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

AGENDA ITEM NO. 9

DATE: **July 16, 2014**

TO: **Fresno Local Agency Formation Commission**

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

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

Recommendations:

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

Description:

The Kings River Water District encompasses 14,385 acres in the Kings River bottom area east of the City of Sanger. The District provides irrigation water to the landowners in the District and maintains the privately owned irrigation canals.

Summary / Background

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

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

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

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

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

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

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

Environmental Determination

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

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

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

KINGS RIVER WATER DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

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

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July 2014

1. MUNICIPAL SERVICE REVIEW

Description of District

Principal Act

The Kings River Water District (District) was formed in 1952 pursuant to California Water Code section 34000-38500 which allows the District 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, and any drainage or reclamation works connected therewith or incidental thereto.

The District is an independent special district which has a board of directors not governed by other legislative bodies (either a city council or a county board of supervisors). In accordance with Government Code Section 56066, Fresno is the principal county and the Fresno LAFCO is responsible for preparing this report.

Territory and Sphere of Influence

The District's boundaries and sphere of influence are coterminous and encompass 14,385 acres. The District is located in the central part of Fresno County in an area known as the "Sanger River Bottom," immediately east of the City of Sanger and proximate to the Kings River.

Current land uses within the District boundaries consist primarily of agricultural lands. The lands within the District are generally planned for agricultural and open space uses by the Fresno County General Plan and the Kings River Regional Plan Area. The District includes some territory in the City of Sanger that is not receiving services from the District. The District has indicated it is not interested in pursuing detachment of those areas at this time. District services do not directly facilitate or affect the rate or location of population development.

Governance, Budget, and Operation

The District has a balanced budget and is audited annually. The District primarily delivers irrigation water using local non-district owned irrigation ditches to serve 14,385 acres of agricultural lands consisting of 157 water users within the District boundaries.

The District also provides irrigation water to approximately 1,960 acres of agricultural lands within the boundaries of the Alta Irrigation District, which is in the Kings River Water District's service area. Within the Alta I.D., there are approximately 25 water users, one with approximately 1,500 acres of land. There has been a long-standing agreement with Alta I.D. for the Kings River Water District to provide water to those landowners adjacent to Kings River's boundaries. Water provided to this area uses the same ditch that the District uses for water deliveries. The District is not contracted to other agencies.

The District also provides water-tending services and maintains many of the local irrigation ditches for the landowners use to receive water deliveries.

2. MSR DETERMINATIONS

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

1. Growth and Population Projections for the Affected Area

Current land uses within the District boundaries are primarily agricultural uses and are planned for these uses by Fresno County. Demand for irrigation water has not increased in recent years and the District projects that there will be no growth in demand in the future. No population increase is anticipated.

Determination: There is minimal growth and development of the District's land uses or services. Growth and population are strongly influenced by the Fresno County General Plan which depicts this area to remain primarily agricultural for the foreseeable future.

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

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

The Cortese-Knox-Hertzberg Local Government Reorganization Act (the "Act") requires LAFCo to make determinations regarding "disadvantaged unincorporated communities" ("DUCs") when considering a change of organization, reorganization, a sphere of influence amendment and municipal service review (an "MSR"). Generally, LAFCo will not approve annexations of territory that is greater than ten (10) acres if there exists a DUC, as further defined below, unless an application to annex the DUC has been filed with the Executive Officer, as specified herein.

Any MSR for a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, shall identify any DUCs within and contiguous to the sphere of influence of that city or special district and describe the present and probable needs and deficiencies for the provision of those public facilities and services within such DUC.

According to the District, the 2013 Kings Basin Water Authority's (KBWA) Disadvantaged Communities database and the County of Fresno's GIS data, there are four disadvantaged unincorporated communities in or near the District¹ as shown on the attached map.

¹ The KBWA's "DAC" is slightly different than SB 244's "DUC." A DAC is defined by California Water Code as a community with an annual median household income of less than \$48,314.

Though authorized by its principal act to provide domestic and municipal water services, the District only provides irrigation water to its customers and has no long range facility or services plans to provide domestic or municipal services and is not providing service to the disadvantaged communities in or near its boundaries.

