

**Joint Powers Agency  
Service Review  
for the**

**Yolo Habitat Conservancy  
LAFCo No. 21-03**



Public Hearing Draft May 7, 2021



Joint Powers Agency Service Review for the Yolo Habitat Conservancy (LAFCo No. 21-03)

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Date last JPA Service Review adopted: N/A

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**BACKGROUND**

**ROLE AND RESPONSIBILITY OF LAFCo**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the 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.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

**PURPOSE OF A JPA SERVICE REVIEW**

LAFCo has broad discretion in conducting informational studies, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. In 2017, the cities and the County requested LAFCo apply its MSR process to some of the local joint power authorities/agencies (JPAs) in order to provide additional oversight<sup>1</sup>. The intent of the JPA Services Review is to provide a comprehensive inventory and analysis of the services provided by local JPAs, service areas, and evaluation of the finances, structure and operation of the local agency and discuss possible areas for improvement and coordination. From the state required MSR determinations, the following determinations remain relevant to the comprehensive inventory and analysis of local JPAs:

1. Growth and population projections for the service area;
2. Present and planned capacity of any public facilities, adequacy of services, and infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunities for, shared services and facilities; and
5. Accountability for community service needs, including governmental structure and operational efficiencies.

The JPA Service Review is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document. This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency.

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<sup>1</sup> Yolo Local Government Transparency and Accountability Program adopted by the cities and County Oct/Nov 2017

**AGENCY PROFILE**

The Yolo County Habitat / Natural Community Conservation Plan Joint Powers Agency, now referred to as the Yolo Habitat Conservancy (YHC), was created in 2002 pursuant to the Joint Exercise of Powers Act and is a public agency separate from its members. YHC was formed to (1) assist in the planning, preparation, and subsequent administration of the Yolo Habitat Conservation Plan / Natural Community Conservation Plan (Yolo HCP/NCCP or Plan) and the Yolo Local Conservation Strategy; and (2) to facilitate acquisition of conservation easements to mitigate adverse effects on the Swainson’s hawk habitat during the planning process.

YHC Mission:

*“To conserve natural and working landscapes, and the species on which they depend, by working with local communities and conservation partners to coordinate mitigation and implement regional habitat conservation.”*

The Plan provides a process for landowners and developers to comply with the requirements of federal and state endangered species laws without having to work directly with federal and state conservation agencies. In exchange for obtaining the Plan’s benefits, landowners and developers must pay a fee to the YHC for mitigation of the adverse effects of their development on the Plan’s 12 covered species and their habitat.

