

# Municipal Service Review and Sphere of Influence Update for the

## Dunnigan Water District LAFCo No. S-055



Public Hearing Draft September 15, 2020



## YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE UPDATE

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Municipal Service Review and Sphere of Influence Update for the Dunnigan Water District

LAFCo No. S-055

**SUBJECT AGENCY:**

Dunnigan Water District

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(530) 437-2221

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Date of Last MSR: October 24, 2013

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**MSR/SOI BACKGROUND**

**ROLE AND RESPONSIBILITY OF LAFCO**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic 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 (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

**PURPOSE OF A MUNICIPAL SERVICE REVIEW**

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a Municipal Services Review (MSR) in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study’s determinations must be made in the following areas:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence;
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; and
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

## **PURPOSE OF A SPHERE OF INFLUENCE**

In 1972, LAFCOs were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, “‘sphere of influence’ means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (§56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. Likewise, they are also designed to discourage urban sprawl and the premature conversion of agricultural and open space resources to urbanized uses.

The role of SOIs in guiding the State’s growth and development was validated and strengthened in 2000 when the Legislature passed Assembly Bill (“AB”) 2838 (Chapter 761, Statutes of 2000), which was the result of two years of labor by the Commission on Local Governance for the 21<sup>st</sup> Century, which traveled up and down the State taking testimony from a variety of local government stakeholders and assembled an extensive set of recommendations to the Legislature to strengthen the powers and tools of LAFCOs to promote logical and orderly growth and development, and the efficient, cost-effective, and reliable delivery of public services to California’s residents, businesses, landowners, and visitors. The requirement for LAFCOs to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that regular periodic updates of SOIs should be conducted on a five-year basis (§56425(g)) with the benefit of better information and data through MSRs (§56430(a)).

Pursuant to Yolo County LAFCO policy an SOI includes an area adjacent to a jurisdiction where development might be reasonably expected to occur in the next 20 years. A MSR is conducted prior to, or in conjunction with, the update of a SOI and provides the foundation for updating it.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

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 an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

## ***DISADVANTAGED UNINCORPORATED COMMUNITIES***

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

On March 26, 2012, Yolo LAFCo adopted a “Policy for the Definition of ‘Inhabited Territory’ for the Implementation of SB 244 Regarding Disadvantaged Unincorporated Communities”, which identified 21 inhabited unincorporated communities for purposes of implementing SB 244.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit “cherry picking” by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

## ***ORGANIZATION OF MSR/SOI STUDY***

This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency while providing required LAFCo’s MSR and SOI determinations. The checklist questions are based on the Cortese-Knox-Hertzberg Act, the LAFCo MSR Guidelines prepared by the Governor’s Office of Planning and Research and adopted Yolo LAFCo local policies and procedures. This report provides the following:

- Provides a description of the subject agency;
- Provides any new information since the last MSR and a determination regarding the need to update the SOI;
- Provides MSR and SOI draft determinations for public and Commission review; and
- Identifies any other issues that the Commission should consider in the MSR/SOI.

**AGENCY PROFILE**

Dunnigan Water District (DWD) is an independent special district formed in 1956 by landowners in the Dunnigan area to access Central Valley Project (CVP) water through the proposed Tehama-Colusa Canal. However, 28 more years passed before delivery of water sourced from the Shasta Reservoir began in 1983. DWD’s initial contract with the United States Bureau of Reclamation (USBR) for CVP water was executed in 1963. The last segment of the Tehama-Colusa Canal, Reach 8, was completed in 1980. The DWD distribution system connecting the Tehama-Colusa Canal to DWD lands through an underground pipeline system was completed in 1982<sup>1</sup>. The 1963 CVP contract expired in 1995. DWD contract renewals with USBR since then have maintained the original 19,000 acre-feet per year CVP allocation. The DWD as formed was 10,613 acres in size and with annexed acres, the current size of the District is 10,914 acres, with 10,353 acres irrigated. DWD prepares 5-year Water Management Plans for USBR and updates them each year.



