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

CONSENT AGENDA ITEM No. 6

DATE: December 5, 2007

TO: Fresno Local Agency Formation Commission

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

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

Summary / Background

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCo to review and update, as necessary, city or special district Spheres of Influence (SOI) 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 Pacific Municipal Consultants (PMC) to prepare MSRs and SOI Updates for numerous special districts. The attached MSR and SOI Update have been prepared for Farmers Water District.

Municipal Service Reviews provide a comprehensive review of the services provided by a city or special district and present recommendations with regard to the condition and adequacy of these services and whether or not any modifications to a city or district's SOI is 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 boundary. 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. Such updates are required by State law to be conducted every five years. MSRs are required to be prepared prior to or in conjunction with SOI updates.

State law requires that the Commission in its consideration of the MSRs adopt written 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 the SOI update, if the Commission determines that modifications to a district's SOI boundary is appropriate, it is required to consider the following four criteria and make appropriate determinations in relationship to each of the following criteria:

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 18 California Water Districts operating within Fresno County. This report addresses the Farmers Water District. MSRs and SOI Updates prepared for the Firebaugh Canal, Mercy Springs, Ora Loma, and Pleasant Valley Water Districts also appear on today's agenda. MSRs and SOI updates prepared for the other 13 additional water districts were approved at prior hearings.

California Government Code Sections 34000 thru 38500 enables the formation of water districts in order 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 MSR and SOI Update prepared for the Farmers Water District have been continued from the Commission's November 7, 2007 hearing. The item was continued at the request of staff so that new, substantive information, which was confirmed after the finalized staff report was sent to the Commission, could be included as part of the SOI Update for the Commission's consideration.

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 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, this MSR collects data for the purpose of evaluating municipal services provided by the agency. There is no land use change or environmental impact created by such a study.

Furthermore, the 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 or SOI update may have a significant effect on the environment because there are no land use changes associated with either document. If the Commission approves and adopts the MSR and SOI update and determines that the project is 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

Farmers Water District is an independent special district located approximately one mile north of SR 180 and 2 ¼ miles east of the City of Mendota. The District encompasses approximately 2,287 acres.

The District is governed by a three-member, elected Board of Directors. It employs a part-time meter reader and a part-time bookkeeper/secretary who is assisted by the District President. There are four property owners within the District. The District holds meetings as necessary.

Two of the District's property owners and one of the tenants leasing land within the District also own land within Westlands Water District. The District provides irrigation water for lands within its boundary and also supplies irrigation water to lands within Westlands Water District that are owned by these two property owners and this tenant. District water is transferred at a metered site on the San Joaquin River to the Mendota Pool, where it is then delivered to these individuals' Westlands Water District properties via Westlands Water District infrastructure.

The District states that demand for water is static and may decrease as members convert from flood irrigation of field crops to drip or micro-sprinkler irrigation for permanent plantings. The District does not anticipate any future growth.

District infrastructure includes 10 wells and 4.75 miles of concrete and PVC pipeline owned by the District on private land. There is no infrastructure connecting Farmers Water District with Westlands Water District. Water from Farmers Water District to District property owners' lands located within Westlands Water District is transferred via the San Joaquin River. The District indicates that existing infrastructure is adequate for District purposes. No additional facilities are planned.

District income is derived from water sales and assessments. In FY 2005-06, the District had a total income of \$275,140, an increase of \$138,620 over the prior year. This increase was due to increased water rates. Total operational expenses for 2005-06 were \$226,064, resulting in net operational income of \$49,076. The District does not have any outstanding debt. Based on financial information submitted by the District, the District appears to be operating efficiently.

District rates are \$40 per acre for overlying use within the District and \$50 per acre-foot for water that is transferred to use in the Westlands Water District. District fees were last updated in 2005.

Opportunities for sharing facilities are very limited as there is no infrastructure connecting the District with any other district. Three of the four irrigators within the District are members of the Mendota Pool Group and have an arrangement with Westlands Water District and the Bureau of Reclamation to transfer a portion of the water pumped from the District's area to those irrigators' lands located within Westlands Water District. Westlands Water District infrastructure is utilized to deliver water to lands within its territory.

The MSR did not identify any cost avoidance opportunities.

Though water is transferred from Farmers Water District in order to irrigate some lands within Westlands Water District, which might indicate consolidation between the Districts is a possibility, the District indicates that it considers consolidation between the Districts to be impractical. This is due, at least in part, to the geographic separation between the two Districts. Additionally, it should be noted that not all land owners within the District are involved in transfer of water from Farmers Water District to Westlands Water District.

As part of its research for this SOI Update, staff learned that LAFCo's current records are inaccurate as they relate to the District's boundary. This discrepancy was first identified by the District in its response to LAFCo's request for information, and has been confirmed by staff's research into records kept by the Fresno County Assessor/Recorder. Further, due to this inaccuracy, staff has determined that the Sphere of Influence adopted by the Commission for the District is inconsistent with the District's boundary. Some explanation of how this probably occurred is necessary.

The District was formed in 1949 following an election and certification of the election results by the Fresno County Board of Supervisors. Between 1951 and 1961, District boundaries were revised five times by the District's Board of Directors. At that time revision of a special district's boundaries did not require review or approval by the Board of Supervisors, rather boundaries could be modified by the District's governing body. As required, the District duly recorded these boundary revisions with the County Recorder. These revisions resulted in exclusion of the District's most southern half-section (approximately 320 acres) and inclusion of approximately 530 acres to the west of the District, a net increase of approximately 210 acres.

