engineering, Inc.

3.2.3.3 ENGINEERING REPORTS

In 2022, MC Engineering prepared the *SWRCB Grant Funded Wastewater Project Engineering Report* for the District with grant funds from the Clean Water State Revolving Fund (CWSRF). The planning study addressed deficiencies and impending issues with the District's wastewater collection system, WWTP, and the associated service area by recommending future capital improvement projects and related funding sources and responsibilities. The study also identified unsewered areas both within and outside the GCSO boundaries for potential inclusion in the District's service area (MC Engineering, 2022A).

3.2.4 Service Adequacy

Based on information provided by the District regarding facilities, management practice and accountability, and financing, GCSO's services appear to be limited but adequate for its current customers

and agreements. However, a number of infrastructure improvements have been identified that will be necessary in order to accommodate future growth.

Although very little growth is likely to occur within the District within the planning horizon of this study, the identified infrastructure improvements and capacity will be needed to serve the potential buildout of the District’s service area or for the District to serve its Service Zones 3 and 4. The limitations would apply to remaining undeveloped residential lots in the Sea Ranch development as well, as it pertains to the Tri-Party Agreement. Though the newly adopted service rates for both District customers and under the Agreement include escalating increases over the next five years, the increased revenue is expected to just barely cover rising expenditures, leaving the District to find additional revenue or grants to fund the identified infrastructure upgrades, particularly if not awarded the SRF grant (Table 3-2).

The cost of the recommended infrastructure improvements is beyond the District’s current finances, which will necessitate successful grant awards to support those projects. However, the District has recently applied to the SWRCB Disadvantaged Community (DAC) program for \$10.7 million to upgrade the WWTP and existing infrastructure to increase capacity to meet anticipated needs. The District was able to complete an engineering study under a planning grant from the SWRCB that supports their current grant application.

3.2.4.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

The District operates under RWQCB Order No. 91-2022-0004 (pursuant to Waste Discharge Requirements Order No. 92-120, adopted on September 24, 1992). As required by the permit, the General Manager prepares monthly and annual reports for the RWQCB. A regulatory history of the District can be found below in Table 3-3.

Table 3-3: SWRCB – GCSO Regulatory Measures

<u>Reg Measure ID</u>	<u>Reg Measure Type</u>	<u>Program</u>	<u>Order No.</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Status</u>	<u>Amended?</u>
409176	WDR	WDRMUNIOTH	R1-2022-0004	04/07/2022	04/07/2032	Active	N
261039	Letter	WDR	051203	05/12/2003		Historical	N
137948	WDR	WDRMUNIOTH	92-120	09/24/1992	09/22/2014	Historical	N
137888	WDR	WDRMUNIOTH	89-030	04/26/1989	04/26/1994	Historical	N

Source: North Coast Regional Water Quality Control Board

The District submitted incomplete Reports of Waste Discharge (ROWD) and Title 22 Recycled Water Engineering Reports in 2016, 2017, 2019, and 2020. These submittals were modified in response to Regional Water Board comments and State Water Board Division of Drinking Water (DDW) staff comments. On May 11, 2021, the District submitted a written response titled *GCSO Response to SWRCB DDW review of May 2020 Resubmittal of Title 22 Technical Report* for DDW review. On July 7, 2021, DDW provided a letter conditionally accepting the May 2020 Title 22 Recycled Water Engineering Report with the update provided by the District’s response. Additionally, on November 23, 2021, the District submitted a revised Engineering Report titled *Production, Distribution, and Use of Recycled Water – November 2021 Resubmittal* (Title 22 Engineering Report), which updated the November 2021 Title 22 Engineering Report

to include the results of a tracer study conducted by the District on its chlorine disinfection system. The DDW issued acceptance of the report in April 2022¹⁷.

The GCSD and Sea Ranch North collection systems, including the temporary storage of wastewater at the Sea Ranch North effluent pond, are enrolled separately under SWRCB Order No. 20060003-DWQ, Statewide Waste Discharge Requirements for Sanitary Sewer Systems.

3.2.4.1.1 Sanitary Sewer Spills

A sanitary sewer spill is a discharge of sewage from any portion of a sanitary sewer system due to a sewage overflow, operational failure, and/or infrastructure failure. The SWRCB's Sanitary Sewer Spill Incident Map shows spill reports for individual locations where sewage was discharged from a sanitary sewer system enrolled under the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems Order, Water Quality Order (WQO) No. 2022-0103-DWQ (the Statewide Sanitary Sewer Systems Order).

When searching the SWRCB's sanitary sewer overflow (SSO) incident data for GCSD, only one spill incident was identified for the District, which was listed as a Category 1 Spill Events¹⁸.

Category 1 Spill Events are defined as a spill of sewage from or caused by a sanitary sewer system regulated under the General Order that results in a discharge to:

- A surface water, including a surface water body that contains no flow or volume of water; or
- A drainage conveyance system that discharges to surface waters when the sewage is not fully captured and returned to the sanitary sewer system or disposed of properly.

Any spill volume not recovered from a drainage conveyance system is considered a discharge to surface water unless the drainage conveyance system discharges to a dedicated stormwater infiltration basin or facility.

On May 11, 2008, as a result of a pipe structural failure, a total of 33,264 gallons of effluent spilled; 9,000 was recovered by GCSD. Three additional SSOs took place in 2005 and 2008, which led to enforcement actions from the RWQCB. The RWQCB levied fines on the District, which were paid. Additionally, peak flow capacity was exceeded in February 2009 and January 2010 at 0.1324 million gallons per day (mgd) and 0.1726 mgd, respectively. There have been no additional spills or violations noted in the online reporting system since 2008.

3.2.4.2 CAPACITY

The District takes measures to ensure the integrity of the wastewater collection system, including regular inspections of the system (visual and video) and adding clean outs in the gravity lines for camera access. The District reported that the WWTP and collection system are generally in good condition.

The WWTP has a design capacity of 131,000 gallons per day (gpd). The current daily average of 77,500 gpd represents 59 percent of the design capacity; therefore, it can be determined that the District has capacity to handle some limited growth.

¹⁷ Summary provided by the SWRCB in the GCSD Waste Discharge Requirements and Master Reclamation Permit.

¹⁸ Data for Spill Events can be found here: https://www.waterboards.ca.gov/water_issues/programs/sso/

The WWTP annually treats approximately 28.25 million gallons (mg), which is based on actual flows from 2023. The District's four effluent storage ponds have a combined capacity of 28.4 mg. A 2016 ROWD prepared by the District in compliance with the North Coast RWQCB permit identified that the storage pond capacity for recycled water is inadequate during periods of above-average precipitation. At the time, the District stated that they were concerned that the cost of constructing additional recycled water storage to address extreme wet weather conditions was not an effective use of its limited financial resources.

Should the SRSZ treatment facilities be upgraded as needed and full wastewater services be assumed by the SWA (see Section 2.3.5.2), the GCSD would have additional capacity to serve areas in GCSD Service Zones 3 and 4, as well as Proposed Zone 5 (see below).

3.2.4.2.1 Sea Ranch Sanitation Zone

The SWA-owned SRSZ consists of two treatment facilities; however, only the Northern Plant sends its flows to the GCSD for treatment. Since 2014, the Northern Plant has operated as a pumping station to move untreated effluent to the GCSD WWTP for treatment. The Northern Plant, which began operation in 1972, is no longer permitted as a WWTP. The SWA's discharge permit was rescinded by the SWRCB in 2022 when the GCSD's WDR was issued; the Northern Plant is now classified as part of the SWA collection system.

Currently, the SRSZ Northern Plant pumps a daily average of 47,039 gpd to the GCSD WWTP, which accounts for approximately 60 percent of the overall effluent flowing through the GCSD facility.

