

LAFCO

Meeting Date: 12/03/2020

Information

SUBJECT

Public Hearing to consider Resolution 2020-10, adopting the Municipal Service Review (MSR) and approving a Sphere of Influence (SOI) Update for the Yolo County Flood Control and Water Conservation District (LAFCo No. S-056)

RECOMMENDED ACTION

1. Receive staff presentation on the MSR and SOI Update.
2. Open the Public Hearing for public comments on this item.
3. Close the Public Hearing and consider the information presented in the staff report and during the Public Hearing. Discuss and direct staff to make any necessary changes.
4. Approve **Resolution 2020-10** adopting the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Yolo County Flood Control and Water Conservation District (YCFWCWD).

FISCAL IMPACT

No fiscal impact. The MSR and SOI Update were prepared "in-house" and appropriate funds were budgeted.

REASONS FOR RECOMMENDED ACTION

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), is LAFCo's governing law and outlines the requirements for preparing periodic Municipal Service Reviews (MSRs) and Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances".

An MSR is conducted prior to, or in conjunction with, the update of an SOI.

LAFCoS are required to review an agency's Sphere of Influence every five years. An MSR evaluates the structure and operations of district services and includes a discussion of the capability and capacity of the district to ensure the provision of municipal services to the existing service area and any future growth of the district's boundaries. The SOI indicates the probable future physical boundaries and service area of a district and lays the groundwork for potential future annexations.

Yolo LAFCo staff utilizes a checklist format for MSRs that allows staff to streamline the assessment of each district's municipal services. Based on the findings of the MSR checklist staff can recommend whether a SOI update is warranted.

BACKGROUND

The Yolo County Flood Control & Water Conservation District (YCFWCWD) is an independent special district created by the State Legislature in 1951 through General Law 9307, Statutes of 1951, Chapter 1647. YCFWCWD encompasses almost one-third of the county including the cities of Davis, Winters, most of Woodland and UC Davis. The District was formed to fill a major regional gap in securing and delivering water resources for Yolo County to support its rich agricultural base and protect its environmental, economic, and local water resources. In 1967, District voters authorized a \$2.1 million revenue bond to acquire the Clear Lake Water Company and operate the enterprise, including management of Clear Lake. Through riparian rights and pre-1914 and post-1914 water rights, YCFWCWD has surface water supplies from Cache Creek, Clear Lake, and Indian Valley Reservoir; 450,000 acre-feet of storage is available in Clear Lake and Indian Valley Reservoir when at full capacity.

The District provides many municipal services including: flood control; dam operation; canal and slough maintenance; agricultural and wholesale M&I water (non-potable only); and hydroelectric power generation and sale (no direct service). Its facilities include three dams, two hydroelectric plants, two reservoirs and approximately 160 miles of irrigation and drainage distribution network, mostly earthen or unlined laterals and channels. It has 162 agricultural customers and 35 municipal and industrial customers for non-potable water. It currently sells its hydroelectric power to the Valley Clean Energy Alliance, a local public electricity provider. The District is governed by a five-member Board, appointed by the Yolo County Board of Supervisors. It is the largest independent special district in the county and currently has a staff of 29 employees. Its offices and corporation yard are located on the north side of Highway 16, roughly halfway between Woodland and I-505, just east of the Wild Wings community.

The District also serves to fill gaps in a number of areas of water resource management, environmental stewardship, and flood management. It continues to play a role in implementing the Yolo County Integrated Regional Water

Management Plan, the Yolo County Water Resources Agency, and is an instrumental partner in the Yolo Subbasin Groundwater Agency (YSGA) Joint Powers Agency. In addition, YCFCWCD has taken a leadership role in a jointly funded effort with the County of Yolo to develop new regional flood control management policies and implement small-scale projects called the FloodSAFE Yolo 2.0 Program.

YCFCWCD has the resources, board and staff capacity to manage itself very effectively and LAFCo staff have no concerns about the finances and operation of the District. The MSR includes minor recommendations to improve best practices, but nothing concerning.

