

# MENDOCINO

## Local Agency Formation Commission

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

### COMMISSIONERS

**Maureen Mulheren, Chair**  
County Member

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

**Gerardo Gonzalez**  
City Member

**Katharine Cole**  
Special District Member

**Candace Horsley**  
Special District Member

**Glenn McGourty**  
County Member

**Mari Rodin**  
City Member

**Francois Christen, Alternate**  
Special District Member

**Douglas Crane, Alternate**  
City Member

**John Haschak, Alternate**  
County Member

**Vacant, Alternate**  
Public Member

### STAFF

**Executive Officer**  
Uma Hinman

**Clerk/Analyst**  
Larkyn Feiler

**Counsel**  
Marsha Burch

### REGULAR MEETINGS

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

## A G E N D A

### Regular Commission Meeting

Monday, March 4, 2024 at 9:00 am

#### Location

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

#### Hybrid Meeting

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

#### Instructions for Remote Participation Option

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

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

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

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

#### Meeting Participation

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

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

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

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

## 1. CALL TO ORDER and ROLL CALL

## 2. PUBLIC EXPRESSION

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

## 3. OTHER BUSINESS

None

## 4. CONSENT CALENDAR

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

**4a) February 5, 2024 Regular Meeting Summary**

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

## 5. PUBLIC HEARING ITEMS

None

## 6. WORKSHOP ITEMS

**6a) Mendocino County Water Works District No. 2. Municipal Service Review and Sphere of Influence Study**

The Commission will hold a Workshop on the Draft Mendocino County Waterworks District No. 2 Municipal Service Review (MSR) and Sphere of Influence (SOI) Update. The Commission will review and discuss the Draft study and welcomes public comment on the document. No formal action will be taken on the draft MSR/SOI at this meeting; a public hearing will be scheduled for formal consideration by the Commission.

## 7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

**7a) Draft Logo for Mendocino LAFCo**

The Commission will consider the revised draft logo and tagline options to support branding intended to increase visibility and outreach efforts for Mendocino LAFCo.

**7b) CALAFCO Request for Support for Senate Bill 1209**

Commission will consider CALAFCO's request to authorize staff to convey support/opposition for Senate Bill 1209 to both legislative houses and to the governor.

## 8. INFORMATION AND REPORT ITEMS

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

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

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

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

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

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

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

## ADJOURNMENT

The next Regular Commission Meeting is scheduled for Monday, **April 1, 2024** at 9:00 AM in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

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

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

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

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

# MENDOCINO

## Local Agency Formation Commission

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

### Agenda Item No. 4a

#### COMMISSIONERS

**Maureen Mulheren, Chair**  
County Member

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

**Gerardo Gonzalez**  
City Member

**Katharine Cole**  
Special District Member

**Candace Horsley**  
Special District Member

**Glenn McGourty**  
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**Mari Rodin**  
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**Francois Christen, Alternate**  
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**John Haschak, Alternate**  
County Member

**Public Member, Alternate**  
Vacant

#### STAFF

**Executive Officer**  
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**Clerk/Analyst**  
Larkyn Feiler

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Marsha Burch

#### REGULAR MEETINGS

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

### DRAFT MEETING MINUTES Regular Commission Meeting

#### Regular Meeting (Hybrid) of Monday, February 5, 2024

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

#### 1. CALL TO ORDER and ROLL CALL (Video Time 1:52)

Chair Mulheren called the meeting to order at 9:00 a.m.

**Regular Commissioners Present:** Maureen Mulheren, Gerald Ward, Gerardo Gonzalez, Katharine Cole (received approval from the Commission to participate remotely in accordance with AB2449), Candace Horsley, and Mari Rodin

**Regular Commissioners Absent:** Glenn McGourty

**Alternate Commissioners Present:** Francois Christen and Douglas Crane

**Alternate Commissioners Absent:** John Haschak

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

Commissioner Cole's request to participate via videoconference under the "just cause" circumstance per AB 2449 and Mendocino LAFCo Policy 3.8.1.1 was approved unanimously. The brief general description of the circumstances necessitating remote participation was a downed tree blocked egress; Commissioner Cole confirmed verbally and through video technology that no other individuals were present in the room.

#### 2. PUBLIC EXPRESSION (Video Time 3:40)

None

#### 3. OTHER BUSINESS (Video Time 3:40)

##### 3a) Announcement of Commission Appointments

EO Hinman provided an update that the BOS reappointed McGourty, Mulheren and Haschak to their positions and that the alternate public member position is still vacant, and the application period has been extended until March 31st. EO Hinman encouraged Commissioners to spread the word of the open position via their agency networks.

##### 3b) Selection of 2024 Officers

EO Hinman directed the Commission to elect a Chair, Vice-Chair and Treasurer for the calendar year 2024.

Commissioner Horsley motioned for Chair Mulheren to continue in the position of Chair and Commissioner Ward seconded the motion.

<b>Motion:</b> Nominate Maureen Mulheren to serve as Chair for 2024.	
<b>Motion Maker:</b> Commissioner Horsley	<b>Motion Second:</b> Commissioner Ward
<b>Roll Call Vote:</b> Ayes: (6) Rodin, Horsley, Cole, Gonzalez, Ward, and Mulheren	

Commissioner Horsley motioned for Commissioner Ward to continue in the position of the Vice Chair and Treasurer and Commissioner Rodin seconded the motion.

<b>Motion:</b> Nominate Gerald Ward as Vice Chair and Treasurer for 2024.		
<b>Motion Maker:</b> Horsley	<b>Motion Second:</b> Rodin	<b>Outcome:</b> Passed unanimously
<b>Roll Call Vote:</b> Ayes: (6) Cole, Horsley, Rodin, Gonzalez, Ward, and Mulheren		

**3c) Standing Committee Appointments**

Chair Mulheren appointed the existing members who served in 2023 on the Executive Committee (Commissioners Mulheren, Rodin and Gonzales) and the Policies and Procedures Committee (Commissioners Mulheren, Gonzales, and Rodin) to continue to serve in 2024 for consistency.

Commissioner Rodin and Commissioner Gonzales both confirmed that they want to remain on the Executive Committee. The Commission ratified unanimously.

**4. CONSENT CALENDAR (Video Time 11:09)**

**4a) December 4, 2023 Regular Meeting Summary**

**4b) December 2023 Claims & Financial Report**

<b>December 2023 Claims totaling:</b>	<b>\$16,330.31</b>
Hinman & Associates Consulting	14,749.06
Commissioner Stipends	128.82
Marsha Burch Law Office	540.00
Streamline	63.00
Mendocino County	267.54
Ukiah Valley Conference Center	581.89

**4c) January 2024 Claims & Financial Report**

<b>January 2024 Claims totaling:</b>	<b>\$26,818.55</b>
Hinman & Associates Consulting	24,837.19
Marsha Burch Law Office	360.00
Streamline	63.00
Mendocino County	1,003.36
Ukiah Valley Conference Center	555.00

Commissioner Horsley asked what the ‘treasury’ totals were comprised of (from the Budget Tracking sheet); EO Hinman responded that LAFCo requests a lump sum amount from the County Treasury and pays claims through a separate LAFCo checking account.

Commissioner Ward inquired about the \$135 charge by Legal Counsel; EO Hinman explained that Counsel was tasked with reviewing the consent to annex form as part of the draft out of agency services agreement policy amendment.

Commissioner Ward inquired about the cost of \$825 to rent the room for Commission meetings and why January 2024 was paid for even though the Commission did not meet; EO Hinman responded that the room rental was paid in full in advance for the year to obtain a cheaper rate, staff would confirm whether refunds could be requested for the months not used, and the room rental costs would be added to office rent costs in the Rent budget line item for next fiscal year.

Commissioner Ward inquired if it is necessary for Legal Counsel to attend every Commission meeting and suggested deciding for each meeting based on the scope of items on the agenda, as a cost savings measure.

Commissioner Horsley asked EO Hinman how much of the rental costs for the Board Chambers meeting space went towards IT; EO Hinman responded that she believed the rate was \$75/hour for the space and did not include technical support.

<b>Motion:</b> Approve the consent calendar.		
<b>Motion Maker:</b> Ward	<b>Motion Second:</b> Gonzalez	<b>Outcome:</b> Passed unanimously
<b>Roll Call Vote:</b> Ayes: (6) Rodin, Horsley, Cole, Ward, Gonzalez, and Mulheren		

**5. PUBLIC HEARING ITEMS**

None

**6. WORKSHOP ITEMS**

None

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

**7a) Mid-Year Financial and Work Program Report** (Video Time 17:45)

EO Hinman gave a presentation on the Mid-Year Financial and Work Program Report (18:11 – 23:52)

Commissioner Ward asked about the vacant clerk position; EO Hinman responded that a temp agency was utilized for an Administrative Assistant position, but they are no longer available, and clarified that they were paid \$25/hour. Commissioner Ward asked if the past meeting agendas would be posted to the LAFCo website similar to the resolutions which were recently posted, and EO Hinman agreed that it would be a good idea. Commissioner Ward asked about what could be done to progress the work plan; EO Hinman responded that a contractor was hired to help and she anticipates that the first of the reports will go to workshops in March or April.

Commissioner Horsley suggested that the website archives be organized by year.

No public comments were provided on the item.

**7b) Proposed Streamlined Review Process for Work Plan Studies** (Video Time 29:13)

Analyst Feiler gave a presentation on the Proposed Streamlined Review Process for Work Plan Studies (29:24 – 36:35)

Commissioner Horsley asked for clarification on what type of audits LAFCo could request as part of the process and Analyst Feiler confirmed it was financial audits. Commissioner Horsley expressed concern over LAFCo taking on other research responsibilities beyond the six determinations currently required (i.e. housing, homelessness, etc.) and cautioned against taking on too much. Commissioner Horsley asked if all special districts have 5 board members and Analyst Feiler that it is standard for special districts to operate with five board members but there can be exceptions. Commissioner Horsley asked if the role of LAFCo was to act as a watchdog over districts; Analyst Feiler responded that evaluating agency operations periodically helps LAFCo make informed decisions related to their governing structure.

Commissioner Ward asked if moving to a ten-year program was legal; Analyst Feiler responded that many other LAFCos already operate this way. Legal Counsel Burch added that the review process would not be skipped each five years, it would just be a streamlined process. Commissioner Ward requested a list of when the studies were last

updated. Commissioner Ward asked how different the proposed process is from the current process; Analyst Feiler responded that the proposed process includes a one-on-one interview with District and LAFCo staff to go through the questionnaire together, which should result in better input, and she explained that when there are Districts without staff, LAFCo usually meets with a board member. Analyst Feiler added that the process should ultimately be helpful for the Districts. Commissioner Ward noted that the financial audits are very helpful for capturing the whole image of an agency's health, expressed the importance of circling back to prior MSR report determinations and challenges facing the agency, and recommended coming back to in a certain amount of time to address challenges identified.

Commissioner Gonzalez recommended that the streamlined questionnaire be posted on the LAFCo website to help agencies understand the LAFCo process and prepare information prior to the LAFCo interview process.

Commissioner Cole then recommended that the proposed process have a timeline associated with how long an agency has to respond to inquiries and agreed with Commissioner Gonzalez that the information should be available online so agencies can get a head start on the process and know what is expected. Analyst Feiler then responded that a significant amount of time is built into the process to give advanced notice to agencies.

Commissioner Rodin commented on Commissioner Horsley's concerns over LAFCo taking on more responsibilities in what they research and commented that adding new subject areas could be beneficial (such as fire districts and studying climate hazards with respect to fire). Commissioner Horsley agreed that emergency response areas would be helpful and that she was focusing more on housing and homelessness after reading what Monterey County LAFCo was doing. Commissioner Rodin asked if the proposed streamlined process would be applied to any type of agency and why the focus is on districts; Analyst Feiler responded staff is focusing on special districts first because they typically have the least amount of changes over time, but the intent is to create a questionnaire specific to cities also. EO Hinman added that the proposed process is intended to allow LAFCo time to be spent more intentionally on MSR reports that require comprehensive updates; the streamlined process would apply to agencies when an in depth analysis is not needed every five years, and confirmed the process would be applied to city's as well once that process is developed. Commissioner Rodin asked about what other LAFCos have done when they found that agencies are not operating sufficiently; Analyst Feiler responded that each situation is unique, but the goal is to help failing agencies get back on track, and which is why consolidation/dissolution is typically not the first step. Legal Counsel Marsha Burch added that, if necessary, the County can become involved too.

Commissioner Ward expressed concern over not following up on failing districts; EO Hinman responded that there was a time when the EO position was consistently changing and requests to follow up with agencies fell through the cracks, but those issues are currently being examined by staff. EO Hinman recommended that the Commission provide feedback on the draft questionnaire.

Commissioner Christen commented that Requests for Information (RFIs) can be seen as burdensome and streamlining the process with a checklist is a good idea, and would encourage establishing good relationships. He asked if there was a larger agency that would approve the proposed process; Legal Counsel Burch responded that there is no agency that oversees LAFCos, there is no case law on the subject, and purpose it to find the best way to meet the requirements of the CKH statute as Mendocino LAFCo interprets it.

Chair Mulheren inquired with the Commissioners on where they stood, in support or opposition, of studying areas beyond the existing required six determinations that need to be made for MSRs.

Commissioner Gonzalez recommended that there be an asterisk noting that for certain agencies, additional areas beyond the existing determinations would need to be studied.

Commissioner Ward added that LAFCo should not take on any more work than it has to.

Commissioner Cole added that as a representative of a Cemetery District, it is still helpful to see what other research areas are out there, even if they are not applicable to each agency.

EO Hinman added that much of the language related to hazard mitigation, disaster planning, and the unhoused came from LAFcos that have been directly impacted (i.e. Butte County with fires and Sacramento County with homelessness as it relates to their fire management approach).

Commissioner Hosley added that she is primarily concerned over creating requirements for small, underfunded districts that are not necessarily able to meet the state requirements that already exists (particularly as it relates to housing); EO responded that she understood and is primarily looking to maintain adherence with the CKH.

Commissioner Ward commented that he would like to see annual check-ins with agencies and added that determinations should be made clear and up front.

The Commission blessed in concept staff moving forward with implementing the proposed streamlined process and making adjustments as needed.

No public comments were provided on the item.

### **7c) Proposed Logo for Mendocino LAFCo (Video Time 1:23:10)**

EO Hinman gave a brief presentation on the proposed logo (1:23:27 – 1:27:10)

Commissioner Christen commented that he likes the proposed logo but he is not sure it communicated what LAFCo does and added that language similar to CALAFcos tagline of “supporting sustainable community growth” be considered. He added that using the acronym of LAFCo would be helpful.

Chair Mulheren commented that adding a tagline could be incorporated into the LAFCo letterhead and using the LAFCo acronym is a good idea.

Commissioner Ward agreed that the logo should communicate what LAFCo does.

Commissioner Horsley noted that adding things like a tagline and the acronym to the letterhead is a good idea and liked the Orange County example.

Commissioner Gonzalez added that he liked the acronym and tagline as well.

Commissioner Rodin added that she supports Commissioner Christen’s statements on the logo.

EO Hinman said she would work with the designer to further refine the logo and bring it back to the Commission for final approval at the next meeting.

No public comments were provided on the item.

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

### **8a) Work Plan, Current and Future Proposals (Video Time 1:34:07)**

EO Hinman provided an update that all applications on file are pending tax share agreements; staff is working on the Anderson Valley CSD and Elk CSD applications and the Anderson Valley CSD future LAFCo application. She added that a consultant has been brought on to help speed up the work plan process and expects workshops in March or April.

Commissioner Ward asked if staff knew if any of the smaller districts are interested in consolidation and EO Hinman added that she met with Chair of GCSD and MCWWD2 and they both expressed wanting to see discussion of consolidation in the reports, so it will be included. Commissioner Ward asked what the consolidation process would look like and EO Hinman responded that if the Commission adopted specific determinations, resolutions of



applications would need to be received to start the application process, and there is a specific protest process to follow. EO Hinman clarified that if LAFCo initiates a dissolution of an agency, then LAFCo would bear the costs associated with the process.

Commissioner Horsley commented that there would be a major decision related to water district consolidation made in March.

**8b) Correspondence** (Video Time 1:38:10)

None

**8c) CALAFCO Business and Legislation Report** (Video Time 1:38:18)

None

**8d) Executive Officer's Report** (Video Time 1:38:40)

EO Hinman noted that the alternate public member vacancy is ongoing, the recruitment has been extended until March 1<sup>st</sup>, and information is available on the LAFCo website. She acknowledged Treasurer Ward for his help in preparing the Commission's financial report, which will support the next budget. Commissioner Ward asked how the amount of money for the treasury account was estimated; EO Hinman responded that Munis reports were provided for June of 2023, and two agencies did not pay their fees, but they were collected in September after the fiscal year.

**8e) Committee Reports (Executive Committee, Policies & Procedures)** (Video Time 1:40:28)

EO Hinman noted that both Committees would have meetings scheduled in the coming months.

**8f) Commissioners Reports, Comments or Questions** (Video Time 1:41:12)

Commissioner Ward commented that the interest on the Wells Fargo account went up significantly, but he got the bank to remove the \$4 statement fee.

Chair Mulheren added that proposals for the master tax share agreement would be ready soon to go to the Board of Supervisors and City Councils.

**ADJOURNMENT** (Video Time 1:42:22)

There being no further business, the meeting adjourned at 10:41 a.m.

The next regular meeting of the Commission is scheduled for Tuesday, **March 5<sup>th</sup>, 2024** at 9:00 a.m. The meeting will be conducted in a hybrid format to accommodate both in-person and remote participation. The in-person meeting will be held in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

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**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: March 4, 2024  
 TO: Mendocino Local Agency Formation Commission  
 FROM: Uma Hinman, Executive Officer  
 SUBJECT: **Claims and Financial Report for February 2024**

**RECOMMENDED ACTION**

Approve the February 2024 claims and financial report.

