



COMMISSIONERS

Maureen Mulheren
Chair
County Member

Gerald Ward
Vice-Chair/Treasurer
Public Member

Madeline Cline
County Member

Gerardo Gonzalez
City Member

Candace Horsley
Special District Member

Susan Mahoney
Special District Member

Mari Rodin
City Member

Bruce Alfano
Alternate Public Member

Douglas Crane
Alternate City Member

Adam Gaska
Alternate Special District Member

John Haschak
Alternate County Member

STAFF

Executive Officer
Uma Hinman

Senior Analyst
Larkyn Feiler

Clerk/Analyst
Jennifer Crump

Counsel
Marsha Burch

REGULAR MEETINGS

First Monday of each month
at 9:30 AM in the
Mendocino County Board of
Supervisors Chambers
501 Low Gap Road, Ukiah

AGENDA

Regular Commission Meeting

Monday, May 4, 2026 at 9:30 a.m.

Location

**Mendocino County Board of Supervisors Chambers
501 Low Gap Road, Ukiah, CA 95482**

Meeting Format and Public Participation

The Mendocino Local Agency Formation Commission will conduct this meeting in a hybrid format, allowing both in-person and remote (video or telephone) participation by the public and staff, pursuant to Government Code section 54953. Unless otherwise authorized under AB 2449, Commissioners will attend the meeting in person at the location identified above.

Remote Participation Instructions

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/81851038062>
2. Telephone option (audio only):
Dial: **(669) 900-9128** (Please note that this is not a toll-free number)
Meeting ID: **818 5103 8062**

Public Comment Options:

Public participation is encouraged. Public comments may be submitted in the following ways:

1. Live: during the meeting via Zoom or telephone
2. Email: eo@mendolafco.org (by 9:00 a.m. on the day of the meeting)
3. Mail: Mendocino LAFCo, 200 S. School Street, Ukiah, CA 95482

All comments received will be provided to the Commission for consideration during the meeting.

Providing Live Public Comment

- Zoom participants: Use the *Raise Hand* feature under "Reactions." When joining the meeting, please enter your name so you can be identified when called upon.
- Telephone participants (audio only): Press *9 to raise your hand and *6 to unmute. When it is your turn to speak, you will be identified by the last four digits of your phone number (if available) and asked to state your name for the record.

All regular meetings are live-streamed and recorded and are available on the [Mendocino County YouTube Channel](#).
Links to meeting documents and approved minutes 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

3a) AB 2449 Notifications and Considerations

4. CONSENT CALENDAR

The following items are considered routine and non-controversial and will be acted upon by the Commission in a single action, without discussion, unless a Commissioner or a member of the public requests that an item be removed for discussion or separate action.

4a) April 6, 2026 Regular Meeting Summary

4b) April Claims & Financial Report

4c) Fiscal Year 2024-25 Audited Financial Statements

5. PUBLIC HEARING ITEMS

5a) Final Budget and Work Program for FY 2026-27

Public hearing to consider the Final Budget and Work Program for Fiscal Year 2026-2027. RECOMMENDED ACTIONS:

1) Adopt Resolution 2025-26-07 approving the Final Budget and Work Program for FY 2026-27, as presented or modified by the Commission; and (2) Direct the Executive Officer to transmit the adopted Final Budget and Work Program to member, the County Auditor-Controller, and other recipients in accordance with GOV §56381.

6. WORKSHOP ITEMS

6a) City of Point Arena Municipal Service Review and Sphere of Influence Update

The Commission will hold a Workshop on the Draft City of Point Arena 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 Update at this meeting; a public hearing will be scheduled for formal consideration by the Commission. RECOMMENDATION: Conduct workshop and provide direction to staff.

7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

7a) City of Ukiah – Corporation Yard Annexation (File No. A-2025-06) and Finding of Exemption Pursuant to the California Environmental Quality Act

The Commission will consider approval of the City of Ukiah Annexation of City-owned property for the City Corporation Yard. RECOMMENDED ACTIONS: (1) Find the City of Ukiah – Corporation Yard Annexation is exempt from the California Environmental Quality Act under the Class 19 exemption pursuant to Title 14 of the California Code of Regulations Section 15319(a), and approve the Notice of Exemption for filing; and (2) Adopt LAFCo Resolution 2025-26-08, conditionally approving the City of Ukiah – Corporation Yard Annexation (File No. A-2025-06) for APN 167-280-15.

7b) Mendocino Coast Recreation and Park District

The Commission will consider the Executive Committee’s recommendation regarding the Mendocino Coast Recreation and Park District’s request to expand the scope of analysis for its Municipal Service Review. RECOMMENDED ACTIONS: (1) Direct staff to incorporate available property tax allocation summaries, as provided by the County Auditor-Controller’s Office, including a breakdown by school district where feasible; and (2) Direct staff to complete and schedule the Draft Municipal Service Review and Sphere of Influence Report for a Public Workshop.

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, **June 1, 2026 at 9:30 AM** in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

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

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

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

Fair Political Practice Commission (FPPC) Notice - Campaign Contribution Disclosure: If you are an applicant or agent of an applicant on a matter to be heard by the Commission and if you have made campaign contributions totaling \$500 or more to any Commissioner in the past 12 months, Government Code Section 84308 requires that you disclose the fact, either orally or in writing, for the official record of the proceedings.



COMMISSIONERS

Maureen Mulheren
Chair
County Member

Gerald Ward
Vice Chair/Treasurer
Public Member

Madeline Cline
County Member

Gerardo Gonzalez
City Member

Candace Horsley
Special District Member

Susan Mahoney
Special District Member

Mari Rodin
City Member

Bruce Alfano
Alternate Public Member

Douglas Crane
Alternate City Member

Adam Gaska
Alternate Special District Member

John Haschak
Alternate County Member

STAFF

Executive Officer
Uma Hinman

Senior Analyst
Larkyn Feiler

Clerk/Analyst
Jennifer Crump

Counsel
Marsha Burch

REGULAR MEETINGS

First Monday of each month
at 9:30 a.m. in the
Mendocino County Board
of Supervisors Chambers
501 Low Gap Road, Ukiah

AGENDA ITEM NO. 4a

DRAFT MEETING MINUTES

Regular Commission Meeting

Regular Meeting of Monday, April 6, 2026

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

1. CALL TO ORDER and ROLL CALL (Video Time 04:04)

Chair Mulheren called the meeting to order at 9:30 a.m.

Regular Commissioners Present: Maureen Mulheren, Gerald Ward, Madeline Cline, Gerardo Gonzalez, Candace Horsley, Susan Mahoney, Mari Rodin (at 9:50am)

Regular Commissioners Absent: None

Alternate Commissioners Present: Bruce Alfano, Adam Gaska (remote)

Alternate Commissioners Absent: Douglas Crane, John Haschak

Staff Present: Uma Hinman, Executive Officer; Jen Crump, Clerk/Analyst; Marsha Burch, Legal Counsel

2. PUBLIC EXPRESSION (Video Time 04:34)

Dave Shpak, Chair of the Mendocino Coast Recreation and Park District (MCRPD), gave public expression regarding the scope for the MCRPD Municipal Service Review (MSR) Update, which is currently being developed by staff.

Staff was directed to schedule an Executive Committee meeting to discuss the MCRPD's request and develop a recommendation to the Commission.

3. OTHER BUSINESS

3a) Selection of Officers (Video Time 12:39)

Chair Mulheren (County representation) and Vice-Chair/Treasurer Ward (Public representation) were reappointed to their Officer positions for the calendar of 2026 by members of the Commission.

Motion: Select Commissioner Mulheren for Chair and Commissioner Ward for Vice-Chair/Treasurer for calendar year 2026.

Motion Maker: Horsley	Motion Second: Gonzalez	Outcome: Passed unanimously
---------------------------------	-----------------------------------	---------------------------------------

Roll Call Vote: (6) Ward, Cline, Gonzalez, Horsley, Mahoney, Mulheren

3b) Committee Appointments (Video Time 13:52)

The elected Chair, Commissioner Mulheren, recommended the reappointment of the two current standing committees. The Executive Committee consists of Commissioner Mulheren as Chair, Commissioner Ward as Vice-Chair/Treasurer, and Commissioner Rodin. The Policies & Procedures Committee consists of Commissioners Gonzalez, Horsley, and Rodin.

Motion: Reappoint the two current standing committees for the Executive Committee and the Policies & Procedures Committee for calendar year 2026 with ratification by the full Commission.		
Motion Maker: Gonzalez	Motion Second: Horsley	Outcome: Passed unanimously
Roll Call Vote: (6) Ward, Cline, Gonzalez, Horsley, Mahoney, Mulheren		

4. CONSENT CALENDAR (Video Time 16:15)

4a) February 2, 2026 Regular Meeting Summary

The following discussion points and questions were made by members of the Commission:

Commissioner Ward:

- Requested clarification on the dollar amount spent to date on litigation activity. EO Hinman will confirm and send totals to Commissioner Ward.
- Upon inquiry, EO Hinman responded that the CKH Act provides that Commissioners may continue until a successor is appointed, provided they remain eligible. The City Selection Committee has not yet met to make LAFCo appointments.

There were no public comments.

Motion: Approve the February 2, 2026 Regular Meeting Summary.		
Motion Maker: Cline	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: (6) Ward, Cline, Gonzalez, Horsley, Mahoney, Mulheren		

4b) Ratify February Claims & Financial Report

The following discussion points and questions were made by members of the Commission:

Commissioner Horsley:

- Requested clarification on budget versus actuals for Intergovernmental Revenues and whether LAFCo has received payments from the County and many of the special districts. EO Hinman responded that the current estimates are based on the MUNIS reports for the months that the County Auditor-Controller’s Office has closed; the most recent report is through the month of December.

Commissioner Ward:

- Inquired upon why MCRPD MSR Update doesn’t include overheard as shown under ‘Applications and Projects’ on pg. 14 of the agenda packet. EO Hinman clarified that the MSR Update is a special project being prepared at cost rather than the service rates that are incurred for applications.

February 2026 Claims totaling:	\$ 21,491.03
Hinman & Associates Consulting	\$19,181.82
Marsha Burch Law Office	\$1,440.00
Streamline	\$115.00
City of Ukiah (UVCC) (Office Space, Postage & Copies)	\$663.61
Commissioner Susan Mahoney (In-County Travel & Stipends)	\$90.60

There were no public comments.

Motion: Ratify the February 2026 Claims & Financial Report.		
Motion Maker: Gonzalez	Motion Second: Horsley	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

4c) Approve March Claims & Financial Report

The following discussion points and questions were made by members of the Commission:

Commissioner Ward:

- Asked why the total claims for A-87 costs appeared lower compared to previous years. EO Hinman explained that the County Auditor’s Office charges the costs retroactively. LAFCo pays in advance, and the County reconciles the balance the following year. The credit on the account reduced this year’s A-87 costs.
- Requested clarification on legal counsel expenses noted for the MCRPD MSR. EO Hinman noted that those expenses have been included in the General Services billing.

March 2026 Claims totaling:	\$ 25,024.69
Hinman & Associates Consulting	\$21,644.38
Marsha Burch Law Office	\$2,422.50
Streamline	\$115.00
Mendocino County (A-87 Costs County Services)	\$234.00
City of Ukiah (UVCC) (Office Space, Postage & Copies)	\$608.81

There were no public comments.

Motion: Ratify the March 2026 Claims & Financial Report.		
Motion Maker: Gonzalez	Motion Second: Horsley	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

4d) Amendment No. 4 to Executive Officer Services Agreement with Hinman & Associates Consulting Inc.

There were no public comments.

Motion: Approve Amendment No. 4 to Executive Officer Services Agreement with Hinman & Associates Consulting Inc.		
Motion Maker: Rodin	Motion Second: Cline	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

4e) Amendment No. 1 to Legal Counsel Services Agreement with Marsha A. Burch Law Office

There were no public comments.

Motion: Approve Amendment No. 1 to Legal Counsel Services Agreement with Marsha A. Burch Law Office.		
Motion Maker: Rodin	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

5. PUBLIC HEARING ITEMS (Video Time 28:53)

5a) Proposed Budget and Work Program for FY 2026-27

The Commission held a public hearing to consider the Proposed Budget and Work Program for fiscal year (FY) 2026-2027 as recommended by the Executive Committee. EO Hinman presented the item.

The following discussion points and questions were made by members of the Commission:

Commissioner Horsley:

- Asked how basic services and expenses remain unchanged despite recently approved hourly rate increases for staff and legal counsel. EO Hinman explained that it is anticipated that staff will be spending more time on

the work plan and less on organizational administration, shifting time between the two without changing the overall budget.

- Upon further inquiry, EO Hinman responded that the Legal Counsel budget account reflects an increase from the initial budget but a decrease from the amended budget in response to the attorney’s hourly rate increase.
- Requested clarification on proposed anticipated use of cash balance (\$53,000). EO Hinman responded that the projected year-end cash balance is approximately \$118,000, much of which is unused budget from delayed Work Plan efforts. Of that amount, the proposed budget assigns \$53,000 to keep apportionment fee rates unchanged. The remaining cash balance is assigned to Work Plan Contingency to support completion of the MSR/SOI studies that roll into the next fiscal year and provide some flexibility in implementing the Work Plan overall.

Commissioner Ward:

- Inquired whether the two city MSRs and MCRPD MSR will be completed by the end of the current fiscal year. EO Hinman responded that staff anticipates bringing the City of Point Arena MSR/SOI and MCRPD MSR/SOI to workshop before the end of the FY; the City of Willits MSR will likely extend into next FY.

There were no public comments.

Motion: 1) Adopt Resolution 2025-26-05 approving the Proposed Budget and Work Program for FY 2026-27 as presented; (2) Direct staff to distribute the adopted Proposed Budget and Work Program to the funding agencies for review and comment in accordance with Government Code §56381; and (3) Schedule a public hearing for May 4, 2026, to consider adoption of the Final Budget and Work Program for FY 2026-27.		
Motion Maker: Cline	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

6. WORKSHOP ITEMS (Video Time 42:21)
None

7. MATTERS FOR DISCUSSION AND POSSIBLE ACTION

7a) Policy Amendment – Financial Audit Frequency (Policy 5.2.2) (Video Time 42:25)

The Commission considered recommendation from the Executive Committee to amend Mendocino LAFCo Policy 5.2.2 to change the financial statement audit frequency from annual to biennial.

The following discussion points and questions were made by members of the Commission:

Commissioner Horsley:

- Commented that many special districts are looking into shifting their financial audit frequency from annual to biennial due to increasing costs, supporting the policy amendment.

Commissioner Ward:

- Upon inquiry, EO Hinman responded that the current audit is FY 2024-25 and the next one would be scheduled for 2027 if the Commission moves to adopt the policy amendment.

Commissioner Cline:

- Noted support for the policy amendment, commenting that many special districts are seeking to extend their audit cycle to biennial and that LAFCo is an example for transparency and accessibility for information about the budget process.

There were no public comments.

Motion: Approve Resolution No. 2025-26-06 amending Policy 5.2.2.		
Motion Maker: Rodin	Motion Second: Gonzalez	Outcome: Passed unanimously
Roll Call Vote: (7) Ward, Cline, Gonzalez, Horsley, Mahoney, Rodin, Mulheren		

8. INFORMATION AND REPORT ITEMS

8a) Work Plan, Current and Future Proposals (Video Time 49:41)

EO Hinman reported that the draft MSRs for the City of Point Arena and MCRPD are expected to be brought to workshop hearing at the May regular meeting. The City of Ukiah Corporation Yard Annexation application may also be brought forward at the May regular meeting, depending on the completion of the tax share agreement. The tax share process for the Russian River Flood Control and Water Conservation Improvement District (RRFC) annexation seem to be moving through the County Assessor and County Auditor’s offices. Anderson Valley Community Services District (AVCSD) anticipates releasing a draft California Environmental Quality Act (CEQA) document for their activation of latent powers for water and sewer services application this summer.

Upon inquiry by Commissioner Ward, Commissioner Cline reported that upon discussion with City of Ukiah staff, the proposed City of Ukiah Corporation Yard Annexation (A-2025-06) could either fall under the County Master Tax Sharing Agreement (MTSA) or a zero-tax share agreement. The item will be discussed at the County Board of Supervisors regular meeting on April 7.

8b) Correspondence (Video Time 47:13)

None

8c) CALAFCO Business and Legislation Report (Video Time 47:22)

The California Association of Local Agency Formation Commissions (CALAFCO) Membership approved the proposed bylaw amendments by a vote of 40 to 2. The changes removed the fixed board seat designations and allowed executive officers to run for the CALAFCO Board beginning this election cycle. Approximately 72 individuals participated in the meeting. In addition, Los Angeles LAFCo has renewed its membership with CALAFCO.

CALAFCO University (CALAFCO-U) is hosting a training webinar titled “LAFCO 201: Applying Judgement in Complex Decisions” on April 22.

The following questions were asked by members of the Commission:

Commissioner Horsley:

- Inquired about whether the California Special Districts Association (CSDA) Financial Training Seminar will be offered again as registration was full. EO Hinman noted that a second Funding Seminar is scheduled for June 7 and will email the details to the Commission.

Commissioner Ward:

- Upon inquiry, EO Hinman responded that CALAFCO’s adopted dues structure reflects a three percent Consumer Price Index (CPI).

8d) Executive Officer’s Report (Video Time 50:56)

EO Hinman reported that Pehling and Pehling Certified Public Accountant (CPA) is nearly finished with the draft audit of the financial statements. Staff expect to include it on May’s agenda.

EO Hinman attended the Fire Districts Association of California’s training module for fire leadership in mid-March. The two-day training module was well attended by representatives of both Mendocino County and Lake County

fire districts. The training session focused on fire agency governance, organizational options, and funding sources. EO Hinman also noted that the presenters encouraged fire agencies to engage with their respective LAFCOs.

8e) Committee Reports (Executive Committee, Policies & Procedures) (Video Time 53:16)

None

8f) Commissioners Reports, Comments or Questions (Video Time 53:29)

None

ADJOURNMENT (Video Time 54:12)

There being no further business, the meeting adjourned at 10:20 a.m.

The next regular meeting of the Commission is scheduled for Monday, **May 4, 2026**, at 9:30 a.m. The meeting will be conducted in a hybrid format to accommodate both in-person and remote participation. The in-person meeting will be held in the County Board of Supervisors Chambers at 501 Low Gap Road, Ukiah.

Live web streaming and recordings of Commission meetings are available via the County of Mendocino's YouTube Channel [April 6, 2026](#) YouTube meeting recording. Links to recordings and approved minutes are also available on the [LAFCo website](#).



STAFF REPORT

Agenda Item No. 4b	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	Claims and Financial Report

RECOMMENDED ACTION

Approve the April 2026 claims and financial report.

Name	Account Description	Amount	Total
Hinman & Associates Consulting, Inc.	5300 Basics Services	\$ 10,297.00	\$ 17,298.88
	5601 Office Supplies (QB)	\$ 115.00	
	5700 Internet (Comcast)	\$ 102.38	
	6200 Bookkeeping	\$ 605.00	
	7001 Work Plan (City of Point Arena)	\$ 1,925.00	
	7004 MCRPD MSR	\$ 385.00	
	8033 P-2025-01 City of Ukiah Reorg Pre-App	\$ 333.00	
	8038 A-2025-06 Ukiah Annex Corporation Yard	\$ 3,536.50	
Commissioner Stipends	6740 In-County Travel & Stipends		\$ 90.60
	Susan Manhoney (April)	\$ 90.60	
Marsha Burch	6300 Legal Counsel (General)	\$ 1,192.50	\$ 1,825.00
	6300 Legal Counsel (Litigation)	\$ 632.50	
Streamline	5700 Website Hosting	\$ 115.00	\$ 115.00
PnPCPAs	6100 Audit Services	\$ 2,255.00	\$ 2,255.00
Newspapers	5900 Publications and Legal Notices	\$ 303.09	\$ 303.09
City of Ukiah (UVCC)	5500 Office Space	\$ 608.81	\$ 693.37
	5600 Postage and copies	\$ 84.56	
Total Claims			\$ 22,580.94

Deposits: None

Transfers: None

ATTACHMENTS

- (1) Statement of Revenue & Expenses – Budget vs Actual
- (2) FY 2025-26 Budget Tracking
- (3) Invoices: Hinman & Associates Consulting, Marsha Burch Law Office, PnPCPAs

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

**Tracking for Applications and Special Projects (Reimbursable)
Comprehensive**

April 27, 2026

Account	Description	Deposits	Actuals (Expense)	Contractor (Expense)	Other Fees (Expense)	Service Fee Revenue	Remaining Deposits Held
Applications							
8028	Elk CSD Activation of Latent Powers (L-2022-01)	5,000.00	(4,926.75)	(3,684.75)		1,242.00	73.25
8031	AVCSD Annexation of SOI (A-2023-01)	6,000.00	(5,821.50)	(3,673.25)	(93.00)	2,148.25	178.50
8032	Fort Bragg Pre-Application (P-2023-02)	2,500.00	(1,615.00)	(1,111.00)		504.00	885.00
8033	City of Ukiah Reorganization Pre-Application (P-2025-01)	20,000.00	(8,512.50)	(5,736.50)		2,776.00	11,487.50
8034	City of Fort Bragg OAS Internet Services (O-2025-02)	2,500.00	(2,362.50)	(1,687.50)		675.00	-
8035	RRFC Annex RVCWD Pre-Application (P-2025-03)	2,412.50	(2,412.50)	(1,972.50)	(400.00)	440.00	-
8036	Fort Bragg OASA Sewer to Weaver (O-2025-04)	1,000.00	(1,000.00)	(440.00)		560.00	-
8037	RRFC Annex RVCWD (A-2025-05)	9,455.60	(2,825.65)	(1,268.00)	(970.65)	587.00	6,629.95
8038	City of Ukiah Corporation Yard Annexation (A-2025-06)	5,500.00	(9,049.75)	(5,826.50)	(421.00)	2,802.25	(3,549.75)
Total Applications		54,368.10	(29,476.40)	(19,573.50)	(1,463.65)	8,932.25	19,254.20
Special Projects							
7003	Mendocino Coast Recreation and Park District MSR	20,000.00	(13,600.00)	(13,600.00)		-	6,400.00
Total Special Projects		20,000.00	(13,600.00)	(13,600.00)		-	6,400.00
Total Revenue					(1,463.65)	8,932.25	
Total Expenditures				(33,173.50)			
Total Remaining Deposits Held in Account							25,654.20

MENDOCINO LAFCO FY 2025-26 BUDGET TRACKING

BUDGET SUMMARY		2025-26 Budget	July	August	September	October	November	December	January	February	March	April	Totals To Date	% Expended
Starting Balance (Checking + Treasury)		143,108.15	112,231.45	88,411.50	141,125.33	228,787.81	209,799.71	188,041.75	165,833.03	150,464.79	142,939.78	116,639.49		
Total Revenue		293,000.00	1,962.09	2,304.27	1,131.25	47,496.71	1,879.35	4,053.67	77,029.16	858.98	3,161.31	2,081.75	141,958.54	
Total Expenses		-	32,261.32	21,685.42	17,616.56	23,095.26	22,383.02	28,493.56	15,941.55	21,496.03	25,029.69	22,585.94	213,314.20	
Projected End Balance (Checking + Treasury)		436,108.15	81,932.22	69,030.35	124,640.02	208,189.26	189,296.04	163,601.86	151,920.64	129,827.74	121,071.40	96,135.30		
FUND BALANCES		Beginning Balance												
Treasury (apportionments held in Treasury, transferred to Checking for claims)		37,201.98	37,201.98	37,201.98	112,459.69	165,254.77	165,254.77	165,478.71	90,500.00	90,500.00	90,500.00	90,500.00		
Checking Account (Bank Statement)		105,906.17	75,029.47	51,209.52	28,665.64	63,533.04	44,544.94	22,563.04	75,333.03	59,964.79	52,439.78	26,139.49		
Reserves (Bank Statement)		133,911.31	135,059.16	134,197.63	134,344.84	134,477.64	134,573.58	134,667.38	134,742.65	134,812.94	124,890.33	124,950.00		
Account #	REVENUE													
4000	LAFco Apportionments Fees (Transfer from Treasury to Checking for claims)	275,000.00				45,000.00			75,000.00				120,000.00	
4100	Fees and Reimbursements										1,424.00	385.00	1,809.00	
4800	Miscellaneous												-	
4910	Interest	3,000.00	151.59	141.02	148.75	574.61	98.10	94.92	1,307.91	72.73	79.81		2,669.44	
8000	Applications													
4150	Service Fee Revenue	15,000.00	75.00	390.25	239.50	568.50	437.25	1,338.25	228.25	130.25	233.50	1,696.75	5,337.50	
80XX	Contract Staff		1,735.50	1,773.00	743.00	1,353.60	1,344.00	2,620.50	493.00	656.00	1,424.00		12,142.60	
TOTAL		\$ 293,000.00	\$ 1,962.09	\$ 2,304.27	\$ 1,131.25	\$ 47,496.71	\$ 1,879.35	\$ 4,053.67	\$ 77,029.16	\$ 858.98	\$ 3,161.31	\$ 2,081.75	\$ 141,958.54	
Account #	EXPENSES													
OPERATIONS														
5300	Basic Services	155,000.00	12,722.50	8,505.00	10,543.50	9,301.50	14,297.00	12,650.50	6,011.00	13,819.00	12,553.00	10,297.00	110,700.00	71%
5500	Rent	8,500.00	719.05	924.56	326.79	608.81	608.81	608.81	608.81	608.81	608.81	608.81	6,232.07	66%
5500	Rent (Board Chambers)		412.00										927.00	
5600	Office Expenses	4,000.00	292.70	81.18	143.07	181.47	141.04	176.75	458.86	336.74	115.00	199.56	2,126.37	53%
5700	Internet & Website	3,000.00	230.29	214.12	214.12	214.12	1,726.12	214.12	217.38	217.38	217.38	217.38	3,682.41	123%
5900	Publication and Legal Notices	2,000.00											303.09	50%
6000	Televising Meetings	2,000.00		138.49	158.28			356.13					652.90	33%
6100	Audit Services	4,500.00	2,255.00									2,255.00	4,510.00	100%
6200	Bookkeeping	5,500.00	440.00	440.00	440.00	440.00	440.00	440.00	385.00	440.00	440.00	605.00	4,510.00	82%
6300	Legal Counsel	25,000.00	1,282.50	1,282.50	1,170.00	1,800.00	1,845.00	945.00	1,400.00	1,400.00	1,597.50	1,192.50	22,957.50	92%
6300	Legal Counsel (Litigation)						797.50	5,360.00	2,337.50		825.00	632.50		
6400	A-87 Costs County Services	6,000.00									234.00		234.00	4%
6500	Insurance - General Liability	3,200.00	3,244.32										3,244.32	101%
6600	Memberships (CALAFCO/CSDA)	4,000.00	2,665.00			1,398.00							4,063.00	102%
6670	GIS Contract (County)	2,500.00		580.97	503.00								1,083.97	43%
6740	In-County Travel & Stipends	2,300.00	157.96		158.80			89.20		90.60		90.60	587.16	26%
6750	Travel & Lodging Expense	6,000.00		281.60		4,777.76							5,059.36	84%
6800	Conferences (Registrations)	5,000.00				2,800.00				450.00			3,250.00	65%
7000	Work Plan (MSR/SOI)	100,000.00	6,099.50	7,459.00	3,211.00	215.00	499.50	4,140.00	4,048.00	3,882.50	6,560.00	1,925.00	38,039.50	38%
9000	Misc Expenses (bank fees)	-	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	50.00	
TOTAL		338,500.00	30,525.82	19,912.42	16,873.56	21,741.66	20,359.97	25,675.06	15,448.55	20,840.03	23,605.69	18,331.44	213,314.20	63%
8000 APPLICATIONS & SPECIAL PROJECTS		Deposits TD												Deposit Remaining
8028	Elk CSD Activation of Latent Powers (L-2022-01)	5,000.00			410.00								4,926.75	73.25
8031	AVCSD Annexation of SOI (A-2023-01)	6,000.00							422.50				5,821.50	178.50
8032	Fort Bragg Pre-Application Request (P-2023-02)	2,500.00											1,615.00	885.00
8033	City of Ukiah Reorganization Pre-Application (P-2025-01)	20,000.00		706.25	347.50		615.00	486.25	298.75	401.25	441.25	410.00	8,512.50	11,487.50
8037	RRFC Annex RVCWD (A-2025-05)	9,455.60				1,282.10	1,085.30	177.00			281.25		2,825.65	6,629.95
8038	City of Ukiah Corporation Yard Annexation (A-2025-06)	5,500.00					400.00	3,493.50				5,156.25	9,049.75	(3,549.75)
7003	Mendocino Coast Recreation and Park District MSR Update	20,000.00	1,143.00	817.00						385.00	935.00	385.00	13,600.00	6,400.00
TOTAL		74,368.10	1,810.50	2,163.25	982.50	1,922.10	2,460.30	4,156.75	721.25	786.25	1,657.50	5,951.25	52,126.15	
Applications Less Service Fees Subtotal			1,735.50	1,773.00	743.00	1,353.60	2,023.05	2,818.50	493.00	656.00	1,424.00	4,254.50	17,274.15	
Service Fees Subtotal			75.00	390.25	239.50	568.50	437.25	1,338.25	228.25	130.25	233.50	1,696.75	5,337.50	
TOTAL			1,810.50	2,163.25	982.50	1,922.10	2,460.30	4,156.75	721.25	786.25	1,657.50	5,951.25	22,611.65	
EXPENSES TOTAL			32,336.32	22,075.67	17,856.06	23,663.76	22,820.27	29,831.81	16,169.80	21,626.28	25,263.19	24,282.69	235,925.85	
MONTHLY CLAIMS TOTAL (not including service fees and bank fees)			32,256.32	21,680.42	17,611.56	23,090.26	22,378.02	28,488.56	15,936.55	21,491.03	25,024.69	22,580.94		



Hinman & Associates Consulting

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

Date April 27, 2026
To Mendocino LAFCo
Project Executive Officer Services
Work Period April 1-26, 2026

Invoice No. 949
Invoice Total \$ 17,298.88

Account	Description	Staff/Hours			Other (At Cost)	Totals
		Executive Officer \$110	Analyst \$86	Analyst/Clerk \$82		
5300	Basic Services Public Records Act Requests	70.25	1.75	29.50		\$ 10,297.00
5601	Office Supplies Quickbooks Online fees				\$ 115.00	\$ 115.00
5700	Internet & Website Costs (Comcast)				\$ 102.38	\$ 102.38
6200	Bookkeeping	5.50				\$ 605.00
7001	City of Point Arena	17.50				\$ 1,925.00
7004	Mendocino Coast Rec & Park District MSR	3.50				\$ 385.00
8033	City of Ukiah Pre-Application P-2025-01	1.50	1.00	1.00		\$ 333.00
8038	Ukiah Annexation of Corp Yard A-2025-06		38.50	2.75		\$ 3,536.50
Totals		\$ 10,807.50	\$ 3,547.50	\$ 2,726.50	\$ 217.38	\$ 17,298.88

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 claims. Website updates. Prepare meeting minutes. Develop agenda packet and attend April Executive Committee meeting. Commission April 6 agenda packet development. Coordination meetings with Legal Counsel and staff. Distribute proposed budget and work program for FY 2026-27; prepare final budget. Coordinate with PnPCPA to finalize annual audited financial statements.

6200 Bookkeeping

Entered claims into Quickbooks and prepared checks. Reconciled Quickbooks. Quickbook reports to complete audited financial statements.

7001 Work Plan - City of Point Arena Municipal Service Review/Sphere of Influence Update

Coordinated with City staff and incorporated comments and additional information into MSR/SOI to prepare for Workshop.

7004 Work Plan - Mendocino Coast Recreation and Park District MSR

Review and incorporate district review responses and additional information; developing Workshop draft MSR.

8033 City of Ukiah Pre-Application for Reorganization (P-2025-01)

Coordination meetings with City staff; research statutes.

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 or
call 1-800-391-3000

Ready to pay?
Visit business.comcast.com/myaccount

Your monthly account summary

Previous balance	102.38
Credit Card Payment Apr 04, 2026	-102.38 cr
New charges	
Comcast Business services	99.90
Taxes and fees	2.48

Amount due **\$102.38**
Payment due May 04, 2026

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.

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

COMCAST BUSINESS

PO BOX 4118 ENGLEWOOD CO 80155
8633 0500 DY RP 09 04102026 NNNNNNNN 01 999455

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

Account number **8155 30 052 0354952**
Automatic payment due **May 04, 2026**
Please pay **\$102.38**
Credit Card Payment To Be Applied 05/04/26

COMCAST
PO BOX 60533
CITY OF INDUSTRY CA 91716-0533



Intuit Inc.
 2800 E. Commerce Center Place
 Tucson, AZ 85706

Invoice

Invoice number: 10001485834894
Total: \$115.00
Date: Apr 19, 2026
Payment method: VISA ending 0384
Payment authorization code: 633633

Bill to

Executive Officer
 Mendocino LAFCo
 200 S School St
 Ukiah, CA 95482-4828
 US
 Address may be standardized for tax purposes
Company ID: 123145824398352

Payment details

Item	Qty	Unit price	Amount
QuickBooks Online Plus	1	\$115.00	\$115.00
Sales tax - Exempt:			\$0.00
Total invoice:			\$115.00

Tax reporting information

Period for monthly fees: Apr 19, 2026 - May 19, 2026
Total without tax: \$115.00
Total tax: \$0.00

(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 or is canceled. To cancel your subscription at any time, go to the Subscriptions and billing page and cancel the subscription. If your subscription is managed by an account manager, contact your account manager for changes to your 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.

Amounts are shown in USD. All dates and times are Pacific Standard Time (PST).

Marsha Burch

420 Providence Mine Road, Suite 101
Nevada City, CA 95959

INVOICE

Invoice # 284
Date: 04/27/2026
Due On: 05/27/2026

Mendocino LAFCo

00201-Mendocino LAFCo

General Counsel

Type	Date	Notes	Quantity	Rate	Total
Service	03/30/2026	Review EO contract amendment	0.20	\$225.00	\$45.00
Service	04/06/2026	Rec. meeting recap from EO	0.20	\$225.00	\$45.00
Service	04/07/2026	Review City comments on administrative draft MSR MCRPD	0.50	\$225.00	\$112.50
Service	04/10/2026	Staff meeting; draft letter re City selection committee	1.20	\$225.00	\$270.00
Service	04/17/2026	Staff meeting	0.40	\$225.00	\$90.00
Service	04/20/2026	Exec Comm Meeting (attend and prep/review District and City comments)	2.40	\$225.00	\$540.00
Service	04/22/2026	Msg. to EO summarizing Exec Comm	0.40	\$225.00	\$90.00
				Total	\$1,192.50

Detailed Statement of Account

Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due	
284	05/27/2026	\$1,192.50	\$0.00	\$1,192.50	
				Outstanding Balance	\$1,192.50
				Total Amount Outstanding	\$1,192.50

Please make all amounts payable to: Marsha Burch

Marsha Burch

420 Providence Mine Road, Suite 101
Nevada City, CA 95959

INVOICE

Invoice # 283
Date: 04/27/2026
Due On: 05/27/2026

Mendocino LAFCo

00235-Mendocino LAFCo

St. Pierre Litigation

Type	Date	Notes	Quantity	Rate	Total
Service	03/31/2026	Draft request for judicial notice; revise opposition	1.40	\$275.00	\$385.00
Service	04/17/2026	Review motion for leave to revise third amendment complaint and for injunction (filed by St. Pierre).	0.50	\$275.00	\$137.50
Service	04/24/2026	Review Order re Dismissal and Judgment, msg. to EO	0.40	\$275.00	\$110.00
				Total	\$632.50

Detailed Statement of Account

Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
283	05/27/2026	\$632.50	\$0.00	\$632.50
			Outstanding Balance	\$632.50
			Total Amount Outstanding	\$632.50

Please make all amounts payable to: Marsha Burch

Please pay within 30 days.

INVOICE

BILL TO
Mendocino LAFCo

INVOICE # 1650
DATE 04/15/2026
DUE DATE 04/15/2026
TERMS Due on receipt

ACTIVITY	AMOUNT
Audit	2,255.00

BALANCE DUE	\$2,255.00

MENDOCINO LOCAL AGENCY FORMATION COMMISSION
FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024



Audited by:

Pehling and Pehling, CPAs

**MENDOCINO LOCAL AGENCY FORMATION COMMISSION
FINANCIAL STATEMENTS
JUNE 30, 2025 & 2024**

TABLE OF CONTENTS

1	Management Discussion and Analysis	2
1.1	Discussion of Basic Financial Statements.....	2
1.2	Comparative Financial Information	2
1.3	Condensed Financial Information	3
1.3.1	Statement of Net Position.....	3
1.4	LAFCo’s Overall Financial Position	3
1.5	Analysis and Transactions of General Fund-LAFCo’s Budget.....	4
1.6	Analysis of Significant Budgetary Variations-Unspent Funds	5
1.7	Description of Significant Capital Assets and Long-term Debt Activity	5
1.8	Discussion of Significant Changes in Conditions and Estimated Maintenance Expenses for Infrastructure Assets.....	5
1.9	Currently Known Facts, Decisions or Conditions	5
1.10	Additional Financial Information	5
2	Independent Auditor’s Report.....	6
3	Financial Statements	8
3.1	Statement of Net Position & Governmental Funds Balance Sheet	8
3.2	Statement of Activities.....	9
3.3	Notes to the Financial Statements.....	10
4	Supplementary Information.....	15
4.1	Budgetary Comparison Schedule-General Fund for the Year Ended June 30, 2023	15

**Mendocino Local Agency Formation Commission
Management Discussion & Analysis of
Fiscal Years Ending June 30, 2025 & 2024**

1 MANAGEMENT DISCUSSION AND ANALYSIS

1.1 DISCUSSION OF BASIC FINANCIAL STATEMENTS

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

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

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

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

1.2 COMPARATIVE FINANCIAL INFORMATION

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

For several years the Commission relied on excess reserves resulting from underutilized work plan budget to balance the budget, allowing the Commission to adopt lower apportionment fees with the annual budget. In FY 2021/2022 and 2022/2023, apportionment fees were established at \$265,000 for a balanced annual budget and to meet Commission direction to maintain legal reserves at \$50,000. Apportionment fees were increased to \$275,000 in FY 2023/2024 and remain at that level for a second consecutive year.

1.3 CONDENSED FINANCIAL INFORMATION

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

1.3.1 Statement of Net Position

**Statement of Net Position
June 30, 2025 & 2024**

Assets	2025	2024
Cash	274,994	239,866
Accounts Receivable	1,699	0
Total Assets	276,694	239,866
Liabilities	55,549	26,587
Total Net Position	221,144	213,278

**Statement of Activities
June 30, 2025 & 2024**

	2025	2024
Program Expenses	291,907	281,728
Program Revenues	298,324	289,760
Net Program Income	6,416	8,032
General Revenue	1,449	5,900
Increase in Net Position	7,866	13,932
Net Position-July 1	213,278	199,346
Net Position-June 30	221,144	213,278

1.4 LAFCo’s OVERALL FINANCIAL POSITION

The particular financial circumstances of LAFCo are different from most public agencies. LAFCo has no authority to tax, borrow or enter into capital projects. It does have the power to assess fees for applications and services provided. By law, fees can only be the actual, direct costs of providing the service, and cannot be used to fund the operating costs of LAFCo. The primary expenditures for the budget are paid by the participating agencies rather than from fees, taxes or assessments on property. LAFCo has no debt. Its primary monetary assets are its reserve funds. At end of Fiscal Year 2024/2025, general reserve funds totaled \$133,911.

1.5 ANALYSIS AND TRANSACTIONS OF GENERAL FUND-LAFCO'S BUDGET

Following is the adopted amended budget for Fiscal Year 2024/2025, which was adopted by the Commission on June 3, 2024 (LAFCo Resolution No. 2023-24-07).

Commission's Adopted Final Budget Fiscal Year 2024-25			
			Adopted
	Quick Books		Fiscal Year
Line #	Account #	Description	2024/25
Revenue			
1	4000	LAFCo Apportionment Fees	\$ 275,000
2	4030	Application Filing Fees	9,000
3	4800	Miscellaneous	-
4	4910	Interest Income	1,000
5		Total	\$ 285,000
6		Use of Residual Cash	23,000
7		Total Revenue	\$ 308,000
Expenses			
8	5300	Contract Services - Office & Staff	155,000
9	5500	Office Rent	8,000
10	5600	Office Expense	4,000
11	5700	Internet & Website Costs	3,000
12	5900	Publication & Legal Notices	3,000
13	6000	Televising Commission Meetings	2,400
14	6100	Audit Services	4,500
15	6200	Bookkeeping	5,500
16	6300	Legal Counsel	19,000
17	6400	A-87 Costs - County Services	3,500
18	6500	Insurance - General Liability	3,000
19	6600	Memberships (CALAFCO/CSDA)	4,000
20	6670	GIS Contract with County	3,000
21	6740	In-County Travel & Stipends	3,000
22	6750	Travel & Lodging	7,000
23	6800	Conferences (Registrations)	5,000
24	7000	Work Plan (MSRs and SOIs)	75,000
25		Miscellaneous (bank charges)	100
26		Total Expenses before Application Fees	\$ 308,000
27	8000	Application Filing Fees	-
		Subtotal	\$ 308,000
		Increase to Reserves per Policy	0
		Increase to Workplan Contingency	0
		Total Expense	\$ 308,000

1.6 ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS-UNSPENT FUNDS

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

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

During Fiscal Year 2020/2021, the Commission directed staff to increase legal reserves to \$50,000. Commission direction remains unchanged.

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

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

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

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

1.9 CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

1.10 ADDITIONAL FINANCIAL INFORMATION

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

2 INDEPENDENT AUDITOR'S REPORT

PnPCPA



April 9, 2026

Mendocino LAFCO

, CA

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of Mendocino LAFCO as of and for the year-ended June 30, 2025, as listed in the Table of Contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino LAFCO as of June 30, 2025, and the respective changes in financial position, and cash flows where applicable for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,



individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

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

PnPCPA
PNPCPA

3 FINANCIAL STATEMENTS

3.1 STATEMENT OF NET POSITION & GOVERNMENTAL FUNDS BALANCE SHEET

**STATEMENT OF NET POSITION
& GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2025 & 2024**

	General Fund	Adjustments Note 3	Statement of Net Position 2025	General Fund	Adjustments Note 3	Statement of Net Position 2024
Assets						
Cash - Note 2	\$ 274,994	\$ -	\$ 274,994	\$ 239,866	\$ -	\$ 239,866
Accounts Receivable	1,699	-	1,699	-	-	\$ -
Total Assets	\$ 276,694	\$ -	\$ 276,694	\$ 239,866	\$ -	\$ 239,866
Liabilities						
Accounts Payable	27,063	-	27,063	21,900	-	21,900
Fees Received in Advance	28,486	-	28,486	4,687	-	4,687
Total Liabilities	\$ 55,549	\$ -	\$ 55,549	\$ 26,587	\$ -	\$ 26,587
Fund Balance/Net Position						
Fund Balances						
Reserved for Legal	50,000	(50,000)	-	50,000	(50,000)	-
Reserved for Operating Reserve	83,910	(83,910)	-	81,818	(81,818)	-
Unassigned	87,234	(87,234)	-	81,460	(81,460)	-
Total Fund Balance	\$ 221,144	\$ (221,144)	\$ -	\$ 213,278	\$ (213,278)	\$ -
Total Liabilities & Fund Balances	\$ 276,694	\$ (276,694)	\$ -	\$ 239,866	\$ (239,866)	\$ -
Net Position						
Unrestricted		\$ 221,144	\$ 221,144		\$ 213,278	\$ 213,278
Total Net Position		\$ 221,144	\$ 221,144		\$ 213,278	\$ 213,278

3.2 STATEMENT OF ACTIVITIES

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2025 & 2024

	2025	2024
<u>General Government - Planning</u>		
Insurance-General	2,845	2,858
Memberships	3,932	3,802
Audit Fees	4,250	4,000
Internet and Website Costs	2,664	1,932
Legal Counsel	11,385	9,630
Architect, Engineering and Planning Services	-	-
Professional Services	212,463	219,454
Rent	7,322	7,515
Office Expenses	3,298	3,509
Publication and Legal Notices	2,050	2,565
County Support Services (GIS)	2,605	1,707
Televising Commissioner Meetings	1,673	1,516
Bookkeeping-Financial	5,500	5,445
Professional Fees-Applications	19,659	10,593
Transportation and Travel Out of County	3,401	843
In-County Travel & Stipends	933	886
Miscellaneous Expense	7,930	5,474
Total Program Expenses	291,907	281,728
<u>Program Revenues</u>		
Assessments	275,000	275,000
Application Fees & Reimbursements	23,324	14,760
Total Program Revenues	\$ 298,324	\$ 289,760
Net Program Income	\$ 6,416	\$ 8,032
<u>General Revenues</u>		
Interest Earnings	1,449	5,900
Total General Revenues	1,449	5,900
Increase in Net Position	\$ 7,866	\$ 13,932
Net Position - July 1, 2024	\$ 213,278	\$ 199,346
Net Position - June 30, 2025	<u>\$ 221,144</u>	<u>\$ 213,278</u>

3.3 NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Organization

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

Accounting Policies

The Commission's accounting and reporting policies conform to the generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant policies.

Basis of Presentation

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

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

Basis of Accounting

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

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

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

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

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

Budget

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

Deposits and Investments

It is the Commission's policy for deposits and investments to either be insured by the FDIC or collateralized. The Commission's deposits and investments are categorized to give an indication of the level of risk assumed by the Commission as of June 30, 2025 and 2024. The categories are described as follows:

- Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.

- Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.

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

Deposits and Investments as of June 30, 2025 and 2024 consist of Category 1 type only.

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

Estimates

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

Risk Management

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

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

Equity Classifications – Government-wide Statements

Equity is classified as net position and displayed as follows:

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

Equity Classifications – Fund Statements

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

Note 2 – Cash

The Commission maintains an account with Savings Bank of Mendocino County used for issuing checks for the payment of general operating expenses. The County of Mendocino collects the Apportionment Fees from the county, cities and special districts and holds those funds in an account (Treasury) with the County Auditor. When sufficient funds are collected (Apportionment Fees), LAFCo will then transfer funds from the Treasury into the checking account at Savings Bank of Mendocino County. Savings Bank of Mendocino County balances for the fiscal year ended June 30, 2025 and 2024 were \$105,906 and \$77,682, respectively. Cash on deposit in the County of Mendocino’s Treasury is a pooled money investment account similar to a money market account. The funds deposited with the County, until transferred, are invested in accordance with Sections 53601 and 53635 of the California Government Code that specify the authorized investments that an investment pool can purchase. Treasury balances for the fiscal year ended June 30, 2025 and 2024 were \$37,202 and \$30,365, respectively.

The County’s investment policy as of July 7, 1997 prohibits the following: reverse repurchase agreements, collateralized mortgage securities, futures or options, lend securities or security with a stated or potential maturity longer than five years. Interest earnings recorded by the Commission for these funds for the fiscal year ended June 30, 2025 and 2024 were \$3,536 and \$2,971, respectively, and are adjusted for the County’s Cash Fair Value Investment losses. The County of Mendocino issues a separate comprehensive annual financial report. Copies of the County of Mendocino’s annual financial report may be obtained from the County of Mendocino’s Auditor-Controller’s office, 501 Low Gap Road, Room 1080, Ukiah, CA 95482.

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

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

increases in complicated applications and work plan tasks. Reserves balances for the fiscal year ended June 30, 2025 and 2024 were \$50,000 in legal reserves. Operational reserves for the same periods were \$83,911 and \$81,818, respectively.

Note 3 – Reconciliation to Statement of Net Position

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

Note 4 – Accounts Receivable

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

Note 5 – Accounts Payable

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

Note 6 – Fees Received in Advance

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

Note 7 – Joint Powers Agreement

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

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

Note 8 – Risk Management

The Commission is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets, errors and omissions; injuries to employees; and natural disasters. During FY 2024-25 the Commission contracted insurance for liability, property, crime damage, and director insurance.

Note 9 – Contingencies

As of June 30, 2025, the Commission had no pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

Note 10 – Subsequent Events

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

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

4 SUPPLEMENTARY INFORMATION

4.1 BUDGETARY COMPARISON SCHEDULE-GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

BUDGETARY COMPARISONS SCHEDULE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Original	Amounts Final	Actual Amounts
Beginning Budgetary Fund Balance	\$ 213,278	\$ 213,278	\$ 213,278
Revenues			
Assessments	\$ 275,000	\$ 275,000	\$ 275,000
Fees & Reimbursements	9,000	9,000	23,324
Miscellaneous	-	-	-
Interest Earnings	1,000	1,000	1,449
Total Revenues	\$ 285,000	\$ 285,000	\$ 299,773
Expenses			
5300 Basic Services (Contract)	155,000	155,000	143,729
5500 Office Rent	8,000	8,000	7,322
5600 Office Expenses	4,000	4,000	3,298
5700 Internet and Website Costs	3,000	3,000	2,664
5900 Publication & Legal Notices	3,000	3,000	2,050
6000 Televising Commission Meetings	2,400	2,400	1,673
6100 Audit Services	4,500	4,500	4,250
6200 Bookkeeping	5,500	5,500	5,500
6300 Legal Counsel	19,000	19,000	11,385
6400 A-87 Costs-County Services	3,500	3,500	5,070
6500 Insurance-General	3,000	3,000	2,845
6600 Memberships	4,000	4,000	3,932
6670 Contract Services-GIS Services	3,000	3,000	2,605
6740 In-County Travel & Stipends	3,000	3,000	933
6750 Travel & Lodging	7,000	7,000	3,401
6800 Conferences (Registrations)	5,000	5,000	2,800
7000 Work Plan (MSR and SOI)	75,000	75,000	68,734
Misc Expenses (Special District Training Support, bank service charges)	100	100	60
8000+ Applications and Projects	-	-	19,659
Total Expenses	\$ 308,000	\$ 308,000	\$ 291,907
Ending Budgetary Net Position	\$ 190,278	\$ 190,278	\$ 221,144



STAFF REPORT

Agenda Item No. 5a	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	PUBLIC HEARING Final Budget and Work Program for Fiscal Year 2026-27

RECOMMENDED ACTION

Staff recommends the Commission take the following actions:

- a) Adopt Resolution No. 2025-26-07 approving the Final Budget and Work Program for Fiscal Year 2026-2027, as presented or modified by the Commission; and
- b) Direct the Executive Officer to transmit the adopted Final Budget and Work Program to member agencies, the County Auditor-Controller, and other recipients in accordance with Government Code §56381.

BACKGROUND

The Proposed Budget and Work Program for Fiscal Year (FY) 2026-27 was adopted by the Commission at its April 6, 2026 regular meeting. Pursuant to Government Code (GC) §56381, the Proposed Budget and Work Program were distributed to each member agency for review in advance of the public hearing on the Final Budget and Work Program.

The recommended Final Budget remains unchanged from the adopted Proposed Budget and Work Program as transmitted to member agencies (Table 1).

	FY 2025-26 Adopted (\$)	FY 2025-26 Amended (\$)	FY 2026-27 Final (\$)	Difference (%)
REVENUES				
<i>Anticipated Use of Cash Balance</i>	35,500	35,500	53,000	
Apportionments	275,000	275,000	275,000	0
Fees/Reimbursements/Interest	18,000	18,000	10,000	(57.1)
Revenues Total	328,500	328,500	338,000	2.9
EXPENDITURES				
Basic Services (Staffing)	155,000	155,000	155,000	0
Services and Supplies	73,000	83,500	83,000	(0.6)
Work Plan	100,000	100,000	100,000	0
Expenditures Total	328,500	338,500	338,000	(0.1)
RESERVES				
Legal Reserves	50,000	40,000	50,000	
Operating Reserves	86,500	86,500	83,000	

The Final Budget is balanced and represents a 0.1 percent decrease (\$500) from the current amended budget, with no change to total apportionments (\$275,000) (Attachment 1). Government Code §56381(c) provides that if the Commission has funds in excess of its needs at the end of the fiscal year, those funds may be retained and applied to the following fiscal year's budget.

Year-end cash balances are available for application to the subsequent fiscal year. Year-end projections for FY 2025-26 estimate a cash balance of approximately \$118,700. The budget applies \$53,000 of this balance toward FY 2026-27 revenues, with the remaining funds assigned to the Work Plan contingency.

The Cortese-Knox-Hertzberg Act requires that LAFCo operating costs be funded annually by the County, cities, and independent special districts through a one-third apportionment process (GOV §56381(b)). The city and independent special districts shares are further allocated proportionally based on each agency's total revenues relative to the combined revenues of all independent special districts within the county.

The final budget maintains total apportionments at \$275,000 for the fourth consecutive year. This funding level is sufficient to support anticipated expenditures, maintain reserves consistent with Commission policy and prior direction, and retain a limited level of Work Plan contingency funding.

A detailed description and discussion of the revenues, expenditures, reserves and Work Program is provided in the [April 6, 2026 Proposed Fiscal Year 2026-27 Budget and Work Program Staff Report](#).

Public Notice and Distribution

On April 7, 2026, the [Proposed Budget and Work Program for FY 2026-27](#) was transmitted to the County of Mendocino and each city and independent special district for review and comment. Notice of the public hearing on the Final Budget was published in the Ukiah Daily Journal, Fort Bragg Advocate-News, and The Willits News (Attachment 3).

Agency/Public Comments

No agency or public comments were received by staff as of April 28, 2026.

ATTACHMENTS:

- (1) Final Budget and Work Program for FY 2026-27
- (2) Resolution No. 2025-26-07
- (3) Proof of Publication

**Mendocino Local Agency Formation Commission
Final Budget for Fiscal Year 2026-27**

		FY 2025-26 Adopted	FY 2025-26 Amended	FY 2026-27 Final
REVENUE & APPLIED CASH BALANCE				
	<i>Cash Balance</i>	35,500	35,500	53,000
4000	LAFCo Apportionment	275,000	275,000	275,000
4100	Fees and Reimbursements	15,000	15,000	8,000
4800	Miscellaneous Revenue	-	-	-
4910	Interest Income	3,000	3,000	2,000
Net Revenue & Use / (Addition) of Unreserved Cash		328,500	328,500	338,000
EXPENSES				
Staffing				
5300	Basic Services (EO, Analyst, Clerk)	155,000	155,000	155,000
Subtotal: Staffing		155,000	155,000	155,000
Services & Supplies				
5500	Rent	8,500	8,500	8,500
5600	Office Expenses	4,000	4,000	3,500
5700	Internet & Website Costs	3,000	3,000	4,500
5900	Publication and Legal Notices	2,000	2,000	2,000
6000	Televising Meetings	2,000	2,000	2,000
6100	Audit Services	4,500	4,500	8,000
6200	Bookkeeping	5,500	5,500	5,500
6300	Legal Counsel	15,000	25,000	20,000
6400	A-87 Costs County Services	6,000	6,000	6,000
6500	Insurance-General Liability	3,200	3,200	3,800
6600	Memberships (CALAFCO/CSDA)	4,000	4,000	4,200
6670	GIS Contract with County	2,500	2,500	2,500
6740	In-County Travel & Stipends	2,300	2,300	1,500
6750	Travel & Lodging Expense	6,000	6,000	6,000
6800	Conferences (Registrations)	5,000	5,000	5,000
9000	Misc Expenses (bank charges, etc.)	-	-	-
Subtotal: Services & Supplies		73,500	83,500	83,000
Work Plan				
7000	Work Plan (MSRs and SOIs)	100,000	100,000	100,000
Subtotal: Work Plan		100,000	100,000	100,000
Total Expenses		328,500	338,500	338,000
NET BUDGET		-	(10,000)	-
RESERVES				
Reserves				
	Legal Reserves	50,000	40,000	50,000
	Operating Reserves (25% Expenses)	86,500	86,500	83,500
Total Reserves		136,500	126,500	133,500
Unreserved Cash				
	Cash Balance/Work Plan Contingency	52,800	52,800	55,700

Exhibit B

**Final Work Program (Basic Services + Work Plan)
FY 2026-27**

May 1, 2026

Tasks	Description & Assumptions	Estimated Budget
Basic Services		
Office Hours & Administrative Duties	Clerk duties not related to projects; office hours; public assistance; PRA requests; budget development, tracking, amendments; accounts payable, QuickBooks; annual audit; EO correspondence; response to requests for Agency Comments for projects and/or environmental documents routed to LAFCo for review, etc.; carrying out Commission direction.	\$ 85,000
Commission & Committee Meetings	Commission & Committee meeting attendance (12 Regular and 8 Committee); agenda packet development, staff reports, presentations, minutes.	\$ 40,000
Work Plan Support	Prepare and distribute Public Notices, development of staff reports specifically related to MSR/SOI studies, presentation at Commission meetings for Public Workshops and Public Hearings.	\$ 6,000
Consult Legal Counsel	Contract is on an hourly basis.	Per Contract
Application Forms	Update application forms; map research and process clarification	\$ 2,000
Application Processing	Process change of organization or reorganization applications initiated by landowner petition or resolution of application from Cities and Special Districts to modify existing powers, annex and/or detach territory from agency boundaries, and create, dissolve, or consolidate/merge local agencies.	Paid by applicant
Work Plan Follow	Refine annual reporting and conduct follow-up on Commission direction, items identified in MSR/SOI studies and application approvals.	\$ 10,000
Policy Development	Policy development and amendments as needed	\$ 10,000
Transparency Improvements to Website	Assess/implement website improvements (JPAs, maps, etc.)	\$ 2,000
Total		\$ 155,000
Work Plan		
MSR/SOI Updates	Prepare and adopt combined Municipal Service Review and Sphere of Influence (MSR/SOI) Update studies pursuant to GOV §56425 and §56430, either in-house or by contract.	
<p>The agencies listed below have priority for preparation of a LAFCo-initiated MSR/SOI Update in Fiscal Year 2026-27. The actual completion of a specific study may span multiple fiscal years. The budget allocation for each agency is based on estimated costs. Actual costs for study completion may be higher or lower than estimated below.</p> <p>Work Plan implementation is subject to change due to various factors, such as: (a) agency responsiveness and timely provision of requested information, (b) complexity of issues involved, (c) level of public and affected agency controversy, (d) changing needs and priorities, (e) overall staff workload, and (f) higher than anticipated costs.</p> <p>The Work Plan budget assumes minimal costs for CEQA compliance related to filing a Notice of Exemption (NOE). Agencies requesting a non-coterminous SOI may expedite a potential multi-fiscal year process by contributing to the cost of preparing an Initial Study and associated environmental document (ND/MND, EIR, etc.).</p>		
The total Work Plan Budget is not limited to the following designations. These budget allocations may shift to other agencies as needed during the year.	County-wide Fire and EMS Service Providers (18 special districts)	\$ 75,000
	Mendocino Coast Health Care District (outsourced)	\$ 25,000
		\$ -
		\$ -
	Total	\$ 100,000

MENDOCINO LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. 2025-26-07

APPROVING THE FINAL BUDGET AND WORK PROGRAM FOR FISCAL YEAR 2026-27

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.) requires the Mendocino Local Agency Formation Commission (“Commission”) to adopt a proposed budget by May 1 and a final budget by June 15 of each year; and

WHEREAS, pursuant to Government Code §56381(a), the proposed and final budget must be at least equal to the budget adopted for the prior fiscal year unless the Commission determines that reduced staffing or program costs will allow the Commission to fulfill its statutory purposes and responsibilities; and

WHEREAS, on April 6, 2026, the Commission adopted a Proposed Budget and Work Program for Fiscal Year 2026-27, which is substantially unchanged from the amended Fiscal Year 2025-26 Final Budget; and

WHEREAS, the Proposed Budget and Work Program for Fiscal Year 2026-27 were transmitted to the County, cities and special districts in accordance with Government Code §56381(a); and

WHEREAS, notice of the public hearing on the Final Budget and Work Program for Fiscal Year 2026-27 was provided in the time and manner required by law; and

WHEREAS, the Commission considered the Executive Officer’s report and recommendations, and all oral and written testimony, at a duly noticed public hearing held on May 4, 2026; and

WHEREAS, adoption of the Final Budget and Work Program for Fiscal Year 2026-27 is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment and is therefore not a “project” for purposes of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines §15378(b)(5).

NOW, THEREFORE, BE IT RESOLVED that the Mendocino Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Incorporation of Recitals

The foregoing recitals are true and correct and are hereby incorporated as findings of the Commission.

Section 2. Adoption of Final Budget

The Commission hereby adopts the Final Budget and Work Program for Fiscal Year 2026-27, attached hereto as Exhibit A (Final Budget) and Exhibit B (Work Program) and incorporated herein by this reference.

Section 3. Findings

The Commission finds that the adopted Final Budget and Work Program for Fiscal Year 2026-27 provide sufficient resources to carry out the Commission’s statutory purposes and responsibilities and do not reflect reductions in staffing or program costs that would impair the Commission’s

ability to fulfill the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

Section 4. Transmittal

The Executive Officer is directed to transmit the adopted Final Budget and Work Program for Fiscal Year 2026-27 to the County Auditor-Controller, the County of Mendocino, all cities, and all special districts, in accordance with Government Code §56381.

PASSED AND ADOPTED by the Mendocino Local Agency Formation Commission this 4th day of May, 2026, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

MAUREEN MULHEREN, Commission Chair

ATTEST:

UMA HINMAN, Executive Officer

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

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

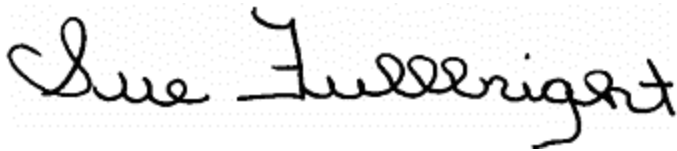
**STATE OF CALIFORNIA
COUNTY OF MENDOCINO**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer of the Ukiah Daily Journal, a newspaper of general circulation, printed and published daily in the City of Ukiah, County of Mendocino and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Mendocino, State of California, under the date of September 22, 1952, Case Number 9267; that the notice, of which the annexed is a printed copy (set in type not smaller than non-pareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

04/10/2026

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

Dated at Ukiah, California,
April 10th, 2026



Sue Fullbright, LEGAL CLERK

Legal No. **0006960639**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, May 4, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at **www.youtube.com/MendocinoCountyVideo**, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Final Budget and Work Program for Fiscal Year 2026-2027**. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (**www.mendolafco.org**) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: **eo@mendolafco.org**; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. **BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.**
4-10/26

Fort Bragg Advocate-News

415 Talmage Road Suite A
Ukiah, CA. 95482
legals@advocate-news.com

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

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

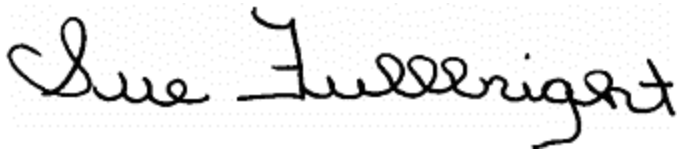
STATE OF CALIFORNIA COUNTY OF MENDOCINO

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

04/09/2026

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

Dated at Fort Bragg, California,
April 9th, 2026



Sue Fullbright, LEGAL CLERK

Legal No. **0006960351**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, May 4, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at **www.youtube.com/MendocinoCountyVideo**, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the **Final Budget and Work Program for Fiscal Year 2026-2027**. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (**www.mendolafco.org**) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: **eo@mendolafco.org**; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
4-9/26

The Willits News

415 Talmage Road Suite A
Ukiah, CA. 95482
legals@willitsnews.com

2117504

MENDOCINO COUNTY LAFCO
200 SOUTH SCHOOL ST
UKIAH, CA 95482

PROOF OF PUBLICATION

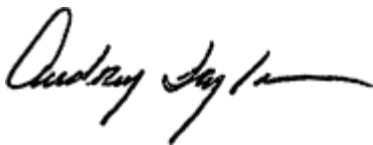
**STATE OF CALIFORNIA
COUNTY OF MENDOCINO**

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

04/11/2026

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

Dated at Willits, California this 15th day of April, 2026.



Signature

Legal No. **0006960399**

Mendocino Local Agency Formation Commission NOTICE OF PUBLIC HEARING. NOTICE IS HEREBY GIVEN that on **Monday, May 4, 2026, at 9:30 AM** (or as soon thereafter as the matter may be heard) in a hybrid meeting format with in-person participation in the Mendocino County Board of Supervisors Chambers, 501 Low Gap Road, Ukiah, California, and remote (video or telephone) participation pursuant to GOV Section 54953 as described in the agenda to be posted at least 72 hours in advance of the meeting, and livestreamed at www.youtube.com/MendocinoCountyVideo, the Mendocino Local Agency Formation Commission (LAFCo) will hold a Public Hearing to consider the Final Budget and Work Program for Fiscal Year 2026-2027. This item is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15306 and Section 15061(b)(3). Copies of all related documents may be reviewed once available (72 hours in advance of the meeting) at the LAFCo website (www.mendolafco.org) or at the LAFCo office. If you cannot attend the Public Hearing described in this notice, you may submit written comments prior to the hearing. Please direct comments, questions, and requests to review documents to LAFCo, 200 South School Street, Ukiah, CA 95482; e-mail: eo@mendolafco.org; phone: (707) 463-4470. All interested persons are invited to attend, be heard, and participate in the hearings. BY ORDER OF THE MENDOCINO LOCAL AGENCY FORMATION COMMISSION. UMA HINMAN, Executive Officer.
4/11/2026



STAFF REPORT

Agenda Item No. 6a	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	WORKSHOP City of Point Arena Municipal Service Review and Sphere of Influence Update

RECOMMENDED ACTION

Hold a Workshop on the Draft City of Point Arena 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.

BACKGROUND

This is a Workshop to introduce Draft Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the City of Point Arena (City/Point Arena). This is the second [MSR](#) and [SOI](#) Update for the District; the first round was adopted in 2014 and 2015, respectively. The Workshop Draft MSR/SOI Update 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 City reviewed and provided feedback on an Administrative Draft of the study and changes have been incorporated into this Workshop Draft as appropriate.

As background, the City of Point Arena was incorporated on July 11, 1908, as a General Law City and functions as a multi-service provider within its jurisdiction. Point Arena is located on the southern coast of Mendocino County along Highway 1, situated between the community of Mendocino (approximately 34 miles north) and Gualala (approximately 15 miles south). Point Arena has a land area of 1.35 square miles (864 acres) with no unincorporated islands. Municipal services offered directly by the City include the following: general administrative services (general government), public works (street maintenance, stormwater, parks and facilities), harbor and pier operations, and wastewater collection and treatment. Additional municipal services are provided to City residents through a combination of public and private providers via agreements and service contracts, including community development, law enforcement, fire protection and emergency services, solid waste services, and utilities (water).

The City also utilizes several shared facilities and cooperative service agreements and maintains the Arena Cove and Pier area, 3 public parks, coastal trails, and 3.3 miles of public and private streets.

The City continues to face fiscal challenges, which peaked in fiscal years 2023-24 and 2024-25, and operates within a limited revenue base reflective of its small population, constrained tax base, and rural coastal setting. In response, the City has implemented reductions in staffing and operational expenditures and pursued additional revenue resources to stabilize its financial condition.

In 2015, the Commission adopted a coterminous SOI, with the inclusion of 'Area 1' (treated effluent spray fields and adjacent "island" area) and a portion of 'Area 2' (Point Arena Cove Area). Staff recommend the City's existing SOI be affirmed.

This Workshop is an opportunity to receive Commission and public input on the document; no action will be taken on the study on this date. A public hearing will be scheduled at a later date for formal consideration of the study.

ATTACHMENTS

- (1) Workshop Draft City of Point Arena MSR/SOI Update

Workshop Draft



City of Point Arena 2026 Municipal Service Review and Sphere of Influence Update

Photo Credit: City of Point Arena

200 South School Street
Ukiah, California 95482

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

Workshop: May 4, 2026

Public Hearing: [Month DD, YYYY]

Adopted: [Publish Date]

LAFCo Resolution No: XXXX-XX-XX

[This page intentionally left blank]

Draft

TABLE OF CONTENTS

LIST OF TABLES.....	1-2
LIST OF FIGURES.....	1-2
ACRONYMS	1-0
1 INTRODUCTION.....	1-1
1.1 Local Agency Formation Commission.....	1-1
1.2 Mendocino LAFCo.....	1-1
1.3 Municipal Service Review	1-2
1.4 Sphere of Influence	1-3
1.5 Senate Bill 215	1-3
2 AGENCY OVERVIEW	2-5
2.1 History	2-5
2.1.1 Formation.....	2-5
2.1.2 Boundary.....	2-5
2.1.3 Services.....	2-5
2.2 Government Structure.....	2-8
2.2.1 Governing Body.....	2-8
2.2.2 Public Meetings.....	2-9
2.2.3 Public Outreach.....	2-9
2.2.4 Complaints	2-10
2.2.5 Transparency and Accountability.....	2-10
2.3 Operational Structure.....	2-11
2.3.1 Management and Staffing.....	2-11
2.3.2 Agency Performance	2-14
2.3.3 Regional and Service-Specific Collaboration	2-15
2.3.4 Shared Service Delivery.....	2-15
2.3.5 Government Restructure and Community Needs	2-18
2.4 Finances.....	2-18
2.4.1 Current Fiscal Health.....	2-19
2.4.2 Long Term Financial Considerations	2-27
2.5 Growth.....	2-30
2.5.1 Area History.....	2-30
2.5.2 Present and Planned Land Use and Development.....	2-30
2.5.3 Existing Population and Projected Growth	2-34
2.5.4 California Housing Goals	2-36
2.6 Disadvantaged Unincorporated Communities	2-36
3 MUNICIPAL SERVICES.....	3-1
3.1 Service Overview	3-1
3.1.1 Services.....	3-1
3.1.2 Service Area.....	3-1
3.1.3 Outside Agency Services	3-2
3.2 General Administrative Services (General Government)	3-2

3.2.1	Staffing	3-2
3.2.2	Service Adequacy	3-2
3.3	Street Maintenance	3-3
3.3.1	Service Overview	3-3
3.3.2	Facilities and Capacity	3-3
3.3.3	Service Adequacy	3-4
3.4	Stormwater	3-4
3.4.1	Service Overview	3-4
3.4.2	Facilities and Capacity	3-4
3.4.3	Service Adequacy	3-5
3.5	Parks and Facilities	3-6
3.5.1	Service Overview	3-6
3.5.2	Facilities and Capacity	3-6
3.5.3	Service Adequacy	3-8
3.6	Harbor and Pier Operations.....	3-8
3.6.1	Service Overview	3-8
3.6.2	Facilities and Capacity	3-9
3.6.3	Service Adequacy	3-11
3.7	Wastewater Services	3-11
3.7.1	Service Overview	3-11
3.7.2	Facilities and Capacity	3-12
3.7.3	Service Adequacy	3-16
3.8	Outside Municipal Service Providers.....	3-17
3.8.1	Community Development	3-17
3.8.2	Law Enforcement	3-17
3.8.3	Fire Protection and Emergency Services.....	3-17
3.8.4	Water.....	3-18
3.8.5	Solid Waste Services.....	3-18
3.9	MSR Determinations	3-19
3.9.1	MSR Review Factors	3-19
4	SPHERE OF INFLUENCE.....	4-24
4.1	Mendocino LAFCo Policies.....	4-24
4.2	Existing Sphere of Influence	4-27
4.2.1	Study Areas	4-27
4.2.2	Area of Interest Designation	4-28
4.3	Proposed Sphere of Influence	4-28
4.4	Consistency with LAFCo Policies.....	4-28
4.5	Determinations.....	4-28
4.5.1	Present and Planned Land Uses in the Area, Including Agricultural and Open Space Lands.....	4-29
4.5.2	Present and Probable Need for Public Facilities and Services in the Area	4-29
4.5.3	Present Capacity of Public Facilities and Adequacy of Public Services	4-29
4.5.4	Existence of Any Social or Economic Communities of Interest.....	4-30

4.5.5	Present and Probable Need for Public Facilities and Services of Any Disadvantaged Unincorporated Communities	4-30
4.6	Conclusion	4-31
4.7	Recommendation	4-31
5	REFERENCES	5-1
6	ACKNOWLEDGEMENTS	6-1
6.1	Report Preparation	6-1
6.2	Assistance and Support	6-1
7	APPENDICES	7-2
7.1	Appendix A – Open Government Resources	7-2
7.2	Appendix B – Website Compliance Handout.....	7-3
7.3	Appendix C – Housing Legislation Trends and Results	7-4
7.4	Appendix D – City Financial Audits	7-1

LIST OF TABLES

Table 1-1:	Current Mendocino LAFCO Commissioners, 2026.....	1-1
Table 2-1:	City of Point Arena Profile.....	2-5
Table 2-2:	City of Point Arena City Council	2-8
Table 2-3:	City of Point Arena Staffing Levels by Department.....	2-11
Table 2-4:	City of Point Arena Contract Staff, 2026.....	2-12
Table 2-5:	Adjacent or Nearby Service Providers	2-15
Table 2-6:	City of Point Arena Interagency Collaborations.....	2-17
Table 2-7:	Financial Summary of Activities	2-21
Table 2-8:	Point Arena Assets, Governmental Activities	2-25
Table 2-9:	Point Arena Assets, Business-Type Activities.....	2-26
Table 2-10:	Point Arena DOF Population Estimates	2-35
Table 3-1:	Point Arena Pier Fees.....	3-10
Table 3-2:	Point Arena Wastewater Flow Data.....	3-12
Table 3-3:	City Regulatory Measures.....	3-15
Table 7-1:	Mendocino County RHNA Allocations	7-5

LIST OF FIGURES

Figure 2-1:	Point Arena Main Street Historic Commercial District	2-6
Figure 2-2:	City of Point Arena Boundary	2-7
Figure 2-3:	City of Point Arena Organization Chart	2-13
Figure 2-4:	Revenue by Category	2-22
Figure 2-5:	Expenditures by Category	2-23
Figure 2-6:	Revenues and Expenditures, FYE 2021 - 2024.....	2-24
Figure 2-7:	Point Arena Capital Improvement Projects.....	2-29
Figure 2-8:	Point Arena Zoning Map	2-32
Figure 2-9:	Mendocino County Zoning Map	2-33
Figure 3-1:	Existing Drainage Patterns.....	3-5
Figure 3-2:	Existing Park Locations in Point Arena.....	3-7

Figure 3-3: Draft Proposed Campground at Rock Wall Park.....3-8
Figure 3-4 The Pier at Point Arena Cove3-9
Figure 3-5: Point Arena WWTP Facilities3-13
Figure 3-6 Existing Sewer Collection Lines and Water Service Lines3-13
Figure 3-7: SWRCB Point Arena WWTP Violations3-16

Draft

ACRONYMS

AB	Assembly Bill
ACS	American Community Survey
ADU	Accessory Dwelling Unit
ADWF	Average Dry Weather Flow
AFY	Acre Foot Per Year
AMI	Area Median Income
AOI	Area of Interest
APR	Annual Progress Report
CALAFCO	California Association of Local Agency Formation Commissions
CCC	California Coastal Commission
CCF	Hundred Cubic Feet
CDP	Census-Designated Place
CEQA	California Environmental Quality Act
CHP	California Highway Patrol
CIP	Capital Improvement Plan
CIRA	California Intergovernmental Risk Authority
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
COPS	Community Oriented Policing Services
CPUC	California Public Utilities Commission
CSDA	California Special Districts Association
DOF	California Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	California Department of Water Resources
ESD	Equivalent Standard Dwelling
FPD	Fire Protection District
FTE	Full-Time Equivalent
FY	Fiscal Year
GC	Government Code
GHG	Greenhouse Gas
GPD	Gallons Per Day
GPM	Gallons Per Minute
HCD	California Department of Housing and Community Development
HWY	Highway
ISO	Insurance Services Office
I&I	Inflow and Infiltration
JADU	Junior Accessory Dwelling Unit
JPA	Joint Powers Authority
LAFCo	Local Agency Formation Commission
LCP	Local Coastal Program
MCOG	Mendocino Council of Governments
MCRCD	Mendocino County Resource Conservation District
MCRPD	Mendocino Coast Recreation and Park District
MGD	Million Gallons Per Day

MHI	Median Household Income
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
OPR	California Governor's Office of Planning and Research
PAMA	Point Arena Merchant's Association
PAWW	Point Arena Water Works, Inc.
PCI	Pavement Condition Index
PWWF	Peak Wet Weather Flow
RCFPD	Redwood Coast Fire Protection District
RHNA	Regional Housing Needs Assessment
RMRA	Road Maintenance and Rehabilitation Account
RTP	Regional Transportation Plan
RWQCB	California Regional Water Quality Control Board
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community
SOI	Sphere of Influence
SR	State Route
SSMP	Sewer System Management Plan
SSO	Sanitary Sewer Overflow
SWRCB	California State Water Resources Control Board
WDR	Waste Discharge Requirements
WWTP	Wastewater Treatment Plant

1 INTRODUCTION

1.1 Local Agency Formation Commission

Local Agency Formation Commissions (LAFCo/Commissions) 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 (GC) Section (§) 56000 and the following (et. seq.) with goals to promote orderly growth, prevent urban sprawl, preserve agricultural and open space lands, and oversee efficient provision of municipal services.