Groundwater resources are important in the DWD service area during drought conditions, or when CVP allocations from the Tehama-Colusa Canal drop below 80 percent (15,200 AFY) of the 19,000 AFY contractual allocation. DWD implements a customer allocation system in shortage years that seeks to provide an equitable distribution to landowners while continuing to encourage the prioritization of surface water use over groundwater, and implementation of conservation-oriented irrigation technologies to reduce overall demand.

DWD prepared a Groundwater Management Plan in 2005 through grant funding from DWR’s AB 303 Local Groundwater Management Assistance Program and installed two monitoring wells near the District’s headquarters office and along Buckeye Creek. The groundwater management planning effort was intended to promote a more proactive conjunctive use program through a better understanding of the groundwater aquifer system, better monitoring data, and groundwater sustainability projections based on different urban development scenarios. The planning process included a hydrogeologic characterization analysis that confirmed landowner suspicions of a discontinuous aquifer system, particularly west of the I-5 Freeway, which makes the location of new wells very difficult. Landowners described the system as “hit or miss,” according to the Groundwater Management Plan.<sup>1</sup> The plan indicated that “modest overdraft conditions” would occur in the groundwater system unless appropriate mitigation measures are taken.

General Info	
<b>District Type</b>	California Water District
<b>Principal Act</b>	California Water Code §§34000 et seq.
<b>Formation History</b>	1956 – Formed by landowners to contract with USBR for delivery of CVP water. Executed contract with USBR in 1963.
<b>Services</b>	Irrigation for primarily agricultural uses with limited distribution for landscaping and habitat land management. No domestic water.

<sup>1</sup> DWD, October 2005. *Groundwater Management Plan. Dunnigan, CA*: 2.

**YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE UPDATE**

Service Area	
<b>General Location</b>	Located in the northeast section of the county, near the Yolo-Colusa county boundary. Jurisdictional boundaries generally follow the I-5 Freeway, just east of the Tehama-Colusa Canal.
<b>Size</b>	Jurisdictional boundaries contain 15.69 square miles or 10,039 acres of territory. Total service area is 10,613 acres with 7,500 irrigated acres (per 2011 Water Management Plan).
<b>Customers</b>	91 farms
<b>Land Uses</b>	Primarily agricultural; limited residential and commercial.
Water Supplies	
<b>Surface Water</b>	Tehama-Colusa Canal – CVP contractual allocation of 19,000 AFY. CVP water delivery began 1983 upon completion of Tehama-Colusa Canal Reach 8 in 1980 and completion of the DWD distribution system in 1982. USBR contract renewals have maintained 19,000 AFY. Current contract #: 14-06-200-399A-LTR1. USBR announces allocation (“Water Made Available”) by February 20 of each year. DWD provides USBR monthly delivery schedule for the year by March 1. By April 1, landowners submit applications for seasonal estimates based on cropping patterns. If demand exceeds supply, or if CVP allocation is 80% (15,200 AFY) or lower, water allocation system is implemented to provide equitable distribution. Landowners may transfer or decline their allocation for benefit of the District water pool. DWD also accepts limited interagency water transfers to address supply shortages in drought years.
<b>Groundwater Subbasin(s)</b>	<u><b>Yolo Subbasin (North Yolo Management Area)</b></u> <del>Buckeye Creek subbasin</del> . DWD does not deliver or sell groundwater.
<b>Facilities</b>	
<i>Distribution</i>	Contract executed between DWD and USBR in 1975 to construct a buried pipeline distribution system for \$6.82 million. DWD makes debt obligation payments to USBR on a portion of the original cost in semi-annual installments of \$85,218. Title to the distribution system remains with USBR, even upon full repayment of the obligation. DWD operates the distribution system conveying CVP water from <del>three</del> <b>four</b> gravity flow turnouts on the Tehama-Colusa Canal to DWD lands covering 80 percent of DWD’s acreage. Pipeline is 26 miles (137,280 linear feet) with diameters ranging from 4 to 60 inches. Water meters measure water deliveries to farms. Down-gradient deliveries made by gravity flow. Up-gradient deliveries made via a canal-side pumping plant. Owns two groundwater monitoring wells installed using a grant through DWR’s AB 303 Local Groundwater Assistance Program. Wells are located at DWD office and along Buckeye Creek.
<i>Storage</i>	No storage facilities. Completely piped distribution system.

