

Mission statement of McKinleyville Community Services District:
“Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, library services, and other appropriate services for an urban community in an environmentally and fiscally responsible manner.”

**NOTICE IS HEREBY GIVEN THAT A REGULAR MEETING OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
WILL BE HELD
WEDNESDAY, JANUARY 5, 2022 AT 7:00pm**

**LOCATION: AZALEA HALL
1620 Pickett Road
McKinleyville, California**

Or

**TELECONFERENCE Via ZOOM & TELEPHONE:
Use ZOOM MEETING ID: 859 4543 6653 (<https://us02web.zoom.us/j/85945436653>) or DIAL
IN TOLL FREE: 1-888-788-0099 (No Password Required!)**

To participate in person, please come to Azalea Hall. Masks will be required

To participate by teleconference, please use the toll free number listed above, or join through the internet at the Zoom App with weblink and ID number listed above, or the public may submit written comments to the Board Secretary at: comments@mckinleyvillecsd.com up until 4:30 p.m. on Tuesday, January 4, 2022.

All Public Comment received before the above deadline will be provided to the Board at 9 a.m. on Wednesday, January 5, 2022 in a supplemental packet information that will also be posted on the website for public viewing.

Please note that, due to potential technical difficulties, the quality of the Zoom meeting cannot be guaranteed. **If you have public input to provide on an agenda item, it is recommended you attend in person at Azalea Hall or submit written comments as outlined above.**

AGENDA
7:00 p.m.

A. CALL TO ORDER

- A.1 Roll Call
- A.2 Pledge of Allegiance
- A.3 Additions to the Agenda

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code (Brown Act), upon a determination by two-thirds vote of the members of the legislative body present at the time of the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the McKinleyville Community Services District after the Agenda was posted.

A.4 Approval of the Agenda

A.5 Closed Session Discussion

At any time during the regular session, the Board may adjourn to closed session to consider existing or anticipated litigation, liability claims, real property negotiations, license and permit determinations, threats to security, public employee appointments, personnel matters, evaluations and discipline, labor negotiations, or to discuss with legal counsel matters within the attorney-client privilege.

NO CLOSED SESSION SCHEDULED

B. PUBLIC HEARINGS

These are items of a Quasi-Judicial or Legislative nature. Public comments relevant to these proceedings are invited.

NO PUBLIC HEARING SCHEDULED

C. PUBLIC COMMENT AND WRITTEN COMMUNICATIONS

*Any person may address the Board at this time upon any subject not identified on this Agenda but within the jurisdiction of the McKinleyville Community Services District; however, any matter that requires action will be referred to staff for a report of action at a subsequent Committee or Board meeting. As to matters on the Agenda, an opportunity will be given to address the Board when the matter is considered. **Comments are limited to 3 minutes.** Letters should be used for complex issues.*

D. CONSENT CALENDAR

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board of Directors at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Consent Calendar, it shall be removed so that it may be acted upon separately.

- | | | |
|-----|---|---------------|
| D.1 | Consider Approval of the Minutes of the Board of Directors Regular Meeting on December 1, 2021 | Pg. 5 |
| | Attachment 1 – Draft Minutes from December 1, 2021 | Pg. 6 |
| D.2 | Consider Approval of November 2021 Treasurer’s Report | Pg. 11 |
| D.3 | Final Review of LAFCo 2021 Municipal Services Review (MSR) | Pg. 33 |
| | Attachment 1 – Revised Draft October 2021, LAFCo Administrative Draft, MCS D, Municipal Services Review and Sphere of Influence Update. | Pg. 35 |
| D.4 | Reaffirm Resolution 2021-27 for Virtual meetings | Pg. 75 |
| | Attachment 1 – Resolution 2021-27 | Pg. 77 |
| D.5 | Review 2021 Integrated Pest Management Plan Annual Report | Pg. 79 |

Attachment 1 – Integrated Pest Management Plan	Pg. 82
Attachment 2 – IPM Treatment Tracking Forms	Pg. 97

E. CONTINUED AND NEW BUSINESS

E.1	Update on Certificates of Participation Sale and Final Pricing for Series 2021A & B COPs (Information)	Pg. 99
	Attachment 1 – Final Pricing Book	Pg. 101
	Attachment 2 – Certificate Purchase Agreements	Pg. 112
E.2	Presentation of the Community Builder Award to Charlie Caldwell (Information)	Pg. 161
	Attachment 1 – C.Caldwell Interview Responses	Pg. 163
E.3	MCSD Employee of the Year Presentation to Joseph Blaine (Information)	Pg. 165
E.4	Approve FY20-21 Audited Financial Statements (Action)	Pg. 167
	Attachment 1 – MCSD Basic Financial Statements with the Report of the Independent Auditor for Fiscal Year 20-21	Pg. 168
	Attachment 2 – Presentation of 2021 Audit Results – Fedak & Brown, LLP	Pg. 245
E.5	Consider Approval Policy Revision to Accommodate State Water Resources Control Board Reimbursement for Unpaid Water Bills Upon the End of the Governor’s Non-lock Order & the Resumption of Regular Non-payment Lock Process (Action)	Pg. 253
	Attachment 1 – SB998 Compliant “Steps to Service Interruption”	Pg. 256
E.6	Discuss Strategic Plan Review Process and Timeline and Consider Possible Board Retreat (Information/Direction)	Pg. 257
	Attachment 1 – 2019-2024 Strategic Plan	Pg. 259
E.7	Discuss and Consider Committee Assignments and Appointments of Committee Chairs by the Board President for the 2022 Calendar Year (Action)	Pg. 271
	Attachment 1 – 2021 Positions, Staff Member Appointments and 2021 Committee Assignments	Pg. 273
E.8	Consider Approval of Professional Services Agreement with Willdan Financial to Perform the Annual Measure B Renewal as well as an Assessment Study (Action)	Pg. 277
	Attachment 1 – Professional Services Agreement	Pg. 279

F. REPORTS

No specific action is required on these items, but the Board may discuss any particular item as required.

F.1 ACTIVE COMMITTEE REPORTS

- a. Parks and Recreation Committee (Binder/Clark-Peterson)

- b. Area Fund (John Kulstad/Clark-Peterson)
- c. Redwood Region Economic Development Commission (Clark-Peterson/Binder)
- d. McKinleyville Senior Center Board Liaison (Clark-Peterson/Binder)
- e. Audit (Orsini/Couch)
- f. Employee Negotiations (Couch/Mayo)
- g. McKinleyville Municipal Advisory Committee (Orsini/Binder)
- h. Humboldt Local Agency Formation Commission (Couch)
- i. Environmental Matters Committee (Couch/Clark-Peterson)
- j. AdHoc Committee – Community Forest (Mayo/Orsini)
- k. AdHoc Committee – Latent Powers (Couch/Orsini)

F.2 LEGISLATIVE AND REGULATORY REPORTS

F.3 STAFF REPORTS

- a. Support Services Department (Colleen M.R. Trask) **Pg. 299**
- b. Operations Department (James Henry) **Pg. 301**
- c. Parks & Recreation Department (Lesley Frisbee) **Pg. 307**
- d. General Manager (Pat Kaspari) **Pg. 311**
 Attachment 1 – WWMF Monthly Self-Monitoring Report **Pg. 316**

F.4 PRESIDENT’S REPORT

F.5 BOARD MEMBER COMMENTS, ANNOUNCEMENTS, REPORTS AND AGENDA ITEMS REQUESTS

G. ADJOURNMENT

Posted 5:00 pm on December 30, 2021

Pursuant to California Government Code Section 54957.5, this agenda and complete Board packet are available for public inspection on the web at McKinleyvillecsd.com/minutes or upon request at the MCSD office, 1656 Sutter Road, McKinleyville. A complete packet is also available for viewing at the McKinleyville Library at 1606 Pickett Road, McKinleyville. If you would like to receive the complete packet via email, free of charge, contact the Board Secretary at (707)839-3251 to be added to the mailing list.

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: D.1 **Consider Approval of the Minutes of the Board of Directors**

PRESENTED BY: **April Sousa, Board Secretary**

TYPE OF ACTION: **Roll Call Vote – Consent Calendar**

Recommendation:

Staff recommends the approval of the Minutes of the Board of Directors for the December 1, 2021 Regular Board Meeting.

Discussion:

The Draft minutes are attached for the above listed meetings. A reminder that the minutes are approved by the legislative body that is the Board of Directors, not individual members of the Board who were present at a meeting.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Draft Minutes from December 1, 2021 Regular Board Meeting

MINUTES OF THE REGULAR MEETING OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT HELD ON WEDNESDAY, DECEMBER 1, 2021 – 6:30/7:00 P.M. IN PERSON AT AZALEA HALL – 1620 PICKETT ROAD, MCKINLEYVILLE, CALIFORNIA and TELECONFERENCE Via ZOOM & TELEPHONE: ZOOM MEETING ID: 859 4543 6653 (<https://us02web.zoom.us/j/85945436653>) and TOLL FREE: 1-888-788-0099

CLOSED SESSION

AGENDA ITEM A. CALL TO ORDER:

A.1 Roll Call: The Closed session of the Board of Directors of McKinleyville Community Services District convened at 6:31 p.m. with the following Directors and staff in attendance in person at Azalea Hall:

- | | |
|-----------------------------------|-------------------------------------|
| Dennis Mayo, President (via zoom) | Pat Kaspari, General Manager |
| David Couch, Vice President | April Sousa, Board Secretary |
| Scott Binder, Director | Eava Minton, IT Specialist |
| Greg Orsini, Director | Russ Gans, Legal Counsel (via zoom) |
| Joellen Clark-Peterson, Director | |

A.2 Public Comment and Written Communications

None.

A.3 Closed Session

The Board entered into closed session at 6:32 for the following item:

- a. CONFERENCE WITH LEGAL COUNSEL— ANTICIPATED LITIGATION
Significant Exposure to Litigation Pursuant to Paragraph (2) or (3) of Subdivision (d) of Section 54956.9: One Potential Case.
Claimant: ImageRights/Patricia Baker
Agency Claimed Against: MCSD

REGULAR SESSION

AGENDA ITEM A. CALL TO ORDER:

A.1 Report Out of Closed Session

There was no reportable action.

A.2 Roll Call: The regular session of the Board of Directors of McKinleyville Community Services District convened at 7:00 p.m. with the following Directors and staff in attendance in person at Azalea Hall:

- | | |
|-----------------------------------|---|
| Dennis Mayo, President (via zoom) | Pat Kaspari, General Manager |
| David Couch, Vice President | April Sousa, Board Secretary |
| Scott Binder, Director | Eava Minton, IT Specialist |
| Greg Orsini, Director | Colleen Trask, Finance Director |
| Joellen Clark-Peterson, Director | Lesley Frisbee, Parks & Recreation Director |
| | James Henry, Operations Director |

A.3 Pledge of Allegiance: The Pledge of Allegiance was led by Director Orsini.

A.4 Additions to the Agenda: There were no additions to the agenda.

A.5 Approval of the Agenda:

Motion: It was moved to approve the agenda as delivered.

Motion by: Director Orsini; **Second:** Director Couch

There were no comments from the Board or public.

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

AGENDA ITEM B. PUBLIC HEARINGS:

B.1 Public Hearing for Reformation of the Central Avenue Open Space Maintenance Zone No. 6 (“Zone #6”)

General Manager Kaspari reviewed the staff note for the Board and public.

President Mayo opened the Public Hearing at 7:03 p.m.

No votes were cast at the meetings. The votes received prior to the meeting were counted at 33.44 yes/in favor, and 7.21 no/not in favor.

There was no public comment. The Public Hearing was closed.

Motion: It was moved to adopt Resolution 2021-33 Confirming and Approving the Levy of Assessments in Connection with the Central Avenue Open Space Maintenance Zone #6.

Motion by: Director Orsini; **Second:** Director Clark-Peterson

There were no comments from the Board or public.

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

AGENDA ITEM C. PUBLIC COMMENT AND WRITTEN COMMUNICATIONS:

None.

AGENDA ITEM D. CONSENT CALENDAR:

D.1 Consider Approval of the Minutes of the Board of Directors

D.2 Consider Approval of October DRAFT 2021 Treasurer’s Report

D.3 Compliance with State Double Check Valve (DCV) Law

D.4 Reaffirm Resolution 2021-27 Making Findings Pursuant to Government Code Section 5493, as Amended by Assembly Bill 361, and Authorizing the Continued Use of Virtual Meetings

Motion: It was moved to approve the Consent Calendar.

Motion by: Director Couch; **Second:** Director Clark-Peterson

There were no comments from the Board or public.

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

AGENDA ITEM E. CONTINUED AND NEW BUSINESS:

Items reflect the order in which they appeared before the Board. Director Orsini asked for Item E.2 to come before Item E.1 since the Fulton’s were present to discuss this item.

E.2 Consideration of Fulton Water Loss Appeal

General Manager Kaspari gave a brief overview of this item. President Mayo asked for the Fulton’s to come to the mic to speak on the matter. They noted that they are not on the property on a regular basis, they check the property weekly and were out of town during this leak. Director Orsini asked what the total wholesale amount would be for the amount of water. It was noted that the amount was \$1,164.41. Director Orsini proposed to amend the charge to the wholesale amount and work with the Fulton’s to ease the burden of the payment.

Motion: It was moved to amend the total amount charged to the Fulton's to \$1,164.41.

Motion by: Director Orsini; **Second:** Director Binder

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

E.1 Consider Award of Contract to GHD for performance of Central Avenues Sewer and Water Main Replacement Design

General Manager Kaspari gave an overview of this item. Director Orsini asked for information on an engineer's estimate for the project. General Manager Kaspari gave the parameters the engineers will use for this. Director Couch asked about the completion date for this project.

Motion: It was moved to authorize the General Manager to execute the Professional Services Agreement with GHD Inc. to provide services to perform the engineering design, permitting and bid assistance for the Central Avenue Water and Sewer Main Rehabilitation Project, not to exceed \$362,700 with a 10% (\$36,270) contingency totaling \$398,970.

Motion by: Director Orsini; **Second:** Director Binder

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

E.3 Consider Appointment of Applicants Heidi Conzelmann and Jane Fusek for the Vacant Seats on the Parks and Recreation Committee (PARC)

Recreation Director Lesley Frisbee read the staff report for this item. Each applicant introduced themselves to the Board. The Board thanked the applicants for stepping up.

Motion: It was moved to appoint Heidi Conzelmann and Jane Fusek to the Parks and Recreation Committee for four (4) year terms as regular voting members.

Motion by: Director Couch; **Second:** Director Clark-Peterson

Roll Call: Ayes: Binder, Clark-Peterson, Couch, Orsini, and Mayo Nays: None Absent: None

Motion Summary: Motion Passed

E.4 Mad River Youth Soccer League's Concerns Regarding the Field Conditions at Hiller Sport Site

Recreation Director Frisbee introduced this item. President Mayo asked General Manager Kaspari to discuss the community day concept. Jeff Pimentel, a coach for Mad River Youth Soccer League, gave some insight into the issues regarding the field. Other members from the Mad River Youth Soccer League were in attendance and gave comments. It was suggested that this item be referred to the Parks and Recreation Committee for further discussion.

This was an informational only item. No action taken.

AGENDA ITEM F. REPORTS

F.1 ACTIVE COMMITTEE REPORTS

- a. **Parks and Recreation Committee (Binder/Clark-Peterson):** Director Binder was unable to attend due to the Special Meeting of the Board held the same day.
- b. **Area Fund (John Kulstad/Clark-Peterson):** Did not meet.
- c. **Redwood Region Economic Development Commission (Clark-Peterson/Binder):** Did not meet. Director Binder noted he was present with RREDC and Fly Humboldt at the inaugural Las Vegas flight for Avelo Air.

- d. **McKinleyville Senior Center Advisory Council (Clark-Peterson/Binder):** Did not meet.
- e. **Audit (Orsini/Couch):** Did not meet.
- f. **Employee Negotiations (Couch/Mayo):** Did not meet.
- g. **McKinleyville Municipal Advisory Committee (Orsini/Binder):** Nothing to report.
- h. **Local Agency Formation Commission (Couch):** Mentioned that the McKinleyville Municipal Service Review was a part of the last meeting, and it passed with some minor edits. It was asked to bring this back at the January meeting.
- i. **Environmental Matters Committee (Couch/Clark-Peterson):** Did not meet.
- j. **Ad Hoc Community Forest Committee (Mayo/Orsini):** Did not meet.
- k. **Ad Hoc Latent Powers Committee (Orsini/Couch):** Did not meet.

F.2 LEGISLATIVE AND REGULATORY REPORTS

None.

F.3 STAFF REPORTS

- a. **Support Services Department (Colleen M.R. Trask):** Finance Director Colleen Trask noted that the Audit Committee may be able to review the draft audit this month and have it on the January Board meeting for the approval.
- b. **Operations Department (James Henry):** Operations Director James Henry had nothing further to add to his written report.
- c. **Parks & Recreation Department (Lesley Frisbee):** Recreation Director Lesley Frisbee had nothing further to report.
- d. **General Manager (Patrick Kaspari):** General Manager Kaspari added information about the District's Bond Approval Rating of AA- and that the Bond Pricing would be next week.

F.3.2 PRESIDENT'S REPORT: Nothing to report. President Mayo asked Supervisor Madrone if he had anything to report. Supervisor Madrone noted his difficulties in signing on to this meeting, but nothing more to report.

F.4 BOARD MEMBER COMMENTS, ANNOUNCEMENTS, REPORTS AND AGENDA ITEM REQUESTS:

Director Couch asked members of the Board to let him know about any changes they would like to see for their committee assignments next year.

Director Orsini gave more information on the Districts AA- rating and the significance of this.

G. ADJOURNMENT:

Meeting Adjourned at 8:13 p.m.

April Sousa, MMC, Board Secretary

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**McKinleyville Community Services District
Treasurer's Report
Nov 2021 **DRAFT****

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Page 12	Summary of Long-Term Debt Report
Page 13	Cash Disbursement Report

Ratios

as of November 30, 2021 - **DRAFT**

- Utility Accounts Receivable Turnover Days	13
- YTD Breakeven Revenue, Water Fund:	\$ 1,172,660
- YTD Actual Water Sales:	\$ 1,751,679
- Days of Cash on Hand-Operations Checking/MM	193

**McKinleyville Community Services District
Investments & Cash Flow Report
as of November 30, 2021 - DRAFT**

Petty Cash & Change Funds 9,197.46

Cash

Operating & Money Market - Beginning Balance		4,185,956.17
Cash Receipts:		
Utility Billings & Other Receipts	885,644.87	
Money Market Account Interest	18.48	
Transfers from County Funds #2560, #4240, CalTRUST, Meas. B	-	
Other Cash Receipts (Grants/Other Receivables)	-	
Total Cash Receipts		885,663.35
Cash Disbursements:		
Transfers to County Funds #2560, #4240, CalTRUST	-	
Payroll Related Expenditures (incl. CalPERS UAL pmt)	(227,147.49)	
Debt Service	-	
Capital & Other Expenditures	(1,366,014.51)	
Total Cash Disbursements		(1,593,162.00)
Operating & Money Market - Ending Balance		3,478,457.52
Total Cash		3,487,654.98

Investments *(Interest and Market Valuation will be re-calculated as part of the year-end close, if material)*

LAIF - Beginning Balance	139,000.57	
Interest Income	-	
LAIF - Ending Balance		139,000.57
Humboldt Co. #2560 - Beginning Balance	2,005,803.48	
Property Taxes and Assessments	-	
Transfer to/from Operating Cash	-	
Interest Income (net of adjustments)	2,574.12	
Humboldt Co. #2560 - Ending Balance		2,008,377.60
Humboldt Co. #4240 - Beginning Balance	3,423,349.36	
Transfer to/from Operating Cash	-	
Transfer to/from Biosolids Reserve	-	
Interest Income	3,590.39	
Humboldt Co. #4240 - Ending Balance		3,426,939.75
Humboldt Co. #9390 - Beginning Balance	663,032.08	
Reserves Recovery Deposits/Other Bal Withdrawals	-	
Humboldt Co. #9390 - Ending Balance		663,032.08
USDA Bond Reserve Fund - Beginning Balance	109,655.77	
Bond Reserve Payment/Transfer to Service Fund	5,687.50	
Debt Service Payment, Principal/Interest (Net)	-	
Interest Adjustment	0.46	
USDA Bond Reserve Fund - Ending Balance		115,343.73
CalTRUST - Beginning Balance	10,590,052.62	
Net Transfer to/from Designated Reserves: PERS/OPEB	-	
Net Transfer to/from Capacity Fees/Catastrophe/Other Reserves	-	
Net: Interest Income/Unrealized Gain/Loss	(6,859.14)	
CalTRUST - Ending Balance		10,583,193.48
Total Investments		16,941,904.69
Total Cash & Investments - Current Month		20,429,559.67
Total Cash & Investments - Prior Month		21,132,464.99
Net Change to Cash & Investments This Month		(702,905.32)

Cash & Investment Summary

Cash & Cash Equivalents		19,688,577.00
Davis-Grunsky Loan Reserve		625,638.94
USDA Bond Reserve		115,343.73
Total Cash & Investments		20,429,559.67

McKinleyville Community Services District
 Consolidated Balance Sheet by Fund
 as of November 30, 2021 - DRAFT

	Governmental Funds			Proprietary Funds		Total (Memorandum Only)
	Parks & General	Measure B	Streetlights	Water	Wastewater	
ASSETS						
Current Assets						
Unrestricted cash & cash equivalents	\$ 868,783.28	\$ (611,766.13)	\$ 90,081.34	\$ 8,665,922.64	\$ 10,798,481.01	\$ 19,811,502.14
Accounts receivable	3,063.36	-	3,919.10	788,732.70	1,787,310.73	2,583,025.89
Prepaid expenses & other current assets	29,176.44	1,763.89	2,948.21	121,333.76	62,351.96	217,574.26
Total Current Assets	901,023.08	(610,002.24)	96,948.65	9,575,989.10	12,648,143.70	22,612,102.29
Noncurrent Assets						
Restricted cash & cash equivalents	210,368.26	-	-	625,638.94	115,343.73	951,350.93
Other noncurrent assets	-	-	-	934,412.53	957,510.60	1,891,923.13
Capital assets (net)	-	-	-	8,229,233.11	29,169,540.33	37,398,773.44
Total Noncurrent Assets	210,368.26	-	-	9,789,284.58	30,242,394.66	40,242,047.50
TOTAL ASSETS	\$ 1,111,391.34	\$ (610,002.24)	\$ 96,948.65	\$ 19,365,273.68	\$ 42,890,538.36	\$ 62,854,149.79
LIABILITIES & FUND BALANCE/NET ASSETS						
Current Liabilities						
Accounts payable & other current liabilities	\$ 76,488.93	\$ 2.78	\$ 2,078.19	\$ 265,282.07	\$ 140,622.39	\$ 484,474.36
Accrued payroll & related liabilities	97,452.45	-	-	65,954.97	66,361.19	229,768.61
Total Current Liabilities	173,941.38	2.78	2,078.19	331,237.04	206,983.58	714,242.97
Noncurrent Liabilities						
Long-term debt	-	-	-	2,073,044.68	15,944,141.75	18,017,186.43
Other noncurrent liabilities	-	-	-	4,827,516.42	4,933,821.19	9,761,337.61
Total Noncurrent Liabilities	-	-	-	6,900,561.10	20,877,962.94	27,778,524.04
TOTAL LIABILITIES	173,941.38	2.78	2,078.19	7,231,798.14	21,084,946.52	28,492,767.01
Fund Balance/Net Assets						
Fund balance	(3,146,099.38)	(610,005.02)	94,870.46	-	-	(3,661,233.94)
Net assets	4,083,549.34	-	-	5,977,287.11	8,580,193.26	18,641,029.71
Investment in capital assets, net of related debt	-	-	-	6,156,188.43	13,225,398.58	19,381,587.01
Total Fund Balance/Net Assets	937,449.96	(610,005.02)	94,870.46	12,133,475.54	21,805,591.84	34,361,382.78
TOTAL LIABILITIES & FUND BALANCE/NET ASSETS	\$ 1,111,391.34	\$ (610,002.24)	\$ 96,948.65	\$ 19,365,273.68	\$ 42,890,538.36	\$ 62,854,149.79
Difference in Reclass from Cap Assets to Net Assets:						
Investment in General Capital Assets	\$ 3,669,993.87					
General Long-term Liabilities						
Meas. B Loan: Teen/Community Center	872,053.00			Non-debt Long-term Liabilities (included in Other Non-current Liabilities above)		
OPEB Liability	3,291,932.47			OPEB Liability	3,352,060.07	3,366,092.45
CalPERS Pension Liability/Deferred Inflows-Outflows	719,001.05			CalPERS Pension Liability	754,383.21	825,924.74
Accrued Compensated Absences	66,454.84					2,299,309.00
TOTAL GENERAL LONG-TERM LIABILITIES	\$ 4,949,441.36					

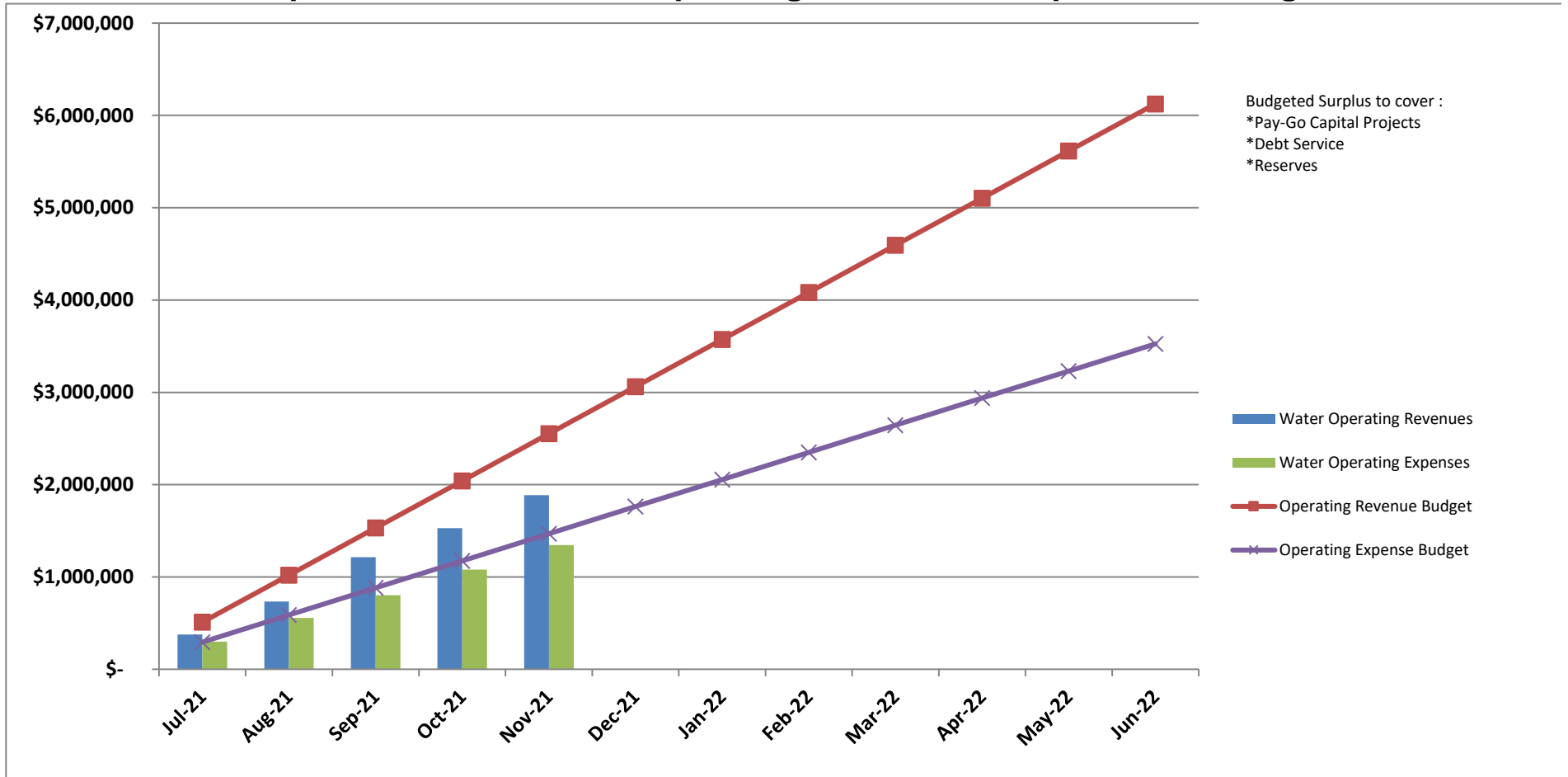
McKinleyville Community Services District
Activity Summary by Fund, Approved Budget
Nov 2021 DRAFT

Department Summaries	November	% of Year 41.67% YTD	Approved YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
Water						
Water Sales	297,885	1,751,679	1,746,062	5,617	0.32%	
Other Revenues	58,544	134,877	806,133	(671,256)	-83.27%	Includes YTD Capacity Fees \$103717 Contrib.Construction \$0, Grants \$0 Also includes CalTRUST unrealized gain/(loss)
Total Operating Revenues	356,428	1,886,555	2,552,195	(665,640)	-26.08%	
Salaries & Benefits	71,716	433,107	469,647	(36,540)	-7.78%	
Water Purchased	103,284	522,985	481,032	41,953	8.72%	Budget spread evenly across 12 months, but actuals vary by project & expenditure
Other Expenses	56,670	225,859	351,332	(125,473)	-35.71%	
Depreciation	33,333	163,582	166,667	(3,085)	-1.85%	
Total Operating Expenses	265,003	1,345,533	1,468,678	(123,145)	-8.38%	
Net Operating Income	91,426	541,023	1,083,517	(788,785)		
Interest Income	2,199	10,311	20,833	(10,522)	-50.51%	Interest rates lower than anticipated.
Interest Expense	(6,757)	(23,888)	(42,131)	(18,243)	-43.30%	Budget is spread evenly across 12 months, but actuals vary by loan pmt schedule
Net Income (Loss)	86,867	527,446	1,062,219	(534,773)		
Wastewater						
Wastewater Service Charges	322,664	1,689,938	1,742,396	(52,458)	-3.01%	
Other Revenues	101,337	216,247	929,216	(712,969)	-76.73%	Includes YTD Capacity Fees \$181,083 Contrib.Construction \$0, Grants \$0 Also includes CalTRUST unrealized gain/(loss)
Total Operating Revenues	424,001	1,906,185	2,671,612	(765,427)	-28.65%	
Salaries & Benefits	95,675	527,483	493,814	33,669	6.82%	
Other Expenses	70,348	263,300	460,335	(197,035)	-42.80%	Budget spread evenly across 12 months, but actuals vary by project & expenditure
Depreciation	102,083	504,999	510,417	(5,418)	-1.06%	
Total Operating Expenses	268,106	1,295,782	1,464,566	(168,784)	-11.52%	
Net Operating Income	155,895	610,404	1,207,046	(596,642)		
Interest Income	3,981	19,218	31,250	(12,032)	-38.50%	Interest rates lower than anticipated.
Interest Expense	(40,815)	(127,403)	(109,586)	17,817	16.26%	Readjustment to payment schedule from FY20-21 year-end close
Net Income (Loss)	119,062	502,218	1,128,710	(626,492)		
Enterprise Funds Net Income (Loss)	205,929	1,029,664	2,190,929	(1,161,265)		

McKinleyville Community Services District

Nov 2021 DRAFT

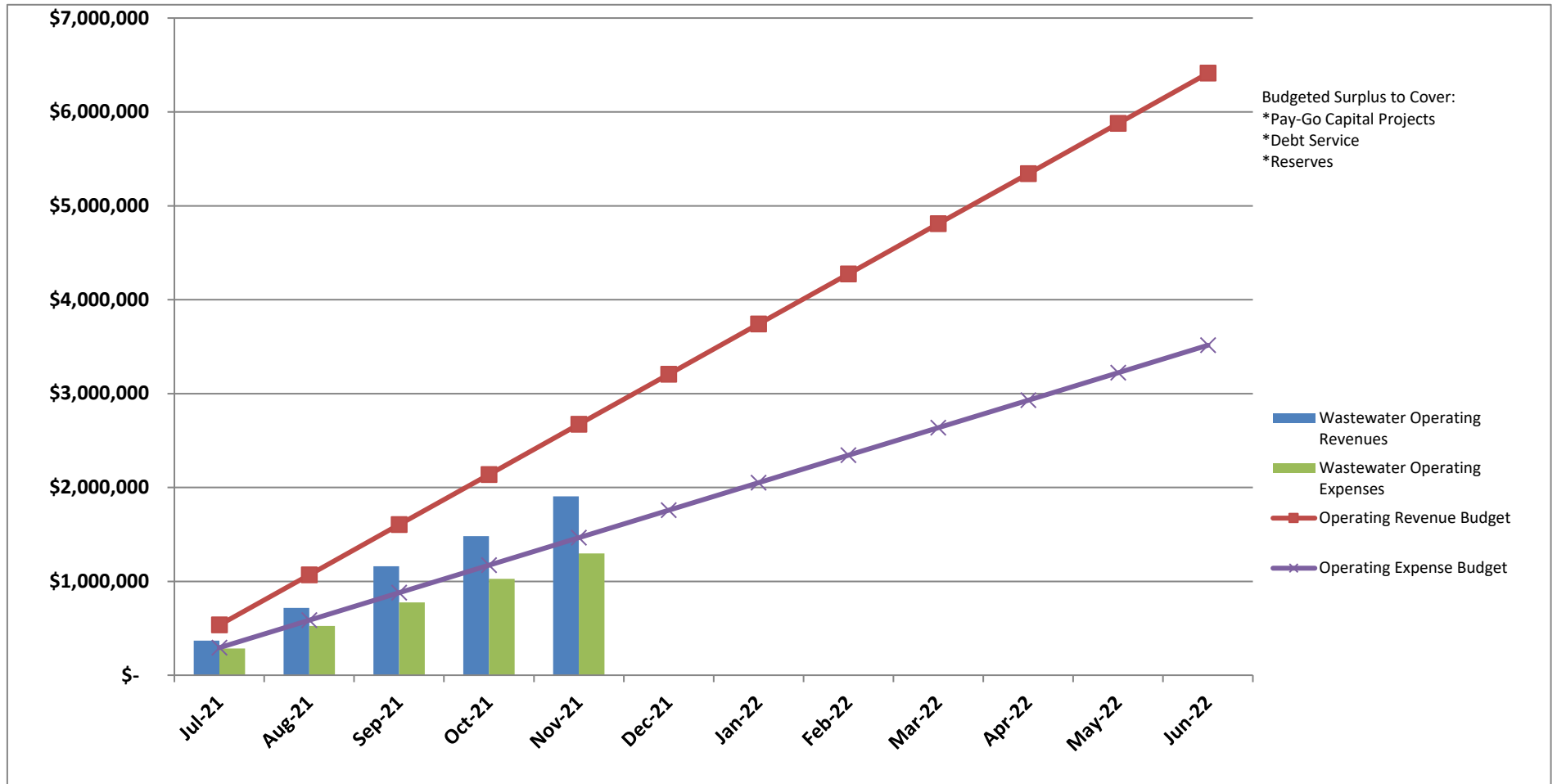
Comparison of Water Fund Operating Revenues & Expenses to Budget



McKinleyville Community Services District

Nov 2021 DRAFT

Comparison of Wastewater Fund Operating Revenues & Expenses to Budget

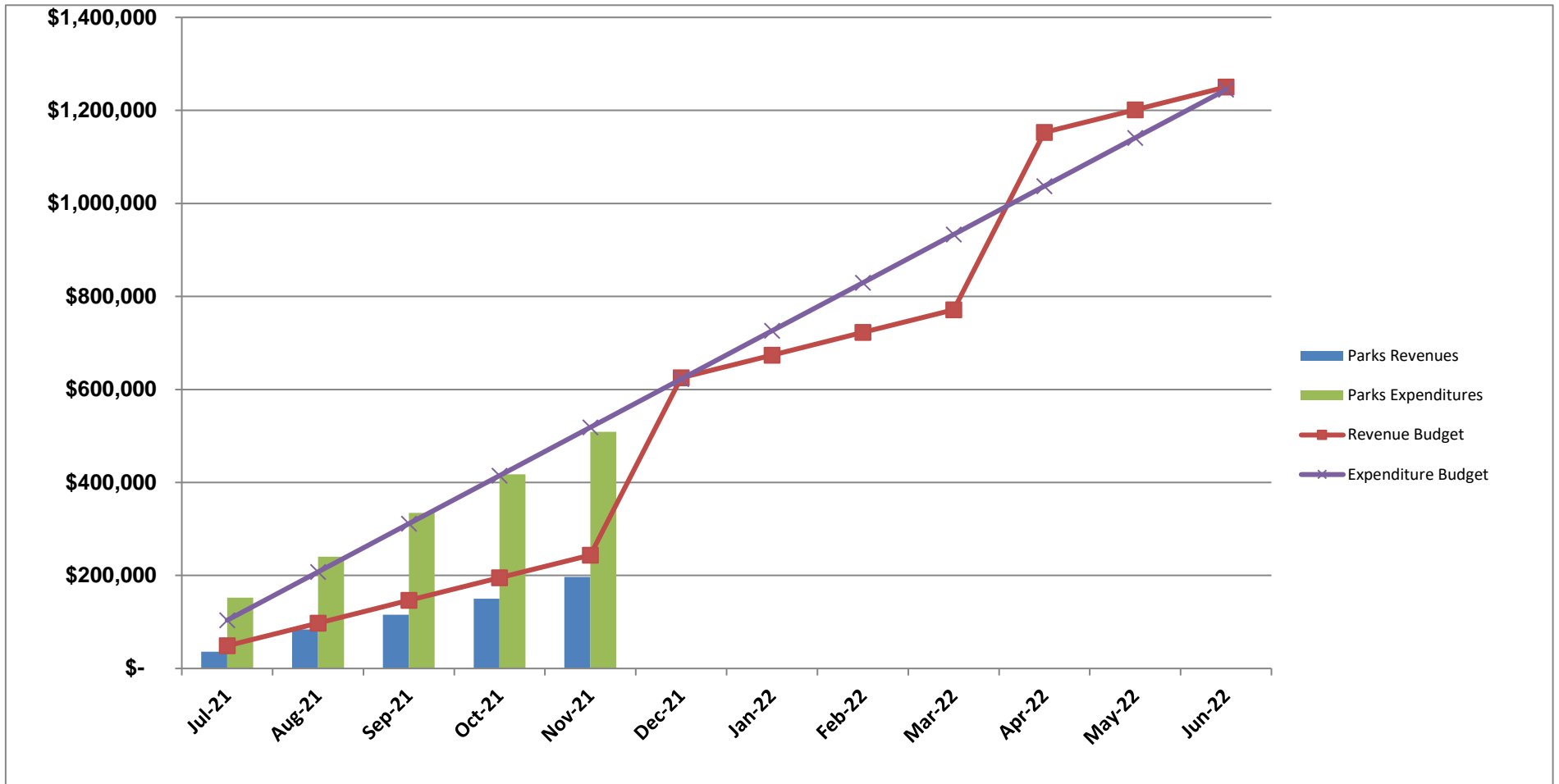


McKinleyville Community Services District
Activity Summary by Fund, Approved Budget
Nov 2021 DRAFT

	November	% of Year 41.67% YTD	Approved YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
Department Summaries						
*Parks & Recreation						
Program Fees	30,761	87,116	100,950	(13,834)	-13.70%	Budget spread evenly across 12 months, but actuals vary by schedule
Rents & Facility Related Fees	3,499	22,294	21,134	1,160	5.49%	
Property Taxes	-	-	277,010	(277,010)	-100.00%	County Tax remittance: December, April, and June; per Auditor-Controller's office
Other Revenues	9,780	74,577	107,246	(32,669)	-30.46%	Budget spread evenly across 12 months, but actuals vary by schedule
Interest Income	2,619	12,684	14,583	(1,899)	-13.02%	Interest rates lower than anticipated.
Total Revenues	46,659	196,670	520,923	(324,253)	-62.25%	
Salaries & Benefits	75,702	415,369	365,148	50,221	13.75%	CalPERS UAL pmt in July, not spread over 12 months
Other Expenditures	15,529	93,565	102,550	(8,985)	-8.76%	
Capital Expenditures	-	-	50,833	(50,833)	-100.00%	Budget spread evenly across 12 months, but actuals vary by project schedule
Total Expenditures	91,231	508,934	518,531	(9,597)	-1.85%	
Excess (Deficit)	(44,572)	(312,264)	2,392	(314,656)		
*Measure B Assessment						
Total Revenues	586	2,925	93,752	(90,827)	-96.88%	Interest & unrealized gains/losses; County Tax remittance December/April/June
Salaries & Benefits	2,207	31,328	24,482	6,846	27.96%	Budget spread evenly across 12 months; actuals vary by maintenance schedule
Other Expenditures	24	9,634	30,029	(20,395)	-67.92%	Budget spread evenly across 12 months, but actuals vary seasonally
Capital Expenditures/Loan Repayment	-	63,147	39,031	24,116	61.79%	Budget is spread evenly across 12 months. Loan pmts are October & April
Total Expenditures	2,231	104,109	93,542	10,567	11.30%	
Excess (Deficit)	(1,645)	(101,185)	210	(101,395)		
*Street Lights						
Total Revenues	9,983	50,029	49,765	264	0.53%	
Salaries & Benefits	3,049	17,393	21,000	(3,607)	-17.17%	Budget spread evenly across 12 months; actuals vary by maintenance schedule
Other Expenditures	3,135	16,413	16,365	48	0.29%	
Capital Expenditures/Loan Repayment	-	-	19,583	(19,583)	-100.00%	Budget spread evenly across 12 months, but actuals vary by project
Total Expenditures	6,184	33,806	56,948	(23,142)	-40.64%	
Excess (Deficit)	3,799	16,223	(7,183)	(23,406)		
Governmental Funds Excess (Deficit)	(42,419)	(397,226)	(4,581)	(392,645)		

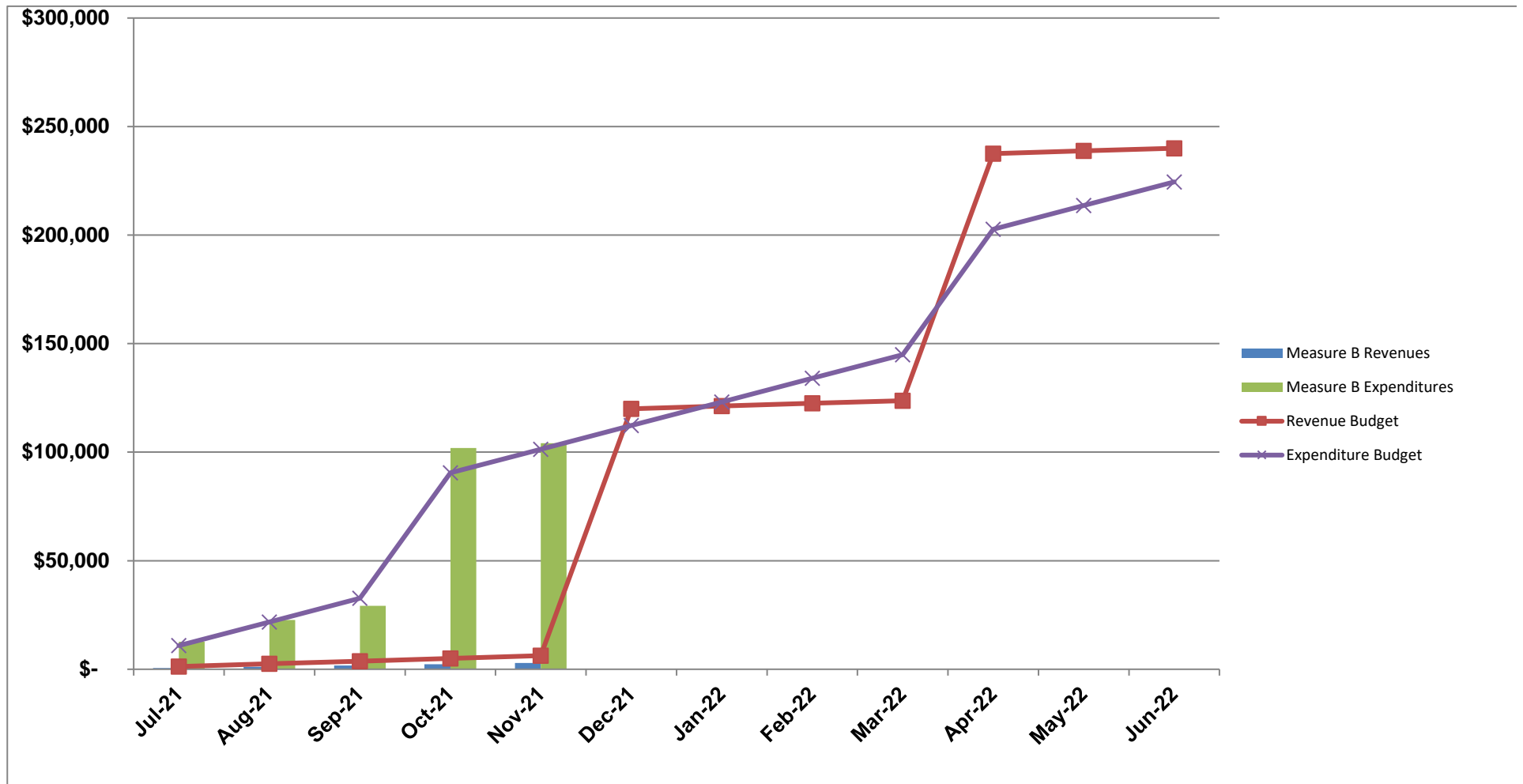
McKinleyville Community Services District Nov 2021 DRAFT

Comparison of Parks & Recreation Total Revenues & Expenditures to Budget



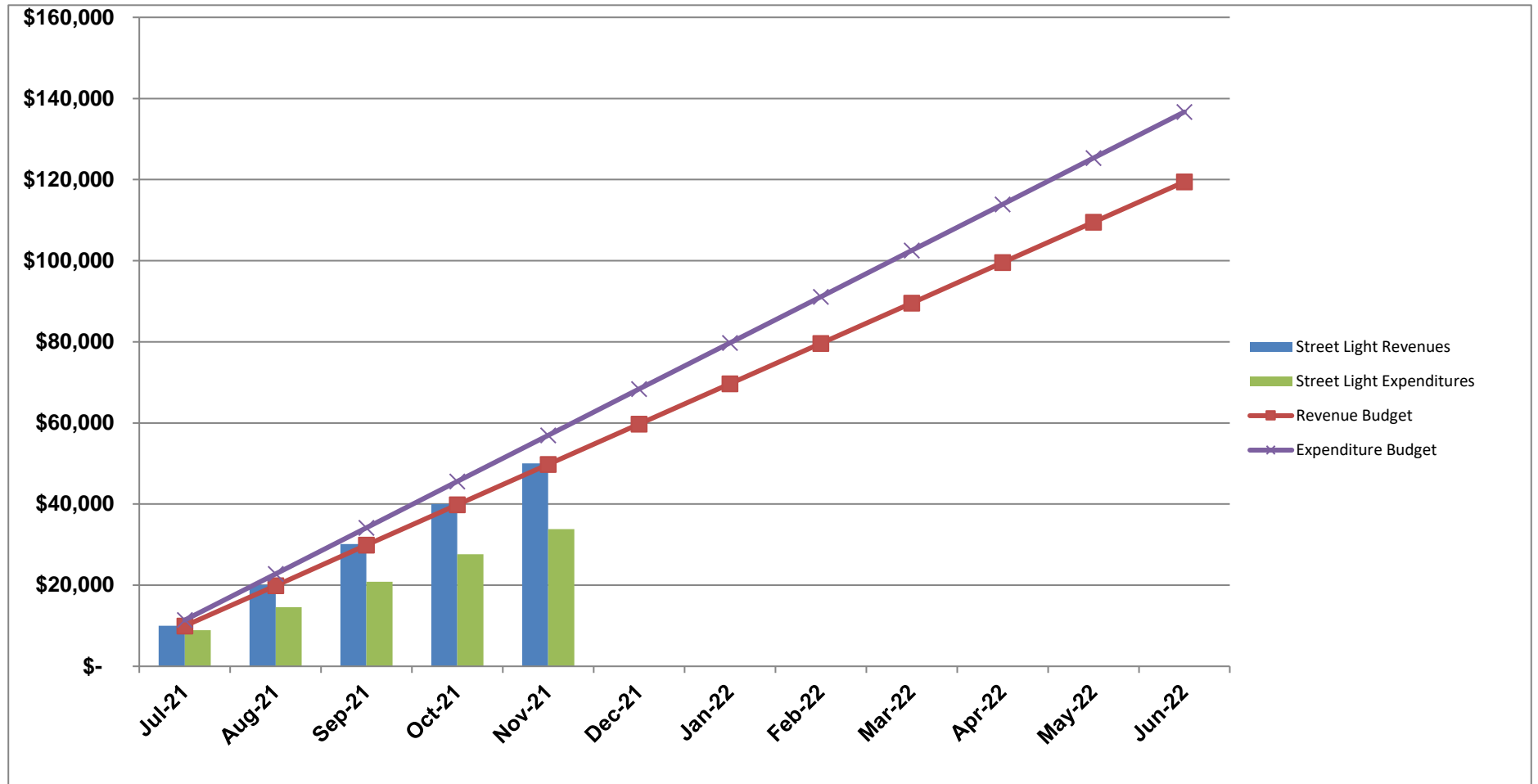
McKinleyville Community Services District Nov 2021 DRAFT

Comparison of Measure B Fund Total Revenues & Expenditures to Budget



McKinleyville Community Services District Nov 2021 DRAFT

Comparison of Street Light Fund Total Revenues & Expenditures to Budget



**McKinleyville Community Services District
Capital Expenditure Report
as of November 30, 2021 - DRAFT**

	November	YTD Total	FY 21-22 Budget	Remaining		Notes
				Budget \$	Budget %	
Water Department						
Ramey Pump Upgrades	-	-	-	-	#DIV/0!	
Water Tank Painting	-	-	500,000	500,000	100%	Water Tank Painting & Cathodic
4.5m New Water Tank	56	9,661	4,132,000	4,122,340	100%	Drilling, LACO Assoc.
Production Meter Replacements	-	-	8,000	8,000	100%	Production Meter Replacement
McCluski Tank3 Replace Roof Vents	-	-	6,000	6,000	100%	McCluski Tank3 Replace Roof Vents
Emergency Generator-Cochran	-	-	50,000	50,000	100%	CochranEmergency Generator
Fire Hydrant System Upgrade	-	-	7,000	7,000	100%	Fire Hydrant System Upgrade
Blake Station Upgrades	-	6,619	8,000	1,381	17%	Blake Station Upgrades
Digital Control & Radio Telemetry Upgrade	-	-	10,000	10,000	100%	Radio Telemetry upgrade
Water Main Rehab & Replacement	691	10,040	1,000,000	989,960	99%	Water Main Rehab
Property Purchase- Tank Site	-	-	-	-	#DIV/0!	Property Purch/Imprv.Tank Site
Subtotal	747	26,319	5,721,000	5,694,681	100%	
Wastewater Department						
Sewer Main Rehab & Replacement	670	6,869	1,000,000	993,131	99%	Sewer Main Rehab
WWMF Sludge Disposal - next	-	434	240,000	239,566	100%	Sludge handling/disposal
WWMF Recirculation Valve Replacement	-	-	15,000	15,000	100%	Recirculation Valve replacem
WWMF Pond Armoring	-	-	51,000	51,000	100%	WWMF Pond Armoring
WWMF Secondary Effluent Motor	-	-	6,000	6,000	100%	WWMF Secondary Effluent Motor
Collection Upgrades-UndercrossingsProj	-	10,807	1,149,000	1,138,193	99%	Collection System upgrades
Fischer Lift Station Generator	-	-	40,000	40,000	100%	Fischer Lift Stn Generator
Solar Project - CWSRF Grant/Loan	1,102,222	1,327,474	3,500,000	2,172,526	62%	WWMF Solar Project
WWMF - CEQA/ NPDES Permit	-	-	55,000	55,000	100%	NPDES Permit Project
Underground pipe locator & camera	-	-	5,000	5,000	100%	Underground pipe locator & camer
WWMF Lab Cabinets	-	-	10,000	10,000	100%	WWMF Lab Cabinets
Subtotal	1,102,891	1,345,583	6,071,000	4,725,417	78%	
Water & Wastewater Operations						
Heavy Equipment	-	38,734	150,000	111,266	74%	backhoe, aircompressor
Utility Vehicles	-	43,184	42,000	(1,184)	-3%	CCTV truck, 3/4 or 1-ton Pickup
Office, Corporate Yard & Shops	-	-	75,000	75,000	100%	Facilities upgrade/sealcoat
Computers & Software	-	5,019	19,000	13,981	74%	Server, PCs, GIS/SEMS/CADD
Fischer Ranch - Reclamation Site Upgrade (tree far	16,144	34,820	100,000	65,180	65%	Match to 3rd party grant funding
Fischer Ranch - Barn & Fence upgrades, Irrig	-	249	80,000	79,751	100%	Barn/ house/ fence, Irrig. pipe, Unc
Property behind main office - purchase	-	-	400,000	400,000	100%	Purch property behind main offc
Small Equipment & Other	-	-	40,000	40,000	100%	Misc,response, & GPS surveying
Subtotal	16,144	122,006	906,000	783,994	87%	
Enterprise Funds Total	1,119,782	1,493,908	12,698,000	11,204,092	88%	
Parks & Recreation Department						
Pierson Park - Landscaping & signage	-	-	8,000	8,000	100%	Pierson Pk-Landscape & signage
Azalea Hall Projects	-	-	6,000	6,000	100%	Major appliance replacem
McKinleyville Activity Center Upgrades	-	-	85,000	85,000	100%	Flooring replacement
Law Enforcement Facility Improvements	-	-	10,000	10,000	100%	LEF flooring/Library Carpet
Projects Funded by Quimby/Grants/ Other	-	-	505,000	505,000	100%	CommForest,SkatePk,LandAcq
Other Parks Projects & Equipment	-	-	8,000	8,000	100%	Utility truck from Ops?
Subtotal	-	-	622,000	622,000	100%	
Streetlights						
LED Repairs	-	-	7,000	7,000	100%	
Pole Inspection	-	-	40,000	40,000	100%	Pole Inspection/Replacement
Subtotal	-	-	47,000	47,000	100%	
Governmental Funds Total	-	-	669,000	669,000	100%	
All Funds Total	1,119,782	1,493,908	13,367,000	11,873,092	89%	