LAFCo records from 1963 (the year LAFCo was created) identify the District's boundary at that time as being the same as when the District was formed in 1949. It appears that the Commission and staff were unaware of the boundary revisions that took place between the District's formation and creation of LAFCo in 1963. No further revisions to the District's boundary have taken place, so the District's boundary following its last revision in 1961, is the correct boundary for the District. LAFCo's records, therefore, have been inaccurate since the creation of LAFCo in 1963 and the recommended action will correct this situation.

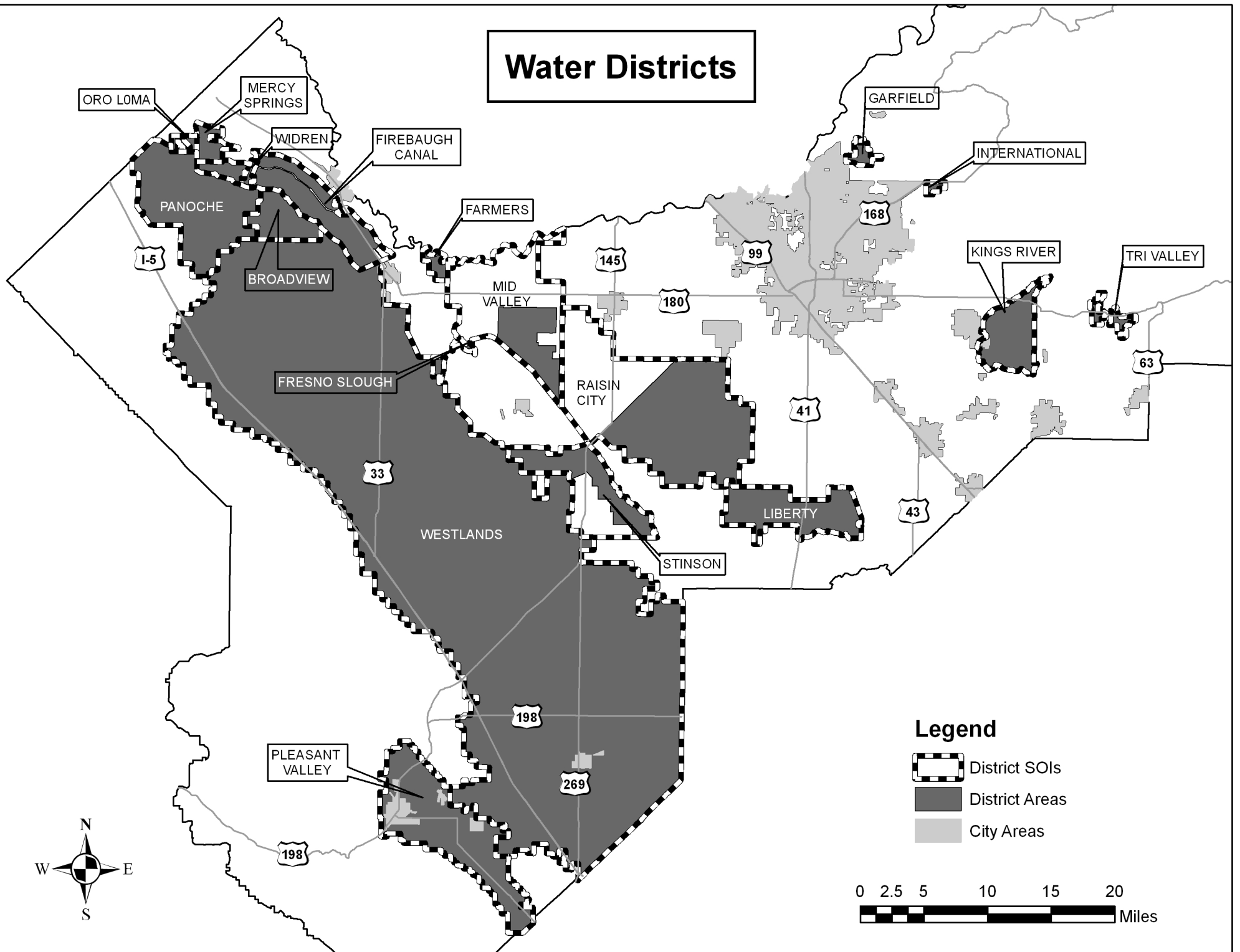
In 1975, the Commission adopted a Sphere of Influence for the District. Apparently still unaware of the boundary revisions that took place between 1951 and 1961, the Commission adopted a Sphere that was coterminous with the District's original 1949 boundary, rather than the District's revised boundary. As stated, there have been no changes to the District's boundary since 1961. Neither have there been any revisions to the District's Sphere of Influence since adoption of the Sphere in 1975. The District's Sphere, therefore includes approximately 320 acres adjacent to the south of the District's boundary, and does not include approximately 530 acres that are part of the District. It is assumed that the Commission's intention was to adopt a Sphere of Influence that was coterminous with the District's actual boundary, rather than the District's original boundary.