Name	Account Description	Amount	Total
Hinman & Associates Consulting, Inc.	5300 Basics Services	\$ 6,515.50	\$ 12,356.32
	5601 Office Supplies (QB, Dropbox)	\$ 209.88	
	5700 Internet (Comcast)	\$ 96.94	
	6200 Bookkeeping	\$ 440.00	
	7001 Work Plan (Coastal W/WW Districts)	\$ 5,051.00	
	8031 AVCSO Annexation of SOI	\$ 43.00	
Commissioner Stipends	6740 In-County Travel & Stipends		\$ 100.25
	Christen (February)	\$ 100.25	
Marsha Burch	6300 Legal Counsel	\$ 1,102.50	\$ 1,102.50
Streamline	5700 Website Hosting	\$ 63.00	\$ 63.00
Mendocino County IT	6000 Televised Meetings		\$ -
Mendocino County CEO	5600 BOS Chamber Rental	\$ 375.00	\$ 375.00
Mendocino County Auditor-Controller	6400 A-87 Costs County Services	\$ 3,440.00	\$ 3,440.00
Ukiah Valley Conf. Center	5500 Office Space	\$ 555.00	\$ 649.76
	5600 Postage and copies	\$ 94.76	
<b>Total Claims</b>			<b>\$ 18,086.83</b>

**Deposits:** None

**Transfers:** None

**Attachments:**

- Budget Tracking Spreadsheet
- Work Plan Tracking
- Invoices: Hinman & Associates Consulting

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

# MENDOCINO LAFCO FY 2023-24 BUDGET TRACKING

BUDGET SUMMARY		2023-24 Budget	July	August	September	October	November	December	January	February	Totals To Date	% Expended
Total Revenue		\$ 285,000.00	\$ 1,583.15	\$ 101,198.42	\$ 3,626.51	\$ 428.23	\$ 377.29	\$ 100,403.35	\$ 778.21	\$ 62.50	\$ 208,457.66	
Total Expenses												
Operations		\$ 320,000.00	\$ 21,176.15	\$ 25,480.07	\$ 21,770.97	\$ 20,735.30	\$ 16,596.70	\$ 16,219.81	\$ 25,697.55	\$ 18,048.83	\$ 165,725.38	52%
Applications		\$ 30,000.00	\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 5,229.50	
	<b>Balance Beginning of Year</b>											
Treasury (apportionments held in Treasury until moved to Checking for claims)		\$ 31,732.34	\$ 33,757.62	\$ 195,422.70	\$ 139,067.41	\$ 291,288.83	\$ 293,682.06	\$ 193,682.06	\$ 93,682.06			
Checking Account (Bank Statement)		\$ 49,459.33	\$ 44,814.99	\$ 110,712.10	\$ 84,402.21	\$ 62,896.43	\$ 40,583.53	\$ 12,236.11	\$ 106,922.00			
Reserves (Bank Statement)		\$ 116,027.49	\$ 116,033.25	\$ 130,009.41	\$ 130,012.74	\$ 130,059.03	\$ 130,274.17	\$ 130,496.99	\$ 130,700.00			

Account #	REVENUE	2023-24 Budget	July	August	September	October	November	December	January	February	Totals To Date	% Expended
4000	LAFCo Apportionments Fees (held in Treasury until moved to Checking for claims)	\$ 275,000.00		\$ 100,000.00				\$ 100,000.00			\$ 200,000.00	
4100	Fees and Reimbursements										\$ -	
4800	Miscellaneous										\$ -	
4910	Interest	\$ 500.00	\$ 9.40	\$ 10.92	\$ 11.51	\$ 53.23	\$ 221.04	\$ 229.60	\$ 231.46		\$ 767.16	
8000	Applications											\$ 8,457.66
4150	Service Fees	\$ 9,500.00	\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 2,351.75	
80XX	Applications Less Service Fees		\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 410.25	\$ 43.00	\$ 5,338.75	
	<b>TOTAL</b>	\$ 285,000.00	\$ 1,583.15	\$ 101,198.42	\$ 3,626.51	\$ 428.23	\$ 377.29	\$ 100,403.35	\$ 778.21	\$ 62.50	\$ 208,457.66	

Account #	EXPENSES	2023-24 Budget	July	August	September	October	November	December	January	February	Totals To Date	% Expended
	<b>OPERATIONS</b>											
5300	Basic Services	\$ 133,000.00	\$ 7,427.59	\$ 12,817.55	\$ 12,192.61	\$ 9,005.56	\$ 10,305.54	\$ 9,985.69	\$ 14,197.00	\$ 6,515.50	\$ 82,447.04	62%
5500	Rent	\$ 7,000.00	\$ 555.00	\$ 555.00	\$ 930.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 555.00	\$ 930.00	\$ 5,190.00	74%
5600	Office Expenses	\$ 4,500.00	\$ 249.22	\$ 309.85	\$ 630.69	\$ 218.29	\$ 216.51	\$ 260.59	\$ 399.87	\$ 304.64	\$ 2,589.66	58%
5700	Internet & Website	\$ 3,000.00	\$ 172.84	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 156.67	\$ 159.94	\$ 159.94	\$ 1,276.07	43%
5900	Publication and Legal Notices	\$ 3,000.00					\$ 605.01				\$ 605.01	20%
6000	Televising Meetings	\$ 2,400.00					\$ 423.61	\$ 267.54	\$ 178.36		\$ 869.51	36%
6100	Audit Services	\$ 4,000.00	\$ 2,000.00								\$ 2,000.00	50%
6200	Bookkeeping	\$ 5,500.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 440.00	\$ 605.00	\$ 440.00	\$ 3,685.00	67%
6300	Legal Counsel	\$ 30,000.00	\$ 900.00	\$ 900.00	\$ 1,867.50		\$ 495.00	\$ 540.00	\$ 360.00	\$ 1,102.50	\$ 6,165.00	21%
6400	A-87 Costs County Services	\$ 2,500.00								\$ 3,440.00	\$ 3,440.00	138%
6500	Insurance - General Liability	\$ 3,000.00				\$ 2,857.81					\$ 2,857.81	95%
6600	Memberships (CALAFCO/CSDA)	\$ 4,000.00	\$ 2,521.00			\$ 1,281.00					\$ 3,802.00	95%
6670	GIS Contract (County)	\$ 3,000.00					\$ 56.91				\$ 56.91	2%
6740	In-County Travel & Stipends	\$ 4,000.00				\$ 177.95	\$ 177.95	\$ 128.82		\$ 100.25	\$ 584.97	15%
6750	Travel & Lodging Expense	\$ 6,500.00				\$ 842.52					\$ 842.52	13%
6800	Conferences (Registrations)	\$ 4,500.00		\$ 1,950.00		\$ 650.00	\$ (650.00)				\$ 1,950.00	43%
7000	Work Plan (MSR/SOI)	\$ 100,000.00	\$ 6,901.50	\$ 8,342.00	\$ 5,544.50	\$ 4,541.50	\$ 3,805.50	\$ 3,876.50	\$ 9,237.38	\$ 5,051.00	\$ 47,299.88	47%
9000	Misc Expenses (bank fees)	\$ 100.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 5.00	\$ 5.00	\$ 64.00	64%
	<b>TOTAL</b>	\$ 320,000.00	\$ 21,176.15	\$ 25,480.07	\$ 21,770.97	\$ 20,735.30	\$ 16,596.70	\$ 16,219.81	\$ 25,697.55	\$ 18,048.83	\$ 165,725.38	

8000	APPLICATIONS	Deposits TD										Deposit Remaining	
8022	City of Ukiah North Annexation Pre-Application (P-2020-01)	\$ 1,500.00										\$ -	\$ 378.00
8024	Millview CWD Annexation Pre-Application (P-2020-04)	\$ 3,609.25										\$ -	\$ -
8025	City of Ukiah Annexation of City-Owned Properties (A-2021-01)	\$ 8,283.75	\$ 111.25	\$ 875.00	\$ 2,955.00	\$ 125.00					\$ 8,283.75	\$ -	
8028	Elk CSD Activation of Latent Powers (L-2022-01)	\$ 5,000.00							\$ 187.50		\$ 4,516.75	\$ 483.25	
8029	City of Ukiah Annexation of Western Hills Properties (A-2022-02)	\$ 5,000.00						\$ 173.75			\$ 423.75	\$ 4,576.25	
8031	AVCSD Annexation of SOI (A-2023-01)	\$ 6,000.00	\$ 285.00		\$ 660.00	\$ 250.00	\$ 156.25		\$ 250.00	\$ 62.50	\$ 3,930.50	\$ 2,069.50	
8032	Fort Bragg Pre-Application Request (P-2023-02)	\$ 1,500.00	\$ 1,177.50	\$ 312.50							\$ 1,490.00	\$ 10.00	
	<b>Applications Less Service Fees Subtotal</b>		\$ 1,082.50	\$ 817.00	\$ 2,501.00	\$ 258.00	\$ 107.50	\$ 119.50	\$ 301.00	\$ 43.00	\$ 5,229.50		
	<b>Service Fees Subtotal</b>		\$ 491.25	\$ 370.50	\$ 1,114.00	\$ 117.00	\$ 48.75	\$ 54.25	\$ 136.50	\$ 19.50	\$ 2,351.75		
	<b>TOTAL</b>		\$ 1,573.75	\$ 1,187.50	\$ 3,615.00	\$ 375.00	\$ 156.25	\$ 173.75	\$ 437.50	\$ 62.50	\$ 7,581.25		

<b>EXPENSES TOTAL</b>		\$ 22,749.90	\$ 26,667.57	\$ 25,385.97	\$ 21,110.30	\$ 16,752.95	\$ 16,393.56	\$ 26,135.05	\$ 18,111.33	\$ 173,306.63	
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<b>MONTHLY CLAIMS TOTAL</b> (not including service fees and bank fees)		\$ 320,000.00	\$ 22,249.65	\$ 26,288.07	\$ 24,262.97	\$ 20,984.30	\$ 16,695.20	\$ 16,330.31	\$ 25,993.55	\$ 18,086.83	
--	--	---------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--

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

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

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

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

Agency	Coordination/ Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Previous FY Expenses	FY 2023-24 Budget	FY 2023-24 Expenses	Total Cost to Date <sup>2</sup>
<b>Coastal Water/Wastewater Districts (7)</b>						\$ 18,754	\$ 100,000	\$ 47,300	\$ 66,054
Caspar South Water District	In process	In process							
Elk County Water District	In process	In process							
Gualala Community Services District	1/31/2024	1/31/2024	4/1/2024						
Irish Beach Water District	In process	In process							
Mendocino County Waterworks District No. 2	10/12/2023	1/31/2024	3/4/2024						
Pacific Reefs Water District	10/27/2023	In process	4/1/2024						
Westport County Water District	In process	In process							



# Hinman & Associates Consulting

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

<b>Date</b>	February 26, 2024	<b>Invoice No.</b>	<b>793</b>
<b>To</b>	Mendocino LAFCo	<b>Invoice Total</b>	<b>\$ 12,356.32</b>
<b>Project</b>	Executive Officer Services		
<b>Work Period</b>	February 1 - 25, 2024		

Account	Description	Staff/Hours		Other (At Cost)	Totals
		Executive Officer \$110	Analyst \$86		
5300	Basic Services Public Records Act Requests	41.25	23.00		\$ 6,515.50
5601	Office Supplies Quickbooks Online fee Dropbox fee			\$ 90.00 \$ 119.88	\$ 209.88
5700	Internet & Website Costs (Comcast)			\$ 96.94	\$ 96.94
6200	Bookkeeping	4.00			\$ 440.00
7001	Coastal Region Water/Wastewater MSR/SOI	8.00	48.50		\$ 5,051.00
8028	ECSD Activation of Latent Powers				\$ -
8031	AVCSD Annex SOI A-2023-01		0.50		\$ 43.00
<b>Totals</b>		<b>\$ 5,857.50</b>	<b>\$ 6,192.00</b>	<b>\$ 306.82</b>	<b>\$ 12,356.32</b>

### 5300 Basic Services

Administrative tasks, file research and maintenance of official records and files. Respond to public inquiries and research requests. Prepare and process January and February claims. Preparation for March 4, 2024 regular Commission and Executive Committee meetings. Coordination with Policies & Procedures Committee members on follow up items. Reminders and extension of deadline for Alternate Public member vacancy. Website updates. Develop out of agency service procedures to support draft policy changes; updates to annexation agreement template. Coordinate with Legal Counsel to discuss written comments in response to AVCSD water/sewer project EIR. Budget and Work Program development for FY 2024-25.

### 6200 Bookkeeping

Entered claims into Quickbooks and prepared checks. Reconciled Quickbooks. Prepared reports for budget development process.

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

Conduct research for coastal water and wastewater districts and private water companies (Pacific Reefs Water District, Caspar South Water District, Westport County Water District, Gualala CSD, Elk CWD, Irish Beach CWD, Mendocino County Water Works District 2 etc.); develop administrative drafts and information requests. Coordinate with agencies regarding information needs and requests. We have contracted for assistance in developing the administrative draft studies.

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

Follow up on requests to County Assessor/Elections for voter registration information.

**From:** Intuit QuickBooks Team <No\_Reply@notifications.intuit.com>  
**Sent:** Monday, February 19, 2024 5:27 AM  
**To:** eo@mendolafco.org  
**Subject:** We received your QuickBooks subscription payment!

**Flag Status:** Flagged



## Payment success

Executive Officer, thank you for your payment.

**Invoice number:**  
10001288019142  
**Invoice date:** 02/19/2024  
**Total:** \$90.00  
**Payment method:** VISA ending  
in

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

[View billing history](#)

## Account details

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

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

# COMCAST BUSINESS

## Mendocino Lafco

Account number  
**8155 30 052 0354952**

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

Thanks for choosing Comcast Business

Need help?  
Visit [business.comcast.com/help](https://business.comcast.com/help) or  
call 1-800-391-3000

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

### Your monthly account summary

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

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



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

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

# COMCAST BUSINESS

9602 S 300 W. STE B SANDY UT 84070-3302  
8633 0500 NO RP 09 02102024 NNNNNNNN 01 999644

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

Account number **8155 30 052 0354952**  
Automatic payment due **Mar 04, 2024**  
**Please pay** **\$96.94**  
**Credit Card Payment To Be Applied 03/04/24**

COMCAST  
PO BOX 60533  
CITY OF INDUSTRY CA 91716-0533

Services from Feb 14, 2024 to Mar 13, 2024

## Your new charges in detail

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

### Additional information

Hearing/speech impaired call 711

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

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







**Dropbox Inc.**  
1800 Owens Street  
San Francisco, CA 94158  
United States  
billing-support@dropbox.com

# Invoice for clerk@mendolafco.org

TO	DATE	INVOICE ID
Mendocino LAFCo clerk@mendolafco.org 95924 United States	February 7, 2024 9:40 PM GMT	8D7YZH1SCJGX

PRODUCT	AMOUNT
Dropbox Plus - 2TB (2/7/2024 to 2/7/2025)	\$119.88
<b>Total</b>	<b>\$119.88</b>

All amounts shown are in USD.

# Marsha Burch

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

# INVOICE

Invoice # 185  
Date: 02/23/2024  
Due On: 03/24/2024

Mendocino LAFCo

## 00201-Mendocino LAFCo

### General Counsel

Type	Date	Notes	Quantity	Rate	Total
Service	08/28/2023	Review Fort Bragg documents re improvement district; research	1.00	\$225.00	\$225.00
Service	02/05/2024	LAFCo meeting.	1.50	\$225.00	\$337.50
Service	02/07/2024	Respond to question regarding alternates attending closed session meetings	0.20	\$225.00	\$45.00
Service	02/16/2024	Meeting with staff regarding AVCSD activation of latent powers	1.00	\$225.00	\$225.00
Service	02/20/2024	Revise Annexation agreement and OAS policy draft; review letter to City of Ukiah re JPA on agenda for February 21	1.20	\$225.00	\$270.00
				<b>Total</b>	<b>\$1,102.50</b>

## Detailed Statement of Account

### Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
185	03/24/2024	\$1,102.50	\$0.00	\$1,102.50
			<b>Outstanding Balance</b>	<b>\$1,102.50</b>
			<b>Total Amount Outstanding</b>	<b>\$1,102.50</b>

Please make all amounts payable to: Marsha Burch

Please pay within 30 days.

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

MEETING      March 4, 2024  
TO              Mendocino Local Agency Formation Commission  
FROM          Uma Hinman, Executive Officer  
SUBJECT       **Workshop for Mendocino County Waterworks District No. 2 Municipal Service Review  
and Sphere of Influence Study**

---

**RECOMMENDATIONS**

Hold a Workshop on the Draft Mendocino County Water Works District No. 2 Municipal Service Review and Sphere of Influence Update, provide comments and requested revisions, and direct staff to notice the matter for Public Hearing at a regular meeting of the Commission.

**INTRODUCTION**

This is a Workshop to introduce the Draft Municipal Service Review (MSR) and Sphere of Influence (SOI) establishment study for Mendocino County Waterworks District No. 2 (MCWD2/District). This is the first MSR and SOI Update for the District. The Workshop Draft MCWD2 MSR/SOI study includes the following information related to the District: history, government structure and accountability, operational efficiency, finances, projected growth, disadvantaged unincorporated communities, service capacity and needs, and proposed sphere. The District reviewed and provided feedback on an Administrative Draft of the study and requested changes have been incorporated into this Workshop Draft as appropriate.

As background, the District was formed on April 8, 1958 and encompasses the rural community of Anchor Bay, located approximately 3 miles north of Gualala on State Route 1. The District is a single-service district providing wastewater services and was formed to protect the health and safety of the Anchor Bay community. The District was governed by the Mendocino County Board of Supervisors until July 1, 1996, when an elected MCWD2 Board was granted all the powers previously conferred upon the Board of Supervisors.

The District boundary encompasses 103 properties and provides services to 80 residential and commercial customers; no out of agency services are provided. Much of the service area of the District is also part of an Home Owner’s Association. Other municipal service providers in the area include the South Coast Fire Protection District, Gualala Community Services District, and the North Gualala Water Company. The Gualala Community Services District is located approximately three miles south of the District and has provided staffing for management, operations, and administrative support under contract with the MCWD2 since 2023.

With the 1984 Zion Study, the Commission adopted a coterminous SOI to reflect the area that the District’s wastewater treatment plant and collection system had the capacity to serve. There have been no changes to the District boundary since its formation. The District’s SOI is recommended to be affirmed as a coterminous sphere, which is a sphere that is the same as the jurisdictional boundary, based on the limited projected growth for the area, low demand for additional District services, and challenges described in the study. The District confirmed that their current boundary reflects existing service needs and projected service demands over the next five years.

Attachments:    Workshop Draft MCWD2 MSR/SOI Update

# Workshop Draft

## Mendocino County Waterworks District #2 (Anchor Bay)

Municipal Service Review and  
Sphere of Influence Update

[Photo Credit: Mike Nelson](#)

Prepared By:

**Mendocino LAFCo**

200 South School Street

Ukiah, California 95482

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

Workshop: March 4, 2024

Public Hearing:

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

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# 1 INTRODUCTION

This chapter provides an introductory overview of Local Agency Formation Commissions (LAFCo), Mendocino LAFCo, and additional details relevant to the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update process for Mendocino County Waterworks District #2 (MCWD2/District).

## 1.1 Local Agency Formation Commission

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

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

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

## 1.2 Mendocino LAFCo

The CKH Act provides for flexibility in addressing State regulations to allow for adaptation to local needs. Each LAFCo works to implement the CKH Act to meet local needs through the flexibility allowed in how state regulations are implemented through establishment of local policies to address the unique conditions of the county. As part of this process, Mendocino LAFCo has adopted policies, procedures and principles that guide its operations. These policies and procedures can be found on Mendocino LAFCo's website<sup>1</sup>.

Mendocino LAFCo has a public Commission with seven regular Commissioners and four alternate Commissioners. The Commission is composed of two members of the Mendocino County Board of Supervisors, two City Council members, two Special District Board of Directors members, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

**Table 1-1** below lists the current members, the organization they represent, if they are an alternate, and the date their term expires.

---

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



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

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

Source: Mendocino LAFCo

### 1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts (GC §56430)<sup>2</sup>. MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI) (Assembly Committee on Local Government, 2023). This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by MCWD2.

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.

