
**FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT**

AGENDA ITEM No. 12

DATE: **October 9, 2013**

TO: **Fresno Local Agency Formation Commission**

FROM: **David E. Fey, AICP, Executive Officer**

SUBJECT: **Consider Adoption – Municipal Service Review and Sphere of Influence Update Prepared for the Farmers Water District.**

Recommendations:

- A) Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, find that prior to adopting the written determinations, the Municipal Service Review and Sphere of Influence determination under consideration are Categorical Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection" and Section 15061(b)(3), "General Rule Exemption."
- B) Find that the Municipal Service Review and Sphere of Influence Update prepared for the District are complete and satisfactory.
- C) Find that the written determinations within the Municipal Service Review and Sphere of Influence Update satisfy State Law.
- D) Pursuant to Government Code Sections 56425 and 56430 make the required determinations for the Municipal Service Review and District Sphere of Influence, adopt the Municipal Service Review prepared for the District, and update the Sphere of Influence for said District by reaffirming the current boundaries.

Description:

The Farmers Water District encompasses 2,222 acres east of the City of Mendota in both Fresno and Madera Counties. The District provides irrigation water to the landowners in the District.

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, special district Spheres of Influence (SOIs) every five years. Prior to, or in conjunction with an agency's SOI update, LAFCo is required to conduct a *Municipal Service Review* (MSR) for each agency.

MSRs provide a comprehensive review of the services provided by a city or district and present recommendations with regard to the condition and adequacy of these services and whether or not modifications to a city or district's SOI are necessary. MSRs can be used as informational tools by LAFCo and local agencies in evaluating the efficiencies of current district operations and may suggest changes in order to better serve the public.

SOI updates may involve an affirmation of the existing SOI boundaries or recommend modifications to the SOI boundaries. LAFCo is not required to initiate changes to an SOI based on determinations and recommendations of the service review, although it does have the power to do so.

State law requires that the Commission adopt written MSR determinations for each of the following seven criteria:

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

As part of the SOI update, the Commission is required to consider the following four criteria and make appropriate determinations in relationship to each:

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.

Environmental Determination

The California Environmental Quality Act ("CEQA") requires that the Commission undertake and review an environmental analysis before granting approval of a project, as defined by CEQA. This MSR is categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation section 15306), which states: "Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded." Indeed, MSRs collect data for the purpose of evaluating municipal services provided by the agencies. There are no land use changes or environmental impacts created by such studies.

Furthermore, this MSR qualifies for a general exemption from environmental review based upon CEQA Regulation section 15061(b)(3), which states: "The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." Additionally, the SOI update qualifies for the same general exemption from environmental review based upon CEQA Regulation section 15061(b)(3).

There is no possibility that this MSR and SOI update may have a significant effect on the environment because there is no land use changes associated with the documents. If the Commission approves and adopts the MSR and SOI update and determines that the project is exempt from CEQA, staff will prepare a notice of exemption as required by CEQA Regulation section 15062.

FARMERS WATER DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

**Report to the
Fresno Local Agency Formation Commission**

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October 2013

FARMERS WATER DISTRICT

Irrigation Services

Contact Information

Secretary: Jim Stilwell
Address: 4460 W. Shaw Avenue, #219
Fresno, CA 93722
Phone: (559) 264-1097

Management Information

Governing Body: Board of Directors
Board Members: Jim Merrill, President Expires November 2015
Barry Baker Expires November 2013
Donald Peracchi Expires November 2013
Board Meetings: As Needed
Staffing: Part-Time Bookkeeper-Secretary and Part-Time Meter Reader

Service Information

Empowered Services: Irrigation Water
Services Provided: Irrigation Water
Area Served: East of the City of Mendota in Fresno and Madera Counties
Population Served: Four irrigators
Acres Served: 2,123 acres are served but the District encompasses 2,222 acres
Infrastructure: 10 wells and 4.75 miles of underground pipeline

Fiscal Information

Income for 2012: \$534,120
Sources of Funding: Water sales and assessment if necessary
Rate Structure: \$60 per Acre-Foot

Administrative Policies

Master Plan: No **Policies/Procedures:** No **By-laws:** Yes
Boundary Updated: 1961 **SOI Updated:** 2007 **Other:** No

1. MUNICIPAL SERVICE REVIEW

Description of District

Farmers Water District (District) was formed in 1949 and became operational in 1952 as a riparian water provider. The District was formed under Statute 1913 PG. 815 of the California Water District Act. In 1957, the District traded its riparian water rights for sub-surface pumping rights (below 100 feet) with the US Bureau of Reclamation.