As part of the SOI Update, YCFCWCD is requesting a significant increase to its SOI area. SOIs are generally used as a tool to curb urban sprawl and control growth, but in this case, expansion of the SOI actually serves to protect agricultural land and protect groundwater resources. Expansion of YCFCWCD's SOI could serve additional agricultural customers and will support the overall Yolo Subbasin groundwater protection strategy. Therefore, staff recommends approval of the SOI Update.

MSR Determinations and Recommendations

Minor edits are requested to the Draft MSR/SOI Update released on November 11, 2020 based on YCFCWCD staff review. Changes have been formatted in the attached draft report as ***additions*** and ~~deletions~~ for transparency purposes. Staff recommends these edits be included in the MSR/SOI adoption.

There are seven determinations LAFCo is required to make for an MSR. The determinations and recommendations for Commission review and consideration are as follows:

Growth and Population MSR Determination

The unincorporated areas of Yolo County are estimated to have a 1.0% increase in growth from January 1, 2018 to January 1, 2019. YCFCWCD provides flood control; dam operation; canal and slough maintenance; agricultural and wholesale M&I water; recreation; hydroelectric power generation and sale. Therefore, local population growth and any associated development is not anticipated to have a significant impact on the subject agency's service needs and demands.

Disadvantaged Unincorporated Communities MSR Determination

The YCFCWCD provides flood control; dam operation; canal and slough maintenance; agricultural and wholesale M&I water; recreation; hydroelectric power generation and sale. Although YCFCWCD provides some municipal and industrial water, it is non-potable water. Therefore, this determination is not applicable to YCFCWCD.

Capacity and Adequacy of Public Facilities and Services MSR Determination

Through riparian rights and pre-1914 and post-1914 water rights, YCFCWCD surface water supplies originate from Cache Creek, Clear Lake, and Indian Valley Reservoir. It has 450,000 acre-feet of storage available in Clear Lake and Indian Valley Reservoir when at full capacity. Delivery is based on demand each year upon request of farmers. During water shortages, landowners rely more heavily on groundwater supplies through private production wells than normal years. When the water supply is less than demand, YCFCWCD allocates water by dividing it among the assessed acreage and a percentage allocation is determined. Once the District determines the total water available and total demand, detailed metering and records are maintained and shared with users on a monthly basis. The water conveyance system includes more than 175 miles of irrigation and drainage facilities, most of which consist of earthen or unlined channels. Major facilities managed by YCFCWCD include three dams, two hydroelectric plants, two reservoirs, and a network of mostly earthen canals and laterals. As of November 2020, the YCFCWCD has a contract for selling power to Valley Clean Energy, a locally governed electricity provider in Yolo County.

The District has sufficient trained staff to meet service needs within its service area. The YCFCWCD is currently planning projects and related costs involved in complying with the implementation of new water measurement and accounting regulations. In addition, the YCFCWCD is continually trying to prepare for new regulations as related to dam ownership and liability given the 2017 Oroville Spillway Incident. The YCFCWCD experienced two large fires at Indian Valley Reservoir, which burned power poles, the transmission line, and related power infrastructure. The YCFCWCD worked with the California Office of Emergency Services to receive state reimbursement for replacing the wooden power poles and lines with steel poles to ensure the poles would not be affected in future fires around Indian Valley Reservoir.

Financial Ability MSR Determination

Over the past six years (including drought years), the District has been able to maintain a solid yearend fund balance averaging \$4.7 million, despite the drought impacted years (2014 to 2016) when the District experienced significant loss of revenue, estimated to be over \$7.6 million. To mitigate some of the revenue shortfall the District cut expenditures. The District also established a sliding scale rate structure based on the combined water storage in Clear Lake and Indian Valley Reservoir on April 1 each year. Higher water storage (i.e. more water to sell) means lower rates, helping to stabilize revenues.

The District maintains its financial system and is audited annually and has received unqualified opinions each year. However, there is some crossover resulting from closely working with Yolo Subbasin Groundwater Agency (YSGA) that should be cleaned up going forward. Management has also been able to control the growth of expenditures and mitigate the possible loss of water sales

during drought by establishing a slide scale fee schedule based on the anticipated water supply.

Finances are well-managed and as long as the District is able to finance losses of revenue and destruction of infrastructure due to extended periods of drought, floods and wildfires the district should remain sound. The District maintains a healthy fund balance, although it would be better to adopt a capital improvement plan and have funds set aside for specified uses rather than a general reserve.