3.2.4.2.2 Gualala Point Regional Park

In addition to a collection system, the District provides pumping services to the Gualala Point Regional Park. In 2015, the District purchased a new truck to service the Park. No other updates regarding this service were provided.

3.2.4.2.3 Future Service Areas

3.2.4.2.3.1 Service Zones 3 and 4

Service Zones 3 and 4 are located within the District's current boundaries. However, except for isolated collection system extensions to address failing septic systems, the District does not have the infrastructure or capacity to serve these zones comprehensively. In 2003, the District commissioned a *Sewer Feasibility Study*, which outlined various options and costs for extending and expanding District facilities to provide sewer service to these zones. Any service extended to these areas would require large infrastructure installations, increased capacity at the WWTP, Coastal Commission permits, and extensive environmental review.

The District would likely need a new assessment to fund an extension of services to the entirety of Zones 3 and 4, which would require a resident majority to pass. Extending full service to either zones would necessitate significant financial investment from the District and residents in this area, which is not presently feasible.

Notably, the 2018 planning grant awarded to the District was originally intended to cover the cost of an updated feasibility study to assess expanding service to Zones 3 and 4. However, during the study development, it became apparent the WWTP would need to be upgraded to accommodate the additional flow that would be created by Service Zones 3 and 4. Further, the current collection system in Service Zones 1 and 2 needed rehabilitation before an expansion of the system could take place. It is noted that

the projected effluent flows for Service Zones 3, 4, and proposed Zone 5 are estimated to be 50,000 to 75,000 gpd.

Due to costs of engineering and installation of infrastructure, and residents' preference, the District has no immediate plans to expand their facilities beyond their current service areas.

3.2.4.2.3.2 Proposed Zone 5

Also identified in the *SWRCB Grant Funded Wastewater Planning Project Engineering Report (MC Engineering 2022B)* was an area north of the District boundary that has reported septic system failures. The area, identified as Proposed Zone 5, is located along Old Stage Road and Ocean Ridge Drive. The need for future service within this area is critical to addressing possible groundwater and surface water pollution by replacing the current septic tanks with interceptor tanks for collection and transmission to the WWTP. Existing septic systems have a variety of inherent deficiencies as a result of, and/or a combination of, high groundwater, steep slopes, tree roots, settlement around septic tanks, improper construction techniques, and other miscellaneous issues. Providing sewer service to the expansion area will require additional force mains, gravity sewer mains, and lift stations, including new infrastructure and appurtenances from the street mains to the homes (MC Engineering, 2022B).

3.2.4.3 NEEDS AND DEFICIENCIES

The District's 2023 Rate Study identified that the condition of the existing infrastructure facilities required immediate attention, due to both age and system-wide deterioration and condition. More specifically, the General Manager noted that some collection system components were exposed to the elements within Service Zones 1 and 2 and are beyond their useful life or are corroded due to the above-average moisture in the air (i.e., components include the lift station pump control panels, lift station discharge piping, relief valves, check valves, and gate valves).

The SWRCB DAC grant application for \$10.7 million submitted by the District covers many of the infrastructure needs identified in Table 3-2.

3.3 Determinations

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

3.3.1 MSR Review Factors

3.3.1.1 GROWTH

Growth and population projections for the affected area

1. The estimated number of residents served within Zones 1 and 2 is approximately 816, based on the number of residential connections and average household size in the County.
2. The population growth within Mendocino County was an average of 1.1 percent annually between 2000 and 2010. The current growth trends for the County are at a slightly negative rate.
3. The District anticipates limited population growth in the future within Zones 1 and 2, primarily due to a moratorium on new potable water connections from the North Gualala Water Company (NGWC) which constrains new development.
4. A significant increase in system capacity to collect and treat wastewater would be required to expand service provision into Zones 3 and 4. However, GCSD has completed a feasibility study that analyzes and provides options for future expansion of service to Zones 3 and 4 and is actively pursuing grant funding to implement the identified capital improvements.

3.3.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

5. The District serves the unincorporated community of Gualala. Because Gualala is not a Census Designated Place (CDP), the Median Household Income (MHI) of its residents is assumed to approximate the County MHI of \$56,378. The MHI for Gualala is less than 80 percent (71 percent) of the statewide MHI of \$78,672 and is therefore categorized as a Disadvantaged Unincorporated Community (DUC). The residents of Gualala are receiving adequate essential municipal services of fire, water, and wastewater for the area. While these areas currently do not lack public services they would benefit from upgraded systems.

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

6. The GCSD was established in 1986 to provide collection and treatment of wastewater.
7. Mendocino County Board of Supervisor Resolution 86-175 also indicates the District can provide storm water services; however, it is unclear whether the District has ever provided this service and it has never been activated through LAFCo.
8. The GCSD is divided into four service zones (Zones 1, 2, 3, and 4) within its boundaries; only Service Zones 1 and 2 receive wastewater services.

9. Zones 1 and 2 consist of 353 parcels along the State Highway 1 corridor, each of which has its own interceptor tank. All new development within Service Zones 1 and 2 is required to connect to the wastewater treatment system.
10. Expansion of wastewater collection, treatment, and disposal service into Zones 3 and 4 would require significant infrastructure upgrades to the system capacity, in addition to new collection infrastructure. These upgrades have been studied in detail by the District in their 2003 Sewer Feasibility Study. No expansion is planned at this time.
11. Upon recommendation of the RWQCB, the GCSO WWTP was constructed on District-owned property located outside the District's boundaries, south of the Gualala River in Sonoma County.
12. The GCSO WWTP has a design capacity of 131,000 gpd. The current daily average of 77,500 gpd represents 59 percent of the original design capacity. The District has sufficient capacity to serve existing connections, including the outside agency service agreements for the Gualala Point Regional Park and the SRSZ North Plant.
13. The outside agency services Tri-Party Agreement with SWA and SRGL has been in place since 1991. In November 2023, the Sonoma County Supervisors approved a negotiated new rate of \$13.28 per 1,000 gallons (a 56 percent increase) that went into effect beginning January 1, 2024. The District is also in negotiations with SRGL to increase rates for tertiary treatment of wastewater for use of reclaimed water on the golf course.
14. The existing outside agency service agreement with Sonoma County to serve the Gualala Point Regional Park has been in place since 1992 and remains current.
15. The 2023 Rate Study identified numerous improvements to the collection system and WWTP necessary to maintain adequate service. The District is actively seeking grant funding to address its capital improvement needs.
16. Should the SRSZ assume full-service provision internally, the GCSO WWTP may have increased capacity to provide services to other areas (i.e., Service Zones 3, 4, and proposed Zone 5).
17. No boundary changes are pending or proposed at this time.

3.3.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services

15. The GCSO is funded primarily through service charges and sewer fees.
16. The implementation of the 28 percent rate increase scheduled over the next 5 years will support the District's financial stability.
17. The District's Sewer System Management Plan (SSMP) describes their approach to addressing long-term capital improvement needs. New development proposals will need to fund required improvements to the system's capacity.
18. Residents in Zones 3 and 4 have reported failing septic systems and expansion of service into those areas has been extensively studied by GCSO. Paying for the upgrades in infrastructure that would be needed to achieve this expansion is a concern to the District and residents. Potential sources of funding have been identified, including property assessments, bonds, and grants. However, a detailed financing plan has not yet been completed, partly due to preferences by local property owners to retain their existing septic systems.
19. Rates should continue to be reviewed and adjusted as necessary to fund District costs and provide for capital improvements as needed.

