

PLEASANT VALLEY WATER DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

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February 22, 2016

AGENCY PROFILE: PLEASANT VALLEY WATER DISTRICT

Irrigation Services

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District Office: No formal District office

Management Information

District Formation: 1963

Principal Act: California Water Code Section 34000-38500

Special District Powers: Prescribed in Water Code Section 35400-35413

LAFCo

Authorized Services:¹ Levy and collect assessments and standby charges; perform agreements, enter into contracts, and plan for the distribution of water for irrigation purposes

Governing Body: Seven member board, landowner-voter district, representation at-large

Board Members:	Bradford Gleason, President	Appointed 2014-Expires 2017
	Donald Devine, Vice President	Appointed 2014-Expires 2017
	Thomas Lovelace, Jr.	Elected 2013-Expires 2017
	Ross M. Allen	Elected 2013-Expires 2017
	Ken Kreyenhagen	Elected 2011-Expires 2015
	William Mouren	Elected 2011-Expires 2015
	Craig Finster	Elected 2015-Expires 2017

Board Meetings: Fourth Tuesday of each month, 10:00 a.m. at 20959 W. Dorris Avenue Huron, CA 93234

District Staffing: One contract legal counsel

Service Information

Service Provided: Implementation of groundwater management planning

Service Area: 35,656 Acres

Sphere of Influence: 40,899 Acres

Infrastructure: No improved facilities

Fiscal Information

District Budget: \$166,821

Sources of Funding: Prop. 218 Election for land assessments, contributions, and State grants

Administrative Policies

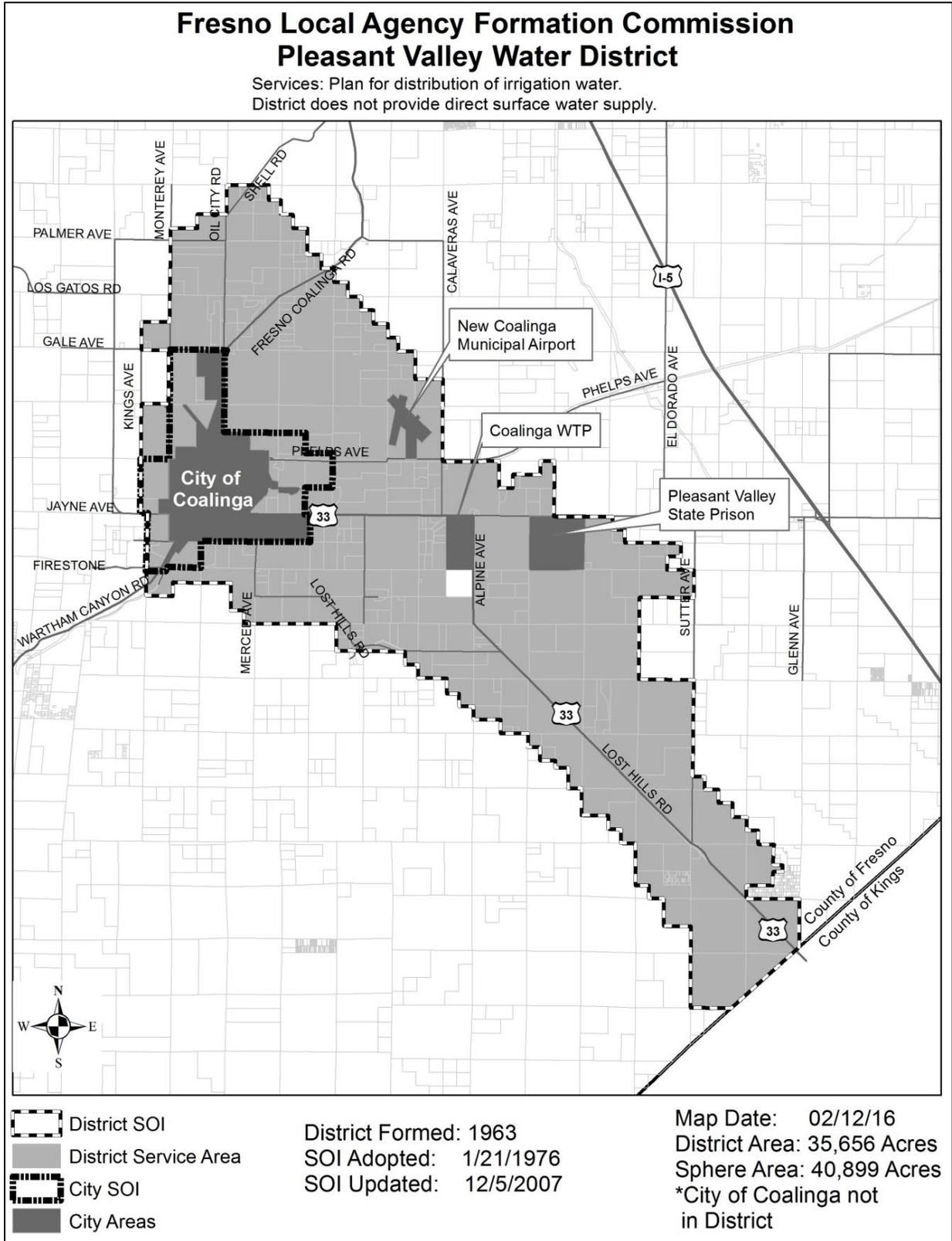
Master Plan: Draft in progress	Policies/Procedures: No	By-laws: Yes
Boundary Formed: 1963	SOI Adopted: 1975	SOI Updated: 2016

¹ Pursuant to Government Code Section 56425(i)

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Figure 1: Pleasant Valley Water District Map



1. MUNICIPAL SERVICE REVIEW

PRINCIPAL ACT

The Pleasant Valley Water District (District) was formed in 1963 to provide agricultural water to landowners residing within the District. The District was formed under California Water Code section 34000-38500 which enables the formation of Water Districts to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes.² The District has not provided direct water services since its formation for reasons that will be discussed in this report. With the 2014 passage of the state's Sustainable Groundwater Management Act (SGMA), the District states that it is positioned to represent its landowners and protect groundwater resources within the Pleasant Valley.