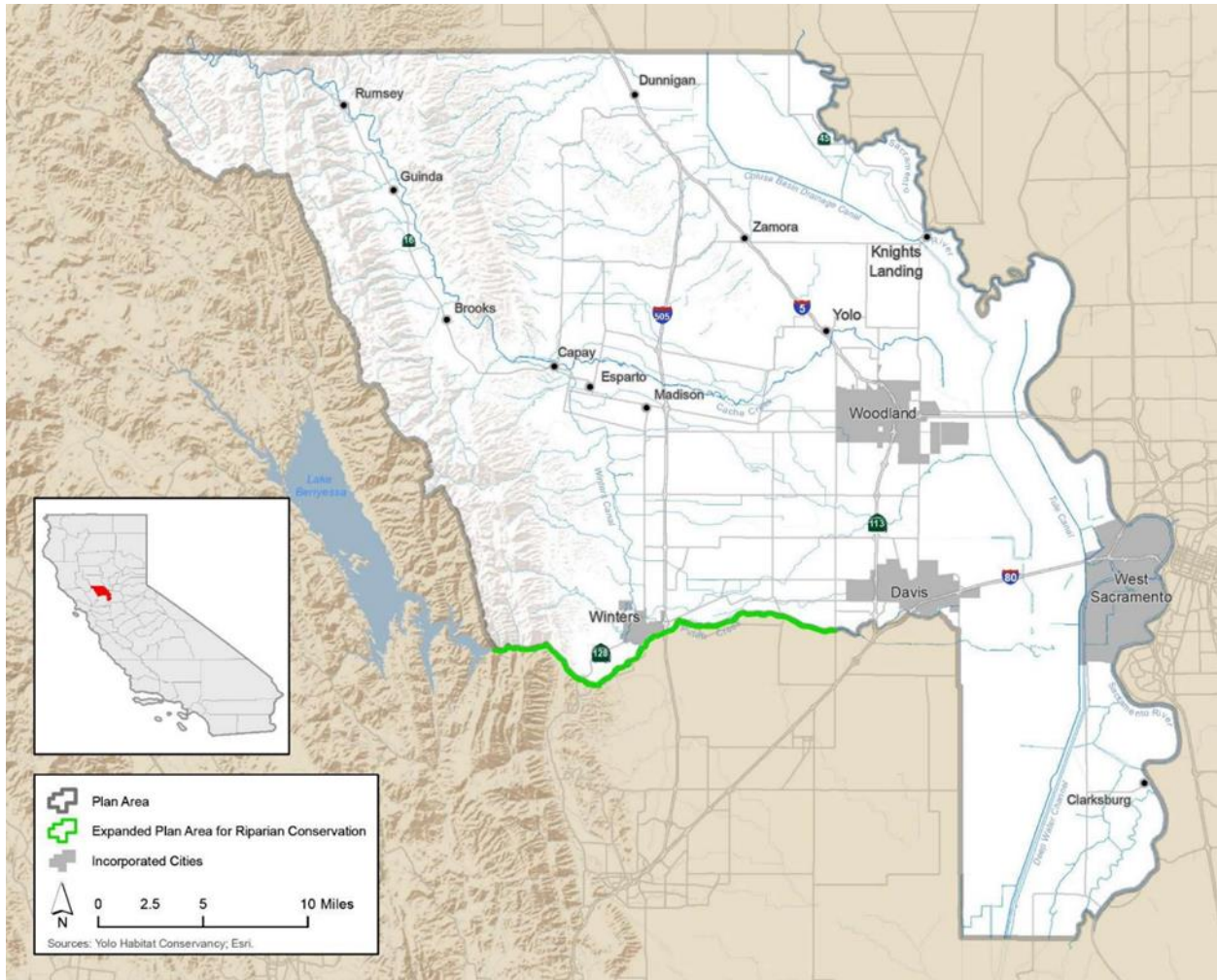
In 2005, the YHC entered into a Planning Agreement with the California Department of Fish and Wildlife (CDFW) and the United States Fish and Wildlife Service (USFWS) that defined the initial scope of the Yolo HCP/NCCP program as well as the roles and responsibilities of the parties involved in the development of the Yolo HCP/NCCP. The YHC prepared the Yolo HCP/NCCP, a model conservation plan to provide incidental take permits pursuant to the federal Endangered Species Act and the Natural Communities Conservation Planning Act for infrastructure (e.g. roads, bridges, and levees) and development activities (e.g. agricultural facilities, housing, and commercial buildings), identified for construction over the next 50 years in Yolo County.

In June 2018, the member agencies amended and restated the original agreement as a means of affirming the Conservancy’s role as the local agency responsible for Yolo HCP/NCCP implementation and to ensure that it has adequate legal authority to carry out its duties as the implementing entity, including but not limited to the adoption of mitigation fees for development projects within the plan area.

The Plan was fully approved and permitted as of January 11, 2019. Implementation of the Plan has proceeded from that date. The 2019-2020 Grand Jury found that the Plan as developed and approved is well-constructed to accomplish its species and habitat conservation goals. The Plan provides a centralized process for the coordinated establishment of contiguous conservation land reserves in Yolo County, which effectively benefits the Plan’s 12 covered species.

