

PANOCHÉ WATER DISTRICT

DRAFT MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

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

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AGENCY PROFILE: PANOCHÉ WATER DISTRICT

Irrigation Services

Contact Information

Manager: Dennis Falaschi
Address: 52027 W. Althea Avenue
Firebaugh, CA 93622
Phone: (209) 364-6136

Management Information

Governing Body: Board of Directors
Board Members: Mike Stearns Appointed 2013-Expires November 2017
Ross Koda Appointed 2013-Expires November 2017
Michael Linneman Appointed 2013-Expires November 2017
Sue Redfern-West Appointed 2011-Expires November 2015
John F. Bennett Appointed 2011-Expires November 2015
Board Meetings: Second Tuesday of each month at 9 a.m. in the District office
Staffing: 71 Employees

Service Information

Principal Act: California Water District Law (Water Code 34000-38500)
Empowered Services: Distribution of water for irrigation, municipal and industrial uses, partnerships for drainage management
Services Provided: Distribution of water for irrigation and incidental domestic water deliveries
General location: Northwestern Fresno County and Southeastern Merced County
Population Served: 67 Landowners
Acres Served and SOI: 38,317 acres
Infrastructure: 42 miles of canal, eight miles of pipelines, used for water distribution facilities, small water treatment plant and 18 pumping stations

Fiscal Information

Budget: \$20,000,000
Sources of Funding: Water rates, state and federal grants, and district assessment fees
Rate Structure: Adjusted based on actual U.S. Bureau of Reclamation water rates and operating expenses

Administrative Policies

Master Plan: Yes **District Rules/Regulation:** Yes **By-laws:** Yes
Boundary Updated: 1950 **SOI Updated:** 2007

MUNICIPAL SERVICE REVIEW

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1. MUNICIPAL SERVICE REVIEW

PRINCIPAL ACT

Formed in 1950, the Panoche Water District (“District”) is located in the western portion of Fresno County approximately six miles west of City of Firebaugh. The District is authorized by its principal act (Water Code 34000-38500) to operate and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, and industrial purposes. The 2007 Panoche Water District Sphere of Influence (SOI) is generally bounded by Interstate Highway 5 on the west, Althea Avenue to the north, Fairfax Avenue on the east, and Shields Avenue to the south. The District provides irrigation water to farmlands within its boundaries, primarily in Fresno County with some territories located in the County of Merced.

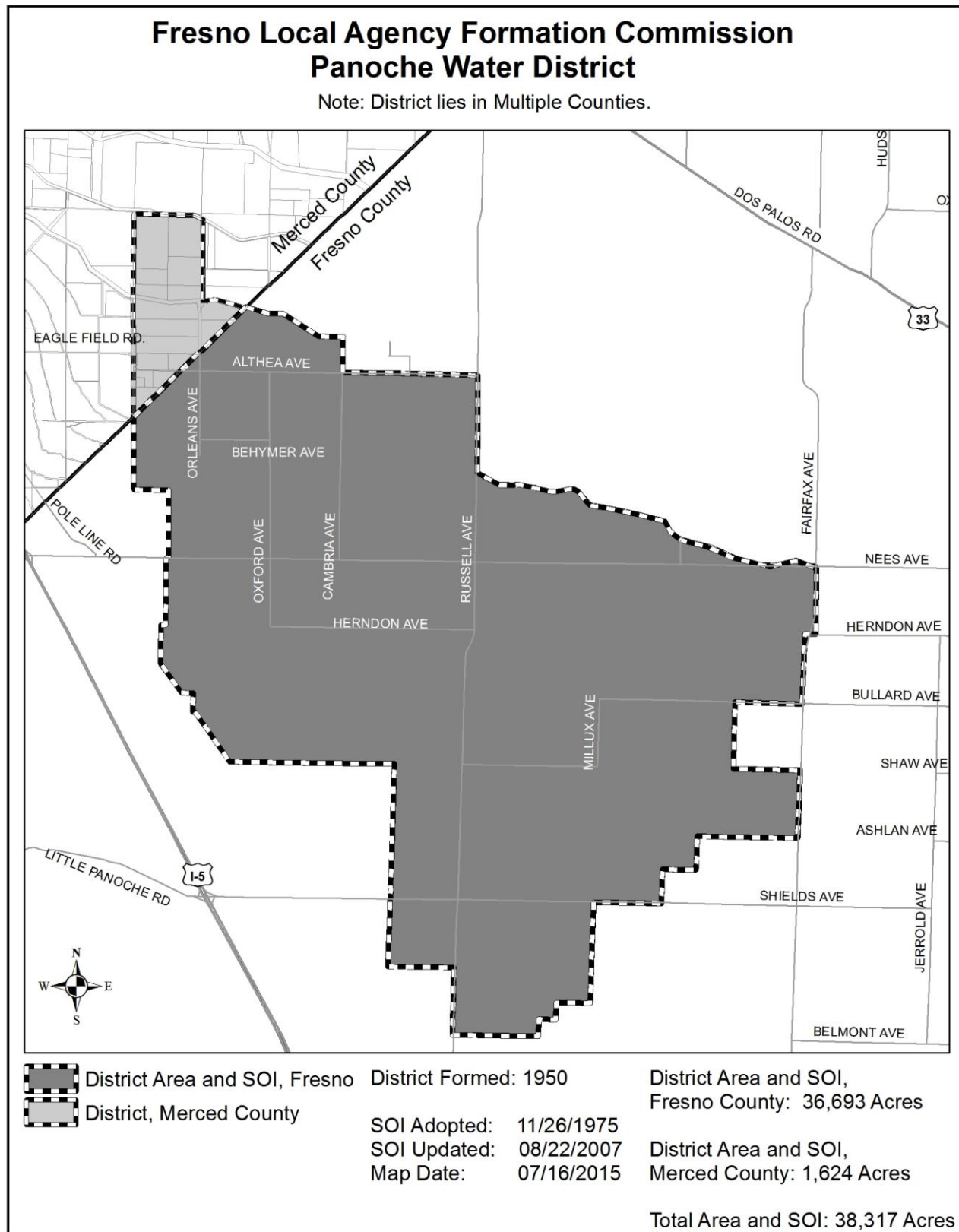
Fresno LAFCo Policy designates the District as a “Level three” special district that provides “non-municipal” services to its constituency.¹ Non-municipal special districts typically do not request or experience modifications to their district service area or request to update the Commission adopted SOI for the agency. Level three non-municipal special districts means that services that are provided by the agency do not in themselves facilitate or induce population growth. 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 section 56425(g). In order to update the agency’s SOI, Fresno LAFCo has prepared this service review in accordance with section 56430.