The primary purpose of the District is to supply irrigation water to land within its boundaries. District irrigators have the option to transfer this water to supplement their supplies on their own land in Westlands Water District.

The District is located in Fresno County and Madera County, serving 2,123 acres of land north of Highway 180 on the south side of the San Joaquin River. The District includes area on both sides of San Mateo Avenue. The portion of the District in Madera County contains nearly 00 acres and is District owned fallow land that contains the District's infrastructure. The portion of the District in Fresno County is privately owned irrigable lands. There are four land owners within the District, covering four properties. One property is absentee-owned and leased.

2. MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for Municipal Service Reviews.

1. Growth and Population Projections for the Affected Area

Current land uses within the District boundaries are agricultural, and are expected to remain agricultural. Demand for water is static and may decrease as members convert from flood irrigation of field crops to drip or micro-sprinkler irrigation for permanent plantings.

Determination - No growth or population increases are anticipated by the Farmers Water District. Future land uses are anticipated to remain the same.

2. The Location and Characteristics of any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

SB 244 and Fresno LAFCo policies define a "disadvantaged unincorporated community" to mean inhabited territory with 12 or more registered voters with an annual median household income that is less than 80 percent of the statewide annual median household income and that includes at least 15 dwelling units at a density not less than one unit per acre.

Any MSR for a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, shall identify any DUCs within and contiguous to the sphere of influence of that city or special district and describe the present and probable needs and deficiencies for the provision of those public facilities and services within such DUC. The Farmers Water District provides irrigation water not municipal or industrial water and the nearest disadvantaged community is the City of Mendota.

Determination –There are no disadvantaged communities within or near the district according to the District and the County of Fresno GIS data.

3. Present and Planned Capacity of Public Facilities and Infrastructure Needs or Deficiencies

The District's infrastructure includes 10 electric wells and 4.75 miles of concrete or PVC pipeline owned by the District on private land. The District manager indicated this amount of infrastructure and its condition is sufficient for current District operations. The District states it has no contingency funding for upgrades budgeted at this time.

The District undertakes periodic infrastructure improvements that are paid for by District member landowners, based on their percentage of land owned within the District or from water sales income from District irrigators.

Determination - The District indicated that there are no planned facilities. Water use in the District may decline so additional facilities are not expected to be needed in the immediate future. It is recommended the District develop a capital improvement plan and start budgeting for upgrades and improvements.

4. Financial Ability of Agencies to Provide Services

The District provided financial audits for the years ended December 31, 2007 and 2008. The auditors have stated that the District's financial statements represent fairly, in all material respects, the financial position of the Farmers Water District. Financial statements as of December 31, 2012, were reviewed to determine the fiscal status, assess financial practices, and review pertinent management findings.

For 2007, the District had total current assets of \$79,639. This consisted of cash in bank, accounts receivable and prepaid expenses. Additional assets in the form of land, facilities and equipment totaled \$139,623. Actual property, plant and equipment assets were \$969,150; depreciation of these assets by \$879,554 brought the total down to \$89,596. The District's liabilities in 2007 totaled \$23,270. Total retained earnings were \$195,992.

For 2008, the District had total current assets of \$60,128. This consisted of cash in bank, accounts receivable and prepaid expenses. Additional assets in the form of land, facilities and equipment totaled \$120,706. After depreciation, actual property, plant and equipment assets were valued at \$70,679. The District's liabilities in 2008 totaled \$18,017. Total retained earnings were \$162,817. This is a decrease of \$33,175 from the District's total retained earnings in 2007.

The District's financial statements for 2012 show that the District had total income of \$534,120. This was an increase of \$240,360 from 2011 (\$293,760) due to increased water rates. The District's income is derived from water sales and assessments.

In 2012, the District's expenses included electricity (\$404,169), repairs and maintenance (\$53,992), fuel and oil (\$40,461), professional fees (\$11,738), and legal and accounting (\$9,000). With total operational expenses of \$535,177 and a total operational income of \$534,120, the District had a net income of -\$1,057 in 2012. In addition to the net income the District had \$97,163 in the bank and had accounts receivable of \$15,900. The total assets were \$139,042 and the total liabilities and equity came to \$139,042, making the budget balanced.

