

MENDOCINO

Local Agency Formation Commission

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COMMISSIONERS

Carre Brown, Chair

County Board of Supervisors

Tony Orth, Vice Chair

Brooktrails Township CSD

Gerald Ward, Treasurer

Public Member

Gerardo Gonzalez

Willits City Council

John Huff

Mendocino Coast Recreation
and Park District

Scott Ignacio

Point Arena City Council

John McCowen

County Board of Supervisors

Jenifer Bazzani, Alternate

Ukiah Valley Fire District

Will Lee, Alternate

Fort Bragg City Council

Richard Weinkle, Alternate

Public Member

John Haschak, Alternate

County Board of Supervisors

STAFF

Executive Officer

Uma Hinman

Analyst

Larkyn Feiler

Commission Clerk

Kristen Meadows

Counsel

Scott Browne

Regular Meetings

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

Approved by Commission on April 6, 2020

MINUTES

Mendocino Local Agency Formation Commission

Regular Meeting of Monday, March 2, 2020

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

1. CALL TO ORDER and ROLL CALL (Video Time 3:30)

Chair Brown called the meeting to order at 9:03 a.m.

Regular Commissioners Present: Carre Brown, Tony Orth, Gerald Ward, Gerardo Gonzalez, John Huff, Scott Ignacio, and John McCowen

Regular Commissioners Absent: None

Alternate Commissioner Present: Jenifer Bazzani, Richard Weinkle

Alternate Commissioners Absent: Will Lee, John Haschak

Staff Present: Uma Hinman, Executive Officer; Kristen Meadows, Clerk

In response to a request to add an emergency item to the agenda per GOV §54954.2(b)(2), Chair Brown addressed agenda item #3, Other Business, first and invited Commissioner Orth to comment.

3. OTHER BUSINESS/OFF AGENDA ITEM (Video Time 4:00)

Commissioner Orth made a motion to add an agenda item for discussion of the 2019 Novel Coronavirus (COVID-19) in Northern California and provide direction to staff related to future meetings. At the time of the meeting, the federal Centers for Disease Control and Prevention (CDC) and California Department of Public Health recommended the nation prepare for a possible pandemic. Chair Brown shared news released within the last 48 hours of a death from COVID-19 in Washington State. Commissioner Ignacio motioned to add the Off-Agenda Item to the agenda, seconded by Commissioner Gonzalez, finding that the emergency item came to the attention of the Commission after the agenda was published and stating a need to take action before the next Commission meeting, which was unanimously approved by roll call vote.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Huff, Ignacio, Brown

Chair Brown opened the item and invited comment from the Commissioners. Commissioner Ward requested clarification regarding the process and associated costs for future meetings if the pandemic impacts operations. Commissioner Orth offered that the County Health Officer is tracking the pandemic and will provide direction. Chair Brown affirmed. Commissioner Orth motioned to authorize and direct staff to take any measures needed to function during the coronavirus pandemic. Commissioner Gonzalez seconded the motion, noting that staff will likely also confer with legal counsel as needed. Commissioners McCowen, Orth, and Ignacio clarified this would apply to remote meetings and operational changes as needed. The motion passed unanimously by roll call vote.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Huff, Ignacio, Brown

2. PUBLIC EXPRESSION (Video Time 14:08)

No one from the public indicated interest in public expression.

3. OTHER BUSINESS (continued) (Video Time 14:25)

None not previously noted

4. CONSENT CALENDAR (Video Time 14:36)

4a) Approval of the February 3, 2020 Regular Meeting Summary

Commissioners McCowen and Ward suggested the following changes to the Minutes:

- Page 3, Item 3b – Note that Chair Brown is part of the Executive Committee
- Page 4, Item 4d – change “Commissioner McCowen recommended...” to “Commissioners recommended...”.
- Page 5, Item 8, last line on page and Page 6, first line on page – change “directed” to “suggested or recommended.”
- Page 6, Item 8c, 3rd bullet – change “imposed” to “adopted.”
Item 8e, 2nd bullet – add “reduced”: “...directed staff to pursue the 1984 *reduced* version of the SOI for the General Plan Update.