3.3.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

20. The GCSD does not presently practice wastewater facility sharing; however, it maintains a Tri-Party Agreement with SWA's SRSZ to provide treatment of wastewater from the SRSZ North Plant and to dispose of treated wastewater at the SRGL.
21. The District has provided outside agency services to Gualala Point Regional Park since 1992 as part of a service agreement with Sonoma County.
22. The District has a contract with Mendocino County Water Works District No. 2 (MCWD2) to provide management, operations, administrative support, and a shared office space to MCWD2.
23. Based on the current contractual arrangement between GCSD and MCWD2 to provide essential services to MCWD2, the District could consider expanding the services offered to MCWD2 where possible and potentially explore consolidation options.
24. The District holds its board meetings in the Coast Life Support District offices.
25. No other opportunities for shared facilities have been identified at this time.

3.3.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

26. GCSD demonstrated accountability through its prompt disclosure of information requested by LAFCo for preparation of this MSR.
27. Board meetings are publicly noticed and appear to comply with the Brown Act. Meetings are held on the fourth Thursday of each month.
28. The District maintains a website with recent meeting agendas and information; however, some compliance components appear to be missing. It is recommended that the District continue to develop their website to achieve compliance with Senate Bill (SB) 929. A website compliance handout is included in Appendix C.
29. The District practices cost reduction through careful purchasing and bidding processes that are guided by policies adopted by the District Board.
30. In the short-term, no additional cost avoidance opportunities have been identified.
31. According to audits provided by the District, the GCSD follows standard accounting procedures.
32. Board Members have access to GCSD data, records, and information.
33. The District does not currently have a strategic plan that outlines its mission statement, vision statement, and goals and objectives. Developing a strategic plan could help the District improve upon planning efforts, accountability, and transparency.
34. The GCSD does not currently participate in the Gualala Watershed Council, participation could be beneficial in increasing District outreach with its residents and collaboration within the community through this network of community leaders. Participation in the Watershed Council could also give the District advance notice on upcoming grant opportunities, potentially leveraging watershed and community projects to also support infrastructure and service improvements, and other opportunities for community collaborations.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo) prepares a Municipal Service Review (MSR) prior to or in conjunction with the Sphere of Influence (SOI) Update process. An SOI Update considers whether a change to the SOI, or probable future boundary, of a local government agency is warranted to plan the logical and orderly development of that agency in a manner that supports the Cortese-Knox-Hertzberg (CKH) Law and the Policies of the Commission. The MSR and required determinations are presented in Chapters 2 and 3 of this document and form the basis of information and analysis for this SOI Update. This chapter presents the SOI Update and required determinations pursuant to Government Code (GC) Section (§) 56425(e).

4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying a SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with local LAFCo policies.

The following Sphere of Influence policies are from the Mendocino LAFCo Policies and Procedures Manual, adopted November 5, 2018.

10.1.1 Legislative Authority and Intent

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

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

10.1.2 Definitions

The Commission incorporates the following definitions:

- a) an "establishment" refers to the initial development and determination of a sphere of influence by the Commission;
- b) an "amendment" refers to a limited change to an established sphere of influence typically initiated by a landowner, resident, or agency; and
- c) an "update" refers to a comprehensive change to an established sphere of influence typically initiated by the Commission.

10.1.3 Sphere Updates

In updating spheres of influence, the Commission's general policies are as follows:

- a) The Commission will review all spheres of influences every five years for each governmental agency providing municipal services. Municipal services include water, wastewater, police, and fire protection services.
- b) Sphere of influence changes initiated by any agency providing a municipal service shall generally require either an updated or new service review unless LAFCo determines that a prior service review is adequate.
- c) Spheres of influence of districts not providing municipal services including, but not limited to, ambulance, recreation, hospital, resource conservation, cemetery, and pest control shall be updated as necessary.

10.1.4 Reduced Spheres

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

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

10.1.5 Zero Spheres

LAFCo may adopt a "zero" sphere of influence encompassing no territory for an agency. This occurs if LAFCo determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency (e.g., mergers, consolidations). The local agency which has been assigned a zero sphere should ultimately be dissolved.

10.1.6 Service Specific Spheres

If territory within the proposed sphere boundary of a local agency does not need all 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 (GC §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 GCSO's SOI was originally established in 1986 as part of the District's formation and was last updated by LAFCo in 2016. In 2016, the SOI was expanded to include the Gualala Point Regional Park, which is located in Sonoma County and has been served by the GCSO since 1992.

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.

4.2.1.1 MENDOCINO COUNTY WATERWORKS DISTRICT NO. 2 – ANCHOR BAY

The District has been party to a contract with the Mendocino County Waterworks District No. 2 (MCWD2) since early 2023 to provide management, operations, and administration of that agency's wastewater facilities and services. The MCWD2 provides wastewater treatment services to approximately 80 customers, some of whom have multiple connections. Their service area includes the unincorporated community of Anchor Bay with approximately 68 residences, the Anchor Bay Campground, and a small commercial area straddling State Highway 1. There are several customers who own more than one Equivalent Dwelling Unit (EDU); therefore, the total number of treatment connections is closer to 100.

The MCWD2 Board President has stated that the contract with GCSO has enabled the District to address long-deferred infrastructure and management issues that would have otherwise threatened the District's ability to provide adequate wastewater services. The potential for consolidation of the agencies has been broached by staff and individual members of the boards; however, no formal discussions have taken place yet.

District staff state that the WWTP has sufficient capacity to serve the MCWD2 customers should consolidation or regionalization be pursued.

4.2.1.2 UNSEWERED AREAS AND PROPOSED ZONE 5

Unsewered areas within GCSD Zones 3 and 4, as well as outside boundary areas located along Old State Road and Ocean Ridge Drive have been experiencing septic system failures. These areas were identified in the 2022 *SWRCB Grant Funded Wastewater Planning Project Engineering Report* prepared by MC Engineering as proposed Zone 5. The need for future service of unsewered development in Zones 3, 4, & 5 is critical to remove the possibility of groundwater and surface water pollution by upgrading/replacing the current septic tanks into interceptor tanks. This would facilitate the treatment and disposal of the unsewered portions of the community which is experiencing health risk and water pollution problems due to the failures of on-site septic systems (MC Engineering, 2022B) (See Figure 4-1).

The District is pursuing grant funding to implement WWTP and collection system improvements that will increase capacity sufficient to serve these unsewered areas. The Engineering Report identified specific infrastructure needs and preliminary mapping of the proposed Zone 5 and unsewered areas of Zones 3 and 4 (Figure 4-1).

4.2.1.3 THE SEA RANCH

The Sea Ranch is a planned community consisting of approximately 2,200 homes and undeveloped lots governed by a homeowners association (HOA) and a board of directors. The Sea Ranch located in Sonoma County and within County Service Area 6, which is operated by Sonoma Water Agency (a division of Sonoma County), for sewer services. GCSD has been party to the Tri-Party Agreement between Sonoma County and the Sea Ranch Sanitation Zone since 1991, with amendments in 2016 and rate adjustments in 2023. The Sea Ranch Association operates two wastewater collection and treatment facilities, one of which (the Northern Plant) acts as a pumping station to send collected raw wastewater to the GCSD WWTP for treatment. The GCSD sells its tertiary treated water to The Sea Ranch Golf Links for irrigation purposes. See Section 3.2.3.1 for more information.

As such, the District has substantial economic and service ties with the master planned community known as [the Sea Ranch](#). Although the community is located south of the District in Sonoma County, it is directly adjacent to the GCSD.

It is noted that the Sea Ranch Association (SRA) is currently in discussions with the SWA, which oversees SRSZ, regarding upgrading the two treatment facilities located within The Sea Ranch to SWA and transferring services to SWA. Should this occur, it would likely negate the relationship with GCSD and free up capacity in the District's WWTP.