**McKinleyville Community Services District
Summary of Long-Term Debt Report
as of November 30, 2021 - DRAFT**

**Principal Maturities and
Scheduled Interest**

	%	Maturity Date		Balance- Oct 31, 2021	Balance- Nov 30, 2021	FY-22	Thereafter
Water Fund:							
I-Bank		8/1/30	P	527,704.77	527,704.77	-	527,704.79
Interest	3.37%		I			8,891.83	83,950.11
State of CA Energy Commission (ARRA)		12/22/26	P	66,467.41	66,467.41	11,815.54	54,651.66
Interest	1.0%		I			635.30	1,376.83
State of CA (Davis Grunsky)		1/1/33	P	1,274,456.41	1,274,456.41	92,381.69	1,182,074.72
State of CA (Davis Grunsky) Deferred Interest		1/1/33	P	204,416.09	204,416.09	17,035.12	187,380.97
Interest	2.5%		I			31,861.41	184,599.31
Total Water Fund-Principal				2,073,044.68	2,073,044.68	121,232.35	1,951,812.14
Total Water Fund-Interest						41,388.54	269,926.25
Total Water Fund				2,073,044.68	2,073,044.68	162,620.89	2,221,738.39
Wastewater Fund:							
WWMF SRF Loan		7/31/47	P	14,012,514.71	14,012,514.71	-	14,473,509.30
Interest	1.6%		I			-	3,226,319.37
Chase Bank (Pialorsi Property)		3/8/35	P	1,380,100.00	1,380,100.00	45,100.00	1,335,000.00
Interest	2.9%		I	-	-	13,106.28	177,948.30
USDA (Sewer Bond)		8/1/22	P	65,000.00	65,000.00	-	65,000.00
Interest	5.0%		I			1,625.00	1,625.00
Total Wastewater Fund-Principal				15,457,614.71	15,457,614.71	45,100.00	15,873,509.30
Total Wastewater Fund-Interest						14,731.28	3,405,892.67
Total Sewer Fund				15,457,614.71	15,457,614.71	59,831.28	19,279,401.97
Meas. B Fund: Teen/Comm Center Loan		11/1/29	P	872,053.00	872,053.00	48,514.00	832,319.00
	3.55%		I			15,634.79	123,030.36
Total Principal				18,402,712.39	18,402,712.39	214,846.35	18,657,640.44
Total Interest						71,754.61	3,798,849.28
Total				18,402,712.39	18,402,712.39	286,600.96	22,456,489.72

Non-debt Long Term Liabilities, District-wide

OPEB Liability	10,010,084.99
CalPERS Pension Liability	2,299,309.00

McKinleyville Community Services District
 Summary of Grants
 as of November 30, 2021 - DRAFT

District Grants	Total Grant Amount	Required District Match	Estimated District Asset Value
CalOES Hazard Mitigation Grant - 4.5 mg Tank	\$ 5,418,735	\$ 1,806,245	\$ 4,675,000
CalOES Hazard Mitigation Grant - Sewer Undercrossings	\$ 2,538,300	\$ 846,100	\$ 2,137,000
SWRCB Energy Efficiency Grant/Loan	\$ 2,500,000	\$2,500,000 Loan	\$ 4,100,000
CA State Dept of Parks & Rec - Habitat Conservation Fund	\$ 56,600	\$ -	\$ 56,600

Non-District Grants	Total Grant Amount	Required District Match	Estimated District Asset Value
CalTrout US Fish & Wildlife - Mad River Restoration	\$ 20,000	\$ -	\$ 20,000
CalTrout NOAA - Mad River Restoration	\$ 490,167	\$ 48,000	\$ 300,000

**McKinleyville Community Services District
Cash Disbursement Report
For the Period November 1 through November 30, 2021**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
Accounts Payable Disbursements						
39045	11/1/2021	*0030	AZALEA HALL DEPOSIT REFUND BA	100.00	C11102	AZALEA HALL DEPOSIT REFUND BA
39046	11/1/2021	*0031	AZALEA HALL DEPOSIT REFUND JG	100.00	C11102	AZALEA HALL DEPOSIT REFUND JG
39047	11/1/2021	*0032	AZALEA HALL DEPOSIT REFUND TH	100.00	C11102	AZALEA HALL DEPOSIT REFUND TH
39048	11/1/2021	*0033	NEW WATER SERVICE REFUND CC	2,332.00	C11103	NEW WATER SERVICE REFUND CC
39049	11/1/2021	ACC04	ACCURATE DRUG TESTING SERVICE	120.00	3416	DRUG TESTING N. ALVARADO
39050	11/1/2021	AWW02	AMERICAN WATER WORKS ASSOC.	2,271.00	1959395	SUBSCRIPTIONS
39051	11/1/2021	BAD01	BADGER METER, Inc.	358.32	80084777	BEACON MBL HOSTING
39052	11/1/2021	CAR03	CARPET WIZARD SERVICES	225.00	18679	PROFESSIONAL SERVICES
39053	11/1/2021	COA01	COASTAL BUSINESS SYSTEMS	1,235.53	30286499	MONTHLY COPIER PAYMENT
39054	11/1/2021	COA02	COASTAL BUSINESS SYSTEMS	963.13	AR97160	DOCSTAR ANNUAL AGREEMENT
39055	11/1/2021	COR01	CORBIN WILLITS SYSTEMS, INC	963.05	C110151b	MOM MONTHLY MAINTENANCE
39056	11/1/2021	HUM01	HUMBOLDT BAY MUNICIPAL WATER DISTRICT	105,135.84	C11103	WTR PURCHASED
39057	11/1/2021	HUM22	HUMBOLDT COUNTY SHERIFF	125.00	C11103	ALARM PERMIT FEES (AH, MAC)
39058	11/1/2021	IND02	INDUSTRIAL ELECTRIC SERVICE	183.25	IN41638	REPAIRS/SUPPLY (AH, MAC)
39059	11/1/2021	ISE01	I-SECURE INC.	164.00	108157	OFFICE SUPPLIES (SHREDDIN
39060	11/1/2021	MAY02	DENNIS MAYO	125.00	C11103	BOARD OF DIRECTORS MEETING

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
39061	11/1/2021	PGE06	PG&E-STREETLIGHTS	17.24	C11103	PG&E STREETLIGHTS
39062	11/1/2021	PGE08	PG&E-STREETLIGHTS	16.52	C11103	STREETLIGHTS
39063	11/1/2021	PGE09	PG&E-STREETLIGHTS	83.55	C11103	STREETLIGHTS-ACCT 7040
39064	11/1/2021	PGE11	PG&E-STREETLIGHTS	24.28	C11103	GAS & ELECTRIC ACCT 6945
39065	11/1/2021	PGE12	PG&E-STREETLIGHTS	86.76	C11103	GAS & ELECTRIC
39066	11/1/2021	PIT01	PITNEY BOWES	52.19	C11103	OFFICE SUPPLIES
39067	11/1/2021	SPE01	SPECIAL DISTRICT LEADERSHIP CONFERENCE	65.00	C11103	SCOTT BINDER CERT.
39068	11/1/2021	STR01	STREAMLINE	300.00	12	WEBSITE MONTHLY FEE
39069	11/1/2021	TPX01	TPx COMMUNICATIONS	1,726.63	C11103	INTERNET SERVICES
39070	11/1/2021	USB01	U.S. BANK TRUST N.A.	-	C11103u	Ck# 039070 Reversed
39071	11/1/2021	VER01	VERIZON WIRELESS	69.54	C11103	CELL PHONES/TABLET
39072	11/1/2021	\B008	MQ CUSTOMER REFUND FOR BA	58.28	000C11101	MQ CUSTOMER REFUND FOR BA
39073	11/1/2021	\E001	MQ CUSTOMER REFUND FOR ER	180.98	000C11101	MQ CUSTOMER REFUND FOR ER
39074	11/1/2021	\G007	MQ CUSTOMER REFUND FOR GO	38.05	000C11101	MQ CUSTOMER REFUND FOR GO
39075	11/1/2021	\J004	MQ CUSTOMER REFUND FOR JE	59.24	000C11101	MQ CUSTOMER REFUND FOR JE
39076	11/1/2021	\Z004	MQ CUSTOMER REFUND FOR ZI	13.30	000C11101	MQ CUSTOMER REFUND FOR ZI
39077	11/5/2021	HAR13	The Hartford - Priority A	443.70	C11104	GRP. LIFE INSURANCE
39078	11/5/2021	UMP01	UMPQUA BANK	942.79	1121CT	OFFICE SUPPLIES
				92.64	1121DS	OFFICE SUPPLIES
				754.39	1121JH	PROFESSIONAL SERVICES/SUP
				2,169.04	1121BOARD	TRAVEL/SUBSCRIPTIONS/EMPL
				101.20	1121PARKS	EMPLOYEE FUND/ACTIVITY SUP

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
				0.94	1121ROUND	ROUND UP
			Check Total:	<u>4,061.00</u>		
39079	11/15/2021	ACW01	CB&T/ACWA-JPIA	10,707.84	676712	GRP. HEALTH INS
39080	11/15/2021	AIR01	AIRGAS USA, LLC.	329.60	785962	SAFETY SUPPLIES
39081	11/15/2021	BAS01	BASIC LABORATORY INC.	198.50	2110276	LAB TESTS TREATMENT
39082	11/15/2021	BTM01	BT METAL SALES & FABRICAT	25.46	39047	REPAIRS/SUPPLY SEWER PUMP
39083	11/15/2021	CWE02	CALIFORNIA WATER ENVIRONMENT ASSOC	192.00	29129	MEMBERSHIP RENEWAL - JH
39084	11/15/2021	E&M01	E & M ELECTRIC	6,755.00	386894	SUBSCRIPTIONS (WONDERWARE)
39085	11/15/2021	FED01	FedEx Office	67.74	6054	LAB TESTS TREATMENT
39086	11/15/2021	FED02	FEDAK & BROWN LLP	13,417.00	C11112	ACCT. / AUDIT
39087	11/15/2021	GAN01	GAN CONFERENCING	131.62	49738	PROFESSIONAL SERVICES
39088	11/15/2021	GHD01	GHD	8,592.50	4249	WATER RECYCLING PROGRAM
				2,947.88	3989	WATER & SEWER MAINLINE REPL
				27,487.09	4012	MICROGRID PROJ
			Check Total:	<u>39,027.47</u>		
39089	11/15/2021	GRA02	GRAINGER	69.82	301764	REPAIRS/SUPPLY
39090	11/15/2021	HUM08	HUMBOLDT SANITATION	598.70	1AX02198	TRASH SERVICE
				568.70	1AX02199	TRASH SERVICE
				568.70	1AX02300	TRASH SERVICE
				283.75	1ZX02200	TRASH SERVICE
			Check Total:	<u>2,019.85</u>		
39091	11/15/2021	INF02	INFOSEND	3,052.49	201162	OFFICE SUPPLIES/POSTAGE
39092	11/15/2021	INF03	INFINITE CONSULTING SERVICE	4,030.00	9398	SUBSCRIPTIONS
39093	11/15/2021	JOH04	WASTEWATER EXAM REIMB JJ	155.00	C11115	WASTEWATER EXAM REIMB JJ

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
39094	11/15/2021	KEN03	KEN'S AUTO PARTS	477.90	C11115	VEHICLE REPAIRS
39095	11/15/2021	LES01	LES SCHWAB TIRE CENTER	975.05	C11115	VEHICLE REPAIRS
39096	11/15/2021	MAY03	DENNIS MAYO	152.50	C11116	TRAVEL ADVANCE ACWA FALL
39097	11/15/2021	MCK04	MCK ACE HARDWARE	459.66	C11115	REPAIRS/SUPPLY
39098	11/15/2021	MEN01	MENDES SUPPLY CO.	294.36	C11115	REPAIRS/SUPPLY
39099	11/15/2021	MIL01	Miller Farms Nursery	968.13	C11115	REPAIRS/SUPPLY
39100	11/15/2021	MIT01	MITCHELL LAW FIRM	3,866.50	48888	LEGAL SERVICES
				280.00	48889	LEGAL SERVICES
			Check Total:	<u>4,146.50</u>		
39101	11/15/2021	NAP02	NAPA AUTO PARTS	15.18	C11115	GAS/OIL/LUBE
39102	11/15/2021	NOR01	NORTH COAST LABORATORIES	3,954.00	C11116	LAB TESTS
39103	11/15/2021	O&M01	O & M INDUSTRIES	732.38	20557	PROFESSIONAL SERVICES
39104	11/15/2021	ORE01	O'REILLY AUTOMOTIVE, INC.	60.90	C11115	REPAIRS/SUPPLY
39105	11/15/2021	PGE05	PG&E STREETLIGHTS	375.56	C11116	STREETLIGHTS
39106	11/15/2021	PGE07	PG&E STREETLIGHTS	1,067.25	C11116	STREETLIGHTS- ACCT 0908
39107	11/15/2021	POI01	POINTS WEST SURVEYING CO.	3,017.50	12348	4.5 MG TANK PROJECT
39108	11/15/2021	PRO01	PROFESSIONAL CREDIT SERVICE	84.04	21182	REC. BAD DEBTS
39109	11/15/2021	SLO01	FLEX SPENDING REIMB DS	61.92	C11116	FLEX SPENDING REIMB DS
39110	11/15/2021	THO02	Thomas Home Center	501.22	C11116	REPAIRS/SUPPLY
39111	11/15/2021	VAL01	VALLEY PACIFIC PETROLEUM	962.04	C11116	GAS/OIL/LUBE
39112	11/15/2021	VAL02	VALLEY PACIFIC	3,105.11	C11116	GAS/OIL/LUBE

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
39113	11/15/2021	WIL09	WILLDAN FINANCIAL SERVICE	3,217.10	010-49415	MEASURE B
39114	11/17/2021	*0034	AH DEPOSIT REFUND LL	100.00	C11117	AH DEPOSIT REFUND LL
39115	11/17/2021	70701	707 PEST SOLUTIONS	195.00	C11117	PROFESSIONAL SERVICES
39116	11/17/2021	AME02	AMERESCO	1,089,777.84	6	MICROGRID PROJECT
39117	11/17/2021	ATT01	AT&T	834.02	C11118	TELEPHONE/INTERNET
39118	11/17/2021	ATT04	AT&T	921.55	C11118	SWITCHED ETHERNET SERVICE
39119	11/17/2021	ATT06	AT&T	274.31	C11118	AH TELEPHONE
39120	11/17/2021	BAL01	FLEX SPENDING REIMB DB	164.34	C11118	FLEX SPENDING REIMB DB
39121	11/17/2021	BAS01	PACE ANALYTICAL SERVICES	536.00	211113828	LAB TESTING
39122	11/17/2021	CAM01	CAMPTON ELECTRIC SUPPLY	215.14	10146666	REPAIRS/SUPPLY
39123	11/17/2021	CUM01	CUMMINS PACIFIC, LLC.	247.13	Y7-2383	GAS/OIL/LUBE
39124	11/17/2021	DEP05	DEPARTMENT OF JUSTICE	64.00	543005	FINGERPRINTING
39125	11/17/2021	FED01	FedEx Office	363.07	26958	LAB TESTS TREATMENT
39126	11/17/2021	GRA02	GRAINGER	113.79	73869	SAFETY TRAINING/SUPPLIES
				65.76	824701	REPAIRS/SUPPLY
			Check Total:	<u>179.55</u>		
39127	11/17/2021	HUM03	HUMBOLDT COUNTY	820.00	5080311	FIRE DISTR. ASSESSMT PIALORSI RANCH
				820.00	50808134	FIRE DISTR. ASSESSMT PIALORSI RANCH
				840.00	50809137	FIRE DISTR. ASSESSMT PIALORSI RANCH
				810.00	50834117	FIRE DISTR. ASSESSMT PIALORSI RANCH
			Check Total:	<u>3,290.00</u>		
39128	11/17/2021	IND02	INDUSTRIAL ELECTRIC SERVI	19.53	41769	REPAIRS/SUPPLY
				104.82	41785	REPAIRS/SUPPLY
			Check Total:	<u>124.35</u>		

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
39129	11/17/2021	MIT02	MITEL	735.69	38065480	TELEPHONE
39130	11/17/2021	NOR13	NORTHERN CALIFORNIA SAFETY CONSORTIUM	120.00	27795	SAFTEY TRAINING SUBSCRIPT
39131	11/17/2021	NOR35	NORTHERN HUMBOLDT EMPLOYMENT SVCS	602.13	ES22-045	OPEN SPACE MAINTENANCE
				400.71	ES22-046	OPEN SPACE MAINTENANCE
			Check Total:	<u>1,002.84</u>		
39132	11/17/2021	PGE01	PG & E (Office & Field)	21,872.37	C11118	GAS & ELECTRIC
39133	11/17/2021	SDR01	SDRMA	1,939.62	71228	GEN. LIAB INSURANCE
39134	11/17/2021	SEC03	SECURITY LOCK & ALARM	25.00	2545	PROFESSIONAL SERVICES
				150.23	2733	PROFESSIONAL SERVICES - A
				81.94	2761	PROFESSIONAL SERVICES
			Check Total:	<u>257.17</u>		
39135	11/17/2021	SEQ01	Sequoia Gas Co.	21.08	I002976	FUEL FOR HILLER SS
39136	11/17/2021	SMA04	SMARTCOVER SYSTEMS, INC.	8,304.00	5130	SUBSCRIPTIONS
39137	11/17/2021	SOU03	FLEX SPENDING REIMB AS	42.21	C11118	FLEX SPENDING REIMB AS
39138	11/17/2021	STA11	STAPLES CREDIT PLAN	374.14	C11118	OFFICE SUPPLIES
39139	11/17/2021	SUD01	SUDDENLINK	136.37	C11118	INTERNET SERVICES
39140	11/17/2021	THR01	THRIFTY SUPPLY COMPANY	6,359.02	10021501	REPAIRS/SUPPLY
				672.93	100011201	REPAIRS/SUPPLY
			Check Total:	<u>7,031.95</u>		
D00065	11/2/2021	BIN01	BINDER, SCOTT	125.00	C11102	BOARD OF DIRECTORS MEETING
D00065		COU09	COUCH, DAVID	125.00	C11102	BOARD OF DIRECTORS MEETING
D00065		ORS01	ORSINI, GREGORY	125.00	C11102	BOARD OF DIRECTORS MEETING
D00065		PET01	CLARK-PETERSON, JOELLEN	125.00	C11102	BOARD OF DIRECTORS MEETING
			Check Total:	<u>500.00</u>		
				<u>1,366,228.81</u>		
			Total Disbursements, Accounts Payable:	<u>1,366,228.81</u>		

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
Payroll Related Disbursements						
17844-17857	11/8/2021		Various Employees	9,449.44		Payroll Checks
17858	11/8/2021	CAL12	CalPERS 457 Plan	7,975.26	C11108	RETIREMENT
				700.62	1C11108	PERS 457 LOAN PMT
			Check Total:	<u>8,675.88</u>		
17859	11/8/2021	DIR01	DIRECT DEPOSIT VENDOR- US	36,004.24	C11108	Direct Deposit
17860	11/8/2021	EMP01	Employment Development	1,533.49	C11108	STATE INCOME TAX
				799.94	1C11108	SDI
			Check Total:	<u>2,333.43</u>		
17861	11/8/2021	HEA01	HEALTHEQUITY, ATTN: CLINT	175.00	C11108	HSA
17862	11/8/2021	HUM29	UMPQUA BANK--PAYROLL DEP.	5,386.70	C11108	FEDERAL INCOME TAX
				8,269.34	1C11108	FICA
				1,933.88	2C11108	MEDICARE
			Check Total:	<u>15,589.92</u>		
17863	11/8/2021	ACW01	CB&T/ACWA-JPIA	58,979.12	C11031	MED-DENTAL-EAP INSUR
17864	11/8/2021	PUB01	Public Employees PERS	20,170.76	C11031	PERS PAYROLL REMITTANCE
17865-17878	11/23/2021		Various Employees	8,763.31		Payroll Checks
17879	11/23/2021	CAL12	CalPERS 457 Plan	7,855.08	C11123	RETIREMENT
				700.62	1C11123	PERS 457 LOAN PMT
			Check Total:	<u>8,555.70</u>		
17880	11/23/2021	DIR01	DIRECT DEPOSIT VENDOR- US	39,229.63	C11123	Direct Deposit
17881	11/23/2021	EMP01	Employment Development	1,740.14	C11123	STATE INCOME TAX
				803.02	1C11123	SDI
			Check Total:	<u>2,543.16</u>		
17882	11/23/2021	HEA01	HEALTHEQUITY, ATTN: CLINT	175.00	C11123	HSA

Check Number	Check Date	Vendor Number	Vendor Name	Net Amount	Invoice #	Description
17883	11/23/2021	HUM29	UMPQUA BANK--PAYROLL DEP.	5,727.30	C11123	FEDERAL INCOME TAX
				8,733.16	1C11123	FICA
				2,042.44	2C11123	MEDICARE
			Check Total:	<u>16,502.90</u>		
			Total Disbursements, Payroll:	<u><u>227,147.49</u></u>		
			Total Check Disbursements:	1,593,376.30		

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATIONAL**

ITEM: D.3 **Final Review of LAFCo 2021 Municipal Services Review**

PRESENTED BY: **Patrick Kaspari, General Manager**

TYPE OF ACTION: **None**

Recommendation:

The Staff recommends the Board review the information provided for the updated November 2021, LAFCo Administrative Draft, McKinleyville Community Services District, Municipal Services Review and Sphere of Influence Update as presented.

Discussion:

Local Agency Formation Commissions (LAFCos) are independent regulatory commissions that were established by the State legislature in 1963 to encourage the orderly growth and development of local governmental agencies including special districts. Humboldt LAFCo is a seven-member commission comprised of two members of the Humboldt County Board of Supervisors, two City Council members, two Special District representatives, and one Public Member-At-Large. Some of LAFCo's duties include regulating jurisdictional boundary changes, the extension of municipal services, and preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs.

The purpose of a MSR in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. While LAFCos have no direct regulatory authority over cities and special districts, MSR's provide information concerning the governance structures and efficiencies of service providers – and may also serve as the basis for subsequent LAFCo decisions.

In September, the Board provided feedback on the initial Draft MSR update, which was relayed by Staff to LAFCo. LAFCo Staff then brought the initial draft MSR to the LAFCO regular meeting in September for their Board to review. The LAFCO Board provided additional comments, and the public hearing regarding this MSR was continued to the November 17, 2021 LAFCo

regular meeting. LAFCO Staff incorporated edits from MCSD and the LAFCO Board, and the MCSD Board approved the MSR at our November 3, 2021 Regular Meeting. The LAFCO Board approved the MSR at their November 17, 2021 Regular Board meeting. Attached is the adopted MSR with edits highlighted.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take action

Fiscal Analysis:

No impact

Environmental Requirements:

None

Exhibits/Attachments

- Attachment 1 – Revised Draft October 2021, LAFCo Administrative Draft, MCSD, Municipal Services Review and Sphere of Influence Update

McKinleyville Community Services District Municipal Services Review and Sphere of Influence Update



-REVISED DRAFT-

October 2021



www.humboldtlaoco.org

HUMBOLDT LOCAL AGENCY FORMATION COMMISSION

Commissioners:

Virginia Bass, District 4 Supervisor
Mike Wilson, District 3 Supervisor
Stephen Avis, City of Ferndale
Mike Losey, City of Fortuna
Troy Nicolini, Peninsula Community Services District
Debra Lake, Fruitland Ridge Fire Protection District
Ali Lee, Public Member

Alternate Members:

Michelle Bushnell, District 2 Supervisor
Gordon Johnson, City of Rio Dell
David Couch, McKinleyville Community Services District
Skip Jorgensen, Public Member

Staff:

Colette Metz, AICP, Executive Officer
Krystle Heaney, AICP, LAFCo Analyst/Clerk
Jason Barnes, GIS Analyst
Ryan Plotz, Legal Council

Acknowledgements:

LAFCo would like to thank McKinleyville CSD General Manager Patrick Kaspari and Board Secretary April Sousa for their assistance during the preparation of this MSR and SOI update.

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1.0 MSR/SOI BACKGROUND

1.1 Role and Responsibility of LAFCo

Local Agency Formation Commissions (LAFCOs) are independent regulatory commissions that were established by the State legislature in 1963 to encourage the orderly growth and development of local governmental agencies including cities and special districts. Today, there is a LAFCo in each of California's 58 counties. Humboldt LAFCo is a seven-member commission comprised of two members of the Humboldt County Board of Supervisors, two City Council members, two Special District representatives, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act") (California Government Code Section 56000 et seq.) for purposes of facilitating changes in local governmental structure and boundaries that fosters orderly growth and development, promotes the efficient delivery of services, and encourages the preservation of open space and agricultural lands. Some of LAFCo's duties include regulating jurisdictional boundary changes and the extension of municipal services. This includes city and special district annexations, incorporations/formations, consolidations, and other changes of organization. LAFCo seeks to be proactive in raising awareness and building partnerships to accomplish this through its special studies, programs, and actions.

The CKH Act outlines requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances" (§56301). CKH Act Section 56301 further establishes that "one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities." SOIs therefore guide both the near-term and long-term physical and economic growth and development of local agencies, and MSRs provide the relevant data to inform LAFCo's SOI determinations.

1.2 Purpose of Municipal Service Reviews

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The

purpose of a MSR in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. While LAFCo has no direct regulatory authority over cities and special districts, MSR's provide information concerning the governance structures and efficiencies of service providers – and may also serve as the basis for subsequent LAFCo decisions. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study's determinations must be made in the following areas:

- (1) Growth and population projections for the affected area
- (2) Location and characteristics of any disadvantaged unincorporated communities within or continuous to the sphere of influence
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
- (4) Financial ability of the agency 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.

This MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

1.3 Purpose of Spheres of Influence

In 1972, LAFCos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, “‘sphere of influence’ means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (§56076). All boundary changes, such as annexations, must be consistent with an agency's sphere of influence with limited exceptions.

Pursuant to Humboldt LAFCo policy, a MSR is conducted prior to or in conjunction with its mandate to review and update each local agency's sphere of influence every five years or as necessary. The municipal service review process is intended to inform the Commission as to the availability, capacity, and efficiency of local governmental services prior to making sphere of influence determinations.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

- (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 an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Service reviews may also contain recommendations for sphere of influence or government structure changes needed to implement positive service changes. Where more detailed analysis of service options is necessary, service reviews may contain recommendations for special studies where there is the potential to reduce service gaps and improve service levels.

1.4 Disadvantaged Unincorporated Communities

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination number 5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

Humboldt LAFCo has adopted DUC policy, which identifies 31 inhabited unincorporated “legacy” communities for purposes of implementing SB 244. These legacy communities were defined as part of the Humboldt County 2014 Housing Element for areas not located within the sphere of influence of a city. Therefore, additional review is needed to determine “disadvantaged unincorporated communities” within and adjacent to city spheres of influence.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit selective annexations by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

2.0 MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

2.1 Agency Overview

The McKinleyville Community Services District (MCSD) extends north from the Mad River to Patrick Creek and east from the Pacific Ocean to the foothills bordering the community of Fieldbrook. The District is located along Highway 101 approximately 12 miles north of the City of Eureka and 5 miles south of the City of Trinidad. The District primarily provides water, wastewater, and parks and recreation services. Additional services include street lighting and ~~libraries~~ library facilities.

McKinleyville is located in an area that was historically inhabited by the Wiyot whose territory extended from Little River near Trinidad in the north, to Bear River Ridge in the south. The Wiyot people called this area Goudi'ni, meaning "over in the woods". They worked with the natural bounty of the bay, ocean, forests, and rivers to provide sustenance for themselves. However, an influx of white settlers eventually led to an end of the Wiyots native way of life.

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Website	https://www.mckinleyvillecsd.com/

2.2 Principal Act for Community Services Districts

The CSD principal act is the Community Services District Law (Government Code §61000, et seq.) which authorizes CSDs to provide up to 31 types of governmental services within their boundaries. Services, facilities, functions or powers enumerated in the District's principal act but not identified in the formation resolution or later activated, are considered "latent," meaning that they are authorized by the principal act under which the District is formed but are not being exercised. Latent powers and services activation require LAFCo authorization in accordance with Government Code §56824.10 et seq.

2.3 Formation and Development

McKinleyville CSD was formed on April 21, 1970, after a special election was held within the area proposed for district formation¹. The district was formed as an independent special district organized pursuant to section 61000 et seq. of the California Government Code. Although the district now provides several services, it was originally formed to provide a community water supply system only. Within three months of the District's formation, residents voted to add wastewater disposal authority to the list of activated

¹ Humboldt County Board of Supervisors Resolution No. 70-36.

powers. Later residents voted to add street lighting powers in 1972, park and recreation powers were added in 1984, and most recently, library powers were activated in 1995.

Latent Powers

In an effort to better identify the current and potential future services provided by MCSD, the District conducted a Latent Powers Study in 2020-21. The District sought input from LAFCo on several service items including library, police, reclamation, parks, and social services which was included as part of the report.

Based on the report, which primarily discussed the services listed above, several recommendations were made to the District's Board including:

- 1) Authorize General Manager to request copy of or new certification for activation of library powers vote from 1995. Subsequently move forward with "Library Powers" Ordinance to strengthen and clarify the District's powers.
- 2) Move forward with a resolution detailing the District's powers related to law enforcement with input from the County Sheriff, County Board of Supervisors, and Firth District Supervisor.
- 3) Move forward with a resolution reiterating the Parks and Recreation Powers including development and management of Community Forests.
- 4) Move forward with an ordinance delineating the District's ability to provide reclamation services under current water, wastewater, and park services.
- 5) Create a policy statement detailing the limitations of the District in the area of homelessness and how the District may provide support to other entities for this cause.
- 6) Formalize support for McKinleyville Municipal Advisory Committee (MMAC) in the form of regular meetings, an annual stipend of in kind services, providing a meeting space, providing letters of support for grant applications, and establishing an annual joint meeting between MMAC and MCSD Boards.

LAFCo currently recognizes the following active powers for MCSD: water, wastewater, parks and recreation (including open space management), street lighting, and library facilities (based on previous LAFCo approval and Humboldt County election records^{2,3}). All other powers are considered latent at this time and would require activation by LAFCo before provision of such services began. All active services will be discussed further under Section 2.8 – Municipal Services.

Homelessness

Discussion of disadvantaged unincorporated communities typically focuses on the provision of vital services to the community including water, wastewater, and fire/emergency response. However, low to mid income communities, especially those in

² Humboldt LAFCo, Resolution 95-02: Approving the Activation of Library Powers for the McKinleyville Community Services District. Adopted April 26, 1995.

³ Humboldt County Office of Elections, Elections Summary: District Elections on November 7, 1995. McKinleyville CSD Measure J passed with 78.65% Yes and 21.35% No.

more populated areas along transit corridors, also often experience a high level of homelessness.

The Humboldt Housing and Homeless Coalition takes part in the biennial Point-in-Time count which seeks to identify the number of homeless persons in the County on a single night in January. The last count identified a total of 1,470 unsheltered people within the county of which, 121 were located in McKinleyville⁴. Based on the transient nature of homeless persons and the limitations of the count based on volunteer availability and safety, the actual number of unsheltered homeless persons could be much higher. However, this does indicate that at on any given night there are over 100 persons seeking shelter, typically on public and open space lands such as parks, forested areas, shopping centers, and the like.

MCSD is aware of the need for additional support services to address homelessness in the community. While the District is unable to directly provide social services and aid to homeless persons, it can offer the use of facilities to third parties that are authorized and experienced in providing these services. MCSD has established Rule 68.03 – Services for Those Experiencing Homelessness, which outlines the limitations and abilities of the District on this issue.

2.4 Boundary and Sphere of Influence

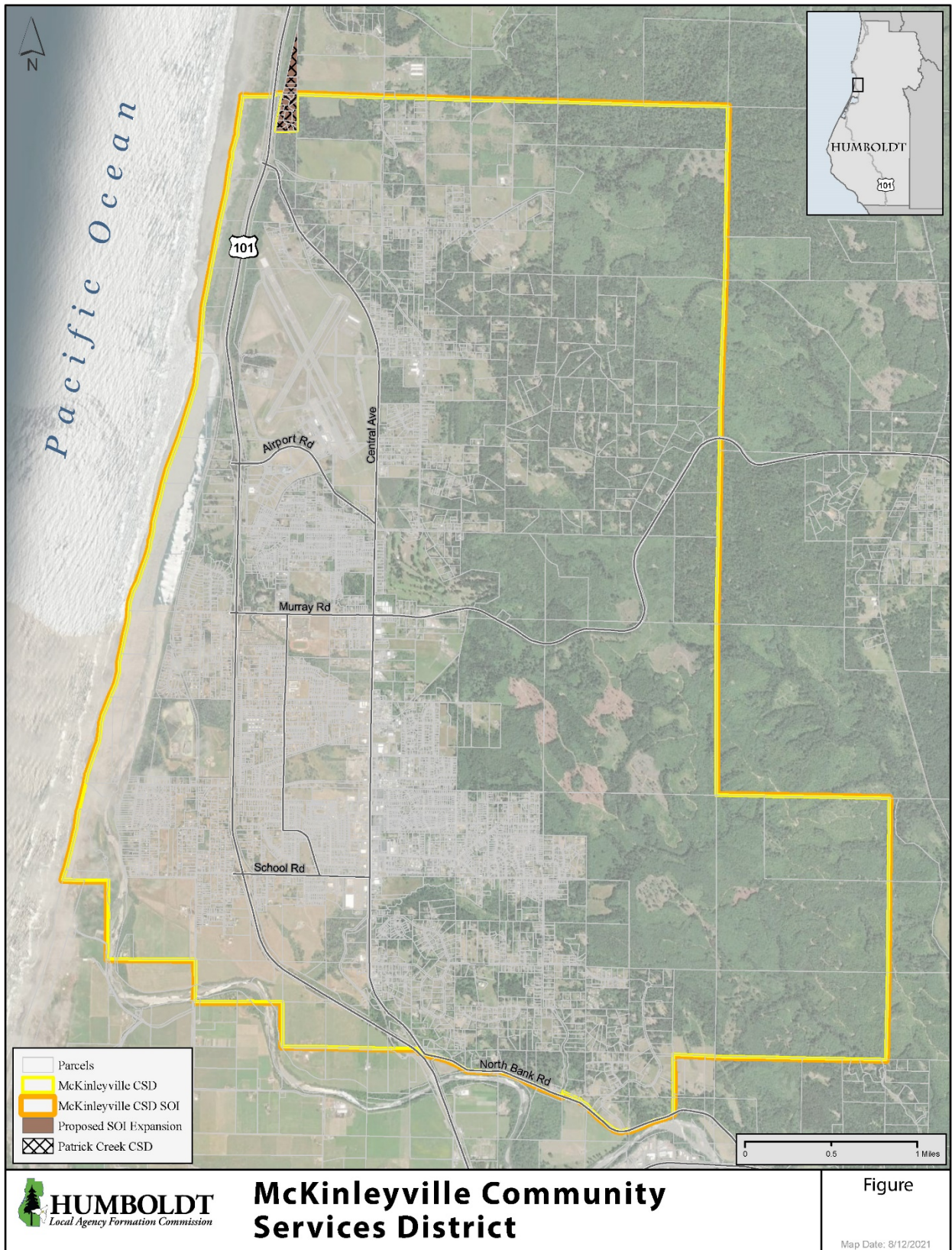
McKinleyville CSD is the largest district of its type in Humboldt County, covering roughly 12,600 acres, or approximately 19.7 square miles. When formed, the District had a land area of 19 square miles or 12,160 acres. The Azalea Park Annexation in 1973 added approximately a half square mile or 320 acres (MCSD Resolution No. 89), and the Hunt Annexation in 1986 added approximately 30 acres along Hunts Drive in southern McKinleyville (LAFCo Resolution No. 86-5).

Currently, the District's SOI is coterminous with its boundary. However, MCSD provides water directly to Patrick Creek CSD through a water services agreement established in 1973. As such, it is recommended that MCSD's SOI be expanded to include the Patrick Creek CSD area in northern McKinleyville. While consolidation of the two districts is not likely at this time since it would require activation of road maintenance powers by MCSD and the Patrick Creek CSD Board has indicated they do want to consolidate, it could be a feasible option in the future if both districts agree.

MCSD's SOI also includes large areas of timber and natural resource land that is not provided municipal services by the District. These include forested areas east of Central Avenue and beach areas along the Pacific Ocean. An exception to this includes the timber resource areas adjacent to residential areas between Murray Road and Hunts Drive, ~~that have recently been acquired by MCSD~~ [has entered into negotiations to acquire this property](#) for management as a community forest as part of their parks and recreation program. ~~Figure 1 shows the existing and recommended SOI for the District.~~

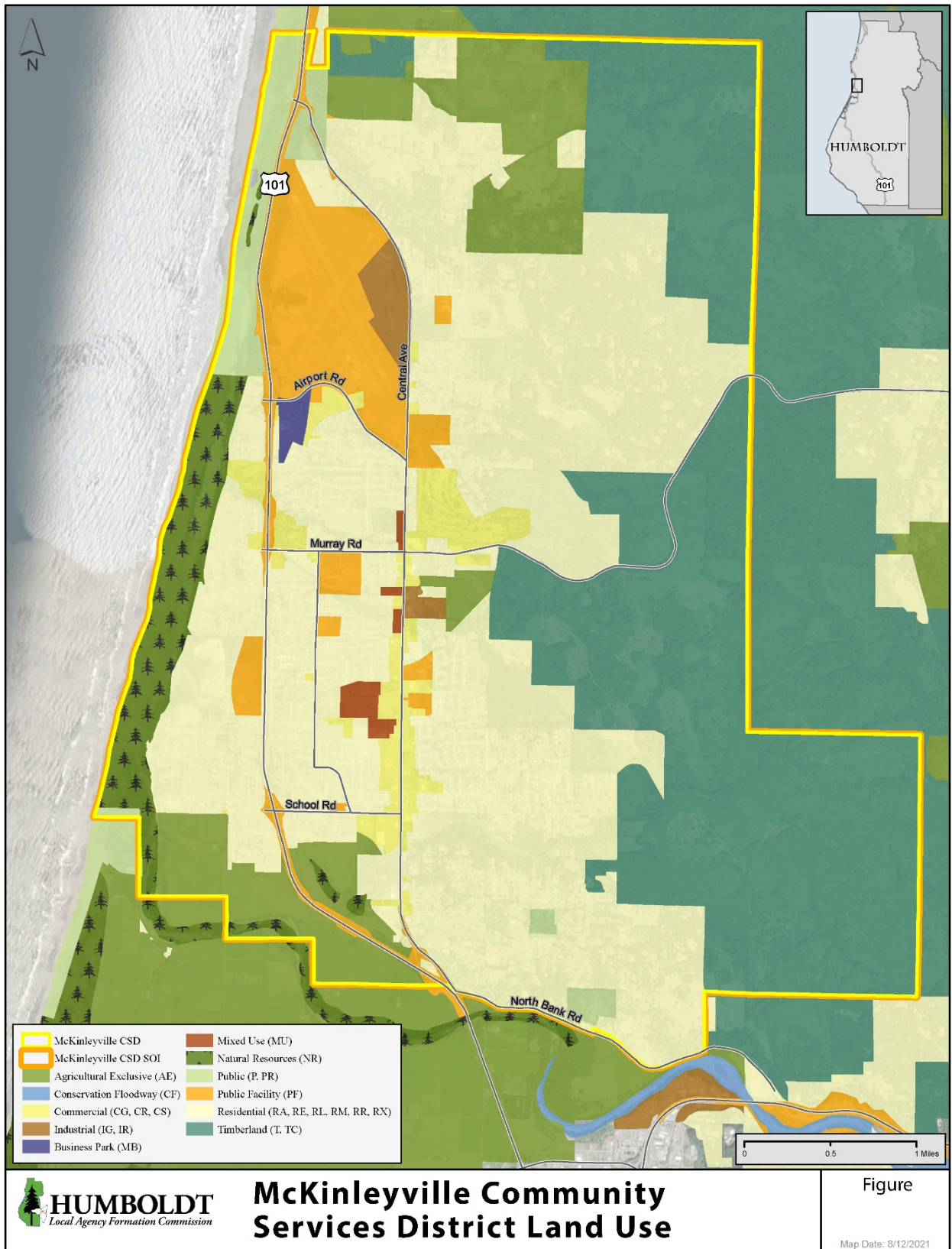
⁴ Humboldt Housing and Homeless Coalition, Press Release - Unsheltered Point-in-Time Count Numbers Finalized. February 20, 2019.

Figure 1: McKinleyville CSD Boundary and SOI



Sources: Parcels - Humboldt County GIS, Roads - US Census TIGER

Figure 2: McKinleyville CSD Land Use Designations



[The District also owns several properties outside of its boundary along the Mad River. This includes property south of North Bank Road and on the west side of Fisher Avenue. Figure 1 shows the existing and recommended SOI for the District.](#)

2.5 Land Use and Zoning

Land uses within the District are currently subject to the Humboldt County General Plan, McKinleyville Community Plan, McKinleyville Area Local Coastal Plan (for coastal portions), and Zoning Regulations (Humboldt County Code Title III, Division 1). The McKinleyville Community Plan (adopted in 2002 and amended in 2017) includes the developed McKinleyville area and the surrounding watersheds as well as the Dows Prairie area. Most of the developed area of McKinleyville is mapped as an Urban Development Area and the Dows Prairie, Beau Pre Heights, and areas off Azalea Avenue are mapped as Urban Expansion Area.

McKinleyville's economic base is primarily that of a residential "bedroom community" with local and some regional commercial services along a centralized strip. Limited agricultural production, including timber production, and light manufacturing is also pursued in the area. McKinleyville is the site of the County's only regional airport facility, the California Redwood Coast – Humboldt County Airport (ACV). The adjacent Airport Business Park encompasses an approximate 53 acre site. The Business Park provides land for light manufacturing, regional visitor serving facilities, and commercial-industrial opportunities for the community⁵.

Under the Humboldt County General Plan, land uses within the District are primarily Residential Agriculture (RA), Residential Low Density (RL), and Timberland (T) (see Table 1). Other land uses include Agricultural Exclusive (AE), Commercial Services (CS), Commercial Recreation (CR), Public Facility (PF), Residential Estates (RE), Residential Medium Density (RM), Mixed Use (MU), Natural Resources (NR), Timberland Commercial (TC), and Industrial General (IG)⁶. The surrounding area is predominantly AE and T which are both low density, growth limiting designations.

Under Humboldt County Zoning Regulations, zoning within the District is a mix of Agriculture General (AG), Agriculture Exclusive (AE), Natural Resources (NR), Business Park (MB), Public Facilities (PF), Timberland Production (TPZ), Residential Suburban (RS), Residential One-Family (R-1), Community Commercial (C-2), Airport (AV), and Unclassified (U)⁷. Zoning outside of the District's boundary is primarily TPZ and AE. These zoning designations indicate low density development and limited growth.

⁵ Humboldt County General Plan – Community Area Plans: McKinleyville Community Plan. Adopted December 10, 2002 and amended October 23, 2017 by Resolution 17-96.

⁶ Humboldt County Web GIS, Jurisdiction Boundaries & Land Use, Planning Layers, Current General Plan Land Use. Accessed January 14, 2021.

⁷ Humboldt County Web GIS, Jurisdiction Boundaries & Land Use, Planning Layers, Zoning. Accessed October 19, 2020.

Table 1: MCSD Land Use Summary

General Plan Land Use	MCSD Boundary	
	Acres	% of Total
Residential Agricultural	1590	13 %
Residential Estates	1282	10 %
Residential Low Density	2414	19 %
Residential Medium Density	192	2 %
Mixed Use	56	<1 %
Commercial Services	285	2 %
Commercial Recreation	152	1 %
Industrial General	120	1 %
Public Facility	885	7 %
Agricultural Exclusive	1081	9 %
Natural Resources	747	6 %
Timberland	3584	28 %
Timberland Commercial	34	<1 %
Other	178	1 %
Total	12,600	100.0%

2.6 Growth and Population

McKinleyville is the most populated unincorporated area in Humboldt County and is one of the fastest growing communities in the county. MCSD is located within the McKinleyville Census Designated Place (CDP), which has a population of approximately 17,208 according to the 2019 American Community Survey 5-year Estimates. This is an increase of 760 persons from the 2014 estimate⁸. However, the District Boundary is smaller than that of the census boundary, therefore the District population is likely smaller.

The District estimates that it currently serves a population of 17,190⁹. McKinleyville can be expected to grow at a similar rate as the County if not more¹⁰. The growth rate could further be impacted by people seeking to move out of densely populated areas [in the Bay Area and Central Valley regions](#) to more rural areas due to the Covid-19 pandemic, [wildfires, and climate change](#). The District estimates an annual growth rate of 0.74% based on the previous rate of service connections. With this growth rate, there could be approximately 18,400 residents by 2030¹¹.

⁸ US Census, American Community Survey 5-year Estimates, McKinleyville Census Designated Place, Table S0101 for 2014 and 2019.

⁹ MCSD, Draft Urban Water Management Plan 2020. Section 3.4: Service Area Population and Demographics.

¹⁰ Estimated growth rate for the County is approximately 0.62% according to the 2017 Humboldt County General Plan Update.

¹¹ MCSD, Draft UWMP 2020.

2.7 Disadvantaged Unincorporated Communities

Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income (MHI) is less than 80 percent of the statewide annual median household income.

The estimated 2019 MHI for McKinleyville CDP is \$54,614.¹² This is 77 percent of the estimated California MHI of \$71,228¹³ which means the District qualifies as a DUC. McKinleyville and the nearby communities of Westhaven, Fieldbrook, and Glendale are also considered legacy communities which are disadvantaged communities not within the SOI of an incorporated City^{14,15}. As such, special consideration will be given to the provision of water, wastewater, and fire services in the area.

2.8 Climate Change

[The effects of climate change can vary greatly from region to region. Most notably in California there has been a shift to longer dryer summer months resulting in less precipitation and higher wildfire danger. Along the California coastline, climate change may result in lower water availability and groundwater recharge and sea level rise.](#)

[Drought](#)

[Long term droughts occur from prolonged periods of limited water availability. This is typically caused but limited precipitation and runoff in a region. Located on the Pacific Ocean coastline, McKinleyville has historically experienced cooler temperatures, and frequent fog and precipitation. While previous drought conditions throughout the state have had a limited impact on MCSD¹⁶, it is unknown how future drought conditions may ultimately impact the region. In an effort to promote water conservation practices and help prevent a future water emergency, MCSD has developed a Water Shortage Contingency Plan that is meant to prepare for and respond to any water shortages¹⁷.](#)

[Sea Level Rise](#)

[Sea level rise refers to an increase in the average sea level over time. Sea level rise is anticipated to affect the Northern California coastline in some way over the next 50 to 100 years with the most recent projections estimating three to seven feet in rise¹⁸. The most notable effects will likely occur in and around Humboldt Bay. More information on this can be found in the Sea Level Rise Adaptation Plan for Humboldt Bay/Eureka Slough Area.](#)

¹² US Census, ACS 2019 5-year Estimates, Table S1903 for McKinleyville Census Designated Place. Accessed January 14, 2021.

¹³ US Census, ACS 2018 5-year Estimates, State of California, Table S1903. Accessed April 7, 2020.

¹⁴ Humboldt LAFCo, Boundary Change Policies and Procedures. Adopted May 16, 2018. Chapter 7 – Disadvantaged Unincorporated Communities: Section 7.2(2).

¹⁵ Humboldt County General Plan 2017. Appendix F – Map Book. Unincorporated Legacy Communities.

¹⁶ [The severe drought that ended in 1977 only resulted in a water emergency for the region. MCSD UWMP Appendix D – Humboldt Bay Municipal Water District Water Shortage Contingency Plan Draft 2020.](#)

¹⁷ [MCSD, Urban Water Management Plan – Section 8: Water Shortage Contingency Planning. August 2021.](#)

¹⁸ [GHD, Sea Level Rise Adaptation Plan for Transportation Infrastructure and other Critical Resources in the Eureka Slough Hydrographic Area. Section 1.7: Sea Level Rise Projections. March 2021.](#)

McKinleyville sits atop a coastal bluff and is unlikely to ~~experience a large amount of be significantly impacted by~~ sea level rise. The most vulnerable locations are low lying areas along the Mad River. In particular, six feet of sea level rise could inundate District properties along Fischer Avenue¹⁹. However, this area is currently uninhabited and used primarily for grazing. The only potentially significant impact would be potential inundation of Fischer Avenue which is utilized as part of the Hammond Trail between Arcata and McKinleyville.

2.82.9 Municipal Services

Water Services

MCSD purchases water wholesale from the Humboldt Bay Municipal Water District (HBMWD) which it then provides to the communities of McKinleyville and Patrick's Creek. HBMWD is a water wholesaler that serves a large part of the County including McKinleyville, Arcata, the Samoa Peninsula, and Eureka. The source of HBMWD's water is several wells located along the Mad River which flows out of Ruth Reservoir located approximately 79 miles to the east. The wells are approximately 60 to 90 feet deep which provides for natural filtration. MCSD currently has a peak demand allocation of 2.6 million gallons per day (MGD)²⁰.

The District receives water from HBMWD by way a single 18" transmission line that is buried under the Mad River²¹. Due to the proximity of several fault lines in the area, the line is at risk from severe ground shaking and could rupture in the event of a large earthquake. The District is aware of this risk and is working on developing additional emergency storage.

The District currently maintains approximately 88 miles of distribution mains over four pressure zones²² (Figure 3). The distribution system is in generally good condition. However, approximately half of the system was installed in the 1970's and is nearing the end of its useful life. In order the address this, the District has been working on a Water Main Line Replacement and Rehabilitation Master Plan. The plan takes a comprehensive look at the existing water system and identifies necessary steps and timelines for replacement of aging infrastructure. According to the plan, the District will need to spend approximately \$1 million every year on water main replacements in order to achieve 80% system replacement over the next 100 years²³. By taking steps to plan for infrastructure updates early on, the District is able to better identify necessary rate increases and other funding mechanisms to ensure continued fiscal stability.

MCSD reports overall very good water quality for the District based on regular water quality testing and the most recent consumer confidence reports²⁴. Average daily

¹⁹ [National Oceanic and Atmospheric Administration, Sea Level Rise Viewer: 6 feet. Accessed October 14, 2021, from https://coast.noaa.gov/digitalcoast/tools/sr.html.](https://coast.noaa.gov/digitalcoast/tools/sr.html)

²⁰ MCSD, 2020 Urban Water Management Plan – Section 6.3 Surface Water. August 2021.

²¹ Kennedy Jenks, 4.5MG Water Reservoir Preliminary Design Report – Section 1.1. January 2021.

²² MCSD, 2020 UWMP – Section 3.1 General Description.

²³ GHD, MCSD Water Main Replacement and Rehabilitation Master Plan Phase 2. January 2019.

²⁴ MCSD, Consumer Confidence Report 2020.

demand for the District was approximately 1.1 MGD in 2019 based on a total consumption of 405.3 MG (see Table 2). Reported water demand for 2020 was slightly higher at 450MG or 1.23 MG average daily demand²⁵. This is approximately 47% of the Districts allocation from HBMWD and indicates there is enough water to meet current and future demands.

MCSD currently has six storage tanks at three sites totaling 5.25MG. This equals approximately two days of emergency water supply for the community²⁶. However, due to the seismic vulnerability of the main transmission line from HBMWD, the District seeks to have five days of emergency water supply and is therefore in the process of preliminary design and permitting for a new 4.5MG water reservoir off of Cochran Road. The addition of this tank would provide another two days of emergency water supply.

