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

CONSENT AGENDA ITEM No. 8

DATE: **October 10, 2007**

TO: **Fresno Local Agency Formation Commission**

FROM: **Rick Ballantyne, Executive Officer
Darrel Schmidt, Deputy Executive Officer**

SUBJECT: **Consider Adoption – Municipal Service Reviews and Sphere of
Influence Updates Prepared for the Hills Valley Irrigation District and
James Irrigation District.**

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, special district Spheres of Influence (SOIs) before January 1, 2008, and every five years thereafter. Prior to, or in conjunction with an agency's SOI update, LAFCo is required to conduct a *Municipal Service Review* (MSR) for each agency.

On December 13, 2006, the Commission directed staff to enter into a contract with Braitman & Associates to prepare MSRs and SOI Updates for numerous cities and special districts. The attached MSRs and SOI Updates have been prepared for the Hills Valley Irrigation District and James Irrigation District.

Municipal Service Reviews 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.

Sphere of Influence 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 findings 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 nine criteria:

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options, including advantages and disadvantages of the consolidation or reorganization of service providers
8. Evaluation of management efficiencies
9. Local accountability and governance

As part of an SOI update, or adopting an SOI, the Commission is required to consider the following four criteria and make appropriate determinations in relationship 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.

There are seven Irrigation Districts within the County of Fresno. These include: Consolidated; Fresno; Hills Valley; James; Orange Cove; Riverdale; and Tranquillity Irrigation Districts.

This report addresses the Hills Valley and James Irrigation Districts. MSR's prepared for the Fresno, Orange Cove, Riverdale, and Tranquillity Irrigation Districts were presented to the Commission at its July 11, 2007 hearing. Consolidated Irrigation District's report was continued from July 11 and September 12, and appears as a separate item on today's agenda.

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. The MSR's are 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, these MSR's 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, the MSR's qualify 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 updates qualify for the same general exemption from environmental review based upon CEQA Regulation section 15061(b)(3).

There is no possibility that these MSR's or SOI updates may have a significant effect on the environment because there are no land use changes associated with the documents. If the Commission approves and adopts the MSR's and SOI updates and determines that the projects are exempt from CEQA, staff will prepare and file a notice of exemption with the County of Fresno, as required by CEQA Regulation section 15062.

Discussion / Summary of Determinations

1. Hills Valley Irrigation District

- A. Maintain the District's Existing Sphere of Influence Boundary.

The Hills Valley Irrigation District encompasses approximately 3,334 acres (5.2 square miles) in southeast Fresno County, north of the City of Orange Cove and sharing a boundary with Orange Cove Irrigation District on the west and south. A portion of the District is located within Tulare County. For that portion of the District located in Fresno County, the District boundary and SOI are coterminous with the exception of a small area in the center of the District.

The District provides irrigation water for agricultural purposes to 30 customers. District infrastructure includes pumping plants and water distribution lines. District water is obtained from the Central Valley Project via the Cross-Valley Canal. The Kern County Water Agency also utilizes this transmission facility.

The District is governed by a three-member Board of Directors elected at large. It has no employees. The District contracts for services provided by its manager.

The District's FY 2007-08 Budget projects revenues totaling \$948,000. Of these revenues, \$700,000 is derived from irrigation water. Other revenues are derived from improvement district assessments, General Service Charges, and reimbursements. The District anticipates \$948,000 in expenses including water purchases, payments for capital replacement and operating costs, electrical power, and other costs.

The District avoids costs by not having any employees and by obtaining water from the Central Valley Project in conjunction with other water agencies. The District also shares facilities in that it utilizes Orange Cove Irrigation District facilities to serve one of its customers.

The District notes that consolidation with the adjacent Orange Cove Irrigation District has been evaluated, but those negotiations have been suspended due to recent decisions related to water availability from the Delta. It is possible that the two agencies may choose to pursue consolidation in the future. The MSR did not identify any other potential government options.

The District has not proposed any changes to its SOI at this time. It notes that there may be a desire to serve small areas to the east, near the terminus of American Avenue, but no application has been submitted to LAFCo for consideration. As such, staff recommends affirmation of the District's current Sphere of Influence.

2. James Irrigation District

- A. Maintain the District's Existing Sphere of Influence Boundary.

The James Irrigation District encompasses approximately 26,418 acres (41.3 square miles) in central Fresno County, surrounding the City of San Joaquin. The District shares a common boundary with Tranquillity Irrigation District to the west. The District's boundary and SOI are coterminous.

The District provides irrigation water for agricultural purposes. The District is entitled to receive up to 35,300 acre-feet of run-off water annually from the U.S. Bureau of Reclamation. This

source of water is only available in wet years, however. Consequently, much of the water provided by the District is groundwater.