The District informed LAFCo staff that it currently provides its landowners with representation, information services regarding statewide water policy, water rights, new state legislation, water agency coordination, and other issues affecting local water resources. The District is an independent special district which has a seven-member board of directors not governed by another legislative body (either a city council or a county board of supervisors). Candidates eligible to serve as the board of directors must be a holder of title to land within the District boundaries or the legal representative of the holder of title to land within the District boundaries. District board members are subject to election of four-year staggered terms; in the event that the number of candidates filing with County elections is equal to the number of open seats on the board, the Board of Supervisors may appoint members in-lieu of an election; in the event no candidates file election papers, members may be appointed by the Fresno County Board of Supervisors based on a recommendation provided by the District's board of directors.

DISTRICT BOUNDARIES

The District is located in the southwestern portion of Fresno County. The District completely surrounds City of Coalinga, but the City, including its incorporated detached public facilities, is excluded from the District's service area. LAFCo by practice has encouraged District detachments when annexations to City of Coalinga are requested. The District is approximately eight miles east of the City of Huron, approximately 19 miles southwest from the unincorporated community of Five Points, and 27 miles southwest of City of San Joaquin. State Route 33 bisects the District in a northwest to southeast direction while State Route 198 bisects the District generally in a north to southwest direction. The District is approximately three miles west of Interstate 5 and five miles west of State Route 269.

The exterior boundaries of the District's service area and sphere of influence (SOI) are coterminous and encompass approximately 40,899 acres. Territories omitted from the interior of the District service area include the New Coalinga Municipal Airport, Coalinga Wastewater Treatment Plant, and the Pleasant Valley State Prison. These territories reduce the District's service area by approximately 5,243 acres resulting in a District service area of approximately 35,656 acres.

² California Water Code Section 35401.

At the time this report was being prepared Fresno LAFCo records show that the District does not provide direct surface water services to its landowners. LAFCo's 1975 SOI report on the District states that the District was formed to obtain agricultural water from the San Luis Canal; however, the District was not successful in implementing a water program proposal. LAFCo records indicate that oil companies owning over 50 percent of the land within the District were opposed to obtaining a water contract, effectively halting further water contract negotiations between the District and United States Bureau of Reclamation. Ultimately, the District did not obtain a source of water from the State or Federal supplies, and has not provided direct surface water supplies. Landowners within the District solely rely in pumping groundwater for irrigation uses.

Since its formation, interaction between LAFCo and District has primarily been for detachments as historically suggested in LAFCo's evaluation when annexation proposals are made by City of Coalinga.³ The City of Coalinga's SOI overlaps approximately 1,000 acres of the District's service area, land that is immediately adjacent to the City limits. LAFCo plans to continue the practice to recommend District detachments of land when applications to annexation into the City are filed with LAFCo.

LAFCo MSR POLICY

Fresno LAFCo Policy designates the District as a "level three" special district that provides "non-municipal" services to its constituency.⁴ A level three local agency means that in Fresno LAFCo's opinion services provided by the District do not support population nor are growth inducing. The District informed Fresno LAFCo that no growth of its service area is anticipated in the next five to ten years. The District informed Fresno LAFCo that the existing SOI is appropriately sized to account for District growth in the next 20-years. Fresno LAFCo notes that population growth is likely to occur within the neighboring incorporated cities of Coalinga and Huron, this pattern is consistent with the Fresno County policy to direct growth to the cities due to a wider range of municipal services offered within the incorporated city boundaries.⁵

In accordance with Government Code section 56066, Fresno County is the principal county. Fresno LAFCo is responsible for updating the SOI for the District consistent with Government Code section 56425(g). In order to update the agency's SOI, Fresno LAFCo has prepared this service review in accordance with Government Code section 56430.

CURRENT AND PROPOSED DISTRICT ACTIVITIES

In 1975, Fresno LAFCo prepared a Sphere of Influence report for Regional Special Districts – California Water and Irrigation Districts. Since the Commission's action to determine a SOI for the District, the District has not secured a source of surface water supply. LAFCo notes that many external factors have contributed to the District's inability to secure a source of water supply, such as local oil company opposition and unsuccessful District attempts of establishing a surface water program proposal consistent with Federal requirements.

³ Fresno LAFCo RO-10-2B, City of Coalinga, Coalinga Wastewater Treatment Facility Relocation.

⁴ Fresno LAFCo Policies, Standards, and Procedures, Policy 107- Municipal Service Review Policy.

⁵ County of Fresno, Housing Element, pg. 7-58 – Westside North Market Area.

The District indicates that it does not have a near-term timeline to achieve a direct source of water supply from the State Water Project or the Federal Central Valley Project. However, the District informed LAFCo that it plans to construct groundwater banking facilities to benefit local farm landowners once water supplies become available to contract. The District informs LAFCo that it plans to file an application with the State Water Resources Control Board to receive rights to surface water from Los Gatos, Warthan, Jacalitos, and Zapato Chino Creeks for planned recharge.

The District informed LAFCo that it intends to explore the development of a groundwater management study in order to become a Groundwater Sustainable Agency (GSA) under the state's Sustainable Ground Water Management Act of 2014 (SGMA). During the preparation of this MSR, the District board members have engaged themselves through various ad hoc committees in pursuit of this goal.

The District is taking an active role to maintain local control of groundwater management decisions within the Pleasant Valley basin which is currently over-drafted. The District is participating in the implementation of the state's SGMA (signed into law September 16, 2014) by initiating the process to become its own GSA. As envisioned by the District, the GSA will allow the District to manage its own groundwater resources and work with other local agencies to improve water conditions within the Pleasant Valley basin and region.