Determination: There are DUCs in and near the District as shown on the attached map. However, none of the disadvantaged communities in or near the District would benefit from receiving irrigation water from the District.

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

The District currently uses local irrigation ditches owned by landowners to convey irrigation water, and maintains the associated ditches. Water is delivered to each landowner through gravity flow ditches, and pumps. Needs in the near term future include gate heads.

The District is planning to fund and replace the aforementioned gate heads and upgrade other operations as needed. No adopted plans or reports are in place to indicate the extent of necessary upgrades, estimate the costs of such improvements, or otherwise establish a schedule for the completion of the upgrades.

Determination: The District does not own or operate public facilities or infrastructure; the present capacity of third-party facilities and infrastructure is sufficient for the function of the District. Improvements to these facilities are anticipated though no capital funds have been set aside to date.

4. Financial Ability of Agency to Provide Services

Financial information from Fiscal Year (FY) 2012-13 was reviewed to determine the fiscal status, assess financial practices, and review pertinent management findings of the District. The District was last audited by Artis & Company, Inc., for FY 2010-11. In FY 2012-13, the primary source of financing for services was \$124,761 from ditch assessments, \$71,351 from current assessments and \$33,637 from the Pine Flat power plant. The Tri-Valley Water District used to contract for treasury and secretarial services from the Kings River Water District. However, those services are now being provided by Keller-Wegley Engineering.

Total revenue for the 2012-13 FY was \$294,282 and is expected to be \$376,700 for the 2013-14 FY. The District's total expenses in 2012-13 FY were \$226,749, which allowed \$67,533 to be transferred to reserves. Total expenses for FY 2013-14 are expected to be \$295,000 which will allow another \$81,700 to be added to the reserve account. The District also participates in the Local Agency Investment Fund (LAIF) with over \$4,000 invested.

Assessment rates have not been increased for more than a decade since the passage of Proposition 218. The ad valorem tax assessment based on the assessed value of the land has remained the same. The current fees are \$0.01 per \$100 of assessed valuation. The Board of Directors has concluded that an increase in the service charge rate is necessary in order to continue to provide the current level of service to landowners within the District.

The District has developed a point system to determine the charge for service, based on the type of water service received, with different rates for landowners receiving gravity flow delivery versus pumped water.

A separate charge is made to lands to which the District provides water tending and maintenance services. The ditch charge for most District-operated ditches is \$9.50 per acre served. The District is able to collect expenses incurred by the District to maintain the ditches.

With the assessment rates currently fixed from approximately a decade ago, the District is finding it difficult to continue the current level of service and to replace aging facilities because of rising operating costs and mandated State fees. New water conservation legislation may require a new system of pricing based on a measurement of individual water usage and the District has decided to postpone increasing fees until the effect of the new legislation on the District is clear.

Water and services provided to District users within the Alta Irrigation District are charged the same fees as other users within the District.

Significant cost avoidance is achieved by the District not owning a District office and related equipment storage facilities. The District office is currently located in a small facility owned by the Secretary-Treasurer behind his home. District equipment is stored on the Maintenance Supervisor's personal property. This facility is utilized by the District at no cost.

The District also participates in a public entity risk pool managed by the Association of California Water Agencies-Joint Powers Insurance Authority (JPIA) to pool funds together for self-insured general liability. This reduces the costs of individual insurance coverage.

The District is currently using a sufficient range of cost avoidance measures and has indicated that there are no additional cost avoidance opportunities which could result in a significant avoidance of costs.

Determination: The District receives funding from property tax assessments, rate charges for water deliveries, water tending and ditch maintenance services. Besides rate increases, no additional opportunities for financing have been identified. Additional revenue may be necessary for upgrades and to maintain the current level of service.

5. Status of, and Opportunities for, Shared Facilities

The District currently uses irrigation ditches owned by the landowners, which is sufficient to provide adequate service. The District is not sharing any facilities with other agencies. Equipment and office materials are stored in Board member's homes. Services provided to lands within Alta Irrigation District do not overlap and do not have facilities that can be jointly used. No additional opportunities for shared facilities have been identified.