District infrastructure includes a main canal and lateral canals, six booster stations, 23 booster pumps, and 34 well pumps on a well field.

The District is governed by a five-member Board of Directors, elected by division and has 15 full-time employees. A General Manager administers the District's operations.

The District's FY 2006-07 Budget projected revenues totaling \$4,552,738. Of these revenues, more than \$3,600,000 were derived from sale of water. Other revenues were derived from land rent, soil sales to Reclamation District No. 1606, and interest. District expenditures included water supply and pumping, water transmission, weed abatement, and administrative costs.

The District engages in cost avoidance opportunities by participating in the Association of California Water Agencies Joint Powers Insurance Authority. It is also part of the Power and Water Resources Pooling Authority, which provides a portion of the electricity to power the District's well and canal pumps.

The District shares facilities in that channels, pumps, and diversion facilities owned by the District are located on land owned by Reclamation District No. 1606. The two Districts cooperate in the maintenance of these facilities.

Through an agreement with Reclamation District No. 1606, the James Irrigation District provides all necessary services for the Reclamation District. The District has considered consolidating with the Reclamation District and the adjacent Tranquillity Irrigation District in the past, but no action has been taken, due in part to consolidation costs. (LAFCo related consolidation costs are only a small portion of the total consolidation costs.) An additional complication is the fact that Tranquillity Irrigation District provides potable water to the community of Tranquillity, whereas James Irrigation District desires to remain a district exclusively providing irrigation water.

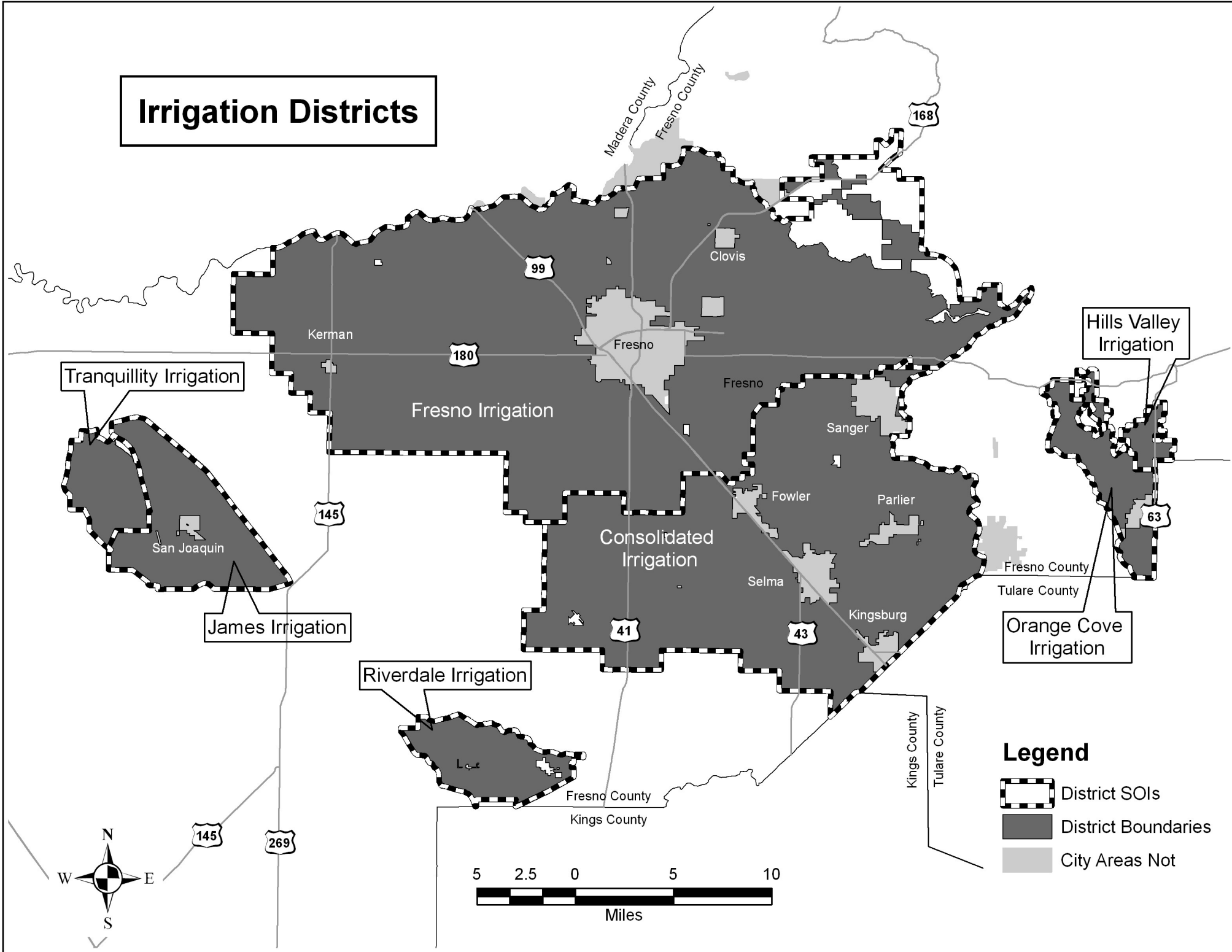
The District has not proposed any changes to its SOI at this time and no application has been submitted to LAFCo for consideration. As such, staff recommends affirmation of the District's current Sphere of Influence.