The District intends to file an amendment of the Pleasant Valley basin boundary with the Department of Water Resources (DWR) by March 31, 2016. The amendment request will include a technical hydrogeological study prepared by the District that will conform to the delineation standards established by the DWR. The District has committed the necessary funding to performing additional investigations to comply with the technical requirements included within SGMA. It is the District's opinion that a GSA will represent its landowners' interests through the formation of a GSA, and protect landowner rights through the development the Groundwater Sustainable Plan (GSP).

The District informed LAFCo that it has been exploring various ways to import water to the District in the form of groundwater banking and/or in-lieu recharge projects.⁶ Although the District does not have a surface water contract, it is exploring the opportunity to construct several water banking projects to capture storm waters during wet years on the four creeks listed previously in this report. The District has applied and received several grants in connection with the investigation of groundwater banking and recharge projects. The District did not provide further details on previous analyzed projects, implementation of those studies, previous awarded grants, or the funding sources.

More recently, on December 15, 2015, the District successfully conducted a Proposition 218 election which enables the District to collect land assessments to fund a technical hydrogeological study and engineering report necessary to support the District's vision of becoming a GSA under state law. A copy of the District's Proposition 218 election study was made available during the preparation of this report. LAFCo observes that the District's active participation in the state's Sustainable Groundwater Management Act could present future opportunities for shared facilities with neighboring water districts and local agencies, including the City of Coalinga.

AUTHORIZED DISTRICT SERVICES

⁶ District Comments to MSR Questionnaire.

Fresno LAFCo notes that under Government Code Section 56425(j) states, “(w)hen adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts.”

The District currently exercise its authority to: levy and collect assessments and standby charges; perform agreements, enter contracts, and plan for the distribution of water for irrigation purposes. These are District powers identified under California Water Code section 35400-35413. All other services, facilities, functions or powers enumerated in the District’s principal act are herein determined to be “latent,” meaning that they are authorized by the principal act under which the district is formed, but are not being exercised. Activation of these latent powers and services not currently provided by the District will require LAFCo authorization.⁷

GROUNDWATER STORAGE PILOT PROJECT AND FEASIBILITY STUDY

The District has shared its “Groundwater Storage Pilot Project and Feasibility Study” (“Study”) prepared in June, 2003. Several studies have recognized the Pleasant Valley area as a promising groundwater storage basin. The District’s envisioned basin is estimated as having up to 1,000,000 acre-feet of available storage and several favorable recharge areas. The Study investigated several prospective site locations along the Zapato Chino Creek and Los Gatos Creek. The Study determined that a site located along the Zapato Chino Creek was the most promising location due to the predominance of subsurface coarse materials, better groundwater quality, and proximity to the Coalinga Canal.

The Study included a feasibility design for a 125-acre recharge basin, Zapato Chino site, located approximately seven miles southwest of Coalinga, approximately half a mile south of W. Jayne Avenue and immediately east of Sutter Avenue. The Study anticipates that water will be conveyed to the recharge site through a 8.7-mile long, 60-inch diameter pipeline, connected to a 3,000 horsepower pump station located at the Coalinga Canal. The Study notes that without a source of surface water supply the District must partner with existing agencies such as the Westlands Water District, or the City of Coalinga.

At the time this MSR was prepared the District informed Fresno LAFCo it was actively engaged and interested in developing partnerships with neighboring water agencies. The District is exploring new methods to coordinate with adjacent agencies for groundwater management opportunities. LAFCo notes that securing surface water supplies or a water contract is the most critical step for the District to be situated to manage water resources in the future.

DISTRICT OPERATIONS

The District’s day-to-day operations are managed by the District President or District consultants. District operation activity has recently increased due to the State’s current drought conditions, limited water supplies, and implementation of SGMA. As noted previously, on December 15, 2015, under the provisions of California Proposition 218 elections, the District’s landowners voted in favor of an assessment to cover the costs associated with District operations and future programs necessary to study its groundwater within the Pleasant Valley basin. The land assessments will be divided into two annual payments which are due on April 10 and December 10, respectively. The District’s land assessments are scheduled to be gradually increased for the next 10 years. The District provided LAFCo

⁷ GC section 56050.5, “Latent service or power.”

with a copy of its 10-year land assessment schedule which lists the District's operation cost, programs, and hydrogeological study costs on a per-year basis and funding budget each year.

Majority of land assessments collected from the passage of the Proposition 218 election will fund the salary of a part-time district manager and will commission a hydrogeological study to support the District's vision towards becoming the GSA within the Pleasant Valley basin. The District's future part-time manager would manage daily tasks, collect water trend data, and represent the interests of the District. The District provided LAFCo a copy of the Proposition 218 analysis report which supports the District's land assessments increase proposal. The outline report titled "Future of PVWD" provides context of the initial groundwater study scope that the District plans to undertake. The District expressed to LAFCo that its existence is critical in order improve local groundwater conditions within the Pleasant Valley basin, protect landowners' interest, and represent its landowners as the state implements groundwater legislation.

DISTRICT GROWTH AND POPULATION PROJECTIONS

The County of Fresno is the land use authority for territory within the District's service area/SOI and the Fresno County General Plan Land Use Element designates the land for agricultural uses. The District lies in Fresno County General Plan's Coalinga Regional Plan Area.⁸ The Coalinga Regional Plan refines the County's General Plan with land use designations consisting of Agricultural and Westside Rangelands.