Governance & Management													
<b>Governance Structure</b>	<p>Five-member Board of Directors elected at large through landowner voter elections. The Board of Directors' regular board meeting is held the second Wednesday of the month at 3817 1st Street, Dunnigan, CA 95937 at <del>9</del><b>4</b>:30 p.m. Current Board membership and terms:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>Name</u></th> <th style="text-align: left;"><u>Term Expires</u></th> </tr> </thead> <tbody> <tr> <td><del>David</del> Gary Schaad</td> <td>12/03/2021</td> </tr> <tr> <td>Jake Spooner</td> <td>12/06/2023</td> </tr> <tr> <td>Cynthia Peterson</td> <td>12/06/2023</td> </tr> <tr> <td>Dustin Cain</td> <td>12/03/2021</td> </tr> <tr> <td><del>Eli</del> Blair Voelz</td> <td>12/06/2023</td> </tr> </tbody> </table>	<u>Name</u>	<u>Term Expires</u>	<del>David</del> Gary Schaad	12/03/2021	Jake Spooner	12/06/2023	Cynthia Peterson	12/06/2023	Dustin Cain	12/03/2021	<del>Eli</del> Blair Voelz	12/06/2023
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<b>Staff</b>	Bill Vanderwaal, General Manager, <b><u>Steve Soares, Waterman</u></b> , and Anne Zwald, Administrative Officer												
<b>Other</b>	<p>Member agency of the:</p> <ul style="list-style-type: none"> <li>• Tehama-Colusa Canal Authority), a joint powers authority/agency (JPA) of the 17 CVP water contractors.</li> <li>• Water Resources Association, a consortium of public water purveying entities organized in 1993, the ten-member Water Resources Association of Yolo County is a nonprofit, mutual-benefit corporation created to provide a regional forum to coordinate and facilitate solutions to water management issues in Yolo County.</li> <li>• Sites Project Authority, a JPA formed in 2010 to pursue the development and construction of the Sites Reservoir Project for additional off stream storage to improve instream flows, the Delta ecosystem, and water supply.</li> <li>• Yolo Subbasin Groundwater Agency, a JPA formed in 2017 to comply with the Sustainable Groundwater Management Act (SGMA).</li> </ul>												



## **AFFECTED AGENCIES**

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a sphere of influence. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the executive officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The affected local agencies for this MSR/SOI are:

### **County/Cities:**

- City of Davis
- City of West Sacramento
- City of Winters
- City of Woodland
- County of Yolo

### **K-12 School Districts:**

- Davis Joint Unified
- Esparto Unified
- Pierce Joint Unified
- River Delta Unified
- Washington Unified
- Winters Joint Unified
- Woodland Joint Unified

### **Community College Districts:**

- Delta
- Los Rios
- Solano
- Yuba

### **Special Districts:**

- Cemetery District – Capay, Cottonwood, Davis, Knight’s Landing, **Mary’s**, Winters
- Community Service District – Cacheville, Esparto, Knights Landing, Madison
- County Service Area - Dunnigan, El Macero, Garcia Bend, North Davis Meadows, Snowball, Wild Wings, Willowbank
- Fire Protection District – Capay, Clarksburg, **Dunnigan**, East Davis, Elkhorn, Esparto, Knights Landing, Madison, No Man’s Land, Springlake, West Plainfield, Willow Oak, Winters, Yolo, Zamora
- Sacramento-Yolo Port District
- Reclamation District – 150, 307, 537, 730, 765, 785, 787, 827, 900, 999, 1600, 2035
- Yolo County Resource Conservation District
- Water District – Dunnigan, Knight’s Landing Ridge Drainage, Yolo County Flood Control & Water Conservation

### **Multi-County Districts:**

- Reclamation District – 108 (Colusa), 2068 (Solano), 2093 (Solano)
- Water District – Colusa Basin Drainage
- Sacramento-Yolo Mosquito and Vector Control District