Determination: The District currently uses local privately owned irrigation ditches. No additional opportunities for shared facilities have been identified.

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

California Water Code section 34000-38500 enables the formation of Water Districts to provide water service to a district. This District is an independent special district which has a separate board of directors not governed by other legislative bodies (either a city council or a county board of supervisors).

The District, under its current legal form, appears to be operating properly. Reorganizing the government structure under a different enabling legislation is not expected to significantly improve service. It is unlikely that other government structures will result in a significant improvement in service. The current government structure is appropriate to provide adequate services.

The budget is usually an indicator of management efficiency. According to information contained in the FY 2012-13 budget, the audited financial statements and accounting policies of the District conform with the generally accepted accounting principles applicable to governments. The Governmental Accounting Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District currently has three employees, two field employees who perform water tending and ditch maintenance functions, and one secretary-treasurer employed on a less than full-time basis. Because of the relatively small size of the District, the water tenders are able to monitor the ditches on a continual basis and have a great deal of contact with water users and can respond to service needs promptly. Some of the board members help out and assist with maintenance needs. The current level of staff is able to provide adequate services.

A body of five officials, elected to four-year terms, serves as the Board of Directors governing the District. Terms are staggered with no more than three terms expiring in the same year. The Board creates policy by adopting resolutions or ordinances through duly noticed public hearings. Regular District board meetings are held on the first Thursday after the third Tuesday of each month at 8:00 am in the Gerawan Farming conference

room. Board meetings are noticed and posted at the District's office and at the meeting site. Opportunities for public comment are included on each agenda.

Determination: The District appears to be operating efficiently and the government structure is adequate to provide services. The current government structure is sufficient for the type of service it provides. Boundaries are adequate, although the District is providing water to areas outside of its boundaries through a long-standing agreement.

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

Other Districts overlapping the Kings River Water District include:

- Sierra Resource Conservation District
- West Fresno County Red Scale Protective District and Central Valley Pest Control District
- Consolidated Mosquito Abatement District
- Fresno County Library District
- Sierra-Kings Hospital District
- Fresno County Fire Protection District
- Kings River Conservation District
- Sanger-Del Rey and Reedley Cemetery Districts

Determination: There are no other matters related to service delivery that have not been addressed previously.

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

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

Description of Current Sphere of Influence

The District's boundaries and sphere of influence are coterminous and encompass 14,385 acres.

No Proposed Sphere Changes

The District reports its sphere and boundary is correct at this time. However, the area in the City of Sanger should be detached from the District boundary and Sphere if it does not need irrigation water.

Sphere of Influence Determinations

In accordance with CG 56425 (e), (e) 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. Present and planned land uses, including agricultural and open-space lands.

Determination – The current land use within the District is primarily agricultural lands. Future land uses as depicted in the Fresno County General Plan are expected to remain the same as the present land use.

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

Determination – The present privately-owned facilities are adequate for present and expected future demands for service. The District presently maintains many of the privately-owned facilities for water conveyance.

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

Determination – The ditch maintenance services the District presently provides is adequate to provide irrigation water to all lands currently served.

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

Determination – There are no social or economic communities of interest within the District's area.