Following a motion by Commissioner Gonzales and a second by Commissioner Ignacio, the February 3, 2020 Minutes were approved with corrections by roll call vote.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Huff, Ignacio, Brown.

4b) Approval of the February 2020 Claims & Financial Report

Commissioner Ward asked the following questions regarding the Claims and Financial Report:

- Staff confirmed that there was a delay in receiving the February invoice for Legal Services until March.
- Staff clarified that the unanticipated increase in A-87 costs was due to indirect costs associated with GIS and televised services.

February 2020 Claims totaling	\$ 23,596.81
Hinman & Associates Consulting	\$ 20,971.09
Ukiah Valley Conference Center	\$ 464.00
County of Mendocino	\$ 181.11
Penny’s Trophies	\$ 48.11
Mendocino County Auditor-Controller	\$ 1,633.00
Commissioner Reimbursements	\$ 299.50

Following a motion by Commissioner Ignacio and a second by Commissioner Gonzalez the February 2020 Claims and Financial Report were approved by roll call vote.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Huff, Ignacio, Brown.

5. MATTERS FOR DISCUSSION AND POSSIBLE ACTION (Video Time 23:03)

5a) Annual Legislative Platform and Priorities

The Commission considered the Draft 2020 Legislative Platform and Priorities as recommended by the Policies and Procedures Committee, noting the changes from the previous year’s Platform. Commissioner Orth asked if adoption of the changes will this require GIS Mapping of the State responsibility area. EO Hinman clarified that no additional work would be required from LAFCo Staff; that the purpose of the Platform is to guide the Commission and staff in responding to requests for support in legislative matters.

Commissioner Ward noted that the Policies & Procedures Committee met and approved the Legislative Platform and motioned that the Commission Adopt the proposed 2020 Legislative Platform and Priorities. Commissioner McCowen seconded the motion and a roll call vote was conducted.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Huff, Ignacio, Brown.

The following items were taken out of order to accommodate the continued public hearing item (Agenda Item 6a) scheduled for 9:30 a.m.

8b) CORRESPONDENCE (Video Time 26:46) None

8e) COMMISSIONERS REPORTS, COMMENTS, OR QUESTIONS None

8f) CALAFCO Business & Legislative Report

EO Hinman reported that CALAFCO Executive Director, Pamela Miller, is retiring and they are looking to fill her position.

SHORT BREAK (Video Time 28:21)

At 9:27 Chair Brown called a short break to allow Staff time to call legal counsel for the public hearing.

Following the break, Chair Brown began the proceedings for the Public Hearing at 9:31 a.m.

6. PUBLIC HEARING ITEMS – SCHEDULED FOR 9:30 A.M. (Video Time 31:15)

6a) CONTINUANCE of the PUBLIC HEARING for the Weger Detachment from Mendocino Coast Health Care District (LAFCo File No. D-2019-01)

Consideration of an application initiated by landowner petition to detach approximately 35,000 acres from the Mendocino Coast Health Care District (MCHCD)/District.

Chair Brown opened the Public Hearing at 9:31 a.m. and received confirmation from Clerk Meadows that proper notice was previously established for the hearing and received confirmation from EO Hinman that all public comment has been noted in the current or previous reports. Commissioner Huff publicly announced a personal conflict of interest because he is employed by the Mendocino Coast District Hospital (MCDH) and recused himself from participating in the hearing and removed himself from the Chambers. Alternate Commissioner Bazzani was immediately seated as the Regular Commissioner for the hearing.

Chair Brown explained the procedure for the Public Hearing process. EO Hinman noted for the record that LAFCo Counsel Scott Browne was in attendance via telecommunication and thanked Mendocino County for processing the Tax Share Agreement Resolution in time for the hearing. EO Hinman presented the staff report which focused on activities since the December hearing and noted that the packets and video recording links for the October 7, 2019 and December 2, 2019 Public Hearings were included in the staff report.

Chair Brown invited the Chief Petitioner and District Representatives to make presentations related to the application. Landowner and Chief Petitioner for the application, Lisa Weger, presented a brief summary of information supporting the detachment proposal and confirmed the purpose of the petition to correct a mapping error by removing a geographical area from the District that should not have been originally included in the District boundary, not to invalidate the Measure C parcel tax.

