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

AGENDA ITEM No. 6

DATE: September 14, 2016

TO: Fresno Local Agency Formation Commission

FROM: David E. Fey, AICP, Executive Officer

BY: George Uc, Senior LAFCo Analyst

SUBJECT: Consider Adoption: Municipal Service Review and Sphere of Influence Update for County Service Area No. 49 (O'Neill Farms)

Recommendation: Adopt the Municipal Service Review update prepared for County Service Area No. 49 and revise the District's spheres of influence by taking the following actions:

- A. Acting as Lead Agency pursuant to California Environmental Quality Act (CEQA) Guidelines find that the Municipal Service Review (MSR) prepared for County Service Area No. 49 is Categorically Exempt from the provisions of CEQA under Section 15306, "Information Collection."
- B. Acting as Lead Agency pursuant to CEQA Guidelines, find that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and that approval of the suggested sphere of influence revision for County Service Area No. 49 is exempt from the CEQA pursuant to CEQA Guidelines section 15061(b)(3).
- C. Find that the MSR prepared for County Service Area No. 49 is complete and satisfactory.
- D. Find that the written determinations within the MSR and sphere of influence revision for County Service Area No. 49 are complete and satisfy State law.
- E. Pursuant to Government Code sections 56425 and 56430 make the required determinations for the MSR and sphere of influence revision, adopt the MSR prepared for the District, and revise the sphere of influence for said District.

Executive Summary

In unincorporated areas, basic services like water, sewer, police and fire protection are provided by the County. The County Service Area Law (Government Code §25210.1 et seq.) was created in the 1950s to provide for expanded levels of service within unincorporated areas where residents are willing to pay an additional tax assessment for the extra service. The County Service Area Law allows residents or county supervisors to initiate the formation of a County Service Area (or "CSA"). A CSA's principal act authorizes 26 different types of services, including extended police protection, fire protection, park and recreation facilities, libraries,

street lighting, street maintenance, distribution of water supply, collection and treatment of sewage, and many more types of service. Generally, the majority of the CSAs provide one or two types of services while all other types of services enumerated in the District's principal act are considered to be "latent," meaning that they are not being exercised by the District. A CSA may issue General Obligation or Revenue Bonds, or form improvement areas for the purpose of issuing bonds that specifically benefit, and will be charged to, only part of the CSA. Any bond issuance or other long-term debt will require approval of voters residing within the CSA.

In accordance with Government Code section 56066, Fresno County is the principal county and LAFCo is responsible for updating the SOIs for the District consistent with section 56425(g). In order to update the agency's SOI, Fresno LAFCo has prepared the service review in accordance with section 56430.

County Service Area No. 49 (O'Neill Farms)

CSA No. 49 was formed in 2001 to provide potable water service, sewer disposal, and park and recreation services in the community of O'Neill. At the present time the District provides only retail water through a small surface water treatment distribution system. The District is in position to provide sewer disposal and parks and recreation services in the future if property owners request and identify a funding source. The District is a single-county agency in Fresno County as shown on Exhibit B.

Land within the District includes agricultural, commercial, education, and rural residential uses. The community of O'Neill hosts the majority of the residents located near the intersection of W. Excelsior Avenue and State Route 145/Fresno-Coalinga Road; areas south of W. Excelsior Avenue are generally less populated. The District serves a population of 164 residents.

The County of Fresno is the land use authority for territory in the District's service area, and the County General Plan Land Use Element designates land within the District for agricultural use. Using the Commission's 20 to 25-year planning horizon for a SOI, the County Special District Administration does not expect any growth to occur as it relates to including additional territory or population growth within or in the vicinity of CSA No. 49.

The District's infrastructure includes a surface water treatment facility, a hydro-pneumatic tank, and a series of water mains to deliver water to customers within the District. The District serves 46 metered connections. The District's primary source of water supply is raw surface water delivered through a California Aqueduct turnout managed by Westlands Water District (WWD). WWD allocates the District up to 122 acre-feet per year, based on annual water availability.

The District's actual annual water usage in the past three years has not exceeded 49 acre-feet per year. The District's allotted amount is larger than other CSAs in west Fresno County because it accounts for Westside Elementary School, residential, and commercial customers. WWD determines annual water allocation deliveries using historical District water usage.

The District's primary source of financing are a monthly rate and annual service special assessments (a flat rate assessment and a special assessment) charged to 46 metered connections in the District. In addition, the County Special Districts Administration also pursues state and federal grant funds for qualifying District improvement projects. Based on financial

information provided to LAFCo during the service review, the District's financial practices appear to be adequate to support the District's ongoing operations.

