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

CONSENT AGENDA ITEM No. 7

DATE: August 22, 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 Kings River Conservation 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 MSR and SOI Update have been prepared for the Kings River Conservation 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 the SOI update, the Commission is required to consider 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

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

The Kings River Conservation District encompasses approximately 1,311,163 acres (2,049 square miles) in Fresno, Kings, and Tulare Counties. Fresno County's portion accounts for approximately 640,931 acres (1,001 square miles), or 48.9% of the total. Fresno County is the principal county for the District. In Fresno County, the District extends from Tulare and Kings County on the south to Madera County on the north, and occupies the central portion of Fresno County, surrounding the Cities of Clovis, Fresno, Fowler, Kerman, Kingsburg, Parlier, Reedley, San Joaquin, Sanger, and Selma. The District's boundary and SOI in Fresno County are coterminous.

The District is responsible for proper management of water within its service area, including essential flood control and groundwater management services. Flood control services include maintaining channels and levees of the Kings River downstream of Pine Flat Dam, including control of weeds along levees and removing downed trees from channels. Groundwater management includes monitoring and publishing an annual Groundwater Report which details water table conditions and improvements.

The District also owns and operates a hydroelectric plant located on the Kings River at the base of Pine Flat Dam and a natural gas “peaker” plant located in the community of Malaga. The hydroelectric plant has a capacity of 165 megawatts. Power produced by the plant is purchased by the California Department of Water Resources. The Malaga peaker plant, which began operation in 2005, has a maximum output of 97 megawatts and is used to supply electricity during peak-demand times.

The District is governed by a seven-member Board of Directors, six of whom are elected by division and one who is elected at large. The District has 54 full-time, two part-time, and two seasonal employees.

The District reports *“groundwater remains the foundation for agriculture, business and life in the Kings River service area. Almost all water used for domestic, municipal and industrial purposes, and portions of agricultural water, is pumped from the underground aquifer, resulting in significant groundwater extractions.”* The District also reports that efforts are underway by *“numerous regional agencies regarding groundwater management with the goal of providing a balanced and high quality groundwater supply to the residents and water users in the region.”* The recently published *Groundwater Management in the Kings River Region* document illustrates these efforts.

The District is part of the Kings River Water Association, which is composed of 28 entities and serves as a conduit for a high level of communication and exchange of ideas regarding Kings River water basin issues.

The District’s FY 2006-07 Budget totaled \$14,286,385. The Budget is balanced and the District expects to add an additional \$523,373 to its reserves, which totaled \$6,072,226 at the beginning of the fiscal year. The District has long-term debt of more than \$97 million in the form of revenue bonds, which were used to finance construction of the Pine Flat power plant and the Malaga peaking power plant.