Recommendations:

- Financial transactions that relate directly to the Yolo Subbasin Groundwater Agency (YSGA) should not be recorded in the YCFCWCD ledgers.
- Develop a policy or procedure to identify and record Federal and State revenue consistently as either non-operating grants or contributed capital based on the purpose of the grant.
- Consider assessing a base service fee that would protect the District's financial condition from periods of extended drought.
- Develop a formal capital improvement plan that includes a financing plan (i.e. long-range planning, not just on an annual basis).
- Create a reserve policy that includes specific set asides, which are formally recorded in the accounting system, for financing a capital improvements plan, general reserve, and a catastrophic loss reserve to mitigate against loss of revenue and to finance unexpected large infrastructure losses due to disasters.
- Complete the ongoing process to document the accounting controls, procedures and policies in case of any unexpected staff turnover.

Shared Services MSR Determination

YCFCWCD is a model district in how it has embraced shared services in various forms. It continues to fill gaps in a number of areas of water resource management, environmental stewardship, and flood management. The YCFCWCD plays a role regionally with the Water Resources Association of Yolo County in implementing the Integrated Regional Water Management Plan and the Yolo Subbasin Groundwater Agency in developing the Yolo Subbasin Groundwater Sustainability Plan. In 2017, YCFCWCD took over some flood control services from the Madison-Esparto Regional County Service Area (MERCOSA) which were redundant and allowed LAFCo to dissolve it. YCFCWCD is also a member of, and provides contract staffing to, the Water Resources Association and the Yolo Subbasin Groundwater Agency JPA.

Accountability, Structure and Efficiencies MSR Determination

The YCFCWCD was created by special legislation and is one of the most functional and resourced special districts in the county. The District has taken over services over the years from other redundant agencies to resolve service inefficiencies. The District's Board is filled with very capable members that show

stability and longevity with the District. Board members are trained regarding the organization's program requirements and financial management. The District currently has 27 employees and plans to hire a two more in the coming weeks. Staff are capable and there do not appear to be any chronic issues with staff turnover. The board is working on succession planning. The District routine undergoes annual audits conducted by independent external auditors. The YCFCWCD improved its transparency score from 67% in 2018 to 82% in 2019, however, there is still some room for improvement. The district has adopted policies (as applicable) regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, contract bidding.

Recommendations:

- YCFCWCD should consider adopting a policy that rotates auditors at least every 6 years.
- The YCFCWCD improved its transparency score from 67% in 2018 to 82% in 2019, however, there is still some room for improvement.
- Take appropriate measures to safeguard any essential paper records in the office from fire or water damage.

Other Issues MSR Determination

There are no other issues related to effective or efficient service delivery, as required by Commission policy.

SOI Update and Recommendation

LAFCo policies (Criteria for Spheres of Influence Policy 6.3) require consideration of the following criteria when studying and determining the spheres of influence for the cities and special districts within the County of Yolo:

1. *Retention and strengthening of community identities, as well as increasing efficiency and conserving resources, by providing essential services within a framework of controlled growth;*
2. *Identification of the county's prime agricultural land and protection of this land through all available devices, such as including controlling the provision of services, requiring infill development first, and preferring non-prime land for growth. Other open-space resources such as stream banks, flood plains, and present and future recreation areas should also be protected for public benefit;*
3. *Creation of realistic and controlled, yet flexible, planning areas into which anticipated services can be expanded as growth requires and as the communities' resources provide;*
4. *Provision of infrastructure systems such as streets, sewers, water, open space for parks and recreation as a product of growth, rather than growth inducing;*
5. *Encouragement of city annexation or incorporation as a means of supplying the full range of urban services as required; and*

- 6. Evaluation of the availability and need for basic services in each community and forecast these to meet anticipated population growth, and recommend creation, expansion, consolidation and/or reorganization of districts when need for such change is indicated.*

As mentioned previously, these policies are largely not applicable to a district that provides non-potable water supporting continued agricultural use. The proposed SOI Update will serve to retain the rural agricultural farming community. It will provide a flexible planning area where services can be expanded as resources allow. The conveyance systems are either already existing or, if extended, would not be growth inducing because the water supports agricultural uses and is non-potable. District expansion is anticipated for agricultural use, not population growth.