Table 2: 2019 Water Demand

Million Gallons Per Month			
Month	Residential	Commercial	Total
January	25.528	3.953	29.481
February	23.769	3.217	26.986
March	25.814	3.996	29.81
April	25.106	3.384	28.49
May	26.687	3.735	30.422
June	28.274	3.647	31.921
July	36.757	7.16	43.917
August	39.067	4.52	43.587
September	37.981	4.661	42.642
October	32.104	4.068	36.172
November	26.997	3.761	30.758
December	27.396	3.724	31.12
Total	355.48	49.826	405.306

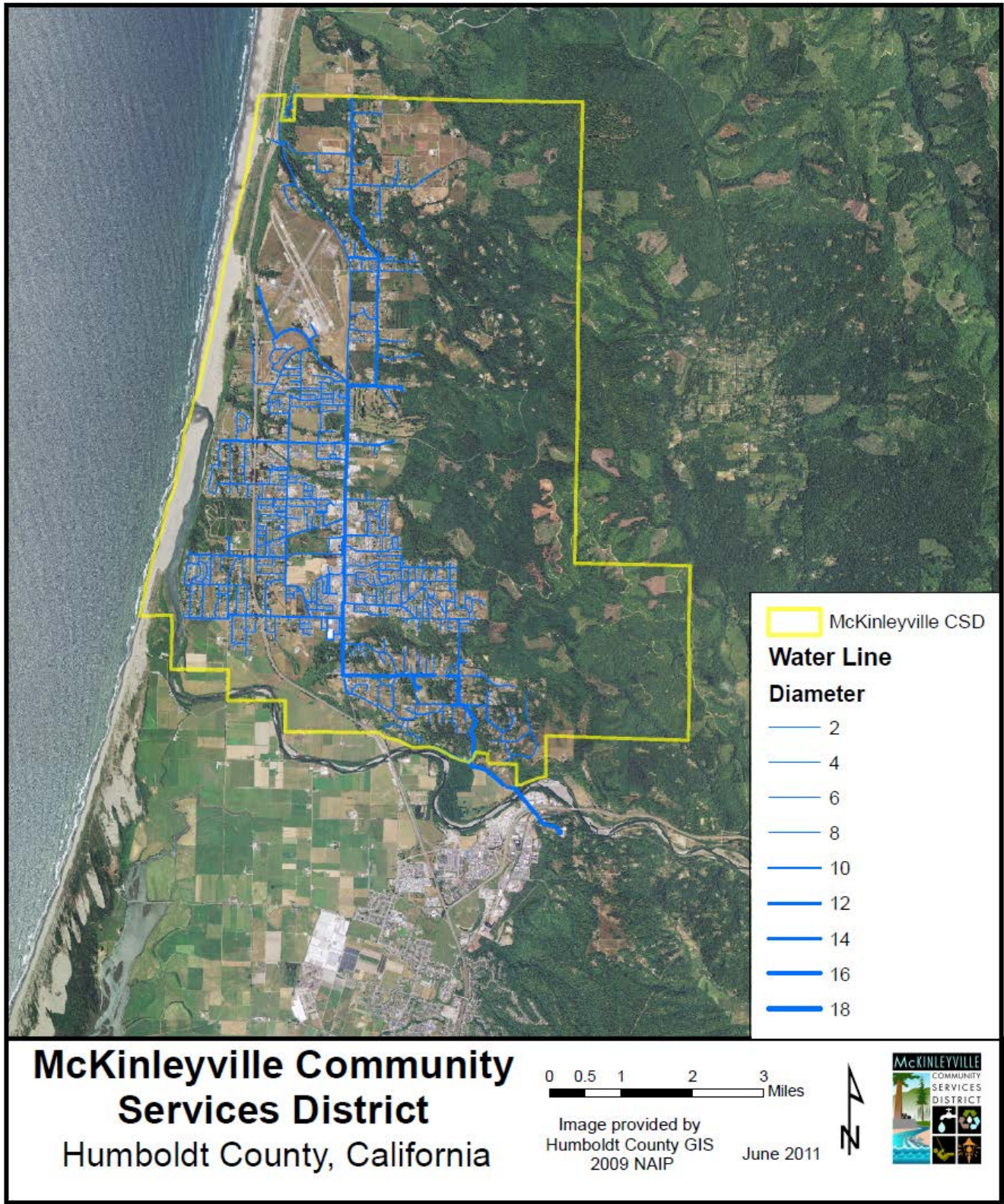
The District also maintains an emergency intertie with the City of Arcata that was installed in 2013. In the event of an emergency, the intertie can be activated to provide water between the two systems. ~~Typically, the~~ has the potential to become ~~remains~~ stagnant. However, in order to prevent the water from becoming stagnant and to maintain a chlorine residual, a metered bypass was installed and a minor flow of water is continually passed through the pipe. The City of Arcata pays the District for the water that is used to regularly flush the system²⁷.

²⁵ MCSD, 2020 UWMP – Section 4.2.

²⁶ Kennedy Jenks, 4.5MG Water Reservoir Preliminary Design Report. January 2021.

²⁷ MCSD, 2020 UWMP – Section [4.2: Past, Current, and Project Water Use by Sector \(Transfers to Other Agency\)](#).

Figure 3: Water Lines



Water Rates

Water rates in the District are calculated based on meter size and water use. Customers are charged a base rate every month based on the size of the meter at the property and then charged a use fee based for every 100 cubic feet of water²⁸. The District currently uses a tiered system so that the more water is used, the more it will cost per 100 cubic feet. The District has set annual rate increases that will take place until FY 2023 at which point the rates will be reassessed.

Table 3: MCSD Water Base Rates

Meter Size*	FY 2021	FY 2022	FY 2023
5/8 Inch	\$ 18.68	\$ 19.80	\$ 20.39
¾ Inch	\$ 26.71	\$ 29.11	\$ 30.59
1 Inch	\$ 42.59	\$ 47.52	\$ 50.98

* MCSD has meters ranging from 5/8 inch up to 8 inches.

Table 4: MCSD Water Use Rates

Use Level (per 100 cu.ft.)	FY 2021	FY 2022	FY 2023
Block 1: 0 to 8 CCF	\$ 1.78	\$ 1.89	\$ 1.95
Block 2: Over 8 CCF	\$ 4.45	\$ 4.73	\$ 4.88

Out of Agency Service Connections

MCSD has several legacy connections within the City of Arcata's SOI on the south bank of the Mad River. The District provides water services to several industrial customers, including Eureka Ready Mix in the Boyd Road area. However, according to a Memorandum of Understanding between the District and the City, the City will take on water service for ~~this area~~ the Eureka Ready Mix property in the event that Eureka Ready Mix wishes to further subdivide its property. MCSD is also not allowed to extend service to any other parcels within the City's SOI or Urban Services Boundary install any additional water service connections or meters to the Eureka Ready Mix property, or otherwise expand or enlarge the at Eureka Ready Mix water service²⁹.

MCSD also has an existing agreement to supply water to the Patrick Creek CSD located at the northern edge of McKinleyville off of Little River Drive. When the Patrick Creek CSD was originally formed, they relied on wells within their District to serve the small community there. However, the system proved difficult to maintain and was transferred to MCSD in 1973. Customers in Patrick Creek CSD purchase water directly from MCSD as established by a Joint Powers Agreement between the two districts which sunsets in June 2033³⁰.

Due to potential development at the Trinidad Rancheria located just south of the city of Trinidad, HBMWD has begun discussion with MCSD regarding "wheeling" of water

²⁸ 100 cubic feet of water equals approximately 748 US liquid gallons.

²⁹ McKinleyville CSD and City of Arcata, Memorandum of Understanding Pertaining to the Annexation of the Eureka Ready Mix Parcel, March 7, 2016. Mutually agreed terms Item #2.

³⁰ Joint Powers Agreement for Provision Water Services to Patrick Creek Community Services District. Signed February 27th, 1973.

through the MCSD system for a mainline extension up to the Trinidad area³¹. While the project is still within early stages of planning and development, should it move forward, it would require additional agreements between MCSD and HBMWD.

Services Included Under Water Powers

In accordance with GC §61100(a), a CSD may “supply water for any beneficial uses, in the same manner as a municipal water district, formed pursuant to the Municipal Water District Law of 1911, Division 20 (commencing with Section 71000) of the Water Code”. This allows the District to conduct a wide range of activities related to the development and sale of water. According to Water Code §71610:

“. . . a district may acquire, control, distribute, store, spread, sink, treat, purify, recycle, recapture, and salvage any water, including sewage and storm waters, for the beneficial use or uses of the district, its inhabitants, or the owners of rights to water in the district”.

Based on the above language, the District is lawfully able to recycle wastewater for irrigation as it does at the Fischer property and capture stormwater for groundwater recharge.

Wastewater Services

The District provides wastewater services to approximately 6,280 ‘service units’ which includes residences (including individual apartments), as well as business and commercial units. Wastewater is transported through 73 miles of sewer mains to a wastewater treatment plant located in between Hiller Park and the Mad River off of Fischer Avenue³² (Figure 4). The facility was last upgraded in 2017 and has a current dry weather capacity of 1.37 MGD, wet weather capacity of 1.69 MGD, and peak capacity of 3.08 MGD.

Demand can vary throughout the year based on weather conditions with the highest demand typically in the wet weather months of February, March, and April. In 2019 the plant treated a total of 356.7 MG of influent (Table 5). The highest reported month was March with a total of 41.023 MG or approximately 1.3 MGD which is below the wet weather design capacity and less than half of its peak capacity. This indicates that there is sufficient capacity to manage current and future demand.

Like the water system, approximately half of the sewer force mains are from the 1970’s and nearing the end of their useful life. While much of the system is still in good condition there are a couple areas of concern. There are existing capacity issues with the middle and southern Highway 101 crossings in the District and a portion of the main along Central Avenue has been severely corroded by sewer gas and will need to be replaced in the next five to ten years³³.

³¹ [Wheeling water refers to conveying water through the unused capacity in a pipeline by another water provider. In this instance, water intended for the Trinidad Rancheria would be passed through the MCSD system in order to reach the proposed main line extension from Clam Beach.](#)

³² GHD, MCSD Sanitary Sewer Main Line Replacement and Rehabilitation Master Plan – Section 1.2. January 2019.

³³ GHD, Sanitary Sewer Line Master Plan – Section 1.2.

Figure 4: Wastewater System

Sewer Main Line
TYPE
— Gravity
- - Pressure



Table 5: Influent Treated in 2019

Month	Influent (MG)
January	29.994
February	37.085
March	41.023
April	35.358
May	30.449
June	26.802
July	26.073
August	26.201
September	25.459
October	24.917
November	24.495
December	28.827
Total	356.683

In an effort to better identify and plan for necessary repairs, the District has developed a Sanitary Sewer Main Line Replacement and Rehabilitation Master Plan. Phase I of the plan took a comprehensive look at the existing infrastructure including sizing, useful life of materials, and other factors to determine the timeline of repairs for the system. Phase II discusses the different types of replacement methods and costs. Based on the plan, the District will need to begin investing approximately \$1 million per year for sewer line replacements in order to maintain an adequate level of service and prevent major system issues³⁴.

[Due to the systems overall good condition groundwater and stormwater typically does not impact influent volume. Based on wet weather flow monitoring performed by the District, infiltration and inflow \(I/I\) into the District’s sanitary sewer system is below what would typically be expected for a system of this age³⁵.](#)

Sewer Rates

Sewer rates are calculated on a monthly basis and are based on the total amount of water delivered to the property. Each customer pays a base charge of \$33.58 and then a volumetric charge of \$1.01 to \$16.86 per 100 cubic feet depending on the use of the property. The MCSD Board has set rate increases that will take effect until FY2023 at which point rates will be reassessed. A small list of common use types and charges are listed below.

³⁴ GHD, Sanitary Sewer Line Master Plan – Section 3.1.

³⁵ [MCSD General Manager Pat Kaspari, PE. Personal Communication \(Email\). October 14, 2021.](#)

Table 6: MCSD Sewer Rates

Use	FY 2021	FY 2022	FY 2023
Base Charge	\$ 33.58	\$ 34.59	\$ 35.63
Apartment/ Multi-Unit	\$ 2.81	\$ 2.89	\$ 2.98
Market	\$ 11.18	\$ 11.56	\$ 11.92
Motel/ Hotel	\$ 7.33	\$ 7.37	\$ 7.45
Restaurant/ Tavern	\$ 12.79	\$ 13.81	\$ 14.90
Single Family Residential	\$ 2.81	\$ 2.89	\$ 2.98

Services Included Under Wastewater Powers

In accordance with GC §61100(b), a CSD may “Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as a sanitary district, formed pursuant to the Sanitary District Act of 1923, Division 6 (commencing with Section 6400) of the Health and Safety Code”. This allows the District to provide a wide range of services related to wastewater. The following Health and Safety Code (HSC) sections are applicable to current district operations:

HSC §6512: *[The District] A district may acquire, plan, construct, reconstruct, alter, enlarge, lay, renew, replace, maintain, and operate garbage dumpsites and garbage collection and disposal systems, sewers, drains, septic tanks, and sewerage collection, outfall, treatment works and other sanitary disposal systems, and storm water drains and storm water collection, outfall and disposal systems, and water recycling and distribution systems, as the board deems necessary and proper. . .*

HSC §6520.7: *[The District] may sell, or otherwise dispose of, any water, sewage effluent, fertilizer, or other byproduct resulting from the operation of a sewerage system, sewage disposal plant, refuse disposal plant or process, or treatment plant, and construct, maintain, and operate such pipelines and other works as may be necessary for that purpose.*

HSC §6520.9: *[The District] may construct, maintain, and operate such pipelines or other works as may be necessary to conserve and put to beneficial use any water or recycled effluent recovered from the operation of the wastewater system, plant, or works, by sale or disposition for agricultural or industrial purposes, or by discharging or spreading the water or recycled effluent in such a manner as to percolate into the underground gravels and replenish the natural water resources.*

Based on the above language, the District is lawfully able to construct and utilize recycled water systems and produce biosolids from wastewater treatment systems. Additionally, the application of treated wastewater to agricultural fields is a common practice and has been utilized by the District since the 1980’s.

Street Lighting Services

The District currently owns and maintains 400+ streetlights in over 95 different lighting zones. District residents pay a monthly surcharge based on what zone they are in to fund electricity charges, annual maintenance of the system, and any necessary replacements. In FY21/22, the District budgeted \$40,000 to continue with pole inspection and reporting that will identify and prioritize replacement needs. An additional \$7,000 has been set aside for photocell (light) replacement³⁶.

Recreation Services

MCSD is able to provide a range of recreation and open space opportunities to area residents (Figure 5). These include recreation facilities and programs, parks, and trails. Many of the District’s facilities and parks can be rented for both private and public events which helps cover the costs of operations and maintenance.

Table 7: MCSD Recreation Services

Parks	Facilities
<ul style="list-style-type: none"> • Hiller Park • Hiller Sports Complex • Pierson Park • Larissa Park 	<ul style="list-style-type: none"> • Azalea Hall • McKinleyville Activity Center • McKinleyville Teen & Community Center • McKinleyville Library • Law Enforcement Facility
Trails	Programs
<ul style="list-style-type: none"> • Hiller Park Loop Trails • Mid Town Trail • School Road Trail 	<ul style="list-style-type: none"> • Summer Kids Camp • Paint Classes • Birthday Parties • Chalk the Town • School Break Camps • Youth Sports • Virtual Recreation and Wellness

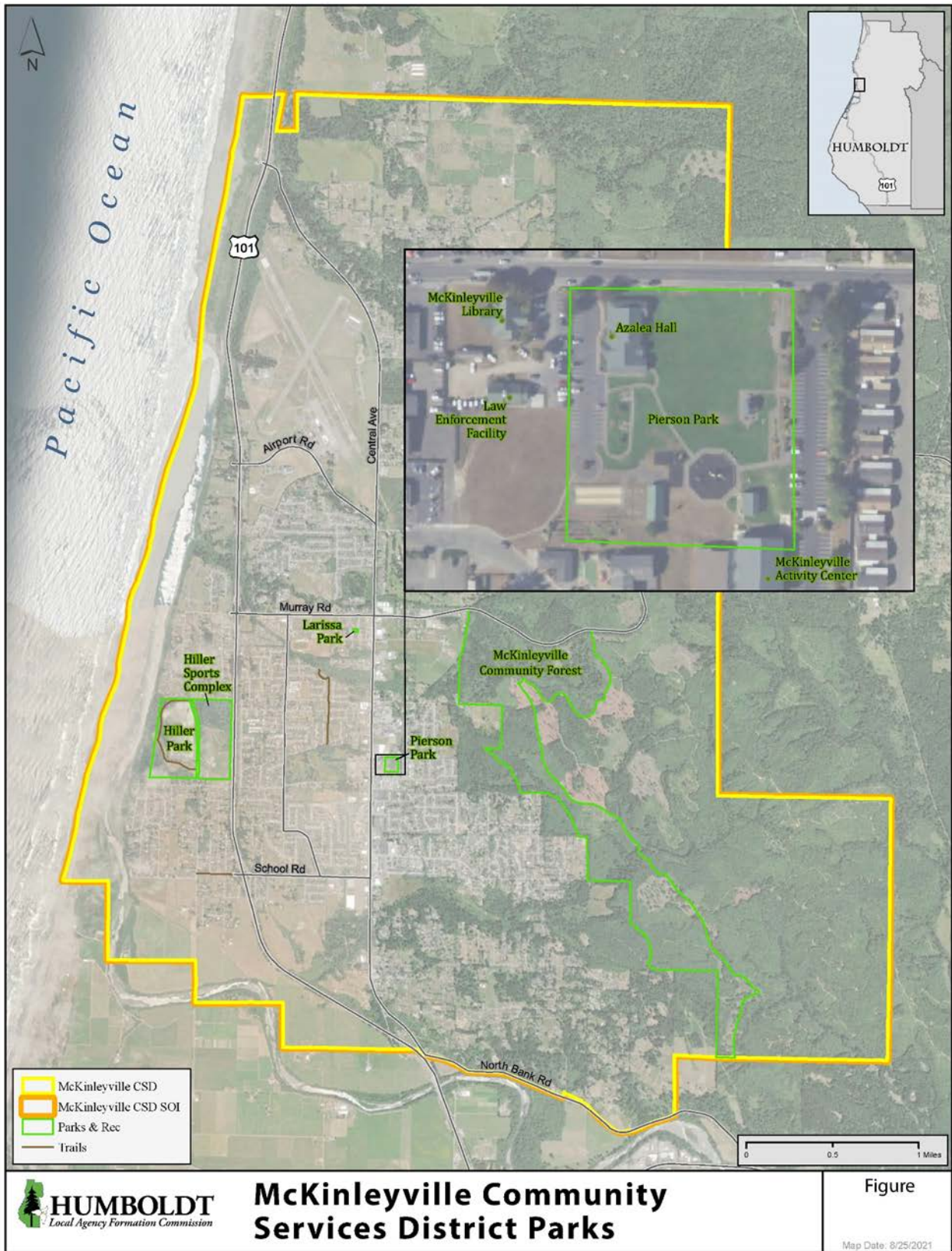
MCSD maintains a Parks and Recreation Advisory Committee which is discussed further in Section 2.9: Organizational Structure. This community driven committee provides feedback to the District on parks and recreation needs. Currently the Committee is overseeing planning for a BMX and skate park and a community forest³⁷.

In addition to general parks and recreation facilities, the District owns the McKinleyville Library and Law Enforcement Facility. The library is home to the McKinleyville branch of the Humboldt County Public Library system. The county operates the library while the District maintains the building and grounds. The Law Enforcement Facility is located adjacent to the library and is operated by the Humboldt County Sheriff’s Department.

³⁶ MCSD, Approved Budget for FY2021-22: Exhibit 11. Adopted June 2, 2021.

³⁷ MCSD, Parks and Recreation Committee (PARC) Meeting Minutes for June 17, 2021.

Figure 5: MCSD Recreation Facilities



Sources: Parcels - Humboldt County GIS, Roads - US Census TIGER.

In 1995, the District conducted proceedings for activation of library powers. This included working through the LAFCo process and holding an election which received 78.65% voter approval. As such, LAFCo considers library powers to be active for the district. While the District does not directly provide these services, they do work with the County to ensure that adequate library services are provided to the community. The District also recently passed Ordinance 2021-05 which further establishes and clarifies their library powers³⁸.

Due to the COVID-19 Pandemic, Parks & Recreation is only running one program-an afternoon recreation program for elementary school children. When state and county guidelines allow, we will return to offering youth and adult sports programs as well as leisure classes, playgroups and day camps.

Community Forest

As mentioned above, the District is in the process of establishing a community forest. In 2020 the Trust for Public Lands (TPL) was [informed of the intent to be](#) awarded \$3.8 million by the California Natural Resources Agency for the acquisition of land to create the McKinleyville Community Forest. TPL will be purchasing 550+ acres of forest property from Green Diamond Resource Company that is located on the eastern edge of town³⁹, and transfer it to the District. The District will be responsible for the management of the forest and the development of trails and other recreation opportunities. There is also an opportunity for the District to actively manage timber for sales which could help offset costs of managing recreational access.

Services Included Under Park Powers

In accordance with GC §61100(e), the District may “Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law. . .”. Applicable Public Resources Code (PRC) includes:

PRC §5786: (a) Organize, promote, conduct, and advertise programs of community recreation, including, but not limited to, parks and open space, parking, transportation, and other related services that improve the community’s quality of life.

(b) Establish systems of recreation and recreation facilities, including, but not limited to, parks and open space.

(c) Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, both inside and beyond the district’s boundaries.

Based on the above language the District is lawfully able to improve parcels and take on construction activities for maintenance and operation of recreation and open space

³⁸ MCSD, Ordinance 2021-05: Adding Section 68.04 to Regulation 68, Latent Powers of Article VI: Miscellaneous, Addressing Library Powers of the MCSD Rules and Regulations. Adopted July 7, 2021.

³⁹ MCSD, Community Forest Press Release. December 17, 2020.

facilities. This includes all property owned by the District and any that is jointly managed with other entities such as the future Community Forest, Mad River access, and beach access.

Other Service Providers

In addition to MCSD, a number of other entities provide vital services to the McKinleyville community. Other local government agencies that provide services within the boundaries of the MCSD include:

- Humboldt Bay Municipal Water District (wholesale drinking water provider)
- Humboldt Bay Harbor Conservation and Recreation District (countywide service provider of harbor management and Humboldt Bay resource conservation)
- Humboldt County Resource Conservation District (countywide service provider of soil conservation, agricultural services support, habitat conservation)
- North Coast Emergency Medical Services Authority (regional emergency medical services system manager including first responder and ambulance service-ambulance services provided by Arcata-Mad River Ambulance Service)
- Humboldt County (countywide provider of general government, roads, drainage, law enforcement)

These are briefly discussed below. A more detailed description of fire and law enforcement services is described below.

Fire Protection and Emergency Response

Fire protection and emergency response services are provided by the Arcata Fire Protection District (AFPD). The AFPD is an independent special district that serves the communities of Arcata, McKinleyville, Manila, Bayside, and Jacoby Creek. Within their 62 square mile boundary they operate three fire stations that are staffed with a minimum of two on-duty firefighters. In 2020 they responded to over 3,000 service calls including 57 structure fires, 79 vehicle accidents, and over 1,500 medical incidents⁴⁰. More information can be found ~~on the District~~ in the 2017 Humboldt Bay Regional Fire Services MSR.

Law Enforcement

As mentioned previously, the Humboldt County Sheriff's Office is responsible for providing law enforcement services in and around McKinleyville. In 2020, the McKinleyville substation responded to over 13,000 calls for service, conducted 217 arrests, and filed 295 felony and 572 misdemeanor reports. This accounts for approximately 21% of total service calls in 2020⁴¹.

The Sheriff's Office also operates the Humboldt County Animal Shelter located at 980 Lycoming Avenue in McKinleyville. The shelter provides medical care for rehoming for stray and abandoned animals throughout the county. In 2020 the shelter also assisted

⁴⁰ Humboldt County Fire Chiefs' Association. Draft 2020 Annual Report.

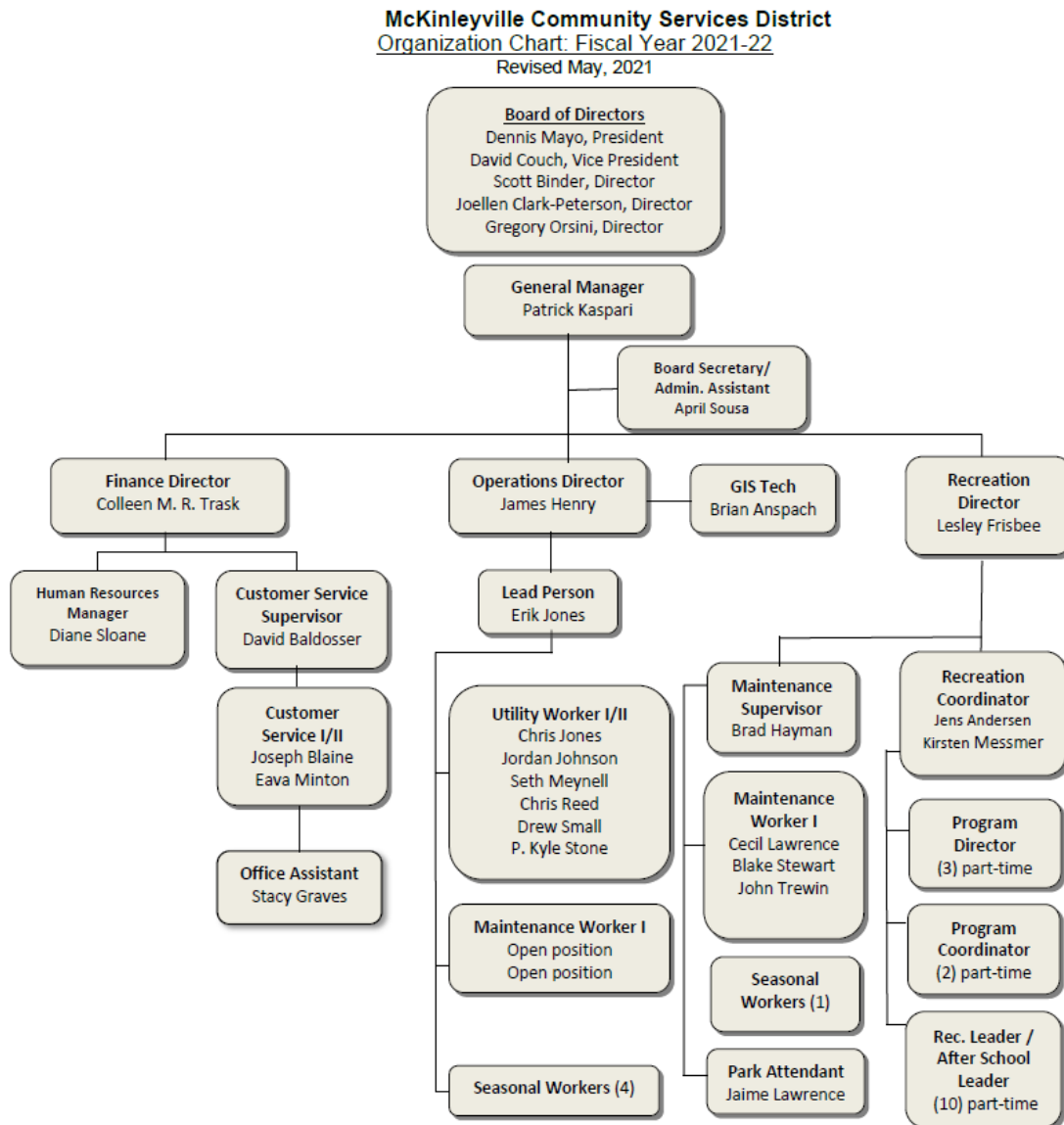
⁴¹ Humboldt County Sheriff's Office. 2020 Annual Report. Accessed from <https://humboldt.gov.org/2637/Annual-Report-on-October-14,2021>.

[with wildfire evacuation efforts by providing a regional wildfire evacuation shelter for small to large animals and the Humboldt County Fairgrounds⁴².](#)

2.92.10 Organizational Structure

MCSD is governed by a five-member Board of Directors that are elected to staggered four year terms. Board meetings are typically held on the first Wednesday of the month at 7:00pm at Azalea Hall unless otherwise noticed. Board members receive \$125 per meeting up to a maximum of \$750 per month (six meetings)⁴³.

Figure 6: Organizational Chart



⁴² HCSO, 2020 Annual Report.

⁴³ MCSD Ordinance 2012-01. An Ordinance of the McKinleyville community Services District Amending the Board Policy Manual to Revise the Board of Directors Compensation Rate. Adopted April 4, 2012.

Table 8: MCSD Board of Directors

Board Member	Title	Term Expiration
Dennis Mayo	President	December 2022
David Couch	Vice President	December 2022
Scott Binder	Member	December 2024
Joellen Clark-Peterson	Member	December 2022
Greg Orsini	Member	December 2024

MCSD also maintains a Parks and Recreation Advisory Committee that provides input on District owned and operated recreation facilities as well as the needs and desires of the community for updated or expanded facilities. This unique committee is made up of nine members, of which two may be high school students. Committee composition includes one McKinleyville Area Fund representative, one MCSD Board representative, and seven public members with two alternates. The committee typically meets every third Thursday at 6:30pm at the MCSD conference room unless otherwise noticed.

This District currently maintains 29.5 full time equivalent employees in both full-time and part-time positions. These include the District Manager, department directors, and support staff.

McKinleyville Municipal Advisory Committee

The McKinleyville Municipal Advisory Committee (MMAC), formed by the Humboldt County Board of Supervisors in 2012, is comprised of eight voting members including three members appointed by the 5th District Supervisor, three members appointed by the full Board of Supervisors, and two members representing MCSD (i.e., a Board Member and the General Manager). The committee provides recommendations to the County on the need for and adequacy of services provided by the County and also has the ability to provide input on land use and zoning updates in the McKinleyville area⁴⁴. Most recently, MMAC has been reviewing and providing input on the McKinleyville Town Center Master Plan.

MCSD and MMAC have recently started working more closely together on services planning for the area. The MCSD General Manager, Board President, MMAC Chair, and 5th District Humboldt County Supervisor are to meet monthly and a joint meeting of the MCSD Board and MMAC is scheduled to occur annually. MCSD is also providing support though in kind services for MMAC including providing a regular meeting space for the committee and letters of support for grant funding⁴⁵.

McKinleyville Incorporation

As one of the largest and most populated areas of Humboldt County, McKinleyville is considered a candidate for potential incorporation. Incorporation is defined as the

⁴⁴ Humboldt County, Boards and Commissions, McKinleyville Municipal Advisory Committee. Accessed July 29, 2021 from <https://humboldt.gov.org/238/McKinleyville-Municipal-Advisory-Committ>.

⁴⁵ MCSD, Resolution 2021-07: Revising the Board Policy Manual, Appendix A, to Formalize Support for the MMAC and Clarify the Board’s Role and Responsibilities. Adopted April 7, 2021.

creation or establishment of a new city with corporate powers. At least 500 registered voters must reside within the proposed territory. Most cities incorporate to gain local control of land use decisions and to access new revenues to support local services. Incorporation shifts local government responsibility for an unincorporated area under the jurisdiction of a county board of supervisors to a newly established city council. City incorporation requires LAFCo approval and majority voter approval as part of an election. The long-term financial viability of a city is key to LAFCo approval of an incorporation proposal, including requiring revenue neutrality⁴⁶, a comprehensive fiscal analysis, and a plan for services. While the idea has been discussed several times in the past, there has been no major community support that has led to a preliminary feasibility study for McKinleyville incorporation and MCSD remains neutral on the topic.

2.102.11 Accountability and Transparency

The District maintains a website in compliance with SB929. Board agendas and notices are posted at least 72 hours in advance of scheduled Board meetings in accordance with the Ralph M. Brown Act and meeting minutes are posted on the District's website when available. The District office located at 1656 Sutter Road is also open to the public Monday through Friday. District staff are available to take account payments, assist with recreation program registrations, and answer general questions.

Financial documents including budgets and audits are prepared on an annual basis in accordance with CSD law. Annual budgets are submitted to the County Auditor/Controller once approved and financial information is regularly submitted to the State Controller's office⁴⁷.

2.112.12 Financial Overview

Fees for Services

The District budgeted for gains in the past five financial years. Water and wastewater revenues and expenses account for a majority of the budget. The most recent rate study was completed in 2018. The District did anticipate a loss of revenue from the Covid-19 pandemic, most notably in Parks and Recreation. The reduction was primarily due to the cancellation of programs and the closing of facilities for public meetings, gatherings etc. The District was able to adjust expenditures in personnel costs by redistributing workloads to other departments and using fewer part-time and seasonal employees. Revenues are expected to rebound throughout FY21/22 but will likely remain lower than pre-covid amounts.

⁴⁶ Revenue Neutrality (GC 56815) - Any proposal that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and any other subject agencies.

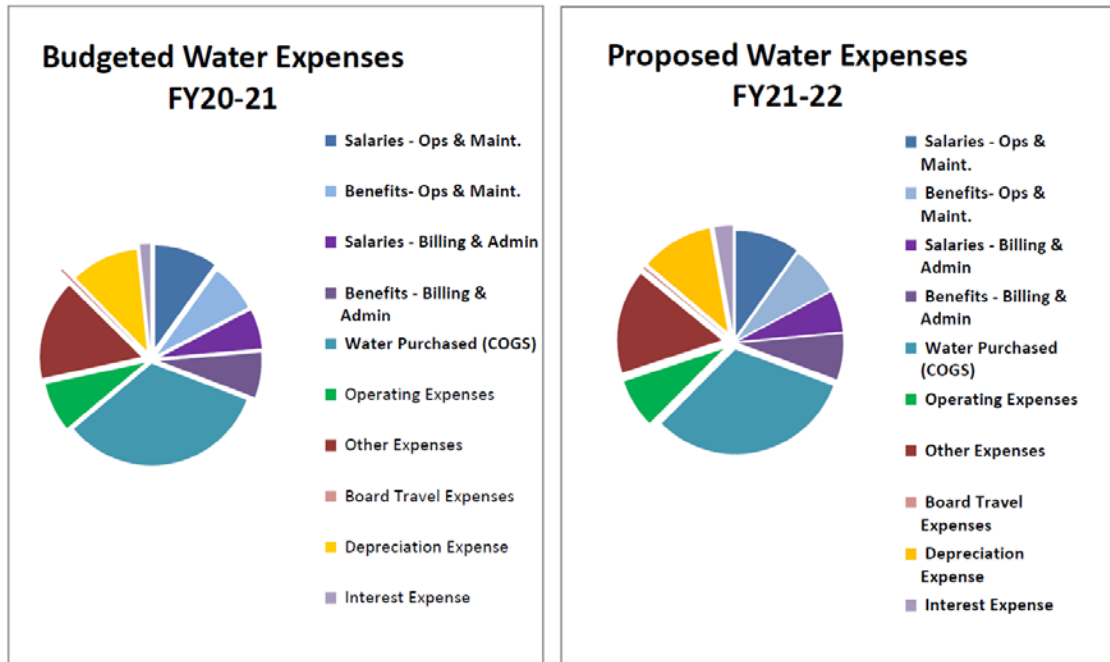
⁴⁷ California State Controller's Officer, By the Numbers: Special Districts Financial Data. Accessed July 29, 2021 from https://districts.bythenumbers.sco.ca.gov/#/year/2019/revenue/0/district_type/Independent/0/activity/Community+Services/0/county/Humboldt/0/entity_name/McKinleyville+Community+Services+District/0/category.

Table 9: MCSD Annual Budget Summary

Category	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Water	4,044,493	4,142,409	4,041,697	4,488,043	6,175,268
Recreation	1,433,910	1,295,612	1,322,896	1,094,628	1,250,216
Lighting	101,250	107,416	112,270	116,818	119,435
Wastewater	3,822,457	4,099,852	4,255,674	6,240,769	6,486,869
Measure B	-	210,000	212,512	224,332	225,004
Revenues	9,402,110	9,855,289	9,945,049	12,164,590	14,256,792
Water	2,828,439	2,829,489	3,234,714	3,390,101	3,625,938
Recreation	1,469,393	1,294,964	1,300,634	1,089,509	1,244,475
Lighting	101,076	104,136	101,844	90,826	136,676
Wastewater	3,205,046	2,709,535	3,404,813	3,536,184	3,777,967
Measure B	-	209,799	212,124	223,361	224,499
Expenditures	7,571,848	7,147,923	8,254,129	8,329,981	9,009,555
Gain/ (Loss)	\$1,830,262	\$2,707,366	\$1,690,920	\$3,834,609	\$5,247,237

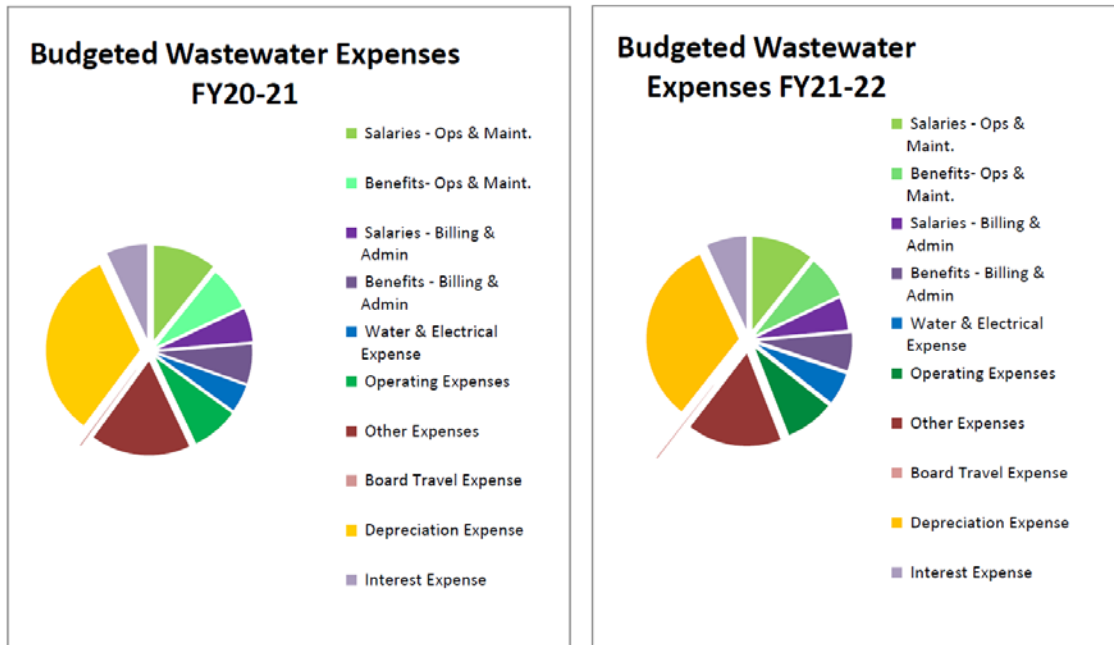
The charts below show the major expense categories for water and wastewater services. The largest expense is salaries and benefits for District personnel that keep things running smoothly and ensure the water stays on. The next largest expense is generally depreciation of assets such as pipelines and equipment.

Figure 7: Water Expenses



Source: MCSD FY2021-22 Approved Budget

Figure 8: Wastewater Expenses



Source: MCSD FY2021-22 Approved Budget

District Audits

MCSD contracts for annual audits with an impartial third party accounting firm. The last audit available is for FY19/20 and was conducted by Fedak & Brown LLP. Over the last five fiscal years the District has shown an increase in overall net position of more than \$3 million. This indicates the District has sound financial planning and is able to grow its net position over time. This will allow the District to plan for increasing expenses and large capital outlays.

Table 10: MCSD Audit Summary

Category	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
District Revenues	8,609,252	8,631,360	9,285,671	10,689,551	10,800,937
District Expenses	5,890,969	6,259,333	7,455,068	7,984,112	8,474,980
Total Gain/ (Loss)	2,718,283	2,372,027	1,830,603	2,705,439	2,326,257
Net Position Year End	\$27,586,386	\$29,958,413	\$26,021,854	\$28,727,293	\$31,053,550

District revenues are primarily from fees for services including water and wastewater service charges and recreation program fees. In FY19/20, the District reported over \$8 million in fees for services accounting of approximately 75% of total revenues. Additional revenue comes from grants, property taxes, and voter approved special assessments including Measure B for parks, open space, and recreational facilities, which was renewed for 20 years in FY2012/13.

3.0 MCKINLEYVILLE MSR DETERMINATIONS

As set forth in Section 56430(a) of the CKH Act- In order to prepare and to update the SOI in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for a service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

(1) Growth and population projections for the affected area

- a) The District estimates a total population of 17,190. With an estimated growth rate of 0.74%, there could be 18,400 residents in the District by 2030.
- b) As the largest unincorporated community in Humboldt County, McKinleyville is expected to grow at the same rate if not faster than other unincorporated areas.

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

- a) McKinleyville Census Designated Place had a 2019 estimated MHI that is 77% of the State MHI which qualifies it as a DUC. The MCSD adequately provides water and wastewater services to the community and fire protection services are provided by the Arcata Fire Protection District.
- b) The communities of Westhaven to the north and Fieldbrook and Glendale to the east are also considered DUCs. Both of these communities are served by separate CSDs (i.e., Westhaven CSD and Fieldbrook-Glendale CSD).

(3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

- a) The District currently uses approximately 47% of its allocation from HBMWD which indicates there is enough water supply to meet current and future demands.
- b) The current transmission line from HBMWD is susceptible to failure from seismic activity. In the event of a break in this line, the District currently has 5.25MG of water storage which is the equivalent of two days of emergency supply. The District is currently working on development of an addition 4.5MG water reservoir in order to increase emergency backup supply.
- c) The District's wastewater treatment facility was upgraded in 2017 and has a peak demand capacity of 3.08MGD. Based on peak usage in 2019 (1.3MGD) there is adequate capacity to meet current and future demand.
- d) The District has completed an assessment of both their water and wastewater distribution systems which will need to be continuously upgraded to prevent pipeline failures. A plan has been put in place to ensure there are enough reserve funds to take on yearly replacement projects and ensure continued service to the community.

- e) The District provides a wide range of park and recreation activities for the community and is continuing coordination with outside entities on development of a community forest.
- f) The District currently maintains over 400 streetlights and has been working on inspections to prioritize pole replacement needs. Additional funding has also been set aside for light replacement when needed.

(4) Financing ability of agencies to provide services.

- a) The District adopts an annual budget in accordance with CSD law and conducts regular audits which are made available to the public on their website.
- b) Over the last five fiscal years, the District has budgeted for a net gain in revenues. This will allow the District to build up funds to support major capital outlay projects.
- c) The District's overall position has increase by approximately 12% over the last five fiscal years from \$27.6 million in FY2015/16 to \$31.1 million in FY2019/20. This indicates the District is in good standing and is able to adequately cover annual expenses.

(5) Status of and, opportunities for, shared facilities

- a) MCSD currently leases out buildings to both the Humboldt County Library and Sheriffs Department for provision of services to the community.
- b) MCSD maintains an emergency intertie with the City of Arcata and has worked on upgrading the intertie to ensure high quality water can be delivered when needed.
- c) MCSD provides water directly to the Patrick Creek CSD though an existing services agreement. Residents in Patrick Creek are directly billed by the District and the District is responsible for maintaining pipelines in the area.

(6) Accountability for community service needs, including governmental structure and operational efficiencies.

- a) The District is governed by a five-member Board of Directors elected to staggered four-year terms. It also facilitates a Parks and Recreation Advisory Committee that is made up of local community members that provide guidance on recreation needs and opportunities.
- b) MCSD provides in kind support for the McKinleyville Municipal Advisory Committee and regularly attends meetings in order to provide updates on the District and provide input on community needs.

(7) Any other matter related to effective or efficient service delivery.

- a) Due to potential development at the Trinidad Rancheria located just south of the city of Trinidad, HBMWD has begun discussion with MCSD regarding "wheeling" of water through the MCSD system for a mainline extension up to the Trinidad area. While the project is still within early stages of planning and development, should it

move forward, it would require additional agreements between MCSD and HBMWD.

- b) Currently, MCSD's SOI is coterminous with its boundary. However, MCSD provides water directly to Patrick Creek CSD through a water services agreement established in 1973. As such, it is recommended that MCSD's SOI be expanded to include the Patrick Creek CSD area in northern McKinleyville. While consolidation of the two districts is not likely at this time since it would require activation of road maintenance powers by MCSD and the Patrick Creek CSD Board has indicated they do want to consolidate, it could be a feasible option in the future if both districts agree.

4.0 MCKINLEYVILLE SOI DETERMINATIONS

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development of local governmental agencies to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city, as defined by G.C. Section 56036, and enact policies designed to promote the logical and orderly development of areas within the sphere. In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to the following:

(1) Present and planned land uses in the area, including agricultural and open-space lands.

- a) Under the Humboldt County General Plan, land uses within the District are primarily Timberland (28%), Residential Low Density (19%), Residential Agricultural (13%), and Residential Estates (10%).

(2) Present and probable need for public facilities and services in the area.

- a) McKinleyville is the largest unincorporated community in Humboldt County and continues to experience growth and development. As such, there is expected to be a continued need for water, wastewater, and other services for the foreseeable future.
- b) MCSD also has an existing agreement to supply water to the Patrick Creek CSD located at the northern edge of McKinleyville off of Little River Drive. Customers in Patrick Creek CSD purchase water directly from MCSD as established by a Joint Powers Agreement between the two districts.

(3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

- a) The District currently has ample water supply to meet current and future demand and is working on additional storage to the District to ensure continued service in emergency situations.
- b) The District has additional capacity at their wastewater treatment plant to support future growth in the area.
- c) Additional park and recreation services are being explored to meet the growing demands of the Community. This includes development of a Community Forest and construction of a skate/ BMX park.

(4) Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

- a) The City of Arcata located south of the District provides additional employment, recreation, retail, and other services for area residents. It is also the location of

Humboldt State University which is attend by students from all over the county, state, and country.

b) The surrounding communities of Fieldbrook, Glendale, and Westhaven have limited options for retail and employment services. It is likely that residents from these areas frequent McKinleyville for everyday needs.

(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, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

a) Unincorporated territory surrounding the District qualifies as disadvantaged. Should future annexations or service extensions be proposed, special consideration will be given to any DUCs affected by the annexation consistent with GC §56375(8)(A) and LAFCo policy.

RESOLUTION NO. 21-14

APPROVING THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

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

WHEREAS, the Commission conducted a municipal service review to evaluate the availability and performance of governmental services provided by McKinleyville Community Services District, hereinafter referred to as the "District", pursuant to California Government Code Section 56430; and

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

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

WHEREAS, the staff report and recommendations on the municipal service review and sphere of influence update were presented to the Commission in the form and manner prescribed by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on the municipal service review and sphere of influence update on September 15, 2021 and continued to November 17, 2021; and

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

NOW, THEREFORE, BE IT RESOLVED by the Commission as follows:

1. The Commission, as Lead Agency, finds the municipal service review is exempt from further review under the California Environmental Quality Act pursuant to Title 14 California Code of Regulations Section 15306. This finding is based on the use of the municipal service review as a data collection and service evaluation study. The information contained within the municipal service review may be used to consider future actions that will be subject to additional environmental review.

2. The Commission, as Lead Agency, finds the sphere of influence update is exempt from further review under the California Environmental Quality Act pursuant to Title 14 California Code of Regulations Section 15061(b)(3). This finding is based on the Commission determining with certainty the update will have no possibility of significantly affecting the environment given no new land use or municipal service authority is granted.
3. This municipal service review and sphere of influence update is assigned the following distinctive short-term designation: "McKinleyville CSD MSR/SOI Update 2021".
4. Pursuant to Government Code Section 56430(a), the Commission makes the written statement of determinations included in the municipal service review, hereby incorporated by reference.
5. Pursuant to Government Code Section 56425(e), the Commission makes the written statement of determinations included in the sphere of influence update, hereby incorporated by reference.

BE IT FURTHER RESOLVED that the McKinleyville MSR/SOI Update 2021 is hereby approved and incorporated herein by reference and the sphere of influence for the District is altered as depicted in Exhibit "A", attached hereto.

PASSED AND ADOPTED at a regular meeting of the Humboldt Local Agency Formation Commission on the 17th day of November 2021, by the following roll call vote:

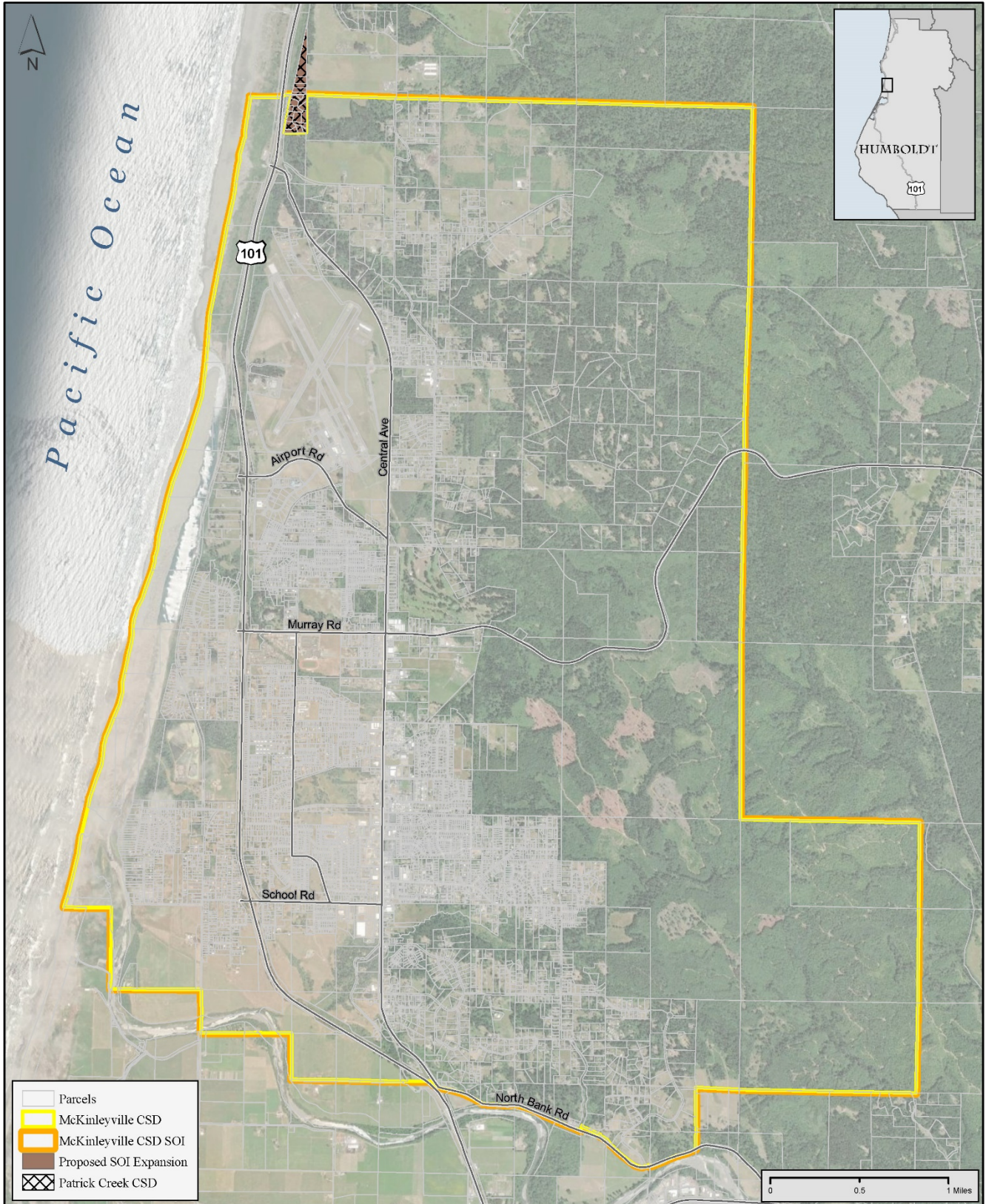
AYES:
NOES:
ABSENT:
ABSTAIN:

Attest:

Virginia Bass, Chair
Humboldt LAFCo

Colette Santsche, Executive Officer
Humboldt LAFCo

Exhibit A



McKinleyville Community Services District

Figure

Map Date: 8/12/2021

Sources: Parcels - Humboldt County GIS, Roads - US Census TIGER.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: D.4 **Reaffirm Resolution 2021-27 Making Findings Pursuant to Government Code Section 5493, as Amended by Assembly Bill 361, and Authorizing the continued Use of Virtual Meetings**

PRESENTED BY: **April Sousa, Board Secretary**

TYPE OF ACTION: **Roll Call Vote – Consent Calendar**

Recommendation:

Staff recommends that the Board review the provided material and reaffirm Resolution 2021-27 (**Attachment 1**), authorizing the continued use of virtual meetings.

Discussion:

At the beginning of the pandemic, Governor Newsom issued Executive Orders N-08-21, N-25-20, and N-29-20, which allowed for relaxed provisions of the Ralph M. Brown Act (Brown Act) that allowed legislative bodies to conduct meetings through teleconferencing without having to meet the strict compliance of the Brown Act.

The Governor slated these orders to sunset at the end of September 2021.

On September 17, 2021, Governor Newsom signed into law Assembly Bill 361, which amends the Government Code to provide relief from strict teleconferencing provisions of the Brown Act under certain circumstances. In order to continue in this matter, the legislative body would need to make certain findings that would require the need for the legislative body to conduct meetings in this matter. These findings would include any sort of proclaimed state of emergency.

A state of emergency was proclaimed by the Governor on March 4, 2020, which remains in effect today. Additionally, the Humboldt County Health Officer has imposed recommendations to continue to promote social distancing in his August 6, 2021 order, as well as other prior orders and guidance.

As this state of emergency continues to directly impact the ability for some members of the public to meet in person as well as, at times, members of the Board of Directors to safely meet in person, the continuance of public meetings via teleconference is advisable.

