

Recommendation to the MMAC

McKinleyville Incorporation Exploration Subcommittee

October 2023

McKinleyville Incorporation Exploration Sub Committee Members

- **Chair, Kevin Jenkins, McKinleyville Municipal Advisory Committee Member**
 - Kevin grew up and attended school in Arcata. His education began with Sunset elementary school and progressed through Arcata High and on to HSU. He has owned and operated McKinleyville Home and Garden Center since 1996. He has enjoyed being involved in the growing community of McKinleyville. He has been involved with many local organizations including the McKinleyville Chamber of Commerce and the Rotary Club of Mad River (McKinleyville).

- **Tom Boyer, McKinleyville Resident**
 - After 4 years in the Navy, Tom joined Hewlett Packard in the Bay Area. He has a Masters in Manufacturing Management and an art degree from HSU. Tom is a 10 year resident of McKinleyville. He and his wife moved here from the Bay Area after retiring. They love this area and have joined their family and friends here. They were both very active in the Sunnyvale community where they watched Santa Clara County change from apricots to Apples. Tom joined the MIESC to help prepare McKinleyville for its certain growth while retaining its legacy values.

- **Mary Burke, McKinleyville Resident**
 - Mary is a McKinleyville resident and is the CalTrout North Coast Regional Manager for projects on the Eel River, Mad River and Prairie Creek. In addition, Mary coordinates the CalTrout-organized Eel River Forum, a group formed to promote salmonid and ecosystem recovery of the Eel River. She has a M.S. degree from Humboldt State University where she gained experience and interest in freshwater and tidal wetland function for water quality and habitat benefits. In addition to her professional work, Mary has previously served the community on the McKinleyville Municipal Advisory Committee and McKinleyville Community Services District Board of Directors

- **Lisa Dugan, McKinleyville Municipal Advisory Committee Chair**
 - Lisa and her partner John live in southwest McKinleyville near the bluffs of the Baduwa't. She moved to McKinleyville in 2009 when she and her kids

found the perfect spot to raise a garden, goats, bees, chickens, and ducks. Having retired from public service in 2020 as the Director for Child Support, she now co-owns Humboldt Grain Girls, a small sprouted flour operation. Lisa stays involved in her community through participation on the MMAC, and on the boards of the McKinleyville Family Resource Center and Humboldt Folklife Society. Her philosophy is that vibrant self-sustaining neighborhoods and communities where people are connected to and help one another is the answer to most everything. Her other interests are gardening, fiddling, bicycling, cooking, hiking, kayaking, observing the natural world, and being Ruby's granny.

- **Patrick Kaspari**

- Patrick was born & raised in Northern Minnesota (Hibbing to be exact, Bob Dylan's hometown). Received a Bachelors in Chemical Engineering from the University of North Dakota, taught carpentry in Kenya as a Peace Corps volunteer, then moved to San Francisco with his future wife, Stacey and went back to school and got his Masters in Civil Engineering from Cal Berkeley. He was offered a Consulting Engineering job at Winzler & Kelly Consulting Engineers in Eureka, and moved up to Humboldt in 1999; working there as a Civil Engineer, focusing on water, wastewater and environmental engineering projects for many of the local municipalities, including several projects with McKinleyville Community Services District (MCSD). He also worked as the District Engineer for Humboldt Bay Municipal Water District for 13 years. He was offered the General Manager position at MCSD in 2020 and made the move to McKinleyville the same year.

- **Tom Sheets**

- Tom Sheets is a long time McKinleyville resident. He formerly served as Mayor of the City of Blue Lake.

- **Contributing Participants**

- Joey Blaine, Board Secretary, McKinleyville Community Services District Board Secretary
- Jesse Miles, Executive Director, McKinleyville Chamber of Commerce

- Colette Santsche, Executive Officer Humboldt Local Agency Formation Commission (LAFCo)

Background.

McKinleyville is an unincorporated community located at the northern edge of Wiyot ancestral territory. Approximately 17,000 people live here, with services provided by the County of Humboldt, the McKinleyville Community Services District, California Highway Patrol, and the Arcata Fire Protection District. Members of the McKinleyville community have discussed incorporation several times, but a preliminary feasibility study has never been completed. In September 2022, the McKinleyville Municipal Advisory Committee (MMAC) voted to form a subcommittee – the McKinleyville Incorporation Exploration Subcommittee (MIESC) to conduct research and outline current findings to inform the MMAC and the community about the feasibility of incorporation. The MIESC group meets and conducts business in accordance with MMAC bylaws that include publicly noticed and publicly held meetings.