The District is an independent special district governed by a five-member board of directors and managed by a district manager. 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 elections are consolidated with Fresno County elections. The District is not governed by another legislative body such as a city council or the County of Fresno Board of Supervisors.

District board members are subject to election of four-year staggered terms; in the event no candidates file election papers, members are appointed in lieu of an election by the Fresno County Board of Supervisors based on recommendation provided from the District’s board of directors. Board meeting notices are posted at the District office located at 52027 W. Althea Avenue in Firebaugh, Ca 93622. Regular meetings are held on the second Tuesday of each month at 9:00 a.m. at the District’s office. Opportunities for public involvement and communication with the Board of Directors are permitted during each District meeting.

¹ Fresno LAFCo Policies, Standards, and Procedures, Policy 107- Municipal Service Review Policy

Figure 1 – Panoche Water District Map



1. Growth and population projections for the affected area

The District is a multi-county district approximately 38,317 acres in total size located on the Westside of the San Joaquin Valley between Merced and Fresno Counties. The greater portion of the District's service area lies within the County of Fresno. The District's service area and sphere of influence within Fresno County are coterminous and include approximately 36,693 acres of farmland. The smaller portion of the District located in Merced County amounts to approximately 1,624 acres of farmland.

The Counties of Fresno and Merced are the land use authorities for land located within the District's service area. The Fresno County General Plan designates the land within the District for Agricultural uses. The Merced County General Plan likewise designates its portion of the District for Agriculture land uses. The majority of the lands within the District service area are occupied by large and small farming operations consisting of both permanent and annual row crops. Primary crops produced within the District include field row crops such as alfalfa, asparagus, cotton, tomatoes, and melons and permanent crops such as almonds, grapes, pistachios, and pomegranates.² Population growth is likely to occur within the neighboring incorporated cities of Firebaugh and Dos Palos, 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.³

The District provides its services to 67 different water users using the Bureau of Reclamation's (USBR) Central Valley Project (CVP) water from Shasta Dam in Northern California. The USBR delivers water through the Sacramento River to the Delta Region which serves as the distribution hub for most of the state's fresh water supply. Then water is pumped into the CVP delivery system in Tracy, California. From there, the water travels approximately 45 miles to the San Luis Reservoir (SLR) for storage. Deliveries are made to growers within the District through two diversion points on the Delta-Mendota Canal (DMC) and five diversion points on the San Luis Canal.⁴ Sources of supply used to supplement the CVP contractual deliveries or to replace them during periods of shorted allocation included recycled drainage water; water from one District-owned or landowner wells; and transfers from neighboring districts. The District's conveyance system includes approximately 45 miles of canals and pipelines to serve landowners within the District. This infrastructure includes approximately 15 miles of unlined canals, 22 miles of lined canals, and approximately eight miles of pipeline within the District's service area.⁵

² Pacific Institute, Profile of Panoche Water District and Drainage District, <http://www.pacinst.org/wp-content/uploads/2013/02/panoche3.pdf> Accessed: October 17, 2014

³ County of Fresno, Housing Element, pg. 7-58 – Westside North Market Area

⁴ California CALFED Bay-Delta Program Archived Website, Panoche Water District Information, http://www.calwater.ca.gov/Admin_Record/D-043855.pdf Accessed: October 27, 2014

⁵ Bureau of Reclamation South-Central California Area Office, San Luis Water District's and Panoche Water District's Water Service Interim Renewal Contracts 2011-2013, FONSI-10-070. Feb. 2011, Accessed: November 3, 2014

A small amount of CVP water obtained from the California Aqueduct is diverted annually for treatment as domestic water within the District. The District owns a small 43,000 gallon per day water treatment plant located north of W. Althea Avenue and west of N. Orleans Avenue. The plant serves District housing and a small number of other rural residents with a permitted public water system consisting of 46 connections that serve approximately 146 people near the treatment plant. The plant includes a 10,000 gallon storage tank and a pressure system. The plant has a peak demand of approximately 30 gallons per minute. The District is pursuing grant funding to redesign the treatment plant although the plant's capacity and connection numbers will remain the same. The District anticipates that domestic water use will remain incidental to the District's primary agricultural base. Municipal and Industrial water use is not expected to increase because it is not anticipated that agricultural lands would be converted to other land uses in the District's service area.⁶

2. The location of disadvantaged unincorporated communities within or contiguous to the sphere of influence

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) requires 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 any SOI updates 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 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.⁷

Government Code sec. 56033.5 defines a DUC as: i) "inhabited territory" (12 or more registered voters), as defined by sec. 56046, or as determined by commission policy, that constitutes ii) all or a portion of a "disadvantaged community" as defined by sec. 79505.5 of the Water Code. Water Code sec. 79505.5 defines disadvantaged as a territory with an annual median household income (MHI) that is less than 80 percent of the statewide annual median household income. Further, on January 9, 2013, Fresno LAFCo exercised its powers and adopted policy that refined the DUC definition to include, a DUC shall have at least 15 dwelling units at a density not less than one unit per acre.

⁶Bureau of Reclamation South-Central California Area Office, San Luis Water District's and Panoche Water District's Water Service Interim Renewal Contracts 2011-2013, FONSI-10-070, Accessed: November 3, 2014

⁷ Government Codes section 56425(e) 5, Present and Probable need; disadvantaged unincorporated communities

This section of the report uses County of Fresno's Geographic Information System (GIS) parcel mapping information and U.S. Census data to quantify the economic composition of all the census block groups within the vicinity of the District's boundaries. Geographic Information System (GIS) files were derived from the U.S. Census Bureau's American Community Survey (ACS) compiled for the five-year period 2006-2010 to identify the demographic composition within the District's service area. Although the ACS provides annual and three-year estimates, the five-year reports provide the most precise data and mapping information for analyzing small populations. The five-year reports are the most reliable form of information generated by the U.S. Census.⁸ California's statewide MHI reported for years 2006 through 2010 was \$60,883, the DUC threshold is any geographic unit with a MHI that is less than \$48,706.