The Board of Directors previously discussed continuing with a teleconference option for all board meetings at the August 2021 Board meeting. With the passing of Resolution 2021-27, any Board member that finds themselves unable to attend in person due to a sudden COVID matter will be able to continue to meet as a member of the Board via a teleconference option without the strict teleconferencing provisions, which includes disclosing the location of each Board Director who is meeting virtually.

Resolution 2021-27 was originally approved on October 6, 2021.

It is recommended by legal counsel that this resolution be reaffirmed in 30 days, and every 30 days after, until such time it is no longer needed.

Alternatives:

Staff analysis consists of the following potential alternative:

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Resolution 2021-27

RESOLUTION NO 2021-27

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT MAKING FINDINGS PURSUANT TO GOVERNMENT CODE SECTION 54953, AS AMENDED BY ASSEMBLY BILL 361, AND AUTHORIZING THE CONTINUED USE OF VIRTUAL MEETINGS

WHEREAS, as a result of the COVID-19 pandemic, the Governor issued Executive Order Nos. N-08-21, N-25-20 and N-29-20, which suspended certain provisions of the Ralph M. Brown Act to allow legislative bodies to conduct public meetings without strict compliance with the teleconferencing provisions of the Brown Act; and

WHEREAS, Assembly Bill 361, which was signed into law on September 17, 2021, amended Government Code section 54953, to provide relief from the teleconferencing provisions of the Brown Act under certain circumstances provided the legislative body makes certain findings; and

WHEREAS, as a result of the COVID-19 pandemic, the Governor proclaimed a state of emergency on March 4, 2020, in accordance with the section 8625 of the California Emergency Services Act, and the state of emergency remains in effect; and

WHEREAS, as a result of the COVID-19 pandemic, the Humboldt County Health Officer has imposed and has recommended measures to promote social distancing as more particularly set forth in his August 6, 2021, Order, among other prior orders and guidance; and

NOW, THEREFORE, the Board of Directors of the McKinleyville Community Services District does hereby find and resolve as follows:

1. That the Board has reconsidered the circumstances of the previously declared and existing state of emergency arising from the COVID-19 pandemic; and
2. That the state of emergency continues to directly impact the ability of the members of the Board to meet safely in person, and further that local officials continue to impose or recommend measures to promote social distancing; and
3. That the Board may continue to conduct public meetings in accordance with Government Code section 54953(e); and
4. That the Board will reconsider the above findings within 30-days of this Resolution.

PASSED AND ADOPTED on the 6th day of October 2021 by the following vote:

AYES: Binder, Clark-Peterson, Couch, Orsini, and Mayo
 NAYS: None
 ABSENT: None
 ABSTAIN: None



 Dennis Mayo, Board President

Attest: 

 April Sousa, MMC, Board Secretary

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: D.5 **Review of the 2021 Integrated Pest Management Plan Annual Report**

PRESENTED BY: **James Henry, Operations Director**

TYPE OF ACTION: **None**

Recommendation:

Staff recommends that the Board review and accept the 2021 Integrated Pest Management Plan (IPM) annual report.

Discussion:

As stated in the IPM Scope, District staff will utilize the most environmentally sound approaches to pest management and eliminate, where feasible, the use of pesticides to minimize environmental and health impacts of pest and vegetation management. To accomplish this, staff will utilize physical, mechanical, cultural, biological and educational tactics as primary controls.

The plan is intended to provide procedural guidelines for the implementation as a basis for pest and vegetation management that will protect public health, the environment and aesthetic value of the District's facilities.

As stated in Section 4.A of the IPM (**Attachment 1**), the MCSD coordinator will compile data from all participating departments and submit an annual report at the January Board meeting to the General Manager and the Board of Directors. Each department submitted their IPM Treatment Tracking Forms, **Attachment 2**, for review. Upon review of the forms, it was found that all methods were mechanical tactics other than dealing with ants. A table is provided below as an overview of the forms submitted. This staff report will serve the purpose of the annual report.

Category	Weed Abatement Hours	Ant Removal Hours	Wasp Removal Hours	Gopher Control Hours	Total Labor Hours	NHES Weed Abatement Hours	Swap Weed Abatement Hours	Cost
Tree	0	0	0	0	0			\$ 00.00
Turf	4	0	0	144	148			\$ 6,665.00
Hard Surface	92	20	0	0	112			\$ 5,040.00
Planter Bed	87	0	0	0	87	344	1032	\$ 43,819.00
Total	183	20	1	144	348	344	1032	\$ 55,569.00

The table is separated into categories and includes the time in each category to manually remove weeds in planter beds, remove weeds in asphalt or concrete and trap gophers. The table also includes the annual labor cost for performing these tasks. Most of the planter bed weed abatement is located in the Open Space Maintenance Zones, which include landscape strips. Most of the hard surface treatment is weeds growing around edges or cracks of asphalt and concrete at most of the stations along with gravel areas at the Treatment Plant. The major target pest is weed abatement, with gopher control also contributing to the labor costs. Most of the gopher control takes place at the Hiller Sports Site along with Pierson Park.

Ants have been a reoccurring issue in several facilities and most of the ant issues are related to the ants coming through the walls and foundations to get out of the wet weather. Due to the continuous ant problem, and not being able to keep them under control, the District decided to hire 707 Pest Solutions to treat the buildings monthly. The IPM Coordinator reviewed the treatments strategies that were proposed and chose the least hazardous methods they had to offer. In addition, the Coordinator is reporting that the following Category 3 & 4 chemicals will be added to the Reduced Toxicity Pesticide List; Fendona CS CR, Sumari Gel Bait, and Alpine WSG. They all qualify as an EPA Toxicity Category 3 & 4, with a signal word as Caution.

As stated above, there are a lot of man hours assigned to weed abatement. In 2018, staff conducted a pilot study at the Wastewater Management Facility to compare salt, vinegar solution and flame torching against manual weed pulling to try to find out which method works best to eliminate some of the labor costs. Salt had the best affect and would prevent new weed growth for about 30 days, but it required an abundant amount of salt and labor to apply the salt. The remaining approaches only phased new weed growth for a couple days.

Gopher control can get quite extensive, from setting traps to blasting the tunnels. Due to the shallow tunneling from gophers, the turf collapses and creates depressions which become unsafe for the youth and adult leagues playing on the fields. Staff has found that blasting helps expose the shallow tunnels but requires a lot of labor to fill in the depressions after blasting occurs. Community work gatherings, made up of staff and volunteers, have been put together to help repair the turf each year mostly due to gophers. There was not a community gathering this year due to COVID, therefor not a lot of labor was used for blasting.

Alternatives:

Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Integrated Pest Management Plan
- Attachment 2 – IPM Treatment Tracking Forms



Integrated Pest Management Plan

Effective Date: March 2nd, 2016

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1. POLICY

McKinleyville Community Services District will utilize the most environmentally sound approaches to pest management, eliminate where feasible the use of pesticides to minimize environmental and health impacts of pest and vegetation management in all cases. To accomplish this, staff will utilize physical, mechanical, cultural, biological, and educational tactics as primary controls.

Pests will be controlled to preserve the integrity of facilities, infrastructure, and public health. Reduced-risk chemical controls will be used when necessary after primary control solutions have been exhausted. In the event reduced-risk chemical controls are not effective Board action will be required before further treatment. Pesticides will not be used to control pests for aesthetic reasons alone.

2. SCOPE & PURPOSE

This Integrated Pest Management (IPM) Plan shall apply to all pest control activities and pesticide use in buildings and related facilities; grounds and open space; and other property owned or managed by the McKinleyville Community Services District (MCSD). Employees, lessees and contractors will receive a copy of and are required to meet the Plan standards and such other appropriate contract language as determined by the General Manager.

This plan is intended to provide procedural guidelines for implementation as a basis for pest and vegetation management that will protect public health, the environment (see Section 3 for definition) and the aesthetic value of MCSD's facilities. This plan supersedes all previous plans covering the same or similar topics.

3. DEFINITIONS

A. Integrated Pest Management: A decision making process which selects, integrates, and implements pest control strategies to prevent or control pest populations. Integrated Pest Management uses a "whole systems approach", looking at the target species as it relates to the entire ecosystem. The following are considered in choosing control strategies; minimal impacts to human health, the environment and non-target organisms.

B. Pest: Any form of plant or animal life which the Administrator of the United States Environmental Protection Agency (US EPA) declares to be a pest pursuant to Section 25(c)(1) of the Federal Insecticide, Fungicide and Rodenticide Act [7 USC § 136w(c)(1)].

C. Pesticide: Any substance or mixture of substances intended for destroying or repelling any pest. This includes without limitation fungicides, insecticides, nematocides, herbicides, and rodenticides and any substance or mixture of substances intended for use as a plant regulator, defoliant, or desiccant.

The following products are not pesticides:

1. Deodorizers, bleaching agents, disinfectants and substances for which no pesticidal claim is made in the sale or distribution thereof; and
2. Fertilizers and plant nutrients.

D. Reasonable Alternative: A feasible option for pest control which takes into account the economic, social, and environmental costs and benefits of the proposed choices.

E. Emergency: A Pest outbreak that poses and immediate threat to public health or will cause significant economic or environmental damage.

F. Environment: The conditions that surround someone or something: the conditions and influences that affect the growth, health, progress, etc., of someone or something.

G. Sensitive Areas: Nearby a school, playground, or other area of concentrated use by children; or where runoff into nearby streams, wetlands, or ponds is likely.

4. MCSD IPM COORDINATOR

The General Manager shall designate an MCSD staff member as the IPM Coordinator, whose responsibilities shall include, but are not limited to, the following items:

- Coordination with MCSD departments, contractors and lessees on weed and pest control issues
- Publication of the annual IPM report
- Coordination of the Interdepartmental IPM Review Group
- Coordination of the implementation of the IPM in accordance with state law
- Recommendations on IPM strategies
- Assist MCSD departments with staff training needs
- Outreach to citizens regarding IPM

A. Annual IPM Report

The MCSD IPM Coordinator will compile data from all participating MCSD departments and submit an annual report at the January Board Meeting to the MCSD General Manager and Board of Directors. The report will detail the previous year's IPM efforts and shall contain information listed in Section 5, Departmental Obligations. Each department using pest control methods shall submit their information to the MCSD IPM Coordinator. The report will include a review of new IPM strategies as well as trends in IPM techniques over time.

B. Interdepartmental IPM Review Group

The General Manager may designate at least one staff member from each department as a representative to the Interdepartmental IPM Review Group. This group will be coordinated by the MCSD IPM Coordinator and will include designated MCSD staff. The Group shall meet at least semiannually and meetings will include development of annual MCSD IPM goals, review and evaluation of the plan, as well as opportunities for information exchange, education and cooperation. The Interdepartmental IPM Review Group shall also review interdepartmental issues and make Plan recommendations to the General Manager prior to presenting to the Board that advance the objectives of the IPM Plan and reduce reliance on chemical pest control.

5. DEPARTMENTAL OBLIGATIONS

The following departments conduct pest control operations that use or potentially use pesticides:

- Parks & Recreation Department
- Operations Department
- Support Department

A. Integrated Pest Management Plan

Each of these departments and any others using pest control methods in the future, shall use the guidance provided by this Plan. This plan shall be submitted to the MCSD IPM Coordinator by November 1. The plan will be reviewed and updated as necessary, to incorporate adaptive management changes consistent with the MCSD IPM Plan and updated at least every five years.

B. Record-keeping and Evaluation

Each department shall keep accurate records of all Integrated Pest Management treatments used and the results (see Appendix A: MCSD IPM Treatment Tracking Form). Information on all treatments (including non-chemical ones) shall include how, when, where and why the treatment was applied and the name of the applicator. This information will be available to the MCSD IPM Coordinator and will be the basis for the Annual IPM Report. It should also be available for review at the Interdepartmental IPM Review Group meetings. The MCSD IPM Coordinator will review pest management treatments with MCSD departments to evaluate the successes and failures of the IPM program, and to plan more efficient and effective pest management strategies.

The following information shall be maintained:

1. Target pest
2. Pest population levels or injury thresholds for treatment
3. Treatment selection criteria with final treatment decision (Section 6. C.)
4. Area treated (including type of location and size of area)
5. Pesticide (including product trade name, active ingredient and EPA toxicity category)
6. Quantity of product used
7. Treatment method used (i.e. bait, injection)
8. Location of application, time, date and type of noticing provided (physical sign, web posting, newspaper, etc.).
9. Time and date of pesticide application
10. Name(s) and license number(s) of Pesticide Applicator(s)
11. Name of the department contact authorizing work
12. Safety Data Sheets (SDS) and labels for all pesticides used

Application records shall be made available to the public upon request in accordance with MCSD's Records Retention Policy and all applicable state laws governing public access to information.

C. Contractor Notification

Departments bidding out contractual work for pest management must inform all bidders that MCSD has an IPM Plan, include its guidelines in bid specifics, and provide a written copy of the IPM Plan. Contractors are encouraged to submit bids that include nonchemical pest control methods.

6. INTEGRATED PEST MANAGEMENT (IPM) PROCEDURE

MCS D assumes that all pesticides are *potentially* hazardous to human and environmental health. Therefore, reasonable non-pesticide alternatives shall be given preference over chemical controls by following the IPM procedure. MCS D staff will evaluate alternatives to chemical treatment including the cost-effectiveness of the treatments. When chemical application is being considered, the IPM procedure outlined below shall be followed.

A. Initial Data Collection, Mapping and Monitoring

Each department considering pest control measures shall collect baseline data on the pest ecosystem(s) to determine pest population(s) occurrence, size, density and presence of any natural enemy population(s); gather information on pest biology and different control techniques available; and document sensitive areas and conditions that may limit control options. Data shall be collected in a standardized manner that is repeatable. This information may be included in departmental IPM plans.

Ranking, inventory, mapping, monitoring and evaluation are methods used for determining pest management priorities. Maps and inventories depict infestations in terms of pest species, size, location and threats to resources. Departments shall monitor infestations or pest populations and evaluate treatments over time to assess the effectiveness of various treatment strategies and their effects on target and non-target organisms.

All monitoring methods and data shall be specified in the departmental IPM plan, systematically recorded, and available for review at the Interdepartmental IPM Review Group meetings. Departments shall coordinate and utilize standardized pest mapping protocols.

B. Establishing Threshold Levels

To determine if treatment is warranted, an acceptable threshold level of treatment for each target pest and site should be established. The IPM Coordinator will contain the threshold levels for common pests, determined by individual work groups. In some instances, treatment may be required by federal, state or county laws. The assessment will be based on the following:

1. The tolerable level of environmental, aesthetic and economic damage as a result of the pest population(s) and the tolerable level of risk to human health as a result of the pest population(s);

OR

2. The size, density or growth rate of the pest population that must be present to cause unacceptable environmental, aesthetic and/or economic damage; and the size, density and type of pest population that must be present to create a human health risk.

C. Treatment Selection Criteria

Upon determining that treatment is necessary, the following criteria in descending order shall be used to help select the appropriate IPM treatment strategy:

1. Least hazardous to environment, non-target organisms and human health
2. Cost-effectiveness in the short and long-term
3. Least disruptive of natural controls
4. Most likely to produce a permanent reduction in the environment's ability to support target pests

D. Treatment Strategies

Each department in consultation with the MCSD IPM Coordinator shall make its own determination about appropriate and effective treatments, based on site-specific requirements. Commitment to the most environmentally sound approach is expected, with non-chemical methods considered first.

Prevention, cultural control, mechanical control, biological control and chemical control are the techniques used in integrated pest management. In general, a combination of treatments may be more effective than a single approach. Departments are encouraged to seek out and experiment with innovative IPM treatments (and combinations of treatments) and share this information at the Interdepartmental IPM Review Group meetings. The following treatments are listed in the order in which they should be executed:

D.1 Prevention – This is the most effective pest management strategy. By reducing the capacity of the ecosystem to support target pest populations through design and appropriate management, the opportunities for pest establishment can be reduced or eliminated.

- a. Use strategies that reduce the preferred harborage, food, water or other essential requirements of pests.
- b. Use weed-free materials for trail construction and maintenance.
- c. Use landscape and structural design that is appropriate to the specific habitat, climate and maintenance the area will receive.
- d. When designing projects, consider the potential impacts of pests and mitigate through the use of appropriate landscape design keeping in mind that initial costs of the project may be high, but can reduce long term maintenance costs (water requirements, weed barriers, etc)

D.2 Cultural – Cultural control is the use of management activities that prevent pests from developing due to enhancement of desired conditions. Specific examples are the following:

- a. Selection and placement of materials that provide life-support mechanisms for pest enemies and competitors.
- b. Modification of pest habitat by reducing pest harborage, food supply and other life support requirements.
- c. Vegetation management including irrigation, mulching, fertilization, aeration, seeding, pruning and thinning.
- d. Waste management and proper food storage.
- e. Barriers and traps.
- f. Heat, cold, humidity, desiccation or light applied to affected regions.
- g. Prescribed grazing.

D.3 Mechanical – Mechanical control is accomplished by using physical methods or mechanical equipment to control pest infestations.

- a. Mowing or weed-whipping
- b. Burning
- c. Hand-pulling of weeds
- d. Hand-removal of insect egg masses

D.4 Biological – Biological controls include the introduction or enhancement of natural enemy populations to target pests. Introduction of non-indigenous organisms has an associated risk factor and should be thoroughly evaluated prior to implementation due to new species may be impossible to completely remove at a later date. Biological methods include:

D.5 Chemical – Chemical control of pests is accomplished by using chemical compounds registered as pesticides. All pesticides shall be assumed to be *potentially* hazardous to human and environmental health.

- a. The type, methods and timing of chemical treatment shall be determined **after** consideration has been given to protection of public health and the environment.
- b. Initial review of potential chemicals shall begin with the least toxic compounds, i.e. chemicals in EPA Toxicity Categories III and IV. The use of compounds in EPA Toxicity Categories I and II shall be avoided if possible or used in situations where exposure to the active ingredient is limited (i.e. baits or soil/trunk injections).
- c. If, after a thorough evaluation of alternatives, the only effective or practical chemical control is an EPA Toxicity Category I or II compound, the MCSD General Manager, and, if practical, IPM Coordinator will review the decision-making process and make a recommendation to the Board of Directors for approval. This will be done on a case by case basis for specific pest treatments. The decision-making process and lack of alternatives shall be documented.
- d. Staff will review the information available on potential chemicals for persistence in the environment and the potential impacts from persistence. These factors will be considered along with the potential for more frequent application of chemicals that have lower persistence in the environment.
- e. If chemical treatment is warranted in a riparian area, applications will generally be plant specific and limited to wick applications. If broader applications are needed, the MCSD IPM coordinator shall confer with the Interdepartmental IPM Review Group, to review the decision-making process and make a recommendation to the General Manager for approval. If EPA Toxicity Categories I or II are necessary, Board approval will be required. This will be done on a case by case basis.
- f. Potential chemical approaches
 1. Pheromones and other attractants to confuse pests and/or act as bait
 2. insecticidal soaps
 3. juvenile hormones that arrest pest development
 4. repellants
 5. allelopathins
 6. sterilants or contraceptives to reduce breeding
 7. contact, stomach or other poisons
 8. fumigants
 9. combinations of above (baits with poisons)
 10. herbicides, insecticides

- g. All pesticides shall be applied in conformance with label specifications and all applicable federal, state and municipal laws, regulations and ordinances.
- h. All pesticide applications shall comply with the appropriate pre and post notification requirements. For all MCSD pesticide applications, notification will be posted at least 24 hours in advance, unless there is an extreme public safety concern. This includes soil and trunk injections, spot spraying, hand-wicking and broadcast spraying on all MCSD lands or property open to the public.

E. Education

Education is a critical component of an IPM program. The MCSD IPM Coordinator will include IPM information on the MCSD website. Information will include the Annual IPM Report and other pertinent material. Individual departments and work groups may conduct additional specific educational activities.

7. CONTRACTOR/LESSEE RESPONSIBILITIES & REQUIREMENTS

All contractors working for MCSD are required to abide by MCSD's IPM Plan. The contractor will return a signed statement to the appropriate Department Head certifying they have read and understand the Plan prior to any work being done for MCSD (See Appendix B: Acknowledgement of Receipt of the MCSD Integrated Pest Management Plan). The contractor shall maintain records as listed in Section 5, B.

MCSD may periodically enter into contracts that authorize pest management, such as for building maintenance, project construction and maintenance, and weed and insect control.

When MCSD signs a new contract or extends the term of an existing contract with a contractor or lessee that may include or authorize the application of pesticides, the department shall review its IPM plan with the MCSD IPM Coordinator and update the plan to include the pesticide usage by the contractor or lessee.

Contractors/lessees who apply pesticides on MCSD owned or managed property shall submit a procedure to the appropriate MCSD department and the MCSD IPM Coordinator if the department has not provided a procedure. Their procedure shall include the following:

- Information addressing all the elements listed in Section 6 of the IPM
- Types and estimated rates, to the extent possible, of the pesticides that the contractor may need to apply to MCSD property during its contract
- An outline of the actions the contractor will take to meet the MCSD IPM Plan
- The primary IPM contact for the contractor

Contractors/lessees will provide background information on the decision-making process for treatment methods to MCSD upon request. The department and MCSD IPM Coordinator shall approve the plan before any chemical applications are made. Contractors/lessees shall notify their departmental contact when any biological or chemical treatments are conducted. The contractors/lessees shall comply with appropriate pre and post notification requirements, according to MCSD IPM and relevant internal MCSD protocols.

8. INTERPRETATION

Employees or contractors who have questions concerning possible conflict between their interests and those of MCSD, or the interpretation and application of any of these rules, should direct their inquiries to their Department Director. The Department Director shall refer the matter to the General Manager for final resolution.

9. MODIFICATIONS/CHANGES

Any modification to this Plan may be granted only by the Board of Directors after considering the recommendation of the General Manager. This Plan may be reviewed and changed at any time.

APPENDIX A: MCSD IPM TREATMENT TRACKING FORM

MCSD IPM Treatment Tracking Form

Location (Map on Back) _____

Department: Operations Parks & Recreation Support Services Contractor/Lesseees

Authorized by IPM Coordinator: Yes No

Professional Pesticide Applicator Used: Yes No If Yes, Applicator's Name and Licence # _____

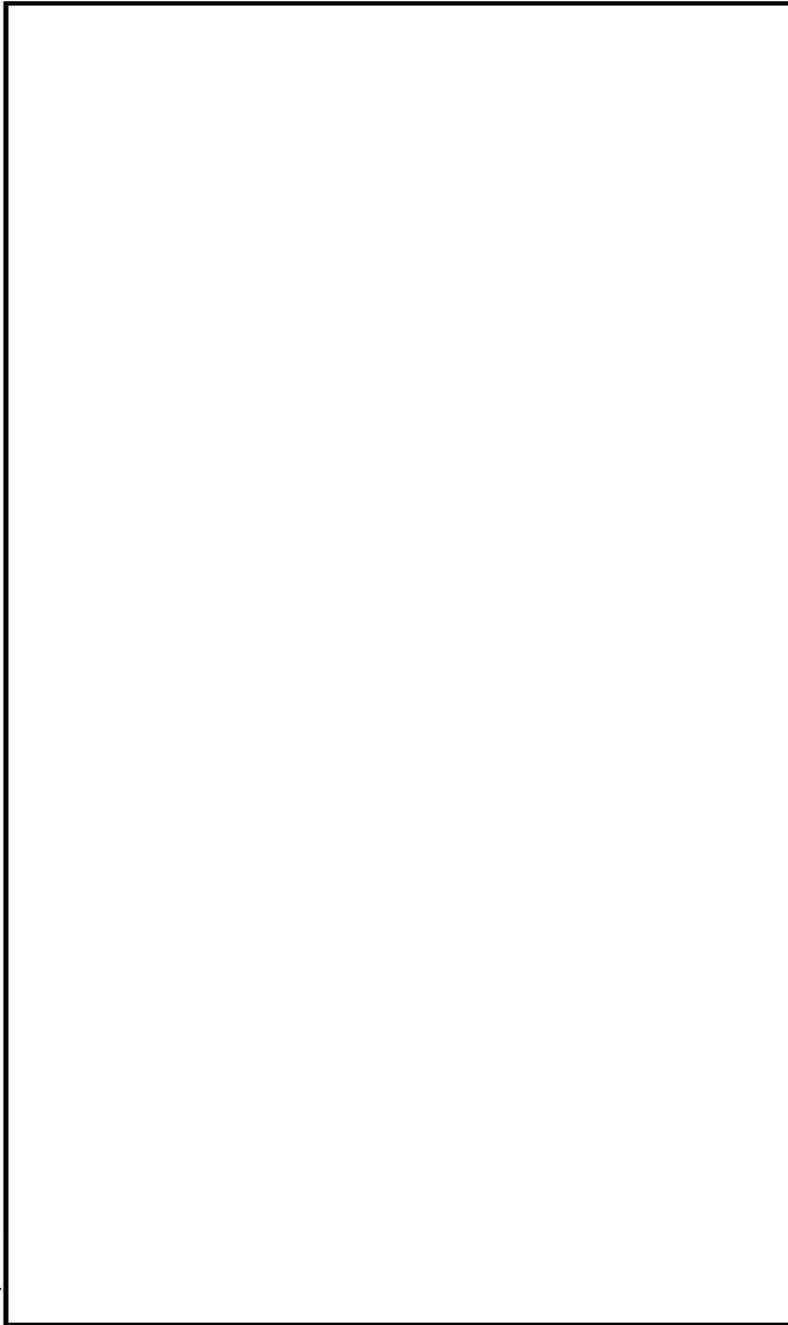
Target Pest _____

Population Levels/Injury Thresholds for Treatment _____

Final Treatment Decision _____

Treatment Method Used	Active Ingredient	EPA Toxicity Category	Quantity of Product Used	Date/Quarter	Time	Hours Spent	Public Notification Type	Results	Staff Initials
Prevention									
Cultural									
Mechanical									
Biological									
Chemical/Pesticide Name									

Map the Location Here:



APPENDIX B: ACKNOWLEDGEMENT OF RECEIPT OF MCSD INTEGRATED PEST MANAGEMENT PLAN; AGREEMENT TO INDEMNIFY MCSD

McKinleyville Community Services District

Acknowledgement of Receipt of the MCSD Integrated Pest Management Plan; Agreement to Indemnify MCSD

I, _____, hereby acknowledgement that I have received a copy of the McKinleyville Community Services District (hereafter referred to as “MCSD” or “the District”) MCSD Integrated Pest Management (IPM) Plan dated March 2, 2016 (hereafter referred to as the “IPM Plan”).

I have read the IPM Plan and understand its contents, and have had an opportunity to ask any questions I may have regarding it.

The IPM Plan is designed to help me get acquainted with MCSD’s Integrated Pest Management. It explains the District’s approach to Pest Management guided by the Board of Director’s Approved Policy Statement:

“McKinleyville Community Services District will utilize the most environmentally sound approaches to pest management, eliminate where feasible the use of pesticides to minimize environmental and health impacts of pest and vegetation management in all cases. To accomplish this, staff will utilize physical, mechanical, cultural, biological, and educational tactics as primary controls.

Pests will be controlled to preserve the integrity of facilities, infrastructure, and public health. Reduced-risk chemical controls will be used when necessary after primary control solutions have been exhausted. In the event reduced-risk chemical controls are not effective Board action will be required before further treatment. Pesticides will not be used to control pests for aesthetic reasons alone.”

I understand and agree to receive prior approval from the IPM Coordinator before conducting any Pest Treatment on MCSD owned property. I further agree that when performing any Pest Treatment on MCSD owned property to comply with the IPM Plan and any conditions of approval by the IPM Coordinator. Because MCSD is a growing and changing organization, I understand it reserves full discretion to add to, modify, or delete provisions of the IPM Plan, or the policies and procedures on which they may be based, at any time without advance notice. For this reason, I agree to first check with the IPM Coordinator, then the General Manager, to obtain current information regarding the status of any particular policy, procedure, or practice. Any modification must be in writing.

To the fullest extent allowable by law, I further agree to indemnify, defend, and hold harmless MSCD, and its directors, agents, and employees, from and against any and all claims, damages, injuries, causes of action, fines, penalties, and/or administrative orders that may be asserted by any person or entity as a result of or otherwise arising from any pest treatment on MCSD property, including without limitation, the use of any chemicals or pesticides, and whether or not such pest treatment is perform in accordance with the IPM Plan or applicable law or regulation.

I understand that the IPM Plan is the property of MCSD, and is intended for my use and reference as a Contractor/Lessee of the District.

Contractor/Lessee Signature

Date

Contractor/Lessee Printed Name

MCSD IPM Treatment Tracking Form

Location (Map on Back) Hearthwood Central Estates

Department: Operations Parks & Recreation Support Services Contractor/Lessee

Authorized by IPM Coordinator: Yes No

Professional Pesticide Applicator Used: Yes No If Yes, Applicator's Name and Licence # _____

Target Pest weeds

Population Levels/Injury Thresholds for Treatment _____

Final Treatment Decision hand pull

Treatment Method Used	Active Ingredient	EPA Toxicity Category	Quantity of Product Used	Date/Quarter	Time	Hours Spent	Public Notification Type	Results	Staff Initials
Prevention									
Cultural									
Mechanical	manual removal			9/21/20		7	N/A	hand removal of weeds	ST
Biological									
Chemical/Pesticide Name									

FEB 20

MCSO IPM Treatment Tracking Form

Location (Map on Back) WV/MF

Department: Operations Parks & Recreation Support Services Contractor/Lessee

Authorized by IPM Coordinator: Yes No

Professional Pesticide Applicator Used: Yes No If Yes, Applicator's Name and Licence # _____

Target Pest WEEDS

Population Levels/Injury Thresholds for Treatment _____

Final Treatment Decision _____

Treatment Method Used	Active Ingredient	EPA Toxicity Category	Quantity of Product Used	Date/Quarter	Time	Hours Spent	Public Notification Type	Results	Staff Initials
Prevention									
Cultural									
Mechanical	MOWING SPRING TRIMMING					14			CR
Biological	VINEGAR SOAP SPRAY					4			CR
Chemical/Pesticide Name									

16 TOTAL HRS

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.1 **Update on Certificates of Participation Sale and Final Pricing for Series 2021A & B COPs**

PRESENTED BY: **Pat Kaspari, General Manager**

TYPE OF ACTION: **None**

Recommendation:

Staff recommends that the Board of Directors review the material provided, ask questions, invite public comments, and thank the Finance Team for the job well done.

Discussion:

As discussed at the September 8, October 6 and November 18, 2021 Board Meetings, the District is required to match \$17.2M in secured grant funding with \$2.6M for the construction of the 4.5-MG water storage tank, and \$1.7M for replacement of the District's three Highway 101 sewer crossings. In addition, the District is beginning a \$4M water and sewer main replacement project to replace the mains along Central Avenue from Sutter to Hiller. These important projects require a total of \$4.6M in water and \$3.7M in sewer financing. These are critical infrastructure projects for the District that will provide needed resilience for the water and wastewater systems for McKinleyville.

As presented in September, October, and November Board Meetings, the District has been researching funding options with Brandis Tallman/Oppenheimer to take advantage of historic low interest rates. The most cost-effective option was determined to be a public offering Lease Revenue Bond or Certificates of Participation sale (\$4,680,000 water & \$3,820,000 sewer) under a 30-year financing scenario. The All-In True Interest cost for this option was originally estimated to be 3.06%. The District then obtained a AA- rating from S&P, which helped reduce our insurance costs and made the bonds look more favorable to potential buyers. Oppenheimer, the bond underwriter, held the Final Pricing on December 7, 2021, and, in spite of a large volume of bond sales that week, we still had a successful sale. The following table outlines the original estimated bond financing, the pre-pricing day financing, and the final results post pricing day. As the table shows, the Final Pricing was very successful, with an All In True Interest cost of 2.93% and reduced Total Debt Service. The Certificates of Participation closed on December 21, 2021 and the funds are available for the projects.

	Board Meeting 11/18/2021		Pre-Pricing Day 12/06/2021		Final Pricing Day 12/07/2021	
	Series 2021A (Water)	Series 2021B (Wastewater)	Series 2021A (Water)	Series 2021B (Wastewater)	Series 2021A (Water)	Series 2021B (Wastewater)
Par Amount	\$4,505,000	\$3,675,000	\$4,400,000	\$3,600,000	\$4,335,000	\$3,560,000
Premium	\$346,959	\$287,157	\$433,093	\$346,506	\$497,090	\$385,124
Project Fund	\$4,680,000	\$3,820,000	\$4,680,000	\$3,820,000	\$4,680,000	\$3,820,000
True Interest Cost	3.06%	3.06%	2.81%	2.81%	2.76%	2.76%
All-in True Interest Cost	3.28%	3.28%	2.97%	2.97%	2.93%	2.92%
Average Annual Debt Service	\$245,819	\$201,012	\$236,686	\$193,305	\$235,318	\$192,072
Total Debt Service	\$7,374,578	\$6,030,350	\$7,100,582	\$5,799,150	\$7,059,549	\$5,762,156

Attachment 1, is the Final Pricing Information Book produced by Brandis Tallman/Oppenheimer that provides more detail and **Attachments 2** is the Certificate Purchase Agreements.

Rick Brandis from Oppenheimer, the underwriter, and Jim Fabian from Fieldman Rolapp, our Municipal Advisor, are here to answer any additional questions you have.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Bond sales will fund the District grant match required for the design, permitting and construction of the 4.5MG Water Storage Tank (District match - \$2,58,820) and three Highway 101 sewer main crossing (District match = \$1,690,033) project as well as \$2M each for the Central Avenue water and sewer main replacement project.

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Final Pricing Book
- Attachment 2 – Certificate Purchase Agreements



MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A (WATER)

REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B (WASTEWATER)

FINAL PRICING INFORMATION BOOK

Tuesday, December 7, 2021

11:00am PST

Schedule of Events

Date	Event
November 30, 2021	Distribute Preliminary Official Statement to Investors
November 30th – Dec. 6th	Marketing of Bonds to Potential Investors
December 6th 3:15pm PST	Preliminary Pricing Call
December 7th 7:00am - 8:30am PST 11:00am PST	Order Period Final Pricing Call
December 21st	Close Financing

Municipal Market Commentary

Tuesday, December 7th Update

- Stocks rallied for the second consecutive day on optimism that the Omicron variant won't derail global growth. Several health experts have said Omicron symptoms appear milder, so far.
- Treasury yields rose on the news. As of 10:00am PST, the 10-year and 30-year Treasury yields were each 3 basis points higher than their levels on yesterday's pre-pricing call.
- Equity and bond markets could face future turbulence due to rising geopolitical tensions as U.S. and European allies consider banking sanctions if Russia invades Ukraine.

Treasury Yields Wednesday Morning (10:00am):

- 2-year: 0.68%
- 3-year: 0.96%
- 5-year: 1.25%
- 7-year: 1.42%
- 10-year: 1.46%
- 30-year: 1.78%

MMD Read (9:45am)

- 2022-2051: Steady

Pricing Wire Sent to Market

The following scale was sent to the market at 7:00am to kick-off the order period.

2021 Revenue COPS, Series 2021A

Maturity	Coupon	Yield	Spread	12/6/21 Int. MMD	Spread Changes
2022	4.000	0.35	21.0	0.14	-
2023	4.000	0.45	22.0	0.23	-
2024	4.000	0.55	22.0	0.33	-
2025	4.000	0.65	22.0	0.43	-
2026	4.000	0.78	22.0	0.56	-2
2027	4.000	0.95	27.0	0.68	-5
2028	4.000	1.10	27.0	0.83	-5
2029	4.000	1.20	28.0	0.92	-5
2030	4.000	1.28	30.0	0.98	-12
2031	4.000	1.35	33.0	1.02	-15
2032	4.000	1.45	40.0	1.05	N/A
2033	4.000	1.52	45.0	1.07	N/A
2041	2.250	2.40	111.0	1.29	-
2051	4.000	2.15	67.0	1.48	-

2021 Revenue COPS, Series 2021B

Maturity	Coupon	Yield	Spread	12/6/21 Int. MMD	Spread Changes
2022	3.000	0.35	21.0	0.14	-
2023	3.000	0.45	22.0	0.23	-
2024	3.000	0.56	22.0	0.34	+1
2025	3.000	0.66	22.0	0.44	+1
2026	2.750	0.79	22.0	0.57	-1
2027	4.000	0.96	26.0	0.70	-4
2028	4.000	1.11	27.0	0.84	-4
2029	4.000	1.21	28.0	0.93	-4
2030	4.000	1.28	30.0	0.98	-12
2031	4.000	1.35	33.0	1.02	-15
2032	4.000	1.46	40.0	1.06	N/A
2033	4.000	1.52	45.0	1.07	N/A
2041	2.250	2.40	111.0	1.29	-
2051	4.000	2.15	67.0	1.48	-

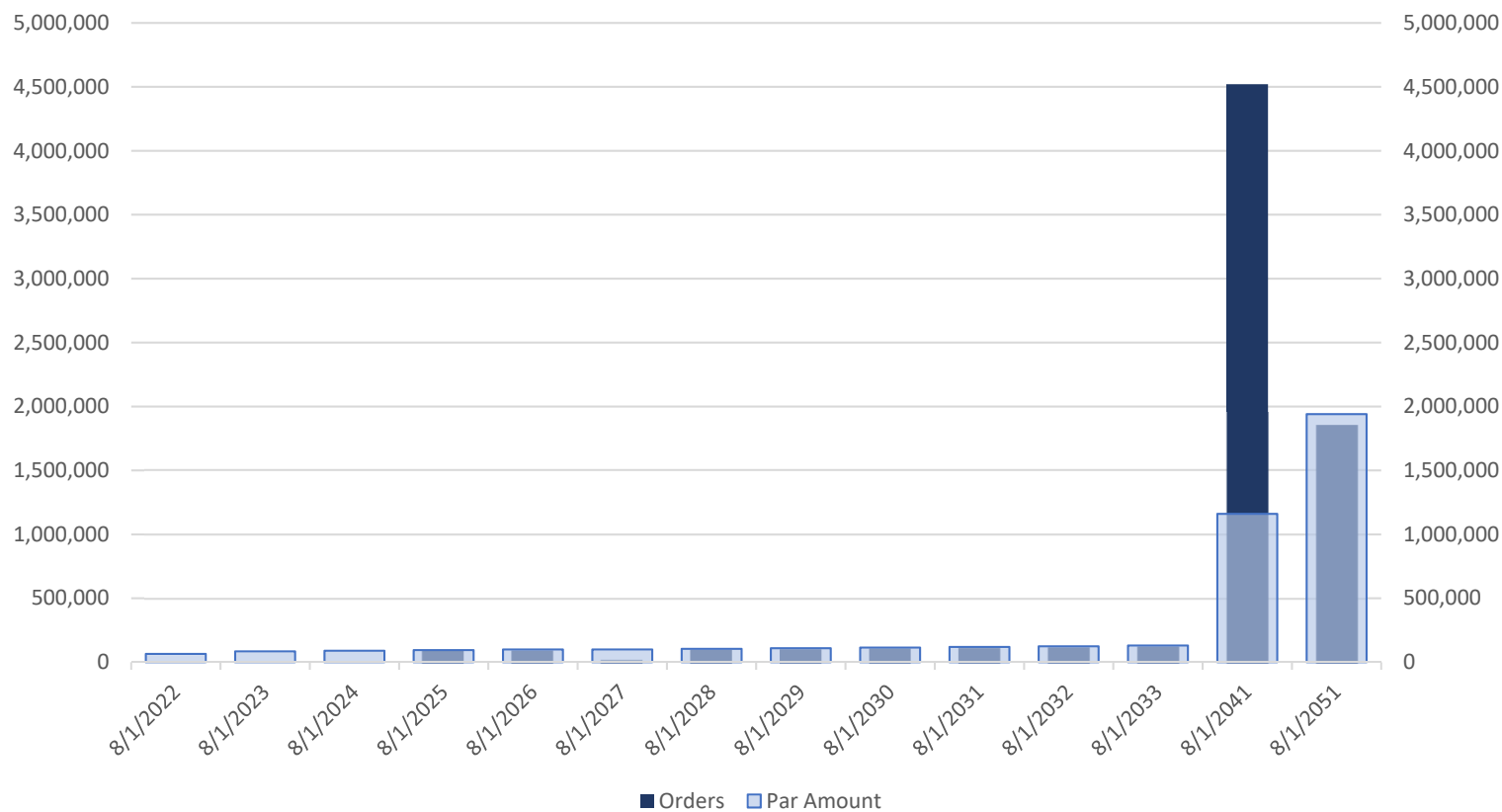
Other changes from Pre-Pricing Call

Extended serials to 2033.

Extended insurance to all maturities.

Order Period Results – Series 2021A (Water)

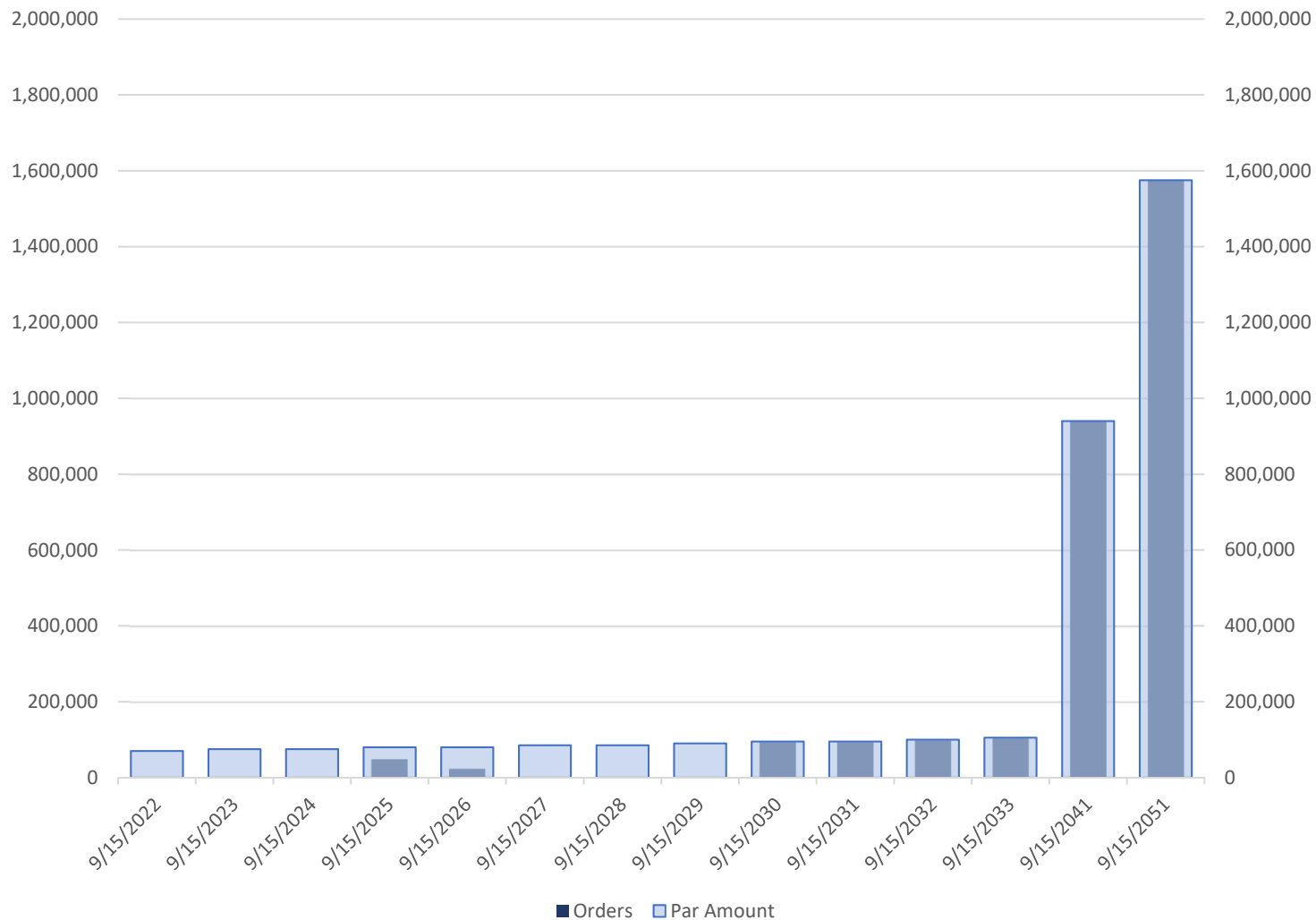
Series A - Order Period Results



Maturity Date	Subscription
2022	0.0
2023	0.0
2024	0.0
2025	1.0
2026	1.0
2027	0.3
2028	1.0
2029	1.0
2030	1.0
2031	1.0
2032	1.0
2033	1.0
2041	3.9
2051	0.9

Order Period Results – Series 2021B (Wastewater)

Series B - Order Period Results



Maturity Date	Subscription
2022	0.0
2023	0.0
2024	0.0
2025	0.6
2026	0.3
2027	0.0
2028	0.0
2029	0.0
2030	1.0
2031	1.0
2032	1.0
2033	1.0
2041	1.0
2051	1.0

Re-Pricing Changes

2021 Revenue COPS, Series 2021A

Maturity	Coupon	Yield	Spread	12/6/21 Int. MMD	Spread Changes
2022	4.000	0.40	26.0	0.14	+5
2023	4.000	0.50	27.0	0.23	+5
2024	4.000	0.60	27.0	0.33	+5
2025	4.000	0.65	22.0	0.43	-
2026	4.000	0.78	22.0	0.56	-
2027	4.000	0.95	27.0	0.68	-
2028	4.000	1.10	27.0	0.83	-
2029	4.000	1.20	28.0	0.92	-
2030	4.000	1.28	30.0	0.98	-
2031	4.000	1.35	33.0	1.02	-
2032	4.000	1.45	40.0	1.05	-
2033	4.000	1.52	45.0	1.07	-
2041	2.250	2.37	108.0	1.29	-3
2051	4.000	2.15	67.0	1.48	-

2021 Revenue COPS, Series 2021B

Maturity	Coupon	Yield	Spread	12/6/21 Int. MMD	Spread Changes
2022	3.000	0.40	26.0	0.14	+5
2023	3.000	0.50	27.0	0.23	+5
2024	3.000	0.61	27.0	0.34	+5
2025	3.000	0.71	27.0	0.44	+5
2026	2.750	0.84	27.0	0.57	+5
2029	3.000	1.25	32.0	0.93	N/A
2030	4.000	1.28	30.0	0.98	
2031	4.000	1.35	33.0	1.02	
2032	4.000	1.46	40.0	1.06	
2033	4.000	1.52	45.0	1.07	
2041	2.250	2.37	108.0	1.29	-3
2051	4.000	2.15	67.0	1.48	-

Other changes

Created term bond in 2029 for Series B.