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

1.2 Mendocino LAFCo

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

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.

Table 1-1: Current Mendocino LAFCo Commissioners, 2026

Commissioner Name	Position	Representative Agency	Term Expires
Madeline Cline	Commissioner	County	2028
Gerardo Gonzalez	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Susan Mahoney	Commissioner	Special Districts	2028
Maureen Mulheren	Chair	County	2026
Mari Rodin	Commissioner	City	2025
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Bruce Alfano	Alternate	Public	2027
Douglas Crane	Alternate	City	2025

¹ The Mendocino LAFCo Policies and Procedures Manual can be found here: <http://www.mendolafco.org/policies.html>.

<i>Commissioner Name</i>	<i>Position</i>	<i>Representative Agency</i>	<i>Term Expires</i>
Adam Gaska	Alternate	Special Districts	2026
John Haschak	Alternate	County	2027

1.3 Municipal Service Review

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

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

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

MSRs 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 municipal services provided by the City of Point Arena, including general government, finance, community development, public works, harbor and pier operations, and wastewater. This review also provides technical and administrative information to support Mendocino LAFCo’s evaluation of the existing boundary for the City.

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 **Error! Reference source not found.** LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services.

² California GC §56430 (2024) can be found here: [California Government Code § 56430 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

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

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

1.4 Sphere of Influence

The CKH Act requires LAFCo to adopt 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](#)).³

When reviewing an SOI for a municipal service provider, pursuant to [GC §56425\(e\)](#),⁴ LAFCo will consider the following five factors:

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

SOI 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. SB 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

³ California GC §56076 (2024) can be found here: [California Government Code § 56076 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia](#) .

⁴ California GC §56425 (2024) can be found here: [California Government Code § 56425 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia](#) .

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 Plan and Vision Mendocino 2030 Blueprint Plan. The MCOG is also responsible for allocating regional transportation funding to transportation improvement projects consistent with the 2017 RTP for Mendocino County.

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

2 AGENCY OVERVIEW

Table 2-1: City of Point Arena Profile	
Agency Name:	City of Point Arena
City Manager	Molly Haviland
Assistant City Manager/City Clerk	Paul Andersen
Office Location:	451 School Street, Point Arena, CA 95468
Mailing Address:	PO Box 67, Point Arena, CA 95468
Phone Number:	707-882-2122
Website:	https://pointarena.ca.gov/
Email:	admin@pointarena.ca.gov
Date of Formation:	July 11, 1908
Agency Type:	General Law City, Multiple-Service Provider
Enabling Legislation	Government Code Section 34000 et seq.
Board Meeting Schedule:	The third Tuesday of each month at 6:00 p.m.

2.1 History

2.1.1 Formation

The City of Point Area (City/Point Arena) was incorporated on July 11, 1908. It is a General Law City with a City Council-City Manager form of government which operates within the parameters and guidelines of California Municipal Law.

2.1.2 Boundary

The City of Point Arena is located on the southern coast of Mendocino County and is bordered to the west by the Pacific Ocean. The City sits at an elevation of 118 feet and has a land area of 1.35 square miles (864 acres); there are no unincorporated islands (see Figure 2-2). Nestled amongst the mountainous terrain of coastal Mendocino, the City straddles State Highway 1 and is generally located between the community of Mendocino 34 miles to the north and Gualala 15 miles to the south. Point Arena is the smallest of the four incorporated cities of Mendocino County, the others being Ukiah (50 miles northeast), Willits (74 miles northeast), and Fort Bragg (45 miles north).

2.1.2.1 BOUNDARY CHANGE HISTORY

The most recent change to Point Arena’s boundary was the Hay Annexation, which added 156 acres to the City in 1990 (LAFCo Resolution No. 88-2).⁵ No subsequent detachments or annexations have occurred.

2.1.3 Services

The City provides municipal services to its residents by a number of means. Services offered directly by the City of Point Arena include the following as defined by City departments: General Administrative Services (General Government), Public Works (Street Maintenance, Stormwater, Parks and Facilities), Harbor and Pier Operations, Recycling (Used Oil), and Wastewater.

⁵ LAFCo Resolution No. 88-2 can be found here: [88-2+Hay+Annex+and+Neg+Dec+to+City+of+Point+Arena.pdf](#).

All other municipal services are provided to City residents by other public agencies and private businesses through agreements and service contracts. Contracted municipal services include the following: community development (Planning, Building, Code Compliance), law enforcement, fire protection and emergency services, solid waste services, and utilities (water). This MSR provides a summary of all municipal services provided within the City, including those that are provided via agreements and contracts; however, the focus of the MSR is on those services provided directly by the City.

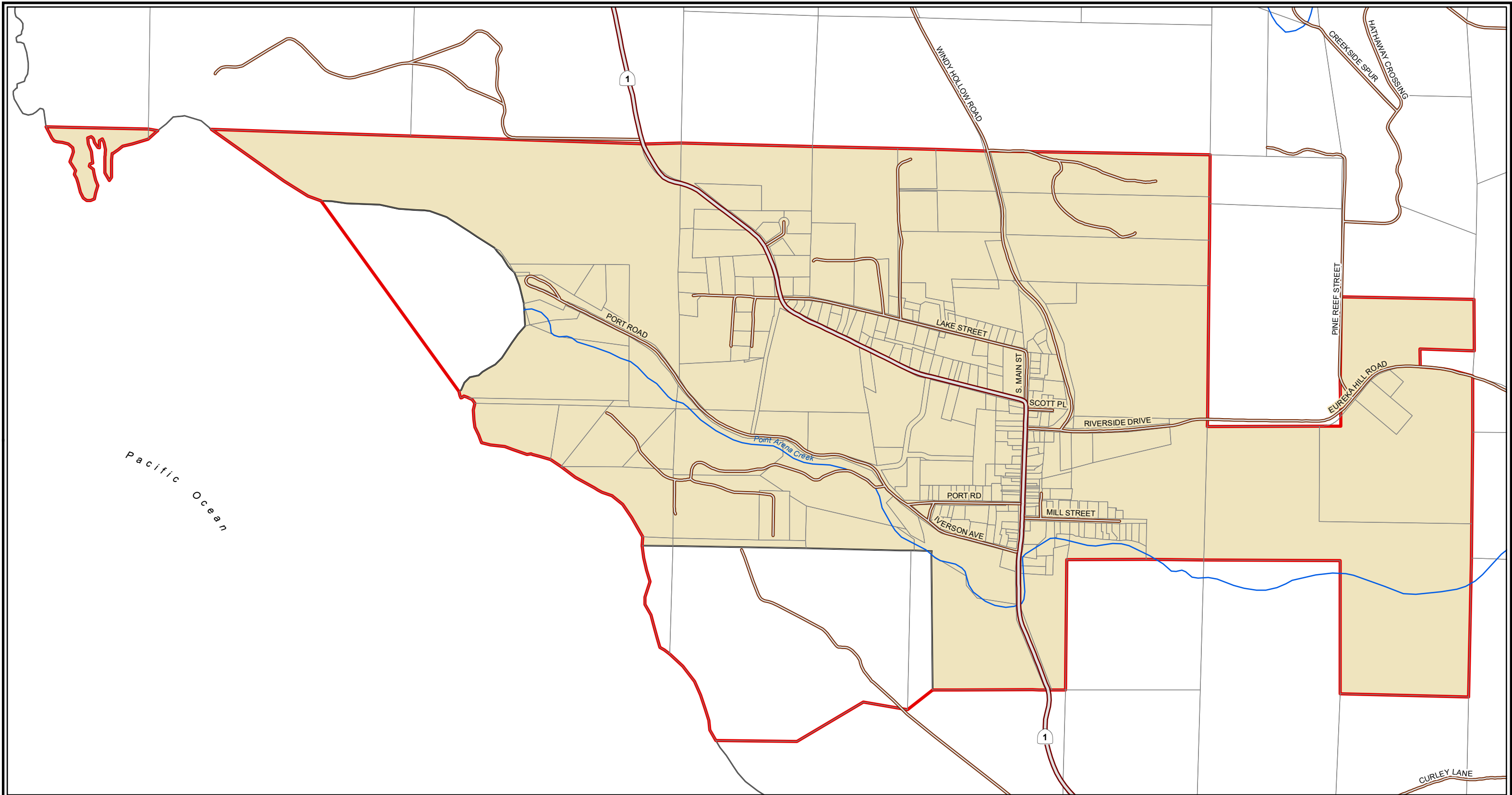
For more information regarding services, refer to Chapter 3.

Figure 2-1: Point Arena Main Street Historic Commercial District



Source: Hill 2022.

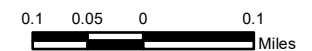
Figure 2-2. City of Point Arena Boundary



City of Point Arena Sphere of Influence

Source: This map was created by the Mendocino County Division of Information Services GIS Program, May 2025.
 Note: This map is not a survey product.

- City of Point Arena Sphere of Influence
- City of Point Arena
- Parcels
- Highway
- Roads
- Streams



2.2 Government Structure

2.2.1 Governing Body

The City of Point Arena City Council serves as the City’s legislative body and is responsible for adopting ordinances and resolutions, establishing City policy, approving and amending the annual budget, and appointing advisory committees. The City is governed by a five-member City Council elected at-large to serve staggered four-year terms. Councilmembers must be residents of, and registered voters within, the City.

City council elections are held in November of even numbered years, with the next regular upcoming election scheduled for November 2026. All the current council members have served multiple consecutive terms, which can be a significant benefit in establishing long-standing positive working relationships in the community, understanding the history and unique aspects of the organization, and maintaining institutional knowledge. The city council does not currently have any vacancies, and two seats are set to expire in 2026.

To be elected to the city council, candidates must be residents within the City boundaries. The mayor receives a stipend of \$100 per month; council members receive a stipend of \$75 per month. Staff support for the city council includes the city manager and city attorney. The city manager is the administrative officer for the City and reports to the city council.

The current council members, positions, and terms are shown below in Table 2-2.

Name	Position	First Year of Service	Term Expiration (November)	Serving Consecutive Terms?
Barbara Burkey	Mayor	2016	2026	Yes
Dan Doyle	Vice-Mayor	2023	2028	Yes
Anna Dobbins	Council Member	2016	2026	Yes
Jim Koogle	Council Member	2022	2028	Yes
Jeff Hansen	Council Member	2022	2028	Yes

Source: City of Point Arena 2025a.

The City of Point Arena demonstrated accountability through its disclosure of information and cooperation with LAFCo requests for information.

2.2.1.1 STANDING COMMITTEES

Advisory committees support the City Council in carrying out various functions of local government. Current committees include the Arena Cove Advisory Committee, the Parks Committee, and the Finance Committee. These committees are composed of City Councilmembers and community volunteers, conduct business within their assigned scope, and provide recommendations to the City Council. All committee members are appointed by the City Council.

In addition to its legislative role, the City Council also serves as the Planning Commission and councilmembers serve on ad hoc committees as assigned.

Since 1989, the City Council has acted as the City’s planning commission (City Resolution 6-89⁶). The 2015 MSR recommended that the City consider establishment of a separate Planning Commission to enhance public participation, provide an additional level or project review and formalize an appeal process independent of the City Council. However, the City reports it has proven difficult to find eligible candidates to fill the positions; the City Council continues to serve as the Planning Commission.

2.2.2 Public Meetings

Regularly scheduled City Council meetings are held in-person on the third Tuesday of each month at 6:00 p.m. at City Hall, located at 451 School Street, Point Arena. The City utilizes a “hybrid” format for public meetings to increase opportunities for residents to participate either remotely or in person.

In accordance with the Brown Act, all City Council 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 City posts public documents including city council agendas and minutes at City Hall, the post office, the library, and a downtown kiosk. Additionally, agendas are sent to all City staff and contractors, elected officials, press and other interested parties. City Hall office hours are 9:00 a.m. to 3:00 p.m. Monday through Wednesday.

The City’s website contains current and past City Council meeting agendas, agenda packets, minutes, and adopted budgets.

2.2.3 Public Outreach

The City of Point Arena maintains a [website](#)⁷ that serves as a primary communication tool to enhance public access, transparency, and accountability. The website provides direct access to City Council agenda and minutes, the municipal code, forms, and contact information for City staff. The site also links to media releases, community events, and the City’s social media platforms. A search function and navigation menu allows users to locate department information and download documents related to City services and operations.

Public information is also provided through regularly scheduled public meetings and workshops. The City’s website includes access to upcoming and archived meeting agendas, minutes, resolutions and ordinances. The site also incorporates accessibility tools intended to support compliance with the Americans with Disabilities Act (ADA) and provides Spanish language translation functionality to improve accessibility for Spanish-speaking users.

In addition to website communications, the City maintains a digital mailing list that residents may subscribe to in order to receive updates, and a [Facebook](#)⁸ social media account that is used to share information regarding public meetings, community events, projects, and job postings.

Additional community information is provided through the Point Arena Merchant’s Association (PAMA), a nonprofit organization that promotes the local business community and regional attractions. The

⁶ City of Point Arena City Council Resolution No. 6-89: <https://ecode360.com/PO4990>.

⁷ The official website for the City of Point Arena can be found here: <https://pointarena.ca.gov/>.

⁸ The official Facebook page for the City of Point Arena can be accessed here: [City of Point Arena | Point Arena CA | Facebook](#).

association maintains a [website](#)⁹ that provides information on local businesses, community events, and visitor resources, and serves as an additional channel for sharing information about activities occurring within the community.

2.2.4 Complaints

The public may file complaints with the city manager and may provide verbal comments or complaints in person at City Hall during business hours, Monday through Wednesday from 9:00 a.m. to 3:00 p.m., or at City Council meeting during the public comment period.

2.2.5 Transparency and Accountability

The City of Point Arena City Council serves as the City's primary legislative and oversight body and plays a central role in ensuring transparent, accountable and effective governance. The City maintains mechanisms that support transparency, including publicly noticed meetings, adoption of policies and resolutions in open session, availability of agenda and minutes, and an official City website that provides access to key documents, contact information, and public communications.

The City maintains its *Personnel Rules & Regulations* code which was adopted in October 2014, and address ethics, civility, and conflict of interest, pursuant to the requirements of [GC §87300 et seq](#)¹⁰. In accordance with Assembly Bill (AB) 1234, when a local agency provides compensation or reimbursement of expenses to local government officials, those officials are required to receive two hours of training on public service ethics laws and principles at least once every two years. The City also maintains the required written reimbursement policy consistent with [GC §53235](#)¹¹. The code applies to elected officials as well as executive employees and contract positions.

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](#).**Error! Bookmark not defined.** City staff report their councilmembers and executive staff and contractors are current on their required Form 700 filing obligations.

At the administrative level, the City has established procedures for budgeting, performance tracking, and regulatory reporting, which provide the City Council with tools to monitor operations and financial condition. The annual budget process, in particular, offers an opportunity for the City Council to review prior-year performance, set policy priorities, and establish goals and objectives for the upcoming fiscal year.

A brief list of educational resources regarding open government laws (**Error! Reference source not found.**) and a California local government website compliance checklist (**Error! Reference source not found.**) are provided as informational resources.

⁹ The official website for the Point Arena Merchant's Association can be found here: [Point Arena Merchants Association – A Natural Point of View](#).

¹⁰ GC §53235 (2025) can be found here: [California Code, GOV 53235](#).

¹¹ GC §53235 (2025) can be found here: [California Code, GOV 53235](#).

2.3 Operational Structure

2.3.1 Management and Staffing

The City operates under the Council-Manager form of government. The City Council establishes policy direction and appoints City Manager to oversee the day-to-day administration of municipal operations and implement Council priorities and programs. The City Council also appoints the City Attorney. All City departments report to the City Manager, who is responsible for coordinating and administering City services.

The City is organized into five primary departments: General Administration and Contract Services, Harbor and Pier, Public Works, Recycling, and Wastewater. Figure 2-3 presents the City’s organization structure and identifies the responsibilities associated with each department. The City operates with a small workforce consisting primarily of part-time employees totaling approximately 5.0 full-time equivalent (FTE) positions (Table 2-3).

Department	FTE
General Administration and Contract Services	1.5
Wastewater	1.5
Harbor and Pier	1.0
Public Works (Streets/Roads and Parks)	1.0
Total	5.0

In addition to staff resources, the City occasionally utilizes volunteers for limited tasks such as sidewalk maintenance and litter removal, including work-release individuals performing community service (LAFCo 2025).

Given the City’s small staffing level, maintaining service continuity can present challenges when employees are on leave or positions are vacant, as limited redundancy exists across operational and administrative functions.

2.3.1.1 CONTRACT STAFFING

Due to its small size and limited staffing levels, the City relies on contractual agreements with outside professionals and service providers to support municipal operations and deliver services. Contract staffing allows the City to access specialized expertise while maintaining a lean organizational structure.

The City currently fills several professional positions through contractual arrangements, including City Attorney, City Engineer, City Planner, Accountant, and Bookkeeper (Table 2-4) (LAFCo 2025). These contracted roles provide technical, legal, financial, and planning services necessary for the City’s operations. Contract agreements are periodically reviewed by the City to determine whether services should be continued, modified, or rebid.

Table 2-4: City of Point Arena Contract Staff, 2026

Department	Name
City Attorney	Law Firm of Jones-Mayer
City Engineer	Tom Varga, P.E.
City Planner	Marie Jones
Accountant	Esmeralda Sanchez
Bookkeeper	Cynthia Hood

In addition to professional services, the City coordinates with a range of public agencies and private entities and organizations to deliver municipal services. These arrangements allow the City to provide essential services through shared resources, interagency cooperation, and service contracts where direct provision by City staff is not feasible. See Section 2.3.4 for more information.

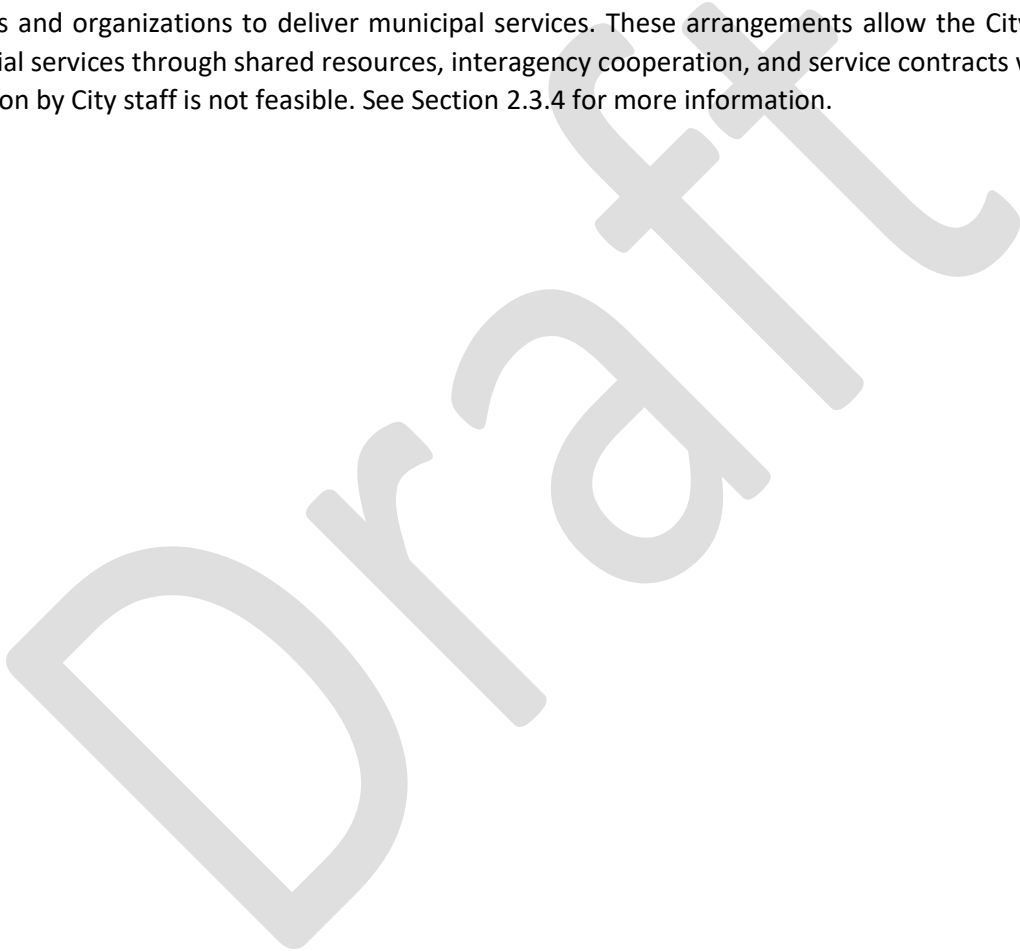
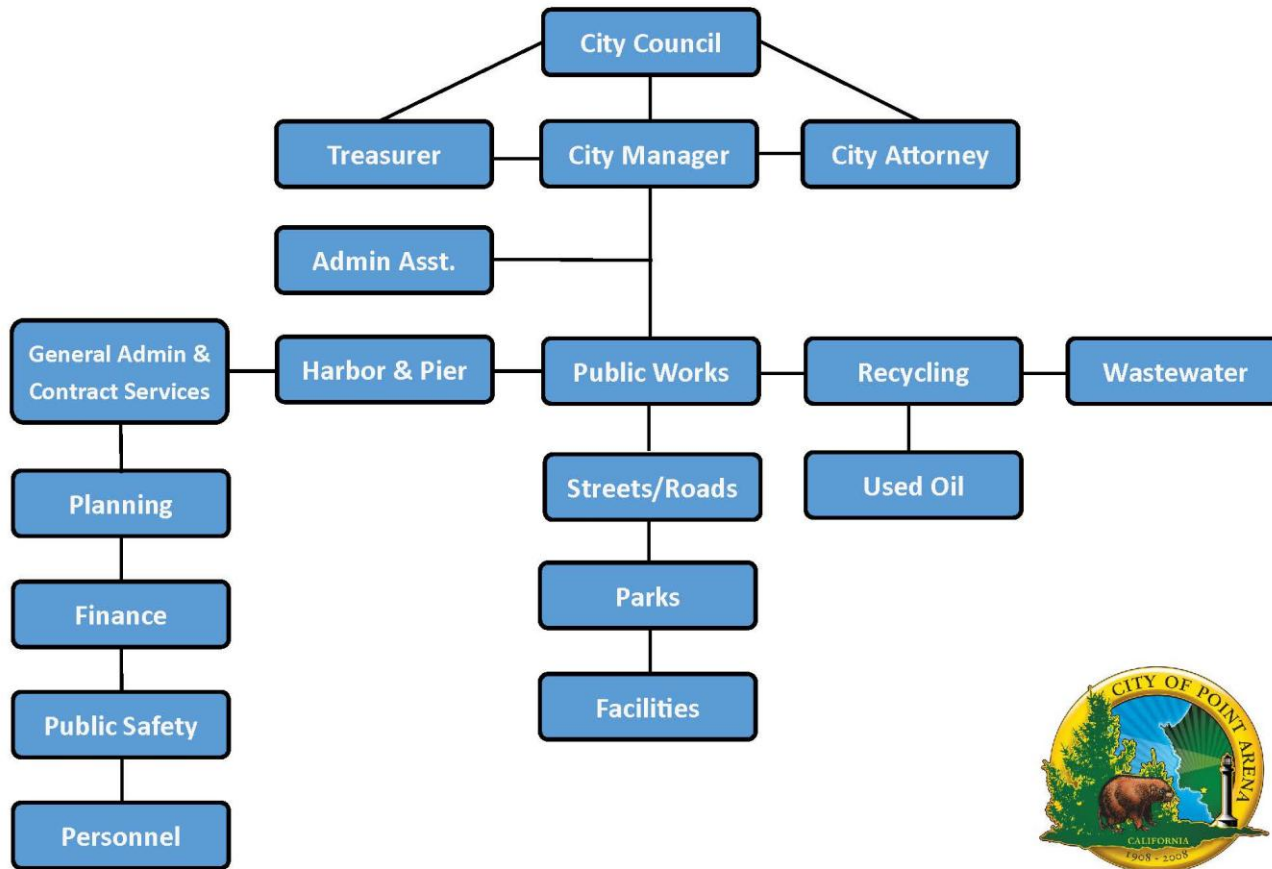


Figure 2-3: City of Point Arena Organization Chart

City of Point Arena Organizational Chart



Source: City of Point Arena 2025c.

2.3.2 Agency Performance

Monitoring agency performance includes routine evaluation of staff productivity, organizational effectiveness, and financial management practices. Well-managed public agencies typically implement procedures such as regular employee evaluations, tracking of staff and organization productivity, preparation of annual budgets, annual financial audits, maintenance of current financial records, and planning for future service and capital needs.

The City of Point Arena conducts several activities intended to monitor organization performance and maintain administrative accountability. All City employees submit detailed timesheets documenting work by job task, which are reviewed and approved by the City Manager and recorded in the City's bookkeeping system by the contract accountant. In consultation with the City Council, the City Manager monitors employee workload and makes adjustment as necessary to support operational needs (LAFCo 2025).

Employee performance is evaluated annually on each employee's anniversary date. The City Manager conducts evaluations using a standardized evaluation form and established procedures. The City does not currently utilize benchmarking metrics or other formal performance measurement tools to evaluate agency-wide productivity.

2.3.2.1 CHALLENGES

The City faces several operational challenges common to small jurisdictions with limited staffing and financial capacity. Organizationally, the City operates with a very small municipal workforce and relies on a combination of internal staff and contracted professional services to carry out a number of administrative and technical functions, including planning, engineering, accounting, legal services, and building inspection. While this operational model allows the City to maintain necessary functions and manage costs, limited staffing capacity can constrain the City's ability to address long-term planning needs, implement capital projects, and respond to emerging service demands.

Financial conditions also affect organization capacity. Rising costs for risk management insurance and employee healthcare premiums continue to place pressure on the City's operating budget and influence staffing and operational decisions. In recent fiscal years, the City implemented reductions in staffing levels and operational expenditures in response to broader financial challenges, which has further affected internal capacity for program administration and infrastructure management.

Infrastructure-related challenges also affect service delivery and staff workload. Inflow and infiltration (I&I) within the City's wastewater system has historically increased treatment system demand during wet weather events. City staff report that recent upgrades to the wastewater system have helped reduce these impacts, and the City continues to pursue and implement grant funding to support additional improvements (LAFCo 2025). More information is provided in Section 3.

2.3.2.2 STRATEGIC OR SUCCESSION PLANNING

Long-range planning in the City is guided through its General Plan and related planning documents. The City's General Plan was originally adopted in January 1995 (Resolution 02-95) and serves as a comprehensive framework for environmental preservation, economic development, land use, public safety, and infrastructure planning. The plan was designed to guide development and community goals over an approximately 50-year planning horizon. The General Plan also includes provisions requiring reassessment when the City reaches 50 percent of projected buildout or after 50 years, whichever occurs first.

The General Plan was updated in August 2001 (Resolution 2001-15) to serve as the policy foundation for the City’s Local Coastal Program (LCP), which is required under the California Coastal Act due to the City’s location in the coastal zone. The LCP must ultimately be certified by the California Coastal Commission (CCC) and any amendments to the General Plan must also be reflected in the LCP.

The LCP was certified in June 2006 (Resolution 2006-1) and incorporated the 2001 General Plan with the exception of the Housing Element and zoning ordinance. The City’s Housing Element, prepared in a format consistent with requirements of the California Department of Housing and Community Development (HCD) was most recently updated in October 2019 (Resolution 2019-24) for the 6th Housing Cycle (2019-2027).

In December of 2020, the City approved amendments to the General Plan, LCP, and zoning code (Resolution No. 2020-33) to incorporate policies related to accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) in response to evolving State housing law. The City subsequently received grant funding from HCD to support additional updates to planning documents necessary to comply with State requirements and Housing Element policies.

Between 2022 and 2024, the City conducted approximately 12 workshops, study sessions, and public hearings to develop and consider updates to the General Plan and LCP. The update process included a sea level rise study and associated environmental review required by the CCC to support the LCP amendment. The updated planning documents were ultimately adopted in April 2024 (Resolution 2024-06).

The goals and policies identified in the General Plan and Housing Element guide the City’s decision-making and inform long-term community priorities. During the annual budget process, the City Council reviews and refines City priorities and establishes departmental objectives that align with the policy direction established in these planning documents.

2.3.3 Regional and Service-Specific Collaboration

The City participates in regional and service-specific associations and organizations including the Mendocino Council of Governments (MCOG), Mendocino Transit Authority (MTA), and the California Intergovernmental Risk Authority (CIRA), which is a JPA that provides risk-sharing and insurance coverage for cities, towns, and other public agencies across California (LAFCo 2025).

2.3.4 Shared Service Delivery

2.3.4.1 ADJACENT PROVIDERS

Unincorporated lands adjacent to Point Arena are governed by the County of Mendocino and feature a variety of special districts and service providers, as shown in Table 2-5 below.

Table 2-5: Adjacent or Nearby Service Providers		
District or Service Provider	Services	Proximity to Point Arena
Gualala Community Services District	Wastewater	18 miles south
Anderson Valley Community Services District	Fire protection, airport access, street lighting, and recreation services	30 miles east
Elk Community Services District	Fire, EMS, Ambulance & Rescue Services	19 miles north

District or Service Provider	Services	Proximity to Point Arena
South Coast Fire Protection District	Fire	14 miles south
North Sonoma Coast Fire Protection District	Fire	19 miles south
Mendocino Coast Health Care District	Healthcare services	21 miles northeast
Coast Life Support District	Healthcare and emergency response services	Overlaps with City
Mendocino Coast Recreation and Park District	Park and recreational programming	Overlaps with City
Mendocino County Resource Conservation District	Resource conservation	Overlaps with City
Mendocino County Waterworks District #2	Water	11 miles south
Irish Beach Water District	Water	11 miles north
Anderson Valley Cemetery District	Cemetery maintenance	22 miles east

Source: California Special Districts Association (CSDA) 2025.

Several single-service special districts provide services that overlap the City’s boundaries, including the Redwood Coast Fire Protection District, Coast Life Support District, Mendocino Coast Recreation and Park District (MCRPD) and Mendocino County Resource Conservation District (MCRCD). These agencies provide specialized services such as fire protection, emergency medical response, recreation programming, and natural resource conservation to the broader region, including areas within and adjacent to the City.

The City also maintains a relationship with the Mendocino County Library, which operates the Coast Community Library branch located on Main Street within the City.

Educational services in the area are provided through a “Common District” structure that is relatively unusual in California. The system includes the Arena Union Elementary School District and the Point Arena Joint Union High School District, which operate under a shared governance and administrative structure. Schools within the system include Point Arena High School (a New Tech Network school), Pacific Community Charter School, South Coast Continuation High School, an independent study program, a K-8 after-school program, and a State Preschool program, all supported by a common district office, superintendent, board of trustees, and budget (Point Arena Schools 2025).

2.3.4.2 SHARED FACILITIES AND SERVICES

The City does not jointly own any facilities with other agencies or organizations. However, the City maintains a lease agreement with Coastal Seniors, a nonprofit organization, for use of the Veterans Memorial Building as the location of the City’s administrative offices. The lease agreement was most renewed in early 2026.

With respect to shared services, the City collaborates with a combination of public agencies and private service providers to support service delivery within its jurisdiction. These arrangements include contracted services and interagency coordination that allow the City to provide municipal services despite its limited staffing and financial resources. Additional information regarding these service providers is provided in Chapter 3.

2.3.4.3 DUPLICATION OF SERVICES

No other agencies provide municipal services comparable to those delivered by the City within its jurisdictional boundaries, save the County of Mendocino. City staff did not identify any duplication of services, nor were additional opportunities for shared services or facilities identified beyond those currently in place.

2.3.4.4 INTERAGENCY COLLABORATION

The City of Point Arena works cooperatively with other public agencies and private service providers to deliver municipal services efficiently and to address issues of shared regional interest. Through a combination of service contracts, cooperative agreements, and mutual aids, the City is able to supplement its limited staffing capacity and ensure continuity of services for residents.

The City relies on several contracted service providers for municipal services. These include services for law enforcement, fire protection and emergency response, water, building and inspection, and solid waste (Table 2-6). In addition, the City works with the California Department of Transportation (Caltrans) for maintenance of Main Street, a portion of State Highway 1 within City limits, to help maintain its designation as a historic landmark (LAFCo 2025). The City maintains School Street, a feeder street serving residential neighborhood areas.

Agency/Entity	Service
Mendocino County Sheriff	Law enforcement and public safety
Redwood Coast Fire Protection District	Fire protection and emergency response
Mendocino County Planning and Building Services	Building and inspection
Mendocino County Public Works	Road maintenance
Caltrans	Main Street (Highway 1) road maintenance
Point Arena Water Works, Inc.	Water
Redwood Waste Solutions	Solid waste

Beyond contracted services, the City participates in several interagency agreements that support regional coordination and emergency response. In October 2021, the City entered into a mutual aid agreement with the other incorporated cities in Mendocino County to provide assistance during emergencies or disasters that exceed the resources of any individual jurisdiction (Resolution 2021-27). The agreement remains in effect through 2027.

In August 2022, the City expanded its regional collaboration through a mutual aid agreement for emergency assistance with the other Mendocino County cities as well as the Lake County cities of Clearlake and Lakeport ([Resolution 2022-28](#)). The agreement supports coordinated response to a range of natural and human-caused hazards, including earthquakes, wildfires, pandemics, and drought, and is in effect through 2028.

The City also participates in a master tax-sharing agreement adopted in July 2024 between the incorporated cities of Mendocino County and the County of Mendocino (Resolution 2024-20). The agreement provides a framework for property tax exchange associated with future jurisdictional changes,

such as annexations, and is intended to support orderly and financially sustainable transitions of public service responsibilities.

Additional coordination occurs through mutual aid agreements with the County of Mendocino Department of Transportation, primarily focused on disaster response and infrastructure support. City staff have also indicated that the City is exploring opportunities to expand collaboration with the County, including potential shared use of the County's corporation yard located in Point Arena (LAFCo 2025).

While this MSR provides context regarding contracted and cooperative service arrangements, the analysis focuses on services that are directly the responsibility of the City.

2.3.5 Government Restructure and Community Needs

2.3.5.1 ENHANCED SERVICE AND DELIVERY OPTIONS

Water service within the City of Point Arena is provided by Point Arena Water Works inc., a privately owned mutual water company that serves the City and nearby surrounding areas. As a result, potable water and fire hydrant services are delivered independently of the City's municipal operations.

2.3.5.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructuring options may be considered when there is potential to improve service delivery through reduced costs, greater operational efficiency, improved accountability, or enhanced public representation. Restructuring may include changes in governance, consolidation of services, or adjustments to agency responsibilities where such changes would benefit the public.

The service boundaries of the City and PAWW, a privately owned water company, generally coincide. As a result, there may be a potential opportunity to evaluate alternative governance or service delivery arrangements for water service in the future, including the possibility of transitioning water service to a municipal utility. Such an arrangement could allow the City to integrate water services with its existing municipal functions and potentially provide greater local control, coordination of infrastructure planning, and alignment with community planning objectives.

However, any consideration of restructuring water service would require careful evaluation of financial feasibility, infrastructure ownership and condition, regulatory requirements, and the interest of existing owners, stakeholders, and customers. At this time, no formal proposals for restructuring have been identified, and water service continues to be provided by PAWW under its existing regulatory framework.

2.4 Finances

Evaluation of an agency's financial condition is an important component of an MSR. Financial capacity influences an agency's ability to maintain infrastructure, provide services at adequate levels, response to emergencies, and meet future community needs. This section evaluates the fiscal condition of the City of Point Arena by reviewing available financial statements, audit reports, budget information, and communications with staff.

The City of Point Arena is a small coastal municipality in southern Mendocino County with a limited population and tax base. Based on its size and geographic isolation, the City relies on a combination of locally generated taxes, user fees, and intergovernmental revenues to fund municipal services. The City's fiscal capacity is influenced by seasonal tourism, limited commercial development, and the relatively small permanent population within city limits.

The Point Arena City Council adopts annual budgets for the General Fund, Capital Project Fund, and various special revenue funds. Budgetary control is legally maintained at the fund level. The City Manager, with input from department heads, prepares the preliminary annual budget and revenue protections for the upcoming fiscal year. The proposed budget may be amended by the City Council and is adopted by resolution on or before June 30 in accordance with the City's municipal code (Joseph Arch, CPA 2024, pg. iv). The budget process also includes a mid-year review to assess revenues, expenditures, and any necessary adjustments.

In addition to the annual budget process, the City maintains financial oversight through independent annual audits of its financial statements. These audits are conducted in accordance with auditing standards generally accepted in the United States.

For financial reporting purposes, the City's activities are categorized as either Governmental Activities or Business-Type Activities, as reflected in the Statement of Net Position and the Statement of Activities.

- Governmental Activities. These include the City's core municipal services such as general governmental, community development, public safety, public works, public improvements, planning and engineering, and administrative functions. These services are primarily supported by general revenues, including taxes, as well as program revenues such as fees and service charges.
- Business-Type Activities. These include the City's enterprise operations, which are intended to be self-supporting through user fees. For the City of Point Arena, enterprise funds include the Wastewater Fund and the Pier Fund, both of which are funded primarily through charges paid by users rather than general tax revenues.

2.4.1 Current Fiscal Health

The City of Point Arena has experienced increasing financial challenges in recent years, with fiscal pressures peaking during fiscal years (FY) 2023-24 and 2024-25. Approximately six years ago, the City initiated a series of efforts to address aging infrastructure and advance several community planning priorities. During this period, City staff successfully secured numerous state and federal grants to fund projects including a wastewater system study, street rehabilitation, a feasibility study for improvements to the Veterans Building, a sea-level rise study, and updates to the City's Local Coastal Program to support housing development. Collectively, these grant-funded initiatives totaled more than \$4.5 million.

While these projects brought significant investment to the community, many of them were implemented concurrently, creating administrative and financial strain on the City's limited staffing and financial capacity. Reimbursements for grant-funded activities lagged behind City expenditures, which reduced available fund balances and contributed to an overall deficit in FY 2022-23. In addition, some projects experienced cost overruns that exceeded grant allocations, resulting in unanticipated financial obligations for the City.^{12, 13}

¹² FY 2024-25 Final Budget, August 23, 2024: <https://drive.google.com/file/d/1-4cUy7R3cJBYA2dc6q0Lle7StdiSizK/view>.

¹³ Chavan and Associates LLP, Certified Public Accountants, March 22, 2024: <https://drive.google.com/file/d/1GsTjAjWtBxRMHnu26dWQq17F1qgfBk5v/view>.

Compounding these challenges, the City did not maintain a capital reserve or other financing mechanism to support the cash flow demands associated with multiple concurrent capital projects. To address the short-term cash-flow needs, the City established a temporary line of credit to cover cash deficits, but given the project cost overruns, there was no option to pay back the liabilities charged to the line of credit. As a result, approximately \$300,000 on the line of credit could not be repaid. Continued cost overruns and project expenditures resulted in operating fund expenditures outpacing revenues.¹²

In 2023, the City Council was advised by its financial advisor that the City faced a significant financial risk. In response, the City implemented a series of corrective measures to stabilize its financial condition. These actions included reducing payroll costs by approximately 50 percent through the elimination of 3 staff positions and a reduction in operational staffing levels. Remaining staff hours were reduced from 32 hours (previously considered full-time) to 25 hours per week. The City also retained an Interim City Manager under a reduced-cost arrangement that included a lower hourly rate, no benefits, and reduced hours. In addition, the City implemented substantial reductions in discretionary expenditures.¹²

Despite these cost-containment measures, the City's financial advisor reported in April 2024 that the City remained at risk of insolvency. The City subsequently initiated additional long-term fiscal stabilization strategies. These measures included voter approval of a local sales tax increase and the implementation of a 15 percent indirect administrative cost allocation applied to grants and other programs. Additional actions under consideration or implementation include adjustments to service fees, debt restructuring, and improvements to governmental accounting and financial management practices.¹²

The City adopted an interim FY 2025-26 budget that continues to address the City's financial condition while implementing additional revenue measures. Planned actions include adjustments to sewer and pier fees, the introduction of new event-related fees, restructuring of the business license tax, and potential restructuring or increases to the transient occupancy tax. City staff and the City Council have undertaken significant cost-saving measures and operational adjustments in an effort to stabilize municipal finances and maintain core services. Early indications of stabilization include the recent addition of a part-time code enforcement officer and continued progress on the Windy Hollow Road Rehabilitation design project.¹⁴

2.4.1.1 FINANCIAL SUMMARY

The financial information presented below is based on the City's most recent available audited financial statements, which are current through FY 2023-24. Table 2-7 summarizes the Statement of Activities over the four years ending June 30, 2024.

¹⁴ FY 2025-26 Interim Budget, June 24, 2025: <https://drive.google.com/file/d/1dw7fWlb-UVUfmKYX6f3W1loPtHieDcXS/view>.

Table 2-7: Financial Summary of Activities				
	FY 20-21 (\$)	FY 21-22 (\$)	FY 22-23 (\$)	FY 23-24 (\$)
Program Revenues				
Charges For Services	25,984	11,473	7,004	13,991
Wastewater	277,417	279,601	283,138	273,309
Pier	68,096	36,612	58,909	47,119
Grants and Contributions - Operating	216,727	414,192	524,510	580,846
Grants and Contributions - Capital	-	2,929,660	785,579	624,057
General Revenues				
Property Taxes and Assessments	52,916	85,260	61,499	59,862
Motor Vehicle In-Lieu Tax	-	-	24,331	29,903
Sales and Use Tax	79,220	71,700	163,967	139,611
Transient Occupancy Taxes	135,186	203,211	157,635	101,405
VLF Swap	44,821	44,819	23,859	25,714
TOT Measure AC	27,037	30,043	31,527	-
Other Taxes	47,589	509	2,106	368
Franchises	10,748	11,088	6,425	18,762
Licenses, Permits, & Fees	-	22,908	23,819	13,991
Use Of Money and Property	10,787	5,167	18,881	17,860
Other General Revenues	4,420	6,320	-	60,872
Total revenues (Governmental and Business-Type Activities)	1,00,948	4,152,563	2,173,189	1,053,335
Expenses – Governmental Activities				
General government	331,423	395,002	449,657	484,660
Public Safety	100,785	113,602	180,994	132,049
Streets and Public Works	108,116	989,516	329,266	62,925
Community Development	39,065	221,698	505,506	186,939
Culture and Recreation	49,049	87,227	132,072	114,924
Debt Service - interest & fees	-	6,570	37,888	26,798
Capital Outlay	-	-	-	27,681
Expenses – Business-Type Activities				
Wastewater	323,983	391,410	492,335	365,782
Pier	104,605	188,769	345,693	164,427
Total Expenses	1,175,887	2,395,415	2,473,411	1,756,546
Excess (Deficiency) of Revenues Over Expenditures (Before Transfers)	(174,939)	1,757,148	(300,222)	(703,211)
Change in Net Position	(174,939)	1,757,148	(300,222)	(364,267)
Net Position				
Beginning of Year	4,397,809	4,222,870	5,980,018	5,679,796
End of Year	4,222,870	5,980,018	5,679,796	5,315,529

Sources: Chavan and Associates, LLP 2022, pgs. 5, 8 and 11; Joseph Arch, CPA 2023, pgs. 8 and 20; Joseph Arch, CPA 2024, pgs. 8; Chavan and Associates, LLP 2024, pg. 5; and 35, Chavan and Associates, LLP 2025, pgs. 6, 8, 9, and 12.

2.4.1.1.1 Revenue

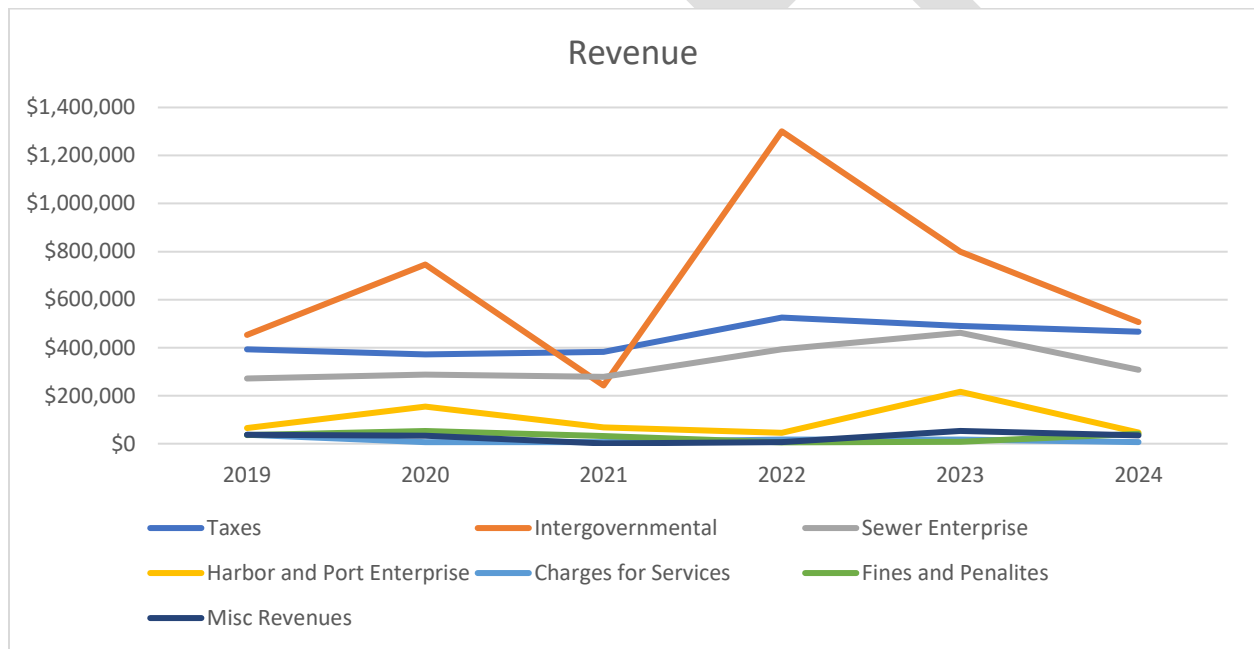
The City’s revenues are generally generated from three primary sources, which make up approximately 85 percent of the overall revenue:

1. Charges for services
2. Operating Grants and Contributions
3. Capital Grants and Contributions

The City relies heavily on tourism-related revenue, including transient occupancy tax (TOT) and sales tax, and intergovernmental funding sources, consisting primarily of state and federal grants.

General revenue has remained relatively stable over the past five years, with infusions of state and federal grant funding (intergovernmental funds) for capital and infrastructure improvements.

Figure 2-4 Revenue by Category



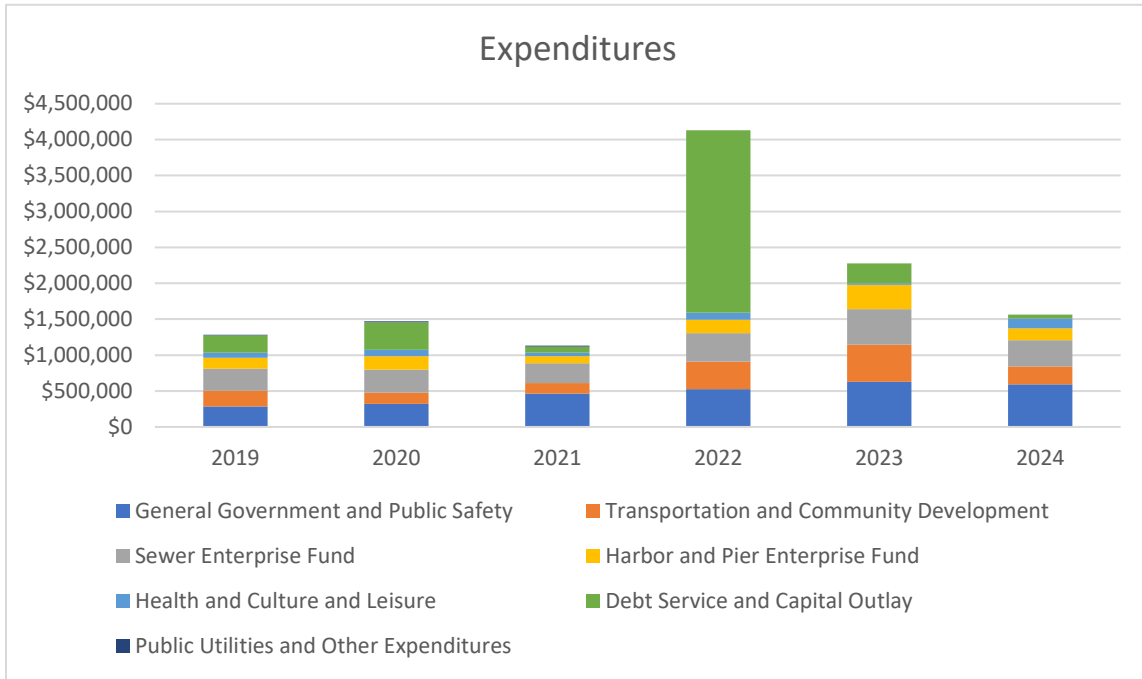
In FY 2024-25, a 0.875 percent sales tax increase was introduced as Measure X. The Measure received voter approval in November 2024 and was adopted by the City Council on December 10, 2024 ([Ordinance 244](#)).¹⁵ The sales tax is projected to generate approximately \$110,000 annually. (City of Point Arena 2025)

2.4.1.1.2 Expenses

Governmental and business-type activities expenses of the City totaled \$1,756,546 in FY 2023-24. Governmental activities expenses represented approximately 59 percent of total expenses. Streets and public works services costs, which include planning and community development costs, represented 51 percent (\$834,772) of total governmental activities expenses, which was a 61 percent increase from FY 2022 (Joseph Arch, CPA 2024, pg. 7).

¹⁵ City of Point Arena Ordinance 244 implemented Measure X, a 0.875 percent retail transactions and use tax: [Ordinance 244](#).

Figure 2-5 Expenditures by Category

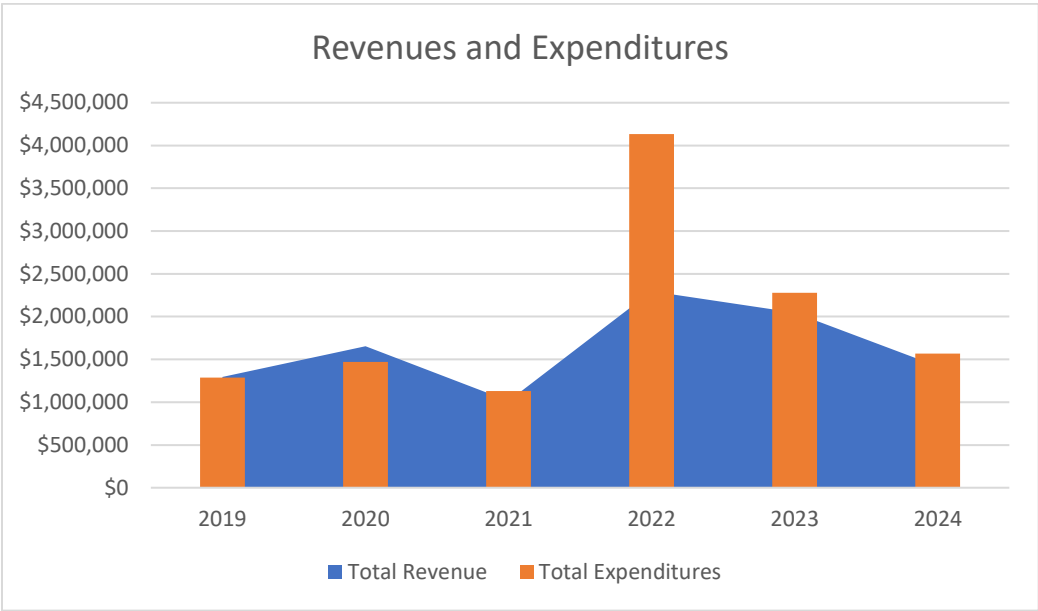


Community development expenses included grants from the Housing and HCD sponsored Small Business Employee Retention Grant Program in the amount of \$86,500, with planning and engineering costs accounting for \$171,131; the highest unreimbursed costs for the City. Even though planning fees, which should be full cost recovery, were only \$17,800 for the year (Joseph Arch, CPA 2024, pg. 7).

Public safety expense increases were commensurate with revenue collected and the County sheriff contract increase (Joseph Arch, CPA 2024, pg. 7).

Expenditures totaled \$1,568,209 in FY 2023-2024, \$2,277,709 in FY 2022-2023, \$4,132,243 in FY 2021-2022, and \$1,131,728 in FY 2020-21. The top expenditures included maintenance/repairs, dues and fees, and the sewer master.

Figure 2-6 Revenues and Expenditures, FYE 2021 - 2024



2.4.1.2 ASSETS AND LIABILITIES

The capital assets of the City are those assets which are used in the performance of the City’s functions. As of June 30, 2024, net investment in capital assets of the governmental activities totaled \$4,196,652 and for business-type activities, \$1,215,855 (Chavan and Associates, LLP 2025, pg. 5).

Land and building values are listed at cost when purchased or renovated by the City. Depreciation is taken on buildings and improvements, machinery and equipment, and infrastructure and pier. The largest asset for the City is infrastructure for which depreciation costs have been accounted for under assets.

Table 2-8 and Table 2-9 summarize the City’s assets for governmental and business-type activities, including its cash accounts and infrastructure.

Table 2-8: Point Arena Assets, Governmental Activities				
	FY 20-21 (\$)	FY 21-22 (\$)	FY 22-23 (\$)	FY 23-24 (\$)
Current Assets				
Cash and Investments	521,741	225,657	99,948	206,708
Accounts Receivable	403,152	-	-	8,860
Intergovernmental Receivable	N/A*	1,161,529	91,018	490,151
Taxes Receivable	N/A*	62,061	158,629	N/A*
Notes Receivable	72,705	90,582	72,894	56,481
Internal Balances	110,544	265,409	345,913	N/A*
Prepaid Items and Deposits	N/A	N/A	12,109	N/A*
Total Current Assets	1,108,142	1,805,238	780,511	762,200
Noncurrent Assets – Capital Assets				
Nondepreciable	451,933	1,953,531	348,995	348,995
Depreciable	2,293,144	2,495,362	4,038,018	3,847,657
Total Noncurrent Assets	2,745,077	4,448,893	4,387,013	4,196,652
Total Assets	3,853,219	6,254,131	5,167,524	4,958,852
Current Liabilities				
Accounts Payable	9,620	432,160	78,511	40,397
Accrued Payroll and Benefits	10,445	11,431	12,144	31,101
Line of Credit	N/A*	754,740	310,540	310,440
Deposits Payable	N/A*	551	N/A*	N/A*
Unearned Revenue	N/A*	-	-	N/A*
Total Liabilities	20,065	1,198,882	401,195	381,938
Net Position				
Net Investment in Capital Assets	2,745,077	4,448,893	4,387,013	4,196,652
Restricted Net Position (Total)	514,703	N/A	N/A	400,685
Unrestricted (Deficit)	573,334	606,356	379,316	(20,423)
Total Net Position	3,833,154	5,055,249	4,766,329	4,576,914
Total Liabilities, Deferred Inflows of Resources and Net Position	N/A*	6,254,131	5,167,524	N/A*

*Note: Line items labeled "N/A" were not included in the financial audit report for that given year due to standard variations in fiscal reporting from year to year.

Sources: Chavan and Associates, LLP 2022, pg. 4; Chavan and Associates, LLP 2023, pg. 6; Joseph Arch, CPA 2024, pg. 6; Joseph Arch, CPA 2024, pg. 6; and Chavan and Associates, LLP 2025, pg. 5.

Table 2-9: Point Arena Assets, Business-Type Activities				
	FY 20-21 (\$)	FY 21-22 (\$)	FY 22-23 (\$)	FY 23-24 (\$)
Current Assets				
Cash and Investments	60,626	123,987	-	-
Accounts Receivable	-	2,445	44,263	26,580
Intergovernmental Receivable	N/A*	17,371	17,844	N/A*
Taxes Receivable	N/A*	-	-	N/A*
Notes Receivable	-	-	-	-
Internal Balances	(110,544)	(265,409)	(345,913)	(490,151)
Prepaid Items and Deposits	N/A*	N/A	-	-
Total Current Assets	(49,918)	(121,606)	(283,806)	(463,571)
Noncurrent Assets – Capital Assets				
Nondepreciable	340,614	340,792	298,190	298,190
Depreciable	109,295	744,283	971,006	917,665
Total Noncurrent Assets	449,909	1,085,075	1,269,196	1,215,855
Total Assets	399,991	963,469	985,390	752,284
Current Liabilities				
Accounts Payable	10,275	33,364	63,066	13,669
Accrued Payroll and Benefits	-	4,424	8,557	-
Line of Credit	N/A*	-	-	-
Deposits Payable	N/A*	-	N/A*	N/A*
Unearned Revenue	N/A	912	300	-
Total Liabilities	10,275	38,700	71,923	13,669
Net Position				
Net Investment in Capital Assets	449,909	4,448,893	1,269,196	1,215,855
Total Restricted Net Position	-	N/A	N/A	-
Unrestricted (Deficit)	(60,193)	606,356	(355,729)	(477,240)
Total Net Position	389,716	5,055,249	913,467	738,615
Total Liabilities, Deferred Inflows of Resources and Net Position	N/A*	6,254,131	985,390	N/A*

**Note: Line items labeled "N/A" were not included in the financial audit report for that given year due to standard variations in fiscal reporting from year to year.*

Sources: Chavan and Associates, LLP 2022, pg. 4; Chavan and Associates, LLP 2023, pg. 6; Joseph Arch, CPA 2024, pg. 6; Joseph Arch, CPA 2024, pg. 6; and Chavan and Associates, LLP 2025, pg. 5.

2.4.1.3 NET POSITION

As of June 30, 2024, the ending net position of the City is \$5,315,529 (Chavan and Associates, LLP 2025, pg. 6). The total assets (\$5,711,136) of the City exceeded its liabilities (\$395,607).

As of June 30, 2024, the City’s Governmental Activities reported a combined net position of \$4,576,914 of unrestricted funds.

The City remains net positive through relying on temporary credit and cash reserves that the City maintains (see Table 2-8 and Table 2-9Error! Reference source not found.).

2.4.2 Long Term Financial Considerations

The City of Point Arena operates with a constrained revenue base and continues to face fiscal challenges associated with limited locally generated revenues, relatively high service delivery costs, enterprise operations that do not fully recover expenses, and the ongoing financial demands of maintaining municipal infrastructure.

Although the City maintains valuable public assets and actively pursues external funding sources, the FY 2023-24 audit indicates that its financial condition warrants continued monitoring and implementation of corrective actions to support long-term fiscal stability.

In response, the City has taken steps to manage expenditures, including implementing cost-containment measures and seeking grant funding to support capital and program needs. Continued attention to fiscal management, revenue enhancement, and long-term financial planning will be important to maintaining service levels and meeting future community needs.

2.4.2.1 RESERVES

With the continued financial struggle, the City's operating cash reserves have been reduced to nominal levels and management has used the temporary line of credit for cash deficits (C&ALLP 2024).

The City does not maintain any formal policies related to reserves.

2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE

In April 2023, the City entered into a line of credit agreement with Redwood Credit Union in an amount not to exceed \$1,500,000 to provide bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit is to be paid upon receipt of California State grant reimbursements specific to the projects. It bears interest at the prime rate plus 1 percent on outstanding balances. As of June 30, 2024, the outstanding balance was \$310,440 (Chavan and Associates, LLP 2025, pg. 31).

The City indicated its intent to convert the line of credit through Redwood Credit Union to a 5-year note payable in FY 2023-24 or 2024-25, subject to cash flow conditions. Upon conversion, the remaining balance would be reclassified as long-term (Joseph Arch, CPA 2023, pg. 14).

As of June 30, 2023, the City reported no additional construction commitments. To address cash flow constraints, the City implemented cost-containment measures, including reductions in staffing levels and hours, and is evaluating restructuring of its financing approach to maintain access to short-term operating liquidity. The City has also explored opportunities to dedicate future revenue streams, such as rental income from City-owned property, toward debt repayment as its broader financial stabilization strategy.

Through its participation in CIRA, the City maintains coverage for workers' compensation and employer liability, as well as general liability, property damage, personal injury, and public officials' errors and omissions.

2.4.2.3 RATE RESTRUCTURING

The City's current wastewater rate structure was adopted in August 2016. The City has indicated that a comprehensive rate study is anticipated in 2026 to evaluate the existing rates and identify potential adjustments to support ongoing operations, maintenance, and capital needs.

Proposition 218, approved by California voters in November 1996, establishes procedural and substantive requirements governing the imposition of taxes, assessments, and property-related fees. The measure is intended to promote transparency and accountability in local government finance and to ensure that revenues derived from property-related charges are used solely to fund the services for which they are collected.

Under Proposition 218, local agencies must demonstrate that property-related fees do not exceed the proportional cost of providing the service to each parcel. This requirement necessitates a defensible cost-of-service analysis as part of any rate-setting process and may result in differentiated rate structures based on service demand, location, or system characteristics. (O'Malley 1996).

Accordingly, the planned rate study will be an important step in evaluating the financial sustainability of the City's wastewater enterprise and ensuring compliance with applicable legal requirements.

2.4.2.4 CAPITAL IMPROVEMENT PLAN

The Capital Projects Fund was established in 2022 to provide a dedicated mechanism for tracking capital projects funded by grants, capital contributions, and financing sources. The Fund accounts for all expenditures associated with capital projects that are either adopted in the annual budget or approved through subsequent budget adjustments. The intent of the Fund is to operate on a project basis, with balances reduced to near zero at the completion of projects, to the extent possible.

In its early years of operation, the Fund has reflected a deficit position due to timing mismatch between project expenditures and reimbursement-based grant revenues. Specifically, construction activity has outpaced grant reimbursements, resulting in short-term financing needs supported by a line of credit.

The City maintains a Capital Improvement Plan (CIP) covering the planning horizon of FY 2020 through FY 2026, which was most recently updated on June 25, 2024. The CIP identifies planning infrastructure and capital projects and serves as a key planning and budgeting tool (refer to Figure 2-7 for a summary of current CIP projects).

A substantial portion of CIP projects is funded through competitive grant programs. While this funding strategy enables the City to undertake capital improvements that would otherwise be financially infeasible, it has also contributed to cash flow constraints due to delays between project expenditures and reimbursement of grant funds (see Section 2.4.2.2). In addition, earlier grant budgets did not consistently include sufficient administrative cost recovery, although this issue has since been addressed through amendments to grant agreements.

As of June 30, 2024, the Capital Project Fund reported a deficit fund balance of approximately \$432,000, which is anticipated to be offset by future grant reimbursements (Chavan and Associates, LLP 2025, pg. 7).

Figure 2-7: Point Arena Capital Improvement Projects

2025-2026 Fiscal Year City of Point Arena Streets & Roads				
Capital Improvement Program 2020-2026 Budget Years (Revised 6/25/2024)				
Construction Year	Project Location	Project Description	Funding	Estimated Cost
FY 20-21 FY 21-22	Riverside Drive & Center Street Renovation	Completion of Riverside Dr. renovation with 1000 sq. ft. of dig outs, base replacement, asphalt fill followed with a 2"x 420' by 25' AC overlay. (Approximate). Center Street - Construct a 330' concrete drainage swale, Roadbed Reconstruction and AC throughout.	RMRA, RSTP(d1), LPPF	Estimated Construction Cost including Construction Management: \$312,000
FY 20-21 FY 21-22	East End of Mill Street Reconstruction, Sidewalk, Drainage and Asphalt Replacement	Remove the eastern 500 feet of the roadway, regrade to an even cross slope correcting northside drainage. Install subsurface drainage on south side of the street. Replace approx. 450 feet of sidewalk on south side. Bring the Northside sidewalks into a more typical residential sidewalk/roadway height ratio and replace where needed. Repave Roadway. <i>Consider cul-de-sac development as a new project.</i>	RMRA, RSTP, LPPC, MCOG Partners Fund, CRSSA	Estimated Construction Cost including Construction Management: \$1,358,640
FY 25-26	Windy Hollow Road	Rehab or Rebuild .6 miles of Roadway within the City limits. Project A: grind out failed sections, recompact, replace asphalt and seal. Project B: Full reconstruction of the existing roadway and paved areas. Project C: Project B plus one bike lane (permitting may run higher).	RMRA, LPPF, STBG	Estimated Construction Cost w/ Constr. Mgmt. \$750,000
FY 26-27	Port Road Rehab, Main St. to Iversen. Sidewalk Replacement & Additions, Drainage Improvements and Resurface Street	From Main St. west on northside of Port Rd., replace 280' of sidewalk (ADA). From Iversen to Main construct 425' of sidewalk on southside. From Iversen toward Main remove 12,600 sq.' of asphalt, regrade and pave, including subsurface drainage improvements. Past the Arena Cove/Road Rd Cutoff on Port Rd. install 140' of ADA sidewalk down to barrier, past barrier path a 6' multi-use path to bike lane on Iversen.	LPPF, ATP, RMRA, STBGP,	Estimated Project Costs: Design, Specifications, Construction & Construction Management, \$620,000
FY 25-26	Sidewalk Repair, Replacement and New Sidewalk Program.	Sidewalks will be prioritized for replacement or addition. <i>Some sidewalk improvements may be included in other streets projects . A sidewalk construction program partnering with property owners may be needed.</i>	RMRA, RSTP (d1), ATP, LPPF, grants	TBD
* The order in which these projects are developed may be altered based on the availability of funding.				
PAPT = Point Arena Pothole Tax LPPF(C) = SB 1 Local Partnership Program Formulaic (Competitive) TBD = To Be Determined LTF = Local Transportation Fund ATP=Active Transportation Program RMRA = Road Maintenance & Repair Act SB 1 RSTP (d1) = Regional Surface Transportation Program STBGP = Surface Transportation Block Grant Program				

Source: City of Point Arena 2026.

2.5 Growth

2.5.1 Area History

Since the mid-19th century, the City of Point Arena has been a key navigational landmark along the Northern California coast. In 1866, the construction of the town's first wharf established Point Arena as a regional shipping and transportation hub. At the height of its early development, the surrounding area produced approximately 200,000 board feet of redwood lumber per day, and the port served as a primary shipping point for timber and agricultural products along the Mendocino coast (City of Point Arena 2025b).

Point Arena was incorporated in 1908, following a local debate regarding alcohol sales within the community. At the time, Point Arena held several liquor licenses, and incorporation enabled local control over alcohol regulation while allowing the community to retain a greater share of associated tax revenues (City of Point Arena 2025b).

In 1927, a major fire destroyed much of the downtown area. Reconstruction in the late 1920s coincided with broader economic changes in the region as lumber milling and ranching activity declined and tourism began to grow. Businesses that had served the earlier industrial economy, such as worker hotels, blacksmith shops, and saloons, were gradually replaced by establishments serving travelers and visitors, including service stations and entertainment venues. Much of the downtown commercial district was rebuilt between 1927 and 1928, contributing to the historic architectural character that remains visible today (City of Point Arena 2025b).

Natural events have also shaped the City's waterfront facilities. In January 1983, a severe coastal storm struck Arena Cove, destroying the pier and fish house and significantly damaging other waterfront structures. A replacement pier constructed of steel and concrete was completed in 1987. The 322-foot pier, equipped with a boat hoist, continues to serve as a key community and visitor facility (City of Point Arena 2025b).

Due to its historic significance, both the Main Street Historic District (90001364) and the Arena Cove Historic District (90001363) are listed on the National Register of Historic Places. An additional 13 buildings, primarily located along or near Main Street, are also individually listed. The City's zoning ordinance includes provisions intended to support the preservation of historic resources and maintain the character of these historic districts (National Park Service 2025; CSDA 2025).

2.5.2 Present and Planned Land Use and Development

2.5.2.1 LAND USE AND ZONING

The City of Point Arena has land use authority over privately-owned lands within the its jurisdiction and makes land use decisions in accordance with the City's General Plan and zoning regulations. Because the City is located within the Coastal Zone, development and land use activities are also subject to the City's Local Coastal Program (LCP), which has been certified by the California Coastal Commission. Proposed changes to land use or development patterns must therefore be consistent with both the City's planning documents and the policies of the LCP (City of Point Arena 2025c).