The census block groups are geographical units used by the U.S. Census Bureau to sample data which is only collected from a fraction of all households within the census geographic unit. On average, census block groups have a population of 600 to 3,000 people, and provide the number of households, population, and MHI data for those residents residing within the geographic unit. An assessment of all census block groups within and outside the District service area and SOI were reviewed to determine the MHI levels. Unincorporated areas were surveyed by aerial photography and parcel division patterns to determine the existence any DUCs.

Fresno LAFCo has determined that as of the date of adoption of the Commission's DUC policy, there may be deficiencies in census data to accurately assess the MHI for unincorporated communities. As a result, LAFCo staff considered various sources of information available in order to determine the locations where DUCs may exist within the District's service area and SOI boundaries. In preparation for this section of the MSR, LAFCo staff worked with complementary GIS data provided by PolicyLink, a national non-profit agency based in Oakland, California.⁹ Information sources used for this section of the MSR was instrumental as a cross-reference mechanism to identify DUCs in accordance with CKH Act and the Commission's adopted DUC policy.

The District is primarily located in the northwestern unincorporated portion of Fresno County, with a fraction of the District within Merced County. The District service area within Fresno County is identified within U.S. Census Tracts 84.02 –block group two and portions of Census Tract 83.02-block group two. Between years 2006 through 2010, the five-year estimates indicate that Census Tract 84.02-block group two had a MHI of \$27,589, while Census Tract 83.02-block group two had a MHI of \$21,350. Although Census Tract 84.02-block group two boundaries and the District's service area boundaries do not align seamlessly; this particular Census block group hosts majority of the District's service area.

⁸ US Census Bureau, http://www.census.gov/acs/www/guidance_for_data_users/estimates/

⁹ Jake Mann, GIS Specialist/Cartographer, private electronic email correspondence with LAFCo Staff – Draft DUCs for Fresno County, February 11, 2015

The ACS five-year estimates between 2006 through 2010 indicate that the census block groups within the District's service area were considered Disadvantaged Communities per the California Water Code sec. 79505.5, meaning that nearly all households within the District service area reported a MHI less than 80 percent than the statewide MHI at the time of the census survey.

There is one DUC location that presents characteristics consistent with CHK section 56033.5 and Fresno LAFCo Policy 106 within the District's service area. The DUC, area of concern is identified on Figure 2 – Disadvantage Unincorporated Communities Map. The area of concern is located north of W. Althea Avenue and west of N. Orleans Avenue. This area consists of two parcels located within U.S. Census Tract 84.02-block group two. Economic data for census tract 84.02-block group two indicates that this geographical unit had a MHI of \$27,589 between 2006 through 2010. The following information identifies the area of concern by Fresno County Assessor Parcel Number (APN) and number of dwelling units:

- APN- 004-020-01S includes 12 dwelling units,
- APN- 004-020-06T includes five dwelling units (District housing) and one office space building,

The area of concern spans across approximately 25 acres measuring from the parcels' perimeter as illustrated on the Fresno County Assessor's parcel books. The two parcels host 17 dwelling units, three warehouse structures, agricultural lands, and one office structure. The two parcels include large sections of agricultural lands, however the concentration of dwelling units occur immediately north and south of W. Althea Avenue at N. Orleans Avenue.

Fresno LAFCo staff narrowed the area of concern to specifically focus on the concentration of dwelling units. APN 004-020-01S hosts 12 dwelling units and is approximately 19 acres in size; however, from an aerial view the 12 dwelling units rest only within approximately six acres. The remaining 13 acres of this parcel are dedicated to agricultural uses. At the time of preparation of this MSR, parcel 004-020-01S had four registered voters. This parcel is not considered to be inhabited at the time of preparation of this MSR report (12 or more registered voters).¹⁰

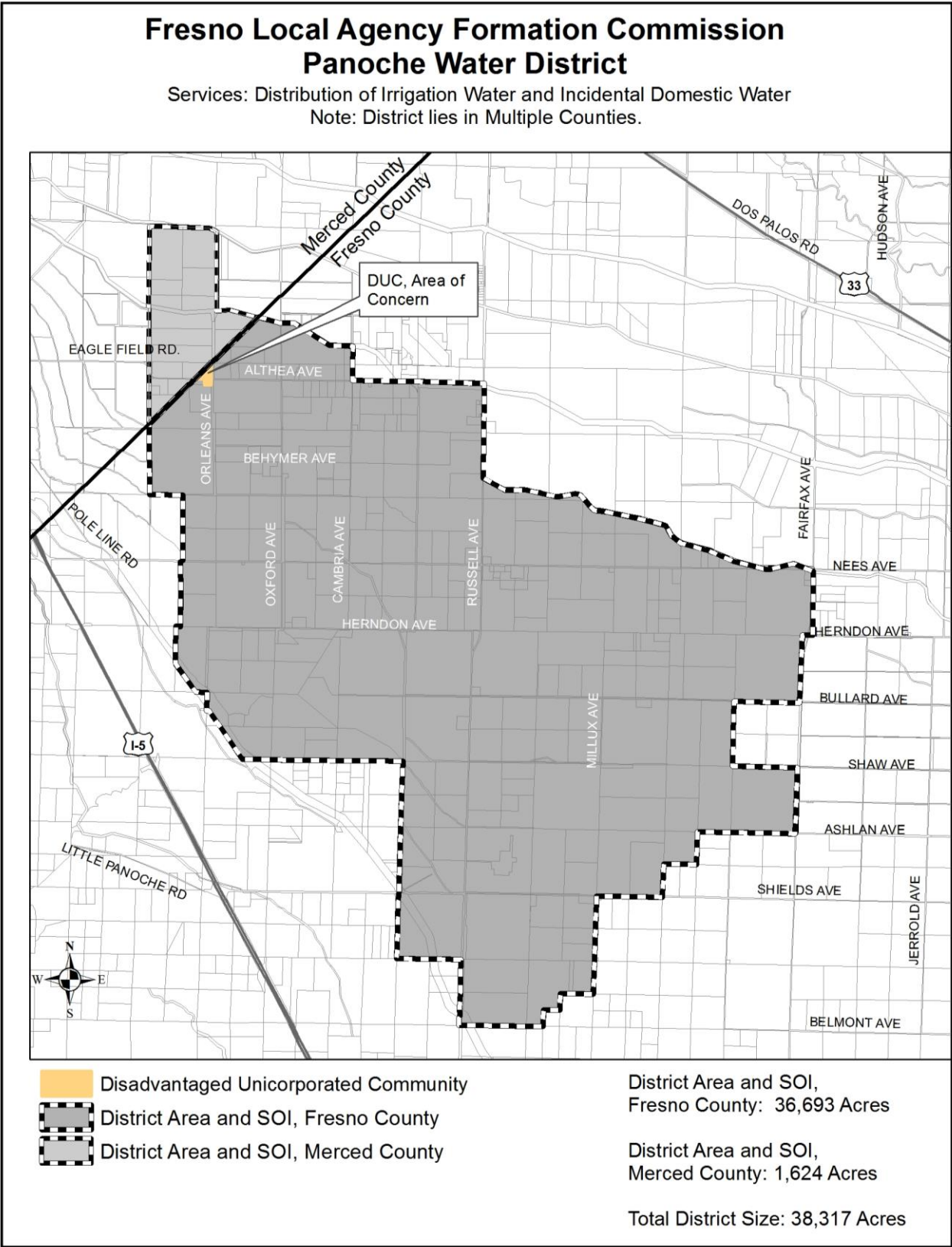
APN 004-020-06T is located immediately south of W. Althea Avenue and includes five dwelling units and one office structure. The parcel is approximately 4.6 acres in size however the five dwelling units are located on approximately 2.2 acres of the total lot. Parcel 004-020-06T, is considered tax exempt and properties are showed as owned by Panoche Water District. As previously indicated, this area of concern displays at least two characteristics that indicate the presence of a DUC pursuant to CHK section 56033.5 and Fresno LAFCo Policy 106.