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

6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

Municipal Service Reviews include written statements or determinations with respect to each of the seven mandated areas of evaluation outlined above. These determinations provide the basis for LAFCo to consider the appropriateness of a service provider's existing and future service area boundary. This MSR Update studies the wastewater services provided by MCWD2. This review also provides technical and administrative information to support Mendocino LAFCo's evaluation of the existing boundary for the District.

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented in Chapter 3.2. 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 and will also provide the following benefits to the subject agencies:

- Provide a broad overview of agency operations including type and extent of services provided;
- Serve as a prerequisite for a SOI Update;
- Evaluate governance options and financial information;
- 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 a Sphere of Influence (SOI) for all local agencies within its jurisdiction. An SOI is "a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission" (GC §56076)<sup>3</sup>.

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

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

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

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

pursuant to GC §56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

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

### 1.5 [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. Senate Bill 375 (Sustainable Communities and Climate Protection Act) requires each metropolitan planning organization (MPO) to address regional greenhouse gas (GHG) emission reduction targets for passenger vehicles in their Regional Transportation Plan (RTP) by integrating planning for transportation, land-use, and housing in a sustainable communities strategy.

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

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

## 2 AGENCY OVERVIEW

Table 2-2-1 MCWD2 Profile	
<b>Agency Name:</b>	Mendocino County Waterworks District #2
<b>General Manager:</b>	Chris Troyan, under contract with Gualala Community Services District (GCSD)
<b>Board President:</b>	Linda-Marie Koza
<b>Office Location:</b>	GCSD Office 39150 S Highway 1, Suite #3, Gualala CA 95445
<b>Mailing Address:</b>	PO Box 104, Gualala CA 95445
<b>Phone Number:</b>	Office: (707) 884-1715 GM: (559) 679-3604 Chris Troyan Board President: (415) 717-3568
<b>Website:</b>	None; interim webpage on GCSD’s website for District Board agendas and minutes at <a href="https://gualalacsd.org/mcwd2">https://gualalacsd.org/mcwd2</a>
<b>Email:</b>	Ms. Koza: <a href="mailto:linda@lmkoza.com">linda@lmkoza.com</a> ; GCSD GM: <a href="mailto:ctroyan@gualalacsd.org">ctroyan@gualalacsd.org</a>
<b>Date of Formation:</b>	1958
<b>Agency Type:</b>	Independent Special District, Single-Service Provider
<b>Enabling Legislation</b>	California Water Code Division 16
<b>Board Meeting Schedule:</b>	Every 3 <sup>rd</sup> Thursday of the month, at Coast Life Support District, 38901 Ocean Drive, Gualala 95445)

(RFI, 2023)

### 2.1 History

#### 2.1.1 Formation

The Mendocino County Waterworks District #2 (MCWD2/District) was formed on April 8, 1958, under California Water Code §55100, by Mendocino County Board of Supervisors Resolution No. 3110 for the sole purpose of providing wastewater service. The District was governed by the Board of Supervisors until July 1, 1996 when an elected MCWD2 Board of Directors was granted all the powers previously conferred upon the Board of Supervisors (GC §55310.2)<sup>5</sup>.

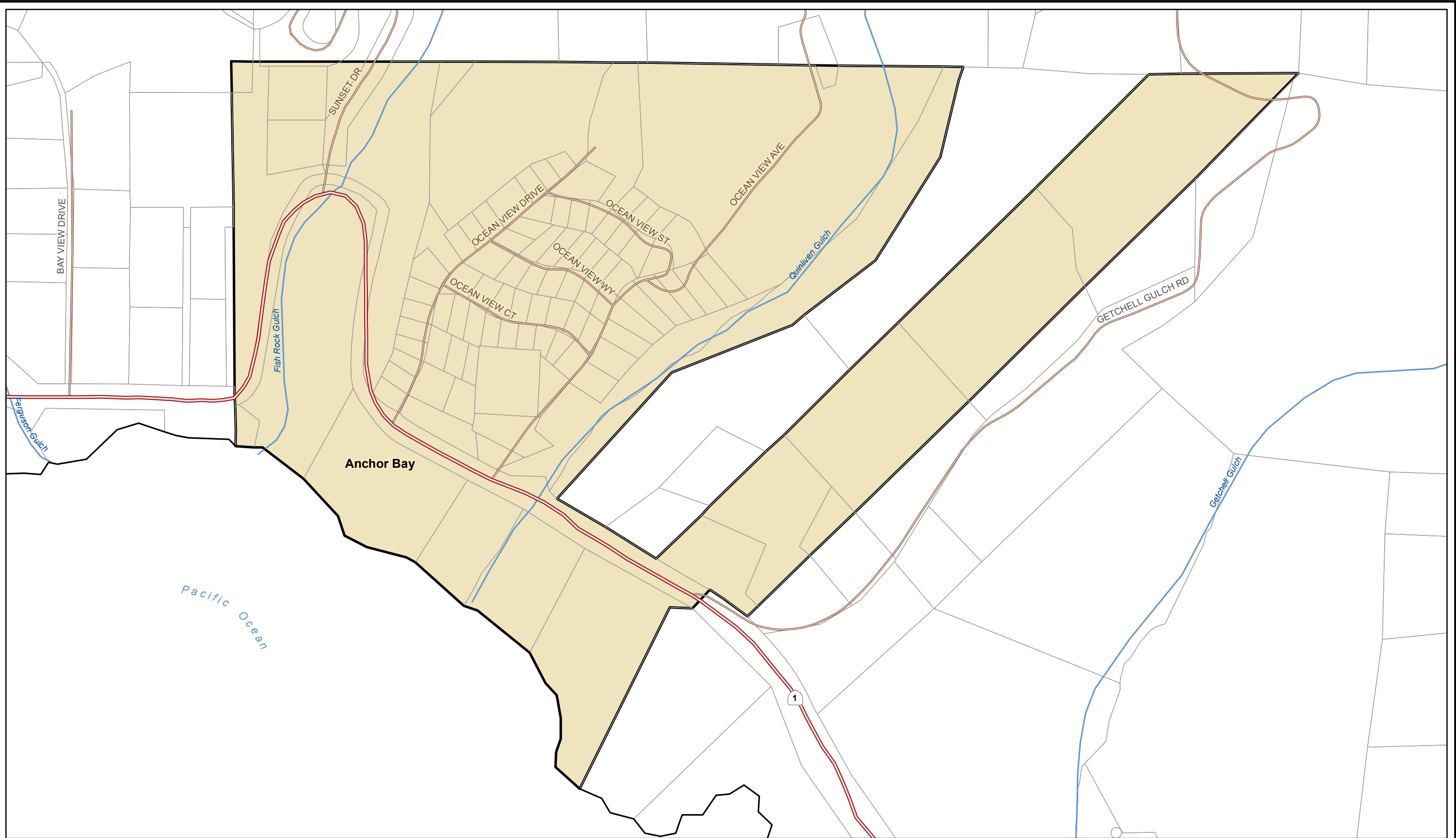
#### 2.1.2 Boundary

The District is located in an unincorporated area of southwestern Mendocino County just north of the town of Gualala. The District serves the community of Anchor Bay, which is a Census Designated Place (CDP) (see Figure 2-1: Mendocino County Waterworks District #2 Boundary).

#### 2.1.3 Boundary Change History

There have been no documented changes to the District boundary since its original formation.

<sup>5</sup> GC §55310.2 text can be viewed here: <https://law.justia.com/codes/california/2022/code-wat/division-16/part-3/chapter-1/section-55310-2/>



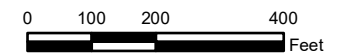
# Mendocino County Water Works District No 2

Source: This map was prepared by the Mendocino County Division of Information Services GIS Program, June 12, 2023.  
 Note: This map is not a survey product.

Mendocino County Water Works District No 2  
 Parcels

Highways  
 Roads  
 Streams

Figure 2-1 Mendocino County Water Works District #2 Boundary



## 2.1.4 Services

The District provides wastewater services to approximately 103 properties in the Anchor Bay community. No other services are provided, and no out-of-agency connections exist. For more information regarding District services, refer to Section 3.

### 2.1.4.1 LATENT POWERS

Latent powers are those services, functions or powers authorized by the principal act under which the District is formed, but that are not being exercised or authorized by LAFCo. Under Division 16 of the California Water Code, latent powers for the District include water services, reclamation of saline water, and operation of recreational facilities in connection with water bodies owned or controlled by the District. The MCWD2 is a single-service provider delivering wastewater services only.

Any expansion of services would necessitate prior approval from LAFCo through an application for activation of latent powers, which generally follows the normal Commission proceedings for a change of organization or reorganization (GOV §56650 et seq.). Water service for the service area of the District is currently provided by the North Gualala Water Company, a private entity. There are no recreational opportunities for the District in connection with existing facilities.

Other service providers in the nearby region are listed below:

#### Wastewater Services:

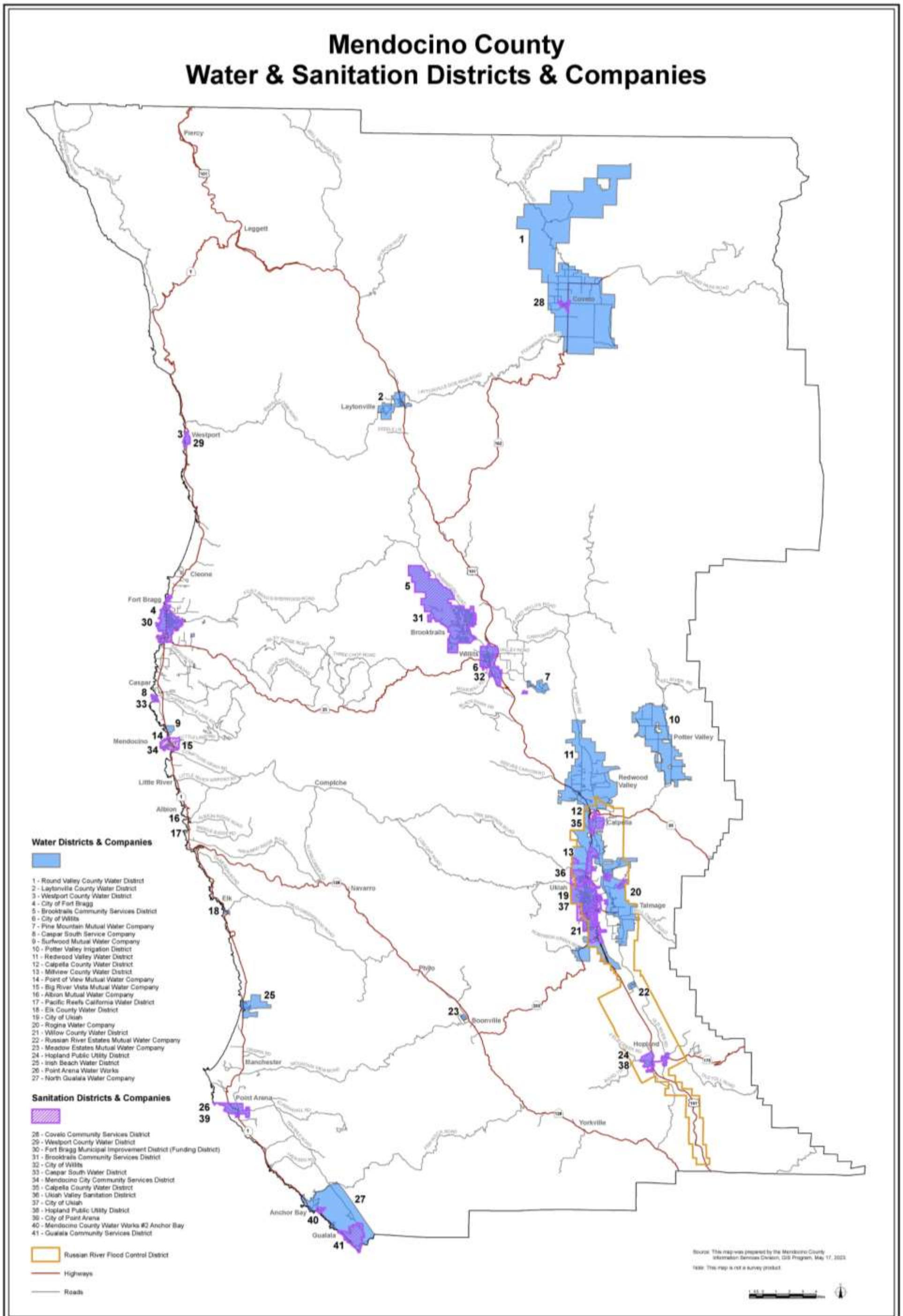
- Gualala Community Services District
- City of Point Arena Sewer System & Wastewater Treatment Plant
- Sea Ranch Sanitation Zone (Sonoma County)

#### Water Services:

- North Gualala Water Company
- Sea Ranch Water Company
- Point Arena Water Works
- Stewarts Point Water System

For a regional map of Mendocino County's water and sanitation districts and companies see Figure 2-2: Mendocino County Water and Sanitation Districts and Companies on the next page.

Figure 2-2: Mendocino County Water and Sanitation Districts and Companies



## 2.2 Government Structure

### 2.2.1 Governing Body

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

The Board had only two serving members until the beginning of 2023, primarily due to limited numbers of residents meeting the eligibility requirements. According to GC §55310.2, the Board of Directors of the MCWD2 shall consist of five members, elected at large. Board members must be residents of the District and registered to vote in Mendocino County at the time of election and throughout their four-year terms. The District has only recently achieved compliance with GC §55310.2.

The District is currently governed by a five-member Board of Directors elected at-large to serve staggered four-year terms (See Table 2-2: Current District ). Of the current five board members, two were appointed by the County Board of Supervisors (BOS) (Wieneke and Lemmon) and two were appointed by the MCWD2 Board (McDonnell and Koza). It is unknown how Board Member Shelby was appointed.

Name	Office/Position	First Year of Service	Term Expiration	Serving Consecutive Terms
Alex McDonnell	Vice President	02/15/24	6/30/26	No
Jens Grant Shelby	Board Member	Unknown	6/30/26	Yes
Linda-Marie Koza	President	7/20/23	6/30/28	Yes
Lisa Wieneke	Secretary	10/19/23	6/30/26	No
Donna Lemon	Board Member	10/19/23	6/30/28	No

Source: RFI<sup>6</sup>

California Water Code §55310.2<sup>7</sup> governs the process for appointment of Board of Director seats vacated prior to the scheduled term expiration date. Any vacancy on the Board, other than upon the expiration of a term, shall be filled by a majority vote of the directors. However, no vacancy shall be filled by less than three member votes. If the Board fails to fill a vacancy within 60 days of the vacancy, or if the membership of the board is less than 4, the Board of Supervisors may appoint members to fill the vacancies. Appointed

<sup>6</sup> Request for Information responses provided by District Board President Linda-Marie Koza in December 2023

<sup>7</sup> See water code text here: <https://law.justia.com/codes/california/2022/code-wat/division-16/part-3/chapter-1/section-55310-2/>



members shall serve until the next District election at which time the remainder of the unexpired term shall be filled by election in the manner provided in the code.

The District Board of Directors elects officer positions annually at the first regular meeting of the calendar year. Officer positions include President, Vice President, and Secretary. The Board may create additional offices and elect Board members to fill those offices, provided that no Board member holds more than one office. District Board members do not receive compensation for their public service or a stipend for attending meetings; GC §55305 sets allowable compensation for the Board of Directors.

The Board currently has zero vacancies, 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 common problem for other small service providers within the region and throughout rural areas of California. Prior to January 2023, the Board did not meet its mandate under GC §53310.2 by operating with only two-three members for years.

Only one of the Board members has served the District for multiple consecutive terms, which can indicate difficulty with finding eligible residents that meet the requirements to serve on the Board. Members who serve multiple terms could offer some benefit to the District through the establishment of long-standing working relationships in the community, historical knowledge of the organization, and maintaining institutional knowledge of the District. However, the inability of the District to fill vacancies in the recent past could indicate future difficulties with filling Board seats and maintaining adequate services. Without a full Board, the conduct of regular District business is difficult and important planning and implementation of services may suffer.

### 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. The District does not maintain a website and therefore, does not comply with the requirements of the Brown Act 2016 updates as described in AB2257.

Public notices and meeting agendas are posted on a public board in front of the Anchor Bay Market and meeting dates/times and location are listed in the Independent Coast Observer. The District encourages the public to communicate with the District via email for information. In addition to timely public posting, agendas are emailed to all customers. The Board meets at a clinician ambulance service district (Coast Life Support), which is wheelchair-accessible, and all regular meetings are open to the public via Zoom. Almost all of the District's residential customers are members of a Homeowners Association (HOA). Agendas are also sent to HOA members and District business is reported at quarterly HOA meetings. For District customers who are not members of the HOA, the District communicates individually by email to encourage their attendance at Board meetings in person or on Zoom. Additionally, the District has recruited community members to serve on the three Citizens Advisory Committees described below (Section 2.2.3).

Public meeting information, including past agendas, and approved meeting minutes are available on the Gualala Community Services District website for the year 2023 (<https://gualalacsd.org/mcwd2>). Minutes

are kept for all District Board of Directors meetings by the Board Secretary or President, and are adopted at a subsequent meeting.

### 2.2.3 Standing Committees

Committees assist in carrying out various functions of local government. The District currently does not have any standing committees, but plans to appoint a Budget Committee at its March 21<sup>st</sup>, 2024 Board of Directors Meeting. The Board has established three Citizens Advisory Committees, formed with a combination of Board and community members, to assist the District in creating necessary governance documents as follows: 1) Policy Guidelines, 2) Personnel Manual, and 3) Conditions of Use Ordinance.

### 2.2.4 Public Outreach

With the passage of Senate Bill (SB) 929 in 2018, all special districts are required to establish and maintain a website with specific information and accessibility requirements by January 2020 (a compliance handout is included in Appendix B). A grant was offered to the District by the California Special Districts Association (CSDA) to develop and maintain a website, but ultimately the District Board decided that the resources required to set up and maintain a fully compliant website exceeded the capacity of both contract staff and Board volunteers. SB 929 does allow for a special district to be exempt from the website requirements if the District has adopted a resolution declaring that a hardship exists that prevents the district from establishing or maintaining a website. The District adopted such a resolution at its January 18, 2024 meeting, and will review the decision every January so long as the hardship exists.<sup>8</sup>

The Gualala Community Services District (GCSD) has recently added a landing page on their website and MCWD2's domain 'MCWD2.org' redirects to this web page. The page hosts MCWD2's 2023 and 2024 meeting agendas and minutes for public reference, and it is the District's plan to eventually post financial reports and Prop 218 rate proposal information.

**Recommendation:** It is recommended that the District Board review the decision to maintain its own website every January so long as the hardship exists

### 2.2.5 Complaints

Complaints may be directed to the District Board President or contracted General Manager. No complaints have been received since current District management and board leadership have been in place, e.g. CY 2023. It is not known if there were any complaints made prior to this time.