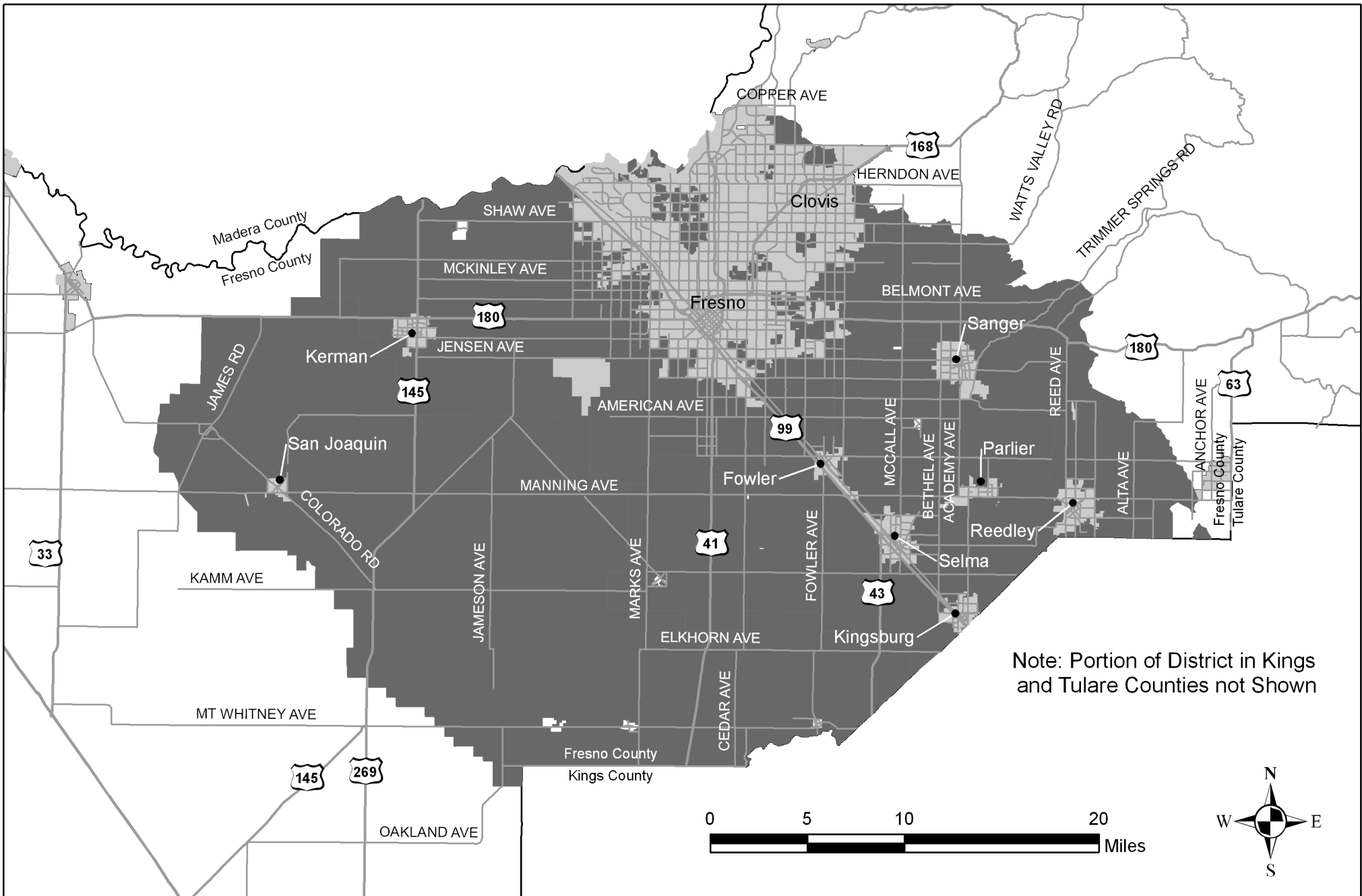
The District participates with the Mid-Valley Water Authority, a JPA created to secure supplemental water supply and support construction of a conveyance facility for the delivery of such water. There were no other obvious opportunities for shared facilities or rate restructuring in the District.

The District’s enabling legislation requires it to request competitive bids for construction contracts exceeding \$50,000. The District also often requests competitive bids for capital purchases exceeding \$10,000.

The District detaches from lands that are annexed by Cities within its SOI. The District has not proposed any changes to its SOI at this time.

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 Section 15320, "Changes in Organization of Local Agencies".
- B. Find that the Municipal Service Review and Sphere of Influence Update prepared for the Kings River Conservation 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 Kings River Conservation District by Braitman and Associates, and update the Sphere of Influence for said District by reaffirming the current boundary.



Note: Portion of District in Kings and Tulare Counties not Shown

Legend

- District Area and SOI
- City Areas

**Fresno Local Agency Formation Commission
Kings River Conservation District**

District Formed: 1951
 SOI Adopted: March 24, 1976
 Map Date : July 2007
 District Area: 1,311,163 acres

RESOLUTION NO. MSR-07-16

FRESNO LOCAL AGENCY FORMATION COMMISSION
FRESNO COUNTY, CALIFORNIA

In the Matter of

LAFCo Determination

RESOLUTION MAKING)	MAKE DETERMINATIONS AND ADOPT
DETERMINATIONS AND ADOPTING)	MUNICIPAL SERVICE REVIEW; AND
MUNICIPAL SERVICE REVIEW; AND)	MAKE DETERMINATIONS AND UPDATE
MAKING DETERMINATIONS AND)	SPHERE OF INFLUENCE FOR
UPDATING SPHERE OF INFLUENCE)	THE KINGS RIVER CONSERVATION
FOR THE KINGS RIVER)	DISTRICT
CONSERVATION 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; 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 find 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 Kings River Conservation District is 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 hereby adopts the determinations as presented in the Municipal Service Review and Sphere of Influence Update documents.