¹⁰ Government Code Section 56046, "Inhabited Territory"

The area of concern includes both properties north and south sides of the W. Althea Avenue at N. Orleans Avenue. The portions of the properties that host the concentration of dwelling units are identified as the DUC on Figure 2. The focused area of concern consists of a density of approximately one dwelling unit per acre. The measurement of the area excludes farmland and warehousing areas within the two parcels. The area identified on Figure 2 does not follow the typical County's identified parcel lines.

LAFCo staff was informed by the Districts consulting engineer that the area of concern receives water through the District's water treatment plant (which was described previously in this report). The area of concern receives fire protection services from Fresno County Fire Protection District and police protection from Fresno County Sheriff Department. The District provides limited water service within the vicinity of the water plant with the balance of the District's service dedicated to providing water for irrigation uses related to agricultural.

Figure 2 – Disadvantaged Unincorporated Communities



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

The District maintains a network of 62 monitoring-wells, including seven cluster-wells sites.¹¹ The District's infrastructure facilities include 42 miles of earthen canals, eight miles of pipelines, a small water treatment plant, water distribution facilities, and 18 pump stations. The District receives CVP water from the Delta Mendota and San Luis Canals (DMC and SLC, respectively) through the CVP with USBR. Water deliveries are made through District facilities which convey water supply to the District farmers' irrigation turnouts. Though the District does not own groundwater wells, some farmers pump and apply groundwater on farmland or deliver groundwater by the means of the District's canals.

On August 16, 1955, the District entered into a long-term contract with the USBR for 93,988 acre-feet (AF) of CVP supply via the DMC. This contract was amended on August 30, 1974, to allow a maximum delivery of 94,000 AF of CVP supply from the DMC or SLC. This contract was further revised on January 13, 1986, and November 14, 1988, in amendatory contracts that revised some contract terms but did not revise the maximum quantity of CVP water to be supplied. The long-term contract expired December 31, 2008. An interim renewal contract was issued in 2007 and remained in effect until February 28, 2011.

In 2012, the San Luis & Delta-Mendota Water Authority (SLDMWA), on behalf of eight of its member agencies, requested approval from USBR to pump groundwater into the DMC for storage and conveyance to South-of-Delta (SOD) CVP contractors over a 10-year period (referred to as the DMC Groundwater Pump-in Program). USBR analyzed the 10-year Groundwater Pump-in Program in Environmental Assessment No.12-061. Based on specific environmental commitments included in the DMC Groundwater Pump-in Program, including water quality requirements, USBR determined that the cumulative introduction, storage, and conveyance of up to 50,000 AF per year of groundwater would not significantly affect the quality of the human environment. A Findings of No Significant Impact was executed by USBR on January 10, 2013.¹²

On May 1, 2013, USBR executed a temporary five-year Warren Act contract with the District for the annual introduction of up to 10,000 AF of its non-CVP groundwater into the DMC as part of the DMC Groundwater Pump-in Program. Points of delivery for this non-CVP groundwater include Panoche's existing turnouts on the DMC and SLC.

¹¹ Leighton, David, Evaluation of Monitoring Programs for Assessing the Effects of Management Practices... <http://pubs.er.usgs.gov/publication/ofr95731> Accessed: October 7, 2014

¹² Bureau of Reclamation South-Central California Area Office, Additional Points of Delivery for Panoche Water District's Water Non-Project Groundwater to Westlands Water District, FONSI-14-022, Accessed: October 10, 2014

In 2014, the District requested approval from USBR to include additional points of delivery for up to 5,000 AF of this water through February 28, 2015, to Westlands turnouts along the San Luis Canal.

USBR water deliveries estimates for the 2014-2015 water years are expected to be 37,500 AF, composed of 30,000 AF from the San Luis Canal and 7,500 AF from the Delta-Mendota Canal. The amount of water delivered each year varies based on the amount of water available under the District's CVP water service contract with USBR.

Forecasts for long range water availability are challenging in the San Joaquin Valley. The State of California is currently experiencing unprecedented water management challenges due to the severe drought in recent years. Both the State and Federal provide support for water conservation and reclamation projects, however State and Federal agencies are forecasting very low storage conditions in all major reservoirs. In addition, SOD CVP contractors experienced reduced water allocations from 2007 to 2013 due to hydrologic conditions and regulatory requirements. As a result, SOD CVP contractors, have a need to find alternative sources of water to fulfill long term water demands.¹³

In response to the California drought condition, the District has implemented a number of water conservation measures including:

- Tiered water pricing to encourage growers to be cognizant of their water use and selective of the crops they choose to grow.
- Recirculation of drain water as a supplemental water source.
- Volunteered Fallowing – many growers have fallowed fields that would typically be farmed with row crops in an effort to reduce water consumption.
- Collaboration with a solar technology company to develop a solar desalination facility that utilizes renewable solar technology to distill saline drain water to produce usable irrigation water.¹⁴ However it will be some time before this system is producing a significant volume of water.