The Board is currently developing Policy Guidelines to be adopted sometime this year, which contains the following draft comprehensive complaint procedure:

- 1) An individual with a complaint shall first discuss the matter with the General Manager to resolve the matter informally, if possible.
- 2) If an individual registering a complaint is not satisfied with the disposition of the complaint by the General Manager, it shall be forwarded to the Board President. At the option of the General Manager, he/she may conduct conferences and take testimony or written documentation in the resolution of the complaint. The General Manager shall memorialize his/her decision in writing, providing the individual registering the complaint with a copy.

<sup>8</sup> Senate Bill No. 929 Section 53087.8 text can be found here:

[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB929](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB929)

- 3) If an individual filing a complaint is not satisfied with the disposition of the matter by the General Manager, he/she may request consideration by the Board of Directors by filing said request in writing within ten (10) days of receiving the General Manager's decision. The Board may consider the matter at its next regular meeting, call a special meeting, or decline to consider the matter further. In making a decision, the Board may conduct conferences, hear testimony, and review the materials provided to the General Manager. The Board's final decision shall be memorialized in writing, copied to the individual registering the complaint. The action of the Board, including an action to decline to consider a complaint, is the final action of the District, not subject to further internal appeal. (RFI, 2023)

In part because the District serves such a small community, the District Board is often the first contact for customer complaints/inquiries.

**Recommendation:** The Commission review any complaints at the next MSR/SOI Update, or within three years of the completion of this MSR, whichever comes first.

### 2.2.6 Transparency and Accountability

District staff did not provide LAFCo with a copy of the District's bylaws as it was not available. It is not known when the MCWD2 Bylaws were originally approved. Bylaws serve as the legal guidelines of an organization by providing written rules that control internal affairs. They define the group's official name, purpose, requirements for membership, officers' titles and responsibilities, how offices are to be assigned, the conduct of meetings, and frequency of meetings. LAFCo staff queried the District for all policies related to operations, personnel, conflicts of interest, and financial matters; however, no documents were provided. The District is currently in the process of reviewing its policy manual which should address record retention. The District's inability to provide these documents could indicate improvements are needed in governance and transparency (RFI, 2023).

**Recommendation:** The Commission review District policies related to operations, personnel, conflicts of interest, and financial matters at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

The Political Reform Act requires all state and local government agencies to adopt and promulgate a Conflict-of-Interest Code pursuant to GC §81000 et seq. The District adopted a Conflict-of-Interest Code on August 17, 2023.

The Political Reform Act also requires persons who hold office to disclose their investments, interests in real property, and incomes by filing a Statement of Economic Interests (Fair Political Practices Commission Form 700) each year pursuant to GC §87203. There is no record for previous years, but the District has noted that their General Counsel has directed the Board to complete their Form 700 filings for the current year by April 1, 2024.

According to AB 1234, if a local agency provides compensation or reimbursement of expenses to its governing body, then all members are required to receive two hours of training on public service ethics laws and principles at least once every two years and establish a written policy on reimbursements pursuant to Government Code §53235. While the District does not currently compensate its Board members, all District Board Members are asked to complete an online class and provide a certificate of

completion to the district attorney. It is unknown if District staff members are asked to complete any certifications, however the contract General Manager does receive ethics training every two years.

Additionally, the District's attorney attends all District meetings to advise on procedures as needed.

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

## 2.3 Operational Efficiency

### 2.3.1 Management and Staffing

The MCWD2 contracts with the GCSD for operations and administration of the District. GCSD's General Manager and Admin/Bookkeeper work directly with the MCWD2 Board of Directors providing administrative and operational support. The contract General Manager supervises the District's only employee and oversees the management of the District; including customer service, customer billings, customer complaints, and connection enforcement duties. As a result of the very limited District staffing, the Board of Directors assumes responsibility for annual budget preparation, expenditure monitoring, preparation of agendas, coordinating contract negotiations and all legal matters.

The District's paid staff is comprised of one part-time operator who works 20-hours a week and is managed by the contract General Manager (RFI, 2023).

#### 2.3.1.1 CONTRACT STAFFING AND SERVICES

In addition to its contract with GCSD for operations and administration, the District utilizes outside legal counsel and engineering contractors on an as-needed basis. Currently, the District is in the process of preparing a Rate Study with the assistance of consultants.

### 2.3.2 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District's contract General Manager and one operator are managed by GCSD, therefore the District Board does not track employee workload and productivity. Performance evaluations are also handled by GCSD.

The District Board members monitor and evaluate agency operations through regularly monitoring financial reports and the monthly management reports and other communications provided by the District's contract General Manager.

#### 2.3.2.1 CHALLENGES

The District did not provide LAFCo staff any detail regarding challenges the District is experiencing in providing services. Although specifics were not provided, indications that the District is experiencing challenges with governance and service provision include an only recently-established full Board as well as recently contracted management, operations, and maintenance staff. Additionally, the State Water Resources Control Board (SWRCB) has documented that the District received 22 violations in the last five years, all of which are still active violations in need of corrective action. (Refer to the following Sections for more information.)

Further, the District does not have a Capital Improvement Plan (CIP) and District staff also informed LAFCo that the District is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant. While the District does not have a CIP, it is currently in the process of conducting a Rate Study (to be adopted sometime in early 2024), which will include a skeletal CIP

produced in collaboration with the Rural Community Assistance Corporation (RCAC). The District is also currently working with a contracted engineering firm to help obtain planning grants from USDA and SWRCB in order to help fund a comprehensive analysis that would include a full CIP and summary of the necessary engineering for critical system upgrades.

It is apparent that the District is working diligently to improve on these items and LAFCo staff recognizes the significant efforts of the current Board to achieve compliance. However, it is clear that there are many challenges for the District to improve upon and follow up review by the Commission is recommended.

**Recommendation:** The Commission review the District Board's efforts to achieve compliance with the requirements of district governance, reporting, operations and maintenance, and financial matters at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

#### 2.3.2.2 DISTINGUISHED SERVICE

The current District Board President was awarded the Certificate in Special District Governance by the Special District Leadership Foundation (CSDA) in 2023.

#### 2.3.2.3 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 has been reviewing progress and setbacks over the prior year during the annual budget development process.

However, the Board stated as part of the MSR process that a retreat is planned for the second half of 2024 that will be devoted to establishing a mission statement and official goals. The timing of the proposed retreat is dependent on completing the rate study that is currently being produced, the subsequent Prop 218 hearing with District customers, and the adoption of this MSR. The District stated that the information developed by these projects will help the Board understand the realities that need to be considered before establishing a mission statement and official goals within the next fiscal year.

### 2.3.3 Regional and Service-Specific Collaboration

The District does not participate in any interagency collaborative arrangements or mutual aid agreements. However, the District has entered into an operations and administrative agreement with GCSD for the use of GCSD's General Manager and Admin/Bookkeeper. Given the far distance from other wastewater agencies, the District does not have many options to collaborate with other providers. GCSD is the only nearby public agency with potential for collaboration.

The District participates in a Joint Powers Authority (JPA) with the Special Risk Management Authority (SDRMA) for insurance purposes. The SDRMA is a JPA formed pursuant to Section 6500 et. Seq., California Government Code, is comprised of California special districts and agencies including such districts. The relationship between the District and JPA is such that the JPA is not a component unit of the District for financial reporting issues. The SDRMA's purpose is to jointly fund and develop programs to provide stable, efficient, and long-term risk financing for special districts. These programs are provided through collective self-insurance, the purchase of insurance coverage, or a combination thereof. (Calentano, 2023) The District purchases insurance through SDRMA, but does not currently have any debt with SDRMA or any other lender.

The MCWD2 is an active member of the California Special District Association (CSDA). The Board President recently attended a 3.5 day CSDA leadership conference and the contract General Manager has, and

tentatively plans, to attend future CSDA conferences. New Board members are encouraged to participate in these events. The Board also actively uses the CSDA Forum where District staff and board members share information and resources, including for example, utilizing a CSDA template for the Hardship Resolution to avoid the legal expense associated with drafting the Resolution. The District does not participate in any mutual aid agreements.

**Recommendation:** LAFCo recommends that the District consider future group participation efforts by attending regional and service-specific meetings and communicating with colleagues regarding industry standards, best management practices, changing regulations, and service delivery models implemented by other local agencies and organizations.

## 2.3.4 Shared Service Delivery

### 2.3.4.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are only two nearby public providers of wastewater services within the nearby vicinity.

- Gualala Community Services District (GCSD)
- City of Point Arena

The GCSD is the closest of the two providers, located approximately three miles south of the District, and currently provides operational and administrative support to MCWD2 under contract. The details of the agreement between GCSD and the District are further described in Section 2.3.4.2 below. Given the current relationship between the two districts there is great potential for future expanded collaboration or consolidation, which is something that is currently being actively discussed by both Boards.

The North Gualala Water Company (NGWC) is a privately-owned, public utility that has been serving the coastal communities around Anchor Bay and Gualala since 1953. The Company provides drinking water services to approximately 1,100 customers throughout the small coastal communities of Anchor Bay and Gualala. The boundaries of the MCWD2, as well as GCSD, are contained entirely within the NGWC's boundaries and have customers in common. Private water companies are not under the jurisdiction of LAFCo; however, given the overlap in service boundaries, there may be opportunity for coordinated services in the future with NGWC.

### 2.3.4.2 SHARED SERVICES AND FACILITIES

The District does not jointly own or share any capital facilities or services with other agencies, apart from the operations and administrative contract with GCSD. As part of the agreement between the District and GCSD, specific tasks conducted by GCSD include utilizing GCSD's General Manager and Admin/Bookkeeper, as well as GCSD's operators on an as-needed basis.

The GCSD's General Manager and Administrative Manager/Bookkeeper work directly with the MCWD2 Board of Directors and staff, providing administrative and operational support to help with budget preparation, expenditure monitoring, Discharge Permits compliance, and Regional Water Quality Control Board (RWQCB) reporting. The GCSD's General Manager supervises the District's only employee, a part-time Operator who works 20 hours per week, and oversees the management of the District, including customer service and connection enforcement duties. In addition, by default, GCSD handles all issues that arise beyond what is anticipated in the contract. For example, GCSD managed the District's response to a

recent emergency construction project to by-pass a compromised manhole, thereby avoiding a catastrophic failure and environmental disaster.

The District President has stated that the contract with GCSD 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. In addition, GCSD been able to provide engineering and grant expertise that the District did not previously have access to.

Due to the geographic isolation of the District, the District does not have any emergency interties.

#### 2.3.4.3 DUPLICATION OF SERVICES

As previously stated, the GCSD provides operational and administrative support for MCWD2. Continuing this relationship with GCSD may support opportunities for the District to reorganize or consolidate with GCSD in the future as discussed more throughout this document.

Additionally, the NGWC 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 MCWD2 and GCSD. 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 special district area and services require appropriate LAFCo process and approval.

#### 2.3.4.4 INTERAGENCY COLLABORATION

The District does not participate in any interagency collaborative arrangements or mutual aid agreements, and does not participate in the Integrated Regional Water Management (IRWM) Program for the region (North Coast Resource Partnership)<sup>9</sup>. Participation in these types of regional planning programs often provides opportunity to pursue joint grant applications and to leverage other community resources; it may be beneficial to the District to consider participation in future IRWM efforts.

**Recommendation:** LAFCo recommends that the District participate in future IRWM efforts through the North Coast Resource Partnership.

### 2.3.5 Governmental Structure and Community Needs

#### 2.3.5.1 ENHANCED SERVICE DELIVERY OPTIONS

As previously stated in Section 2.3.4.2, the District currently has an agreement with GCSD in which GCSD provides operational and administrative duties for the District.

Despite the assistance from GCSD, the District Board is still more involved in administrative tasks than is typical or desired by the existing board members because the administrative burden currently exceeds GCSD staff's capacity.

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<sup>9</sup> The North Coast Resource Partnership implements the region's Integrated Regional Water Management Program; more information can be found here: <https://northcoastresourcepartnership.org/>.

**Recommendation:** LAFCo recommends that, based on the current circumstances of GCSD providing contract services, the District should consider expanding the services provided by GCSD where possible.

Because it was expressed by District staff that GCSD does not have additional staff capacity, it is recommended that the District hire a part-time administrative assistant to support GCSD 's efforts and relieve the District Board of the hands-on administrative work.

#### 2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructure 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. The District has indicated an explicit interest in consolidation with GCSD. With the existing contract with GCSD for operations and administrative support already in place, such a reorganization could benefit District residents and create efficiency of services to the region.

Given that GCSD already provides the labor behind most of what it takes to operate and maintain the District, consolidation would also benefit GCSD in that it would be able to combine GCSD's efforts to the benefit of both districts and their customers, including efficiencies related to economies of scale.

Additionally, the District President has stated that the contract with GCSD has enabled the District to address long-deferred infrastructure and management issues and thus GCSD is already intimately aware of the issues the District is facing.

**Recommendation:** LAFCo recommends that, based on the current arrangement with GCSD providing essential management, administrative and technical expertise to the District, the District should consider expanding the support provided by GCSD and should pursue consolidation of the agencies when resources allow for it.

## 2.4 Finances

LAFCo is required to make determinations regarding the financial ability of the MCWD2 to provide public 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) 2018-2019, 2019-2020, 2020-2021 and 2021-2022, and the budget for FY 2022-2023 as the primary sources of information for this section. The District has not presented Management's Discussion and Analysis from its most recent audit (FY 2021-2022) that the accounting principles generally accepted in the United States has determined necessary to supplement, although not required, to be part of the basic financial statements.

In California, special districts are classified as either enterprise or non-enterprise based on their source of revenue. MCWD2 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 recurring revenue source, provided 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 Figure 2-3: District Revenue and Figure 2-4: Revenues Over/Under Expenses).

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.

#### 2.4.1.1 REVENUES AND EXPENDITURES

The District's revenues and expenditures for FYs 2018-2019, 2019-2020, 2020-2021, and 2021-2022 are summarized in Figure 2-3: District Revenues and Expenses. District service charge revenues remained steady at \$135,000 for FY 2018-2019 through FY 2020-2021. Service charges increased by \$2,116 in FY 2021-2022; however, the District's current management and Board leadership were not involved in the budget or operation of the District in FY 2020-2021. It is believed the then-administrator estimated cost increases and proposed increasing rates to the Board as it was then constituted. There was no Prop 218 process documented at the time.

The current management and Board transitioned into management of the District over the course of 2023 and at that time no changes were made to the rates for FY 2023-2024 as there was insufficient time to conduct a proper rate study and Prop 218 process. Notwithstanding, the District adopted a FY 2023-2024 budget, based on known and anticipated costs at mid-year, which exceeded the revenues for the FY under the old rates. Additional revenue for the District includes interest income, assessments for the repair and replacement reserve, and miscellaneous income.

The Board has prioritized a rate study, which is currently being developed; public hearings are anticipated in the latter half of 2024. The District anticipates there will be substantial rate increases set for FY 2024-2025, potentially as much as 30% or more, as a result of the subsequent Prop 218 vote and hearing.

Expenditures totaled \$144,303 in FY 2021-2022, \$160,857 in FY 2020-2021, and \$201,698 in FY 2019-2020. The top expenditures included maintenance/repairs, insurance, permits/fees, utilities, administration, and depreciation. Budgets for years prior to FY 2023-2024 did not include legal, engineering, project management, operating reserves, grant writing, and administrative expenses related to bringing the District into compliance with applicable rules and regulations.

As shown in Figure 2-8: District Cash Accounts, the District's cash accounts indicate two different trends. The first is that the District's cash flows from operating activities are steadily decreasing each year while the District's savings account has been consistently increasing, as shown in each of the last five years. The savings account holds the funds collected on property tax bills as "Capital Reserve Assessment" and is not invested in capital improvements.

As shown in Figure 2-4: Revenues Over/Under Expenses, the second trend is that the District had expenditures exceeding revenues for each of the last four fiscal years at an average of \$40,000 each year. Because existing revenues cannot cover expenses, the District has relied on its reserves to cover its expenses and is projected to do so again in 2024. This has caused a continual drawdown on reserves, suggesting that the District is not in a stable financial position.

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.

#### 2.4.1.2 ASSETS AND LIABILITIES

As shown in

**Figure 2-5: District Assets, the largest asset for the District is infrastructure for which depreciation costs have been accounted for in the expense section. As shown in**

Figure 2-6: District Liabilities, the District does not have any debts and its liabilities are limited to payroll taxes and accounts payable. Many special districts in California participate in the CalPERS program and are struggling to cover unfunded liabilities as a result of costly employee retirements and pensions. Because the District does not participate in CalPERS, it is not subject to the increasing payments. This leaves the District in a better position for consolidation or reorganization discussions as any agencies interested in these efforts would not need to consider that particular debt.

The District indicated the need to replace most, if not all, of the existing infrastructure, including the wastewater treatment plant. Because the District does not have a needs assessment or a capital improvement plan, it is not clear what the costs associated with these replacements would be. As they would likely be substantial, and the District is currently operating at a net loss, it is anticipated that the District would need to take on significant debt in the near future to pay for infrastructure needs.

#### 2.4.1.3 NET POSITION

As shown in

Figure 2-7: District Net Position, the District is currently operating at a net loss as a result of substantial necessary investments into the District infrastructure. The FY 2022-2023 budget shows that this trend will continue in 2024, with a projected net income loss of \$44,908.

The District is investing significant resources in legal services in FY 2023-24 in order to bring the District into compliance with the Brown Act, developing ordinances and policies that were lacking, and preparing the rate study and Prop 218 process. Legal costs are expected to be lower in FY 2024-2025 and beyond, once the District has established the necessary administrative framework.