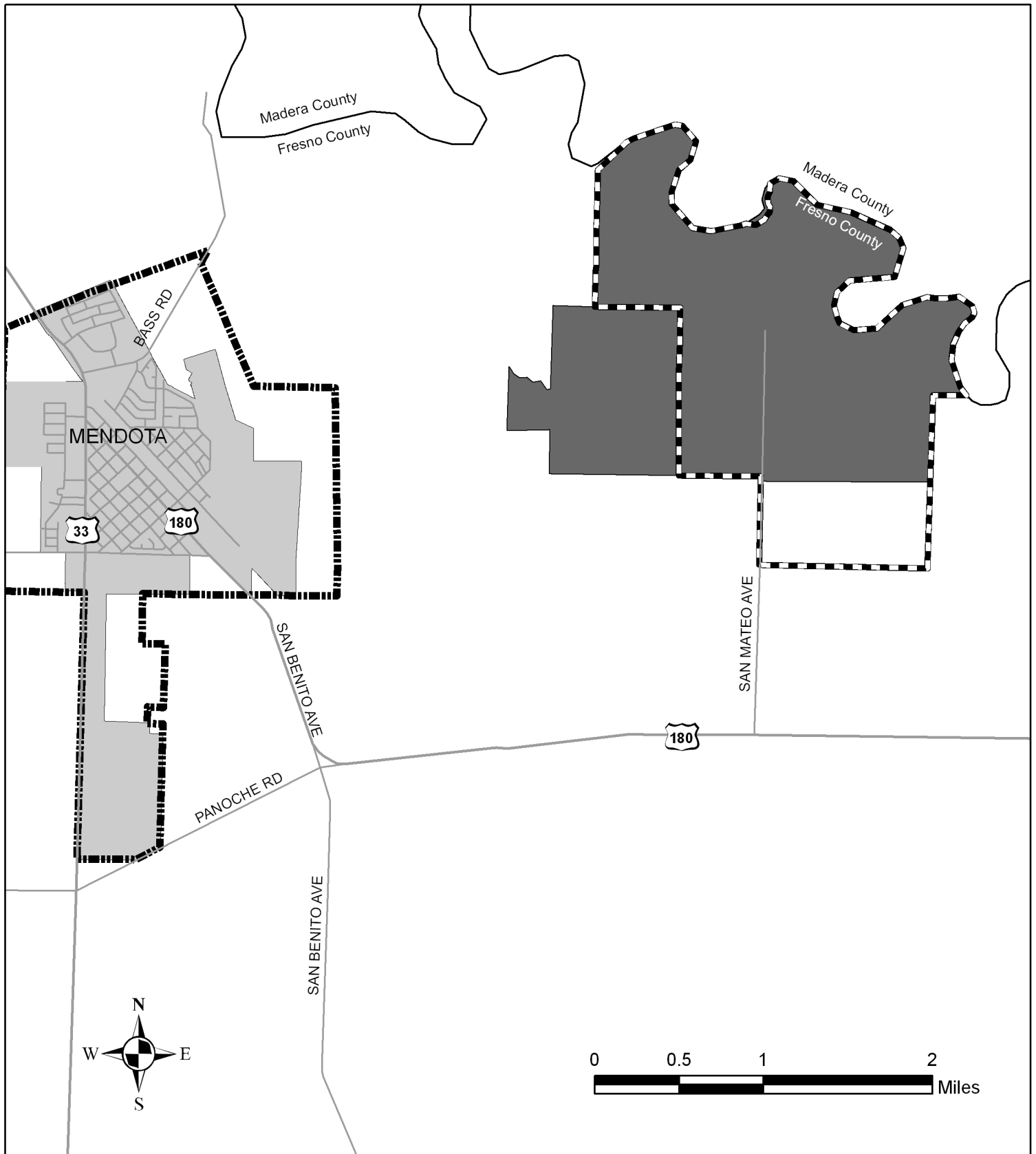
Based on this information, it is apparent that the District's adopted Sphere does not reflect the District's correct boundary, nor does it reflect the Commission's intention to adopt a Sphere in 1975 that was coterminous with the District's boundary. Staff recommends that the District's Sphere of Influence be updated by revising the Sphere to be coterminous with the District's correct boundary, as identified in the attached maps.

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 Update qualifies for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).
- B. Find the Municipal Service Review and Sphere of Influence Update prepared for the Farmers Water 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 Sphere of Influence Update, adopt the Municipal Service Review prepared for Farmers Water District by Pacific Municipal Consultants, Inc., and update the Sphere of Influence for said District by revising the District's Sphere of Influence to be coterminous with the District's boundary.

Water Districts





Legend

-  District SOI
-  District Area
-  City SOI
-  City Area

**Fresno Local Agency Formation Commission
Farmers Water District**

District Formed: 1949
 SOI Adopted: 11/26/1975
 Map Date: November 2007

District Area: 2,287 Acres
 Sphere Area: 2,090 Acres

RESOLUTION NO. MSR-07-45

FRESNO LOCAL AGENCY FORMATION COMMISSION
FRESNO COUNTY, CALIFORNIA

In the Matter of

LAFCo Determination

RESOLUTION MAKING DETERMINATIONS)	MAKE DETERMINATIONS AND ADOPT
AND ADOPTING MUNICIPAL SERVICE)	MUNICIPAL SERVICE REVIEW; AND
REVIEW; AND MAKING DETERMINATIONS)	MAKE DETERMINATIONS AND
AND UPDATING SPHERE OF INFLUENCE)	UPDATE SPHERE OF INFLUENCE FOR
FOR THE FARMERS WATER DISTRICT)	THE FARMERS WATER DISTRICT

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 (SOI); and

WHEREAS, the Executive Officer prepared a Municipal Service Review (MSR) and Sphere of Influence Update for the Farmers Water District; 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 Local 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 finds that the SOI Update qualifies for the same general exemption from environmental review based upon CEQA Regulation Section 15061(b)(3).

Section #2. This Commission finds the Municipal Service Review and Sphere of Influence Update prepared for the Farmers Water District are complete and satisfactory.

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

Section #4. Pursuant to Government Code Sections 56425 and 56430, this Commission makes the required determinations for the Municipal Service Review and Sphere of Influence Update, adopts the Municipal Service Review prepared for Farmers Water District by Pacific Municipal Consultants, Inc., and updates the Sphere of Influence for said District by revising the District's Sphere of Influence to be coterminous with the District's boundary.