4.2.1.4 RECREATION SERVICES

There has been expressed interest (particularly through the GMAC) in the creation of a special district in the south coast area (including Gualala, Anchor Bay and north to Manchester) focused on the provision of recreation services for the region. Rather than creation of a new district, it is often a more logical and efficient route to consider expanding service powers of existing special districts. The CSD principal act allows for provision of recreation services upon activation of that latent power should the District and south coast community wish to pursue recreation services. There have been no formal proposals at this time.

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 within a LAFCo-designated AOI will be treated the same as if these areas were within the city or district SOI boundary, particularly regarding notifications and consideration of input from the city or district.

It is recommended the Commission establish AOIs, as follows (See Figure 4-1):

1. The MCWD2 (Anchor Bay) service area, acknowledging the potential for consolidation of services; and
2. GCSD's proposed Zone 5, indicating the District's interest in future annexation and service to this area once necessary capacity upgrades are implemented and that it will likely occur outside the planning horizon of this study.

4.3 Proposed Sphere of Influence

The District has expressed interest in expanding its SOI north to include the MCWD2 serving Anchor Bay, and northeast to include proposed Zone 5 along Old Stage Road and Ocean View Drive.

The MCWD2 is located approximately three miles north of the current GCSD boundaries. There has been interest expressed by staff and individual board members from both districts in studying a potential consolidation of the two agencies, or alternatively, a regionalization of wastewater services.

Although an initial planning study has been prepared, until significant infrastructure and WWTP upgrades have been funded and implemented, the expansion remains conceptual and an expansion of the SOI to cover these areas would be premature.

4.4 Consistency with LAFCo Policies

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

The proposed District SOI is consistent with Mendocino LAFCo Policies (see Section 4.1 for 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 §56425I. 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.

4.5.1 Present and Planned Land Uses

The primary land uses within the District service area are described in Section 2.5. The entirety of the District service area is located around the community of Gualala in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and small commercial areas, many of which are specific to the town of Gualala (i.e., Gualala Village Mixed Use and Gualala Planned Development, etc.) and described in the County's Gualala Town Plan. Agricultural uses also exist within the area (Timberland Production and Forest Land). The outside agency service area of Gualala Point Regional Park, which is located in Sonoma County, is generally considered open space, but services provided are for recreational public facilities and therefore are also consistent with LAFCo policy. The Gualala Town Plan includes land use policies that support new residential and commercial development in the area. However, water conservation efforts mandated by the California Public Utilities Commission (CPUC) since September 2014 have severely limited development in the area. Furthermore, 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

Within the GCSD service area, the District provides wastewater treatment services to approximately 416 billable units on a total of 369 parcels within Service Zones 1 and 2 (252 residential homes, 2 mobile home parks with 78 residential units, 141 commercial uses, and a handful of mixed use residences [commercial and residential]). Given the current water service moratorium and anticipated low growth rate, the need for services presently provided by the District are expected to remain fairly consistent with only a slight increase in the foreseeable future. More notably, as described in Section 2.5.3, the North Gualala Water Company (NGWC) currently has a water moratorium in place that prohibits new connections for potable water. Until that moratorium is lifted, no new building permits will be issued. The US Census's 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.

The outside agency service area of Gualala Point Regional Park is expected to continue to require service and services may expand as Sonoma County improves its visitor amenities.

The outside agency services provided to the Sea Ranch Sanitation Zone (SRSZ) may become unnecessary soon, as the Sonoma Water Agency (SWA) and SRSZ explore options for providing services independently.

With development of the 2022 *SWRCB Grant Funded Wastewater Planning Project Engineering Report*, numerous failed or failing septic systems were identified in GCSD Service Zones 3 and 4, as well as within an area identified as proposed Zone 5. Zones 3 and 4 are within the GCSD boundaries but do not currently receive wastewater services; proposed Zone 5 is located adjacent to the northeastern boundary of the District along Old Stage Road and Ocean View Drive. Serving these areas will require infrastructure installation and WWTP upgrades to increase capacity, and, in the case of proposed Zone 5, annexation into District.

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

The current design capacity of the Wastewater Treatment Plant (WWTP) is 131,000 gallons per day (gpd). The District's WWTP serves approximately 416 billable units on a total of 369 parcels within Service Zones 1 and 2. District facilities include four effluent storage ponds with a combined capacity of 28.4 million gallons; it has been noted that capacity of the ponds is insufficient during periods of above average precipitation. The District has experienced only a few noted violations; five since July 2005 with the most recent taking place in September 2022. The District's infrastructure is in need of extensive repairs in order to continue providing adequate service to its existing customers. The District applied for State grant funding totaling \$10.7 million to help cover the costs of the needed improvements; this grant is currently still under review for approval.

In 2022, MC Engineering prepared the *State Water Resources Control Board Grant Funded Wastewater Planning Project Engineering Report*, which the District is using to pursue grant funding to implement. The District has submitted an application for the State Water Resources Control Board (SWRCB) Disadvantaged Community (DAC) program grant funding amounting to approximately \$10.7 million to implement the improvements and upgrades to its collection system and WWTP in order to increase capacity to serve Zones 3 and 4, as well as proposed Zone 5.

There have been initial conversations regarding potential consolidation or regionalization of services with MCWD2, which is located several miles north of the District. The GCSD currently provides management, operations, and administration services under contract with MCWD2, which has, until recently, been run primarily by board members. Should the GCSD consolidate with the MCWD2, or regionalize services, a robust plan for services would be developed, including a financial analysis and plan for providing the services to the Anchor Bay community. Any such change of organization would require consideration and approval by LAFCo. District staff have indicated there is sufficient capacity to treat effluent from the MCWD2 customers.

Another capacity consideration relates to the current consideration by the SWA and SRSZ to assume full service provision internally. Should that occur, the GCSD WWTP would have increased capacity to provide to other service areas (i.e., Service Zones 3, 4, and proposed Zone 5).

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

The District has substantial economic and service ties with the community of Sea Ranch immediately south of the District. The Sea Ranch is located in the SRSZ, which is owned by the SWA and who is one of the

parties to the Tri-Party Agreement with GCSD and Sonoma County. The Tri-Party Agreement has been in place since 1991, was updated in 2016, and again in 2023 to establish new rates that reflect a 56 percent increase and take effect as of January 1, 2024; this increase should have a substantial impact on the District's revenues. Given that the District treats a significant amount of the wastewater generated from the SRSZ, any changes that may affect the Sea Ranch will likely have an impact on the District.