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 22nd DAY OF AUGUST, 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 22nd day of August, 2007.



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

KINGS RIVER CONSERVATION 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

August 2007

1. MUNICIPAL SERVICE REVIEW

Description of District

The Kings River Conservation District was formed in 1951 by a special act of the Legislature. It is responsible for planning for the proper management of water within its service area, including essential flood control and groundwater management services.

The District contains about 1,311,163 acres (2,049 sq. mi.) in Fresno, Kings and Tulare Counties. The Fresno County portion has 640,931 acres (1,001 sq. mi.) or 48.9% of the total District which is why the Fresno LAFCO is responsible for preparing this report.

The District boundary and Sphere of Influence in Fresno County are coterminous, from Kings and Tulare Counties on the south to Madera County on the north. It encompasses the cities of Clovis, Fresno, Fowler, Kerman, Kingsburg, Parlier, Reedley, San Joaquin, Sanger, and Selma and intervening agricultural lands, as shown on the enclosed map.

The District is governed by a seven -member Board of Directors, six of whom are elected by division and one who is elected at large. The Board regularly meets monthly. Agendas are posted at the District headquarters. The District website is www.krccd.org.

The District has 54 full-time, two part-time and two seasonal employees.

District Services

The District maintains the channels and levees of the Kings River downstream of Pine Flat Dam so that they will safely carry irrigation and flood releases from the dam. The Kings River Water Association makes decisions on irrigation releases. Flood releases are controlled by the U.S. Army Corps of Engineers.

The District supports groundwater projects, controls weeds along levees and clears downed trees from channels. Maintenance focuses on approximately 140 levee miles from below Kingsburg to SR 41 near Stratford on the South Fork and McMullin Grade on the North Fork.

The District monitors groundwater and publishes an annual Groundwater Report detailing water table conditions and improvements.

The District also owns and operates a hydroelectric plant located on the Kings River at the base of Pine Flat Dam and a natural gas “peaker” plant located in Malaga.

- The Pine Flat Power Plant went into operation in 1984. It contains three hydroelectric generators, each with a capacity of 55 MW, for a total capacity of 165 MW. It runs

only when there are sufficient irrigation releases or sufficient flood releases, or a combination of both. The average annual power production is 420,000,000 kilowatt hours. Total power production in 2006 was 722,855,088 kilowatt hours.

All power produced is purchased by the California Department of Water Resources under a long-term power sales contract which will terminate in 2037. The DWR uses the power to run their water delivery systems throughout the state.

- The Malaga Peaking Plant began commercial operation in September, 2005. It is operated by the District under a long-term agreement with the California Department of Water Resources. The plant is powered by two gas turbine generator sets, with a total maximum output of 97 megawatts. The power is produced “on-demand” by California’s Independent System Operator to supply peak-demand electrical energy to the Western Power Grid during periods of high demand.

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 owns and maintains levees and the river channel, operates a hydroelectric generating plant on the Kings River at the base of Pine Flat Dam and operates a natural gas fired electrical peaking plant in Malaga. The District has no present plans to acquire additional property.

Growth and Population Projections

The District reports “. . . groundwater remains the foundation for agriculture, business and life in the Kings River service area. Almost all water used for domestic, municipal and industrial purposes, and portions of agricultural water, is pumped from the underground aquifer, resulting in significant groundwater extractions.”

District activities related to water table conditions and improvements are vital to all existing and potential types of land uses including population growth.

The District reports that extensive efforts are underway by “. . . numerous regional agencies regarding groundwater management with the goal of providing a balanced and high quality groundwater supply to the residents and water uses in the region. These efforts are illustrated in the recently published document “Groundwater Management in the Kings River Region.”