The District's service area consists of a combination of large and small farming operations that generally host permanent row crops and annual row crops. Significant acreages of land in the District include row crops of mainly carrots, grains, and cotton, garlic, onions, fresh market tomatoes, head lettuce (fall and spring), broccoli, peppers, and sweet corn. Existing land uses in the District consist largely of agricultural and agricultural supporting commercial uses. The City of Coalinga is situated within the District but is not included in the District's service area. By LAFCo policy, District services do not directly facilitate or affect the rate or location of population growth. As a result population growth is expected to occur within the City of Coalinga. This is consistent with the Fresno County policy to direct growth to the cities due to a wider range of municipal services offered by the incorporated cities.⁹ As previously noted, LAFCo plans to continue its practice to concurrently detach territory from the District's service area when the City proposes to annex territory.

DISADVANTAGED UNINCORPORATED COMMUNITIES

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) requires Fresno LAFCo to make determinations regarding "disadvantaged unincorporated communities" ("DUCs") when considering a change of organization, reorganization, SOI expansion, and when conducting municipal service reviews for local agencies under LAFCos jurisdiction.

For any updates to a SOI of a local agency (city or special district) that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, the Commission shall consider and prepare written determinations regarding the present and planned capacity of public

⁸ According to materials provided by Fresno County, this Regional Plan appears to have last been updated in 1996.

⁹ County of Fresno, Housing Element, Implementation Program H-A.K

facilities and adequacy of public services, and infrastructure needs or deficiencies for any disadvantaged unincorporated community within of contiguous to the SOI of a city or special district.¹⁰

Government Code sec. 56033.5 defines a DUC as: i) all or a portion of a “disadvantaged community” as defined by sec. 79505.5 of the Water Code (territory with an annual median household income (MHI) that is less than 80 percent of the statewide annual median household income¹¹ and as defined in Government Code sec. 56046 and Water Code sec. 79505.5); and as ii) “inhabited territory (12 or more registered voters), as defined by sec. 56046, or as determined by commission policy. Fresno LAFCo policy further refines a DUC as having at least 15 dwelling units at a density not less than one unit per acre.

A review of the ACS five-year estimated for years 2006 through 2010 ACS was conducted by Fresno LAFCo to provide a description of the demographic composition within the District boundaries. The District is located in an unincorporated portion of southwest Fresno County generally within US census tract, 78.01 block group one, tract 79.01 block group one, tract 79.02 block group two, and tract 80.00 block group four. Table 1 at the end Chapter 1 of this report provides census tract and MHI income information for census geographic units within the District’s general boundaries. California’s statewide MHI reported for years 2006 through 2010 was \$60,883. The DUC threshold for any geographic area is a MHI that is less than \$48,706.¹² Based on these US census datasets, the MHI for the census tracts-block groups within the District boundaries are consistent with the standard established for Disadvantaged Communities.

Fresno LAFCo observes that the District does not provide municipal services related to sewer, municipal or industrial water, or fire protection. The District informed Fresno LAFCo that it does not own public facilities that would present a potential direct benefit to a DUC. Fresno LAFCo designates the District as a non-municipal local agency that does not provide municipal services that facilitate, support, or induce population growth.

DISTRICT INFRASTRUCTURE

As noted earlier, the District does not own or manage facilities or infrastructure. The District informed LAFCo that it is currently taking an active role in the implementation of SGMA. On October 28, 2015, District board members met with LAFCo staff to formally identify the type of activities that the District is engaged with, and encourage the District to develop a Master Plan (MP) that could memorialize the District’s long-term plan. As suggested, the District should periodically update the MP on an ongoing basis.

A draft MP was provided by the District during the preparation of this MSR. The draft MP provides context on the District’s near term operation plan and lists future programs that support the District’s long term vision. The District intends to purchase groundwater monitors and stream gages in connection with the District’s future recharge feasibility study and hydrogeological study. The District draft MP provides descriptions and timelines for acquiring future equipment. Given that the District’s

¹⁰ Government Codes section 56425(e) 5, Present and Probable need; disadvantaged unincorporated communities.

¹¹ The statewide MHI reported for years 2006 through 2010 was \$60,883, the DUC MHI threshold is therefore a reported MHI that is less than \$48,706.

¹² California Water Code 79505.5.

operations are limited to studying and planning groundwater research projects there are no opportunities for shared facilities that arise at this time.

DISTRICT FINANCES

The District's principal act permits the District to collect annual property assessments from all landowners within the District. However, the District has not exercised this power due the absence of personnel and lack of District activity. The District informed LAFCo that historically it has commissioned several groundwater studies through a combination of state grants or voluntary landowner contributions.

The new District board of directors informed LAFCo that existing funds in the District's budget are not sufficient to support its long-term goals. As previously indicated, the District landowners successfully approved the Proposition 218 election to increase land assessments to cover operation costs and future programs scheduled by the District. The District's land assessment is scheduled to be gradually increased for the next 10 years and generate over \$3.8 million dollars by 2025 to fund District operations.

Majority of the District's previous studies related to groundwater projects were financed through the assistance of state grant programs and volunteer donations. A June 2003 Study prepared by the previous District administration estimated capital costs to construct the Zapato Chito recharge project could reach \$23.6 million, and estimates for District operation and maintenance of the project were approximately \$1.7 million dollars per year. The estimated unit-cost to store water is approximately \$254 per acre foot. It is important to note that these are 2003 estimates provided in the Study and costs are subject to change. Although the District did not implement the Study's recommendations, the Study encouraged the District to apply for available grant funding via Proposition 13 Groundwater Storage Construction Grant Program.

More recently, the District prepared a 2014 report "Future of PVWD" which describes the District's Proposition 218 election process. The Study identifies the land assessment proposal, part-time manager responsibilities, and funding structure for the Initial Focus of a Groundwater Study. The District informs LAFCo that the successful election will enable the District to be more efficiently operated with a part-time District manager instead of relying on directors' availability or contract consultants.¹³

The District board adopts an annual budget each year that projects the cost for District operations for the coming year. The District adopted budget for FY 2015-16 shows a total of \$166,821. The District estimated its primary expenses to be allocated towards the services shown on Table 2 at the end of this report.