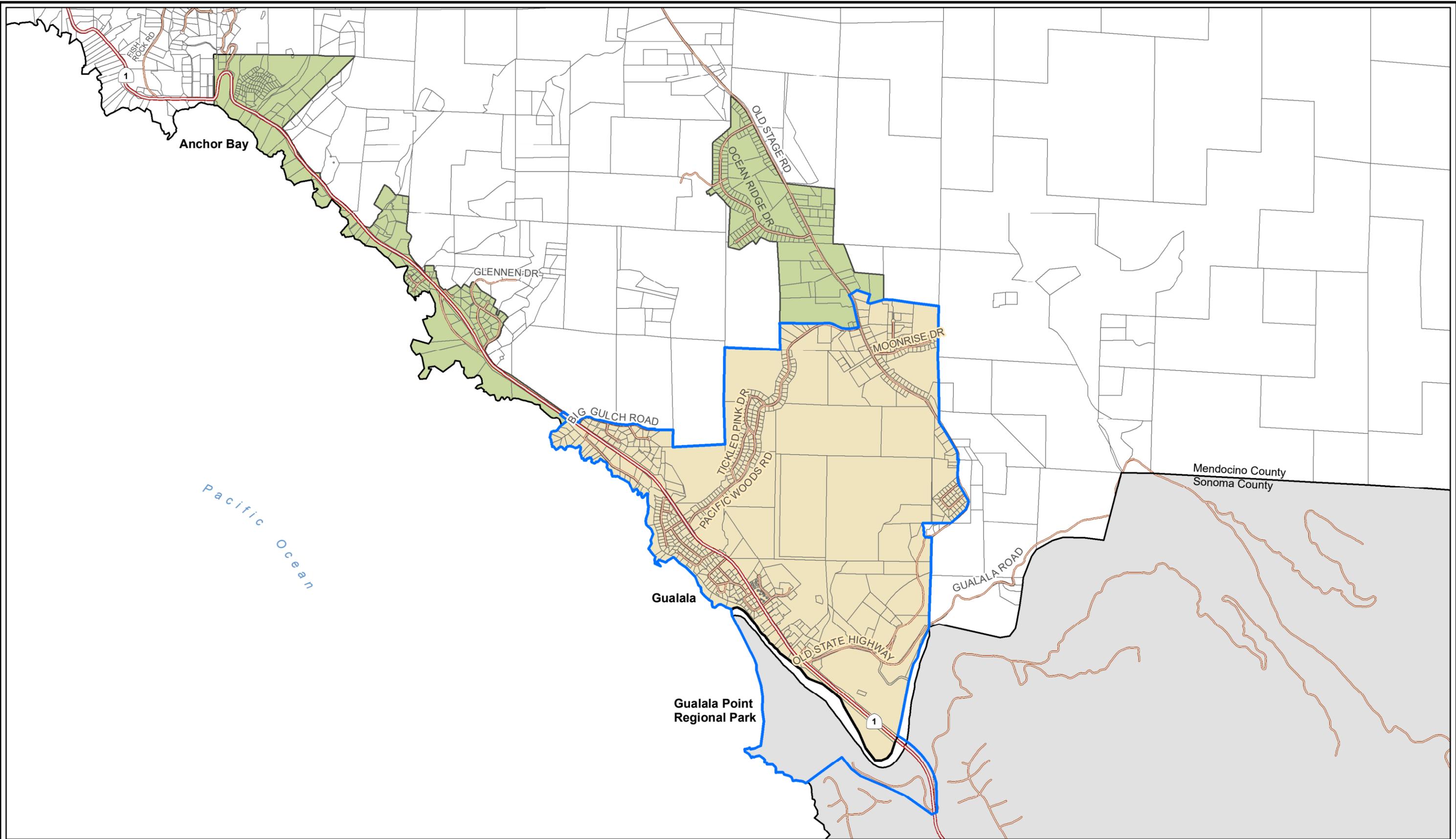
4.5.5 The present and probable need for public facilities and services of any disadvantaged unincorporated communities

The District serves the unincorporated town of Gualala. Because the community of Gualala is not a Census Designated Place (CDP), the Median Household Income (MHI) of its residents is assumed to approximate the County MHI of \$56,378. The MHI for Gualala is less than 80 percent (71 percent) of the statewide MHI of \$78,672 and is therefore considered to be a Disadvantaged Unincorporated Community (DUC). The residents of Gualala are receiving adequate essential municipal services of fire, water, and wastewater for the area. While these areas currently do not lack public services they would benefit from upgraded systems

4.6 Recommendation

Pursuant to The Community Services District Law (GC §61100), the Commission does hereby establish the functions and classes of services provided by the Gualala Community Services District as limited to wastewater collection and treatment.

Based upon the information contained in this report and the expressed interest of the GCSD, it is recommended that the 2014 Gualala Community Services District Area SOI be affirmed with no changes. Further, it is recommended that two AOs be established: (1) the MCWD2 boundaries, serving the Anchor Bay community; and (2) the proposed Zone 5, located adjacent to the northeast boundary of the District along Old Stage Road and Ocean View Drive. (Figure 4-1)



Gualala Community Services District Area of Interest

Source: This map was prepared by the Information Services Division GIS Program, July 10, 2024.
 Note: This map is not a survey product.

- | | | | |
|---|-------------------------------------|---|----------|
|  | Gualala Community Services District |  | Parcels |
|  | Area of Interest |  | Highways |
|  | Sphere of Influence |  | Roads |

1,000 500 0 1,000
 Feet



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6 ACKNOWLEDGEMENTS

6.1 Report Preparation

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

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

6.2 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.

Gualala Community Services District	Chris Troyan, General Manager Geraldine LiaBraaten, Administrator
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7 APPENDICES

7.1 [Appendix A - Community Services District Law \(California Government Code §61100 Latent Powers\)](#)

- a) Supply water for any beneficial uses, in the same manner as a municipal water district, formed pursuant to the Municipal Water District Law of 1911, [Division 20 \(commencing with Section 71000\) of the Water Code](#). In the case of any conflict between that division and this division, the provisions of this division shall prevail.
- b) Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as a sanitary district, formed pursuant to the Sanitary District Act of 1923, [Division 6 \(commencing with Section 6400\) of the Health and Safety Code](#). In the case of any conflict between that division and this division, the provisions of this division shall prevail.
- c) Collect, transfer, and dispose of solid waste, and provide solid waste handling services, including, but not limited to, source reduction, recycling, and composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with [Section 41821.2 of the Public Resources Code](#).
- d) Provide fire protection services, rescue services, hazardous material emergency response services, and ambulance services in the same manner as a fire protection district, formed pursuant to the Fire Protection District Law, Part 2.7 (commencing with [Section 13800](#)) of Division 12 of the Health and Safety Code.
- e) Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with [Section 5780](#)) of Division 5 of the Public Resources Code.
- f) Organize, promote, conduct, and advertise programs of community recreation, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with [Section 5780](#)) of Division 5 of the Public Resources Code.
- g) Acquire, construct, improve, maintain, and operate street lighting and landscaping on public property, public rights-of-way, and public easements.
- h) Provide for the surveillance, prevention, abatement, and control of vectors and vector borne diseases in the same manner as a mosquito abatement and vector control district formed pursuant to the Mosquito Abatement and Vector Control District Law, Chapter 1 (commencing with [Section 2000](#)) of Division 3 of the Health and Safety Code.
- i) Provide police protection and law enforcement services by establishing and operating a police department that employs peace officers pursuant to Chapter 4.5 (commencing with [Section 830 of Title 3 of Part 2 of the Penal Code](#)).
- j) Provide security services, including, but not limited to, burglar and fire alarm services, to protect lives and property.
- k) Provide library services, in the same manner as a library district formed pursuant to either Chapter 8 (commencing with [Section 19400](#)) or Chapter 9 (commencing with [Section 19600](#)) of Part 11 of the Education Code.
- l) Acquire, construct, improve, and maintain streets, roads, rights-of-way, bridges, culverts, drains, curbs, gutters, sidewalks, and any incidental works. A district shall not acquire, construct,

improve, or maintain any work owned by another public agency unless that other public agency gives its written consent.