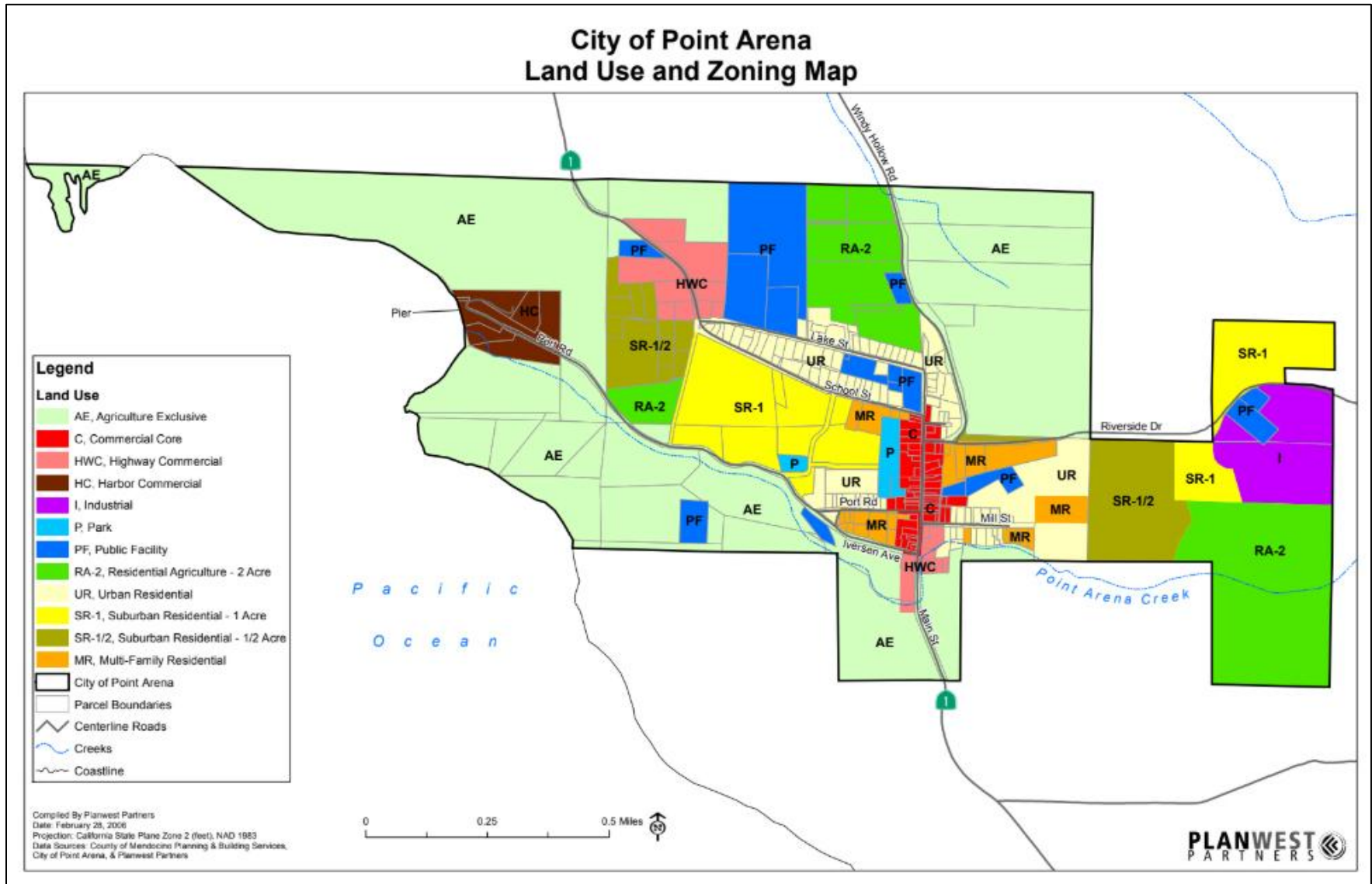
The City encompasses approximately 1.35 square miles (864 acres). Land use within the City are predominately residential uses and are distributed throughout the community. Residential zoning designations include Suburban Residential (SR-1 and SR-½) with minimum lot sizes of 1 and ½ acres, Urban Residential (UR) with a minimum lot size of; 8,625 square feet lot minimum), and Agricultural (RA-2; 2-

acre minimum), with very small areas of Multi-Family Residential (MR; 5,800 square feet lot minimum) concentrated in the middle of the City. There are three commercial zoning designations; Highway Commercial (HWC) and Commercial Core (CC) along the Main Street corridor, while Harbor Commercial (HC) use is located in the vicinity of Arena Cove and the municipal pier. Agriculture Exclusive (AE) zoning generally occurs along the edges of the City. Additional zoning designations include Public Facilities (PF), Parks (P), and a small number of Industrial (I) parcels (see Figure 2-8).

Due to the City's relatively small population and compact development pattern, many services and amenities are located within walking distance of residential neighborhoods. The local economy is largely oriented toward tourism and coastal recreation, with commercial establishments concentrated along State Route 1 and near the harbor. Community amenities include a public library operated by the Mendocino County Library, medical and dental services provided through Redwood Coast Medical Services, the Arena Theater for cinema and live performances, a local radio station, and other small businesses and community services. The City is also near the headquarters for the tribal lands of the Manchester Band of Pomo Indians of the Manchester-Point Arena Rancheria and adjacent to the Point Arena-Stornetta Public Lands.

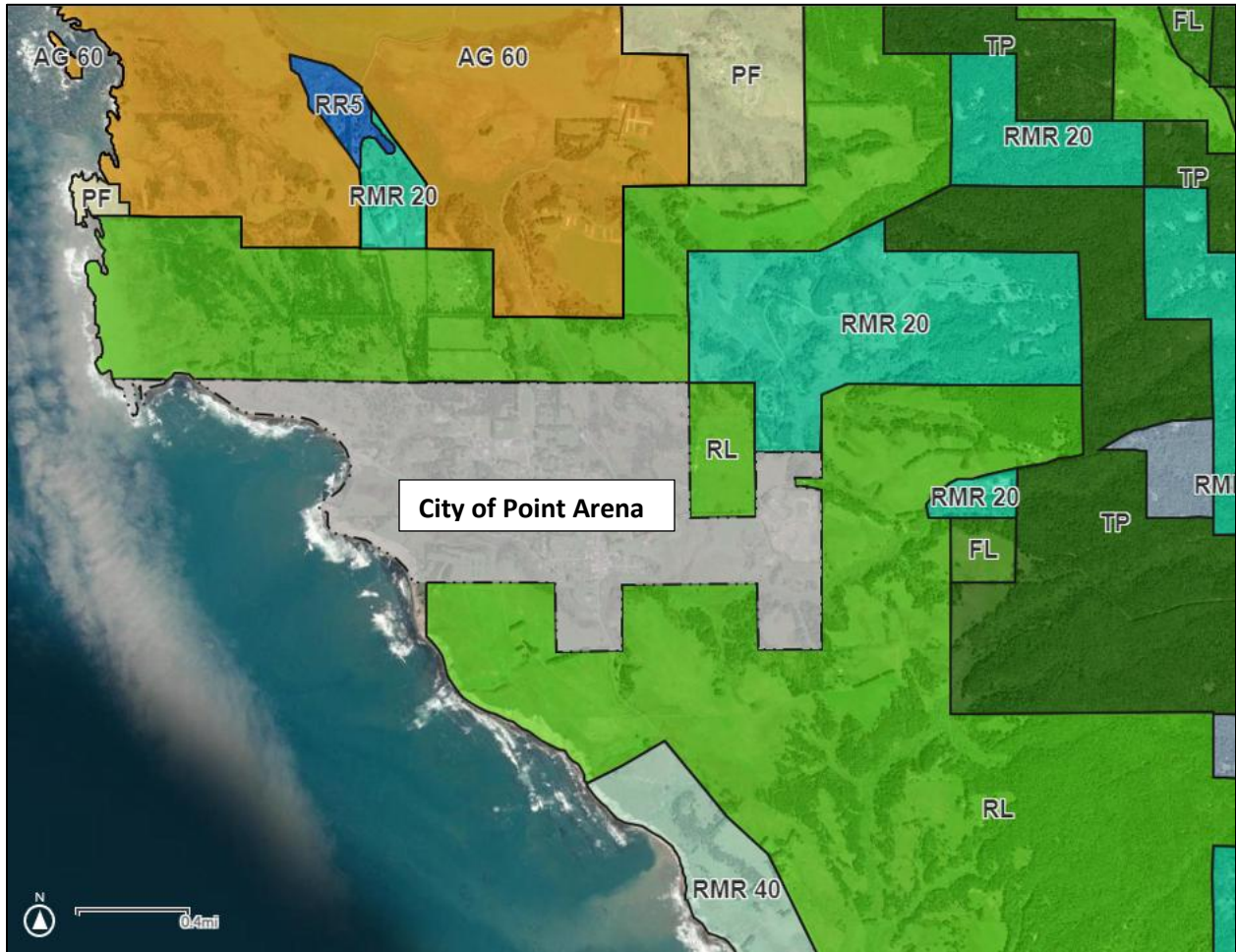
The City is surrounded by unincorporated areas of the County of Mendocino. Land uses adjacent to the City boundaries consist primarily of rural residential and agriculture areas. County zoning designations in the surrounding area include Rural Residential (RMR) with minimum parcel sizes of 5 and 20 acres, Agriculture (AG) with a 60-acre minimum, Timber Production (TP) and Rangeland (RL) with minimum parcel sizes of 160 acres, and limited areas designated for Public and Semi-Public Facilities (PF). The surrounding landscape includes coastal bluffs and rugged shoreline to the west, as well as dispersed single-family residences, including vacation home rentals, throughout the area (see Figure 2-9) (County of Mendocino 2025b).

Figure 2-8: Point Arena Zoning Map



Source: City of Point Arena 2025f.

Figure 2-9: Mendocino County Zoning Map



Source: County of Mendocino 2025b.

2.5.2.2 DEVELOPMENT

Future growth and development within the City of Point Arena are guided by the City's adopted planning framework, including the General Plan and Zoning Ordinance. Because the City is located within the coastal zone, development proposals are also subject to the City's LCP. While the coastal development permit process can add review requirements and project costs, the City's LCP and Coastal Element do not substantially constrain residential development to the point that it becomes impractical or infeasible.

Regional housing planning for the area is coordinated with the Mendocino Council of Governments (MCOG), which prepares the Regional Housing Needs Allocation (RHNA) plan. State law requires that local governments plan for their "fair share" of projected regional housing growth. The current RHNA cycle, adopted August 20, 2018, projected the need for 1,845 housing units to be constructed across Mendocino County for the 2019-2027 planning period. Due to the City's small population and limited geographic area, Point Arena received a RHNA allocation of nine housing units, representing less than one percent of the regional allocation (MCOG 2018, pg. 12).

Consistent with State housing law, the City maintains a Housing Element that demonstrates the availability of land suitable to accommodate its RHNA allocation. The City's Housing Element was most recently updated in 2019 for the 2019-2027 housing cycle. While the analysis identified sufficient vacant land capacity substantially exceeds the City's RHNA requirements with a potential for a total of 282 residential units possible within the City limits, maximum zoning capacity does not necessarily reflect realistic development potential, particularly in areas such as the CC and HC zones where residential development is not the primary intended use.

In addition, the City owns a parcel within the HWC zoning district, where mixed-use and residential projects have precedent. One example is the Cypress Meadows development, proposed on approximately 2.7 acres across two parcels, which includes plans for six dwelling units on one parcel and two dwelling units on the second parcel. The project remains in the future planning phase.

Future development potential within the City also includes land added through the Hay Annexation, approved in 1990, which incorporated approximately 156 acres of previously undeveloped land into the City's jurisdiction. The annexation significantly expanded the City's residential land base and included a phased development framework approved by the Coastal Commission. Phase I of the annexation area includes 13 acres zoned UR, 3 acres of land zoned MR, and 20 acres of land zoned SR-1. As of the most recent Housing Element update in 2019, no development projects had occurred within this annexed area (Planwest Partners Inc. 2019).

Since preparation of the 2015 MSR, the City has also acquired several additional parcels. Two parcels located at Arena Cove and zoned for park uses were purchased in 2019. Another parcel located across from City Hall was acquired in 2020 and is being considered for potential future housing development (LAFCo 2025).¹⁶

2.5.3 Existing Population and Projected Growth

Point Arena has historically remained one of the smallest incorporated cities in California. According to the 2020 decennial census, the City had a population of approximately 460 residents and 225 households

¹⁶ City Resolution No. 2020-24 *Purchase Agreement for Real Property* can be accessed here: [2020-24 Property Purchase.pdf - Google Drive](#).

(US Census Bureau 2023c). The Census Tract 111.02 in Mendocino County, which is the southernmost census tract in the County and has an estimated population of 4,966 residents.

Over the past two decades, the City’s population has remained relatively stable, generally hovering around 450 residents. The population experienced a slight decline between 2000 and 2010, reaching 449 residents, followed by a modest increase to 472 residents by 2017. The California Department of Finance (DOF) provides annual population estimates, including estimates for the past five years, which are summarized in Table 2-10.

Table 2-10: Point Arena DOF Population Estimates						
Year	2020	2021	2022	2023	2024	2025
Population	460	460	452	447	445	452

Source: DOF 2024.

Population projections prepared by the DOF indicate that the population of Mendocino County is expected to decline modestly over the next two decades. DOF estimates the County’s population will decrease by 2.7 percent, from 91,601 residents in 2023 to 89,091 in 2033, and remain relatively stable at 89,139 by 2043 (DOF 2023). These projections suggest that significant residential buildout within the City is unlikely to occur within the planning horizon of this MSR.

Additional analysis conducted as part of the City’s recent Housing Element update evaluated the capacity of local utilities to accommodate potential future growth. The analysis concluded that existing water and wastewater infrastructure is generally sufficient to support development of currently available residential parcels, an amount that substantially exceeds the City’s RHNA allocation of nine additional housing units (Planwest Partners Inc. 2019).

Water service within the City is provided by Point Arena Water Works Inc. (PAWW), a privately owned company that owns and operates the treatment facility, storage infrastructure, and most of the distribution system serving the City. A 2004 Water System Master Plan and Feasibility Analysis identified concerns related to storage capacity and fire-flow limitations. Currently, PAWW serves approximately 191 customers. The Housing Element noted that discussions with the company indicated the system may be capable of serving up to 676 total water connections, allowing for approximately 487 additional connections beyond current service levels. While this capacity may not fully support the theoretical buildout of all parcels within the City, it exceeds both the City’s RHNA allocation and the level of growth historically experienced in the area. It should also be noted that not all zoning districts are expected to rely on the PAWW system; larger parcels in the Agriculture Exclusive (AE) and Suburban Residential–1 Acre (SR-1) zoning districts allow for private well water service (Planwest Partners Inc. 2019).

Wastewater service is provided through the City’s sanitation system. According to the Point Arena Sanitation Department, the wastewater treatment system currently operates at approximately 27 percent of its total capacity, a level that has remained relatively consistent over the past several decades (Planwest Partners Inc. 2019).

Based on these demographic trends and available infrastructure capacity, the City anticipates minimal population growth within both the near-term (approximately five years) and long-term (approximately 20 years) planning horizons.

2.5.4 California Housing Goals

In 2017, the State of California enacted SB 299 and SB 1069 to help address the growing shortage of affordable housing. These laws expanded opportunities for the development of accessory dwelling units (ADUs) within areas zoned for single-family and multifamily residential uses. An ADU is a secondary dwelling unit located on the same parcel as a primary residence and may either be attached to or detached from the primary structure. ADUs must include independent living facilities, including permanent provisions for entry, living, sleeping, eating, cooking, and sanitation, as well as access to adequate water services.

As codified by [GC §65852.150](#),¹⁷ the California Legislature has determined that allowing ADUs in residential zones can expand rental housing opportunities and represents an important strategy for addressing statewide housing needs. Since the initial legislation was adopted, state ADU law has been amended multiple times to further reduce barriers to construction and encourage additional housing production.

Subsequent legislation has introduced provisions such as standardized development criteria, streamlined permit processing, and limitations on local impact fees. Implementation of these laws requires local jurisdictions to update zoning ordinances, evaluate potential ADU development capacity when addressing RHNA requirements in Housing Element updates, and adopt programs that encourage or incentivize ADUs as a form of affordable housing.

As the state of California continues to adopt legislation intended to increase housing supply, local jurisdictions must remain responsible to evolving regulatory requirements. Changes in housing policy may influence future development patterns and can have implications for municipal service providers responsible for infrastructure, utilities, and community services.

For additional information and data on housing legislation see Appendix C – Housing Legislation Trends and Results.

2.6 Disadvantaged Unincorporated Communities

Senate Bill 244 (SB 244), effective January 2012, requires LAFCo to identify and evaluate disadvantaged unincorporated communities (DUCs) when preparing Municipal Service Reviews (MSRs) for agencies providing water, wastewater, or structural fire protection services. A DUC is defined as an unincorporated area with at least 12 registered voters and a median household income (MHI) that is less than 80 percent of the statewide MHI. Severely disadvantaged unincorporated communities (SDUCs) are those with an MHI below 60 percent of the statewide MHI.

According to the American Community Survey (ACS) 2024 1-Year Estimates, California's statewide MHI was \$100,149, resulting in a DUC threshold of \$80,119 and an SDUC threshold of \$60,089 (U.S. Census Bureau 2026c).

While DUCs are evaluated to address a range of issues related to environmental justice, land use planning, and service provision, the sole statutory income criterion is MHI. Publicly available MHI data is reported at the census block group level, which in rural counties such as Mendocino County often encompasses

¹⁷ GC 65852.150 (2023) can be found here: [California Government Code § 65852.150 \(2023\) :: 2023 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia](#).

large geographic areas that may include both incorporated and unincorporated territories and do not align with recognized community boundaries. As a result, identifying and mapping DUCs in rural areas can be complex and subject to change over time due to fluctuations in income data and voter registration.

SB 244 further identifies general DUC characteristics, including:

- The presence of 10 or more dwelling units in close proximity;
- Location within a city’s Sphere of Influence, as an island within a city boundary, or as a geographically isolated community existing for more than 50 years; and
- An MHI at or below 80 percent of the statewide MHI.

This analysis utilizes income data from the ACS 2020–2024 5-Year Estimates and the 2024 ACS 1-Year Estimates, consistent with CALAFCO recommendations for determining MHI thresholds. Based on 2024 ACS data for 2020-2024 5-Year Estimates, the area surrounding the City is located within Census Tract 111.02, which has a MHI of \$114,044. Therefore, it would not be considered a DUC under SB 244 requirements (U.S. Census Bureau 2026a). According to the 2024 5-Year ACS data, the unincorporated community of Manchester (CDP) located approximately 2.5 miles north of the City consists of 96 households with an MHI of \$61,154 (U.S. Census Bureau 2026b); the MHI of Manchester would meet the DUC threshold.

The legislation is intended to ensure that the service needs of disadvantaged communities are considered in decisions related to service extensions, reorganizations, and annexations.

Because Point Arena is an incorporated city, this disadvantaged community (DAC) analysis relies on the California Department of Water Resources (DWR) Disadvantaged Community and Economically Disadvantaged Area Mapping Tool.¹⁸ The latest data that is available for the tool is the 2023 ACS 5-dataset (2019-2023). According to the 2023 ACS 5-Year dataset, Point Arena was not identified as a DAC or economically disadvantaged area on the map.

One nearby unincorporated community that warrants acknowledgement in the context of DUC analysis is the community of Manchester, located approximately 2.5 miles north of the City of Point Arena along State Route 1. Manchester is a small coastal settlement that includes residential areas and agricultural lands.

The unincorporated community of Manchester also includes lands associated with the Manchester-Point Arena Band of Pomo Indians, a federally recognized tribe with ancestral ties to the coastal region. Tribal lands and governance structures operate independently of municipal and county jurisdictions and are not subject to LAFCo authority. However, the presence of the tribal community contributes to the social and economic fabric of the broader Point Arena coastal area.

Manchester functions as a rural coastal community with dispersed development patterns typical of the Mendocino Coast. While the area has been identified as a DUC based on MHI levels, it does not rely on the City for municipal utility services. Water, wastewater, and other infrastructure services within the

¹⁸ The California Department of Water Resources Disadvantaged Community and Economically Disadvantaged Area Mapping Tool can be accessed via DWR’s website: [Disadvantaged Community and Economically Disadvantaged Area Mapping Tool](#).

Manchester area are provided through independent systems, private utilities, or other regional service providers.

Although Manchester maintains social and economic connections to the City as the nearest commercial center for goods, services, and community activities, the community is geographically separate and outside the City's municipal service boundary. As such, Manchester is not considered a DUC requiring evaluation for municipal service extension by the City as part of this MSR.

Pursuant to [GC §65302.10\(b\)](#),¹⁹ SB 244 requires cities to address DUCs within their General Plan Land Use Element in coordination with Housing Element updates. To comply, cities must identify, describe, and map each island and fringe community within their SOI that qualifies as a DUC; analyze water, wastewater, stormwater drainage, and structural fire protection needs or deficiencies; and evaluate potential funding mechanisms to support feasible service extensions.

Only one of the three core municipal services, wastewater service, is provided directly by the City of Point Arena. As discussed in Chapter 3, the City's wastewater treatment plant currently operates with adequate capacity to serve existing demand.

Other essential services are provided by external entities. Fire protection and emergency response are by the Redwood Coast Fire Protection District, which serves residents within the City and surrounding areas. Water service is provided by PAWW and is generally considered adequate for current service needs. In addition, data from the California Department of Water Resources indicate that the City spans several Public Land Survey Sections that collectively include approximately 91 domestic wells (DWR 2025).

Overall, City residents receive the essential municipal services of fire protection, water, and wastewater, and services levels are generally adequate. Continued investment in the City's wastewater infrastructure, however, will be important to address aging facilities and maintain reliable service over time.

¹⁹ GC §65302.10(b) (2023) can be found here: <https://codes.findlaw.com/ca/government-code/gov-sect-65302-10/>.

3 MUNICIPAL SERVICES

3.1 Service Overview

A Municipal Service Review (MSR) is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. The MSR determinations inform the SOI Update process and assist the Commission in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapters **Error! Reference source not found.** and **Error! Reference source not found.** of this document form the basis for the MSR determinations provided under Section 3.10.

This is the second MSR prepared for the City of Point Arena (City/Point Arena). The first City MSR was completed and adopted by the Commission on February 2, 2015.

3.1.1 Services

One of the core responsibilities of a City is to ensure provision of public facilities and services to its residents. Public facilities and services contribute to the quality of life for both individuals and groups in the community. A key consideration in the MSR process is planning adequate public facilities, services, and infrastructure to accommodate future growth and changes.

This section provides information regarding the municipal services provided directly by the City of Point Arena, which include the following as defined by city department:

- General Administrative Services (General Government)
- Public Works (Street Maintenance, Stormwater, Parks & Facilities)
- Harbor & Pier Operations
- Wastewater

Additional municipal services are provided to City residents through a combination of public and private provider via agreements and service contracts as detailed in below in this section. These municipal services include the following:

- Community Development
- Law Enforcement
- Fire Protection and Emergency Services
- Solid Waste Services
- Utilities (Water)

As previously stated, the purpose of this MSR is to provide a summary of all the services offered by the City, including those that are provided via agreements and contracts. However, full analysis is only provided on those services provided directly by the City.

3.1.2 Service Area

The service area of the City of Point Arena encompasses approximately 1.35 square miles (864 acres) and serves a resident population of approximately 460. Seasonal tourism also contributes to periodic increases in the population present within the City. Visitor activity is particularly notable during summer events such as the Fireworks Extravaganza and Street Fair in July and the Fish Fest in September, which draw additional visitors to the community.

3.1.3 Outside Agency Services

The City does not provide any direct municipal services outside its jurisdictional boundary.

An exception is the Point Arena Pier, which extends over state tidelands and is owned and operated by the City under an agreement with the State Land Commission. Although the facility is managed by the City, it serves a regional user base that extends well beyond the City's boundaries.

The Pier provides ocean access for a small fleet of commercial fishing vessels, sport fishing operators, and recreational anglers. In addition to supporting commercial and recreational fishing activity, the Pier functions as a visitor destination and vantage point for observing the Pacific coastline, attracting visitors from across the region and beyond.

During preparation of this MSR, no requests were identified for the City to extend municipal services beyond its existing boundary.

3.2 General Administrative Services (General Government)

3.2.1 Staffing

Administrative functions for the City of Point Arena are conducted at City Hall, located at 451 School Street within the Veteran's Memorial Building. The City operates this facility under an agreement with Coastal Seniors, a local nonprofit organization. City Hall is open to the public Monday through Thursday from 9:00 a.m. to 3:00 p.m., with a one-hour closure for lunch.

City personnel based at City Hall include the City Manager/City Clerk, Administrative Assistant, and City Treasurer. Administrative services provided at this location include general city governance, coordination between the City Council and the public, business license issuance, permit processing, floodplain administration, emergency service coordination, and human resources functions.

In addition to City staff, several professional services are provided through contract arrangements. Contracted professionals include the City Attorney, City Engineer, Accountant, and independent City Auditor. The City also contracts with Wynn Coastal Planning for community development and planning services, and with the Mendocino County Planning and Building Services Department for building and inspection services. These contracted service providers coordinate closely with City staff and support administrative operations associated with City Hall.

3.2.2 Service Adequacy

3.2.2.1 CHALLENGES

The City faces numerous challenges, including significant financial strains as identified in fiscal years (FYs) 2023-24 and 2024-24. In March of 2024, the City had insufficient funds to pay staff wages. In response, the City implemented cost-cutting measures, reducing payroll by 50 percent by cutting staff from 9 to 5 positions and decreasing remaining staff hours by 20 percent, from 32 to 25 hours per week, including the Interim City Manager position. The City further cut expenditures to only essential costs by removing travel, deferred capital maintenance, and eliminating publications, memberships, and equipment purchases.

The City also approved a sales tax increase to generate an additional \$110,000 annually and implemented an indirect administrative fee of 15 percent to grants and other programs. In the coming year, the City Council will bring forward several initiatives for further discussion and Council action: new and/or adjustments for sewer, pier, and new event fees, restructure the business license tax, and restructure or

increase the Transient Occupancy Tax (TOT) (City of Point Arena 2025, pgs. 2-3). The rising cost of risk insurance and health care premiums have also created significant financial implications for the City (LAFCo 2025).

3.3 Street Maintenance

3.3.1 Service Overview

The Public Works Department is responsible for maintaining and repairing local streets within the City's jurisdiction. The department currently operates with approximately one FTE staff member who performs routine street maintenance activities. Typical duties include trash collection, street sweeping, minor pavement repair, and pothole filling.

3.3.2 Facilities and Capacity

The City maintains approximately 3.3 miles of public and private streets within its jurisdictional boundaries. This total does not include State Route 1 (Main Street and School Street), which are maintained by the California Department of Transportation (Caltrans).

Many of the City's streets were constructed several decades ago and typically lack modern design features such as substantial subbase layers, curbs, and gutters. As a result, major rehabilitation projects generally depend on the availability of state or federal grant funding.

A Pavement Management Report prepared in October 2012 evaluated the condition of the City's road network using the Pavement Condition Index (PCI), which ranges from 0 (worst condition) to 100 (best condition). The City's streets received an average PCI score of 75.5, indicating generally fair to good conditions overall. However, several streets were identified as requiring priority repairs, including Mill Street, Windy Hollow Road, and Riverside Drive. The report recommended targeted repairs along approximately 1,000 feet of Windy Hollow Road and 400 feet of Mill Street east of State Route 1. The Mill Street and Riverside Drive projects have been completed. The Windy Hollow Road project is ready for construction and is awaiting appropriation of funding.

3.3.2.1 INFRASTRUCTURE NEEDS

Each year, the City adopts a list of roadway projects identifying street segments that require rehabilitation or maintenance. The City annually approves, by resolution, a list of projects proposed to receive funding from the Road Maintenance and Rehabilitation Account (RMRA). The adopted resolution identifies the location and description of each project, the anticipated construction schedule, and the estimated useful life of the proposed improvements.

On June 24, 2025, the City adopted Resolution No. 2025-11 authorizing acceptance of approximately \$12,458 in funding for FY 2025-26 RMRA funding established under California SB 1 Road Repair and Accountability Act of 2017. This represents the eighth year that the City has received RMRA funding. RMRA funds support roadway maintenance and rehabilitation projects, safety improvements, and other transportation infrastructure needs that would otherwise be difficult for the City to fund through its limited local resources (City of Point Arena 2025i).

Recent funding is expected to address long-identified needs on Windy Hollow Road, which were first documented in the City's Pavement Management Report. The proposed project includes rehabilitation of approximately 0.6 miles of roadway within the City limits. Planned improvements include pavement

overlay, base repairs in areas with structural failure, and localized pavement patching along the City-owned portion of the roadway.

Additional infrastructure needs identified include:

- Riverside Drive and Center Street renovation
- East end of Mill Street reconstruction, including sidewalk, drainage and asphalt replacement
- Port Road rehabilitation, along with sidewalk replacement and additions along Main Street to Iversen Street, drainage improvements, and roadway resurfacing

3.3.3 Service Adequacy

3.3.3.1 CHALLENGES

Due to ongoing fiscal constraints, the City typically perform minimum necessary roadway repairs rather than comprehensive preventative maintenance activities such as routine crack sealing, chip sealing, or minor overlays. As a result, pavement conditions may deteriorate more rapidly than would occur under a fully funded maintenance program.

However, the City has recently secured grant funding to address several of its more significant roadway rehabilitation needs beginning in FY 2025-26. Additional information regarding planning roadway improvements and other infrastructure investments is provide in Section 2.4.

3.4 [Stormwater](#)

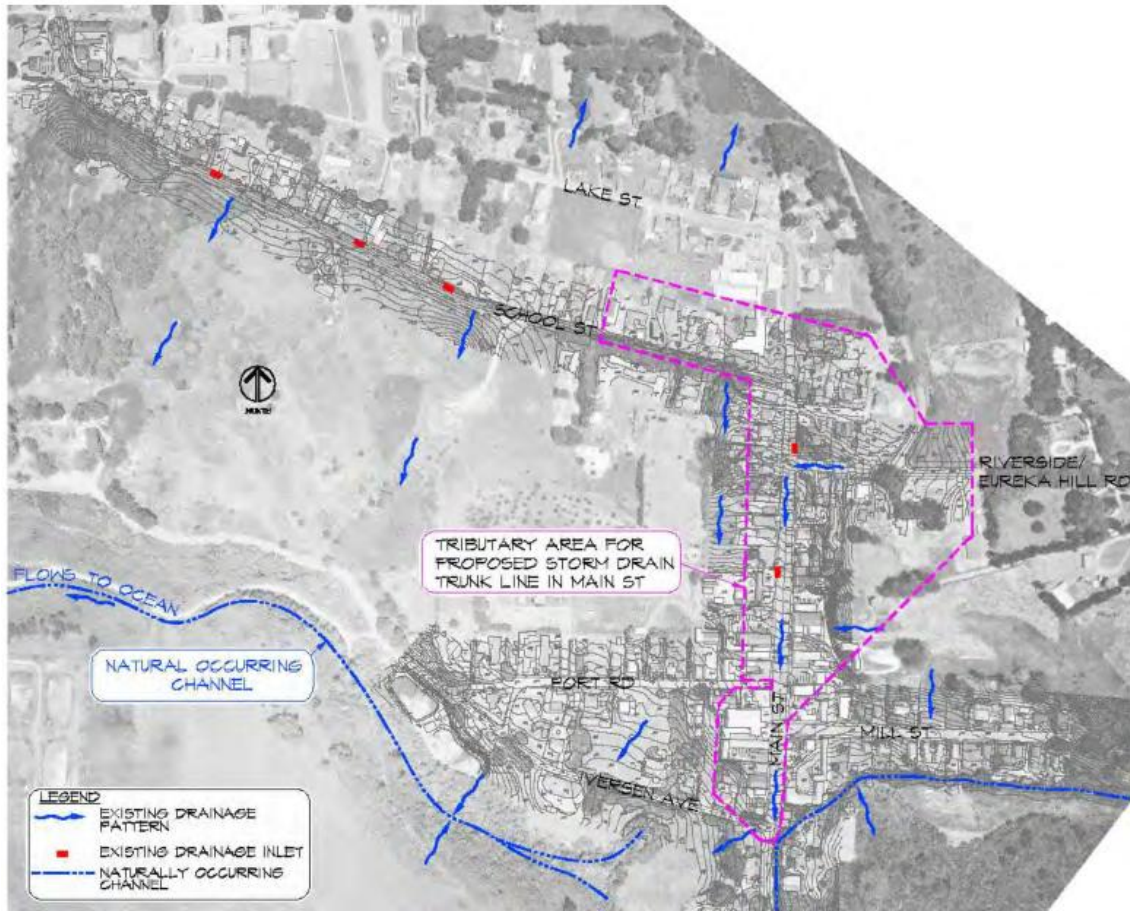
3.4.1 Service Overview

Stormwater management within the City is the responsibility of the Public Works Department. The City's Public Works staff maintains roadside ditches and drainage swales that convey stormwater runoff throughout the community. These stormwater-related duties are carried out by the City's Public Works employee as part of broader maintenance responsibilities.

3.4.2 Facilities and Capacity

Stormwater drainage within the City generally follows the area's natural topography. Runoff flows across hilly terrain into naturally occurring swales that ultimately drain to Arena Creek and Hathaway Creek, both of which discharge directly to the Pacific Ocean (Figure 3-1). Within developed portions of the City, stormwater infrastructure is limited. Most streets lack continuous curbs, gutters, and sidewalks, and drainage is primarily conveyed through roadside ditches that discharge to adjacent fields or natural drainage channels.

Figure 3-1 Existing Drainage Patterns



Source: Community Action Plan 2010

3.4.2.1 INFRASTRUCTURE NEEDS

The City's Community Action Plan, prepared in April 2010, identified several storm drainage improvements intended to address localized drainage concerns. Recommended projects included modifications to existing drainage patterns along Mill Street, Port Road, and Iverson Avenue, as well as installation of curb, gutter, and sidewalk improvements along the south side of School Street and both sides of Riverside Drive/Eureka Hill Road. Subsequent roadway rehabilitation projects on Riverside/Main Street and Mill Street included improvements that addressed some of the identified drainage issues.

3.4.3 Service Adequacy

Stormwater drainage within the City of Point Arena is generally adequate to manage typical runoff conditions due in part to the area's natural topography and reliance on natural drainage channels such as Arena Creek and Hathaway Creek. The existing system of roadside ditches and swales provides basic conveyance for stormwater throughout much of the City.

3.4.3.1 CHALLENGES

The City faces challenges in maintaining and improving its stormwater infrastructure due primarily to limited staffing and financial resources. With only a small public works workforce responsible for multiple maintenance functions, the City's capacity to implement identified drainage improvements or undertake

proactive maintenance is constrained. As a result, capital improvements identified in planning documents, such as those recommended in the City’s Community Action Plan, have largely depended on the availability of grant funding or the incorporation of drainage improvements into larger roadway rehabilitation projects.

Despite these limitations, the City continues to address stormwater issues on an as-needed basis through routine maintenance and targeted improvements when funding opportunities arise. Continued investment in drainage infrastructure and additional maintenance capacity would help improve system reliability and reduce localized drainage concerns over time.

3.5 Parks and Facilities

3.5.1 Service Overview

Maintenance of public parks and recreational facilities within the City is the responsibility of the Public Works Department. Park maintenance responsibilities are carried out by the City’s Public Works staff, including one Maintenance Worker II, who is responsible for maintaining park facilities and other publicly used grounds throughout the City.

Although the City does not operate a formal recreation program, residents have access to recreational activities through the Mendocino Coast Recreation and Park District (MCRPD). The MCRPD provides recreational programming throughout its service area, which extends from Gualala to Westport, and periodically within the City.

Programs offered by MCRPD in Point Arena have included community tournaments and recreational activities such as cornhole and horseshoe events, theater camp hosted at the Arena Theater, and seasonal programs such as skate nights and youth activities. These programs provide recreational opportunities for residents and visitors while utilizing existing community facilities within the City.

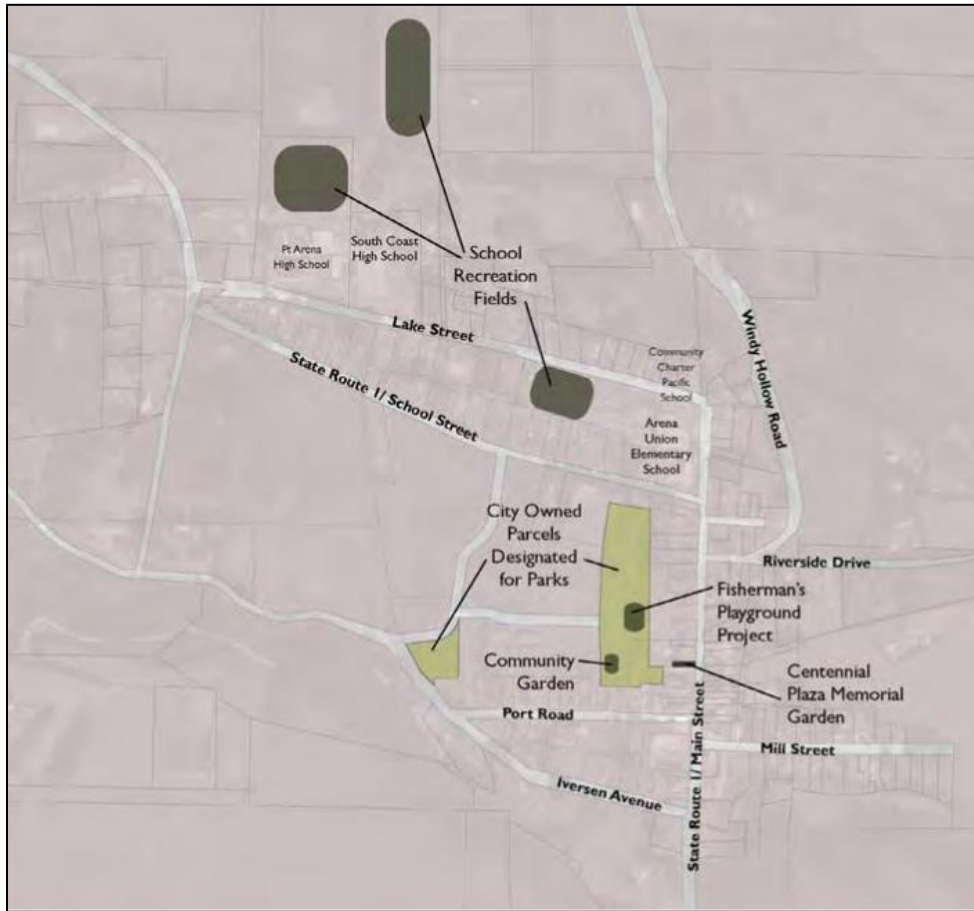
3.5.2 Facilities and Capacity

The City owns three public parks: Arena Cove Park (0.25 acres), Downtown Park, which includes Centennial Plaza and Fisherman’s Playground (2.1 acres), and Rock Wall Park (1.5 acres). Collectively, these facilities provide approximately 3.85 acres of park land, with an estimated capacity to accommodate approximately 875 visitors (City of Point Arena 2025). See Figure 3-2.

In addition to park facilities, the Public Works Department maintains several other publicly owned or publicly utilized properties and facilities. These include coastal trails, the Veteran’s Memorial Building (which houses City Hall), and the Arena Cove and Pier area, which functions as both a working waterfront and a public recreation destination. The Arena Cove hosts several large community events each year, including the Fireworks Extravaganza and Street Fair in July and the Harbor Fish Fest in September. The Pier structure and adjacent upland areas are owned by the City, while the tidal waters fall under the jurisdiction of the California State Lands Commission.

In 2015, the City initiated a Trails, Open Space and Parks strategic planning effort to identify opportunities to enhance recreational amenities and improve connections between City parks and surrounding coastal lands. One of the primary objectives was to develop trail linkages between parks within the City and the nearby Point Arena-Stornetta Public Lands. The planning effort was ultimately discontinued before implementation of the proposed improvements.

Figure 3-2 Existing Park Locations in Point Arena



Source: Community Action Plan, 2010.

In 2011, the City acquired the property now known as Rock Wall Park. The site has remained largely undeveloped and is currently used primarily for winter boat storage and event parking. The City is exploring redevelopment of the site as a seasonal campground facility retaining its existing uses. The proposed project would include construction of restroom facilities and ten campsites (seven tent sites and three cabins) intended to operate seasonally from May through September. Preliminary feasibility and biological resources studies have been completed, and as of July 2025 the City is gathering community input in preparation for a coastal development permit analysis and future City Council consideration (see Figure 3-3: Draft Proposed Campground at Rock Wall Park).

Figure 3-3: Draft Proposed Campground at Rock Wall Park



Source: City of Point Arena.

3.5.3 Service Adequacy

Park maintenance and facility upkeep are performed by the Public Works Department, which must balance park maintenance responsibilities with other essential infrastructure and facility maintenance duties.

3.5.3.1 CHALLENGES

The City has experienced financial challenges in recent years, which have further constrained its ability to invest in park improvements and maintenance. Consequently, many capital improvements to parks and recreational facilities depend on the availability of external grant funding. While existing parks are generally maintaining and enhancing park facilities.

3.6 Harbor and Pier Operations

3.6.1 Service Overview

The boundary of the City surrounds Arena Cove, which contains the Arena Cove Harbor and municipal pier facilities. Harbor and pier operations are managed by the City's Harbor and Pier Operations Department, which consists of approximately one FTE position. Operations are overseen by the Harbor Supervisor, with additional assistance provided by a Pier Attendant.

The municipal pier operates as a City enterprise activity. Revenue is generated through several sources, including boat hoist fees, boat storage fees, and a poundage fee on commercially-harvested seafood. As a result, pier revenues fluctuate with the productivity of local fisheries. Increased fishing activity generally results in higher revenue through hoist usage and seafood landings, while lower harvest levels correspondingly reduce pier-related revenues.

Since FY 2016-17, the City has subsidized a significant portion of the pier’s operating costs, resulting in ongoing financial impacts to the City’s discretionary funds.

3.6.2 Facilities and Capacity

Arena Cove is designated as an historic district and contains several historic facilities associated with the former U.S. Coast Guard presence, including the Coast Guard Inn (a historic residence) and the Coast Guard Boat House, which historically served as a rescue boat launch site.

Harbor facilities include a fishing pier measuring approximately 320 feet in length and 28 feet in width. The structure consists of 37 steel pipe piles supporting precast concrete pile caps and deck panels, topped with an asphalt pavement surface. Additional structural elements include guardrails, ladders, utilities, and a gangway providing access to a boarding float (Moffatt & Nichol 2022, pg. 2).

Figure 3-4 The Pier at Point Arena Cove



Source: Moffat & Nichol 2022.

Additional harbor amenities include:

- A boat launch and hoist facility
- Parking areas for vehicles and boat trailers
- Restroom and shower facilities
- Picnic tables and fish-cleaning stations

Parking is provided at no cost, and fishing from the pier does not require a fishing license. A small commercial fishing fleet operates Arena Cove, landing species such as salmon, crab, and sea urchin, which are sold locally. The harbor also supports a range of recreational activities including wildlife viewing, kayaking, abalone diving, surfing, and recreational boating.

Fees for use of the pier for both commercial and recreational use are summarized below in Table 3-1.

Table 3-1: Point Arena Pier Fees		
Services	Rate	Details
Boat Launch	\$45.00	Launched and landed
Boat Launch Pass	\$300.00	10 launches (\$30 per launch).
Boat Storage	\$75/month	Storage
Boat Storage Annual Pass	\$750	12 months for price of ten; 2 months free
Showers	\$3 / 2 for \$5	3 minutes
Product Hoist	\$15 per use	Up and down use
Skiff Hoist	\$50 annual fee \$50 lost key	Exclusive use of the motorized skiff hoist
Yellow Hoist	\$60/hour	Exclusive use of hoist for non launch/landing operations; cannot disrupt regular hoist operations.
Forklift	650/hour	Exclusive use of forklift for extended operations during peak seasons.

Source: City of Point Arena 2023.

3.6.2.1 INFRASTRUCTURE NEEDS

The original wood pier at Arena Cove was destroyed during El Niño storms in 1983, prompting a series of actions led by the California Coastal Conservancy to restore harbor access. In 1984, the Conservancy funded a feasibility study and design work for a replacement pier. Later that year, the Conservancy awarded a \$265,000 grant to the City to acquire approximately 38 acres in Arena Cove to support harbor and pier reconstruction.

The replacement pier was constructed in 1985 using steel pipe with precast concrete caps and deck panels. The project cost approximately \$1.97 million, including a \$200,000 grant from the Coastal Conservancy, and was designed with an estimated 30-year service life (Coastal Conservancy 2023).

Significant repairs were completed in 1991, including installation of a protective pile wrap system designed to reduce corrosion of steel piles. Rubber sleeves were also installed around structural piles to extend the pier’s structural lifespan. Although the pier remained in service well beyond its anticipated design life, ongoing maintenance and repairs are required (Mofatt & Nichol 2022, pg. 3).

In December 2022, at the direction of the California State Lands Commission, the City retained Moffatt & Nichol to prepare a structural condition assessment of the pier. The report determined that the structure was in “Fair” condition at the time of inspection. While most primary structural components remained functional with minor to moderate deterioration, localized areas of major deterioration were also identified (Moffatt & Nichol 2022, pg. 35).

In response to these findings, the Coastal Conservancy confirmed in November 2023 that it would award the City up to \$485,000 to develop the Arena Cove Harbor Access and Resilience Plan. The planning effort will include engineering, environmental review, and conceptual design work to identify improvements intended to protect and enhance harbor access and operations. The project will also address climate resilience, including sea level rise and increased storm surge protections. (Coastal Conservancy 2023)

Development of the plan is into two phases:

- Phase 1 (2025): Planning, engineering, environmental review, and permitting
- Phase 2 (2026-27): Project management, bidding, and construction implementation

3.6.3 Service Adequacy

The Arena Cove Harbor and municipal pier provide an important working waterfront facility for the community, supporting both commercial fishing activity and recreational use. The facility attracts visitors from across the region and serves as a focal point for tourism and coastal recreation within the City.

3.6.3.1 CHALLENGES

The primary challenges associated with harbor and pier operations relate to aging infrastructure, fluctuating revenue sources, and limited municipal financial capacity. Because pier revenues are directly tied to the productivity of local fisheries, income can vary significantly from year to year. At the same time, the structure has exceeded its original design life and requires ongoing maintenance and future capital investment.

In addition, the City’s limited staffing and financial resources constrain its ability to independently fund major capital improvements. As a result, long-term maintenance and rehabilitation of harbor infrastructure are expected to continue to depend heavily on state grants and external funding sources. The ongoing development of the Arena Cove Access and Resilience Plan represents an important step toward identifying and prioritizing needed improvements to maintain safe and reliable harbor operations.

3.7 Wastewater Services

3.7.1 Service Overview

The City operates a municipal wastewater collection and treatment system that serves residents and businesses within the City. The original sewer system is reported to have been constructed in the early 1930s. The current treatment facility, a facultative lagoon system, was placed into service in 1982, replacing the communities earlier septic system. Portions of the collection system were slip-lined with polyethylene in the early 1980s, and additional service was extended to the northern commercial and residential areas of the City in 2002.

Today, the wastewater system serves a population of approximately 445 residents, the local school district with approximately 600 students, and numerous commercial establishments. The wastewater treatment plant (WWTP) is a secondary treatment facility designed to treat an average dry weather flow (ADWF) of

57,000 gallons per day (0.057 MGD), and a peak wet weather flow (PWWF) of up to 860,000 GPD (0.86 MGD) (LAFCo 2025). The collection system includes 184 lateral connections, equivalent to approximately 364 equivalent standard dwelling (ESD) connections.

Available data through 2023 indicate an average daily flow of approximately 0.05 MGD and a peak daily flow of approximately 0.65 MGD (LAFCo 2025). Recent wastewater flow data are summarized in Table 3-2.

Table 3-2: Point Arena Wastewater Flow Data						
Parameter (MGD)	2019	2020	2021	2022	2023	Average
Average Daily Flow	0.053	0.0269	0.0318	0.0271	0.045	0.03676
Average Dry Weather Flow	0.035	0.029	0.028	0.03	0.032	0.0308
Average Wet Weather Flow	0.202	0.055	0.047	0.068	0.184	0.1112
Maximum Daily Flow	0.646	0.169	0.385	0.143	0.343	0.3372
Maximum Monthly Flow	4.192	1.94	2.13	1.625	3.929	2.7632

Source: LAFCo 2025.

3.7.2 Facilities and Capacity

The wastewater collection system consists of approximately 10,570 feet of 5.5- to 6-inch gravity sewer lines, 38 manholes, and two City-owned lift stations at Arena Cove and Cypress Meadows on the north end of the City. Wastewater treatment is provided through a facultative lagoon system that utilizes mechanical aeration and natural biological processes to achieve secondary standards (SHN 2023).

Wastewater enters the treatment facility through a 10-inch gravity main into the headworks, where larger solids are screened using a fixed bar screen. Smaller solids are shredded using a flow-through grinder before passing through a six-inch Parshall flume, which measures influent flow via a sonic monitoring device (SHN 2019).

From the headworks, wastewater is routed to either the north or south lagoon through a distribution box and variable slide-gate system. Biological treatment occurs in the aerated lagoons, each equipped with floating aerators that provide mixing and oxygenation. After an average detention time of approximately 2.4 days, treated effluent flows to a chlorine mixing chamber for disinfection before being conveyed to percolation ponds for groundwater recharge (City of Point Arena 2017).

Treated wastewater is discharged to four percolation ponds, each approximately 17,000 square feet (0.40 acres) in size, located on the south bluff along Bluff Top Road. The ponds are constructed of bentonite-lined and air-placed concrete and are capable of operating in series or parallel configurations to allow flexibility for maintenance and operational needs. (LAFCo 2015a)

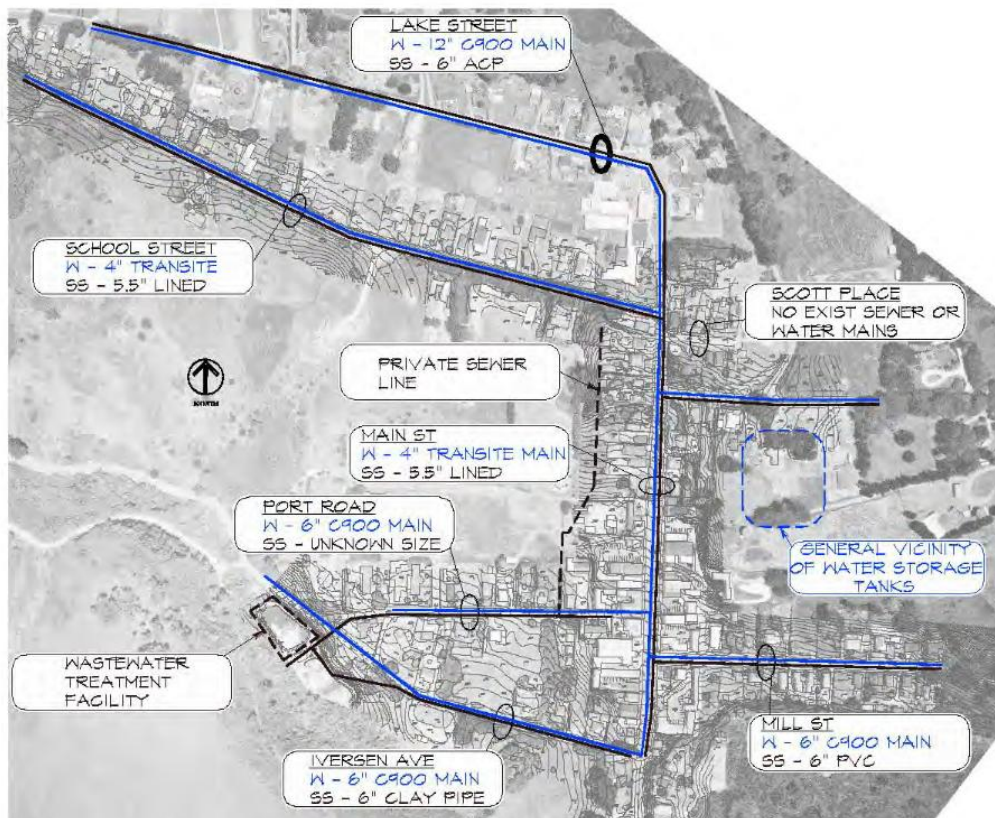
See Figure 3-5 for the wastewater treatment system and Figure 3-6 for existing sewer collection lines.

Figure 3-5: Point Arena WWTP Facilities



Source: City of Point Arena 2017.

Figure 3-6 Existing Sewer Collection Lines and Water Service Lines



Source: Community Action Plan 2010

During heavy rainfall, percolation rates may not keep pace with effluent flows. In these instances, a nearby spray field is used as supplemental discharge capacity.

The system currently operates at approximately 27 percent of its design capacity, a level that has remained relatively consistent over the past several decades (City of Point Arena, 2019). Based on this available capacity, the WWTP is considered capable of meeting both existing wastewater demands and projected buildout within the City (LAFCo 2025).

Wastewater operations are overseen by a Wastewater Maintenance Supervisor (Chief Plant Operator), who serves as the City's authorized representative for regulatory reporting to the North Coast Regional Water Quality Control Board (NCRWQCB). The City Manager works in coordination with the Chief Plant Operator to manage system operations and develop the annual wastewater system budget.

The facility is staffed by one FTE utility operator and a part-time operator-in-training who assist with day-to-day operations. Staff are available on a rotating schedule, including weekend coverage and 24-hour on-call availability for emergency response. Cross training is encouraged to ensure operational coverage across all system components, and training opportunities are included in the City's annual budgeting process (City of Point Arena 2017).

3.7.2.1 INFRASTRUCTURE NEEDS

The lagoon treatment system is designed to operate primarily in series, with the south lagoon discharging to the north lagoon, although the system can also operate in parallel or with individual lagoons temporarily taken offline for maintenance (City of Point Arena 2017).

A key infrastructure challenge affecting the wastewater system is inflow and infiltration (I&I). During wet weather events, stormwater enters the sewer collection system through aging pipes, joints, and other infrastructure defects. This condition increases overall system flows and places additional strain on treatment facilities. I&I is common in many North Coast communities due to aging infrastructure, seasonal rainfall patterns, seismic conditions, and high groundwater levels.

Each year, the Public Works Department evaluates system components to identify areas requiring repair, rehabilitation, or replacement. Projects are prioritized based on need and available funding. When funding is insufficient for full replacement projects, the City implements interim maintenance measures such as pipe televising, localized repairs, root removal, or other targeted maintenance activities to prevent system failures.

Short-term capital improvements may include pipe patching, lateral replacements, and root removal. Longer-term projects may involve replacement of sewer main segments or upgrades to treatment facilities. The City publishes a Capital Improvement Plan (CIP) annually that include a five-year projection of major infrastructure improvements and equipment needs. (City of Point Arena 2017).

In 2019, the City successfully obtained a planning grant through the Clean Water State Revolving Fund (CWSRF) for the Point Arena Infiltration, Inflow, and Pipeline Capacity Project. The City received \$435,800 in funding. In 2024, CWSRF and the City amended the agreement for an estimated \$841,400 in funding (State Water Board Division of Financial Assistance 2024). The project includes collection system improvements and wastewater treatment facility upgrades which had been previously unaddressed due to funding shortfalls. The system improvements will reduce the frequency of I&I and sanitary sewer overflows, decrease health and safety risks to treatment plant staff, and improve the reliability of the

wastewater system (SHN 2022, pg. 36). The project deliverable included the development of construction documents for the replacement and improvement of the City’s pipeline system.

In a CWSRF Project Financing Forecast for State FY 2024-25, the City of Point Arena is noted as requesting \$9,000,000 in funding from the Small Community Wastewater (SCWW) program for a proposed sewer collection system and wastewater treatment facility. As of December 2024, the application status was listed as incomplete (CWSRF 2024, pg. 6).

3.7.2.2 ENGINEERING REPORTS

In 2017, the City adopted a Sewer System Management Plan (SSMP) as required under the statewide Waste Discharge Requirements for sanitary sewer systems issued by the California State Water Resources Control Board (SWRCB). The SSMP outlines procedures for operation, maintenance, and emergency response associated with the City’s wastewater collection system and is required for all sewer systems greater than one mile in length (SWRCB Order No. 2006-0003-DWQ).

3.7.2.3 REGULATORY PERMITS AND COMPLIANCE HISTORY

The City’s wastewater system operates under waste discharge requirements issued by the North Coast Regional Water Quality Control Board, including Waste Discharge Requirements Order No. R1-2022-0015, which replaced Order No. R1-2003-001.

A summary of the City’s regulatory measures as identified by SWRCB is shown below in **Error! Reference source not found.** The City has maintained an active permit with SWRCB since 1990 (SWRCB 2025a).

Table 3-3: City Regulatory Measures

Reg Measure ID	Reg Measure Type	Region	Program	Order No.	WDID	Effective Date	Expiration Date	Status	Amended
448294	WDR	1	WDRMUNILRG	R1-2022-0015	1B80045 OMEN	6/9/22	6/9/32	Active	N
261054	Letter	1	WDR	001	1B80045 OMEN	8/6/03		Historical	N
131628	WDR	1	WDRMUNILRG	R1-2022-0015	1B80045 OMEN	1/23/03	1/23/13	Historical	N
138700	WDR	1	WDRMUNILRG	96-015	1B80045 OMEN	3/28/96	3/26/06	Historical	N
138016	WDR	1	WDRMUNILRG	80-045	1B80045 OMEN	4/24/80	4/22/90	Historical	N

Source: SWRCB 2025a.

The City has maintained an active wastewater permit with the State since 1990 (SWRCB 2025a). Regulatory compliance data maintained by the SWRCB indicate that the City as received 18 reported violations since August 2020, most related to suspended solids exceedances (SWRCB 2025a). A summary of the regulatory measures is provided in Table 3-3, and related violations are illustrated in Figure 3-7.

Figure 3-7: SWRCB Point Arena WWTP Violations

Violation ID	Occurred Date	Violation Type	(-) Violation Description	Corrective Action	Status	Classification	Source
1114850	03/16/2023	LREP	Failed to submit monthly monitoring report for February 2023 monitoring period.		Violation	B	Report
1114849	02/16/2023	LREP	Failed to submit monthly monitoring report for January 2023 monitoring period.		Violation	B	Report
1114848	01/17/2023	LREP	Failed to submit monthly monitoring report for December 2022 monitoring period.		Violation	B	Report
1114847	12/16/2022	LREP	Failed to submit monthly monitoring report for November 2022 monitoring period.		Violation	B	Report
1114846	11/16/2022	LREP	Failed to submit monthly monitoring report for October 2022 monitoring period.		Violation	B	Report

Report displays most recent five years of violations. Refer to the [Interactive Violation Report](#) for more data.

Total Violations: 5	Priority Violations: 0
----------------------------	-------------------------------

Source: SWRCB 2025a.

3.7.2.4 SANITARY SEWER SPILLS

Sanitary sewer spills occur when sewage is discharged from the sewer system due to operational failure, infrastructure damage, or system overflows. Spill reports are tracked through a statewide reporting system maintained by the SWRCB under the Statewide Sanitary Sewer Systems Order (WQO No. 2022-0103-DWQ).

A review of the State’s incident reporting database identified eight sanitary sewer spill events associated with the City’s system. The most recent incident occurred in 2020 (SWRCB 2025b).

City procedures require staff to report sanitary sewer spills within two hours of notification, regardless of spill size. When a spill occurs, the wastewater plant operator contacts the California Office of Emergency Services (Cal OES), the NCRWQCB, and the Mendocino County Environmental Health Department. Response personnel first assess the situation, contain the discharge, and return spilled wastewater to the system whenever feasible. For spills exceeding 1,000 gallons, additional agency notifications are made after immediate response actions have been taken (City of Point Arena 2017).

3.7.3 Service Adequacy

Overall, wastewater treatment and disposal services within the City appear to be adequate for current service demands. The treatment plant operates well below its design capacity and is capable of accommodating projected future growth within the City.

3.7.3.1 CHALLENGES

The primary operational challenge affecting the wastewater system is I&I within the aging sewer collection system. Wet weather flows significantly increase system loading during storm events. Although system upgrades and targeted repairs have reduced I&I impacts over time, it remains an ongoing operational concern.

The City is currently pursuing grant funding to replace portions of the wastewater collection system’s main lines. These improvements are expected to reduce I&I by approximately 50 percent, improving system efficiency and reducing treatment demands during wet weather periods (LAFCo 2025).

3.8 Outside Municipal Service Providers

Several municipal services within the City of Point Arena are provided through contracts with other public agencies or private utilities. These arrangements allow the City to access specialized services and maintain service levels while operating with a small municipal workforce.

3.8.1 Community Development

Community development services are provided through contracted professional services with Wynn Coastal Planning, which assists the City with planning and development review functions. Building permit review, inspections, and related services are provided through a contract with the Mendocino County Planning and Building Services Department. These arrangements enable the City to process development permits and provide building inspection services without maintaining in-house planning and inspection staff; 21 coastal development permits have been issued since the beginning of 2021.

3.8.2 Law Enforcement

Law enforcement services for the City are provided by the Mendocino County Sheriff's Office²⁰ (MCSO). Deputies assigned to the Fort Bragg substation provide coverage for the City as well as the surrounding unincorporated coastal areas between the Navarro River (State Route 128) and Gualala near the county line. Services are typically provided by two deputies and one lieutenant assigned to the region; however, the designated resident deputy position has been vacant for an extended period.

The City funds these services through its annual Community Oriented Policing Services (COPS) grant, which provides a lump-sum contract for law enforcement coverage. Actual expenditures may vary annually depending on service needs (see Section 2.4). The MCSO provides personnel, vehicles, equipment and administrative support. Dispatch services are coordinated through the MCSO in Ukiah, with coordination among local fire departments, emergency medical providers, and the California Highway Patrol (CHP).

Call volumes in the Point Arena area are generally considered light, although law enforcement presence is typically maintained during higher activity periods such as weekend evenings. Individuals taken into custody are transported to the County jail facility in Ukiah, often with a transfer between deputies in Boonville during transport.

3.8.3 Fire Protection and Emergency Services

Fire protection and emergency response services within the City are provided by the Redwood Coast Fire Protection District (RCFPD). The district was formed in 1997 through consolidation of the Redwood Coast Volunteer Fire Department, which included the Point Arena Volunteer Fire Department, and the Garcia Fire and Rescue Volunteer Fire Department. The district services coastal communities from Irish Beach south to Schooner Gulch and operates fire stations in Irish Beach, Manchester, and Point Arena.

The Point Arena station, located at 282 Lake Street, is a five-bay facility constructed in 2003. The district has an Insurance Services Office (ISO) rating of 8 within the City and 9 in surrounding rural areas.

Water supply for firefighting is provided by Point Arena Water Works, Inc. (PAWW). The system includes 43 fire hydrants served by 12-inch and 6-inch distribution lines and two water storage tanks with a combined capacity of approximately 557,000 gallons, providing roughly a six-hour supply at a fire flow of

²⁰ More information about the Mendocino County Sheriff's Office can be found online: [Mendocino County Sheriff's Office](#).

1,500 GPM. Additional supply of approximately 132 GPM can be delivered through the system's main pump.

Emergency medical transport services are provided by the Coast Life Support District²¹ (CLSD). The district operates ambulance services and provides emergency response training for fire departments. CLSD is a bi-county agency that serves coastal areas of southern Mendocino and northern Sonoma County, including the Point Arena area, and maintains an ambulance housed at the Point Arena fire station.

3.8.4 Water

Potable water service within the City is provided by PAWW, a private Class D water company that provides potable water utility regulated by the California Public Utilities Commission (CPUD). PAWW's service area generally coincides with the City boundaries.

The system's primary water source is the Garcia River, supplemented by groundwater wells including one 24-inch well, one 12-inch well, and three additional wells located at Whiskey Shoals. Annual water production averages approximately 12,370 centum cubic feet (CCF)²², equivalent to roughly 9.2 million gallons or 28.4 acre-feet per year (AFY) (LAFCo 2018). Average residential water use is approximately 87 gallons per customer per day, reflecting relatively low consumption levels.

PAWW maintains storage capacity through a 285,000-gallon concrete tank and a 272,000-gallon wooden tank. The distribution system includes approximately 46,000 linear feet of pipeline, primarily consisting of 6-inch, 8-inch and 12-inch lines, with some smaller 2-inch and 4-inch lines still in use (LAFCo 2018).

The system currently serves 201 customers²³, including 139 are residential connections and 62 commercial or industrial connections, along with 30 inactive connections. All services are metered. Based on current water use and supply allocations, the system may be capable of serving another approximately 450 additional connections, for a total of approximately 685 water connections under the utilities current allocation of 100 AFY.

Although overall system conditions are considered generally adequate, a 2004 Water System Master Plan and Feasibility Analysis identified limitations related to storage capacity and fire flow in portions of the system. Fire flow limitations are most notable in Zone 1 (downtown) where 6-inch water lines remain in service. Replacement of these lines is expected to occur as funding becomes available (LAFCo 2018).

3.8.5 Solid Waste Services

Solid waste collection and recycling services within the City are provided by Redwood Waste Solutions under a franchise agreement with the City. The service provider pays a franchise fee to the City in exchange for exclusive waste collection services.

Curbside collection for both garbage and recycling occurs weekly on Friday and serves both residential and commercial customers. Redwood Waste Solutions also operates a recycling center at the Point Arena

²¹ The principal LAFCo for Coast Life Support District is Sonoma County. More information about CLSD can be found on their website: [Coast Life Support District](#).

²² A centum cubic feet (CCF) represents one hundred cubic feet of water, which equates to 748 gallons.

²³ The most recent data found on PAWW customer data is a 2024 report obtained from the California Public Utilities website: [Point Arena Water Works 2024 Annual Report](#) and the [State Drinking Water Information System](#).

Pier at the end of Port Road, where recyclable materials are accepted at no charge. Accepted materials include newspaper, cardboard, office paper, glass food and beverage containers, steel cans, aluminum cans, and plastic food and beverage containers. (City of Point Arena 2025)

3.9 MSR Determinations

Pursuant to [GC §34000 and the following \(et seq.\)](#), the Commission does hereby establish the functions and classes of services provided by the City of Point Arena as limited municipal services.

This section presents the required MSR determinations pursuant to [GC §56430\(a\)](#)²⁴ for the City of Point Arena.

3.9.1 MSR Review Factors

3.9.1.1 GROWTH

Growth and population projections for the affected area

1. The City of Point Arena has land use authority within its jurisdiction and maintains a General Plan, Zoning Ordinance, and Local Coastal Program that guide existing and future development. Lands adjacent to the City are regulated by the County of Mendocino through its General Plan and zoning code.
2. The City’s population has remained relatively stable over the past two decades, declining from 474 residents in 2000 to 449 residents in 2010 and increasing slightly to approximately 460 residents in the 2020 census.
3. California Department of Finance projections indicate that Mendocino County’s population is expected to decline slightly from 91,601 residents in 2023 to approximately 89,091 residents by 2033 and remain relatively stable through 2043.
4. Approximately 217 parcels within the City are developed with residential uses and 39 additional parcels are zoned for residential development, indicating the City is approximately 84.8 percent built out under current zoning.
5. The City’s Regional Housing Needs Allocation for the 2019–2027 housing cycle is nine housing units, reflecting the City’s small population base and limited projected growth.
6. The City’s Housing Element identifies theoretical capacity for approximately 282 housing units on vacant or underutilized parcels; however, this capacity substantially exceeds projected housing demand. Based on historic population trends and regional projections, minimal population growth is anticipated.

3.9.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

7. Data prepared by the California Department of Water Resources does not identify the City of Point Arena as an economically disadvantaged community based on median household income levels. In addition, the City is an incorporated municipality and therefore does not meet the statutory definitions of a disadvantaged unincorporated community under Government Code §56033.5.

²⁴ GC §56430(a) (2024) can be found here: [California Government Code § 56430 \(2024\) :: 2024 California Code :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

8. Lands adjacent to the City are predominantly rural and characterized by agricultural uses, open space, and low-density residential development. Settlement patterns in the surrounding area are dispersed and do not reflect the concentrated residential development typically associated with disadvantaged unincorporated communities.
9. Municipal services in the Point Arena area are provided through a combination of agencies. The City provides wastewater service within its jurisdictional boundaries, structural fire protection services are provided by Redwood Coast Fire Protection District, and potable water service is provided by Point Arena Water Works, Inc., a privately owned water utility. These services are generally adequate to serve existing development within the City and surrounding area.
10. Municipal services in the Point Arena area are provided through a combination of agencies. The City provides wastewater service within its jurisdictional boundaries, structural fire protection services are provided by the Redwood Coast Fire Protection District, and potable water service is provided by Point Arena Water Works, Inc. Consistent with Government Code §56430 and SB 244 requirements, this MSR evaluated the availability and adequacy of public water, wastewater, and structural fire protection services in areas within or contiguous to the City's Sphere of Influence.

3.9.1.3 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

11. The City of Point Arena was incorporated on July 11, 1908, as a General Law City and functions as a multi-service provider within its jurisdiction, The City directly provides wastewater treatment, harbor and pier operations, street maintenance, stormwater drainage, and park maintenance services.
12. Other essential municipal services are provided by external agencies and utilities. Potable water service is provided by Point Arena Water Works, Inc., a privately owned water utility; structural fire protection and emergency response are provided by Redwood Coast Fire Protection District; and law enforcement is provided by the Mendocino County Sheriff's Office.
13. The City's wastewater system serves approximately 460 residents, the local school district serving approximately 600 students, and multiple commercial establishments within the City limits.
14. The City's wastewater treatment plant is designed to treat an average dry weather flow of approximately 57,000 gallons per day (0.057 MGD) and currently operates at approximately 27 percent of its design capacity.
15. Average wastewater flows are approximately 0.05 MGD with peak daily flows of approximately 0.65 MGD, indicating adequate treatment capacity to serve existing development and projected future demand.
16. Inflow and infiltration within the wastewater collection system has been identified as an operational challenge. The City has identified infrastructure improvements intended to reduce these conditions as part of ongoing maintenance and capital planning.
17. Water service within the City is provided by Point Arena Water Works, Inc., which currently serves approximately 201 connections and has the potential to accommodate additional connections under its existing water supply allocation. While the system is generally considered adequate to meet existing demand, localized infrastructure limitations related to storage capacity and fire flow have been identified in portions of the system.

18. Structural fire protection services are provided by the Redwood Coast Fire Protection District, which operates a fire station within the City. The district maintains an Insurance Services Office (ISO) rating of 8 within the City limits and provides fire suppression and emergency response to the surrounding coastal region. Fire protection water supply is provided by the Point Arena Water Works distribution system and associated storage tanks and hydrant network.
19. The City owns and operates the Arena Cove Harbor and municipal fishing pier, which functions as both a working waterfront supporting a small commercial fishing fleet and a public recreational facility. The pier has exceeded its original design life and requires ongoing maintenance and long-term rehabilitation planning. The City is currently pursuing state funding to complete the Arena Cove Harbor Access and Resilience Plan to guide future improvements and enhance resilience to coastal hazards.
20. The City has identified infrastructure needs including rehabilitation of aging wastewater collection system components, roadway improvements, and long-term maintenance of harbor infrastructure. Due to the City's limited financial resources, many capital improvements are dependent upon the successful acquisition of state and federal grant funding.

3.9.1.4 FINANCIAL ABILITY OF AGENCY

Financial ability of agencies to provide services

21. The City of Point Arena operates with a limited revenue base reflective of its small population, constrained tax base, and rural coastal setting. Municipal revenues are derived from a combination of property tax, sales tax, transient occupancy tax, intergovernmental funding, service fees, and enterprise revenues.
22. The City experienced significant fiscal challenges during fiscal years 2023-24 and 2024-25. In response, the City implemented reductions in staffing and operational expenditures and pursued additional revenue sources to stabilize its financial condition. These actions represent initial steps toward improving the City's financial stability.
23. Approximately 85 percent of the City's revenues are generated from three major sources: Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. This revenue structure reflects the City's reliance on external funding sources and enterprise revenues to support municipal operations and infrastructure improvements.
24. As of December 2025, the City's long-term debt totaled approximately \$300,000 and is associated with financing used to support capital improvement projects.
25. The City's wastewater enterprise fund generates revenue through user fees. Wastewater service rates were last adopted through a rate study and Proposition 218 process in 2016, and the City plans to conduct a new rate study in 2026 to evaluate the adequacy of existing rates to support ongoing operations, maintenance, and capital needs.
26. As reported in the City's FY 2023-24 audited financial statements, the City does not maintain reserves for capital expenditures and organizational reserves have been reduced to nominal levels. The audit indicates that management has relied on a temporary line of credit to address cash flow deficits and identified conditions that could affect the City's ability to continue as a going concern if corrective financial measures are not maintained.
27. Although the City has identified a long-term goal of increasing reserves to approximately 25 percent, the City does not currently maintain a formal policy governing reserve levels. Development and

adoption of a formal reserve policy could support long-term financial planning and improved fiscal stability.