4. Financial ability of agencies to provide service

The District's primary sources of financing are water rates charged to customers and property assessments. Available documentation such as audited financial statement were reviewed to determine financial trends in district budget, fiscal status, financial practices, and review pertinent management findings. The District board of directors adopts a budget on an annual basis. The annual budgets are used by the District to

¹³ Bureau of Reclamation South-Central California Area Office, Additional Points of Delivery for Panoche Water District's Water Non-Project Groundwater to Westlands Water District, FONSI-14-022, Accessed: October 10, 2014

¹⁴ WaterFX, California Water District Gains New Access to Freshwater with Solar Desalination, January 10, 2014. <http://waterfx.co/news/press-releases/> Accessed: November 6, 2014

estimate annual revenues and expenses, which includes projecting the water rates charged to District customers.

The District's FY 2012-2013 financial statement identifies the major operating revenues came from irrigation water sales approximately \$9,239,511. The District operations and maintenance costs are estimated at \$5,301,851. Reimbursements from District contracts are estimated at \$829,135. Additional operating revenues were estimated at a total of \$15,515,082.

The District's major operating expenditures were \$8,967,501 for water purchases, \$3,223,275 for transmission and distribution, \$2,290,495 for administration and general, depreciation of \$770,282, and \$848,861 for general plant. The District's estimated grand total is \$16,100,414 in operating expenses.

Net operating income was \$580,946 for FY 2012-2013. Non-operating revenues and expenses from interest income, interest expense, capital improvement fees, and other expenses resulted in non-operating revenues of \$244,486. The change in net assets from the previous fiscal year was an increase of \$336,460. The fiscal year-end cash and restricted cash was \$5,602,151.

More recent, the District informed LAFCo staff of its FY 2014-2015 budget which includes \$6,000,000 for operations and maintenance; and \$14,000,000 for water purchases, for a total actual budget of \$20,000,000. The District has long-term debts totaling \$3,709,199 and has collected revenues to cover operation and maintenance deficits in USBR rates that are not yet due, however, amount to \$1,044,648. Portions of the debt are associated with a loan from the State Water Resources Control Board due in 2018.

Rates for irrigation water service are projected annually, based on the assumed USBR delivery amount and assumed costs to deliver the water. The FY 2014-2015 year water rate is projected to be approximately \$450.00 per acre-foot delivered. Landowners within the District service area pay the actual water rates. The District is pursuing additional funding for infrastructure improvements, state proposition grant programs, and federal appropriations.

5. Status of, and opportunities for, shared facilities

The District currently employs 71 staff members. District personnel includes: operation, maintenance, shop, and administrative personnel. The District provides contracted technical and administrative services to other special districts, including the Mercy Springs Water District, Pacheco Water District, Panoche Drainage District, Charleston Drainage District (Merced County) and the Panoche Resource Conservation District. These districts reimburse the costs incurred by the District for services rendered allowing the districts to use the same staff and reduce operation and administrative

costs. The District's infrastructure and facilities for providing services are not shared with other service providers.

The District is located in northwest Fresno County. The District is located adjacent to similar California water districts. Figure 3 illustrates the California water districts adjacent to the District:

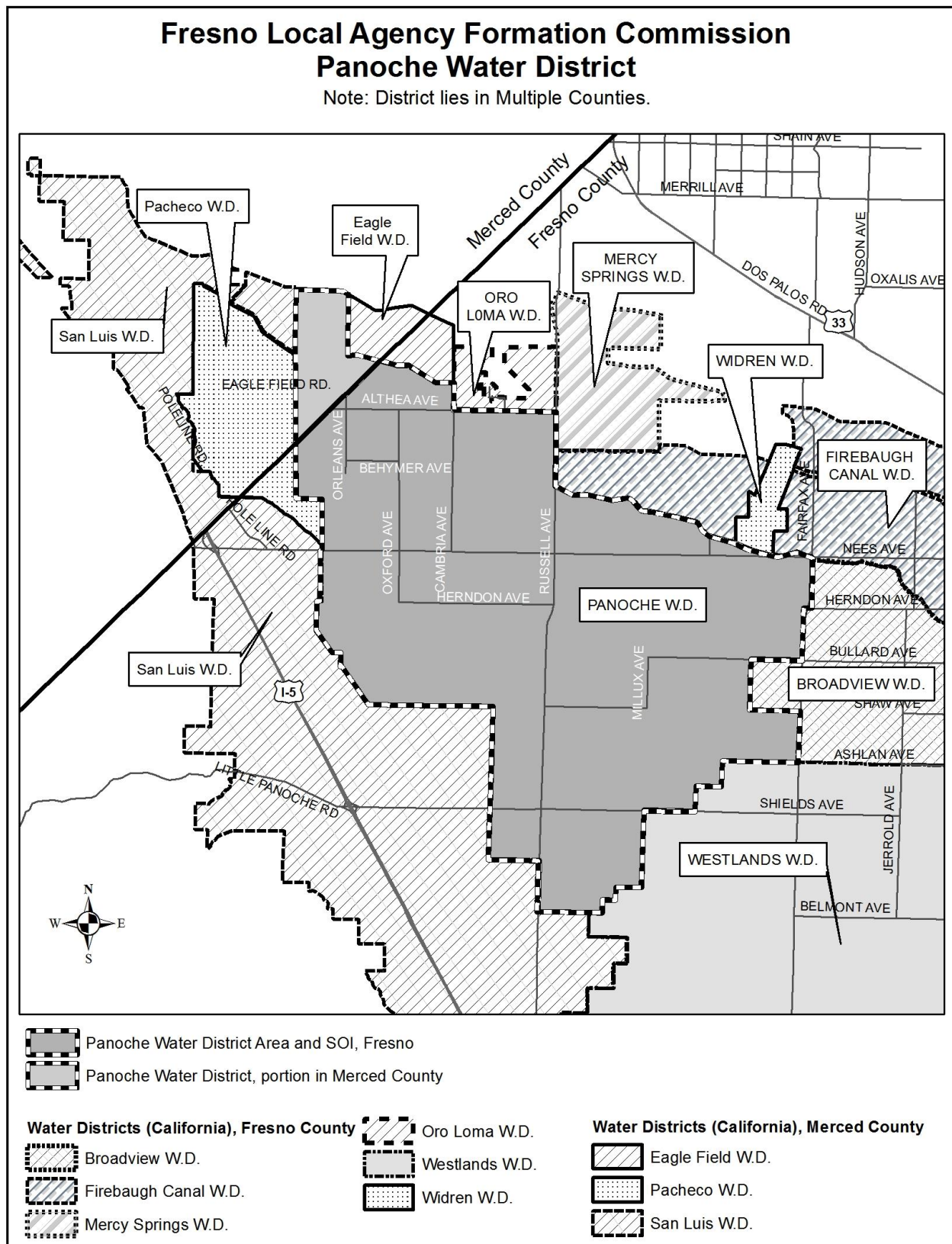
- Broadview Water District is east of the District
- Eagle Field Water District is north of the District
- Firebaugh Canal Water District is immediately north and northeast of the District
- Mercy Springs Water District is north of the District
- Oro Loma Water District is immediately north of the District
- Pacheco Water District, Merced is the Principal County
- San Luis Water District to the west, Merced is the Principal County
- Westlands Water District is located southeast of the District
- Widren Water District is north of the District