Based on the information provided, the District appears to be operating efficiently. The District is financed through payment for water sales to customers. This can result in revenue fluctuations, however; as needed, the District may conduct assessments. Additionally, the District indicated that it does not have any outstanding debt.

The District stated that its financial statements have not been audited since 2009 but that it intends to obtain the services of an auditor to audit the financial statements for 2009-2012 in the near future.

The District reviews and/or revises user fees on an annual basis. The current fees are \$60 per acre foot. The District's fees were last updated in 2011.

Determination - The District is financially able to provide services. The District reviews the fees annually and can conduct assessments as needed. It is recommended that the District conduct annual audits to ensure accountability.

5. Status of, and Opportunities for, Shared Facilities

Three of the four irrigators within the District are members of the Mendota Pool Group and have an arrangement with Westlands Water District and the Bureau of Reclamation that allows for the transfer of water. The fourth irrigator is not a member of the Mendota Pool Group but does have a similar arrangement with both Westlands Water District and the Bureau of Reclamation. These agreements allow a portion of water pumped from the District's area to be transferred to the members' accounts in Westlands Water District.

The District indicates that due to the physical separation between Farmers and Westlands Water Districts and the limited term of the existing agreement, consolidation of infrastructure and/or services is not possible at this time, nor is it considered possible in the future.

The District's facilities are autonomous from Westland Water District facilities but are connected by the San Joaquin River and regulated by the Mendota Dam at the Mendota Pool.

Determination – There is no opportunity for sharing facilities because the District is too far from other districts to make sharing facilities feasible.

6. Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies

California Water Code section 34000-38500 enables the formation of Water Districts to provide water services to a district. This District is an independent special district which has a separate board of directors not governed by other legislative bodies (either a city council or a county board of supervisors). The District does not require support from the County, but does report the results of District-run elections to the County.

The District was formed under Statute 1913 PG. 815 of the California Water District Act. In 1957, the District traded its riparian water rights for sub-surface pumping rights (below 100 feet) with the US Bureau of Reclamation.

Farmers Water District is managed by a board of three members. Board members are replaced with alternating election dates. Elections are posted in Fresno and Madera Counties. Meetings are held as needed. With only four properties within the District boundaries, the public purpose of the District is limited.

The District employs one part-time secretary/book keeper who is assisted by a part-time District president. Additionally, the District has a part-time meter reader, who is a member of the District. The District manager indicated that the current levels of staffing are adequate to meet the District's current and future needs.

The Board creates policy by adopting resolutions or ordinances through duly-noticed public hearings. District board meetings are held as needed; there is no adopted meeting schedule. These meetings are noticed and posted consistent with Brown Act requirements. Opportunities for public testimony are provided at the involvement and input at meetings.

Determination – The District is accountable to the community service needs. LAFCo generally recommends Districts have five board members but with only four landowners that option is unfeasible. It is recommended that the District board establish a regular meeting schedule by resolution to comply with the Brown Act.

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

Farmers Water District is one of the only water districts that is not surrounded by other water districts making sharing of services impossible. Board meetings are noticed and open to the public although most of the meetings are not attended by other than the landowners.

Determination – There are no other matters related to effective or efficient service delivery.

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

Government Code Section 56076 defines sphere of Influence as “A plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

Description of Current Sphere of Influence

The District’s boundaries and sphere of influence are coterminous and encompass 2,222 acres.

No Proposed Sphere Changes

The District reports its sphere and boundary is correct at this time and no changes are anticipated.

Sphere of Influence Determinations

When LAFCO amends a sphere of influence it must adopt specific determinations with respect to certain factors. Based on information in the record, the following determinations are recommended for each factor:

1. Present and planned land uses, including agricultural and open-space lands.

Determination – Current land uses within the District boundaries are agricultural, and are expected to remain agricultural. Users purchase water for irrigation.

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

Determination – The need for District services is expected to remain static and is sufficient to serve the District’s members.

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

Determination – The District is currently able to providing and adequate level of service utilizing the current facilities.

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

Determination – There are no communities of interest in the district.