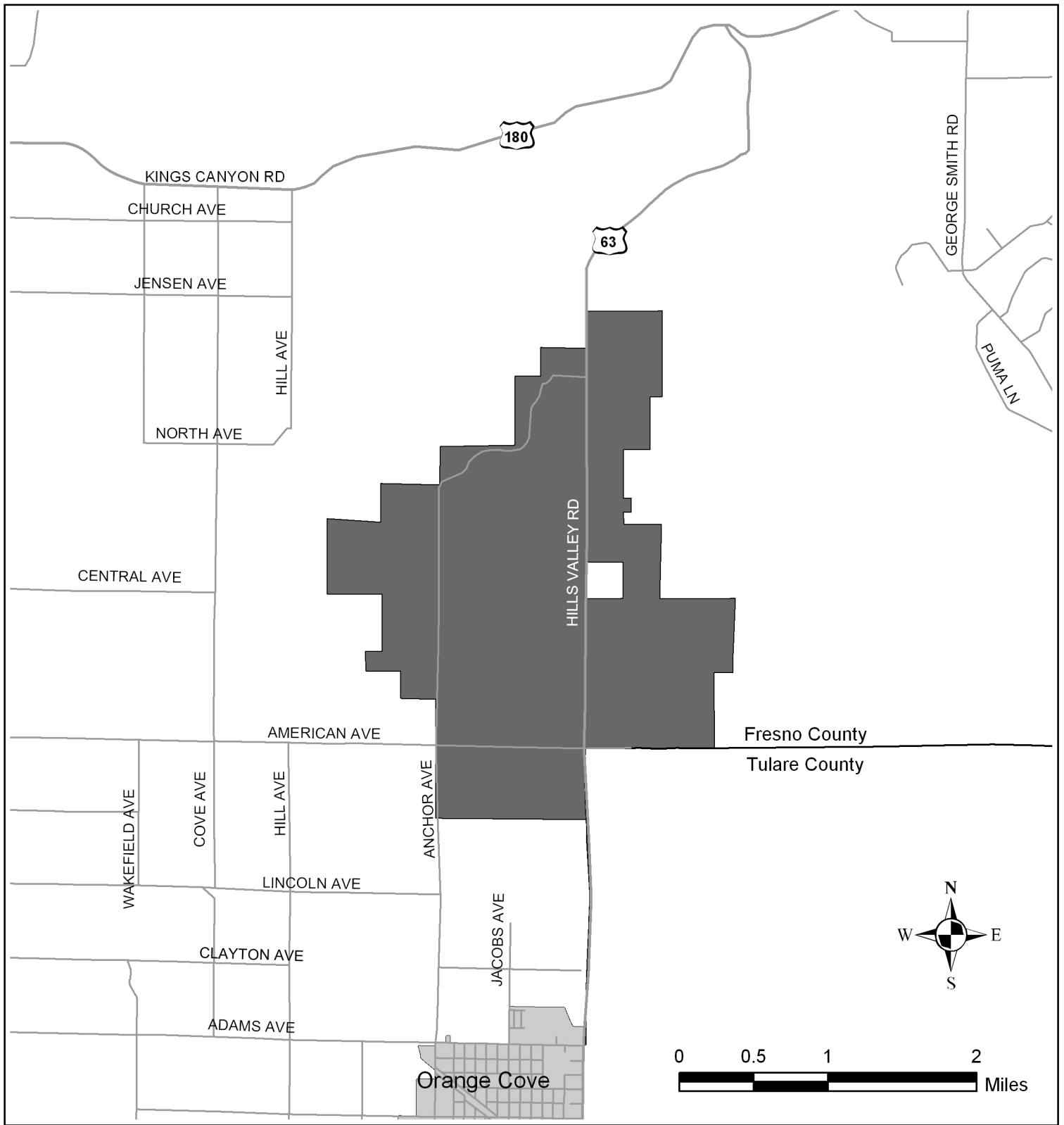
Recommendations:

- 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 determinations under consideration are Categorical Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection" and the general exemption from environmental review, CEQA Regulation Section 15061(b)(3), and find that the SOI Updates qualify for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).
- B. Find the Municipal Service Reviews and Sphere of Influence Updates prepared for the Hills Valley and James Irrigation Districts are complete and satisfactory.
- C. Find that the written determinations within the Municipal Service Reviews and Sphere of Influence Updates satisfy State Law.