Wendy Wiles, Attorney with the Law Offices of Atkinson, Andelson, Loya, Ruud, & Romo representing the District, presented information in opposition to the proposed detachment, as summarized below:

- The basis for the request for detachment was that the people within the detachment area do not use the services of MCDH. However, based on the hospital use data provide by the District, people within the detachment area do use hospital services. Therefore, the detachment proceedings should be terminated because the basis upon which the petition was brought is not accurate.
- The District hospital is a critical access hospital, which is a hospital that provides vital health care services to people in rural communities. The District serving a rural community is exactly what is occurring in the detachment area, which is the reason the District is opposing the petition.

- The 2018 Measure C parcel tax was enacted to provide funding for specific health care services. The funds are critical to being able to provide the services to the community that the District serves, which includes the outer boundaries of the District and the detachment area. The idea that because this amount is not a significant component of the budget that it should be disregarded is not appropriate. If we take away these funds from the detachment area, we are impacting the ability of the District to provide the services that the voters voted on.
- Measure C was voted on and passed with a 2/3rds required vote. There is no evidence that the people who voted on Measure C did not know what they were voting on. The ballot materials that were mailed to the voters were clear and there has been no challenge to the voter materials. The map referenced by the petitioners that was posted on a website does not have anything to do with the parcel tax election. The people who pay property taxes know they are paying property taxes in part to the District. When voters received their ballots and when they voted in favor of the parcel tax, they voted to make sure that additional funds could be provided for the parcel tax services that had been identified.
- Taxes are not based on how much someone uses a service. When you pass a tax, the tax applies to all of those persons who are subject to the tax.
- Page 20 of the staff report references that the revenue is small and that the use in the detachment area is minimal. The fact that revenue is small is not a determinative factor. Revenue is small because the population is small and the area is small. Use is minimal because there is a minimal population in this area. There are 8 visits a year from an area with less than 100 people; that is not a small use of the hospital services.
- This is piecemeal taking out from the ability of a hospital district to be able to serve the people that are within their boundaries. There is no evidence that this is a mapping error. What we are talking about is voters that voted in favor of a parcel tax to be levied to provide hospital services.
- There has been no evidence provided showing use of the Ukiah hospital for the detachment area.
- The District and the rural people in the community need the Commission's support to know that they will be able to remain within the District. This is the time to preserve the detachment area, the services that are being provided within the detachment area, and make sure that this parcel tax, although a small amount from the area, will be able to be preserved so that the District can continue to provide its services.

Commissioner Ignacio inquired about whether the District has suspended obstetric care, which was one of the services identified under Measure C. Ms. Wiles deferred to a Representative from the District for a response.

Commissioner Ward inquired about how many people voted in favor of Measure C from the detachment area. Ms. Wiles confirmed that there were 41 total votes and 23 affirmative votes.

Commissioner Ward requested clarification about the options available to property owners to limit the amount they must pay within the existing rules of Measure C. Shin Green, Principal with Eastshore Consulting, responded that within Measure C there is an exemption of contiguous residential parcels where a landowner owns multiple parcels adjacent to their residence that allow consolidation to a single charge of \$144. There are also parcels that have a Subdivision Map Act adjustment consolidation where there are multiple Assessor Parcel Numbers representing one legal parcel as determined with the County.

Chair Brown inquired about how many actions have been taken by the District Board of Directors for consolidation since the passage of Measure C. Mr. Green confirmed there have been approximately 15-20 consolidations of varying size, most have been approved with a couple outstanding requiring additional research, and they are working with the Auditor-Controller to process some of the larger ones.

Commissioner Ward inquired about a new Measure C to be voted on or another measure related to taxation for the District. Mr. Green confirmed there is not. Commissioner McCowen noted that there is a measure on the upcoming ballot related to a potential contractual arrangement with another agency and Commissioner Ignacio added that it is titled Measure C.