Questions of growth and population projections involve many public agencies, one of which is the District. The Kings River Water Association, composed of 28 entities, is a voluntary organization through which the affected and interested agencies maintain a high level of communication and exchange of ideas regarding Kings River water basin issues.

Financing Constraints and Opportunities

The District's FY 2005-06 and 2006-07 budgets and the financial audit for the year ending June 30, 2006 are available in the LAFCO office.

The District's overall budget, i.e., summary of all funds, for FY 2006-07 is \$14,286,385. Of this total, \$5,057,483 is the appropriation for the District General Fund. Other amounts are the River Maintenance Fund (\$1,135,240), Pine Flat Fund (\$4,603,646) and Peaking Fund (\$3,400,558).

The current year budget is an increase of \$1,358,271 over the prior fiscal year budget of \$12,928,114. This change is due to a \$2,159,535 increase in capital outlays.

In FY 2006-07 the District projects Pine Flat Operation and Maintenance reimbursements of \$4,603,646, Pine Flat Power Benefits of \$2,835,796, peaking project reimbursements of \$3,490,016, grants and interagency agreements of \$635,000, taxes, subventions and abatements of \$440,000, interim financing for base load/Community Choice Aggregation electrical energy facility costs of \$2,370,300, interest of \$280,000 and \$155,000 of miscellaneous revenue.

The District Budgeted Reserve was \$6,072,226 at the beginning of FY 2006-07. An additional \$523,373 is expected to be added to this reserve during FY 2006-07.

District debt includes Revenue Bonds to finance the construction of the Pine Flat power plant and Certificates of Participation to finance construction of the Malaga peaking power plant. Long-term debt as of June 30, 2006 is \$97,574,076.

The District participates in a Fisheries Management Program on the Kings River with the California Department of Fish and Game, and other interested parties.

It appears current financing sources are sufficient to avoid unmet financial obligations for operations, the provision of District services and retirement of District debt.

Cost-Avoidance Opportunities

The District's enabling legislation requires competitive bids for construction exceeding \$50,000 and the District often requires competitive bidding on capital purchases that

exceed \$10,000.

Opportunities for Rate Restructuring

There are no obvious opportunities for rate restructuring in the operations of the District.

Opportunities for Shared Facilities

There are no obvious opportunities for shared facilities in the operations of the District other than participation in the Kings River Water Association and the Mid-Valley Water Authority. The latter is a JPA created in 1982 in which the District participates and whose purposes is to secure a supplemental water supply and support construction of a conveyance facility for the delivery of such water.

The District is involved in water quality monitoring on behalf of the California Regional Water Quality Control Board for both water quality constituents and water depth.

Government Structure Options

There are no obvious opportunities for a different government structure.

Management Efficiencies

The District exhibits characteristics of an agency that is operating efficiently.

Local Accountability and Governance

The District board is elected. Regular meetings are held monthly. Meeting notices are posted at the District office. The District website is www.krcd.org.

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 Sphere of Influence is coterminous with its boundaries.

No Proposed Sphere Changes

No Sphere or boundary changes are proposed by the District.

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.

Land uses within the District are largely agriculture and open space and with significant areas devoted to residential, commercial, industrial and public uses. Planned uses include a similar variety of designations but no changes will result from affirming the Sphere of Influence.

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

The mixture of land uses within the District require a broad array of public services and facilities, which is understandable given the scope of the District. The probable need for public facilities and services reflect land use plans of the County and cities within its boundaries.

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 the services it provides, though the issue of adequacy of groundwater and other water resources in Fresno County is an ongoing public policy question.

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

The lands within the District represent an economic community of interest due to its reliance on adequate and dependable water supplies for urban, agricultural and environmental protection needs.

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 Kings River Conservation District provided information upon which the evaluation is based. Management Analyst Lynden Garver was instrumental in providing data.