- D. Pursuant to Government Code Sections 56425 and 56430 make the required determinations for the Municipal Service Reviews and District Sphere of Influence Updates, adopt the Municipal Service Reviews prepared for the Hills Valley and James Irrigation Districts by Braitman and Associates, and update the Sphere of Influence for said Districts by reaffirming their current boundaries.

Irrigation Districts





Fresno Local Agency Formation Commisison Hills Valley Irrigation District

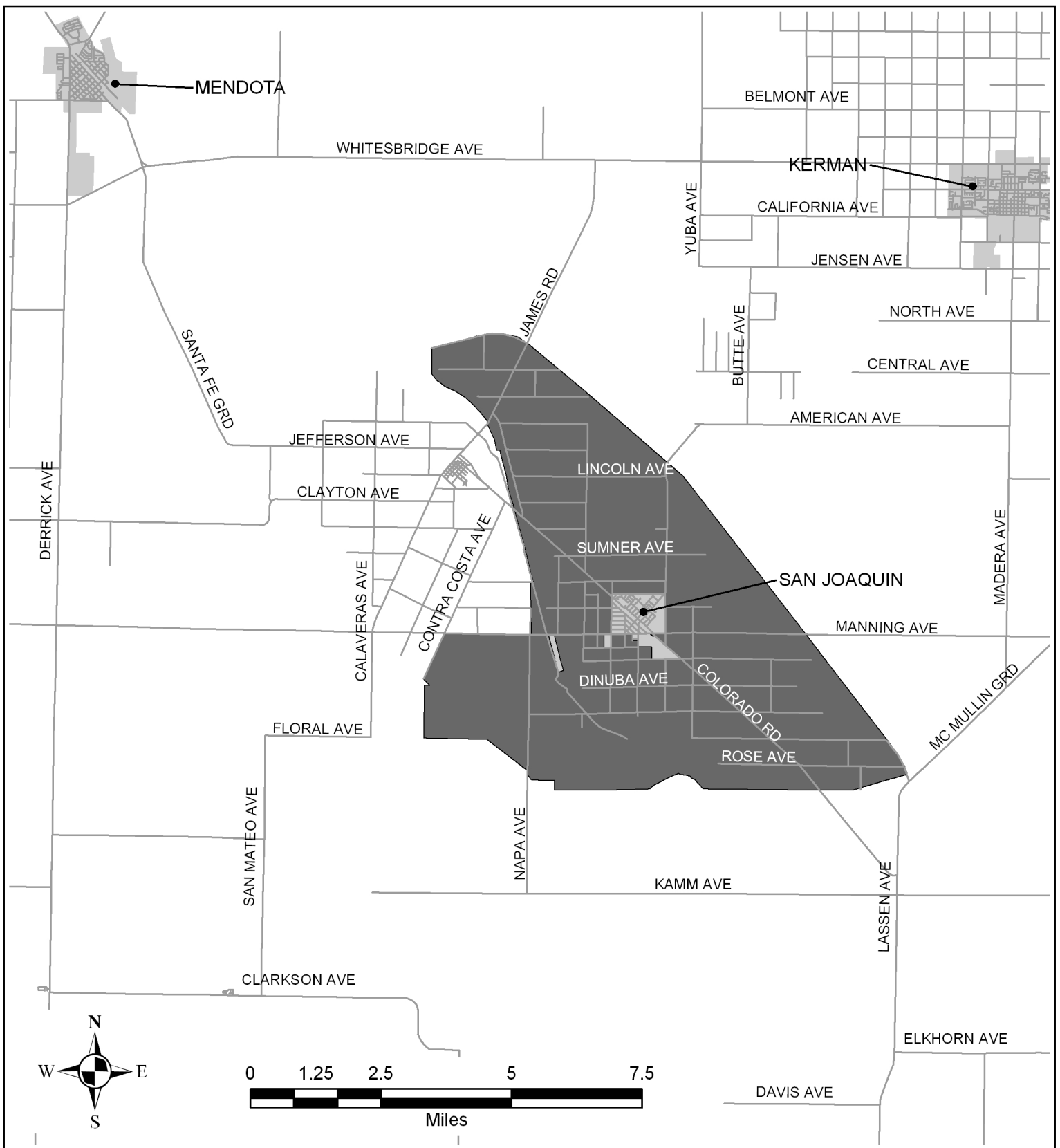
Note: Portion of District in Tulare County Not Shown

Legend

- District Area and SOI
- City Area

District Formed: 1948
 SOI Adopted: November 26, 1975
 SOI Updated: August 21, 1985

Map Date: August 2007
 District Area: 3,334 Acres
 Sphere Area: 3,334 Acres
 In Fresno County