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 5th DAY OF DECEMBER, 2007, BY THE FOLLOWING VOTE:

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

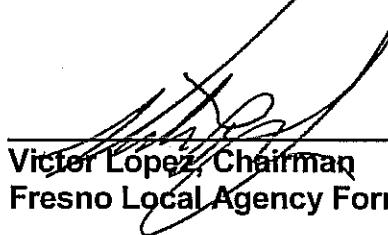
NOES: None

ABSENT: None

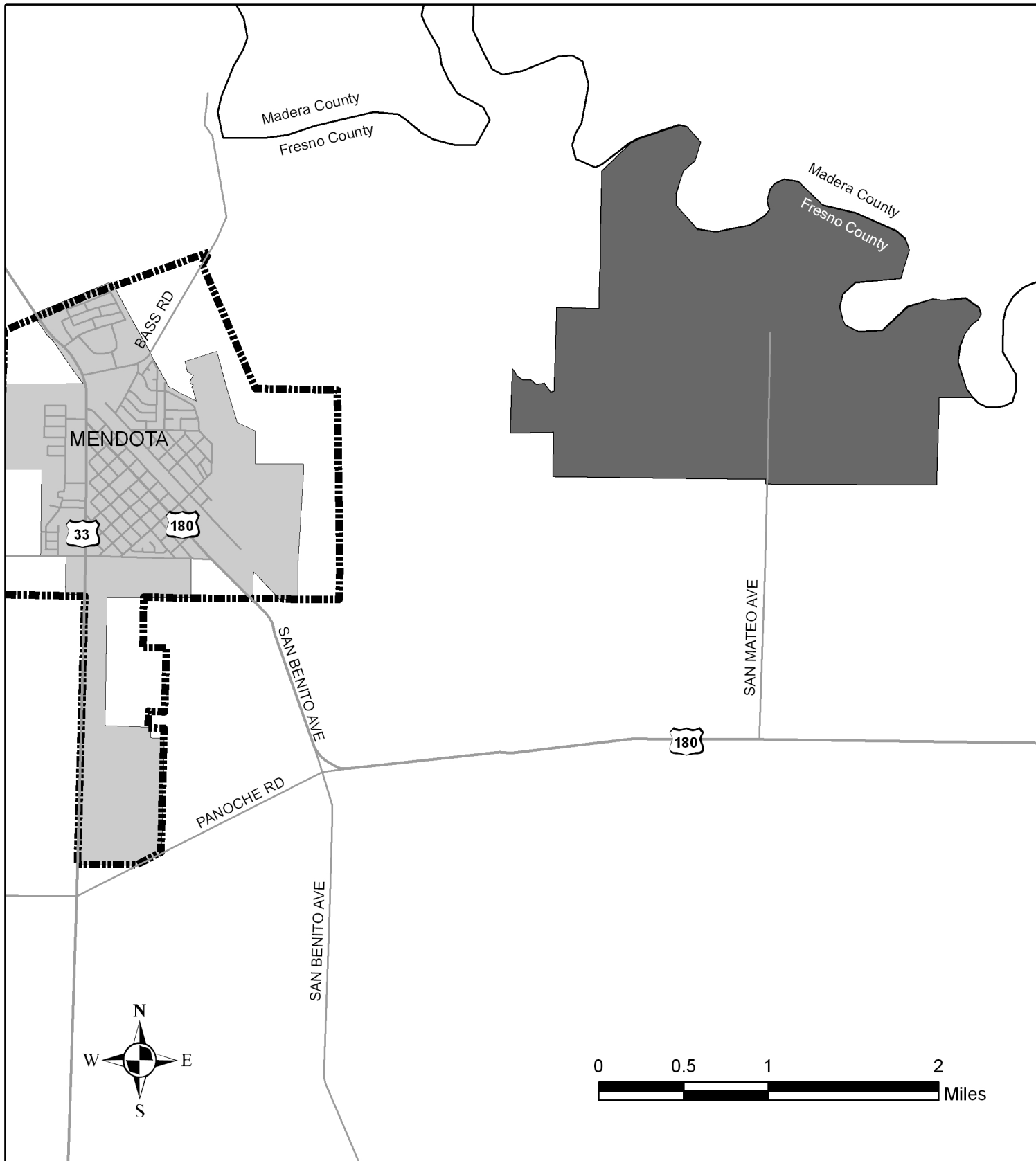
STATE OF CALIFORNIA)
COUNTY OF FRESNO)

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 5th day of December, 2007.



Victor Lopez, Chairman
Fresno Local Agency Formation Commission



Fresno Local Agency Formation Commission Farmers Water District

Legend

- District Area and SOI
- City SOI
- City Area

Note: Portion of District in Madera County not shown

District Formed: 1949
 SOI Adopted: 11/26/1975
 Map Date: November 2007

District Area: 2,287 Acres
 Sphere Area: 2,287 Acres
 In Fresno county

**STATE OF CALIFORNIA
COUNTY OF FRESNO**

I, Rick Ballantyne, Executive Officer to the Fresno County Local Agency Formation Commission, do hereby certify the foregoing to be a full, true and correct copy of the original thereof on file in my office.

Witness on the 7th day of December, 2007

**Rick Ballantyne
Executive Officer to Commission**

By


Candie Fleming

Clerk to Commission

FARMERS WATER DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Fresno Local Agency Formation Commission

Prepared by:

PMC
2729 Prospect Park Drive
Rancho Cordova, CA 95670

December 2007

1.0 EXECUTIVE SUMMARY

I. ROLE AND RESPONSIBILITY OF LAFCo

The Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act (Government Code Section 56000 *et seq*) requires all Local Agency Formation Commissions (LAFCos), including Fresno LAFCo, to conduct municipal service reviews (MSR) prior to updating the spheres of influence (SOI) of the various cities and special districts in the County, excluding community facility districts and school districts (Government Code Section 56430). The fundamental role of a LAFCo is to implement the CKH Act, providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. The focus of this MSR is to provide LAFCo with all necessary and relevant information related to the provision of services by the Farmers Water District.