Commissioner McCowen referred to the District's February 20th letter and requested confirmation that the District's main point is that the District is providing services in this area therefore the area should remain in the District. Ms. Wiles so confirmed. Commissioner McCowen inquired about whether people using the District services that live in Point Arena or Gualala should also be in the District, by the same logic. Discussion ensued regarding the present

proposal does not include the scope of annexation, the use of District facilities as a determinative factor for boundary changes equally applying to other outlying areas, the issue of whether an area will be subject to the parcel tax and areas outside the District did not vote on the parcel tax, the stated purpose of the petition to address whether the detachment area should be in the District, and the affect of detachment to avoid payment of the parcel tax.

Commissioner McCowen inquired about the basis for the likelihood that many of the parcels in the detachment area are owned by second homeowners. Mr. Green responded that they reviewed voter files, hospital records, and property ownership records for common addresses to estimate who is in the area and who uses the District facilities. Discussion ensued regarding the Orr Springs voter precinct used as a proxy for the detachment area and consolidation of precinct names in the statement of vote.

Commissioner McCowen requested clarification about what possible affects on the environment the District foresees associated with detachment. Ms Wiles responded that CEQA analysis is the responsibility of the agency seeking to approve a project that would result in a change in boundaries, the implications of Class 20 of categorical exemptions on boundary changes requiring additional CEQA analysis, and there are no findings for the applicability of the Common Sense exemption. Ms. Wiles reiterated that the analysis of the detachment should focus on the use of District facilities in this area. Commissioner McCowen noted, in relation to a prior comment from Ms. Wiles about there being nothing in the record that shows the relative use of coastal and inland hospitals, that the October hearing staff report included an analysis of EMS response to the area showing that primarily inland ground ambulances respond. Commissioner McCowen also noted the central issue for LAFCo is whether this area is properly within the boundaries of the District. Ms. Wiles reiterated the hospital use data provided by the District showing that the area is using District services, questioned how many visits a year necessitates the need for service, and the detachment is clearly related to Measure C not a mapping error. Commissioner McCowen noted that 100 people living in the detachment area is an estimate and there are multiple factors related to the number of people in the area potentially needing health care such as some people do not register to vote, there are second homeowners, and travelers in the area. Mr. Green confirmed that the population estimate captured people who reported an address within the territory, not travelers.

Commissioner Ward requested an opinion from LAFCo Counsel related to CEQA compliance. Counsel Browne supported the information provided by LAFCo staff in the staff report including supporting of the CEQA compliance justification and appropriateness of categorical exemptions.

Commissioner Orth inquired, in relation to a prior comment from Ms. Wiles about any use of the District facilities should require that the tax base remain in the District, whether there should be one health care district since residents from all over the County use the Ukiah hospital including District residents needing obstetric services in the future. Ms. Wiles responded that use is not the determinative factor and the District does not have to establish use. Ms. Wiles reiterated that taxes apply universally even if not receiving services and the parcel tax is appropriate because it was approved by the voters and because the people in the area are using District services.

Commissioner Orth inquired about the ambulance zones established by Coastal Valleys EMS Agency for ambulance response service areas. Davey Beak, Comptche Fire Chief and Director of Ambulance Services for the District, responded that EMS is a dynamic system and all ambulance providers are compelled to respond to 911 calls regardless of whether the area is in the District boundary.

Commissioner McCowen noted that EMS dispatch is based on the nearest available unit to respond. Mr. Beak agreed and reiterated Ms. Wiles comment about whether people should be able to choose to pay taxes. Commissioner McCowen reiterated that the question before LAFCo is related to the proper boundaries of the District. Mr. Beak noted that the time to address equity issues related to Measure C was at the time of the election. Commissioner McCowen explained that it is common for property owners to be unfamiliar with which agencies receive an allocation of their property taxes and it is likely that the increase in property taxes associated with Measure C raised awareness for property owners that they were located in the District boundary, but regardless the question before LAFCo is the logical and appropriate boundaries of the District not Measure C. Mr. Green explained that there has been a general obligation bond on the tax bill for this area for more than a decade, per Proposition 218 only property

owners within a District boundary can vote on a ballot measure related to the District, many citizens are absentee in their attention to the details of what governance is and how it functions but that does not change an individual's responsibility to be informed, and the precedent setting nature of a boundary change triggered by the imposition of a tax. Commissioner McCowen noted that petitioners must make a logical case based on other factors to successfully detach from a District. Mr. Beak noted that redundancy in emergency services is key in a service provision model.