Fresno Local Agency Formation Commission James Irrigation District

Legend

- District Area and SOI
- City Areas

District Formed: 1920
 SOI Adopted: 11/26/1975
 SOI Updated: 2/28/1996

Map Date: August 2007
 District Area: 26,418 Acres
 Sphere Area: 26,418 Acres

RESOLUTION NO. MSR-07-33

**FRESNO LOCAL AGENCY FORMATION COMMISSION
FRESNO COUNTY, CALIFORNIA**

In the Matter of

LAFCo Determination

RESOLUTION MAKING DETERMINATIONS)
AND ADOPTING MUNICIPAL SERVICE)
REVIEWS; AND MAKING DETERMINATIONS)
AND UPDATING SPHERE OF INFLUENCE)
FOR THE HILLS VALLEY AND JAMES)
IRRIGATION DISTRICTS)

MAKE DETERMINATIONS AND ADOPT
MUNICIPAL SERVICE REVIEWS;
AND MAKE DETERMINATIONS AND
UPDATE SPHERES OF INFLUENCE FOR
THE HILLS VALLEY AND JAMES
IRRIGATION DISTRICTS

WHEREAS, pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56425 et. Seq.) the Fresno Local Agency Formation Commission is required to review and update, as necessary, Spheres of Influence of local agencies not less than once every five years; and

WHEREAS, Government Code Section 56430 directs the Commission to conduct a review of municipal services not later than the time it considers an action to establish or update a Sphere of Influence; and

WHEREAS, notice of this Commission's hearing of said request was duly given in a publication of general circulation as required by the Cortese-Knox-Hertzberg Government Reorganization Act of 2000 and State law, and at the time and in the form and manner provided by law; and

WHEREAS, the Commission has heard, discussed and considered all relevant evidence, including but not limited to the Executive Officer's *Municipal Service Review and Sphere of Influence Update Report*, environmental documentation, applicable land use plans and all testimony, correspondence and exhibits received during the public hearing process, all of which are included herein by reference.

NOW, THEREFORE, BE IT RESOLVED that the Local Agency Formation Commission of the County of Fresno does HEREBY STATE, FIND, RESOLVE, DETERMINE, AND ORDER as follows:

Section #1. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines, this Commission finds that prior to adopting the written determinations, the Municipal Service Review and Sphere of Influence determinations under consideration are Categorically Exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15306, "Information Collection" and the general exemption from environmental review, CEQA Regulation Section 15061(b)(3), and find that the SOI Updates qualify for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

Section #2. This Commission finds the Municipal Service Reviews and Sphere of Influence Updates prepared for the Hills Valley and James Irrigation Districts are complete and satisfactory.

Section #3. This Commission finds that the written determinations within the Municipal Service Reviews and Sphere of Influence Updates satisfy State Law.

Section #4. Pursuant to Government Code Sections 56425 and 56430 this Commission hereby adopts the determinations as presented in the Municipal Service Review and Sphere of Influence Update documents prepared for the Hills Valley and James Irrigation Districts by Braitman & Associates, and updates the Sphere of Influence for said Districts by reaffirming their current boundaries.

Section #5. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution as provided in Government Code Section 56882 and to file, as appropriate, in the office of the Fresno County Clerk all environmental documents, if any, pertaining to the approval of this Proposal, as required by State law.

* * * * *

ADOPTED THIS 10th DAY OF OCTOBER, 2007, BY THE FOLLOWING VOTE:

AYES: Commissioners, Anderson, Fortune, Rodriguez, Larson, Lopez

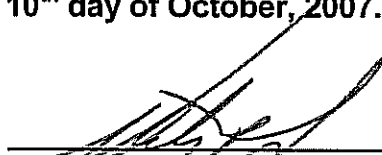
NOES: None

ABSENT: None

**STATE OF CALIFORNIA)
COUNTY OF FRESNO)**

CERTIFICATION

I, Victor Lopez, Chairman of the Fresno Local Agency Formation Commission (LAFCo), Fresno County, State of California, hereby certify that the foregoing resolution was adopted by the Commission on the 10th day of October, 2007.



**Victor Lopez, Chairman
Fresno Local Agency Formation Commission**

IRRIGATION DISTRICTS

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

Prepared By:

Braitman & Associates
8277 Cheshire St.
Ventura, CA 93004

October 2007

This report was prepared for the Fresno Local Agency Formation Commission (LAFCO) in accordance with Section 56430 of the California Government Code. It responds to the requirement that LAFCO conduct a Municipal Service Review (MSR) to study the delivery of municipal services and update Spheres of Influence.

There are seven Irrigation Districts in Fresno County (see District Map). Two of these Districts are considered within this report. All of these Districts operate pursuant to the Irrigation District Law (Water Code, Section 20500 et seq.).