The YHC also developed a voluntary, non-regulatory, Yolo Regional Conservation Investment Strategy/Local Conservation Plan (RCIS/LCP) that provides a framework for the conservation of natural communities and certain sensitive species, including those not covered by the Yolo HCP/NCCP. The Yolo HCP/NCCP was approved by the CDFW in November 2020.

The Plan area coincides with the Yolo County boundary, excepting an expanded area for riparian conservation along Putah Creek as shown below.



**JPA Governance**

YHC is governed by a Board of Directors of its member agencies; two members of the Yolo County Board of Supervisors, one member each from the city councils of the cities of Davis, West Sacramento, Winters, and Woodland, and one nonvoting, ex officio member from the University of California, Davis (UCD). Upon formal request of UCD and subject to concurrence of a majority of the governing body of each member agency, UCD may join the Board as a regular voting member. The Board typically meets every other month on the third Monday from 5:30-7:30 p.m. in the Yolo County Board of Supervisors Chamber, although meetings have been held virtually during the pandemic.

*Science and Technical Advisory Committee*

The biologists of the Science and Technical Advisory Committee (STAC) provide scientific and technical guidance to the YHC on the selection of proposed conservation easement properties and mitigation receiving sites (e.g. regarding species biology, species habitat requirements, and habitat restoration actions). The STAC may also advise the YHC on other issues as requested by the Executive Director, such

## YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW

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as site-specific management and monitoring plans, habitat management and/or enhancement opportunities, and easements that benefit covered species eligible for grants.

### *HCP/NCCP Advisory Committee*

In 2004, the YHC created the Advisory Committee to provide public input and expert advice during the development of the Yolo HCP/NCCP and the Yolo Local Conservation Plan. The Advisory Committee consisted of representatives of the primary groups with an interest in the Plan, including YHC member agency staff, landowners, the agricultural community, conservation organizations, citizens' groups, and land developers. The YHC Board appointed members based on their expertise and interest in Yolo HCP/NCCP planning efforts. YHC Board, member agency, and wildlife agency liaisons also attended the Advisory Committee meetings.

During the planning of the Yolo HCP/NCCP, the group held open meetings on a regular basis to review relevant materials and documents; evaluate and synthesize ideas, data, and information; and discuss and resolve complex issues related to the planning process. The Advisory Committee provided recommendations to the YHC Board on a range of matters pertinent to the HCP/NCCP and the Local Conservation Strategy.

Advisory Committee appointments ended in April 2018, once the Yolo HCP/NCCP was in its final form.

### *Implementation Advisory Committee*

Notice and recruitment is currently in process to form an Implementation Advisory Committee in accordance with the Yolo HCP/NCCP. The Yolo Habitat Conservancy Implementation Advisory Committee will advise the Conservancy Board of Directors on the development and management of the reserve system of public and private lands consistent with the biological goals and objectives of the Yolo HCP/NCCP.

### **JPA Staff**

YHC evaluates and forecasts its organizational needs as part of its annual budget process. Accordingly, at the present time and for the foreseeable future, agency staffing (including consultant support) will adjust from time to time to match revenues and needs.

Since approval of the HCP/NCCP, the operational model for YHC has changed as efforts shifted from plan preparation to implementation. As of July 1, 2020, YHC has contracted with Yolo County for general administration and day to day operation of YHC. The Executive Director and the Associate Planner are County employees who provide services to the YHC on a part-time basis through this contract. The contract term is July 1, 2020 to June 30, 2021. YHC is also developing an easement monitoring and land management program and is talking to other public sector partners.

### **Consultants**

In addition to County staff, the following subject matter experts have been hired to provide support as needed:

- Alford Environmental – acquiring conservation easements
- Jim Estep – permitting issues, Swainson's hawk expertise
- ICF – permitting issues
- Consero Solutions – historically provided Executive Director services, but now limited to certain project functions



**JPA SERVICE REVIEW**

**POTENTIALLY SIGNFICANT DETERMINATIONS**

The JPA Service Review determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a JPA Service Review update is not warranted.