28. The City maintains a Capital Improvement Plan (CIP) identifying priority infrastructure projects and anticipated funding sources. The current CIP covers the planning period from FY 2020 through 2026 and was most recently updated on June 25, 2024.
29. Several essential services within the City are provided by external agencies or utilizes, including potable water service, structural fire protection, and law enforcement. These agencies maintain independent financial structures that support service delivery within the region.
30. Although the City continues to face fiscal constraints typical of small rural municipalities, ongoing financial management efforts, pursuit of external funding sources, and long-term financial planning are intended to support the City's ability to maintain municipal services and address infrastructure needs.

3.9.1.5 SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities

31. The City utilizes several shared facilities and cooperative service arrangements with other public agencies and organizations to support service delivery while operating with limited staffing.
32. Fire protection services are provided by the Redwood Coast Fire Protection District and emergency medical services are provided by the Coast Life Support District through cooperative service arrangements. Both agencies operate from a fire station within the City that serves both City residents and surrounding unincorporated areas.
33. City administrative offices are located within the Veterans Memorial Building under an agreement with Coastal Seniors, and the City contracts for planning, building inspection, engineering, accounting, and legal services.
34. The City shares space at the County of Mendocino Public Works Yard in Point Arena for storage of maintenance equipment.
35. The City maintains public parks and recreational facilities used by residents and visitors. Recreational programming within the City is periodically provided in coordination with the Mendocino Coast Recreation and Park District. Community facilities such as the Arena Theater and the Arena Cove harbor area also serve as venues for regional events and community activities.
36. The City participates in mutual aid agreements and cooperative service arrangements with neighboring jurisdictions and County agencies to support emergency response, disaster preparedness, building inspection services, transportation coordination, and law enforcement.
37. The City participates in regional cooperative service arrangements, including membership in the California Intergovernmental Risk Authority (CIRA), which provides pooled risk management and insurance services, and the Mendocino Council of Governments (MCOG), which coordinates regional transportation planning and intergovernmental collaboration.
38. Given the City's small size, limited staffing, and constrained financial resources, shared facilities and cooperative service arrangements play an important role in supporting efficient municipal service delivery.

3.9.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

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

39. The City of Point Arena operates under a Council-Manager form of government in which the City Council establishes policy direction and the City Manager oversees administrative operations.
40. City meetings are conducted in accordance with the Ralph M. Brown Act, which requires open meetings, posted agendas, and opportunities for public participation.
41. Elected officials are subject to state ethics training requirements pursuant to AB 1234 and conflict-of-interest disclosure requirements under Government Code §87300 et seq.
42. Due to its small size and limited staffing, the City relies on a combination of internal staff and contracted professional services to support municipal operations, including planning, legal, engineering, accounting, and building inspection services. This operational model allows the City to maintain administrative functions while managing costs and staffing constraints.
43. The City relies on partnerships and service agreements with other public agencies and special districts to provide services such as law enforcement, fire protection, water service, emergency medical response, and solid waste collection. These cooperative service arrangements allow the City to provide municipal services that would otherwise be difficult to sustain independently.
44. The City participates in regional and cooperative service arrangements with other agencies and organizations, including membership in the Mendocino Council of Governments for regional transportation planning and the California Intergovernmental Risk Authority for risk management and insurance.
45. Based on the governance structure, public meeting practices, administrative procedures, and interagency coordination, the City maintains mechanisms to address community service needs within the constraints of its size, staffing, and fiscal capacity.
46. Financial oversight and operational accountability are maintained through the annual budget process, periodic financial reporting, and independent financial audits, which help ensure that public funds are managed responsibly and that service delivery remains aligned with available resources.

3.9.1.7 OTHER SERVICE DELIVERY MATTERS

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

47. Based on the information reviewed as part of this MSR, no additional service delivery issues were identified beyond those addressed in the preceding determinations.

4 SPHERE OF INFLUENCE

The Local Agency Formation Commission (LAFCo/Commission) prepares a Municipal Service Review (MSR) prior to, or in conjunction with, the review and update of a Sphere of Influence (SOI). An SOI represents the probable future boundary of a local government agency and is used by LAFCo to guide the logical and orderly development of communities consistent with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) and Commission policies.

The MSR provides the analytical foundation for the SOI review by evaluating service conditions, infrastructure capacity, governance, and growth trends within the affected area. The MSR analysis and required determinations are presented in Chapters **Error! Reference source not found.** and **Error! Reference source not found.** of this document and serve as the basis for the SOI determinations. This chapter presents the SOI update and required determinations pursuant to [California Government Code §56425\(e\)](#).²⁵

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. The SOI policies can be found in the Mendocino LAFCo Policies and Procedures Manual, adopted November 5, 2018, and as updated.²⁶

10.1.1 Legislative Authority and Intent

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

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

10.1.2 Definitions

The Commission incorporates the following definitions:

- a) an "establishment" refers to the initial development and determination of a sphere of influence by the Commission;

²⁵ GC §56425(e) (2023) can be found here: [California Government Code § 56425 \(2023\) :: 2023 California Code :: US Codes and Statutes :: US Law :: Justia](#).

²⁶ The Mendocino LAFCo Policies and Procedures Manual can be found here: [Policies & Procedures - Mendocino LAFCo](#).

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

10.1.3 Sphere Updates

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

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

10.1.4 Reduced Spheres

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

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

10.1.5 Zero Spheres

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

10.1.6 Service Specific Spheres

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

10.1.7 Agriculture and Open Space Lands

Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency’s sphere of influence unless the area’s exclusion would impede the planned, orderly and efficient development of the area. In addition, LAFCo may adopt

a sphere of influence that excludes territory currently within that agency’s boundaries. This may occur when LAFCo determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation would be jeopardized by inclusion within an agency’s sphere. Exclusion of these areas from an agency’s sphere of influence indicates that detachment is appropriate.

10.1.8 Annexations Are Not Mandatory

Before territory can be annexed to a city or district, it must be within the agency’s sphere of influence ([GC §56375.5](#)).²⁷ 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

²⁷ GC §56375.5 can be found here: [California Code, Government Code - GOV § 56375.5 | FindLaw](#).

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 (AOI) to any local agency.

- a) An AOI 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 City of Point Arena's (City/Point Arena) SOI was first modified in 1997 when the Redwood Coastal Fire Protection District (Redwood Coast FPD/RCFPD) was formed and fire protection was no longer a City service (LAFCo 2015b).

Point Arena's SOI was last modified in 2015 (LAFCo Resolution No. 15-16-04)²⁸ to include treated effluent spray fields and adjacent "island" area, and the Point Arena Cove Area (LAFCo 2015b). The current City SOI is slightly greater than the existing City boundary.

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.

²⁸ LAFCo Resolution No. 15-16-04 can be found here: [2015-16-04+Point+Arena+SOI+Update+\(signed\).pdf](#).

- 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 AOI to earmark areas for enhanced interagency coordination or for future SOI consideration.

No study areas have been identified in or immediately surrounding the City.

4.2.2 Area of Interest Designation

LAFCo’s AOI 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 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 Point Arena.

4.3 [Proposed Sphere of Influence](#)

No changes to the City’s Sphere of Influence are proposed at this time. The City’s existing SOI is coterminous with the City limits, reflecting the City’s current service area and the limited growth potential within the surrounding rural coastal region. Based on the analysis contained in the MSR and consideration of the statutory factors set forth in Government Code §56425(e), the existing SOI boundary remains appropriate to reflect the City’s service capabilities, land use patterns, and anticipated growth. Accordingly, the City and LAFCo staff recommend that the Commission affirm the existing SOI boundary.

4.4 [Consistency with LAFCo Policies](#)

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

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

4.5 [Determinations](#)

In determining the SOI for an agency, LAFCo must consider and prepare written determinations with respect to five factors as outlined in [GC §56425\(e\)](#).²⁹ These factors are as follows:

1. The present and planned land uses in the area, including agricultural and open space lands;

²⁹ GC §56425(e) (2024) can be found here: [California Government Code § 56425 \(2024\) :: 2024 California Code :: US Codes and Statutes :: US Law :: Justia](#).

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

4.5.1 Present and Planned Land Uses in the Area, Including Agricultural and Open Space Lands

The City of Point Arena maintains adopted land use planning documents, including a General Plan, Zoning Ordinance, and Local Coastal Program, which guide existing and future development within the City. Land uses within the city consist primarily of residential, public facility, and harbor-related uses associated with the community's small coastal population and tourism economy. The City is largely developed under existing zoning, with approximately 85 percent of residential parcels already built out.

Lands adjacent to the City limits are under the jurisdiction of the County of Mendocino and are characterized primarily by rural residential development, agricultural uses, open space, and coastal resource lands. These surrounding areas exhibit low-density development patterns and environmental constraints typical of the Mendocino Coast. Based on existing land use patterns and planning policies, development surrounding the City is expected to remain limited, and no significant land use changes are anticipated that would warrant expansion of the City's SOI at this time.

4.5.2 Present and Probable Need for Public Facilities and Services in the Area

The City of Point Arena provides a range of municipal services within its jurisdiction, including wastewater treatment, street maintenance, stormwater drainage, harbor and pier operations, and park maintenance. Other essential services within the community—including potable water supply, structural fire protection, emergency medical response, and law enforcement—are provided by other public agencies or utilities serving the region.

Population trends and regional demographic projections indicate minimal population growth within the City and surrounding area. Based on these trends and the City's limited remaining development capacity, the present and probable need for expanded municipal services beyond the existing City limits appears limited. Existing service providers and service arrangements appear adequate to serve existing development within the City and surrounding coastal communities.

4.5.3 Present Capacity of Public Facilities and Adequacy of Public Services

The City's wastewater treatment facility currently operates well below its design capacity, indicating sufficient capacity to serve existing development and modest future growth within the City. The City has identified infrastructure improvements needed to address aging wastewater collection system components, roadway maintenance, and long-term rehabilitation of harbor infrastructure. While these needs require ongoing capital investment, the City continues to pursue grant funding and infrastructure improvements to maintain service levels.

Other public services in the Point Arena area are provided by external agencies, including Point Arena Water Works, Inc. for potable water supply and the Redwood Coast Fire Protection District for structural

fire protection and emergency response. These services are generally considered adequate for existing development, although certain localized infrastructure improvements related to water system storage and fire flow capacity have been identified. Overall, the present capacity of public facilities and services appears adequate to serve existing development and anticipated growth within the City's planning area.

4.5.4 Existence of Any Social or Economic Communities of Interest

The City of Point Arena functions as a small coastal community that serves as a local center of commercial activity, civic services, and community events for residents along the southern Mendocino County coastline. The City provides the closest commercial and community center for nearby rural areas, including the unincorporated community of Manchester located to the north along State Highway 1. Community institutions such as the Arena Cove harbor and pier, community gathering spaces, and recreational resources contribute to shared economic and social relationships among residents within the City and surrounding rural areas.

The Manchester area includes lands associated with the Manchester-Point Arena Band of Pomo Indians and maintains social and economic connections with Point Arena through access to goods, services, community events, and regional amenities. These relationships reflect the interconnected nature of small coastal communities along this portion of the Mendocino Coast.

The broader Point Arena area includes dispersed rural residential communities and agricultural lands that maintain functional relationships with the City for access to commercial services, recreation, and community activities. While these relationships demonstrate regional community ties, the surrounding areas remain largely rural and are governed by separate land use jurisdictions and service providers. Based on the information reviewed and the relationships described above, these regional connections do not represent distinct communities of interest requiring modification of the City's SOI.

4.5.5 Present and Probable Need for Public Facilities and Services of Any Disadvantaged Unincorporated Communities

Data prepared by the California Department of Water Resources identifies the City of Point Arena as an economically disadvantaged community based on median household income levels; however, the City is an incorporated municipality and therefore does not meet the statutory definition of a disadvantaged unincorporated community. Lands surrounding the City are generally characterized by dispersed rural development, agricultural uses, and open space and do not contain concentrated residential areas typically associated with disadvantaged unincorporated communities.

The nearby unincorporated community of Manchester, located north of the City along State Highway 1, maintains social and economic relationships with Point Arena as the closest commercial center along this portion of the Mendocino Coast. The Manchester area includes lands associated with the Manchester-Point Arena Band of Pomo Indians and functions as a rural coastal community with development patterns and service arrangements independent of the City. Public water, wastewater, and structural fire protection services in the Manchester area are provided through a combination of independent systems and regional service providers.

Based on demographic information, land use patterns, and service provider data reviewed as part of the MSR, no DUC were identified within or contiguous to the City's SOI that would require evaluation for annexation or extension of municipal services. Accordingly, there is no present or probable need for the City to provide municipal services to DUCs within the existing SOI. While the nearby community of

Manchester maintains social and economic connections with the City, the area is served through independent infrastructure systems and regional service providers, and expansion of the City's SOI would not improve municipal service delivery in the area.

4.6 Conclusion

Based on the Municipal Service Review analysis and the determinations prepared pursuant to Government Code §56425(e), the existing SOI for the City of Point Arena continues to reflect the logical service boundary for municipal services provided by the City. The current SOI boundary is consistent with existing land use patterns, service capacity, and anticipated growth within the area.

The MSR did not identify land use changes, service deficiencies, DUCs, or other conditions that would warrant modification of the City's SOI at this time. Accordingly, the existing SOI boundary is considered appropriate and no changes are recommended.

4.7 Recommendation

Pursuant to Government Code §56425 and the MSR prepared for the City of Point Arena, the Commission has considered the statutory SOI factors related to land use, service needs, facility capacity, communities of interest, and DUCs.

Based on the information contained in the MSR and the analysis presented in this report, it is recommended that the SOI for the City of Point Arena remain unchanged. The City's existing SOI boundary reflects the appropriate planning boundary for municipal services and is adequate to accommodate anticipated growth and service needs within the planning horizon.

5 REFERENCES

- Assembly Committee on Local Government Honorable Juan Carrillo, Chair. *Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000*. 2023.
- California Department of Finance (DOF). Demographic Research Unit. *Report P-2A: Total Population Projections, California Counties, 2020-2070* (Baseline 2023 Population Projections; Vintage 2024 Release). Sacramento: California. September 2024. [P2A County Total.xlsx \(live.com\)](#).
- California Department of Housing and Community Development (HCD). "Housing Element Annual Progress Report (APR) Data by Jurisdiction and Year". California Open Data Profile. October 8, 2024. [Housing Element Annual Progress Report \(APR\) Data by Jurisdiction and Year - Dataset - California Open Data](#).
- California Department of Water Resources (DWR). "Well Completion Report Map Application" [Web Map]. Scale Not Given. DWR Maps (arcgis.com) (August 28, 2025). [Well Completion Report Map Application](#).
- "Mendocino County Zoning Map" [Web Map]. Scale Not Given. "County of Mendocino, California". Mendocino County Zoning Map (arcgis.com) (August 26, 2025).
- California Special Districts Association (CSDA). "Special Districts Mapping Project" [Web Map]. Scale Not Given. "City of Point Arena". CSDA Map (arcgis.com) (August 26, 2025). [The CSDA Special Districts Mapping Project](#).
- California State Water Resources Control Board (SWRCB). "CWSRF Project Financing Forecast for SFY 2024-25 - Comprehensive List (Updated December 2024)". *Clean Water State Revolving Fund*, December 2024. [Updated 2024-25 CWSRF Intended Use Plan Comprehensive List](#).
- California State Water Resources Control Board (SWRCB) a. "Facility At-A-Glance Report - Point Arena WWTP." California Integrated Water Quality System. Accessed August 2025. [California Integrated Water Quality System \(CIWQS 100.0\) - Build Number: mainTrunk.mm.dd.yyyy.1](#).
- b. "Spill Public Report - Spill Event ID(s) Page." California Integrated Water Quality System. California State Water Resources Control Board. Accessed September 1, 2025. [ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet?reportId=sso_overview_region&reportAction=generate®ion=&agency=&collSys=&count=8&sortcol=1&printfriendly=y&urpage=0&pagesize=25](#).
- . *State Water Resources Control Board, Order No. 2006-0003-DWQ*, May 2, 2006. [wqo2006_0003](#).
- California State Parks. "History." Accessed August 28, 2025. [HISTORY](#).
- California State Water Board Division of Financial Assistance. "DFA Compilation Spreadsheet." September 2024. [dfa-ww-compilation.xlsx](#).
- Census Reporter. "Block Group 2, Tract 111.02, Mendocino, CA." 2023 American Community Survey 5-Year Estimates. 2023. Accessed August 28, 2025. [BG 2, Tract 111.02, Mendocino, CA - Profile data - Census Reporter](#).

Census Reporter. "Census Tract 111.02, Mendocino, CA." 2023 American Community Survey 5-Year Estimates. 2023. Accessed August 28, 2025. [Census Tract 111.02, Mendocino, CA - Profile data - Census Reporter](#).

Chaven and Associates, LLP. *City of Point Arena California, Audited Financial Report for the Fiscal Year Ended June 30, 2020*. April 26, 2021.

Chaven and Associates, LLP. *City of Point Arena California, Audited Financial Report for the Fiscal Year Ended June 30, 2021*. July 8, 2022.

Chaven and Associates, LLP. *City of Point Arena, California, Audited Financial Report for the Fiscal Year Ended June 30, 2022*. June 6, 2023.

Chaven and Associates, LLP. *City of Point Arena, California, Audited Financial Report for the Fiscal Year Ended June 30, 2024*. September 11, 2025.

Chaven and Associates, LLP. *Letter to the Honorable Mayor, Members of the City Council and Management of the City of Point Arena*. March 22, 2024.

City of Point Arena a. "City Council." Accessed August 25, 2025. [City Council | City of Point Arena](#).

----b. "City History." Accessed August 28, 2025. [City History | City of Point Arena](#).

----c. *City of Point Arena Organizational Chart*, July 2025.

----d. "Garbage, Recycling & Compost." Accessed September 2, 2025. [Garbage, Recycling & Compost | City of Point Arena](#).

----e. "General Plan/Local Coastal Program." Accessed August 28, 2025. [General Plan/Local Coastal Program | City of Point Arena](#).

----f. "Homepage." Accessed August 22, 2025. [City of Point Arena](#).

----g. "Housing." Accessed August 28, 2025. [Housing | City of Point Arena](#).

----h. "Planning & Permitting." Accessed August 27, 2025. [Planning & Permitting | City of Point Arena](#).

----. "Point Arena Pier Fees." October 1, 2023. Accessed August 28, 2025. [Pier Fees.pdf - Google Drive](#).

----. *2017 Wastewater Treatment Plant - Sewer System Management Plan (SSMP)*, 2017. Accessed August 28, 2025. [Wastewater Treatment | City of Point Arena](#).

----i. *2025-06-24 City Council Meeting*, June 24, 2025. Accessed August 28, 2025. [2025-06-24 City Council Meeting | City of Point Arena](#).

----. *2025-2026 Fiscal Year City of Point Arena Steets & Roads*, June 25, 2024.

Coastal Conservancy. *Arena Cove Harbor Access and Resilience Plan*, November 30, 2023. [PROJECT NAME](#).

County of Mendocino a. "Current Emergency Information." Accessed August 28, 2025. [Current Emergencies - MendoReady](#).

County of Mendocino. *Mendocino County General Plan*. August 2009. [Current General Plan | Mendocino County, CA](#).

County of Mendocino. *Mendocino County General Plan, Coastal Element*. November 9, 2021. [638181067153900000](#).

----b. "Mendocino County Zoning Map" [Web Map]. Scale Not Given. "County of Mendocino, California". Mendocino County Zoning Map (arcgis.com) (August 26, 2025).

Hill, N. "National Register of Historic Places In Mendocino County." April 28, 2022. Accessed August 28, 2025. [National Register #90001364: Point Arena Main Street Historic Commercial District in Mendocino County, California](#).

Joseph Arch, CPA. *DRAFT City of Point Arena, California Annual Financial Report for the Fiscal Year Ended June 30, 2023*. March 8, 2024.

Mendocino Council of Governments (MCOG). *Final Mendocino County Regional Housing Needs Plan*, Adopted August 20, 2018. [2018 Mendocino County Regional Housing Needs Plan](#).

Mendocino Local Agency Formation Commission (LAFCo) a. *City of Point Arena Municipal Service Review*, February 2, 2015. [Point Arena Municipal Service Review](#).

----b. *City of Point Arena Sphere of Influence Update*, November 2, 2015. Resolution No. 15-16-04. <https://mendolafco.specialdistrict.org/files/91f2c48a3/Point+Arena+SOI+Update+Adopted+11-2-15+w+Reso.pdf>.

----. *Multi-District Fire Protection Services Sphere of Influence*, May 7, 2018. Resolution No. 2017-18-07. [Microsoft Word - Multi-District Fire SOI Update Adopted FINAL](#).

----. *Mutual Water Companies in Mendocino County*, August 2018. [2018+Mutual+Water+Company+Profile+Report+w+maps.pdf](#).

----. *Request for Information (RFI) with Point Arena City Manager*, July 2025.

Moffatt & Nichol. *City of Point Arena, Point Arena Fishing Pier Condition Assessment Report*, December 9, 2022. Accessed August 28, 2025. [Microsoft Word - 221782 Point Arena Fishing Pier 2022 Condition Assessment Report Final Rev00.docx](#).

National Park Service. "National Register Database and Research." August 5, 2025. Accessed August 28, 2025. [National Register Database and Research - National Register of Historic Places \(U.S. National Park Service\)](#).

O'Malley, M. "Understanding Proposition 218." Legislative Analyst's Office. Legislative Analyst's Office, December 1, 1996. [Understanding Proposition 218 \(ca.gov\)](#).

Planwest Partners Inc. *Final City of Point Arena 2019-2027 Housing Element Update*, October 8, 2019. Resolution No. 2019-24. [Housing Element 2019-2027.pdf - Google Drive](#).

Point Arena Schools. "Homepage." Accessed August 28, 2025. [Home - Point Arena Schools](#).

SHN Engineers. City of Point Arena Collection System and Wastewater Facility Improvements Preliminary Engineering Report Update. October 2022.

U.S. Census Bureau, "Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)," *American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1901*, <https://data.census.gov/table/ACSST5Y2024.S1901?g=1400000US06045011102>.

U.S. Census Bureau, "Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)," *American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1901*, <https://data.census.gov/table/ACSST5Y2024.S1901?g=160XX00US0645386>.

U.S. Census Bureau a. "Profile - California." United States Census Bureau, 2026. [California - Census Bureau Profile](#).

----b. "Profile - Mendocino County, California." United States Census Bureau. United States Census Bureau, 2026. [Mendocino County, California - Census Bureau Profile](#).

----c. "Profile - Point Arena city, California." United States Census Bureau. United States Bureau, 2026. [Point Arena city, California - Census Bureau Profile](#).

6 ACKNOWLEDGEMENTS

6.1 Report Preparation

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

Uma Hinman, Executive Officer
Jennifer Crump, Analyst

6.2 Assistance and Support

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

City of Point Arena	Molly Haviland, City Manager Paul Anderson, City Clerk
---------------------	---

7 APPENDICES

7.1 Appendix A – Open Government Resources

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

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

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

7.2 Appendix B – Website Compliance Handout

California Website Compliance Checklist

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

Public Records Act

SB 929

Our district has created and maintains a website

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

SB 272

Our Enterprise System Catalog is posted on our website

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

AB 2853 (optional):

We post public records to our website

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

The Brown Act

AB 392:

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

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

AB 2257:

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

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

State Controller Reports

Financial Transaction Report:

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

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

Compensation Report:

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

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

Healthcare District Websites

AB 2019:

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

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

Open Data

AB 169:

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

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

Section 508 ADA Compliance

CA gov code 7405:

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

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



California Special Districts Association
CSDA
Districts Stronger Together

csda.net



getstreamline.com

The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

Placement:

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

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

Exception:

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

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

Format:

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

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

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

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



California 2024 Web Accessibility Checklist

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

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

Before you begin

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

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

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

Ongoing actions - recommended once per month

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

Other actions to consider

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

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

7.3 Appendix C – Housing Legislation Trends and Results

Mendocino County and ADUs

Mendocino County has taken several steps in recent years to facilitate the construction and operation of Accessory Dwelling Units (ADUs) as part of broader efforts to address housing needs throughout the region. These efforts include adoption of an ADU ordinance establishing development standards and permitting procedures for accessory units. In addition, the County adopted amendments to its General Plan on November 9, 2011, updating the Coastal Zoning Code component of the Local Coastal Program (LCP) to establish and revise standards governing ADU development within the Coastal Zone.

Because the City of Point Arena lies within the Mendocino County Coastal Zone, development within the City is subject to coastal-specific land use regulations and policies. Within the Coastal Zone of Mendocino County (excluding the Gualala Town Plan area), the number of permitted ADUs is limited to 500 units. Junior Accessory Dwelling Units (JADUs), typically smaller units of up to 500 square feet located within an existing residential structure, are exempt from this cap. Any modification to the established ADU would require a Local Coastal Program amendment.

Per Section §20.458.040 of the Public Health and Safety Requirements in the County’s Municipal Code, adequate water supply and wastewater capacity must be available to serve both the proposed new residence and any existing residences on the property. When a property is located within the service area of a public utility or service district, the property owner must obtain written authorization from the relevant service provider confirming the availability of service for the proposed ADU.

ADU development within the coastal zone is also subject to additional coastal resource protection requirements. These provisions are intended to protect environmentally sensitive habitat areas, coastal access, and other coastal resources, and can influence the feasibility and siting of accessory units. Additional development standards and restrictions application to ADUs and JADUs in the Coastal Zone are described in §20.458.045 of the County’s Municipal Code.

City of Point Arena

The City of Point Arena recently updated its ADU Ordinance 242 to update regulations regarding ADU and JADUs with the goal of increasing statewide availability of smaller, more affordable housing units. The provisions allow for ADUs and JADUs on all lots that are occupied with legally established single-family dwelling units as principally permitted or conditionally permitted uses.

The Larger Picture

To understand the role of ADUs within broader housing trends, housing production data reported through Mendocino County’s General Plan Annual Progress Report (APR) provides useful context. The APR is prepared annually in accordance with requirements of the California Governor’s Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD), and documents progress toward implementation of the Housing Element and fulfillment of Regional Housing Needs Assessment (RHNA) allocations.

Data presented in the County’s most recent APR for the unincorporated areas of Mendocino County, adopted by the Board of Supervisors on June 6, 2023, indicate that ADUs represent a modest but consistent portion of recent housing development activity. During the 2022 reporting year, the County

received 143 housing development applications, of which 38 were for ADUs. In 2021, a total of 102 housing development applications were received, including 35 ADU applications.

While the number of ADU applications remains relatively small compared to applications for single-family residences, the data indicate that ADUs continue to represent a component of local housing development trends. Incremental development of ADUs within the region could result in modest increases in demand for water and wastewater services provided by Point Arena Water Works, Inc. (PAWW) and the City of Point Arena. However, all new development remains subject to verification of adequate service capacity and must obtain written approval from the applicable service provider prior to connection.

Regional Housing Needs Assessment (RHNA)

State housing law requires each region in California to plan for future housing development through the Regional Housing Needs Assessment (RHNA) process. In response to statutory requirements and direction from the California Department of Housing and Community Development (HCD), the Mendocino Council of Governments (MCOG) adopted a Regional Housing Needs Plan in 2018.

Although MCOG primarily functions as the regional transportation planning agency, it was designated by HCD as the appropriate entity to coordinate the housing allocation process for Mendocino County. Jurisdictions participating in the regional process include Mendocino County and the cities of Ukiah, Fort Bragg, Willits, and Point Arena.

The Regional Housing Needs Plan was developed through multiple iterations and incorporated consideration of several allocation factors, including population trends, employment opportunities, land availability, and development constraints. Throughout the process, participating jurisdictions provided documentation to HCD describing local development constraints affecting housing production. Water availability and water supply reliability were identified by multiple jurisdictions as significant constraints affecting housing development within the region.

The RHNA allocations adopted for Mendocino County apply to the planning period between August 15, 2019, and August 17, 2027. Since adoption of the Regional Housing Needs Plan, the County has reported incremental progress toward meeting its allocation across multiple income categories.

Table 7-1: Mendocino County RHNA Allocations

Income Level		RHNA Allocation	Projection Period - 01/01/2019-08/14/2019	2019	2020	2021	2022	Total Units to Date (All Years)	Total Remaining RHNA
Very Low	Deed Restricted	291	--	--	39	--	21	125	166
	Non-Deed Restricted		--	--	--	65	--		
Low	Deed Restricted	179	--	--	--	--	--	21	158
	Non-Deed Restricted		--	-	--	21	--		
Moderate	Deed Restricted	177	--	--	--	--	--	156	21

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
	Non-Deed Restricted		4	--	--	--	--		
Above Moderate		702	46	40	67	51	58	262	440
Total RHNA		1,349							
Total Units			50	60	149	186	119	564	785
Extremely Low-Income Units*		145			15	26	21	62	83

Source: HCD 2024.

With respect to the City of Point Arena, statewide housing policy continues to encourage increased housing production across California, including in coastal communities. While coastal jurisdictions are subject to additional regulatory oversight through the California Coastal Commission and associated Local Coastal Program requirements, state housing mandates apply broadly across jurisdictions. Although the City currently has limited development capacity under existing regulatory and infrastructure constraints, evolving state housing legislation could expand opportunities for incremental housing development that contributes to the State’s broader housing objectives. The RHNA allocation for Point Arena is 38 units.

Additional Recent State Housing Legislation

In addition to legislation promoting ADUs, the California Legislature has adopted a number of housing-related laws in recent years aimed at addressing the statewide housing affordability crisis and increasing housing production. These measures are intended to reduce regulatory barriers, increase allowable residential density, and streamline the approval process for qualifying housing developments.

- Senate Bill (SB) 9 (2021) - Authorizes property owners to subdivide an existing single-family residential lot into two parcels and construct up to two residential units on each parcel, allowing a potential maximum of four units where previously only a single-family residence was permitted. SB 9 also requires local agencies to ministerially approve qualifying projects that meet specified development and design standards, thereby limiting discretionary review.
- SB 10 (2021) - Establishes voluntary process allowing local governments to adopt ordinances increasing residential density to as many as 10 dwelling units per parcel in transit-rich areas or urban infill locations. Adoption of such ordinances is exempt from review under the California Environmental Quality Act (CEQA). SB 10 is intended to provide local jurisdictions with a tool to facilitate higher-density housing development in appropriate areas.
- SB 35 (2017) - Applies to jurisdictions that are not meeting their Regional Housing Needs Assessment (RHNA) production targets for certain income categories. SB 35 amended [California Government Code \(GC\) §65913.4](#)³⁰ to require local agencies to provide a streamlined, ministerial approval process for qualifying multifamily housing developments that meet specified affordability and labor standards. The legislation is intended to accelerate housing production by reducing discretionary review and approval timelines.

³⁰ GC §65913.4 (2024) can be found here: [California Code, GOV 65913.4](#).

Collectively, these and similar state housing laws reflect a broader statewide policy direction toward increasing housing supply through regulatory reform, streamlined permitting processes, and expanded residential density allowances. While the practical effects of these policies may vary by jurisdiction depending on local conditions, they have the potential to influence future housing development patterns within communities throughout Mendocino County, including the City of Point Arena

7.4 Appendix D – City Financial Audits

**CITY OF POINT ARENA
CALIFORNIA**
ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024



Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Suite #5
Morgan Hill, CA 95037

CITY OF POINT ARENA, CALIFORNIA
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor’s Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities - Governmental Activities	10
Proprietary Funds – Enterprise Funds:	
Statement of Net Position	11
Statement of Revenue, Expenses and Changes in Net Position.....	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements.....	15
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - General Fund	34
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - Revolving Loan Fund	35
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) - State Gasoline Tax Fund.....	36
OTHER INDEPENDENT AUDITOR’S REPORTS:	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	38
FINDINGS AND RECOMMENDATIONS:	
Schedule of Findings and Responses.....	41

Financial Section



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Point Arena, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Point Arena (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Point Arena, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter - Substantial Doubt About the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 10 to the financial statements, the City has suffered recurring losses from operations, significant declines in fund balances and net position, a reduction of operating cash to nominal levels, budget overages, deficit spending, and has stated that substantial doubt exists about the City's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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



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

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2025 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

C & A LLP

September 11, 2025
Morgan Hill, California

Basic Financial Statements

CITY OF POINT ARENA, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 206,708	\$ -	\$ 206,708
Accounts receivable	8,860	26,580	35,440
Internal balances	490,151	(490,151)	-
Notes receivables	56,481	-	56,481
Capital assets:			
Nondepreciable	348,995	298,190	647,185
Depreciable, net	3,847,657	917,665	4,765,322
 Total Assets	 <u>\$ 4,958,852</u>	 <u>\$ 752,284</u>	 <u>\$ 5,711,136</u>
LIABILITIES			
Accounts payable	\$ 40,397	\$ 13,669	\$ 54,066
Accrued payroll and benefits	31,101	-	31,101
Line of credit	310,440	-	310,440
 Total Liabilities	 <u>\$ 381,938</u>	 <u>\$ 13,669</u>	 <u>\$ 395,607</u>
NET POSITION			
Net investment in capital assets	\$ 4,196,652	\$ 1,215,855	\$ 5,412,507
Restricted for lower income assistance	400,685	-	400,685
Unrestricted	(20,423)	(477,240)	(497,663)
 Total Net Position	 <u>\$ 4,576,914</u>	 <u>\$ 738,615</u>	 <u>\$ 5,315,529</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 484,925	\$ 13,991	\$ 71,657	\$ -	\$ (399,277)		\$ (399,277)
Public safety	132,049	-	119,883	-	(12,166)		(12,166)
Streets and public works	70,241	-	-	-	(70,241)		(70,241)
Community development	207,039	-	275,841	4,141	72,943		72,943
Culture and recreation	114,924	-	113,465	-	(1,459)		(1,459)
Interest & Fees	26,798	-	-	-	(26,798)		(26,798)
Depreciation unallocated	190,361	-	-	-	(190,361)		(190,361)
Total Governmental Activities	1,226,337	13,991	580,846	4,141	(627,359)		(627,359)
Business-Type Activities:							
Wastewater	365,782	273,309	-	34,929		\$ (57,544)	(57,544)
Pier	164,427	47,119	-	-		(117,308)	(117,308)
Total Business-Type Activities	530,209	320,428	-	34,929		(174,852)	(174,852)
Total	\$ 1,756,546	\$ 334,419	\$ 580,846	\$ 39,070	(627,359)	(174,852)	(802,211)
General revenues and transfers							
General Revenues:							
Taxes:							
Property taxes					59,862	-	59,862
Gas taxes					29,903	-	29,903
Sales taxes					139,611	-	139,611
Transient occupancy taxes					101,405	-	101,405
Franchise taxes					18,762	-	18,762
Other taxes					368	-	368
VLF Swap					25,714	-	25,714
Investment earnings					1,447	-	1,447
Miscellaneous					60,872	-	60,872
Total general revenues and transfers					437,944	-	437,944
Change in Net Position					(189,415)	(174,852)	(364,267)
Net Position - Beginning					4,766,329	913,467	5,679,796
Net Position - Ending					\$ 4,576,914	\$ 738,615	\$ 5,315,529

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024**

	General Fund	Revolving Loan Fund	State Gasoline Tax Fund	Capital Project Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 206,708	\$ -	\$ -	\$ -	\$ 206,708
Accounts Receivable	8,860	-	-	-	8,860
Notes Receivable	-	56,481	-	-	56,481
Due from Other Funds	121,560	-	-	-	121,560
Advances to Other Funds	65,464	424,687	-	-	490,151
Total Assets	<u>\$ 402,592</u>	<u>\$ 481,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,760</u>
LIABILITIES					
Accounts Payable	\$ 20,297	\$ 20,100	\$ -	\$ -	\$ 40,397
Accrued Payroll and Benefits	27,199	3,902	-	-	31,101
Line of Credit	-	-	-	310,440	310,440
Due to Other Funds	-	-	-	121,560	121,560
Total Liabilities	<u>47,496</u>	<u>24,002</u>	<u>-</u>	<u>432,000</u>	<u>503,498</u>
DEFERRED INFLOWS OF REOURCES					
Unavailable Resources	-	56,481	-	-	56,481
FUND BALANCE					
Restricted for:					
Lower Income Assistance	-	400,685	-	-	400,685
Assigned for:					
Self-Insurance	15,000	-	-	-	15,000
Skate Park	8,296	-	-	-	8,296
Unassigned	331,800	-	-	(432,000)	(100,200)
Total Fund Balances	<u>355,096</u>	<u>400,685</u>	<u>-</u>	<u>(432,000)</u>	<u>323,781</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 402,592</u>	<u>\$ 481,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,760</u>

The notes to the financial statements are an integral part of this statement

**CITY OF POINT ARENA, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET
POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2024**

Fund Balance - Total Governmental Funds \$ 323,781

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS

Capital assets net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	\$ 6,868,552	
Accumulated depreciation	<u>(2,671,900)</u>	4,196,652

LONG-TERM NOTES RECEIVABLES

Notes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

56,481

Net Position - Governmental Activities \$ 4,576,914

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	General Fund	Revolving Loan Fund	State Gasoline Tax Fund	Capital Project Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 59,862	\$ -	\$ -	\$ -	\$ 59,862
Gas Taxes	2,627	-	27,276	-	29,903
Sales Taxes	139,611	-	-	-	139,611
Transient Occupancy Taxes	101,405	-	-	-	101,405
VLF Swap	25,714	-	-	-	25,714
Other Taxes	368	-	-	-	368
Intergovernmental	459,516	121,330	-	4,141	584,987
Licenses, Permits & Fees	13,991	-	-	-	13,991
Franchise Fees	18,762	-	-	-	18,762
Use of Money and Property:					
Interest Income	282	17,578	-	-	17,860
Other	60,872	-	-	-	60,872
Total Revenues	<u>883,010</u>	<u>138,908</u>	<u>27,276</u>	<u>4,141</u>	<u>1,053,335</u>
EXPENDITURES					
Current:					
General Government	472,241	12,419	-	-	484,660
Public Safety	132,049	-	-	-	132,049
Streets and Public Works	56,979	-	5,946	-	62,925
Community Development	78,939	108,000	-	-	186,939
Culture and Recreation	114,924	-	-	-	114,924
Capital Outlay	265	20,100	-	7,316	27,681
Debt service:					
Interest & Fees	-	-	-	26,798	26,798
Total Expenditures	<u>855,397</u>	<u>140,519</u>	<u>5,946</u>	<u>34,114</u>	<u>1,035,976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>27,613</u>	<u>(1,611)</u>	<u>21,330</u>	<u>(29,973)</u>	<u>17,359</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	21,330	-	-	5,075	26,405
Transfers (out)	<u>(5,075)</u>	<u>-</u>	<u>(21,330)</u>	<u>-</u>	<u>(26,405)</u>
Total Other Financing Sources (Uses)	<u>16,255</u>	<u>-</u>	<u>(21,330)</u>	<u>5,075</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	43,868	(1,611)	-	(24,898)	17,359
BEGINNING FUND BALANCES	<u>311,228</u>	<u>402,296</u>	<u>-</u>	<u>(407,102)</u>	<u>306,422</u>
ENDING FUND BALANCES	<u>\$ 355,096</u>	<u>\$ 400,685</u>	<u>\$ -</u>	<u>\$ (432,000)</u>	<u>\$ 323,781</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,359

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

LONG-TERM RECEIVABLES

In governmental funds, notes receivables are deferred because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities Unavailable revenue

(16,413)

CAPITAL ASSET TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Current Year Depreciation

(190,361)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (189,415)

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2024**

	Wastewater Enterprise Fund	Pier Enterprise Fund	Total
ASSETS			
Current Assets:			
Accounts receivable	\$ 18,218	\$ 8,362	\$ 26,580
Noncurrent Assets:			
Capital assets, net	<u>223,752</u>	<u>992,103</u>	<u>1,215,855</u>
Total Assets	<u>\$ 241,970</u>	<u>\$ 1,000,465</u>	<u>\$ 1,242,435</u>
LIABILITIES			
Current Liabilities:			
Accrued payroll and benefits	\$ 6,289	\$ 424	\$ 6,713
Accounts Payable	<u>6,607</u>	<u>349</u>	<u>6,956</u>
Total current liabilities	12,896	773	13,669
Noncurrent liabilities:			
Advances from other funds	<u>126,682</u>	<u>363,469</u>	<u>490,151</u>
Total Liabilities	<u>\$ 139,578</u>	<u>\$ 364,242</u>	<u>\$ 503,820</u>
NET POSITION			
Net Investment in Capital Assets	\$ 223,752	\$ 992,103	\$ 1,215,855
Unrestricted	<u>(121,360)</u>	<u>(355,880)</u>	<u>(477,240)</u>
Total Net Position	<u>\$ 102,392</u>	<u>\$ 636,223</u>	<u>\$ 738,615</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Wastewater Enterprise Fund	Pier Enterprise Fund	Total
OPERATING REVENUES			
Charges for services	\$ 273,309	47,119	\$ 320,428
Total Operating Revenues	273,309	47,119	320,428
OPERATING EXPENSES			
Salaries and benefits	126,533	77,045	203,578
Maintenance and operations	123,423	50,263	173,686
Professional fees	65,069	1,330	66,399
Administration	31,631	256	31,887
Depreciation	17,808	35,533	53,341
Total Operating Expenses	364,464	164,427	528,891
Operating Income	(91,155)	(117,308)	(208,463)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	34,929	-	34,929
Interest expense	(1,318)	-	(1,318)
Total Nonoperating Revenues (Expenses)	33,611	-	33,611
Change in Net Position	(57,544)	(117,308)	(174,852)
BEGINNING NET POSITION	159,936	753,531	913,467
ENDING NET POSITION	\$ 102,392	\$ 636,223	\$ 738,615

The notes to the financial statements are an integral part of this statement.

**CITY OF POINT ARENA, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Wastewater Enterprise Fund	Pier Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 278,750	\$ 76,905	\$ 355,655
Payments to suppliers	(240,184)	(87,898)	(328,082)
Payments to employees	(124,495)	(80,927)	(205,422)
Net cash provided (used) by operating activities	<u>(85,929)</u>	<u>(91,920)</u>	<u>(177,849)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from (payments for) interfund loans (due to-from/advances)	52,318	91,920	144,238
Interest paid on interfund loans and advances	(1,318)	-	(1,318)
Net cash provided (used) by noncapital financing activities	<u>51,000</u>	<u>91,920</u>	<u>142,920</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES			
Proceeds from capital grants	34,929	-	34,929
Net cash provided (used) by capital related financing activities	<u>34,929</u>	<u>-</u>	<u>34,929</u>
Cash and Investments - Beginning of Year	-	-	-
Cash and Investments - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Cash Flows			
from Operating Activities:			
Operating Income	\$ (91,155)	\$ (117,308)	\$ (208,463)
Adjustments to reconcile operating income to cash flows			
from operating activities:			
Depreciation	17,808	35,533	53,341
Change in assets and liabilities:			
Accounts receivable	5,441	30,086	35,527
Accrued payroll and benefits	2,038	(3,882)	(1,844)
Unearned revenue	-	(300)	(300)
Accounts payable and other accrued expenses	(20,061)	(36,049)	(56,110)
Cash Flows From Operating Activities	<u>\$ (85,929)</u>	<u>\$ (91,920)</u>	<u>\$ (177,849)</u>

The notes to the financial statements are an integral part of this statement.

Notes to Basic Financial Statements

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Financial Reporting Entity

The City of Point Arena (City) was incorporated 1908, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public works, planning and zoning, building regulation, general administrative services, wastewater, pier and public safety (provided by Mendocino County Sheriff).

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales and transient occupancy taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete or blended presentation.

Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board ("GASB") is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units, as applicable. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and each segment of the business-type activities of the City. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meet the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds, as applicable.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Major Funds

GASB defines major funds and requires that the City's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Revolving Loan Fund – The Revolving Loan Fund is used to account for revolving loans given to the lower income sector of the community for housing improvements, new construction and economic stimulus.

State Gasoline Tax Fund – The State Gasoline Tax Fund is used to account for gasoline tax and other State transportation related funds, including STIP exchange funds and traffic congestion relief funds. These resources are restricted for street maintenance and improvements.

Capital Projects Fund – The Capital Project Fund is used to account for capital projects funded by grants and capital contributions expended for various street and capital improvement projects.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The City also reports the following Proprietary funds:

Enterprise Funds – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The reporting entity includes the following enterprise funds that are reported as major funds:

- **Wastewater Fund** – The Wastewater Fund accounts for the operating, maintenance, and capital improvement of the wastewater reclamation facility, including collection, treatment, and distribution.
- **Pier Fund** – The Pier Fund accounts for the operation, maintenance, and capital improvements of the municipal pier facility. The Pier facility provides services for commercial and recreational user groups.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted Net Position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs followed by general revenues as necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities. The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance including those applicable to accounting and reporting for proprietary operations. In December of 2010, GASB issued GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements. All proprietary funds are accounted for using the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of California statutes authorizes the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, collateralized, non-negotiable certificates of deposits, commercial paper rated A-1/P-1, medium-term corporate notes rated A or its equivalent or better by Moody's or Standard & Poor's, asset backed corporate notes, bankers' acceptances, mutual funds, and the State Treasurer's investment pool (Local Agency Investment Fund).

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Investments

Surplus funds are invested by the City in a pooled money investment account held with the State of California in the Local Agency Investment Fund (LAIF). The funds held at LAIF are invested in accordance with Government Code Section 16430 and 16480. The LAIF account is internally allocated between restricted funds and funds reserved by the City for special purposes and general operations.

LAIF issues a separate comprehensive annual financial report. Copies of the LAIF annual report may be obtained from the Local Agency Investment Fund, PO Box 942809, Sacramento, CA 94209-0001.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available.

Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the governmentwide financial statements in accordance with the accrual basis.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore, an allowance for doubtful accounts is unnecessary.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

As required by GASB, the City depreciates capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The City depreciates using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The City has assigned the useful lives listed below to capital assets:

Buildings and Improvements	20-50 years
Pier and Infrastructure	20-50 years
Machinery and Equipment	5-20 years
Computer software	5 years

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. Capital assets may be acquired using federal and state grants, contributions from developers, and contributions or grants from other governments. GASB 34 requires that these contributed assets be accounted for as revenue at the time they are contributed.

In the fund financial statements, capital assets arising from transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Compensated Absences

Employees accrue personal leave, holiday, administrative leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences. In order to control this future liability, compensatory time off, administrative leave, and floating holidays must be used by staff during the calendar year in which they are earned. At year end, employees will be paid for any comp time, administrative leave, or floating holidays earned, but not used during the year. No comp time, administrative leave, or floating holidays earned may be carried into a new calendar year.

Unearned Revenue

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items reported as a deferred outflow of resources.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources in the fund financial statements. The item is unavailable revenues, which constitutes amounts reported that do not meet the 60 day criteria for accrual in the fund financial statements.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balances

The City does not have a policy identifying a minimum unassigned fund balance. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the remaining fund balances are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Manager.

Unassigned includes fund balances within the funds which have not been classified within the above-mentioned categories.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Use of Estimates

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

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Property Tax Levy, Collection and Maximum Rates

State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

The County of Mendocino assesses properties, bills for and collects property taxes on the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	March 1	N/A
Levy dates	September 1	September 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

Franchise Agreements

The City has entered into several agreements to provide services to persons residing inside the City limits. A description of these franchise agreements is as follows:

1. The City has granted Pacific Gas and Electric Company a franchise for electric transmission and distribution.
2. The City has granted Pacific Coast Disposal a franchise for residential and commercial garbage collection and disposal.

Interfund Activity

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/advances from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances and the net amount of transfers between governmental and business-type activities, which are reported as Transfers-In or Transfers-Out. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Advances between funds and due from/to other funds that are not restricted are offset by a nonspendable fund balance in applicable City funds to indicate the extent to which they are not available for appropriation and are not expendable available financial resources.

Budgets and Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2024. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Description of Risk Management

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

Implemented Accounting Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This statement did not have a material impact on the financial statements.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Upcoming Accounting and Reporting Changes

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 101, Compensated Absences

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, Certain Risk Disclosures

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management’s discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2024, cash and investments were reported in the financial statements as follows:

	Government Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
	Cash and investments	\$ 206,708	\$ -

Cash and investments consisted of the following as of June 30, 2024:

Deposits:	
Deposits with financial institutions	\$ 205,118
Investments:	
Local Agency Investment Fund	1,590
Total cash and investments	\$ 206,708

A. *Cash Deposits*

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest and places the City ahead of general creditors of the institution.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The fair value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$220,948 at June 30, 2024 and were different from carrying amounts due to deposits in transit and outstanding checks. The banal balances were fully insured and collateralized by securities held by pledging financial institutions.

B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques with three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The City's investments were not subject to levelling.

C. Investment Policies

City Investment Policy

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. To address interest rate risk, credit risk, and concentration of credit risk, City invests in the State of California Local Agency Investment Fund (LAIF).

D. External Investment Pool

The City's investments with LAIF at June 30, 2024, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

E. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to mitigate interest rate risk by investing in LAIF.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's total investment portfolio was in LAIF as of June 30, 2024 to reduce the City's exposure to credit risks.

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2024, the City had no investments in any one issuer (other than external investment pools which are not applicable) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, the City's investments had the following maturities:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>Fair Value</u>	<u>Fair Value Input Levels</u>
Local Agency Investment Funds	\$ 1,590	\$ 1,590	n/a

NOTE 3 - LONG-TERM NOTES RECEIVABLE/UNEARNED REVENUE

The City had the following long-term notes receivable as of June 30, 2024:

<u>Description</u>	<u>Interest Rate</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Original Loan Amount</u>	<u>Balance</u>
Residential Loan	2.0%	1996	2032	\$ 92,470	\$ 17,575
Residential Loan	3.0%	1996	2032	92,470	15,431
Residential Loan	1.0%	2022	2032	29,350	23,475
Total Notes Receivable				<u>\$ 369,290</u>	<u>\$ 56,481</u>

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Revolving loans are given to the lower income sector of the community for housing improvements, new construction and economic stimulus. Notes receivable are not resources currently available for expenditures and are not reported in the governmental funds balance sheet.

NOTE 4 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Amounts due to or due from other funds reflect interfund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

As of June 30, 2024, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 121,560	\$ -
Capital Project Fund	-	121,560
Total Due To/From	\$ 121,560	\$ 121,560
	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 65,464	\$ -
Revolving Loan Fund	424,687	-
Pier Fund	-	363,469
Wastewater Fund	-	126,682
Total Advances	\$ 490,151	\$ 490,151

Interfund advances from the Revolving Loan Fund to the Wastewater Fund include a 2012 sludge loan of \$128,626 bearing interest at 3.25% over 15 years. The balance was \$21,237 as of year-end after current year interest of \$1,318 and principal of \$9,652.

Transfers

Resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments and operating expenses. As of June 30, 2024, the transferred interfund consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 21,330	\$ -
State Gasoline Tax Fund	-	21,330
Totals	\$ 21,330	\$ 21,330

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 - CAPITAL ASSETS

Changes in the governmental activity capital assets during the fiscal year were as follows:

Capital Assets	Balance July 01, 2023	Additions	Deletions/ Adjustments	Balance June 30, 2024
Non-depreciable:				
Land	\$ 344,995	\$ -	\$ -	\$ 344,995
Construction in Progress	4,000	-	-	4,000
Total Non-Depreciable	348,995	-	-	348,995
Depreciable:				
Buildings and Improvements	229,325	-	-	229,325
Machinery and Equipment	135,586	-	-	135,586
Infrastructure	6,154,646	-	-	6,154,646
Total Depreciable	6,519,557	-	-	6,519,557
Less Accumulated Depreciation for:				
Buildings and Improvements	(130,834)	(8,648)	-	(139,482)
Machinery and Equipment	(73,875)	(6,557)	-	(80,432)
Infrastructure	(2,276,830)	(175,156)	-	(2,451,986)
Total Accumulated Depreciation	(2,481,539)	(190,361)	-	(2,671,900)
Total Depreciable PPE - Net	4,038,018	(190,361)	-	3,847,657
Total PPE - Net	\$ 4,387,013	\$ (190,361)	\$ -	\$ 4,196,652

Changes in the business-type activity capital assets during the fiscal year were as follows:

Capital Assets	Balance July 01, 2023	Additions	Deletions/ Adjustments	Balance June 30, 2024
Non-depreciable:				
Land	\$ 298,190	\$ -	\$ -	\$ 298,190
Total Non-Depreciable	298,190	-	-	298,190
Depreciable:				
Pier	2,990,014	-	-	2,990,014
Buildings and Improvements	1,550,274	-	-	1,550,274
Machinery and Equipment	437,414	-	-	437,414
Total Depreciable	4,977,702	-	-	4,977,702
Less Accumulated Depreciation for:				
Pier	(2,185,236)	(35,533)	-	(2,220,769)
Buildings and Improvements	(1,490,403)	(3,308)	-	(1,493,711)
Machinery and Equipment	(331,057)	(14,500)	-	(345,557)
Total Accumulated Depreciation	(4,006,696)	(53,341)	-	(4,060,037)
Total Depreciable PPE - Net	971,006	(53,341)	-	917,665
Total PPE - Net	\$ 1,269,196	\$ (53,341)	\$ -	\$ 1,215,855

Depreciation expense related to governmental activities of \$190,361 was not allocated by major program or function for the fiscal year ended June 30, 2024, as shown in the statement of activities.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Depreciation expense related to business-type activities was charged to functions and programs based on their usage of the related assets.

The amount allocated to each function or program is as follows:

Wastewater	\$ 25,851
Pier	<u>27,490</u>
Total Depreciation Expense	<u>\$ 53,341</u>

NOTE 6 - LINE OF CREDIT

In April of 2023, the City entered into a Line of Credit agreement with the Redwood Credit Union in an amount not to exceed \$1,500,000 to act as bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit was to be paid through receipt of California State grant funding specific to the projects. The line of credit bears interest at Prime plus 1% on outstanding balances. The balance as of June 30, 2024, was \$310,440.

NOTE 7 - FUND BALANCES

Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As of June 30, 2024, fund balances were classified as follows:

Restricted

Lower Income Assistance

Fund balances in the Revolving Loan Fund were restricted for lower income sector assistance for housing, new construction, and economic stimulus

Assigned

Self-Insurance

Fund balances in the General Fund were assigned for liability claims made against the City.

Skate Park

Fund balances in the General Fund were assigned for the construction, improvements and repairs at the skate park.

NOTE 8 - RISK MANAGEMENT AND JOINT VENTURES (JOINT POWERS AGREEMENT)

The City is currently a member of the Public Agency Risk Sharing Authority of California (PARSAC). Under PARSAC, the City is provided the following insurance coverage: Worker compensation and employers' liability coverage for bodily injury by accident or by disease, including resulting death, arising out of or in the course of the employee's employment, with the City. Liability coverage for bodily injury, property damage, personal injury or public official's errors and omissions.

CITY OF POINT ARENA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The City does not have an equity interest in PARSAC. PARSAC exercises full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of PARSAC are not those of the City, although the City retains an ongoing financial interest or an ongoing financial responsibility.

Audited financial information of PARSAC, as of and for the year ended June 30, 2024, can be found at <http://www.parsac.org/>.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The City participates in federal and state grant programs. These are subject to examination by grantors and the amount, if any, of disallowed expenditures cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising from the normal course of business. The City Attorney believes there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

NOTE 10 - LACK OF GOING CONCERN

The City has not properly monitored capital projects and determined the proper funding needs for those projects. In addition, no reserve or financing component was included in these projects and consultants continually exceeded project budgets without proper authorization. As a result, the City's operating cash reserves have been reduced to nominal levels and management has used the temporary line of credit for cash deficits, threatening the City's ability to remain a going concern. Management has discussed the following options with Council members in order to cure these deficits and reestablish operating cash reserves:

- 1) The City may incur additional debt to rehabilitate a city-owned property so the rental income derived from the property can be dedicated to the debt repayment. This will require a market valuation of the property and an analysis of improvement costs and rental value to determine the feasibility of the plan.
- 2) The City should also consider acquiring a new fund accounting software to account for all activities and institute purchase orders to manage both vendor purchases and consultant costs. Consultant performance will also need to be measured against full funding requirements before a contract is approved.

Required Supplementary Information

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 75,000	\$ 75,000	\$ 59,862	\$ (15,138)
Motor Vehicle In-lieu Tax	30,000	30,000	2,627	(27,373)
Sales Taxes	140,000	140,000	139,611	(389)
Transient Occupancy Taxes	198,000	198,000	101,405	(96,595)
VLF Swap	-	-	25,714	25,714
TOT Measure AC	25,000	25,000	-	(25,000)
Other Taxes	5,000	5,000	368	(4,632)
Intergovernmental	255,000	255,000	459,516	204,516
Licenses, Permits & Fees	26,000	26,000	13,991	(12,009)
Franchise Fees	12,000	12,000	18,762	6,762
Use of Money and Property:				
Interest Income	1,000	1,000	282	(718)
Use of Property	3,000	3,000	-	(3,000)
Other	50,000	50,000	60,872	10,872
Total Revenues	820,000	820,000	883,010	63,010
EXPENDITURES				
Current:				
General Government	480,000	480,000	477,316	2,684
Public Safety	120,000	120,000	132,049	(12,049)
Streets and Public Works	80,000	80,000	56,979	23,021
Community Development	22,000	22,000	78,939	(56,939)
Culture and Recreation	80,000	80,000	114,924	(34,924)
Capital Outlay	75,000	75,000	265	74,735
Total Expenditures	857,000	857,000	860,472	(3,472)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(37,000)	(37,000)	22,538	59,538
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	21,330	21,330
Operating Transfers Out	-	(77,007)	-	77,007
Total Other Financing Sources (Uses)	-	(77,007)	21,330	98,337
NET CHANGES IN FUND BALANCE	\$ (37,000)	\$ (114,007)	43,868	\$ 157,875
BEGINNING FUND BALANCE			311,228	
ENDING FUND BALANCE			\$ 355,096	

Notes:

The expenditures in excess of appropriations as noted above were offset by unexpended appropriations in other categories and available fund balance.

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
REVOLVING LOAN FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Investment Income:				
Interest Income	\$ 20,000	\$ 20,000	\$ 17,578	\$ (2,422)
Use of Property	-	-	121,330	121,330
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>138,908</u>	<u>118,908</u>
EXPENDITURES				
Current:				
General Government	20,000	20,000	12,419	7,581
Community Development	-	-	108,000	(108,000)
Capital Outlay	-	-	20,100	(20,100)
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>140,519</u>	<u>(120,519)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(1,611)</u>	<u>(1,611)</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,611)</u>	<u>\$ (1,611)</u>
BEGINNING FUND BALANCE			<u>402,296</u>	
ENDING FUND BALANCE			<u>\$ 400,685</u>	

Notes:

The expenditures in excess of appropriations as noted above were offset by unexpended appropriations in other categories and/or available fund balance.

**CITY OF POINT ARENA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
STATE GASOLINE TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Gas Taxes	\$ 40,000	\$ 40,000	\$ 27,276	\$ (12,724)
Total Revenues	40,000	40,000	27,276	(12,724)
EXPENDITURES				
Current:				
Streets and Public Works	-	-	5,946	(5,946)
Total Expenditures	-	-	5,946	(5,946)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	40,000	40,000	21,330	(18,670)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(40,000)	(40,000)	(21,330)	18,670
Total Other Financing Sources (Uses)	(40,000)	(40,000)	(21,330)	18,670
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
BEGINNING FUND BALANCE			-	
ENDING FUND BALANCE			<u>\$ -</u>	

Notes:

The expenditures in excess of appropriations as noted above were offset by revenues in excess of expenditures.

Other Independent Auditor's Reports



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members of the City Council
City of Point Arena

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Point Arena (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated September 11, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, 2024-009 that we consider to be material weaknesses



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as item 2024-002.

City of Point Arena's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

September 11, 2025
Morgan Hill, California

Schedule of Findings and Response

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Finding 2024-001: Cash Receipts and Lack of Segregation of Duties (Material Weakness) – Repeat Finding

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the City’s assets and ensure accurate financial reporting.

Condition

During our cash receipts testing, we found that the City does not complete cash receipts forms for every transaction and revenue collection is not routinely monitored at the Pier by a person that is independent of Pier operations.

Cause

The City should review and update their written procedures for processing cash receipts at the Pier. There is also a lack of segregation of duties due to the size of the City and a general lack of resources.

Effect

There is an increased risk that Pier transactions may take place without proper accountability and that revenue may go uncollected or unreported. Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation

Management and the Council should consider a formal evaluation of their risks associated with this lack of duties segregation over Pier cash collections. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the city might consider soliciting the assistance of independent consultants to perform certain functions including daily balancing and monthly reconciliations.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-002: Budget Tracking and Monitoring (Material Weakness) – Repeat Finding

Criteria

The City Council establishes budgets for the General Fund and all Special Revenue Funds and budgetary control is legally maintained at the fund level for these funds.

Condition

During our review of the budget to actual reports, we noticed that the City’s actual expenditures exceeded appropriations in several different government functions and at the fund object level.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

For the fiscal year ended June 30, 2024, the City exceeded legally adopted budget appropriations as follows:

General Fund – Public Safety	\$12,049
General Fund – Community Development	\$56,939
General Fund – Culture and Recreation	\$34,924
Revolving Loan Special Revenue Fund	\$120,519
State Gasoline Tax Special Revenue Fund	\$5,946

Cause

The city did not monitor actual expenditures during the year to ensure expenditures did not exceed budgeted appropriations.

Effect

Expenditures incurred in the fund with excess expenditures over appropriations, could be considered invalid or void claims and, pursuant to state law, could result in personal liability for those individuals authorizing those expenditures.

Recommendation

We recommend the City establish and follow internal controls that include requiring accountability from employees responsible for individual budgets to ensure that budget appropriations are not exceeded in the future. We also recommend that management develop procedures to review actual expenditures as compared to budget at least every quarter with the Council and monthly with a finance committee established by the City Council.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-003: Change Orders and Capital Projects (Material Weakness) – Repeat Finding

Criteria

Capital projects generally have a higher inherent risk because of their size and complexity. Key risks include implementing unnecessary change orders, unauthorized change orders, or over-priced change orders. Other risks include significantly changing the nature of the project, changing the original scope of work specifications without appropriate justification, and not ensuring change order requirements were properly monitored through completion. These risks can significantly impact the cost, quality, or time to complete the project. For local governments to mitigate the risks associated with change orders, their policies and procedures play a critical role.

Condition

It was noted during our audit that many City projects significantly exceeded estimates and budgets and that change orders were not utilized to document and approve the excesses.

Cause

The City's Change order policies and procedures do not address commencement of work prior to approval, use of a third-party advisory body, use of root cause analysis, use of independent cost estimates, documentation of cost analysis, written record of explanation of differences between

**CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024**

negotiated price and independent cost estimates, and verification of assumptions supporting independent cost estimates.

Effect

The City's capital projects realized cost overruns and project delivery delays.

Recommendation

We recommend that the City implements a policy that requires change orders for all significant project specifications and cost changes. The City can define what changes are significant within the policy, but we recommend starting with any cost increases of \$10,000 or more. The policy should require a review of change orders with significant cost adjustments against independent cost estimates. This practice serves to determine if there are differences between the independent cost estimates and the contractor estimate, which could prevent the overpricing of work. In addition, the City's policy should prohibit construction work from starting, in relation to the increased scope, until change orders have been reviewed and approved. Finally, the City may want to consider creating an advisory committee that approves change orders, which would enhance project oversight and accountability.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

Finding 2024-004: Grant Reimbursements – General Process (Material Weakness) – Repeat Finding

Criteria

Best practices dictate that the City has processes in place to ensure that grant reimbursements are filed in a timely manner and available grant funding is utilized to its fullest extent.

Condition

In review of the supporting documentation for expenditures, we noted that the City has incurred allowable expenditures that meet the condition for reimbursement under certain grants, but the City did not submit reimbursement claims for those grants.

Cause

The monitoring of grant projects and expenditures was insufficient.

Effect

The City may not be able to recover resources that would have otherwise been available had timely grant reimbursement claims been submitted.

Recommendation

We recommend that the City establish procedures to ensure requirements are met with regard to grant claims for reimbursement and that claims are submitted timely.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the conditions noted and will implement the recommendations noted.

CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Finding 2024-005: Accounts Payable (Material Weakness)

Criteria

According to the Governmental Accounting Standards Board, expenses should be recognized when the satisfaction of a performance obligation occurs. This is the point at which the entity has fulfilled its obligations to provide goods or services to the customer. For example, if a government entity provides services to a customer and the service is completed, the expense should be recognized at that time. This principle is consistent with the recognition of revenue, where expenses are recognized when the performance obligation is satisfied.

Condition

When we tested accounts payable, we noted that the City was incorrectly excluding some invoices accounts payable and expense/expenditure for services that were provided as of June 30.

Effect

Accounts payable and expenses were understated by \$46,458.

Cause

The City did not review invoices paid after June 30 to determine if they were expenses and obligations as of June 30. The city does not have a monitoring process in place to ensure the accuracy of accounts payable and related expenses/expenditures.

Recommendation

We recommend that management implement written procedures that require accountants to review disbursements after June 30 for obligations that should be recognized as of June 30. Best practices dictate that this should be performed monthly. The procedures should require that invoices are entered into the accounting software as bills within a week of receipt. Also, any invoices received after June 30 that were deemed to be obligations as of June 30 should be journaled as of June 30 and the support for the journal entry should be maintained. The written procedures should include process for monitoring and reviewing the transactions posted and bills entered during the closing process.

Views of Responsible Official(s) and Planned Corrective Actions

The City agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-006: Capital Assets (Material Weakness)

Criteria

Generally accepted accounting principles (GAAP) require the City to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

**CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024**

Condition

During the audit of the City's capital assets we noted deficiencies in the City's process to maintain the capital asset listing as it relates to additions, deletions, completion of projects (construction in progress to depreciable asset), and accumulated depreciation.

Effect

The City's capital asset balance could incorrectly include or exclude capital assets and include incorrect calculations of depreciation expense.

Cause

Due to the high degree of personnel turnover and the limited City staffing, management has not sufficiently monitored capital assets record keeping.

Recommendation

The City should consider the need for additional staffing or training in the Administrative/Finance Department to ensure that a list of capital assets of \$5,000 or more is accurately maintained and complete.

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-007: Bank Reconciliation (Material Weakness)

Criteria

Sound accounting practices that to reduce the risk of fraud and error include control processes that ensure the tracking of deposits and outstanding check from the initial receipt, to the recording of items in the city's accounting system, and then reconciling those items to bank statements.

Condition

During our testing of the City's bank reconciliations, we found several outstanding checks in the bank reconciliation that were cleared in prior bank statements and prior periods. Many items were incorrectly dated back into the prior audit period, June 30, 2023.

Effect

The City's cash balances and financial statements could be materially misstated.

Cause

Due to turnover and a lack of monitoring, bank reconciliations were not prepared timely and accurately.

Recommendation

The City should ensure that the City accountant has the ability, training, and resources to complete a bank reconciliation timely and accurately. The City Manager, or another person independent of preparation, should review the monthly bank reconciliations for each account to ensure that they are accurate and that transactions are not incorrectly dated when entered into the accounting software.

**CITY OF POINT ARENA, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024**

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

Finding 2024-009: Financial Reporting and Closing (Material Weakness)

Criteria

Effective financial reporting requires timely and accurate closing of the accounting records at year-end. The Government Finance Officers Association (GFOA) recommends that municipalities implement structured and timely closing procedures to ensure complete and accurate financial statements. Additionally, internal control standards call for proper cutoff procedures to ensure transactions are recorded in the correct accounting period.

Condition

The City's unaudited trial balance contained errors that required material audit adjustments. Critical closing activities such as the accrual of revenues and expenses, reconciliation of accounts, and review of prior adjusting journal entries were delayed or not performed.

Effect

The financial statements initially presented for audit were materially misstated. As a result, the preparation of the City's financial statements was significantly delayed, and multiple post-closing audit adjustments were required to correct material misstatements. There is an increased risk of errors, omissions, or fraud going undetected due to ineffective period-end controls.

Cause

Turnover and a lack of monitoring lead to conditions noted.

Recommendation

Management should develop and implement a comprehensive year-end closing schedule with clear responsibilities and deadlines, document formal year-end closing procedures and ensure they are consistently applied, assign a qualified individual to oversee and monitor the closing process, train finance staff on proper cutoff procedures and year-end responsibilities, and perform post-closing reviews and reconciliations to identify and correct discrepancies before audit commencement.

Views of Responsible Official(s) and Planned Corrective Actions

Management agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2024-25 to address the causes of the condition(s) noted.

CITY OF POINT ARENA, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2023

Prepared by:

Joseph Arch, CPA
Financial Consultant

This page intentionally left blank.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Table of Contents

Page

INTRODUCTORY SECTION

Table of Contents i
Letter of Transmittal iii
List of Officials vi

FINANCIAL SECTION

Independent Auditors’ Report..... 1
Management’s Discussion and Analysis (Required Supplementary Information) 3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position..... 19
Statement of Activities..... 20

Fund Financial Statements:

Governmental Funds:

Balance Sheet 24
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position..... 25
Reconciliation of Fund Basis Balance Sheet to Government-wide
Statement of Net Position – Governmental Activities 26
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds 27
Reconciliation of Fund Basis Statements to Government-wide
Statement of Activities..... 28
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities 29
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget to Actual – General Fund and
Major Special Revenue Funds 30

Proprietary Funds:

Statement of Net Position – Enterprise Funds 34
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Enterprise Funds 35
Statement of Cash Flows – Enterprise Funds 36

**City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023**

Table of Contents, Continued

	<u>Page</u>
Basic Financial Statements, Continued:	
Notes to Basic Financial Statements	40

March 8, 2024

To the Honorable Mayor and Members of the City Council and Citizens of the City of Point Arena:

We are pleased to submit the City of Point Arena Basic Financial Statements for the fiscal year ended June 30, 2023. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issues a complete an audit of financial statements to be submitted to them. The financial statements are presented in conformity with accounting principles generally accepted in the United States (US GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Point Arena, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the City Manager with any questions or comments concerning this report.

The City's financial statements have been audited by Chavan and Associates LLP, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with US GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Point Arena

The City of Point Arena operates under a Council-Manager form of government and provides planning and zoning, public works, wastewater, pier and park services. This report includes all funds of the City of Point Arena, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund, Capital Project Fund, and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an annual budget, with a mid-year review, with an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City of Point Arena was incorporated in 1908, as a general law City. The Point Arena City Council consists of five members, who are each elected to represent a district to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Mayor Pro Tempore are chosen by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, committees and commissions.

Current Economic Conditions and Outlook

At the direction of Council, staff continues to conduct a systematic review of operations, resulting in some cases in the transition from an in-house operational model to contract service; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contract operational model with a different service provider. These operational analyses and reforms are intended to promote long-term savings to the City and ensure a return to long-term stability. Current operational deficits due to inefficiencies and overspending have resulted in an extended strain on cash flow to the point of an inability to meet current needs. Due to inflationary trends, some revenues were constrained, but expenditures increased in an exponential fashion.

The City of Point Arena anticipates low revenue growth for the next two years. Even though a fund balance policy has been established, further erosion of cash and fund balances has reduced reserves to a nominal level.

Financial Information

During the past fiscal year, other than the fund balance policy, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Awards and Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the City, particularly Administrative Clerk, Jeana Gevas and the auditing firm of Chavan and Associates, LLP. I would like to express my

appreciation to the other employees and contractors who assisted and contributed to its preparation.

I would also like to thank members of the City Council and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,

Joseph Arch, CPA
Financial Consultant

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

List of Officials

CITY COUNCIL

- Barbara Burkey, Mayor
- Anna Dobbins, Vice Mayor
- Jim Koogle, Councilmember
- Jeff Hansen, Councilmember
- Dan Doyle, Councilmember

CITY OFFICIALS

- Peggy Ducey, Interim City Manager
- Marie Jones, City Planner, Contracted

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Point Arena
Point Arena, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Point Arena (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Point Arena, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter - Substantial Doubt About the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 14 to the financial statements, the City has suffered recurring losses from operations, significant declines in fund balances and net position, a reduction of operating cash to nominal levels, budget overages, deficit spending, and has stated that substantial doubt exists about the City's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

C & A LLP

Chavan & Associates, LLP
Certified Public Accountants
March 22, 2024
Morgan Hill, California

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Point Arena (City) for the fiscal year ended June 30, 2023. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ As of June 30, 2023, total assets of the City exceeded its liabilities by \$5,679,796 (net position). The portion of net position that may be used to meet the government's ongoing obligations (unrestricted net position) is \$23,587. The remaining \$5,656,209 is net investment in capital assets (page 6).
- ◆ As of June 30, 2023, the City's Governmental Activities reported combined net position of \$4,766,329, of that amount none of the balance is restricted.
- ◆ As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$306,422. Of that amount \$582,194 is assigned for specific purposes as provided by Council direction and \$12,109 is nonspendable, since this amount has already been spent in advance for prepaid items. The remaining fund deficit of \$287,881 is unassigned and represents the General Fund balance of \$119,221 and a deficit fund balance in the Capital Projects Fund of \$407,102 (page 24).
- ◆ Capital assets, net of depreciation, increased to \$5,656,209 (page 6) from \$5,533,968 in fiscal year (FY) 2022.