The Fresno LAFCo MSR policy designates the District as a "level two" special district that provides municipal services (water supply) to its constituency. A municipal local agency (special district) means, in Fresno LAFCo's judgment, that services provided by the agency facilitate or have potential to induce population growth. The District is a dependent special district that generally does not request or experience modifications to its service area or request a revision to the Commission's adopted SOI.

CSA No. 49's service area spans across five non-contiguous areas that when combined amount to 93 acres.

MSR Observations

Mapping Information

During the course of the MSR update, LAFCo staff observed that the 2011 District MSR depicts the District's service area encompassing approximately 81 acres. However, a review of the Commission's District formation record indicates that the District's service area actually measures 93 acres. Additionally, the District's sphere of influence and service area were described in the 2011 MSR being coterminous. However, a coterminous boundary should not be the case because it creates several SOIs boundaries around each of the District's five non-contiguous service areas.

This MSR/SOI revision report recommends that the SOI encompass all five District service areas along the Fresno-Coalinga Road, and follow the Fresno-Coalinga Road right-of-way as shown on Exhibit B. The proposed District SOI encompasses 95 acres and would not create a physical change to the existing environment. Therefore there are no environmental concerns anticipated to occur from revising CSA No. 49's existing SOI.

Disadvantaged Unincorporated Communities

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.

As detailed in the MSR, the District's location meets two key DUC indicators identified by Fresno LAFCo's DUC Policy-106, the MHI threshold and at least 15 dwelling units at a density not less than one unit per acre. The District is located in a census geographic unit that meets the MHI threshold consistent with Water Code section 79505.5. For the purpose of this MSR, it is presumed that the District's service area could be considered inhabited in the absence of a complete application filed with Fresno LAFCo.

Property owners/residents receive potable water service from the District. Each parcel has its own private septic system which collects, treats, and disposes wastewater generated by homes or businesses. Fire suppression, protection, and emergency response are all provided by the

Fresno County Fire Protection District. Additional DUC information is provided on pages 8 through 10 of the MSR.

Sustainable Groundwater Management Act of 2014

The Department of Water Resources (DWR) has developed a Strategic Plan for its Sustainable Groundwater Management (SGM) Program. DWR's SGM Program will implement the new and expanded responsibilities identified in the Sustainable Groundwater Management Act (SGMA) of 2014. Some of these expanded responsibilities include: (1) developing regulations to revise groundwater basin boundaries; (2) adopting regulations for evaluating and implementing Groundwater Sustainability Plans (GSPs) and coordination of agreements; (3) identifying basins subject to critical conditions of overdraft; (4) identifying water available for groundwater replenishment; and (5) publishing best management practices for the sustainable management of groundwater.¹

SGMA defines sustainable groundwater management as the management of groundwater supplies in a manner that can be maintained during the planning and implementation horizon without causing undesirable results. This responds to the DWR's California Statewide Groundwater Elevation Monitoring (CASGEM) "high" priority ranking for San Joaquin Valley groundwater basins.

Fresno County Special Districts Administration participates in several metropolitan water supply groups including the Fresno County SGMA working group and is actively working with metropolitan water management agencies to form a Groundwater Sustainability Agency (GSA) by the statutory deadline of June 30, 2017. The County Special Districts Administration on behalf of the CSAs intends to participate in the GSA's development of the Groundwater Sustainability Plan due to DWR by January 31, 2020.

CSA No. 49 resides in the Westside Sub-basin, which has been designated by DWR as a high-priority sub-basin and subject to the conditions of a critical overdraft basin. CSA No. 49's boundaries overlap with the WWD's service area, and WWD is likely to represent CSA No. 49 within the Westside Sub-basin GSA. Local agencies likely to participate in the Westside Sub-basin GSA include: the City of Huron, Westlands Water District, County of Kings, and County of Fresno.

Municipal Service Review / Sphere of Influence Recommendations

The District's 2016 MSR update has been prepared to comply with Government Code Sec. 56430 and Fresno LAFCo Policy 107- Municipal Service Review Policy.² The MSR makes the following recommendation:

- Revise the SOI to encompass all five District service areas along the Fresno-Coalinga Road, and that portion of the Fresno-Coalinga Road right-of-way as shown on Exhibit B. The District's SOI encompasses 95 acres.

¹ <http://www.water.ca.gov/groundwater/sgm/index.cfm>.

² Fresno LAFCo Policy 107- Municipal Service Review Policy adopted on November 5, 2014

Summary / Background

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

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

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

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

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

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

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

The attached MSRs present these determinations with District information and the analysis used in support of the determinations and recommendations.

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

Furthermore, the CSA No. 49 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 revision qualify for the same general exemption from environmental review based upon CEQA Regulation section 15061(b)(3).

There is no possibility that this MSR, and SOI revision may have a significant effect on the environment because there are no land use changes or other changes to the environment.