- |                                                                                  |                                          |
|----------------------------------------------------------------------------------|------------------------------------------|
| <input type="checkbox"/> Growth and Population                                   | <input type="checkbox"/> Shared Services |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Accountability  |
| <input checked="" type="checkbox"/> Financial Ability                            | <input type="checkbox"/> Other           |

**LAFCO JPA SERVICE REVIEW:**

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that a comprehensive JPA Service Review is NOT NECESSARY. The subject agency will be reviewed again in five years per the Commission adopted review schedule.
- The subject agency has potentially significant determinations and staff recommends that a comprehensive JPA Service Review IS NECESSARY and has been conducted via this checklist.

**1. GROWTH AND POPULATION**

Growth and population projections for the affected area.	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
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a) <i>Will development and/or population projections over the next 5-10 years impact the subject agency's service needs and demands?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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**Discussion:**

a) *Will development and/or population projections over the next 5-10 years impact the subject agency's service needs and demands?*

No. The Yolo HCP/NCCP, administered by YHC, provides incidental take permits and associated mitigation for infrastructure (e.g. roads, bridges, and levees) and development activities (e.g. agricultural facilities, housing, and commercial buildings), identified for construction over the next 50 years in Yolo County. Therefore, YHC is prepared to accommodate development and population growth for the next 50 years. YHC has recently reduced its staffing levels to be proportionate to lower than anticipated development countywide, so it has been able to remain nimble and respond to actual agency demand.

**Growth and Population MSR Determination**

The Yolo HCP/NCCP, administered by YHC, anticipates construction over the next 50 years in Yolo County. Therefore, YHC is prepared to accommodate development and population growth and is structured so that



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it can adjust to cycles in development activity. YHC has recently reduced its staffing levels to be proportionate to lower than anticipated development countywide, so it has been able to remain nimble and respond to actual development demand.

**2. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES**

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

	YES	MAYBE	NO
a) <i>Are there any deficiencies in agency capacity to meet <u>existing</u> service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)? Also note how services are provided (i.e. number of staff and/or contracts).</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable <u>future</u> growth?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a-b) *Are there any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)? Also note how services are provided (i.e. number of staff and/or contracts). Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No. The nature of YHC is such that it created a 50-year plan to provide required mitigation for project-related potential environmental impacts countywide, therefore it is prepared for existing and future growth. Now that the HCP/NCCP has been approved, the YHC can scale with its contract staff model and remain nimble to fluctuations in development trends. YHC is tracking development projects in the pipeline so that it can stay ahead of upcoming mitigation needs, can plan for it and include it in its annual work plan.

c) *Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?*

No. The Yolo HCP/NCCP Annual Report documents changed circumstances due to climate change. Under the Yolo HCP/NCCP, an increase in temperature of up to 2.5°C (4.5°F), measured as a 10-year running average for three baseline periods (i.e., average annual temperature, average summer temperature [June, July, and August], and average winter temperature [December, January, and February]) is considered a changed circumstance. The Yolo HCP/NCCP anticipates up to four catastrophic fires (each more than 10,000 acres) within the study area over the course of the permit term. In addition, the Yolo HCP/NCCP anticipates flooding and will fund remedial actions for up to five droughts that occur during the permit term. Of the five droughts, only one is anticipated to be more than six years in duration.

**Capacity and Adequacy of Public Facilities and Services MSR Determination**

The nature of YHC is such that it created a 50-year plan to provide required mitigation for project-related potential environmental impacts countywide, therefore it is prepared for existing and future growth. Now that the HCP/NCCP has been approved, the YHC can scale with its contract staff model and remain nimble to fluctuations in development trends. The HCP/NCCP has made assumptions for future climate change events and Annual Report documents changed circumstances due to climate change.

