

ORANGE COVE IRRIGATION DISTRICT

DRAFT MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

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

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Agency Profile: ORANGE COVE IRRIGATION DISTRICT

IRRIGATION WATER DELIVERY SERVICES

Contact Information

Manager-Secretary: Fergus Morrissey, Engineer-Manager
Address: 1130 Park Boulevard
Orange Cove, CA 93646
Phone: (559) 626-4461 Fax: (559) 626-4463
Website: www.Orangecoveid.org

Management Information

Governing Body: Five Member Board of Directors, Terms expire on December of odd years

Board Members:

Division #1 - Harvey A. Bailey, Chair (Fresno), appointed in lieu of election 2011- 2015
Division #2 - David Brown (Fresno), appointed in lieu of election 2011-2015
Division #3 - Henry A. "Gus" Collin III, Vice-Chair (Tulare) elected 2009- 2017
Division #4 - Arlen Miller (Tulare), appointed in lieu of election 2007-2017
Division #5 - Russell Katayama (Tulare), Elected 2009-2017

Board Meetings: Second Wednesday of each month at 1130 Park Blvd, Orange Cove, CA 93646

Staffing: Eight full-time employees

Service Information

District Formed: 1937

Principal Act: Irrigation District Law, California Water Code §20500, et seq.

Services, or powers authorized by the principal act under which the district is formed:

Diversion, Conveyance, and Delivery of surface water for irrigation

Services Provided: Delivery of surface water for irrigation supply, operation and maintenance of the conveyance and metered distribution system, and general and administrative services of hydropower facilities for generation and sale of energy

District Vicinity: Northwest and southeast of City of Orange Cove, portions of the District cross into Tulare County

Population Served: 361 landowners

Acres Served: 27,961 acres (14,350 acres in Fresno County, Approx. 13,611 acres in Tulare)

Infrastructure: Water distribution system: trash screens, stilling wells, pumps, electric motors, SCADA hardware (computers, radio transmitters and receivers, antennae) water distribution pipeline, water meters, and miscellaneous

MSR and Sphere Update

Orange Cove Irrigation District

appurtenances, penstocks, turbine generators, transformers, tailraces, miscellaneous electrical control system equipment.

Fresno LAFCo

MSR Classification: Non-municipal local agency, level three

Fiscal Information

Budget: \$2,867,350

Sources of Funding: Water sales, standby charges and hydropower generation to power utility (PG&E)

Water Rate Structure: Reviewed annually. Current rate \$510 per acre-foot due to extreme drought supply limitations. Typical rate averages at \$85 per acre-foot

Administrative Policies

Mission Statement: Yes

Policies/Procedures: Yes

By-laws: No

SOI Adopted: 1975

Boundary Updated: 2010

SOI Updated: 2015

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1. MUNICIPAL SERVICE REVIEW

DESCRIPTION OF DISTRICT

The Orange Cove Irrigation District (“District”) was formed in 1937 to receive and distribute Central Valley Project water to irrigate agricultural lands within the District. The District was formed under the Irrigation District Law, California Water Code §20500. The District’s mission is to provide reliable surface water supply to landowners in the most efficient and affordable price. The District is empowered to provide irrigation water, drainage, electric power, and flood control services. The District consists of approximately 28,000 acres (44 square-miles) located in southeastern Fresno County and extends into portions of northeastern Tulare County.

The District indicates that approximately 14,350 acres of the District’s service area are within Fresno County, and approximately 13,611 District acres are in Tulare County. The service area excludes land in City of Orange Cove and incidental non-irrigable rock outcroppings. Since 1975, Fresno LAFCo’s records indicate that the District’s service area is approximately 28,000 acres in size; this figure was repeated in the 2007 Municipal Service Review (MSR) though Fresno LAFCo only illustrated the portion of the District that was within Fresno County.

Fresno LAFCo sought to accurately depict the entire District service area in both Fresno and Tulare Counties in the 2015 MSR process and compiled sufficient geographic information systems (GIS) data to identify the entire District’s service area in both counties. The District’s helpful and timely participation with the MSR update greatly assisted with this effort and resulted in an accurate figure of 27,961 acres within the District service area and is coterminous with the sphere of influence (SOI).

Fresno LAFCo Policy 107-03 designates the District as a “level three” special district that provides “non-municipal” services to its constituency.¹ Level three non-municipal special districts means that services that are provided do not in themselves facilitate or induce population growth. Non-municipal special districts typically do not request or experience modifications to their district service area or request updates to the Commission adopted SOI for the agency.

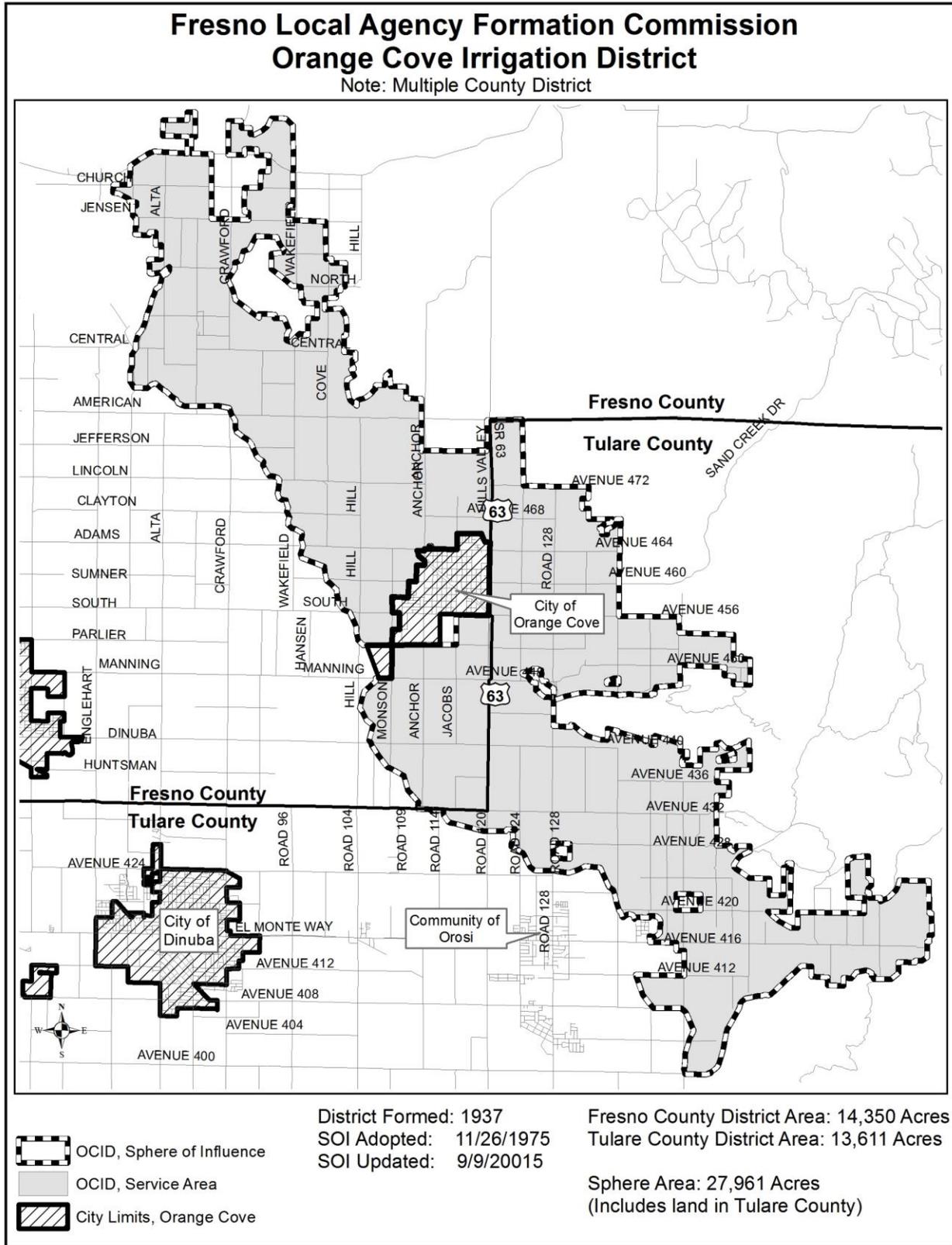
The District is an independent special district governed by a five-member Board of Directors elected to represent five individual divisions within the District. The Board appoints an Engineer-Manager to administer the District’s day-to-day operations with assistance of seven full-time employees. The District is responsible for distribution and accounting of surface water under contract with the United States Bureau of Reclamation (“USBR”).

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

The District is an elected-voter district under Water Code section 21100, meaning that a candidate shall be a voter and a landowner in the District and a resident of the division, which the director is elected to represent at the time of nomination or appointment through his or her entire term as member of board of directors.