There are five determinations LAFCo is required to make for an SOI Update. The determinations for Commission review and consideration are as follows:

Present and Planned Land Uses SOI Determination

This SOI would provide for potential annexation if well sites are needed for groundwater monitoring and recharge projects by the Yolo Subbasin Groundwater Agency, which the YCFCWCD is a member of. Additional agricultural lands could also be irrigated by District surface water resources, if resources are available. The YCFCWCD provides non-potable irrigation water to agricultural land. The agricultural land already exists and is not a result of new development. The proposed SOI includes rural agricultural areas outside of urban areas/communities and would not conflict with any man-made obstructions or other types of boundaries. The SOI is proposed for expansion because the Yolo Subbasin Groundwater Agency JPA will complete its groundwater monitoring plan in 2022 and JPA member agency coverage of the entire Yolo Subbasin is desirable for creating a system of groundwater monitoring sites.

Need for Public Facilities and Services SOI Determination

This SOI would provide for potential annexation if well sites are needed for groundwater monitoring by the Yolo Subbasin Groundwater Agency, which the YCFCWCD is a member of. Additional agricultural lands could also be irrigated by District surface water resources, if resources are available. The SOI area would include rural areas, is not growth-inducing, and, therefore, questions regarding controlled growth are not applicable. The services cannot be better provided by another agency. An increased SOI would support agricultural lands and provide for more sustainable water resources.

Capacity and Adequacy of Provided Services SOI Determination

This SOI would provide for potential annexation if well sites are needed for groundwater monitoring and recharge projects by the Yolo Subbasin Groundwater Agency, which the YCFCWCD is a member of. Additional agricultural lands could also be irrigated by District surface water resources, if resources are available. An

increased SOI would support agricultural lands and provide for more sustainable water resources.

Social or Economic Communities of Interest SOI Determination

The YCFCWCD provides non-potable water only that could not serve populated communities. Therefore, existence of any social or economic communities of interest are not relevant to this agency's municipal service.

Disadvantaged Unincorporated Communities SOI Determination

The YCFCWCD provides non-potable water only that could not serve populated communities. Therefore, existence of any social or economic communities of interest are not relevant to this agency's municipal service.

Public/Agency Involvement

The primary source of information used in this MSR has been information collected from agency staff and adopted plans, budgets, reports, policies, etc. On November 11, 2020 a "Notice of Availability of Draft MSR/SOI and Public Hearing" was released by LAFCo and published in the Woodland Democrat, which requested written comments from the public and stakeholders. In addition, notices were sent to every "affected agency", meaning all other agencies and schools with overlapping service areas. LAFCo has not received any comments so far on the MSR/SOI. Any comments received after publication of this staff report will be provided to the Commission in a supplemental packet.

California Environmental Quality Act (CEQA)

The SOI Update could allow for future annexation of additional territory into the Yolo County Flood Control and Water Conservation District. The primary intent of this SOI Update is to cover the Yolo Subbasin Groundwater Agency territory as a member agency for potential future groundwater monitoring and recharge sites. This is to comply with the Sustainable Groundwater Management Act (SGMA) enacted to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge, and would provide an environmental benefit. This additional territory could potentially also be served by the existing District water allocation. Future annexation would potentially allow existing agricultural lands to be served by surface water supplies instead of relying on groundwater pumping, however, the key consideration is the fact that the SOI Update involves no expansion of the existing agricultural use and is exempt under CEQA Guidelines Section 15301. The Yolo County Flood Control and Water Conservation District does not supply potable drinking water and, therefore, the SOI Update will not be growth inducing or otherwise result in any expansion of use. Conjunctive surface and groundwater use is an environmental benefit as compared to the current practice of solely pumping groundwater.

ATT A-YCFCWCD MSR-SOI Reso 2020-10

ATT B-Revised Public Draft YCFCWCD MSR-SOI Nov 18, 2020

Form Review

Inbox

Reviewed By

Date

Christine Crawford (Originator) Christine Crawford 11/18/2020 01:25 PM

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