**4. FINANCIAL ABILITY**

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) <i>Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Can the subject agency improve its use of generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) <i>Does the agency staff need to review financial data on a more regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County's financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Does the agency board need to receive more regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) <i>Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) <i>Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar local agencies? Does the rate/fee schedule include a specific amount identified for capital asset replacement (tied to a capital improvement plan with implementation policies)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) <i>Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs (excluding capital asset replacement, see 4f)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) <i>Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear debt management policy, if applicable?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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**YOLO HABITAT CONSERVANCY  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Revenue</b>					
Member contributions	\$ 264,900	\$ 214,900	\$ 164,900	\$ -	\$ -
Mitigation fees	-	172,553	-	483,022	533,768
Pre-payment of mitigation fees	-	-	-	126,186	-
Governmental grants	741,477	452,361	521,679	191,326	177,368
Charges for services	5,099	4,218	8,257	93,626	7,746
Interest	14,101	10,586	20,072	49,529	41,937
Special participating entities fees	-	-	-	25,556	19,045
Other revenue	-	14,525	-	-	45,379
Long-term debt proceeds	-	-	-	213,523	-
<b>Total Revenue</b>	<b>1,025,577</b>	<b>869,143</b>	<b>714,908</b>	<b>1,182,768</b>	<b>825,243</b>
<b>Expenditures</b>					
Salaries and benefits	62,071	58,496	65,089	66,768	62,685
Accounting and auditing	11,406	12,300	15,140	19,224	15,404
Legal	19,650	32,350	22,332	13,965	10,614
Other professional services	819,949	579,246	694,015	543,837	662,949
IT services	1,620	1,846	4,023	4,860	3,783
Insurance	2,509	2,511	2,510	2,536	2,519
Facility expenditures	11,960	11,334	12,180	12,607	12,180
Office expenditures	10,204	18,107	18,083	10,857	5,351
Easements	-	-	-	452,450	-
<b>Total Expenditures</b>	<b>939,369</b>	<b>716,190</b>	<b>833,372</b>	<b>1,127,104</b>	<b>775,485</b>
<b>Net income (loss)</b>	<b>86,208</b>	<b>152,953</b>	<b>(118,464)</b>	<b>55,664</b>	<b>49,758</b>
<b>Beginning Fund Balance</b>	<b>1,513,218</b>	<b>1,599,426</b>	<b>1,752,379</b>	<b>1,633,915</b>	<b>1,689,579</b>
Restatements	-	-	-	-	(164,620)
<b>Beginning Fund Balance, restated</b>	<b>1,513,218</b>	<b>1,599,426</b>	<b>1,752,379</b>	<b>1,633,915</b>	<b>1,524,959</b>
<b>Ending Fund Balances</b>	<b>\$1,599,426</b>	<b>\$1,752,379</b>	<b>\$1,633,915</b>	<b>\$1,689,579</b>	<b>\$1,574,717</b>
<b>Fund Balances</b>					
Restricted	\$1,375,894	\$1,590,931	\$1,553,700	\$1,137,875	\$1,238,175
Assigned	52,166	137,862	60,087	60,087	60,087
Unassigned	171,366	23,586	20,128	491,617	276,455
<b>Total Fund Balances</b>	<b>\$1,599,426</b>	<b>\$1,752,379</b>	<b>\$1,633,915</b>	<b>\$1,689,579</b>	<b>\$1,574,717</b>
<b>Y-T-Y Change in total Fund Balances</b>					
Amount Increase (Decrease)	223,532	152,953	(118,464)	55,664	(114,862)
Percentage Increase (Decrease)	16.25%	9.56%	-6.76%	3.41%	-6.80%

**Discussion:**

a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No.

**Pre-plan financial analysis (2016 – 2018):**

Through fiscal year 2018, while YHC was completing the Plan, the agency was funded primarily from member contributions and state and federal grants, which were 25% and 66% of total revenue, respectively. During this time total revenue decreased from a high of \$1,025,577 in 2016 to \$714,908 in 2018, while total annual expenditures decreased some. The decrease in revenue was as a result of

decreasing State and Federal grants and a reduction in member contributions. Total fund balance increased by \$120,697, however the increase was attributable to receipt of \$172,553 of restricted mitigation fees, while the difference of \$54,263 was a decrease to unrestricted fund balance.