Sales Comparables

Sale Date	Final Pricing - 12/7/2021					Final Pricing - 12/7/2021					9/23/2021					12/2/2021				
	Mckinleyville Community Services District 2021 Revenue COPs, Series 2021A (Water)					Mckinleyville Community Services District 2021 Revenue COPs, Series 2021B (Wastewater)					East Niles Community Services District Revenue Certificates of Participation, Series 2021					Woodland Finance Authority Water Revenue Refunding Bonds, Series 2021				
Issue Size	\$4,335,000					\$3,560,000					\$10,350,000					\$13,205,000				
U/W	Oppenheimer					Oppenheimer					Oppenheimer					Hilltop				
Type	Utility Revenue COPs					Utility Revenue COPs					Utility Revenue COPs					Utility Revenue Bonds				
Insurer	BAM					BAM					BAM					AGM (2025-41 Maturities)				
Insured Rating	AA					AA					AA					AA				
U/L Rating	AA-					AA-					AA-					A+				
Call Feature	8/1/2031 at par					9/15/2031 at par					5/1/31 at par					3/1/2031 at par				
10 YR MMD	1.02					1.02					0.920					1.00				
30 YR MMD	1.48					1.48					1.540					1.48				
10 YR T-Bond	1.460					1.460					1.401					1.440				
30 YR T-Bond	1.780					1.780					1.916					1.760				
Maturity	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	9/22/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	12/1/21 Int. MMD
2022	65	4.000	0.40	26.0	0.14	75	3.000	0.40	26.0	0.14	120	4.000	0.25	19.0	0.06	365	4.000	0.28	16.0	0.12
2023	85	4.000	0.50	27.0	0.23	75	3.000	0.50	27.0	0.23	215	4.000	0.40	29.0	0.11	475	4.000	0.42	22.0	0.20
2024	90	4.000	0.60	27.0	0.33	80	3.000	0.61	27.0	0.34	225	4.000	0.50	36.0	0.14	495	4.000	0.50	20.0	0.30
2025	95	4.000	0.65	22.0	0.43	80	3.000	0.71	27.0	0.44	235	4.000	0.60	36.0	0.24	515	4.000	0.50	13.0	0.37
2026	100	4.000	0.78	22.0	0.56	85	2.750	0.84	27.0	0.57	245	4.000	0.73	36.0	0.37	530	4.000	0.64	14.0	0.50
2027	100	4.000	0.95	27.0	0.68						255	4.000	0.83	33.0	0.50	555	4.000	0.74	12.0	0.62
2028	105	4.000	1.10	27.0	0.83						265	4.000	0.98	35.0	0.63	575	4.000	0.92	13.0	0.79
2029	110	4.000	1.20	28.0	0.92	260	3.000	1.25	32.0	0.93	275	4.000	1.11	37.0	0.74	595	4.000	1.04	16.0	0.88
2030	115	4.000	1.28	30.0	0.98	95	4.000	1.28	30.0	0.98	285	4.000	1.23	39.0	0.84	620	4.000	1.16	20.0	0.96
2031	120	4.000	1.35	33.0	1.02	95	4.000	1.35	33.0	1.02	295	4.000	1.33	41.0	0.92	645	4.000	1.23	23.0	1.00
2032	125	4.000	1.45	40.0	1.05	100	4.000	1.46	40.0	1.06	310	4.000	1.44	45.0	0.99	675	4.000	1.34	30.0	1.04
2033	130	4.000	1.52	45.0	1.07	105	4.000	1.52	45.0	1.07	320	4.000	1.51	47.0	1.04	705	4.000	1.41	35.0	1.06
2034																730	4.000	1.48	40.0	1.08
2035																760	2.000	2.15	103.0	1.12
2036											1,020	2.000	2.12	96.0	1.16	770	4.000	1.64	50.0	1.14
2037																805	2.125	2.29	112.0	1.17
2038																				
2039																				
2040																				
2041	1,160	2.250	2.37	108.0	1.29	935	2.250	2.37	108.0	1.29	1,855	2.400	2.40	106.0	1.34	3,390	2.250	2.41	112.0	1.29
2042																				
2043																				
2044											1,215	2.375	2.50	107.0	1.43					
2045																				
2046																				
2051	1,935	4.000	2.15	67.0	1.480	1,575	4.000	2.15	67.0	1.480	3,215	2.500	2.60	106.0	1.54					

Sales Comparables

Sale Date	Final Pricing - 12/7/2021					Final Pricing - 12/7/2021					11/9/2021					11/9/2021					
	Mckinleyville Community Services District 2021 Revenue COPs, Series 2021A (Water)					Mckinleyville Community Services District 2021 Revenue COPs, Series 2021B (Wastewater)					North Coast County Water District Cetificates of Participation (2021 Water System)					City of Escondido Wastewater Revenue Refunding Bonds, Series					
Issue Size	\$4,335,000					\$3,560,000					\$20,210,000					\$21,550,000					
U/W	Oppenheimer					Oppenheimer					D.A. Davidson					Stifel					
Type	Utility Revenue COPs					Utility Revenue COPs					Utility Revenue COPs					Utility Revenue Bonds					
Insurer	BAM					BAM					AGM					N/A					
Insured Rating	AA					AA					AA					N/A					
U/L Rating	AA-					AA-					AA-					AA-					
Call Feature	8/1/2031 at par					9/15/2031 at par					10/1/2031 at par					9/1/31 at par					
10 YR MMD	1.02					1.02					1.130					1.120					
30 YR MMD	1.48					1.48					1.580					1.580					
10 YR T-Bond	1.460					1.460					1.460					1.460					
30 YR T-Bond	1.780					1.780					1.830					1.830					
Maturity	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	11/8/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	11/8/21 Int. MMD	
2022	65	4.000	0.40	26.0	0.14	75	3.000	0.40	26.0	0.14	355	4.000	0.23	8.0	0.150						
2023	85	4.000	0.50	27.0	0.23	75	3.000	0.50	27.0	0.23	370	4.000	0.33	9.0	0.240	280	4.000	0.26	3.0	0.230	
2024	90	4.000	0.60	27.0	0.33	80	3.000	0.61	27.0	0.34	385	4.000	0.42	10.0	0.320	295	1.250	0.36	4.0	0.320	
2025	95	4.000	0.65	22.0	0.43	80	3.000	0.71	27.0	0.44	400	4.000	0.56	10.0	0.460	295	1.250	0.49	4.0	0.450	
2026	100	4.000	0.78	22.0	0.56	85	2.750	0.84	27.0	0.57	420	4.000	0.73	11.0	0.620	305	1.250	0.65	4.0	0.610	
2027	100	4.000	0.95	27.0	0.68						435	4.000	0.85	8.0	0.770	1,020	4.000	0.76	0.0	0.760	
2028	105	4.000	1.10	27.0	0.83						450	4.000	1.00	9.0	0.910	1,060	4.000	0.90	0.0	0.900	
2029	110	4.000	1.20	28.0	0.92	260	3.000	1.25	32.0	0.93	470	4.000	1.13	11.0	1.020	1,100	4.000	1.03	2.0	1.010	
2030	115	4.000	1.28	30.0	0.98	95	4.000	1.28	30.0	0.98	490	4.000	1.20	13.0	1.070	1,145	4.000	1.10	4.0	1.060	
2031	120	4.000	1.35	33.0	1.02	95	4.000	1.35	33.0	1.02	510	4.000	1.28	15.0	1.130	1,195	4.000	1.20	8.0	1.120	
2032	125	4.000	1.45	40.0	1.05	100	4.000	1.46	40.0	1.06	530	4.000	1.42	27.0	1.150	1,240	4.000	1.32	17.0	1.15	
2033	130	4.000	1.52	45.0	1.07	105	4.000	1.52	45.0	1.07	550	4.000	1.44	27.0	1.170	1,285	4.000	1.37	21.0	1.16	
2034											575	4.000	1.54	35.0	1.190	1,340	4.000	1.44	25.0	1.19	
2035											600	4.000	1.59	38.0	1.210	1,390	4.000	1.49	28.0	1.21	
2036											625	4.000	1.68	45.0	1.230	1,445	4.000	1.53	30.0	1.230	
2037																1,505	4.000	1.58	32.0	1.26	
2038																1,565	4.000	1.64	35.0	1.29	
2039																1,630	4.000	1.67	35.0	1.32	
2040																1,695	4.000	1.70	35.0	1.35	
2041	1,160	2.250	2.37	108.0	1.29	935	2.250	2.37	108.0	1.29	3,515	4.000	1.89	51.0	1.380	1,760	4.000	1.73	35.0	1.380	
2042																					
2043																					
2044																					
2045																					
2046											4,290	4.000	2.07	54.0	1.530						
2051	1,935	4.000	2.15	67.0	1.480	1,575	4.000	2.15	67.0	1.480	5,240	4.000	2.13	55.0	1.580						

Sales Comparables

Sale Date	Final Pricing - 12/7/2021					Final Pricing - 12/7/2021					11/4/2021					10/28/2021					
	Mckinleyville Community Services District 2021 Revenue COPs, Series 2021A (Water)					Mckinleyville Community Services District 2021 Revenue COPs, Series 2021B (Wastewater)					Poway Public Financing Authority Water Revenue Bonds, Series 2021A					Medota Joint Powers Financing Authority Wastewater Refunding Revenue Bonds, Series					
Issue Size	\$4,335,000					\$3,560,000					\$12,930,000					\$4,035,000					
U/W	Oppenheimer					Oppenheimer					Stifel					Raymond James					
Type	Utility Revenue COPs					Utility Revenue COPs					Utility Revenue Bonds					Utility Revenue Bonds					
Insurer	BAM					BAM					BAM 2029-2051					BAM					
Insured Rating	AA					AA					AA					AA					
U/L Rating	AA-					AA-					AA-					BBB					
Call Feature	8/1/2031 at par					9/15/2031 at par					6/1/2031 at par					7/1/2031 at par					
10 YR MMD	1.02					1.02					1.170					1.200					
30 YR MMD	1.48					1.48					1.660					1.700					
10 YR T-Bond	1.460					1.460					1.530					1.570					
30 YR T-Bond	1.780					1.780					1.960					1.960					
Maturity	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	12/6/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	11/3/21 Int. MMD	Par Amt. \$1000s	Coupon	Yield	Spread	10/27/21 Int. MMD	
2022	65	4.000	0.40	26.0	0.14	75	3.000	0.40	26.0	0.14	130	3.000	0.18	4.0	0.140	55	2.000	0.590	45.0	0.140	
2023	85	4.000	0.50	27.0	0.23	75	3.000	0.50	27.0	0.23	240	4.000	0.30	5.0	0.250	85	3.000	0.800	55.0	0.250	
2024	90	4.000	0.60	27.0	0.33	80	3.000	0.61	27.0	0.34	250	4.000	0.38	7.0	0.310	85	3.000	0.920	60.0	0.320	
2025	95	4.000	0.65	22.0	0.43	80	3.000	0.71	27.0	0.44	260	4.000	0.50	7.0	0.430	95	3.000	1.100	65.0	0.450	
2026	100	4.000	0.78	22.0	0.56	85	2.750	0.84	27.0	0.57	270	4.000	0.66	7.0	0.590	95	4.000	1.310	70.0	0.610	
2027	100	4.000	0.95	27.0	0.68						285	4.000	0.80	8.0	0.720	95	4.000	1.450	70.0	0.750	
2028	105	4.000	1.10	27.0	0.83						295	4.000	0.96	8.0	0.880	105	4.000	1.610	70.0	0.910	
2029	110	4.000	1.20	28.0	0.92	260	3.000	1.25	32.0	0.93	305	4.000	1.10	8.0	1.020	105	4.000	1.750	70.0	1.050	
2030	115	4.000	1.28	30.0	0.98	95	4.000	1.28	30.0	0.98	320	4.000	1.23	12.0	1.110	110	4.000	1.840	70.0	1.140	
2031	120	4.000	1.35	33.0	1.02	95	4.000	1.35	33.0	1.02	330	4.000	1.35	18.0	1.170	115	4.000	1.900	70.0	1.200	
2032	125	4.000	1.45	40.0	1.05	100	4.000	1.46	40.0	1.06	345	4.000	1.43	23.0	1.200	120	4.000	1.980	75.0	1.230	
2033	130	4.000	1.52	45.0	1.07	105	4.000	1.52	45.0	1.07	360	4.000	1.47	26.0	1.210	125	4.000	2.010	75.0	1.260	
2034											370	4.000	1.55	30.0	1.250	130	2.250	2.440	114.0	1.300	
2035											385	4.000	1.61	33.0	1.280	130	2.250	2.490	116.0	1.330	
2036																135	2.250	2.520	116.0	1.360	
2037																135	2.375	2.550	116.0	1.390	
2038											1,255	4.000	1.77	40.0	1.370	140	2.375	2.590	117.0	1.420	
2039																145	2.375	2.620	117.0	1.450	
2040																145	2.500	2.640	116.0	1.480	
2041	1,160	2.250	2.37	108.0	1.29	935	2.250	2.37	108.0	1.29	1,415	4.000	1.84	38.0	1.460	150	2.500	2.660	116.0	1.500	
2042																					
2043																315	2.500	2.720	116.0	1.560	
2044																					
2045																					
2046											2,760	4.000	1.99	38.0	1.610	500	2.625	2.820	117.0	1.650	
2051	1,935	4.000	2.15	67.0	1.480	1,575	4.000	2.15	67.0	1.480	3,355	4.000	2.090	43.0	1.660	920	2.750	2.870	117.0	1.700	

Numerical Results

	Board Meeting 11/18/2021		Pre-Pricing Day 12/06/2021		Final Pricing Day 12/07/2021	
	Series 2021A (Water)	Series 2021B (Wastewater)	Series 2021A (Water)	Series 2021B (Wastewater)	Series 2021A (Water)	Series 2021B (Wastewater)
Par Amount	\$4,505,000	\$3,675,000	\$4,400,000	\$3,600,000	\$4,335,000	\$3,560,000
Premium	\$346,959	\$287,157	\$433,093	\$346,506	\$497,090	\$385,124
Project Fund	\$4,680,000	\$3,820,000	\$4,680,000	\$3,820,000	\$4,680,000	\$3,820,000
True Interest Cost	3.06%	3.06%	2.81%	2.81%	2.76%	2.76%
All-in True Interest Cost	3.28%	3.28%	2.97%	2.97%	2.93%	2.92%
Average Annual Debt Service	\$245,819	\$201,012	\$236,686	\$193,305	\$235,318	\$192,072
Total Debt Service	\$7,374,578	\$6,030,350	\$7,100,582	\$5,799,150	\$7,059,549	\$5,762,156

\$4,335,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A
(WATER PROJECT)

CERTIFICATE PURCHASE AGREEMENT

December 7, 2021

McKinleyville Community Services District
 1656 Sutter Road
 McKinleyville, California 95519

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the “Purchase Agreement”) with the McKinleyville Community Services District (the “District”), which, upon acceptance by the District, will be binding upon the District and the Underwriter. This offer is made subject to acceptance by the District by execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of December 1, 2021 (the “Trust Agreement”), by and among the CSDA Finance Corporation (the “Corporation”), the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm’s length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District and has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the McKinleyville Community Services District Revenue Certificates of

Participation, Series 2021A (Water Project), in the aggregate principal amount of \$4,335,000 (the “Certificates”). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2022, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is \$4,782,237.35 (being the aggregate principal amount thereof plus a net original issue premium of \$497,089.85 and less an Underwriter’s discount of \$49,852.50).

Section 2. The Certificates. The Certificates shall be secured by installment payments (the “Installment Payments”) to be paid by the District to the Corporation pursuant to the Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), by and between the District and the Corporation. The Installment Payments are payable from Net Revenues (as such term is defined in the Installment Purchase Contract). The Corporation’s right to receive the Installment Payments under the Installment Purchase Contract has been assigned to the Trustee for the benefit of the owners of the Certificates pursuant to an Assignment Agreement, dated as of December 1, 2021 (the “Assignment Agreement”), by and between the Corporation and the Trustee.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District and the Underwriter.

The proceeds of the Certificates shall be applied to: (i) finance the construction of certain capital improvements to the District’s water system; and (ii) pay the costs of delivery of the Certificates.

A portion of the proceeds from the Certificates will be used to purchase a certificate insurance policy (the “Insurance Policy”) from Build America Mutual Assurance Company (the “Insurer”), which Insurance Policy will guarantee the payment of principal and interest due with respect to the Certificates.

The Certificates, the Trust Agreement, the Installment Purchase Contract, the Assignment Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the “Corporation Documents.”

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates (the “Continuing Disclosure Certificate”), dated the Closing Date (as such term is defined herein), the Trust Agreement, the Installment Purchase Contract and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the “District Documents.”

Section 3. Public Offering; Establishment of Issue Price for Certificates.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel (as such term is defined herein) to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or
2. the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d)

(i) The Underwriter confirms that any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting

obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

(C) promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below); and

(D) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) The Underwriter confirms that any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to: (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means: (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public);
3. a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date of execution of the Purchase Agreement by all parties.

Section 4. The Official Statement. By its acceptance of this proposal, the District ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated November 30, 2021 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that an authorized officer of the District deemed “final” as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at <http://emma.msrb.org>. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., California Time, on December 21, 2021, or at such other time or date as the District and the Underwriter agree upon (the “Closing Date”), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Certificates may be credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents hereinafter mentioned at the offices of Kutak Rock LLP, Irvine, California (“Special Counsel”), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase prices of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. [Reserved].

Section 7. Representations, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district that is duly organized and existing under and by virtue of the laws of the State of California.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against special districts in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable

judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption "UNDERWRITING" and information regarding the Insurer, the Insurance Policy, DTC and DTC's book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Revenues under the Installment Purchase Contract or of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the District

Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest with respect to the Certificates from federal taxation or the exemption of interest with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of Section 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates.

(l) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2020 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and

notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Purchase Contract.

(o) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments.

(d) In recognition of the desire of the District and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official

Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates;

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the District, or the interest with respect to bonds or notes (including the Certificates);

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, pandemic, civil unrest or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the reasonable sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a disruption in securities settlement, payment or clearance services shall have occurred, which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as an appendix to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(v) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCE," "THE

CERTIFICATES,” “SECURITY FOR THE CERTIFICATES” and “TAX EXEMPTION” and in Appendices A and B, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Certificates, the District Documents, the Corporation Documents and Special Counsel’s final opinion concerning the Certificates or state legal conclusions with respect to the matters covered by such final opinion, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the Insurer, the Insurance Policy, or the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Certificates are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation, satisfactory in form and substance to the Underwriter and substantially in the form that is set forth in Exhibit C;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with all of the terms and conditions of the Purchase Agreement that are required to be complied with by the District on or prior to the Closing Date; (ii) to the best of such officer’s knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding the Insurer, the Insurance Policy, DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material

respect; and (iv) to the best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District's ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of counsel to the Corporation, in form and substance acceptable to the Underwriter and Special Counsel;

(xi) an opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of the District's General Counsel, to the effect that:

(A) The District is a community services district, duly organized and validly existing under the Community Services District Law (Division 3 of Title 6 of the California Government Code);

(B) The resolution of the District approving and authorizing the execution and delivery of the District Documents, and approving the Official Statement, was duly adopted at a meeting of the Board of Directors that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect and has not been modified, amended, or rescinded;

(C) To the best of such counsel's knowledge and based upon a reasonable investigation and consultation with Special Counsel for the District, and in reliance on the concurrently issued opinion and certification thereof, the execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, as applicable: (a) any agreement or other instrument to which the District is a party or by which it is bound; or (b) any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(D) To the best of such counsel's knowledge and based upon a reasonable investigation, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Purchase Contract; and

(E) The District Documents, assuming due execution and delivery by the other parties thereto, as applicable, constitute valid and binding obligations of the District;

(xii) An opinion of Kutak Rock LLP, Irvine, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the District on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to the Insurer, the Insurance Policy, The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm need not express any opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing the Trust Agreement;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing the Trust Agreement, and an incumbency certificate of the Trustee;

(xvi) A preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xx) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxi) A Certificate of the Insurer, dated the Closing Date, signed by an authorized officer thereof as to such matters as the Underwriter may reasonably request;

(xxii) An opinion of counsel to the Insurer, dated the Closing Date and addressed to the Underwriter, concerning such matters as the Underwriter may reasonably request;

(xxiii) An executed copy of the Insurance Policy;

(xxiv) Specimen Certificates; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

Section 10. Expenses. Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel, the District's municipal advisor and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the

Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, California 94104 Attention: Municipal Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

Section 12. Parties in Interest. The Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Survival of Representations and Warranties. The representations and warranties of the District in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Certificates.

Section 16. Effectiveness. The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

Section 17. Governing Law. The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: *Reik Brandes*
Title: Authorized Officer

Accepted as of the date first stated above:

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

By: *Patrick Kaspari*
General Manager

Time of Execution: 13:33

EXHIBIT A

\$4,335,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A
(WATER PROJECT)

MATURITY SCHEDULE

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
2022	\$ 65,000	4.000%	0.400%	102.194		X
2023	85,000	4.000	0.500	105.608		X
2024	90,000	4.000	0.600	108.794		X
2025	95,000	4.000	0.650	111.936	X	
2026	100,000	4.000	0.780	114.555	X	
2027	100,000	4.000	0.950	116.626	X	
2028	105,000	4.000	1.100	118.441	X	
2029	110,000	4.000	1.200	120.307	X	
2030	115,000	4.000	1.280	122.109	X	
2031	120,000	4.000	1.350	123.809	X	
2032	125,000	4.000	1.450	122.799 ^C	X	
2033	130,000	4.000	1.520	122.097 ^C	X	
2041 ^T	1,160,000	2.250	2.370	98.125	X	
2051 ^T	1,935,000	4.000	2.150	115.984 ^C	X	

^C Priced to first optional redemption date of August 1, 2031 at par.

^T Term Certificate.

EXHIBIT B

\$4,335,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A
(WATER PROJECT)

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”) hereby certifies as set forth below with respect to the sale and delivery of the above-captioned obligations (the “Certificates”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated December 7, 2021, by and between Oppenheimer, as the Underwriter, and the Issuer, Oppenheimer has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (which Sale Date is December 7, 2021), or (ii) the date on which Oppenheimer has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(b) *Issuer* means McKinleyville Community Services District.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations that are set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Kutak Rock LLP, Special Counsel, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

OPPENHEIMER & CO. INC.

By: _____

Name: _____

Dated: December 21, 2021

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

EXHIBIT C

\$4,335,000

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A
(WATER PROJECT)**

CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the CSDA Finance Corporation (the “**Corporation**”) and is duly authorized to execute and deliver this certificate and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The covenants, representations and warranties of the Corporation in the Installment Purchase Contract, dated as of December 1, 2021 (the “**Installment Purchase Contract**”), by and between the Corporation and McKinleyville Community Services District, are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The resolution of the Corporation approving and authorizing the execution of the Installment Purchase Contract, among other documents, was duly adopted at a meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Corporation has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned certificates of participation (the “**Certificates**”).

(iv) The statements and descriptions pertaining to the Corporation in the Official Statement dated December 7, 2021 relating to the Certificates (the “**Official Statement**”) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect.

(vi) to the best of its knowledge, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation’s ability to perform its obligations under the Installment Purchase

Contract, the Trust Agreement (as such term is defined in the recitals of the Installment Purchase Contract), and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

Dated: December 21, 2021

CSDA FINANCE CORPORATION

By: _____
Authorized Signatory

\$3,560,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B
(WASTEWATER PROJECT)

CERTIFICATE PURCHASE AGREEMENT

December 7, 2021

McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the "Purchase Agreement") with the McKinleyville Community Services District (the "District"), which, upon acceptance by the District, will be binding upon the District and the Underwriter. This offer is made subject to acceptance by the District by execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among the CSDA Finance Corporation (the "Corporation"), the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm's length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District and has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the McKinleyville Community Services District Revenue Certificates of

Participation, Series 2021B (Wastewater Project), in the aggregate principal amount of \$3,560,000 (the “Certificates”). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on March 15 and September 15 of each year, commencing March 15, 2022, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is \$3,904,184.10 (being the aggregate principal amount thereof plus a net original issue premium of \$385,124.10 and less an Underwriter’s discount of \$40,940.00).

Section 2. The Certificates. The Certificates shall be secured by installment payments (the “Installment Payments”) to be paid by the District to the Corporation pursuant to the Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), by and between the District and the Corporation. The Installment Payments are payable from Net Revenues (as such term is defined in the Installment Purchase Contract). The Corporation’s right to receive the Installment Payments under the Installment Purchase Contract has been assigned to the Trustee for the benefit of the owners of the Certificates pursuant to an Assignment Agreement, dated as of December 1, 2021 (the “Assignment Agreement”), by and between the Corporation and the Trustee.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District and the Underwriter.

The proceeds of the Certificates shall be applied to: (i) finance the construction of certain capital improvements to the District’s wastewater system and (ii) pay the costs of delivery of the Certificates.

A portion of the proceeds from the Certificates will be used to purchase a certificate insurance policy (the “Insurance Policy”) from Build America Mutual Assurance Company (the “Insurer”), which Insurance Policy will guarantee the payment of principal and interest due with respect to the Certificates.

The Certificates, the Trust Agreement, the Installment Purchase Contract, the Assignment Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the “Corporation Documents.”

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates (the “Continuing Disclosure Certificate”), dated the Closing Date (as such term is defined herein), the Trust Agreement, the Installment Purchase Contract and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the “District Documents.”

Section 3. Public Offering; Establishment of Issue Price for Certificates.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel (as such term is defined herein) to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

1. the close of the fifth (5th) business day after the sale date; or
2. the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d)

(i) The Underwriter confirms that any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting

obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

(C) promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below); and

(D) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) The Underwriter confirms that any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to: (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer; and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means: (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public);
3. a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date of execution of the Purchase Agreement by all parties.

Section 4. The Official Statement. By its acceptance of this proposal, the District ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated November 30, 2021 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that an authorized officer of the District deemed “final” as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at <http://emma.msrb.org>. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., California Time, on December 21, 2021, or at such other time or date as the District and the Underwriter agree upon (the “Closing Date”), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Certificates may be credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents hereinafter mentioned at the offices of Kutak Rock LLP, Irvine, California (“Special Counsel”), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase prices of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

Section 6. [Reserved].

Section 7. Representations, Warranties and Covenants of the District. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district that is duly organized and existing under and by virtue of the laws of the State of California.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against special districts in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable

judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption "UNDERWRITING" and information regarding the Insurer, the Insurance Policy, DTC and DTC's book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Revenues under the Installment Purchase Contract or of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the District

Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest with respect to the Certificates from federal taxation or the exemption of interest with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of Section 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates.

(l) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2020 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and

notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Purchase Contract.

(o) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments.

(d) In recognition of the desire of the District and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official

Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates;

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the District, or the interest with respect to bonds or notes (including the Certificates);

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, pandemic, civil unrest or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the reasonable sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a disruption in securities settlement, payment or clearance services shall have occurred, which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as an appendix to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(v) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCE," "THE

CERTIFICATES,” “SECURITY FOR THE CERTIFICATES” and “TAX EXEMPTION” and in Appendices A and B, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Certificates, the District Documents, the Corporation Documents and Special Counsel’s final opinion concerning the Certificates or state legal conclusions with respect to the matters covered by such final opinion, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the Insurer, the Insurance Policy or the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Certificates are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation, satisfactory in form and substance to the Underwriter and substantially in the form that is set forth in Exhibit C;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with all of the terms and conditions of the Purchase Agreement that are required to be complied with by the District on or prior to the Closing Date; (ii) to the best of such officer’s knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding the Insurer, the Insurance Policy, DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material

respect; and (iv) to the best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District's ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of counsel to the Corporation, in form and substance acceptable to the Underwriter and Special Counsel;

(xi) an opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of the District's General Counsel, to the effect that:

(A) The District is a community services district, duly organized and validly existing under the Community Services District Law (Division 3 of Title 6 of the California Government Code);

(B) The resolution of the District approving and authorizing the execution and delivery of the District Documents, and approving the Official Statement, was duly adopted at a meeting of the Board of Directors that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect and has not been modified, amended, or rescinded;

(C) To the best of such counsel's knowledge and based upon a reasonable investigation and consultation with Special Counsel for the District, and in reliance on the concurrently issued opinion and certification thereof, the execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, as applicable: (a) any agreement or other instrument to which the District is a party or by which it is bound; or (b) any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(D) To the best of such counsel's knowledge and based upon a reasonable investigation, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Purchase Contract; and

(E) The District Documents, assuming due execution and delivery by the other parties thereto, as applicable, constitute valid and binding obligations of the District;

(xii) An opinion of Kutak Rock LLP, Irvine, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the District on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to the Insurer, the Insurance Policy, The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm need not express any opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing the Trust Agreement;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing the Trust Agreement, and an incumbency certificate of the Trustee;

(xvi) A preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xx) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxi) A Certificate of the Insurer, dated the Closing Date, signed by an authorized officer thereof as to such matters as the Underwriter may reasonably request;

(xxii) An opinion of counsel to the Insurer, dated the Closing Date and addressed to the Underwriter, concerning such matters as the Underwriter may reasonably request;

(xxiii) An executed copy of the Insurance Policy;

(xxiv) Specimen Certificates; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

Section 10. Expenses. Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel, the District's municipal advisor and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the

Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, California 94104 Attention: Municipal Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

Section 12. Parties in Interest. The Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Survival of Representations and Warranties. The representations and warranties of the District in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Certificates.

Section 16. Effectiveness. The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

Section 17. Governing Law. The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: *Rick Brandis*
Title: Authorized Officer

Accepted as of the date first stated above:

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

By: *Patrick Kaspari*
General Manager

Time of Execution: 13:28

EXHIBIT A

**\$3,560,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B
(WASTEWATER PROJECT)**

MATURITY SCHEDULE

<i>Maturity Date (September 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
2022	\$ 75,000	3.000%	0.400%	101.901		X
2023	75,000	3.000	0.500	104.308		X
2024	80,000	3.000	0.610	106.468		X
2025	80,000	3.000	0.710	108.421	X	
2026	85,000	2.750	0.840	108.844		X
2029 ^T	260,000	3.000	1.250	112.860		X
2030	95,000	4.000	1.280	122.405	X	
2031	95,000	4.000	1.350	124.092	X	
2032	100,000	4.000	1.460	122.966 ^C	X	
2033	105,000	4.000	1.520	122.357 ^C	X	
2041 ^T	935,000	2.250	2.370	98.115	X	
2051 ^T	1,575,000	4.000	2.150	116.166 ^C	X	

^C Priced to first optional redemption date of September 15, 2031 at par.

^T Term Certificate.

EXHIBIT B

\$3,560,000
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B
(WASTEWATER PROJECT)

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”) hereby certifies as set forth below with respect to the sale and delivery of the above-captioned obligations (the “Certificates”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated December 7, 2021, by and between Oppenheimer, as the Underwriter, and the Issuer, Oppenheimer has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (which Sale Date is December 7, 2021), or (ii) the date on which Oppenheimer has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(b) *Issuer* means McKinleyville Community Services District.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations that are set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Kutak Rock LLP, Special Counsel, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

OPPENHEIMER & CO. INC.

By: _____

Name: _____

Dated: December 21, 2021

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

EXHIBIT C

\$3,560,000

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B
(WASTEWATER PROJECT)**

CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the CSDA Finance Corporation (the “**Corporation**”) and is duly authorized to execute and deliver this certificate and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The covenants, representations and warranties of the Corporation in the Installment Purchase Contract, dated as of December 1, 2021 (the “**Installment Purchase Contract**”), by and between the Corporation and McKinleyville Community Services District, are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The resolution of the Corporation approving and authorizing the execution of the Installment Purchase Contract, among other documents, was duly adopted at a meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Corporation has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned certificates of participation (the “**Certificates**”).

(iv) The statements and descriptions pertaining to the Corporation in the Official Statement dated December 7, 2021 relating to the Certificates (the “**Official Statement**”) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect.

(vi) to the best of its knowledge, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation’s ability to perform its obligations under the Installment Purchase

Contract, the Trust Agreement (as such term is defined in the recitals of the Installment Purchase Contract), and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

Dated: December 21, 2021

CSDA FINANCE CORPORATION

By: _____
Authorized Signatory

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.2 **Presentation of the Community Builder Award to Charlie Caldwell**

PRESENTED BY: **Lesley Frisbee, Parks & Recreation Director**

TYPE OF ACTION: **Information Only**

Recommendation:

Staff recommends that the Board Listen to Staff's presentation, air questions, take public comment, and present the Community Builder Award for 2021 to Charlie Caldwell.

Discussion:

The "Community Builder Award" is an award the District presents to local individuals, businesses, and organizations for their volunteer service, sponsorship, promotion of programs and events, outstanding service in the interest of the District, and for other contributions significant to McKinleyville's quality of life. District Staff has identified Charlie Caldwell as a worthy recipient of the award for 2021 for his dedication to serving and supporting the community.

Charlie has been a champion for the development of a skatepark in McKinleyville for over 20 years. As a skatepark champion, Charlie has dedicated countless hours writing grants, doing community outreach, fundraising and hosting skate ramps at various community events, always encouraging more people to learn and enjoy skate boarding.

He has been a valued member of the Park & Recreation Committee (PARC), since April of 2012. Charlie actively participates in promoting and supporting all of the recreation opportunities available to the community. He is also a member of the McKinleyville Chamber of Commerce's Board of Directors, where again, he donates his free time and skills in service to the good of the community. You will see Charlie watering flowerpots along Central Ave. in the spring and summer, setting up skate ramps at Music in the Park, Pony Express Days Festival and World Wide Day of Play, and also putting up the Christmas Tree of Lights at the Safeway Shopping Center.

Charlie is driven to provide positive opportunities for youth and families in the community. He loves outdoor opportunities available to community here and the heart of the people who work to bring out the best of those opportunities to enjoy the outdoors. Charlie is excited about the coming developments of the community forest and the BMX track and park projects and looks forward to seeing the skatepark at Pierson Park come to fruition as well.

It has been a great pleasure getting to know and work with Charlie over the last many years. His effort and willingness to support projects in service to the health and well being of the community are testament to his role as a “Community Builder.”

Alternatives:

Not Applicable

Fiscal Analysis:

Not Applicable

Environmental Requirements:

Not Applicable

Exhibits/Attachments:

- Attachment 1 – C. Caldwell Interview Responses

**“Community Building Award”
Interview Questions & Answers
Charlie Caldwell**

1. How long have you (or your business or organization) been involved with the McKinleyville community?

20+ years and I think 8 or 9 on the PARC.

2. What drives you to serve in your community?

Youth and Families providing recreation and family time gatherings opportunities.

3. What do you appreciate most about McKinleyville?

McKinleyville along with the rest of Humboldt the beauty of our communities' local woods beaches and heart of people who want to bring the best of opportunities to enjoy it all. A place our kids want to stay and be able to make a living raise families and share in the Love!!!

4. In your opinion, what are the key ingredients for creating a vibrant, connected and engaged community?

All types of Recreation, Art, Music, Outdoor, and diverse business opportunities.

5. What do you see as the biggest challenge facing communities, or McKinleyville in particular, today?

Funding the heart of the people and their hope for our communities trying our open space into usable functional space for visitors and locals alike

6. What are the hopes you hold for the community of McKinleyville? Where do you see the most opportunity for community improvement?

Skatepark BMX track; community forest and the opportunities for local growth keeping those who wants to stay in Humboldt that chance.

7. What are you most proud of in terms of your service to and within the community of McKinleyville?

I hope to say one day the Skatepark

8. Do you have any additional comments you would like to add?

Keep up the great work MCSD recreation people you are fantastic and have huge hearts

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.3 **MCS D Employee of the Year presentation to Joseph Blaine**

PRESENTED BY: **Pat Kaspari, General Manager**

TYPE OF ACTION: **None**

Recommendation:

Recognize Joseph Blaine as Employee of the year and participate in the presentation of this award to him.

Discussion:

Each year, McKinleyville Community Services District (MCS D) employees vote for Employee of the Year. This award and recognition were started by Norman Shopay in 2009.

Previous awardees are:

Sharon Denison, 2009
Tony Rutten, 2010
James Henry, 2011
Lesley Frisbee, 2012
William McBroome, 2013
David Baldosser, 2014
Diane Sloane, 2015
Chris Jones, 2016
Jennifer Olsen, 2017
Erik Jones, 2018
P. Kyle Stone, 2019
Drew Small, 2020

The employee of the year is a person who has brought about significant positive change, eliminates obstacles in achieving District goals and objectives, is resourceful, contributes constructively, is innovative, exceeds expectations, inspires others, proactively identifies, and resolves challenges. The employee of the year is chosen through a secret ballot by their peers as judged upon merit. The 2021 Employee of the Year Award goes to Joseph Blaine.

Joseph (Joey) is very much appreciated and admired by his peers. Throughout the 2021-year, Joey has stepped up in many ways, including taking on an IT role to create a smooth Zoom and hybrid experience at Board meetings, learning the Accounts Payable process after a change of staffing, and implementing new technology programs at the District, including a new

phone system that has saved the District thousands each month since it's implementation. He is always ready to give a helping hand and is patient in teaching new things to other coworkers, especially those who may not understand the new technology very well. Joey greets every customer with a smile, and quickly learns their name to give a personal touch to each interaction.

Joey will hold this distinction for the 2022 calendar year with a new employee of the year crowned at the end of 2022.

Alternatives:

Take Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments

- None

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: E.4 **Approve FY20-21 Audited Financial Statements**

PRESENTED BY: **Colleen M. R. Trask, Finance Director**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends that the Board listen to the auditor's presentation, review the information provided, discuss, take public comment, and approve the FY20-21 Audited Financial Statements per the recommendation of the Audit Committee.

Discussion:

The District's annual audit for Fiscal Year 20-21 is complete. It has been presented and discussed with the MCSD Audit Committee and Staff.

The Audit Committee has reviewed the draft audited financial statements.

The Board will be provided with bound copies of the finalized audit and an electronic copy of the audit will be posted on the MCSD website.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – MCSD Basic Financial Statements with the Report of the Independent Auditor for Fiscal Year 20-21
- Attachment 2 – Presentation of 2021 Audit Results – Fedak & Brown, LLP



**McKinleyville Community Services District
McKinleyville, California**

**Annual Financial Report
For the Fiscal Year Ended
June 30, 2021**



Board of Directors as of June 30, 2021

Name	Title	Elected/ Appointed	Current Term
Dennis Mayo	President	Elected	09/2008 - 12/2022
David Couch	Vice President	Elected	09/2009 - 12/2022
Scott Binder	Director	Elected	12/2020 - 12/2024
Joellen Clark-Peterson	Director	Elected	12/2020 - 12/2022
Greg Orsini	Director	Elected	12/2020 - 12/2024

**McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519
(707) 839-3251**

McKinleyville Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021

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**McKinleyville Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

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Financial Section

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Independent Auditor's Report

Board of Directors
McKinleyville Community Services District
McKinleyville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the McKinleyville Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the McKinleyville Community Services District, as of June 30, 2021, 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.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary information on pages 55 through 62 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 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 January 5, 2022, on our consideration of the District'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 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 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 District's internal control over financial reporting and compliance. That report can be found on pages 63 and 64.

Fedak & Brown LLP
Cypress, California
January 5, 2022

**McKinleyville Community Services District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2021**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the McKinleyville Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the District’s net position increased by 8.81% or \$2,734,321 to \$33,787,871 as a result of ongoing operations.
- In 2021, the District’s total revenues increased 5.44% or \$587,095 to \$11,388,032.
- In 2021, the District’s total expenses increased by 2.11% or \$179,031 to \$8,653,711.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the District’s property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

**McKinleyville Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2021**

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental fund is 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 governmental fund 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

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 20 through 54.

Government-wide Financial Analysis

Statement of Net Position

The following table is a summary of the statement of net position at June 30, 2021.

	Condensed Statements of Net Position					
	Governmental Activities		Business-Type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Assets:						
Current assets	\$ 913,090	989,646	23,531,635	20,669,686	24,444,725	21,659,332
Capital assets	4,961,095	5,116,259	36,569,676	36,374,174	41,530,771	41,490,433
Total assets	5,874,185	6,105,905	60,101,311	57,043,860	65,975,496	63,149,765
Deferred outflows of resources	905,688	746,245	1,891,923	1,562,572	2,797,611	2,308,817
Liabilities:						
Current liabilities	322,698	334,598	1,520,173	1,643,335	1,842,871	1,977,933
Non-current liabilities	4,856,758	4,471,194	26,229,002	25,535,057	31,085,760	30,006,251
Total liabilities	5,179,456	4,805,792	27,749,175	27,178,392	32,928,631	31,984,184
Deferred inflows of resources	679,236	800,125	1,377,369	1,620,723	2,056,605	2,420,848
Net position:						
Net investment in capital assets	4,042,205	4,105,315	17,946,371	17,481,830	21,988,576	21,587,145
Restricted	218,325	197,530	788,179	1,735,159	1,006,504	1,932,689
Unrestricted	(3,339,349)	(3,056,612)	14,132,140	10,590,328	10,792,791	7,533,716
Total net position	\$ 921,181	1,246,233	32,866,690	29,807,317	33,787,871	31,053,550

**McKinleyville Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2021**

Government-wide Financial Analysis, continued

Statement of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,787,871 as of June 30, 2021. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

Statement of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2021.

	Condensed Statements of Activities					
	Governmental Activities		Business-Type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charge for services	\$ 403,485	487,233	8,188,960	7,561,946	8,592,445	8,049,179
Operating grants and contributions	5,326	40,148	-	273,205	5,326	313,353
Capital grants and contributions	10,040	23,980	1,694,164	971,808	1,704,204	995,788
Total program revenues	<u>418,851</u>	<u>551,361</u>	<u>9,883,124</u>	<u>8,806,959</u>	<u>10,301,975</u>	<u>9,358,320</u>
General revenues:						
Property taxes	671,671	677,798	-	-	671,671	677,798
Voter approved taxes	217,031	212,622	-	-	217,031	212,622
Investment earnings	39,754	95,418	101,584	405,116	141,338	500,534
Gain on disposal of capital assets	4,601	-	212	7,901	4,813	7,901
Other income	51,204	43,762	-	-	51,204	43,762
Total general revenues	<u>984,261</u>	<u>1,029,600</u>	<u>101,796</u>	<u>413,017</u>	<u>1,086,057</u>	<u>1,442,617</u>
Total revenues	<u>1,403,112</u>	<u>1,580,961</u>	<u>9,984,920</u>	<u>9,219,976</u>	<u>11,388,032</u>	<u>10,800,937</u>
Expenses:						
General (Parks & Recreation)	1,483,744	1,580,958	-	-	1,483,744	1,580,958
Measure B	125,972	141,509	-	-	125,972	141,509
Streetlighting	118,448	104,705	-	-	118,448	104,705
Water	-	-	3,279,421	3,162,794	3,279,421	3,162,794
Wastewater	-	-	3,646,126	3,484,714	3,646,126	3,484,714
Total expenses	<u>1,728,164</u>	<u>1,827,172</u>	<u>6,925,547</u>	<u>6,647,508</u>	<u>8,653,711</u>	<u>8,474,680</u>
Changes in net position	(325,052)	(246,211)	3,059,373	2,572,468	2,734,321	2,326,257
Net position, beginning of year	<u>1,246,233</u>	<u>1,492,444</u>	<u>29,807,317</u>	<u>27,234,849</u>	<u>31,053,550</u>	<u>28,727,293</u>
Net position, end of year	<u>\$ 921,181</u>	<u>1,246,233</u>	<u>32,866,690</u>	<u>29,807,317</u>	<u>33,787,871</u>	<u>31,053,550</u>

Compared to the prior year, net position of the District increased by 8.81% or \$2,734,321 to \$33,787,871 as a result of ongoing operations.

Total revenues increased 5.44% or \$587,095 to \$11,388,032, due primarily to increases of \$708,416 in capital grants and contributions and \$543,266 in charges for services; which were offset by decreases of \$359,196 in investment earnings and \$308,027 in operating grants and contributions.

Total expenses increased by 2.11% or \$179,031 to \$8,653,711, due primarily to increases of \$161,412 in wastewater fund expenses and \$116,627 in water fund expenses; which were offset by a decrease of \$97,214 in General (Parks & Recreation) expenses.

**McKinleyville Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2021**

Government-wide Financial Analysis, continued

Changes in fund balance – Governmental fund

The following table is a summary of the changes in fund balance for the governmental fund for the year ended June 30, 2021.

Condensed Changes in Fund Balance – Governmental Funds

	General (Parks and Recreation)	Measure B	Streetlighting	Total Governmental Activities
Fund balance, beginning of year	\$ 1,329,653	(574,782)	49,097	803,968
Changes in fund balance	<u>(117,243)</u>	<u>19,125</u>	<u>29,551</u>	<u>(68,567)</u>
Fund balance, end of year	<u>\$ 1,212,410</u>	<u>(555,657)</u>	<u>78,648</u>	<u>735,401</u>

In 2021, total fund balance decreased by 8.53% or \$68,567 to \$735,401. The General (Parks and Recreation) fund decreased by 8.82% or \$117,243 to \$1,212,410; the Measure B fund increased by 3.33% or \$19,125 to a deficit fund balance of \$555,657; and the Street Lighting fund increased by 60.19% or \$29,551 to \$78,648.

Capital Asset Administration

	Capital Assets				Total District	
	Governmental Activities		Business-Type Activities			
	2021	2020	2021	2020	2021	2020
Capital assets:						
Non-depreciable assets	\$ 2,015,414	1,996,189	6,138,782	5,395,478	8,154,196	7,391,667
Depreciable assets	<u>7,211,142</u>	<u>7,169,727</u>	<u>56,040,582</u>	<u>54,900,187</u>	<u>63,251,724</u>	<u>62,069,914</u>
Total capital assets	<u>9,226,556</u>	<u>9,165,916</u>	<u>62,179,364</u>	<u>60,295,665</u>	<u>71,405,920</u>	<u>69,461,581</u>
Accumulated depreciation	<u>(4,265,461)</u>	<u>(4,049,657)</u>	<u>(25,609,688)</u>	<u>(23,921,491)</u>	<u>(29,875,149)</u>	<u>(27,971,148)</u>
Total capital assets, net	<u>\$ 4,961,095</u>	<u>5,116,259</u>	<u>36,569,676</u>	<u>36,374,174</u>	<u>41,530,771</u>	<u>41,490,433</u>

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$41,530,771 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems, and construction-in-process. See note 4 for further discussion.

**McKinleyville Community Services District
Management’s Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2021**

Long-Term Debt Administration

	Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Long-term debt:						
Long-term debt	\$ 918,890	1,010,944	18,623,305	18,892,344	19,542,195	19,903,288
Total long-term debt:	\$ 918,890	1,010,944	18,623,305	18,892,344	19,542,195	19,903,288

Long-term debt decreased 1.81% or \$361,093 to \$19,542,195 in 2021, primarily due principal payment of \$847,620, which was offset by a receipt of a loan of \$486,527. See note 6 for further discussion.

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District’s current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District’s present users, including funding sources, customers, stakeholders, and other interested parties, with a general overview of the District’s finances and to demonstrate the District’s accountability with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s Finance Manager, Colleen Trask, at McKinleyville Community Services District, P.O. Box 2037, McKinleyville, California 95519 or (707) 839-3251.

Basic Financial Statements

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McKinleyville Community Services District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Current assets:			
Cash and cash equivalents (notes 2 & 3)	\$ 665,457	19,186,826	19,852,283
Cash and cash equivalents – restricted (notes 2 & 3)	218,326	1,451,210	1,669,536
Accounts receivable	21,604	998,798	1,020,402
Accrued interest receivable	7,703	48,016	55,719
Grant receivable	-	1,735,181	1,735,181
Materials and supplies inventory	-	111,604	111,604
Total current assets	<u>913,090</u>	<u>23,531,635</u>	<u>24,444,725</u>
Non-current assets:			
Capital assets – not being depreciated (note 4)	2,015,414	6,138,782	8,154,196
Capital assets – being depreciated (note 4)	<u>2,945,681</u>	<u>30,430,894</u>	<u>33,376,575</u>
Total non-current assets	<u>4,961,095</u>	<u>36,569,676</u>	<u>41,530,771</u>
Total assets	<u>5,874,185</u>	<u>60,101,311</u>	<u>65,975,496</u>
Deferred outflows of resources:			
Deferred OPEB outflows (note 7)	756,642	1,544,150	2,300,792
Deferred pension outflows (note 8)	<u>149,046</u>	<u>347,773</u>	<u>496,819</u>
Total deferred outflows of resources	<u>\$ 905,688</u>	<u>1,891,923</u>	<u>2,797,611</u>

Continued on next page

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Net Position, continued
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Current liabilities:			
Accounts payable and accrued expenses	\$ 71,254	247,715	318,969
Accrued interest on long-term debt	5,489	206,640	212,129
Accrued salaries and related payables	98,785	-	98,785
Customer deposits	7,650	127,232	134,882
Unearned revenue	-	28,120	28,120
Long-term liabilities – due within one year:			
Compensated absences (note 5)	44,169	137,900	182,069
Bond payable (note 6)	-	80,000	80,000
Capital lease payable (note 6)	95,351	-	95,351
Notes payable (note 6)	-	692,566	692,566
Total current liabilities	<u>322,698</u>	<u>1,520,173</u>	<u>1,842,871</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 5)	22,286	79,802	102,088
Bond payable (note 6)	-	65,000	65,000
Capital lease payable (note 6)	823,539	-	823,539
Notes payable (note 6)	-	17,785,739	17,785,739
Other post employment benefits (note 7)	3,291,932	6,718,153	10,010,085
Net pension liabilities (note 8)	719,001	1,580,308	2,299,309
Total non-current liabilities	<u>4,856,758</u>	<u>26,229,002</u>	<u>31,085,760</u>
Total liabilities	<u>5,179,456</u>	<u>27,749,175</u>	<u>32,928,631</u>
Deferred inflows of resources:			
Deferred OPEB inflows (note 7)	673,268	1,366,937	2,040,205
Deferred pension inflows (note 8)	5,968	10,432	16,400
Total deferred inflows of resources	<u>679,236</u>	<u>1,377,369</u>	<u>2,056,605</u>
Net position: (note 10)			
Net investment in capital assets	4,042,205	17,946,371	21,988,576
Restricted	218,325	788,179	1,006,504
Unrestricted	(3,339,349)	14,132,140	10,792,791
Total net position	<u>\$ 921,181</u>	<u>32,866,690</u>	<u>33,787,871</u>

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General (Parks & Recreation)	\$ 1,483,744	303,030	5,326	10,040	(1,165,348)	-	(1,165,348)
Measure B	125,972	-	-	-	(125,972)	-	(125,972)
Street Lighting	118,448	100,455	-	-	(17,993)	-	(17,993)
Total governmental activities	1,728,164	403,485	5,326	10,040	(1,309,313)	-	(1,309,313)
Business-Type activities:							
Water	3,279,421	4,132,533	-	520,172	-	1,373,284	1,373,284
Wastewater	3,646,126	4,056,427	-	1,173,992	-	1,584,293	1,584,293
Total business-type activities	6,925,547	8,188,960	-	1,694,164	-	2,957,577	2,957,577
Total	\$ 8,653,711	8,592,445	5,326	1,704,204	(1,309,313)	2,957,577	1,648,264
		General revenues:					
		Property taxes			\$ 671,671	-	671,671
		Special assessments			217,031	-	217,031
		Investment earnings			39,754	101,584	141,338
		Gain on disposal of capital assets			4,601	212	4,813
		Other income			51,204	-	51,204
		Total general revenues			984,261	101,796	1,086,057
		Changes in net position			(325,052)	3,059,373	2,734,321
		Net position, beginning of year			1,246,233	29,807,317	31,053,550
		Net position, end of year			\$ 921,181	32,866,690	33,787,871

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Balance Sheet of Governmental Fund
June 30, 2021

	<u>General (Parks and Recreation)</u>	<u>Measure B</u>	<u>Street Lighting</u>	<u>Total Governmental Fund</u>
Assets:				
Cash and investments	\$ 665,457	-	-	665,457
Cash and investments – restricted	218,326	-	-	218,326
Accounts receivable	17,123	-	4,481	21,604
Interest receivable	5,939	1,764	-	7,703
Due from other funds (note 9)	480,179	(556,231)	76,052	-
Total assets	\$ 1,387,024	(554,467)	80,533	913,090
Liabilities:				
Accounts payable	\$ 68,179	1,190	1,885	71,254
Accrued wages and related payables	98,785	-	-	98,785
Deposits	7,650	-	-	7,650
Total liabilities	174,614	1,190	1,885	177,689
Fund balance: (note 11)				
Restricted	218,325	-	-	218,325
Assigned	66,455	-	78,648	145,103
Unassigned	927,630	(555,657)	-	371,973
Total fund balance	1,212,410	(555,657)	78,648	735,401
Total liabilities and fund balance	\$ 1,387,024	(554,467)	80,533	913,090

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See accompanying notes to the financial statements

McKinleyville Community Services District
Reconciliation of the Balance Sheet of
Governmental Fund to the Statement of Net Position
June 30, 2021

Reconciliation:

Total Fund Balance of Governmental Fund	\$	735,401
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund balance sheet. However, the statement of net position includes those capital assets. In the current period, these amounts were as follows:</p>		
Capital assets – not being depreciated		2,015,414
Capital assets – being depreciated		2,945,681
<p>Deferred outflows(inflows) of resources are not financial resources(uses) and, therefore, are not reported in the governmental fund balance sheet. However, they are reported in the statement of net position as follows:</p>		
Deferred OPEB outflows		756,642
Deferred OPEB inflows		(673,268)
Deferred pension outflows		149,046
Deferred pension inflows		(5,968)
<p>Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:</p>		
Accrued interest on long-term debt		(5,489)
Compensated absences		(66,455)
Long-term debt		(918,890)
Other post employment benefit obligation		(3,291,932)
Net pension liability		(719,001)
Net Position of Governmental Activities	\$	<u>921,181</u>

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Fund
For the Year Ended June 30, 2021

	<u>General (Parks and Recreation)</u>	<u>Measure B</u>	<u>Street Lighting</u>	<u>Total Governmental Fund</u>
Revenues				
Property taxes	\$ 671,671	-	-	671,671
Special assessments	-	217,031	-	217,031
Charge for services and facilities	303,030	-	100,455	403,485
Operating grants and contributions	5,326	-	-	5,326
Capital grants and contributions	10,040	-	-	10,040
Other income	32,274	-	18,930	51,204
Gain on disposal of capital assets	4,601	-	-	4,601
Investment earnings	34,280	5,474	-	39,754
Total revenues	<u>1,061,222</u>	<u>222,505</u>	<u>119,385</u>	<u>1,403,112</u>
Expenditures				
General government (Parks & Recreation)	1,114,325	-	-	1,114,325
Measure B	-	76,240	-	76,240
Streetlighting	-	-	85,834	85,834
Debt service:				
Principal	-	92,054	-	92,054
Interest	-	35,086	-	35,086
Capital outlay	64,140	-	4,000	68,140
Total expenditures	<u>1,178,465</u>	<u>203,380</u>	<u>89,834</u>	<u>1,471,679</u>
Net change in fund balance	(117,243)	19,125	29,551	(68,567)
Fund balance, beginning of year	<u>1,329,653</u>	<u>(574,782)</u>	<u>49,097</u>	<u>803,968</u>
Fund Balance, end of year	<u>\$ 1,212,410</u>	<u>(555,657)</u>	<u>78,648</u>	<u>735,401</u>

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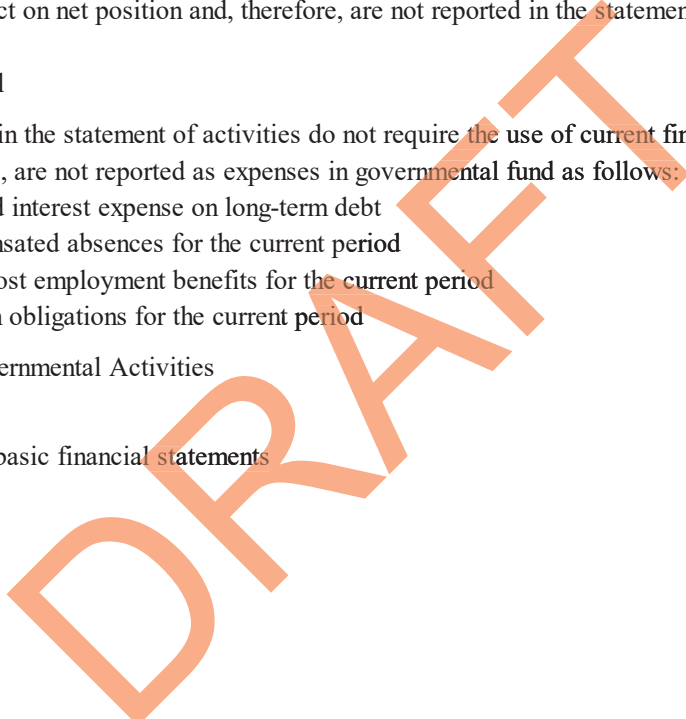
See accompanying notes to the financial statements

McKinleyville Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

Reconciliation:

Net Change in Fund Balance of Total Governmental Fund	\$	(68,567)
<p>Amounts reported for governmental activities in the statement of activities are different because: Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Capital outlay expense		68,140
Depreciation expense		(223,304)
<p>The repayment of principal of long-term debt consumes current financial resources and, therefore, is reported as debt service principal payments in the governmental fund. However, these payments have no impact on net position and, therefore, are not reported in the statement of activities as follows:</p>		
Debt service principal		92,054
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental fund as follows:</p>		
Net change in accrued interest expense on long-term debt		544
Net change in compensated absences for the current period		48,557
Net change in other post employment benefits for the current period		(201,661)
Net change in pension obligations for the current period		(40,815)
Changes in Net Position of Governmental Activities	\$	<u>(325,052)</u>

See accompanying notes to the basic financial statements



McKinleyville Community Services District
Statement of Net Position – Enterprise Fund
June 30, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>2021</u>
Current assets:			
Cash and investments	\$ 8,081,050	11,105,776	19,186,826
Cash and investments – restricted	619,234	831,976	1,451,210
Accounts receivable	496,168	502,630	998,798
Accrued interest receivable	20,666	27,350	48,016
Grant receivable	365,268	1,369,913	1,735,181
Inventory	86,206	25,398	111,604
Total current assets	<u>9,668,592</u>	<u>13,863,043</u>	<u>23,531,635</u>
Non-current assets:			
Capital assets – not being depreciated	920,876	5,217,906	6,138,782
Capital assets – being depreciated	<u>7,372,054</u>	<u>23,058,840</u>	<u>30,430,894</u>
Total non-current assets	<u>8,292,930</u>	<u>28,276,746</u>	<u>36,569,676</u>
Total assets	<u>17,961,522</u>	<u>42,139,789</u>	<u>60,101,311</u>
Deferred outflows of resources:			
Deferred OPEB outflows	770,462	773,688	1,544,150
Deferred pension outflows	<u>163,950</u>	<u>183,823</u>	<u>347,773</u>
Total deferred outflows of resources	<u>\$ 934,412</u>	<u>957,511</u>	<u>1,891,923</u>

Continued on next page

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Net Position – Enterprise Fund, continued
June 30, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>2021</u>
Current liabilities:			
Accounts payable	\$ 146,299	101,416	247,715
Accrued interest payable	8,105	198,535	206,640
Customer deposits	118,441	8,791	127,232
Unearned revenue	14,060	14,060	28,120
Long-term liabilities – due within one year:			
Compensated absences	68,799	69,101	137,900
Bond payable	-	80,000	80,000
Notes payable	170,672	521,894	692,566
Total current liabilities	<u>526,376</u>	<u>993,797</u>	<u>1,520,173</u>
Non-current liabilities:			
Long-term liabilities – due within one year:			
Compensated absences	39,905	39,897	79,802
Bond payable	-	65,000	65,000
Notes payable	1,951,870	15,833,869	17,785,739
Other post employment benefits	3,352,061	3,366,092	6,718,153
Net pension liabilities	754,383	825,925	1,580,308
Total non-current liabilities	<u>6,098,219</u>	<u>20,130,783</u>	<u>26,229,002</u>
Total liabilities	<u>6,624,595</u>	<u>21,124,580</u>	<u>27,749,175</u>
Deferred inflows of resources:			
Deferred OPEB inflows	673,267	693,670	1,366,937
Deferred pension inflows	5,057	5,375	10,432
Total deferred inflows of resources	<u>678,324</u>	<u>699,045</u>	<u>1,377,369</u>
Net position:			
Net investment in capital assets	6,170,388	11,775,983	17,946,371
Restricted	619,234	168,945	788,179
Unrestricted	4,803,393	9,328,747	14,132,140
Total net position	<u>\$ 11,593,015</u>	<u>21,273,675</u>	<u>32,866,690</u>

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund
For the Fiscal Year Ended June 30, 2021

	<u>Water</u>	<u>Wastewater</u>	<u>2021</u>
Operating revenues:			
Water revenue	\$ 4,000,025	-	4,000,025
Sewer revenue	-	3,938,438	3,938,438
Other service charges	132,508	117,989	250,497
Operating grant	-	-	-
Total operating revenues	<u>4,132,533</u>	<u>4,056,427</u>	<u>8,188,960</u>
Operating expenses:			
Water purchase	1,147,401	-	1,147,401
Salaries and related expenses	544,665	663,536	1,208,201
Employee benefits	659,676	775,435	1,435,111
Services and supplies	16	3,126	3,142
Professional services	58,637	44,822	103,459
Utilities	66,113	216,511	282,624
Insurance expense	52,321	52,321	104,642
Other operating expense	286,074	370,902	656,976
Total operating expenses	<u>2,814,903</u>	<u>2,126,653</u>	<u>4,941,556</u>
Operating income before depreciation	1,317,630	1,929,774	3,247,404
Depreciation expense	(411,198)	(1,276,999)	(1,688,197)
Operating income	<u>906,432</u>	<u>652,775</u>	<u>1,559,207</u>
Non-operating revenues(expenses):			
Investment earning	34,012	67,572	101,584
Gain on sale of assets	106	106	212
Interest expense	(53,320)	(242,474)	(295,794)
Total non-operating revenues(expenses), net	<u>(19,202)</u>	<u>(174,796)</u>	<u>(193,998)</u>
Net income before capital contributions	<u>887,230</u>	<u>477,979</u>	<u>1,365,209</u>
Capital contributions:			
Capacity fees	223,212	391,177	614,389
Contributed capital assets	296,960	782,815	1,079,775
Total capital contributions	<u>520,172</u>	<u>1,173,992</u>	<u>1,694,164</u>
Changes in net position	<u>1,407,402</u>	<u>1,651,971</u>	<u>3,059,373</u>
Net position, beginning of year	<u>10,185,613</u>	<u>19,621,704</u>	<u>29,807,317</u>
Net position, end of year	<u>\$ 11,593,015</u>	<u>21,273,675</u>	<u>32,866,690</u>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District
Statement of Cash Flows – Enterprise Fund
For the Fiscal Year Ended June 30, 2021**

	2021
Cash flows from operating activities:	
Cash receipts from customers	\$ 8,028,549
Cash paid to employees	(1,297,294)
Cash paid to vendors and suppliers	(3,262,062)
Net cash provided by operating activities	3,469,193
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,883,699)
Proceeds from the sale of capital assets	212
Proceeds from capital contributions	285,337
Proceeds from loan issuance	486,527
Principal payments on long-term debt	(755,566)
Interest payments on long-term debt	(327,988)
Net cash used in capital and related financing activities	(2,195,177)
Cash flows from investing activities:	
Interest earnings	66,749
Net cash provided by investing activities	66,749
Net increase in cash and cash equivalents	1,340,765
Cash and cash equivalents, beginning of year	19,297,271
Cash and cash equivalents, end of year	\$ 20,638,036
Reconciliation of cash and cash equivalents to statement of net position:	
Cash and investments	\$ 19,186,826
Cash and investments – restricted	1,451,210
Total cash and cash equivalents	\$ 20,638,036

Continued on next page

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Statement of Cash Flows – Enterprise Funds, continued
For the Fiscal Year Ended June 30, 2021

	2021
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,559,207
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,688,197
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase)decrease in assets and deferred outflows:	
Accounts receivable	(164,139)
Prepaid expenses	104,136
Inventory	(17,519)
Deferred OPEB outflows	(297,760)
Deferred pension outflows	(31,591)
Increase(decrease) in liabilities and deferred inflows:	
Accounts payable	(119,266)
Customer deposits	8,990
Unearned revenue	(5,262)
Compensated absences	(89,093)
Other post employment benefits	940,910
Net pension liabilities	135,737
Deferred OPEB inflows	(230,412)
Deferred pension inflows	(12,942)
Total adjustments	1,909,986
Net cash provided by operating activities	\$ 3,469,193

See accompanying notes to the basic financial statements

McKinleyville Community Services District
Notes to the Basic Financial Statements
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The McKinleyville Community Services District (District) was created on April 7, 1970, when McKinleyville's voters voted 589 "yes" votes against 151 "no" votes to form the District. The District initially had authority to serve water and treat sewer wastes. In 1972, the voters added street lighting powers; in 1985 the voters added recreational powers; and in 1995 the voters authorized the construction of the McKinleyville Library.