The Panoche Water District's (PWD) service area lies in the vicinity of different special districts boundaries which are listed below:

- Camp 13 Drainage District is located east of PWD boundaries.
- Central California Irrigation District is located northeast of the PWD.
- Panoche Drainage District, the PWD is located entirely within the Panoche Drainage District's service area and SOI.
- Silver Creek Drainage District is located east of the PWD's eastern and southerly boundaries.
- Firebaugh Resource Conservation District is to the east of PWD.
- Panoche Resource Conservation District, the PWD is located entirely within the Panoche Resource Conservation District service area.
- Westside Resource Conservation District is located south of the PWD.

The District participates in the Joint Powers Insurance Authority, a pooled risk insurance managed by the Association of California Water Agencies to be self-insured for general liability. The District has entered into a joint powers agreement with 38 other public agencies that hold contracts for CVP water to form the San Luis and Delta-Mendota Water Authority. The San Luis & Delta-Mendota Water Authority under contract with the Bureau of Reclamation maintains and operates the federal Delta-Mendota Canal, Jones Pumping Plant, O'Neill Pumping Plant and associated facilities for the benefit of its members, which support the operations and maintenance through water rates. The JPA leverages its broader service area to be able to issue revenue bonds, for example, to finance the construction of improvements to the USBR's Tracy pumping plant, resulting in a reduction of costs for a mutual benefit to the districts involved.

Figure 3 – Panoche Water District and Neighboring Agencies



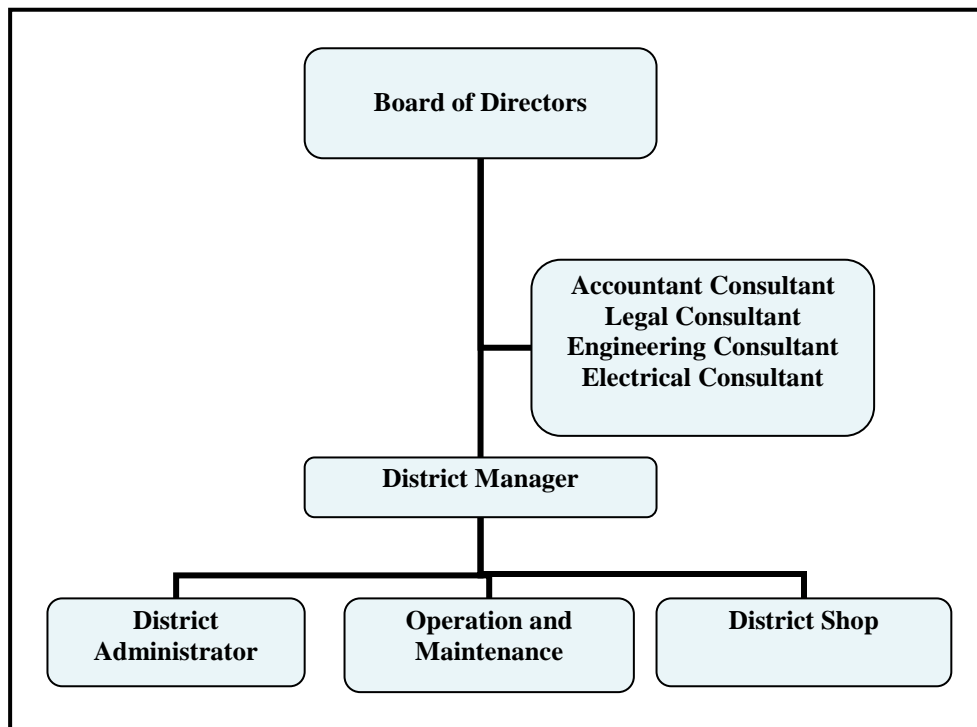
6. Accountability for community service needs, including governmental structure and operation efficiencies

The District is an independent special district governed by a five-member board of directors and managed by a District Manager. Candidates eligible to serve as the board of directors must be a holder of a title to land within the District boundaries or the legal representative of the holder of title to land within the District. District elections are consolidated with County elections. Election results are reported to the Clerk of the County Board of Supervisors. The District is not governed by another legislative body such as a city council or the county board of supervisors.

District board members are subject to election of four-year staggered terms; in the event no candidates file election papers, members are appointed in lieu of an election by the Fresno County Board of Supervisors upon recommendation from the District Board of Directors.

Board meeting notices are posted at the District office located at 52027 W. Althea Avenue in Firebaugh. Regular meetings are held on the second Tuesday of each month at 9:00 a.m. in the District's office. Opportunities for public involvement and communication with the Board are permitted during District meetings. The District's organizational chart provides a general view of the governmental structure for the District. See Figure 4 – Panoche Water District Organizational Chart

Figure 4 – Panoche Water District Organizational Chart



7. Any other matters related to effective or efficient service delivery, as required by Commission policy

None identified.