Figure 2-3: District Revenues and Expenses

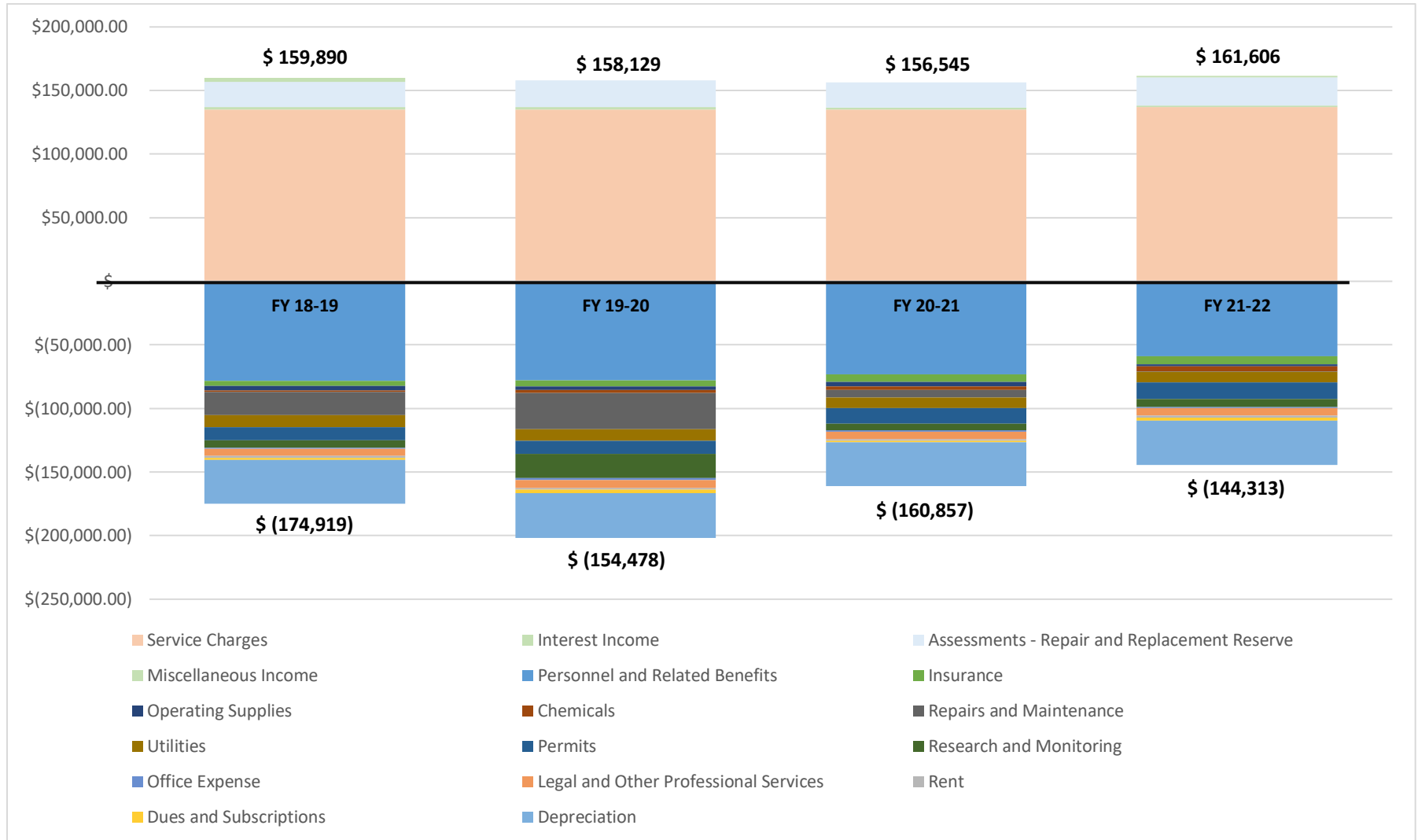


Figure 2-4: Revenues Over/Under Expenses



Figure 2-5: District Assets



Figure 2-6: District Liabilities

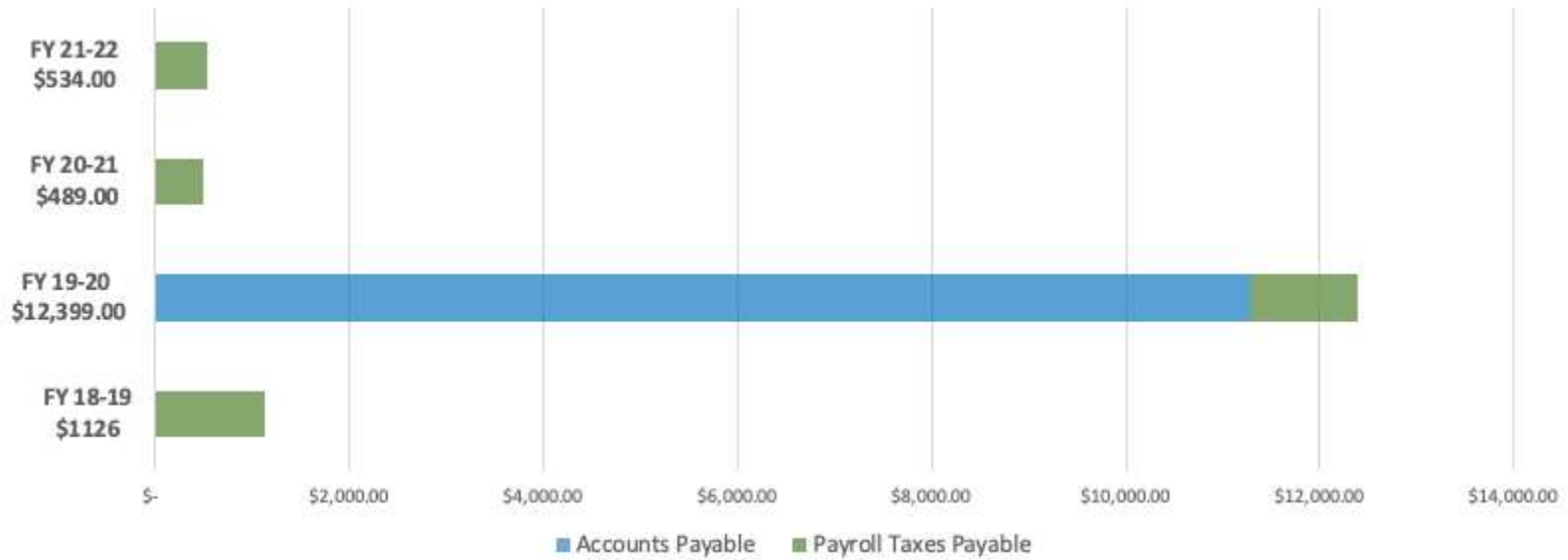


Figure 2-7: District Net Position

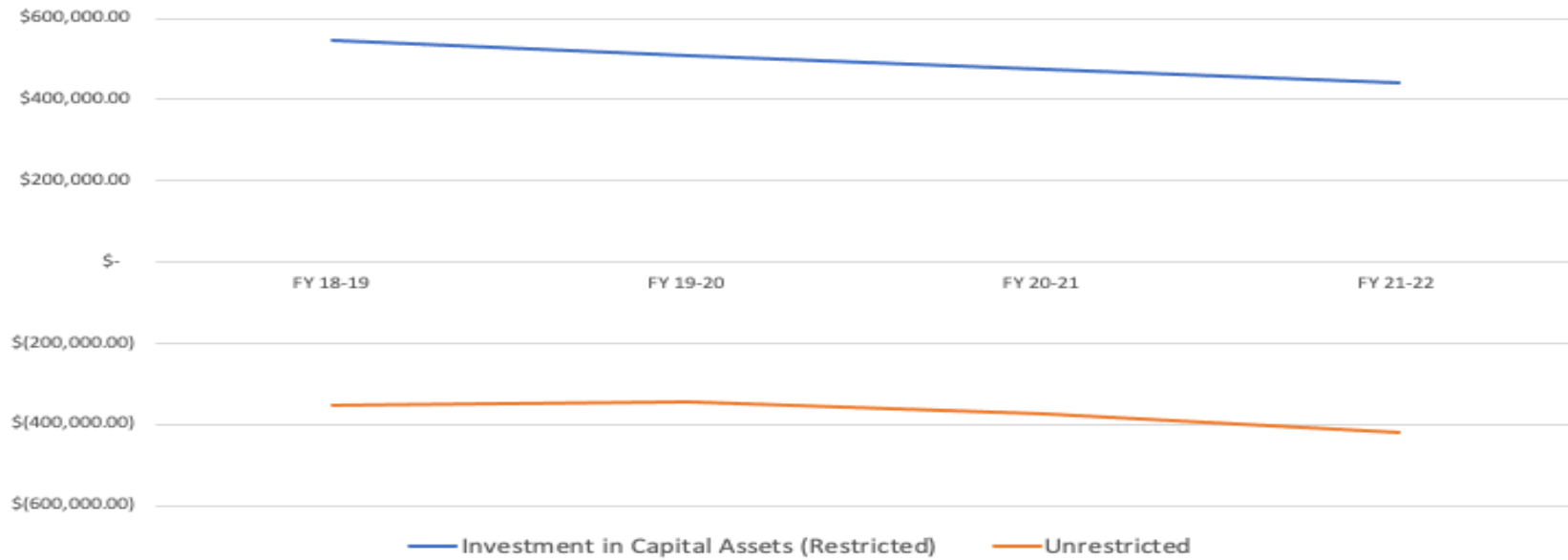
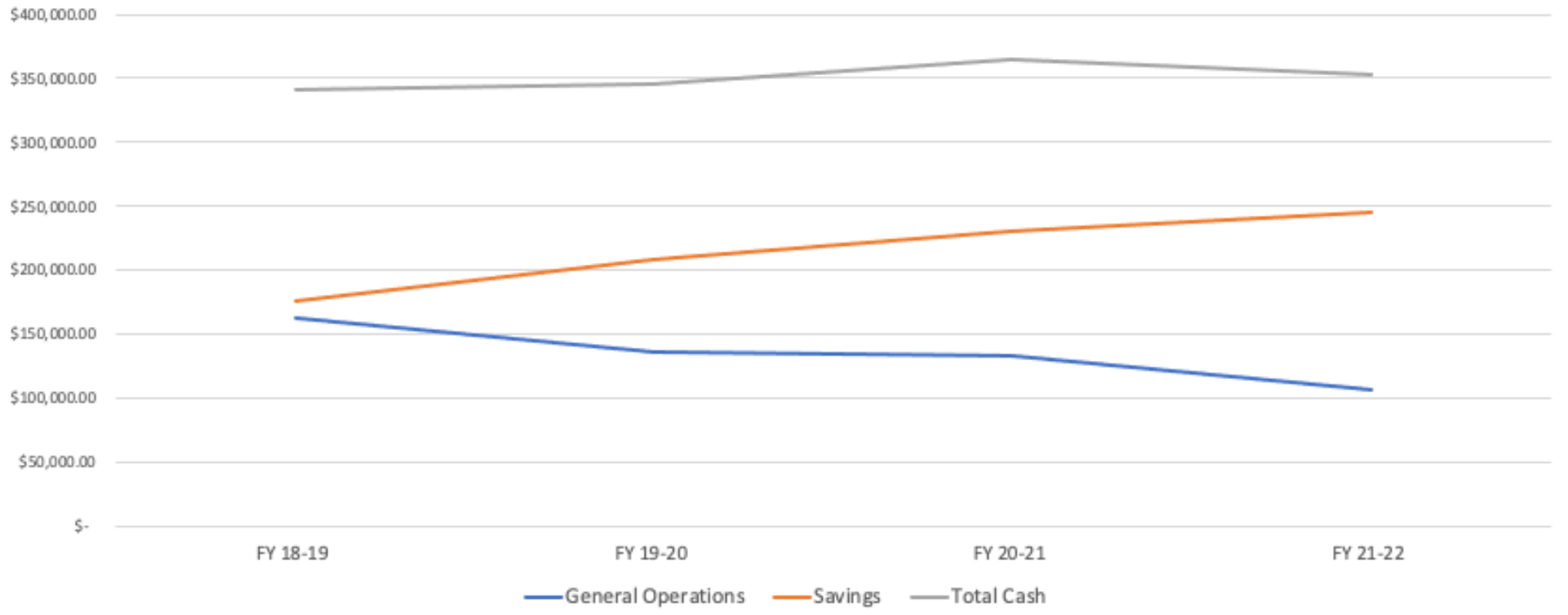


Figure 2-8: District Cash Accounts



## 2.4.2 Long Term Financial Considerations

### 2.4.2.1 RESERVES

In November of 2023, the Board adopted a reserves policy under Resolution 23-24-10 requiring that the District maintain three months of operating expenses. The target amount for Operating Reserves is approximately \$53,000 based on the approved FY 2023-2024 budget of \$211,758. The District has not yet allocated actual funds to the reserves account because such funds were not anticipated in the current rates. It is likely that the rate study currently being prepared will result in a larger annual operating budget because it will include items that hadn't been considered in previous budgets; therefore, the 3-months' reserve amount may increase proportionally. It is expected that proposed rate increases for FY 2024-2025 will include allocation of funds to operating reserves.

The District's current Capital Improvement reserve funds total approximately \$199,000 (includes a \$34,000 insurance settlement claim that has not yet been deposited). The District has not needed to use Capital reserves to pay operational expenses because a majority of the annual revenues from fees was received from the County at year-end. The District President stated that as a result of timing discrepancies between receipts of payment and expenses, the District may need to consider using Capital Improvement funds to cover operations in the second half of FY 2023-2024.

The reserves policy also includes language regarding capital improvement reserves, emergency reserves, equipment replacement reserves, and excess funds. None of these have been funded as of yet.

### 2.4.2.2 OUTSTANDING DEBTS/COST AVOIDANCE

The District currently has no debt. The District did not provide LAFCo staff with any measures the District has taken to reduce costs. As a small district there are limited opportunities available to reduce costs while maintaining the expected service levels.

The contract amount with GCSD exceeds the amount the District had been paying to its previous administrator. However, the costs associated with the GCSD contract are invaluable as the arrangement 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.

### 2.4.2.3 RATE RESTRUCTURING

The current rate structure was adopted in 1989 and was subsequently amended in 1991 and 1992. The current rate structure does not follow applicable laws.

Proposition 218 was approved by California voters in November 1996 to ensure that the setting of all taxes and most charges to property owners be transparent and subject to voter approval. In addition, Proposition 218 seeks to curb some perceived abuses in the use of assessments and property-related fees, specifically the use of these revenue-raising tools to pay for general governmental services rather than property-related services (LAO, 1996). The existing rate structure, as amended in 1992, does not specify wastewater rates for District customers, but instead gives the District Manager the authority to annually calculate sewer service charges and capital reserve charges to equal the total cost of operating, maintaining, and expanding the District sewer system for that year. This is contrary to the requirements of Prop 218.

Prop 218 requires local governments to ensure that property-related fees comply with the measure's calculation requirements. Specifically, local governments must make sure that no property owner's fee is

greater than the proportionate cost to provide the subject service to his or her parcel. Like assessments, this requirement may result in local governments setting property-related fee rates on a block-by-block, or parcel-by-parcel basis (LAO, 1996).

As previously stated, the District is currently in the process of preparing a rate study that is anticipated to be completed sometime in the latter half of 2024 and a proposed rate increase process compliant with Proposition 218 is expected to follow. (RFI, 2023)

#### 2.4.2.4 CAPITAL IMPROVEMENT PLAN

The District does not maintain a CIP; however, the new rate study will include a skeletal CIP produced in collaboration with the Rural Community Assistance Corporation (RCAC). The District is also currently working with a contracted engineering firm to help obtain planning grants from USDA and SWRCB in order to help fund a comprehensive analysis that would include a full CIP and summary of the necessary engineering of system upgrades.

### 2.4.3 Current Fiscal Health

The District is operating at a net loss based on the information provided in the financial audits and shown in

Figure 2-7: District Net Position. Further, the District does not have the existing reserves to create the standard documents necessary to ensure adequate funding for future services. In addition to the new rate study, the District will require a needs assessment and a CIP for which the District has not yet allocated funding. Further, the District indicated to LAFCo staff that it is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant. The Board of Directors and contract General Manager have been exploring funding options that could help cover the costs of replacing these systems; however, as of yet no funding mechanism has been identified and the costs are not known.

## 2.5 Growth

### 2.5.1 Present and Planned Land Use and Development

The MCWD2 boundaries are entirely located within the unincorporated area of Mendocino County. Mendocino County has land use authority over privately-owned lands within the District boundary and makes land-use decisions based on the County's General Plan and Zoning Regulations. The MCWD2 is also located in the Coastal Zone and is subject to the regulations of the Coastal Element, a part of Mendocino County's Local Coastal Plan as approved by the Coastal Commission. Any proposed changes to the land use or development patterns of the District area must be approved by the Coastal Commission (County of Mendocino General Plan, 2009).

#### 2.5.1.1 LAND USE

The specific land use General Plan designations within the District are Rural Residential (RR5 and RR10), Coastal Commercial (C), and Public and Semi-Public Facilities (PF). The principally permitted use in RR5 is residential and requires a minimum parcel size of 5 acres (RR10 = 10-acre minimum), though most of the residential parcels within District boundaries are only a fraction of an acre with two outlier residential parcels each approximately 5-acres in size. The Rural Residential land use is not intended to be a growth area and residences should create minimal impact on agricultural viability. Included in the RR5 designation



is the Anchor Bay Campground, which is currently a customer of the District for part, but not all, of its sewer needs.

The Coastal Commercial (C) parcels are located along Highway 1 and serve the Anchor Bay community. Lastly, the Public and Semi-Public Facilities (PF) designation applies to one parcel in the center of the District that is occupied by the Fish Rock Cemetery. See

Figure **2-9: Mendocino County General Plan Land Use Mapping** for General Plan designations within the District boundary.

Parcels just south of the District are designated for RR10, a residential land use that requires a minimum parcel size of 10-acres, also not an area intended for intense growth (County of Mendocino, 2023).

#### 2.5.1.2 DEVELOPMENT

Future growth and development of the District is subject to Mendocino County land use regulations. The County has adopted plans and policies to regulate growth, including a General Plan and a Zoning Ordinance. The County's Zoning Ordinance contains three major geographical zones (Inland, Coastal, and Mendocino Town) and the Anchor Bay area is included in the Coastal Zone (County of Mendocino Coastal Element, 2021). As shown in

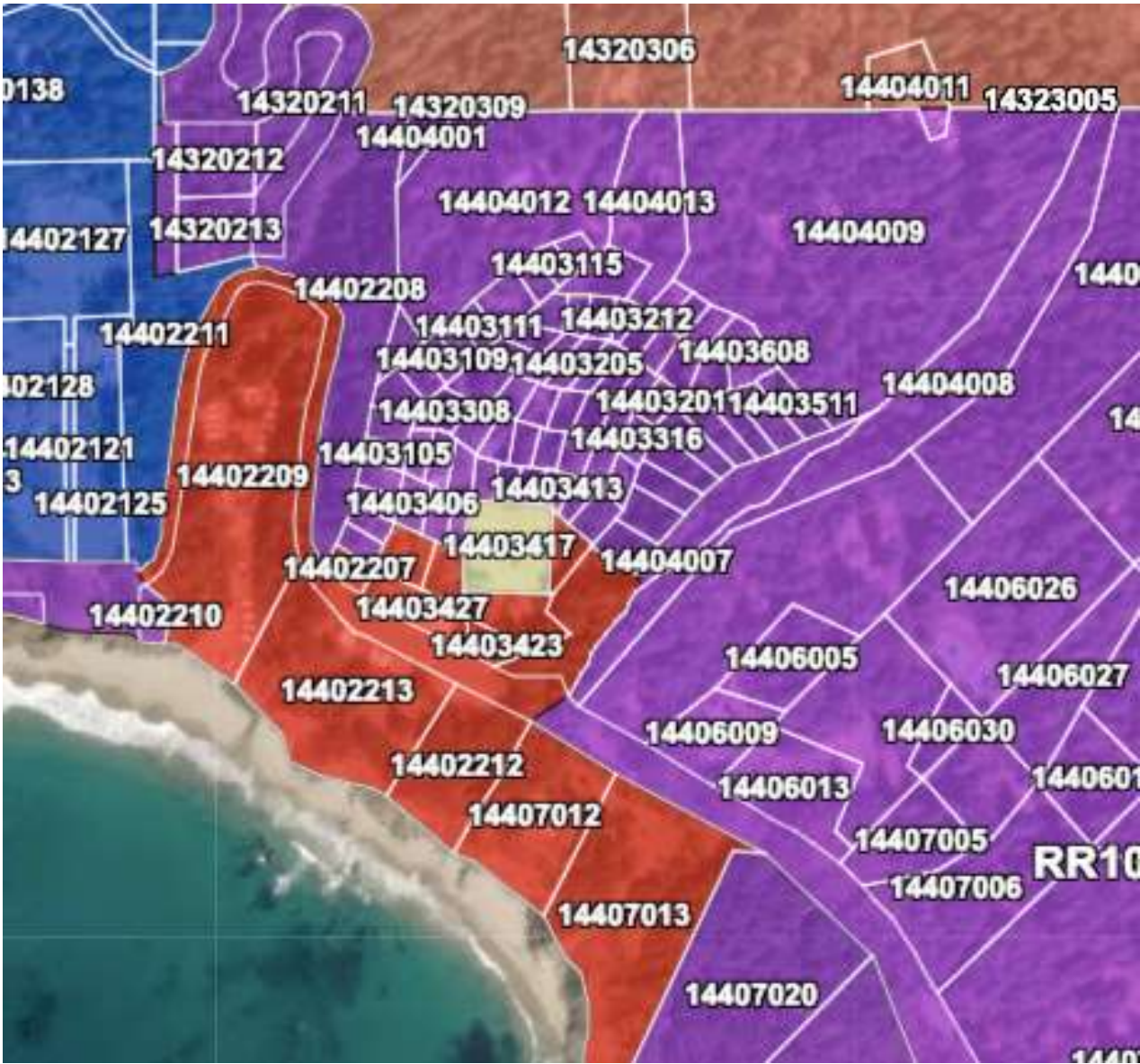
Figure **2-10: Mendocino County Zoning Map**, the County's Zoning Map designates most of the Anchor Bay subdivision and surrounding parcels as single-family residential and coastal commercial.