In accordance with this charge, members of MIESC contacted Cal Poly Humboldt's Economics Department and requested assistance to conduct a study of incorporation. The team, led by Dr. Josh Zender, Ph.D., CPA, and including graduate students Elizabeth Redfern, William LeFils, and West Modafferi conducted research and used information from similar sized cities as analogs to produce the report "Local Government Data to Inform Decision-Making: Report to the McKinleyville Incorporation Exploration Subcommittee," (1) dated April 2023. The report builds a base of knowledge about the process of incorporation that can support fact-based conversations. Detailed financial information such as County of Humboldt revenues and expenses for services in McKinleyville was not available and limited the scope of the analysis; however, the report is a resource to support continued dialogue, improve understanding, and lay the foundation of interest for next steps. In addition to the production of the report, Dr. Amy Rock of the Department of Geography, Environment, and Spatial Analysis assisted the MIESC in creating draft city boundary maps.

Overview of the Incorporation Process.

The procedural steps to getting incorporation on the ballot for our community to vote are as follows:

1. Develop the Incorporation Proposal
 - a. Complete Initial Feasibility Analysis – Provides LAFCo, affected agencies, tribes, and residents with a quantitative understanding of the pros and cons of cityhood to help understand its financial and service implications

and decide whether to move forward with incorporation.

- b. Conduct Community Education and Outreach – Provide clear and objective information about what legal and political powers incorporation would provide to the residents of McKinleyville that they do not have as an unincorporated community.

2. Initiate the Incorporation Proposal

- a. Publish and file a Notice of Intent to Circulate a Petition or a Notice of Intent to Adopt a Resolution of Application.
- b. Circulate Petition signed by 25% of registered voters or 25% of the number of landowners who own not less than 25% of the assessed value of the land in the incorporation area; or initiate by Resolution of Application adopted by a legislative body of an affected local agency.
- c. Petition signatures verified by the County Registrar of Voters or County Assessor.
- d. Completed LAFCo application for incorporation must accompany the petition or resolution initiating the incorporation proposal.

3. LAFCo Review of the Incorporation Proposal

- a. Once an organizing entity applies for incorporation to LAFCo with appropriate fees, a more detailed Comprehensive Fiscal Analysis (CFA) and environmental review would be required and funded by the applicant in order for LAFCo to take action on the incorporation proposal¹.
- b. Revenue Neutrality – Any proposal for incorporation would include the outcome of negotiations between the county, affected agencies, and proponents for incorporation to result in a similar exchange of both revenues and responsibility for service delivery.

4. Election Proceedings

¹ LAFCo (the Commission) is the agency that is empowered by the State Legislature to deliberate on an incorporation proposal. LAFCo is comprised of seven regular members and four alternate members with county, city, special district, and public representation. The Commission has the authority to approve, deny or modify and approve the incorporation proposal at a noticed public hearing. It also has the ability to add terms and conditions. If the Commission approves a proposed incorporation, it will, at the same hearing, adopt a resolution of approval, determine the final boundaries, establish the governmental structure of the new city, determine the base property tax and the provisional appropriations limit, and establish mitigation measures, if needed, for the impacts of revenue neutrality. It also establishes an effective date for the incorporation and may adopt a sphere of influence for the new city. If the Commission denies the proposed incorporation, no similar application can be filed for at least two years unless the Commission waives that prohibition.

- a. If LAFCo approves the incorporation proposal, the registered voters of the proposed incorporation area will have the opportunity to vote on becoming a city.
- b. A simple majority of those voting is required to approve an incorporation.
- c. Election of the initial city council is included along with the approval of all required taxes or fees detailed in the CFA necessary to make the incorporation possible.

5. Transition to Cityhood

- a. Following a majority vote approval of incorporation, a transition period of up to two years would enable the new city to establish municipal operations, likely utilizing contract services provided by the county in the near-term.
- b. Over time the new city may choose to continue contracting with the county for certain services, provide those services through public/private contracts, or the city could create new city departments.

MIESC recognizes that in addition to the administrative steps of financial analysis and reporting, there is a need for a public information campaign and listening sessions to deepen community member's understanding of the process and develop the vision for the future of our community.