**MUNICIPAL SERVICE REVIEW**

**POTENTIALLY SIGNIFICANT MSR DETERMINATIONS**

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- |  |  |
|--|--|
| <input type="checkbox"/> Growth and Population                                   | <input type="checkbox"/> Shared Services           |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities                | <input checked="" type="checkbox"/> Accountability |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Other                     |
| <input checked="" type="checkbox"/> Financial Ability                            |  |

**LAFCo Municipal Service Review:**

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

<b>1. GROWTH AND POPULATION</b>			
Growth and population projections for the affected area.	YES	MAYBE	NO
a) Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will development have an impact on the subject agency’s service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will population changes require a change in the agency’s service and/or sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a-c) *Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years? Will development have an impact on the subject agency’s service needs and demands? Will population changes require a change in the agency’s service and/or sphere of influence (SOI) boundary?*

No. The unincorporated areas of Yolo County are estimated to have a 1.0% increase in growth from January 1, 2018 to January 1, 2019<sup>2</sup>. DWD provides agricultural irrigation water on rural land surrounding the town of Dunnigan. Therefore, local population growth and any associated development will not have an impact on the subject agency's service needs and demands.

**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. Dunnigan Water District provides non-potable agricultural irrigation water on rural land surrounding the town of Dunnigan. Therefore, local population growth and any associated development will not have an impact on the subject agency's service needs and demands.

**2. DISADVANTAGED UNINCORPORATED COMMUNITIES**

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If "yes" to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If "no" to a), this question is marked "no" because it is either not needed or not applicable.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?*

No. The Dunnigan Water District does not provide municipal services related to sewer, municipal and industrial water, or structural fire protection. **Although** DWD provides some municipal and industrial water **(approximately 75-80 acre feet per year), per the USBR contract it only includes water used for purposes such as landscaping or water for animals. It is non-potable water.** for non-potable agricultural irrigation water on rural land surrounding the town of Dunnigan.

b) *If "yes" to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If "no" to a), this question is marked "no" because it is either not needed or not applicable.*

No. This determination is not applicable to the Dunnigan Water District.

<sup>2</sup> Department of Finance City/County Population estimates with Annual Percent Change, January 1, 2018 and 2019

**Disadvantaged Unincorporated Communities MSR Determination**

The Dunnigan Water District does not provide municipal services related to sewer, potable municipal and industrial water, or structural fire protection. **Although DWD provides some municipal and industrial water (approximately 75-80 acre feet per year), per the USBR contract it only includes water used for purposes such as landscaping or water for animals. It is non-potable water.** Therefore, this determination is not applicable to the Dunnigan Water District.

**3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES**

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

No. **DWD has one employee who operates and maintains the water conveyance system and contracts with RD 108 for general manager and administrative support.** DWD has a water allocation contract with USBR for 19,000 acre feet per year. In the 2020 reporting period, DWD supplied 12,210 acre-feet of water to its customers<sup>3</sup>. DWD water users must file applications for water service on or before April 1 of each year. When the water from the USBR is below 60% of the contracted amount or below 11,400 acre-feet and the District is unable to obtain sufficient outside resources, DWD allocates water by dividing it among the assessed acreage and a percentage allocation is determined. This percentage of water is provided to each landowner and they decide whether to use it, transfer

<sup>3</sup> Dunnigan Water District 2020 Water Management Plan Update Form, dated March 27, 2020

allocation, or to not use it and return it to the District pool for all landowners to use. Once the DWD determines the total water available and total demand, detailed metering and records are maintained and shared with users on a monthly basis.

The DWD infrastructure includes 26 miles of piped conveyance systems with USBR meters. Outflow points are located at the end of each metered lateral. Due to the implementation of drop tape and strip tape irrigation practices, the agricultural fields do not have any runoff. The lands that use furrow irrigation practices on field crops are limited and therefore, have very little run-off. In addition, DWD has a regulating tank that can store 1.37 acre feet of water with a pumping facility<sup>4</sup>.

DWD has agency capacity to meet the service needs of existing agricultural lands within the district boundary. During drought years of limited allocation, DWD has policies in place on how it fairly allocates scarce water supplies among landowners (as described above).