Figure 2-9: Mendocino County General Plan Land Use Mapping



Source: Mendocino County Zoning Web Map

Figure 2-10: Mendocino County Zoning Map



Source: Mendocino County Zoning Web Map

### 2.5.2 Existing Population

The District serves an area limited to the unincorporated community of Anchor Bay, which is a Census Designated Place (CDP) with a population of approximately 473 residents and approximately 372 households ([US Census, 2022C](#)). The Anchor Bay CDP encompasses approximately 3.5 square miles and includes primarily rural residential properties and commercial development along Highway 1. Anchor Bay is located within Census Tract 111.02 in Mendocino County, which includes the area between Gualala to the south to areas just north of Manchester and has an estimated population of 4,305 (See Figure 2-11).

While the MCWD2 serves a small number of commercial customers along 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 100) does not change throughout the year, but demand for service increases during tourist seasons. It is also notable that the population within the District has increased as a result of refugees seeking shelter from numerous fires throughout the state and the COVID-19 pandemic; second homes are becoming primary homes.

### 2.5.3 Projected Growth

The District's population is projected based on development of approximately 103 parcels (13 parcels designated commercial, one parcel designated as public facility, and approximately 89 parcels designated as residential) (County of Mendocino, 2023). The State Department of Finance (DOF) projects that the population of Mendocino County will decline by a little more than 2.7 percent in the next 10 years, from 91,601 in 2023 to 89,091 in 2033 and 89,139 in 2043. (DOF, 2023)

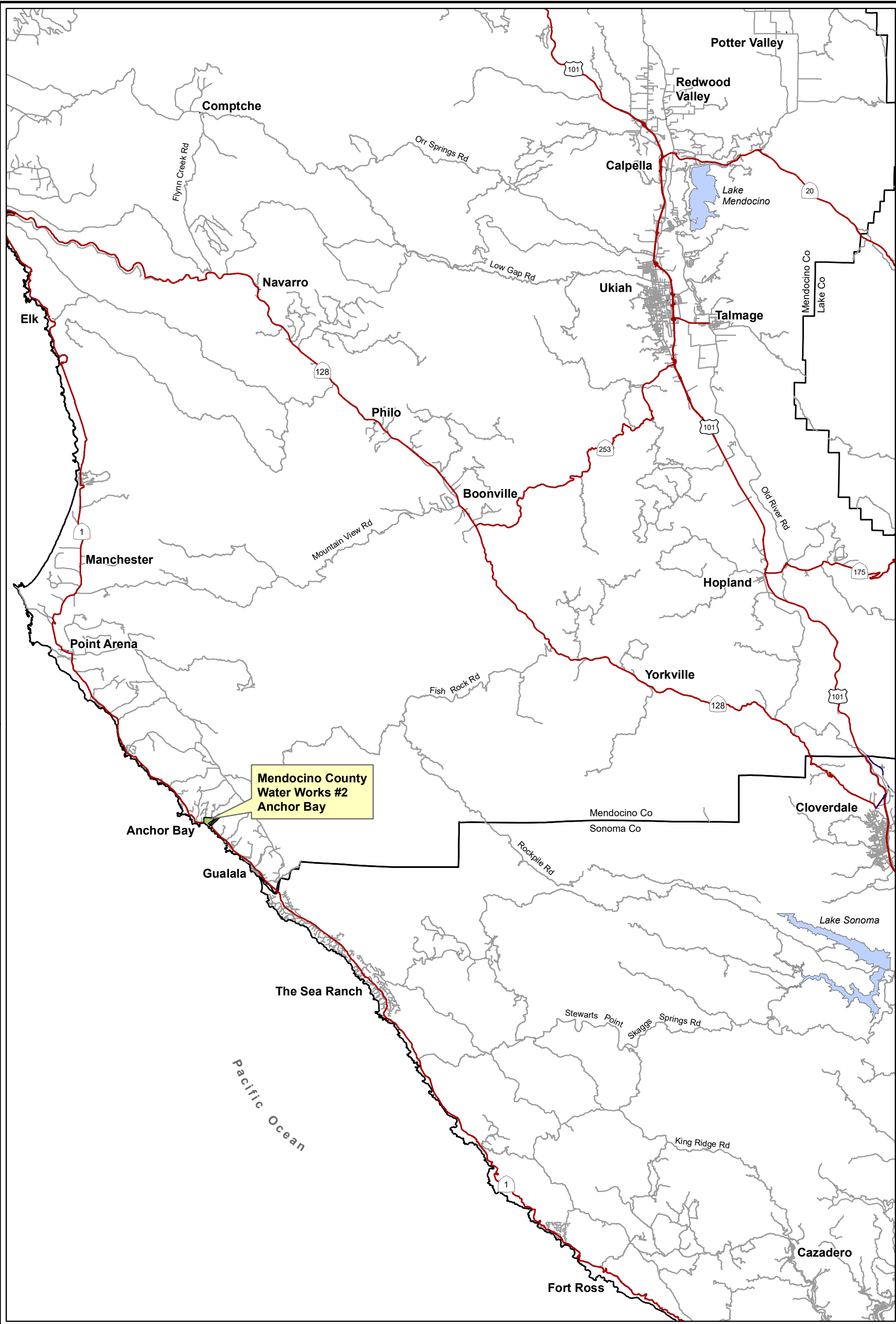
The District anticipates little growth in resident population within the near-term (five years) and long-term (20 years) planning horizons. The projected decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document (DOF, 2023). Given that the MCWD2 is limited to a small number of developed commercial properties and residential properties in the Anchor Bay community with only a handful of undeveloped lots, the District will likely not need to accommodate much future development and is near buildout.

While there are a couple large parcels that could theoretically be developed as a hotel or bed and breakfast, there are currently no development plans in place. This is likely in part because of water conservation efforts mandated by the California Public Utilities Commission since September of 2014. For their part, the NGWC, which provides potable water services to all MCWD2 customers (except those on wells), imposes its Mandatory Water Conservation Program (MWCP) when stream flows in the North Fork of the Gualala River are at or below specific levels<sup>10</sup>. During these times water use restrictions prohibit the use of water for construction purposes. Given the ebbs and flows of current drought trends, it is unlikely that any new construction will take place in the area.

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

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<sup>10</sup> For more information on NGWC's water conservation efforts see their website: <https://ngwco.com/conservation/mandatory-conservation/>



# Location - Mendocino County Water Works #2 Anchor Bay

- Mendocino County Water Works #2 Anchor Bay
- Highways
- Roads

Source: This map was prepared by the Mendocino County Division of Information Services, GIS Program, February 7, 2024.

Figure 2-11 Regional Location

2
1
0
2
 Miles
 
  
 Pg 53 of 97

#### 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 and is an essential component in addressing California's housing needs. In the years since, state ADU law has been revised to improve its effectiveness in creating more housing units.

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

As the state continues to pass legislation to help tackle the ongoing housing crisis, the inevitable impacts to service providers as a result of development will continue to mount. It is imperative that small districts such as MCWD2 stay up to date on legislative changes.

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

#### 2.6 Disadvantaged Unincorporated Communities

Senate Bill 244, which became effective in January 2012, requires LAFCo to evaluate any Disadvantaged Unincorporated Communities (DUCs), including the location and characteristics of any such communities, when preparing an MSR that addresses agencies that provide water, wastewater, or structural fire protection services<sup>11</sup>. A DUC is an unincorporated geographic area with 12 or more registered voters with a median household income (MHI) that is less than 80% of the State MHI. According to the US American Census Survey (ACS) 2022 1-Year estimates, the statewide median household income for California was \$91,551 ([US Census, 2022A](#)). Thus, the MHI DUC threshold is \$73,240 and the threshold for severely disadvantaged unincorporated communities (SDUC) (less than 60% of the State MHI) is \$54,930.

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

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<sup>11</sup> Technical advisory on SB 244 can be found here: [https://opr.ca.gov/docs/SB244\\_Technical\\_Advisory.pdf](https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf)

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

- Contains 10 or more dwelling units in close proximity to one another;
- Is either within a city sphere of influence (SOI), is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has a median household income that is 80 percent or less than the statewide MHI
- For this analysis, per CALAFCO recommendation, calculated the “MHI Threshold” i.e. 80% of the statewide MHI as \$73,240, per the ACS MHI data (The MHI for the State of California is \$91,551) (US Census, 2022A)
- Income data was sourced from the American Community Survey (“ACS”) 5-year Estimates dataset for 2018-2022 and the 2022 ACS 1-Year Estimates.

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

Mendocino County has an MHI of \$65,520 with a majority of the County considered DUCs including both the census tract and block group that the District is located within. (US Census, 2022B)

The community of Anchor Bay is a CDP covering 3.5 square miles that has a population of 473 (252 households and 372 total housing units) and a MHI of \$68,452 (US Census, 2022C) Because the District is located wholly within the Anchor Bay CDP, which has an MHI which is less than the Statewide MHI threshold of \$73,240, the District is considered to be located within a DUC.

It is also worth noting that the census block group in which the District is located (Block Group 3, 20 square miles) has a population of 1,866 (843 households) and a MHI of \$79,596 (Census Reporter, 2022A). 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 Anchor Bay receive adequate services with respect to fire, which is provided by South Coast Fire Protection<sup>12</sup>. Water services are provided by North Gualala Water Company, though it should be noted that there are properties within the District boundaries and adjacent properties that rely on well water. According to data sourced from the State Department of Water Resources (DWR), the District is

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<sup>12</sup> Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here:  
<https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

located within Public Land Survey Section (PLSS) M11N15W1, which is documented as having 23 domestic wells<sup>13</sup>.

With respect to wastewater services, there are customers within the District boundary and adjacent properties that utilize septic tanks for their wastewater needs. The number of properties is unknown, however the District estimates that there are approximately 10 properties within the District boundary using septic tanks, including at least one residence located on Getchell Gulch Road, next to the District's wastewater treatment plant, a portion of homes located on Sunset Drive, and approximately two homes located on the upper-most parts of Ocean View Drive and Ocean View Avenue. Included in these customers is also the Anchor Bay Campground which is currently a customer of the District for part, but not all, of its wastewater needs.

According to the District President the campground may need their septic/sewer system to be upgraded to comply with MCWD2's Conditions of Use Policy and general public health concerns. The District reported that the campground has a septic system that was reportedly determined to have failed in October 2022, which at the time was being used by the campground owners' permanent RVs, not by vacationing RVs that discharge to the District's sewer system. The campground's septic system is located at sea level, immediately adjacent to a stream that flows to the ocean across from a popular beach. The campground regularly sustains damage during major storms but there is evidence that the septic system has continued to be used.

While the residents of Anchor Bay are receiving the essential municipal services of fire, water, and wastewater, only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing septic and well operations. While these areas currently don't lack public services these properties could consider upgrading their systems. Particularly those utilizing septic as public health concerns have been identified.

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<sup>13</sup>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 the current and future service area. The MSR determinations inform the SOI Update process and assist LAFCo in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapter 2 and 3 of this document form the basis for the MSR determinations provided under Section 3.2

#### 3.1 Service Overview

This is the first MSR prepared for the District by Mendocino LAFCo.

##### 3.1.1 Services

The District provides wastewater collection and treatment services to both residential and commercial property owners within the Anchor Bay community. No other services are provided by the District.

##### 3.1.2 Service Area

The District provides wastewater treatment services to approximately 80 customers, some of whom have multiple connections. This service area includes the Anchor Bay community of approximately 68 residences, the Anchor Bay Campground, and a small commercial area. There are several customers who own more than one Equivalent Dwelling Unit (EDU), therefore the actual number of treatment connections is closer to 100 (RFI, 2023).

The MCWD2 is located in the Mendocino Coast Hydrologic Unit Watershed – Hydrological Area 113.80 (Figure 3-1). This watershed covers 298 square miles and is characterized by rugged mountainous terrain with erodible soils forested by redwood, Douglas fir, madrone, and tan oak. It is an important steelhead stream and once supported a coho salmon population. Substantial data collection and watershed restoration efforts have been undertaken, and are continuing, in the watershed through the efforts of private and industrial landowners and local, state, and federal agencies.

**Figure 3-1: Mendocino Coast Hydrologic Unit Watershed**



Source: California State Water Board, North Coast R1

### 3.1.3 Out-of-Agency Services

The District does not provide any services outside of its jurisdictional boundaries.

### 3.1.4 System History

The MCWD2 was formed in 1958 and operated under the County Board of Supervisors until July 1, 1996. While there is no available information that can be sourced, it is known that the District was originally formed by a small number of property owners, who slowly added more connections over time. No further history of services was provided to LAFCo staff.

According to the District President, the collection system was put into service in 1960 and the treatment plant was brought online in 1990. The District has implemented multiple repairs, but no specific historical details were provided.

### 3.1.5 Service Overview

The District owns and operates a collection system and wastewater treatment plant (WWTP/Plant) with a permitted outfall into the Pacific Ocean. Wastewater from the Anchor Bay community, the commercial strip, and Anchor Bay Campground flows to Pump Station No. 1 then to Pump Station No. 2. Effluent reaches the WWTP by force main from Pump Station No. 1 located on Highway 1 downhill of the Plant.<sup>14</sup> Secondary treated wastewater from the District's WWTP is discharged into the Pacific Ocean (Figure 3-2). The Plant has an average dry weather design treatment capacity of 0.0240 mgd.

**Figure 3-2: District's Ocean Discharge Location**



*Source: State Water Resource Control Board*

Ocean discharges occur intermittently, approximately 120 days per year, primarily from October through April with an average duration of 3 hours and an average flow rate of 0.0120 mgd. The maximum daily

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<sup>14</sup> More information on the watershed can be found here:

[https://www.waterboards.ca.gov/northcoast/water\\_issues/programs/watershed\\_info/mendocino\\_coast/gualala/](https://www.waterboards.ca.gov/northcoast/water_issues/programs/watershed_info/mendocino_coast/gualala/)

flow rate during the 2016 permit period was 0.0615 mgd. Under Order No. R1-2016-0006, discharges occurred 105 days during the 2016-2017 discharge season, 78 days during the 2017-2018 discharge season, 113 days during the 2018-2019 discharge season, and 79 days during the 2019-2020 discharge season.

During the summer and other periods of dry weather, treated wastewater is irrigated through Discharge Point 002 onto 3.3 acres of forest land. The primary irrigation area is located in the northwest side of the facility, and a second small irrigation area is located between the aeration pond and Getchell Gulch Road.

Operations and maintenance are performed by the District's part-time operator, who is managed by the General Manager, who is under contract from the GCSO. GCSO's operators assist as needed.

Included in Table 3-1: Wastewater Flow Data 2019-2023 below are the average flow rates for the District over the last five years, which shows that flow averages for the District have been steadily decreasing.

Parameter	Unit	2019	2020	2021	2022	2023	Average
Average Daily Flow	MGD	.007227	.005753	.005753	.004690	N/A	.005856
Average Dry Weather Flow	MG	.005616	.005575	.005575	.006968	N/A	.005934
Average Wet Weather Flow	MG	.014764	.009084	.009084	.004645	N/A	.009334
Maximum Daily Flow	MGD	.011180	.008994	.008994	.007488	N/A	.009164
Maximum Monthly Flow	MG	.398736	.023088	0.23088	0.22464	N/A	.167388

(RFI, 2023)

Very little growth is likely to occur within the District and, based on current operating capacity, the District's wastewater facilities have capacity to serve anticipated build-out.

### 3.1.6 Facilities and Infrastructure

The District's wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and 2 wastewater pump stations.

The WWTP consists of a headworks with bar screen, a 320,000-gallon mechanically aerated primary treatment pond, a 300,000-gallon aerated settling pond, a serpentine chlorine contact chamber for disinfection of treated wastewater, and dechlorination facilities.

Treated, disinfected effluent may be discharged to either the Pacific Ocean at Discharge Point 001 (after dechlorination) or to the forest irrigation system at Discharge Point 002. Aerators in the ponds run intermittently based on the dissolved oxygen levels, and pond retention times range from 15 to 20 days. Solids are retained in the pond.

The ocean outfall (Discharge Point 001) falls into a sea cave within the bluff, southeast of the treatment facility. The outfall cave measures approximately 31.6 feet deep by 10.6 feet wide by 7-9 feet high. The outfall pipe is located near the back of the cave, extends through the roof of the cave, and is designed to provide a 35:1 initial dilution at a maximum discharge rate of 60 gallons-per-minute (gpm). (RFI, 2023)

Figure 3-3: Arial View of Wastewater Treatment Plant



Source: Google Maps

The District indicates that a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant is needed. Much of the collection system consists of material changes including the use of orangeburg pipe which only has a useful life of approximately 50 years. Infiltration and inflow issues have resulted due to the aging infrastructure and the Board of Directors and contract General Manager have been exploring funding options that could help cover the costs of replacing these systems.

#### 3.1.6.1 SYSTEM IMPROVEMENTS

The District's contract General Manager noted that the most recent system improvements took place after rainstorms in the early part of 2023; the District was notified by a customer that a manhole in their backyard was dangerously close to the cliff edge due to a landslide that occurred as a result of the storms. The District responded by installing a bypass to isolate the manhole and abandoned it in place. The District has plans to fill the manhole with bentonite chips during the summer of 2024.

The District did not provide any information to LAFCo regarding any other future anticipated upgrades.

**Recommendation:** LAFCo staff recommend the District's MSR be reviewed in three years of the adoption of this MSR.

### 3.1.6.2 ENGINEERING REPORTS

No engineering reports were provided to LAFCo staff.