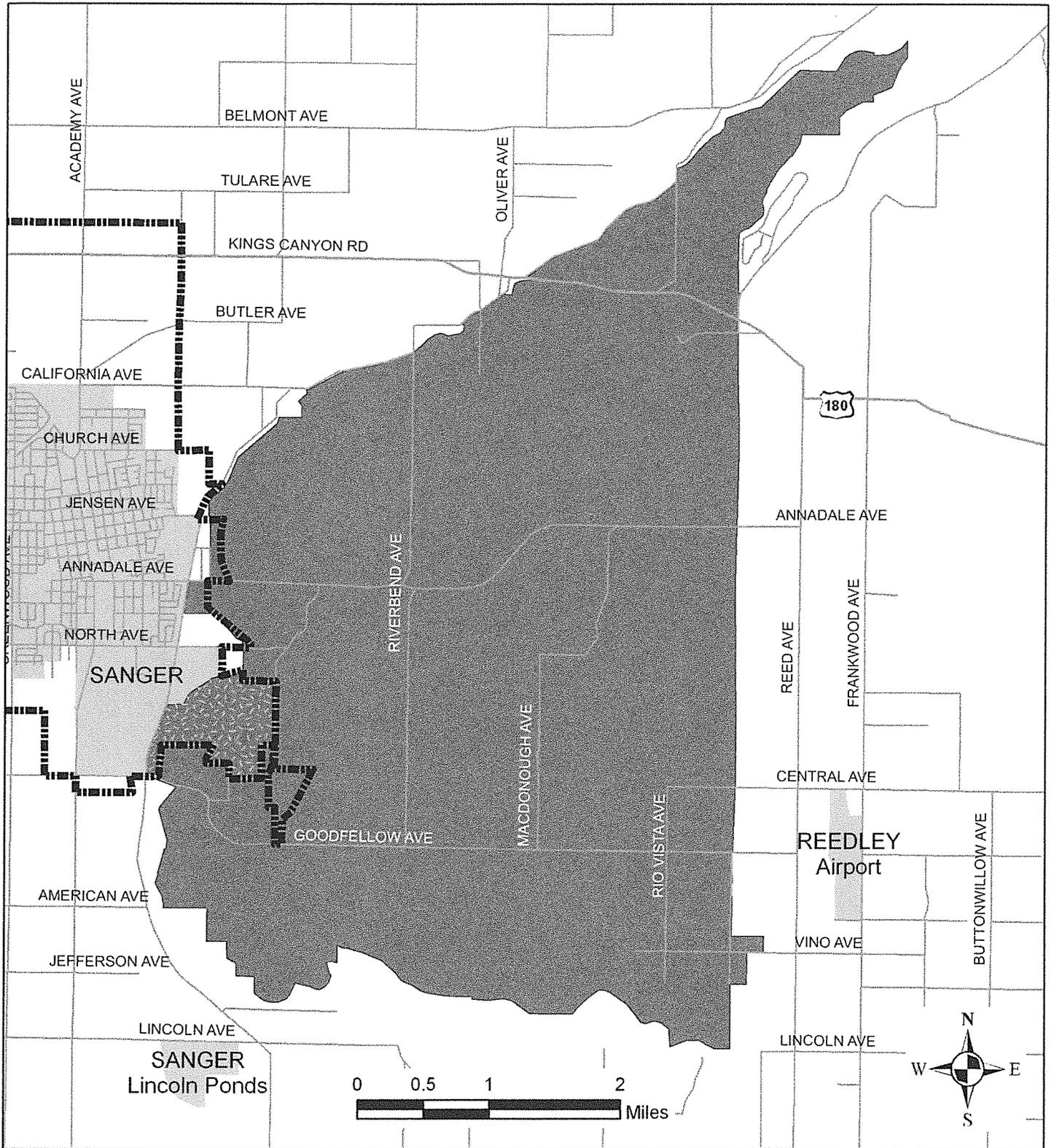
4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review was prepared by Fresno LAFCo staff using information largely provided by the District.

5. RECOMMENDATIONS

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

1. Accept public testimony regarding the proposed Municipal Service Review.
2. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.
3. Approve the recommended Sphere of Influence determinations and affirm the current Sphere of Influence.