- m) Convert existing overhead electric and communications facilities, with the consent of the public agency or public utility that owns the facilities, to underground locations pursuant to Chapter 28 (commencing with [Section 5896.1\) of Part 3 of Division 7 of the Streets and Highways Code](#).
- n) Provide emergency medical services pursuant to the Emergency Medical Services System and the Prehospital Emergency Medical Care Personnel Act, Division 2.5 (commencing with [Section 1797\) of the Health and Safety Code](#).
- o) Provide and maintain public airports and landing places for aerial traffic, in the same manner as an airport district formed pursuant to the California Airport District Act, Part 2 (commencing with [Section 22001\) of Division 9 of the Public Utilities Code](#).
- p) Provide transportation services.
- q) Abate graffiti.
- r) Plan, design, construct, improve, maintain, and operate flood protection facilities. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities within the boundaries of another special district that provides those facilities unless the other special district gives its written consent. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities in unincorporated territory unless the board of supervisors gives its written consent. A district shall not plan, design, construct, improve, maintain, or operate flood protection facilities within a city unless the city council gives its written consent.
- s) Acquire, construct, improve, maintain, and operate community facilities, including, but not limited to, community centers, libraries, theaters, museums, cultural facilities, and childcare facilities.
- t) Abate weeds and rubbish pursuant to [Part 5 \(commencing Section 14875\) of the Health and Safety Code](#). For that purpose, the board of directors shall be deemed to be a “board of supervisors” and district employees shall be deemed to be the “persons” designated by [Section 14890 of the Health and Safety Code](#).
- u) Acquire, construct, improve, maintain, and operate hydroelectric power generating facilities and transmission lines, consistent with the district's water supply and wastewater operations. The power generated shall be used for district purposes or sold to a public utility or another public agency that generates, uses, or sells electrical power. A district shall not acquire hydroelectric power generating facilities unless the facilities' owner agrees.
- v) Acquire, construct, improve, maintain, and operate television translator facilities.
- w) Remove snow from public streets, roads, easements, and rights-of-way. A district may remove snow from public streets, roads, easements, and rights-of-way owned by another public agency, only with the written consent of that other public agency.
- x) Provide animal control services pursuant to [Section 30501 of the Food and Agricultural Code](#). Whenever the term “board of supervisors,” “county,” “county clerk,” or “animal control officer” is used in Division 14 (commencing with [Section 30501\) of the Food and Agricultural Code](#), those terms shall also be deemed to include the board of directors of a district, a district, the general manager of the district, or the animal control officer of a district, respectively. A district shall not provide animal control services in unincorporated territory unless the county board of supervisors gives its written consent. A district shall not provide animal control services within a city unless the city council gives its written consent.

- y) Control, abate, and eradicate pests, in the same manner as a pest abatement district, formed pursuant to Chapter 8 (commencing with [Section 2800](#)) of Division 3 of the Health and Safety Code. A district's program to control, abate, or eradicate local pine bark beetle infestations shall be consistent with any required plan or program approved by the Department of Forestry and Fire Protection.
- z) Construct, maintain, and operate mailboxes on a district's property or rights-of-way.
 - aa) Provide mail delivery service under contract to the United States Postal Service.
 - bb) Own, operate, improve, and maintain cemeteries and provide interment services, in the same manner as a public cemetery district, formed pursuant to the Public Cemetery District Law, [Part 4 \(commencing with Section 9000\)](#) of Division 8 of the Health and Safety Code.
 - cc) Finance the operations of area planning commissions formed pursuant to [Section 65101](#).
 - dd) Finance the operations of municipal advisory councils formed pursuant to [Section 31010](#).
 - ee) Acquire, own, improve, maintain, and operate land within or without the district for habitat mitigation or other environmental protection purposes to mitigate the effects of projects undertaken by the district.
 - ff) Construct, own, improve, maintain, and operate broadband facilities and provide broadband services. For purposes of this section, broadband has the same meaning as in [subdivision \(a\) of Section 5830 of the Public Utilities Code](#). A district shall comply with Article 12 (commencing with [Section 53167](#)) of Chapter 1 of Part 1 of Division 2 of Title 5 when providing broadband services pursuant to this subdivision. If the district later determines that a private person or entity is ready, willing, and able to acquire, construct, improve, maintain, and operate broadband facilities and to provide broadband services, and to sell those services at a comparable cost and quality of service as provided by the district, the district may do one of the following:
 - a. Diligently transfer its title, ownership, maintenance, control, and operation of those broadband facilities and services at a fair market value to that private person or entity.
 - b. Lease the operation of those broadband facilities at a fair market value to that private person or entity.

7.2 Appendix B – Open Government Resources

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

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

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

7.3 [Appendix C – Website Compliance Handout](#)

Appendix B

California Website Compliance Checklist

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

Public Records Act

SB 929

Our district has created and maintains a website

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

SB 272

Our Enterprise System Catalog is posted on our website

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

AB 2853 (optional):

We post public records to our website

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

The Brown Act

AB 392:

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

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

AB 2257:

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

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

State Controller Reports

Financial Transaction Report:

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

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

Compensation Report:

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

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

Healthcare District Websites

AB 2019:

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

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

Open Data

AB 169:

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

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

Section 508 ADA Compliance

CA gov code 7405:

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

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



California Special Districts Association
CSDA
Districts Stronger Together

csda.net



STREAMLINE
Website compliance made easy

getstreamline.com

The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

Placement:

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

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

Exception:

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

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

Format:

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

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

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

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



California 2024 Web Accessibility Checklist

Updated May 1, 2024. Download the latest at getstreamline.com/ada

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

Before you begin

- Perform an initial scan to check for known issues using checkmydistrict.org or another tool
- Have your website provider's contact information to report any issues

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

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

Ongoing actions - recommended once per month

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

Other actions to consider

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

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



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

7.4 Appendix D – Housing Legislation Trends and Results

Mendocino County and ADUs

In response, the County of Mendocino has taken a number of steps to facilitate ADU construction and operation in an attempt to address the local housing crisis. This includes adopting an ADU ordinance which outlines specific development standards. Another General Plan update was adopted on 11/9/2021 which amended the Coastal Zoning Code component of the Local Coastal Plan to establish and revise standards for Accessory Dwelling Units in the Coastal Zone.

Because Anchor Bay 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 exempted from this cap. Any change to the cap on the number of ADUs shall require a Local Coastal Program amendment.

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

With respect to coastal resource protections, ADUs and JADUs are subject to additional requirements that impact the viability of their development. Some of the most pertinent requirements can be found in Section 20.458.045 of the County's Municipal Code.

The Larger Picture

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

The data provided in the most recent APR for Unincorporated Mendocino County (adopted June 6TH, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. This small number of ADUs compared to single-family home applications suggests that there could continue to be some limited development of ADUs throughout the unincorporated areas of the County. This kind of development could very slightly increase demand for wastewater services provided by MCWD2 in Anchor Bay. However, any new development requires written approval from the service provider to authorize services.

Regional Housing Needs Allocation (RHNA)

It is worth noting that in response to statutory requirements, policy direction from the State of California Department of Housing and Community Development (HCD), and mandated deadlines for delivery of

housing need allocation numbers to local jurisdictions within Mendocino County, the Mendocino Council of Governments (MCOG) adopted a Regional Housing Needs Plan in 2018.

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

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

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

Table 7-1: Mendocino County RHNA Allocations

Income Level		RHNA Allocation	Projection Period - 01/01/2019-08/14/2019	2019	2020	2021	2022	Total Units to Date (All Years)	Total Remaining RHNA
Very Low	Deed Restricted	291	--	--	39	--	21	125	166
	Non-Deed Restricted		--	--	--	65	--		
Low	Deed Restricted	179	--	--	--	--	--	21	158
	Non-Deed Restricted		--	-	--	21	--		
Moderate	Deed Restricted	177	--	--	--	--	--	156	21
	Non-Deed Restricted		4	--	--	--	--		
Above Moderate		702	46	40	67	51	58	262	440
Total RHNA		1,349							
Total Units			50	60	149	186	119	564	785

*Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).