Government Wide Highlights

The City of Point Arena's operating revenues continue to contract as the economy falters from inflationary pressure. For the fiscal year ended June 30, 2023 the General Fund balance is approximately 35% of the General Fund revenues, which results in a reduction to fund balance after transfers. Overall fund balances are decreasing rapidly as capital improvements take over City priorities. The City's business-type activities are also experiencing overall decreases as sewer and pier fee rates are not keeping pace with increased expenses and capital replacement requirements. The collection system capital project in the Wastewater Fund has drained all available cash resources with unrestricted net position in a deficit for both enterprise funds.

Overall the government-wide balance sheet shows further deterioration of asset amounts and limited working capital balances.

Fund Highlights

As of June 30, 2023, the primary governmental funds reported a combined net fund balance of \$306,422 another reduction over the previous year of \$209,352. This reduction is mainly due to the City's overspending the capital improvement program and departmental overspending for unfunded operations. Expenditures continued to outpace revenues in the operating funds (General and Special Revenue) by approximately \$214,000 a direct result of contractual service cost increases in the Revolving Loan Fund and contract planning cost increases in the General Fund.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

OVERVIEW OF FINANCIAL STATEMENTS

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information;
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements and Combining and Individual Fund Financial Statements and Schedules.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also using accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, public improvements, planning and engineering, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as user fees.
- ◆ **Business-type activities** – All the City's enterprise activities are reported here. The City's Business-type activity funds are the Wastewater and Pier Funds. Unlike governmental services, these services are completely supported by charges paid by users.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. For the fiscal year ended June 30, 2023, the City's major funds are as follows:

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

Fund Financial Statements, continued

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Revolving Loan Special Revenue Fund
- ◆ Gas Tax Special Revenue Fund
- ◆ Capital Projects Fund

PROPRIETARY FUNDS:

- ◆ Wastewater Enterprise
- ◆ Pier Enterprise

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the Governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

Proprietary funds The City maintains Enterprise-type proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for sewer activities. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 40-56 of this report.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City’s financial position. In the case of the City, assets exceeded liabilities by \$5,679,796 at the close of the most recent fiscal year. Capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related debt used to acquire those assets, represent 100% of the City’s net position. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

	2023			2022			Total change	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	Amount	Percent
Current and other assets	\$ 434,598	\$ 62,107	\$ 496,705	\$ 1,539,829	\$ 143,803	\$ 1,683,632	\$ (1,186,927)	-70.5%
Internal balances	345,913	(345,913)	-	265,409	(265,409)	-	-	0.0%
Noncurrent assets	4,387,013	1,269,196	5,656,209	4,448,893	1,085,075	5,533,968	122,241	2.2%
Total assets and deferred outflows of resources	5,167,524	985,390	6,152,914	6,254,131	963,469	7,217,600	(1,064,686)	-14.8%
Current and other liabilities	401,195	71,923	473,118	1,198,882	38,700	1,237,582	(764,464)	-61.8%
Long-term liabilities	-	-	-	-	-	-	-	0.0%
Total liabilities and deferred inflows of resources	401,195	71,923	473,118	1,198,882	38,700	1,237,582	(764,464)	-61.8%
Net position:								
Net investment in capital assets	4,387,013	1,269,196	5,656,209	4,448,893	1,085,075	5,533,968	122,241	2.2%
Unrestricted	379,316	(355,729)	23,587	606,356	(160,306)	446,050	(422,463)	-94.7%
Total net position	\$ 4,766,329	\$ 913,467	\$ 5,679,796	\$ 5,055,249	\$ 924,769	\$ 5,980,018	\$ (300,222)	-5.0%

The table is a summary of the City’s net position for this fiscal year compared to last fiscal year. The table shows the total capital assets for this year (\$5,656,209), no restricted funds and the remaining amount, which is an unrestricted balance of \$23,587, which shows a considerable decrease to governmental activities receivables and business-type activities current assets as well as an overall reduction to cash balances as a result of overspending.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$2,173,189 (see table on Page 8) for the fiscal year ended June 30, 2023. Approximately 85% of the City's revenues are generated from three major sources, Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. This fiscal year's total revenue is \$1,979,374 less than fiscal year 2022 resulting in an overall 5% decrease in net position.

The following discusses variances in these and other key revenues from the prior fiscal year:

1. **Charges for Services** – Charges for services increased slightly by 7% or \$21,365 from last year. Pier and Wastewater fees contributed to most of this increase. Even though revenues for this category increased slightly, operating deficits continued to occur in the enterprise funds.
2. **Grants and Contributions – Operating** – The Grants and Contributions (Operating) category for FY 2023 increased 27% from last fiscal year and included the sub-categories of the State Citizens' Option for Public Safety (COPS) program grant which accounted for approximately \$30,000 of the increase with the rest covered by a Housing and Community Development Program sponsored Small Business Employee Retention Grant Program.
3. **Grants and Contributions – Capital** – The Grants and Contributions (Capital) category for 2023 was the highest revenue decrease from 2022 of 73% or \$2,144,081. This marked the cessation of reimbursable, capital projects as City resources dwindled to their lowest levels.

Expenses

Governmental and business-type activities expenses of the City totaled \$2,473,411 for the year a 3% increase from last fiscal year, which mimics inflation for the year. Governmental activities expenses totaled \$1,634,065 or 66% of total expenses. Streets and Public Works Services costs, which include Planning and Community Development costs represented 51% (\$834,772) of total governmental activities expenses, which was an 61% increase from FY2022.

Community Development expenses included grants from the Housing and Community Development Program sponsored Small Business Employee Retention Grant Program in the amount of \$86,500 with Planning and Engineering costs accounting for \$171,131; the highest unreimbursed costs for the City. Even though, Planning fees, which should be full cost recovery were only \$17,800 for the year.

Public Safety expense increases were commensurate with revenue collected and the County Sheriff contract increase.

This also marked an increase in interest charges as a result of Line of credit balances remaining unchanged throughout the year, further signifying the City's cash flow difficulties.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2023, and 2022, follows (pages 20 and 21):

	Changes in Net Position						Variance	
	2023			2022				
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total		
Revenues:								
Program revenues:								
Charges for services	\$ 7,004	\$ 342,047	\$ 349,051	\$ 11,473	\$ 316,213	\$ 327,686	\$ 21,365	7%
Grants and contributions:								
Operating	524,510	-	524,510	414,192	-	414,192	110,318	27%
Capital	299,613	485,966	785,579	2,129,087	800,573	2,929,660	(2,144,081)	-73%
General revenues:								
Property taxes and assessments	61,499	-	61,499	85,260	-	85,260	(23,761)	-28%
Motor vehicle in-lieu tax	24,331	-	24,331	-	-	-	24,331	
Sales and use tax	163,967	-	163,967	71,700	-	71,700	92,267	129%
Transient occupancy taxes	157,635	-	157,635	203,211	-	203,211	(45,576)	-22%
VLF Swap	23,859	-	23,859	44,819	-	44,819	(20,960)	-47%
TOT Measure AC	31,527	-	31,527	30,043	-	30,043	1,484	5%
Other taxes	2,106	-	2,106	509	-	509	1,597	314%
Franchises	6,425	-	6,425	11,088	-	11,088	(4,663)	-42%
Licenses, permits & fees	23,819	-	23,819	22,908	-	22,908	911	4%
Use of money and property	18,850	31	18,881	5,100	67	5,167	13,714	265%
Other general revenues	-	-	-	6,320	-	6,320	(6,320)	-100%
Total revenues	1,345,145	828,044	2,173,189	3,035,710	1,116,853	4,152,563	(1,979,374)	-48%
Expenses:								
Governmental activities:								
General Government	449,657	-	449,657	395,002	-	395,002	54,655	14%
Public Safety	180,994	-	180,994	113,602	-	113,602	67,392	59%
Streets and Public Works	329,266	-	329,266	989,516	-	989,516	(660,250)	-67%
Community Development	505,506	-	505,506	221,698	-	221,698	283,808	128%
Culture and Recreation	132,072	-	132,072	87,227	-	87,227	44,845	51%
Interest and fiscal charges	36,570	1,318	37,888	6,570	1,621	8,191	29,697	363%
Business-type activities:								
Wastewater	-	492,335	492,335	-	391,410	391,410	100,925	26%
Pier	-	345,693	345,693	-	188,769	188,769	156,924	83%
Total expenses	1,634,065	839,346	2,473,411	1,813,615	581,800	2,395,415	77,996	3%
Excess (Deficiency) of revenues over expenditures before transfers	(288,920)	(11,302)	(300,222)	1,222,095	535,053	1,757,148	(2,057,370)	-117%
Transfers	-	-	-	-	-	-	-	0%
Change in net position	(288,920)	(11,302)	(300,222)	1,222,095	535,053	1,757,148	(2,057,370)	-117%
Net position:								
Beginning of year	5,055,249	924,769	5,980,018	3,833,154	389,716	4,222,870	1,757,148	42%
End of year	\$ 4,766,329	\$ 913,467	\$ 5,679,796	\$ 5,055,249	\$ 924,769	\$ 5,980,018	\$ (300,222)	-5%

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The cost of all governmental activities this year was \$1,634,065. However, as shown in the Statement of Activities on page 20 and 21, the amount that taxpayers ultimately financed for governmental activities was \$514,018. Those who directly benefited from City programs paid \$7,004. Other governments and organizations subsidized certain programs with grants and contributions in the amount of \$524,510 for operations and \$299,613 for capital. The City paid the remaining "public benefit" portion of government activities with \$61,499 in property taxes, \$433,669 in other general revenues, and \$18,850 in use of money and property.

Referring to the Changes in Net Position statement above, total resources available during the year to finance governmental operations were \$1,345,145. This consisted of \$831,127 in program revenues and \$514,018 in general revenues. Total governmental activities operating expenses during the year were \$1,634,065 thus net position at July 1, 2022, of \$5,055,249 decreased by \$288,920 to \$4,766,329 primarily because of an increase in operating expenses with commensurate reductions in revenues both general and program.

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2023, and 2022, are as follows:

	Operating Revenue		Operating Expenses		Net (Expense) and Changes in Net Position	
	2023	2022	2023	2022	2023	2022
	Governmental activities:					
General Government	\$ 67,466	\$ 61,354	\$ 449,657	\$ 395,002	\$ (382,191)	\$ (333,648)
Public Safety	234,958	161,285	180,994	113,602	53,964	47,683
Streets and Public Works	336,774	2,220,586	329,266	989,516	7,508	1,231,070
Community Development	138,794	71,560	505,506	221,698	(366,712)	(150,138)
Culture and Recreation	53,135	39,967	132,072	87,227	(78,937)	(47,260)
Interest and fiscal charges	-	-	36,570	6,570	(36,570)	(6,570)
Total governmental activities	\$ 831,127	\$ 2,554,752	\$ 1,634,065	\$ 1,813,615	\$ (802,938)	\$ 741,137

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

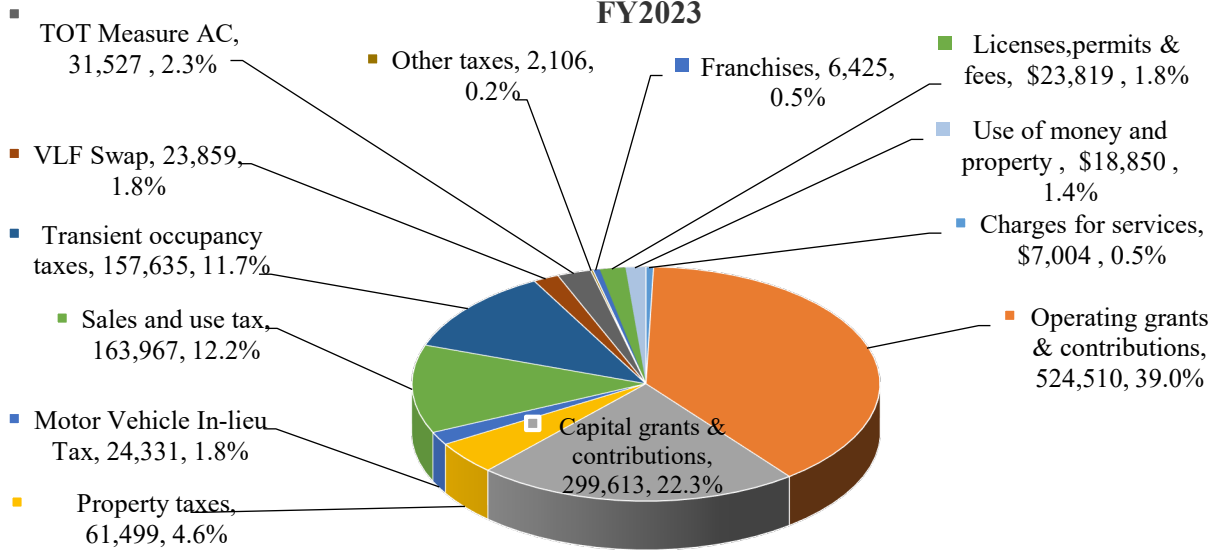
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

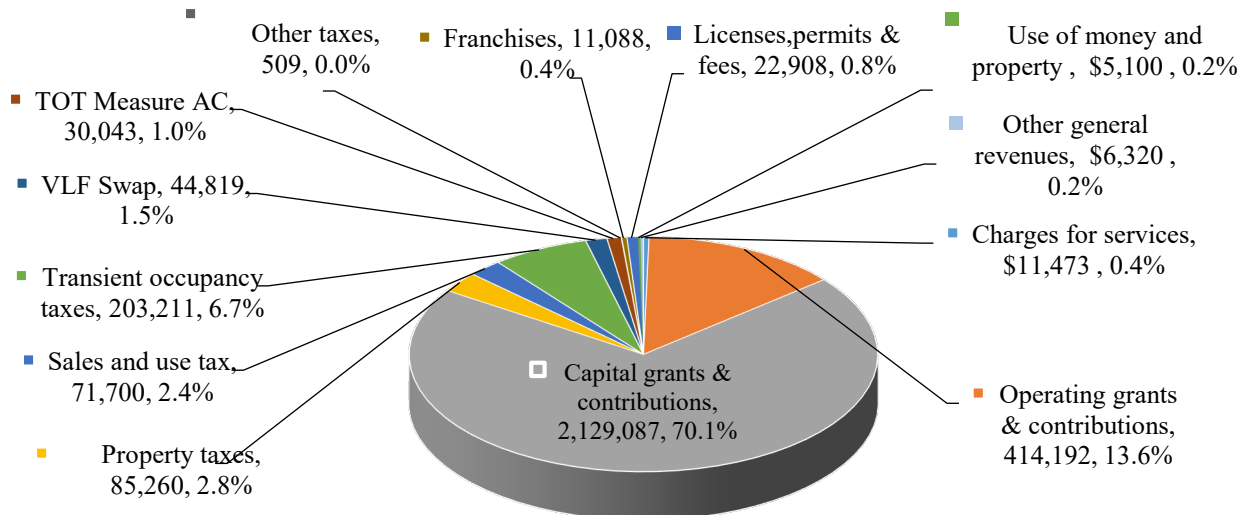
Governmental Activities, Continued

Revenues by source for the fiscal years ended June 30, 2023, and 2022, are as follows:

**Governmental Activities
Revenues by Source
FY2023**



**Governmental Activities
Revenues by Source
FY2022**



City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

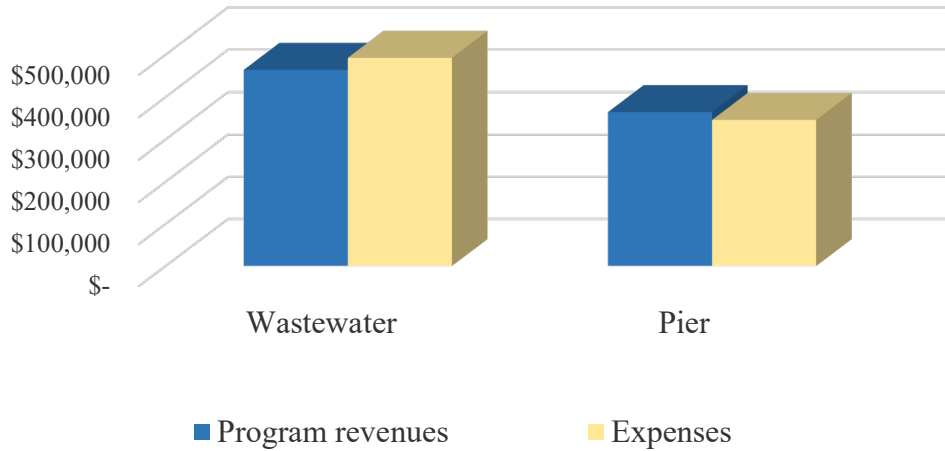
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

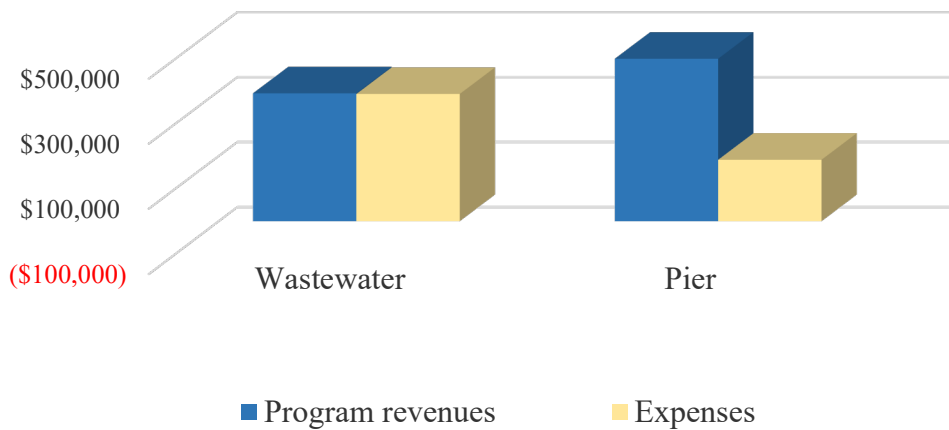
Business-type Activities

Business-type activities incurred \$839,346 in expenses during the fiscal year. The City has two business-type funds, which are the Wastewater and Pier Enterprise Funds. The expenses and program revenues for the business-type activities for the fiscal year ended June 30, 2023, and 2022, are as follows:

Business-type Activities
Program Revenues and Expenses
FY2023



Business-type Activities
Program Revenues and Expenses
FY 2022



City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type Activities, Continued

Business-type activities total revenue for FY 2023 is \$828,044. Expenses for this year exceeded revenues by \$11,302. Revenues are received from three sources, Charges for Services \$342,047, capital grants of \$485,966 and Investment Earnings \$31. 84% of the funding received for Pier operations is derived through capital grants and contributions; the balance is service charges for boat storage, hoist rental and launching fees. In FY 2022 revenues exceeded expenses by \$535,053, primarily a result of capital contributions to the Pier Fund.

As reported in the Statement of Activities, the net position of the City’s Business-type Activities, as of June 30 2023, decreased \$11,302. The following table is a re-statement of the Statement of Business-type Activities outlining the components of this decrease.

Business-type Activities
Two-year Comparison of Change in Net Position

	6/30/2023	6/30/2022	Change
Revenues:			
Charges for Services	\$ 342,047	\$ 316,213	\$ 25,834
Capital grants and contributions	485,966	800,573	(314,607)
Use of money and property (interest)	31	67	(36)
Total	\$ 828,044	\$ 1,116,853	\$ (288,809)
Expenses:			
Wastewater	\$ 493,653	\$ 393,031	\$ 100,622
Pier	345,693	188,769	156,924
Total	\$ 839,346	\$ 581,800	\$ 257,546
Excess (Deficiency) of revenues over expenditures before transfers	\$ (11,302)	\$ 535,053	\$ (546,355)
Transfers	-	-	-
Change in Net Position	\$ (11,302)	\$ 535,053	\$ (546,355)

Since the basis of accounting is the same for business-type activities at the government-wide level and enterprise fund level statements, the enterprise funds reported a change in net position: a reduction in the Wastewater Fund \$29,782, which was due to \$163,926 in contract service costs for the Wastewater Collection System project to redesign the Wastewater plant and mitigate future issues with aging infrastructure. From an operating perspective, Wastewater operations continue to operate in a deficit position reflecting the insufficient rates for the costs incurred.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Point Arena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2023, the City's governmental funds reported a combined fund balance of \$306,422 (page 24). This is a decrease of \$209,352 or 41% from last year. The decrease results primarily from General Fund expenditures exceeding revenues by \$196,488 with little beginning fund balance to draw from. Specifically, the City continues to overspend in relationship to revenues collected, which further deteriorates the City's cash position and threatens its sustainability.

Overall, there is a decrease in assets of \$1,286,233 or 57% from last year and a decrease in liabilities of \$1,059,193, mostly due to the line of credit that was added in the prior year and was reduced by \$444,200 and accounts payable of \$353,649 from reduced capital project balances.

- ◆ The decrease of **General Fund** Cash and Investments of \$19,514 or 27% from FY 2022 is mostly due to expenditures being greater than revenues for the City for the year and borrowing from other funds.

This fiscal year, the overall net expenditures in the General Fund is \$223,819 before transfers (page 27) and \$3,217 net revenue in FY 2022. The changes in revenues and expenditures were approximately \$400,000 higher than last fiscal year, with each department overspending their budget because revenues were increased. Unfortunately, the overspending was not capped and the expenditures exceeded the amounts of the revenue increases resulting in a continued negative trend.

- ◆ There was a decrease in the **Revolving Loan Fund** balance of \$17,124, due to loan payments in excess of revenue collections and loan repayments along with excessive contract service costs that were unfunded.
- ◆ The **Gas Tax Fund** is dedicated to transportation related projects according to the Streets and Highway Code. Also, since the Capital Projects Fund was initiated the prior year, the Gas Tax Fund has become a zero based fund since revenues received do not exceed street expenditures. All expenditures are accounted for in the General Fund with the revenue transferred to subsidize Street expenditures as costs continue to exceed the revenues collected throughout the year.
- ◆ The **Capital Projects Fund** was a new major fund in the year ended June 30, 2022, created because of the need to track capital projects funded by grants and capital contributions and financing. This fund reflects all the expenses for capital projects approved in the budget or appropriated by budgetary adjustment. In the next fiscal year, the City will be preparing a comprehensive capital improvement plan with funding sources and potential financing of major capital improvements. The purpose of the Capital Projects Fund on a year to year basis is to be reduced close to zero at year end, if possible. In the second year of operation, fund balances continued to be in a deficit position because of construction activity exceeding reimbursable activities funded by a short-term line of credit. See page 7 of this report for the specific capital projects from this fiscal year.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City’s functions. At June 30, 2023, net capital assets of the governmental activities totaled \$4,387,013 and for business-type activities, \$1,269,196. Depreciation on capital assets is recognized in the government-wide financial statements. The following table shows the City’s Capital Assets net of depreciation:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land and CIP	\$ 348,995	\$ 1,953,531	\$ 298,190	\$ 340,792
Buildings and improvements	98,491	105,048	59,870	62,425
Machinery and equipment	61,711	14,012	106,358	30,817
Infrastructure & Pier	3,877,816	2,376,302	804,778	651,041
Total	\$ 4,387,013	\$ 4,448,893	\$ 1,269,196	\$ 1,085,075

Land and Building values are listed as cost when purchased or renovated by the City, depreciation is taken on buildings and improvements, machinery and equipment and infrastructure and pier. Additional information on the City’s capital assets can be found in Note 5 on page 50 of this report.

Additional information on the City’s capital assets can be found in Note 5 on page 51 of this report.

Long Term Liabilities

The City had no long-term debt at June 30, 2023 or 2022. The City anticipates converting the line of credit through Redwood Credit Union to a five year note payable in FY 2023-24 or 2024-25 if cash flows permit. The remaining balance of the line of credit, which is approximately \$310,000 will be reclassified as long-term at that time. The City had no additional construction commitments at June 30, 2023 and is attempting to address the cash flow difficulties with reductions to staff, both hours and positions and restructuring the line of credit so an operating line of credit could be used for short-term cash flow needs, coupled with an improvement project for a City-owned property to dedicate rental income derived to the repayment of the debt. This could help stabilize cash flow as operating expenditures are controlled through constant monitoring.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Management’s Discussion and Analysis, Continued

NEXT YEAR’S BUDGETED APPROPRIATIONS

The adopted budget for all City funds (excluding Pier, Wastewater and Capital) for the new fiscal year of 2023-24 is \$750,200 and is summarized as follows:

	FY2023-24 (Budget)	FY2022-23 (Budget)	Amount Change	Percentage Change
General fund:				
General Government	\$ 390,000	\$ 363,000	\$ 27,000	7.4%
Public Safety	120,000	120,000	-	0.0%
Streets and Public Works	102,000	27,000	75,000	277.8%
Community Development	90,000	50,000	40,000	80.0%
Culture and Recreation	80,000	67,200	12,800	19.0%
Interest and fiscal charges	-	-	-	0.0%
Total general fund:	782,000	627,200	154,800	24.7%
Special revenue funds:				
Revolving Loan	20,000	13,000	7,000	53.8%
Gas Tax	-	110,000	(110,000)	(100.0)%
Total special revenue funds:	20,000	123,000	(103,000)	-83.7%
Total Budget:	\$ 802,000	\$ 750,200	\$ 51,800	

1. General Fund – Increases in the General Fund budget include reorganizing Street expenditures from Gas Tax to the General Fund and establishing reasonable offsets in estimated revenues to provide funding.
2. Revolving Loan – The revolving loan programs are projected to decrease due to the increasing interest rate environment and reduction to programs.
3. Gas Tax – The gas tax funding remained relatively the same with expenditures transferred to the General Fund because the revenue source from gas taxes remained flat and relatively nominal.

Requests for Information

This Basic Financial Statements is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Point Arena Administrative Offices 451 School Rd Point Arena CA, or visit the City’s web page at www.pointarena.org.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Point Arena, California
Statement of Net Position
June 30, 2023

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 99,948	\$ -	\$ 99,948
Receivables:			
Accounts receivable	-	44,263	44,263
Intergovernmental receivable	91,018	17,844	108,862
Taxes receivable	158,629	-	158,629
Loans receivable	-	-	-
Notes receivable	72,894	-	72,894
Prepaid items and deposits	12,109	-	12,109
Internal balances	345,913	(345,913)	-
Total current assets	<u>780,511</u>	<u>(283,806)</u>	<u>496,705</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	348,995	298,190	647,185
Depreciable	4,038,018	971,006	5,009,024
Total noncurrent assets	<u>4,387,013</u>	<u>1,269,196</u>	<u>5,656,209</u>
Total assets	<u>\$ 5,167,524</u>	<u>\$ 985,390</u>	<u>\$ 6,152,914</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 78,511	\$ 63,066	\$ 141,577
Accrued payroll and benefits	12,144	8,557	20,701
Line of credit	310,540	-	310,540
Unearned revenue	-	300	300
Total current liabilities	<u>401,195</u>	<u>71,923</u>	<u>473,118</u>
Total liabilities	<u>401,195</u>	<u>71,923</u>	<u>473,118</u>
NET POSITION			
Net investment in capital assets	4,387,013	1,269,196	5,656,209
Unrestricted (deficit)	379,316	(355,729)	23,587
Total net position	<u>4,766,329</u>	<u>913,467</u>	<u>5,679,796</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,167,524</u>	<u>\$ 985,390</u>	<u>\$ 6,152,914</u>

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California

Statement of Activities

For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	\$ 449,657	\$ 3,555	\$ 63,911	\$ -
Public Safety	180,994	-	234,958	-
Streets and Public Works	329,266	-	37,161	299,613
Community Development	505,506	3,449	135,345	-
Culture and Recreation	132,072	-	53,135	-
Interest and fiscal charges	36,570	-	-	-
Total governmental activities	<u>1,634,065</u>	<u>7,004</u>	<u>524,510</u>	<u>299,613</u>
Business-type activities:				
Wastewater	492,335	283,138	-	180,702
Pier	345,693	58,909	-	305,264
Total business-type activities	<u>838,028</u>	<u>342,047</u>	<u>-</u>	<u>485,966</u>
Total primary government	<u>\$ 2,472,093</u>	<u>\$ 349,051</u>	<u>\$ 524,510</u>	<u>\$ 785,579</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Motor Vehicle In-lieu Tax

Sales and use tax

Transient Occupancy Taxes

VLF Swap

TOT Measure AC

Other taxes

Franchises

Licenses, Permits & Fees

Use of money and property

Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position:

Beginning of year

Net position - Ending

The accompanying notes are an integral part of these basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (382,191)	\$ -	\$ (382,191)
53,964	-	53,964
7,508	-	7,508
(366,712)	-	(366,712)
(78,937)	-	(78,937)
(36,570)	(1,318)	(37,888)
<u>(802,938)</u>	<u>(1,318)</u>	<u>(804,256)</u>
-	(28,495)	(28,495)
-	18,480	18,480
-	(10,015)	(10,015)
<u>(802,938)</u>	<u>(11,333)</u>	<u>(814,271)</u>
61,499	-	61,499
24,331	-	24,331
163,967	-	163,967
157,635	-	157,635
23,859	-	23,859
31,527	-	31,527
2,106	-	2,106
6,425	-	6,425
23,819	-	23,819
18,850	31	18,881
-	-	-
<u>514,018</u>	<u>31</u>	<u>514,049</u>
-	-	-
<u>514,018</u>	<u>31</u>	<u>514,049</u>
(288,920)	(11,302)	(300,222)
5,055,249	924,769	5,980,018
<u>\$ 4,766,329</u>	<u>\$ 913,467</u>	<u>\$ 5,679,796</u>

This page intentionally left blank.

**FUND FINANCIAL STATEMENTS
MAJOR FUNDS**

The Fund Financial Statements present only individual major funds, while non-major funds are combined in a single column. Major funds are defined as having significant activities or balances in the current year.

The City currently has no non-major funds.

<u>Fund</u>	<u>Description</u>
Governmental Funds:	
General Fund	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
Revolving Loan Special	Accounts for revenues and expenditures related to the City's CDBG and Business Loan programs.
Gas Tax Special Revenue	Accounts for the City's Gas Tax revenue utilized for Street programs.
Capital Projects	Accounts for multi-year Capital Improvement projects including shared projects for wastewater and pier improvements.

City of Point Arena, California
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds				Totals
	General Fund	Special Revenue Funds		Capital Projects Fund	
		Revolving Loan	Gas Tax	Capital Projects	
ASSETS					
Cash and investments	\$ 51,581	\$ 48,367	\$ -	\$ -	\$ 99,948
Receivables:					
Intergovernmental	-	10,680	-	80,338	91,018
Taxes receivable	158,629	-	-	-	158,629
Notes receivable	-	72,894	-	-	72,894
Due from other funds	173,410	-	-	-	173,410
Prepaid items and deposits	12,109	-	-	-	12,109
Advances to other funds	-	345,913	-	-	345,913
Total assets	\$ 395,729	\$ 477,854	\$ -	\$ 80,338	\$ 953,921
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 72,357	\$ 2,664	\$ -	\$ 3,490	\$ 78,511
Accrued payroll and benefits	12,144	-	-	-	12,144
Line of credit	-	-	-	310,540	310,540
Due to other funds	-	-	-	173,410	173,410
Deposits payable	-	-	-	-	-
Total liabilities	84,501	2,664	-	487,440	574,605
Deferred inflows:					
Unavailable revenues	-	72,894	-	-	72,894
Fund balances:					
Nonspendable					
Prepaid items and deposits	12,109	-	-	-	12,109
Assigned	179,898	402,296	-	-	582,194
Unassigned (deficit)	119,221	-	-	(407,102)	(287,881)
Total fund balances	311,228	402,296	-	(407,102)	306,422
Total liabilities, deferred inflows and fund balances	\$ 395,729	\$ 477,854	\$ -	\$ 80,338	\$ 953,921

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total fund balances - total governmental funds \$ 306,422

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 72,894

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,387,013

Net position of governmental activities \$ 4,766,329

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2023

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Statement of Net Position
ASSETS				
Current assets:				
Cash and investments	\$ 99,948	\$ -	\$ -	\$ 99,948
Receivables:				
Intergovernmental receivable	91,018	-	-	91,018
Taxes receivable	158,629	-	-	158,629
Notes receivable	72,894	-	-	72,894
Internal balances	-	345,913	-	345,913
Due from other funds	173,410	(173,410)	-	-
Prepaid items and deposits	12,109	-	-	12,109
Total current assets	608,008	172,503	-	780,511
Noncurrent assets:				
Advances to other funds	345,913	(345,913)	-	-
Capital assets, net	-	-	4,387,013	4,387,013
Total noncurrent assets	345,913	(345,913)	4,387,013	4,387,013
Total assets	\$ 953,921	\$ (173,410)	\$ 4,387,013	\$ 5,167,524
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 78,511	\$ -	\$ -	\$ 78,511
Accrued payroll and benefits	12,144	-	-	12,144
Line of credit	310,540	-	-	310,540
Due to other funds	173,410	(173,410)	-	-
Deposits payable	-	-	-	-
Total current liabilities	574,605	(173,410)	-	401,195
Total liabilities	574,605	(173,410)	-	401,195
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	72,894	-	(72,894)	-
Total deferred outflows of resources	72,894	-	(72,894)	-
FUND BALANCES/NET POSITION				
Fund balances:				
Nonspendable				
Prepaid items and deposits	12,109	(12,109)	-	-
Assigned reported in:				
General Fund	179,898	(179,898)	-	-
Special revenue funds	402,296	(402,296)	-	-
Unassigned (deficit), reported in:				
General Fund	119,221	(119,221)	-	-
Capital projects fund	(407,102)	407,102	-	-
Net position:				
Net investment in capital assets	-	-	4,387,013	4,387,013
Unrestricted	-	306,422	72,894	379,316
Total fund balances/ net position	306,422	-	4,459,907	4,766,329
Total liabilities, deferred inflows and net position	\$ 953,921	\$ (173,410)	\$ 4,387,013	\$ 5,167,524

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	Major Funds				Totals
	General Fund	Special Revenue Funds		Capital Projects Fund	
		Revolving Loan	Gas Tax	Capital Projects	
REVENUES:					
Cannabis Excise Tax	\$ 10,206	\$ -	\$ -	\$ -	\$ 10,206
Property Taxes	61,499	-	-	-	61,499
Motor Vehicle In-lieu Tax	24,331	-	-	-	24,331
Gas Taxes	-	-	27,331	-	27,331
Sales Taxes	163,967	-	-	-	163,967
Transient Occupancy Taxes	157,635	-	-	-	157,635
VLF Swap	23,859	-	-	-	23,859
TOT Measure AC	31,527	-	-	-	31,527
Other Taxes	2,106	-	-	-	2,106
Intergovernmental	314,874	136,652	-	299,613	751,139
Licenses, Permits & Fees	23,819	-	-	-	23,819
Franchise Fees	6,425	-	-	-	6,425
Use of Money and Property:					
Use of Property	3,555	3,449	-	-	7,004
Interest Income	1,162	17,688	-	-	18,850
Other revenues	53,135	-	-	-	53,135
Total revenues	878,100	157,789	27,331	299,613	1,362,833
EXPENDITURES:					
Current:					
General Government	445,407	4,250	-	-	449,657
Public Safety	180,994	-	-	-	180,994
Streets and Public Works	110,922	-	-	27,983	138,905
Community Development	176,177	170,663	-	158,666	505,506
Culture and Recreation	132,072	-	-	-	132,072
Capital outlay	56,347	-	-	72,134	128,481
Debt service:					
Interest and fiscal charges	-	-	-	36,570	36,570
Total expenditures	1,101,919	174,913	-	295,353	1,572,185
REVENUES OVER (UNDER) EXPENDITURES	(223,819)	(17,124)	27,331	4,260	(209,352)
OTHER FINANCING SOURCES (USES):					
Transfers in	27,331	-	-	-	27,331
Transfers out	-	-	(27,331)	-	(27,331)
Total other financing sources (uses)	27,331	-	(27,331)	-	-
Net change in fund balances	(196,488)	(17,124)	-	4,260	(209,352)
FUND BALANCES:					
Beginning of year	507,716	419,420	-	(411,362)	515,774
End of year	<u>\$ 311,228</u>	<u>\$ 402,296</u>	<u>\$ -</u>	<u>\$ (407,102)</u>	<u>\$ 306,422</u>

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2023

Functions/Programs	Fund Based Totals	Depreciation	Capital Asset (Additions), Retirements & Adjustments	Government- wide Totals
Governmental activities:				
General Government	\$ 449,657	\$ -	\$ -	\$ 449,657
Public Safety	180,994		-	180,994
Streets and Public Works	138,905	190,361	-	329,266
Community Development	505,506		-	505,506
Culture and Recreation	132,072		-	132,072
Capital outlay	128,481	-	(128,481)	-
Debt service/Interest	36,570	-	-	36,570
Total governmental activities	\$ 1,572,185	\$ 190,361	\$ (128,481)	\$ 1,634,065

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds \$ (209,352)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 128,481	
Depreciation expense	<u>(190,361)</u>	(61,880)

Some receivables are deferred in the Governmental Funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities

Unavailable revenue		-
		<u>(17,688)</u>

Change in net position of governmental activities		<u><u>\$ (288,920)</u></u>
--	--	----------------------------

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - General Fund and Major Special Revenue Funds
For the year ended June 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Cannabis Excise Tax	\$ 25,000	\$ 25,000	\$ 10,206	\$ (14,794)
Property Taxes	57,000	60,000	61,499	1,499
Motor Vehicle In-lieu Tax	45,000	25,000	24,331	(669)
Gas Taxes	-	-	-	-
Sales Taxes	50,000	50,000	163,967	113,967
Transient Occupancy Taxes	110,000	175,000	157,635	(17,365)
VLF Swap	-	-	23,859	23,859
TOT Measure AC	25,000	25,000	31,527	6,527
Other Taxes	-	-	2,106	2,106
Intergovernmental	210,000	350,000	314,874	(35,126)
Licenses, Permits & Fees	21,830	21,830	23,819	1,989
Franchise Fees	11,000	11,000	6,425	(4,575)
Use of Money and Property:				
Use of Property	-	6,000	3,555	(2,445)
Interest Income	3,000	3,000	1,162	(1,838)
Other revenues	5,000	5,000	53,135	48,135
Total revenues	562,830	756,830	878,100	121,270
EXPENDITURES:				
Current:				
General Government	363,000	363,000	445,407	(82,407)
Public Safety	120,000	120,000	180,994	(60,994)
Streets and Public Works	137,000	137,000	110,922	26,078
Community Development	50,000	50,000	176,177	(126,177)
Culture and Recreation	67,200	67,200	132,072	(64,872)
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	737,200	737,200	1,101,919	(364,719)
REVENUES OVER (UNDER)				
EXPENDITURES	(174,370)	19,630	(223,819)	(243,449)
OTHER FINANCING SOURCES (USES):				
Transfers in	45,000	45,000	27,331	(17,669)
Transfers out	-	-	-	-
Total other financing sources (uses)	45,000	45,000	27,331	(17,669)
Net change in fund balances	(129,370)	64,630	(196,488)	(261,118)
FUND BALANCES:				
Beginning of year	507,716	507,716	507,716	-
End of year	\$ 378,346	\$ 572,346	\$ 311,228	\$ (261,118)

The accompanying notes are an integral part of these basic financial statements.

Revolving Loan				Gas Tax			
Budgeted Amounts		Actual	Variance w/Final	Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)	Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	45,000	45,000	27,331	(17,669)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	136,652	136,652	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,000	11,000	3,449	(7,551)	-	-	-	-
5,000	5,000	17,688	12,688	-	-	-	-
-	-	-	-	-	-	-	-
16,000	16,000	157,789	141,789	45,000	45,000	27,331	(17,669)
-	-	4,250	(4,250)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,000	13,000	170,663	(157,663)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,000	13,000	174,913	(161,913)	-	-	-	-
3,000	3,000	(17,124)	(20,124)	45,000	45,000	27,331	(17,669)
-	-	-	-	-	-	-	-
-	-	-	-	(45,000)	(45,000)	(27,331)	17,669
-	-	-	-	(45,000)	(45,000)	(27,331)	17,669
3,000	3,000	(17,124)	(20,124)	-	-	-	-
419,420	419,420	419,420	-	-	-	-	-
\$ 422,420	\$ 422,420	\$ 402,296	\$ (20,124)	\$ -	\$ -	\$ -	\$ -

This page intentionally left blank.

PROPRIETARY FUNDS

Proprietary funds account for the City's operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

All of the City's Enterprise Funds have been identified as major proprietary funds.

Fund	Description
MAJOR FUNDS:	
Wastewater	Accounts for revenues and expenses associated with the wastewater plant, including maintenance and capital improvements financed through sewer charges.
Pier	Accounts for all activities associated with the operation and maintenance of the pier. Pier operations are financed through boat launching, boat storage, hoist fees and miscellaneous fees for shower and apparel. Additionally, operations and capital improvements are subsidized through grants and General Fund revenues.

City of Point Arena, California
Statement of Net Position
Enterprise Funds
June 30, 2023

	<u>Wastewater</u>	<u>Pier</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ -	\$ -
Receivables:			
Accounts	5,815	38,448	44,263
Intergovernmental	17,844	-	17,844
Total current assets	<u>23,659</u>	<u>38,448</u>	<u>62,107</u>
Noncurrent assets:			
Capital assets, net	241,560	1,027,636	1,269,196
Total assets	<u>\$ 265,219</u>	<u>\$ 1,066,084</u>	<u>\$ 1,331,303</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 26,668	\$ 36,398	\$ 63,066
Accrued payroll and benefits	4,251	4,306	8,557
Unearned revenues	-	300	300
Total current liabilities	<u>30,919</u>	<u>41,004</u>	<u>71,923</u>
Noncurrent liabilities:			
Advance from Revolving Loan Fund	74,364	271,549	345,913
Total liabilities	<u>105,283</u>	<u>312,553</u>	<u>417,836</u>
Net Position:			
Net investment in capital assets	241,560	1,027,636	1,269,196
Unrestricted (deficit)	(81,624)	(274,105)	(355,729)
Total Net Position	<u>159,936</u>	<u>753,531</u>	<u>913,467</u>
Total liabilities and net position	<u>\$ 265,219</u>	<u>\$ 1,066,084</u>	<u>\$ 1,331,303</u>

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the year ended June 30, 2023

	<u>Wastewater</u>	<u>Pier</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services	\$ 283,138	\$ 58,909	\$ 342,047
Other	-	-	-
Total operating revenues	<u>283,138</u>	<u>58,909</u>	<u>342,047</u>
OPERATING EXPENSES:			
Salaries and benefits	133,379	130,329	263,708
Maintenance and operations	147,730	113,150	260,880
Professional fees	163,926	60,871	224,797
Administration	31,093	5,530	36,623
Depreciation	16,207	35,813	52,020
Total operating expenses	<u>492,335</u>	<u>345,693</u>	<u>838,028</u>
OPERATING INCOME(LOSS)	<u>(209,197)</u>	<u>(286,784)</u>	<u>(495,981)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues	180,237	70,034	250,271
Contributions from external sources	-	32,098	32,098
Other nonoperating revenues	465	57,032	57,497
Interest expense	(1,318)	-	(1,318)
Interest revenue	31	-	31
Total non-operating revenues, net	<u>179,415</u>	<u>159,164</u>	<u>338,579</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(29,782)</u>	<u>(127,620)</u>	<u>(157,402)</u>
Capital contributions	-	146,100	146,100
Total transfers	<u>-</u>	<u>146,100</u>	<u>146,100</u>
CHANGE IN NET POSITION	<u>(29,782)</u>	<u>18,480</u>	<u>(11,302)</u>
NET POSITION:			
Beginning of year	189,718	735,051	924,769
End of year	<u>\$ 159,936</u>	<u>\$ 753,531</u>	<u>\$ 913,467</u>

The accompanying notes are an integral part of these basic financial statements.

City of Point Arena, California
Statement of Cash Flows
Enterprise Funds
For the year ended June 30, 2023

	<u>Wastewater</u>	<u>Pier</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received (refunds paid) from (to) customers/users for services provided	\$ 279,768	\$ 19,849	\$ 299,617
Cash payments to suppliers for goods and services	(343,722)	(148,876)	(492,598)
Cash payments to employees for services	(131,647)	(127,928)	(259,575)
Net cash provided by operating activities	<u>(195,601)</u>	<u>(256,955)</u>	<u>(452,556)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Receipts from (payments for) interfund loans (due to-from/advances)	34,497	40,837	75,334
Interest paid on interfund loans and advances	(1,318)	-	(1,318)
Net cash used by noncapital financing activities	<u>33,179</u>	<u>40,837</u>	<u>74,016</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital grants	179,090	70,034	249,124
Reimbursements and contributions	465	235,230	235,695
Acquisition and construction of capital assets	(90,041)	(140,256)	(230,297)
Net cash (used) by capital and related financing activities	<u>89,514</u>	<u>165,008</u>	<u>254,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	31	-	31
Net cash provided by investing activities	<u>31</u>	<u>-</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	(72,877)	(51,110)	(123,987)
CASH AND CASH EQUIVALENTS:			
Beginning of year	72,877	51,110	123,987
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (209,197)	\$ (286,784)	\$ (495,981)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	16,207	35,813	52,020
(Increase) decrease in current assets:			
Accounts receivable	(3,370)	(38,448)	(41,818)
Increase (decrease) in liabilities:			
Accounts payable	(973)	30,675	29,702
Accrued payroll and benefits	1,732	2,401	4,133
Unearned revenues	-	(612)	(612)
Net cash provided by operating activities	<u>\$ (195,601)</u>	<u>\$ (256,955)</u>	<u>\$ (452,556)</u>

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2023.

The accompanying notes are an integral part of these basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Point Arena, California
Basic Financial Statements
For the year ended June 30, 2023

Index to Notes to Basic Financial Statements

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	40
Financial Reporting Entity.....	40
Basis of Presentation	41
Measurement Focus.....	42
Basis of Accounting.....	43
Assets, Liabilities, and Equity	43
Revenues, Expenditures, and Expenses.....	47
Budgetary Accounting.....	47
Note 2 – Cash and Investments	48
Note 3 – Accounts Receivable	50
Note 4 – Notes Receivable	51
Note 5 – Capital Assets	51
Note 6 – Accounts Payable and Accrued Liabilities	53
Note 7 – Line of credit	53
Note 8 – Net Position/ Fund Balances	53
Note 9 – Interfund Transactions	54
Note 10 – Risk Management	55
Note 11 – Commitments and Contingencies	55
Note 12 – New Accounting Pronouncements	56
Note 13 – COVID 19 and Storm Impact	56

City of Point Arena, California
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Point Arena (City) was incorporated 1908, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public works, planning and zoning, building regulation, general administrative services, wastewater, pier and public safety (provided by Mendocino County Sheriff).

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, other intergovernmental revenue from state and federal sources, user fees, and sales and transient occupancy taxes.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

There are no component units of the City that meet the criteria for discrete or blended presentation.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and,
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Revolving Loan Special Revenue Fund
- Gas Tax Special Revenue Fund
- Capital Projects Fund
- Wastewater Enterprise Fund
- Pier Enterprise Fund

Descriptions of these funds are included on the divider pages preceding the Governmental and Enterprise Funds Balance Sheets.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for specific grant and capital funding expended for various street and capital improvement projects.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net position.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred inflows in the fund financial statements in accordance with the modified accrual basis, but not deferred inflows in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a nonspendable fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, streets, drainage systems, and pumps.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20 - 50 years
Pier and Infrastructure	20- 50 years
Machinery and equipment	5 - 20 years
Computer Software	5 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences

Employees accrue personal leave, holiday, administrative leave, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off and are paid on termination. All personal leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for the entire amount is reported in the governmental funds. The general fund is typically used to liquidate compensated absences.

In order to control this future liability, compensatory time off, administrative leave, and floating holidays must be used by staff during the calendar year in which they are earned. At year end, employees will be paid for any comp time, administrative leave, or floating holidays earned, but not used during the year. No comp time, administrative leave, or floating holidays earned may be carried into a new calendar year.

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items reported as a deferred outflow of resources.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item reported as a deferred inflow of resources in the fund financial statements. The item is unavailable revenues, which constitutes amounts reported that do not meet the 60 day criteria for accrual in the fund financial statements.

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council Resolution is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- The City Council delegates the authority to the City Manager to assign fund balance amounts to specific purposes when such purposes are enacted by the City Council.

Unassigned Fund Balance –

- Residual net resources.
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses

Property Tax

The County of Mendocino (County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

Secured property taxes are levied on or before the first day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid on August 31.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property, assessment, and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and penalties and interest during a fiscal year will revert to Mendocino County.

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgetary Accounting, continued

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2023. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

2. CASH AND INVESTMENTS

At June 30, 2023, the City’s pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	<u>Not rated</u>	<u>Fair Market Value</u>
<u>Cash equivalents and investments pooled</u>		
Pooled cash, at fair value		
Cash in bank	\$ 98,217	\$ 98,217
Petty cash	200	200
Total pooled items	<u>98,417</u>	<u>98,417</u>
Pooled investments, at fair value		
<u>Interest obligations</u>		
State of California Local Agency Investment Fund	1,531	1,531
Total pooled investments - interest obligations	<u>1,531</u>	<u>1,531</u>
Total cash equivalents and investments pooled	<u>\$ 99,948</u>	<u>\$ 99,948</u>
Amounts reported in:		
Governmental activities		\$ 99,948
Business-type activities		-
Total		<u><u>\$ 99,948</u></u>

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Average Annual Yield</u>
Local Agency Investment Fund	\$ 1,531	0.71	3.010%
Total fair value	<u>\$ 1,531</u>		
Portfolio weighted average maturity		0.71	

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The only authorized investment vehicles that address interest rate risk, credit risk, and concentration of credit risk, per the City’s investment policy, are the State of California Local Agency Investment Fund (LAIF) and certificates of deposit in California financial institutions.

	<u>Interest Rate</u>	<u>Interest Earned</u>	<u>FYTD</u>
First Quarter (7/1 - 9/30)	1.29%	\$ 309	\$ 309
Second Quarter (10/1 - 12/31)	1.98%	267	576
Third Quarter (1/1 - 3/31)	2.63%	10	586
Fourth Quarter (4/1 - 6/30)	3.01%	12	598

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF) which has invested none of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk such as changes in interest rates.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

At June 30, 2023, the carrying amount of the City’s deposits was \$98,417 and the balances in financial institutions were \$149,615. Of the balance in financial institutions, the amount was within the \$250,000 covered by federal depository insurance. Amounts that exceeds the federal depository insurance \$250,000 coverage was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. Investments were held by the custodial agent, and were insured up to specified limits by the Securities Investor Protection Corporation (SPIC) and supplemental private insurance up to a limit of \$150 million.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. As of June 30, 2023, the total fair value amount invested by all public agencies in LAIF is \$179,898,516,097 of which the City's fair value amount is \$1,531. Of the total invested, none was invested in Structured Notes and Asset-Backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2023:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ -	\$ 44,263	\$ 44,263
Interest	-	-	-
Intergovernmental	91,018	17,844	108,862
Taxes	158,629	-	158,629
Notes	72,894	-	72,894
Total accounts receivable	<u>\$ 322,541</u>	<u>\$ 62,107</u>	<u>\$ 384,648</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	69.5%
Individuals / Businesses	30.5%

Amounts indicate a significant concentration (greater than 25%) related to grants and other government agencies. Reductions in these revenues could result in reductions to services.

4. NOTES RECEIVABLE

The City had the following notes receivable as of June 30, 2023:

Description	Beginning July 1, 2022	Additions	(Deletions)	Ending June 30, 2023
Housing Rehabilitation Loans:				
Residential Loan	\$ 29,117	\$ -	\$ (3,042)	\$ 26,075
Residential Loan	29,371	-	(6,889)	22,482
Residential Loan	32,094	-	(7,757)	24,337
Total Housing Rehabilitation Loans	<u>90,582</u>	<u>-</u>	<u>(17,688)</u>	<u>72,894</u>
Total loans receivable	<u>\$ 90,582</u>	<u>\$ -</u>	<u>\$ (17,688)</u>	<u>\$ 72,894</u>

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

4. NOTES RECEIVABLE, Continued

Revolving loans are given to the lower income sector of the community for housing improvements, new construction and economic stimulus. Notes receivable are not resources currently available for expenditures and are reported in the governmental funds balance sheet as deferred inflows of resources.

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<u>Governmental activities:</u>				
Nondepreciable assets:				
Land	\$ 344,995	\$ -	\$ -	\$ 344,995
Construction in progress	1,608,536	-	(1,604,536)	4,000
Total nondepreciable assets	<u>1,953,531</u>	<u>-</u>	<u>(1,604,536)</u>	<u>348,995</u>
Depreciable assets:				
Buildings and improvements	229,325	-	-	229,325
Machinery & equipment	79,239	56,347	-	135,586
Infrastructure	4,477,976	1,676,670	-	6,154,646
Total depreciable assets	<u>4,786,540</u>	<u>1,733,017</u>	<u>-</u>	<u>6,519,557</u>
Total	<u>6,740,071</u>	<u>1,733,017</u>	<u>(1,604,536)</u>	<u>6,868,552</u>
Accumulated depreciation:				
Buildings and improvements	(124,277)	(6,557)	-	(130,834)
Machinery & equipment	(65,227)	(8,648)	-	(73,875)
Infrastructure	(2,101,674)	(175,156)	-	(2,276,830)
Total accumulated depreciation	<u>(2,291,178)</u>	<u>(190,361)</u>	<u>-</u>	<u>(2,481,539)</u>
Net depreciable assets	<u>2,495,362</u>	<u>1,542,656</u>	<u>-</u>	<u>4,038,018</u>
Total net capital assets	<u>\$ 4,448,893</u>	<u>\$ 1,542,656</u>	<u>\$ (1,604,536)</u>	<u>\$ 4,387,013</u>

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

5. CAPITAL ASSETS, Continued

Capital asset activity for business-type activities for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<u>Business-type activities:</u>				
Nondepreciable assets:				
Land	\$ 298,190	\$ -	\$ -	\$ 298,190
Construction in progress	42,602	-	(42,602)	-
Total nondepreciable assets	340,792	-	(42,602)	298,190
Depreciable assets:				
Buildings and improvements	1,550,274	-	-	1,550,274
Machinery & equipment	347,373	90,041	-	437,414
Infrastructure - Pier	2,801,312	188,702	-	2,990,014
Total depreciable assets	4,698,959	278,743	-	4,977,702
Total	5,039,751	278,743	(42,602)	5,275,892
Accumulated depreciation:				
Buildings and improvements	(1,487,849)	(2,554)	-	(1,490,403)
Machinery & equipment	(316,556)	(14,501)	-	(331,057)
Infrastructure - Pier	(2,150,271)	(34,965)	-	(2,185,236)
Total accumulated depreciation	(3,954,676)	(52,020)	-	(4,006,696)
Net depreciable assets	744,283	226,723	-	971,006
Total net capital assets	\$ 1,085,075	\$ 226,723	\$ (42,602)	\$ 1,269,196

Depreciation expense for capital assets was charged to functions as follows:

Governmental Activities

Streets and Public Works	\$ 190,361
Total	\$ 190,361

Business-Type Activities

Wastewater	\$ 16,207
Pier	35,813
Total	\$ 52,020

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2023:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 78,511	\$ 63,066	\$ 141,577
Accrued payroll and benefits	12,144	8,557	20,701
Total	<u>\$ 90,655</u>	<u>\$ 71,623</u>	<u>\$ 162,278</u>

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or individual.

7. LINE OF CREDIT

In April of 2023, the City entered into a Line of Credit agreement with Redwood Credit Union not to exceed \$1,500,000 to act as bridge financing for the Mill Street and Center Street Capital Improvement Projects. The line of credit was to be paid through receipt of California State grant funding specific to the projects. The line of credit bears interest at a rate of the Prime rate plus 1% on outstanding balances. The balance at June 30, 2023 was \$310,540.

8. NET POSITION/ FUND BALANCES

Net Position

	Governmental Activities	Business-type Activities
Net investment in capital assets	\$ 4,387,013	\$ 1,269,196
Unrestricted (deficit)	379,316	(355,729)
Total	<u>\$ 4,766,329</u>	<u>\$ 913,467</u>

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

8. NET POSITION/ FUND BALANCES, Continued

Fund Balance

Assigned and Unassigned (Deficit) fund balance consisted of the following at June 30, 2023:

Nonspendable:	
Major Funds:	
General Fund	\$ 12,109
Assigned:	
Major Funds:	
General Fund	\$ 179,898
Revolving Loan Special Revenue	402,296
Total Major Funds- Assigned	<u>\$ 582,194</u>
Total Assigned	<u>\$ 582,194</u>
Unassigned (deficit):	
Major Funds:	
General Fund	\$ 119,221
Capital Projects	<u>(407,102)</u>
Total Major Funds- Unassigned (deficit)	<u>\$ (287,881)</u>
Total Fund Balance (Deficit)	<u>\$ 306,422</u>

The following describes the purpose of each assigned account used by the City:

Assigned

- **General Fund** – represents amounts assigned for the Skate Board Park and an insurance set aside.
- **Revolving Loan Special Revenue** – represents amounts assigned for residential and business loan programs.

Deficit fund balances consisted of the following at June 30, 2023:

The Capital Projects Fund had a deficit fund balance in the amount of \$407,102 to be resolved through future grant revenues.

Excess of Expenditures and Transfers Over Appropriations: Expenditures and transfers exceeded appropriations for the year ended June 30, 2023, for the following funds:

	<u>Final Budget</u>	<u>Total Expenditures and Transfers</u>	<u>Excess Expenditures Over Appropriations</u>
<u>Governmental Activities</u>			
Major Funds			
General Fund	\$ 737,200	\$ 1,101,919	\$ (364,719)
Revolving Loan Special Revenue Fund	13,000	174,913	(161,913)

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

9. INTERFUND TRANSACTIONS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Due to/from balances consisted of the following:

Due from the Capital Projects Fund in the amount of \$173,410, which was due to the General Fund in the same amount.

Advances to/from balances consisted of the following:

Advance from the Revolving Loan Special Revenue Fund in the amount of \$345,913, which was advanced to the Wastewater Enterprise Fund in the amount of \$74,364 and the Pier Enterprise Fund in the amount of \$271,549.

Transfers to/from

Transfers consisted of the following at June 30, 2023:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Activities</u>		
Major Funds:		
General Fund	\$ 27,331	\$ -
Gas Tax Special Revenue	-	27,331
Total Major Funds	<u>27,331</u>	<u>27,331</u>
Total Governmental Activities	<u>27,331</u>	<u>27,331</u>
Total Transfers	<u>\$ 27,331</u>	<u>\$ 27,331</u>

10. RISK MANAGEMENT

The City is currently a member of the California Intergovernmental Risk Authority (CIRA). Under CIRA, the City is provided the following insurance coverage: Worker compensation and employers' liability coverage for bodily injury by accident or by disease, including resulting death, arising out of or in the course of the employee's employment, with the City. Liability coverage for bodily injury, property damage, personal injury or public official's errors and omissions.

The City does not have an equity interest in CIRA. CIRA exercises full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of CIRA are not those of the City, although the City retains an ongoing financial interest or an ongoing financial responsibility.

Audited financial information of CIRA can be found at <http://www.cira-jpa.org/> or by contacting CIRA: 2330 East Bidwell, Suite 150, Folsom, CA 95630.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

11. COMMITMENTS AND CONTINGENCIES

The City is a party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have material adverse impact on the financial position of the City. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

12. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued statement No. 96, "Subscription-Based Information Technology Arrangements". The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 99, "Omnibus 2022." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

The GASB has issued Statement No. 101, "Compensated Absences." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

13. STORM IMPACT

In January 2023, California experienced excessive rain and wind storms causing flooding and storm damage and a Statewide disaster has been issued with Mendocino County included. Financial damages have yet to be assessed or determined and the City has applied for FEMA assistance.

City of Point Arena, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

14. GOING CONCERN

For the past five years, the City has not properly monitored capital projects and determined proper funding for those projects. In addition, no reserve or financing component was included in these projects and consultants continually exceeded project budgets without proper authorization. This has resulted in the City's operating cash reserves to be reduced to nominal levels and temporary line of credit vehicles to be used for permanent cash deficits. Without restructuring of the City's debt and proper budget monitoring of expenditures, the City's ability to continue is threatened. In order to cure these deficits and reestablish operating cash reserves, the City may incur additional debt to rehabilitate a City-owned property so the rental income derived from the property can be dedicated to the debt repayment. This will require a market valuation of the property, improvement cost analysis and rental value to determine the feasibility of the plan. The City will also need to acquire a proper fund accounting system to account for all activities and institute purchase orders to manage both vendor purchases and consultant costs. Consultant performance will also need to be measured against full funding requirements before a contract is let. Assuming this plan will be managed and executed in a timely fashion and the debt restructuring succeeds, the City will continue as a viable entity.

This page intentionally left blank



STAFF REPORT

Agenda Item No. 7a	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	City of Ukiah – Corporation Yard Annexation (File No. A-2025-06) and Finding of Exemption Pursuant to the California Environmental Quality Act

RECOMMENDED ACTION

The Commission:

- 1) Find the City of Ukiah – Corporation Yard Annexation is exempt from the California Environmental Quality Act under the Class 19 exemption pursuant to Title 14 of the California Code of Regulations Section 15319(a), and approve the Notice of Exemption for filing; and
- 2) Adopt LAFCo Resolution 2025-26-08, conditionally approving the City of Ukiah – Corporation Yard Annexation (File No. A-2025-06) for APN 167-280-15.

BACKGROUND

This item is consideration of a proposed Change of Organization for the City of Ukiah – Corporation Yard Annexation (File No. A-2025-06). The proposal involves annexation of one City-owned property of 7.9-acres located at 1 Carousel Lane (APN 167-280-15) under GOV § 56742 for City annexations of noncontiguous territory. The property is improved with a 98,000-square-foot industrial/commercial building that will be used as the City’s municipal corporation yard. The application was submitted on November 18 and 21, 2025 under City of Ukiah (City or Ukiah) Resolution of Application No. 2025-54 (Attachment 2). The application submittal was accepted for filing and deemed ready for Commission consideration according to the Certificate of Filing issued on April 27, 2026.

Application Materials

The following application submittal materials are included for further information (Attachments 1 - 6): project location map, City Sphere of Influence (SOI) map, proposed annexation map (letter-size), APN list, City resolution of application, application forms, Plan for Services, City Rezoning, and various maps (GIS, aerial, topo, etc.).

Project Purpose

The purpose of the project is to align City land ownership with City jurisdiction; reduce the City’s property tax burden; ensure consistent governmental controls (land use authority, permitting, and risk management); strengthen eligibility and competitiveness for grant funding; and modernize municipal facilities and infrastructure, improve operational efficiency, and lower operating costs to enhance service delivery.

In June 2025, the City purchased the subject property to relocate the City’s Municipal Corporation Yard from the Ukiah Municipal Airport to better meet operational needs at a site that is not undersized or functionally

constrained to support the range of demands on the facility, and to free up space at the airport to support critical aviation business and emergency operations, improve connections to Airport Park Boulevard, and attract new tenants. The corporation yard is the central operations and maintenance hub for the City Public Works maintenance divisions, including Fleet and Plant Maintenance, Street Maintenance, and Water and Wastewater Maintenance. The City's Electric Utility has its own standalone facility.

The subject property has convenient and direct access to North State Street and nearby US Highway 101, supporting circulation objectives for safe and efficient access for City crews and equipment. The subject property is also centered within the service area of the Ukiah Valley Water Authority (UVWA), a Joint Powers Authority that includes the City of Ukiah, Millview County Water District, Redwood Valley County Water District, Calpella County Water District, and Willow County Water District. The UVWA was formed to coordinate regional water system planning, infrastructure modernization, and long-term water supply reliability among its member agencies.

The corporation yard relocation (a) implements the City's 2040 General Plan direction to locate and maintain municipal facilities in appropriate urban locations, support reliable public services, and reinvest in existing developed areas; (b) is consistent with the City's Capital Improvement Program (CIP) directive to consolidate municipal and water authority maintenance functions at a modernized, centrally located facility; and (c) advances the City's plan to improve operational efficiency, service delivery and reliability, long-term asset management, and coordination with regional partners, including water and sanitation providers.

SOI Consistency

A Sphere of Influence (SOI or sphere) boundary indicates the probable physical boundary or service area for local government agencies under LAFCo purview. The proposed annexation area is located within the City's SOI boundary approved by the Commission on December 19, 2022 under [LAFCo Resolution No. 2022-23-06](#), and subsequently amended on November 4, 2024 under [LAFCo Resolution No. 2024-25-04](#) to add 40-acres of City-owned property (APN 003-190-11).

Noncontiguous Annexation

In order to annex territory to a city or town, the annexation area must be contiguous (share a common boundary) to the current city limits. However, LAFCo law allows for the annexation of noncontiguous areas to a city under the following conditions: the territory is owned by the city, located in the same county as the city, 300-acres or less in size, and is used for municipal purposes pursuant to Government Code (GOV) Section (§) 56742.

Further, LAFCo law allows the annexation of additional territory to the first noncontiguous annexed area if it meets the same criteria listed above. Finally, LAFCo law also provides that when any or all of the territory annexed to a city pursuant to GOV §56742 is sold by the city, all of the territory that is no longer owned by the city ceases to be part of the city and reverts back to unincorporated status.

In general, the purpose of city annexation of noncontiguous territory is for property owned by a city to be located within its own jurisdiction. This allows a city to provide city services to its own property, assert governmental controls and enforce violations of city laws and regulations (i.e., zoning and development standards), and receive property tax exemption status for city-owned land.

The proposed annexation area is noncontiguous and meets the specified criteria.

Determinations without Notice, Hearing, and Protest

LAFCo law normally requires the Commission to consider changes of organization or reorganizations at a properly noticed public hearing. However, LAFCo law allows for Commission determinations for limited proposals without notice, hearing, and protest proceedings pursuant to GOV § 56662(a). The following conditions are required for such an exception: the territory is uninhabited (contains less than 12 registered voters pursuant to GOV § 56046), an affected local agency has not submitted a written demand for notice and hearing, and all the owners of land within the affected territory have given their written consent to the proposal.

The proposal does not involve any residential uses, so there are no registered voters on the subject property. Therefore, the proposed annexation area is uninhabited territory.

The application was routed for agency comments and noticed for proposed determinations pursuant to GOV §56662 (a) and (c) on November 26, 2025. The notice was sent to potentially affected agencies that overlap the annexation area and no written demand for notice and hearing was received.

Finally, the proposal involves only City-owned land, therefore the resolution of application provides sufficient written proof of 100 percent landowner consent to the proposal. Additionally, there is an existing deed restriction from 1988 on the subject property in which the former landowner consented to future annexation and agreed to petition for annexation to the City upon the City's request.

The proposal meets the specified criteria and therefore no notice, hearing, or protest proceedings (GOV § 57000 et seq.) are required for Commission consideration of the annexation proposal.

Property Tax Exchange Agreement

Per Revenue and Taxation Code (RTC) § 99(b), upon the filing of a LAFCo application, but prior to the issuance of a certificate of filing (GOV § 56658), the Executive Officer shall give notice of the filing to the Assessor and Auditor.

Per RTC § 99(b)(6), an application for a change of organization or reorganization will not be deemed complete and scheduled for public hearing until proof (in the form of adopted resolutions from all applicable negotiating parties) of a property tax exchange agreement is provided by the local agencies whose service area or service responsibility will be altered by the proposed jurisdictional change.

The County and Cities in Mendocino County have negotiated a Master Tax Sharing Agreement (MTSA), as provided for in RTC § 99(d), which is intended to satisfy the requirements for future changes of organization. As of July 30, 2024, all four cities and the County approved the MTSA, making it legally in full force and effect. The Ukiah City Council adopted Resolution No. 2024-32 on June 19, 2024 approving participation in the MTSA.

The MTSA does not preclude one or more of the associated cities from entering into separate agreements regarding specific annexations, provided that nothing in any separate agreement shall affect the rights and obligations of the cities that are not a party to that separate agreement.

The County and City agreed to approve a stand-alone, annexation-specific agreement related to ad valorem property tax revenue sharing and expressly agreed that the MTSA will not apply to this annexation.

On April 7, 2026, the County Board of Supervisors adopted Resolution No. 26-065 approving a zero-tax sharing agreement specifically for the proposed annexation, which is substantially similar to Resolution No. 2026-13 adopted by the Ukiah City Council on March 25, 2026 approving a zero-tax sharing agreement for the annexation area (Attachment 7). Upon annexation completion, the following County-City key term agreements will apply:

- There will be no change to the City's or County's existing allocation shares of ad valorem property tax revenue within the annexation area, as determined under applicable law and applicable tax rate area(s).
- There will be no change to the allocation of ad valorem property tax revenue for any other taxing entity.
- No additional or adjusted apportionment factors will be applied between the County and the City for the annexation area solely as a result of the annexation.
- Any private occupancy or private use within the annexation area (including leased or licensed space) remains subject to possessory interest assessment and taxation under applicable law.
- There will be no exchange of Bradley-Burns local sales tax revenue in the annexation area.

Financial Information

In 2022, the City issued approximately \$15 million in Lease Revenue Bonds to fund the replacement of municipal facilities and associated city street improvements. The Lease Revenue Bonds, Series 2022 are lease-backed obligations of the City and not ad valorem tax levies on the territory. The subject property was acquired by the City of Ukiah for \$7.6 million. No new municipal taxes or special assessments are proposed as part of the annexation to cover the cost of acquisition, relocation, or upgrades to the facility.

Operating costs for the corporation yard facility will be funded through existing City budgets for Public Works, water and wastewater utilities, and streets, as well as through the Ukiah Valley Water Authority's Joint Powers

Agreement, consistent with the adopted cost allocation plan. Operating costs will also be offset by the closure of the airport corporation yard facility upon full relocation. While minor modifications to the existing facility are needed, there is no deferred maintenance or major capital improvement projects associated with the annexation.

Capital and tenant improvements will be funded from a combination of Lease Revenue Bonds, Series 2022 proceeds (up to \$6 million), the City’s Capital Improvement Program, and competitive grants as available. One-time building or encroachment permits and inspections will be processed by the City, and the associated fees are internal to the City and budgeted within project costs.

Water and sewer services will continue to be funded by user rates pursuant to Proposition 218. No additional service capacity is needed or proposed as part of annexation. Any future rate adjustments will follow required noticing and hearing procedures.

As City-owned property, the site is exempt from ad valorem property tax, but commercial operations may be subject to taxable possessory interest. No new taxes, assessments, or charges are proposed to be levied on the annexation area.

Plan for Services

A plan for providing services within the affected territory is required for changes of organization or reorganizations pursuant to GOV §56653 and includes the following information and any additional information required by LAFCo.

- (1) An enumeration and description of the services to be extended to the affected territory.
- (2) The level and range of those services.
- (3) An indication of when those services can feasibly be extended to the affected territory.
- (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- (5) Information with respect to how those services will be financed.

The Plan for Services for the proposed annexation demonstrates the ability to provide all necessary municipal and utility services to the annexation area (Attachment 4).

Public Services

The table below shows the agencies that presently provide public services to the subject territory, and the agencies that are proposed to provide services post-annexation.

<i>Service</i>	<i>Present Provider</i>	<i>Proposed Provider</i>
<i>Sewer</i>	Ukiah Valley Sanitation District	Ukiah Valley Sanitation District
<i>Water</i>	Millview County Water District via Ukiah Valley Water Authority	Millview County Water District via Ukiah Valley Water Authority
<i>Fire</i>	Ukiah Valley Fire Authority	Ukiah Valley Fire Authority
<i>Police</i>	Mendocino County Sherrif’s Office	Ukiah Police Department
<i>Recreation</i>	N/A	N/A
<i>Roads</i>	Mendocino County Depart. of Transportation	Mendocino County Depart. of Transportation
<i>Drainage</i>	Ukiah MS4	Ukiah MS4
<i>Street Lighting</i>	N/A	N/A
<i>Other</i>		

The change between existing and proposed service providers is limited to general government, law enforcement, and stormwater services. The following information is from the City's Plan for Services.

General Government

Upon annexation, planning, building, business licensing, and code enforcement services for the subject parcel will transition from Mendocino County to the City of Ukiah. Given the site's continued operation as a public facility, City involvement is anticipated to be limited in scope, primarily to the issuance of business licenses for occupants utilizing existing commercial warehouse or yard areas, and the review and permitting of tenant improvements as required by applicable building, fire, and municipal codes.

Certain countywide functions will remain under County jurisdiction and are unaffected by this action, including Environmental Health (Land Use), Public Health, Air Quality, and the Certified Unified Program Agency (CUPA).

Law Enforcement

Upon annexation, the Ukiah Police Department (UPD) will assume primary law enforcement jurisdiction over the subject territory. Existing mutual-aid agreements with surrounding agencies will remain in full force and effect. Based on current information, no material increase in service-call volume is anticipated.