### 3.1.7 Service Adequacy

Based on information provided by the District regarding facilities, management practices, accountability, and financing, MCWD2's service is deficient. The District is not able to fund basic studies in order to determine adequate rates, does not have a website, has one part-time employee, and has a history of being unable to fill board vacancies. The District is not meeting some transparency and reporting requirements and has very little reserves. LAFCo staff acknowledge that the District is making strides to meet some of these requirements; however, inadequate funding is a major barrier to effective management and provision of services for the District. Though very little growth within the District is anticipated, current facilities are not sufficient to serve any further development beyond what is currently provided. The District's infrastructure suffers from extensive deferred maintenance and is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant.

#### 3.1.7.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

The District is currently regulated by Order No. R1-2021-0005 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0024040, adopted on April 15, 2021 with an expiration date May 31, 2026 (RFI, 2023). A summary of the District's regulatory measures as identified by the State Water Resources Control Board (SWRCB) is shown below in Table 3-2: SWRCB – MCWD2 Regulatory Measure. The District has had an active permit with the SWRCB since 1986.

Table 3-2: SWRCB – MCWD2 Regulatory Measure

Reg Measure ID	Reg Measure Type	Region	Program	Order No.	WDID	Effective Date	Expiration Date	Status	Amended?
443040	NPDES Permit	1	NPDMUNIOTH	<a href="#">R1-2021-0005</a>	1B83118OMEN	06/01/2021	05/31/2026	Active	N
405526	NPDES Permit	1	NPDMUNIOTH	<a href="#">R1-2016-0006</a>	1B83118OMEN	06/01/2016	05/31/2021	Historical	N
371496	NPDES Permit	1	NPDMUNIOTH	<a href="#">R1-2010-0038</a>	1B83118OMEN	12/01/2010	12/01/2015	Historical	N
133365	NPDES Permit	1	NPDMUNIOTH	<a href="#">R1-2005-0009</a>	1B83118OMEN	04/20/2005	04/20/2010	Historical	N
139168	NPDES Permit	1	NPDMUNIOTH	R1-1997-0024	1B83118OMEN	03/27/1997	03/26/2002	Historical	N
137776	NPDES Permit	1	NPDMUNIOTH	92-060	1B83118OMEN	06/25/1992	06/24/1997	Historical	N
137060	NPDES Permit	1	NPDMUNIOTH	86-004	1B83118OMEN	01/30/1986	01/30/1991	Historical	N

In November 2022, the SWRCB prepared a Treatment Facility Compliance Evaluation Inspection Report for the District as part of regular compliance and in response to an odor complaint received in September 2022. The results of the report indicated that the Facility was operating properly and no odors were present at the time of the inspection; however, concern was noted about deferred maintenance identified during the inspection. Additionally, the SWRCB has documented that the District received 22 violations in the last 5 years, all of which are still active violations in need of correction action (SWRCB, 2023). A summary of the violations from the previous five years can be found in Table 3-4.

#### 3.1.7.1.1 SANITARY SEWER SPILLS

A sanitary sewer spill is a discharge of sewage from any portion of a sanitary sewer system due to a sanitary sewer system 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, WQO No. 2022-0103-DWQ (the Statewide Sanitary Sewer Systems Order).

When searching the SWRCB's sanitary sewer overflow incident data for MCWD2, six spill incidents were identified; all of which were Category 3 Spill Events<sup>15</sup>.

Category 3 Spill Events are defined as:

- A spill of equal to or greater than 50 gallons and less than 1,000 gallons, from or caused by a sanitary sewer system regulated under the General Order that does not discharge to a surface water; and
- A spill of equal to or greater than 50 gallons and less than 1,000 gallons, that spills out of a lateral but is caused by a failure or blockage in the main lines of the sanitary sewer system.

All the noted spill incidents from the SWRCB data can be found summarized below in Table 3-3: **SWRCB – MCWD2 Spill Incidents**.

**Table 3-3: SWRCB – MCWD2 Spill Incidents**

<i>Spill Event ID</i>	<i>Spill Date</i>	<i>Category</i>	<i>Volume</i>	<i>Reason</i>
763097	10/16/2007	3	150 gallons spilled	Debris-General
763099	2/4/2008	3	500 gallons spilled	Pipe structural problem/failure
752083	4/28/2010	3	20 gallons spilled	Debris-General
785639	8/28/2012	3	5 gallons spilled	Other
790877	1/28/2013	3	300 gallons spilled	Root intrusion
792924	3/24/2013	3	100 gallons spilled	Root intrusion

Source: SWRCB

Table 3-4: SWRCB – MCWD2 Violations provides a list of MCWD2 violations for the last five years (spill incidents are not included in this list). The table includes the date the violation occurred, the violation type, a description of the violation, what corrective action has been taken (if any), and the status of the violation.

<sup>15</sup> Data for Spill Events can be found here: [https://www.waterboards.ca.gov/water\\_issues/programs/sso/](https://www.waterboards.ca.gov/water_issues/programs/sso/)

Table 3-4: SWRCB – MCWD2 Violations

<i>Violation ID</i>	<i>Date</i>	<i>Type</i>	<i>Description</i>	<i>Corrective Action</i>	<i>Status</i>	<i>Classification</i>	<i>Source</i>
1117904	06/02/2023	LREP	Once Only OneTime ( MONRPT ) (Evaluation of Sea Level Rise Impact on Sea Cave Discharge Outfall Work Plan) report for 2021/06/01 (2473157) was due on 01-JUN-23		Violation	B	Report
1115497	03/31/2023	CAT1	Biochemical Oxygen Demand (BOD) (5-day @ 20 Deg. C) Percent Reduction limit is 85 % and reported value was 80 % at EFF-001.	Smoke test to locate the I&I locations.	Violation	B	eSMR
1115498	03/31/2023	CAT1	Total Suspended Solids (TSS), Percent Removal Percent Reduction limit is 85.0 % and reported value was 51.0 % at EFF-001.	Need to conduct a smoke test to locate the I&I locations.	Violation	B	eSMR
1115496	03/07/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sampling techniques.	Violation	B	eSMR
1115495	02/28/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sample techniques.	Violation	B	eSMR
1115493	02/21/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 240 MPN/100 mL at EFF-001.	Watch training videos on proper sampling techniques.	Violation	B	eSMR
1115494	02/14/2023	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at EFF-001.	Training on proper sample techniques.	Violation	B	eSMR
1115499	01/31/2023	DMON	No Ammonia sample was taken during the month of January. This was caused by the regular operator being injured in a car accident and the transition of finding a replacement.	None taken. The sample was missed due to events beyond our control.	Violation	B	eSMR
1112540	11/30/2022	DMON	The monthly ammonia sample was forgotten.	Have sampled for ammonia in December	Violation	B	eSMR
1109514	08/11/2022	DMON	coliform result on 8/4 was 41 MPN which exceeded the median value of 23 MPN. We are required to resample within 7 days. I did not get sample results until 8/22 and resampled on 8/24 with a result of 2 MPN.	The sample result of 2 MPN put us in compliance with a median value of 21MPN.	Violation	B	eSMR
1107108	08/02/2022	LREP	Once Only OneTime ( SUMRPT ) (Biological Survey Work Plan) report for 2021/06/01 (2473159) was due on 01-AUG-22		Violation	B	Report
1095491	09/22/2021	OEV	Total Coliform Monthly Median limit is 23 MPN/100 mL and reported value was 36 MPN/100 mL at LND-001.	The chlorine contact chamber was drained and cleaned	Violation	B	eSMR
1092303	05/20/2021	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 240 MPN/100 mL at LND-001.	cleaned chlorine contact chamber and increased chlorine dose	Violation	U	eSMR
1092302	04/28/2021	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 540 MPN/100 mL at EFF-001.	increased chlorine dose	Violation	U	eSMR

<b>Violation ID</b>	<b>Date</b>	<b>Type</b>	<b>Description</b>	<b>Corrective Action</b>	<b>Status</b>	<b>Classification</b>	<b>Source</b>
1089198	03/06/2021	DMON	lab was closed due to Covid outbreak missed weekly coliform and BOD/TSS samples	lab is now open	Violation	B	eSMR
1089197	02/20/2021	DMON	missed weekly BOD/TSS and coliform samples due to lab closure for Covid outbreak	lab is now open	Violation	B	eSMR
1077521	06/24/2020	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 49 MPN/100 mL at LND-001.	We will clean the chlorine contact chamber and if necessary increase the chlorine.	Violation	U	eSMR
1069965	10/23/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 1600 MPN/100 mL at LND-001. *** MMP Exempt Reason:Discharge was to land, not to surface water.	coliform count is back within limits	Violation	B	eSMR
1071422	10/23/2019	OEV	Total Coliform Daily Maximum limit is 230 MPN/100 mL and reported value was 1600 MPN/100 mL at LND-001. *** MMP Exempt Reason:Discharge to land, not surface water.	increased chlorine and cleaned contact chamber	Violation	B	eSMR
1071421	09/25/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 30 MPN/100 mL at LND-001.	increase chlorine	Violation	U	eSMR
1071424	07/24/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 30 MPN/100 mL at LND-001.	increased chlorine	Violation	U	eSMR
1065579	07/24/2019	OEV	Total Coliform 30-Day Median limit is 23 MPN/100 mL and reported value was 70 MPN/100 mL at LND-001.	Increased the chlorine dose rate. Samples done since have been fine.	Violation	U	eSMR

Source: State Water Resources Control Board



A total of 8 violations were noted for 2023, most of which were responded to with “training related to proper sampling technique” as the corrective action.

#### 3.1.7.2 CAPACITY

The design capacity of the WWTP is 24,000 gallons per day (gpd), but the permit capacity is only 19,000 gallons per day. The District has a significant infiltration and inflow issues within the collection system, heavily impacted by the result of strong storms which result in downed trees and power outages. There are numerous areas of root intrusion and areas where there is a change of material in the system, all of which create potential infiltration spots for groundwater to enter the collection system. In 2023, two of the violations involved issues that required the District to find the points of infiltration and inflow. The District does not appear to have the capacity to address emergencies adequately (RFI, 2023).

**Recommendation:** The Commission review the District Board’s efforts to define the I&I issues, incorporate into a CIP, and schedule for maintenance at the next MSR Update or within three years of the completion of this MSR, whichever comes first.

#### 3.1.7.3 NEEDS AND DEFICIENCIES

The District is in need of a complete rehabilitation of the collection system, lift stations, and ultimately the wastewater treatment plant. The Board of Directors and contract General Manager have been exploring funding options to help cover the costs of upgrading these systems.

## 3.2 Determinations

This section presents the required MSR determinations pursuant to GC §56430(a) for the MCWD2. This is the first MSR for the District.

### 3.2.1 MSR Review Factors

#### 3.2.1.1 GROWTH

Growth and population projections for the affected area

1. The estimated population of the District is comprised of a small number of commercial property owners along Highway 1 and rural residences, many of which are second homes and short-term vacation rental properties. Although the number of customers in the District (approximately 80 customers; 100 connections) does not fluctuate throughout the year, service demand increases during tourist seasons.
2. With the commercial district already built out, the District is limited in growth to buildout of any remaining undeveloped rural residential lots. Based on population projections for the County, it is unlikely buildout of the residential parcels will occur until well beyond the planning horizon of this document
3. The NGWC, which provides potable water services to all MCWD2 customers (except those on wells), imposes its Mandatory Water Conservation Program (MWCP) when stream flows in the North Fork of the Gualala River are at or below specific levels. During these times water use restrictions prohibit the use of water for construction purposes. Given the ebbs and flows of current drought trends, it is unlikely that any new construction will take place in the area.

### 3.2.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

4. The District is located within the Census Designated Place (CDP) of Anchor Bay which has a MHI of \$68,452. This is less than the MHI DUC Threshold of \$73,240, therefore the District is considered to be in a DUC. While the residents of Anchor Bay are receiving the essential municipal services of fire, water, and wastewater, only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing private septic systems and wells. While these areas currently don't lack public services these properties could consider upgrading their system; particularly those utilizing septic as public health concerns.

### 3.2.1.3 CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

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

5. The District provides wastewater collection and treatment services to approximately 100 connections.
6. The District's wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and two wastewater pump stations.
7. The District conveys wastewater flows through its collection system from the Anchor Bay community, the commercial district, and Anchor Bay Campground to Pump Station No. 1 then to Pump Station No. 2. Effluent reaches the treatment plant by force main from Pump Station No. 1, located on Highway 1, downhill of the WWTP. The Plant has an average dry weather design treatment capacity of 0.0240 mgd.
8. The District's entire infrastructure system is in need of extensive repairs and rehabilitation in order to continue providing adequate service to its existing customers and protect public health.
9. The SWRCB issued a total of 8 violations for the year 2023, and a total of 22 violations since July 2019.
10. Operations and maintenance are performed by the District's part-time operator, who is managed by the contract General Manager from the Gualala Community Services District.
11. No boundary changes are pending or proposed.

### 3.2.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services.

12. The District does not have a CIP or a needs assessment, but is currently in the process of preparing a rate study.
13. The District is attempting to obtain planning grants from USDA and SWRCB in order to help fund a comprehensive analysis that would include a full CIP and summary of the necessary engineering of system upgrades.
14. Expenditures have exceeded revenues for the past five years. The District has been needing to draw down reserves to cover operational costs, and has very little reserves remaining. The District is not in a stable financial position.

15. The District's current rate structure is not in compliance with Prop 218. The District is in the process of preparing a Rate Study that is anticipated to be completed by end of March 2024.
16. No cost avoidance measures have been identified.
17. The District adopted a new reserves policy under Resolution 23-024-10 in November 2023, which requires the District to reserve at least three months of operating expenses.
18. The current target amount for Operating Reserves is approximately \$53,000 based on the approved FY 2023-2024 budget of \$211,758. The District has not yet allocated actual funds to the reserve account because such funds were not anticipated in the current rates.
19. The District is currently operating at a net loss as a result of substantial necessary investments into the District.

#### 3.2.1.5 SHARED SERVICES AND FACILITIES

##### Status of, and opportunities for, shared facilities

20. The District operates with minimal staffing and facilities. The District currently has an agreement with GCSD to provide administrative services as well as General Manager responsibilities and facility operations on a part time basis. The District does not own or lease any administrative facilities and currently shares office space with the GCSD.

#### 3.2.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

21. The District has difficulty filling Board vacancies.
22. The District demonstrated accountability and transparency by disclosing financial and service related information in response to LAFCo requests. However, some information requested from the District was not provided as past record keeping has been lacking and information was not available.
23. The District demonstrates accountability to its constituents through holding regular monthly board meetings and distribution of agendas, notices and meeting records by email. The District does not maintain a website; however, the District adopted a Hardship Resolution in November of 2023, thus making the District compliant with SB 929. The District does have a web landing page on GCSD's website, which hosts their meeting agendas and minutes for 2022 and 2023.
24. The District is not meeting some transparency and reporting requirements. LAFCo staff acknowledge that the District is making strides to meet some of these requirements; however, lack of funding is a major barrier to effective governance of the District.
25. The District does not have a written mission statement or established goals and objectives. The District is planning a retreat in the second half of 2024 that will be dedicated to adopting a mission statement and associated goals.
26. The District relies heavily on the agreement with GCSD in order to maintain operations and provide adequate wastewater service. Given the District's overall position, consolidation with GCSD should be considered.

#### 3.2.1.7 OTHER SERVICE DELIVERY MATTERS

##### Any other matter related to effective or efficient service delivery, as required by commission policy

27. There are no other matters related to service delivery required by Mendocino LAFCo Policy.

## 4 SPHERE OF INFLUENCE

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

### 4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying an SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with local LAFCo policies. Sphere of Influence policies can be found in the Mendocino LAFCo Policies and Procedures Manual adopted November 5, 2018<sup>16</sup>.

#### 10.1.1 Legislative Authority and Intent

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

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

#### 10.1.4 Reduced Spheres

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

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

#### 10.1.5 Zero Spheres

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

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<sup>16</sup> Mendocino LAFCo Policies and Procedures Manual can be found here:

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

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

#### **10.1.6 Service Specific Spheres**

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

#### **10.1.7 Agriculture and Open Space Lands**

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

#### **10.1.8 Annexations Are Not Mandatory**

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

#### **10.1.9 Islands or Corridors**

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

#### **10.1.10 Overlapping Spheres**

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

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

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

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

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

### 10.1.12 Areas of Interest

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

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

## 4.2 Existing Sphere of Influence

The existing SOI for the District is coterminous with the District's boundary (see Figure 2-1: Mendocino County Waterworks District #2 Boundary). The SOI was established with the 1984 Zion Study and has not been reviewed by LAFCo since. The District has confirmed the adequacy of their existing boundary and SOI. The coterminous SOI is appropriate given the District's current operating level. There are no proposed SOI changes for MCWD2.

### 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.

The only study area in this SOI is the community of Anchor Bay. Due to its geographic isolation and financial standings, there are no other nearby areas that should be considered as a study area.

#### 4.2.2 Area of Interest Designation

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

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

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

No AOIs have been identified for MCWD2.

#### 4.3 Proposed Sphere of Influence

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

#### 4.4 Consistency with LAFCo Policies

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

The proposed District SOI is consistent with Mendocino LAFCo Policies (refer to Section 1.5 for the specific SOI policies).

#### 4.5 Determinations

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

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

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

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

#### 4.5.1 Present and planned land uses

The primary land uses within the District service area are described in Section 2.5.1.1. The entirety of the District is located within the Anchor Bay CDP in coastal unincorporated Mendocino County. The primary uses of the coastal zone are rural residential uses and small commercial zones, agricultural uses also exist within the area. Future development in the District is limited in growth to buildout of any remaining undeveloped rural residential lots as the commercial district is already built out. 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

The District provides wastewater treatment services to approximately 80 customers. This service area includes the Anchor Bay community of approximately 68 residences, the Anchor Bay Campground, and a small commercial strip that straddles State Highway 1. There are several customers who own more than one equivalent dwelling unit (EDU); therefore, the actual number of connections is closer to 100. The District anticipates little growth in resident population within the near term (five years) and long-term planning horizon (20 years). Given that the MCWD2 is limited to a small number of commercial properties that are developed, and the residential properties in the Anchor Bay community with only a handful of undeveloped lots, the District will likely not need to accommodate much future development and is near buildout. While there are some large parcels that in theory could be developed as a hotel/B&B, there are no current development plans in plans and more notably, the NCWC currently has a water moratorium in place that does not allow for any new connections for potable water. Until that moratorium is lifted, no new building permits will be issued. The projected decline of 2.7 percent throughout the County suggests that buildout of the residential parcels will likely not occur until well beyond the planning horizon of this document.

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

The District provides wastewater conveyance services to approximately 100 wastewater connections. The District's wastewater collection system consists of approximately 6,800 linear feet of gravity pipelines, 1,370 linear feet of pressurized force mains, 26 manholes, and two wastewater pump stations. The District has experienced multiple violations; 22 since July 2019 and 8 within the last year (2023). Some of the violation events are described as 'beyond District control' though many of these violations appear to have



received corrective action in the form of training. The design capacity of the WWTP is 24,000 gpd, but the permit capacity is only 19,000 gpd. The District's infrastructure is in need of extensive repairs in order to continue providing adequate service to its existing customers, and does not appear to have the capacity to address emergencies despite its current efforts.