Extremely Low-Income Units*		145			15	26	21	62	83
-----------------------------	--	-----	--	--	----	----	----	----	----

(HCD, 2023)

With respect to how RHNA requirements may affect Anchor Bay, the State continues to push for more housing across the state including in communities located on the coast such as Anchor Bay. While these coastal communities are subject to additional regulation and governing bodies (i.e., the Coastal Commission), housing mandates can affect these areas just the same as more inland communities. While there is not currently much left to develop under current regulations in Anchor Bay, evolving legislation could allow for increased development potential that supports the State's housing goals.

Additional Recent State Housing Legislation

While the state legislator has made a concerted effort to progress ADU development throughout the state, there have been numerous other housing bills passed in recent years aimed at addressing the housing affordability crisis.

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

7.5 Appendix E – District Financial Audits

GUALALA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

GUALALA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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Board of Directors
Gualala Community Services District
Gualala CA 95445

Independent Auditor's Report

Opinions

I have audited the accompanying financial statements of the business-type activities Gualala Community Services 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 Gualala Community Services District's basic financial statements as listed in the table of contents. In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Gualala Community Services District as of June 30, 2022 and 2021 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Management has not adopted GASB Statement 68 "Accounting and Financial Reporting of Pension Plans." and amendments to GASB 68". Accounting principles generally accepted in the United States of America require that Deferred Inflows/Outflows and Adjusted Pension Expense be recorded currently which would increase the assets and liabilities and change the pension expense. The effect on Deferred Inflows/Outflows and payroll and employee benefits expenses has not been determined. See Footnote 9 for more detail.

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 Gualala Community Services 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 Gualala Community Services 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 Gualala Community Services 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 Gualala Community Services 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.

A handwritten signature in black ink, appearing to read 'M. Celentano', with a long horizontal line extending to the right.

Michael A Celentano
Certified Public Accountant

November 22, 2022

GUALALA COMMUNITY SERVICES 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	\$ 131,157	\$ 224,466
Accounts receivable - net	71,859	55,577
Grant receivable	95,354	204,008
Current portion of special assessments receivable - Note 4	<u>49,432</u>	<u>47,932</u>
Total Current Assets	347,802	531,983
<u>Non Current Assets</u>		
Restricted		
Cash in banks - Note 3	233,241	99,693
Cash in county treasury - Note 3	127,463	135,907
Special assessments receivable - long-term portion - Note 4	<u>433,137</u>	<u>482,568</u>
Total Non Current Assets	793,841	718,168
<u>Capital Assets - Note 5</u>	<u>4,166,871</u>	<u>4,351,472</u>
Total Assets	<u>\$ 5,308,514</u>	<u>\$ 5,601,623</u>

The accompanying notes are an integral part of these statements

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>LIABILITIES</u>	<u>2022</u>	<u>2021</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 164,373	\$ 144,335
Accrued payroll and payroll liabilities	6,161	9,483
Accrued vacation	20,906	16,254
Interest payable	7,501	8,289
Current portion of long term liabilities	<u>112,770</u>	<u>105,935</u>
 Total Current Liabilities	 311,711	 284,296
 <u>Long Term Liabilities</u>		
Net Pension Liability	135,556	164,904
Special assessment bonds payable - Note 6	390,000	425,000
CoBank Loan Payable - Note 7	338,401	408,194
Less current portion shown above	<u>(112,770)</u>	<u>(105,935)</u>
 Total Long Term Liabilities	 <u>751,187</u>	 <u>892,163</u>
 Total Liabilities	 <u>\$ 1,062,898</u>	 <u>\$ 1,176,459</u>
 <u>Net Position</u>		
Investment in capital assets	3,438,270	3,518,278
Restricted for debt service	127,463	135,907
Restricted for equipment replacement	223,241	99,693
Unrestricted	<u>456,642</u>	<u>671,286</u>
 Total Net Position	 <u>\$ 4,245,616</u>	 <u>\$ 4,425,164</u>

The accompanying notes are an integral part of these statements

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues</u>		
Charges for services	\$ 493,949	\$ 532,825
Other operating income	<u>199,174</u>	<u>188,732</u>
 Total Operating Revenue	 693,123	 721,557
<u>Operating Expenses</u>		
Salaries	328,105	294,725
Employee benefits	114,501	109,171
Collection system	51,317	47,751
Treatment plant	161,577	132,482
Utilities	7,153	43,224
Vehicle expense	19,246	10,794
Legal and other professional services	29,420	31,520
Office expense	2,703	2,878
Insurance	22,646	22,723
Other administrative expenses	26,280	28,455
Depreciation	<u>260,303</u>	<u>263,328</u>
 Total Operating Expenses	 <u>1,023,251</u>	 <u>987,051</u>
 Operating Income (Loss)	 (330,128) -	 (265,494)
<u>Non-Operating Revenues (Expenses)</u>		
Interest income - bank and county treasury	1,546 -	1,031
Federal and State funding	195,549 -	
Grant income	66,405	327,340
Grant expense	(105,815)	(345,596)
Gain/(Loss) on sale of capital assets	19,202 -	-
PERS actuarial assumption changes	7,267 -	(23,862)
Interest expense	<u>(33,574) -</u>	<u>(38,547)</u>
 Total Non-Operating Revenues (Expenses)	 <u>150,580</u>	 <u>(79,634)</u>
 Net Income (Loss)	 (179,548)	 (345,128)
 <u>Net Position, Beginning of Year</u>	 <u>4,425,164</u>	 <u>4,770,292</u>
 <u>Net Position, Ending of Year</u>	 <u>\$ 4,245,616</u>	 <u>\$ 4,425,164</u>

The accompanying notes are an integral part of these statements

GUALALA COMMUNITY SERVICES 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	\$ 696,043	\$ 716,527
Payments to suppliers for goods and services	(312,260)	(233,857)
Payments to employees and related items	<u>(441,276)</u>	<u>(399,274)</u>
Net Cash Provided by Operating Activities	(57,493)	83,396
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from special assessments	47,931	49,123
Acquisition of capital assets	(75,702)	-
(Increase) decrease in restricted cash - County Treasury	8,444	3,860
Principal payments on the bond	(35,000)	(30,000)
Principal payments on the loan	(69,793)	(67,938)
Interest paid	<u>(34,362)</u>	<u>(38,310)</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	(158,482)	(83,265)
<u>Cash Flows From Investing Activities</u>		
Interest income	1,546	1,031
Federal and State funding	195,549	
Grant income (expense)	81,200	(175,359)
Payment of unfunded pension liability	<u>(22,081)</u>	<u>(14,365)</u>
Net Cash Flows Provided by Investing Activities	<u>256,214</u>	<u>(31,590)</u>
Net Change in Cash and Cash Equivalents	<u>40,239</u>	<u>(188,562)</u>
Cash and Cash Equivalents, Beginning of Year	<u>324,159</u>	<u>512,721</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 364,398</u>	<u>\$ 324,159</u>
<u>Supplemental Disclosures:</u>		
Interest Paid During the Year	<u>\$ 34,362</u>	<u>\$ 38,310</u>

GUALALA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating income (loss)	\$ (330,128)	\$ (265,494)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	260,303	263,328
(Increase) decrease in current assets:		
Accounts receivable	2,920	(5,030)
Grant receivable	-	
Prepaid expenses	-	6,559
Increase (decrease) in current liabilities		
Accounts payable excluding grant expenses	8,082	79,411
Accrued payroll, vacation and payroll liabilities	<u>1,330</u>	<u>4,622</u>
 Net Cash Provided by Operating Activities	 <u>\$ (57,493)</u>	 <u>\$ 83,396</u>

GUALALA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Gualala Community Services District is an entity which consists of the District as the primary government. Status as a primary government is determined by such criteria as financial interdependency, legal separation, and type of governing authority.