Commissioner Ward inquired about the estimated financial loss of \$40,000 from detachment on the District's future revenue related to the new Measure C on the March ballot for approving a 30 year lease agreement of the District hospital with Ukiah Adventist Hospital. Wayne Allen, Interim CEO of Mendocino Coast District Hospital, responded that they are two separate issues and explained that the Health Care District will continue as an on-going entity collecting taxes and paying its debt obligations and the new arrangement between the hospital and Adventist Health, if approved, deals with the day-to-day operations of the hospital and salaries and supplies. Commissioner Ward inquired about whether the vision of the new arrangement is to reduce costs and Mr. Allen confirmed that they hoped for cost savings but that does not change the tax structure and debt obligations of the District. Commissioner Ward noted that increased revenue and reduced costs have the same affect. Mr. Allen agreed and explained that the District is facing a \$24,000,000 seismic retrofit project that needs to be completed by 2030 or a complete replacement of the hospital is required and rent payments would go toward this capital improvement project not operations.

Commissioner Ignacio inquired about whether the District has suspended obstetric care and the associated fiscal impact. Mr. Allen responded that on February 27th the District Board of Directors unanimously approved closure of labor and delivery services at the hospital effective March 31st. Mr. Allen explained that this department was down to less than 5 deliveries a month which is not sustainable and new expecting mothers will primarily be diverted to Ukiah hospital. This service was being subsidized by the District in the amount of \$2,000,000 per year.

Chair Brown called for a 10-minute break at 10:35 a.m.

TEN MINUTE BREAK (Video Time 1:35:05)

Chair Brown called the meeting back in session at 10:47 a.m. (Video Time 1:47:35)

Commissioner McCowen addressed a question during break from another Commissioner related to the property tax exchange negotiation process for this proposal. Commissioner McCowen explained that no negotiation occurred since the detachment area is not being annexed to a different health care district, but the Auditor-Controller followed the required 60-day notification process to the District and affected agencies with no response received, and the County ratified the Tax Share Agreement Resolution on February 25th based on the Auditor-Controller's calculation of \$5,456 in property tax redistribution for the detachment area. Chair Brown directed the Clerk to obtain a signed copy of the County Resolution from the Executive Office for the public record.

Chair Brown opened the Public Comment Period for the Public Hearing at 10:50 a.m.

Eight members of the public spoke in support of the application, all residents or landowners of the area proposed for detachment: Jim Hodge, Terry d'Selkie, Tom Madden, Rob Leonard, Randy Wood, Stuart Marcus, Mary Catherine Phillips, and Linda Gray representing Greenfield Ranch.

Mr. Beak requested to speak again and reiterated Ms. Wiles comment about whether people should be able to choose to pay taxes and the non-voluntary nature of taxes. Commissioner Ignacio inquired about how many ambulances dispatched to the detachment area result in transport to the District hospital and Mr. Beak confirmed that he has not conducted that research. Commissioner Ignacio commented that the District will continue to provide ambulance response to the detachment area when dispatched and that may not result in a transport back to the District hospital if deemed inappropriate and Mr. Beak agreed and noted that their ambulance response may also result in air transport out of the area if deemed appropriate.

Commissioner Ward commented that Ms. Wiles made the comparison of paying a fair share for school districts even if you do not have children and inquired about the analogy of paying taxes for a school district without having

children and paying taxes for a health care district without using the hospital. Mr. Hodge commented that paying for schools maintains property values for future sale to potential buyers with children, whereas being in the Health Care District could be a hindrance to selling property because it involves paying a tax for service that will likely never be used. Ms. Weger agreed with Commissioner McCowen that the issue is about the District boundary and the parcel tax raised the issue that the boundary is unfair. Ms. Weger also explained that Ms. Wiles analogy of school taxes is like paying a health care district tax if you never get sick or injured, whereas in this situation, the people in the detachment area do get sick and injured and receive services from the Ukiah hospital. Discussion ensued regarding countywide discrepancies in school district services and postal and zip codes for rural service delivery.