In accordance with Government Code section 56066, and Water Code section 20518, Fresno County is the principal county meaning that between Fresno and Tulare Counties, Fresno County host the greatest portion of the area within the District. Fresno LAFCo is therefore responsible for updating the SOI for the District consistent with section 56425(g). In order to update the agency's SOI, Fresno LAFCo has prepared this service review in accordance with Government Code section 56430.

Figure 1 – Orange Cove Irrigation District Map



SERVICE AREA LOCATION, SPHERE OF INFLUENCE, AND DISTRICT BACKGROUND

The District service area is located in the southeastern Fresno County, approximately 14 miles southeast of the City of Fresno, approximately eight miles east of City of Sanger, and approximately five miles northeast of City of Reedley.

The District is immediately south of State Route (SR) 180, approximately 20 miles east of SR 99, and 14 miles north of SR 198. The District is generally bounded by Avenue 400 on the south near the Census Designated Place of Orosi (Tulare County), the Alta Main Canal Way on the west, SR 180 on the north slightly east of City of Sanger in Fresno County, and the Sierra Nevada foothills on the eastern side of the District.

The District's service area extends through Fresno County and portions into Tulare County. As of September 2007, Fresno LAFCo map records indicated that the District's service area was approximately 14,186 acres and SOI 14,908 acres in size—all in Fresno County. This information appears to misinterpret the District's service area and sphere of influence in Tulare County.

Through the MSR process Fresno LAFCo staff was able to obtain geographic information systems (GIS) data to identify the entire District service area. Fresno LAFCo observes that the entire District's service area in both Fresno and Tulare Counties should be identified within the Commission's designated SOI for the District. Since 1975, Fresno LAFCo's records indicate that the District's service area is approximately 28,000 acres in size. The District informed Fresno LAFCo that approximately 27,961 acres are within the District service area. This MSR will identify the Commission's sphere of influence (SOI) for the entire District to reflect its existing service area.

The District's complete service area is approximately 27,961 acres in size; approximately 14,350 acres in Fresno County and 13,611 acres in Tulare County. Incidental voids in the District service area occur around City of Orange Cove's incorporated boundary and portions of non-irrigable rock outcroppings.

Growth Projections

The District is a "level three" special district that provides "non-municipal" services to its constituency.² Level three non-municipal special districts provide services that do not facilitate or induce growth.

The Counties of Fresno and Tulare are the land use authorities for land in the District's service area. Land within City of Orange Cove is not included in the District service area. The Fresno County General Plan designates majority the land within the District for

² Fresno LAFCo Policies, Standards, and Procedures, Policy 107- Municipal Service Review Policy

agricultural uses. The Tulare County General Plan likewise designates its portion of the District service area for agricultural use. Most of the land within the District service area is occupied by large-scale farming operations with permanent row crops. Also, majority of the land within the District service area is under Williamson Act Contract.³

The population of the unincorporated Fresno County areas within the District is approximately 2,159 people, not including the City of Orange Cove.⁴ Greater population growth is likely to occur within incorporated cities such as Orange Cove and Reedley. This pattern is consistent with the Fresno County policy to direct growth to the cities due to a wider range of municipal services offered within city boundaries.⁵ Likewise, the population for the unincorporated areas within the District boundary in Tulare County amount to approximately 2,814 people, not including population in Community of Orosi or City of Dinuba.⁶ As noted in the Tulare County General Plan, the Tulare County Association of Governments (TCAG) anticipates that the percentage of Tulare County's population living in unincorporated areas will decrease by 2030.⁷ The City of Dinuba and the Communities of Orosi and Cutler are the nearest communities outside the District's service area in Tulare County.

District growth is limited by its contract with the USBR. In 1992, the District incurred long-term debt by securing 25-year tax-exempt municipal bonds to make major renovations to its water distribution system. In exchange, the District was conditioned to maintain approximately 28,000 acres of irrigable land within its service area. The District has established policies to govern its review and consent to reorganization proposals affecting the District under the provisions of Cortese-Knox-Hertzberg Local Reorganization Act of 2000. The District board of directors adopted the "Policy and Priority for Annexation and Detachment of Property" policy to administer the District's review of proposed boundary changes in a manner that complies with the District's contact with USBR. The District does not support any modifications to its boundaries that would affect its financial obligation incurred for the rehabilitation of its water distribution system. Reorganization proposals must be most equitable for landowners within the District.⁸

The District coordinates with Fresno and Tulare Counties and City of Orange Cove on proposals that affect land uses within the District service area. The District indicates that parcel lot splits and sales of those lands are the primary land development concern for the District as they have the greatest potential to impact its policy to comply with USBR requirements. Proposed parcel splits within the District that affect property or

³ California Department of Conservation, Data and Maps, <http://www.conservation.ca.gov/dlrp/lca/Pages/Index.aspx>
Accessed: May 28, 2015

⁴ United States Census Bureau, 2013 American Community Survey Information- Tract 65.01 and 65.02 population estimates, accessed May 25, 2015

⁵ County of Fresno, Housing Element, pg. 7-58 – East Valley Market Area

⁶ American Community Survey 2009-2013, 5 year estimates for Census Tract 2.02, Tulare County

⁷ County of Tulare, General Plan Background Report February 2010, page 2-31

⁸ OCID Policy and Priority for Annexation and Detachment of Property to the District

water delivery connections are identified through early consultation with applicants and local agencies. The District coordinates with local agencies through the application review process so that landowners are made aware of potential costs that maybe incurred if reorganization proposals affect the District's inventory of irrigable acreage, delivery connections, or water supply.

In order for parcels to be eligible for inclusion into the District, potential parcels must be on the "Orange Cove Irrigation District Annexation List." This list is maintained by the District and identifies parcels according to the date that the District receives written correspondence from a landowner requesting annexation to the District. The District uses the list to determine parcels next in line for annexation, when detachments require replacement acreage to be annexed to the District.⁹ It is the policy of the District that the annexation priority not be tied to an individual landowner or entity that requested annexation to the District, but to the particular land for which a request was initially received.

Annexations to the District are necessary to maintain 28,000 acres of irrigable land within the District in compliance with the District's USBR contract. The District does not otherwise anticipate significant growth to occur for the next five to ten years. The District boundaries are relatively fixed, however adjustments to the boundaries due to urbanization or landowners seeking reorganization to the District are anticipated to continue. The majority of agricultural land within the District hosts permanent row-crops and it is anticipated that land uses will remain the same over time. The District does not foresee the need to amend its existing SOI at this time.

The District's Annexation List identifies areas that the District has identified as potential irrigable lands eligible for District annexation when acreage is lost due to annexations to the City of Orange Cove. When land is annexed it is concurrently detached from the District and the Annexation List is used by the District to determine replacement territory so the District can maintain its 28,000 acres of irrigable lands in accordance with its USBR contract. The District informed Fresno LAFCo that although it tracks landowner annexation interests, the annexation list identifies an abundant amount of land waiting to be considered for annexation. However, the District is limited to serve 28,000 acres of irrigable land.

Disadvantaged Unincorporated Communities

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) requires LAFCo to make determinations regarding "disadvantaged unincorporated communities" ("DUCs") when considering a change of organization, reorganization, SOI expansion, and when conducting municipal service reviews.

⁹ OCID Policy and Priority for Annexation and Detachment of Property to the District

For any updates to a SOI of a local agency (city or special district) that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, the Commission shall consider and prepare written determinations regarding the present and planned capacity of public facilities and adequacy of public services, and infrastructure needs or deficiencies for any disadvantaged unincorporated community within of contiguous to the SOI of a city or special district.

Government Code sec. 56033.5 defines a DUC as: i) all or a portion of a “disadvantaged community” as defined by sec. 79505.5 of the Water Code (territory with an annual median household income (MHI) that is less than 80 percent of the statewide annual median household income and as defined in Government Code sec. 56046 and Water Code sec. 79505.5); and a status of ii) “inhabited territory” (12 or more registered voters), as defined by GC sec. 56046, or as determined by Commission policy. Fresno LAFCo policy further refines a DUC as having at least 15 dwelling units at a density not less than one unit per acre.

U.S. Census Bureau information was used for this section to quantify the economic composition of all the census block groups within the vicinity of the District’s boundaries. A census block group is a geographical unit used by the U.S. Census Bureau to sample data, which is only collected from a fraction of all households within the census unit. On average a census block group has a population of 600 to 3,000 people. Geographic Information System (GIS) files were derived from the U.S. Census Bureau’s American Community Survey (ACS) compiled for the five-year period 2006-2010 to identify the demographic composition for the various census geographies. Although the ACS provides annual and three-year estimates, the five-year reports between years 2006- 2010 provide more precise data and mapping information for analyzing small sample populations.