First Next Step - Initial Feasibility Analysis.

An Initial Feasibility Analysis (also sometimes called a Preliminary Feasibility Analysis, Preliminary Fiscal Analysis, or Preliminary Comprehensive Fiscal Analysis) would inform whether the new city would be fiscally viable and provide the community with clear and objective information about incorporation, including such things as:

- A discussion of the relevant history and characteristics of the study area, including population, land use, and growth factors;
- A description of the local agencies that presently serve the community, with a discussion of the range and level of services currently provided;
- A rationale for the boundaries proposed for incorporation, and a description of the proposed sphere of influence (if applicable) and possible boundary alternatives;
- The range and level of services for which the city will assume responsibility and how those services may be delivered (city staff or contract providers);
- Any proposed consolidations or rationale for not consolidating;

- A forecast of the revenues and expenditures for the new city following incorporation;
- The effects on the costs and revenues of any affected local agency following incorporation;
- A discussion of the negative fiscal impacts of the incorporation on affected local agencies and measures proposed to mitigate the negative impacts;
- Any objectives or stipulations regarding the establishment of new revenue sources or changes to existing fees for services;
- A discussion of the effects of the incorporation upon adjacent communities, special districts, and the county.

An Initial Feasibility Analysis can be used to support a more detailed understanding of revenues and expenses and can avoid the time and expense associated with pursuing an incorporation proposal that is financially infeasible. An Initial Feasibility Analysis should be prepared prior to initiating an incorporation proposal and submitting an incorporation application to LAFCo.

Recommendations.

MIESC solicited a presentation and participation from Colette Santsche, LAFCo Executive Officer, and has had regular participation from Jesse Miles, McKinleyville Chamber's Executive Director and additional community members. The following MIESC recommendations are provided to the MMAC for consideration:

1. Support the development of an Initial Feasibility Analysis by requesting the Humboldt County Board of Supervisors establish an ad hoc committee as per the recommendations of the Humboldt County Civil Grand Jury and Humboldt LAFCo. This ad hoc committee is to be made up of affected agencies such as McKinleyville Community Services District (MCSD), MMAC, LAFCo, Arcata Fire Protection District, and other interested parties, including members of the public at large. The goal of the ad hoc committee will be a neutral evaluation of whether incorporation is economically feasible and in the best interests of the community. The ad hoc committee will identify funding to support the Initial Feasibility Analysis; develop a draft solicitation (e.g., scope of work, budget, and selection criteria); and ultimately determine the appropriate entity to enter into a contract with an experienced consulting firm to prepare the Initial Feasibility Analysis.

2. Request MIESC continue public meetings for the next year to be a resource of information and assist in facilitating the formation of the ad hoc committee that will seek funding for the Initial Feasibility Analysis.
3. MMAC can continue to seek clarity on:
 - a. How can MMAC engage with the County of Humboldt and other affected agencies to continue exploration of incorporation?
 - b. What qualifications define an appropriate entity to develop the preliminary feasibility study?
 - c. How much funding will be needed for each step of the process? For the Preliminary Feasibility Study? For the subsequent LAFCo application, Comprehensive Fiscal Analysis, and environmental review?
 - d. Who and how does the community carry the initiative forward including the vision for modern service provision and promoting community education of the incorporation process?
 - e. Who is the champion for the new city in the revenue neutrality discussion?
 - f. Is a non-profit needed such as Humboldt Area Foundation, McKinleyville Area Foundation, Cal Poly Humboldt - Sponsored Programs to hold funding and/or conduct a request for qualification process? Of note: the McKinleyville Chamber of Commerce is not an appropriate entity as it is a 501c6.

References

- (1) Zedner, Josh, et al. "Local Government Data to Inform Decision-Making: Report to the McKinleyville Incorporation Exploration Committee.", April 2023, <https://humboldt.gov/DocumentCenter/View/117299/Local-Govt-Data-to-Inform-Decision-Making---Report-to-MIESC>
- (2) Maps Drafted by Dr. Amy Rock, Department of Geogrpahy, Environment, and Spatial Analysis, Cal Poly Humboldt Graduate Students and MIESC <https://humboldt.gov/DocumentCenter/View/120270/Draft-MIESC-Maps>

(3) Finney, Tal, et al. "A Guide to the LAFCo Process for Incorporations.", October 2023, https://calafco.org/sites/default/files/resources/Incorp_Guidelines.pdf