



# Mendocino LAFCo

*Encouraging Well-Planned Community Growth*

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## STAFF

Executive Officer

Uma Hinman

Clerk/Analyst

Larkyn Feiler

Counsel

Marsha Burch

## REGULAR MEETINGS

First Monday of each month

at 9:00 AM in the

Mendocino County Board of

Supervisors Chambers

501 Low Gap Road, Ukiah

September 9, 2024

The Honorable Judge Ann Moorman

Mendocino County Superior Court

100 North State Street, Dept E

Ukiah, CA 95482

Office of the County Counsel

County of Mendocino

501 Low Gap Road, Room 1030

Ukiah, CA 95482

Mendocino County Civil Grand Jury

County of Mendocino

501 Low Gap Road, Room 1030

Ukiah, CA 95482

### **RE: LAFCo Response to the Grand Jury's Report**

#### **"Mendocino Coast Health Care District – Sick, but Returning to Health"**

Dear Honorable Judge Ann Moorman:

The Mendocino Local Agency Formation Commission (LAFCo) has reviewed the Grand Jury's June 12, 2024 report titled "Mendocino Coast Health Care District – Sick, but Returning to Health." This report investigates the Mendocino Coast Health Care District (MCHCD) board and operations following its restructuring with Adventist Health, and requests LAFCo responses to Finding F11 and Recommendation R18.

LAFCo's statutory authority is derived from the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) (Government Code (GOV) §56000, et seq.). Among LAFCo's purposes are: discouraging urban sprawl, preserving open space and prime agricultural lands, efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (GOV §56301). To support LAFCos in these objectives, the CKH grants LAFCos authority to conduct reviews of the efficiency and effectiveness with which special districts deliver services.

Mendocino LAFCo discussed the report during a regular meeting of the Commission held on September 9, 2024 and provides the following responses.

**Finding No. F11. The reinvention of MCHCD, post affiliation, and the significant and public financial and administrative issues with the District, along with the fact that an MSR has not been completed in 10 years, should have initiated a LAFCo MSR.**

**LAFCo Response: LAFCo partially agrees with the finding.**

The CKH provides for development of local policies to guide implementation of the statutes, reflective of local conditions and need. The CKH requires LAFCo to review and update spheres of influence every five years, as necessary (GOV §56425(g)). Mendocino LAFCo Policy 10.1.3(a) clarifies and provides local direction to implement this statute, requiring “(a) The Commission will review all spheres of influence every five years for each governmental agency providing municipal services. Municipal services include water, wastewater, police and fire protection services.” (emphasis added).

Policy 10.1.3(c) further clarifies, “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.” (emphasis added).

LAFCo agrees that the restructuring of the MCHCD’s operations warrants an update of the 2014 MSR. However, financial and staff capacity limitations, coupled with other prioritized agency studies, necessitates careful scheduling of the work plan to ensure undue financial strain is not passed on to LAFCo’s funding agencies (50 special districts, 4 cities and the County).

**Recommendation No. R18 – Provide a Municipal Service Review on MCHCD on a priority basis. Complete by December 2024. (F11)**

**LAFCo Response: The recommendation has not yet been implemented, but will be initiated by December 2024.**

In Mendocino County, there are 50 special districts and 4 cities that fall under the jurisdiction of LAFCo, and for which LAFCo is required to periodically prepare MSRs and Sphere of Influence (SOI) updates. Given LAFCo’s financial limitations and the expense of preparing MSRs, subject agencies are reviewed during the annual budget development process and prioritized based on a number of factors, including but not limited to, 1) provision of municipal services, 2) known issues, and 3) date of last review. A work plan and associated budget for the prioritized agency studies are adopted with the annual budget.

Mendocino LAFCo’s funding consists almost entirely of apportionments collected from Mendocino County and its cities and independent special districts on a one-third apportionment formula set forth in Government Code section 56381(b). Apportionments for cities and independent special districts are further divided and proportional to each agency’s total revenues as a percentage of the overall revenue amount collected in the county. It is notable that health care districts are exempt from paying an annual apportionment if the district’s operations revenue is negative (GOV §56381(b)(D)); MCHCD has not paid LAFCo apportionments in many years. While this does not change the fact that LAFCo has a responsibility to prepare an MSR for the district, the Commission has not prioritized it above municipal service providers also in need of a review.

LAFCo’s annual work plan schedule and budget for FY 2024-25 includes MSR/SOI studies for nine water districts with a budget of \$75,000. The water districts were prioritized for the following reasons: 1) they provide a critical municipal service, 2) the impacts and effects of the severe drought of 2021-22, 3) the anticipated effects of the change in water supply with PG&E’s abandonment of the Potter Valley Project, and 4) the last MSR/SOI studies of the water districts were conducted in 2014-2015.

A rough estimate for a comprehensive MSR for the MCHCD is between \$15,000-30,000, depending on whether LAFCo staff has capacity to prepare the study in-house or whether an outside consultant would be necessary. Prioritizing the MCHCD MSR this fiscal year would necessitate delaying some of the current work plan tasks and allocation of additional funding from reserves and within the next fiscal year budget. However, should the MCHCD be amenable to bearing the costs of a consultant-prepared MSR; Mendocino LAFCo would be able to manage the preparation of the MSR without compromising or adjusting the current work plan schedule and budget.

Mendocino LAFCo respectfully agrees to prioritize the MCHCD MSR and will initiate the MSR development process by December 2024 with the intent of completing the study by August 2025. Please note that development of MSRs is highly dependent on the responsiveness of the district to information requests, availability of information and staff workload, all of which affects schedules for study completion.

Thank you again for the opportunity to comment on the Grand Jury's recent MCHCD report. Feel free to contact Uma Hinman, Executive Officer, if you have any questions. She can be reached by email ([eo@mendolafco.org](mailto:eo@mendolafco.org)) or by phone (707) 463-4470.

Respectfully,



Maureen Mulheren  
COMMISSION CHAIR