II. MUNICIPAL SERVICE REVIEW PROCESS

The Municipal Service Review (MSR) and Sphere of Influence Update (SOI Update) process is a comprehensive assessment of the ability of government agencies to effectively and efficiently provide services to residents and users. The form and content of the MSR/SOI Update is governed by requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and the State of California's LAFCo MSR Guidelines (Guidelines), published in August 2003.

This MSR/SOI Update evaluates the structure and operation of the service providers and discusses possible areas for improvement or coordination. Key sources for this study were information gathered through research and interviews, as well as the Municipal Service Review Guidelines published by the Governor's Office of Planning and Research (OPR). This MSR/SOI Update has been prepared for Fresno LAFCo in accordance with the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 as a means of identifying and evaluating public service providers within Fresno County and possible changes to their Sphere of Influence (SOI).

III. PURPOSE OF THE MUNICIPAL SERVICE REVIEW

The MSR contains analysis and conclusions, referred in this document as determinations, regarding nine topic areas set forth in the CKH Act. These areas of analysis contain the essential operational and management aspects of each service provider, and together constitute a review of the ability of each provider to meet the service demands of the residents within their existing and potentially expanded boundary. The topic areas represent the nine required topic areas set forth in the CKH act. Each report contains the following sections:

Growth and Population

This section reviews projected growth within the existing service boundaries of the special district and analyzes the growth potential within the service area and surrounding areas.

Infrastructure

This section analyzes whether sufficient infrastructure and capital are in place, and reviews capabilities for accommodating future growth in service demands.

Financing Constraints and Opportunities

This section evaluates the way the district is funded and possible opportunities to increase funding if needed.

Cost Avoidance Opportunities

This section evaluates factors affecting the financing of needed improvements, including outstanding opportunities and utilized opportunities for service providers to reduce costs.

Rate Restructuring

The fiscal history of the service provider and rate structure is evaluated to determine viability and ability to meet existing and expanded service demands.

Opportunities for Shared Facilities

This section evaluates the existing sharing of facilities and the ability to share facilities with other service providers.

Evaluation of Management Efficiencies

This section evaluates the overall managerial practices.

Government Structure

This section evaluates the ability of the service provider to meet its demands under its existing government structure. This includes discussion of potential reorganizations or other forms of governance that may result in the more efficient provision of services to local residents.

Local Accountability

This section examines how well the service provider makes its processes transparent to the public and invites and encourages public participation.

IV. SERVICE PROVIDERS

This document contains MSRs/SOI Updates for Farmers Water District. The determinations and findings reached are based upon surveys of agency representatives, meetings, and assessments of existing documents.

Water Districts

Water Districts are dependent special districts formed pursuant to Division 12 of the California Water Code. This MSR analyzes the Farmers Water District.

CONTACT INFORMATION

Address: 2110 North Blackstone Avenue
Fresno California, 93703

Phone: 559-661-6363

Website: None

MANAGEMENT INFORMATION

President: Jim Merrill

Governing Body: Board of Directors

Board Members: Jim Merrill Nov. 2007
Berry Baker Nov. 2009
Mark Turmon Nov. 2009

Board Meetings: As Needed; Noticed

Staffing: One part-time bookkeeper/secretary (assisted by District president), and one part-time meter reader.

SERVICE INFORMATION

Empowered Services: Water

Services Provided: Water

Latent Powers: None.

Area Served: 2,287 irrigable acres.

Population Served: Four irrigators (two landowners and two tenants).

Infrastructure: 10 deep wells (nine electric-powered and one diesel-powered) and 4.75 miles of concrete or PVC buried pipelines.

FISCAL INFORMATION

Budget: \$226,064

Sources of Funding: Water sales, assessment if necessary.

Rate Structure: \$40 per acre-foot for overlying use, \$50 per acre-foot for transfers to Westlands Water District lands.

5.2 FARMERS WATER DISTRICT

I. SETTING

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

The District's Mission is to: "supply 100% of the overlying irrigation supply to members of the District on their private lands from wells located on those lands and from fallow district-owned land in Madera County."

Area Served

The District is located in Fresno County and Madera County, serving 2,090 acres of land north of Highway 180 on the south side of the San Joaquin River. The District includes area on both sides of San Mateo Avenue. Lands within the District are irrigable lands, privately owned by District members. There are four land owners within the District, covering four properties. Two properties are absentee-owned and leased.

Two land owners who own property within the District also own land in Westlands Water District, and the tenant of one of the absentee-owned properties also owns land in Westlands Water District. Farmers Water District provides water to the two land owners and the one tenant for overlying use as well as for transfer at a metered site on the San Joaquin River to the Mendota Pool, where it is delivered to those individuals' Westlands properties via Westlands infrastructure. The remaining tenant also owns land in Westlands Water District, but does not, nor is allowed to, transfer water from Farmers Water District to Westlands Water District.

Please see **Figure 5.2-1** for a map of the District's boundaries.

Services Provided

The District provides water service within its boundaries, and to portions of member properties located within Westlands Water District.