Stormwater

Upon annexation, stormwater management responsibility will transition from the County of Mendocino's Municipal Separate Storm Sewer System (MS4) to the City of Ukiah's MS4 program. The City's existing stormwater regulations, which are similar in nature to those currently in effect, will apply going forward. No new impervious area is proposed in connection with annexation of the subject property.

Fire Protection and Emergency Medical Services

Fire protection and emergency medical services (EMS) will continue without change. The property is already served by the Ukiah Valley Fire Authority (UVFA), and service will continue pursuant to existing dispatch, automatic-aid, and mutual-aid protocols. No new stations, apparatus, or personnel are required, and no changes to response districts or standards of coverage are anticipated.

Transportation and Streets

Primary site access will continue via Carousel Lane, a 60-foot private road and public utility easement for which the City maintains partial responsibility for maintenance and repair. No new roads, signalization, parking facilities, or easements are required to support the site's continued use as a corporation yard.

Water

The subject property is currently served by existing water connections operated by the UVWA per the Millview County Water District, and this arrangement will remain unchanged following annexation. No new main extensions, service laterals, or capacity upgrades are required, and service is expected to continue without interruption.

Wastewater

While initially developed with a septic system, the subject property is now connected to public sewer. Wastewater service will remain with the Ukiah Valley Sanitation District (UVSD) with no change in provider or service-area boundaries. Existing sewer connections and conveyance and treatment capacity are sufficient to accommodate annexation. No new laterals, main extensions, upsizing, or additional capacity reservations are required.

Solid Waste

Solid waste collection, recycling, and disposal services will continue to be provided by C&S Waste Solutions under the County's existing franchise agreement with Redwood Waste Solutions. No change in provider, service levels, routes, or service-area boundaries is required. Regulated materials and recyclables will continue to be managed in accordance with existing permits, local agreements, and all applicable state and local regulations.

Parks, Library, and Recreation

The annexation does not involve new employment generation or proposed residential uses. Accordingly, no new demand for parks, library, or recreational services is anticipated.

Utility Services

Electric and gas service will continue to be provided by Pacific Gas and Electric Company (PG&E), and telecommunications service will remain with AT&T and Comcast. No change in providers, service-area boundaries, or facilities is proposed. Franchise utilities will continue operating under existing agreements, easements, and rights-of-way. No new connections, relocations, or capacity upgrades are anticipated. Given the site's operation as a corporation yard, no material increase in utility demand is expected, as the operational intensity is generally consistent with that of existing businesses in the surrounding area.

Summary

The annexation area is fully developed and receives all the public and utility services needed. No expansion or intensification of use is proposed or anticipated for the existing structure or site. Therefore, there will be no substantial change in the existing level and range of services currently provided to the annexation area.

Many of the services already provided to the subject property, including sewer, water, fire, and drainage, are currently supported or operated by the City of Ukiah.

The annexation area would result in an overlap with the UVSD and Millview County Water District; however, both districts are already functionally consolidated with the City to improve service delivery.

Existing Land Use

The subject property is located 2.3-miles north of the current City limits, in an area characterized by a mix of industrial, commercial, and residential uses. The property is bordered by North State Street to the west, York Creek and the Russian River to the north, and Carousel Lane and adjacent commercial and light industrial uses to the east and south. The property is within the Carousel Industrial Park, an established industrial complex that accommodates warehousing, materials storage, distribution, light manufacturing, and related service businesses.

The subject property is developed with a single commercial warehouse structure of 98,000-square-feet that is configured as three suites, one of which is occupied by a warehouse/distribution tenant that will remain long-term. The structure consists of a steel framed building with steel siding and roof and a concrete slab on grade floor and was built in phases over several decades starting in 1969. The remainder of the site is improved with paved yards, loading bays, employee and visitor parking, a fenced gravel parking area for trucks on the eastern side, on-site circulation designed for heavy vehicles, and lighting, security fencing, and landscaped buffers.

Prezoning

GOV §65859 allows a City to adopt a zoning district for land outside the City limits, in anticipation of annexation, which does not become effective unless and until the land is annexed into the City. Ukiah City Code §9267 establishes the procedure for prezoning unincorporated territory which applies to such property in the event of subsequent annexation to the City.

On November 19, 2025, the Ukiah City Council adopted Ordinance No. 1263 to prezone the annexation area as Public Facilities (PF) pursuant to Ukiah City Code Division 9, Chapter 2 (Zoning), Article 15 (Regulations in Public Facilities (PF) Zoning District), and assigned the Public (P) General Plan land use designation from the Ukiah 2040 General Plan, so that City land use policies and regulations will apply upon annexation, consistent with GOV §56375(a)(7). (Attachment 5)

Land Use Compatibility

The proposed annexation area currently has a Limited Industrial (I-1) County zoning designation with a corresponding Ukiah Valley Area Plan (UVAP) land use designation (Land Use Category) of Industrial (I).

The County's Limited Industrial zoning district is intended to create and preserve areas where manufacturing and industrial uses which evidence no or very low nuisance characteristics may locate. Nonindustrial uses which

support or are adjuncts to industrial uses and are compatible with such uses are permitted within the zone particularly administrative, sales and service uses. (Mendocino County Zoning Code Sec. 20.096.005)

The County’s Industrial land use designation (Land Use Category) is intended to be applied to lands suited for major industrial uses, where necessary services such as transportation systems and utilities exist or can be efficiently provided, where disruption of proximate uses will be least, and where the potential for environmental disruption is minimal or can be adequately controlled. This classification is intended to protect these lands from the pressures of development and preserve them for future use as designated. Further, general uses in this classification include the following: processing and manufacturing, industrial public utilities, industrial public facilities, compatible commercial uses, utility installations.

The City Prezoned the annexation area with the Public Facilities (PF) zoning district under Ordinance No. 1263 and assigned the Public (P) General Plan land use designation from the City’s 2040 General Plan.

The City’s Public Facilities zoning district is restrictive and is intended to be applied to properties which are used for, or are proposed to be used for, public or quasi-public purposes or for specified public utility purposes. The Public Facilities zoning district is intended to provide business-type opportunities on large public-serving land uses such as the airport. The following uses are listed as allowed within this zoning district: airports and aviation-related functions and uses; public schools, civic centers and fairgrounds; conservation and natural resource conservation areas; historical sites and monuments; parks and recreation areas and facilities; public gardens; public utility facilities and uses (Ukiah City Code §9170).

The City’s Public land use designation is intended to identify lands owned by public agencies and is equivalent to the County’s Public Lands and Public Services land use classification. Typical uses within the City’s Public designation include government buildings; libraries; water, wastewater, and drainage facilities; transportation and utility facilities; compatible public buildings; and natural resource areas.

Zoning Comparison Matrix	
Zoning District	Land Uses
Current (County of Mendocino): Zoning: Limited Industrial (I-1)	Existing Limited Industrial Land Uses: <ul style="list-style-type: none"> • Wholesaling, Storage and Distribution — Light • Agricultural Sales and Services • Minor Impact Utilities
Proposed (City of Ukiah): Zoning: Public Facilities (PF)	Proposed Public Facility Land Uses: <ul style="list-style-type: none"> • Corporation yards • Quasi-public land uses • Light manufacturing and industrial uses

The subject property has supported industrial use patterns and warehouse-type activities for over 50-years. The municipal corporation yard use is generally compatible with the established industrial character and operations of the property and surrounding developments, both in function and intensity of use, and therefore is unlikely to create land use conflicts.

Development Potential

The annexation area is fully developed with an industrial/commercial building and associated site improvements and receives all needed utility services. No new development or expansion/intensification of use is proposed or anticipated for the existing structure or site. Therefore, the annexation proposal is not anticipated to facilitate growth, urban development, or sprawl.

Minor modifications to the existing structure are anticipated with standard building permits that can be completed concurrently with ongoing operations. Tenant improvements are limited to essential facility adjustments, including life-safety and ADA upgrades, compliance with materials storage requirements, security and lighting

enhancements, and interior build-outs necessary to accommodate municipal operations. These modifications do not represent an intensification or alteration of land use.

According to the annexation-specific tax sharing agreement, the proposed annexation area contains no residential uses under its current use and is not being annexed for residential development. Therefore, no adjustment to the City or County's Regional Housing Needs Allocation (RHNA) is required for the annexation proposal.

Agriculture

The proposed annexation area does not involve land under a Williamson Act Contract or Farmland Security Zone or land with a Wildlife/Habitat Easement or Agricultural Land Conservation Easement. The State Farmland Mapping and Monitoring Program designation for the annexation and surrounding areas is Urban and Built-Up Land, and there is a narrow portion of Grazing Land along the river corridor to the north and east of the site.

The land located north of the subject property is zoned Limited Industrial, Open Space, and Agricultural (AG 40); to the west is zoned Suburban Residential and Agricultural; and to the south and east is zoned Limited Industrial, General Industrial, Suburban Residential, and Rural Residential, 2-acre minimum (RR 2).

The proposed annexation area would not convert farmland to non-agricultural uses because no farmland or active agricultural operations exist adjacent to the subject property. Further, there are physical buffers, such as North State Street, U.S. 101, York Creek and the Russian River corridor that separate the site from adjacent areas. There is land currently under a Type 1 Williamson Act contract that is located approximately 1,400-feet west of the site, across U.S. 101. There are no Type 2 Williamson Act contract lands in the vicinity.

The annexation proposal involves an already developed site without new construction or increased development intensity or any extension of utility capacity beyond serving existing facilities. No direct or indirect impacts to agricultural viability, Williamson Act contracts, or open space resources are anticipated post-annexation.

Disadvantaged Unincorporated Communities

A Disadvantaged Unincorporated Community (DUC) is an unincorporated geographic area with 12 or more registered voters and with a median household income (MHI) that is less than 80% of the State MHI.

Senate Bill 244, which became effective in January 2012, requires LAFCo to evaluate any DUCs, including the location and characteristics of any such communities, when preparing a Municipal Service Review (MSR) that addresses agencies that provide water, wastewater, or structural fire protection services. 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.

The annexation area is less than 10-acres in size and therefore special consideration for any DUC affected by the annexation proposal is not subject to review for potential inclusion of the DUC pursuant to GOV § 56375(a)(8)(A).

For reference information, the 2022 MSR/SOI Update prepared for the City of Ukiah and the City's 2040 General Plan does not identify a DUC contiguous to the proposed annexation area. The Forks DUC is located south of the Carousel Industrial Park which is south of the annexation area. The 2022 MSR/SOI Update notes that The Forks DUC does not have any identified service deficiencies and is not considered underserved.

CEQA Compliance

The annexation proposal is exempt from the California Environmental Quality Act (CEQA) under the Class 19 exemption pursuant to Title 14 CCR § 15319(a), which provides a categorical exemption for annexations of existing facilities and lots for exempt facilities (see the language below).

Annexations to a city or special district of areas containing existing public or private structures developed to the density allowed by the current zoning or pre-zoning of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

The Class 19(a) exemption is applicable when an annexation involves existing structures developed to the allowed density and any extension of utilities serve only the existing facilities.

This categorical exemption applies to the annexation proposal because the annexation area is fully developed with an industrial/commercial building and proposed for continued use without expansion or intensification. The site is already served with public utilities, and no new connections, capacity upgrades, or material increases in service demand are proposed or anticipated for the existing facility post-annexation.

There is no evidence presented of unusual circumstances that might cause a significant effect on the environment (Title 14 CCR § 15300.2(c)).

A Notice of Exemption (NOE) has been prepared in accordance with CEQA Guidelines §15062 (Attachment 8).

Expiration Date

The time limit for completion of this annexation (filing a Certificate of Completion) is one year from adoption of the Commission’s approving resolution, unless an extension of time is approved by the Commission prior to the expiration date (May 4, 2027). All proceedings for this change of organization shall be deemed terminated on the one-year expiration date, or expiration of any extension of time, per GOV §57001.

Public Notice

A 21-day Notice for Public Hearing was not required to be published, posted, or distributed according to GOV §56662(a), as discussed above under the Determinations without Notice, Hearing, and Protest section.

Public Comments

No public comments have been received to date.

Policy Consistency

The annexation proposal is consistent with Commission’s local policies and procedures related to changes of organization or reorganizations.

Factors for Consideration

There are seventeen factors to be considered by the Commission in review of a change of organization or reorganization pursuant to GOV §56668, which are addressed in the following table. No single factor is determinative; each factor is to be evaluated within the context of the overall proposal.

Factors for Consideration	
Factor	Evaluation
(a) Population and population density; land area and land use; assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.	<ul style="list-style-type: none"> -The proposal is annexation of City-owned property of 7.9-acres for municipal corporation yard use. -The property is located 2.3-miles north of the City, near The Forks community, in an area built with a mix of industrial, commercial, and residential uses. -The property is level and bordered by North State Street to the west, York Creek and the Russian River to the north, and Carousel Lane and adjacent commercial/light industrial uses to the east/south. -The property is within the Carousel Industrial Park, an established industrial complex. -The proposal does not contain residential uses or zoning; no population increase or growth will result. -The property is within a medium-priority GSA basin, the Ukiah Valley groundwater basin. -The total estimated property tax revenue for the property is \$66,540.20 based on the FY 2025-26 assessment rolls.

Factors for Consideration	
Factor	Evaluation
<p>(b) Need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.</p> <p>"Services," as used in this subdivision, refers to governmental services whether or not the services are services that would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.</p>	<ul style="list-style-type: none"> -The property is fully developed and receives all the public and utility services needed. -No expansion or intensification of use is proposed or anticipated for the existing structure or site. -There will be no substantial change in the existing level and range of services post-annexation. -The City-owned property will continue to need the public and utility services it is currently receiving. -There is no material difference in the present and proposed cost and adequacy of governmental services and controls in and surrounding the area. -The primary purpose of the proposal is to align City land ownership with City jurisdiction and controls and reduce the City's property tax burden.
<p>(c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.</p>	<ul style="list-style-type: none"> -No negative effects of the proposed annexation are anticipated for adjacent areas or mutual social and economic interests. -The property has supported industrial use patterns and warehouse-type activities for over 50-years, the corporation yard use is generally compatible with this established character and operations, therefore annexation is unlikely to create conflicts. -The proposal will result in less property taxes for non-school local agencies since the annexation area will be exempt from ad valorem property taxes. -On-site commercial operations may be subject to taxable possessory interest.
<p>(d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities set forth in Section 56377. (Note: Section 56377 encourages preservation of agricultural and open-space lands.)</p>	<ul style="list-style-type: none"> -The property is fully developed and receives all the public and utility services needed. -No new development or expansion/intensification of use is proposed or anticipated for the property. -The annexation proposal is not anticipated to facilitate growth, urban development, or sprawl. -The proposal is consistent with the Commission's policies and procedures for boundary changes. -The property does not contain agricultural or open-space lands in order to address preservation.
<p>(e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.</p>	<ul style="list-style-type: none"> -State Farmland Mapping and Monitoring Program designates the annexation and surrounding areas as Urban and Built-Up Land, and there is a narrow portion of Grazing Land along the river corridor. -Annexation would not convert farmland to non-agricultural uses because no farmland or active agricultural operations exist on-site or adjacent to the property.

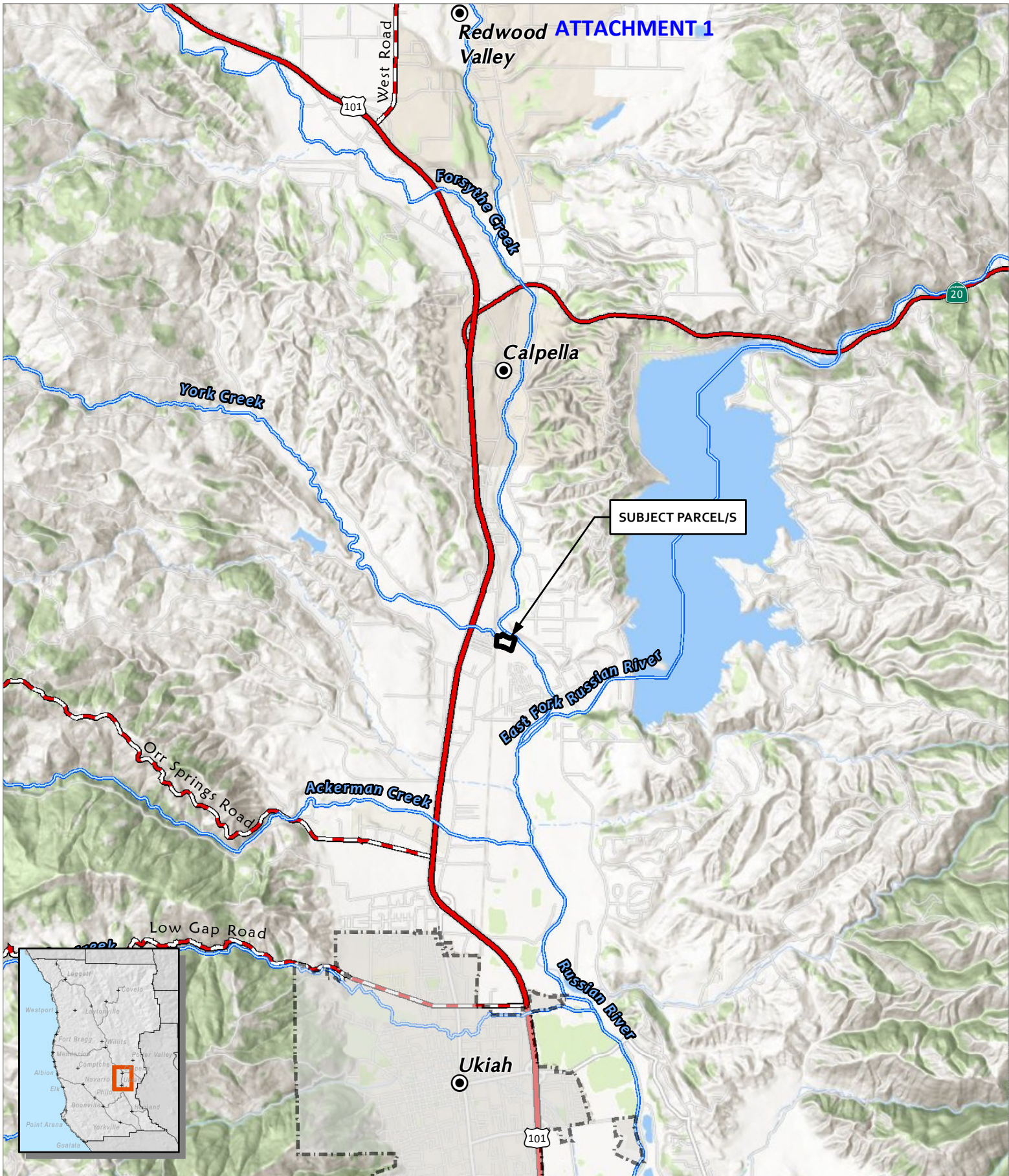
Factors for Consideration	
Factor	Evaluation
(f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.	The proposal boundaries are definite, certain, and fully described, follow lines of assessment, and will not result in illogical shapes or the creation of islands of unincorporated territory.
(g) A regional transportation plan adopted pursuant to Section 65080.	Mendocino Council of Governments (MCOG) is the Regional Transportation Planning Agency (RTPA) for Mendocino County and is in the process of updating the Regional Transportation/Active Transportation Plan as of April 2026. The annexation area is within the Redwood Valley and Potter Valley Area Local Public Transportation System map.
(h) The proposal's consistency with city or county general plans.	The proposal is consistent with the City of Ukiah 2040 General Plan. The City assigned a Public General Plan land use designation to the annexation area and Prezoned the property as Public Facilities (PF) demonstrating that the land will be utilized for specified utility purposes and public benefit.
(i) The sphere of influence of any local agency that may be applicable to the proposal being reviewed.	The proposed annexation area is within the sphere of influence boundary adopted for the City of Ukiah in 2022 and subsequently amended in 2024.
(j) The comments of any affected local agency or other public agency.	The annexation was routed for agency comments on November 26, 2025 and no comments have been received to date.
(k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.	<ul style="list-style-type: none"> -The property is fully developed and receives all the public and utility services needed. -No new development or expansion/intensification of use is proposed or anticipated for the property. -There will be no substantial change in the existing level and range of services post-annexation. -The change between existing and proposed service providers is limited to general government, law enforcement, and stormwater services. -The City is fully able to provide these three services to the property without additional revenues for those services, due to the limited scope of service needs and the cost savings from reduced property taxes from City annexation of City-owned land.
(l) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.	There will be no substantial change in the existing level and range of services currently provided to the annexation area.

Factors for Consideration	
Factor	Evaluation
(m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.	-According to the annexation-specific tax sharing agreement, the proposed annexation area contains no residential uses under its current use and is not being annexed for residential development. -Therefore, no adjustment to the City or County’s Regional Housing Needs Allocation (RHNA) is required for the annexation proposal.
(n) Any information or comments from the landowner or landowners, voters, or residents of the affected territory.	No public comments have been received from landowners, voters, or residents to date.
(o) Any information relating to existing land use designations.	-The annexation area has a Limited Industrial (I-1) County zoning designation with a corresponding Ukiah Valley Area Plan (UVAP) land use designation (Land Use Category) of Industrial (I). -The existing Limited Industrial land uses include: Wholesaling, Storage and Distribution - Light; Agricultural Sales and Services; and Minor Impact Utilities.
(p) The extent to which the proposal will promote environmental justice. As used in the law, “environmental justice” means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.	The proposed change of organization makes no representations or exclusions of people of any race, culture or income with respect to the location of public facilities and public services.
(q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 21178 or maps that identify land determined to be in a state responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal.	-The State Fire Marshal has identified the property as having no Fire Hazard Severity Zone and being in Local Responsibility Area, per GOV § 51178. -The property is located within the Maacama Earthquake Fault Zone. -The useable area of the property is located within the 0.2 percent Annual Chance Flood Hazard Area Zone X. -The northern unused portion of the property along York Creek and the Russian River corridor is located within both the 1 percent Annual Chance Flood Hazard Zone AE and the Regulatory Floodway.

ATTACHMENT

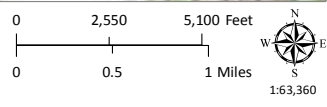
- (1) Location, SOI, and Annexation Maps, and APN list
- (2) Resolution of Application
- (3) Application Materials
- (4) Plan for Services
- (5) Rezoning Information
- (6) Various Maps of Proposed Annexation Area
- (7) County-City Annexation-Specific Tax Sharing Agreement
- (8) LAFCo Notice of Exemption
- (9) LAFCo Resolution No. 2025-26-08

Redwood Valley ATTACHMENT 1

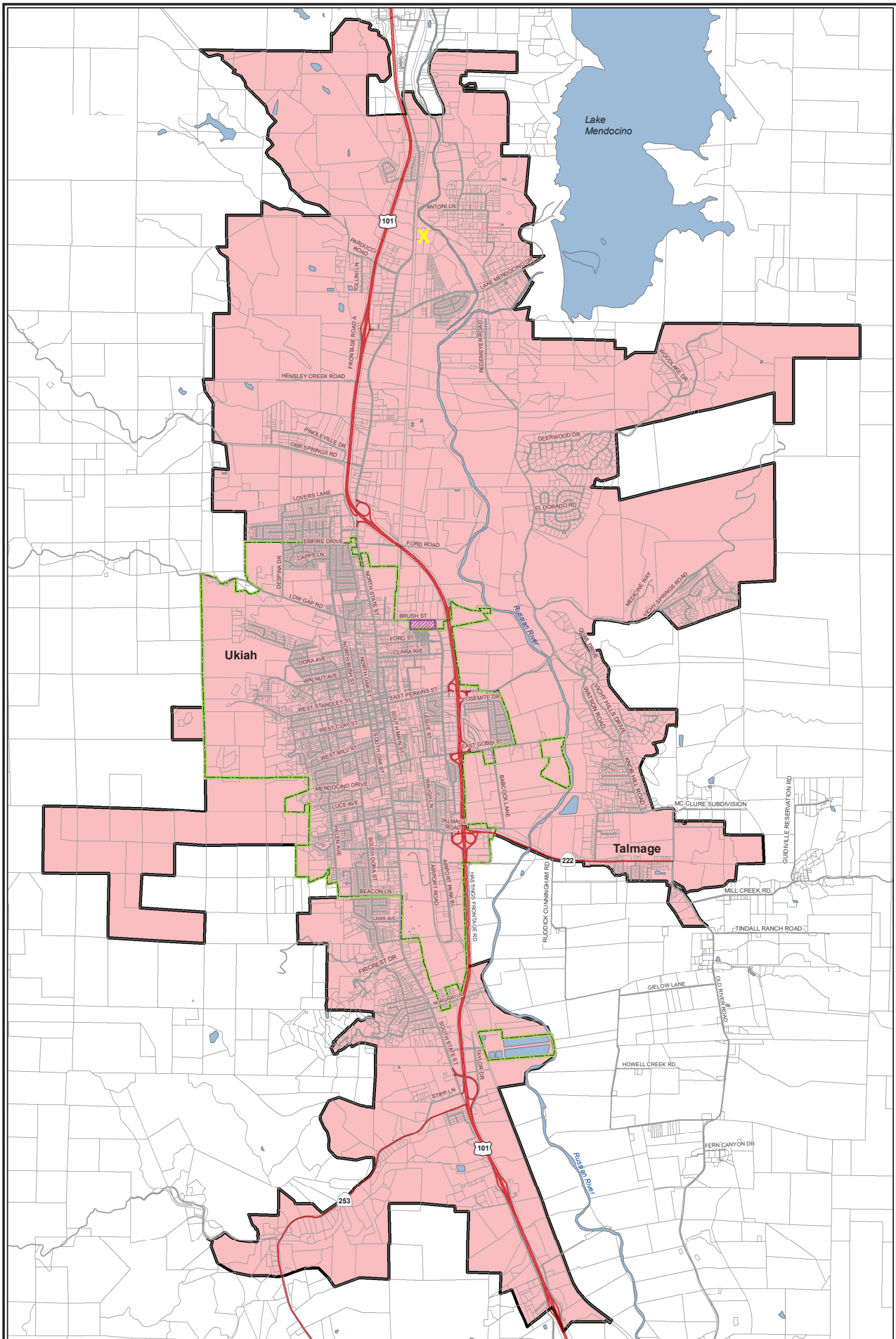


CASE: File No. 25-001107
OWNER: City of Ukiah
APN: 167-280-15
APLCT: City of Ukiah
AGENT: N/A
ADDRESS: 1 Carousel Lane, Ukiah

- Major Towns & Places
- City Limits
- Highways
- Major Roads



LOCATION MAP



**City of Ukiah
Sphere of Influence**

- City of Ukiah
- Sphere of Influence
- Out of Agency Service Agreement
- Parcels
- Highways
- Roads

Source: This map was created by the Mendocino County Information Services GIS Program, November 29, 2022.
 Note: This map is not a survey product and should not be used to determine legal boundaries.

North State Street
Railroad

Railroad R/W

**Annexation
Area A**

AP 167-280-05
Thompson

AP 168-201-34
Panofsky

Segment #	Direction	Length
L1	N04°05'30"E	425.00'
L2	S79°09'00"E	179.56'
L3	N44°19'00"E	120.04'
L4	S55°34'00"E	182.98'
L5	S68°36'20"E	167.42'
L6	N84°44'40"E	144.51'
L7	S53°15'30"E	105.00'
L8	S21°48'43"W	489.43'
L9	N63°18'24"W	239.08'
L10	N85°54'30"W	112.00'

Curve #	Length	Delta	Radius
C1	43.81'	50°12'30"	50.00'
C2	287.94'	22°36'06"	730.00'

L8
Annexation boundary

Point of Beginning

L10

C2

L9

AP 167-280-14
Double M Properties

AP 167-280-11
Double M Properties

AP 167-280-12
Double M Properties

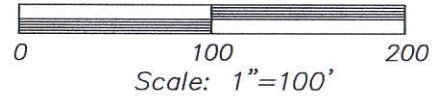
C1

Tan S66°29'06"W

AP 167-280-13
Double M Properties

S04°59'34"E 14917.74'

3.25" aluminum
disk marked CA
DOT / 101 MEN
25.13



Property Matrix - List of Parcels
'City of Ukiah – Corporation Yard Annexation'

APN	Owner	SITUS	Acreage	Existing County Zoning District	Existing County General Plan	Proposed General Plan	Proposed Zoning	Current Status	Public Facilities Use	Water	Sanitation
167-280-15	City of Ukiah	1 Carousel Lane, Ukiah, CA, 95482	±7.9	Limited Industrial (I-1)	I (Industrial)	Public (P)	Public Facilities (PF)	Existing Industrial Warehouse	Corporation Yard'	MCWD	UVSD

ATTACHMENT 2

RESOLUTION NO. 2025-54

RESOLUTION OF APPLICATION BY THE UKIAH CITY COUNCIL TO INITIATE ANNEXATION OF CITY-OWNED PROPERTY AT 1 CAROUSEL LANE (APN 167-280-15) FOR USE AS A MUNICIPAL CORPORATION YARD

WHEREAS, the City of Ukiah ("City") desires to initiate proceedings pursuant to Part 3 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.) for a change of organization consisting of the annexation of one (1) parcel located at 1 Carousel Lane (Assessor's Parcel Number 167-280-15) to the City of Ukiah; and

WHEREAS, on October 15, 2025, a Notice of Intention to adopt this Resolution of Application was mailed to each affected agency as required by Government Code § 56654; and

WHEREAS, the proposed "City of Ukiah – Corporation Yard Annexation" is located in unincorporated Mendocino County, approximately 2.3 miles north of the Ukiah city limits, in an area with a mix of commercial and industrial uses; and

WHEREAS, the subject territory consists of one (1) industrially developed parcel totaling approximately 7.9 acres with access from Carousel Lane, a private road; more particularly described and depicted in Exhibit "A" (Draft Legal Description and Boundary Map) attached hereto and incorporated herein by reference; and

WHEREAS, the subject territory contains zero registered voters and is therefore uninhabited pursuant to Government Code § 56046; and

WHEREAS, there is unanimous consent among affected landowners for the proposed annexation, including an existing deed restriction by which the former owner of the parcel, in 1988, consented to future annexation and agreed to petition for annexation to the City upon the City's request; and

WHEREAS, on May 7, 2025, the City Council approved purchase of the subject property, with the sale closing on June 30, 2025; and

WHEREAS, the City has rezoned the subject property to the Public Facilities (PF) zoning district and has applied the Public (P) General Plan land use designation pursuant to Ukiah Municipal Code Chapter 2 (Zoning), Article 15, so that City land use policies and regulations will apply upon annexation, consistent with Government Code § 56375(a)(7). Rezoning shall be adopted by ordinance prior to LAFCo consideration of this application; and

WHEREAS, the purpose of the City of Ukiah – Corporation Yard Annexation is to bring the newly-acquired municipal corporation yard property into City jurisdiction to allow for efficient provision of municipal services, improve opportunities for grant funding, ensure consistency with the City's risk management policies, and facilitate the relocation of City public works, utilities, and fleet operations from the existing facility at the Ukiah Municipal Airport; and

WHEREAS, this proposal is consistent with the City of Ukiah Sphere of Influence, as last adopted by the Mendocino Local Agency Formation Commission on August 3, 2023; and

WHEREAS, the City Council requests that the proposed annexation be subject to the following terms and conditions:

1. Upon the effective date of annexation, the annexed territory shall be subject to all City of Ukiah ordinances, resolutions, policies, fees, and regulations then in effect.
2. All existing easements and public utility rights, including electricity and sewer, shall remain in full force and effect.

WHEREAS, a Plan for Services meeting the requirements of Government Code §56653 is attached as Exhibit "B," demonstrating the City's ability to provide all necessary municipal services to the subject territory. The site is already served by utilities, and no extension or expansion of service capacity is proposed beyond typical service connections, new metering, with regard to utilities for an existing facility; and

WHEREAS, anticipated construction and maintenance work is limited to interior improvements subject to standard building permits that do not expand building area, occupancy, or utility capacity and therefore do not trigger construction-related environmental effects beyond typical, short-duration interior work or site improvements and maintenance; and

WHEREAS, the City Council finds the proposed annexation is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15319(a) (Class 19 – Annexation of Existing Facilities and Lots for Exempt Facilities) of the CEQA Guidelines, as the proposal involves annexation of an existing developed property for continued use as a municipal facility without expansion or intensification of use. A draft Notice of Exemption is attached as Exhibit "C"; and

WHEREAS, on June 19, 2024, the City Council adopted Resolution No. 2024-32, approving participation in the Mendocino County Master Tax Sharing Agreement (MTSA). The MTSA does not preclude one or more of the associated cities from entering separate agreements regarding particular Annexations; provided, however, that nothing in any separate agreement shall affect the rights and obligations of Cities not party to that separate agreement; and

WHEREAS, the City Council considered all oral and written testimony provided by interested agencies and members of the public prior to and during the noticed public hearing held on November 5, 2025, for adoption of this Resolution of Application; and

WHEREAS, because the territory is uninhabited and the sole affected landowner has consented to the annexation, the City requests that LAFCo order the annexation without an election and waive protest proceedings to the fullest extent authorized by Government Code §§ 56662 and 56663.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ukiah that this Resolution of Application is hereby adopted and approved. The Mendocino Local Agency Formation Commission is requested to take proceedings for the City of Ukiah – Corporation Yard Annexation in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and the terms and conditions stated herein.

BE IT FURTHER RESOLVED, the City Manager, or designee, on behalf of the City of Ukiah, is authorized and directed to file this Resolution of Application, together with all necessary maps, legal descriptions, environmental documentation, tax exchange documentation, and supporting materials, with Mendocino LAFCo, and to take all further actions necessary to effectuate the filing and processing of this annexation request.


PASSED AND ADOPTED at a regular meeting of the City Council of the City of Ukiah on this 5th day of November, 2025, by the following roll call vote:

AYES: Councilmembers Rodin, Criss, Orozco, Sher, and Mayor Crane.

NOES: None.

ABSENT: None.

ABSTAIN: None.



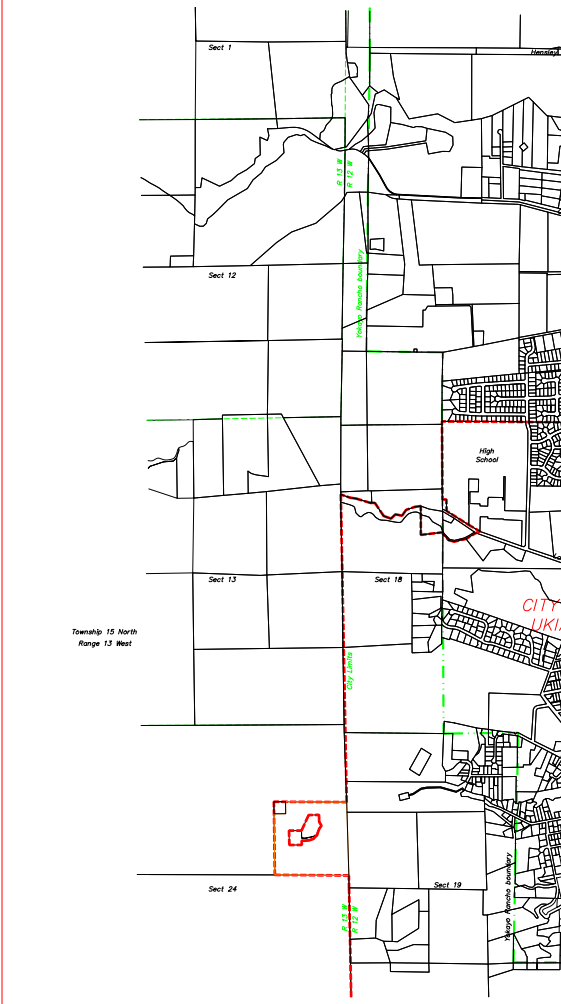
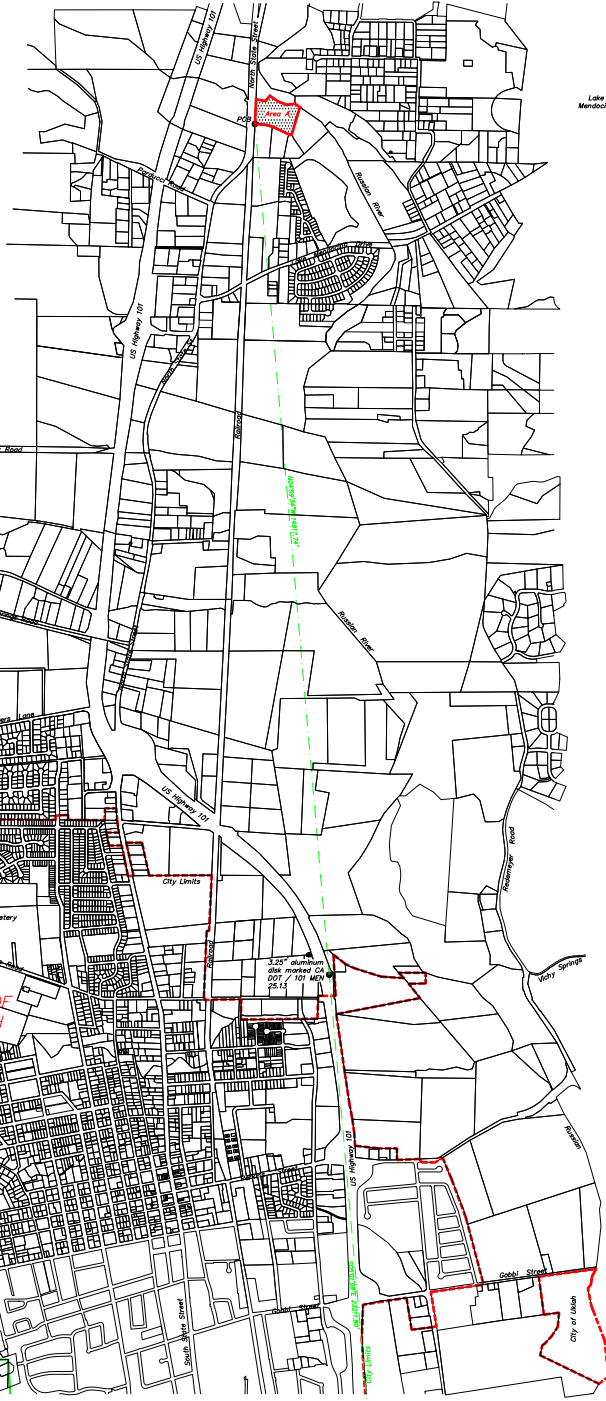
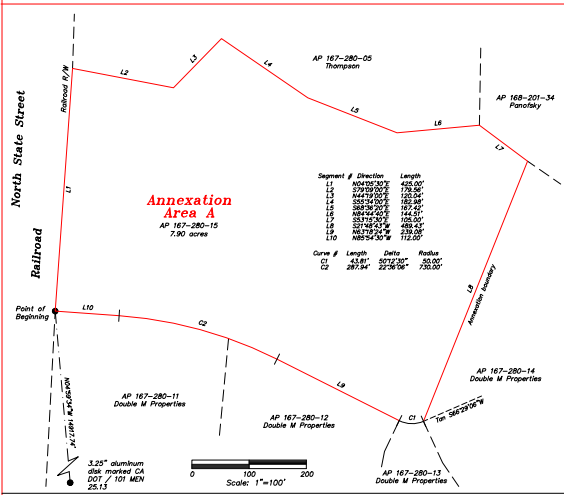
Douglas F. Crane, Mayor

ATTEST:



Araceli Sandoval, Deputy City Clerk

EXHIBIT "A"
City of Ukiah -- Corporation Yard Annexation
 LAFCo File No. A-2025-06
 Portion of Lot 140 of the Yakaya Rancho
 Mendocino County, California
 November 7, 2025



LEGEND

- APN Assessor Parcel Number
- PGB Point of Beginning
- Current City of Ukiah Boundary
- Proposed new annexation boundary
- Yakaya Rancho Boundary

NOTES:

- All dimensions shown are in feet and decimals thereof.
- The Basis of Bearings for this description and map is based on NAD 83 California Coordinate System (CCCS83), Zone 2 (2010.00 South State) using the four-faced National Geodetic Survey monuments designated "101 MEN 25.13 and 102 MEN 25.13". All distances cited herein are grid values which are the basis for the areas shown herein. To obtain ground values divide the distances by 0.999892795 to obtain ground distances.
- The purpose of this exhibit is to accompany the legal description "B" for City of Ukiah -- Corporation Yard Annexation and to comply with State Board of Equalization's "Utilities legal (geodetic) description requirements". The legal description and this exhibit are to be used to establish geodetic position only and is not intended to establish property boundary or ownership.
- This metes and bounds description is compiled entirely from a combination of Mendocino County record maps and United States General Land Office survey plats and is not based upon any field surveys.

AUTHORIZATION CERTIFICATION

I, _____, Chair of the Local Agency Formation Commission of the County of Mendocino, State of California, hereby certify that said Local Agency Formation Commission by Resolution No. _____ on the _____ day of _____, 2025, approved within map _____.

Chair, Local Agency Formation Commission

CERTIFICATION OF COMPLETION

Recorded on the _____ day of _____, 2025, as Instrument Number _____ Mendocino County Records.

DISCLAIMER
 For assessment purposes only. This description of land is not a legal property description as defined in the subdivision map act and may not be used as a basis for an offer for sale of the land described.

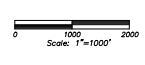


EXHIBIT "B"
Legal Description
City of Ukiah -- Corporation Yard Annexation
(LAFCo File No. A-2025-06)

All that real property situated in the unincorporated area of Mendocino County, State of California, described as follows:

AREA A:

Being a portion of Lot 140 of Healey's Survey and Map of Yokayo Rancho and being the lands of the City of Ukiah described in that certain Grant Deed recorded in Instrument Number 2025-05366, Mendocino County Records, more particularly described as follows:

COMMENCING at the National Geodetic Survey station, being a 3-1/4" Aluminum Disk marked CA DOT / 101 MEN 25.13; thence North 04°59'34" West, 14917.74 feet to the southwest corner of the said City of Ukiah property and the **POINT OF BEGINNING**; thence along the boundary of said City of Ukiah property the following twelve (12) courses:

1. North 04°05'30" East, 425.00 feet;
2. South 79°09'00" East, 179.56 feet;
3. North 44°19'00" East, 120.04 feet;
4. South 55°34'00" East, 182.98 feet;
5. South 68°36'20" East, 167.42 feet;
6. North 84°44'40" East, 144.51 feet;
7. South 53°15'30" East, 105.00 feet;
8. South 21°48'43" West, 489.43 feet;
9. From a tangent that bears South 66°29'06" West, along a curve to the right with a radius of 50.00 feet, a central angle of 50°12'30" and an arc length of 43.81 feet;
10. North 63°18'24" West, 239.08 feet;
11. Along a curve to the left with a radius of 730.00 feet, a central angle of 22°36'06" and an arc length of 287.94 feet;
12. North 85°54'30" West, 112.00 feet to the **POINT OF BEGINNING**.

Area = 7.90 acres

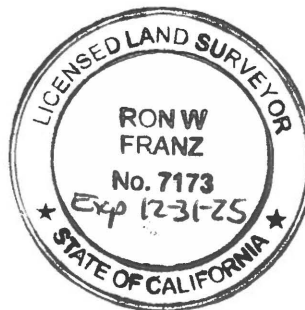
AP 167-280-15

The basis of bearings for this description is based on NAD83, California Coordinate System (CCS83), Zone 2 (2010.00 epoch date) using the two found National Geodetic Survey monuments designated "101 MEN 25.13" and "HPGN D CA 01 CG" said bearing South 05°01'58" East, shown on Exhibit "A", attached hereto and made a part hereof.

The purpose of this description is for annexation purposes and to comply with the State Board of Equalization's "Written Legal (geodetic) Description Requirements". This description is to be used to establish geodetic position only and is not intended to establish property ownership.


Ron W. Franz L.S. 7173

NOV 7, 2025
Dated



ATTACHMENT 3



Mendocino LAFCo

200 South School Street
 Ukiah, CA 95482
 (707) 463-4470
 Website: www.mendolafco.org
 Email: eo@mendolafco.org

LAFCo Office Use Only

Date Filed: _____

Received By: _____

APPLICATION FORM

This application form is required for all proposed changes of organization/reorganizations or requests filed with the Commission. If a question is not applicable to your proposed project, please note accordingly. Additional forms may be required as indicated in the following sections. Refer to the attached Application Submittal Checklist for more requirements. Thank you for your cooperation in completing this application form and providing all the application submittal materials in a single submittal package.

Proposal Description

1. Type of proposal (*check all that apply and specify in the table below*):

- | | | |
|---|--|--|
| <input checked="" type="checkbox"/> Annexation | <input type="checkbox"/> Sphere of Influence Amendment | <input type="checkbox"/> City Incorporation |
| <input type="checkbox"/> Detachment | <input type="checkbox"/> Sphere of Influence Update | <input type="checkbox"/> District Formation |
| <input type="checkbox"/> Reorganization
(involving both annexation and detachment) | <input type="checkbox"/> Outside Agency Services | <input type="checkbox"/> District Dissolution |
| | <input type="checkbox"/> Activation of Latent Power(s) | <input type="checkbox"/> Consolidation or Merger |

	<i>Subject Agencies (Cities and/or Special Districts)</i>	<i>Related Jurisdictional Changes (Annexation, Detachment, Sphere Amendment, etc.)</i>
1.	City of Ukiah	Annexation
2.	County of Mendocino	Detachment
3.		
4.		

2. Title of proposal: *'City of Ukiah – Corporation Yard Annexation'*

3. Who initiated the proposal? *LAFCo proposals may be initiated by resolution of application adopted by an affected city, county or special district, or by petition of landowners or registered voters of the affected area. (Note: a notice of intent must be submitted to LAFCo in advance for all proposals.)*

The following is attached to this application form:

- Agency Resolution of Application
 Landowner Petition

Registered Voter Petition

4. Does the proposal have 100 percent consent of all affected property owners? (If so, please submit a letter of consent from each property owner for potential processing of the application without public notice, hearing, or protest.)


Yes
 No

5. Applicant:

City/District/Chief Petitioner	City of Ukiah
Street Address	300 Seminary Avenue
City/State/Zip	Ukiah, CA, 95482
Telephone	707-463-6233
Signature	

6. Designated Contact Person:

Notices and other communications regarding this application will be directed to the proponent as follows:

Name/Title	Jesse Davis, AICP
Telephone	707-463-6207
Email	jdavis@cityofukiah.com
Signature	

General Information

1. Explain in detail the reasons for the proposal and why it is necessary at this time. (For example, a proposed development or existing residences require services not currently provided or available.)

On May 7, 2025, the City Council approved the purchase of 1 Carousel Lane (APN 167-280-15). The sale closed on June 30, 2025. The City intends to relocate the Corporation Yard from the Ukiah Municipal Airport to this site. Tenant improvements will begin after the City completes its evaluation of the space in 2025–2026, with full relocation of staff and equipment anticipated by 2027.

The proposed annexation is necessary at this time for the following reasons:

- **Replace failing facility:** The Corporation Yard at the Ukiah Municipal Airport is undersized and deteriorated, which limits fleet, streets, water, and wastewater operations. Relocation removes conflicts with airport activity, improves safety, and frees airport property for aviation uses.
- **Jurisdictional control and consistency:** Annexation places the site fully under City land use authority, permitting, and risk management, ensuring consistent oversight across City properties.
- **Permit authority and schedule certainty:** Improvements at 1 Carousel Lane require timely, streamlined permitting. Annexation removes dual City–County processing and reduces administrative delay.
- **Fiscal efficiency:** Locating a City facility within City limits improves cost control through in-house

permitting and inspections, lower operating costs, and removal of County fees, taxes, and assessments that do not apply to municipal properties used for public benefit within the City.

- **Grant and funding eligibility:** Many state and federal programs prioritize projects under a single Agency Having Jurisdiction (AHJ). Annexation strengthens eligibility and competitiveness for grants tied to municipal infrastructure and other public works.
- **Plan alignment:** Rezoning to Public Facilities and annexation align with the 2040 General Plan, the Ukiah Valley Area Plan, and Mendocino LAFCo policies. The parcel lies within the City’s adopted Sphere of Influence. Planned uses are consistent with historic activities on the site, including warehouse functions, agricultural sales and services, and materials storage. The action supports orderly growth and reliable service delivery, including water service. It is also consistent with the City’s Annexation Policy (Resolution No. 2020-06), which directs pursuit of annexations to avoid sprawl and ensure efficient municipal services without undue financial burden on the City or residents.
- **Regional water coordination:** The site is within the Ukiah Valley Water Authority (UVWA) service area. Annexation supports coordinated planning and infrastructure delivery among member agencies, benefiting the City and surrounding communities.
- **Consistency with precedent:** The proposal follows the City’s 2023 and 2024 annexations of other City-owned land for public services, continuing the practice of incorporating municipal facilities into City limits when serving a public purpose.
- **Immediate need:** The City now owns 1 Carousel Lane and seeks to use it for public works and utility operations. Annexation secures jurisdictional control, supports UVWA coordination, and reduces exposure to taxes and assessments that would not apply if the property were within City boundaries and subject to City jurisdiction.

2. Describe the size (acres, etc.), general location, and physical features of the subject territory.

The subject property is located in unincorporated Mendocino County, north of the City of Ukiah, in an area developed with a mix of commercial and residential uses. The site consists of one approximately 7.9-acre developed parcel with access from Carousel Lane. Topography on and around the site is relatively flat, with an average surface elevation of approximately 628 feet above mean sea level (MSL). The property is bordered to the north by York Creek, to the east by the Russian River, to the west by North State Street, and to the south by Carousel Lane and adjacent industrial uses.

The site is addressed at 1 Carousel Lane, Ukiah, California, and is further identified as Mendocino County APN 167-280-15.

3. What is the current population of the subject territory?

0 persons reside on the property.

4. Are there twelve or more registered voters within the subject territory?

No

5. How many total parcels are within the subject territory? (Provide a property matrix).

1 parcel

6. How many acres (or square miles) of territory are included in the proposal?

7.9 acres

7. If the proposal includes development, what is the estimated population of the subject territory?

No new development is proposed. Limited tenant improvements to align the facility for municipal operation.

Proposal Boundaries

1. A map and geographic description of the proposal area meeting State Board of Equalization requirements is required.

The following is attached to this application form:

- Vicinity Map
- Boundary Map
- Boundary Description

2. Describe how the boundaries of the proposal were determined.

The boundaries of the proposal were determined from the recorded legal description and a review of official property records. The annexation area matches exactly the parcel acquired by the City at 1 Carousel Lane, as shown in the recorded deed and the associated legal survey. No land outside the purchased parcel is included. Draft boundary materials were prepared by a Registered Professional Land Surveyor to ensure conformance with Board of Equalization mapping and legal description criteria.

3. Please indicate yes/no to the following questions:

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Do the proposed boundaries create an island of non-agency territory?</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Do the proposed boundaries split lines of assessment or ownership?</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Do the proposed boundaries overlap with another agency providing similar services?</i>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Does the proposal involve public rights-of-way or easements?</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Does the proposal involve public land or land assessed by the State?</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Does any part of the proposal involve land under a Williamson Act Contract or Farmland Security Zone?</i>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<i>Does any part of the proposal involve land with a Wildlife/Habitat Easement or Agricultural Land Conservation Easement?</i>

4. Is this proposal consistent with the adopted Sphere of Influence of all affected agencies?

- Yes
- No If no, this application must be preceded or accompanied by a Sphere of Influence Amendment Application.

Land Use Information

1. Describe the existing uses within and surrounding the subject territory. Be specific regarding existing commercial corridors, residential communities, relevant structures, etc.

The subject property functions as a large warehouse and distribution site of about 98,000 square feet arranged as Suites 1A, 1B, and 1C. Suites 1A and 1B are planned for City operations, with interior warehouse space, shop areas, and support offices. Suite 1C is in active use as a FedEx distribution center with truck docks, trailer parking, and on-site circulation designed for heavy vehicles. The parcel includes paved yards, loading bays, employee and visitor parking, lighting, security fencing, and landscaped buffers. Along Carousel Lane, the built pattern extends into the Carousel Industrial Park, a cluster industrial metal buildings occupied by logistics firms, contractors, equipment rental and repair, building material suppliers, fabrication shops, storage and fulfillment users, and other light industrial services are located in the park. Many tenants maintain screened outdoor storage, small yards for fleet vehicles, and shared driveway access sized for trucks, which reinforces the industrial designation.

Surrounding uses mirror that industrial focus. The North State Street Corridor supports highway commercial and service-industrial businesses such as auto services, supply houses, storage facilities, and trade contractors. A mature tree belt and the parallel railroad corridor separate the site from North State Street, creating a clear edge between the property and the public right of way. South of Carousel Lane are additional industrial and service uses with similar building forms and yard layouts.

Residential communities, including manufactured home parks west of North State Street, are present but physically buffered from the industrial park by roadway, rail, and landscaping, keeping the immediate area's character centered on warehousing, distribution, and light industrial activity.

2. What is the current land use and zoning designation(s) within the subject territory?

The property is subject to Mendocino County Zoning Chapter 20.096 – I-1 (Limited Industrial District). This district is intended to create and preserve areas where manufacturing and industrial uses which evidence no or very low nuisance characteristics may locate. Nonindustrial uses which support or are adjuncts to industrial uses and are compatible with such uses are permitted within the zone particularly administrative, sales and service uses.

3. Describe any proposed change in land use or zoning as a result of the proposal. (For city annexations, attach a copy of the adopted pre-zoning ordinance and associated CEQA determination.)

The City will Prezone the property to Public Facilities (PF) with a Public (P) General Plan designation to take effect upon annexation pursuant to Government Code §65859.

Current (County of Mendocino):

- Zoning: Limited Industrial (I-1) (Mendocino County Code Ch. 20.09)
- Existing Limited Industrial Land Uses: "Wholesaling, Storage and Distribution—Light"; "Agricultural Sales and Services"" Minor Impact Utilities"

Proposed (City of Ukiah):

- Zoning: Public Facilities (PF) (Ukiah Municipal Code, Ch. 2, Art. 15)
- General Plan: Public (P) (Ukiah 2040 General Plan)

- Proposed Public Facility Land Uses: “Corporation yards”; “Quasi-public land uses”; “Light manufacturing and industrial uses”

Effect of the change:

- Aligns zoning and land use with long-term municipal ownership and use.
- Does not authorize new construction or increased development intensity as part of this action.
- Existing private tenant uses may continue subject to City PF district regulations and applicable nonconforming provisions, as relevant.

Attachments (per submittal requirements):

- Adopted Pre-Zoning Ordinance – Planning Commission Review – 10/08/2025
- CEQA determination: Notice of Exemption for Guidelines §15319, Class 19(a) (Annexations of Existing Facilities and Lots for Exempt Facilities)

4. Is the proposal consistent with city or county general plans, specific/area plans, and or other adopted land use policies? (Please include policy consistency analysis.)

Yes. The proposal is consistent with applicable City and County plans and adopted policies, as summarized below.

- City of Ukiah 2040 General Plan. Rezoning to Public Facilities (PF) with a Public (P) land use designation implements the General Plan direction to locate and maintain municipal facilities in appropriate urban locations, support reliable public services, and reinvest in existing developed areas.
- Sphere of Influence. The parcel is within the City’s adopted Sphere of Influence. Annexation promotes logical boundaries, compact urban development, and efficient service delivery consistent with City growth management objectives.
- Ukiah Valley Area Plan (UVAP) – Water management. The site will serve the operational needs of the UVWA. The action supports Ukiah Valley Area Plan Policy WM-1.1, “*Maintain and increase water supplies and systems for existing and future water system needs,*” by consolidating maintenance and operations in a centrally located facility.
- Zoning and land use compatibility. Transition from County Limited Industrial (I-1) to City Public Facilities (PF) aligns zoning with long-term public ownership and use. The site is already developed and the action does not increase development intensity or the activities presently utilizing the site for commercial purposes.
- Transportation and access. The location with direct access to North State Street and nearby Highway 101 supports General Plan circulation objectives for safe and efficient access to serve the City of Ukiah, Millview County Water District, Redwood Valley County Water District, and Calpella County Water District with greater efficiency.

5. Will the proposal result in development of property now or in the near future? Describe the type of development proposed (type of business or industry, single-family or multi-family residential, etc., and the number of units or facilities).

No. The subject property is developed with a commercial warehouse structure that totals approximately 98,000 square feet of commercial space. The structure is segregated into three areas, described herein as Suites "1A", "1B", and "1C". Suites 1A and 1B are connected and are intended for occupation by the City of Ukiah. Suite 1C is occupied by a FedEx distribution center. No new development is proposed or requested at this time, although it is expected that minor tenant improvements will be processed by the City, as indicated by the history of County Building Permits pulled over the years by commercial tenants.

6. If development is proposed, what discretionary approvals are needed? Indicate below all discretionary approvals or permits from a city, the County, or another agency that will be needed to complete the project. If already approved, please indicate the date of approval.

	<i>Project File No.</i>	<i>Date of Approval</i>	<i>Future Requirements</i>
<i>City/County General Plan Amendment</i>			
<i>Pre-zoning (City)</i>			
<i>Rezoning (City)</i>			
<i>Tentative Subdivision Map</i>			
<i>Minor Land Division</i>			
<i>Conditional Use Permit</i>			
<i>Boundary Line Adjustment</i>			
<i>City Building Permit</i>	TBD	TBD	N/A
<i>Other</i>			

7. If no development is planned at this time, would approval of this proposal increase the development potential of the property?

- Yes If yes, please indicate in terms of potential use, number of units, etc.
- No If no, indicate when development of the area is anticipated.

8. What is the effect of this proposal on agricultural or open-space lands within and adjacent to the subject territory? If the subject territory is subject to a Williamson Act contract, please provide a copy of the contract(s) along with any amendments.

The 7.9±-acre parcel at 1 Carousel Lane is fully developed with an approximately 98,000-square-foot commercial/industrial building and related improvements, is not designated or used for agriculture or open space, and is not subject to a Williamson Act contract. While the site is near lands zoned Open Space (O-S) by the County of Mendocino, it is not adjacent to active agricultural operations; physical buffers including North State Street and U.S. 101 and the York Creek/Russian River corridor separate it from potential agricultural areas. Lands approximately 1,400 feet west of the site, across U.S. 101, are under a Type 1 Williamson Act contract; the subject parcel is not proximate to Type 2 contracted lands, and no portion of the parcel is encumbered by a Williamson Act contract. The proposal would prezone and annex an already

developed site and does not authorize new construction or increased development intensity, and no extension of utility capacity beyond serving existing facilities is proposed. Accordingly, no direct or indirect impacts to agricultural viability, Williamson Act contracts, or open space resources are anticipated.

Public Services

1. List which agencies presently provide public services to the subject territory, and which are proposed to provide service with the proposal. If not applicable or no change, please indicate accordingly.

<i>Service</i>	<i>Present Provider</i>	<i>Proposed Provider</i>
<i>Sewer</i>	Ukiah Valley Sanitation District	Ukiah Valley Sanitation District
<i>Water</i>	Millview County Water District via Ukiah Valley Water Authority	Millview County Water District via Ukiah Valley Water Authority
<i>Fire</i>	Ukiah Valley Fire Authority	Ukiah Valley Fire Authority
<i>Police</i>	Mendocino County Sherrif’s Office	Ukiah Police Department
<i>Recreation</i>	N/A	N/A
<i>Roads</i>	Mendocino County Depart. of Transportation	Mendocino County Depart. of Transportation
<i>Drainage</i>	Ukiah MS4	Ukiah MS4
<i>Street Lighting</i>	N/A	N/A
<i>Other</i>		

2. Are there any current service or growth moratoriums in place for the affected agency(ies)?

Yes If yes, please indicate imposing agency and terms.
 No

3. How would the proposal affect the type or level of services within the subject territory?

Annexation would not introduce new public services or increase utility capacity, but it would improve the reliability and efficiency of existing services within the subject territory. Bringing the Municipal Corporation Yard into the City simplifies permitting, inspections, and operations for public works, water, and wastewater maintenance, which reduces downtime and accelerates response to routine and emergency work orders. The site lies within the Ukiah Valley Water Authority service area, and consolidating yard functions at 1 Carousel Lane supports UVWA’s coordinated scheduling, shared inventory, and standardized procedures, which together enhance preventive maintenance, leak response, and pipeline repair times. Public safety service levels would remain consistent with applicable providers, and no reduction in service standards is anticipated.

4. If, as a result of this proposal, increased service demand exceeds the existing capacity, describe what will be done by the service provider to increase capacity of services.

The proposal does not add customers or increase development intensity and is not expected to create service demands beyond existing capacity. Any future facility expansion or new utility capacity would require separate approvals and environmental review. To be sure, many of the services provided including sewer,

water, fire and drainage are supported or operated by the City of Ukiah.

5. **Will the future delivery of services by any other public agency or service provider be affected by this proposal? If yes, list the agencies and indicate any comments received from these agencies. (Note: affected agencies will be contacted by LAFCo during application processing.)**

No material adverse effects are expected. The City is not requesting changes in outside service providers. Fire protection will continue to be provided by the Ukiah Valley Fire Authority with no change in level of service. Electric and natural gas service will remain with Pacific Gas and Electric (PG&E). Solid waste collection will continue under the County’s franchised hauler without interruption. To the extent the parcel is included in any County service areas or special districts that duplicate City services, detachment would occur concurrent with annexation, with no reduction in service.

6. **A plan for providing services within the affected territory must be prepared pursuant to Government Code Section 56653.**

A Plan for Services is attached to this application form:

- Yes
 Not applicable

7. **If the proposal affects a water service provider, does the agency have a Water Shortage Contingency Plan or Urban Water Management Plan?**

- Yes If yes, please provide a URL link or electronic copy of the Plan.
 No

8. **Does the project require an extension of infrastructure or increase in capacity to serve the territory?**

- Yes If yes, please complete the table below.
 No

<i>Total anticipated demand</i>	<i>Extension of Infrastructure (feet/miles)</i>	<i>Number of Units (GDP/EDU/ESA)</i>
<i>Residential Use</i>	N/A	N/A
<i>Industrial / Commercial Use</i>	N/A	N/A
<i>Agricultural Use</i>	N/A	N/A

Financial Information

1. **How will public services be financed? List any assessments, taxes, fees or other charges to be levied as part of this proposal, or levied in the near future. (Note: a five- or ten-year pro forma financial statement may be required to project long-term level of service costs and revenue stability).**

Operating costs will be funded within existing City budgets for Public Works, water and wastewater utilities,

and streets, as well as through the Ukiah Valley Water Authority’s Joint Powers Agreement, consistent with the adopted cost allocation plan. Capital and tenant improvements will be funded from a combination of Lease Revenue Bonds, Series 2022 proceeds, the City’s Capital Improvement Program, and competitive grants as available. No new taxes or assessments are proposed with this annexation and rezoning.

City utility services will continue to be funded by user rates pursuant to Proposition 218, and any future rate adjustments will follow required noticing and hearing procedures. As City-owned property, the site is exempt from ad valorem property tax, but the commercial operations may be subject to taxable possessory interest. One-time building or encroachment permits and inspections will be processed by the City, and the associated fees are internal to the City and budgeted within project costs.

2. Are there anticipated costs associated with addressing deferred maintenance, major capital improvement needs, or capacity expansion projects related to the proposal? If so, please provide a financial analysis and estimated cost apportionment plan and schedule.

No additional utility capacity is proposed as part of annexation. Any future capacity projects would be separately approved, budgeted, and reviewed under CEQA. Expected work includes maintenance and repair activities, life-safety and ADA upgrades as needed, materials storage compliance, security, lighting, and interior build-outs to support fleet, water, and wastewater maintenance, but only as necessary. It is understood that minimal changes are required to adjust the facility for municipal use.

3. Does any affected agency have existing bonded indebtedness for which the subject territory will become/remains liable? If so, please indicate taxpayer cost per year and when the obligation will end.

The Lease Revenue Bonds, Series 2022 are lease-backed obligations of the City and not ad valorem tax levies on the territory; annexation does not impose a taxpayer charge on the parcel. City utility services will continue to be funded by user rates pursuant to Proposition 218, and any future rate adjustments will follow required noticing and hearing procedures.

4. Does the proposal involve an annexation to a city and/or changes in district boundaries? If yes, negotiations for any exchange of property tax revenues (Revenue and Taxation Code [Section 99](#)) must be completed by the County and any affected city/district prior to LAFCo action. For those proposals, LAFCo will notify the affected agencies after receiving your application and will provide preliminary information to begin the negotiations process.

- Yes
- No

Sphere of Influence

Note: If a sphere of influence amendment is proposed, please also submit the Sphere of Influence Change Request Supplemental Form.

1. Is the subject territory within the existing sphere of influence of the affected agency?

- Yes
- No

2. Is the subject territory within the existing sphere of influence of an adjacent agency providing similar services?

- Yes If yes, please specify the circumstances and whether a sphere amendment is needed.
 No

Environmental Determination

Note: If no environmental document has been prepared, please submit the Environmental Questionnaire.

1. Copies of environmental documentation, pursuant to the California Environmental Quality Act (CEQA), prepared by the lead agency (including an initial study, technical reports, and written comments or recorded public testimony relative to the environmental documents) is required to be submitted with the application. Please include a copy of the Notice of Determination/Notice of Exemption showing the date filed with the County Clerk, and the environmental filing fee receipt from the California Department of Fish and Wildlife.

The following environmental document has been prepared:

- Statutory and/or Categorical Exemption
 Negative Declaration
 Mitigated Negative Declaration
 Environmental Impact Report
 Statement of Overriding Considerations
 Supplemental or Tiered Environmental Document
 Other:

2. Was the environmental documentation (Notice of Preparation/Notice of Intent) circulated to LAFCo, a Responsible Agency, according to statutorily required timeframes prior to Lead Agency adoption?

- Yes
 No

Notification

Provide the names and contact information of the primary persons or agents who are to receive information requests, staff reports and notices related to the proposal:

Name/Title	Telephone	E-mail Address
Jesse Davis	707-463-6207	jdavis@cityofukiah.com

Fee Agreement and Indemnification

All applications must include a signed [Fee Agreement and Indemnification Agreement](https://www.mendolafco.org/application-materials), which is located at: <https://www.mendolafco.org/application-materials>.

Filing Fees

Applicants are required to pay fees in accordance with LAFCo’s adopted fee schedule to cover the administrative and staff costs required to evaluate proposals.

Per the Mendocino LAFCo Fee Schedule, deposits toward the cost of processing proposals must be paid at the time an application is submitted. All deposits are initial payments toward the actual costs of processing proposals, including staff time and materials (e.g., noticing, postage, copying). In signing the Fee Agreement and Indemnification, the applicant consents to reimburse LAFCo for all costs incurred in processing, including pre-application assistance.

Checks for application fees must be made payable to: “Mendocino LAFCo”.

Board of Equalization (BOE) fees per the current BOE fee schedule are required to be submitted to LAFCo for the BOE Filing. Checks for BOE filing fees must be made payable to: “State Board of Equalization”.

The following is included with this application form:

- Check for Application Filing Fees
- Check for BOE Filing Fees
- Other (please explain):

Certification

The undersigned hereby certifies that all LAFCo filing requirements will be met and that the statements made in this application are complete and accurate to the best of my knowledge.

<i>Signature</i>	<i>Jesse Lee Davis AICP</i>
<i>Print Name/Title</i>	Jesse Davis, AICP
<i>Date</i>	09/19/2025
<i>Telephone</i>	707-463-6207
<i>Email</i>	jdavis@cityofukiah.com

Application Submittal Checklist

In order for an application to be processed, the following items need to be provided. Please mark the checklist items applicable to your proposal and submit the number of hard copies noted for each item.

- Electronic copy:** legible/searchable PDFs of the application packet (thumb drive, email, Dropbox, etc.).
- Cover letter (1):** listing the materials being submitted and noting the method of CEQA compliance.
- Application form (1):** fully completed and signed with original signature(s).
- Fee Agreement and Indemnification form (1):** fully completed and signed with original signature(s).
- Notice of Intent form (1):** original form must be sent to LAFCo in advance per instructions on the form.
- Supplemental Application form(s) (1):** fully completed (activation of powers, outside agency services, sphere amendment, etc.) and signed with original signature(s).
- Resolution of Application (1):** certified copy, including all exhibits, of the agency's legislative body.
- Landowner/Registered Voter Petition (1):** making application to LAFCo, with original signature(s).
- Full-scale Proposal Map (5):** 24" x 36" size map page(s) showing the affected territory and its relationship to the affected/adjacent jurisdiction(s) and prepared to State Board of Equalization specifications.
- Reduction of Proposal Map (3):** 8.5" x 11" or 11" x 17" size map page(s) of the above item.
- Vicinity Map (3):** 8.5" x 11" size map page, if not already included on the proposal map.
- Metes and Bounds Description (3):** a legal description of the affected territory (proposal area).
- Property Matrix (1):** list all affected properties by Assessor Parcel Number, specify source tax roll year data is from, and include an editable digital format (excel, etc.) with the electronic submittal.
- Property Owner Consent Letter(s) (1):** from each affected owner of record with original signature(s); for petition applications this may already be addressed with the petition form.
- Proof of CEQA Compliance (1):** complete project environmental document (electronic-only if more than 25 pages), Notice of Determination or Exemption, and Fish and Wildlife filing fee receipt.
- Plan for Services (1):** prepared per GC §56653, and §56824.12 if applicable, and include a schematic diagram of water, sewer, and storm drainage systems where appropriate.
- Pre-Zoning Documentation (1):** for City annexations per GC §56375, include proof of CEQA compliance.
- Project Design Plans (1):** reduced size plans (site plan, development plan, subdivision map, etc.).
- Campaign Contribution Disclosure form (attached) (1):** required per GC §84308 and the Political Reform Act.
- Disclosure of Political Expenditures form (attached) (1):** required per GC §56700.1 and the Political Reform Act.
- Tax Share Agreement (1):** adopted by each applicable legislative body (RTC §99), if already completed.
- Filing and Processing Fees:** in accordance with the LAFCo Fee Schedule and the State Board of Equalization Fee Schedule.

Note: Additional information may be required during staff review of the proposal and/or in response to the public hearing.

CAMPAIGN CONTRIBUTION TO COMMISSIONERS DISCLOSURE REQUIREMENTS

LAFCo is subject to the campaign disclosure provisions detailed in Government Code §84308 and the Regulations of the Fair Political Practices Commission (FPPC), 2 Cal. Adm. Code §18438. 1 – §18438. 6.

Please carefully read the following information to determine if the provisions apply to you. If you determine that the provisions are applicable, the Campaign Disclosure Form E-1 must be completed and returned to LAFCo of Mendocino County with your application.

1. No LAFCo commissioner shall accept, solicit, or direct a contribution of more than \$250 from any party¹ or agent² while a change of organization proceeding is pending, and for three months subsequent to the date a final decision is rendered by LAFCo. This prohibition commences when your application has been filed, or the proceeding is otherwise initiated.
2. A party to a LAFCo proceeding shall disclose on the record of the proceeding any contribution of more than \$250 made to any commissioner by the party, or agent, during the preceding 12 months. No party to a LAFCo proceeding, or agent, shall make a contribution to a commissioner during the proceeding, and for three months following the date a final decision is rendered by LAFCo.
3. Prior to rendering a decision on a LAFCo proceeding, any commissioner who received a contribution of more than \$250 within the preceding 12 months from any party, or agent, to a proceeding shall disclose that fact on the record of the proceeding, and shall be disqualified from participating in the proceeding. However, if any commissioner receives a contribution that otherwise would require disqualification, and returns the contribution within 30 days of knowing about the contribution and the relevant proceeding, that commissioner shall be permitted to participate in the proceeding.

To determine whether a campaign contribution of more than \$250 has been made by you or your agent to a commissioner within the preceding 12 months, all contributions made by you or your agent during that period must be aggregated.

Names of current LAFCo commissioners are available <https://www.mendolafco.org/commission>. If you have questions about Government Code §84308, FPPC regulations, or the Campaign Disclosure Form, please contact the LAFCo Executive Officer at eo@mendolafco.org.

¹ “Party” is defined as any person who files an application for, or is the subject of, a proceeding.

² “Agent” is defined as any person who represents a party in connection with a proceeding. If an individual acting as an agent also is acting as an employee or member of a law, architectural, engineering, or consulting firm, or a similar entity or corporation, both the individual and the entity or corporation are agents. When a closed corporation is a party to a proceeding, the majority stakeholder is subject to these provisions.

CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Proposed change(s) of organization:

'City of Ukiah – Corporation Yard Annexation'

2. Name and address of any party or agent who has contributed more than \$250 to any commissioner within the preceding 12 months.

Name of Party/Agent	Address

3. Date and amount of contribution:

Date of contribution	Amount of contribution

4. Name of commissioner to whom contributions were made:

a. _____

b. _____

Certification

The undersigned hereby certifies that the above information is provided to the best of my knowledge.