- The Hills Valley Irrigation District was formed in 1948. The District encompasses about 3,334 acres (5.2 square miles) of primarily agricultural land in southeastern Fresno County. A portion of the District is also located within Tulare County. The District shares a common boundary with the Orange Cove Irrigation District on the south and west.
- The James Irrigation District was formed in 1920. The District encompasses about 26,418 acres (41.3 square miles) of primarily agricultural land in central Fresno County, including the City of San Joaquin. The District generally extends from the James Main Canal and Fresno Slough Bypass on the east, to the Fresno Slough on the west and a line approximating Nebraska Avenue on the south. The District shares a common boundary with the Tranquillity Irrigation District on its western side.

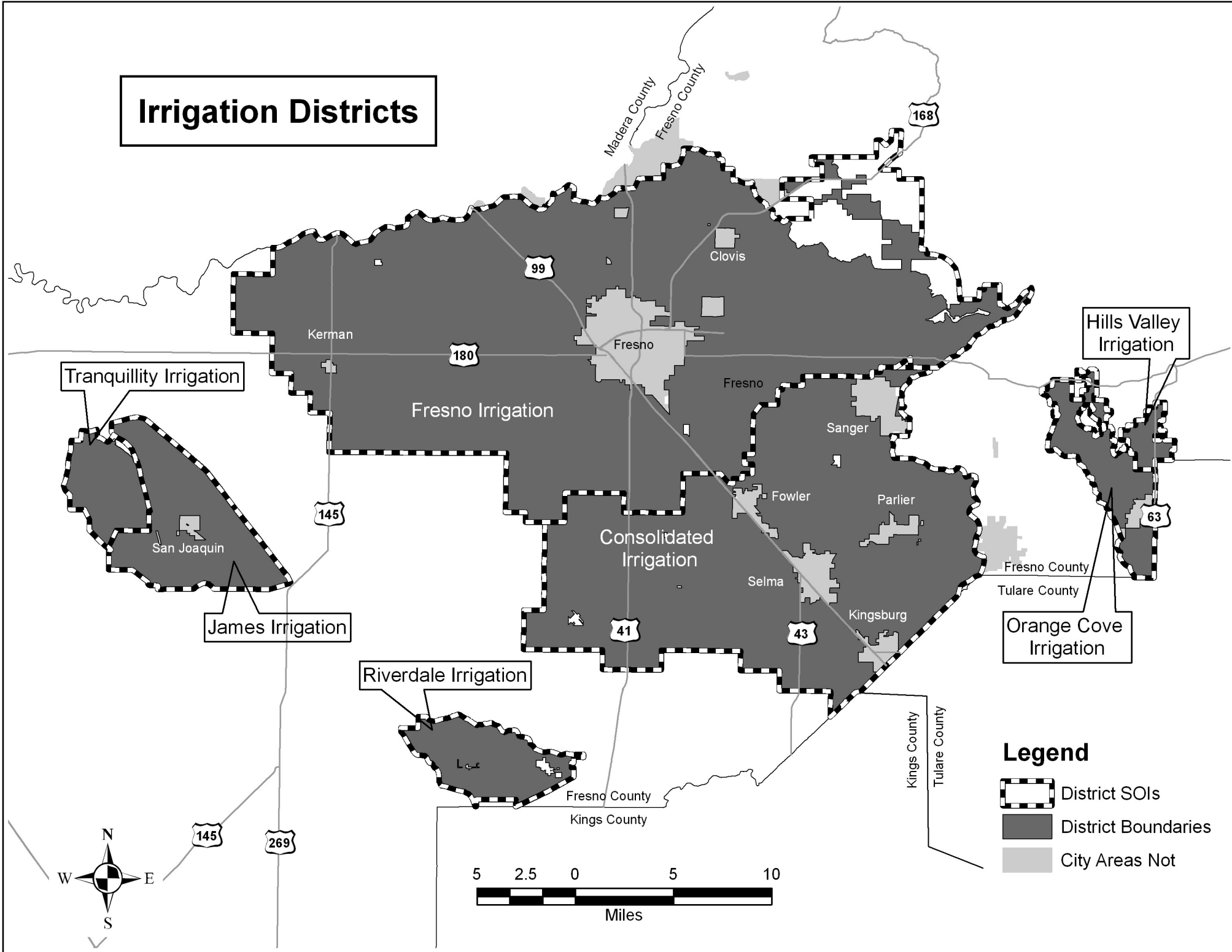
MSRs prepared for the Fresno, Orange Cove, Riverdale and Tranquillity Irrigation Districts were considered at the Commission's July 11, 2007 hearing. The MSR prepared for the Consolidated Irrigation District appears as another item on today's agenda.