The District provided Fresno LAFCo the most current financial auditor statements for year ending on June 30, 2014. The financial report states that as of June 30, 2014, the carrying amount of the District's cash deposits (including amounts in the checking account and bank money market accounts) was \$55,743 and the bank balance was \$55,743. The basic insurance coverage limit by the Federal Insurance Corporation (FDIC) was \$250,000 per insured bank. The District's bank balance was covered by the

¹³ Minutes of the Special Meeting of the PVWD Board of Directors, June 30, 2015.

federal depository insurance. The District's operating expenses ending on June 30, 2014, is shown on Table 3 at the end of this report.

The District's net position as of July 1, 2013, was estimated at \$74,673. After the year-end adjustments are applied the District had a net position of \$53,763.

The District does not have any infrastructure or debt and does not require extensive managerial or administrative resources. However, the District anticipates that future funding for the next 10 years collected from the successful Proposition 218 election vote will generate adequate revenue to fund operation of the District. By mid-2016, the District will begin the collection of land assessments from landowner within the District service area. The District provided LAFCo a copy of the Assessor Parcel Numbers (roster) within the District service area which lists all territories that would be billed the land assessment.

The District avoids substantial costs by not employing full-time employees at this time. The new landowner approved land assessments appear to adequately project funds to finance district activities beginning 2016, and into the near future. District board members do not receive compensation for their time devoted to District related matters. Based on the information provided by the District, the District appears financially sound.

GOVERNMENTAL ACCOUNTABILITY

Pleasant Valley Water District is a California Water District, which is a landowner-voter District. Water code statute enables the District to conduct its own elections, typically on odd years. Candidates for the District board must either hold title to land within the District or be the legal representative of a title holder of land within the District. According to the District's 2015 by-laws, the District is governed by a seven-member board of directors. During the MSR update process, the Board of Directors amended the District's 2011 by-laws, to perform administrative corrections, shift from a five to a seven-member board of directors, and establish a new District office location. The amendments reflect the District's interest to participate in local water resource management and the SGMA.

On December 2015, the Fresno County Board of Supervisors adopted resolution approving the updated District by-laws consistent with California Water Code section 35300-35307.¹⁴ The District amended its by-laws to move its previous District office location from 27754 W. Conn Avenue, Coalinga, CA 93210 to 20959 W. Dorris Avenue, Coalinga, CA 93210. Previous regular board meetings were held once a year; the second Tuesday of October at 10:00 a.m. The District's by-law amendment increased board meeting frequency by scheduling a meeting for the fourth Tuesday of each month. The District anticipates that the additional meetings will be focused on implementation of the District's ground water study. The District posts board meeting notices and agendas at the District meeting location at least 72 hours before scheduled board meetings. In addition, the District emails the notice of meetings and agendas to any landowner or public member that provides the District an email contact. Meeting agendas containing a brief description of each item of business to be transacted or discussed at the meeting is provided.

¹⁴ California Water Code 35306.

Every agenda provides an opportunity for members of the public to address the board on items not listed on the agenda. Although the District did not have permanent staff at the time this MSR was prepared, the District's legal counsel attends and provides assistance at every board meeting to ensure compliance with the Brown Act. The District board has the ability to elect a president, secretary, a treasurer, and assessor-tax collector from its members and hire employees. Officers other than the president are not required to be Directors. Furthermore, duties for each appointed District officer are included in the District's bylaws.

During early stages of the MSR preparation, the District appeared to experience difficulty responding to Fresno LAFCo's public information request. LAFCo contacted the District legal counsel and sent notice on December 12, 2014, informing the District of the scheduled MSR update. Ongoing efforts by LAFCo to engage the District gradually began to show improvement after June 3, 2015. LAFCo concludes that inactivity on the part of the former District president and lack of staff contributed to the District responsiveness to LAFCo's public information request.

On October 21, 2015, the District informed LAFCo that the former president had resigned. Shortly thereafter the board appointed a new president and became responsive with LAFCo's MSR Program. On October 28, 2015, the District's new president and several District property owners met with LAFCo staff to discuss the District's near-term plans and existing projects, and how these could be constructively evaluated in the MSR. As a result of this meeting, the District demonstrated effective communication which assisted in the comprehensive development of this MSR update. The District's improved administration demonstrates characteristic of efficient local government accountability.

During the same period, the District updated its by-laws consistent with California Water District Law. During the MSR update preparation, the District was in the process of developing a District Master Plan (MP). The draft MP includes details on the District's recent successful Proposition 218 election which enables the District to collect landowner land assessments beginning in mid-2016. The District informed LAFCo that the MP is envisioned to be periodically updated by the District. A copy of the District's draft Master Plan was provided to LAFCo.

MAPPING INFORMATION

During the MSR preparation, the District and LAFCo learned that mapping data held by both agencies were inconsistent with each other. LAFCo's 2007 MSR map incorrectly depicted the City of Coalinga as being within the District service area resulting in service area acreage estimates that were inconsistent with the District's own estimates. However, LAFCo records indicated that since the District's formation land in City of Coalinga was never part of from the District, and each annexation to the City was approved with a concurrent detachment from the District. These territories reduce LAFCo's estimate of the District service area by approximately 5,243 acres resulting in a corrected service area of approximately 35,656 acres.

LAFCo staff used Geographic Information Systems (GIS) mapping data located within the County of Fresno GIS network to re-estimate the District's service area. LAFCo staff used the District's GIS boundary as mapped by County of Fresno Planning and Public Works Department to identify the District's perimeter. All Assessor Parcel Numbers (APN) located within the District boundary were identified and lot areas were tabulated to gauge the District correct service area. LAFCo staff also reviewed the City of Coalinga annexation activity dating to 1978 in order to verify accurate annexation

records. New LAFCo map information indicates that the District's service area measures approximately 35,656 acres.