Commissioner McCowen requested an opinion from LAFCo Counsel regarding CEQA compliance and the Class 20 exemption. Counsel Browne noted that CEQA compliance for the proposed detachment application is based on the General Rule exemption not the Class 20 exemption. Counsel Browne also explained that with the District's \$55,000,000 annual budget, the estimated revenue loss from the detachment area is insignificant (\$41,000 or 0.07% of the District's total annual revenue) and so it is anticipated that existing hospital operations will not change as a result of detachment and therefore there will be no foreseeable environmental impact from the proposed boundary change. Counsel Browne further explained that there is nothing in the record that states by anyone that there would be a potential for any direct or indirect change in the environment and therefore the General Rule exemption applies to this project.

Chair Brown requested the signed copy of the Tax Share Agreement Resolution approved by the County Board of Supervisors from the Clerk and showed the signed copy to the Commission and the audience for the record.

Commissioner Bazzani inquired about whether the detachment area would be contributing to any health care services upon detachment and specifically related to districts in the Ukiah area. Commissioner McCowen and Ward confirmed that there is no health care parcel tax for the Ukiah area. Commissioner Bazzani inquired about whether the detachment area would be added to an inland health care district. Chair Brown clarified that Mendocino Coast Health Care District is a special district and Ukiah Adventist Hospital is a non-profit organization. Commissioner Gonzalez clarified that the detachment area would be removed from the District but would not be added to another special district. Commissioner Ignacio commented that there is no other health care district in Mendocino County in which to add the detachment area and Chair Brown so confirmed. Commissioner Orth explained that future service zones can be created under County Service Area 3 to provide municipal services, by activating latent powers similar to a special district, if approved by the voters of a specific area of the County. Commissioner Ignacio commented that service zones under CSA 3 is not part of these proceedings and Chair Brown and Commissioner Orth so confirmed.

Chair Brown closed the Public Comment Period and the Public Hearing at 11:26 a.m.

Commissioner McCowen confirmed that the question before LAFCo for consideration is whether the detachment area is properly located within the District boundary. Commissioner McCowen explained that the District map on page 75 clearly shows a peninsula area that extends substantially east of the bulk of the District which represents the proposed detachment area, and based on all the documentation in the record and where people from the detachment area predominantly receive health care services, there is an obvious logical basis for considering this area for detachment because the proposal is to remove the peninsula area from the District which is relatively remote from the District facilities. Commissioner McCowen recommended one revision to the resolution on page 106, item 2, to add a phrase regarding the geographical isolation from the District, such as "The Commission finds the geographical isolation from and limited use of the District facilities...", which is why EMS calls predominantly go inland instead of coastal. Commissioner McCowen noted that this area was included in the District for convenience and mirrored the school district boundaries, and questioned whether it makes sense for the health care district boundary.

Chair Brown requested clarification from LAFCo Counsel regarding whether staff recommendations can be made in a single motion. Counsel Browne advised that a single motion can be made to adopt the resolution which encompasses staff recommendation items 1 through 3 and the motion should include the proposed revision to the resolution language.

Commissioner Ignacio made a motion to adopt Resolution No. 19-20-02 approving the proposed Weger Detachment from Mendocino Coast Health Care District as depicted in Exhibit "A" with the modification of including geographically isolated to the resolution. The motion was seconded by Commissioner McCowen.

Commissioner Ward noted concern about potentially setting a precedent for future detachments and commented that he wants to see the hospital become profitable and hopes the lease agreement improves services for the District, but that the evidence supports detachment in this case. Commissioner McCowen reiterated that the proposal addresses a very specific geographical area and is based on proper boundaries not the desire to pay taxes. Commissioner McCowen also noted disappointment that prior to circulating the petition, the property owners attempted to work with the District for an administrative remedy and the issue of equity related to this peninsula area being in the District boundary was not necessarily taken seriously by the District Board, thus forcing this application to proceed by petition of the landowners when it could have been resolved more expeditiously by the District and property owners working together. Commissioner McCowen reiterated that \$41,000 is a small amount of revenue from the detachment area and is not vital to the continuation of the District and within the last week the District closed a vital but economically unsustainable service that was being subsidized in the amount of \$2,000,000.