California’s statewide MHI reported for years 2006 through 2010 was \$60,883. The DUC MHI threshold is any geographic unit within the District boundaries with an income less than \$48,706. For the purpose of this section, Fresno LAFCo has identified the District as a level three “non-municipal local agency” which means the services provided by the District do not support growth or induce population growth. As such, at minimum this section identifies U.S. Census tracts and block group information for geographic units within the District boundaries.

The District boundary is generally located in the unincorporated portions of southeast Fresno County. The District service area within Fresno County is located within Census Tract 63.00 block group two; Tract 64.03 block group four; Tract 65.01 block group one; and Tract 65.02 block group. The ACS five-year estimates for years between 2006-2010 indicate that the Census block groups within the District had the MHI as shown on table one.

Table 1 – MHI for Census Block Groups within the District

Census Tract and Block Group	Median Household Income
Tract 63.00 block group two	\$65,871
Tract 64.03 block group four	\$62,083
Tract 65.01 block group one	\$27,007
Tract 65.02 block group two	\$22,143

Tract 65.01 block group one and Tract 65.02 block group two meet the MHI threshold identified for Disadvantaged Communities per Water Code sec. 79505.5.

Nevertheless, the District does not provide municipal services related to sewer, municipal and industrial water, or structural fire protection that would prompt further analysis for this section of the MSR. Fresno LAFCo Policy designates the District a “level three” special district that provides “non-municipal” services. The District provides irrigation water that is limited to agricultural irrigation purposes. Services provided by the District do not support growth nor are growth inducing.

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

In 1949, the District secured a water service contract for water deliveries from the Friant Division of the Central Valley Project (CVP). The Friant Dam (Millerton Lake) is owned and operated by the USBR and is a major component in the distribution for the CVP. Limited river releases are made for downstream water rights. The Friant dam serves various purposes such as storage of irrigation and flood control and generation of hydropower.

The District operates and maintains a water distribution system, including 120 miles of pipeline/canals, 50 pumps, multiple water metering devices, trash screens, water valves, and all the necessary equipment for the delivery of Friant Division contractual water supplies to landowners. A small powerhouse owned by the District that uses the water supplied to the San Joaquin River Hatchery for power generation is located at Friant Dam but it is not part of the Friant Power Project.¹⁰ The District has a standing lease agreement with the Kings River Hydropower Plant (KRHP), current terms of the lease entitles the District to 60% of the all gross revenues exceeding \$100,000. According to the Agreement, beginning September 11, 2015, the District will take ownership for the plant and assume responsibility for the plan and receive 100% of the revenue stream. According to the District financial information, the District did not meet the revenue threshold for the KRHP thus the District did not receive any revenue from this agreement. The District owns two 2010 Ford F150 regular cab pickups, one 2011 F150

¹⁰Reclamation, California Department of Water Resources. Hydropower Technical Appendix. [http://www.usbr.gov/mp/scca/storage/docs/initial alt info/ta_iai_02_vol2_hydropower.pdf](http://www.usbr.gov/mp/scca/storage/docs/initial_alt_info/ta_iai_02_vol2_hydropower.pdf)

pickup, one 2011 Ford Ranger pick-up, one Ford one ton truck, and one John Deere 310SJ backhoe that assists the District's operation.

The District is responsible for all administrative action associated with taxation and accounting to ensure the District remains viable. The District manages all water activities associated with the adjustable water supply from year to year. The District manages water supplies in order to maximize available supplies and minimize cost passed to District customers. The District interacts with the USBR on contractual and cost issues associated water supply annually made available to the District. The District represents its landowners at the local, state, and federal levels on issues that affect supply, drought years, water allocations, and water costs.

The District annually requires landowners to renew individual applications for water delivery on or before the last day of February of each upcoming Contract-Year. Applications made for water delivery include the quantity requested in acre-feet that the landowner wishes to reserve for the upcoming Contract-Year. An application for water delivery is required to secure contract water made available to the District by the USBR each year. The District's Contract-Year coincides with the USBR's Contract-year (March 1st to the last day in February the following year) to ensure that the District does not allocate more water than is made available by the USBR.

On November 18, 2010, the District entered into a contract with the USBR to acquire a permanent contractual right to purchase water supply. The cost of the District's contract with the USBR was \$7,477,600. Water purchases for customers are based on the delivery of federal water from the USBR and water purchases from other irrigation districts. Table two summarizes the District's water supply that was made available to the District by source for year 2013.

Table 2- OCID Available Water for Year 2013¹¹

Water Available to District	Acre Feet
62% of 39,200 AF Contract Supply	24,304
Rescheduled carryover from 2012	7,397
Transfers from other Water Districts	3,100
Recirculated Water	2,620
Other	260
Total Available	37,681
Water Delivered to OCID landowners	(28,435)
Transfers to other Water Districts	(3,532)
Available Water to be Rescheduled in 2014	5,714

¹¹ OCID Report on Audit of Financial Statements, Cuttone & Mastro, CPA, prepared for December 2013 and 2012

The District implements Rules and Regulations for Water Delivery contract program that enables the District to monitor water supplies available to the District. The District's Rules and Regulations for Water Delivery details procedures for landowners to acquire water supply from the District. The Rules and Regulations provides information regarding the following: 1) Application for water, 2) Contract-year, 3) Use of Water, 4) Entitlements to water, 5) Water transfers, 6) Water delivery procedures, 7) District liability, 8) Tail-Water.

The District water cost and water supply are key factors that contribute to landowners employing conservative agricultural practices. Consistent agricultural practices assists the District maintain water prices stable for District landowner customers. District management employs a practice that water costs are a direct function of supply. The District strides to encourage landowners to employ sustainable agricultural practices.

The District's contract with the USBR places conditions on the District's ability to modify its service area or its planned capacities. These conditions under contract with the USBR influence the District's growth to remain relatively close to 28,000 acres in size of irrigable land. Under contract the District cannot modify its boundaries in a manner that will adversely affect its ability to meet its obligation to the United States or adversely affect the financial viability of the District. The District acquired long-term debt in order to undertake major renovations to its water distribution system.

As such, the District implements policy that governs its review and consent to reorganizations affecting the District inventory of irrigable land. Modification of any land within the District must be equitable and in the best interest of the District and its landowner customers.

When territory is proposed to annex to the City of Orange Cove and detach from the District, the District is compelled by its USBR contract to annex equivalent territory—with Fresno LAFCo authorization—in order to maintain a stable acreage of irrigable land. An "Annexation List" of such lands has been discussed previously in this report. The following requirements identified in the District's policy must be satisfied in order for land to be considered eligible to annex and receive CVP Water:

1. In accordance with the Reclamation Act of 1982, lands must not be considered to be excess lands.
2. Lands receiving Project water must be "Irrigable" as defined by the U.S. Department of the Interior. This designation is based on information provided by the US department of Agriculture's Soils Conservation Service Soil Maps generated for the area under question. Technical information with this document provides information on the suitability of the ground to irrigate agriculture.
3. Lands receiving Project water must be located with the "Place of Use" boundary of the Friant Division, as defined by U.S. Department of Interior in Drawing No.

214-208-3331. Lands outside of the Place of Use boundary are ineligible to receive project water and therefore ineligible for inclusion in to the District.

4. Property must be adjacent to the land already in the District, i.e. lands brought into the District may not create an “island” of District property surrounded by non-District property.

The District implements its reorganization policy to ensure service deliveries are maintained at appropriate levels. Fresno LAFCo approval is required for all reorganizations affecting the District boundaries. However, Fresno LAFCo’s approval to any District reorganization is one of many steps for land to be formally included in the District service area and provided water through the District’s USBR contract. Fresno LAFCo’s approval prompts the Bureau of Reclamation’s review process in order for territory to be qualified as irrigable land, within the District service area, and eligible to receive contracted surface water.

The District’s contract with the USBR administers present and planned capacities for District services in accordance with the Certificate of Participation secured on September 1996 by the District. The District’s contract with the USBR also conditions the permissible amount of irrigable acreage within the District. The District informed Fresno LAFCo that its current infrastructure is maintained on an on-going basis in order to adequately continue serving the needs of customers. The District’s adopted Rules and Regulation for Water Deliveries for each Contract Year monitors its present capacities on an annual basis, while the District’s Policy and Priority for Annexation and Detachment of Property outlines the District’s method for planned capacities of public facilities and services.