The Gualala Community Services District was organized on August 5, 1986, by resolution of the Board of Supervisors of Mendocino County. The District is governed by five directors, all registered voters of Mendocino County. The District is not included in any other governmental reporting entity since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District was organized for the purpose of providing the services of collection, treatment or disposal of sewage and waste of the District and of its inhabitants, in accordance with Government Code Section 61600(b). The District began operating the treatment plant in October, 1992 and is limited to providing sewage collection, treatment and disposal services to the geographic area located in the immediate vicinity of Gualala, California.

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.

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

Budget

The annual budget is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors. The budget is not legally required and therefore budget to actual information has not been presented.

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 direct write off 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.

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. Assets with a value of \$1,000 or less are expensed in the year acquired.

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 Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The range of estimated useful lives is as follows:

Treatment plant	5-75 years
General plant assets	5-40 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 position. 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	\$ 56,876	\$130,447
Money market/Savings accounts	<u>74,281</u>	<u>94,019</u>
	<u>\$131,157</u>	<u>\$224,466</u>

The deposits approximate fair market value and are considered for purposes of the Statement of Cash Flows as cash and cash equivalents. The deposits approximate fair market value.

Note 3 - Cash – Restricted

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

	<u>2022</u>	<u>2021</u>
Cash in banks		
Money market/Savings accounts	<u>\$233,241</u>	<u>\$ 99,693</u>
	<u>\$233,241</u>	<u>\$ 99,693</u>
Cash in county treasury		
Bond reserve fund	<u>\$ 127,463</u>	<u>\$135,907</u>
	<u>\$ 127,463</u>	<u>\$135,907</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, except for the cash and county treasury. The deposits approximate fair market value.

Note 4 - Special Assessments Receivable

As discussed in Note 6, the District issued special assessment debt to facilitate the construction of a sewage plant for the District. The debt is being paid back by the land owners that benefit from the treatment plant within the District in accordance with their individual share of the debt. The bonds are collateralized by a lien on the property located within the District and annual assessments of principal, interest and collection costs are made. The amount of the assessment has been recorded as a receivable and is reduced by principal payments made by the property owners to the District. Property owners can pay the full amount of the lien before the scheduled due date. The amount that is due within one year from the balance sheet date is shown as a current asset.

Note 5 - 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>7/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/22</u>
Land and land improvements	\$ 481,300	\$	\$	\$ 481,300
Treatment plant, structures and improvements	10,884,185	75,702		10,959,887
Buildings	94,556			94,556
Equipment and vehicles	573,540		(25,984)	547,556
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cost	12,033,581	75,702	(25,984)	12,083,299
Less accumulated depreciation	<u>(7,682,109)</u>	<u>(260,328)</u>	<u>25,984</u>	<u>(7,916,428)</u>
Net Book Value	<u>\$ 4,351,472</u>	<u>\$ (184,601)</u>	<u>\$ 0</u>	<u>\$ 4,166,871</u>

Depreciation expense of \$260,303 and \$263,328 were recorded as operating expense for the years ended June 30, 2022 and 2021, respectively.

Note 6 - Special Assessment Bonds Payable

The District issued special assessment debt to help finance the acquisition and construction costs of the land, structures, water treatment plant, and equipment. The bonds are issued upon and are secured by paid and unpaid assessments lawfully levied pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). The bonds are described as: Gualala Community Services District Sewer System Assessment District 1987-1; originally issued on March 12, 1991 for \$973,118.18; maturing in various amounts on September 2; bearing interest rate of 5% per annum with interest paid semi-annually on March 2 and September 2 each year; principal payments are scheduled to be paid annually in various amounts on September 2 each year. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity date upon thirty days prior notice and upon payment of accrued interest and principal plus a redemption premium of three percent (3.0%) of the principal amount redeemed.

Required with the bond issuance was the establishment of a Bond Reserve Fund in case the District became delinquent on its bond payments. The funds are maintained in the County treasury and are restricted for that use only. The County of Mendocino has no other payment obligation for these bonds except to advance funds from the reserve fund to the bond redemption fund as needed.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,000	\$ 18,625
2024	35,000	16,875
2025	40,000	15,000
2026	40,000	13,000
2027	45,000	10,875
2028-2031	<u>195,000</u>	<u>19,875</u>
	390,000	<u>\$ 94,250</u>
Less current portion	<u>35,000</u>	
	<u>\$355,000</u>	

Interest expense of \$20,375 and \$22,000 was incurred and was recorded as a non-operating expense for the years ended June 30, 2022 and 2021 respectively.

Note 7 - CoBank Loan Payable

The District borrowed \$700,000 to fund improvements on November 17, 2016. Terms of the loan include variable monthly payments which was \$ 7,166.28 in June 2017 which included an annual interest rate of 3.51% which varies based with the LIBOR Index Rate and is fully amortized on December 20, 2026. Security for the loan is pledged revenues.

Future minimum principal and interest payments are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 77,770	\$ 13,194
2024	73,804	10,663
2025	75,835	8,043
2026	77,906	5,329
2027	<u>33,086</u>	<u>2,518</u>
	338,401	<u>\$ 39,946</u>
Less current portion	<u>77,770</u>	
	<u>\$260,631</u>	

Interest expense of \$13,324 and \$16,211 was incurred and was recorded as a non-operating expense for the years ended June 30, 2022 and 2021 respectively.

Note 8 - Changes in Long Term Debt

The following is a summary of long term debt for the year ended June 30, 2022:

Type of Debt	Balance 07/01/21	Additions	Reductions	Balance 06/30/22	Due within one year
Special Assessment					
Bond	\$ 425,000	\$ 0	\$ 35,000	\$ 390,000	\$ 35,000
CoBank Loan	<u>408,194</u>	<u>0</u>	<u>69,793</u>	<u>338,401</u>	<u>77,770</u>
	<u>\$ 833,194</u>	<u>\$ 0</u>	<u>\$104,793</u>	<u>\$ 728,401</u>	<u>\$112,770</u>

Note 9 - Defined Benefit Pension Plan (Unaudited)

Effective January 1, 1997, the District entered into the Public Employees Retirement System (PERS). Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California. Employees are members of the Public Employees' Retirement System.

Plan Description: The District contributes to the PERS, an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and district ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 6.92% for classic plan and 6.75% for PRPRA of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate for June 30, 2022 was 8.65% for non-safety employees and 7.59% for PEPRA of annual covered payroll plus an employer payment of \$22,801 for unfunded liability. The rate for June 30, 2023 will be 8.63% for the classic plan and 7.47% for PEPRA plus an employer payment of \$ 15,877 for non-safety employees and \$271 for PEPR for unfunded liability. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost: For June 30, 2022 the District's annual pension cost of \$14,093 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate return of (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of PERS assets was

determined by an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period. The required and actual contribution rate for June 30, 2022 was determined as part of the June 30, 2019 actuarial valuation in which PERS using the same assumptions as the previous year

Three-Year Trend Information For PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/20	23,617	100%	0
6/30/21	21,172	100%	0
6/30/22	14,093	100%	0

The table below shows a three-year analysis of the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll as of June 30:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Shared Mkt Value/Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
Classic					
6/30/19	784,671	617,680	166,991	78.7%	149,313
6/30/20	520,388	343,461	176,927	66.0%	91,270
6/30/21	475,700	332,558	143,142	69.9%	104,998
PEPRA					
6/30/19	22,343	20,924	1,419	93.6%	89,424
6/30/20	39,575	37,233	2,342	94.1%	123,692
6/30/21	74,481	82,067	(7,586)	110.2%	133,751

Note 10 - Joint Power Agreement

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA) for insurances 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 11 - 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 through November 22, 2022 that meet the above definition.