Written determinations regarding the MSR and Sphere of Influence Updates are provided for the Commission's consideration. This report is an informational document and does not substitute for discretionary decisions that can only be made by the Commission. The decision to approve or disapprove any determinations or policies rests entirely with the Commission.

This report is subject to reconsideration and revision as directed by the Fresno LAFCo staff or by the Commission during the course of its deliberations.

MSR Guidelines prepared by the State Office of Planning and Research were referred to in developing information, performing analysis and organizing these studies.

Irrigation Districts



JAMES IRRIGATION DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

Prepared By:

Braitman & Associates
8277 Cheshire St.
Ventura, CA 93004

October 2007

1. MUNICIPAL SERVICE REVIEW

Description of District

The James Irrigation District was formed in 1920. The District encompasses about 26,418 acres (41.3 square miles) of primarily agricultural land in central Fresno County, including the City of San Joaquin. The District generally extends from the James Main Canal and Fresno Slough Bypass on the east, to the Fresno Slough on the west and a line approximating Nebraska Avenue on the south. The District shares a common boundary with the Tranquillity Irrigation District on its western side.

The District boundaries and Sphere of Influence are coterminous, as shown on the enclosed map.

The District is governed by a five-member Board of Directors elected by division. The General Manager administers the District. It has 15 full-time employees.

District Services and Background

The District provides water for agricultural irrigation. The District is entitled to receive up to 35,300 acre-feet of run-off water annually from the U.S. Bureau of Reclamation. This source of water is only available in wet years, however. Consequently much of the water provided by the District is groundwater.

2. MSR DETERMINATIONS

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

Infrastructure Needs and Deficiencies

The District operates a water production and distribution system to irrigate agricultural lands within the District.

Capital facilities include a main canal; six booster stations and 23 booster pumps; lateral canals on deeded easements located one-half mile apart over 26,000 acres for the delivery of irrigation water; a well field on a deeded easement currently with 34 well pumps; and the District office and shop in the City of San Joaquin.

Growth and Population Projections

District services do not directly facilitate or affect the rate or location of population development.

Financing Constraints and Opportunities

Total projected revenue for Fiscal-Year 2006-07 is \$4,552,738, the majority of which is derived from the sale of irrigation water (\$3,678,000). Remaining revenues include assessments (\$290,978), land rent and soil sales to Reclamation District No. 1606 (\$83,510) and interest (\$20,000).

Significant District costs include water supply and pumping (\$3,245,534), water transmission and distribution and weed control (\$694,219) and administration (\$492,132).

It appears these financing sources will avoid unmet financial obligations for operations and the provision of District services.

Cost-Avoidance Opportunities

The District participates in the Association of California Water Agencies Joint powers Insurance Authority for liability, property and workers compensation insurance and the Power & Water Resources Pooling Authority which provides a portion of the electric power to District well and canal pumps.

Opportunities for Rate Restructuring

There are annual opportunities for rate restructuring in District operations based on the costs involved in securing and distributing water.

Opportunities for Shared Facilities

While facilities remain separately owned, there is significant cooperation in maintaining channels, pumps and diversion facilities owned by the District located on properties owned by Reclamation District No. 1606.

Government Structure Options

The District, by means of a maintenance and Lease Agreement, maintains files, secures property, provides levee maintenance and provides all resources, equipment and personnel for Reclamation District No. 1606. The Commission approved the MSR/SOI Update for Reclamation District No. 1606 on August 22, 2007.

The District notes consolidating with Reclamation District No. 1606 has been considered in the past, as has consolidating with the adjacent Tranquillity Irrigation District. No action was taken, due in part to the expense of processing consolidations. (LAFCo related consolidation costs were a relatively small portion of the total costs of consolidating the districts.) Another obstacle to consolidating with the Tranquillity District concerns that District divesting its urban drinking water system to another agency so the consolidated District would be exclusively an agricultural water district.

Management Efficiencies

The District exhibits the characteristics of a well-managed agency operating efficiently and serving its customers effectively.

Local Accountability and Governance

The elected five-member Board of Directors that governs the District meets annually. Board agendas are posted at the District office. The District issues a semi-annual newsletter, "Looking Upstream" which is distributed to District landowners and growers.

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 exterior boundaries and Sphere of Influence are coterminous.

No Proposed Sphere Changes

The District proposes no changes in its Sphere of Influence or boundaries.

Sphere of Influence Recommendation and Determinations

It is recommended the Commission approve the following determinations and affirm the current Sphere of Influence.

1. Present and planned land uses in the area, including agriculture and open-space.

Present and planned Land uses within the District are primarily agricultural, with some residential, commercial, industrial and public uses.

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

Lands within the District require an array of public services and facilities. The probable need for public services and facilities reflect land use plans of the County for land within the District and within the boundaries of the City of San Joaquin.

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

The capacity of District facilities is sufficient for services it provides.