Financial Ability of Agencies to Provide Services

The operation of the District is accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private businesses where costs of providing services on a continuing basis are financed through user charges. The District operates under an adopted budget prepared and adopted by the board of directors of the District. The budget is prepared on a detailed line basis. Revenues are budgeted by source of income, while expenses are budgeted by source of expense such as source of water supply, system operation and maintenance, equipment shop, office operation, payroll, administration, and capital overlay. The board of directors may amend the adopted budget when the District incurs unexpected expenses. The District land assessments are the primary source of revenue. Tax assessments (standby charges) collected by the District generally cover the District’s fixed obligations.

District water rates charged to customers generally cover the cost of water, operation and maintenance (O&M) of the District. The District water rates are established on a

per acre-foot basis and adjusted to the amount of water supply made available to the District. On February 2014, the District revised its water rates in response to the lack of CVP water supply made available to the District. The District restructured its water rates in response to California's existing drought conditions, permitting it to monitor its financial activities, and if necessary amend its rates to account for service, operation, and management costs of the District.

The District provided LAFCo staff a copy of the General Administration Budget for Years 2014 and 2015 for the preparation of this section of the MSR. These budgets represent the District's estimates of income and expenditures for the fiscal years 2014 and 2015. Both District budgets are balanced for each fiscal year. For year 2014, the District showed approximately \$2,416,810 in revenue, approximately \$629,620 in expenditures, and approximately \$1,787,190 in administration revenue before debt service. Likewise budget year 2015, the District anticipates that approximately \$2,111,950 will be generated in revenues, approximately \$673,060 in total expenditures, and the District anticipates that approximately \$1,438,890 will be accounted for in the District's administration revenue before debt service.

The District also provided Fresno LAFCo staff a copy of the most recent financial audit for this section of the MSR. Cuttone & Mastro CPA prepared the most recent financial audit on the District for years ending on December 31, 2013, and 2012. The District contracts its financial audits to an independent Certified Public Accounting firm on a bi-annual basis.

As of December 31, 2013, the District's assets exceeded liabilities by \$20,833,300. Of this amount, \$5,504,900 (unrestricted net position) may be used to meet the District's on-going obligations. The District annually prescribes rates, fees, and charges sufficient to yield estimated net revenues, which are at least equal to 110% of the aggregate amount of debt service payments. During fiscal year 2013, the District's revenues were \$891,000 greater than the expenses generated by the District (changes in net position).¹²

Operating revenue consist of an annual assessment (standby charge) on all parcels within the District boundaries, with the exception of properties within City of Orange Cove. Revenue also consists of funds collected from agriculture water sales. The District has an annual standby rate of \$86 per acre, however, the actual amount billed to customers may be less due to credits or other revenues available to the District. General and administrative services are covered in the Standby charge (acreage based). For years 2013 and 2012, the net standby rate billed was \$72.50 and \$70 per acre, respectively. An increase in annual debt service payment resulted in the \$2.50 per acre rate increase.

¹² OCID Report on Audit of Financial Statements, Cuttone & Mastro, CPA, prepared for December 2013 and 2012

Agricultural water billing rates for 2013 ranged from \$73 to \$90 per acre-foot. The differential in water billing rates was due to the power cost component to deliver water to landowners' properties. As previously noted, the District's water rates billed to customers include the cost of water, power, delivery, and maintenance costs incurred by the District. In 2013, the District delivered 28,435 acre-feet of water to its customers generating \$2,551,000 in water sales. The District was able to transfer 3,532 acre-feet of water to other Districts generating \$1,003,100 in other water sales.

Water purchases are based on the delivery of federal water from the USBR and water purchases from other irrigation districts. In 2013, the District purchased 25,987 acre-feet from the USBR, purchased 3,100 acre-feet from other districts, and received 2,620 acre-feet of recirculated water at a cost of \$2,618,200.¹³ Water delivery costs totaled \$1,231,900 while the general and administrative expenses totaled \$700,300.¹⁴

The District has a joint powers agreement with Friant Power Authority (FPA) for the electrical generation facilities "Friant Power Project" at Friant Dam. The Friant Power Project is owned and operated by the FPA.¹⁵ The Friant Power Project includes three powerhouses used for hydropower generation: Friant-Kern Canal, Madera Canal, and San Joaquin River Outlet. The District contributed \$324,700 and \$56,300 to the FPA for years ending December 31, 2013, and 2012, respectively. The District's monetary contributions to the FPA were to support further electrical generation opportunities at the Friant Dam. The District's participation in the Friant Power Project generates annual revenues of approximately \$170,000 through its agreement with the FPA. Additional information regarding the FPA and JPA is provided in the next section, *Status off, and opportunities for, shared facilities*.

The District informed Fresno LAFCo of its indebtedness that includes residual bond payments for two outstanding items summarized below:

District Rehabilitation Charges:

- Initial Bond amount: \$18,945,000
- Remaining Obligation: \$3,103,2000 (principal \$2,930,000 plus interest \$173,200)
- Estimated Payoff Year: February 2017

9d Contract Refinancing:

- Initial Bond amount: \$3,300,000
- Remaining Obligation- \$3,879,150 (principal \$3,300,000 plus interest \$579,150)
- Estimated Payoff Year – February 2022

¹³ OCID Report on Audit of Financial Statements, Cuttone & Mastro, CPA, prepared for December 2013 and 2012

¹⁴ Ibid.

¹⁵ USBR, Hydropower Technical Appendix, Accessed. June 18, 2015,
https://www.usbr.gov/mp/scao/storage/docs/initial_alt_info/ta_iai_02_vol2_hydropower.pdf

The District's revenues and financial management practices are structured to adequately allocate funding to meet its financial obligations to the USBR. The District's February 2014 water rate revision demonstrates that the agency and constituency work together to raise water rates, as needed, at the necessary levels to continue funding fixed and variable operation costs incurred by the District. The District states that its revenues and fees are at adequate levels to properly maintain its water system and to continue providing services to customers.

Status of, and Opportunities for, Shared Facilities

The District is a member agency of the Friant Power Authority (FPA) through a Joint Powers Agreement (JPA) for electrical generation facilities at Friant Dam. A JPA means an agency or entity formed pursuant to the Joint Exercise of Powers Act; this agency is formed for the local performance of governmental functions that includes the provisions of municipal services.¹⁶ The FPA is comprised of eight member districts: Southern San Joaquin Municipal Utility District, Delano-Earlimart Irrigation District, Lindsay-Strathmore Irrigation District, Lindmore Irrigation District, Terra Bella Irrigation District, Orange Cove Irrigation District, Madera Irrigation District, and Chowchilla Water District.

Project facilities are made through the District's agreement with the FPA. The JPA is for the operation, maintenance, and development of hydropower resources for the FPA. The Friant Power Project consists of three powerhouses located at the bottom of the Friant Dam at Millerton Lake which historically averages approximately 98 gigawatt-hours (GWh) of hydroelectric power. The three powerhouses include the Friant-Kern Canal, Madera Canal, and San Joaquin River Outlet. The Friant-Kern Canal generates 60 GWh, Madera Canal generates 24 GWh, and San Joaquin River Outlet generates 14 GWh.¹⁷ The FPA took action for the development of Quinten Luallen Hydropower Plant, which the District formally committed to cash participate in the construction of the hydroelectric power plant based on the District's 12.5% share of the FPA.

The Commission's 2007 MSR for the District states that the District and Tri-Valley Water District share a small portion of the District's conveyance system. Furthermore, the 2007 MSR states "the District has considered consolidating with the Tri-Valley Water District and the Hills Valley Irrigation District, though no proposals have been developed for submission to the Commission." Since adoption of the 2007 MSR, it appears that there was little interest on the part of either of these local agencies to act on the Commission's possible consolidation observation in 2007. As of July 2015, the District informed Fresno LAFCo that it is not interested to pursue consolidation as noted in the 2007 MSR.