Commissioner Ward reiterated concern about setting precedent and potentially receiving landowner petitions for detachment from school districts based on new taxes levied and Chair Brown noted that it is like comparing apples and oranges because school districts fall under different state laws than special districts. Commissioner Orth noted that if the petition proposed annexation to the District many of the same issues would apply and it would be very difficult to justify adding this area to the District. Commissioner Gonzalez noted that in similar situations where fire district boundaries were established based on school district boundaries, these kind of isolated incidents are sometimes rectified between agencies when the boundary is inequitable or unpractical for the provision of service.

The motion passed unanimously by roll call vote.

Ayes: (7) Orth, McCowen, Ward, Gonzalez, Bazzani, Ignacio, Brown

Upon conclusion of the Public Hearing item, Commissioner Huff was seated as the Regular Commissioner and Alternate Commissioner Bazzani was seated as the Alternate Commissioner for the remainder of the meeting.

Chair Brown called for a 10-minute break at 11:45 a.m.

TEN MINUTE BREAK (Video Time 2:45:15)

Chair Brown called the next agenda item at 11:55 a.m.

7. WORKSHOP ITEMS (Video Time 2:45:27)

7a) Preliminary Budget and Work Plan for Fiscal Year 2020-21

Executive Officer Hinman presented the item to consider the Draft Preliminary FY 2020-21 Budget and Work Plan. The executive committee met on February 24, 2020 to review the preliminary budget and directed staff to bring it forward to the Commission for discussion. The proposed operating expenses for Fiscal Year (FY) 2020-21 are \$174,350 and reflect the anticipated staffing services for day-to-day operations and for conducting Municipal Services Reviews and Sphere of Influence (MSR/SOIs) Updates scheduled for FY 2020-21.

EO Hinman noted that the proposed FY 2020-21 expenses are an increase of \$14,102 above the previous FY budget, and noted that the budgets for the previous six years relied on use of accumulated reserves to meet expenditures, which allowed the Commission to keep apportionment fees low. However, budgeted and projected expenses through the end of this fiscal year would reduce reserves to at or below the level set by policy.

EO Hinman also reviewed the 5-Year Rolling Work Plan, noting no change to the Work Plan tasks for the next fiscal year except for rolling the UVSD MSR/SOI Update into FY 2020-21 in order to coordinate data analysis with the City of Ukiah and Ukiah Valley FPD MSR/SOIs.

Chair Brown noted that in past years the Commission had discussed that there would come a time when they would have to increase apportionment fees and that time is now. Commissioner Ward agreed and noted that fees should perhaps have been raised last year and that an increase from \$135,000 to \$175,000 is a big jump and may have a

significant impact on many of the districts. Chair Brown noted the reality of LAFCo's responsibility to address unfunded state mandates that continually accrue each year.

Upon Commissioner Ward's suggestion to increase apportionment fees to \$165,000, Commissioner Ignacio responded that the Executive Committee explored that option; however, the Commission would continue on the downward trend of utilizing reserves.

Commissioner Ignacio inquired regarding the formula for setting apportionment fees. EO Hinman clarified that the formula is set by state law and is split three ways between Special Districts, Cities, and the County, and for districts it is based on the annual revenues of each agency.

Commissioner Ignacio pointed out that the Commission has demonstrated its ability to successfully manage the budget and it is time for the budget to grow to meet operational expenditures. Commissioner Ignacio encouraged the Commission to seek fees higher than \$175,000, based on the anticipated work plan over the next two years, strictly as a means for cost recovery, not a revenue generator.

Commissioner Orth recommended raising fees to \$175,000 this year and \$180,000 next year. He noted that LAFCo has come a long way in the last 20 years and that the increase is not to pad operations, but to simply operate.

Chair Brown added that some of the funds are used for educational and training programs for special district board members (i.e. Brown Act etc.) and the community has a much more educated Board of Directors as a result.