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

Territory within the District represents a community of interest for District services.

4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review was prepared by Braitman & Associates working at the direction of the Fresno LAFCO staff. Responsibility for any errors or omissions rests with those who prepared the report.

The James Irrigation District provided information on which the evaluation is based. General Manager John Mallyon was instrumental in providing data.

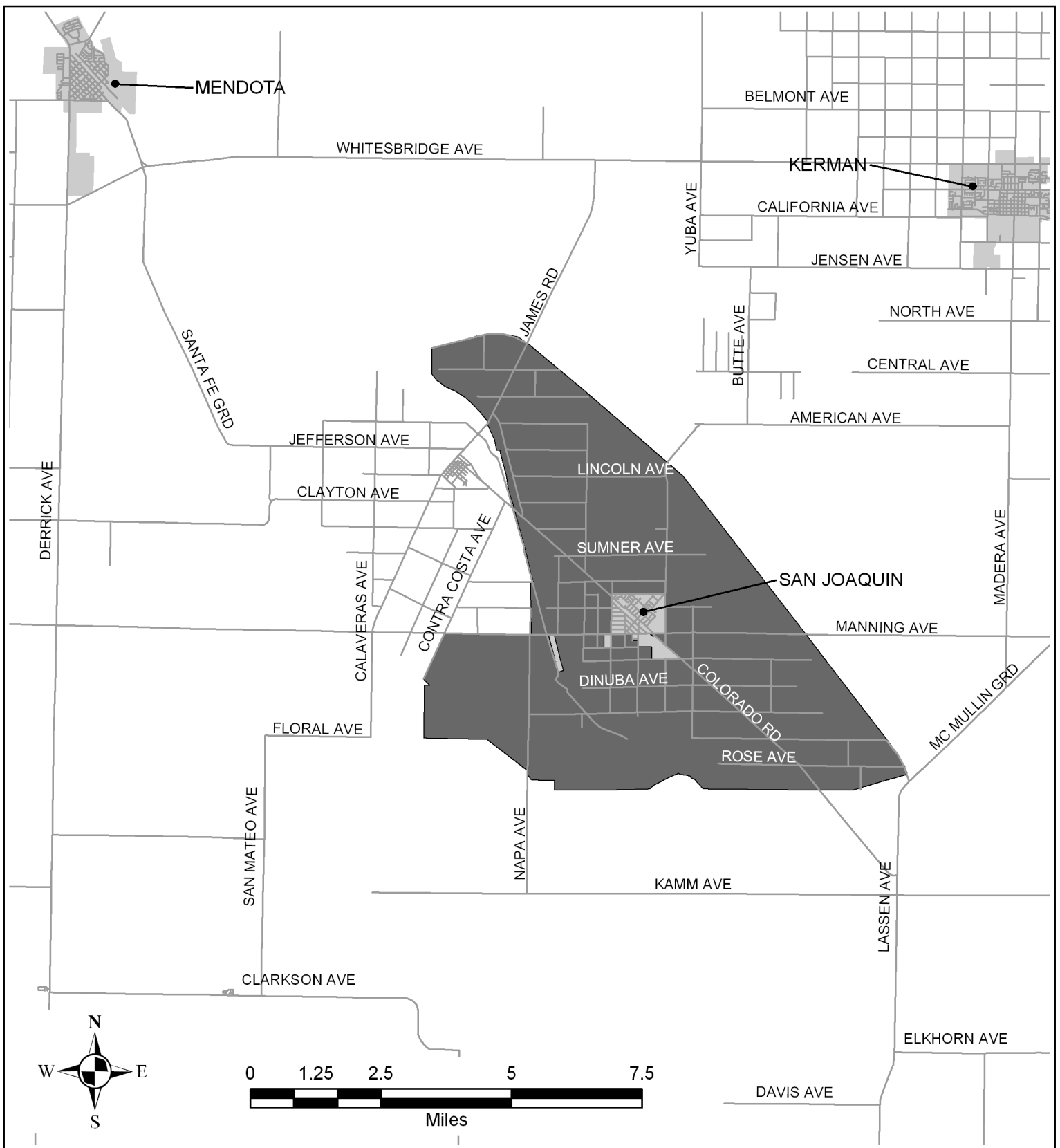
Available Documentation

The “Request for Information for Municipal Service Reviews” submitted by the District and supporting documents referred to therein are available in the LAFCO office.

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. Affirm the current Sphere of Influence and that it not be revised at this time.



Fresno Local Agency Formation Commission James Irrigation District

Legend

- District Area and SOI
- City Areas

District Formed: 1920
 SOI Adopted: 11/26/1975
 SOI Updated: 2/28/1996

Map Date: August 2007
 District Area: 26,418 Acres
 Sphere Area: 26,418 Acres