The District's boundary encompasses 12,140 acres ranging from North Bank Road on the south to Patrick's Creek on the north, and services over 5,300 active water services and 4,470 active sewer connections. The District is an independent special district, governed by a five-member Board of Directors elected by McKinleyville's voters. The District normally conducts a monthly general meeting of the Board of Directors which is held on the first Wednesday of the month.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-type activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which direct expense of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

These statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the difference in fund balance, as presented in these statements, to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operational fund of the District or meets the following criteria:

- a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the total for all governmental and proprietary funds combined; or
- c) The entity has determined that a fund is important to the financial statement user.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

The funds of the financial reporting entity are described below:

Governmental Funds

General (Parks & Recreation) – This fund is used for all parks and recreation activities within the District; and accounts for and reports all financial resources not accounted for and reported in another fund.

Measure B – This fund is a special revenue fund used to account for the assessments collected and used in accordance with Measure B.

Street Lighting – This fund is used to account for all street lighting activities within the District.

Enterprise Funds

Water – This fund accounts for the water transmission and distribution operations of the District.

Wastewater – This fund is used for the wastewater service operations of the District.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Reporting, continued

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

D. Financial Statement Elements

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported change in District net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the situation is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

4. Investments

The District has adopted an investment policy to deposit funds in financial institutions and external investment pools. Investments are to be made in the following area:

- State of California Local Agency Investment Fund (LAIF)
- CalTRUST Funds
- Humboldt County Treasurer's Pool

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurements

The District categorizes its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

6. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

7. Property Taxes and Assessments

The Humboldt County Assessor's Office assesses all real and personal property within the County each year. The Humboldt County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Humboldt County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Humboldt County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

8. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipes, and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory items are charged to expense at the time inventory items are withdrawn or consumed.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value and/or historical cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Buildings and improvements – 10 to 50 years
- Other infrastructure – 10 to 50 years
- Machinery and equipment – 5 to 10 years
- Vehicles – 5 to 10 years

Business-Type Activities

- Buildings and improvements – 10 to 50 years
- Water and wastewater infrastructure – 10 to 50 years
- Machinery and equipment – 5 to 10 years
- Vehicles – 5 to 10 years

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

11. Compensated Absences

It is the District's policy to allow employees to accumulate earned but unused vacation and sick time. The vesting method is used to calculate the liability in which 100% of earned vacation time is payable upon separation, and 50% of earned sick time is payable upon separation if requirements are met. All vacation pay and applicable sick pay is accrued when incurred in the government-wide and enterprise fund financial statements.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

12. Pension

For the purpose of measuring net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and addition to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: June 30, 2019
- Measurement date: June 30, 2020
- Measurement period: July 1, 2019 to June 30, 2020

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

14. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, reduced by debt balances outstanding or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

15. Fund Balance

The governmental fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

15. Fund Balance, continued

- **Committed** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned** – the residual classification for the District’s general fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by unrestricted, committed, assigned, and unassigned resources as they are needed.

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2021 are classified as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 665,457	19,186,826	19,852,283
Cash and cash equivalents – restricted	218,326	1,451,210	1,669,536
Total	<u>\$ 883,783</u>	<u>20,638,036</u>	<u>21,521,819</u>

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Cash and equivalents as of June 30, 2021 consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash			
Cash	\$ 1,240	-	1,240
Deposits held with financial institutions	4,334,624	176,902	4,511,526
Total cash	<u>4,335,864</u>	<u>176,902</u>	<u>4,512,766</u>
Cash equivalents			
Deposits with Humboldt County Treasurer	4,757,952	1,492,634	6,250,586
Deposits held with California Local Agency Investment Fund (LAIF)	138,803	-	138,803
Deposit with CalTRUST	10,619,664	-	10,619,664
Total cash equivalents	<u>15,516,419</u>	<u>1,492,634</u>	<u>17,009,053</u>
Total	<u>\$ 19,852,283</u>	<u>1,669,536</u>	<u>21,521,819</u>

Authorized Deposits and Investments

Under the District's investment guidelines and in accordance with Section 53601 of the California Government Code, the District may invest in the California Local Agency Investment Fund (LAIF), CalTRUST Funds, and Humboldt County Treasurer's Pool. The District's investment guideline and Section 53601 of the California Government Code contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

State of California Local Agency Fund (LAIF)

LAIF is regulated by California Government Code Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based upon the District'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. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four hour period without loss of accrued interest. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Each agency in the fund may invest up to \$40 million and may invest without limitation in special bond proceed accounts.
- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

CalTRUST Funds

CalTRUST Short-Term and Medium-Term accounts invest in fixed income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635, and leveraging within the Trust's portfolio is prohibited. The Board of Trustees may adopt investment guidelines to further restrict the type of investments held by the accounts.

CalTRUST Short-Term and Medium-Term accounts consist of funds from all participants which are pooled in each of the accounts. The District receives units in the Trust and designated shares for its investment accounts.

Humboldt County Treasurer's Pool

Humboldt County Treasurer's Pool complies with the California Government Code Sections 53601 and 53635, and the investment policy adopted by the Board of Supervisors of the County of Humboldt.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Interest Rate Risk, continued

As of June 30, 2021, the District's authorized deposits had the following average maturities:

<u>Cash Equivalents</u>	<u>Total</u>	<u>Average Months Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 Months or More</u>
CalTRUST Funds	\$ 10,619,664	308,605	-	10,311,059
California Local Agency Investment Fund	138,803	138,803	-	-
Humbolt County Treasurer	6,250,586	-	-	6,250,586
Total	<u>\$ 17,009,053</u>	<u>447,408</u>	<u>-</u>	<u>16,561,645</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2021 for each investment type.

<u>Cash Equivalents</u>	<u>Total</u>	<u>Rating at Year End</u>
Cal Trust – Short Term Fund	\$ 308,605	AAf
Cal Trust – Medium Term Fund	10,311,059	A+f
California Local Agency Investment Fund	138,803	Not Rated
Humbolt County Treasurer	6,250,586	Not Rated
Total	<u>\$ 17,009,053</u>	

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's depository and investment portfolio as of June 30, 2021 were allocated as follows:

	<u>Amount</u>	<u>Allocation</u>
Cash	\$ 1,240	0.01 %
Deposits held with financial institutions	4,511,526	20.96
Deposits with Humbolt County Treasurer	6,250,586	29.04
Deposits held with California Local Agency Investment Fund (LAIF)	138,803	0.64
Deposit with CalTrust	10,619,664	49.34
Total	<u>\$ 21,521,819</u>	<u>100.00 %</u>

There were no investments in any one non-governmental issuer that represent 5.0% or more of the District's total investments.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(3) Investments at Fair Value Hierarchy

Investments measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2021 are as follows:

<u>Cash Equivalents</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Pooled investment fund:				
Humboldt County Treasurer's Fund	\$ 6,250,586	-	6,250,586	-
CalTrust Medium-Term Fund	<u>10,311,059</u>	<u>-</u>	<u>10,311,059</u>	<u>-</u>
Total pooled investment fund	<u>16,561,645</u>	<u>-</u>	<u>16,561,645</u>	<u>-</u>
Other pooled funds measured at net asset value				
CalTrust Short-Term Fund	308,605			
California Local Agency Investment Fund	<u>138,803</u>			
	<u>447,408</u>			
	<u>\$ 17,009,053</u>			

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McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(4) Capital Assets

Governmental Activities:

The change in capital assets as of June 30 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 1,769,744	-	-	1,769,744
Construction in progress	226,445	19,225	-	245,670
Total non-depreciable assets	<u>1,996,189</u>	<u>19,225</u>	<u>-</u>	<u>2,015,414</u>
Depreciable assets:				
Buildings and improvements	4,875,745	26,183	-	4,901,928
Furniture and equipment	288,658	18,732	-	307,390
Park improvements	1,404,378	-	-	1,404,378
Vehicles	62,109	-	(7,500)	54,609
Streetlighting	538,837	4,000	-	542,837
Total depreciable assets	<u>7,169,727</u>	<u>48,915</u>	<u>(7,500)</u>	<u>7,211,142</u>
Accumulated depreciation				
Buildings and improvements	(2,184,542)	(172,542)	-	(2,357,084)
Furniture and equipment	(264,174)	(6,281)	-	(270,455)
Park improvements	(1,255,083)	(20,239)	-	(1,275,322)
Vehicles	(55,185)	(3,861)	7,500	(51,546)
Streetlighting	(290,673)	(20,381)	-	(311,054)
Total accumulated depreciation	<u>(4,049,657)</u>	<u>(223,304)</u>	<u>7,500</u>	<u>(4,265,461)</u>
Total depreciable assets, net	<u>3,120,070</u>	<u>(174,389)</u>	<u>-</u>	<u>2,945,681</u>
Total capital assets, net	<u>\$ 5,116,259</u>			<u>4,961,095</u>

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(4) Capital Assets, continued

Business-type Activities:

The change in capital assets as of June 30 was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 4,511,801	6,088	-	4,517,889
Construction in progress	883,677	1,736,224	(999,008)	1,620,893
Total non-depreciable assets	<u>5,395,478</u>	<u>1,742,312</u>	<u>(999,008)</u>	<u>6,138,782</u>
Depreciable assets:				
Buildings and improvements	759,562	55,776	-	815,338
Water infrastructure	15,050,422	68,101	-	15,118,523
Wastewater infrastructure	36,704,640	961,468	-	37,666,108
Tools and equipment	1,199,062	13,104	-	1,212,166
Vehicles	1,186,501	41,946	-	1,228,447
Total depreciable assets	<u>54,900,187</u>	<u>1,140,395</u>	<u>-</u>	<u>56,040,582</u>
Accumulated depreciation				
Buildings and improvements	(311,733)	(36,327)	-	(348,060)
Water infrastructure	(7,674,249)	(344,259)	-	(8,018,508)
Wastewater infrastructure	(14,257,807)	(1,188,326)	-	(15,446,133)
Tools and equipment	(1,088,074)	(25,044)	-	(1,113,118)
Vehicles	(589,628)	(94,241)	-	(683,869)
Total accumulated depreciation	<u>(23,921,491)</u>	<u>(1,688,197)</u>	<u>-</u>	<u>(25,609,688)</u>
Total depreciable assets, net	<u>30,978,696</u>	<u>(547,802)</u>	<u>-</u>	<u>30,430,894</u>
Total capital assets, net	<u>\$ 36,374,174</u>			<u>36,569,676</u>

Depreciation expense was charged to various functions for the year ended June 30, 2021 as follows:

Governmental activities:	
General (Parks and Recreation)	\$ 202,923
Streetlighting	<u>20,381</u>
Total governmental activities	<u>223,304</u>
Business-type activities	
Water Fund	411,198
Wastewater Fund	<u>1,276,999</u>
Total business-type activities	<u>1,688,197</u>
	<u>\$ 1,911,501</u>

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Compensated Absences

The change to compensated absences balances as of June 30 was as follows:

Governmental Activities

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
\$	115,012	42,362	(90,919)	66,455	44,169	22,286

Business-type Activities

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
\$	306,795	98,014	(187,107)	217,702	137,900	79,802

(6) Long-term Debt

The change in long-term debt at June 30 was as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<i>Governmental Activities:</i>						
Capital lease payable						
PPFCC Lease (Umpqua Loan)	\$ 1,010,944	-	(92,054)	918,890	95,351	823,539
Total capital lease payable	1,010,944	-	(92,054)	918,890	95,351	823,539
Total governmental activities	1,010,944	-	(92,054)	918,890	95,351	823,539
<i>Business-type Activities</i>						
Notes payable						
Water fund						
ARRA Loan	78,166	-	(11,699)	66,467	11,757	54,710
Davis-Grunsky Act Loan	1,586,036	-	(107,164)	1,478,872	109,417	1,369,455
I-Bank Loan	625,087	-	(47,884)	577,203	49,498	527,705
Total Water fund	2,289,289	-	(166,747)	2,122,542	170,672	1,951,870
Wastewater fund						
State Revolving Fund Loan #3	14,869,555	-	(425,119)	14,444,436	432,094	14,012,342
State Revolving Fund Microgrid Loan	-	486,527	-	486,527	-	486,527
Pialorsi Property Loan	1,508,500	-	(83,700)	1,424,800	89,800	1,335,000
Total Wastewater fund	16,378,055	486,527	(508,819)	16,355,763	521,894	15,833,869
Total notes payable	18,667,344	486,527	(675,566)	18,478,305	692,566	17,785,739
Bond payable						
Wastewater fund						
USDA Revenue Bonds	225,000	-	(80,000)	145,000	80,000	65,000
Total bond payable	225,000	-	(80,000)	145,000	80,000	65,000
Total business-type activities	18,892,344	486,527	(755,566)	18,623,305	772,566	17,850,739
Total long-term debt	\$ 19,903,288	486,527	(847,620)	19,542,195	867,917	18,674,278

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(6) Long-term Debt, continued

Public Property Financing Corporation of California Lease

For the purpose of financing the construction of the District's Teen and Community Center Project, in October 2014, the District leased the site of the Teen and Community Center Project and the improvements thereon to the Public Property Financing Corporation of California (PPFCC), who then leased the property back to the District while assigning all of its rights, title, and interest in the lease agreement, including its rights to received lease payments, to Umpqua Bank. Semi-annual lease payments include interest at 3.55% per annum and are due each May and November through November 2029. The District's repayment obligation is secured by a 50% pledge of its Measure B Assessment revenues received each fiscal year.

Future lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,351	32,101	127,452
2023	98,767	28,687	127,454
2024	102,304	25,150	127,454
2025	105,968	21,486	127,454
2026	109,764	17,691	127,455
2027-2030	406,736	30,019	436,755
Total	918,890	155,134	1,074,024
Current	(95,351)		
Non-current	\$ 823,539		

ARRA Loan

In 2011, the District entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the purpose of financing water system improvements. The loan amount totaled \$165,100 and bears an interest rate of 1.00% per annum. Semi-annual principal and interest payments of \$6,225 are due June and December of each year. Repayment commenced on December 2012 and continues through December 2026.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,757	633	12,390
2023	11,875	515	12,390
2024	11,994	396	12,390
2025	12,115	275	12,390
2026	12,237	153	12,390
2027	6,489	31	6,520
Total	66,467	2,003	68,470
Current	(11,757)		
Non-current	\$ 54,710		

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(6) Long-term Debt, continued

Davis-Grunsky Act Loan

In 1971, the District entered into a loan agreement with the State of California for a construction loan to finance improvements to the District's water system. The loan amount was not to exceed \$3,673,000 and bears an interest rate of 2.50% per annum. Annual payment of principal is due January of each year, and semi-annual payments of interest are due January and July of each year. The terms of the loan agreement defers payment of interest for the first 10 years with such interest to be repaid over the remaining 50 years of the loan. The District was required to establish a reserve fund in an amount specified by the State. The District is subject to levy taxes or special assessments to repay the loan should it not have sufficient resources available to make the scheduled payments.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 109,417	31,861	141,278
2023	111,726	29,552	141,278
2024	114,094	27,185	141,279
2025	116,520	24,758	141,278
2026	119,007	22,271	141,278
2027-2031	634,574	71,817	706,391
2032-2033	273,534	9,017	282,551
Total	1,478,872	216,461	1,695,333
Current	(109,417)		
Non-current	\$ 1,369,455		

I-Bank Loan

In 2012, the District entered into a loan agreement with the California Infrastructure and Economic Development Bank for the purpose of financing improvements to its water system. The loan amount totaled \$956,034 and bears an interest rate of 3.37% per annum. Annual payment of principal is due August of each year, and semi-annual payments of interest are due February and August of each year. Repayment is to continue through August 2030. The loan is secured by a pledge of and lien on the water enterprise fund's net revenues, subject and subordinate to any lien securing senior debt.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 49,498	18,618	68,116
2023	51,166	16,922	68,088
2024	52,890	15,168	68,058
2025	54,673	13,356	68,029
2026	56,515	11,482	67,997
2027-2031	312,461	27,023	339,484
Total	577,203	102,569	679,772
Current	(49,498)		
Non-current	\$ 527,705		

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(6) Long-term Debt, continued

USDA Revenue Bonds

In 1982, the District issued the 1982 Sewer Revenue Bonds which were purchased by the Rural Development Division of the United States Department of Agriculture. Proceeds of the bonds were used to construct the District's wastewater system improvements. The bond amount totaled \$1,575,000 and bears an interest rate of 5.00% per annum. Semi-annual payments of principal and interest are due August and February of each year through August 2022, when the bond matures. The bond is secured by a pledge of the wastewater enterprise fund's net revenues.

Future debt service on the bond is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 80,000	5,250	85,250
2023	65,000	1,625	66,625
Total	145,000	6,875	151,875
Current	(80,000)		
Non-current	\$ 65,000		

State Revolving Fund Loans No. 3

In 2015, the District entered into a loan agreement with the State Water Resources Control Board for the purpose of financing a wastewater management facility improvement project. The loan amount totaled \$15,569,506 and bears an interest rate of 1.60% per annum. Effective July 1, 2021, 0.60% of the routine interest will be reclassified as the Small Community Grant Fee. Annual payment of principal and interest/fee are due September of each year and continues through September 2048. The District is subject to levy taxes or assessments to repay the loan should it not have sufficient resources available to make the scheduled payments.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest/Fee</u>	<u>Total</u>
2022	\$ 432,094	230,938	663,032
2023	439,001	224,031	663,032
2024	446,019	217,013	663,032
2025	453,149	209,883	663,032
2026	460,394	202,638	663,032
2027-2031	2,414,750	900,410	3,315,160
2032-2036	2,613,415	701,746	3,315,161
2037-2041	2,829,286	485,874	3,315,160
2042-2046	3,062,989	252,171	3,315,160
2047-2048	1,293,339	31,160	1,324,499
Total	14,444,436	3,455,864	17,900,300
Current	(432,094)		
Non-current	\$ 14,012,342		

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(6) Long-term Debt, continued

State Revolving Fund Microgrid Loan

In 2018, the District entered into an agreement with the State Water Resources Control Board (State) whereby the State agrees to provide project funds in the amount of \$4,969,180. A portion of the amount totaling \$2,484,590 is anticipated to be forgiven and the estimated amount totaling \$2,484,590 of the principal will be due to the State. The effective loan will bear an interest rate of 1.80% per annum; however, in lieu of the interest, the District agreed to pay administrative service charge/Small Community Grant Fee. Annual payments of principal and administrative service charge/Small Community Grant Fee are due December of each year after the completion date.

Pialorsi Property Loan

On March 2020, the District entered into a loan agreement with JPMorgan Chase Bank, NA for the purpose of financing the acquisition of property to expand the District's ability to recycle reclaimed wastewater. The loan amount totaled \$1,508,500 and bears an interest rate of 1.90% per annum. Semi-annual payments of principal and interest are due September and March of each year and continues through March 2035.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 89,800	26,647	116,447
2023	91,400	24,933	116,333
2024	93,200	23,188	116,388
2025	95,000	21,408	116,408
2026	96,800	19,595	116,395
2027-2031	512,300	69,539	581,839
2032-2035	446,300	19,286	465,586
Total	<u>1,424,800</u>	<u>204,595</u>	<u>1,629,395</u>
Current	<u>(89,800)</u>		
Non-current	<u>\$ 1,335,000</u>		

(7) Other Post Employment Benefit Obligations

Plan Description

The District administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date. Dependents are eligible to enroll, and benefits continue to surviving spouses. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Benefits Provided

Retirees are eligible for medical benefits if they retire directly from the District at least age 50 with 5 years of service. Employees hired before January 1, 2017 receive 100% district-paid coverage. Employees hired on or after January 1, 2017 receive 100% of the PPO rate. Dental benefits are not covered.

The District's share of family coverage is subject to a cap. The District's contribution toward family coverage will not increase by more than the greater of 5%, or the actual percentage increase in the cost of dependent coverage.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Other Post-Employment Benefits Payable, continued

Employees Covered by Benefit Terms

At June 30, 2019 (the census date), the following employees were covered by the benefit terms:

	2021
Inactive employees or beneficiaries currently receiving benefit payments	11
Active employees	24
Total plan membership	35

Contributions

The District pays benefits as they come due. For the year ended June 30, 2021, the District contributed \$152,581 which includes implicit subsidy credit.

Total OPEB Liability

The District's total OPEB liability was valued as of June 30, 2019, and was used to calculate the total OPEB liability measured as of June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021 (measurement date), was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	1.92%
Inflation	2.50%
Salary increases	2.75%; Additional merit-based increases based on CalPERS merit salary increase tables
Healthcare cost trend rates	Pre-Medicare – 6.00%; Medicare – 4.00% Trending down to 3.84% over 55 years based on calendar years
Mortality rates*	Based on CalPERS tables

* The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total OPEB liability was 1.92%. The District's OPEB Plan is an unfunded plan; therefore, the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Other Post-Employment Benefits Payable, continued

Changes in the Total OPEB Liability

During the year ended June 30, changes in total OPEB liability was as follows:

		<u>2021</u>
Balance at June 30, 2020	\$	8,608,124
Changes for the year:		
Service cost		526,898
Interest		221,939
Differences between expected and actual experience		11,520
Changes in assumptions or other inputs		794,185
Benefit payments		(108,641)
Implicit rate subsidy fulfilled		(43,940)
Net change		<u>1,401,961</u>
Balance at June 30, 2021	\$	<u>10,010,085</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate (1.92%):

	<u>Discount Rate</u> <u>1% Lower</u>	<u>Valuation</u> <u>Discount Rate</u>	<u>Discount Rate</u> <u>1% Higher</u>
Total OPEB liability	\$ <u>11,802,144</u>	<u>10,010,085</u>	<u>8,571,407</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that is 1-percentage-point lower (5.50% decreasing to 2.84%) or 1-percentage-point higher (7.50% decreasing to 4.84%) than the current healthcare cost trend rates (6.50% decreasing to 3.84%):

	<u>Trend 1%</u> <u>Lower</u>	<u>Valuation</u> <u>Trend</u>	<u>Trend 1%</u> <u>Higher</u>
Total OPEB liability	\$ <u>8,043,596</u>	<u>10,010,085</u>	<u>12,640,926</u>

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Other Post-Employment Benefits Payable, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized an OPEB expense of \$766,980. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	(2,040,205)
Changes of assumptions or other inputs	2,300,792	-
Total	\$ 2,300,792	(2,040,205)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2022	\$ 18,143
2023	18,143
2024	18,143
2025	18,143
2026	18,143
Thereafter	169,872

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(8) Defined Benefit Pension Plan, continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law and took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plan's provision and benefits in effect at June 30, 2021, are summarized as follows:

	Classic	PEPRA
Hire Date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a percentage of eligible compensation	1.43% to 2.42%	1.00% to 2.50%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.484%	7.732%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in the rate. Funding contribution for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(8) Defined Benefit Pension Plan, continued

Contributions, continued

For the fiscal year ended June 30, 2021, the contributions to the were as follows:

	2021
Contributions – employer	\$ 281,677

Net Pension Liability

As of the fiscal year ended June 30, 2021, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2021
Proportionate share of net pension liability	\$ 2,299,309

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020 (the measurement date). The total pension liability for the Plan’s miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (the valuation date), rolled forward to June 30, 2020, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the Plan’s miscellaneous risk pool as of the measurement date June 30, 2020, was as follows:

	Proportionate Share
Proportion – June 30, 2019	0.02051 %
Increase in proportion	0.00062
Proportion – June 30, 2020	0.02113 %

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(8) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$413,696. As of the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 281,677	-
Difference between actual and expected experience	118,488	-
Change in assumptions	-	(16,400)
Net differences between projected and actual earnings on plan investments	68,305	-
Adjustment due to changes in proportions and difference in employer contributions	28,349	-
Total	<u>\$ 496,819</u>	<u>(16,400)</u>

As of June 30, 2021, the District reported \$281,677 as deferred outflows of resources related to contributions subsequent to the measurement date. Pension contributions subsequent to the measurement date for the year ended June 30, 2021, will be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

As of June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows(Inflows) of Resources</u>
2022	\$ 37,442
2023	73,264
2024	55,275
2025	32,761

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2019, actuarial valuation were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2019
Measurement dates	June 30, 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions, continued

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	0.00	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
	<u>100.00 %</u>		

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

At June 30, 2021, the discount rate comparison was as follows:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
District's net pension liability	\$ <u>3,494,531</u>	<u>2,299,309</u>	<u>1,311,734</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 60 and 62 for the Required Supplementary Information.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Internal Transfers

Inter-fund Operational Transfers

Inter-fund receivables/payables are used to move financial resources between the General (Parks & Recreation) fund, the Measure B fund, and the Street Lighting fund, as advances to temporarily support the operations of each respective fund.

As of June 30, 2021, inter-fund receivables/payables between the District's funds were as follows:

Receivable From	Payable To	Amount
	General	
Measure B	(Parks & Recreation)	\$ 556,231
	General	
Street Lighting	(Parks & Recreation)	(76,052)
	Payable to General Fund	\$ <u>480,179</u>

(10) Net Position

Net investment in capital assets is calculated as follows:

	Governmental Activities	Business-type Activities	2021
Net investment in capital assets:			
Capital assets – not being depreciated	\$ 2,015,414	6,138,782	8,154,196
Capital assets – being depreciated	2,945,681	30,430,894	33,376,575
Long-term debt – current portion	(95,351)	(772,566)	(867,917)
Long-term debt – long-term portion	(823,539)	(17,850,739)	(18,674,278)
Total net investment in capital assets	\$ <u>4,042,205</u>	<u>17,946,371</u>	<u>21,988,576</u>

Restricted net position is calculated as follows:

	Governmental Activities	Business-type Activities	2021
Restricted:			
Debt service	\$ -	788,180	788,180
Teen and community center	7,957	-	7,957
Park & Recreation capital projects - Coastal	52,420	-	52,420
Park & Recreation capital projects - Inland	157,948	-	157,948
Total restricted	\$ <u>218,325</u>	<u>788,180</u>	<u>1,006,505</u>

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(10) Net Position, continued

Unrestricted net position is calculated as follows:

	Governmental Activities	Business-type Activities	2021
Unrestricted:	\$		
Reserved	145,103	217,702	362,805
Unreserved	(3,484,452)	13,914,437	10,429,985
Total unrestricted	\$ (3,339,349)	14,132,139	10,792,790

(11) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.15 for a description of these categories). Fund balance and their funding composition at June 30, 2021, are as follows:

	2021
Restricted:	
Teen and community center	\$ 7,957
Park & Recreation capital projects - Coastal	52,420
Park & Recreation capital projects - Inland	157,948
Total restricted	218,325
Assigned:	
Compensated absences	66,455
Street lighting	78,648
Total assigned	145,103
Unassigned:	
General (Parks and Recreation)	
Operating fund	544,755
Repair and replacement fund	3,900
Catastrophe	99,222
Other postemployment benefits	279,753
Measure B	(555,657)
Total unassigned	371,973
Total fund balance	\$ 735,401

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000, combined single limit at \$2,500,000 per occurrence.
- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration, and theft, disappearance, and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss; otherwise, paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence, unless otherwise specified.
- Public officials' personal liability up to \$500,000 for each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to whom this coverage applies, subject to the terms and a \$500 deductible per claim.
- Workers compensation insurance with statutory limits per occurrence and employer's liability coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claim payables as of June 30, 2021.

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 87, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93, continued

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(14) Commitments and Contingencies

Commitments

The District has a contract with the Humboldt Bay Municipal Water District (HBMWD) to purchase water. Under the contract, the District pays the HBMWD a rate that includes cost allocations of various factors designed to cover costs associated with the operation, maintenance, repair, and replacement of the HBMWD's base water facilities and drinking water treatment facilities.

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

McKinleyville Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(14) Commitments and Contingencies, continued

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(15) Subsequent Event

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of January 5, 2022, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

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McKinleyville Community Services District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – General (Parks and Recreation) Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 633,841	633,841	671,671	37,830
Charge for services and facilities	358,575	358,575	303,030	(55,545)
Operating grants and contributions	1,300	1,300	5,326	4,026
Capital grants and contributions	39,000	39,000	10,040	(28,960)
Other income	16,912	16,912	32,274	15,362
Gain on sale of capital assets	-	-	4,601	4,601
Investment earnings	45,000	45,000	34,280	(10,720)
Total revenues	<u>1,094,628</u>	<u>1,094,628</u>	<u>1,061,222</u>	<u>(33,406)</u>
Expenditures:				
Salaries and employee benefits	808,462	808,462	903,580	(95,118)
Materials and services	242,047	242,047	210,745	31,302
Capital outlay	39,000	39,000	64,140	(25,140)
Total expenditures	<u>1,089,509</u>	<u>1,089,509</u>	<u>1,178,465</u>	<u>(88,956)</u>
Net change in fund balance	<u>5,119</u>	<u>5,119</u>	<u>(117,243)</u>	<u>22,262</u>
Fund balance, beginning of year	<u>1,329,653</u>	<u>1,329,653</u>	<u>1,329,653</u>	
Fund balance, end of year	<u>\$ 1,334,772</u>	<u>1,334,772</u>	<u>1,212,410</u>	

McKinleyville Community Services District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – Measure B Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 221,132	221,132	217,031	(4,101)
Investment earnings	3,200	3,200	5,474	2,274
Total revenues	<u>224,332</u>	<u>224,332</u>	<u>222,505</u>	<u>(1,827)</u>
Expenditures:				
Salaries and benefits	70,409	70,409	61,366	9,043
Materials and services	25,500	25,500	14,874	10,626
Debt service				
Principal	92,054	92,054	92,054	-
Interest	35,398	35,398	35,086	312
Total expenditures	<u>223,361</u>	<u>223,361</u>	<u>203,380</u>	<u>19,981</u>
Net change in fund balance	971	971	19,125	<u>18,154</u>
Fund balance, beginning of year	<u>(574,782)</u>	<u>(574,782)</u>	<u>(574,782)</u>	
Fund balance, end of year	<u>\$ (573,811)</u>	<u>(573,811)</u>	<u>(555,657)</u>	

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McKinleyville Community Services District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – Street Lighting Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charge for services and facilities	\$ 98,268	98,268	100,455	2,187
Other income	18,500	18,500	18,930	430
Investment earnings	50	50	-	(50)
Total revenues	<u>116,818</u>	<u>116,818</u>	<u>119,385</u>	<u>2,567</u>
Expenditures:				
Salaries and payroll expenses	47,952	47,952	51,424	(3,472)
Materials and services	40,874	40,874	34,410	6,464
Capital outlay	2,000	2,000	4,000	(2,000)
Total expenditures	<u>90,826</u>	<u>90,826</u>	<u>89,834</u>	<u>992</u>
Net change in fund balance	25,992	25,992	29,551	<u>3,559</u>
Fund balance, beginning of year	<u>49,097</u>	<u>49,097</u>	<u>49,097</u>	
Fund balance, end of year	<u>\$ 75,089</u>	<u>75,089</u>	<u>78,648</u>	

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McKinleyville Community Service District
Notes to the Required Supplementary Information
June 30, 2021

Basis of Budgeting

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager prepares and submits a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and the accrual basis for proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General (Parks and Recreation), Measure B, and Street Lighting funds.

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McKinleyville Community Service District
Schedules of Changes in District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2021
Last Ten Years*

Other Post-Employment Benefits Payable

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 526,898	482,408	493,346	478,977
Interest	221,939	320,814	288,256	253,523
Difference between expected and actual experience	11,520	(2,563,217)	-	-
Change of assumptions or other inputs	794,185	2,063,476	(102,116)	-
Benefit payments	(108,641)	(102,866)	(102,866)	(96,421)
Implicit rate subsidy fulfilled	(43,940)	(47,609)	(35,201)	(28,201)
Net change in total OPEB liability	1,401,961	153,006	541,419	607,878
Total OPEB liability – beginning	8,608,124	8,455,118	7,913,699	7,305,821
Total OPEB liability – ending	\$ 10,010,085	8,608,124	8,455,118	7,913,699
Covered-employee payroll	\$ 1,389,995	1,362,167	1,511,378	1,470,927
Total OPEB liability as a percentage of covered-employee payroll	720.15%	631.94%	559.43%	538.01%

Note to Schedule

Change in Benefit Terms

There were no changes to benefit terms for the measurement period ended June 30, 2018.

Change of Assumptions

In fiscal year 2021, the discount rate changed from 2.45% to 1.92%.

In fiscal year 2020, the discount rate changed from 3.62% to 2.45%.

In fiscal year 2019, changes in actuarial assumptions are as follows:

Assumptions	2019	2018
Aging/Morbidity factor	Based on actual CalPERS HMO and PPO population data.	Based on a Society of Actuaries study.
Participant contributions	Based on service at retirement and employee group.	Based on hire date.
Salary increases	2.750%	3.000%
Marital status	Current retirees: actual spouse coverage is used. Future retirees: 85% assumed to be married.	Current retirees: actual spouse coverage is used. Future retirees: none noted.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

McKinleyville Community Service District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Defined Benefit Plan

Description	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability(asset)	0.02113%	0.02051%	0.01969%	0.01948%	0.01878%	0.01728%	0.01805%
District's proportionate share of the net pension liability(asset)	\$ 2,299,309	2,101,815	1,897,638	1,931,634	1,625,303	1,186,322	1,123,351
District's covered payroll	\$ 1,474,010	1,461,535	1,390,558	1,313,591	1,260,867	1,253,808	1,175,186
District's proportionate share of the net pension liability(asset)as a percentage of its covered payroll	155.99%	143.81%	136.47%	147.05%	128.90%	94.62%	95.59%
Plan's fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.21%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Changes of Assumptions

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment

gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

McKinleyville Community Service District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Changes of Assumptions, continued

Assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to

7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

McKinleyville Community Service District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Years*

Defined Benefit Plan

Description	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 281,677	251,463	212,575	187,417	162,865	155,352	126,683
Contributions in relation to the actuarially determined contribution	(281,677)	(251,463)	(212,575)	(187,417)	(163,266)	(155,352)	(126,683)
Contribution deficiency (excess)	\$ -	-	-	-	(401)	-	-
District's covered payroll	\$ 1,474,010	1,461,535	1,390,558	1,313,591	1,260,867	1,253,808	1,175,186
Contribution's as a percentage of covered-payroll	19.11%	17.21%	15.29%	14.27%	12.92%	12.39%	10.78%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Report on Internal Controls and Compliance

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**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***

Board of Directors
McKinleyville Community Services District
McKinleyville, California

We have audited, in accordance with the 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 McKinleyville Community Services District (District), which comprise the statement of net position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 the entity’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor’s Report on Internal Controls over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

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 District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
January 5, 2022

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McKinleyville Community Services District

Board of Directors

Presentation of 2021 Audit Results

Fedak & Brown LLP



The Audit

The Audit was Performed in Accordance with Auditing Standards Generally Accepted in the United States of America

– Our Audit Procedures Include:

- Assessing the District's Internal Controls**
- Agree Balances to Supporting Documentation**
- Perform Analysis of Key Relationships**

The Auditor's Reports

Independent Auditor's Report

- **Unmodified “CLEAN” Opinion**
 - In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **McKinleyville Community Services District** as of June 30, 2021....

Management Report Findings

- **We did not Identify Material Weakness Within the District's Internal Control Structure**

Review of the Numbers

- **Governmental Funds**
 - **Decrease in Net Position of \$325,052**
- **Enterprise Funds**
 - **Increase in Net Position of \$3,059,373**
- **Pension & OPEB Liabilities**
 - **OPEB Liability Increased \$1,401,961 to \$10,010,085**
 - **Pension Liability Increased \$197,494 to \$2,299,309**

Financial Highlights

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total District		Change
	2021	2020	2021	2020	2021	2020	
Assets:							
Current assets	\$ 913,090	989,646	23,531,635	20,669,686	24,444,725	21,659,332	2,785,393
Capital assets	4,961,095	5,116,259	36,569,676	36,374,174	41,530,771	41,490,433	40,338
Total assets	5,874,185	6,105,905	60,101,311	57,043,860	65,975,496	63,149,765	2,825,731
Deferred outflows of resources	905,688	746,245	1,891,923	1,562,572	2,797,611	2,308,817	488,794
Liabilities:							
Current liabilities	322,698	334,598	1,520,173	1,643,335	1,842,871	1,977,933	(135,062)
Non-current liabilities	4,856,758	4,471,194	26,229,002	25,535,057	31,085,760	30,006,251	1,079,509
Total liabilities	5,179,456	4,805,792	27,749,175	27,178,392	32,928,631	31,984,184	944,447
Deferred inflows of resources	679,236	800,125	1,377,369	1,620,723	2,056,605	2,420,848	(364,243)
Net position:							
Net investment in capital assets	4,042,205	4,105,315	17,946,371	17,481,830	21,988,576	21,587,145	401,431
Restricted	218,325	197,530	788,179	1,735,159	1,006,504	1,932,689	(926,185)
Unrestricted	(3,339,349)	(3,056,612)	14,132,140	10,590,328	10,792,791	7,533,716	3,259,075
Total net position	\$ 921,181	1,246,233	32,866,690	29,807,317	33,787,871	31,053,550	2,734,321

Financial Highlights

In 2021:

Net Position - Increased by \$2,734,321 to \$33,787,871 as a result of ongoing operations.

Total Revenues - Increased by \$587,095 to \$11,388,032.

- **Program Revenues** – Increased by \$943,655 to \$10,301,975 due primarily to increases of \$708,416 in capital grants and contributions and \$543,266 in charges for services; which were offset by decreases of \$308,027 in operating grants and contributions.
- **General Revenues** – Decreased by \$356,560 due primarily to a \$359,196 decrease in investment earnings.

Total Expenses - Increased by \$179,031 to \$8,653,711, due primarily to increases of \$161,412 in wastewater fund expenses and \$116,627 in water fund expenses; which were offset by a decrease of \$97,214 in General (Parks & Recreation) expenses.

Condensed Statements of Activities

	Governmental Activities		Business-Type Activities		Total District		Change
	2021	2020	2021	2020	2021	2020	
Revenues:							
Program revenues:							
Charge for services	\$ 403,485	487,233	8,188,960	7,561,946	8,592,445	8,049,179	543,266
Operating grants and contrib	5,326	40,148	-	273,205	5,326	313,353	(308,027)
Capital grants and contrib	10,040	23,980	1,694,164	971,808	1,704,204	995,788	708,416
Total program revenues	418,851	551,361	9,883,124	8,806,959	10,301,975	9,358,320	943,655
General revenues:							
Property taxes	671,671	677,798	-	-	671,671	677,798	(6,127)
Voter approved taxes	217,031	212,622	-	-	217,031	212,622	4,409
Investment earnings	39,754	95,418	101,584	405,116	141,338	500,534	(359,196)
Gain on disposal of capital asset:	4,601	-	212	7,901	4,813	7,901	(3,088)
Other income	51,204	43,762	-	-	51,204	43,762	7,442
Total general revenues	984,261	1,029,600	101,796	413,017	1,086,057	1,442,617	(356,560)
Total revenues	1,403,112	1,580,961	9,984,920	9,219,976	11,388,032	10,800,937	587,095
Expenses:							
General (Parks & Recreation)	1,483,744	1,580,958	-	-	1,483,744	1,580,958	(97,214)
Measure B	125,972	141,509	-	-	125,972	141,509	(15,537)
Streetlighting	118,448	104,705	-	-	118,448	104,705	13,743
Water	-	-	3,279,421	3,162,794	3,279,421	3,162,794	116,627
Wastewater	-	-	3,646,126	3,484,714	3,646,126	3,484,714	161,412
Total expenses	1,728,164	1,827,172	6,925,547	6,647,508	8,653,711	8,474,680	179,031
Changes in net posit	(325,052)	(246,211)	3,059,373	2,572,468	2,734,321	2,326,257	408,064
Net position, beginning of year	1,246,233	1,492,444	29,807,317	27,234,849	31,053,550	28,727,293	2,326,257
Net position, end of year	\$ 921,181	1,246,233	32,866,690	29,807,317	33,787,871	31,053,550	2,734,321

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: E.5 **Consider Approval Policy Revision to Accommodate State Water Resources Control Board Reimbursement for Unpaid Water Bills Upon the End of the Governor’s Non-lock Order & the Resumption of Regular Non-payment Lock Process**

PRESENTED BY: **Colleen Trask, Finance Director**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends that the Board review the information provided, take public comment and approve Staff’s recommendation to allow extended amortization times and additional notifications for customers on the State Water Board’s list as the District reinstates the normal locking process for non-payment.

Discussion:

As the Board is aware, Governor Newsom signed Executive Order N-42-20 on April 2, 2020 suspending a water system’s ability to discontinue water service to residents for non-payment. This Executive Order was extended to December 31, 2021. Health and Safety Code section 116902, subdivision (d) authorizes water systems to discontinue residential service for non-payment under Health and Safety Code sections 116908 and 116910. Therefore, the District could technically begin locking customers that have not been paying their bills as early as January 2022.

In April 2020, we made the decision to eliminate actual non-payment locks per the Governor’s directive, but to continue the District’s “lock process” so the customers who normally paid from the friendly reminders, phone calls, or door hangers would receive their normal, expected reminders and wouldn’t fall too far behind on their water bills. The only locks done during the period were for abandonment of service, where customers moved out and failed to notify us to close their accounts. We have also continued to send past due accounts to collections when all other efforts have failed. A summary worksheet of the District’s regular SB998 compliant lock process is provided as Attachment 1.

As the Board is also aware, the State Water Resources Control Board (SWRCB) has implemented the California Water and Wastewater Arrearage Payment Program. Community water systems completed a survey listing the residential and commercial arrearages that have been accrued from March 4, 2020 to June

15, 2021. The Program will provide a direct one-time payment to water systems, who will then deliver the benefits directly to customers as credits.

The State Water Board has determined that there are sufficient funds to reimburse the total amount of reported arrearages and revenue shortfalls of community water systems. The State Water Board has notified us that there are sufficient funds to cover unpaid wastewater arrearages and has promised further notifications as the process moves forward. There has also been no word about what the State wants to do with the additional arrearages from the continuation of the lock moratorium from June 16 – December 31st of 2021.

The District has completed the survey and reported 168 accounts that had balances due from March 4, 2020 through June 15, 2021 for a total of \$47,746.22 in water-only arrearages. The \$47,746.22 total does not include the unpaid wastewater fees, which are \$25,656.74. Of these accounts, the 52 that were closed have been withdrawn from collections at the Water Board's request. The accounts have paid their balances or are currently making payments will receive a credit on their accounts once the State distributes funding.

It is NOT the District's intent to begin locking services for non-payment on January 1, 2022. For normal customers with past due balances incurred after the State survey period listed above, the normal lock process will resume. Notifications will be sent on Monday, January 3rd. The lock date will be Wednesday, January 19, 2022.

Staff recommends the following additional steps for the 116 still-active State survey list customers:

1. As soon as the State provides payments for the arrearages program, the District will send return-receipt letters to the 116 customers showing the amount of credit they will be receiving from the State. They will also be informed that there are State funds available for their unpaid wastewater balances, and that we will treat these balances as "disputed" until the State provides a method for payment. The letter will also provide a deadline date by which they must contact the District or be investigated for abandonment of service.
2. Customers will need to contact the District to make payment arrangements. Staff recommends that the District offer extended amortization periods of up to 36 months for those customers who are struggling with the largest balances in the currently uncertain economy.
3. Any customers not responding to the return-receipt letter will receive both an automated call and personal phone follow-up with the same terms. These customers will be excepted from the normal lock process under the District's regular dispute-resolution procedures until the State processes their credits.
4. Once State funds are received, credits will be applied to the corresponding water bills. These credits will be reflected in the next bill generated after the State sends the data. If the State requires the District

to apply the credits to customer accounts first, then provide the State with proof of credits applied, the process will be done in that order.

5. Active State-list customers who do not respond to any of the District's attempts to contact them by the letter's stated deadline will be investigated as abandoned services, locked accordingly, and have their balances sent to collections. If an active State-list customer who has not responded to the District wishes to start a new service within District boundaries, they will be required to choose whichever term of amortization for their un-credited past due balances works best for them before being allowed to start a new service.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Potential fiscal gain from this situation of up to \$47,746.22 from the State Water Resources Control Board. Fiscal cost will consist largely of staff time, with some mailing costs for return-receipt letters to State-list customers.

Environmental Requirements:

Not Applicable

Exhibits/Attachments:

- Attachment 1 – SB998 Compliant “Steps to Service Interruption”



STEPS TO SERVICE INTERRUPTION FOR NON PAYMENT

FIRST BILL

First bill generated. Stated due date is 14 days from bill printing date. As long as payment is received prior to creation of next month's bill, there are no late fees assessed.

SECOND BILL "FRIENDLY REMINDER"

If an account has a current balance due of more than \$5.00 when the next bill is prepared, that amount becomes past due and a \$0.60 late fee for water \$0.60 late fee for sewer are added to the past due amount.

THIRD BILL "FRIENDLY REMINDER"

This is similar to the above friendly reminder, except if this bill is not paid by the due date, the account is subject to receive a lock notice.

FINAL MAILED NOTICE

After the due date on the third bill "friendly reminder", a final notice is generated and this adds a late fee of \$2.50 for water and \$2.50 for sewer to the account and informs the customer of the pending lock date. This notice is mailed to the address on file for the account.

LOCK NOTICE CALLS AND DOORHANGERS

On the two Fridays prior to the lock date, a call is placed from our automated call system to the main phone number on the account. At least 48 hours prior to the lock date, a doorhanger is attempted to be delivered to each address whose service is in jeopardy.

LOCKED

If we do not receive payment by 5:00 p.m. the day prior the date listed on the final mailed notice, service will be locked on the lock date. Once a service is locked, the customer will need to pay a \$53.00 re-connection charge and deposit up to two and one half times the monthly average bill to have service restored. The deposit is refundable if a customer maintains a on-time payment schedule for at least 12 consecutive months. This is in addition to paying the balance due on the lock notice.

MCSD customers who find themselves at risk of imminent service interruption are encouraged to contact the district office to discuss their options such a deferred payment, amortization, or appeal.

Please call us at (707) 839-3251, Monday thru Friday, 9 A.M. to 5 P.M.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.6 **Discuss Strategic Plan Review Process and Timeline and Consider Possible Board Retreat**

PRESENTED BY: **Pat Kaspari, General Manager**

TYPE OF ACTION: **None**

Recommendation:

Staff recommends that the Board review and discuss the information provided, take public comment, and provide Staff direction on whether they would like to have a Board retreat, approximate schedule, and possible topics to be discussed.

Discussion:

The Strategic Plan was originally approved on September 4, 2019. It is reviewed annually, and revisions are made to this living document as needed. During the Board Self-Evaluations in fall of 2021, Board comments reflected a desire for a more in-depth review and revision of this plan. In the past, the Board has conducted a small retreat to accomplish similar items. The purpose of a retreat would be to revisit the strategic plan, provide an opportunity to build stronger relationship with fellow board members and provide an opportunity to address other topics of interest that the Board would like to discuss, within the guidelines of the Brown Act.

In accordance with the Brown Act, the MCSD Board of Directors may participate in a retreat; however, the retreat must be held in McKinleyville, be open to the public, and notice of the meeting must be given in accordance with the Special Meeting requirements of the Brown Act.

For tonight's meeting, Board directors are asked to consider and discuss the following:

- Is this something the Board would like to do?
- Potential Time and Date(s)
- Venue (within McKinleyville boundaries)
- Facilitation options (in 2017, Recreation Director Lesley Frisbee helped to facilitate the Board retreat and is available to do so again)
- Topics to develop during the retreat

Alternatives:

Take Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

Attachment 1 – 2019 - 2024 Strategic Plan

Strategic Plan

2019-2024

McKinleyville Community
Services District



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 Vision 2

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Goals & Objectives 5

Plan Review, Revisions & Reporting 6

APPENDIX A: Progress Reports A-1

Plan Revisions

Date	Description of Change

Introduction

Purpose

This Strategic Plan (Plan) exists to empower the McKinleyville Community Services District (District) to accomplish its mission by providing vision and specific objectives for the next five years.

The Plan was updated in July 2019 by the District's Board of Directors and staff with the understanding that it is a living document that will be reviewed regularly and revised as needed to better serve the District and the McKinleyville community. The Plan was purposefully fashioned as a succinct, workable document so that it can be easily used to:

- Measure District success
- Generate focused work plans
- Adopt comprehensive, goal-oriented budgets
- Communicate District values and direction to the community

History

The McKinleyville Community Services District created on April 7, 1970 when McKinleyville's voters voted to form the District. Initially, the District had authority to serve water and treat sewer wastes. In 1972, the voters added street lighting powers, in 1985 the voters added recreational powers and in 1995 the voters authorized construction of the McKinleyville Library.