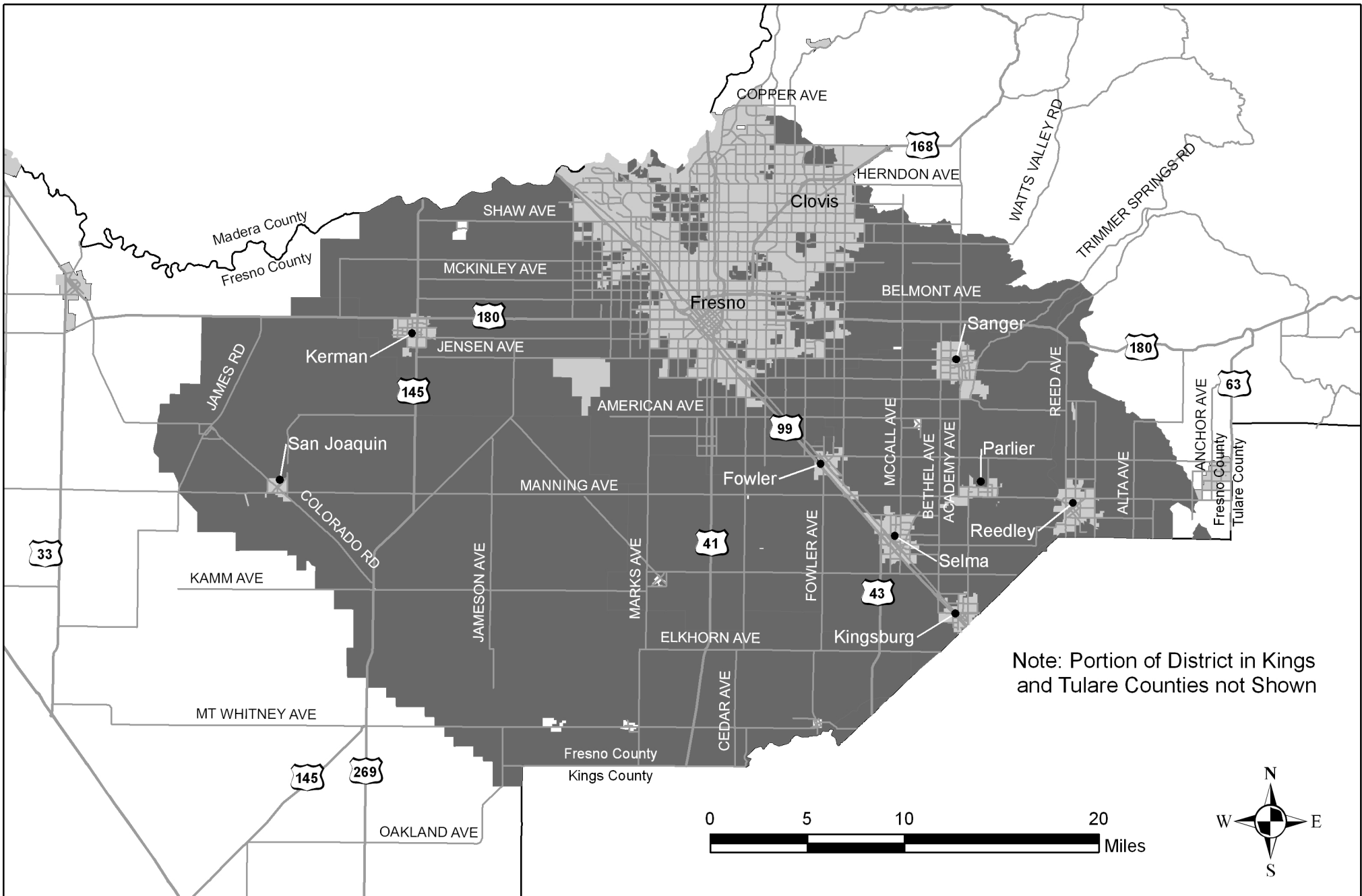
Available Documentation

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

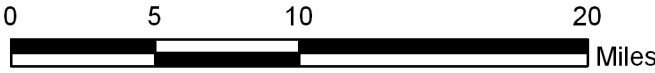
5 . R E C O M M E N D A T I O N S

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.



Note: Portion of District in Kings and Tulare Counties not Shown



Legend

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- City Areas

**Fresno Local Agency Formation Commission
Kings River Conservation District**

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