**Post-plan financial analysis (2019-2020):**

Beginning with FY 2019 the agency implemented a new financing structure that corresponds to the implementation of the Plan. YHC will primarily be funded through mitigation fees, grants, cost recovery services and other operating revenues. Staffing and contractor services were adjusted to achieve a model that will expend resources as funds are received or can be billed. For example, there are no longer permanent employees, external contractors are used on an as-needed basis. Day to day management of the agency has been contracted with the County.

For FY 2019 and 2020 the primary revenues consisted of the following, mitigation fees (57%), grants (18%), charges for services (5%) and debt proceeds (11%). Of these revenues, \$126,186 of the mitigation fees were prepaid by member agencies and \$213,523 was a loan from the County. As of June 30, 2020 there was a balance of \$217,232 of prepaid mitigation fees and the loan from the County was still outstanding. In addition to funding ongoing operating costs primarily from mitigation fees, the pre-paid mitigation fees and County balances will need to be liquidated. Total fund balance from the beginning of 2019 to the end of 2020 decreased by a total of \$59,198. Restricted fund balance decreased by \$315,525, due to an easement purchase, while unrestricted fund balance increased by \$256,327, primarily due to the receipt of the loan from the County.

While the current financial status of the agency looks good, YHC still needs to liquidate mitigation fee prepayments and repay the County loan while operating in the new financial environment of being dependent on revenue derived from mitigation fees as a result of new development which can vary greatly from year to year. The FY 2021 budget does not contemplate additional loans or prepayments from member agencies.

- b) *Can the subject agency improve its use of generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any unfunded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?*

Maybe. YHC undergoes an annual financial audit performed by independent auditors and has received a clean opinion each year. However, review of the agency's audited financial statements and the underlying accounting data recorded in the County's financial system indicate revenues have not been consistently recorded in the financial system in accordance to the State Controller's manual of Accounting Standards and Procedures. Mitigation fees, cost reimbursements, special participating entity fees and other revenues are often grouped to one account, "Other Miscellaneous Revenue". Reports generated from the accounting system need more timely and closer review (i.e. accounting errors are not being detected and corrected prior to the close of the fiscal year). Agency staff should review the draft financials in a comprehensive manner to avoid transactions being misclassified and mislabeled in the published audited financial statements.

- c) *Does the agency staff need to review financial data on a more regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County's financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?*

No. Agency staff prepares various reports for reporting to the Board and to grantors on a monthly basis. If errors are found, corrections are processed in a timely manner.

- d) *Does the agency board need to receive more regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?*

No. The board receives the following financial reports:

- A monthly financial report that presents the current year budget, expenditure and revenue data by month, with year-to-date totals;
- Quarterly grant report which presents inception to end of quarter expenditure totals and grant balances;
- Mid-year budget status report; and
- Annual endowment fund report.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

Maybe. Since the Plan's implementation in 2019, mitigation fees received were significantly below the current fiscal year budget and far below the annualized projections in the 50-year model. Under the Plan, a portion of the mitigation fees received is allocated to the YHC's administrative costs. If revenue from mitigation fees are less than expected, fewer dollars are available to pay administrative expenses.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar local agencies? Does the rate/fee schedule include a specific amount identified for capital asset replacement (tied to a capital improvement plan with implementation policies)?*