Services

The District boundary encompasses 12,140 acres ranging from North Bank Road on the south to Patrick's Creek on the north and has over 5,300 active water services and 4,470 active sewer connections. The District is an independent, special district governed by a five member Board of Directors. The District provides the following services:

- Water
- Wastewater
- Street Lights
- Open Space
- Parks & Recreation
- Library Services

Mission, Vision & Values

Mission

Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, library services, and other appropriate services for an urban community in an environmentally and fiscally responsible manner.

Vision

The District is an engaged, collaborative and responsible public agency that is committed to enhancing and preserving McKinleyville's quality of life through the implementation of clear and forward thinking policies and plans for service provision within its scope of power.

The District has established the following visionary goals for the next five years:

1

The Parks & Recreation Department has developed and implemented an effective strategy that will close the gap between revenues and expenses, allowing for the long term sustainability of the department.

2

The District is prepared for a major natural disaster and the public is educated and aware of MCSD's role in response to a major natural disaster.

3

The District will know the number of building permits allocated by the county within the District AND will know the impact accommodating allocated permits will have on District capacity.

4

The District will have an effective strategic partnership plan in place.

5

The District will have acquired the property for a community forest and will have a plan for sustainable management of said property.

Mission, Vision & Values

Values

The Board of Directors has collectively established the following core values, along with the defining traits, culture and actions.

INTEGRITY

- Definition - Truthfulness; Saying what you mean and doing what you say.
- Culture - Trustworthy performance; Incorruptible.
- Actions - Communicate using non-discriminatory language; Provide clear and factually accurate information to public, staff and fellow board members; Make decisions transparently; Form opinions/make judgments based on facts, not assumptions.

RESPONSIBILITY

- Definition - Dependable and accountable; Doing what is necessary in the best possible way and with the best possible intentions.
- Culture - Accepting all consequences, both good and bad; Adaptive Management.
- Actions - Follow through with commitments and follow up to evaluate results and outcomes; Give full attention to listening to public, staff and/or fellow board members during discussion and comment periods; Accept ownership of decisions and all results/outcomes/consequences of decisions; do not engage in blaming or making excuses; Focus decision making to that which serves the best interest of McKinleyville residents within the powers of the MCSD (water, sewer, streetlights, parks & rec and library powers).

FAMILY

- Definition - Group/Unit that is not always chosen, connected by commonalities and shared experience with defined roles.
- Culture - Efficiency, lightheartedness, respect, listening (open eared), care for members, forgiveness, and understanding with respected leadership.
- Actions - Listen to HEAR, not to REPLY; focus listening until person stops talking and THEN formulate your reply; Do not engage in gossip; Remain mindful and considerate of commonalities between self and others when engaging in challenging dialogue; Volunteer in the community; Express gratitude, regularly and often; Develop a shared vision and goal that we work to achieve together.

Mission, Vision & Values

Values Cont.

FAIRNESS

- Definition - Decisions based on rules, facts and circumstances.
- Culture - Consideration given to all facets in a consistent manner.
- Actions - Clearly communicate criteria for fairness in decisions; Judge according to facts; leave out emotion, 'shoulds', judgements and assumptions; Listen and give due consideration to all sides of an issue with an open mind before forming opinions or making judgements and decisions; Give equitable and consistent consideration to issues and options when making decisions.

Goals & Objectives

GOAL 1

The Parks & Recreation Department has developed and implemented an effective strategy that will close the gap between revenues and expenses, allowing for the long term sustainability of the department.

ACTION DESCRIPTION	PARTY / DEPT RESPONSIBLE	BEGIN DATE	DUE DATE	RESOURCES REQUIRED (staff, tech, etc.)	HAZARD FORECAST	DESIRED OUTCOME
Plan and Implement an annual "Spirits & Appetizers" Event as a fundraiser in Coordination with a local non-profit	Rec. Director	7/1/2019	2/28/2020	Willing & interested non-profit; Volunteers; Vendors; Activity & Teen Ctrs	No interested and willing non-profit; competing events;	Raise minimum of \$10,000 in first year
Add 2-3 revenue generating classes/programs to annual offerings	Rec. Coordinators	7/1/2019	6/30/2023	Facility space; available staff/instructors; supplies and/or technology depending on program	No interest in classes; will not generate revenue exceeding the cost of offering;	Increase dept. revenue by \$5k-\$10k
Implement a comprehensive marketing plan	Rec. Director	6/15/2019	6/30/2020	Staff time; money to invest in marketing strategies	Lack of resources to invest in marketing; possibility of not getting return on investment of marketing.	Increase facility revenue by \$8k-\$15k
Survey community to determine feasibility of increasing Measure B Assessment amount	GM & Rec. Director	7/1/2021	12/31/2021	Consultant/contractor to implement survey and write report	Lack of resources to hire consultants; community does not support increase.	Increase is feasible; know amount of feasible increase based on community support
Implement process for re-assessment of Measure B at higher rate	GM & Rec. Director	1/1/2022	11/10/2022	Consultant/contractor to implement process for reassessing measure B	Community does not support increase	Community supports reassessment and votes to increase in measure tax

Goals & Objectives

GOAL 2

The District is prepared for a major natural disaster and the public is educated and aware of MCSD's role in response to a major natural disaster.

ACTION DESCRIPTION	PARTY / DEPT RESPONSIBLE	BEGIN DATE	DUE DATE	RESOURCES REQUIRED (staff, tech, etc.)	HAZARD FORECAST	DESIRED OUTCOME
Plan and implement Public Education materials related to Disaster Preparedness and the District	EOP Team	8/1/2019	12/31/2019	Staff time; materials	Public does not participate; method of distributing materials does not reach whole community;	Disaster preparedness Education materials related the District's role and the roles of community members are available and distributed widely
Host 2-3 public workshops or trainings related to disaster preparedness specific to McKinleyville	EOP Team	1/2/2020	6/30/2022	Staff time; facility space; materials/resources	Public does not participate; Outreach/invitation methods not effective; lack of staff time	Workshops hosted and community feedback regarding increased knowledge evaluated
Create process for updating public. Outline all methods of putting information out to public.	EOP Team & Admin Staff	5/1/2020	12/31/2020	Staff Time	Lack of staff time; methods are not effective	Information campaign is ready to launch and surveys of public indicate an increase in awareness and knowledge

Goals & Objectives

GOAL 3

The District will know the number of building permits allocated by the county within the District AND will know the impact accommodating allocated permits will have on District capacity.

ACTION DESCRIPTION	PARTY / DEPT RESPONSIBLE	BEGIN DATE	DUE DATE	RESOURCES REQUIRED (staff, tech, etc.)	HAZARD FORECAST	DESIRED OUTCOME
Create process by which county permit allocation information is shared with the District	GM	7/29/2019	12/31/2019	Staff time; County Staff time/participation	County does not cooperate	Process is effective and efficient for collecting the necessary data
Integrate County information into District's Hydraulic Flow Analysis	GIS Tech	1/1/2020	6/30/2020	Staff time; County zoning and building permit data; hydraulic analysis software; GIS software;	Inadequate data or format of data;	Integrated data allows analysis of zoning, planning and hydraulic capacity.
Determine or set annual date for providing this information to the MCSD Board of Directors	GM, GIS Tech and BOD	7/1/2020	8/31/2020	Staff time; Modeling analysis; coordination w/county	Lack of agreement between county and MCSD related to the outcome of the analysis.	An annual date is set and agreed upon by both county and MCSD

Goals & Objectives

GOAL 4

The District will have an effective strategic partnership plan in place.

ACTION DESCRIPTION	PARTY / DEPT RESPONSIBLE	BEGIN DATE	DUE DATE	RESOURCES REQUIRED (staff, tech, etc.)	HAZARD FORECAST	DESIRED OUTCOME
Create a comprehensive list of existing partnerships including projects in progress or completed through the partnership	GM & Dept. Heads	6/1/2021	6/30/2021	Staff time	Lack of staff time; lack of participating/willing partners	List serves as a resource for current and future work of the District
Create a comprehensive list of potential partnerships that have not yet been developed	GM & Dept. Heads, BOD	2/1/2022	3/32/2022	Staff time	Lack of staff time; lack of participating/willing partners	List serves as a resource for current and future work of the District
Create a rubric for determining when to partner, with whom and for what	GM & Dept. Heads, BOD	7/1/2021	12/31/2021	Staff time	Lack of staff time	Rubric exists to guide partnership decisions
Outline the required steps and considerations for developing and implementing partnership agreements	GM & Dept. Heads	1/1/2022	6/30/2022	Staff time	Lack of staff time	Clear guidelines and expectations for staff to follow when developing partnerships and engaging in work with existing partners.
Create a rubric of criteria for measuring the effectiveness of a partnership	GM & Dept. Heads, BOD	7/1/2022	12/31/2022	Staff time	Lack of staff time	Rubric exists to measure effectiveness of partnership

Goals & Objectives

GOAL 5

The District will have acquired the property for a community forest and will have a plan for sustainable management of said property.

ACTION DESCRIPTION	PARTY / DEPT RESPONSIBLE	BEGIN DATE	DUE DATE	RESOURCES REQUIRED (staff, tech, etc.)	HAZARD FORECAST	DESIRED OUTCOME
Define amenities of Community Forest as desired by the community residents	GM, Rec. Dir & BOD	1/1/2019	12/31/2021	Staff time; public input; resources/materials	Lack of public participation	Parameters are defined for a Community Forest
Identify potential properties	GM & BOD	1/1/2022	12/31/2023	Staff time	Lack of available property	Potential properties are identified and available
Identify funding for acquisition of property	GM, Rec. Dir & BOD	7/1/2022	6/30/2024	Staff time	Lack of funding options; lack of public support for new taxes	Funding for acquisition obtained.
Identify Forest management strategies for identified properties	Forest Consultant	1/1/2023	12/31/2024	Resources to fund consultant; staff time	Lack of resources for consultant; lack of resources to support management strategies	Management strategies identified are feasible and funded.

Plan Review, Revisions & Reporting

The District will review this Plan at least once annually to ensure that the Plan continues to be accurate and best serve the needs of the District. Plan revisions may be made at any time. All revisions must be approved by the Board of Directors. A record of revisions will be kept on the Table of Contents page.

At the end of each fiscal year, the General Manager will prepare a brief report for the Board of Directors summarizing the progress that has been made toward attaining the District's goals and objectives. Reports will be included in the Appendix of this Plan.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **Action**

ITEM: E.7 **Discuss and Consider Committee Assignments and Appointments of Committee Chairs by the Board President for the 2022 Calendar Year**

PRESENTED BY: **April Sousa, Board Secretary**

TYPE OF ACTION: **President Appointment**

Recommendation:

Staff recommends that the Board review and discuss Appendix A of the Board Policy Manual (**Attachment 1**) regarding Board Direction for Committee Assignments, take public comment, and the Board President appoint committee assignments for the 2022 Calendar Year.

Discussion:

The Board should discuss and consider various committee assignments that will be appointed by the Board President and also designate committee chairs/co-chairs as well as designate the Board Treasurer (currently Colleen M.R. Trask, Finance Director).

Board Secretary (April Sousa) is appointed by the General Manager per the Board Policy Manual.

Appendix A from the Board Policy Manual (Attachment 1) provides descriptions of the standing committees of the Board. There are two ad-hoc committees not listed in Appendix A (Community Forest Committee and Latent Powers Committee). Additionally, the Local Agency Formation Commission (LAFCo) is not listed in Appendix A as this is not a Board President appointed committee but is an elected position by LAFCO members. The full list of committees (with 2020's appointments) are as follows:

- a. Parks and Recreation Advisory Committee (Binder/Clark-Peterson)
- b. Area Fund (John Kulstad/Clark-Peterson)
- c. Redwood Region Economic Development Commission (Clark-Peterson/Binder)
- d. McKinleyville Senior Center Board Liaison (Clark-Peterson/Binder)
- e. Audit (Orsini/Couch)
- f. Employee Negotiations (Couch/Mayo)
- g. McKinleyville Municipal Advisory Committee (Orsini)
- h. Humboldt Local Agency Formation Commission (Couch)
- i. Environmental Matters Committee (Couch/Clark-Peterson)
- j. Ad Hoc Community Forest Committee (Mayo/Orsini)
- k. Ad Hoc Latent Powers Committee (Orsini/Couch)

Additionally, the Board may consider amendments to the above list. Any amendments would need to be formalized in the Board Policy Manual, which would occur at a subsequent Board Meeting. It has been suggested that the “Audit” committee be reorganized as the “Audit and Finance Committee” and it be given duties to consider other District financial items, not just the Audit. The Environmental Matters Committee came about in 2019 by combining three (3) other standing committees that were not meeting regularly (Water Task Force, Ad Hoc No Drugs & Toxins Down the Drain, and the Groundwater Sustainability Committee). This committee has not met since its inception. The Latent Powers Committee has not met formally in the past year but has reviewed items that were discussed and agreed upon by the Board in February of 2021. The only remaining latent power outlined in the Committee’s report that has not yet been addressed in the District’s Rules & Regulations is Law Enforcement.

Alternatives:

- Take no Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Appendix A Board Policy Manual – Committee Assignments

Appendix A

Board Direction for Committee Assignments

The Board of Directors of the McKinleyville Community Services District (MCSD; District) currently (2020) has eleven (11) committees, nine of which are standing committees and two ad-hoc committees. A standing committee is a permanent committee established for the purpose of specializing in the consideration of a particular subject area. MCSD's standing committees include Parks and Recreation Committee, Area Fund, Redwood Region Economic Development Committee, Audit Committee, Employee Negotiations Committee, McKinleyville Municipal Advisory Committee, and Environmental Matters committee. An Ad-Hoc Committee is a committee formed for a specific task or objective and dissolved after the completion of the task or achievement of the objective. The McKinleyville Senior Center Advisory Committee dissolved in March 2019, however the continued collaboration and agreement with the McKinleyville Senior Center still requires an MCSD Board Liaison.

Parks and Recreation Committee: The primary purpose of the Parks and Recreation Committee (PARC) is to make recommendations to the McKinleyville Community Services District (MCSD) Board of Directors regarding plans, policies, programs, and projects relating to McKinleyville's parks, facilities, open space maintenance zones, and recreation activities.

The PARC is appointed by the Board and should include one Director who will be appointed by the Board President. An alternate Director will be selected in the event the primary Director is unable to attend a PARC meeting. Members should represent, to the extent possible, various recreational interests of the community including but not limited to business, environmental, equestrian, sports, seniors, trails and youth. The Parks and Recreation Committee meet once a month on the 3rd Thursday at 6:30pm at District's Conference Room, 1656 Sutter Road, McKinleyville. The designated Board Member should report back to the Board during the regular monthly Board of Directors meetings.

Area Fund: The primary purpose of the McKinleyville Area Fund is to help in the decision-making process to grant funds to deserving organizations and projects in the McKinleyville area.

The MCSD Board President will appoint a Director to serve as a member for the McKinleyville Area Fund annually. The committee meets on an "as needed" basis. The designated Board Member should report to the Board during the regular monthly Board of Directors meetings as applicable.

Redwood Region Economic Development Commission: The Redwood Region Economic Development Commission (RREDC) is a collaboration of Humboldt County communities dedicated to expanding economic opportunity in Humboldt County. The primary purpose of RREDC is to create opportunity and to support the growth of local businesses by leading

projects of regional significance, making loans, and offering technical assistance through partnership with the North Coast Small Business Development Center.

RREDC has nineteen members and is governed by a Board of Directors of elected officials appointed by member agencies. The MCSD Board President will appoint a Director to serve as a member for RREDC annually. An alternate Director will be selected in the event the primary Director is unable to attend a RREDC meeting. The RREDC Board of Directors meet once a month on the 4th Monday at 6:30pm at the Prosperity Center, 520 E Street, Eureka. The designated Board Member should report back to the Board during the regular monthly Board of Directors meetings.

McKinleyville Senior Center Board Liaison: The primary purpose of the McKinleyville Senior Center Board Liaison is to provide a line of communication to the McKinleyville Senior Center (MSC) regarding Azalea Hall and any other topics pertinent to active agreements.

The MCSD Board President will appoint a Director to serve as the Board Liaison for the McKinleyville Senior Center annually. The appointed member should attend all MSC executive and regular board meetings. An alternate Director will be selected in the event the primary Director is unable to attend a meeting. The designated Board Member should report back to the Board during the regular monthly Board of Directors meetings to facilitate communications between MCSD and MSC. The MSC Board of Directors meet once a month on the third Wednesday from 11:00am – 12:30pm at the Senior Center.

Audit Committee: The primary purpose of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations. The Audit Committee will consider internal controls and review their effectiveness. The Committee assists the Board of Directors to fulfill public governance and overseeing.

The Audit Committee will be appointed by the Board President and include two Directors. The Committee should have one “financial expert” member who is knowledgeable and experienced in government accounting and auditing; Generally Accepted Accounting Principles for estimates, accruals, and reserves; and internal controls. If no member is qualified, the committee is permitted to engage an outside party for this purpose. To maintain the Committee’s independence and effectiveness, those with managerial responsibilities that fall within the scope of the audit should NOT serve as a member of the audit committee.

Specific Responsibilities of the Audit Committee include, but are not limited to:

- Submit Request for Proposals (RFP) to qualified audit firms every three years – soliciting bids, interviewing firms and making the recommendation to the Board of Directors when selecting the firm to be awarded the audit contract
- Review all significant GAAP or FASB rule changes and have a clear understanding of the effect of such changes on the financial condition of the district and needed changes in financial procedures
- Review annual audit in detail – presented to the Board by the auditors and accepted by the Board of Directors based upon the recommendation of the Committee. Such review

shall encompass the overall condition of the MCSD finances, all audit recommendations for changes. and management letters

- Discuss financial statements directly with management, with independent auditors in private and privately among Committee members while maintaining an appropriate degree of professional skepticism
- Identify future financial challenges with auditors and management
- Monitor controls designed to prevent and detect senior management override of other controls
- Review annual true cost set asides to insure that all cost centers of the District have a completed plan to amortize future costs, to recommend set asides for the Board of Directors, compliance with set asides and insure management has developed a schedule of repayment for borrowings of these funds that is consistent with District financial integrity
- Establish procedures for complaints regarding accounting, internal controls or auditing matters – such procedures should specifically provide for the confidential, anonymous reporting by employees of concerns regarding questionable accounting or auditing matters
- Report annually to the full Board and the public on how it satisfied its duties and met its responsibilities

The Audit Committee should meet on a regular basis and report to the Board during the regular monthly Board of Directors meetings. The report should address or include at a minimum, the activities of the Committee, significant findings brought to the attention of the Committee, any indications of suspected fraud, waste or abuse, significant internal control findings and activities of the internal audit function.

Employee Negotiations Committee: The primary purpose of the Employee Negotiations Committee is to allow open communication between staff and the Board of Directors regarding staff's benefit package.

The committee is comprised of two Directors and a staff nominated representative from each department. The MCSD Board President will appoint the Directors to serve for the Employee Negotiations Committee annually. The designated Board Members should report back to the Board during the regular monthly Board of Directors meetings as necessary. The committee meets on an "as needed" basis when the term of the previous negotiation is close to expiration. The committee members will be called upon to meet with the General Manager to review wage studies and other proposed policy changes to MCSD benefit and compensation package. Committee members should as background be familiar with wage comparisons of other similar entities, retirement benefit amortizations and medical benefit programs.

McKinleyville Municipal Advisory Committee: The primary purpose of the McKinleyville Municipal Advisory Committee (MMAC) is to provide a consistent forum for the public to hear about and advise the Planning Commission and Board of Supervisors on local community issues.

The MMAC is tasked with gathering input from the community and commenting on matters of concern which relate to county services provided to the greater McKinleyville area. including but not limited to public works, health, safety, welfare and public financing. The MMAC is to review, comment and provide advisory recommendations to the Planning Commission and the Board of Supervisors on proposed zoning amendments, and general plan petitions and amendments located within the McKinleyville planning area related to conformance with the McKinleyville community plan. The MMAC will also discuss and provide input on long-range planning issues.

The MMAC is comprised of seven appointees who reside, own property or conduct a business in the greater McKinleyville area. Five of the MMAC committee members are appointed by the County Board of Supervisors and two are representatives of MCSD. The MCSD Board President will appoint a Director to serve as a member for the MMAC annually and the General Manager serves on the committee as well. An alternate Director will be selected in the event the primary Director is unable to attend a meeting. The designated Board Member should report back to the Board during the regular monthly Board of Directors meetings matters of relevance to the District. The MMAC meet once a month on the last Wednesday at 6:00pm at the Azalea Conference Center, 2275 Central Ave, McKinleyville.

Environmental Matters Committee: The primary purpose of the Environmental Matters Committee is to meet the needs of all environmental matters, from water to wastewater to land use. This committee will review local limits, groundwater sustainability and participate in the HBMWD Water Task Force as needed as well as any other task force, Ad Hoc committee, or review regarding any environmental matters. This committee meets on an “as needed” basis.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **ACTION**

ITEM: E.8 **Consider Approval of Professional Services Agreement with Willdan Financial to Perform the Annual Measure B Renewal as well as an Assessment Study**

PRESENTED BY: **Patrick Kaspari, General Manager**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommends that Board review the information provided, discuss, take public comment and authorize the General Manager to execute the Professional Services Agreement (**Attachment 1**) with Willdan Financial to provide services to perform the Measure B Renewal for 2022 and an Assessment Study for an amount not to exceed \$46,620.

Discussion:

McKinleyville Community Services District (MCSD) has a longstanding working relationship with Willdan Financial. Due to past work and the fact that they have all the necessary financial models, spreadsheets and data for the annual Measure B Renewals for MCSD, a proposal was requested from Willdan, **Exhibit A to Attachment 1**, to conduct the Measure B Renewal for 2022, as well as perform an Assessment Study for Measure B in compliance with Proposition 218 requirements. The proposal outlines in details the below tasks:

- 2022 Measure B Renewal (District Administrative Services)
- Benefits Assessment Analysis
 - Task 1: Kick-off Meeting
 - Task 2: Update Parcel Database
 - Task 3: Evaluate Assessment Methodology
 - Task 4: Develop Proposed Budgets & Assessment
 - Task 5: Develop Funding Models for Revised Assessment
 - Task 6: Prepare Technical Memorandum
 - Task 7: Prepare Engineer's Report
 - Task 8: Prepare Draft Resolutions
 - Task 9: Intent Board Meeting
 - Task 10: Prepare Notices & Ballots
 - Task 11: Print & Mail Notices & Ballots
 - Task 12: Public Hearing & Ballot Tabulation

This scope is to perform the Measure B Renewal that is done every year and will provide the County with the Measure B Assessment rolls for 2022/23. The second part of this scope is to, at a minimum, begin to look at reassessing the annual Measure B property tax amounts. The Measure B assessment helps to

fund the Parks & Recreation Department, including the operation and maintenance of facilities at Pierson Park (including the Senior Center, Azalea Hall, Teen Center, Activities Center, the Sheriff's Substation, the Library, the playground, etc.), Hiller Park, the Dog Park, Hewitt Ranch, and will also be used to help operate and maintain the new BMX Track, the proposed Skate Park, and the new Community Forest. The Measure B assessment still remains at the \$30 per single family dwelling unit that it was when the Measure first passed in 1992. Meanwhile the Consumer Price Index has risen from 140.3 in 1992 to 258.81 in 2020, an increase in almost 85%. This is reflected in the struggle that the Parks & Rec Department has in balancing their budget every year to continue the level of service that the citizens of McKinleyville have come to expect. The facilities have also gotten 28-years older since 1992 and maintenance costs have increased as facilities wear out.

It is important to note that the performance of this analysis does not mean the District is increasing the Measure B assessment. It is merely the first step required to look at the possibility of increasing the Measure B assessment. It should also be noted that the total fee of \$46,620 for the Willdan contract includes several optional public outreach tasks (see pages 8 & 9 of Willdan scope). The actual contract to be signed with Willdan, upon Board approval, will not include these tasks in the scope and therefore it will be for a not to exceed fee of \$29,840. Board approval of the fees for the optional tasks would however allow Staff to move forward with contract amendments if/when they deem assistance is required for one or more of these optional tasks.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

The analysis will take into account the revenues necessary to maintain solvency and increase reserves to maintain and rehabilitate current infrastructure.

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – Professional Services Agreement

**McKinleyville Community Services District
PO Box 2037, McKinleyville California 95519
Telephone (707) 839-3251 - FAX (707) 839-8456**

Professional Services Agreement

This Professional Services Agreement (this “Agreement”) is made and entered between the parties listed below as of the date(s) set forth below. For your protection, make sure that you read and understand all provisions before signing. The terms recited as sections a through u on Pages 3 through 7 are incorporated in this document and, along with this page, constitute material terms and conditions of the Agreement between the parties.

TO: Willdan Financial Services DATE: January 6, 2022
27368 Via Industria, Suite 200 Agreement No. 2022-01
Temecula, CA 92590

The undersigned Consultant offers to furnish the following services (the “Services”):

As described in the proposal submitted by Consultant dated September 29, 2021, which is attached hereto as **Exhibit A** and incorporated herein by reference. The Services shall be provided on a time and materials basis not to exceed the amounts described in **Exhibit A**, which is attached hereto and incorporated herein by reference. The scope of work for this project includes the following:

Conduct a Waster & Sewer Rate and Connection Fee Study as detailed in Exhibit A

<u>Contract Price:</u>	<u>Not To Exceed</u>	<u>\$29,840</u>
<u>Payment Intervals</u>	<u>Monthly</u>	
<u>Completion Date</u>	<u>Dec. 31, 2022</u>	

Instructions: Sign and return original. Upon acceptance by McKinleyville Community Services District, a copy will be signed by its authorized representative and promptly returned to you. Insert below, the names of your authorized representative(s).

Accepted: McKinleyville CSD

Consultant:

Willdan Financial Services

(Business Name)

By Patrick Kaspari

By _____

Title General Manager

Title _____

Other authorized representative(s):

Other authorized representative(s):

Colleen Trask, Lesley Frisbee

Consultant agrees with McKinleyville Community Services District that:

- a. **Indemnification.** To the fullest extent permitted by law and consistent with California Civil Code §2782.8(a), Consultant will, indemnify, defend, and hold harmless McKinleyville Community Services District, its directors, officers, employees, and authorized volunteers (collectively "District") from and against all claims, demands and damages of all persons and entities that arise out of the Consultant's negligent acts or omissions, recklessness, or willful misconduct in the performance (or non-performance) of the Services under this Agreement. Consultant shall not be obligated to defend or indemnify the District from and against all claims, demands and damages that arise out of, pertain to, or relate to the District's own negligent acts or omissions, recklessness, or willful misconduct or the negligent acts or omissions, recklessness, or willful misconduct of others.
- b. **Standard of Care.** In providing the Services under this Agreement, Consultant shall exercise that degree of skill and care ordinarily used by other reputable members of Consultant's profession, practicing in the same or similar locality and under similar circumstances.
- c. **Workers Compensation Insurance.** By his/her signature hereunder, Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and that Consultant will comply with such provisions before commencing the performance of the professional services and work under this Agreement. Consultant and sub-consultants will keep workers' compensation insurance for their employees in effect during all Services covered by this Agreement.
- d. **Professional Liability Insurance.** Consultant will file with McKinleyville Community Services District, before beginning professional services, a certificate of insurance satisfactory to the McKinleyville Community Services District evidencing professional liability coverage of not less than \$1,000,000 per claim and annual aggregate, requiring 30 days notice of cancellation (10 days for non-payment of premium) to McKinleyville Community Services District. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A-:VII, or equivalent, or as otherwise approved by McKinleyville Community Services District. The retroactive date (if any) is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the contract Services. Consultant shall purchase a one-year extended reporting period i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. In the event that the Consultant employs other consultants (sub-consultants) as part of the Services covered by this Agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant provides insurance coverage deemed appropriate by Consultant for the role of the subconsultant under this contract.
- e. **Insurance Certificates.** Consultant will file with McKinleyville Community Services District, before beginning professional services, certificates of insurance satisfactory to McKinleyville Community Services District evidencing general liability coverage of not less than \$1,000,000 per occurrence (\$2,000,000 general and products-completed

operations aggregate (if used)) for bodily injury, personal injury and property damage; auto liability of at least \$1,000,000 for bodily injury and property damage each accident limit; workers' compensation (statutory limits) and employer's liability requiring 30 days (10 days for non-payment of premium) notice of cancellation to McKinleyville Community Services District. The general liability coverage is to state or be endorsed to state "such insurance shall be primary and any insurance, self-insurance or other coverage maintained by McKinleyville Community Services District, its directors, officers, employees, or authorized volunteers shall not contribute to it". The general liability coverage shall give McKinleyville Community Services District, its directors, officers, employees, and authorized volunteers insured status using ISO endorsement CG2010, CG2033, or equivalent. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A- :VII, or equivalent, or as otherwise approved by McKinleyville Community Services District. In the event that the Consultant employs other consultants (sub-consultants) as part of the Services covered by this Agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant has in place levels of insurance deemed appropriate by the Consultant for the risk associated with the role of each subconsultant under this contract.

- f. **Renewal Certificates.** If any of the required coverages expire during the term of this Agreement, the Consultant shall deliver the renewal certificate(s) including the general liability additional insured endorsement to McKinleyville Community Services District at least ten (10) days prior to the expiration date.
- g. **General Manager Authority.** Consultant shall not accept direction or orders from any person other than the General Manager or the person(s) whose name(s) is (are) inserted on Page 1 as "other authorized representative(s)" on behalf of McKinleyville Community Services District.
- h. **Payment Intervals.** Payment, unless otherwise specified on Page 1, is to be 30 days after acceptance of a written invoice by McKinleyville Community Services District.
- i. **Permits and Licenses.** Permits and licenses required by governmental authorities in connection with Consultant's services will be obtained at Consultant's sole cost and expense, and Consultant will comply with applicable local, state, and federal regulations and statutes including Cal/OSHA requirements.
- j. **Amendments and Modifications.** Any change in the scope of the professional Services to be done, method of performance, nature of materials, work provided or price thereof, or to any other matter materially affecting the performance or nature of the Services will not be paid for or accepted unless such change, addition or deletion is approved in advance, in writing by a supplemental Agreement executed by McKinleyville Community Services District. Consultant's "authorized representative(s)" has (have) the authority to execute such written change for Consultant.
- k. **Representations.** Consultant represents that it is now, and will remain for the duration of its Services, properly licensed, qualified, experienced, and equipped to perform the Services. Consultant also represents that the Services shall be completed in accordance with this Agreement. Consultant further represents that the Services and the sale or use of the Services shall not infringe, directly or indirectly, on any valid patent, copyright or trademark, and Consultant shall, at Consultant's sole cost and expense, indemnify, and hold harmless McKinleyville Community Services District from and against any and all

claims and causes of action based on infringements thereof. These representations shall survive the expiration or termination of this Agreement, and are in addition to any warranties provided by law. No payment to Consultant for any Services performed hereunder (including, without limitation, final payment) shall constitute a waiver of any Claims by McKinleyville Community Services District against Consultant relating to the Services.

- l. **Ownership of Drawings and Samples.** Consultant shall submit promptly for all drawings, details, samples and other data required or specifically requested by McKinleyville Community Services District in connection with provision of the Services, and such drawings, details, samples and other data created in connection with performance of the Services and provision of the work shall constitute the property of the McKinleyville Community Services District.
- m. **Compliance with Law/Safety.** In performance of the Services, Consultant shall, at its expense, exercise due professional care, comply strictly with, and cause all sub-consultants to comply strictly with, all laws, orders, rules and regulations of governmental authorities, including those relating to the storage, use or disposal of hazardous wastes, substances or materials, and including the procurement and payment for all necessary permits, certificates and licenses required in connection with the Services. If either Consultant or McKinleyville Community Services District receives notice of any violation by Consultant of any laws relating to Consultant or McKinleyville Community Services District receives notice of any violation by Consultant of any laws relating to Consultant's (or sub-consultants) services or work provided hereunder, such party shall promptly inform the other party in writing of the existence thereof. Consultant shall comply with all applicable laws relating to safety, including without limitation the Occupational Safety and Health Act of 1970 as it may be amended from time to time, and all regulations and standards issued pursuant thereto. Consultant shall conform to the current prevailing standards of safety practice.
- n. **Equal Opportunity.** In the performance of the Services there shall be no discrimination on account of race, religion, sex, sexual orientation, age or national origin and Consultant shall comply with applicable federal, state and local laws and regulations pertaining to fair employment practices, including without limitation the provisions of Executive Order 11246 as amended by the President of the United States and the rules and regulations issued pursuant thereto, unless exempted.
- o. **Termination.** McKinleyville Community Services District may, at its option, terminate this Agreement without cause at any time. If at the time of any such termination, any Services have already been provided by Consultant but are unpaid for, McKinleyville Community Services District's only obligation, if Consultant is not in default, shall be to pay for such Services actually provided by Consultant prior to the date of termination. Upon receipt of notice of termination, Consultant shall immediately stop all performance hereunder except as otherwise directed by McKinleyville Community Services District, and if Consultant is not in default, McKinleyville Community Services District shall pay to Consultant (a) the prorata portion of the agreed price based on the percentage completion of the Services which was satisfactorily completed at the time of termination, and (b) the actual net costs incurred by Consultant directly connected with the Services that was not completed prior to the date of termination; provided, however, that under no circumstances shall the total under (a) and (b) exceed the contract price stated on page one (1) of this Agreement, above. Upon such payment, title to any such items or uncompleted Services shall, at McKinleyville Community Services District's option, pass to McKinleyville Community Services District.

- p. **Default.** Upon any default by Consultant hereunder, or in the event of proceedings by or against Consultant in bankruptcy or for the appointment of a receiver or trustee or an assignment for the benefit of creditors, McKinleyville Community Services District may, at its option, terminate this Agreement without penalty or liability (except for payment for any Services completed and accepted by McKinleyville Community Services District). Consultant shall be liable to McKinleyville Community Services District for all expenses incurred by McKinleyville Community Services District in finishing the Services and any damage incurred through any default, which at the option of McKinleyville Community Services District, may be charged against any amounts due from McKinleyville Community Services District to Consultant hereunder, but Consultant's liability hereunder shall not be limited thereby and such liability shall survive the expiration or termination of this Agreement. Any remedies provided for in this Agreement are cumulative and shall be in addition to, and not in limitation of, any other rights and remedies that may be available at law or in equity. Neither party shall be in default of this Agreement until such party has received three (3) days written notification (except in the instance of a health or safety concern, in which case failure to immediately remediate the health or safety violation shall be grounds to declare a default of this Agreement), and an opportunity to cure, or in the case of an alleged default which requires more than three (3) days to cure, a reasonable time so long as the alleged defaulting party commences the remediation of the default immediately, and thereafter diligently prosecutes the same to completion.
- q. **Notices.** Notices, requests, demands, and other communications hereunder shall be in writing and delivered personally, sent by reputable overnight courier or mailed by first class, United States mail, with postage prepaid, to McKinleyville Community Services District, **PO Box 2037, McKinleyville California 95519, Attention: Patrick Kaspari**, and to Consultant at the address set forth below its signature, or at any other address that may be given by either party to the other in the manner provided above. Notices delivered personally or sent by overnight courier shall be deemed delivered upon receipt. Notices delivered by mail shall be deemed delivered upon the earlier of (i) receipt or (ii) the date five (5) U.S. mail delivery days after the notice was placed in the United States mail as provided above.
- r. **Headings.** All section headings are provided for convenience only, and shall not be deemed to constitute material terms and conditions of this Agreement.
- s. **Interpretation.** Both Consultant and McKinleyville Community Services District are deemed to have jointly participated in the negotiation and preparation of this Agreement. Consequently, both Consultant and McKinleyville Community Services District are considered to have drafted this Agreement in equal parts and, if any ambiguity is found to exist, all rules of law and evidence requiring ambiguities to be interpreted to the detriment of the drafting party shall not apply.
- t. **Attorneys Fees and Venue for Disputes.** If litigation becomes necessary to enforce the terms and provisions of this Agreement or as a result of any breach by Consultant or District of this Agreement, the prevailing party in any such litigation shall be entitled to recover reasonable attorney's fees and costs. The Humboldt County Superior Court for the State of California shall have exclusive jurisdiction over any dispute arising out of this Agreement or Consultant's provision of Services hereunder, and shall serve as the venue for any such dispute. All parties expressly consent to this designation of jurisdiction and venue.

- u. **MUTUAL UNDERSTANDING OF SERVICES.** McKinleyville Community Services District and Consultant agree that the purpose of value engineering is the identification and presentation of recommendations for improvement of project or process value, for consideration by the McKinleyville Community Services District and their other professional advisors. Both parties understand that as a part of these services, Consultant does no design work and makes no project decisions. McKinleyville Community Services District and Consultant agree that Consultant will be liable to the McKinleyville Community Services District only for damages arising from Consultant's negligence in the performance of the Value Analysis or Value Engineering work itself, and only to the extent that such negligence directly damages the McKinleyville Community Services District.



December 9, 2021

Mr. Patrick Kaspari, PE
General Manager
McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519

Re: Proposal to Renew Fiscal Year 2022/2023 Measure B Landscaping and Lighting Act of 1972 Administration Services and Assessment Engineering Services

Dear Patrick:

Willdan is pleased to submit the following renewal proposal to provide Measure B Landscaping and Lighting Act of 1972 Administration Services. Also included is our scope of services to provide Assessment Engineering Services. This will ensure the future financial stability of their Parks and Recreation Department and the addition of community forest to their service offerings, it is the desire of McKinleyville Community Services District ("MCSD") to potentially pursue an increased Measure B assessment.

Willdan possesses leading experts in the field of special district administration, formation and re-engineering, the most advanced special district administration software, and a depth of resources and customer service unmatched in the industry at a competitive fee. The following are a few examples that make us uniquely equipped to provide assessment engineering services to MCSD.

Experience With MCSD — Willdan has been providing annual administration services for MCSD's Measure "B" Maintenance Assessment District ("District") since 2011, and we are intimately familiar with MCSD's District. Furthermore, Willdan assisted in the formation of the District. Our knowledge of the District allows us to efficiently address new developments in the annexation or formation process. Willdan's knowledge of MCSD's internal organization, procedures and overall objectives will allow us to more effectively gather data and information and provide clear responses to MCSD and property owner questions, resulting in lower project cost and higher value to MCSD.

Depth of Experience — Willdan possesses unmatched experience specific to the formation and administration of assessment districts, Community Facilities Districts, and special taxes for agencies throughout California. We have prepared Engineer's Reports for over 800 separate assessment districts for local governments in California, including Business Improvement Districts, Landscaping and Lighting Districts and assessment districts formed to finance infrastructure improvements. **Recent assessment engineering, re-engineering, and/or formation clients include the Cities of Guadalupe, Lemoore, Paso Robles, Poway, Santa Clarita, Tehachapi, and Yorba Linda.** For each of these clients, Willdan gathered research; developed budgets; evaluated improvements; assisted in the notice, ballot, and tabulation process; prepared the property database, benefit assessment methodology and Engineer's Report; and provided plans and reports to appropriate third parties including legal counsel. Furthermore, through our administration of special districts over the past 30 years, we have gained invaluable insight that helps us implement special assessments and districts and develop policies that will help MCSD anticipate and be prepared for administrative considerations.

Proposition 218 Defensibility — Since the passage of Proposition 218, greater focus has been placed on the benefit assessment methodologies, specifically the determination of special versus general benefit, and corresponding assessments. Willdan has prepared hundreds of levy reports implementing various assessment methodologies tailored to the specific attributes of the special district. As such, we understand our clients' concerns with respect to the technical defensibility of assessments and have decades of unmatched experience in developing and implementing appropriate assessment strategies. We are fortunate to be in a position in which our knowledge, coupled with that of your internal operations and Measure B to provide a tremendous benefit to MCSD.

We truly enjoy working with you and your staff and are very excited about the opportunity to provide these services to McKinleyville Community Services District. If you have any questions regarding this proposal or other services, please contact, Project Manager Mike Medve directly at (951) 587-3575 or via email at mmedve@willdan.com.

Sincerely,

WILLDAN FINANCIAL SERVICES

A handwritten signature in blue ink, appearing to read 'Gladys Medina', is written over a light blue horizontal line.

Gladys Medina, Vice President / Director
District Administration Services

Scope of Services

District Administration Services (Fiscal Year 2022/2023)

The following outlines the tasks that Willdan Financial Services (“Willdan”) has or will provide for with respect to the assessment administration.

1. Schedule an annual kick-off meeting with McKinleyville Community Services District (“MCSD”) staff (typically a conference call) to review the existing Measure “B” Maintenance Assessment District (“District”) information. Identify and discuss possible changes to the District for the upcoming fiscal year, including budget issues, annexations, modification, or expansion of District improvements, as well as legislative changes that may impact the District. If in any given fiscal year, MCSD anticipates making notable changes to the District or improvements, at MCSD’s request, Willdan will schedule and attend an in-person kick-off meeting.
2. Prepare an annual levy timeline identifying key dates and timeframes for pertinent tasks throughout the levy process. This timeline will be reviewed and discussed with MCSD staff. As needed, the timeline will also be adjusted to address MCSD’s scheduling requirements or proposed District changes.
3. Review the District budgets provided by MCSD, and coordinate with MCSD staff to assist with accurate cost-recovery accounting. Willdan will assist MCSD staff to prepare and review the annual District budgets; thus, ensuring the appropriate incorporation of maintenance costs, administrative expenses, material costs, capital costs, and other incidental costs into the District budget to achieve maximum cost-to-benefit equity. Willdan can help to see that adequate and appropriate fund balances are identified. In addition, Willdan will use the updated parcel databases for the District to provide estimates of the assessment revenue for the upcoming fiscal year. These revenue estimates will be incorporated into the fiscal year budgets for the District, which will be analyzed to determine required changes in the level of assessment or funding from other sources.
4. Maintain and update a parcel levy database by using the parcel information from various sources. As new data becomes available, update the database and enhance the data through parcel research using current secured roll information, County Assessor maps, various third-party resources, and specific information provided by MCSD (e.g., up-to-date map approval status, building permits or certificate of occupancy data). Updates to the database will include those necessitated by the addition and/or removal of parcels, land subdivisions and mergers, ownership and mailing address changes, and adjusted benefit unit information. This database will then become the source for the calculation of the annual District assessments.
5. Based upon their assigned benefit, our MuniMagic+SM software will be used to calculate the annual assessments for the parcels within the District and generate the assessment file in the format required by the County for submittal of those assessments. This software is capable of handling complex assessment methodologies and formulas, calculating the annual assessments, and producing files in the required format for submittal to the County Auditor/Controller’s Office. The same data can then be used to reproduce databases of assessed parcels in hardcopy, CD-ROM, or other electronic formats. The County secured roll, Assessor’s parcel maps, and/or any other necessary or required data sources for the calculation of the annual assessments will then be purchased by Willdan with the pro-rata share of those costs passed onto MCSD. Prior to submitting the assessments to the County, the assessment data and relevant parcel information will be provided to MCSD for review and comments.
6. Willdan will prepare the District’s annual Engineer’s Report, in accordance with the Landscaping and Lighting Act of 1972 and the provisions of California Constitution Article XIID (Proposition 218). This report will include the following required items:
 - A general description of the District, which may include key historical facts, zone designations and discussion of District benefits;
 - A description of the plans and improvement specifications (this may apply to documents on file at the MCSD);
 - An estimate of the costs of the improvements (budget);
 - A description of the Method of Apportionment (assessment calculation);
 - A diagram of the District (provided by MCSD);
 - An assessment of the estimated cost to each parcel; and
 - An affidavit stating that a professional engineer has been prepared the report.
7. Provide MCSD with an electronic copy and two (2) bound copies of the full Engineer’s Report, including the collection roll (one [1] for MCSD’s Clerk/Secretary and one [1] for MCSD staff).

8. Draft necessary resolutions to be adopted, in conjunction with the annual levy of assessments, by utilizing resolutions previously adopted by MCSD for the annual levy process. If requested, assist MCSD staff in the preparation of staff reports. By applying current legislation, Willdan will identify and discuss recommended changes to the resolutions with MCSD. McKinleyville Community Services District acknowledges that MCSD's legal counsel will review all resolutions for form and content, as is intended.
9. Willdan will be available to answer any questions requested by staff. For this engagement, we do not anticipate attending the Intent Meeting or Public Hearing. However; at MCSD's request (schedules permitting) we will be happy to attend any meetings staff feels that are presence would be helpful. Willdan staff time for any in-person meetings and all travel expenses will be billed separately based on actual costs incurred. Please see the Fees for Services section for further details.
10. After incorporating any development or assessment changes identified by MCSD, we will submit the assessment amounts for each parcel by Assessor's Parcel Number (APN) to the County Auditor/Controller's Office in the media, format, and configuration required by the County for placement on the annual property tax roll.
11. Provide the County with the resolution(s) ordering the levy, collection of assessments, and any other necessary information or documentation required by the County Auditor/Controller's Office.
12. Research the exceptions upon receipt of a parcel exceptions list from the County; and update parcel number changes, as well as report the revised parcels and updated levy amounts to the County. As necessary, Willdan will prepare for MCSD staff additional County-required correspondence relating to the submittal, correction, or removal of assessments to the County tax roll.
13. Provide MCSD with a levy summary report comparing budget amounts to the actual applied levy. This levy summary will include a description of the reasons for any significant variances between the amounts budgeted, and the amounts actually applied to the County tax roll.
14. Act as primary contact (at the discretion of MCSD) to answer property owner questions regarding the District and assessments. Willdan typically provides the County our toll-free telephone number for inclusion on the tax bills for property owners to call with questions.
15. Prepare and mail invoices (handbills) to all property owners whose proposed annual assessment for their parcel could not be applied to the County tax roll (parcels for which the County does not generate a tax bill). These invoices would be provided in two (2) installments, similar to the County tax bills, and would be payable directly to MCSD.

Annual Administration Client Responsibilities

Willdan will rely on obtaining the following information from MCSD:

- Annual budget information, including estimated fund balances;
- Changes, modifications, or updates to the improvements described in the previous year's Engineer's Report;
- Certified copies of the resolution(s) or other documentation required by the County for submittal of the annual levy;
- Updated boundary diagrams, as required; and
- Assist in obtaining pertinent development information, if needed.

As required by law, MCSD is responsible for publishing Public Hearing notices in the local newspaper, as well as for the posting of these notices.

McKinleyville Community Services District acknowledges that Willdan shall be relying upon the accuracy and validity of the information provided by MCSD or their designees and that Willdan shall not be liable for any inaccuracies contained therein.

Assessment Engineering Services

McKinleyville Community Services District (“MCSD”) is slated to add community forest to their portfolio of service offerings. At present, the Parks and Recreation Department is operating within a tight budget and the addition of community forest will stretch it further. It is the desire of the MCSD to evaluate potential funding alternatives, which could potentially include re-engineering the existing Measure B Maintenance Assessment District. The goal of this engagement is to identify and quantify the improvements and services to be maintained for now and in the future, and subsequently to establish new or increased assessments consistent with current case law and legislative authority.

To ensure that the assessments, as well as the future financial stability of the improvements and services, are appropriately addressed, MCSD desires to contract with a consultant to ensure the assessment revenue generated by a special district properly covers associated costs at present and for 20 years into the future. The goal is to carefully review and evaluate the improvements and activities to be funded and identify an appropriate structure of the assessments that MCSD should implement consistent with the provisions of the Landscaping and Lighting Act of 1972 (1972 Act), the California Constitution Article XIID (Proposition 218), current case law, and related legislative authority, including but not limited to:

- Adding estimated costs for new services and/or improvements;
- Identification of cost allocations (budget adjustments, including identifying and quantifying general benefit costs, and/or services that are funded or could be funded by other revenue sources);
- Redistribution of costs (updates to the method of apportionment, if necessary);
- Long term cost recovery (inflationary adjustments and rehabilitation programs);
- Expanded or enhanced documentation of the services, costs, and benefits (updated reports); and
- Balloting for increased assessments.

Since the establishment of the Measure B Maintenance Assessment District, in addition to the passage of Proposition 218 in 1996, a few notable court cases have had a profound impact on how assessments are structured particularly with respect to general benefit. Along with the provisions of Proposition 218 (specifically Article XIID of the California Constitution), these court decisions must be carefully considered for the establishment of any new or increased assessment being presented to property owners. Even a simple assessment for local improvements requires a more extensive evaluation of general benefit and support of the special benefit findings than may have been necessary in the past. The requirement of a “special” benefit finding distinct from a “general” benefit identified in Proposition 218, which has been the focus of several court cases regarding assessments (California Supreme Court and Appellate Court findings since 2008) creating a greater emphasis on separating and quantifying these benefits for all assessments, particularly new and increased assessments. Since many existing assessment formulas might not withstand the heightened scrutiny that has been brought to light as a result of the court rulings, identifying and quantifying special and general benefits has become a more essential part of an Engineer’s Report. In adding additional services and improvements to the Measure B Assessment, Willdan has the experience and knowledge to ensure that the requirements of Proposition 218 will be satisfied for the increased assessment.

In the role of Assessment Engineer and/or Special Tax Consultant throughout the state, Willdan Financial Services (“Willdan”) is often presented with proposed projects that necessitate a detailed preliminary analysis and review of the improvements and services to be funded in order to determine the type of special financing district that best suits the project, or an advantageous method to increase the scope of an existing district, while meeting client objectives and policies. Willdan brings more than 30 years of experience specific to the formation, re-engineering and administration of a variety of special district mechanisms to this engagement. Having conducted benefit assessment analyses for numerous California public agencies, we understand the associated needs and objectives, the process that must be followed, and the kind of input and direction MCSD needs to implement new funding sources, as well as to potentially reorganize and re-engineer the existing district.

To this end, the first goal of this project is to identify and quantify the existing and new improvements and services that may be funded (focusing on improvements and costs that can be supported as special benefit assessments, as well as general benefit costs and improvements that will require General Fund support) and to present to MCSD a Technical Memorandum summarizing our findings, recommendations, cost distribution options, and possible assessment amounts for the Board of Directors to consider for possible increases to the assessments. Based on the Board’s direction of which recommendations and options to pursue, we will assist MCSD with the appropriate next steps to implement the modifications to the district, assessments, and Engineer’s Report.

The following outlines our proposed scope of services to evaluate potential funding alternatives, which could potentially include re-engineering the existing Measure B Maintenance Assessment District. We want to ensure that the following is responsive to MCSD's needs and specific circumstances. We will work with MCSD to revise our proposed scope, based on input prior to approval of a contract, and as needed during the engagement.

Phase I: Benefit Assessment Analysis

Task 1: Project Kick-off Meeting

Objective: The primary objective of this task is to establish effective lines of communication and identify additional documents or information that MCSD will need to provide specific to this project.

Description: We propose to kick-off the project by holding a meeting, either in-person or via videoconference, to discuss the various elements of the project and fully develop the overall strategy and course of action to address the needs of MCSD. This meeting should include all MCSD staff members that will be directly involved in the project. This meeting will likely include specific discussions of MCSD's priorities, legal and political considerations, budget information, and availability and access to pertinent documentation and improvement information. This call will also serve to identify any specific issues or special circumstances associated with the existing District.

Meetings: One (1) kick-off meeting with MCSD staff, venue to be determined.

Deliverables: A timeline (schedule of events), if necessary, will be prepared and provided to MCSD.

Task 2: Update the Parcel Database

Objective: Updated the parcel database for the District.

Description: Using updated parcel information from the current County Assessor's Office secured roll, MCSD's current assessment data files, and available third-party data sources, Willdan will update the district assessment database, as needed, which is currently utilized for annual administration. This database will ultimately contain all benefiting properties within MCSD and will identify each parcel's specific land use; related property characteristics used in the current method of apportionment (front footage components); current assessment amounts; other property characteristics that may be applied in any modified method of apportionment (i.e. acreage, units, etc.); assigned/modified benefit units; proposed new/increased assessments; and property ownership mailing information (owner name(s) and mailing address).

This base data will serve as the master database for the increased assessments to be documented in the Engineer's Report. The information contained in this database will be enhanced and updated, as needed, through parcel research and specific information provided by the MCSD and will be utilized as the basis for the mailing of any future informational pieces and/or notices and ballots.

Deliverables: **Willdan:** Once the working assessment data file is finalized and relevant property owner information is updated, an electronic file and related diagram(s) identifying an overview of the location and extent of the improvements will be provided to MCSD upon request.

Task 3: Evaluate Assessment Methodology (Benefits/Improvements)

Objective: Review the existing assessment documentation, cost estimates for the additional services, improvements, and specifications for the District. Evaluate various factors that must be considered for compliance and application of special/general benefit and identify potential changes to the current district structure and/or method of apportionment.

Description: Utilizing available budget information and cost estimates for new services; improvement specifications; related diagrams and maps; and other supporting documentation and information developed in previous tasks and provided by MCSD, we will assemble the benefit analysis. The relationship between improvements and the properties within the District is key to establishing proportional benefits as well as any benefits that may be attributable to other properties or the public at large (general benefits). With the inclusion of the proposed new improvements to be maintained we will re-examine the overall district structure, method of apportionment, and parcels being assessed to identify any benefit issue and potential modifications that will continue to ensure a defensible benefit nexus.

This review will help integrate the new services into the current district structure and/or method of apportionment and provide MCSD with a set of recommendations and/or options for increasing the

current assessment. While a more comprehensive analysis and full development of a revised methodology and assessments may be necessary before MCSD implements any significant changes in order to pursue increased assessments, this initial analysis will bring to light key areas of concern for further discussion and implementation.