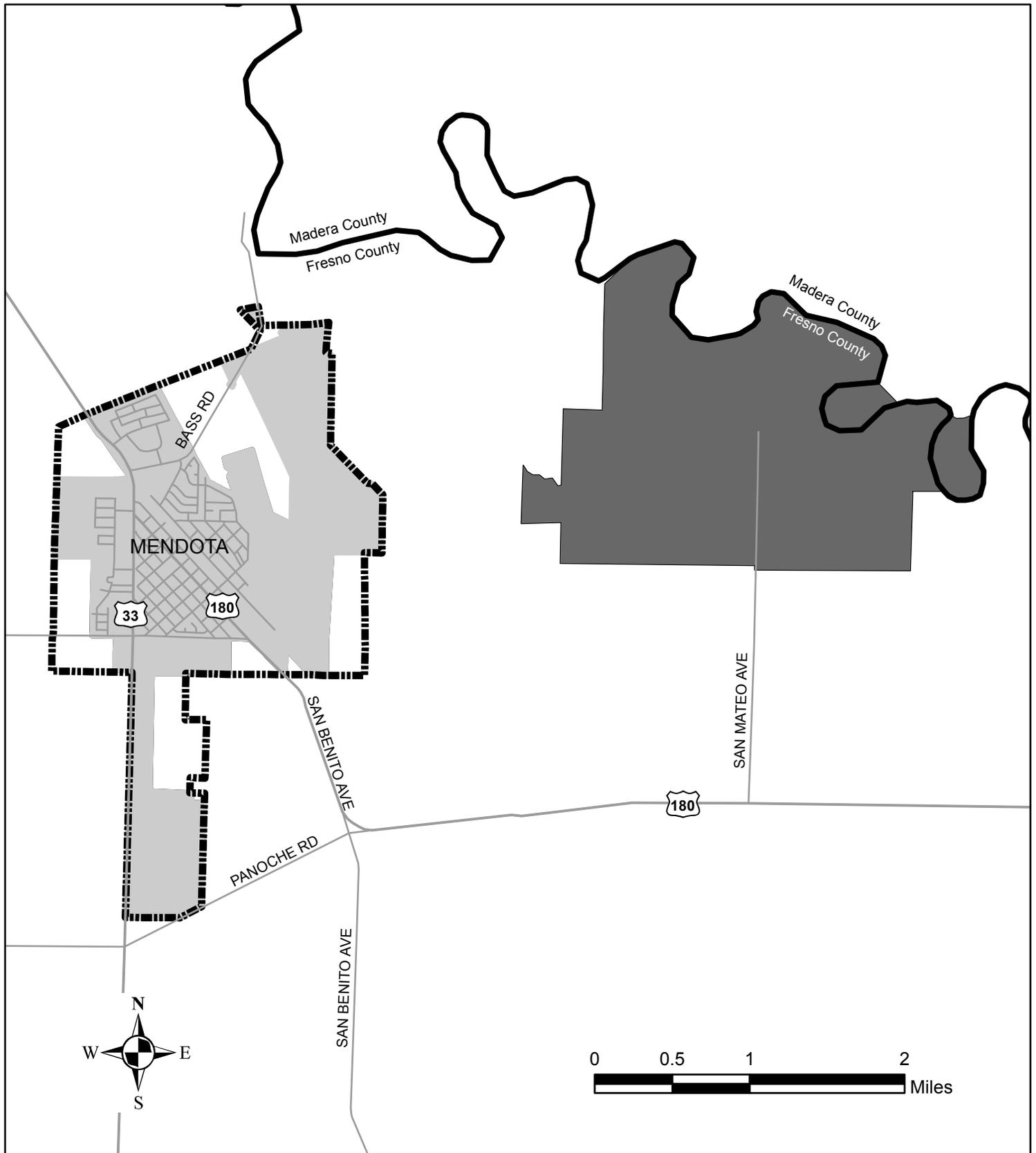
4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review was prepared by Fresno LAFCo staff using information provided by the Farmers Water District. Responsibility for any errors or omissions rests with those who provided information for the report.

5. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review, it is recommended the Commission:

1. Accept public testimony regarding the proposed Municipal Service Review.
2. Approve the Municipal Service Review determinations, together with any changes deemed appropriate.
3. Approve the Sphere of Influence determinations and affirm the current Sphere of Influence.
4. Recommend that the District develop a capital improvement plan to provide for the repair and replacement of District assets.
5. Recommend that the District conduct annual audits to ensure accountability.
6. Recommend that the District board establish a regular meeting schedule by resolution to comply with the Brown Act.



Fresno Local Agency Formation Commission Farmers Water District

Legend

-  City SOI
-  City Area
-  District Area and SOI

District Formed: 1949
 SOI Adopted: 11/26/1975
 SOI Updated: 12/05/2007

Map Date: September 2013
 District Area: 2,222 Acres
 Sphere Area: 2,222 Acres
 2,123 In Fresno county