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

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

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

The District is located within the Anchor Bay CDP which has a MHI of \$68,452. With an MHI that is less than the Statewide MHI Threshold of \$73,240, the District is considered to be a DUC. While the residents of Anchor Bay are currently receiving the essential municipal services of fire, water, and wastewater, only fire services have proven to be adequate in the area. Both water and wastewater services could be improved in the areas that are utilizing private septic systems and wells. While these areas currently don't lack public services these properties could consider upgrading their system; particularly those utilizing septic as public health concerns.

### 4.6 Recommendation

Pursuant to California Water Code §55100, the Commission does hereby establish the functions and classes of services provided by the MCWD2 as limited to wastewater collection and treatment. Based upon the information contained in this report, it is recommended that the District Service Area Boundary and SOI for all services remain unchanged and coterminous.

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## 6 ACRONYMS

AB	Assembly Bill
ACS	American Census Survey
ADU	Accessory Dwelling Unit
AF	Acre-feet
CDP	Census Designated Place
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CIR	Capital Indirect Rate
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CPA	Certified Public Accountant
CSD	Community Services District
CSDA	California Special Districts Association
DOF	Department of Finance
DUC	Disadvantaged Community
DWR	Department of Water Resources
EDU	Equivalent Dwelling Units
FY	Fiscal Year
FTE	Full Time Equivalent
GC	Government Code
GCSD	Gualala Community Services District
GPD	gallons per day
GPM	gallons per minute
I&I	Infiltration and inflow
IRWM	Integrated Regional Water Management
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
MCOG	Mendocino Council of Governments
MCWD2	Mendocino County Waterworks District #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
NPDES	National Pollutant Discharge Elimination System
PLSS	Public Land Survey Section
RCRC	Rural Community Assistance Corporation
RHNA	Regional Housing Needs Allocation
RTP	Regional Transportation Plan
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDRMA	Special District Risk Management Association
SDUC	Severely Disadvantaged Unincorporated Community
SOI	Sphere of Influence
SOP	Standard Operating Procedures

SSMP	Sewer System Management Plan
SSO	Sanitary Sewer Overflows
SWRCB	State Water Resources Control Board
USDA	United States Department of Agriculture
WWTP	Wastewater Treatment Plant

## 7 ACKNOWLEDGEMENTS

### 7.1 Report Preparation

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

Uma Hinman, Executive Officer  
Larkyn Feiler, Senior Analyst  
Spencer Richard, Analyst

### 7.2 Assistance and Support

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

Mendocino County Waterworks District #2	Linda-Marie Koza, Board President Chris Troyan, GCSD General Manager
South Fork Consulting, LLC	Amanda Ross, Principal

## 8 APPENDICES

### 8.1 Appendix A – Open Government Resources

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

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

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

## 8.2 Appendix B – Website Compliance Handout



### 8.3 Appendix C – 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 6<sup>TH</sup>, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. 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 8-1: Mendocino County RHNA Allocations**

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

\*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
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(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 CEQA.
- SB35 - Applies in cities that are not meeting their Regional Housing Need Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80% area median income (AMI). SB-35 amends Government Code Section 65913.4 to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

8.4 Appendix D – District Financial Audits

**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

DATE: March 4, 2024  
TO: Mendocino Local Agency Formation Commission  
FROM: Uma Hinman, Executive Officer  
SUBJECT: **Draft Logo for Mendocino LAFCo**

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**RECOMMENDATION**

The Commission consider the draft logo and tagline options, and approve or provide further direction to staff. Potential actions of the Commission include the following:

1. Approve a logo and tagline as presented;
2. Approve a logo and tagline with modifications; or
3. Provide additional direction to the Policies & Procedures Committee and/or staff.

**BACKGROUND**

At its February 5, 2024 regular meeting, the Commission reviewed draft options for a new logo for Mendocino LAFCo. The Commission provided feedback and direction to staff to 1) include the “LAFCo” acronym in the logo design, and 2) develop options for a tagline for inclusion in the branding.

Attachment 1 provides three options in response to the Commission’s direction to include the LAFCo acronym.

The Commission’s discussion and direction to staff to develop a tagline included a request to research the possibility of using CALAFCO’s new tagline: “Supporting Sustainable Community Growth.” Outreach to CALAFCO staff confirmed their tagline is part of their rebranding and is proprietary.

In researching verbiage for a tagline descriptive of LAFCo’s mission and goals, the declarations section of the Cortese-Knox-Hertzberg Local Government Act of 2000 (CKH) states that it is “the policy of the state to encourage orderly growth and development...” Additionally, LAFCo’s primary objectives are as follows:

- Encourage the orderly formation of local government agencies and promote the efficient provision of public services
- Preserve agricultural land and open-space resources
- Promote orderly growth and discourage urban sprawl

Staff and Commissioner Rodin worked with the above concepts to develop the following draft tagline options for Commission consideration and direction:

- 1) Encouraging logical community growth
- 2) Encouraging orderly community growth
- 3) Encouraging well-planned community growth
- 4) Balancing community growth with open-space and agricultural land preservation
- 5) Balancing community growth, open-space and agricultural land preservation, and municipal service needs
- 6) Supporting efficient municipal services and sustainable growth
- 7) Facilitating resilient municipal services and community growth
- 8) Encouraging logical and orderly local government and regional planning

It is recommended that the tagline be applied to letterhead and outreach materials rather than included in the logo design, primarily to keep the logo clean and simplified.

Upon the Commission's selection of a logo and tagline, staff will work with the graphic designer to develop a branding package that will include letterhead design and components appropriate for use on our website and outreach materials (e.g., thumbnail, color/font guide, etc.). The cost for the package has been quoted at \$35.

Attachments: Draft Mendocino LAFCo logos

**Option 1**



**Option 2**





**Option 3**



**MENDOCINO  
Local Agency Formation Commission  
Staff Report**

DATE: March 4, 2024  
TO: Mendocino Local Agency Formation Commission  
FROM: Uma Hinman, Executive Officer  
SUBJECT: **CALAFCO Request for Support for Senate Bill 1209**

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**RECOMMENDATION**

The Commission authorize staff to convey support/opposition, consistent with CALAFCO's position, for Senate Bill 1209 to both legislative houses and to the governor.

**BACKGROUND**

In December of 2022, CALAFCO received a legislative proposal that would add language into statute allowing LAFCos to require indemnification by applicants. This followed a court case out of San Luis Obispo County in which the court ruled against LAFCo on appeal with respect to indemnification, despite the fact that the LAFCo prevailed in the underlying lawsuit. In short, the court opined that LAFCos function only through express authorizations from the legislature and, consequently, need to be expressly authorized to use provisions requiring indemnification for legal costs - which the court likened to entering into a specific type of contract.

At a special meeting in January, 2023, the CALAFCO Board approved the bill proposal to move forward, and it was successfully submitted to Legislative Counsel ahead of the January deadline (the first step in the bill process). However, CALAFCO was not successful in finding an author for the bill (a legislator to carry it) before the submission deadline that February, which meant that CALAFCO was unable to move the bill forward last year.

Those efforts were not entirely fruitless, however, as two legislators indicated that they might be willing to carry the bill in 2024. The delay provided the opportunity to outreach more with CALAFCO's sister entities to help allay potential concerns with the bill. Ultimately, revised language was submitted to the Leg Counsel, improving the overall submission.

Last month, CALAFCO received word that Senator Cortese agreed to carry the bill, which is now designated SB 1209 (see Attachment 1).

CALAFCO will be requesting letters of support in the near future. Since support and opposition are fluid during the legislative process and often change depending on amendments, letters and positions will need to be submitted for each committee meeting in both houses, and finally to the governor urging his signature. Staff is requesting approval to submit letters consistent with CALAFCO's position upon request, with ratification at the next regular meeting of the Commission.

Attachment(s): Text of SB 1209

**Introduced by Senator Cortese**February 15, 2024

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An act to add Section 56383.5 to the Government Code, relating to local government.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1209, as introduced, Cortese. Local agency formation commission: indemnification.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, except as specified. The act continues in existence in each county a local agency formation commission (LAFCO) that consists of members appointed, as specified, and oversees those changes of organization and reorganization. The act authorizes a LAFCO to, among other things, review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, as specified.

This bill would authorize a LAFCO to require, as a condition for, among other things, processing a change of organization or reorganization, that the applicant agrees to defend, indemnify, and hold harmless the LAFCO, its agents, officers, and employees from and against any claim, action, or proceeding, as specified, arising from or relating to the action or determination by the LAFCO.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 56383.5 is added to the Government  
2 Code, to read:  
3 56383.5. The commission may require, as a condition for  
4 processing a change of organization or reorganization, a sphere  
5 amendment or a sphere update, or any other action or determination  
6 requested from the commission, that the applicant agrees to defend,  
7 indemnify, and hold harmless the commission, its agents, officers,  
8 and employees from any claim, action, or proceeding against the  
9 commission, its agents, officers, or employees arising from or  
10 relating to the action or determination by the commission.

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**MENDOCINO  
Local Agency Formation Commission**

**Staff Report**

MEETING      March 4, 2024  
TO              Mendocino Local Agency Formation Commission  
FROM          Uma Hinman, Executive Officer  
SUBJECT      **Applications and Work Load**

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**RECOMMENDATION**

Staff recommends the Commission receive and file this report.

**BACKGROUND**

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

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

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

**ACTIVE PROPOSALS**

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

**WORK PLAN**

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

Attachments

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

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

LAFCo File No. <sup>1</sup>	Applicant	Project Name	Date Application Received	Certificate of Filing	LAFCo Hearing Date	Certificate of Completion	BOE Submittal Date
<b>P-2023-02</b>	Fort Bragg	Pre-Application Review for Annexation of City-owned Properties	4/10/2023	N/A	N/A	N/A	N/A
<p>The City of Fort Bragg submitted a Pre-Application Review Request for annexation of Mendocino Coast Recreation and Park District properties consisting of 6 parcels totaling 582 acres. The intended use of the parcels is for water supply reservoirs, power generation, preservation and recreation. A pre-application meeting was held with Fort Bragg staff on July 25. Additional research is being conducted to provide guidance on identified issues.</p>							
<b>A-2023-01</b>	AVCSD	Annexation of Sphere	3/6/2023				
<p>The Anderson Valley Community Services District (AVCSD) proposes to annex the District’s Sphere of Influence (SOI) for fire and ambulance services. The Agency Referral and Notice of Filing have been distributed to initiate the tax share negotiation process (3/2023). The application is incomplete pending additional information and a tax share agreement. Coordination meetings are being held with AVCSD staff and County Departments regarding the tax share process.</p>							
<b>A-2022-02</b>	Ukiah	City of Ukiah Annexation of Western Hills (Hull Properties)	6/8/2022				
<p>The City of Ukiah proposes to annex approximately 707 acres in the Western Hills for open space preservation, while allowing the potential for future low density residential up to 14 dwelling units on the 55 easternmost acres. The application is incomplete pending additional information and a tax share agreement. Coordination meetings are being held with LAFCo and City staff.</p>							
<b>L-2022-01</b>	ECSD	Elk Community Services District Activation of Latent Powers for Wastewater Services	4/8/2022				
<p>The Elk Community Services District (ECSD) proposes to activate latent powers for the provision of wastewater services. The district will be assuming ownership and operation of a community leach field within the community of Elk. The application has been referred to affected agencies and a Notice of Filing sent to the County Assessor and Auditor-Controller to initiate the tax share negotiation process in accordance with Revenue &amp; Tax Code Section 99. The application is incomplete pending a tax share agreement.</p>							
<b>A-2021-01</b>	Ukiah	City of Ukiah Annexation of City-Owned Properties	3/1/2021 2/25/2022	7/18/2023	9/11/2023	10/23/2023	11/1/2023
<p>The City of Ukiah’s proposal to annex City-owned properties was approved by the Commission on September 11, 2023. The Certificate of Completion has been recorded and the Board of Equalization Acknowledgement Letter was received on November 28, 2023.</p>							
<b>Potential Future Proposals</b>							
	AVCSD	AVCSD Activation of Latent Powers for Water and Wastewater Services					
<p>For several years the AVCSD has been developing a plan and design for providing water and wastewater services to the community of Boonville, which will require activation of latent powers through LAFCo. Staff have recently provided direction to District staff regarding application needs. Staff is coordinating with District CEQA consultants to provide input for inclusion in CEQA analysis.</p>							

<sup>1</sup>Key:    A – Annexation  
          C – Consolidation

          D – Detachment  
          F – Formation

          L – Activation of Latent Powers  
          O – Out of Agency Service Agreement

          P – Pre-application Review Request  
          R – Reorganization

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

<b>FY 2023-24 ESTIMATED WORK PLAN IMPLEMENTATION SCHEDULE AND STATUS</b>						
<i>Work Plan status as of February 28, 2024</i>						
<b>Subject to Change:</b> The estimated schedule and costs for the Fiscal Year 2023-24 Work Plan are subject to change based on agency responsiveness, timely provision of requested information, complexity of issues, level of public and affected agency controversy, and changing needs and priorities.						
<b>CEQA:</b> Based on LAFCo practice, the work plan assumes minimal costs for CEQA compliance related to preparing a Notice of Exemption, unless an agency proposes a non-coterminous SOI and pays for any necessary studies and preparation of a Negative Declaration or Environmental Impact Report.						
<b>Rolling Work Plan:</b> It is difficult to completely contain staff activities in a single fiscal year; therefore, completion of a study may roll over to the next fiscal year. This estimated work plan implementation schedule is intended to enhance communication and transparency.						
<b>Agency</b>	<b>Request for Information</b>	<b>Admin Draft</b>	<b>Public Workshop</b>	<b>Public Hearing</b>	<b>Final Study</b>	<b>Status/Notes</b>
Caspar South Water District	In process	In process				Research and development of an Administrative Draft and Request for Information (RFI) is in process.
Elk County Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.
Gualala Community Services District	1/31/2024	1/31/2024	4/1/2024			Research and development of an Administrative Draft and RFI is in process. EO met with District General Manager on 11/15/23.
Irish Beach Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.
Mendocino County Water Works Water Works District No. 2	10/12/2023	1/31/2024	3/4/2024			This will be the first MSR for the District. EO met with District Board President on 11/15/23. RFI response received 11/22/23. Administrative Draft sent to District for internal review.
Pacific Reefs Water District	10/27/2023	In process	4/1/2024			Research and development of an Administrative Draft; RFI response received 11/28/23.
Westport County Water District	In process	In process				Research and development of an Administrative Draft and RFI is in process.

Millview County Water District – Redwood Valley County Water District –  
The City of Ukiah

**FOR IMMEDIATE RELEASE**

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**LOCAL WATER DISTRICTS AND THE CITY OF UKIAH CREATE NEW  
UKIAH VALLEY WATER AUTHORITY**

*New joint powers authority will manage water throughout the Ukiah Valley*

**Ukiah, CA. February 23, 2024** — Millview County Water District, Redwood Valley County Water District, and the City of Ukiah took a series of votes this week to consolidate their water districts into a new joint powers authority. The Ukiah Valley Water Authority (UVWA) will provide more efficient and reliable water service throughout the region. Additionally, the agreement allows UVWA to potentially access millions in state grant funding to modernize water infrastructure throughout the Ukiah Valley, building new interties and upgrading pipelines where needed.

UVWA integrates the governance and water infrastructure of Millview County Water District and Redwood Valley County Water District with the City of Ukiah. This will provide access for residents and businesses within Millview and Redwood Valley to eventually have access to more reliable water supplies. The lack of water reliability has limited the local economy and imposed restrictions on residential development that is needed to meet housing demands. But with infrastructure modernization and increased coordination, UVWA will be able to move water from where it is available to where it is needed.

“Today’s vote marks a historic turning point for the Greater Ukiah Valley and sets the stage for a more resilient water future for the region. The creation of the Ukiah Valley Water Authority creates a foundation that we will build on – showing how strategic coordination will bring significant benefits for water users across the region,” said Ukiah City Council Member Douglas Crane.

As part of the consolidation effort, UVWA will be able to apply to the State Water Board for \$40-50 million to fund the new infrastructure – including pipelines and interties, storage tanks, booster stations, and two new wells – needed to connect the agencies. Competitive grants from the State Water Board are available through its “Safe and Affordable Funding for Equity and Resilience” (SAFER) Program, which encourages the consolidation of rural and small water systems (those least likely to afford necessary upgrades) as part of its mission to provide every Californian with safe drinking water. Before now, Ukiah Valley residents were served by no less than 12 water agencies and two different JPAs, from which nearly 70 board members made decisions on water policy.



“The consolidation of our water districts into a single entity is a move into the future. Our district has struggled to reliably supply water to our customers and maintain our infrastructure. This is an exciting opportunity to modernize and upgrade our systems,” said Adam Gaska, board member for Redwood Valley County Water District. “We look forward to further collaboration with the other districts and the City of Ukiah to face the challenges of today’s water landscape and better secure water resources for the greater community.”

“By creating this new consolidated structure for regional water management, the Ukiah Valley is maximizing access to resources and better positioning our communities to make it through highly variable water supply years and to navigate the challenges of the state’s legal framework for water access. We can now seek funding to upgrade outdated water systems and stand up a new approach to governance that protects local interests in the near and long term,” said Jerry Cardoza, board member for the Millview County Water District. “This is a golden opportunity we can’t pass up. Ratepayers in the participating districts will benefit from a more resilient and coordinated system.”

Staff for the Ukiah Valley Water Authority will be City of Ukiah employees, and eventually water bills for all the consolidated districts will come from the City. UVWA will ensure transparency, oversight, and fair representation for all its members – it will be governed initially by a six-member Board of Directors, with each member agency sending two representatives to serve on the Board. The Ukiah Valley Water Authority is different than annexation to the City – any future annexation would be an entirely separate process and would require review and approval by Mendocino County LAFCO. The Ukiah Valley Water Authority is focused on integrating the water systems to increase efficiency, reliability, and sustainability.

“The Ukiah Valley Water Authority will add much-needed water resiliency to our entire community across industries. In the face of climate change and the resulting drastic swings we are experiencing in hydrology – drought one year, floods the next – consolidating our efforts and combining our shared resources is how we ensure our future success,” said Mendocino County Supervisor Glenn McGourty. “Given the changes we can anticipate with the Potter Valley Project, integrating and coordinating our resources for water in Mendocino County is imperative. The Ukiah Valley Water Authority achieves exactly that, and I expect to see great things come out of it for our entire community.”

“We have been working with the State Water Board on water management issues for the region – ensuring that rules adequately reflect the unique nature of the Russian River Watershed as well as the water rights and water infrastructures assets that serve the area,” said Sean White, Director of Sewer and Water for the City of Ukiah. “Through the UVWA, we are in a position to access new grant funding to help connect the systems physically – that will put our region in a stronger position to work together on maximizing responsible use of water resources and secure a bright future.”

The Ukiah Valley Water Authority will hold its first meeting on March 5, 2024.

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