Deliverables: A summary of our findings, recommendations and conclusions from our review and analysis in this task will be incorporated into the Technical Memorandum, see Task 7.

Task 4: Develop Proposed Budget and Assessments

Objective: Prepare comprehensive annual budget for the District to achieve maximum cost-to-benefit equity for each of the properties, as well as ensure the long-term financial stability of the maintenance and improvements.

Description: Work with MCSD staff to develop appropriate and comprehensive annual budgets for the maintenance and servicing of the improvements – both existing and new. The budgets will be developed utilizing MCSD’s current budget information and Willdan’s budget modeling software that utilizes standard per unit costs for calculating annual and long-term maintenance expenses associated with the improvements. The development of the budgets will incorporate specific cost estimates provided by MCSD, including:

- Estimates of periodic maintenance expenditures;
- Long-term repair and rehabilitation needs based on the current condition of the improvements and estimated useful life;
- Known capital improvement repairs or rehabilitation expenditures needed in the near future;
- Administration expenses; and
- Any other funding deemed appropriate to provide the improvements.

The proposed budgets prepared will be comprehensive and identify the full cost of providing and maintaining the improvements. In addition to establishing the assessment revenues needed for full special benefit cost recovery, the budgets will also identify available fund balances, and costs considered to be of general benefit versus MCSD subsidies, as well as funding needs that may not be currently addressed or funded. The goal of these budgets is to accurately depict the true funding requirements to provide the improvements and demonstrate the full extent of MCSD’s funding obligation (general benefit), the need and amount of the increased assessments that would be required to address the revenue shortfall. Finally, if necessary, the budget will address any or potential reductions in levels of service or MCSD subsidies, if the proposed assessments were not approved.

Deliverables: The updated budgets will be incorporated into the Technical Memorandum prepared as part of Task 7.

Task 5: Develop Funding Models for Revised Assessments

Objective: Develop an assessment methodology model and identify resulting potential assessments and key issues for consideration.

Description: In order to quantify the best options for implementing potential changes to the District and assessments, it will be necessary to identify potential issues (legislative and benefit) and modifications to the current assessment methodology and assessment rates that need to be implemented to be consistent with the California Constitution and current case law.

Utilizing the diagrams, and benefit evaluation addressed in the previous tasks, Willdan will review and develop an appropriate assessment methodology model for the District, which will be discussed with MCSD, as well as recommend changes that affect the assessments. The goal of this evaluation and assessment modeling is to identify:

- An overall sense of MCSD’s proportional general benefit obligation for the various improvements and services;
- Appropriate factors for special benefit allocation; and
- The net change in the assessment per benefit unit that results from the addition of new services and improvements.

Meetings: One (1) conference call to discuss these preliminary findings and recommendations.

Deliverables: A summary of our findings, recommendations and conclusions from our review and analysis in this task will be incorporated into the Technical Memorandum, prepared as part of Task 7.

Task 6: Prepare Technical Memorandum

Objective: Provide MCSD with a memorandum summarizing the benefit assessment analysis and budget model. We will outline the options to MCSD so that they are comfortable with the recommendations and can make an informed decision regarding next steps.

Description: Prepare and provide MCSD with a memorandum summarizing our findings and the results of the previous tasks. The goal of this memorandum is to provide MCSD with both recommendations and the facts associated potential funding alternatives to address the addition of community forest to the portfolio of offerings. While this document will focus a great deal on assessment factors for the District that are necessary to ensure that the increased assessments comply with the special and general benefit provisions emphasized in notable court decisions, it will also address alternative approaches and recommendations to limit MCSD's financial obligation associated with the improvements. In addition, the document will summarize the overall funding requirements (expenses), anticipated assessment revenues, and proposed assessment methodology and rates for the various funding options developed as part of this project.

The document will also provide or may provide:

- Background information and/or a summary analysis of the proposed assessment increase;
- An overview of the Proposition 218 process for increased assessments; and
- An overview of the process and timing requirements for implementing the increased assessments.

Meetings: One strategy meeting, either in-person or via videoconference, with MCSD staff to discuss and finalize the findings and recommendations outlined in the Technical Memorandum.

Deliverables: Technical memorandum summarizing and identifying the various findings and recommendations that are deemed appropriate or necessary in order to identify the next steps associated with this project.

Phase II: Ballot Proceedings

Task 7: Prepare Engineer's Report

Objective: Prepare the Engineer's Report to support a ballot measure for increased assessments based upon work completed in prior tasks that meets the goals and objectives of MCSD.

Description: Based on findings and results from Phase I, prepare an Engineer's Report that integrates the budget for the services to be funded by the district, the method of apportionment and benefit analysis, and assessment roll data. The Report, prepared under the requirements of the applicable legislative statute and in compliance with the California Constitution, will be the basis for assessment ballots and notices to be mailed to the property owner(s).

The Engineer's Report will contain the following:

- A comprehensive description of improvements and services to be provided;
- Description of the district and/or zones and the parcels therein subject to the benefit assessment;
- The amount of the proposed assessment (budget showing the costs and expenses of services including administrative costs and incidentals);
- The basis and schedule of the assessment (method of apportionment, benefit analysis, cost of living increase language, Consumer Price Index (CPI) and assessment range formula);
- Assessment diagrams; and
- Proposed assessment roll for upcoming fiscal year (maximum assessments to be balloted).

Deliverables: One (1) draft version of each Engineer's Report will be provided for review by MCSD staff prior to submittal to the Board of Directors for approval.

Task 8: Draft Resolutions

Objective: Prepare drafts of the necessary resolutions required for the assessment engineering of the District.

Description: Draft the necessary resolutions for the Board of Directors meeting utilizing MCSD formats. It is anticipated that the following resolutions will be necessary.

Intent Meeting (two [2] resolutions):

- Resolution Initiating Proceeding; and
- Resolution of Intention (preliminarily approves the proposed assessments outlined in the Engineer's Report(s); sets the Public Hearing date; and calls for mailed ballots).

Public Hearing (three [3] resolutions):

- Resolution declaring results of the balloting;
- Resolution approving the Engineer's Report; and
- Resolution confirming the assessments and ordering the levy and collection of assessments.

Deliverables: A total of five (5) Resolutions will be required for the Board's approval. The first two are for the initial Board meeting. The second three are for the Public Hearing. Draft Resolutions will be delivered to MCSD staff for review and comment prior to final versions being prepared and delivered for the Board agendas.

Task 9: Attend Board of Directors Intent Meeting

Objective: Attend the initial Board of Directors session.

Description: Attend the initial Board session to be available to answer questions regarding the Engineer's Report and relating to the adoption of the resolution(s) necessary to initiate the proceedings.

Meetings: One (1) Board meeting initiating the assessment engineering process and calling for the Public Hearing.

Task 10: Prepare Notice and Ballot

Objective: Prepare the necessary notice for the Public Hearing and the assessment ballot, in compliance with Proposition 218.

Description: Prepare the required notice for the Public Hearing and the assessment ballot to be mailed to property owners. Draft copies will be sent to MCSD staff and MCSD legal counsel for review and comment prior to finalization of the documents.

The notice and ballot will be tailored so as to specifically address the assessments per individual proposed parcel.

Deliverables: The draft notice and ballot will be delivered to MCSD staff for review and comment prior to final versions prepared for mailing.

Task 11: Print and Mail Notice and Ballot

Objective: Print and mail the approved notice and ballot.

Description: Upon adoption of the first two resolutions during the Intent Meeting, print and assemble the notice and ballot for mailing. The notice and ballot will be double sided, to save on printing and postage costs. A return #9 envelope will be included for the property owner to mail back the assessment ballot to the Board Secretary. Return postage will not be included.

The notice and ballot will be delivered via first class mail. The ballot will contain instructions to return directly to the Board Secretary and to not be opened until the close of the Public Hearing. Mailing of the notice and ballot will be done a minimum of 45 days prior to the Public Hearing date as set in the resolutions from Task 9.

Task 12: Public Hearing and Ballot Tabulation

Objective: Attend the Public Hearing to answer questions and to assist the Board Secretary with an independent tabulation of the returned ballots.

Description: Attend the Public Hearing to be available to answer questions and to assist the Board Secretary with tabulation of the returned ballots.

Upon the close of the Public Hearing, the Board Secretary will be directed to open the ballots received, and upon completion of the tally, announce the results either at the same Board session or the next regularly scheduled session (depending on the number of ballots to be tabulated).

The ballots may be opened and tallied by the Board Secretary with the assistance of the consultant but must be opened and tabulated in a public venue. Ballot results will be tallied in a database that identifies the “yes” votes, “no” votes, and any ballots deemed invalid.

Meetings: One (1) Board of Directors session for the Public Hearing.

Deliverables: Ballot tabulation results.

Assessment Engineering Client Responsibilities

To assist the Willdan Team, it is anticipated that MCSD will provide the following information and/or services:

- Information regarding current and new services and improvements being funded by the existing District, including unit costs, quantities, schedule of services, etc.
- Detailed description of the improvement budget and associated expenditures and revenues specific to the improvements, services and/or facilities, particularly those improvements and facilities that may not be currently funded by a district but could be incorporated. Provide (as needed) pertinent budget information, including estimated maintenance costs, replacement costs, other capital expenditures, MCSD overhead, and available funding from other sources that can be used to offset costs.
- Various maps or diagrams (either electronically or in hardcopy) of the existing or potential improvements and facilities.
- Prepare all internal memos, staff reports, and other supporting documents necessary for Board agendas.
- Review the technical memorandum, Engineer’s Report, and other documents drafted by Willdan before the final documents are prepared and submitted for the Board packets. This review is usually performed by department staff but may include the Board’s legal counsel. Requested changes shall be submitted to Willdan in writing.

Willdan will rely on the validity and accuracy of the data and documentation received from MCSD and/or the County of Humboldt to complete our analysis. We will further rely on the data as being accurate without performing an independent verification of accuracy, and that we will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

Phase III: Public Outreach (Optional)

Community outreach and education efforts can involve a variety of mechanisms and tools. Depending on the extent of the proposed assessment changes MCSD may wish to implement, a more concentrated outreach effort (that could include radio spots, newspaper releases or enhanced graphic designs for property owner mailings), may be necessary to garner support for the new/increased assessments which would require MCSD to retain the services of a public relations firm. If MCSD chooses not to retain additional public relations assistance, Willdan can at MCSD’s request assist with coordinating and scheduling of basic public outreach efforts that do not require a public relations firm.

Outlined below are services that Willdan can provide for this particular engagement.

Task A: Public Outreach Strategy Meeting

Objective: The objective of this discussion is to review and determine which outreach mechanisms and tools are necessary for this assessment engineering project.

Description: We propose a meeting to discuss the various public outreach elements necessary to garner support for the proposed new/increased assessments. This discussion will also include the development of an overall outreach strategy and course of action.

Meetings: One (1) conference call with MCSD staff, usually scheduled sometime prior to the Board Intent Meeting.

Task B: Develop and Mail Informational Piece/Property Owner Meeting Invitation

Objective: Develop and mail an informational piece that may also serve as an invitation to any scheduled property owner workshops.

Description: In cooperation with MCSD, Willdan will prepare and mail an Informational Piece/Invitation to each affected property owner as part of an overall education effort. Generally, such mailers are intended to provide property owners with basic information about the District and the new/increased assessment(s) but may also be used to invite affected property owners to one or more scheduled workshops.

For this engagement we propose a single straightforward informational piece that will convey the significance and reasons for the new/increased assessment in an easy-to-understand format, as well as provide the time and place of any workshops to discuss the proposed assessments. This mailing would likely be a tri-fold format, double-sided, in one (1) color. However, a more elaborate mailer utilizing multi-colors and/or graphics can be created if MCSD so desires.

We propose the Informational Piece/Invitation be mailed to property owners after the Intent Meeting but prior to ballots being mailed. If MCSD desires to schedule property owner workshops, those workshops are often times scheduled prior to the ballots being mailed, which will extend the time between the Intent Meeting and Public Hearing.

Deliverables: A draft of the Informational Piece/Invitation will be provided to MCSD staff for review and comment prior to mailing. Once these documents are finalized; print, process and mail the informational mailer.

Task C: Property Owner Workshops

Objective: Provide property owners with background information to assist them in making informed decisions about the new/increased assessments.

Description: As needed, attend one or more scheduled property owner meeting/workshops, acting as technical support to MCSD staff to answer questions and provide information related to the calculation of the proposed assessment and the improvements they fund; as well as to describe the balloting process.

Generally, an effective communication tool is to conduct at least one (1) property owner workshop prior to the notices and ballots being mailed.

Fees for Services

District Administration Services

The fee below reflects application of the previously stated scope of services. This fee is based on conversations with the MCSD staff, the District being comprised of approximately 5,701 parcels, and the time spent on average administering the District each year. If and when the parcel numbers vary, or the structure of the District and assessments are modified, the fee structure will be adjusted accordingly by an addendum.

District Annual Administration Services		
District	No. Parcel Count	Annual Fee
Measure "B" 1972 Act Landscaping and Lighting District	5,701	\$5,375

The fee for annual administration is based on a calendar year (January to December) and is payable as the work progresses, on a percentage-completion basis. Each succeeding year, the fee will be subject to a Consumer Price Index (CPI) adjustment reflecting the percent change for "All Urban Consumers" in the Humboldt County region.

Assessment Engineering Services

Willdan will perform the tasks outlined in the Scope of Services section for the **not-to-exceed fee of \$24,465**. The table below identifies the fee associated with each proposed phase/segment of the project, as well as the fee to provide the optional public outreach services.

Assessment Engineering Services	
Scope of Services	Fee
Phase I: Benefit Assessment Analysis	\$ 15,015
Phase II: Ballot Proceedings	<u>9,450</u>
Not to Exceed Fee	\$24,465

Optional Services – Public Outreach	
Public Outreach Strategy Meeting	\$ 365
Develop Informational Piece / Meeting Invitation	\$ 11,925
Cost to Print and Mail Informational Piece	\$ 1,290
Property Owner Workshop (two meetings)	\$ 3,200

Notes

Please note the following.

- The fee above includes our attendance at up to four (4) meetings during Phase I and Phase II of the project. The meetings are outlined below:
 - One project kick-off meeting;
 - One strategy meeting to review the Technical Memorandum;
 - One Intent Meeting regarding the Engineer’s Report; and
 - One Public Hearing to be available to answer questions and tabulate the ballots.
- The fee proposed herein does not include the printing and mailing costs associated with notices and ballots.
- We will invoice MCSD monthly based on percentage of project completion.

Reimbursable Expenses

Willdan will be reimbursed for out-of-pocket expenses. Examples of reimbursable expenses include but are not limited to the following items.

- Postage;
- Travel expenses;
- Mileage (current prevailing federal mileage rate);
- Maps;
- Electronic data furnished from the county and/or other applicable resources;
- Construction cost periodicals; and
- Copying (currently 6¢ per copy).

Any additional expense for reports or from outside services will be billed to MCSD. Charges for meeting and consulting with counsel, MCSD, or other parties regarding services not listed in the scope of services will be at our then-current hourly rates. In the event that a third party requests any documents, Willdan may, in accordance with Willdan’s applicable rate schedule, charge such third party for providing said documents.

City shall reimburse Consultant for any costs Consultant incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys’ fees, to respond to the legal process of any governmental agency relating to City or relating to the Project. Reimbursement shall be at Consultant’s rates in effect at the time of such response.

Additional Services

Additional authorized services will be billed at Willdan’s then-current hourly consulting rates. Our current hourly rates are presented below.

Willdan Financial Services	
Title	Hourly Rate
Group Director	\$210
Engineer	\$210
Assistant Director / Principal Consultant	\$200
Senior Project Manager	\$165
Project Manager / Program Manager	\$145
Senior Project Analyst	\$130
Senior Analyst	\$120
Analyst	\$100
Property Owner Service Representative	\$55

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATION**

ITEM: F.3.A **Support Services – Nov-Dec 2021 Report**

PRESENTED BY: **Colleen M. R. Trask, Finance Director**

TYPE OF ACTION: **None**

FINANCIAL, AUDIT, & BUDGET INFORMATION

The District has \$1,371,489.14 to date in the Trust Account for the next Biosolids Disposal project.

Customer adjustments at Nov month-end total \$10,847.12, which represents 25.8% of the annual \$42,000 budget for this sub-item. (GL# 501/551-62120)

Total Board Travel as of Nov 30, 2021 stands at \$8,386.29 which is 47.9% of the approved \$17,500 budget for this item. (GL# 001/005/501/551 62090/62155-888)

Audit/Budget Update:

The audited draft financials are complete. They have been reviewed by the Audit Committee and presented to the Board at this meeting. Once approved, the Audited Financials for FY20-21 will be posted on the District's website and disseminated to the various lenders and other interested parties who require them. The State Controller's Office Financial Report is being completed by the auditor, as stated in the contract, and will be uploaded to the SCO website before the January 31st deadline.

Treasurer's Report Highlights:

Water Fund capacity fees collected through November totaled \$103,717.80. Wastewater Fund capacity fees of \$181,083.00 were collected through the end of November. No capital contributions have been received so far for FY2021-22. Capital Contributions and Capacity fees are included in the income vs. expenses graphs of the Treasurer's Report, but they are called out separately on the Budget to Actuals report.

Disbursement Report

The final several pages of the Treasurer's Report are a listing of all the District's check payments for a given month. This Cash Disbursement Report provides transparency and public disclosure for the expenditure of District funds. While all checks and vendor payments are listed, some information is redacted out of the report. Both law and ethics require that the District keep certain information confidential.

Customer names and other customer identifying information are removed from refund checks which are run through the AP system. Likewise, payroll amounts paid to specific employees are summarized, rather than listed individually. Total salary information is disclosed to the public as required by law on the State Controller's Office website each year for each District employment position.

Checks written may not total exactly to expenses posted. For the Water and Wastewater Funds, expenses are posted when incurred rather than when the invoices are paid. This means that some checks are paid in the month following the month the invoice was received. For the Parks/ General Fund, expenditures are posted on or very near the payment date, so the total payments are closer to the total of posted expenditures.

OTHER UPDATES

The governor's moratorium on non-payment lock has expired as of the end of December. At this time, we are planning to resume regular non-payment locks in January 2022 as outlined in Item E.9. The State Water Board has paid the District for the list of unpaid water bills submitted for reimbursement.

The District has sent the Water Board information about unpaid sewer bills for the same time period, but we have not received word on expected reimbursement totals yet. When we have information about how the State wishes to deal with the additional non-payment lock arrearages from July through December 2021, we will treat the customer balances covered by the State's reimbursement procedures as disputed balances under our normal procedures until further reimbursement funds have been received. If necessary, we will bring any additional policy adjustments needed to assist past-due customers to the Board for review and approval.

McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATION**

ITEM: F.3.B **Operations Department – Nov. / December 2021 Report**

PRESENTED BY: **James Henry, Operations Director**

TYPE OF ACTION: **None**

Water Department:

Water Statistics:

The district pumped 40.1 million gallons of water in November. Seven water quality complaints were investigated and rectified. Daily, weekly and monthly inspections of all water facilities were conducted.

Double Check Valve Testing:

Annual routine testing was conducted on Route 19 along with a minimal number of retests. Customers with failed DCV's were notified to make repairs and call the office to schedule a retest.

Average and Maximum Water Usage:

The maximum water usage day was 1.5 million gallons and the average usage per day was 1.3 million gallons.

Water Distribution Maintenance:

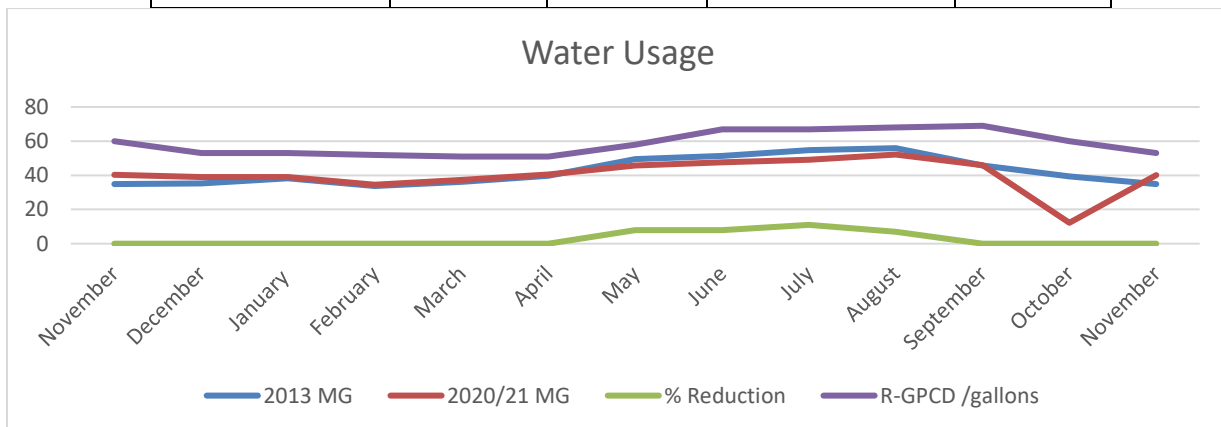
Weekly Bacteria Samples were collected on Schedules 1, 2, 4, 5, and 6 which represent different locations in the water distribution system. The schedules are made up of a sample taken in each pressure zone. Annual Hydrant inspections were completed. Any issues found were flagged to have a workorder generated for repairs. Several meters were repaired due to tamper codes showing up during meter reading. A water service line leak was repaired on Railroad and another on Boss Road due to a bad crimp over the sewer main. Ocean Avenue experienced a leak under the angle-stop. Staff repaired the leak and replaced the asphalt. Two more leaks developed in town due to the tree service company driving over meter boxes. One on Hewitt and one on Boiler. Repairs were made and the tree service company was billed for time and material.

Water Station Maintenance:

Monthly inspections and daily routines were conducted at the water stations. Any minor issues found are repaired during inspections, but if they require parts or extensive labor, the issue is documented on the monthly sheet, which will then generate a work order for repairs. Pump 1 hour meter was replaced at the Cochran station due to not working properly when checked during the weekly inspections. The semi-annual expansion joint inspections were completed at all water stations. The joints were inspected for cracks and leaks and replaced if needed.

As of July 2014, the District is required to submit a Public Water Monthly Monitoring Report to compare water usage to last year's usage in the same month. I will keep the Board updated each month using the Table below.

	2013 (MG)	2020/21 (MG)	% Reduction	R-GPCD
November	34.879	40.336	(-13)	60
December	35.203	39.076	(-11)	53
January	38.241	38.974	(-2)	53
February	33.751	34.603	(-2)	52
March	36.244	37.375	(-3)	51
April	39.755	40.465	(-2)	51
May	49.407	45.752	8	58
June	51.337	47.654	8	67
July	54.757	49.099	11	67
August	55.908	52.171	7	68
September	45.702	45.874	(-1)	69
October	39.439	42.216	(-7)	60
November	34.879	40.116	(-15)	53



R-GPCD = Residential Gallons Per Capita Day

New Construction Inspections:

Imeson Court: Avaral plans have been reviewed and commented. This project has started. The water and sewer mains, along with laterals were installed. The fire hydrant will be relocated in early January. Midtown Court Tract: Plans were reviewed, and plan check fees have been paid.

Sewer Department:**WasteWater Statistics:**

24.7 million gallons of wastewater were collected and pumped to the WWMF. 31.6 million gallons of wastewater were treated and discharged to land disposal or reclamation in November.

Sewer Station Maintenance:

Monthly inspections and daily routines were conducted on all sewer stations. Quarterly servicing was completed at the Letz, Kelly and Hiller stations, which included wet well washing and pump inspections. The wet well washing is important, in order to prevent hydrogen sulfide buildup, which is detrimental to the concrete casings and grease buildup which will plug the pumps. Pump shimming is done to keep pumps running efficiently and to reduce rags from plugging up the pumps. The semi-annual expansion joint inspection was completed at all sewer stations. No defects were found that required replacing the joints. The blowers were cleaned at the Fischer station as part of the maintenance, along with restriping the caution lines around the motors.

Sewer Collection System:

Grease traps were inspected at required facilities. Customers that are out of compliance were notified to have their traps pumped and possibly shorten their pumping schedule. The sewer flow totalizers (Smart Covers) have been rotating through the collection system to collect wet weather data and have been monitored via web portal. Staff conducted the quarterly hydro-cleaning of the sewer mains to remove grease and grit from selected areas of concern. This is done using the vac-con and 3000 psi through a spinning nozzle. 15,000 feet of sewer main was cleaned during the quarterly schedule and customers were notified in advance of the cleaning.

Wastewater Management Facility:

Daily and weekly maintenance continues at the treatment plant to perform required service on the equipment. The daily log books were created for 2022. This includes daily process control and equipment calibration books. The new recirculation valve actuator arrived and is in the process of being installed. Batteries were replaced in the CL2 and SO2 emergency shut-offs as part of the annual maintenance.

Daily Irrigation and Observation of Reclamation Sites:

Discharge has been going to the land and river since November 1st. depending on river flow.

Street Light Department:

There were no streetlight complaints in November.

Promote Staff Training and Advancement:

Weekly tailgate meetings and training associated with job requirements. Staff received training on the Recognizing Harassment, Safe Driving in Adverse Weather Conditions, Holiday Safety Concerns and Being Prepared for Emergencies.

Special Notes:

Monthly river samples were completed.

Monthly Self-Monitoring Reports (DMR/SMR) were submitted.

Public Water Monthly Monitoring report was submitted.

Monthly Water Quality report was sent to the Dept. of Health.

Attended Micro-grid progress meetings

Working with Synagro on Biosolids Basin dredging project.

Completion of several Target Solutions trainings to receive Cont. Education Credits.

Completion of the IPM annual report

Completed and submitted NOI for Fischer station upgrades.

GIS:**Plans and Programs**

- Completed UWMP edits and Errata sheet.
 - Uploaded edited data tables and completed Errata sheet to DWR portal.
 - Emailed copy of Errata sheet to California State Library.
- Annual review of the Asbestos Control Program
 - No changes required.

Maps Completed/General GIS

- Created Hydrant maintenance spreadsheet based off inspections report.
- Searched county GIS to determine County Maintained roads within McK,
 - County does not keep this information in the GIS so we must call to ask specific streets.
- Created new smart cover map with locations and manhole details for data collection.
 - Created a sheet summarizing all the manhole configurations and locations (Phase A, Phase B)
- Map showing Community Forest Access points, road ownership, and site conditions.
- GPS'd Airport hangar meters and entered into the GIS.
- In the process of transferring old ArcGIS Collector App valve inspections into the Field Maps App.
 - Collector was retired in December 2020 all inspections are now done through ArcGIS Field Maps

Misc. Work Completed

- Researched deeds for Azalea Hall
- Attended TAC meeting
- Operations document filing

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATION**

ITEM: F.3.C **Parks & Recreation Director's Report for December 2021**

PRESENTED BY: **Lesley Frisbee, Parks & Recreation Director**

TYPE OF ACTION: **None**

TEEN & COMMUNITY CENTER-BOYS & GIRLS CLUB PARTNERSHIP:

Staff continues to meet with BGCR staff weekly. The Teen Club is open Monday- Friday 12:00pm-6:00pm. The Teen Club is running a wide variety of programs including a weekly cooking program, a cycling program, an art program, a community service program and several BGCA national programs such as Power Hour, SMART Girls, SMART Moves and Youth for Unity. The Club's average daily attendance remains at 15 teens per day.

BGCR Teen Center Staff participated in a recruiting event at both the Middle School and the High School this month. They also hosted a few special events for club members including a dinner night, a skate night and a holiday party.

PARK AND RECREATION COMMITTEE:

The Park and Recreation Committee (PARC) did not meet in December.

COMMUNITY FOREST UPDATES:

Staff continues planning and preparing for the acquisition of a Community Forest and has been meeting regularly with Green Diamond Resource Co. staff and Trust for Public Lands staff. The Community Forest Committee met this month and the notes from that meeting can be reviewed in **Attachment 1**. Staff are currently focusing on public outreach and input gathering for the determination of access points and desired recreation opportunities. Staff will be working with HSU students in the Recreation Planning class to host a public input meeting on February 26th at Azalea Hall, as well as a virtual public input meeting on March 8th. A written and online survey will also be circulated in the community to gather input.

RECREATION PROGRAM UPDATES

Drop-in Pickleball is running on Friday evenings 6:30pm-8:30pm. Masks are required to play. Pickleball is operated entirely by volunteers.

The Breakout Vacation Day Camp program had full enrollment for the December school break days.

Beginning the week of January 10th, we will be hosting both an After School Basketball program and a Saturday Youth Basketball program. Enrollment for the Saturday program is almost at capacity. The After School program is at half capacity.

Also new starting in mid-January will be a Kung Fu class for adults on Tuesday and Thursday evenings 5:30pm-6:30pm and Tai Chi on Sunday mornings at the Activity Center.

PARK & FACILITY MAINTENANCE UPDATES:

Several open space zones received mowing, hedging and weeding maintenance and as part of the Open Space Maintenance Zone agreements. The SWAP program continues providing labor on Saturdays. The Parks crew and NHES continue the routine schedule for maintenance on Central Ave. landscaping as well as Pierson Park landscape maintenance. Windows got cleaned and several restroom repairs at Hiller, the Activity Center and Azalea Hall were done. Staff continues to keep up with daily/weekly routine facility and vehicle maintenance. Monthly inspections were conducted on all facilities and Open Spaces. The sports fields at Hiller Sports Site are closed for the winter.

The ice machine at Azalea Hall has been replaced. Staff attended Hazwopper Refresher training and mandatory sexual harassment training.

OTHER UPDATES:

- California Office of Grants and Local Services awarded MCSD the Statewide Park Development grant for the construction of the BMX Track and Park at the School Rd. and Washington Ave. property. Staff will attend a mandatory Grant Administration workshop on January 13th after which the state will finalize the grant contract and the funding will be considered official.
- Staff continues to work on Rural Recreation and Tourism Grant application for the Skate Park. This application is due January 20, 2022
- Staff is submitted the Per Capita Grant Application to acquire \$177,952 in funding to complete interior renovations of Azalea Hall to include replacing the flooring throughout, install new entrance doors, refurbish the walls to improve aesthetics, replace the HVAC system which is currently only partially functional and upgrade the PA system. The total project is estimated to cost \$180,000
- Staff participated in volunteer service for the McKinleyville Chamber of Commerce, the McKinleyville Family Resource Center, and the Boys and Girls Club of the Redwoods
- Park and facility rentals continue to increase.
- Staff continues to provide support to other departments of the District; assisting with accounts payable, payroll, and facilitating professional development workshops.

ATTACHMENTS:

N/A

12-15-21

Community Forest Adhoc Committee Meeting Notes

Present: Pat Kaspari, Dennis Mayo, Greg Orsini, Jens Andersen, Lesley Frisbee

I. Review of Recent Actions and Discussion:

- Staff reported on recent meetings with GDR and TPL. Discussions focused on the potential access points that will require easement agreements with GDR.
 - Ideally the access points will be identified and agreed upon prior to the transfer of property so that the easements can be included in the conveyance.

II. Public Input Process Planning (Lesley & Jens to prep & plan)

- Host a public input meeting at Azalea Hall on Saturday, February 26, 2022
 - Meeting will be a self directed process gathering community input on the identified possible access points as well as desired recreation opportunities to be developed in the future
- Host a virtual public input process in evening on March 8, 2022
 - Meeting will provide process for gathering input on the possible access points and desired recreation opportunities.
- Distribute a survey (paper and online) to collect input on possible access points and recreation opportunities. Survey to be drafted by Jan 19, 2022 and ready for distribution by last week of January.

III. Maintenance & Operating Cost Discussion

- Staff initiated a conversation regarding the cost of Maintenance and operations for the Community Forest once the property ownership is transferred and the need to start planning for the additional cost
- Staff will reach out to Mark Andre and Hank Seeman for cost data from the Arcata Community forest and the McKay tract.(Pat to do)
- Committee discussed possible low cost options such as the use of cameras as opposed to regular patrolling of the property to mitigate illegal use, and the possibility of contracting with a security company.
- Committee discussed potential funding options such as grants and reassessment of Measure B to support the cost of maintenance and enforcement on the property

IV. Misc.

- Dennis discussed that he is being approached by the Public about HOV use
- Dennis discussed the possibility of an area for Scouts or other organizations to camp
- Greg mentioned getting CalFire funding for reforestation
- Dennis talked about arranging a meeting with the woman at Green Diamond who is replacing Gary Ryneerson

V. Next Meeting:

- January 27, 2022 1:30pm

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McKinleyville Community Services District

BOARD OF DIRECTORS

January 5, 2022

TYPE OF ITEM: **INFORMATION**

ITEM: F.3.D **General Manager’s Report for Jan. 5, 2022 Meeting**

PRESENTED BY: **Patrick Kaspari, General Manager**

TYPE OF ACTION: **Information Only**

A summary of activity for the month of December 2021

Cost Savings Related to District Activities – The following is a review of some of the recent cost savings opportunities District staff identified for the month:

• Use of NHE Services =	\$2,158
• CSW =	\$0
• SWAP =	\$3,240
• Volunteer Pickleball Labor =	\$141
• Repaint Unit 14 Diesel Tank =	\$360
• Repair Weir Actuator at Fischer =	\$1,040
• Repair Fischer WW Vault Lids =	\$900
• Repair Goat House Roof, WWMF =	\$120
• <u>Switch to Mitel Phone vs AT&T =</u>	<u>\$5,000</u>
TOTAL COST SAVINGS FOR Dec =	\$12,959

Since the start of the District’s 2021/22 Fiscal Year, Staff was responsible for over \$67,012 in savings to the District and its Rate Payers.

District staff are recognized and commended for their continued efforts in looking for cost savings, the use of internal labor, and grant opportunities that result in real savings for the District, ratepayers, and the community.

COVID-19 – The District continues to track COVID related costs including costs related to people not paying their water bills. The California Water and Wastewater Arrearage Payment Program from the State Water Resources Control Board (SWRCB) is moving forward and they are processing claims. The District has completed our claim and reported 168 accounts that are past due for a total of \$47,746.22 in water arrearages between the March 4, 2020 and June 15, 2021 dates. The \$47k number doesn’t include the unpaid wastewater fees, which the State recently said they would begin processing in February 2022. The State Water Board’s Program will be a direct one-time payment to the District. The District will apply the received funds to delinquent customer’s accounts as credits.

As previously reported, the Governor's ban on locking water services for customers that do not pay their bills has been extended to December 31, 2021. At this Board Meeting, we will come to the Board with Staff's plan on moving forward with customers who are delinquent on their accounts.

At this Board Meeting (and for the foreseeable future) we are once again reconfirming the resolution to conform to the requirements of AB361 for remote meetings.

4.5 Gallon Water Tank Project – The District continues work on this Project with Kennedy Jenks (KJ) and their subconsultants. All Phase 1 documents have been completed and have been submitted to CalOES/FEMA. We have received questions from FEMA on the potential environmental impacts of the project so we know that the project as begun FEMA environmental review. Once FEMA adopts a Finding of No Significant Impact (FONSI) for their National Environmental Protection Act (NEPA) review, they will release Phase 2 funding for the project, which will allow us to finish the design and construction.

Meanwhile, the District is beginning our own CEQA process. A Draft Initial Study and Mitigated Negative Declaration (IS/MND) are being circulated for Public Comment and are on the State Clearing House site as well as our website. The intent is to receive Public comment until Jan. 25th (45 days), then address comments and bring to the Board for adoption and project approval at the Feb. 2nd Board Meeting. We did meet State Fish & Wildlife Staff at the site to review the project, and they are happy with the mitigation measures we have suggested and had just one minor request to retain some of the California Blackberries in the revegetation plan.

As previously reported, on July 29th, a meeting was held with Doug Shaw and Janne Page of American Hospital Management Corp. (AHMC) along with Russ Gans, District Legal Counsel, Ryan Plotz of Mitchell Law firm, Michael Pulley of Points West Surveying, Operations Director Henry and GM Kaspari to discuss the land purchase for the tank. Mr. Shaw did sign the General Plan Conformance review application and that has been submitted to County Planning and was approved at the Planning Commission Meeting on November 4th, 2021. He also requested a right-of-way across the District's future property to allow access to the Hewitt Ranch property. The District did grant pedestrian access across the acquired land to allow for future access to the park in our offer. We also granted a drainage easement across District property in the Purchase Agreement. The revised Purchase Agreement was forwarded to Mr. Shaw on August 18th and is for the purchase of approximately 6.5 acres for \$253,511. We continue to wait for a response from Mr. Shaw. Meanwhile, we are moving forward with eminent domain discussions with Michael Colantuono.

Points West Survey has completed a Draft of the Record of Survey for the property purchase as well as a Draft Grant Deed. These are being reviewed by Staff and Legal Counsel and will be forwarded on to Mr. Shaw for review. Points West also completed a Draft Quit Claim Deed to allow the District access to Hewitt Ranch from the west side. When the Hewitt Ranch property was deeded to the District, there was a restriction on crossing into the property with

utilities/vehicles, etc. from any point other than the access at Bryan Road. We have had discussions with Mark Rynearson, who deeded the property to the District, and he is willing to give the District pedestrian access from the new tank site. We have prepared this Quit Claim Deed for his review to formalize that permission.

As reported over the last several months, the estimated construction cost for this project is significantly higher than the value estimated in the grant application. KJ's construction cost estimate came in at \$9.3M (\$10.3M including engineering and CM) or \$3.1M over the cost estimate submitted with the grant application. The grant was for a total of \$7.2M (\$5.4 Federal share and \$1.8M match). We have reached out to CalOES to see if there are additional grant funds available to cover the shortfall. We have been told there is additional funding, and the District has submitted a letter with the revised cost estimate and a revised Benefit Cost Analysis asking for an additional \$3.1M. If available, FEMA/CalOES would cover \$2.33M or 75% of the additional cost, and the District would have to match that with \$777,000 above our original match commitment of \$1.8M. There has been some additional back and forth with CalOES on the additional funding request, so the request is working its way through their system, but we have not received a definitive response yet.

The total District match for the \$10,331,280 project would be \$2,582,820, assuming CalOES/FEMA funds the additional request. \$4,132,000 was budget for the permitting, engineering, property purchase and initial construction costs in this Fiscal Year. The remaining construction cost will be budgeted for in the 2022/23 Fiscal Year. As detailed at this Board Meeting, \$2.5M in bonds will be issued to pay for the required District match.

Water and Sewer Mainline Master Plan Phase 3c – GHD has submitted the *Draft Sanitary Sewer Main Line Replacement and Rehabilitation Master Plan*, July 2021 and the *Draft Water Main Line Replacement and Rehabilitation Mater Plan* on November 12, 2021. These Reports detail which sewer and water mainline pipes should be replaced first, second, etc. District Staff reviewed the Reports and provided comments. We are waiting on their final reports, and we will do a presentation to the Board, likely at the February 2022 Board Meeting.

As discussed at the December Board Meeting, the District has contracted with GHD for the first mainline replacement design for the replacement of the water and sewer mains on Central Avenue between Sutter and Hiller. Both the water and sewer lines in this section are asbestos cement (AC) dating from the early 1970's. The sewer lines in particular are degrading and in urgent need of replacement. Since we are replacing the sewer lines in this section, it would likely be most efficient and economical to replace the AC waterlines as well. We will complete the design and permitting in 2022 and bid the project at the end of 2022 for construction in 2023. \$2M in the water bond sales and \$2M in the wastewater bond sales will fund this project.

SRF Energy Efficiency WWMF Micro-grid Project – As the Board is aware, work has started on the installation of the microgrid at the Wastewater Management Facility (WWMF). The current schedule has the construction completed in March 2022, and the facility brought on-line

in April 2022. However, the schedule has been delayed by the recent rains and it is anticipated that it will be pushed out past April 2022.

TESLA Batteries – Tesla has generally completed the battery installations at our Ramey/North Bank Water Pump Station and Fischer Sewer Lift Station sites and the final commissioning is completed. We are still waiting for the Permission to Operate from PG&E.

Mad River Restoration Project – The grant funding for the final design and construction of the Mad River Restoration has been secured by CalTrout from NOAA, the Wildlife Conservation Board, USFWS and the State Coastal Conservancy in the amount of approximately \$1.53M. Permits have been finalized, including the Coastal Development Permit from the Coastal Commission. Meanwhile, CalTrout is moving forward on the final design and construction bid documents. It is expected that the work will go out to bid in February 2022 and be performed from August 15 through October 15, 2022.

Sewer Undercrossing Project – GHD has completed and submitted the Phase 1 reports to CalOES and FEMA for this project. The 30% Basis of Design Report as well as the biological and cultural resource environmental reports were formally submitted the first part of February 2021. This completes the District's tasks agreed to under Phase 1 of the Hazard Mitigation Grant. FEMA now needs to complete their National Environmental Policy Act (NEPA) review and issue a Finding of No Significant Impact (FONSI) to release the Phase 2 funding of the grant to fund the final design and construction. We had updated the Benefit Cost Analysis (BCA) when we submitted the request for additional funding. We have heard back from CalOES that they have approved the updated BCA and submitted it with the final funding request to FEMA in November 2021. We have also heard from CalOES that the NEPA process review has been started by FEMA, but we have yet to hear any schedule for completion.

The 30% Basis of Design Report also had an Opinion of Probably Construction Cost for the three crossing of \$5,650,000. This is \$3,513,000 more than the Hazard Mitigation Grant construction cost estimate. The overall estimated construction, engineering, and permitting costs is \$6,760,130 or \$3,512,800 more than the original grant cost estimate. District Staff completed a formal letter request and submitted it to CalOES staff to see if there is additional grant funding available in this Hazard Mitigation Grant disaster request. We have had some back and forth with CalOES on the request and have clarified some information, but we have not heard back yet if there are enough additional funding to cover the increased cost estimate. If there is available grant funding to cover a portion of this cost, at a minimum, the District's share would still approximately double from \$801,100 to \$1,690,033. As discussed at the November 18th Board meeting, approximately \$1.7M in District match will be funded by the completed bond sale.

Pialorsi Ranch Property – GHD has begun working on the new recycled water grant to facilitate the irrigation design. They performed infiltration studies and soil assessment at the

end of March. The driller is installed the monitoring wells in November and were out sampling them in December.

Andy Titus, the current leaseholder for the Fischer and Pialorsi properties planted corn on most of the property and harvested it in October. Operations Director Henry continues to coordinate with Mr. Titus on working on both properties and it has been a good working relationship.

Reporting by Sheriff's office, County Public Work, County DHHS – A regular meeting has been scheduled with President Mayo, GM Kaspari, Supervisor Madrone, and Maya Conrad, the current President of the McKinleyville Municipal Advisory Committee (MMAC), to occur on the last Monday of every month to discuss various topics of concern to all three organizations and the community. This month the meeting was canceled due to people traveling for the holidays.

Grant Applications – The McCluski Tanks and the Mad River Crossing Hazard Mitigation grant applications were submitted to CalOES in March. We just heard in December that both projects have been forwarded on by CalOES to FEMA for funding. We have not received the grant agreements yet, but it looks like both of those projects will be 75% grant funded.

Meanwhile the next HMG release was announced in November and an NOI was submitted for the upgrade of the Fischer Sewer Lift station. Operations Director Henry and the GM had a phone call with CalOES and their review contractor and it appears that the NOI will be approved. If the NOI is approved, the full application is due April 08, 2022.

Meetings –The General Manager attended numerous meetings as usual. The meetings in December included the Planning Commission Meeting to approved the General Plan Conformance permit for the Community Forest, HAZWOPER Refresher, a Meeting with the HSU Environmental Resource Engineering committee, a HBMWD Muni Meeting, a MMAC Public Meeting on the Town Center Project, several Microgrid construction meetings, several Mad River Restoration project design meetings, several Rotary meetings including a Meeting with Eureka Rotary, numerous meetings with the Bond Finance team, and the monthly meeting with Green Diamond and TPL on the Community Forest,.

Attachments:

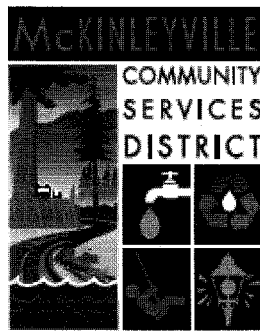
- Attachment 1 – WWMF Monthly Self-Monitoring Report

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R.W.Q.C.B. NORTH COAST REGION
5550 SKYLANE BLVD., SUITE A
SANTA ROSA, CA 95403

December 15, 2021

RE: MONTHLY MONITORING REPORT

Dear Justin:

Enclosed is the Monthly Monitoring Report for November 2021 for McKinleyville Community Services District Wastewater Management Facilities WDID NO. 1B82084OHUM, operating under Order Number R1-2018-0032.

The normal discharge of effluent was 30 days going to 001 and 002. The required monitoring and water quality constituents that were tested and reported was in compliance in November.

Effluent Limitations Parameters	Units	Average Monthly	Average Weekly	Avg. % Removal	Max Daily	Instant Max	Instant Min	Results
Monitoring Location EFF- 001								
BOD	mg/L	30	45	>85				Compliance
TSS	Mg/L	30	45	>85				Compliance
PH	s.u.					6.5	8.5	Compliance
Settleable Solids	ml/L	0.1			0.2			Compliance
Chlorine Total Residual	mg/L	0.1			0.2			Compliance
Carbon Tetrachloride	ug/L	.25			.75			Compliance
Ammonia Impact Ratio	mg/L	1.0			1.0			Compliance
Dichlorobromomethane	ug/L	.56			1.4			Compliance
Monitoring Location LND-001, REC-001								
Nitrate		10						Compliance
PH		6.0- 9.0	6.0 – 9.0					Compliance

Total Coliform Organisms MPN/100 ml. The Monthly Median not to exceed MPN of 23 and the daily maximum not to exceed MPN of 240. The reported results for the month of November are as follows. Median was <1.8 and a Maximum of 1.8. Five samples were collected in the month of November and was in compliance.

Monthly River Monitoring was conducted in November.

Started River Discharge on November 1st.

Acute Toxicity Percent Survival. Minimum for any bioassay is 70% survival. Median for three or more consecutive bioassays at least 90% survival. Acute results were 100% and TST Pass for Rainbow trout.

McKINLEYVILLE COMMUNITY SERVICES DISTRICT WASTEWATER MANAGEMENT FACILITY MONITORING DATA

MONTH: November 2021

DATE	EFFLUENT FLOW		EFFLUENT MAXIMUM		EFFLUENT RIVER		EFFLUENT MONITORING				EFFLUENT MONITORING				EFFLUENT MONITORING								
	M.G.D.	M.G.D.	GPM	GPM	CFS	Dilution	B.O.D. mg/L	TSS mg/L	pH	(°C) TEMP	CL RES	CL RES	RIVER CL RES	SETTLABLE SOLIDS	TOTAL COLIFORMS	TIME	PH	TEMP	D.O.	TIME	PH	TEMP	D.O.
1	0.918	1.198	1472	1472	598	182			7.3	16.7			2.0	ND		14:45	6.7	15.9	9.7	14:55	6.7	16.5	9.8
2	0.849	1.326	1354	1354	923	306			7.0	16.3			1.8	ND									
3	0.840	1.302	1329	1329	774	261			6.9	16.7			2.3	ND									
4	0.898	1.298	1315	1315	672	229			7.0	16.3			2.0	ND									
5	0.866	1.288	1763	1763	2110	537	290		6.9	15.9	3.0	2.6	2.3	ND	<0.1								
6	0.899	1.289	1344	1344	1740	581			7.0	15.4			2.3	ND									
7	0.937	1.236	1300	1300	1650	570			7.1	14.4			2.4	ND									
8	0.817	1.153	1295	1295	1300	451			7.1	14.0			2.6	ND									
9	0.850	1.195	1280	1280	1160	407			6.8	14.7			2.4	ND		15:20	6.7	14.4	10.5	15:30	6.7	13.9	9.2
10	0.811	1.200	1345	1345	2300	768			6.9	14.6			2.7	ND									
11	0.835	1.204	1310	1310	1910	654			7.0	16.5			2.4	ND									
12	0.788	1.203	1326	1326	1500	508	290	150	6.9	15.1	2.2	4.0	2.7	ND	<0.1								
13	0.811	1.095	1291	1291	1190	414			6.8	15.3			2.6	ND									
14	0.860	1.106	1224	1224	969	355			6.9	15.1			2.7	ND									
15	0.827	1.066	1279	1279	801	281			7.0	15.1			2.8	ND									
16	0.831	1.036	1182	1182	748	284			7.1	15.2			2.5	ND		14:30	6.7	14.1	10.2	14:40	6.8	13.9	9.4
17	0.803	1.036	1184	1184	636	241			7.1	14.3			3.1	ND									
18	0.787	1.038	1246	1246	598	215			7.0	14.6			3.1	ND									
19	0.777	1.038	1192	1192	545	205	300	170	7.1	14.5	2.1	2.4	2.9	ND	<0.1								
20	0.815	1.041	1118	1118	496	199			7.0	14.8			3.2	ND									
21	0.828	1.009	1220	1220	452	166			7.1	13.3			3.4	ND									
22	0.798	1.004	1190	1190	412	155			7.2	13.2			3.3	ND									
23	0.792	0.984	1144	1144	375	147			6.9	13.7			3.4	ND		15:00	6.8	14.2	9.8	15:10	6.8	14.2	9.2
24	0.804	0.911	1194	1194	342	129	510	220	7.0	13.6	2.2	3.6	4.2	ND	<0.1								
25	0.824	0.857	1148	1148	311	122			7.0	13.3			4.4	ND									
26	0.758	0.850	1218	1218	284	105			7.2	13.9			4.4	ND									
27	0.781	0.837	1143	1143	258	101			6.9	14.7			4.7	ND									
28	0.831	0.675	1060	1060	238	101			7.2	14.8			4.4	ND									
29	0.785	0.600	672	672	238	159			7.1	14.6			5.4	ND									
30	0.773	0.603	723	723	235	146			6.9	14.7			4.5	ND									

MONTHLY TESTS EFF-001 DISCHARGE TO RIVER

Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate
0.1	1.5	0.9	7.5	70	70	70	70	70	70	70	70

Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate	Ammonia Nitrate
0.1	1.5	0.9	7.5	70	70	70	70	70	70	70	70

MONTHLY TESTS LND-001, REC-001 DISCHARGE TO PERC PONDS AND LAND

OSHA Design	DB	AMMONIA	NITRATE	NITRITE	SODIUM CHLORIDE	BORACH
N/A	290	1.8	0.9	N/A	N/A	N/A

AGUATE TOXICITY	Species	TSI Percent	Surfery Tests	Value (ug/l)
11/18/2021	Rainbow Trout	Pass		0.43

Signature: _____ Remarks: _____

McKINLEYVILLE COMMUNITY SERVICES DISTRICT
WASTEWATER MANAGEMENT FACILITY
EFFLUENT DISCHARGE DISPOSAL

NOVEMBER 2021

Discharge Monitoring	002	002	004	003	006	005	001			
INF-001	EFF-001	LND-001	LND-001	REC-001	REC-001	REC-001	REC-001	IRRIGATE	RIVER	
DATE	INFLUENT	EFFLUENT	MAXIMUM	N.POND	S.POND	FISCHER	FISCHER	TOTAL	RIVER	
	MGD	MGD	GPM	MGD	MGD	MGD	MGD	MGD	MGD	
						UPPER	LOWER			
1	0.918	1.198	1472		0.291			0.000	0.907	
2	0.849	1.326	1354					0.000	1.326	
3	0.840	1.302	1329					0.000	1.302	
4	0.869	1.298	1315					0.000	1.298	
5	0.866	1.288	1763					0.000	1.288	
6	0.899	1.289	1344					0.000	1.289	
7	0.937	1.236	1300					0.000	1.236	
8	0.817	1.153	1295					0.000	1.153	
9	0.850	1.195	1280					0.000	1.195	
10	0.811	1.200	1345					0.000	1.200	
11	0.835	1.204	1310					0.000	1.204	
12	0.788	1.203	1326					0.000	1.203	
13	0.811	1.095	1291					0.000	1.095	
14	0.860	1.106	1224					0.000	1.106	
15	0.827	1.066	1279					0.000	1.066	
16	0.831	1.036	1182					0.000	1.036	
17	0.803	1.036	1184					0.000	1.036	
18	0.787	1.038	1246					0.000	1.038	
19	0.777	1.038	1192					0.000	1.038	
20	0.815	1.041	1118					0.000	1.041	
21	0.828	1.009	1220					0.000	1.009	
22	0.798	1.004	1190					0.000	1.004	
23	0.792	0.984	1144					0.000	0.984	
24	0.804	0.911	1194					0.000	0.911	
25	0.824	0.857	1148					0.000	0.857	
26	0.758	0.850	1218					0.000	0.850	
27	0.781	0.837	1143					0.000	0.837	
28	0.831	0.675	1060					0.000	0.675	
29	0.785	0.600	672					0.000	0.600	
30	0.773	0.603	723					0.000	0.603	
TOTAL	24.764	31.678		0.000	0.291	0.000	0.000	0.000	0.000	31.387
AVERAGE	0.825	1.056	1229	0.000	0.000	0.000	0.000	0.000	0.000	1.046
MAXIMUM	0.937	1.326	1763	0.000	0.291	0.000	0.000	0.000	0.000	1.326
MINIMUM	0.758	0.600	672	0.000	0.291	0.000	0.000	0.000	0.000	0.600
DAYS	30	30	30	0	1	0	0	0	0	30

DAYS WITH NO DISCHARGE = 0