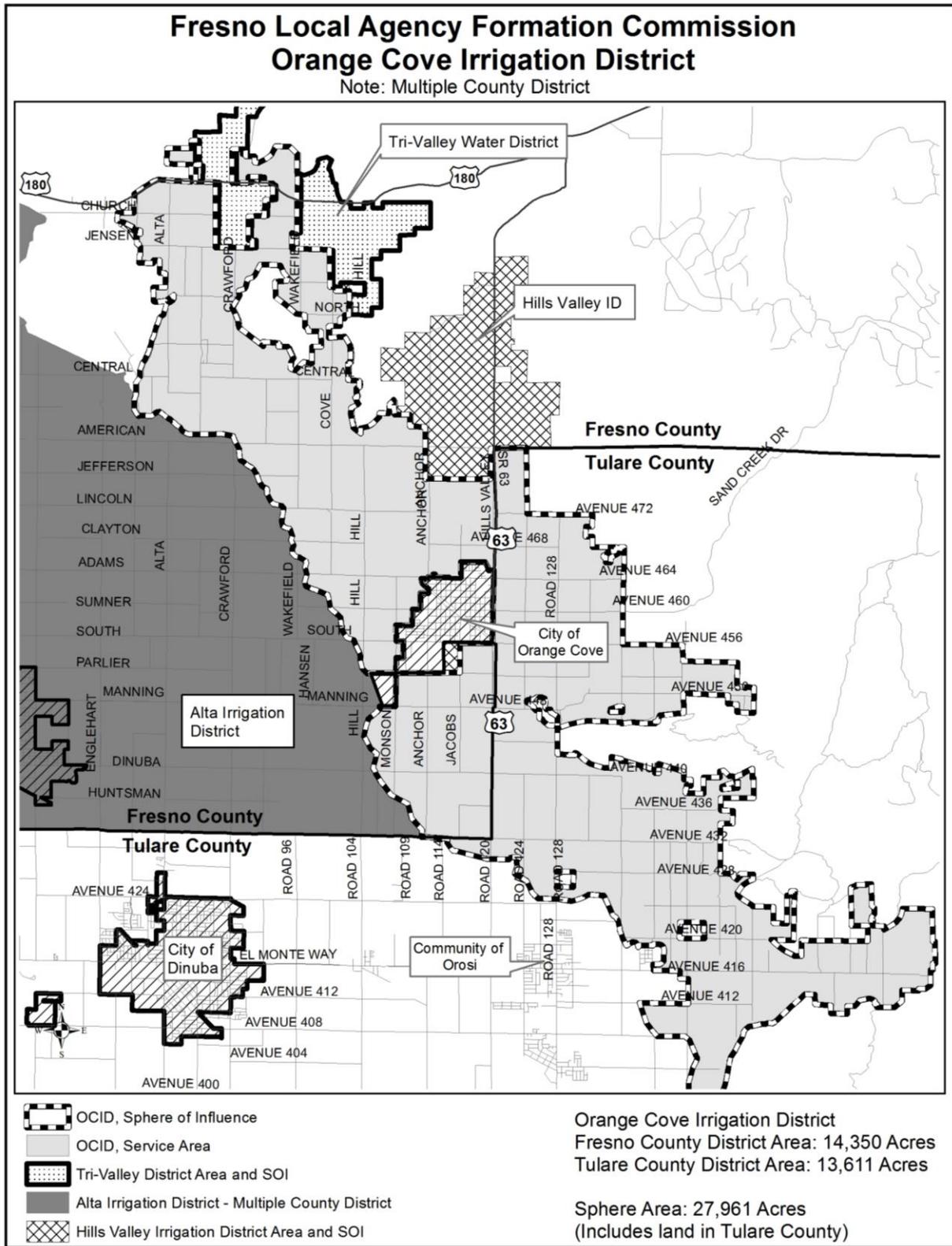
Additional neighboring districts that may present opportunities for future shared facilities include: Fresno Irrigation District to the north, Hills Valley Irrigation District located to the east and Alta Irrigation District to the west. However, due to the District's contract with the USBR, opportunities for shared facilities may require further examination at the Federal level.

¹⁶ Government Code Section 56047.7 - Joint Powers Agency Definition

¹⁷ USBR, Hydropower Technical Appendix, Accessed. June 18, 2015, https://www.usbr.gov/mp/scao/storage/docs/initial_alt_info/ta_iai_02_vol2_hydropower.pdf

The District is administered, managed, operated and maintained tailored to meet the needs of its immediate constituency. The Board of Directors receives continual feedback from landowners within the District on issues concerning water and service levels within its service area. The District maintains an active presence on issues related to water, agricultural practices, and local, state and federal water law. The District reports that it is vigilant on California's current drought condition by being engaged and actively participating from the Sustainable Groundwater Management Act. It is possible that opportunities for shared facilities could be revealed through future dialog with neighboring districts.

Figure 2- District Vicinity Map



Accountability for Community Service Needs, Government Structure and Operational Efficiencies

The District was formed under California Water Code §20500, The Irrigation District Law. The District's mission is to provide reliable surface water supply and deliveries to agricultural landowners in the most efficient and affordable price.

The District's principal act authorizes several services or powers including but not limited to furnish, control, distribute, store, spread sink, treat, purify, recapture and salvage any water, purchase or lease electric power, control of plants for the generation, transmission, distribution, sale, and lease of electric power, including sale to municipalities, public utility districts, or person.¹⁸

A five-member elected board of directors governs the District. Each board member represents one of the five respective divisions within the agency's boundary. Members of the board receive a \$75.00 per diem and a \$0.565 per mile for every district board meeting.

The District's board of directors conducts its scheduled meetings on the second Wednesday of each month at 11:30 a.m. The board meetings are held at the Orange Cove Irrigation District office located at 1130 Park Boulevard, Orange Cove, California 93646. Board information and agendas are posted at the District Office. Landowners are notified by mail of significant activities.

Each meeting agenda provides time for public comments at the beginning of the board meeting. The public comment period provides opportunity for the public to address the board on issues not listed on the agenda. Occasionally, the District board may elect to modify its meeting schedule. If proposed meeting changes are approved by the board, the District informs the public regarding changes for the upcoming meeting. The District maintains a website page which provides background information regarding the board of directors, board meeting agendas/minutes, contact information, operations information, and educational documents.

Members of the board receive ethics training every two years of service as part of the District's training and education with the Brown Act. The District's legal counsel also provides input and guidance on any Brown Act updates. The District is a member of the California Special District Association and Association of California Water Agencies.

Water Code section 21185-21190 empowers the board to appoint a District Engineer-Manager to administrate the District's operation. An eight member staff provides the

¹⁸ Water Code Section 22075-22186

District's day-to-day service operation. This includes an Engineer Manager/Board Secretary/Assessor/Collector, Controller/Treasurer, Operation and Maintenance Supervisor, Operations Technician, Accounting Clerk, Administrative Clerk and two Field Operators. At the preparation time of this MSR, the District informed Fresno LAFCo that staff experience and number of employees are adequate to continue the District's operation.

Although the District does not have adopted by-laws, Water Code section 21100-21405 provides direction for the District's internal organization, district office, and responsibilities of the board. This section of the water code outlines the District's responsibilities to establish a fixed District office, establish a fixed time during which the District office is open, records availability to the public upon request for inspection. The District implements several governing documents which include OCID Rules and Regulations for Water Deliveries for each Contract Year, District Policy and Priority for Annexation and Detachment of Property to the District, and Joint Power Agreements with the Friant Water Authority.

Fresno LAFCo staff reviewed the District's principal act and all the information provided by the District in preparation for this MSR. The MSR information collected indicates that the agency operates within the scope of the principal act and its policies and procedures.

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

- **Preparing a Sphere of influence for the district that corresponds to planned growth by the City of Orange Cove**

Among the various purposes of the Commission, Government Code section 56301 states that the Commission is tasked with discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. One of the objectives of the Commission is to make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies and shape the development of local agencies so as to advantageously provide for present and future needs of each county and communities.¹⁹