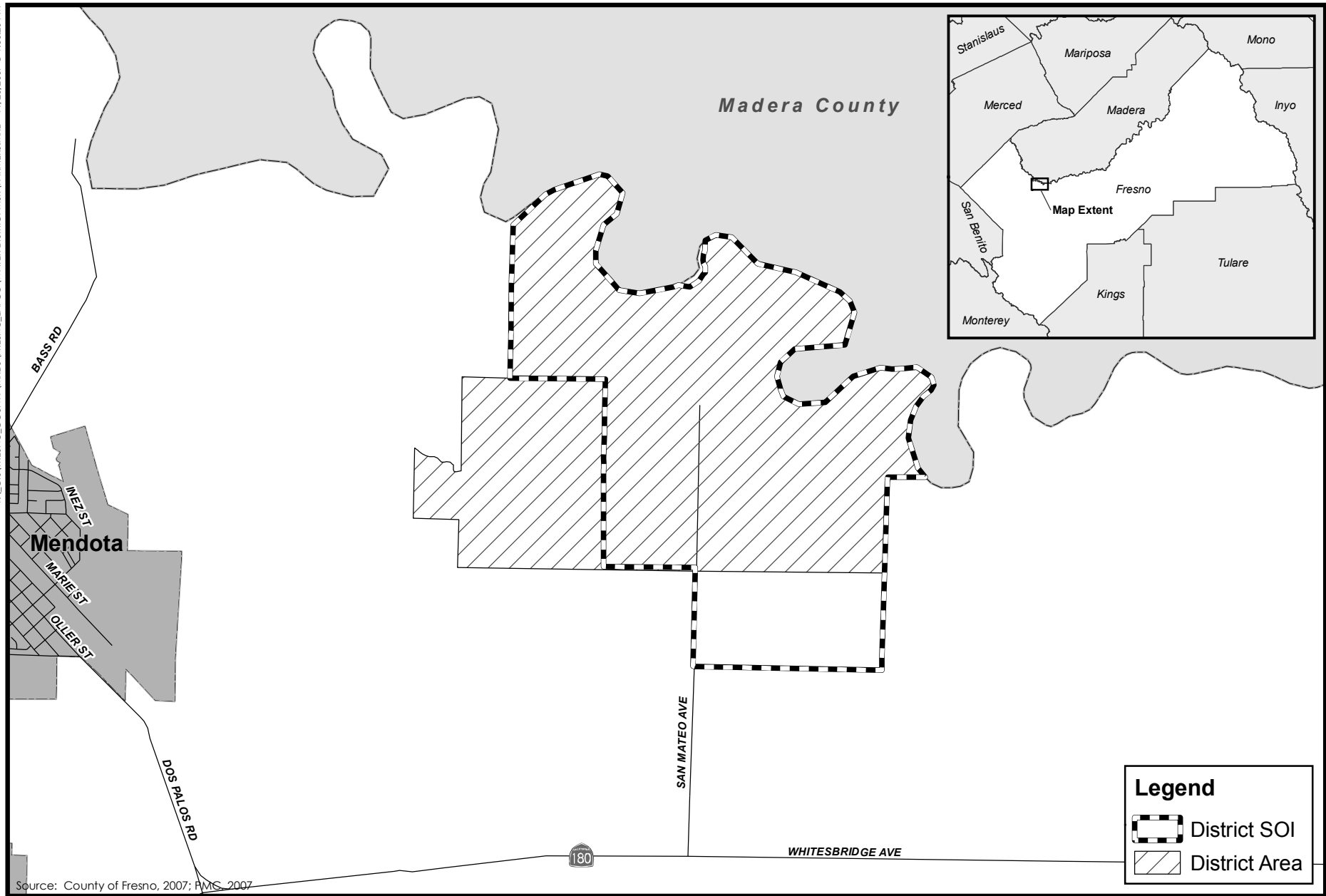
The District is not empowered to provide services beyond irrigation water and does not provide any other services.

II. GROWTH AND POPULATION

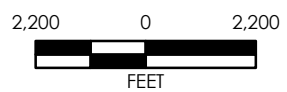
The District stated that demand for water is static and may decrease as members convert from flood irrigation of field crops to drip or micro-sprinkler irrigation for permanent plantings.

The District did not indicate any anticipated growth in the area.

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Source: County of Fresno, 2007; FWC, 2007



Legend



-  District SOI
-  District Area

Figure 5.2-1
Farmers Water District
PMC

III. INFRASTRUCTURE

Existing Infrastructure Facilities and Conditions

The District's infrastructure includes 10 wells; nine electric and one diesel powered, and 4.75 miles of concrete or PVC pipeline owned by the District on private land. The District indicated this amount of infrastructure is sufficient for current District overlying operations. The District states it is always planning for upgrades, but does not have any budgeted at this time.

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

Planned Facilities

The District indicated that there are no planned facilities. Water use in the District may be declining, and the District has indicated that existing infrastructure is sufficient for overlying use. Additional facilities are not expected to be needed in the immediate future.

IV. FINANCING AND RATE RESTRUCTURING

The District provided financial audits for the FYs 2004-05 and 2005-06. The auditors have stated that the District's financial statements represent fairly, in all material respects, the financial position of the Farmers Water District. Financial statements from FY 2005-06 were reviewed to determine the fiscal status, assess financial practices, and review pertinent management findings.

For FY 2005-06, the District had total current assets of \$27,358. This consisted of cash in bank, accounts receivable and prepaid expenses. Additional assets in the form of land, facilities and equipment totaled \$161,654. Actual property, plant and equipment assets were \$969,150, however the District accounted for \$857,881 in depreciation, representing the accumulated depreciation over many years.

The District's liabilities in FY 2005-06 totaled \$254. Total retained earnings at the end of FY 2005-06 were \$188,400. This is an increase of \$49,104 from the District's total retained earnings of \$139,296 at the end of FY 2004-05.

The District's financial statements for FY 2005-06 show that the District had total income of \$275,140. This is an increase of \$138,620 from the previous year; FY 2004-05 (\$136,520). The increase is due to increased water rates. The District's income is derived from water sales and assessments.