Commissioner Gonzalez recommended sending a letter explaining the reasoning behind the increase in fees and to raise the fees incrementally.

Commissioner Orth noted that travel expenses might be reduced significantly due to COVID-19.

Commissioner McCowen stated that the Commission has done a good job holding the line on increasing the apportionment fees and managing its budget and recommends increasing fees conservatively. Commissioner McCowen noted that LAFCo has historically had a remaining fund balance at the end of the fiscal year and a component of the current fee increase is based on an ambitious Work Plan schedule for next year which is not anticipated in future years. Commissioner McCowen recommended increasing the apportionment fees to \$160,000 and noted that in the unlikely event that the budget is exceeded, there are reserves available.

Commissioner Ward requested clarification regarding the increase in Legal fees. EO Hinman explained that the increase is to allow more time for consultation with and assistance from LAFCo Counsel for monthly agenda reviews and in anticipation of the upcoming complex studies in the Ukiah Valley area. Chair Brown pointed out that the increase in projected legal fees is an insurance policy in the event of possible litigation. Commissioners Ward and McCowen noted that additional legal expenses should be passed along to the entity that necessitates the additional time, not every member agency. Chair Brown strongly advised that the agendas be reviewed by legal counsel.

EO Hinman explained that the current contract for legal services is \$600 per month and provides for an annual average of two hours of LAFCo Counsel time per month; some months exceed the average and other months there are no hours accrued. The contract is structured such that when the threshold of 24 hours per year is reached then LAFCo is billed at a substantially higher hourly rate for each additional hour used.

Commissioner Orth changed his recommendation from \$175,000 to \$170,000 related to an anticipated decrease in travel expenses in the coming year, and suggested consideration be narrowed to the two proposed apportionment increases of \$160,000 and \$170,000 for consideration.

Commissioner Ward requested staff prepare a letter to the special districts and cities regarding the increase in apportionment fees and reasons for the increase, noting he would like to review it prior to distribution.

Commissioner McCowen noted a preference to spend reserves to balance the budget rather than increase fees that may not be fully expended within the fiscal year.

Commissioner Gonzalez recommended incrementally increasing fees and explaining the situation to the districts in a letter.

Commissioner Ignacio recommended a straw vote, with the following results:

- Ignacio \$170,000
- Huff \$170,000
- Gonzalez \$160,000
- Ward \$160,000
- Brown \$170,000
- McCowen \$160,000
- Orth \$170,000

Commissioner McCowen encouraged the designation of Special Projects so that the burden of additional legal expenses is allocated to the specific entity.

The Commission directed staff to work with the two proposed apportionment fee increases of \$160,000 and \$170,000 and to further refine the proposed legal services budget. Another workshop on the Preliminary Budget will be held in April, a Draft Budget Public Hearing in May, and a Final Budget Public Hearing in June.

8. INFORMATION/ REPORT ITEMS

8a) Work Plan, Current, and Future Proposals (Video Time: 3:47:13)

EO Hinman presented the updates to the Work Plan and applications.

8b) Correspondence None

8c) Executive Officer's Report (Video Time 3:48:34)

Staff reminded Commissioners to submit wet signed 700 Forms to LAFCo Clerk by April 1, 2020.

8d) Committee Reports (Executive Committee/Policies & Procedures) (Video Time 3:49:20)

Commissioner Gonzalez reported that the Policies and Procedures Committee met and approved a draft policy on aging applications. Follow up with Legal Counsel is required before bringing it to the full Commission for consideration.

8e) Commissioners Reports, Comments or Questions None

8f) CALAFCO Business and Legislation Report None

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:51 p.m. The next regular meeting is scheduled for Monday, April 6, 2020 at 9:00 a.m. in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah, California.

Live web streaming and recordings of Commission meetings are now available via the County of Mendocino's YouTube Channel. Links to recordings and approved minutes are also available on the LAFCo website.
<https://www.youtube.com/watch?v=ktlM16rFML8&list=PLraKTU7AyZLQXUgRLLzYuAU9eq1qMFheb&index=3&t=0s>