<i>Signature</i>	<i>Jesse Lee Davis AICP</i>
<i>Print Name/Title</i>	Jesse Davis, AICP; Chief Planning Manager
<i>Date</i>	09/29/2025
<i>Telephone</i>	707-463-6207
<i>Email</i>	jdavis@cityofukiah.com

DISCLOSURE OF POLITICAL EXPENDITURES FOR/AGAINST LAFCO PROPOSAL

Expenditures for political purposes, which are related to a change of organization or reorganization proposal that will be or has been submitted to Mendocino LAFCo, are subject to the reporting and disclosure requirements of the Political Reform Act of 1974 and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH).

Please carefully read the following information to determine if reporting and disclosure provisions apply to you.

1. Any person or combination of persons who for political purposes, directly or indirectly contributes \$1,000 or more, or expends \$1,000 or more, in support of or in opposition to a proposal for a change of organization or reorganization that will be submitted to the Commission, must disclose and report as required for local initiative measures under the Political Reform Act of 1974 (commencing with Government Code §84250) and the CKH (commencing with Government Code §56700).
2. Pursuant to Government Code §57009, any person or combination of persons who directly or indirectly contributes \$1,000 or more, or expends \$1,000 or more, in support of or in opposition to the conducting authority proceedings for a change of organization or reorganization, must comply with the disclosure requirements as required for local initiative measures under the Political Reform Act of 1974 (commencing with Government Code §84250).
3. Applicable reports must be filed with the Secretary of State and the appropriate city or county clerk. Copies of reports must also be filed with the LAFCo Executive Officer.

CHECKLIST FOR DISCLOSURE OF POLITICAL EXPENDITURES

The following checklist is provided to assist you in determining if the requirements of the Political Reform Act of 1974 (Government Code Sections 81000 et seq.) apply to you. For further assistance contact the Fair Political Practices Commission at 428 J Street, Suite 450, Sacramento, CA 95814, (866) 275-3772, or at <http://www.fppc.ca.gov>.

1. Have you directly or indirectly made a contribution or expenditure of \$1,000 or more related to the support or opposition of a proposal that has been or will be submitted to LAFCo?

- Yes
 No

<i>Date of Contribution</i>	
<i>Amount</i>	
<i>LAFCo Proposal Name/Application Number</i>	
<i>Date Proposal Submitted to LAFCo</i>	

2. Have you, in combination with other person(s), directly or indirectly contributed or expended \$1,000 or more related to the support or opposition of a proposal that has been or will be submitted to LAFCo?

- Yes
 No

<i>Date of Contribution</i>	
<i>Amount</i>	
<i>LAFCo Proposal Name/Application Number</i>	
<i>Date Proposal Submitted to LAFCo</i>	

3. If you have filed a report in accordance with FPPC requirements, has a copy of the report been filed with LAFCo?

- Yes
 No

Property Matrix
'City of Ukiah – Corporation Yard Annexation'

APN	Owner	SITUS	Acreage	Existing County Zoning District	Existing County General Plan	Proposed General Plan	Proposed Zoning	Current Status	Public Facilities Use	Water	Sanitation
167-280-15	City of Ukiah	1 Carousel Lane, Ukiah, CA, 95482	±7.9	Limited Industrial (I-1)	I (Industrial)	Public (P)	Public Facilities (PF)	Existing Industrial Warehouse	Corporation Yard'	MCWD	UVSD



Mendocino LAFCo
 200 South School Street
 Ukiah, CA 95482
 (707) 463-4470
 Website: www.mendolafco.org
 Email: eo@mendolafco.org

<i>LAFCo Office Use Only</i>
Date Filed: _____
Received By: _____

SUPPLEMENTAL ENVIRONMENTAL INFORMATION FORM

If LAFCo will be acting as Lead Agency for purposes of the California Environmental Quality Act (CEQA) for the proposed project, applicant must complete and submit the Environmental Information Form *in addition to* the Mendocino LAFCo Application Form, checklist of materials and fees per the most recently adopted Fee Schedule.

General Information

1. Proposed Project: ‘City of Ukiah – Corporation Yard Annexation’

The proposal includes a change in (Indicate one): boundary sphere of influence N/A.

	<i>Boundary (acres)</i>	<i>Boundary Reduction (acres)</i>
1.	7.9 acres	
2.		
3.		
4.		

2. Person completing this form:

<i>Name</i>	Jesse Davis, AICP
<i>Street Address</i>	300 Seminary Avenue
<i>City/State/Zip</i>	Ukiah, CA, 95482
<i>Telephone</i>	707-463-6207
<i>Email</i>	jdavis@Cityofukiah.com
<i>Signature</i>	<i>Jesse Lee Davis AICP</i>

3. Location of proposed project: The subject property is in unincorporated Mendocino County, approximately 2.3 miles north of the City of Ukiah limits, in an area with a mix of commercial, residential, and industrial uses. It consists of one (1) industrially developed parcel of about 7.9 acres with access from Carousel Lane, a private road. Topography is generally flat, with an average elevation

of approximately 628 feet above mean sea level. The property is bordered by York Creek to the north, the Russian River to the east, North State Street to the west, and Carousel Lane and adjacent heavy commercial uses to the south. The site address is 1 Carousel Lane, Ukiah, California, APN 167-280-15.

Environmental Setting and Land Use

1. Indicate the percentage of the area currently used in the following ways:

<i>Land Use Type</i>	<i>Percentage of Area</i>		<i>Land Use Type</i>	<i>Percentage of Area</i>
Residential	%		Commercial Timber	%
Commercial	%		Cultural/Recreational	%
Manufacturing/Industrial	100 %		Natural Open Space	%
Agricultural	%		Other (Specify)	%

2. What anticipated changes in existing land use(s) identified above would result from project implementation?

Only minimal changes in land use are anticipated as a result of project implementation. The property has historically supported industrial and warehouse-type activities, which are generally compatible with the planned municipal functions. The City’s use of the site as a Corporation Yard aligns with these existing industrial patterns, focusing on supporting the operations of the Public Works fleet, streets, water, and wastewater maintenance divisions.

Improvements will be limited to essential facility adjustments, including life-safety and ADA upgrades, compliance with materials storage requirements, security and lighting enhancements, and interior build-outs necessary to accommodate municipal operations. These modifications do not represent a substantive intensification or alteration of land use but rather ensure safe and effective operation as a public facility.

3. Describe the project site, including topography, watercourses and vegetation.

Topography on and around the site is relatively flat, with an average surface elevation of approximately 628 feet above mean sea level (MSL). The property is bordered to the north by York Creek, to the east by the Russian River, to the west by North State Street, and to the south by Carousel Lane and adjacent industrial uses. The site supports manufacturing uses but includes mature landscaping, with a mix of oaks, redwoods, and shrubs. Near York Creek, additional riparian vegetation and trees are present. Overall, the parcel is substantially developed with paving, mature landscaping and structures. The site is separated from North State Street by a buffer of mature trees as well as a railroad corridor. The rail line, previously owned and operated by the North Coast Rail Authority, runs parallel to the roadway and forms a clear boundary between the property and the public right-of-way. This combination of tree cover and the rail corridor creates both physical and visual separation from North State Street, reducing direct exposure to traffic activity.

4. Describe any structures on the site and their current use(s).

The subject property is developed with a commercial warehouse structure that totals approximately 98,000 square feet of commercial space. The structure is segregated into three areas, described herein as Suites “1A”, “1B”, and “1C”. Suites 1A and 1B are connected and are intended for occupation by the City

of Ukiah. Suite 1C is occupied by a FedEx distribution center. No new development is proposed or requested at this time, although it is expected that minor tenant improvements will be processed by the City, as indicated by the history of County Building Permits pulled over the years by commercial tenants.

5. Describe surrounding areas and their existing land uses.

The subject property is located in unincorporated Mendocino County, immediately north of the City of Ukiah, within an area characterized by a mix of industrial, commercial, and residential uses. The parcel is approximately 7.9 acres in size and developed with commercial/industrial improvements, with primary access from Carousel Lane (APN 167-280-15).

To the east and south, the property is situated within the Carousel Industrial Park, an established industrial area that accommodates warehousing, materials storage, distribution, and related service businesses. Several materials supply companies operate within this vicinity, reflecting the site’s longstanding industrial character. Surrounding uses mirror that industrial focus. The North State Street Corridor supports highway commercial and service-industrial businesses such as auto services, supply houses, storage facilities, and trade contractors. A mature tree belt and the parallel railroad corridor separate the site from North State Street, creating a clear edge between the property and the public right of way. South of Carousel Lane are additional industrial and service uses with similar building forms and yard layouts.

Residential communities, including manufactured home parks west of North State Street, are present but physically buffered from the industrial park by roadway, rail, and landscaping, keeping the immediate area’s character centered on warehousing, distribution, and light industrial activity.

The broader surrounding area includes natural features such as the Russian River and York Creek, both located adjacent or in proximity to the site. In summary, the subject property is situated at the transition between industrial/commercial operations and residential development. The proposed municipal Corporation Yard use is generally consistent with and compatible to the industrial character of the Carousel Industrial Park. The site’s proximity to nearby residential and environmental resources is noted.

6. Does any portion of the proposal area contain any of the following:

<i>Feature</i>	<i>Yes</i>	<i>No</i>	<i>Feature</i>	<i>Yes</i>	<i>No</i>
Agricultural land		X	Mature trees	X	
River or creek	X		Slopes greater than 15%	X	
Riparian corridor	X		Water service moratorium		X
100-year flood zone	X		Sewer service moratorium		X
Coastal bluff or beach		X	Airport/highway noise contour		X
Coastal permit zone		X	Archaeological/historical features		X
Flood control channel		X	Other unusual features	X	

7. Are any of the following items applicable to the project or its effects? Explain any items checked YES after the following table.

<i>#</i>		<i>Yes</i>	<i>No</i>
1	Change in existing features of any bays, tidelands, beaches, lakes or hills, or substantial alteration of ground contours.		X
2	Change in scenic views or vistas from existing residential areas or public lands		X

#		Yes	No
	or roads.		
3	Change in pattern, scale or character of general area of project.		X
4	Significant amounts of solid waste or litter.		X
5	Change in dust, ash, smoke, fumes or odors in the vicinity.		X
6	Change in ocean, bay, lake, stream or groundwater quality or quantity, or alteration of existing drainage patterns.		X
7	Substantial change in existing noise levels in the vicinity.		X
8	Site on filled land or on slope of 15% or more.		X
9	Use or disposal of potentially hazardous materials such as toxic substances, flammables or explosives.		X
10	Will the project involve the use of any service from an agency that is currently operating near or at capacity?		X
11	Substantially increase energy consumption (electricity, oil, natural gas, etc.).		X
12	Relationship to a larger project or series of projects.		X

If you answered “yes” to any of the above, please explain:

It is noted that the site lies on or in close proximity to the Maacama Fault and is therefore subject to seismic shaking considerations. All future improvements will comply with applicable California Building Code seismic safety standards and related regulations to ensure resilience and life-safety protections.

8. Will there be a substantial change to any of the following governmental services?

#	Service	Yes	No
1	Police		X
2	Sewage		X
3	Fire		X
4	Roads		X
5	Water		X
6	Schools		X
7	Parks or other Recreational Facilities		X
8	Other Governmental Services		X

If you answered “yes” to any of the above, please explain:

Statement of No Significant Environmental Impacts

If you feel that the project will have no significant environmental impacts, indicate your reasons. Please

be specific.


The project will not result in significant environmental impacts for the following reasons:

1. **Existing, fully developed site.** The ±7.9-acre property is already built out with an approximately 98,000-square-foot warehouse configured as three suites (1A, 1B, 1C). Suites 1A and 1B will be occupied by the City for Municipal Corporation Yard functions; Suite 1C remains a FedEx distribution center. No ground disturbance, new structures, or site expansion are proposed.
2. **No change in use intensity.** The site has historically supported industrial and warehouse activities. The planned municipal functions—fleet, water, and wastewater maintenance, materials storage, staging, and admin support—are similar in type and intensity to existing and past uses. As a result, no material increase in trips, noise, lighting, or air emissions is anticipated compared to existing conditions.
3. **Only minor internal work.** Anticipated work is limited to interior tenant improvements subject to standard building permits. These do not expand building area, occupancy, or utility capacity and therefore do not trigger construction-related environmental effects beyond typical, short-duration interior work.
4. **Biological resources avoided.** The site is substantially paved or covered by structures. Mature landscaping and riparian vegetation occur at the margins (e.g., near York Creek), but no encroachment, grading, tree removal, or new impervious area is proposed. Consequently, no direct impact to existing riparian habitat or trees would occur.
5. **Public services, utilities, and hazards.** The site is already served by utilities; no extension or expansion of service capacity is proposed. Operations are predominantly indoors and consistent with established industrial/warehouse practices, with standard compliance for storage and maintenance activities.

Given the fully developed condition of the property, the continuation of compatible industrial/warehouse-type activities, and the absence of physical expansion or intensification, the project would not create significant environmental effects. The action qualifies for the CEQA Guidelines §15319, Class 19(a) exemption for annexations of existing facilities and lots for exempt facilities.

Certification

I hereby certify that the statements provided above and in the attached exhibits present the data and information required for this environmental evaluation to the best of my ability, and that the facts, statements and information presented are true and correct to the best of my knowledge.

Signature	
Print Name/Title	Jesse Davis, AICP
Date	09/23/2025
Telephone	707-463-6207
Email	jdavis@cityofukiah.com

DO NOT WRITE BELOW THIS LINE

<i>LAFCo File No</i>	LAFCo File No. A-2025-06
<i>Executive Officer's Findings</i>	
<i>Emergency Project – Exempt</i>	
<i>Categorically Exempt – Class</i>	
<i>Environmental Initial Study Required</i>	
<i>Date</i>	
<i>LAFCo Staff</i>	



FEE AGREEMENT and INDEMNIFICATION

1. DEPOSIT

Applicant agrees to pay the following deposit with execution of this agreement: **\$5,500.00**. LAFCo charges are based upon actual staff time and other expenses incidental to processing applications including CEQA compliance as a Responsible Agency, reviewing project proposals (Pre-Application Requests), and researching matters as requested. Such charges may be incurred prior to or without the filing of an application with LAFCo. Individuals and agencies who request services, research, or review must provide a deposit toward project expenses, as listed on the current fee schedule (<http://mendolafco.org/fees/>), along with a signed copy of this agreement. All deposits are subject to increase, should the Executive Officer determine that the magnitude of the project justifies the increase. The staff time necessary to process an application or request for service cannot be easily predicted in advance. Therefore, applicants should be aware that LAFCo charges may exceed the applicable initial deposit.

The deposit will be placed in LAFCo's general account and application expenses incurred by LAFCo will be tracked separately from other LAFCo expenses. No interest will accrue on the deposit. LAFCo will keep an accounting of amounts charged against the deposit. In the event any balance of the deposit remains after subtraction of all LAFCo charges, the balance will be refunded to Applicant upon completion of application services. When the deposit is exhausted, LAFCo will request an additional deposit.

2. BILLING PROCEDURE

LAFCo invoices will detail tasks, hours, current staff charge-out rates in effect at the time of billing, staff members responsible for work, and/or costs of contracted services. Invoices will also reflect the remaining balance of the initial deposit. Should the deposit be depleted, all staff work will cease until the deposit on file has been replenished. Projects with delinquent balances will not be scheduled for hearing, and the Commission will consider applicants to have waived any and all statutory deadlines.

This form must be signed by the Applicant as the person responsible for payment. Where an agency has filed a Resolution of Application, an authorized staff member must sign the application and bind the agency as the entity responsible for payment. The application must be filed with LAFCo along with the applicable deposit. Questions regarding specific billing procedures should be directed to the LAFCo Executive Officer at (707) 463-4470.

3. OBJECTIONS TO BILL

Applicant agrees that any questions or disagreements Applicant may have concerning the bill or amount due shall be communicated to LAFCo prior to the end of the payment period, along with payment of any undisputed portion of the bill. If Applicant fails to communicate to LAFCo any objection to the bill prior to the end of the payment period, Applicant is agreeing that the amount stated is correct and is giving up any right to later deny payment to LAFCo.

4. PAYMENT NOT DEPENDENT ON FUTURE ACTIONS

Applicant understands and agrees that the LAFCo charges are payable regardless of whether the application is ultimately filed, withdrawn, denied or otherwise terminated prior to completion. In the event of withdrawal, Applicant shall be responsible for all charges incurred prior to the time of receipt of written notice of application withdrawal, plus LAFCo's reasonable charges for file closure.

5. STAFF ASSIGNMENTS; CONFLICTS OF INTEREST

The Executive Officer shall assign LAFCo staff members to projects as appropriate. Should the scope of a project require that outside consulting or other needed services be obtained, applicants will be responsible for the entire cost of recruitment, source selection, and payment for such outside services. Applicants are responsible for paying actual costs for any services obtained through contract, even if such costs exceed the charge-out rate of a regular staff member providing similar services.

6. INDEMNITY

Should Mendocino LAFCo or any member of its commission, staff, contractors and/or agents be named as a party in any litigation or administrative proceeding in connection with the Applicant's proposal or request for services, Applicant agrees to indemnify, save harmless, and promptly reimburse LAFCo for (1) all reasonable expenses and attorneys' fees in connection with the defense of LAFCo and (2) any damages, penalties, fines or other costs imposed upon or incurred by LAFCo, including expert witness fees, whether or not there is concurrent passive or active negligence on the part of LAFCo, its agents, officers, attorneys, employees, and contractors or consultants. Applicant agrees that LAFCo shall have the right to appoint its own counsel to defend it and conduct its own defense in the manner it deems in its best interest, and that such actions shall not relieve or limit Applicant's obligations to indemnify and reimburse defense costs. Provided however, that LAFCo shall not settle with any plaintiff without consulting with Indemnitor prior to settling. Such indemnity obligation shall include LAFCo defense costs incurred in responding to a legal challenge by the Applicant to a LAFCo decision.

7. WAIVER

LAFCo's failure to enforce any term hereof shall not be deemed to be a waiver. No delay or omission in the exercise of any remedy of LAFCo on default shall impair such right or remedy or be construed as a waiver thereof, unless waiver is set forth clearly in writing and signed by the waiving party. Such written waiver shall not be construed as a waiver of any other default concerning the same or any other agreement provision, charge, or payment of principal amount owing to LAFCo.

8. COMPLIANCE WITH POLITICAL EXPENDITURE AND CONTRIBUTION DISCLOSURE REQUIREMENTS

Pursuant to Government Code Sections 56700.1 and 57009 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and 82015 and 82025 of the Political Reform Act applicants for LAFCo approvals and those opposing such proposals are required to report to LAFCo all political contributions and expenditures with respect to the proposal that exceed \$250. LAFCo has adopted policies to implement the law (Mendocino LAFCo Policy 6.2. By your signature to this application or request for service, you are binding the applicant to abide by these disclosure requirements. You are further agreeing that should LAFCo be required to enforce these requirements against you (or if the agency is the formal applicant, the real party in interest) that you will reimburse LAFCo for all staff cost and legal fees, and litigation expenses incurred in that enforcement process.

9. AUTHORITY TO SIGN

The party executing this agreement on behalf of Applicant personally warrants that they have full authority to enter into this agreement on behalf of the Applicant for which they are signing, and that said entity will be legally bound to the agreement by their signature hereto. In the event that such authority

does not exist, the individual who has signed this agreement agrees that he or she shall be personally liable for the charges.

10. AGREEMENT

I certify that I have reviewed the above information, the current LAFCo fee schedule, the State Board of Equalization fee schedule, and the State Department of Fish and Wildlife related to CEQA filing fees. I agree, as project applicant or authorized representative, to pay Mendocino LAFCo for all staff services, materials, and other charges attributable to my application or request for services, including the obligation of indemnification. I understand that services may be required before LAFCo receives a formal application, and I agree to pay for such services whenever incurred and regardless of whether a formal application is submitted to LAFCo. I also understand and agree that LAFCo's charges are payable regardless of whether the application is ultimately filed, withdrawn, denied, or otherwise terminated prior to completion.

I understand that if the cost of services exceeds the deposit on file, staff work on my project will cease, and my project will not be scheduled for hearing until the requested additional funds are provided. I agree to remit the applicable State Board of Equalization filing fee, and State Department of Fish and Wildlife CEQA filing fee if applicable, when required. I agree to pay all charges within 30 days of receipt of invoice or in any case prior to the filing of the Certificate of Completion for the project.

Executed at _____ Ukiah _____, California, on <u>September 29</u> _____, 20 <u>25</u> _____.	
APPLICANT (Agency Name if Agency Submitted Resolution of Application)	REAL PARTY IN INTEREST (If different from Applicant)
Name (print): <u>Jesse Davis, AICP</u>	Name (print): _____
Title: <u>Chief Planning Manager</u>	Title: _____
Signature: <u>Jesse Lee Davis AICP</u>	Signature: _____



Mendocino LAFCo
 200 South School Street
 Ukiah, CA 95482
 (707) 463-4470
 Website: www.mendolafco.org
 Email: eo@mendolafco.org

<i>LAFCo Office Use Only</i>
Date Filed: _____
Received By: _____

LANDOWNER CONSENT FORM

The undersigned landowner hereby consents to inclusion of their property within the proposed change of organization or reorganization (local agency boundary change) described below.

<i>Name of Proposal</i>	<i>'City of Ukiah – Corporation Yard Annexation'</i>
<i>Annex (add) to</i>	City of Ukiah
<i>Detach (remove) from</i>	County of Mendocino

The undersigned owns the property below within the proposed annexation/detachment area.

<i>Property Address</i>	1 Carousel Lane, Ukiah, CA, 95482
<i>Assessor's Parcel No.</i>	167-280-15

**For landowners with multiple parcels, attach a list of additional property addresses & APNs.*

Please check the applicable box before signing below: Landowner(s) Authorized Agent

	Signer 1	Signer 2
<i>Print Name</i>	Jesse Davis, AICP (Chief Planning Manager)	
<i>Signature</i>	<i>Jesse Lee Davis AICP</i>	
<i>Date</i>	11/17/2025	
<i>Contact Info.</i>	Phone: 707-463-6207; Email: jdavis@cityofukiah.com	

**All individuals listed on the property title or recorded deed must sign for valid consent. If there are more than two owners of record, complete and attach the second page of this form.*

***Agents signing on behalf of a landowner (corporation/company) must attach proper authorization.*

[Previous Agreement to Annex Enclosed with Application Materials]

*Bob Red
file
D. J. Miller
3/11/88*

2827

RECORDED AT REQUEST OF

City of Ukiah

BOOK 1671 PAGE 526

FEB 25 4 29 PM '88

OFFICIAL RECORDS
MENDOCINO COUNTY CALIF
MARSHA A. YOUNG
RECORDER

*No Fee
HP*

RECORDING REQUESTED BY

City Clerk

AND WHEN RECORDED MAIL TO

City of Ukiah
300 Seminary Ave.
Ukiah, CA 95482

AGREEMENT TO ANNEX

This Agreement is made and entered into in the City of Ukiah, County of Mendocino, State of California, by and between the City of Ukiah, a Municipal Corporation of the State of California, hereinafter called "City", and Carousel Carpet Mills, Inc. (a partnership, corporation or property owner) and existing under the laws of the State of California, hereafter called "Utility Applicant".

WITNESSETH:

WHEREAS, Carousel Carpet Mills is the owner of record of land which is known as Assessor's Parcel Nos. 167-280-08 and 167-280-09 and is more particularly described in the attached Exhibit 'A' which is incorporated herein by reference (hereinafter, the "subject property"); and

WHEREAS, the City has agreed to provide services pursuant to Applicant's request and pursuant to Applicant agreeing to sign an annexation agreement for subject property; and

WHEREAS, the City will consider and plan for providing other Municipal Services such as water, electric, fire protection and prevention services to the subject property in express reliance upon Applicant's covenant to sign an annexation agreement that will run with the land;

NOW, THEREFORE, in consideration of the above-recited facts and agreements and in reliance thereupon the parties mutually agree as follows:


1. On its own behalf and on behalf of any successors, assigns, and limited or general partners, if any, Applicant hereby consents to annexation and agrees that it or they will petition for annexation to the City of Ukiah at such time that the City requests same.

It is the intention of the parties that this Agreement creates covenants running with the subject property and its provisions shall apply to the subject property and shall inure to the benefit of and be binding upon the heirs, assigns, and successors in interest of the subject property or any portion thereof.

2. On its own behalf and on behalf of its successors and assigns Applicant waives any rights it or they may otherwise have to protest annexation of the subject property and agrees to do any and all things, including the execution of any required documents, legally and reasonably necessary to assist in the annexation of the subdivision or property or any portion thereof.

IN WITNESS WHEREOF, the parties have entered this Agreement on the 17th day of November, 1987

Carousel Carpet Mills, Inc.

BY: 
Applicant (owner or corporate officer)
Robert A. Phillips, Vice President-Controller

NOTARY

CITY OF UKIAH

BY: 
City Manager, D. Kent Payne

NOTARY

DESCRIPTION

That certain real property situated in the County of Mendocino, State of California, more particularly described as follows:

Commencing at the most northerly corner of Parcel 4 as shown on a Parcel Map filed in Map Case 2, Drawer 29, Page 48, Mendocino County Records; thence along the westerly boundary of said Parcel 4 S 21°47'55" E, 489.43 feet, to a private roadway and Public Utility Easement; thence along the northerly boundary of said easement from a tangent bearing of S 66°29'00" W along a curve to the right having a radius of 50 feet through a central angle of 50°12'30" for a distance of 43.81 feet; thence N 63°18'30" W, 239.08 feet; thence along a curve to the left having a radius of 730 feet through a central angle of 22°36'00" for a distance of 287.94 feet; thence N 85°54'30" W, 112.00 feet to a point in the easterly boundary of the Northwestern Pacific Railroad right-of-way; thence along said Railroad right-of-way N 04°05'36" E, 425.00 feet; thence S 79°09'00" E, 179.56 feet; thence N 44°19'00" E, 120.04 feet; thence S 55°34'00" E, 182.98 feet; thence S 68°36'20" E, 167.42 feet; thence N 84°44'40" E, 144.51 feet; thence S 53°15'30" E, 105.00 feet to the Point of Beginning, containing 7.90 acres more-or-less.



Mendocino LAFCo
 200 South School Street
 Ukiah, CA 95482
 (707) 463-4470
 Website: www.mendolafco.org
 Email: eo@mendolafco.org

<i>LAFCo Office Use Only</i>	
<i>Date Filed:</i>	_____
<i>Received By:</i>	_____

NOTICE OF INTENTION TO ADOPT RESOLUTION OF APPLICATION

For Filing with the Mendocino Local Agency Formation Commission

A proposal for a change of organization made by a local agency shall be initiated by an adopted resolution of application in accordance with Government Code Section 56654. Mailed notice of a local agency’s intention to adopt a resolution of application must be provided no less than 21 days in advance to the Commission and all affected agencies. The notice shall describe the proposal and the affected territory. Applicants are encouraged to use this form.

Agency Information

<i>Agency Name</i>	City of Ukiah
<i>Contact</i>	Jesse Davis, AICP
<i>Mailing Address</i>	300 Seminary Avenue, Ukiah, CA, 95482
<i>Telephone</i>	707-463-6207
<i>Email</i>	jdavis@cityofukiah.com

Nature of Proposal and All Associated Changes of Organization:

On May 7, 2025, the City Council approved the purchase of 1 Carousel Lane (APN 167-280-15). The sale closed on June 30, 2025. The City intends to relocate its Corporation Yard from the Ukiah Municipal Airport to this site. Tenant improvements will begin after the City completes its evaluation of space in 2025-2026, with full relocation of staff and equipment anticipated by 2027.

Description of Boundaries of Affected Territory Accompanied by Map:

The subject property is in unincorporated Mendocino County, north of the City of Ukiah limits, in an area with a mix of commercial, residential, and industrial uses. It consists of one (1) industrially developed parcel of about 7.9 acres with access from Carousel Lane, a private road. Topography is generally flat, with an average elevation of about 628 feet above mean sea level. The property is bordered by York Creek to the north, the Russian River to the east, North State Street to the west, and Carousel Lane and adjacent commercial uses to the south. The site address is 1 Carousel Lane, Ukiah, California, APN 167-280-15.

Reason for Proposal and Any Conditions:

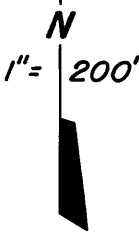
On May 7, 2025, the City Council approved the purchase of 1 Carousel Lane (APN 167-280-15). The sale closed on June 30, 2025. While already used in a limited capacity, the City intends to relocate the Corporation Yard from the Ukiah Municipal Airport to this site once the City completes its evaluation of the space in 2025–2026, with full relocation of staff and equipment anticipated by 2027.

The proposed annexation is necessary at this time for the following reasons:

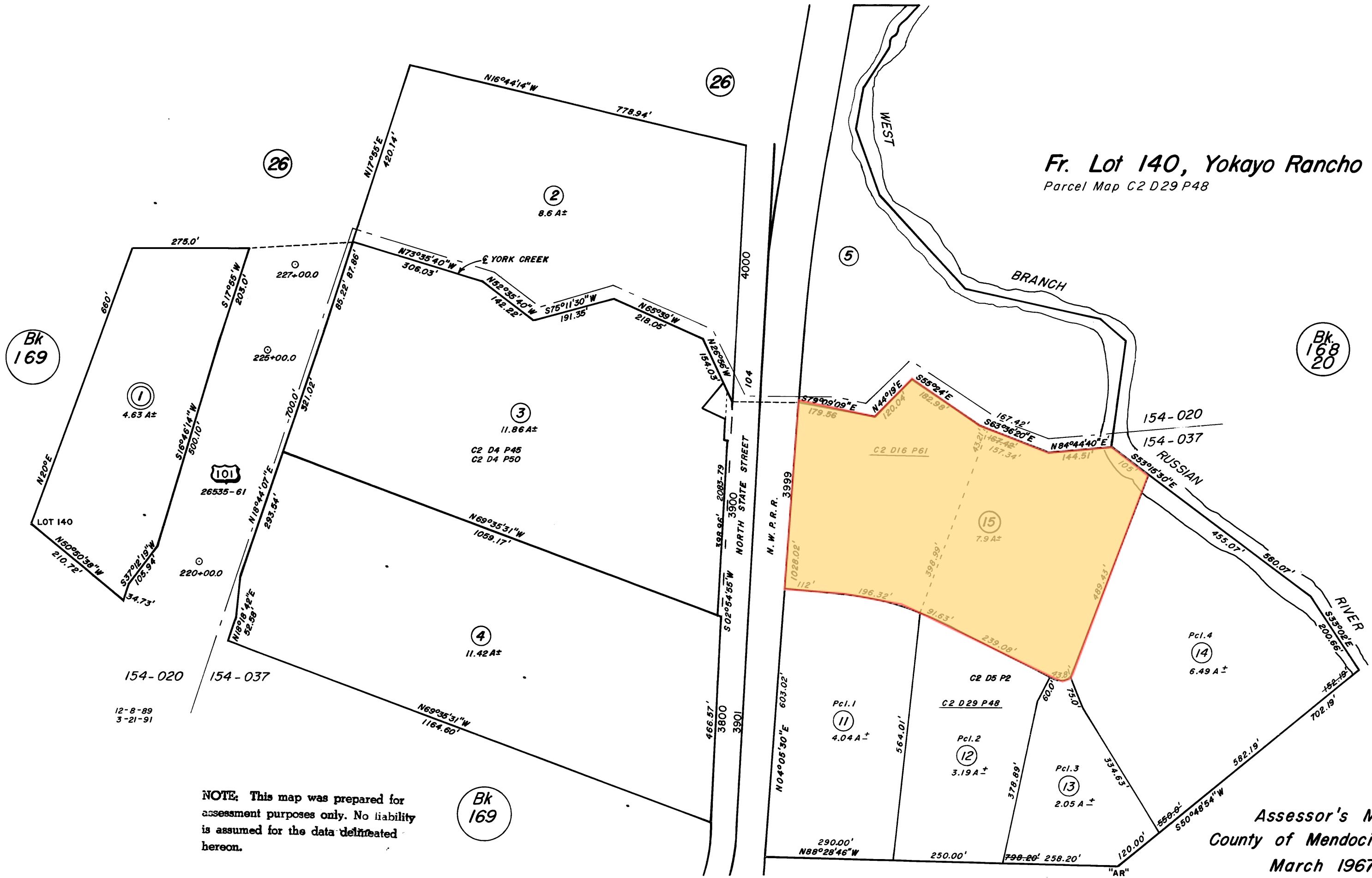
- **Replace failing facility:** The Corporation Yard at the Ukiah Municipal Airport is undersized and deteriorated, which limits fleet, streets, water, and wastewater operations. Relocation removes conflicts with airport activity, improves safety, and frees airport property for aviation uses.
- **Jurisdictional control and consistency:** Annexation places the site fully under City land use authority, permitting, and risk management, ensuring consistent oversight across City properties.
- **Regional water coordination:** The site is within the Ukiah Valley Water Authority (UVWA) service area. Annexation supports coordinated planning and infrastructure delivery among member agencies, benefiting the City and surrounding communities.
- **Permit authority and schedule certainty:** Improvements at 1 Carousel Lane require timely, streamlined permitting. Annexation removes any dual City–County management and operation considerations.
- **Fiscal efficiency:** Locating a City facility within City limits improves cost control through in-house permitting and inspections, lower operating costs, and removal of County fees, taxes, and assessments that do not apply to municipal properties used for public benefit within the City.
- **Grant and funding eligibility:** Many state and federal programs prioritize projects under a single Agency Having Jurisdiction (AHJ). Annexation strengthens eligibility and competitiveness for grants tied to municipal infrastructure and other public works capital improvement projects.
- **Plan alignment:** Prezoning to Public Facilities and annexation align with the 2040 General Plan, the Ukiah Valley Area Plan, and Mendocino LAFCo policies. The parcel lies within the City’s adopted Sphere of Influence (SoI). Planned uses are consistent with historic activities on the site, which have included warehouse functions, agricultural sales and services, and materials storage. The action supports orderly growth and reliable service delivery, particularly water service delivery. It is also consistent with the City’s Annexation Policy (Resolution No. 2020-06), which directs pursuit of annexations to efficient municipal services without undue financial burden on the City or residents.
- **Consistency with precedent:** The proposal follows the City’s 2023 and 2024 annexations of other City-owned land for public services, continuing the practice of incorporating municipal facilities into City limits when serving a public purpose.
- **Immediate need:** The City now owns 1 Carousel Lane and seeks to use it for public works and utility operations. Annexation secures jurisdictional control, supports UVWA service delivery, and reduces exposure to taxes and assessments that would not apply if the property were within City boundaries and subject to City jurisdiction.
- **Tax Share Considerations:** On June 19, 2024, the Ukiah City Council adopted Resolution No. 2024-32 approving the Mendocino County Master Tax Sharing Agreement. The City anticipates coordinating a separate tax-sharing agreement with the County that will not alter rights or obligations of non-party agencies and not invoke or apply the Mendocino County Master Tax Sharing Agreement for this annexation.

154-020
154-037

167-28



Fr. Lot 140, Yokayo Rancho
Parcel Map C2 D29 P48



12-8-89
3-21-91

NOTE: This map was prepared for assessment purposes only. No liability is assumed for the data delineated hereon.

Assessor's Map
County of Mendocino, Calif.
March 1967

EXHIBIT "B"
Legal Description
The City of Ukiah Annexation of City Owned Property
(LAFCo File No. _____)

All that real property situated in the unincorporated area of Mendocino County, State of California, described as follows:

AREA A:

Being a portion of Lot 140 of Healey's Survey and Map of Yokayo Rancho and being the lands of the City of Ukiah described in that certain Grant Deed recorded in Instrument Number 2025-05366, Mendocino County Records, more particularly described as follows:

COMMENCING at the National Geodetic Survey station, being a 3-1/4" Aluminum Disk marked CA DOT / 101 MEN 25.13; thence North 04°59'34" West, 14917.74 feet to the southwest corner of the said City of Ukiah property and the **POINT OF BEGINNING**; thence along the boundary of said City of Ukiah property the following twelve (12) courses:

1. North 04°05'30" East, 425.00 feet;
2. South 79°09'00" East, 179.56 feet;
3. North 44°19'00" East, 120.04 feet;
4. South 55°34'00" East, 182.98 feet;
5. South 68°36'20" East, 167.42 feet;
6. North 84°44'40" East, 144.51 feet;
7. South 53°15'30" East, 105.00 feet;
8. South 21°48'43" West, 489.43 feet;
9. From a tangent that bears South 66°29'06" West, along a curve to the right with a radius of 50.00 feet, a central angle of 50°12'30" and an arc length of 43.81 feet;
10. North 63°18'24" West, 239.08 feet;
11. Along a curve to the left with a radius of 730.00 feet, a central angle of 22°36'06" and an arc length of 287.94 feet;
12. North 85°54'30" West, 112.00 feet to the **POINT OF BEGINNING**.

Area = 7.90 acres

AP 167-280-15

The basis of bearings for this description is based on NAD83, California Coordinate System (CCS83), Zone 2, (2010.00 epoch date) using the two found National Geodetic Survey monuments designated "101 MEN 25.13" and "HPGN D CA 01 CG" said bearing South 05°01'58" East, shown on Exhibit "A", attached hereto and made a part hereof.

The purpose of this description is for annexation purposes and to comply with the State Board of Equalization's "Written Legal (geodetic) Description Requirements". This description is to be used to establish geodetic position only and is not intended to establish property ownership.

Ron W. Franz L.S. 7173

Dated



North State Street

Railroad

Railroad R/W

**Annexation
Area A**

AP 167-280-05
Thompson

AP 168-201-34
Panofsky

Segment #	Direction	Length
L1	N04°05'30"E	425.00'
L2	S79°09'00"E	179.56'
L3	N44°19'00"E	120.04'
L4	S55°34'00"E	182.98'
L5	S68°36'20"E	167.42'
L6	N84°44'40"E	144.51'
L7	S53°15'30"E	105.00'
L8	S21°48'43"W	489.43'
L9	N63°18'24"W	239.08'
L10	N85°54'30"W	112.00'

Curve #	Length	Delta	Radius
C1	43.81'	50°12'30"	50.00'
C2	287.94'	22°36'06"	730.00'

L8
Annexation boundary

AP 167-280-14
Double M Properties

AP 167-280-11
Double M Properties

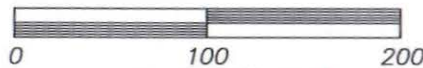
AP 167-280-12
Double M Properties

AP 167-280-13
Double M Properties

Point of
Beginning

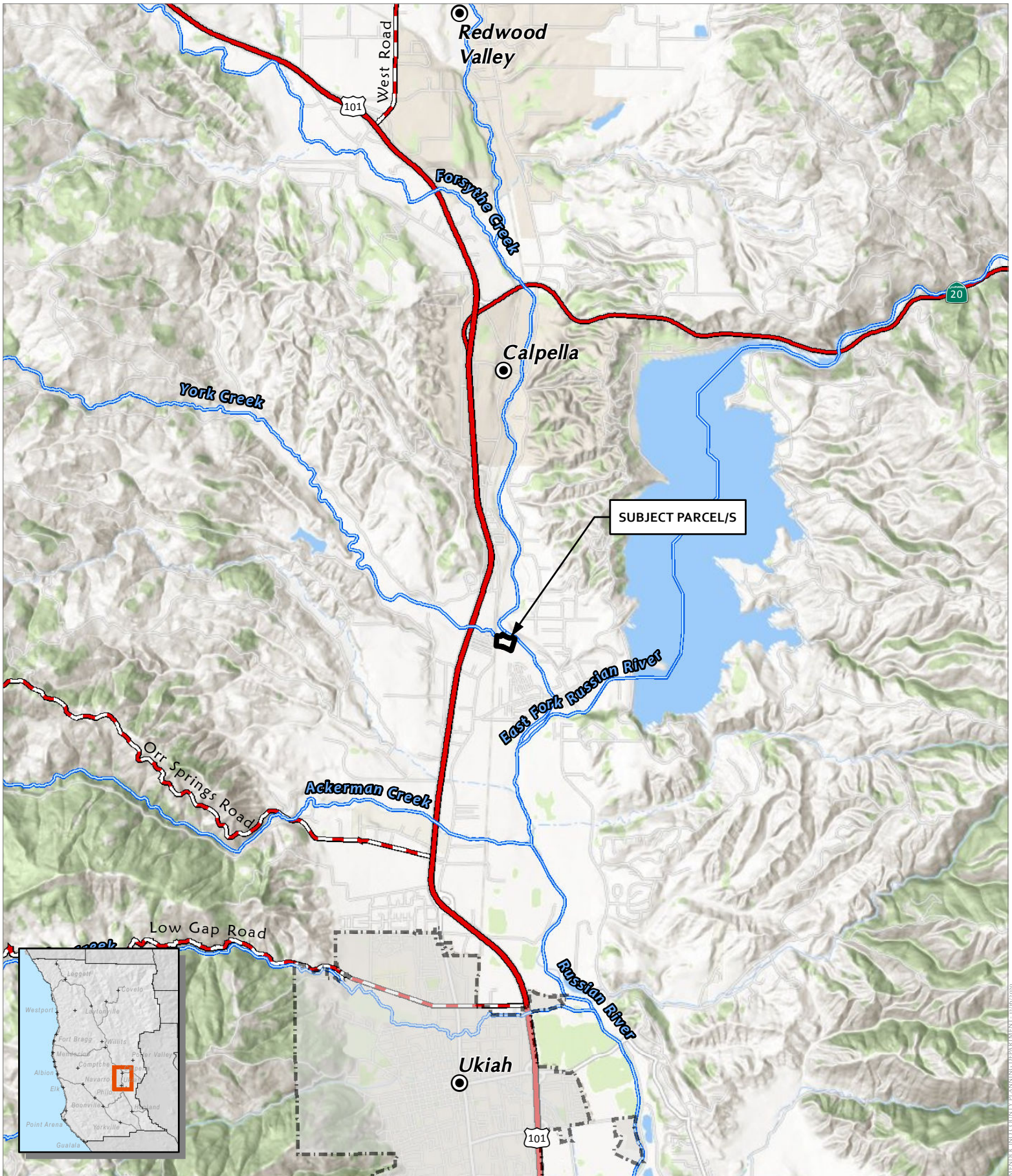
S04°59'34"E 14917.74'

3.25" aluminum
disk marked CA
DOT / 101 MEN
25.13



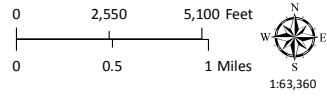
Scale: 1"=100'

Tan 566°29'06"W

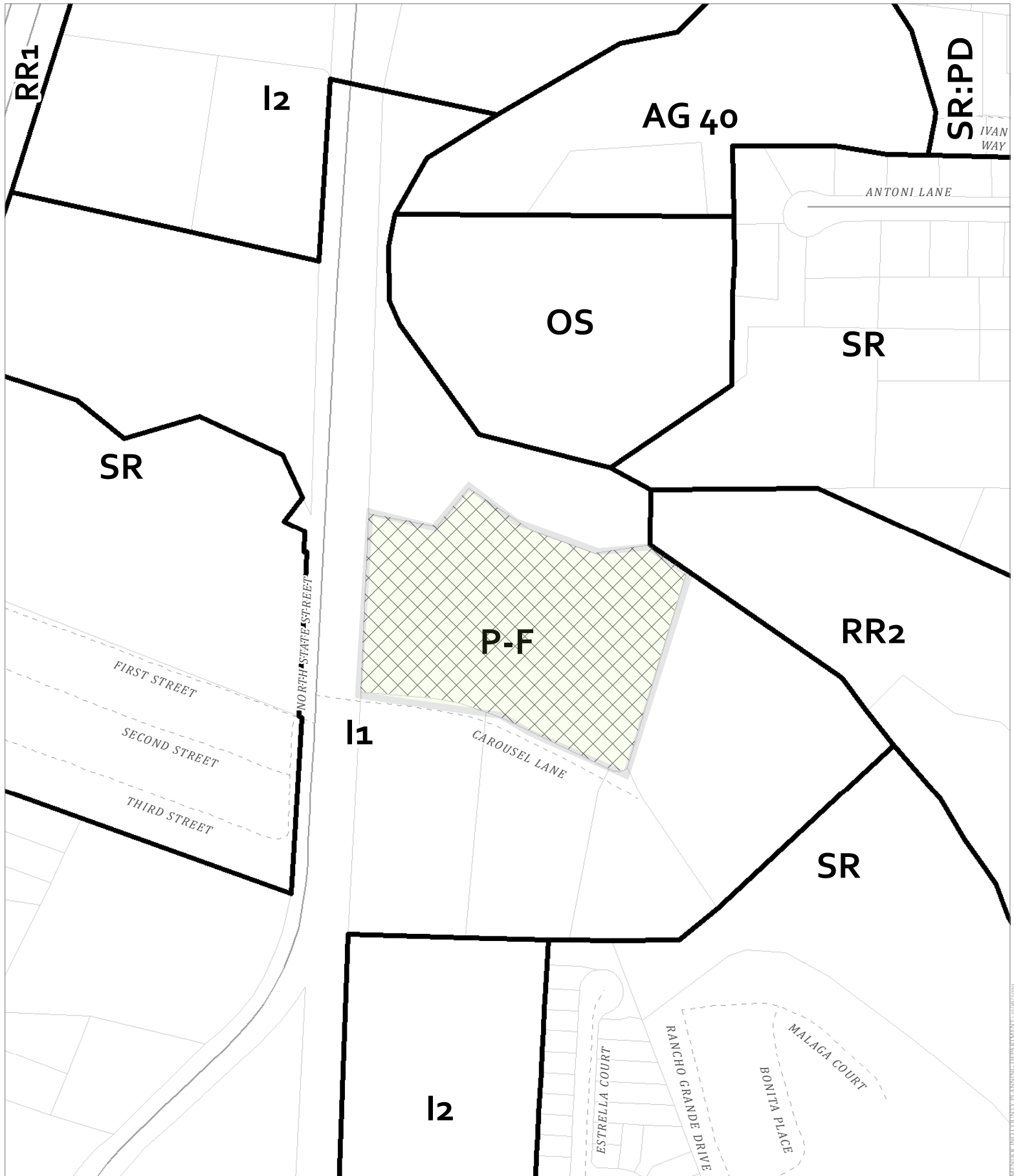


CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah




- Major Towns & Places
- City Limits
- Highways
- Major Roads

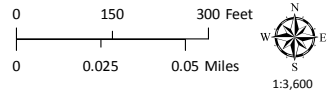


VICINITY MAP



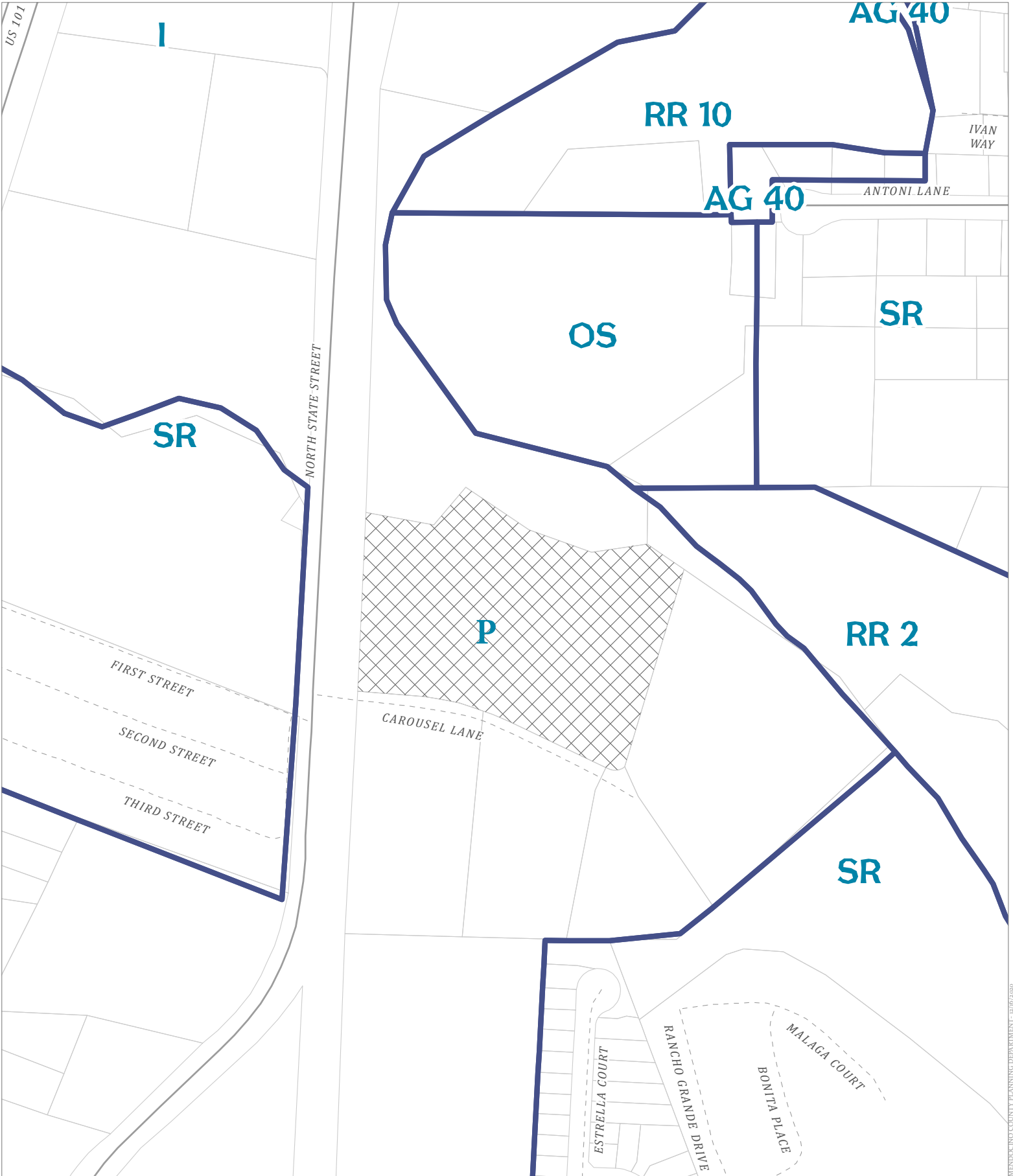
CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

-  County Zoning Districts
-  Public Roads
-  City Prezone Designation






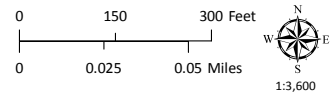
PREZONE DISPLAY MAP

MENDOCINO COUNTY PLANNING DEPARTMENT - 12/07/2020



CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

-  General Plan Classes - County
-  Public Roads
-  City Land Use Designation - Proposed



PROPOSED GENERAL PLAN

CLASSIFICATIONS
 Packet 15 of 16 (1/16/2025)



CITY OF UKIAH · MENDOCINO COUNTY · CALIFORNIA

COMMUNITY DEVELOPMENT
DEPARTMENT

300 SEMINARY AVENUE
UKIAH, CA 95482

PLAN FOR SERVICES

Corporation Yard Annexation

LAFCo File No. A-2025-06



PROJECT DETAILS

PROJECT NAME

City of Ukiah – Corporation Yard Annexation

APPLICANT

City of Ukiah

SITE ADDRESS

1 Carousel Lane, Ukiah, CA 95482

ACREAGE

±7.9 Acres

APN

167-280-15

EXISTING FACILITY

98,000 SF Industrial Warehouse

PROPOSED USE

Corporation Yard

PREZONING

Public Facilities (PF) / Public (P)

PLAN FOR SERVICES CITY OF UKIAH CORPORATION YARD ANNEXATION

Project Name: City of Ukiah – Corporation Yard Annexation

Applicant(s): City of Ukiah

Site Address | APN: 1 Carousel Lane, Ukiah, CA 95482 | APN 167-280-15

Acreage: ±7.9 acres

Existing Facility: 98,000-square-foot industrial warehouse

Proposed Use: Municipal Corporation Yard for the City of Ukiah and Ukiah Valley Water Authority to support infrastructure maintenance and operations.

PURPOSE AND SUMMARY OF SERVICES - BACKGROUND

This Plan for Services is submitted in accordance with California Government Code §56653, which requires a local agency proposing annexation to describe how municipal services will be provided to the affected area.

In accordance with California law:

1. When a local agency submits a resolution of application for a change of organization, it must also provide a plan for delivering services to the affected territory. LAFCO must review this plan and evaluate the City's ability to maintain existing service levels.
2. The plan must include the following elements, as well as any additional information required by the commission or executive officer:
 - A list and description of services to be provided to the area.
 - The expected level and scope of those services.
 - A timeline for when services can be feasibly provided.
 - Any upgrades or improvements to infrastructure or facilities required by the City.
 - A summary of how the services will be financed.

EXISTING SITE

Per the Phase I Environmental Site Assessment (ESA) performed by EBA Engineering (EBA) for 1 Carousel Lane, Ukiah, CA 95482 | APN 167-280-15, the property is described as such:

The project site contains a single commercial structure that is approximately 98,000 square feet in size and generally segregated into three units, herein described as Suites 1A, 1B, and 1C. The structure was reportedly built in three phases over several

decades starting in 1969. The structure consists of a steel framed building with steel siding and roof and there is no wall separating Suites A and 1B. A concrete slab on grade floor extends throughout the structure. Most of the structure is open warehouse...Areas of the subject property not covered with the site buildings consist primarily of asphalt surfaces used for employee and customer parking and [Distribution Center] shipping and receiving trucks. A fenced gravel parking area is present on the eastern side of the subject property that is used for parking trucks by the [Distribution Center].

EXISTING AND PROPOSED SERVICE PROVIDERS (1 CAROUSEL LANE)

The City of Ukiah provides the following overview of existing and proposed service providers, should annexation be approved:

General Government

Upon annexation, planning, building, business licensing, and code enforcement services for the subject parcel will transition from Mendocino County to the City of Ukiah. Given the site's continued operation as a public facility, City involvement is anticipated to be limited in scope, primarily the issuance of business licenses for occupants utilizing existing commercial warehouse or yard areas, and the review and permitting of tenant improvements as required by applicable building, fire, and municipal codes.

Certain countywide functions will remain under County jurisdiction and are unaffected by this action, including Environmental Health (Land Use), Public Health, Air Quality, and the Certified Unified Program Agency (CUPA).

Law Enforcement

The Ukiah Police Department (UPD) will assume primary law enforcement jurisdiction over the subject territory following annexation. Existing mutual-aid agreements with surrounding agencies will remain in full force and effect. Based on current information, no material increase in service-call volume is anticipated as a result of this action.

Fire Protection and Emergency Medical Services

Fire protection and emergency medical services (EMS) will continue without change. The property is already served by the Ukiah Valley Fire Authority (UVFA), and service will continue pursuant to existing dispatch, automatic-aid, and mutual-aid protocols. No new stations, apparatus, or personnel are required, and no changes to response districts or standards of coverage are anticipated.

Water

The subject property is currently served by existing water connections operated by the Ukiah Valley Water Authority (UVWA) per the Millview County Water District, and this arrangement will remain unchanged following annexation. No new main extensions, service laterals, or capacity upgrades are required, and service is expected to continue without interruption.

Wastewater

Wastewater service will remain with the Ukiah Valley Sanitation District (UVSD) with no change in provider or service-area boundaries. Existing sewer connections and conveyance and treatment capacity are sufficient to accommodate this action. No new laterals, main extensions, upsizing, or additional capacity reservations are required. Consistent with previous City-owned annexation proposals, detachment from the UVSD is neither necessary nor requested.

Stormwater

Stormwater management responsibility will transition from the County of Mendocino's Municipal Separate Storm Sewer System (MS4) to the City of Ukiah's MS4 program. The City's existing stormwater regulations, which are similar in nature to those currently in effect, will apply going forward. No new impervious area is proposed in connection with this action.

Solid Waste

Solid waste collection, recycling, and disposal services will continue to be provided by C&S Waste Solutions under the County's existing franchise agreement with Redwood Waste Solutions. No change in provider, service levels, routes, or service-area boundaries is required. Regulated materials and recyclables will continue to be managed in accordance with existing permits, local agreements, and all applicable state and local regulations.

Transportation and Streets

Primary site access will continue via Carousel Lane, a 60-foot private road and public utility easement for which the City maintains partial responsibility for maintenance and repair. No new roads, signalization, parking facilities, or easements are required to support the site's continued use as a corporation yard.

Parks, Library, and Recreation

This annexation does not involve new employment generation or proposed residential uses. The action concerns the transfer of existing employees assigned to the current corporation yard adjacent to the Ukiah Municipal Airport. Accordingly, no new demand for parks, library, or recreational services is anticipated.

Public Utilities

Electric and gas service will continue to be provided by Pacific Gas and Electric Company (PG&E), and telecommunications service will remain with AT&T and Comcast. No change in providers, service-area boundaries, or facilities is proposed. Franchise utilities will continue operating under existing agreements, easements, and rights-of-way. No new connections, relocations, or capacity upgrades are anticipated. Given the site's operation as a corporation yard, no material increase in utility demand is expected, as the operational intensity is generally consistent with that of existing businesses in the surrounding area.

INFRASTRUCTURE & SITE STATUS

The subject property appears to have been undeveloped open grasslands as late as 1941. This is evidenced by an aerial photograph from that year. The subject property is indicated to have been developed as a commercial property with construction of the initial phase of the site building by Carousel Carpet Mill in 1969 which operated at the site until 2010. The building subsequently underwent two expansions in 1981 and 1989 and has been occupied by several commercial tenants to the present day. While initially developed with a septic system, the site is now connected to the UVSD.

The site is currently occupied by an agricultural sales and service company, which the City will replace, and a shipping distribution center, which will remain under City jurisdiction. The property's use is well documented through County permits, with no major gaps in the record.

FISCAL EFFECTS & IMPACTS

Operating costs for the Corporation Yard and Water Authority activities will be funded through existing City budgets, departmental funds, and the UVWA, consistent with the City's adopted cost allocation plan as part of the JPA. Operating costs will also be offset by the closure of the existing Corporation Yard facility at 1320 Airport Rd. and transfer of services to 1 Carousel Lane. Further considerations are detailed below:

Land Acquisition, Capital and Tenant Improvements: Financed through a combination of City bond proceeds, Capital Improvement Program (CIP) funds, and competitive grants, the property was acquired by the City of Ukiah for \$7.6 million. The City has allocated up to \$6 million for tenant improvements to City facilities as part of the bond proceeds.

- **Taxes and Assessments:**
 - The property is City-owned and therefore exempt from ad valorem property tax. Commercial or joint-use operations remain subject to possessory interest tax that will be addressed as a separate tax share agreement with the County of Mendocino.
 - On June 19, 2024, the City Council adopted Resolution No. 2024-32, approving participation in the Mendocino County Master Tax Sharing

Agreement (MTSA). The MTSA does not preclude one or more of the associated cities from entering separate agreements regarding particular Annexations; provided, however, that nothing in any separate agreement shall affect the rights and obligations of those Parties not party to that separate agreement.

- Given the municipal function of this parcel and the limited number of parcels identified for this annexation, the City will request a separate tax share agreement to more appropriately evaluate the site-specific considerations of this request, and the applicability of the previously adopted MTSA to a single parcel.
- After additional conference, the City of Ukiah progress a Zero Tax Share agreement with the County of Mendocino, specific to this application. The City of Ukiah adopted Resolution 2026-13 on March 25, 2026 at a Special Meeting.
- **Permits and Fees:** Building and encroachment permits will be processed internally; related costs are budgeted within the project. Existing permits and records will be transferred to the City of Ukiah and integrated into the City’s permit system.
- **Utility Rates:** Water and sewer services funded by user fees per Proposition 218 cover the cost associated with operation and maintenance of the facility. If necessary, future rate changes will follow statutory noticing and hearing procedures.
- No new municipal taxes or special assessments are proposed as part of this annexation to cover the cost of acquisition, relocation or upgrades to the facility.

LAND USE CONSISTENCY

The City adopted Ordinance No. 1263 on November 19, 2025, rezoning the property to Public Facilities (PF) with a Public (P) General Plan land use designation, to take effect upon annexation pursuant to Government Code §65859. The project site consisted of a large commercial building of approximately 98,000 square feet, divided into three main suites. As described by the Phase 1 Evaluation, the structure functioned primarily as a warehouse facility with supporting office and utility spaces. The western portions were used for office operations, employee amenities, package storage, and limited light industrial activity such as packaging and distribution. The eastern portion operated as a distribution hub, where goods were transferred directly between transport vehicles with minimal long-term storage. The surrounding development along Carousel Lane followed a similar industrial and commercial pattern, characterized by storage, distribution, and light manufacturing uses.

The existing site operations and surrounding development were compatible with a municipal corporation yard, both in function and intensity of use, as they shared similar industrial and logistical characteristics and were unlikely to create land use conflicts.

Current (County of Mendocino):

- Zoning: Limited Industrial (I-1) (Mendocino County Code Ch. 20.09)
- Existing Limited Industrial Land Uses: “Wholesaling, Storage and Distribution—Light”; “Agricultural Sales and Services”” Minor Impact Utilities”

Proposed (City of Ukiah):

- Zoning: Public Facilities (PF) (Ukiah Municipal Code, Ch. 2, Art. 15)
- General Plan: Public (P) (Ukiah 2040 General Plan)
- Proposed Public Facility Land Uses: “Corporation yards”; “Quasi-public land uses”; “Light manufacturing and industrial uses”

CONCLUSION

While the proposed annexation of 1 Carousel Lane would create an incorporated island, it represents a logical and cost-effective location for extending the City of Ukiah’s municipal service responsibilities within the Ukiah Valley, particularly regarding water and wastewater service delivery through the Ukiah Valley Water Authority (UVWA) and on behalf of the Ukiah Valley Sanitation District. The property will serve as a municipal corporation yard and water authority facility within an existing industrial warehouse complex surrounded by compatible uses, requiring only limited improvements that can be completed concurrently with ongoing operations. All essential municipal and utility services are already available to the site, and no new infrastructure extensions, staffing increases, or public-facing functions are anticipated. The annexation is consistent with the City’s General Plan, rezoning actions, and adopted Capital Improvement Program identifying the relocation of the Corporation Yard to a new facility, and it will improve operational efficiency by consolidating municipal and water maintenance activities within a modernized, centrally located facility.

ATTACHMENT 5

ORDINANCE NO. 1263

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF UKIAH PREZONING 1 CAROUSEL LANE (APN 167-280-15) TO PUBLIC FACILITIES (PF) WITH A GENERAL PLAN DESIGNATION OF PUBLIC (P) IN ANTICIPATION OF THE "CITY OF UKIAH – CORPORATION YARD ANNEXATION"

The City Council of the City of Ukiah hereby ordains as follows:

SECTION ONE – FINDINGS

1. On December 7, 2022, the City Council adopted the Ukiah 2040 General Plan and certified the related Program Environmental Impact Report (SCH # 2022050556). On December 19, 2022, the Council adopted the Municipal Service Review and Sphere of Influence Update.
2. On June 19, 2024, the City Council adopted Resolution No. 2024-32, approving participation in the Mendocino County Master Tax Sharing Agreement (MTSA). The MTSA does not preclude one or more of the Parties from entering separate agreements regarding particular Annexations; provided, however, that nothing in any separate agreement shall affect the rights and obligations of cities not party to that separate agreement.
3. California Government Code §§ 65859 and 56742, and Ukiah City Code § 9267, authorize the City to prezone unincorporated territory so that City zoning will apply upon annexation.
4. The subject property at 1 Carousel Lane, Ukiah (APN 167-280-15), comprises approximately 7.87 acres and is developed with a 98,000-square-foot industrial/commercial building configured as three suites. Suites 1A and 1B are intended for Corporation Yard functions, while Suite 1C is currently occupied by an existing warehouse/distribution tenant.
5. On May 7, 2025, the City Council approved purchase of the subject property, with the sale closing on June 30, 2025.
6. The City proposes to prezone the property to Public Facilities (PF) and assign the Public (P) General Plan land use designation. The Planning Commission held a duly noticed public hearing on October 8, 2025, considered staff reports and public testimony, and adopted Planning Commission Resolution No. 2025-04 recommending adoption of this Ordinance.

SECTION TWO – PURPOSE AND INTENT.

The property at 1 Carousel Lane (APN 167-280-15), as depicted in Exhibit A, is prezoned to Public Facilities (PF) and assigned the Public (P) General Plan designation. This prezoning shall become operative only upon annexation, in accordance with Government Code § 65859 and Ukiah City Code § 9267. The purpose of this Ordinance is to prezone the subject parcel for municipal use, ensuring that the proposed zoning designation is consistent with the City's General Plan and the property's intended municipal use as a Corporation Yard.

SECTION THREE - CEQA FINDINGS

The City Council, acting as the Lead Agency under the California Environmental Quality Act ("CEQA") (Pub. Res. Code § 21000 et seq.; 14 Cal. Code Regs. § 15000 et seq.), hereby finds and determines, based on the whole of the administrative record, that the rezoning is categorically exempt from CEQA pursuant to CEQA Guidelines § 15319(a) (Class 19: Annexations of Existing Facilities and Lots for Exempt Facilities). The subject property is fully developed, and the action entails no new development. A Notice of Exemption has been prepared in accordance with CEQA Guidelines § 15062 and is attached hereto as Exhibit B.

SECTION FOUR. PUBLICATION AND EFFECTIVE DATE

Publication. Within thirty (30) days after its adoption, the City Clerk shall cause this Ordinance to be published in accordance with Government Code § 36933.

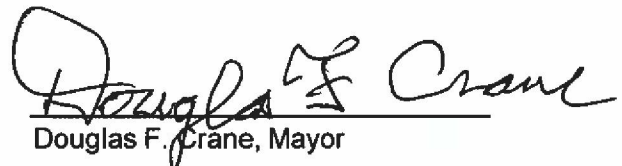
Effective and Operative Dates. This Ordinance shall take effect thirty (30) days after its adoption but shall become operative only upon the date that the Mendocino LAFCo Executive Officer issues a Certificate of Completion for the "City of Ukiah – Corporation Yard Annexation."

INTRODUCED by title only at a regular meeting of the City Council of the City of Ukiah on November 5, 2025, by the following roll call vote:

AYES: Councilmembers Rodin, Criss, Orozco, Sher, and Mayor Crane.
NOES: None.
ABSENT: None.
ABSTAIN: None.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Ukiah on November 19, 2025, by the following roll call vote:

AYES: Councilmembers Rodin, Criss, Orozco, Sher, and Mayor Crane.
NOES: None.
ABSENT: None.
ABSTAIN: None.

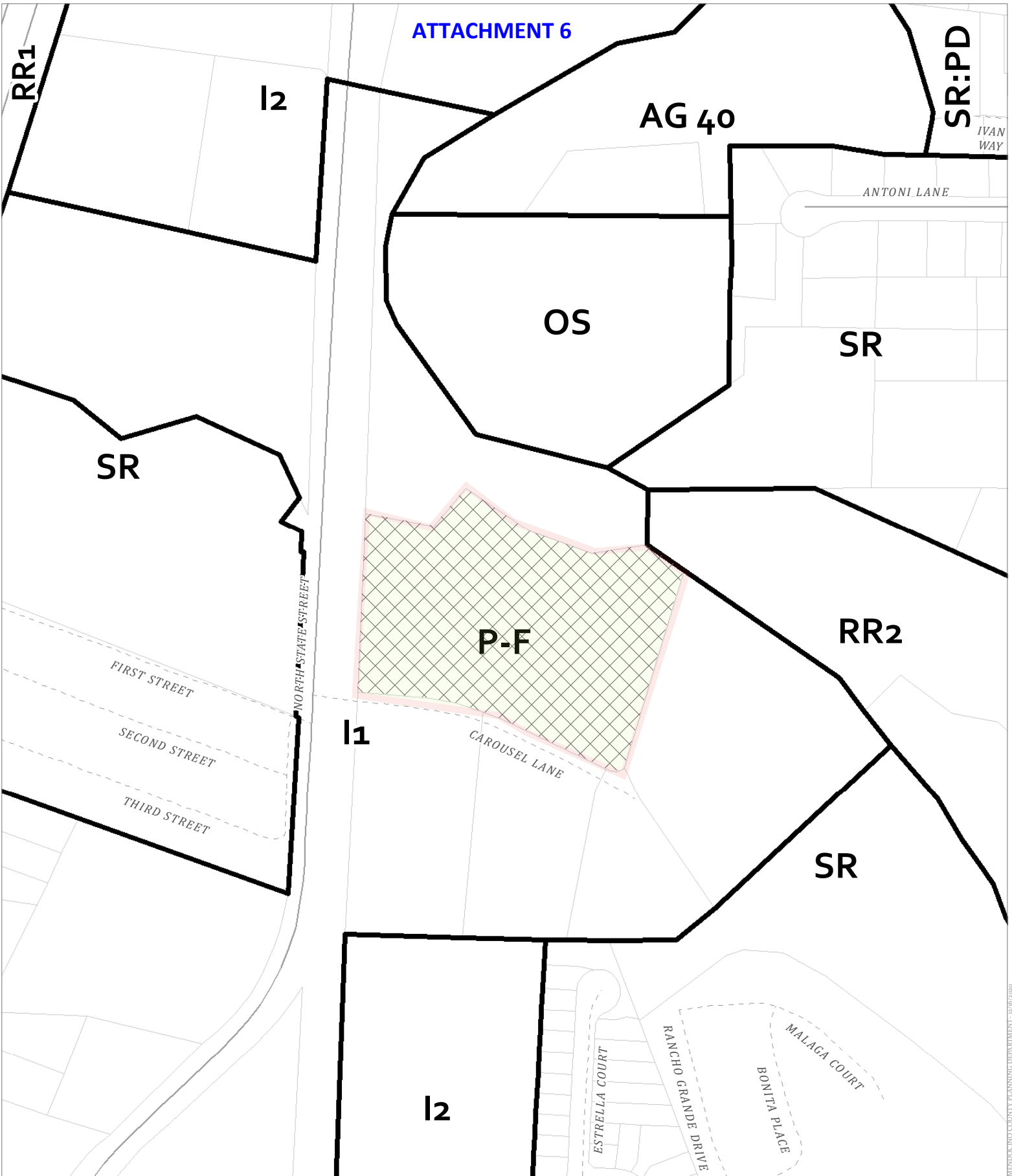

Douglas F. Crane, Mayor

ATTEST:





Kristine Lawler, CMC/City Clerk

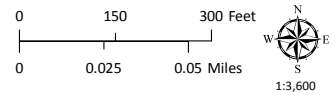
Exhibit A – Proposed Prezone & Land Use Designation Exhibits
Exhibit B - Notice of Exemption (CEQA Guidelines §15319(a))

ATTACHMENT 6

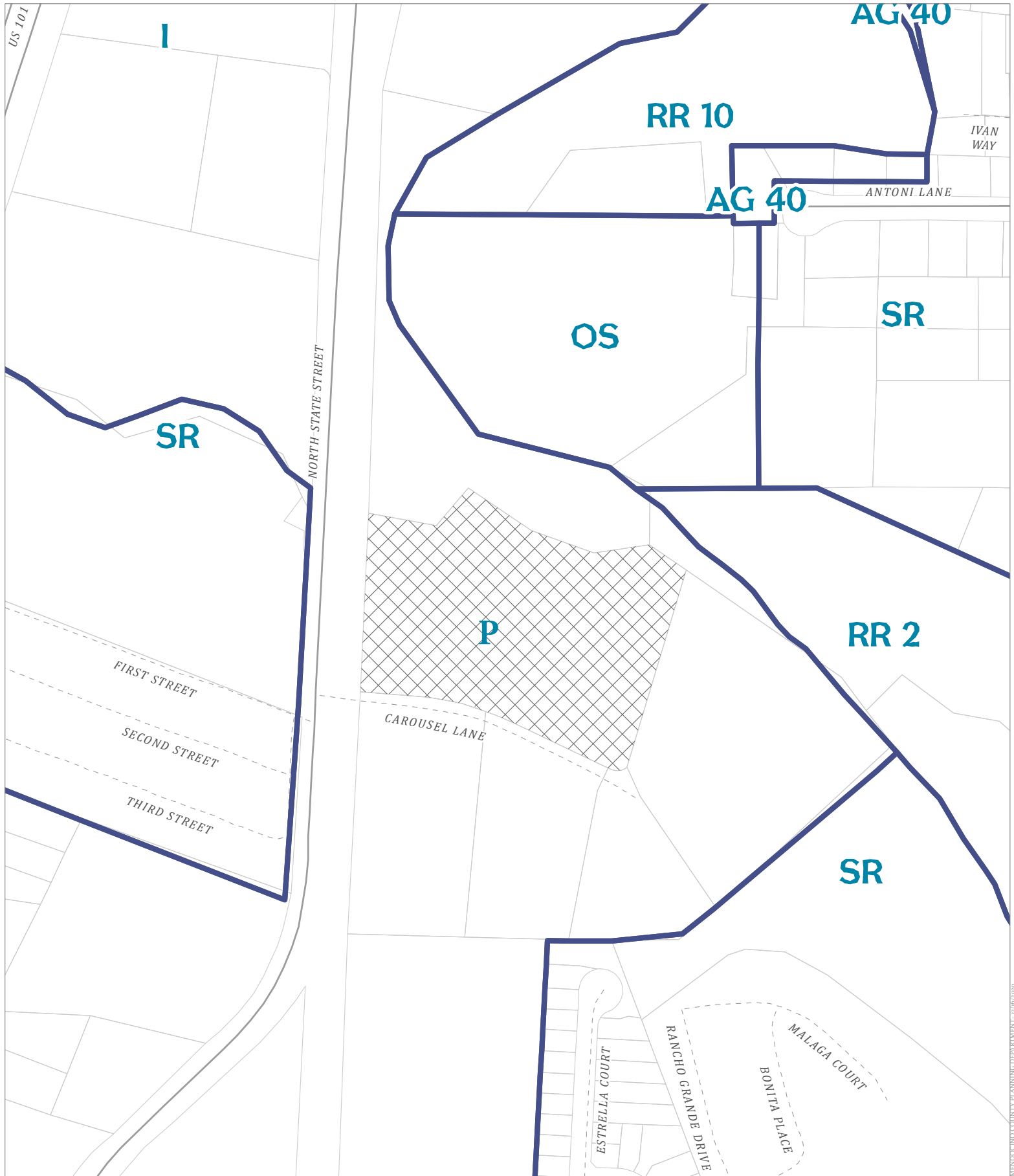


CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah



-  County Zoning Districts
-  Public Roads
-  City Prezone Designation

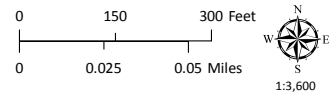


PREZONE DISPLAY MAP



CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

 General Plan Classes
 Public Roads



PROPOSED GENERAL PLAN CLASSIFICATIONS



NOTICE OF CEQA EXEMPTION

TO: X Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

X County Clerk
500 Low Gap Road
Ukiah, CA, 95482

PROJECT TITLE: 'City of Ukiah - Public Facility (PF) Prezone – Municipal Corporation Yard'

PROJECT SITE: 1 Carousel Lane, Ukiah, CA; APN 167-280-15

PUBLIC AGENCY City of Ukiah, City Council

DATE OF APPROVAL: 11/19/2025

NAME OF PROJECT APPLICANT: City of Ukiah, Community Development Department

TO: X Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

X Mendocino County Clerk-Recorder
501 Low Gap Road, STE 1020
Ukiah, CA 95482

CEQA EXEMPTION STATUS:

- Ministerial
- Declared Emergency
- X **Categorical Exemption:** Article 19, Class 1, Section 15319, Class 19(a) - Annexation of Existing Facilities.
- Statutory Exemption Section

PROJECT DESCRIPTION: Pursuant to California Government Code Sections 56742 and 65859, and Ukiah Municipal Code Section 9267, the City of Ukiah (Applicant and Property Owner) proposes to prezone one unincorporated parcel (Assessor's Parcel Number 167-280-15), addressed as 1 Carousel Lane, to the Public Facilities (PF) zoning district in accordance with Ukiah Municipal Code Chapter 2, Zoning, Article 15 (Public Facilities District). The parcel would also receive a Public (P) land use designation consistent with the City's 2040 General Plan. The rezoning action is a procedural step intended to facilitate the future annexation of the subject property into the City of Ukiah. The property currently lies within the unincorporated area of Mendocino County.