No. Revenue provided in the form of Yolo HCP/NCCP fees depends on new development. Project applicants/landowner payment of fees to the Yolo Habitat Conservancy is a one-time expense. The methodology and primary assumptions used to establish the standard Yolo HCP/NCCP land cover and wetlands fees are described in Chapter 8 of the Yolo HCP/NCCP. The cost model developed to calculate these fees was developed by an economist with extensive experience evaluating costs associated with HCPs. The underlying cost model calculations and inputs are included in Appendix H of the Yolo HCP/NCCP. The Yolo HCP/NCCP utilizes two methods for making fee adjustments to ensure that funds collected are adequate to implement the Yolo HCP/NCCP. The first is an automatic annual adjustment, which uses a fee calculator that takes into account inflation and fluctuating land costs. The second fee adjustment method is a periodic assessment and adjustment of fees, which is completed every 5 years and involves the review of the costs and underlying assumptions developed as part of the funding plan as well as an estimate of the remaining costs to implement the Yolo HCP/NCCP. Consistency with the fees of other HCP/NCCP's is not directly relevant in this case because land costs for easement acquisition vary widely in different regions. YHC fees go directly to capital assets (i.e. land/easement acquisition).

- g) *Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs (excluding capital asset replacement, see 4f)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy?*

No. The agency has an adopted contingency appropriation policy and a general reserve of \$60,087. A contingency appropriation of 3%-10% is recommended in the annual budget based on the level of assessed risk. Due to the nature of the agency infrastructure and equipment failure is not applicable.

- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

No. The only debt the agency has is a \$213,523 loan from the County. This was loaned to the agency in 2019 during the transition to the new financial model. The Conservancy anticipates repaying these loans as part of its FY21-22 budget.

### **Financial Ability MSR Determination**

YHC financial status currently looks secure. However, the new financial model may present challenges during years with little mitigation fee revenue. Staffing and use of contractor services were modified to

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control expenditures under this new model. As long as expenditures are controlled within available resources, the agency should remain viable. YHC should consider increasing reserves to cover management of the program during years when little or no mitigation fees are received.

**Financial Ability MSR Recommendation(s)**

- Consider establishing separate revenue accounts to record revenue in a more meaningful way. Currently, mitigation fees, cost reimbursements, special participating entity fees and other revenues are often grouped into “Other Miscellaneous Revenue”.
- Review the annual financial statements and compare the reported numbers to the balances in the accounting system. Any differences should be documented and understood by agency staff.
- Consider increasing reserves for use during years when little or no mitigation fees are received to ensure the ongoing operation of YHC.

**5. SHARED SERVICES AND FACILITIES**

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) <i>Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

No. YHC is, by its very nature, an agency created for more efficient habitat conservation collectively in Yolo County. Members include Yolo County, the cities of Davis, West Sacramento, Winters, and Woodland, and the University of California, Davis (UCD). YHC is also supported by a Science and Technical Advisory Committee comprised of biologists and planners to provide scientific and technical guidance to the YHC on the selection of proposed conservation easement properties and mitigation receiving sites (e.g. regarding species biology, species habitat requirements, and habitat restoration actions). Therefore, YHC is already taking full advantage of shared services and collaboration.

Now that the Plan is adopted, no new members outside the Plan area can join in. It provides a “one-stop shop” for landowners/farmers to meet environmental and conservation requirements established by various local, state and federal agencies. Landowners can also sell conservation easements or establish mitigation receiving sites on their property to help fulfill the goals of the Plan.

**Shared Services MSR Determination**

YHC is, by its very nature, an agency created for more efficient habitat conservation collectively in Yolo County. Members include Yolo County, the cities of Davis, West Sacramento, Winters, and Woodland, and the University of California, Davis (UCD). Now that the Conservation Plan is adopted, no new members outside the Plan area can join in. It provides a “one-stop shop” for landowners/farmers to meet environmental and conservation requirements established by various local, state and federal agencies.

**6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES**

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

	YES	MAYBE	NO
a) <i>Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Does the agency need adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct (see suggested policies list)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) <i>Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) <i>Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results <u>not</u> reviewed in an open meeting?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) <i>If the agency is not audited annually, does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) <i>Does the organization need to improve its public transparency via a website (see <a href="https://www.yololafco.org/yolo-local-government-website-transparency-scorecards">https://www.yololafco.org/yolo-local-government-website-transparency-scorecards</a>)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

No. HCP/NCCPs take considerable time to formulate and JPAs are a common structure to prepare an HCP/NCCP. The YHC obtained state and federal approval in 2019 and currently is in the implementation process. No different organizational structure is recommended for YHC's implementation.