In FY 2005-06, the District's expenses included the following; Power (\$159,474), Maintenance and Repairs (\$21,428), Depreciation (\$19,281), Insurance (9,735), Accounting (\$7,800) and Water Assessments (\$4,457). Additional expenses including Rent, Telephone, Auditing and Legal and Office Expenses totaled \$3,889. Total operational expenses for FY 2005-06 were \$226,064. With a total operational income of \$275,140 and total operational expenses of \$226,064 the District had a net operational income of \$49,076 in FY 2005-06.

In addition to the above net operational income of \$49,076, in FY 2005-06, the District had \$28 of interest income for a total net income of \$49,104. This brought the total retained earnings up to

\$188,400 at the end of FY 2005-06. The District's operations in FY 2004-05 resulted in a loss of \$25,604.

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

The District did not provide additional accounting information, or budgets for future years.

The District reviews and/or revises user fees on an annual basis. The current fees are \$40 per acre foot for overlying use. The fees are \$50 per acre foot for transferred use to Westlands Water District. The District's fees were last updated in 2005.

V. COST AVOIDANCE OPPORTUNITIES

This section of the Municipal Service Review considers the potential cost avoidance opportunities available to each service provider. Cost avoidance opportunities include any potential sources of reduction in costs associated with service provision, potential sharing of facilities, and any other capital or operational actions or programs which may result in a more efficient and streamlined provision of services to the properties within the service area. This analysis includes both potential and previously implemented cost avoidance measures.

The District did not indicate any current or potential cost avoidance opportunities.

VI. OPPORTUNITIES FOR SHARED FACILITIES

Three of the four irrigators within the District, as members of the Mendota Pool Group, have an arrangement with Westlands Water District and the Bureau of Reclamation. A portion of water pumped from the District's area is transferred to those members' accounts in Westlands Water District. The District receives a greater fee for water transferred to Westlands than it does for water used within its boundaries.

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

The District did not indicate additional opportunities for shared facilities.

VII. GOVERNMENT STRUCTURE AND MANAGEMENT EFFICIENCIES

Internal District Structure

This section of the MSR considers the appropriateness and adequacy of the legal structure of the service provider, as well as the adequacy of the existing physical boundaries and SOI of the District.

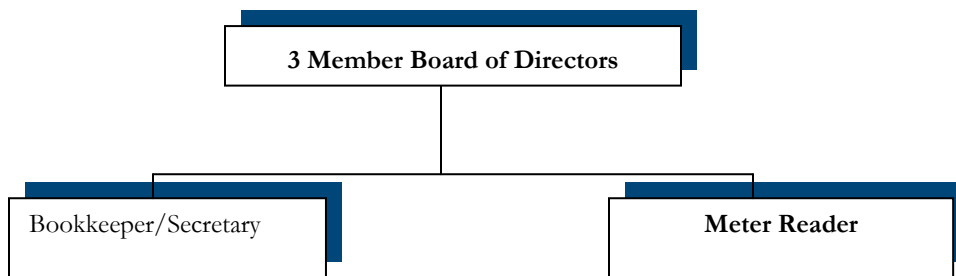
California Water Code section 34000-38500 enables the formation of Water Districts to provide water services to a district. This District is an independent special district which has a separate board of directors not governed by other legislative bodies (either a city council or a county board of supervisors).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

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

Farmers Water District is managed by a board of three members. Board members are replaced with alternating election dates. Elections are posted in Fresno and Madera Counties. Meetings are held as needed. With only four properties within the District boundaries, the public purpose of the District is limited. The primary purpose remains, however, to supply irrigation water to land within its boundaries, with a secondary purpose to supplying limited amounts of contracted water to District irrigators who transfer this water to Westland Water District to supplement their Westlands supplies and on land those irrigators own in Westlands Water District.

The District employs one part-time secretary/book keeper who is assisted by a part-time District president. Additionally, the District has a part-time meter reader, who is a member of the District. The current levels of staffing are adequate to meet the District's needs. Please see **Figure 5.2-2** for an organizational chart of the District.

Figure 5.2-2 Farmers Water District Organizational Chart



Certain irrigators within Farmers Water District currently operate under an agreement with the Bureau of Reclamation and the Westlands Water District. Farmers Water District transfers water to those irrigators who own land in Westlands Water District. The District indicates that, due to the physical separation between Farmers and Westlands Water Districts and the limited term of the existing agreement, consolidation of infrastructure and/or services is not possible at this time, nor is it considered possible in the future.

Regional Groundwater Planning

Water is a vital, but finite resource for the entire Fresno region. It is acknowledged that individual agencies each have their own interests, which sometimes compete with the interests of others for this limited resource.

The District states that a final environmental impact report on conveyance of non-project groundwater from the Mendota Pool area, approved in 2005, and an environmental assessment for Mendota Pool exchange agreements approved in 2001, "meet the needs of drought affected farmers in the Westlands Water District while satisfactorily appeasing irrigators, environmentalists, government agencies and city administrators concerned with the Mendota area." It is the District's intention to "continue to allow certain District irrigators to transfer water to Westlands Water District in compliance with the approved regulations" through 2011.

The District indicates that it is in a unique geographic location in that the groundwater in the area is relatively stable, even following pumping. LAFCo notes that the dependable availability

of water resources will be one of the issues LAFCo carefully considers when reviewing proposed Sphere of Influence and boundary changes.

VIII. LOCAL ACCOUNTABILITY

The District indicated that there are only four member-irrigators within the District. This facilitates immediate communication between members and staff. Additionally, the District noted that the four members receive equal service, and satisfaction is almost always attained.