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 District provides services associated with distribution of irrigation water with incidental municipal and industrial water distribution.
- County of Fresno is the land use authority for areas located within the Panoche Water District. The Fresno County General Plan designates the lands within the District for Agriculture uses.
- The District's services do not directly facilitate, induce, or affect the rate or location of population growth that occurs within the unincorporated areas of Fresno County.
- No significant growth or population increase is anticipated by the District, and lands within the District are anticipated to remain agricultural as designated by the County of Fresno General Plan.
- The landowner customer base in the District has historically remained stable; majority of the landowners have been customers of the District since the 1950s. There are 67 landowner water users within the District service area boundaries.
- The District participates in an active drainage management program managed by the Panoche Drainage District that strives to reduce drain water volumes and constituent loads by altering cropping patterns and/or irrigation methods in targeted areas within the District boundaries.¹⁵

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

- The District primarily distributes irrigation water for agricultural use. The District provides incidental domestic water connections limited to a small percentage of its customer base.
- According to the US Census, ACS five-year estimates between 2006 through 2010 the census block groups within the District's service area were are

¹⁵ Bureau of Reclamation South-Central California Area Office, San Luis Water District's and Panoche Water District's Water Service Interim Renewal Contracts 2011-2013, FONSI-10-070, Accessed: November 3, 2014

considered Disadvantaged Communities per the California Water Code sec. 79505.5.

- An area located north of W. Althea Avenue and west of N. Orleans Avenue, consists of two large parcels (APNs 004-020-01S and APN 004-020-06T) that contain a total of 17 dwelling units and one office building. These parcels combine meet at least to indicators of Fresno LAFCo's Disadvantaged Unincorporated Community (DUC) policy.
- The DUC receives domestic water through the District's water treatment plant. The DUC receives fire protection services from Fresno County Fire Protection District and police protection from Fresno County Sheriff's Department.
- The District's main service is distribution of water for agricultural irrigation. The District is does not anticipate any expansions to the existing water treatment plant that serves residents near W. Althea Avenue and N. Orleans Avenue.

3. Present and planned capacity of public facilities and infrastructure needs or deficiencies

- The District's infrastructure appears to be adequate to meet the future needs with minimal growth expected by the District.
- The District has successfully pursued state funding for infrastructure improvements, state proposition grant programs, and federal appropriations.
- The District displays characteristics of a local agency striving to improve its capacities to serve its constituency. The District's approach to innovative technology allows for the reuse of water resources to provide a scalable, alternative source of water unencumbered by the low reliability of imported water and existing energy costs.
- The District does not foresee an amendment of its current service area or sphere of influence. Forecasts for long range water availability are challenging in the San Joaquin Valley due to the severe California drought conditions.
- The District implements a number of water conservation measures including: Tiered water pricing to encourage growers to be cognizant of their water use and selective of the crops they choose to grow. Recirculation of drain water as a supplemental water source. Volunteered Fallowing – many growers have fallowed fields that would typically be farmed with row crops in an effort to stretch water supplies during periods of shorted allocations from the Central

Valley Project. Programs to encourage installation of on-farm high-efficiency irrigation systems, such as drip irrigation. Infrastructure improvements, such as lining or piping District facilities to reduce seepage loss. Collaboration with a solar technology company to develop a solar desalination facility that utilizes renewable solar technology to distill saline drain water to produce usable irrigation water.

4. Financial ability of agency to provide services

- The District adopts an annual budget with sufficient funding resources to provide services to its customers. The District pursues additional state funding for infrastructure improvements, state proposition grant programs, and federal appropriations on an on-going basis.
- The District collects water rates for its distribution of irrigation water services which are projected annually, based on the assumed USBR CVP delivery amounts, and assumed costs and management for delivering water to customers.

5. Status of, and opportunities for, shared facilities

- The District provides contracted technical and administrative services to other special districts, including the Mercy Springs Water District, Pacheco Water District, Panoche Drainage District, Charleston Drainage District (Merced County) and the Panoche Resource Conservation District. These districts reimburse the costs incurred by the Panoche Water District for services rendered allowing the districts to use the same staff and reduce operation and administrative costs.
- Opportunities for shared facilities among water districts as illustrated on Figure 3 – Panoche Water District are mostly limited to conjunctive use opportunities to address groundwater management and subsidence concerns.
- The District participates in a JPA for insurance and shares employees with nearby Districts.

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

- The District is an independent special district governed by a five-member board of directors and managed by a District Manager. Candidates eligible to serve as the board of directors must be a holder of a title to land within the District boundaries or the legal representative of the holder of title to land within the District.

- The District conducts regular Board of Directors meetings every second Tuesday of each month at 9 a.m. in the District Office.
- Opportunities for public involvement and communication with the Board are permitted during District meetings. The District's organizational chart provides a general view of the governmental structure for the District. See Figure 4 – Panoche Water District Organizational Chart
- The District appears to operate in an accountable and efficient manner, consistent with its principal act.

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

None identified.

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".¹⁶

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. When adopting, amending, or updating a sphere

¹⁶ Government Code Section 56076, "Sphere of Influence"

of influence for a special district, the commission may require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.

Chapter one of this MSR provides the foundation for the SOI determinations. As previously indicated, the District is a multi-county district approximately 48,466 acres in total size located on the Westside of the San Joaquin Valley between Merced and Fresno Counties. The greater portion of the District's service area lies within the County of Fresno. The District's service area and sphere of influence within Fresno County are coterminous and include approximately 38,217 acres of farmland. The smaller portion of the District located in Merced County amounts to approximately 10,249 acres of farmland. The Counties of Fresno and Merced are the land use authorities for land located within the District's service area. The Fresno County General Plan designates the land within the District for Agricultural uses. The Merced County General Plan likewise designates its portion of the District for Agriculture land uses. In accordance with Government Code Section 56066, Fresno is the principal county and Fresno LAFCO is responsible for preparing the following determinations in this Municipal Service Review.

1. The present and planned land uses in the area, including agricultural and open-space lands

- The District is a multi-county district approximately 38,317 acres in total size located on the Westside of the San Joaquin Valley between Merced and Fresno Counties. The greater portion of the District's service area lies within the County of Fresno. The District's service area and sphere of influence are coterminous and include approximately 36,693 acres of farmland in northwestern Fresno County. The smaller portion of the District located in Merced County amounts to approximately 1,624 acres of farmland. The Counties of Fresno and Merced are the land use authorities for land located within the District's service area. The Fresno County General Plan designates the land within the District for Agricultural uses; likewise, the Merced County General designates its portion of the District for Agriculture land uses.
- The landowner customer base in the District has historically remained stable; majority of the landowners have been customers of the District since the 1950s. There are 67 land owner water users within the District, the largest landowner farms approximately 9,000 acres, while the smallest landowner farms less than 20 acres. With the exception of the District's small water treatment plant serving a small concentration of rural residents near W. Althea Avenue and N. Orleans Avenue, the District's empowered services do not directly facilitate, induce, or affect the rate of or location of population growth.
- Population growth is likely to occur within the neighboring incorporated cities, this pattern is consistent with the Fresno County policy to direct growth to the

cities due to the wider range of municipal services offered within the incorporated areas.