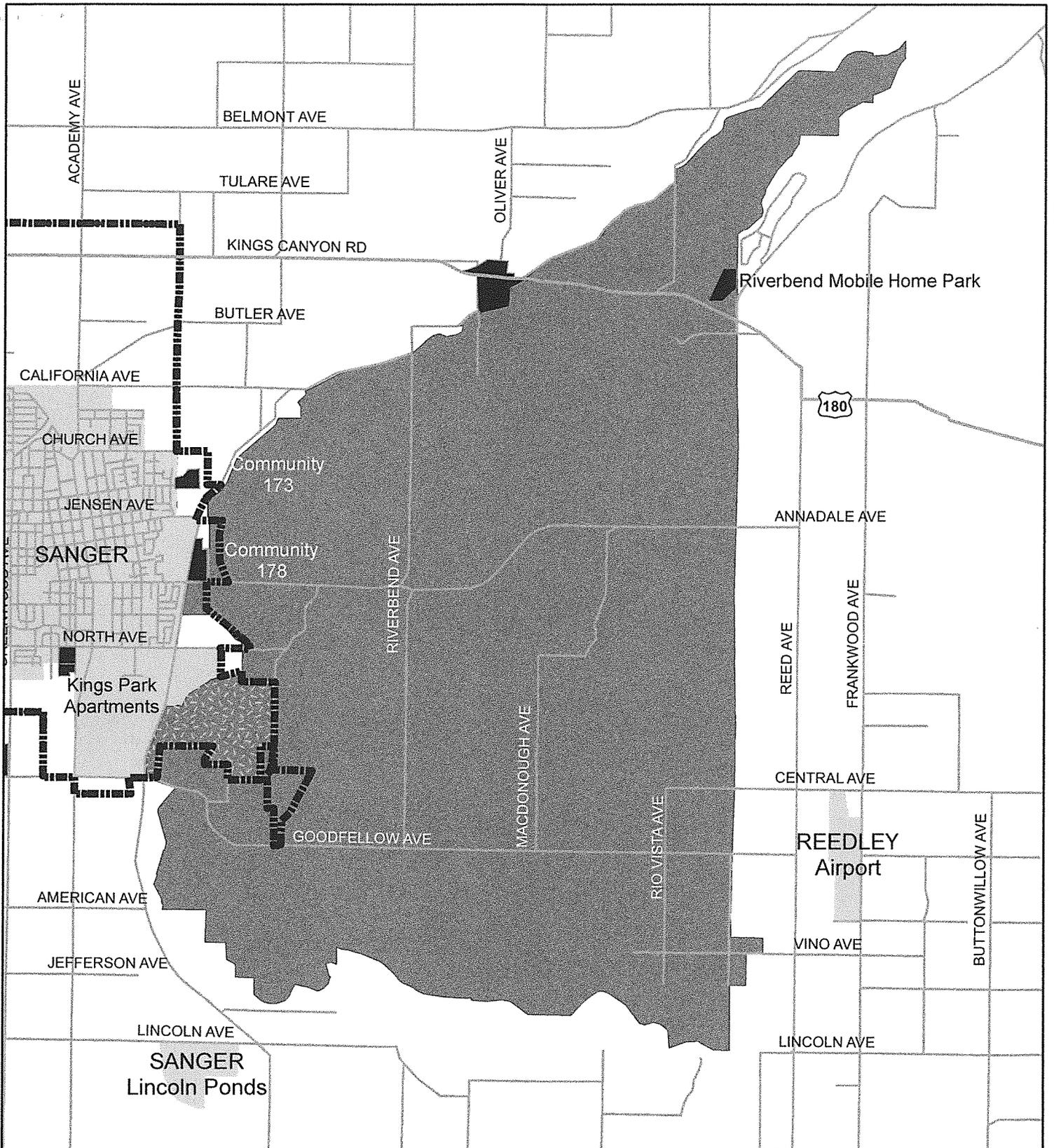
Fresno Local Agency Formation Commission Kings River Water District

Legend

-  District Area and SOI
-  Sanger SOI
-  City Areas
-  City Overlapping District

District Formed: 1952
 SOI Adopted: 11/26/1975
 SOI Updated: 08/22/2007

Map Date: November 2007
 District Area: 14,385 Acres
 Sphere Area: 14,385 Acres



Legend

-  District Area and SOI
-  City Overlapping District
-  DUCs
-  Sanger SOI
-  City Areas

Kings River Water District

Disadvantaged Unincorporated Community Map
 Fresno LAFCo Policy No. 106
 Source: Policy Link for Community Equity
 Initiative (2011) and KRCD DAC Database (2013)