Meetings are held as needed. Board members are notified of meeting times. Meetings are noticed in local newspapers. The District states that its meetings are held at frequencies and locations consistent with Brown Act requirements.

IX. SPHERE OF INFLUENCE RECOMMENDATIONS

The Sphere of Influence (SOI) recommendations analyzes the appropriateness of the District's SOI boundaries, relative to the capabilities of the service provider and future growth.

In response to LAFCo's request for information, the District submitted information which indicated a discrepancy between District and LAFCo records concerning the District's boundary. Further, this information indicated that, if the District records were accurate, the adopted Sphere of Influence for the District would be inconsistent with the District's boundary. Following additional discussion with the District and research of the Fresno County Assessor/Recorder's records, it has been determined that: (1) LAFCo records of the District's boundary are inaccurate; and (2) as a result of these inaccurate records, the Sphere of Influence adopted by the Commission in 1975 is inconsistent with the District's correct boundary. Some explanation of how this probably occurred is necessary.

The District was formed in 1949 following an election and certification of the election results by the Fresno County Board of Supervisors. Between 1951 and 1961, District boundaries were revised five times by the District's Board of Directors. At that time revision of a special district's boundaries did not require review or approval by the Board of Supervisors, rather boundaries could be modified by the District's governing body. As required, the District duly recorded these boundary revisions with the County Recorder. These revisions resulted in exclusion of the District's most southern half-section (approximately 320 acres) and inclusion of approximately 530 acres to the west of the District, a net increase of approximately 210 acres.

LAFCo records from 1963 (the year LAFCo was created) identify the District's boundary at that time as being the same as when the District was formed in 1949. It appears that the Commission was unaware of the revisions that took place between the District's formation and creation of LAFCo in 1963. No further revisions to the District's boundary have taken place, so the District's boundary following its last revision in 1961 is the correct boundary for the District. LAFCo's records, therefore, have been inaccurate ever since LAFCo was formed in 1963.

In 1975, the Commission adopted a Sphere of Influence for the District. Apparently still unaware of the boundary revisions that took place between 1951 and 1961, the Commission adopted a Sphere that is coterminous with the District's original 1949 boundary. There have been no changes to the District's boundary or Sphere since adoption of the Sphere in 1975. The District's Sphere, therefore includes approximately 320 acres adjacent to the south of the District's boundary, and does not include approximately 530 acres that are part of the District. It is assumed that the Commission's intention was to adopt a Sphere of Influence that was coterminous with the District's boundary.

Based on this information, it would be appropriate to update the District's Sphere of Influence by revising the Sphere to be coterminous with the District's correct boundary.

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

The land uses within the District are agricultural. Water users purchase water for irrigation.

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

Current facilities are adequate to serve the District's members. The District did not indicate the need for additional public facilities or services. In order to more accurately reflect the District's service areas and where District facilities and services are more likely to be necessary, it is appropriate to revise the District's Sphere of Influence to include all those areas within the District's boundary, and to exclude those areas outside the District's boundary.

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

The District is able to provide an adequate level of service to District members, utilizing the current facilities.

- 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 District did not indicate any social or economic communities of interest in the area. Westlands Water District receives water transfers from the District, however, the District is not considering consolidation with Westlands Water District.

X. MUNICIPAL SERVICE REVIEW DETERMINATIONS

Growth and Population

Farmers Water District indicated that water use within the District may be declining as users within the District switch to alternative crops. The District currently serves four properties, and did not indicate any expected growth within the District.

Infrastructure

Farmers Water District currently operates ten deep wells, nine of which are electrically powered, and one diesel powered. The District utilizes 4.75 miles of concrete and PVC buried pipeline for water delivery. The District indicated current infrastructure is sufficient. When upgrades are necessary they are financed by member landowners.

Financing Constraints and Opportunities

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

Rate Restructuring

Farmers Water District reviews and/or revises user fees on an annual basis. The current fees are \$40 per acre foot for overlying use. The fees are \$50 per acre foot for transferred use to Westlands Water District. The District's fees were last updated in 2005.

Cost Avoidance Opportunities

Farmers Water District did not indicate any cost avoidance practices or opportunities.

Opportunities for Shared Facilities

Farmers Water District has landowners with land in the District, and land in Westlands Water District. These users receive water from Farmers Water District, through the use of the Westlands infrastructure. The District indicates there is no practical or physical way to share or consolidate infrastructure between it and Westlands Water District because the two districts are not connected to one another and are separated by other privately owned property.

Government Structure Options

Farmers Water District was formed pursuant to Statute 1913 PG. 815 of the California Water District Act. California Water Code section 34000-38500 enables the formation of Water Districts to provide water services to a district. Though water is transferred from Farmers Water District to lands within Westlands Water District, the District indicated that it is not considering a consolidation as it would be impractical.

Evaluation of Management Efficiencies

Farmers Water District is managed by a board of three members. Board members are replaced with alternating election dates. Elections are posted in Fresno and Madera Counties. Meetings are held as needed. The District employs one part-time secretary/book keeper who is assisted by a part-time District president. Additionally, the District has a part-time meter reader, who is a member of the District. The current levels of staffing are adequate to meet the District's needs.

Local Accountability

The District indicated that there are only four member-irrigators within the District. This facilitates immediate communication between members and staff. Meetings are held as needed. Board members are notified of meeting times. Meetings are noticed in local newspapers. The District states its noticing and meeting procedures are consistent with the Brown Act.

XI. BIBLIOGRAPHY

Merrill, Jim; President, Farmers Water District. Correspondence RE: Municipal Service Review. September 17, 2007.

Merrill, Jim; President, Farmers Water District. Telephone conversations, October 17 and October 25, 2007.