The District informed LAFCo that it had previously developed an APN roll spreadsheet of all parcels in the District as part of the Proposition 218 election process. The District used boundary mapping information held by the California Department of Water Resources (DWR), Public Agency File, 2008 to identify its service area and also used 2015 Fresno County Assessor Information.^{15,16} LAFCo and the District effectively compared APN roll spreadsheets in order to reconcile each agency's data sets.

The APN spreadsheet compared all identified APNs and acreage estimates on a per parcel basis for each parcel within the District. The District estimates its service area to amount to approximately 35,468 acres a difference of approximately 187 acres smaller than LAFCo's estimates.

LAFCo worked with the District and Fresno County GIS staff to resolve these inconsistencies; some sources of error in GIS data were clear and taken care of immediately, whereas others were more difficult to identify due to minor difference that gradually compounded when calculated on a per parcel basis. In the case of the latter, a significant source of the discrepancies is the District's practice of including only portions of some parcels in its service area and LAFCo's use of entire parcels when determining service area. Once this discrepancy was found, LAFCo staff contacted the Fresno County Assessor's office to gauge the extent of the discrepancy, discuss the data collection and management procedures, and determine the most accurate database. Fresno County Assessor's staff informed LAFCo that the District is a landowner District which collects land assessments based on territory (acreage) located within the District, and does not participate in the Tax Rate Area/County's tax exchange program. The acreage discrepancy essentially does not affect the County's annual property tax assessment program.

LAFCo notes that the District is in the best position to maintain mapping and service area data. As such, it is appropriate to recommend that the District take responsibility to maintain a record of its boundaries, parcel acreage, and landowners scheduled to paying future land assessments, and to share this information with LAFCo, the Fresno County Department of Public Works and Planning, and the County Assessor.

LAFCo concludes that though the GIS software is assumed to be precise, each agency employed slightly differing definitions of what constitutes "precision" as they fulfilled their various responsibilities to manage the data. Although map information continues to differ between agencies, LAFCo notes that the margin of error is less than 1%, which is generally accepted.

ACTION TAKEN ON DISTRICT 2007 MSR RECOMMENDATIONS

The 2007 MSR made the following determination related to government structure options:

- The District may not be necessary for the residents within the District to receive water supply, and dissolution, or absorption into another agency may be desired.

¹⁵ Engineer's Report for PVWD, Proposition 218 Procedures for Benefit Assessment, October 2015.

¹⁶ DWR Public Water Agency file, 2008,
http://www.water.ca.gov/pubs/drainage/2008_boundaries_of_public_water_agencies_san_joaquin_valley/pwa08_sjv.pdf.

No action has been taken on this recommendation. In 2007, the District's government structure was adequate to support its continued efforts to research possible sources of surface water supply and conduct water groundwater research. The District's primary service will continue to evolve around its ability to secure a permanent source of surface water supply. The District shared with Fresno LAFCo that it intends to ultimately become the GSA under the state's SGMA legislation. The successful passage the District's Proposition 218 election will fund a part-time district manager and commission hydrogeological study to support the District's goal of becoming a GSA under the state's SGMA legislation. It is the District's opinion that its existence is necessary in order to uphold local landowner representation, protect groundwater, and maintain local control of groundwater management decisions.

Another 2007 MSR recommendation read,

- The City of Coalinga is the best option for such a transition of government structure, however; a full analysis of the financial and operational impacts of such a transition.

No action has been taken on this recommendation. In 2007, merger or consolidation with the City of Coalinga is not a feasible option to assume responsibility of District services. It is important to note that Coalinga residents do not receive an assessment charge or receive a direct benefit from the District services. The City of Coalinga is completely surrounded by the District, but is excluded from the District service area. LAFCo observes that District services generally are oriented for farming operations, and not typical for urbanized land. It is the practice of LAFCo to recommend the detachment of land from the District when land is proposed for annexation into the City of Coalinga. LAFCo intends to continue this practice when the City annexes territory for urban use.

The District's lack of infrastructure and a source of surface water supply presents a challenge to develop feasible options for potential governmental reorganization. LAFCo notes that SGMA encourages water related agencies to develop partnership and mutual agreements in order to implement the intent of the legislator. As indicated previously, the District's successful Proposition 218 election will enabled the District to hire a part-time manager, collect land assessments planned to gradually increase for the next 10 years, and generate sufficient funds to commission a technical hydrogeological study, and engineering report necessary to support the District's vision of becoming a GSA, under state water legislation.

LAFCo notes that if the District is unable to fulfill its vision of becoming a GSA by the deadlines established under SGMA and Department of Water Resources an alternate course of action for LAFCo to consider would be the consolidation of the District with the Westlands Water District (WWD). WWD, as illustrated on Figure 2 at the end of this report, operates under the same principal act, and provides irrigation water and drainage services, and is located east of and adjacent to the District. Opportunities to extend infrastructure and convey surface water into the Pleasant Valley would likely be accomplished through consolidation of the District. If WWD were to express an interest to become a service provider in the existing PVWD's service area, consolidation of the district may likely be appropriate.

The District informed LAFCo that its landowners would not support consolidation. With the passage of SGMA, landowners within the District are facing numerous challenges with groundwater resources as they begin to comply with the law. The District wants to position itself to represent its landowners and protect groundwater resources. WWD is over 600,000 acres represented by nine directors. Those Directors naturally look after the interest of farmers within their existing boundaries. The District is

concern that the consolidation would put the District at a complete disadvantage dealing with a larger entity.

2. MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for Municipal Service Reviews and provides analysis in conformance with Government Code §56425 and Fresno LAFCo policy. Pursuant to Government Code §56430, the Commission prepares the following written determinations.

1. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA.

