

Memorandum of Understanding
between Mendocino Local Agency Formation Commission
and the Mendocino Coast Health Care District
for the Preparation of a Municipal Services Review and Sphere of Influence Update

Recitals

- A. The Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000 requires that agency spheres be updated or reviewed by their Local Agency Formation Commission every 5 years commencing in 2008 (Government Code [“GC”] §56067).
- B. The CKH requires a municipal service review (“MSR”) be completed prior to or in conjunction with the review or update of a sphere of influence (“SOI”) (GC §56430).
- C. The MSR/SOI for the Mendocino Coast Health Care District (“District”) has not been updated since 2014 and 2016, respectively, and there have been substantial changes in District operations and governance that warrant an MSR/SOI update.
- D. The Mendocino County Grand Jury issued a report on the District in June 2024 entitled “Mendocino County Health Care District – Sick, but Returning to Health” (see <https://www.mendocinocounty.gov/government/county-organization/grand-jury/2023-24-reports>), which included a finding (F11) that an MSR should be conducted on the District, and recommendation (R18) to LAFCo that an MSR should be prioritized.
- E. Mendocino Local Agency Formation Commission (“LAFCo”) adopts an annual budget with associated work program. The work program includes prioritized MSR and SOI Updates, which for fiscal year 2025-2026 include a Countywide study of fire and emergency medical service providers.
- F. LAFCo’s annual budget is primarily funded through apportionment fees paid by its member agencies, which include the County of Mendocino, its four cities, and 49 independent special districts.
- G. To facilitate the conduct of the MSR/SOI study, and because the District has not paid LAFCo apportionment fees in more than ten years, the District agrees to fund the costs of the preparation of the study. LAFCo has agreed to accept funding for preparing the study and work with the District on the preparation of the MSR/SOI update.
- H. District and LAFCo enter this Memorandum of Understanding (“MOU”) to establish their respective roles and responsibilities relating to the oversight and management of the MSR and the SOI affirmation.

1. Preparation of the MSR/SOI Update. LAFCo will prepare the MSR and the assumed affirmation of the SOI, as the District does not intend to request a change in the SOI. The District agrees to pay the actual costs for preparation of the MSR/SOI study.

2. Schedule of Payments. District and LAFCo agree to a schedule of payments over three (3) years; there shall be no interest applied to the balance due. The payments shall be as follows, due on January 1 of each year beginning with the year following execution of the MOU:

- a. Year 1: \$8,000
- b. Year 2: \$8,000
- c. Year 3: remaining balance

3. District Cooperation.

- a. LAFCo and District staff shall cooperate to the maximum extent feasible for the timely production of the MSR/SOI study.
- b. LAFCo will keep the District informed of all major issues relating to the MSR/SOI study.
- c. LAFCo will make all reasonable effort to complete the MSR/SOI study within nine (9) months of this agreement and the District will support the LAFCo work schedule.
- d. In the event of disagreement, LAFCo shall have final say on all decisions with respect to the MSR/SOI study, after engaging in good-faith and reasonable collaboration with the District.
- e. District and LAFCo shall each identify and notify the other of their respective staff contacts responsible for implementing this MOU.
- f. District agrees to promptly pay the full estimated amount of the cost of preparation of the MSR/SOI study on the date indicated in the schedule of payments in Item 2, above.
- g. The estimated cost of the MSR is approximately \$25,000. District must approve reasonable additional contract costs, which consent will not be unreasonably withheld.
- h. Upon completion of the documents to be presented to the LAFCo for approval, any outstanding amounts will be paid by the District.

3. Environmental Review. The parties understand that the MSR is not subject to review under the California Environmental Quality Act ("CEQA"), and that a review and affirmation of the existing SOI (with no changes) is also exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3), as it can be seen with certainty that there is no possibility that the activity will have a significant effect on the environment.

4. LAFCo Discretion Preserved. Nothing contained in this MOU is intended, nor shall it be construed, to commit, control, or influence in any manner whatsoever the authority, judgment, or discretion of the Local Agency Formation Commission in their future decisions on the MSR/SOI Update and the ultimate decision of LAFCo with respect to the MSR/SOI Update.

5. Resolution of Disputes.

- a. The parties shall first exhaust all reasonable efforts to resolve any dispute arising out of this MOU between themselves. If that is unsuccessful, the dispute shall, on the written request of either party, be submitted to mediation before a mediator acceptable to all parties. The mediation shall occur within 45 days of the initial request, unless extended by agreement of the parties. Should any party commence court action based on a dispute or claim to which this Section applies, without first attempting to resolve the matter through mediation, then that party shall not be entitled to recover attorney's fees, even if they would otherwise be available to that party in any such action.
- b. If the mediation is unsuccessful, either party may file an action in the appropriate superior court.

7. Recitals Accurate. The parties confirm that the recitals set forth at the beginning of the MOU are true and accurate and are an integral part of this MOU.

8. Attorneys' Fees and Costs. If any action at law or in equity, including any action for declaratory relief, is brought to enforce or interpret any part of this MOU, the prevailing party will be entitled to recover its attorneys' fees and costs, including, without limitation, discovery costs, witness fees, expert fees, and any other expenses related to the preparation and presentation of proof, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

9. Further Acts and Assurances. Each of the parties hereto shall execute and deliver any and all documents and take any and all actions, which may be necessary or appropriate to carry out the terms of this MOU.

10. Authority. Each party represents and warrants that the individuals executing this MOU on that party's behalf are duly authorized to do so.

11. Entire Agreement; Modification. This MOU contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes any prior understandings, agreements, or representations, written or oral, relating to the subject matter hereof. Any amendment or modification of this MOU shall be effective only if in writing and signed by all parties hereto.

12. Counterparts; Electronic Signatures. This MOU may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute together one and the same instrument. For purposes of this MOU, a .pdf via e-mail or facsimile signature shall be deemed to be as valid and enforceable as an original.

MOU between Mendocino LAFCo and Mendocino Coast Health Care District
RE: Funding of the Mendocino Coast Health Care District MSR

Executed on the 8th day of October, 2026.

Mendocino Coast Health Care District

BY: _____
Paul Garza Jr.
District Board Chair

Mendocino Local Agency Formation Commission

BY: _____ Date: _____
NAME:
Commission Chair