The YHC was criticized by the 2015-2016 Yolo County Grand Jury for both the length of time it was taking to develop a plan and plan preparation costs incurred to that point<sup>2</sup>. Several decades of

<sup>2</sup> 2016-17 Yolo County Grand Jury Final Report June 30, 2017



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expenditures in excess of the current \$15 million have been spent to develop a long-term plan to address compliance with state and federal Endangered Species Act regulations in Yolo County. Based on responses reported in the media and citizen concerns regarding the functioning of the YHC, the 2016-2017 Grand Jury decided to reopen the investigation to review lingering concerns. However, over the course of the investigation and after reviewing the current development of the long-term HCP/NCCP, all concerns of the 2016-17 Grand Jury were resolved.

The YHC has since implemented a Performance Measurement Matrix. This matrix shows Adopted Organizational Goals, Sub goals, Performance Measure, Outcome, Performance Measure Met and Pending Actions. The Yolo HCP/NCCP uses best practices found and/or implemented by other HCP/NCCPs within California to establish common practices and save on development costs.

- b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*

No. Board members are elected officials who are appointed to the YHC board by the member agencies, therefore, there are no issues with filling vacancies. Staff sets up individual meetings with new Board members to provide information regarding program issues, easement acquisitions, and financial management.

- c) *Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

No. Since approval of the HCP/NCCP, the operational model for YHC has changed as efforts shifted from plan preparation to implementation. As of July 1, 2020, YHC has contracted with Yolo County for general administration and day to day operation of YHC. The contract term is July 1, 2020 to June 30, 2021. YHC evaluates and forecasts its organizational needs as part of its annual budget process. Accordingly, at the present time and for the foreseeable future, agency staffing (including consultant support) will adjust from time to time to match revenues and needs. Monthly financial updates, annual audits, budgets reviewed by member Chief Financial Officers.

- d) *Does the agency need adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct?*

No. The YHC follows Yolo County's Administrative Policy and Procedures Manual.

- e) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. YHC officials are current with their Statement of Economic Interests disclosures with the County Clerk.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. The YHC is audited annually and reports are posted on the JPA's website. The same auditors are not repeatedly used. Reports are presented and reviewed in an open, public meeting.

- g) *If the agency is not audited annually, does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

Not applicable.

- h) *Does the organization need to improve its public transparency via a website (see <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>)?*

No. YHC received a 95% website transparency score in 2020.

**Accountability, Structure and Efficiencies MSR Determination**

The YHC obtained state and federal approval in 2019 and currently is in the implementation process. No different organizational structure is recommended for YHC’s implementation. Board members are elected officials who are appointed to the YHC board by the member agencies, therefore, there are no issues with filling vacancies. Staff sets up individual meetings with new Board members to provide information regarding program issues, easement acquisitions, and financial management.

Since approval of the HCP/NCCP, the operational model for YHC has changed as efforts shifted from plan preparation to implementation. As of July 1, 2020, YHC has contracted with Yolo County for general administration and day to day operation of YHC. Monthly financial updates, annual audits, budgets reviewed by member Chief Financial Officers. YHC is current on its officers’ Statements of Economic Interests, annual independent audits and is highly transparent and accountable with the public providing access to its records on its website.

**7. OTHER ISSUES**

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

	YES	MAYBE	NO
a) <i>Are there any recommendations from the agency’s previous JPA Service Review that have not been implemented?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Are there any recommendations from the agency’s previous JPA Service Review that have not been implemented?*

No. This is YHC’s first JPA Service Review conducted by LAFCo.

**Other Issues MSR Determination**

There are no other matters related to effective or efficient service delivery, nor previous LAFCo JPA Service Review recommendations to check status of.