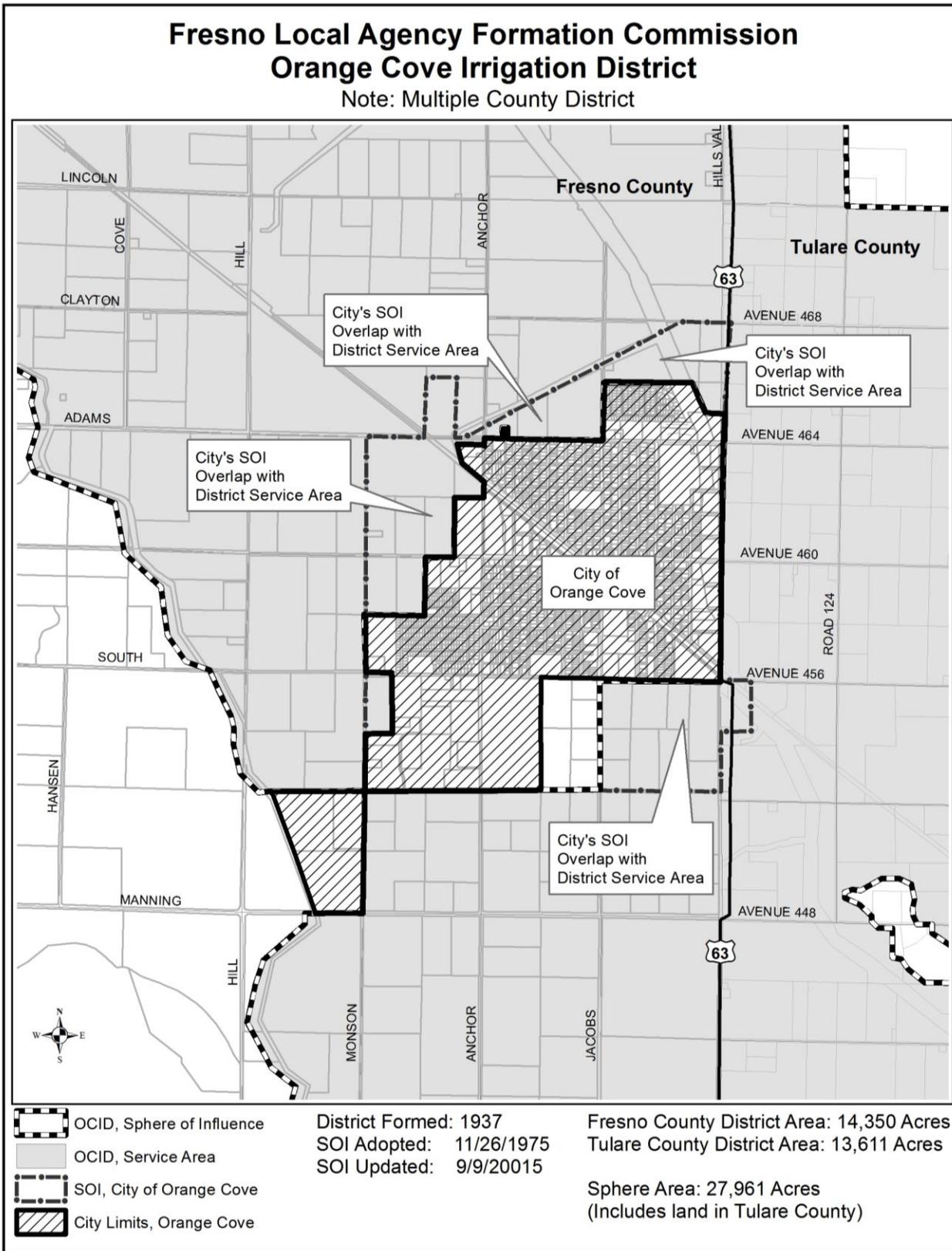
In preparing this MSR, LAFCo staff noted that the District's USBR contract requires the District to maintain approximately 28,000 acres of irrigable land within its service area. The District's opportunity for growth is administrated by its contract with USBR. The most relevant driver of District growth, aside from water entitlements, is the growth of

¹⁹ Purpose of Commission, GC Section 56301

the City of Orange Cove whose annexations are marked by a concurrent detachment from the District. Fresno LAFCo records indicate that the City of Orange Cove has 1,150 acres within its incorporated boundary. In addition to the city limits, the City's SOI contains an additional 491 acres which can be expected to annex to the city in the next 20 years and result in a series of proportional detachments from the District. Figure two, illustrates the City of Orange Cove's SOI overlap with the District's existing service area. The unincorporated land identified by callouts on figure two represents potential future detachments.

In order to maintain its contractual acreage the District staff maintains a list of eligible parcels to annex, called the "Orange Cove Irrigation District List." The list identifies the date that the District received notice from landowners to be included in the District service area. As stated in the District's policy, "It is the Policy of the District that the annexation priority not be tied to the individual landowner or entity that requested inclusion, but to the particular land for which the request was initially advanced. In other words, when a change in ownership takes place for a parcel on the list, its priority position remains unchanged." The list determines the parcel(s) next in line that are deemed appropriate to annex when detachments allows for replacement acreage to be included in the District's service area.

Figure 3 – City of Orange Cove’s SOI



Because the District's SOI and service area are coterminous, each annexation to the District must be preceded procedurally by an expansion of its SOI. This is not unusual for a level three special district; however, such a district is not precluded from having a larger SOI determined to anticipate future growth. In fact, LAFCo Policy 107-03 established a 20-year SOI planning horizon: "Determining a local agency's SOI is a significant role of the LAFCo. The Commission will determine the probable physical boundaries of the agency using a 20-year planning horizon, meaning the probable expansion of the agency's service area within 20 years of the SOI approval. The Commission will evaluate proposed SOI amendments in light of many of the local agency's own adopted plans and policies including, but not limited to, its general or master plan and related CEQA documents, service plans, annual budgets, fee structure, and capital improvement plans."

A Sphere of Influence means a plan for the probable physical boundaries and service area of a local agency, as determined by the Commission.²⁰ It is clear that the City of Orange Cove's general plan and the LAFCo's SOI have determined the growth of the city and this growth will result a change to the District's boundary. The District's Annexation List, prepared in anticipation of these changes, should be taken into account as the basis for determining the District's 20-year SOI because it has already identified "probable physical boundaries and service area" that are consistent with the definition of a SOI. At a minimum, an SOI revision would depict growth corresponding to the land currently shown in the City's SOI.

- **Coordinating Inter-agency Boundary Data**

During the preparation of this MSR, Fresno LAFCo staff observed that mapping data held by the District, Fresno LAFCo, the Fresno County Assessor, and Fresno County Elections Department were not consistent with each other. The discrepancy consisted of different scattered parcels shown in or outside of the District's service area on maps managed by each of these agencies. The discrepancy was relatively minor but it reflects a potentially larger issue of interagency communication that if not corrected could have resulted in several problems of interest to the public including inaccurate property assessments, inefficient interagency communication, and potential disenfranchisement of landowner voters.

Once this discrepancy was found, staff contacted staff from Fresno County Elections and the County Assessor's office to gauge the extent of the discrepancy, discuss the data collection and management procedures of each agency, determine the most accurate database, and formulate procedures to keep each agency fully briefed on the status of

²⁰ Government Code section 56076

special district boundaries to be use with the next reorganization proposal made to Fresno LAFCo.

Fresno LAFCo used Commission records to clarify discrepancies to the extent such information was available. Fresno LAFCo records indicate that proposal LAFCo RO-10-3, OCID/ "Reorg 2009-10, OCID" reflects the District's most recent Fresno LAFCo-approved reorganization.

Fresno LAFCo encourages the District to coordinate with Fresno County Elections, County Assessor's, and Fresno LAFCo to fully identify its service area boundary in both counties prior to the next reorganization proposal made to Fresno LAFCo. The District informed Fresno LAFCo that it plans to provide Fresno LAFCo a copy of its whole service area as depicted by USBR. Fresno LAFCo will follow up with the District once the mapping information becomes available.

This issue is of particular concern to the District's multi-leveled boundary process. For example, an annexation of land to the City of Orange Cove is accompanied by a corresponding detachment from the District; the District's contract with the USBR requires that it subsequently annex a corresponding acreage of land, through one or more actions, to the District; this process requires the Commission's approval but is not necessary that it happen at the same time as the city annexation. This multi-step process involves several agencies' databases and typically has different timelines, all of which contributed to the boundary discrepancy.

- **Earlier Involvement of the OCID with City of Orange Cove Reorganizations**

The following observations were made regarding the District's "Policy and Priority for Annexation and Detachment of Property to the District" which will lead to the following recommendations for the District's consideration. Although Fresno LAFCo under certain circumstances can be the Lead Agency under CEQA, reorganization proposals are primarily generated by the interested agency or proposal proponent. It is Fresno LAFCo's practice to be identified under CEQA as a Responsible Agency, pursuant California Resource Code section 21069, on project proposals subject to environmental review. The District is encouraged to list Fresno LAFCo on all projects subject to CEQA that require succeeding Fresno LAFCo's consideration.

The District's participation on project proposals affecting the District begins early in the planning process. Early consultation is vital to fully address the scope of a Project.²¹ The "Lead Agency" for such project proposals must include the full scope of the project proposal and address any potential indirect reorganization (annexation and concurrent detachment from the District) to be included in the project description. For instance, if an annexation to the City of Orange Cove elicits future affects to the District's service

²¹ Public Resource Code Section 21065, "Project"

area, then the environmental review should address the District's concerns, counter balance, and needed actions as a result to the land being annexed to the City. The "Lead Agency" should list the District and Fresno LAFCo as "Responsible Agencies" under all applicable reorganization proposals. Project proposals subject to CEQA review, should consider the indirect potential impacts of subsequent reorganizations of all the underlying affected Districts. Even though Fresno LAFCo's involvement occurs when an annexation proposal (application) is made to the LAFCo, opportunities to improve the effective and efficient application procedures can be addressed early in the proposal development process.

As noted previously, the District's Annexation List should be taken into account as the basis for determining the District's sphere of influence. In other words, the District's Annexation List has already identified "probable physical boundaries and service area" that are consistent with the definition of a SOI.

2. MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for Municipal Service Reviews and provides supportive analysis to in conformance with Government Code §56425 and Fresno LAFCo policy. Pursuant to Government Code §56430, the Commission makes the following written MSR determinations.

1. Growth and Population Projections for the Affected Area

- ❖ The District is a “level three” special district that provides “non-municipal” services to its constituency.
- ❖ The District provides irrigation water that is limited to agricultural irrigation purposes. Services provided by the District are not supportive of growth or growth inducing.
- ❖ The Counties of Fresno and Tulare are the land use authorities for the land located in the District’s service area. Both agencies designate the land within the District for agricultural uses.
- ❖ The population of the Fresno County unincorporated areas in within the District is approximately 2,159 people, not including the City of Orange Cove.²² Greater population growth is likely to occur within incorporated cities such as Orange Cove and/or Reedley. Likewise, the population for the unincorporated areas within the District boundary in Tulare County amount to approximately 2,814 people, not including population in Community of Orosi or City of Dinuba.²³
- ❖ District growth is directly related to its contract with the USBR. The District’s “Policy and Priority for Annexation and Detachment of Property to the District” outlines the District’s criteria and plan for District growth.

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

- ❖ Tract 65.01 block group one and Tract 65.02 block group two meet the MHI threshold identified for Disadvantaged Communities per Water Code sec. 79505.5.

²² United States Census Bureau, 2013 American Community Survey Information- Tract 65.01 and 65.02 population estimates, accessed May 25, 2015

²³ American Community Survey 2009-2013, 5 year estimates for Census Tract 2.02, Tulare County

- ❖ The District does not provide municipal services related to sewer, municipal and industrial water, or structural fire protection that would prompt further analysis in the MSR.
- ❖ Services provided by the District do not present a direct benefit to an area that meets the DUC criteria pursuant to Cortese-Knox-Hertzberg Act of 2000 or Fresno LAFCo policies.

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

- ❖ In 1949, the District secured a water service contract for water deliveries from the Friant Division of the Central Valley Project (CVP). On November 18, 2010, the District entered into a contract with the USBR to acquire a permanent contractual right to purchase water supply.
- ❖ The District operates and maintains a water distribution system, including 120 miles of pipeline/canals, 50 pumps, multiple digital water metering devices, trash screens, water valves, and all the necessary equipment for the delivery of Friant Division contractual water supplies to landowners.
- ❖ The District owns a small powerhouse located at Friant Dam that uses the water supplied to the San Joaquin Hatchery for power generation.
- ❖ The District has a standing lease agreement with the Kings River Hydropower Plant (KRHP), current terms of the lease entitles the District to 60% of the all gross revenues exceeding \$100,000. According to the Agreement, beginning September 11, 2015, the District will take ownership for the plant and assume responsibility for the plan and receive 100% of the revenue stream.
- ❖ The District annually requires landowners to renew individual applications for water delivery on or before the last day of February each upcoming Contract-Year.
- ❖ The District implements Rules and Regulations for Water Delivery contract program that enables the District to monitor water supplies available to the District. The District's Rules and Regulations for Water Delivery details procedures for landowners to acquire water supply from the District.
- ❖ District management employs a practice that water costs are a direct function of supply, and irrigation water demand remains stable over time. The objective of the District is to encourage landowners to employ sustainable agricultural practices.

- ❖ The District implements its reorganization policy to ensure service deliveries are maintained at appropriate levels.
- ❖ The District's contract with the USBR administers present and planned capacities for District services in accordance with the Certificate of Participation secured on September 1996 by the District. The District informed Fresno LAFCo that its current infrastructure is maintained on an on-going basis in order to adequately continue serving the needs of customers.

4. Financial Ability of Agencies to Provide Services

- ❖ District water rates charged to customers generally cover the cost of water, operation and maintenance (O&M) of the District.
- ❖ The District's revenues and financial management practices are structured to adequately allocate funding to meet its financial obligations to Reclamation the USBR.
- ❖ The District's revenues and financial management practices are structured to adequately allocate funding to meet its financial obligations to the USBR.
- ❖ The information provided to LAFCo by the District indicates that its revenues and fees are adequate to properly maintain its water system and to continue providing services to District customers.

5. Status of, and Opportunities for, Shared Facilities

- ❖ The District is a member agency of the Friant Power Authority (FPA) through a Joint Powers Agreement (JPA) for electrical generation facilities at Friant Dam.
- ❖ The 2007 OCID MSR for the District observed that the District and Tri-Valley Water District share a small portion of the District's conveyance system.
- ❖ Since adoption of the 2007 MSR, it appears that there was little interest on the part of either of the local agencies to act on the Commission's observation for possible consolidation. As of July 2015, the District expressed no further interest to pursue consolidation as presented in the 2007 MSR.
- ❖ Additional neighboring districts that may present opportunities for future shared facilities include: Fresno Irrigation District to the north, Hills Valley Irrigation District located to the east and Alta Irrigation District to the west. However, due to the District's contract with the USBR, opportunities for shared facilities may require further examination at the Federal level.

- ❖ It is possible that opportunities for shared facilities could be presented through future dialogs with neighboring districts; however, it is an on-going discussion that will need to fruition.

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

- ❖ The District is governed by a five-member elected board of directors. Each board member represents one of the five respective divisions within the agency's boundary.
- ❖ The District's board of directors conducts its scheduled meetings on the second Wednesday of each month at 11:30 a.m. at the Orange Cove Irrigation District office located at 1130 Park Boulevard, Orange Cove, CA 93646.
- ❖ Board information and agendas are posted at the District Office and landowners are notified by mail of significant activities.
- ❖ The District's February 2014 water rate revision demonstrates that the agency and constituency work together to raise water rates at necessary levels to continue funding fixed and variable operation costs.

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

- ❖ Annexations to the City of Orange Cove result in concurrent detachments from the District, causing the District to annex additional lands to maintain its inventory of irrigable land.
- ❖ The District's annexation policy requires the District to maintain an "Orange Cove Irrigation District List" of eligible parcels to annex.
- ❖ The annexation policy list is not tied to the individual landowner or entity that requested inclusion, but to the particular land for which the request was initially advanced. When a change in ownership takes place for a parcel on the list, its priority position remains unchanged.
- ❖ The District maintains an Annexation List that identifies suitable parcels to annex in response to District detachments. The list determines the parcel(s) next in line that are deemed appropriate to annex when detachments allows for replacement acreage to be included in the District's service area.

- ❖ In preparation of this MSR, staff observed that boundary data held by the District, Fresno LAFCo, Fresno County Assessor, and Fresno County Elections Department were not consistent with each other. The discrepancy was relatively minor but it reflects a potentially larger issue of interagency communication that could result in several problems of interest to the public including inaccurate property assessments, inefficient interagency communication, and potential disenfranchisement of landowner voters.
- ❖ Fresno LAFCo used records to clarify discrepancies to the extent which information was available. Fresno LAFCo records indicate that LAFCo RO-10-3, OCID/ “Reorg 2009-10, OCID” reflects the Districts most recent Fresno LAFCo approved reorganization. Fresno LAFCo clarified discrepancies with the assistance of the District and other agencies and will employ revised database procedures to enhance communication and accuracy of the public record.
- ❖ LAFCo Staff worked with the Fresno County Assessor to update District mapping information. Furthermore, the Fresno County elections department on an on-going basis updates GIS mapping information for election purposes. Fresno LAFCo encourages the District to coordinate with Fresno County Elections, County Assessor’s, and Fresno LAFCo to fully identify its service area boundary in both counties prior to the next District reorganization proposal made to Fresno LAFCo.
- ❖ The District’s participation on project proposals affecting the District begins early in the planning process. Early consultation is vital to fully address the scope of a Project.²⁴ The “Lead Agency” for such project proposals must include the full scope of the project proposal and address any potential indirect reorganization (annexation and concurrent detachment from the District) to be included in the project description.

²⁴ Public Resource Code Section 21065, “Project”

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

In order to carry out the Commission's purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to its jurisdiction, the Commission shall develop and determine the sphere of influence of each city and each special district within the County and enact policies designed to promote the logical and orderly development of areas within the sphere. A sphere of Influence is defined as "a plan for the probable physical boundaries and service area of a local agency, as determined by the commission."²⁵

In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

In determining a sphere of influence, the Commission may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery. The Commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.

When adopting, amending, or updating a sphere of influence for a special district, the Commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts. When adopting, amending, or updating a sphere of influence for a special district, the commission may require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.

²⁵ Government Code Section 56076, "Sphere of Influence"

Chapter one of this MSR provides the foundation for the SOI determinations. As previously indicated, the District is a multi-county district. As of September 2007, Fresno LAFCo map records indicate that the District's service area is approximately 14,186 acres and Sphere of Influence 14,908 acres in size; only in Fresno County. This information did not fully represent the District's complete service area.