REASONS WHY PROJECT IS EXEMPT: The City of Ukiah, acting as Lead Agency under the California Environmental Quality Act (CEQA), has determined that the project is categorically exempt from environmental review pursuant to CEQA Guidelines Section 15319, Class 19(a) – Annexations of Existing Facilities and Lots for

11/20/25 12/24/25
POSTED FROM Packet Pg 327 of 359

Exempt Facilities. The exemption applies because the subject property, a 7.87±-acre parcel, is fully developed with approximately 98,000 square feet of existing commercial and industrial floor area, including the City's municipal corporation yard and space leased to private tenants. The proposed rezoning and annexation do not authorize any new construction, change in occupancy, or intensification of land use beyond existing conditions. The site is already served by public utilities, and no extension or expansion of service capacity is proposed as part of this action. The rezoning is consistent with the City's General Plan and is being pursued in accordance with Government Code Sections 56742 and 65859 to ensure that City land use policies and zoning regulations apply upon annexation. This action is procedural in nature and anticipatory of potential future changes, none of which are authorized or triggered by the current proposal. As no physical alterations or environmental impacts will result, the project clearly qualifies for exemption under Class 19(a).

Lead Agency Contact Person: Jesse Davis, Chief Planning Manager
Phone Number: (707) 463-6207
Email: jdavis@cityofukiah.com

This is to certify that the Notice of Exemption, along with all supporting documentation and project-related materials, is available for public review at the City of Ukiah Community Development Department, Planning Division, located at 300 Seminary Avenue, Ukiah, CA 95482.

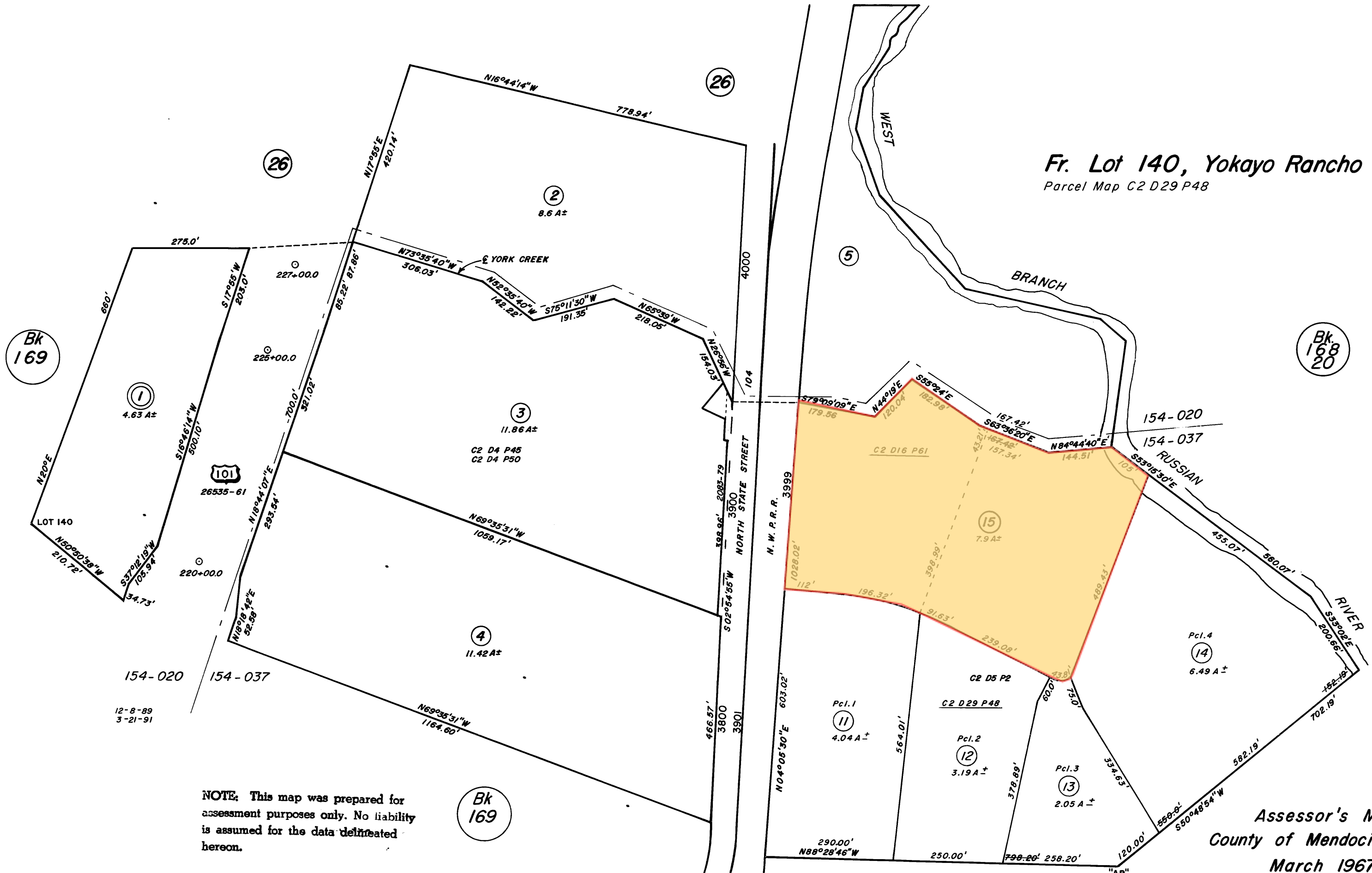
	11/20/2025	Chief Planning Manager
Signature (Public Agency)	(Date)	(Title)

154-020
154-037

167-28

N
1" = 200'

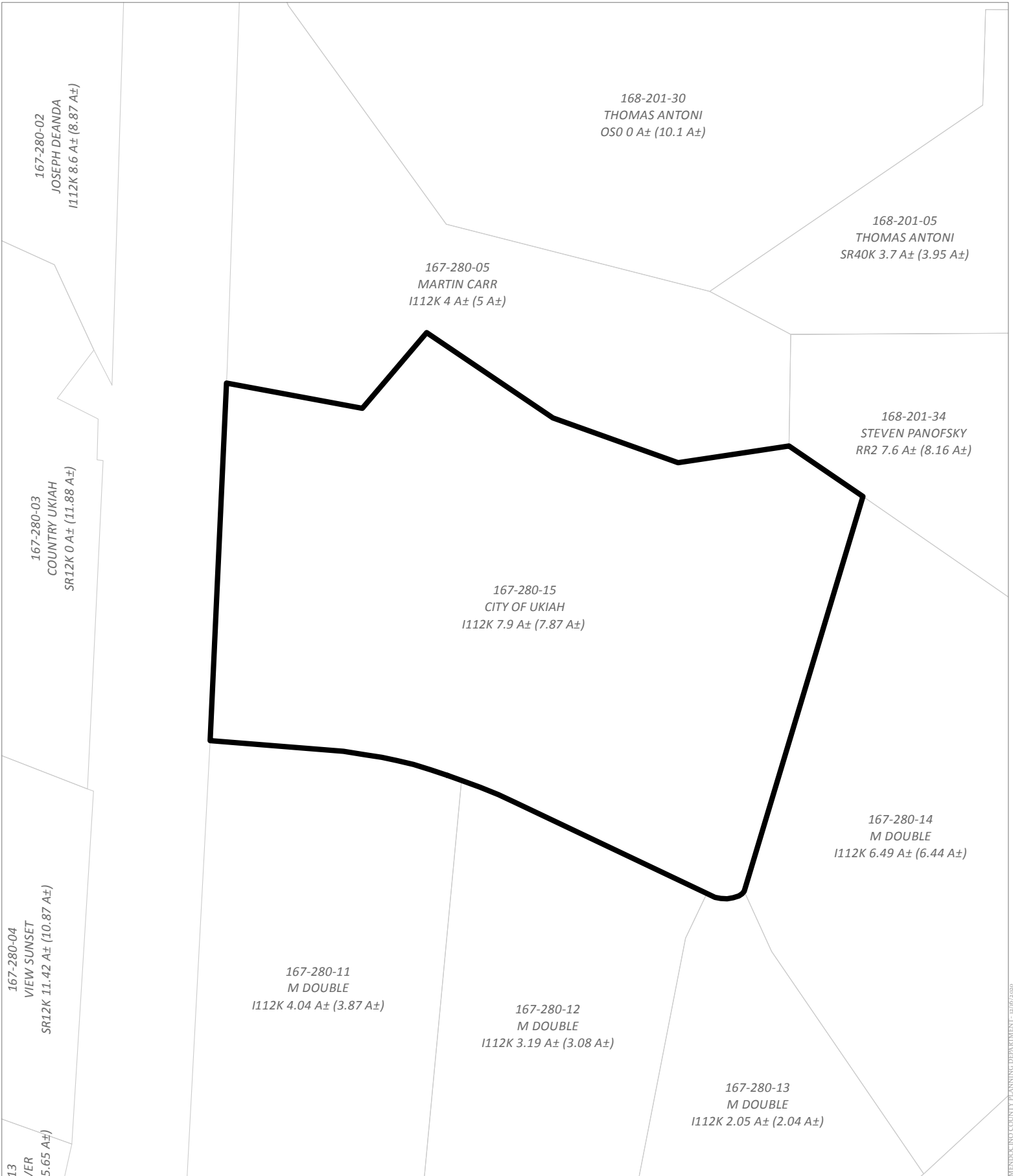
Fr. Lot 140, Yokayo Rancho
Parcel Map C2 D29 P48



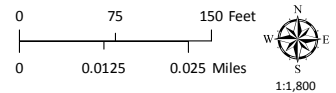
154-020
154-037
12-8-89
3-21-91

NOTE: This map was prepared for assessment purposes only. No liability is assumed for the data delineated hereon.

Assessor's Map
County of Mendocino, Calif.
March 1967



CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

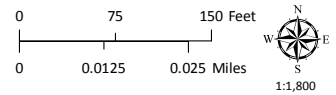


ADJACENT PARCELS

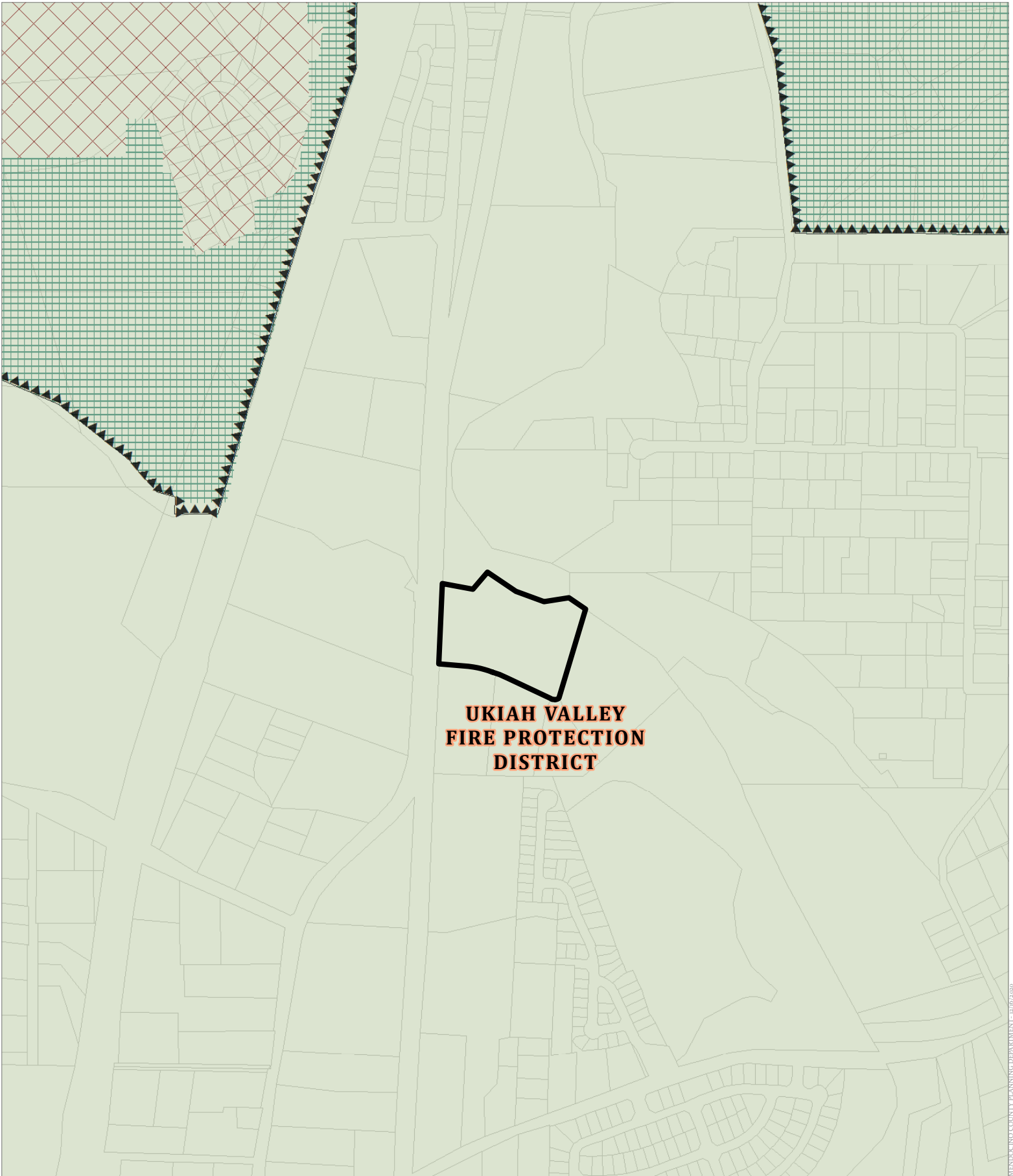


CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

- Named Rivers
- - - Public Roads







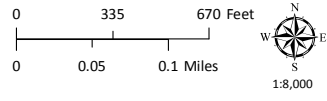
AERIAL IMAGERY



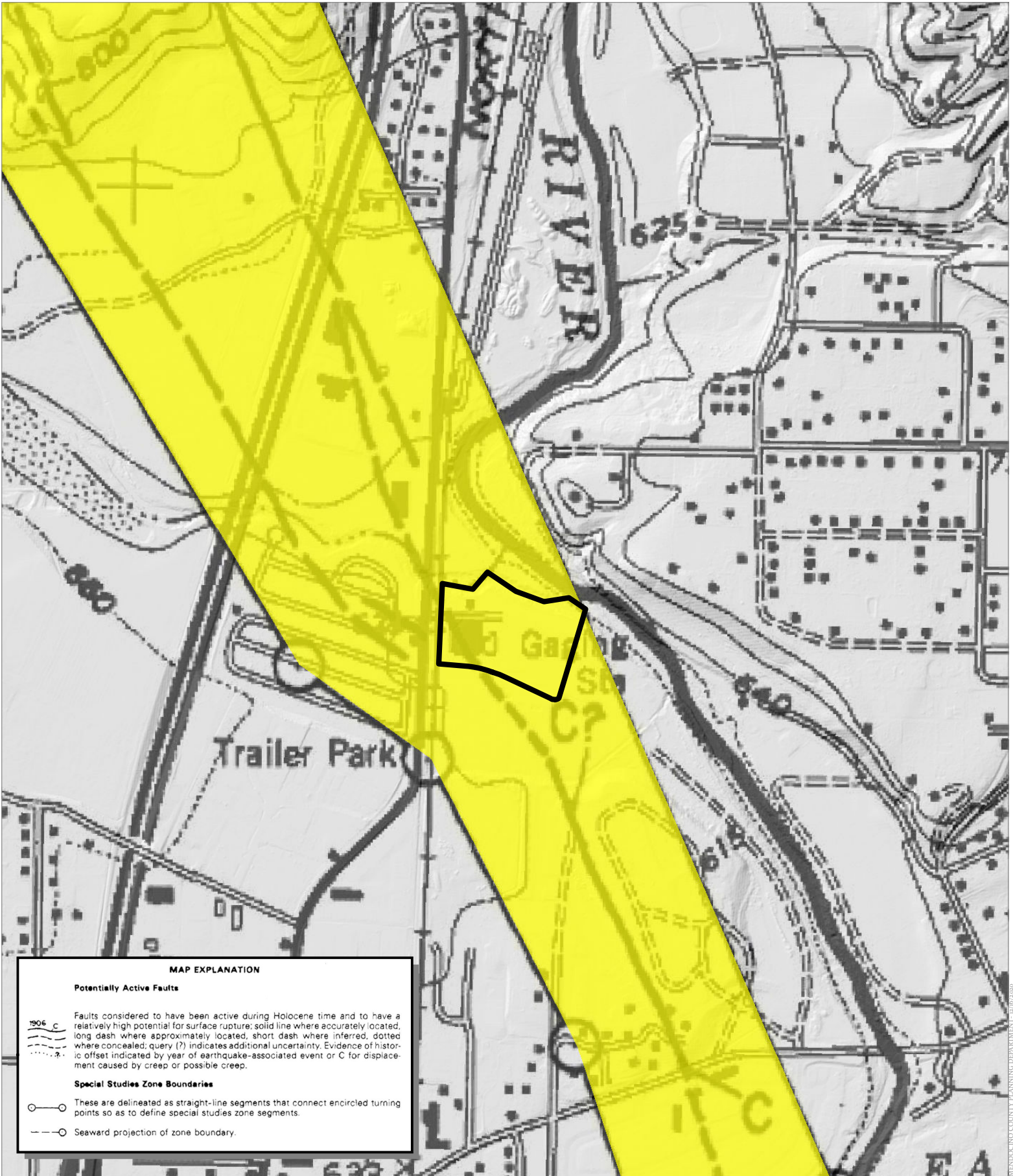
**UKIAH VALLEY
FIRE PROTECTION
DISTRICT**

CASE: DR 2020-0001
 OWNER: AE Carousel LP
 APN: 167-280-15
 APLCT: Vital Garden Supply
 AGENT: Kent Borowick
 ADDRESS: 1 Carousel Lane, Ukiah

 High Fire Hazard
 Moderate Fire Hazard
 County Fire Districts
 LRA



MENDOCINO COUNTY PLANNING DEPARTMENT - 12/07/2020



MAP EXPLANATION

Potentially Active Faults

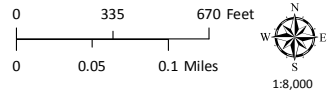
Faults considered to have been active during Holocene time and to have a relatively high potential for surface rupture; solid line where accurately located, long dash where approximately located, short dash where inferred, dotted where concealed; query (?) indicates additional uncertainty. Evidence of historic offset indicated by year of earthquake-associated event or C for displacement caused by creep or possible creep.

Special Studies Zone Boundaries

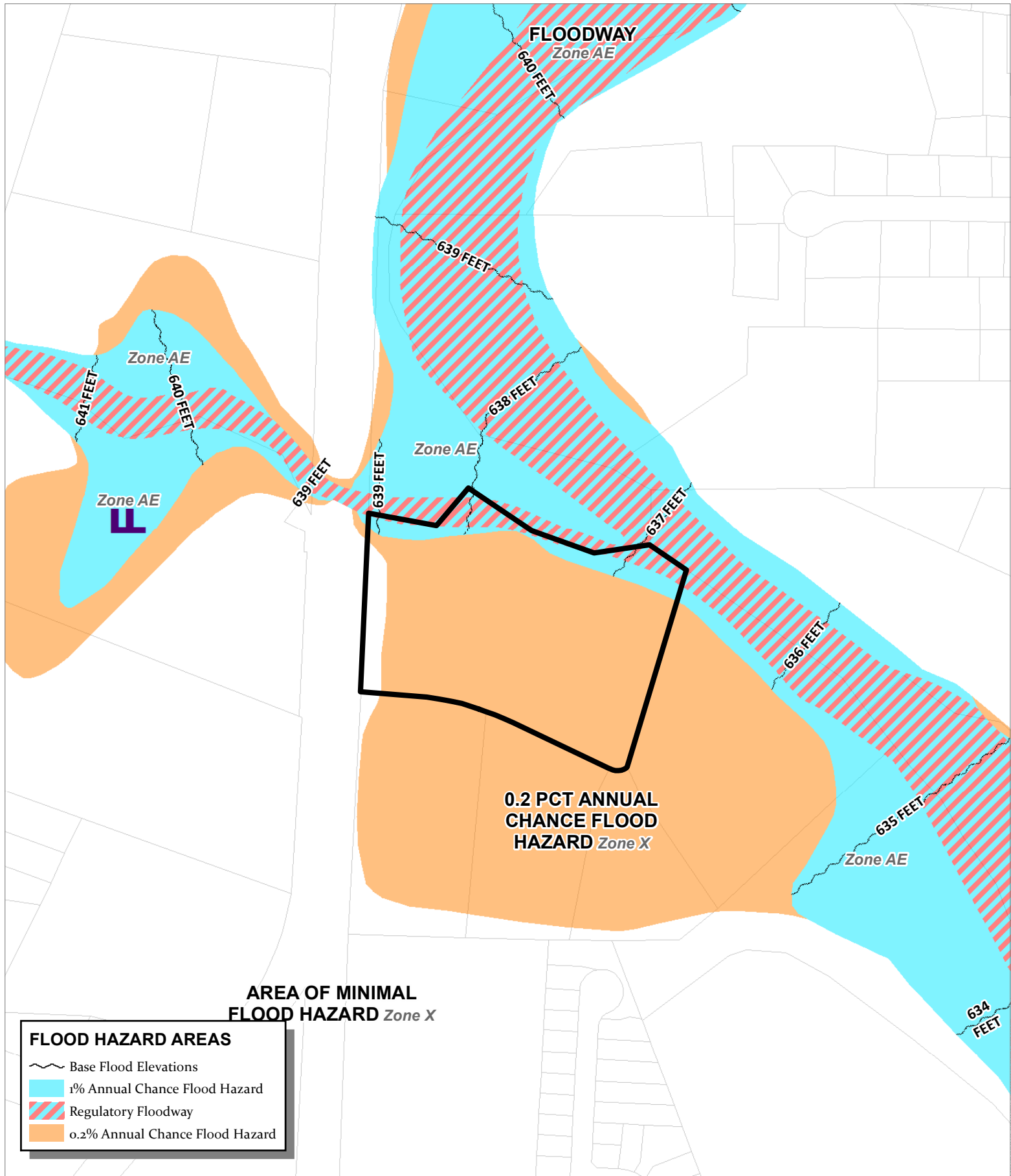
These are delineated as straight-line segments that connect encircled turning points so as to define special studies zone segments.

Seaward projection of zone boundary.

Maacama Fault Zone



CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah



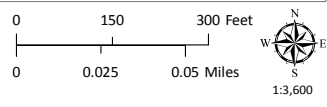
AREA OF MINIMAL FLOOD HAZARD Zone X

FLOOD HAZARD AREAS

- ~ Base Flood Elevations
- 1% Annual Chance Flood Hazard
- Regulatory Floodway
- 0.2% Annual Chance Flood Hazard

CASE: File No. 25-001107
 OWNER: City of Ukiah
 APN: 167-280-15
 APLCT: City of Ukiah
 AGENT: N/A
 ADDRESS: 1 Carousel Lane, Ukiah

L LOMA Letters



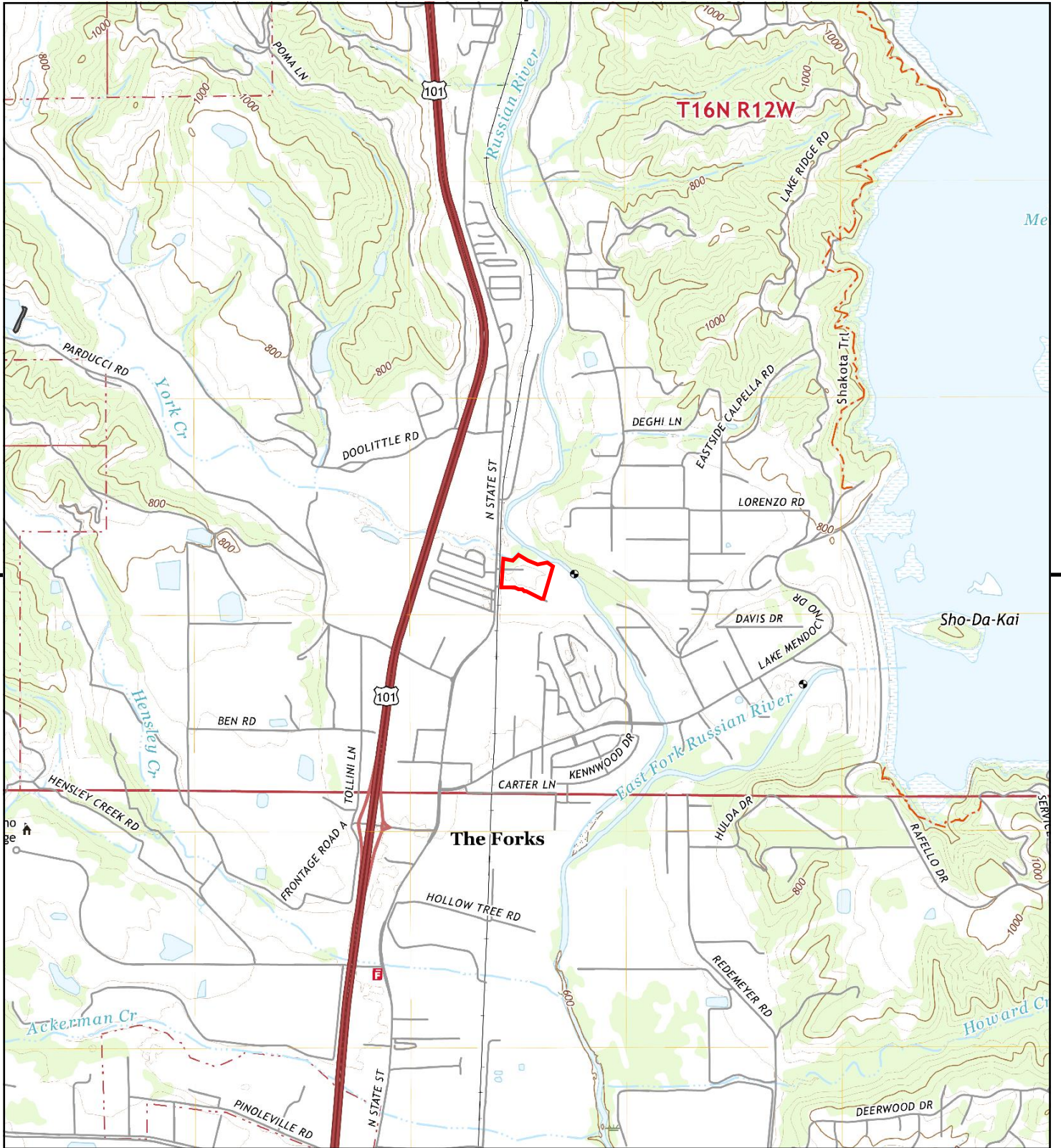


INQUIRY #: 7951457.8

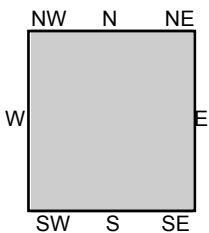
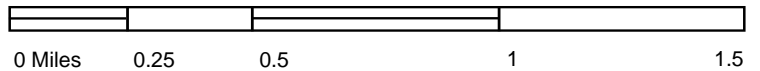
YEAR: 2020

— = 500'





This report includes information from the following map sheet(s).



TP, Ukiah, 2022, 7.5-minute

SITE NAME: Carousel Lane Property
ADDRESS: 1 Carousel Lane
 Ukiah, CA 95482
CLIENT: EBA Engineering



ATTACHMENT 7

RESOLUTION NO. 2026-13

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH APPROVING A ZERO TAX SHARING AGREEMENT WITH THE COUNTY OF MENDOCINO IN SUPPORT OF THE UKIAH CORPORATION YARD ANNEXATION (1 CAROUSEL LANE), LAFCO FILE NO. A-2025-06

WHEREAS:

1. The City Council of the City of Ukiah ("City") desires to annex certain real property located at 1 Carousel Lane, Ukiah, California, identified as Assessor's Parcel Number 167-280-15 (the "Annexation Area"); and
2. The proposed annexation has been submitted to the Mendocino County Local Agency Formation Commission ("LAFCo") and has been assigned LAFCo File No. A-2025-06; and
3. California Revenue and Taxation Code § 99 requires the City and the County of Mendocino ("County") to enter into an agreement providing for an exchange of property tax revenues in connection with the annexation; and
4. The City proposes a Tax Sharing Agreement providing for a zero percent (0%) exchange of property tax revenues for the Annexation Area, consistent with applicable law; and
5. The proposed Tax Sharing Agreement applies solely to the City and County shares of property tax revenue generated within the Annexation Area and does not affect the allocation of property tax revenues for any other taxing entity; and
6. The proposed Tax Sharing Agreement is annexation-specific and is not intended to amend, supersede, waive, or otherwise alter any rights or obligations of the City or the County under the Mendocino County Master Tax Sharing Agreement or any other agreement applicable to separate annexations or changes of organization; and
7. The City Council has reviewed the Tax Sharing Agreement entitled "Mendocino County – Ukiah Corporation Yard Tax Sharing Agreement (1 Carousel Lane Annexation – APN 167-280-15; LAFCo File No. A-2025-06)", attached hereto as Exhibit A.

NOW, THEREFORE, BE IT RESOLVED that:

1. Approval. The City Council hereby approves the Tax Sharing Agreement between the City of Ukiah and the County of Mendocino for LAFCo File No. A-2025-06, in substantially the form presented to the City Council and attached as Exhibit A.
2. Execution Authority. The Mayor and the City Manager, or either of them, are hereby authorized and directed to execute the Tax Sharing Agreement on behalf of the City, subject to approval as to form by the City Attorney.
3. Implementation. City staff are authorized and directed to transmit this Resolution and the executed Tax Sharing Agreement to LAFCo and to take all actions necessary to carry out and implement the Agreement.

PASSED AND ADOPTED this 25th day of March, 2026, by the following roll call vote:

AYES: Councilmembers Crane, Rodin, Criss, Orozco, and Mayor Sher.
NOES: None.
ABSENT: None.
ABSTAIN: None.


Susan Sher (Mar 26, 2026 14:40 22 PDT)

Susan Sher, Mayor

ATTEST:


Araceli Sandoval, Deputy City Clerk

Exhibit A: Mendocino County- Ukiah Corporation Yard - Tax Sharing Agreement

RESOLUTION NO. 26-065

RESOLUTION OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS APPROVING A ZERO TAX SHARING AGREEMENT WITH THE CITY OF UKIAH IN SUPPORT OF THE UKIAH CORPORATION YARD ANNEXATION (1 CAROUSEL LANE), LAFCO FILE NO. A-2025-06

WHEREAS, the City Council of the City of Ukiah ("City") desires to annex certain real property located at 1 Carousel Lane, Ukiah, California, identified as Assessor's Parcel Number 167-280-15 (the "Annexation Area"); and

WHEREAS, the proposed annexation has been submitted to the Mendocino County Local Agency Formation Commission ("LAFCo") and has been assigned LAFCo File No. A-2025-06; and

WHEREAS, California Revenue and Taxation Code section 99 requires the County of Mendocino ("County") and City to enter into an agreement providing for an exchange of property tax revenues in connection with the annexation; and

WHEREAS, the City proposed a tax sharing agreement providing for a zero percent (0%) exchange of property tax revenues for the Annexation Area, consistent with applicable law; and

WHEREAS, the proposed tax sharing agreement applies solely to the County and City shares of property tax revenue generated within the Annexation Area and does not affect the allocation of property tax revenues for any other taxing entity; and

WHEREAS, the proposed tax sharing agreement is annexation-specific and is not intended to amend, supersede, waive, or otherwise alter any rights or obligations of the City or the County under the Mendocino County Master Tax Sharing Agreement or any other agreement applicable to separate annexations or changes of organization; and

WHEREAS, the Mendocino County Board of Supervisors has reviewed the tax sharing agreement entitled "Mendocino County - Ukiah Corporation Yard Tax Sharing Agreement (1 Carousel Lane Annexation - APN 167-280-15; LAFCo File No. A-2025-06)", attached hereto as Exhibit "A".

NOW, THEREFORE, BE IT RESOLVED that:

1. The Mendocino County Board of Supervisors hereby approves the tax sharing agreement between the County of Mendocino and the City of Ukiah, entitled "Mendocino County, Ukiah Corporation Yard-Tax Sharing Agreement (1 Carousel Lane Annexation - APN 167-280-15; LAFCo File No. A-2025-06)", attached hereto as Exhibit A; and

2. The Chair of the Board of Supervisors is hereby authorized to execute the attached tax sharing agreement on behalf of the County of Mendocino.

The foregoing Resolution introduced by Supervisor Haschak, seconded by Supervisor Williams, and carried this 7th day of April, 2026, by the following vote:

AYES: Supervisors Cline, Mulheren, Haschak, Norvell, and Williams
NOES: None
ABSENT: None

WHEREUPON, the Chair declared said Resolution adopted and SO ORDERED.

ATTEST: DARCIE ANTLE
Clerk of the Board



Deputy

APPROVED AS TO FORM:
KATHARINE L. ELLIOTT
Interim County Counsel





BERNIE NORVELL, Chair
Mendocino County Board of Supervisors

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

BY: DARCIE ANTLE
Clerk of the Board



Deputy

MENDOCINO COUNTY
UKIAH CORPORATION YARD - TAX SHARING AGREEMENT
(1 Carousel Lane Annexation – APN 167-280-15; LAFCo File No. A-2025-06)

THIS TAX SHARING AGREEMENT (this “Agreement”) is entered into by and between the **County of Mendocino**, a subdivision of the State of California (the “County”), and the **City of Ukiah**, a California municipal corporation (the “City”). The County and the City are sometimes referred to herein individually as a “Party” and collectively as the “Parties.” This Agreement is effective as of the date it is executed on behalf of the last Party to do so (the “Effective Date”).

RECITALS

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the “CKH Act”) governs changes in organization, including annexations such as those contemplated in this Agreement, and which changes in organization must be approved by the Mendocino County Local Agency Formation Commission LAFCo (“Mendocino LAFCo” or “LAFCo”), and other local agencies; and

WHEREAS, the City has submitted an application to the Mendocino LAFCo to annex territory located at 1 Carousel Lane, Ukiah, California, Assessor’s Parcel Number 167-280-15, consisting of approximately 7.87 acres and improved with an approximately 98,000-square-foot industrial/commercial building (the “Annexation Area”); and

WHEREAS, for certain changes of organization, including annexations, Revenue and Taxation Code § 99 requires the City and the County to enter into an agreement providing for a property tax revenue exchange and to submit resolutions approving the agreement to LAFCo prior to consideration of the change of organization; and

WHEREAS, the Annexation Area is City-owned and used primarily for municipal/corporation yard functions, and any private possessory interest within the Annexation Area remains taxable and subject to assessment and allocation as provided by law; and

WHEREAS, on October 8, 2025, the City of Ukiah Planning Commission approved rezoning the Annexation Area as Public Facilities (PF) (PC Resolution No. 2025-04); and

WHEREAS, on November 5, 2025, the Ukiah City Council introduced the annexation proposal, authorized submission of the annexation application to LAFCo, and adopted a Resolution of Application for the Corporation Yard Annexation; and

WHEREAS, on November 19, 2025, the Ukiah City Council adopted Ordinance No. 1263 which rezones the Annexation Area as Public Facilities (PF); and

WHEREAS, on November 20, 2025, LAFCo received the annexation proposal and assigned it LAFCo File No. A-2025-06; and

WHEREAS, the Parties desire to approve a stand-alone, annexation-specific tax sharing agreement providing for a zero (0) property tax exchange for the Annexation Area in order to satisfy the requirements of Revenue and Taxation Code § 99; and

WHEREAS, the Parties acknowledge that the County and the City have previously adopted a Mendocino County Master Tax Sharing Agreement but expressly agree that the Master Tax Sharing Agreement does not apply to this annexation.

AGREEMENT - LAFCO FILE NO. A-2025-06.

NOW, THEREFORE, the Parties agree as follows:

1. Incorporation of Recitals

The above Recitals are true and correct and are hereby incorporated into this Agreement.

2. Definitions

The following terms, as used in this Agreement, shall have the meanings set forth below:

“Annexation” shall have the meaning set out in Government Code § 56017, or its successor, and shall include any reorganization that includes an annexation.

“Annexation Area” shall mean the single parcel located at 1 Carousel Lane, Ukiah, California, Assessor’s Parcel Number 167-280-15, as more particularly described in Exhibit A.

“Annexation Effective Date” shall mean the effective date of the annexation, as specified in LAFCo’s terms and conditions or by Government Code § 57202; provided, however, that such date occurs after the Effective Date of this Agreement.

“Annexor City” shall mean a City Party that is planning, pursuing, or has completed an Annexation.

“Annexed Tax Rate Area” (“ATRA” or “ATRA’s”) shall mean any separate Tax Rate Area created for territory annexed after the Effective Date.

“Distribution” shall mean the allocation and provision of property tax revenue between the Parties as provided for in this Agreement in order to satisfy the requirements of Revenue and Taxation Code § 99.

“Property Tax Revenue” shall mean revenues derived from ad valorem taxes on real property and from other categories of secured and unsecured property taxes including and not necessarily limited to those described in the County’s annual distribution as Current Secured General, Current Unsecured General, Prior Secured General, Prior Unsecured General, SB 813 Supplemental General, Highway Property Rental, and HOPTR General.

“RTC 99 Exchange” means the negotiated exchange (if any) of ad valorem property tax revenues between the County and the City required by Revenue and Taxation Code § 99 in connection with the Annexation, as approved by the Parties and submitted to LAFCo.

“Sales Tax Revenue” shall only mean those taxes collected in accordance with the Bradley-Burns Uniform Local Sales and Use Tax Law (“Bradley-Burns”).

“State Action” shall mean any legislative, judicial, and/or voter-approved initiative action that limits a City’s ability to apply a City-approved transaction and use tax to an Annexed Area.

“Tax Rate Area” (“TRA” or “TRA’s”) shall mean those base tax revenue and/or incremental tax revenues available from an identified area.

3. Tax Distribution LAFCO FILE NO. A-2025-06

- 3.1. Limited Scope. This Agreement applies only to the City and County shares of Property Tax Revenue within the Annexation Area for LAFCo File No. A-2025-06. This Agreement does not affect the allocation of property tax revenue for any other taxing entity.

3.2. No Master Agreement Application. This Agreement is separate and annexation specific. It does not amend, supersede, waive, or otherwise alter any rights or obligations under the Mendocino County Master Tax Sharing Agreement for any other annexation or change of organization.

4. Tax Revenue Collection and Distribution.

4.1 Zero Exchange. Effective as of the Annexation Effective Date, the Parties agree that the exchange of ad valorem Property Tax Revenue between the City and the County pursuant to Revenue and Taxation Code § 99 for the Annexation Area shall be zero (0).

4.2 No Change to Existing Allocation Shares. The Parties intend that this Agreement does not change the City's or County's existing shares of Property Tax Revenue within the Annexation Area as determined under applicable law and the applicable tax rate area(s).

4.3 Implementation Direction. The Parties will implement this Agreement by ensuring that no additional or adjusted apportionment factors are applied between the County and the City for the Annexation Area solely as a result of LAFCo File No. A-2025-06.

5. Sales Tax and Housing Allocation

5.1 No Sales Tax Exchange. The Parties acknowledge that the Annexation Area is City-owned and used for public facilities/municipal purposes and does not generate Bradley-Burns local sales tax revenue under its current use. Accordingly, no sales tax exchange is required or created by this Agreement.

5.2 No RHNA/RHNP Adjustment Required. The Parties acknowledge the Annexation Area contains no residential uses under its current use and is not being annexed for residential development. Accordingly, no RHNA/RHNP adjustment is required as part of this Agreement.

6. Possessory Interests; Private Use

6.1 Taxability Preserved. Any private occupancy or private use within the Annexation Area (including leased or licensed space) remains subject to possessory interest assessment and taxation under applicable law.

6.2 No Special Exchange of Possessory Interest Revenues. Revenues derived from possessory interest assessments shall be levied, collected, and distributed in the ordinary course pursuant to law. This Agreement creates no additional exchange of such revenues.

6.3 No Amendment Needed for Routine Changes. The expansion, reduction, assignment, or termination of private occupancy shall adjust assessments and revenues pursuant to law and does not, by itself, require amendment of this Agreement.

7. Contingency; Change in Use

7.1 Contingency. This Agreement is contingent upon the Annexation becoming effective. If the Annexation does not become effective, this Agreement is void and of no further force.

7.2 Change in Use Trigger. If the City ceases to use the Annexation Area primarily for public facilities/municipal purposes, the Parties will meet and confer in good faith to determine whether a new agreement under Revenue and Taxation Code § 99 is required for any subsequent change of organization or continued City jurisdiction involving revenue-generating private use.

North State Street

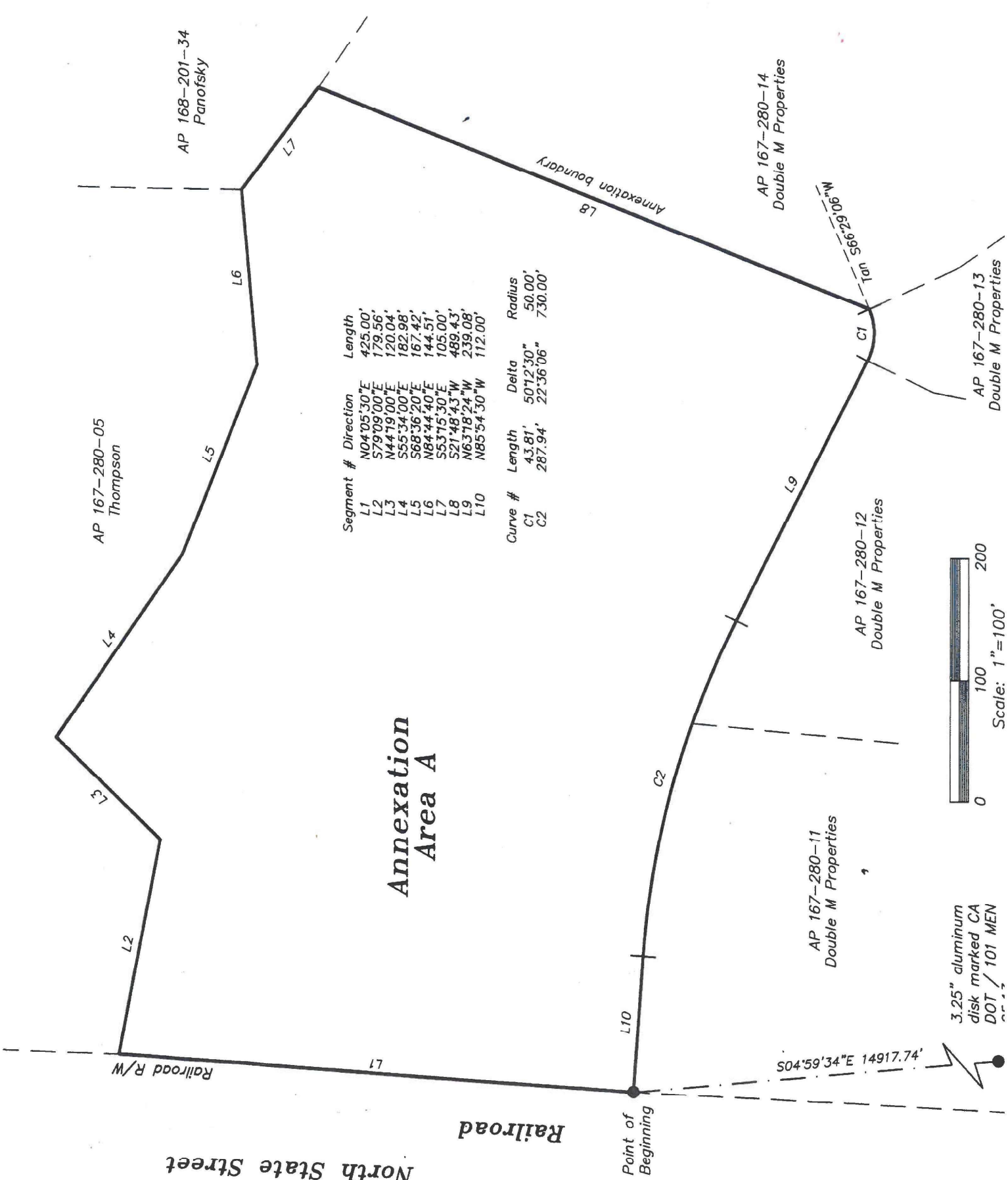
Railroad

Railroad R/W

Annexation Area A

Segment #	Direction	Length
L1	N04°05'30"E	425.00'
L2	S79°09'00"E	179.56'
L3	N44°19'00"E	120.04'
L4	S55°34'00"E	182.98'
L5	S68°36'20"E	167.42'
L6	N84°44'40"E	144.51'
L7	S53°15'30"E	105.00'
L8	S21°48'43"W	489.43'
L9	N63°18'24"W	239.08'
L10	N85°54'30"W	112.00'

Curve #	Length	Delta	Radius
C1	43.81'	50°12'30"	50.00'
C2	287.94'	22°36'06"	730.00'



3.25" aluminum disk marked CA DOT / 101 MEN

8. Implementation; Transmittals

8.1 Administrative Coordination. The City Manager (or designee) and the County Chief Executive Officer (or designee) are authorized to coordinate with the County Auditor-Controller, Assessor, and LAFCo to implement this Agreement.

8.2 Delivery to LAFCo. The Parties will provide their respective approving resolutions for this Agreement to LAFCo as required for LAFCo File No. A-2025-06.

9. Notices

To County:
County of Mendocino
Attn: Board Chair and Chief Executive Officer
501 Low Gap Road
Ukiah, CA 95482
Email: ceo@mendocinocounty.gov

To City:
City of Ukiah
Attn: Mayor and City Manager
300 Seminary Avenue
Ukiah, CA 95482
Email: cmoffice@cityofukiah.com

To LAFCO:

Mendocino LAFCo
ATTN: Executive Officer
200 S School St # 2, Ukiah, CA 95482
Email: eo@mendocinolafco.org

10. No Third-Party Beneficiaries

This Agreement is for the benefit of the Parties only and does not create any rights in any third party.

11. Severability

If any provision of this Agreement is held invalid or unenforceable, the remaining provisions will remain in effect unless doing so would defeat the basic purpose of this Agreement.


12. Authority

Each Party represents that its legislative body has authorized execution of this Agreement and that the undersigned have authority to bind the Party on whose behalf they sign.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

COUNTY OF MENDOCINO

Date: 04/07/2026


By: 
Bernie Norvell, Chair of the Board
of Supervisors

Approved as to Form:



County Counsel

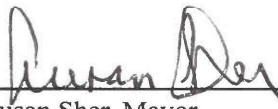
Attest:



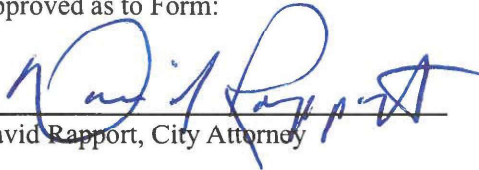
Darcie Antle Deputy
, County Clerk

CITY OF UKIAH

Date: 9/1/26

By: 
Susan Sher, Mayor

Approved as to Form:


David Rapport, City Attorney

Attest:


Araceli Sandoval, Deputy City Clerk

Exhibit A: Draft Annexation Area Plat & Legal Description

EXHIBIT "A"
Legal Description
The City of Ukiah Annexation of City Owned Property
(LAFCo File No. _____)

All that real property situated in the unincorporated area of Mendocino County, State of California, described as follows:

AREA A:

Being a portion of Lot 140 of Healey's Survey and Map of Yokayo Rancho and being the lands of the City of Ukiah described in that certain Grant Deed recorded in Instrument Number 2025-05366, Mendocino County Records, more particularly described as follows:

COMMENCING at the National Geodetic Survey station, being a 3-1/4" Aluminum Disk marked CA DOT / 101 MEN 25.13; thence North 04°59'34" West, 14917.74 feet to the southwest corner of the said City of Ukiah property and the **POINT OF BEGINNING**; thence along the boundary of said City of Ukiah property the following twelve (12) courses:

1. North 04°05'30" East, 425.00 feet;
2. South 79°09'00" East, 179.56 feet;
3. North 44°19'00" East, 120.04 feet;
4. South 55°34'00" East, 182.98 feet;
5. South 68°36'20" East, 167.42 feet;
6. North 84°44'40" East, 144.51 feet;
7. South 53°15'30" East, 105.00 feet;
8. South 21°48'43" West, 489.43 feet;
9. From a tangent that bears South 66°29'06" West, along a curve to the right with a radius of 50.00 feet, a central angle of 50°12'30" and an arc length of 43.81 feet;
10. North 63°18'24" West, 239.08 feet;
11. Along a curve to the left with a radius of 730.00 feet, a central angle of 22°36'06" and an arc length of 287.94 feet;
12. North 85°54'30" West, 112.00 feet to the **POINT OF BEGINNING**.

Area = 7.90 acres

AP 167-280-15

The basis of bearings for this description is based on NAD83, California Coordinate System (CCS83), Zone 2 (2010.00 epoch date) using the two found National Geodetic Survey monuments designated "101 MEN 25.13" and "HPGN D CA 01 CG" said bearing South 05°01'58" East, shown on Exhibit "A", attached hereto and made a part hereof.

The purpose of this description is for annexation purposes and to comply with the State Board of Equalization's "Written Legal (geodetic) Description Requirements". This description is to be used to establish geodetic position only and is not intended to establish property ownership.

Ron W. Franz L.S. 7173

Dated _____

ATTACHMENT 8**Notice of Exemption***(Exempt from fees per GOV Section 27383)***Appendix E**

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk

County of: Mendocino

From: (Public Agency): Mendocino LAFCo
200 South School Street
Ukiah, California 95482

(Address)

Project Title: City of Ukiah – Corporation Yard Annexation (File No. A-2025-06)

Project Applicant: City of Ukiah

Project Location - Specific:

An unincorporated area of the Ukiah Valley located north of the Ukiah City limits.

Project Location - City: City of Ukiah Project Location - County: Mendocino

Description of Nature, Purpose and Beneficiaries of Project:

A change of organization involving annexation of one City-owned property of 7.9-acres located at 1 Carousel Lane (APN 167-280-15) that is improved with a 98,000-square-foot industrial/commercial building for use as a municipal corporation yard under GOV § 56742 for City annexations of noncontiguous territory.

Name of Public Agency Approving Project: Mendocino Local Agency Formation Commission

Name of Person or Agency Carrying Out Project: Mendocino Local Agency Formation Commission

Exempt Status: **(check one):**

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: §15319(a) (Class 19 Exemption)
- Statutory Exemptions. State code number: _____

Reasons why project is exempt:

The annexation area is fully developed with an industrial/commercial building and proposed for continued use without expansion or intensification. The site is already served with public utilities, and no new connections, capacity upgrades, or material increases in service demand are proposed or anticipated for the existing facility post-annexation. There is no evidence of unusual circumstances causing a significant environmental effect.

Lead Agency

Contact Person: Uma Hinman, Executive Officer Area Code/Telephone/Extension: (707) 463-4470

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: _____ Date: 5/4/2026 Title: Executive Officer

Signed by Lead Agency Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

ATTACHMENT 9

MENDOCINO LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. 2025-26-08

CONDITIONALLY APPROVING THE CITY OF UKIAH – CORPORATION YARD ANNEXATION (FILE NO. A-2025-06) AND FINDING OF EXEMPTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

WHEREAS, the Mendocino Local Agency Formation Commission (LAFCo), hereinafter referred to as the “Commission”, administers California Government Code (GOV) Section (§) 56000 et. seq., known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, on October 15, 2025, the City of Ukiah (Ukiah or City) distributed a Notice of Intention to adopt a resolution of application to each affected local agency as required by GOV § 56654; and

WHEREAS, on November 5, 2025, the Ukiah City Council adopted Resolution No. 2025-54 to initiate a change of organization involving annexation of one City-owned property of 7.9-acres at 1 Carousel Lane (APN 167-280-15) improved with a 98,000-square-foot industrial/commercial building for use as a municipal corporation yard under GOV §56742 for annexations of noncontiguous territory; and

WHEREAS, the purpose of the proposal is to align City land ownership with City jurisdiction; reduce the City’s property tax burden; ensure consistent governmental controls (land use authority, permitting, and risk management); strengthen eligibility and competitiveness for grant funding; and modernize municipal facilities and infrastructure, improve operational efficiency, and lower operating costs to enhance service delivery; and

WHEREAS, on November 19, 2025, the City rezoned the annexation area as Public Facilities (PF) and assigned the Public (P) General Plan land use designation under Ordinance No. 1263; and

WHEREAS, the proposed annexation area is located within the City’s SOI boundary adopted by the Commission on December 19, 2022 and subsequently amended on November 4, 2024 by LAFCo Resolution No. 2024-25-04 to add 40-acres of City-owned property (APN 003-190-11); and

WHEREAS, on April 7, 2026, the Mendocino County Board of Supervisors adopted Resolution No. 26-065 approving a zero tax sharing agreement specifically for the annexation area, which is substantially similar to Resolution No. 2026-13 adopted by the Ukiah City Council on March 25, 2026 approving a zero tax sharing agreement for this annexation proposal; and

WHEREAS, a Certificate of Filing was issued on April 27, 2026 indicating receipt of a complete application pursuant to GOV §56658; and

WHEREAS, the proposal meets the specified criteria to allow the Commission to make determinations on the proposal without notice, hearing, and protest proceedings pursuant to GOV §56662 (a) and (c), and therefore the Executive Officer was not required to give notice of a public hearing for Commission consideration of the proposed annexation; and

WHEREAS, the proposal is exempt from CEQA pursuant to Title 14 CCR §15319(a) (Class 19 - Annexations of Existing Facilities and Lots for Exempt Facilities), because the annexation area is fully developed with an industrial/commercial building and proposed for continued use without expansion or intensification; the site is already served with public utilities, and no new connections, capacity

upgrades, or material increases in service demand are proposed or anticipated for the existing facility post-annexation; and there is no evidence presented of unusual circumstances that might cause a significant effect on the environment (Title 14 CCR §15300.2(c)).

WHEREAS, the proposal meets the statutory criteria outlined in LAFCo law and adopted local policy requirements; and

WHEREAS, the Executive Officer's report, which included factors for consideration required under GOV § 56668 and recommendations on the proposal, was presented to the Commission in the manner provided by law and adopted local policy; and

WHEREAS, the Commission heard and fully considered all the testimony and evidence presented at a public meeting on the proposal on May 4, 2026; and

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

NOW, THEREFORE, BE IT RESOLVED that the Mendocino Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Incorporation of Recitals

The foregoing recitals are true and correct and are hereby incorporated into the Resolution as findings of the Commission.

Section 2. CEQA Exemption Findings

The Commission hereby finds and determines, based on the whole of the administrative record, that the annexation proposal is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations (14 CCR) §15319(a), and approves the Notice of Exemption for filing.

Section 3. Conditional Approval of Proposal

The Commission hereby approves annexation of one City-owned property of 7.9-acres located at 1 Carousel Lane (APN 167-280-15), subject to the following terms and conditions.

- a) The boundaries of the approved annexation territory shall be defined by the map in Exhibit "A" and written geographic description in Exhibit "B", attached hereto and incorporated herein by reference.
- b) The annexation proposal is assigned the following distinctive short-term designation: "City of Ukiah – Corporation Yard Annexation (File No. A-2025-06)".
- c) The annexation territory shall be subject to all City of Ukiah ordinances, resolutions, policies, fees, and regulations in effect upon recordation of the Certificate of Completion.
- d) All existing easements and public utility rights, including electricity and sewer, shall remain in full force and effect upon recordation of the Certificate of Completion.

- e) The Certificate of Completion shall not be filed until all charges assessed and fees due to the Commission have been paid by the applicant and all materials required for final processing of the proposal have been sufficiently prepared and submitted to LAFCo staff.
- f) Any work commenced or costs incurred by the City of Ukiah prior to satisfying all conditions of this approval, and especially within the 30-day Reconsideration Period and CEQA statute of limitations timeframe, are completed at the agency's own risk.
- g) The effective date of the annexation shall be the date of the filing of the Certificate of Completion with the Mendocino County Recorder's office.
- h) If a certificate of completion has not been filed within one year of adoption of this resolution, Commission proceedings for this change of organization shall be deemed terminated, unless an extension of time is approved by the Commission prior to the expiration date (May 4, 2027), consistent with GOV §57001.

Section 4. Conducting Authority Proceedings Waived

The annexation area is uninhabited, the proposal has 100 percent landowner consent, and no affected local agency objected in writing to the proposed waiver of conducting authority proceedings (GOV §56662 (a) and (c)); therefore, protest proceedings are hereby waived entirely and the annexation is ordered without an election (GOV §57000 et seq.).

PASSED AND ADOPTED by the Mendocino Local Agency Formation Commission this 4th day of May, 2026, by the following vote:

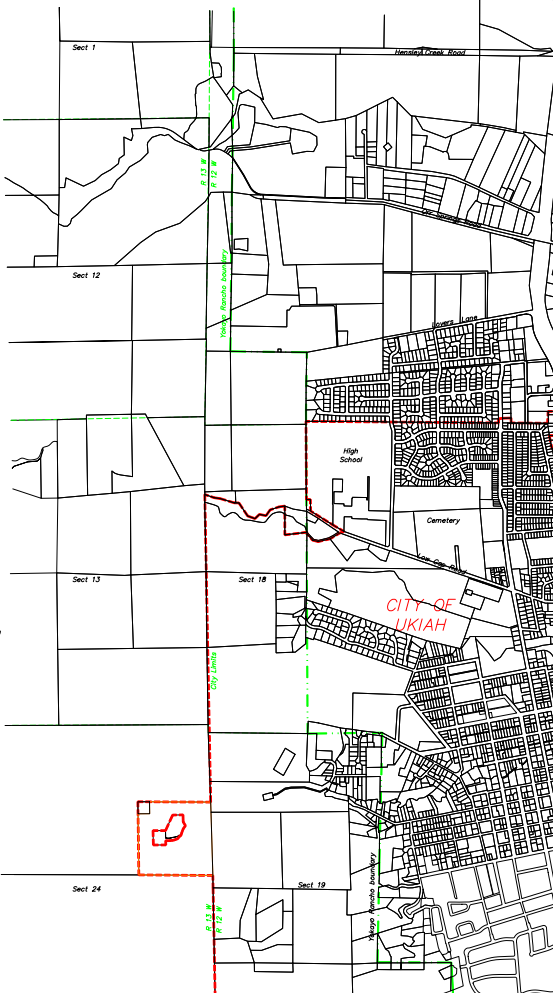
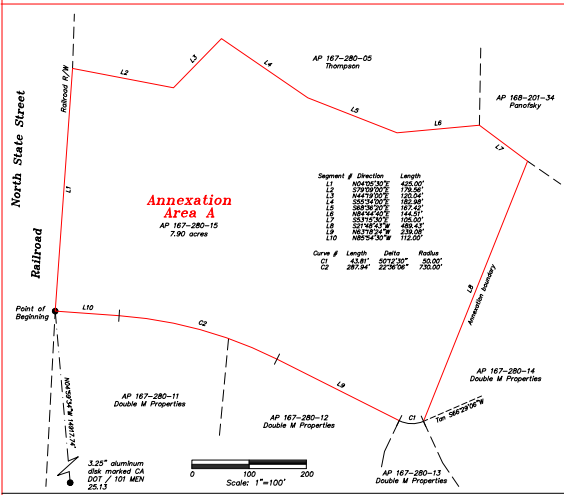
- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

MAUREEN MULHEREN, Commission Chair

ATTEST:

UMA HINMAN, Executive Officer

EXHIBIT "A"
City of Ukiah -- Corporation Yard Annexation
 LAFCo File No. A-2025-06
 Portion of Lot 140 of the Yakaya Rancho
 Mendocino County, California
 November 7, 2025



Legend:
 APN Assessor Parcel Number
 POB Point of Beginning
 --- Current City of Ukiah Boundary
 --- Proposed new annexation boundary
 --- Yakaya Rancho Boundary

NOTES:
 1. All dimensions shown are in feet and decimals thereof.
 2. The Basis of Bearings for this description and map is based on NAD 83 California Coordinate System (CCS83), Zone 2 (2010.00 South State) using the four-faced National Geodetic Survey monuments designated "101 MEN 25.13 and 101SN D CA 01 CC". All distances cited herein are grid values which are the basis for the areas shown herein. To obtain ground values divide the distances by 0.999892795 to obtain ground distances.
 3. The purpose of this exhibit is to accompany the legal description "B" for City of Ukiah -- Corporation Yard Annexation and to comply with State Board of Equalization's "Utilities legal (geodesic) description requirements". The legal description and this exhibit are to be used to establish geodesic position only and is not intended to establish property boundary or ownership.
 4. This metes and bounds description is compiled entirely from a combination of Mendocino County record maps and United States General Land Office survey plats and is not based upon any field surveys.

AUTHORIZATION CERTIFICATION
 I, _____, Chair of the Local Agency Formation Commission of the County of Mendocino, State of California, hereby certify that said Local Agency Formation Commission by Resolution No. _____ on the _____ day of _____, 2025, approved within map _____, 2025.

Chair, Local Agency Formation Commission

CERTIFICATION OF COMPLETION
 Recorded on the _____ day of _____, 2025, as Instrument Number _____ Mendocino County Records.

DISCLAIMER
 For assessment purposes only. This description of land is not a legal property description as defined in the subdivision map act and may not be used as a basis for an offer for sale of the land described.

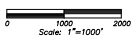


EXHIBIT "B"
Legal Description
City of Ukiah -- Corporation Yard Annexation
(LAFCo File No. A-2025-06)

All that real property situated in the unincorporated area of Mendocino County, State of California, described as follows:

AREA A:

Being a portion of Lot 140 of Healey's Survey and Map of Yokayo Rancho and being the lands of the City of Ukiah described in that certain Grant Deed recorded in Instrument Number 2025-05366, Mendocino County Records, more particularly described as follows:

COMMENCING at the National Geodetic Survey station, being a 3-1/4" Aluminum Disk marked CA DOT / 101 MEN 25.13; thence North 04°59'34" West, 14917.74 feet to the southwest corner of the said City of Ukiah property and the **POINT OF BEGINNING**; thence along the boundary of said City of Ukiah property the following twelve (12) courses:

1. North 04°05'30" East, 425.00 feet;
2. South 79°09'00" East, 179.56 feet;
3. North 44°19'00" East, 120.04 feet;
4. South 55°34'00" East, 182.98 feet;
5. South 68°36'20" East, 167.42 feet;
6. North 84°44'40" East, 144.51 feet;
7. South 53°15'30" East, 105.00 feet;
8. South 21°48'43" West, 489.43 feet;
9. From a tangent that bears South 66°29'06" West, along a curve to the right with a radius of 50.00 feet, a central angle of 50°12'30" and an arc length of 43.81 feet;
10. North 63°18'24" West, 239.08 feet;
11. Along a curve to the left with a radius of 730.00 feet, a central angle of 22°36'06" and an arc length of 287.94 feet;
12. North 85°54'30" West, 112.00 feet to the **POINT OF BEGINNING**.

Area = 7.90 acres

AP 167-280-15

The basis of bearings for this description is based on NAD83, California Coordinate System (CCS83), Zone 2 (2010.00 epoch date) using the two found National Geodetic Survey monuments designated "101 MEN 25.13" and "HPGN D CA 01 CG" said bearing South 05°01'58" East, shown on Exhibit "A", attached hereto and made a part hereof.

The purpose of this description is for annexation purposes and to comply with the State Board of Equalization's "Written Legal (geodetic) Description Requirements". This description is to be used to establish geodetic position only and is not intended to establish property ownership.


Ron W. Franz L.S. 7173

NOV 7, 2025
Dated





STAFF REPORT

Agenda Item No. 7b	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	Mendocino Coast Recreation and Park District

RECOMMENDED ACTION

The Executive Committee recommends the Commission:

- a) Direct staff to incorporate available property tax allocation summaries, as provided by the County Auditor-Controller's Office, including a breakdown by school district where feasible; and
- b) Direct staff to complete and schedule the Draft Municipal Service Review and Sphere of Influence Report for a Public Workshop.

BACKGROUND

In February 2025, the Commission approved a memorandum of understanding (MOU) with the Mendocino Coast and Recreation Park District (MCRPD or District) to prioritize and fund the preparation of a Municipal Service Review (MSR) for the District (Attachment 1).

During the MSR process, the District requested an expanded scope of analysis to evaluate the efficiency and equity of its use of annual property tax allocation revenues across its service area. Staff has advised that the requested level of property tax analysis extends beyond the statutory framework for MSRs under GOV §56430 and would require specialized data compilation and technical analysis not typically prepared as part of an MSR. The MSR process does not require, nor obligate, the County Auditor-Controller to generate data or reports.

At the [April 6, 2026 Commission meeting](#), public comment was provided by Mr. David Shpak, MCRPD Board Member (Video time 04:55). In response, the Commission directed the Executive Committee to confer with staff and District representatives and return with a recommendation. The Executive Committee met on [April 20, 2026](#).

As a compromise, staff proposed inclusion of a summary of property tax allocation revenues by school district, provided the data can be obtained from the County Auditor-Controller's Office, in lieu of a detailed geographic analysis across the District's territory. The District indicated its support for this approach. Staff will coordinate with the Auditor-Controller's Office to obtain and incorporate the available data into the MSR.

The Executive Committee discussed this approach and recommends proceeding as described above and completing the Draft MSR/SOI study for Commission review.

ATTACHMENT

None



STAFF REPORT

Agenda Item No. 8a	
MEETING DATE	May 4, 2026
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	Report on Applications and Work Load

RECOMMENDED ACTION

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 and Future 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.¹	Applicant	Project Name	Date Application Received	Certificate of Filing	LAFCo Hearing Date	Certificate of Completion	BOE Submittal Date
Active Proposals							
A-2025-06	Ukiah	Corporation Yard Annexation	10/19/2025	4/27/2026	5/4/2026		
City of Ukiah Resolution of Application No. 2025-54 for annexation of one City-owned property (7.9-acres) located within the Ukiah Valley for use as a municipal corporation yard.							
A-2025-05	MCRRFC& WCID	Russian River Flood Control District Annexation of RVCWD	10/14/2025				
The Mendocino County Russian River Flood Control & Water Conservation Improvement District (RRFC) proposal to annex the Redwood Valley County Water District (RVCWD). The annexation will allow the RRFC to extend their service area to match its place of use and establish a standard water services agreement with the RVCWD that will allow for use of contract water throughout the RVCWD service area. Application referral has been distributed and Notice of Filing sent to County to initiate tax share agreement. The application is incomplete pending a tax share agreement.							
P-2025-01	Ukiah	Pre-Application Review for Reorganization	4/22/2025	N/A	N/A	N/A	N/A
The City of Ukiah's Pre-Application Review to coordinate development of an application(s) for reorganization.							
P-2023-02	Fort Bragg	Pre-Application Review for Annexation of City-owned Properties	4/10/2023	N/A	N/A	N/A	N/A
The City of Fort Bragg submitted a Pre-Application Review Request for annexation of Mendocino Coast Recreation and Park District properties consisting of 6 parcels totaling 582 acres. The intended use of the parcels is for water supply reservoirs, power generation, preservation and recreation. A pre-application meeting was held with Fort Bragg staff on July 25, 2023. Staff met with City staff on June 27, 2024 to pre-review the application materials for annexation. The City continues to plan for development an annexation of the subject parcels and has requested the Pre-Application remain open.							
A-2023-01	AVCSD	Annexation of Sphere	3/6/2023				
The Anderson Valley Community Services District (AVCSD) proposes to annex the District's Sphere of Influence (SOI) for fire and ambulance services. The application is incomplete pending a tax share agreement.							
L-2022-01	ECSD	Elk Community Services District Activation of Latent Powers for Wastewater Services	4/8/2022				
The Elk Community Services District (ECSD) proposes to activate latent powers for wastewater services. The district proposes to assume ownership and operation of a community leach field within the community of Elk. The application is incomplete pending a tax share agreement and additional information.							
Future Proposals							
	AVCSD	AVCSD Activation of Latent Powers for Water and Wastewater Services					
The AVCSD is 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 met with AVCSD staff on 1/22/2026 to hear an update on the district's progress. The District anticipates submitting an application in 2026.							

Attachment 2. Summary Table – Work Plan Tracking and Status

FY 2025-26 ESTIMATED WORK PLAN IMPLEMENTATION SCHEDULE AND STATUS						
<i>Work Plan status as of April 27, 2026</i>						
Subject to Change: The estimated schedule and costs for the annual 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 is intended to enhance communication and transparency.						
Agency	Request for Information	Admin Draft	Public Workshop	Public Hearing	Final Study	Status/Notes
FY 2025-26 Work Plan						
Laytonville County Water District	8/9/2024 5/7/2025					Initial interview conducted 3/20/2025; MSR/SOI study initiated; partial response has been received, awaiting remaining information requests
Hopland Public Utilities District	1/16/2025	N/A	N/A	N/A	9/8/2025	Completed
Mendocino Coast Recreation and Park District	2/5/2025	7/8/2025; 1/5/2026	6/1/2026			Workshop tentatively scheduled for June 1, 2026.
City of Willits	4/30/2025	2/18/2026				Administrative Draft under internal review by City staff
City of Point Arena	5/6/2025	9/15/2025	5/4/2026			Workshop scheduled.
Fire/EMS Service Providers (18)	12/11/2025					EO provided a LAFCo 101 and MSR/SOI presentation to the Fire Districts Association on August 13 and the Fire Chiefs Association on September 10. All but three agencies have submitted responses to the RFIs. A regional paper is in progress.