- The District informed LAFCo that the agency does not foresee the need to revise its current SOI boundary.

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

- Forecasts for long range water availability are challenging in the San Joaquin Valley. The State of California is currently experiencing unprecedented water management challenges due to the severe drought conditions.
- The District's infrastructure appears to be adequate to meet the District's future needs with no growth anticipated by the District. The District shows characteristics of a local agency striving to improve its capacities to provide water supplies to its constituency.
- The District implements a number of water conservation measures including: Tiered water pricing to encourage growers to be cognizant of their water use and selective of the crops they choose to grow; recirculation of drain water as a supplemental water source; volunteered fallowing – many growers have fallowed fields that would typically be farmed with row crops in an effort to reduce water consumption; and collaboration with a solar technology company to develop a solar desalination facility that utilizes renewable solar technology to distill saline drain water to produce usable irrigation water.

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

- The District provides its services to 67 different water users using the Bureau of Reclamation's (USBR) Central Valley Project (CVP) water from Shasta Dam in Northern California. The USBR delivers water through the Sacramento River to the Delta Region which serves as the distribution hub for most of the state's fresh water supply. Then water is pumped into the Central Valley Project delivery system in Tracy, California. From there, the water travels approximately 45 miles to the San Luis Reservoir (SLR) for storage. Deliveries are made to growers within the District through two diversion points on the Delta-Mendota Canal (DMC) and five diversion points on the SLC. Sources of supply used to supplement the CVP contractual deliveries or to replace them during periods of shorted allocation included recycled drainage water; water from one District-owned or landowner wells; and transfers from neighboring districts. The District's conveyance system includes approximately 45 miles of canals and pipelines to serve landowners within the District. This infrastructure includes approximately 15 miles of unlined canals, 22 miles of

lined canals, and almost eight miles of pipeline within the District's service area.

- The amount of water delivered each year varies based on the amount of water available under the District's CVP water service contract. Forecasts for long range water availability are challenging in the San Joaquin Valley. Both the State and Federal provide support for water conservation and reclamation projects, however State and Federal agencies are forecasting very low storage conditions in all major reservoirs.
- The District owns a small water treatment plant located north of W. Althea Avenue and west of N. Orleans Avenue. The plant includes a public water system of 46 connections serving approximately 146 people near the intersection of W. Althea Avenue and N. Orleans Avenue. The plant includes a 10,000 gallon storage tank and a pressure system. The water plant has a peak demand of approximately 30 gallons per minute. The District is pursuing a grant to redesign the water treatment plant, however capacity and connection numbers will remain the same. The District anticipates that the domestic water usage will remain incidental to the District's primary agricultural customer base. Municipal and Industrial water use is not expected to increase because it is not anticipated that agricultural lands would be converted to other land uses.
- The District participates in an active drainage management program managed by the Panoche Drainage District that strives to reduce drain water volumes and constituent loads by altering cropping patterns and/or irrigation methods in targeted areas within the District boundaries.

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

- The purpose of the District is the distribution of irrigation water, incidental municipal and industrial use, and development and participation in partnerships for drainage management. The District primarily distributes irrigation water and also provides a small number of domestic water.
- A Disadvantaged Unincorporated Community located north of W. Althea Avenue and west of N. Orleans Avenue has been identified. This area consists of two large parcels. Fresno County APNs: 004-020-01S includes 12 dwelling unit and APN 004-020-06T includes five dwelling units and one office space building, these properties are located within U.S. Census Tract 84.02-block group two. The area of concern receives water through the District's water treatment plant. The District does not otherwise provide municipal services; the District is limited to providing limited water services within the vicinity of the agency's water plant.

- 5. For a city or special district that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence**
- The District primarily distributes irrigation water, with incidental domestic water connections to a small percentage of its customers. Although the District owns a small treatment plant, it is limited and serves the immediate vicinity of the water plant. The District's primary service is providing water for agricultural irrigation.
 - An identified DUC, area of concern is located north of W. Althea Avenue and west of N. Orleans Avenue. This area consists of two large parcels. The properties are located within U.S. Census Tract 84.02-block group two. Data provided for Census Tract 84.02-block group two indicates that this census geographical unit had a MHI of \$27,589 between years 2006 through 2010. The area of concern currently receives water through the District's water treatment plant.
 - The area of concern receives fire protection services from Fresno County Fire Protection District and police protection from Fresno County Sheriff Department.

4. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review process it is recommended that 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. Adopt a resolution updating the Sphere of Influence as shown in Figure 1.

5. ACKNOWLEDGEMENTS & REFERENCES

This Municipal Service Review was prepared by Fresno LAFCO staff. The Panoche Water District provided substantial information included in this evaluation of the agency's municipal services. Supportive documentation was made available through the effective partnership between the District and LAFCo. Staff extends its appreciation to District Manager Julie Cascia, and District Engineer Consultant Chris Linneman for their assistance and active participation in the development of this Municipal Service Review.

Available Documentation - These documents are available in the LAFCO office. A significant amount of effort has been invested in bringing the District's Municipal Service Review and Sphere of Influence Update to this point. Documents which have been reviewed in preparing this report include but are not limited to the following information:

- Multiple Communications with the Panoche Water District Staff and Engineering Consultant
- Municipal Service Review and Sphere of Influence Update for the Panoche Water District, August 22, 2007 report to Fresno LAFCO and the accompanying LAFCO staff report
- Pacific Institute, Profile of Panoche Water District and Drainage District, <http://www.pacinst.org/wp-content/uploads/2013/02/panoche3.pdf> Accessed: October 17, 2014
- County of Fresno, Housing Element, pg. 7-58 – Westside North Market Area
- California CALFED Bay-Delta Program Archived Website, Panoche Water District Information
- Bureau of Reclamation South-Central California Area Office, San Luis Water District's and Panoche Water District's Water Service Interim Renewal Contracts 2011-2013, FONSI-10-070
- United States Census Bureau's, American Community Survey (ACS) compiled for the five-year period of 2006-2010
- Jake Mann, GIS Specialist/Cartographer, private electronic email correspondence with LAFCo Staff – Draft DUCs for Fresno County, February 11, 2015

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