DESCRIPTION OF SPHERE OF INFLUENCE

Through the MSR process Fresno LAFCo staff was able to obtain geographic information systems (GIS) data to identify the entire District service area. Fresno LAFCo observes that the entire District's service area in both Fresno and Tulare Counties should be identified within the Commission's designated SOI for the District. Since 1975, Fresno LAFCo's records indicate that the District's service area is approximately 28,000 acres in size. The District informed LAFCo staff that approximately 27,961 acres are within the District service area. This MSR identifies the full and complete approved SOI.

The District's service area is approximately 27,961 acres in size; approximately 14,350 acres in Fresno County and 13,611 acres in Tulare County. Incidental District service area voids occur around City of Orange Cove's incorporated boundary and portions of non-irrigable rock outcroppings. The Counties of Fresno and Tulare are the land use authorities for land located within the District's service area. The Fresno County General Plan designates the land within the District for Agricultural uses. The Tulare County General Plan likewise designates its portion of the District for Agriculture land uses. In accordance with Government Code Section 56066, Fresno is the principal county and Fresno LAFCO is responsible for preparing the following determinations

NO PROPOSED SOI CHANGES

The SOI is coterminous with its service area. The District reports its sphere and boundary is correct at this time and no changes are requested. However, as noted in earlier analysis, the OCID's current SOI does not accurately reflect probable growth of the District. The District maintains an Annexation List that can serve as a basis for a revised SOI. This MSR encourages the District to consider a SOI revision to include land listed in the "Annexation List." Such potential SOI revision would require future coordination to better understand OCID's SOI revision opportunities.

SPHERE OF INFLUENCE DETERMINATIONS

When Fresno LAFCO considers affirming an existing SOI, or amending it, the Commission must adopt determinations with respect to the following factors:

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

The District is a “level three” special district that provides “non-municipal” services to its constituency. The District provides irrigation water that is limited to agricultural irrigation purposes. Services provided by the District are not supportive of growth or growth inducing. The Counties of Fresno and Tulare are the land use authorities for the land located in the District’s service area. Both agencies designate the land within the District for agricultural uses. The current land use within the Orange Cove Irrigation District is primarily agricultural. Future land uses are expected to remain the same. District growth is indirectly limited to obligations established in its contract with the USBR. Further, the District’s “Policy and Priority for Annexation and Detachment of Property to the District” outlines the District’s criteria and plan for District growth.

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

In 1949, the District secured a water service contract for water deliveries from the Friant Division of the Central Valley Project (CVP). On November 18, 2010, the District entered into a contract with the USBR to acquire a permanent contractual right to purchase water supply. The District operates and maintains a water distribution system, including 120 miles of pipeline/canals, 50 pumps, multiple digital water metering devices, trash screens, water valves, and all the necessary equipment for the delivery of Friant Division contractual water supplies to landowners. The District owns a small powerhouse located at Friant Dam that uses the water supplied to the San Joaquin Hatchery for power generation.

The District implements Rules and Regulations for Water Delivery contract program that enables the District to monitor water supplies available to the District. The District’s Rules and Regulations for Water Delivery details procedures for landowners to acquire water supply from the District. District management employs a practice that water costs are a direct function of supply, and irrigation water demand remains stable over time. The objective of the District is to encourage landowners to employ sustainable agricultural practices. The District informed Fresno LAFCo that its current infrastructure is maintained on an on-going basis in order to adequately continue serving the needs of customers.

Current facilities and services provided are adequate for the current and expected future demands. The probable need for public services and facilities reflect County land uses within the District, including the provision of agricultural irrigation water. The District reports its sphere and boundary is correct at this time and no changes are anticipated. It is prudent for LAFCo and the District to better coordinate their respective understanding of the OCID SOI.

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

In 1992, the District incurred long-term debt by securing 25-year tax-exempt municipal bonds to make major renovations to its water distribution system. In exchange, the District was conditioned to maintain approximately 28,000 acres of irrigable land within its service area. The District has established policies to govern its review and consent to reorganization proposals affecting the District under the provisions of Cortese-Knox-Hertzberg Local Reorganization Act of 2000. The board of directors of the District adopted the “Policy and Priority for Annexation and Detachment of Property” policy to administer the District’s review of proposed boundary changes in a manner that complies with the District’s contact with the USBR. The District does not support any modifications to its boundaries that would affect its financial obligation incurred for the rehabilitation of its water distribution system. Reorganization proposals must be most equitable for landowners within the District.

At this time the capacity of District facilities is sufficient for the services it provides. District water rates charged to customers generally cover the cost of water, operation and management (O&M) of the District. The District’s revenues and financial management practices are structured to adequately allocate funding to meet its financial obligations to Reclamation the USBR. Information provided to LAFCo by the District indicates that its revenues and fees are adequate to properly maintain its water system and to continue providing services to District customers.

- 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 no relevant social or economic communities of interest in the District’s service area.

- 5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

Fresno LAFCo Policy designates the District as a “level three” special district that provides “non-municipal” services to its constituency.²⁶ Level three non-municipal special districts means that services that are provided do not in themselves facilitate or induce population growth. Non-municipal special districts typically do not request or

²⁶ Fresno LAFCo Policies, Standards, and Procedures, Policy 107- Municipal Service Review Policy

experience modifications to their district service area or request updates to the Commission adopted SOI for the agency.

California's statewide MHI reported for years 2006 through 2010 was \$60,883. The DUC MHI threshold is any geographic unit within the District boundaries with an income less than \$48,706. The District boundary is generally located in the unincorporated portions of southeast Fresno County. The District service area within Fresno County is located within Census Tract 63.00 block group two; Tract 64.03 block group four; Tract 65.01 block group one; and Tract 65.02 block group. The ACS five-year estimates for years between 2006-2010 indicate that the Census block groups within the District had the MHI as shown that Tract 65.01 block group one and Tract 65.02 block group two meet the MHI threshold identified for Disadvantaged Communities per Water Code sec. 79505.5. However, the District does not provide municipal services related to sewer, municipal and industrial water, or structural fire protection that would prompt further analysis for this section of the MSR. The District provides irrigation water that is limited to agricultural irrigation purposes. Services provided by the District are not supportive of growth nor population growth inducing.

4. RECOMMENDATIONS

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

1. Accept public testimony regarding the proposed Municipal Service Review.
2. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.
3. Approve the recommended Sphere of Influence determinations and affirm the current Sphere of Influence.
4. Recommend to the District, in consideration of the planned growth of the City of Orange Cove, and District's anticipated change of its service area as the city grows, make application to LAFCo to revise its sphere of influence to sufficient territory identified in the "OCID Annexation List" to balance probable growth of the City of Orange Cove. Timing of this action will be for the District to decide but will occur no later than the next OCID MSR.
5. Recommend the District to provide Fresno LAFCo a copy of its whole service area as depicted by USBR. Fresno LAFCo will follow up with the District once the District mapping information becomes available.
6. Direct Fresno LAFCo staff to convene a meeting with County Elections Department, the County Assessor, and other agencies that manage boundaries to develop mutually-agreeable protocol to ensure prompt communication and validation of boundary data base amendments prior to the next District reorganization proposal made to Fresno LAFCo.
7. The District's participation on project proposals early in the planning process is vital in fully addressing the scope of a Project under CEQA.²⁷ The "Lead Agency" for such proposed projects must include the full scope of the project proposal, reorganization (annexation and concurrent detachment from the District) to be included in the project description and evaluated by the environmental review document.

²⁷ Public Resource Code Section 21065, "Project"

5. ACKNOWLEDGEMENTS & REFERENCES

This Draft Municipal Service Review update was prepared by Fresno LAFCO staff. The Orange Cove Irrigation District provided substantial information included in this evaluation of the agency's municipal services. Supporting documentation was made available through the effective partnership between the District and Fresno LAFCo. Fresno LAFCo Staff extends its appreciation to District Board of Directors and District Engineer-Manager Fergus Morrissey, for their assistance and active participation in the development of this Municipal Service Review. Responsibility for any errors or omissions rests with those who provided information to support the report.

Available Documentation – Documents used for the preparation of this report are available in the LAFCO office. A significant amount of effort has been invested in bringing the District's Municipal Service Review and Sphere of Influence Update to this point. Documents are available at the Fresno Local Agency Formation Commission Office located at:

Fresno Local Agency Formation Commission
2607 Fresno Street, Suite B
Fresno, California 93721

The Draft Municipal Service Review is available on Fresno LAFCo's website,
<http://www.fresnolafco.org/default.asp>