- The County of Fresno is the land use authority for territory within the District's SOI/service area and the Fresno County General Plan Land Use Element designates the land for agricultural uses.
- The District lies in Fresno County General Plan's Coalinga Regional Plan Area. The Coalinga Regional Plan refines the County's General Plan with land use designations consisting of Agricultural and Westside Rangelands. No significant changes to population are anticipated.
- The District is located in the southwestern portion of Fresno County. The District completely surrounds City of Coalinga, but the City and its unincorporated public facility islands are excluded from the District's service area. Fresno LAFCo traditionally has encouraged District detachment of land when annexation requests into City of Coalinga are made to Fresno LAFCo.
- The District's service area and sphere of influence (SOI) are coterminous and amount to approximately 35,656 acres.
- The District is designated as a non-municipal local agency, which means that the District provides non-municipal services that do not facilitate, support, or induce population growth.
- Fresno LAFCo records indicate that the District does not currently provide direct surface water services to its landowners.

2. THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE.

- The District is designated by LAFCo policy as a level three non-municipal local agency, meaning that the District is authorized to provide non-municipal services.

- The District has no public facilities or provides services related to sewer, municipal and industrial water, or structural fire protection that would present opportunity to extend services to a disadvantaged unincorporated community.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES AND INFRASTRUCTURE NEEDS OR DEFICIENCIES.

- Fresno LAFCo notes that many external factors have contributed to the District's inability to secure a source of surface water supply, such as local oil company opposition and unsuccessful District attempts of establishing a surface water program consistent with Federal requirements.
- The District does not own or manage facilities or infrastructure. The District informed Fresno LAFCo that it is currently taking an active role in the implementation of SGMA. The District expressed to Fresno LAFCo that it intends to develop groundwater banking projects and coordinate partnerships with agencies to obtain a source of water supply.
- On December 15, 2015, under the provisions of California Proposition 218 elections, the District's landowners voted in favor of an assessment to cover the costs associated with District operations and future programs necessary to study its groundwater within the Pleasant Valley basin. The District's land assessments are scheduled to be gradually increased for the next 10 years. The land assessment will fund the District's operation cost, programs, and hydrogeological study costs on a per year basis and anticipated need for funding each year.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES.

- The District board adopts an annual budget each year that projects the cost for District operations for the coming year. The District adopted budget for FY 2015-16 shows a total of \$166,821. The District estimated its primary expenses to be allocated towards the services shown on Table 2 at the end of this report.
- The District has the ability to collect annual property assessments from all landowners within the District. However, it appears that the District has not annually exercised its ability to collect assessments primarily due the absence of personnel and District inactivity. Historically, District funds are generated from a combination of available funds in the form of state grants or voluntary landowner contributions
- The District landowners successfully approved a California Proposition 218 election in favor to increase assessments to cover District operation costs and future programs necessary to study its groundwater within the Pleasant Valley basin. The District's land assessment is scheduled to be gradually increased for the next 10 years and generate over \$3.8 million dollars to fund the District activities.
- The District contracts a consultant engineer, legal counsel, and bookkeeper on an as needed basis. Based on the information provided by the District, the District appears financially sound.

5. STATUS OF, AND OPPORTUNITIES FOR, SHARED FACILITIES.

- The District currently exercise it authority to levy and collect assessments and standby charges; perform agreements, enter contracts, and plan for the distribution of water for irrigation purposes.
- Given that the District's operations are limited to studying and planning groundwater research projects there are no opportunities for shared facilities that arise at this time. Fresno LAFCo observes that the District's participation in the implementation of the state's Sustainable Groundwater Management Act of 2014 could present future shared facilities with neighboring water districts.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENT STRUCTURE AND OPERATIONAL EFFICIENCIES.

- California Water Code section 34000-38500 authorizes the formation of Water Districts to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes.
- A body of seven elected officials serves as the Board of Directors governing the District's operations. The District board members serve on a volunteer basis, and receive no compensation for attending District meetings.
- The District office is located at 20959 W. Dorris Avenue, Coalinga, CA 93210. Regular board meetings were held every fourth Tuesday of each month at 10:00 am.
- Opportunities for public participation and communication with the Board of Directors are permitted during each District meeting, each meeting agenda allocates time for public comments.
- The District informs its landowners of scheduled meetings by including a notice of upcoming board meeting dates in each customers' annual water order form.

7. ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY.

- The District is in the process of developing a District Master Plan (MP). The draft MP includes details on the successful Proposition 218 election which enables the District to collect landowner land assessments mid-2016. The District informed LAFCo that the MP is envisioned to be periodically updated by the District. A copy of the District's draft Master Plan was provided to LAFCo.

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

In order to carry out the Commission's purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to its jurisdiction, the Commission shall develop and determine the sphere of influence of each city and each special district within the County and enact policies designed to promote the logical and orderly development of areas within the sphere. A sphere of Influence is defined as "a plan for the probable physical boundaries and service area of a local agency, as determined by the commission."

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 each of the following:

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 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, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

In determining a sphere of influence, the Commission may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery. The Commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.

When adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts. The Commission may require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.

When Fresno LAFCO updates a sphere of influence it must adopt specific determinations with respect to the following factors:

1. PRESENT AND PLANNED LAND USES, INCLUDING AGRICULTURAL AND OPEN-SPACE LANDS.

- The County of Fresno is the land use authority for territory within the District's boundaries.
- The Fresno County General Plan Land Use Elements designates territories as agricultural use within the District's boundaries.
- Current land uses are agricultural. No significant changes to population or service demand within the District are anticipated.

2. PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA.

- The District currently does not have public facilities within the District.
- Majority of land assessments collected from the passage of the Proposition 218 election would be directed to fund the salary of a part-time district manager and commission a hydrogeological study that would support the District's vision towards becoming a GSA. The District's future part-time manager would manage daily tasks, collect water trend data, and represent the best interest of the District.

3. PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES THAT THE AGENCY PROVIDES OR IS AUTHORIZED TO PROVIDE.

- At the time this MSR was prepared the District informed LAFCo it was actively engaged and interested in developing partnerships with local water agencies. However, the District currently does not own or manage facilities or infrastructure. The District is in the process of developing a District Master Plan (MP). The draft MP includes details on the District's recent successful Proposition 218 election which enables the District to collect landowner land assessments by mid-2016. The District informed LAFCo that the MP is envisioned to be periodically updated by the District. A copy of the District's draft Master Plan was provided to LAFCo.
- District provides services consistent with its principal act and as authorized by the Fresno LAFCo.

4. EXISTENCE OF ANY SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA IF THE COMMISSION DETERMINES THAT THEY ARE RELEVANT TO THE AGENCY.

- There are no relevant social or economic communities of interest relevant to the District's service provisions. The District currently does not have a secured source of water supply.

5. THE PRESENT AND PROBABLE NEED FOR THOSE PUBLIC FACILITIES AND SERVICES OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN THE EXISTING SPHERE OF INFLUENCE.

- The District is designated by LAFCo policy as a non-municipal local agency, meaning that the District is authorized to provide non-municipal services. The District has no public facilities or provides services related to sewer, municipal and industrial water, or structural fire protection

that would present opportunity to extend services to a disadvantaged unincorporated community.

4. RECOMMENDATIONS

In consideration of information gathered and evaluated during the 2015 Municipal Service Review, it is recommended the Commission:

1. Receive this report and any public testimony regarding the proposed Municipal Service Review and proposed Sphere of Influence Update.
2. Find that the Municipal Service Review is exempt from the California Environmental Quality Act pursuant to section 15306 (Information Collection).
3. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.
4. Recommend that the District:
 - 4.1. Maintain an accurate and accessible public record in compliance with the spirit of the Public Records Act.
 - 4.2. Complete its Master Plan (MP), schedule regular updates, and provide LAFCo with a copy of this document when completed.
 - 4.3. It take responsibility to maintain a record of its boundaries, parcel acreage, and landowners scheduled to paying future land assessments, and to share this information with LAFCo, the Fresno County Department of Public Works and Planning, and the County Assessor.

5. A C K N O W L E D G E M E N T S

This Municipal Service Review was prepared by Fresno LAFCO staff. The Pleasant Valley Water District provided information included in this evaluation of the agency's service provisions. Fresno LAFCo staff extends its appreciation to the District President Bradford Gleeson, and the District Board of Directors, and legal counsel for their assistance in the completion of this Municipal Service Review Update and Sphere of Influence Update.

This document and supportive information is available in the Fresno LAFCo office located at:

Fresno Local Agency Formation Commission
2607 Fresno Street, Suite B
Fresno, California 93721

The Municipal Service Review is available on Fresno LAFCo's website,
<http://www.fresnolafco.org/MSR.asp>

Appendix - Tables

Table 1 - US Census five-year ACS estimates: 2006 to 2010

<i>U.S. Census Tract and Block Group</i>	<i>Median Household Income – ACS estimates</i>
Tract 78.01 block group one	\$29,120
Tract 79.01 block group one	\$0 (errors in reporting)
Tract 79.02 block group two	\$37,813
Tract 80.00 block group four	\$27,679

Table 2-District Budget, July 1, 2015-June 30, 2016

Pleasant Valley Water District Operating Budget July 1, 2015 thru June 30, 2016									
	2015 July - Dec.	2016 January	2016 February	2016 March	2016 April	2016 May	2016 June	1/1/2016 thru 6/30/2016	7/1/2015 thru 6/30/2016
Beginning Cash	166,821	115,667	97,037	71,740	52,444	27,147	23,517	115,667	166,821
Ist Assessment								0	0
Credit								0	0
Total Available Cash	166,821	115,667	97,037	71,740	52,444	27,147	23,517	115,667	166,821
Delta Mendota Water Authority	250							0	250
Bank Charges	154	30	30	30	30	30	30	180	334
Bookeeping	400	50	50	50	50	50	50	300	700
Accounting Audit	3,500							0	3,500
E & O Insurance		1,000						1,000	1,000
Miscellaneous		50	50	50	50	50	50	300	300
Total Administrative	4,304	1,130	130	130	130	130	130	1,780	6,084
Legal - Board Meetings	8,022	1,500	1,500	1,500	1,500	1,500	1,500	9,000	17,022
Legal - Basin Boundary	6,584							0	6,584
Legal - LAFCo	1,200							0	1,200
Legal - 218 election	6,586							0	6,586
Legal - GSA	990							0	990
Legal - Job Description/Hiring Mgr.	840							0	840
Total Legal	24,222	1,500	1,500	1,500	1,500	1,500	1,500	9,000	33,222
Eng. - Investigate Standing Task 2			1,000	1,000	1,000	1,000	1,000	5,000	5,000
Eng. - 218 election	22,628	16,000						16,000	38,628
Eng. - Basin Boundary Adjustment			11,667	11,667	11,667			35,000	35,000
Eng. - Data collection (Task 1)			10,000		10,000		10,000	30,000	30,000
Eng. - liaison (Task 2)			1,000	1,000	1,000	1,000	1,000	5,000	5,000
Eng. - Standing/Granite Project (Task 3)				4,000				4,000	4,000
Total Engineering	22,628	16,000	23,667	17,667	23,667	2,000	12,000	95,000	117,628
Projected Ending Cash	115,667	97,037	71,740	52,444	27,147	23,517	9,887	9,887	9,887

Table 3 -District Operating Expenses, year ending on June 30, 2014

Table 3-District Operating Expenses, year ending on June 30, 2014	
Membership and fees	\$525
Accounting	\$4,050
Legal	\$16,320
Office	\$701
Insurance	1,100
Total Operating Expenses	\$22,696