- b-c) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth? Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

No. DWD is working on increasing the agency's water capacity and is appropriately planning for it. The Sites Reservoir Project recently went through a Value Planning session where they have revised where the water from the reservoir will be discharged into the river, it will now be run down the Tehama-Colusa Canal, into a proposed pipeline at Dunnigan that conveys the water down to the Colusa Basin Drain and into the Sacramento River. The Sites Project is expected to be in service as soon as 2027 but not later than 2030 and landowners will have the opportunity to sign up as early as September 1<sup>st</sup> of this year and into the future, pending availability. This additional water source could serve the additional landowners, especially those in the previous Yolo-Zamora Water District territory that never acquired a water allocation. In addition to the Sites Project, DWD would like to drill and operate its own well to pump into the system during dry years and to install a small reservoir near the canal or on the eastern portion of the District for supplemental water and groundwater recharge.

According to the General Manager, the conveyance pipeline was constructed in 1981-1982 and has a lifespan of approximately 100 years. Segments of the pipelines are replaced as needed and DWD is beginning to develop an infrastructure maintenance plan.

- d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. The DWD is keenly aware of how it is affected by drought and climate adaptation. It is a member of the Yolo Subbasin Groundwater Agency, a joint powers agency formed in order to comply with the Sustainable Groundwater Management Act. DWD does not operate or manage any groundwater wells in the District but it monitors spring and fall groundwater levels in 12 production wells. Five additional wells are monitored by DWR. Based on the soils and underground geologic units, a potential groundwater recharge area along Buckeye Creek was identified by DWR in 1978. DWD is interested in pursuing grant funding for conjunctive use of groundwater from the eastern portion of the District that could be pumped into the Tehama Colusa Canal for water users. If the District could use wells on the eastern portion of the District which has high water table a pump into the canal during drought years or low allocation, the District could have more reliable water supply for users and better protect the groundwater aquifer.

- e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

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<sup>4</sup> Dunnigan Water District Water Management Plan 2017 Criteria

No. Please see the response to 2c.

**Capacity and Adequacy of Public Facilities and Services MSR Determination**

DWD has agency capacity to meet the service needs of existing agricultural lands within the district boundary. DWD pipelines were constructed in 1981-1982 and have a lifespan of approximately 100 years. During drought years of limited allocation, DWD has policies in place on how it fairly allocates scarce water supplies among landowners. DWD is working on increasing the agency's water capacity and is appropriately planning for it. The Sites Reservoir Project recently went through a Value Planning session where they have revised where the water from the reservoir will be discharged into the river, it will now be run down the Tehama-Colusa Canal, into a proposed pipeline at Dunnigan that conveys the water down to the Colusa Basin Drain and into the Sacramento River. In addition to the Sites Project, DWD would like to drill and operate its own well to pump into the system during dry years and to install a small reservoir near the canal or on the eastern portion of the District for supplemental water and groundwater recharge. The DWD is a member of the Yolo Subbasin Groundwater Agency, a joint powers agency formed in order to comply with the Sustainable Groundwater Management Act. DWD is interested in pursuing grant funding for conjunctive use of groundwater from the eastern portion of the District that could be pumped into the Tehama Colusa Canal for water users. If the District could use wells on the eastern portion of the District which has high water table a pump into the canal during drought years or low allocation, the District could have more reliable water supply for users and better protect the groundwater aquifer.

**4. FINANCIAL ABILITY**

Financial ability of agencies to provide services.

	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE UPDATE**

g) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i) Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**DUNNIGAN WATER DISTRICT  
STATEMENTS OF REVENUES AND EXPENSES - MODIFIED ACCRUAL BASIS**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><u>Revenue</u></b>					
Water sales	\$ 1,083,928	\$ 630,544	\$ 790,040	\$ 833,357	\$ 1,101,065
Assessments	318,107	318,130	361,210	361,451	361,790
Interest income	1,882	3,367	3,941	12,399	12,533
Other	48,028	9,223	5,509	41,062	13,166
Total Revenue	<b>1,451,945</b>	<b>961,264</b>	<b>1,160,700</b>	<b>1,248,269</b>	<b>1,488,554</b>
<b><u>Expenses</u></b>					
Salary and benefits	117,647	133,941	137,123	120,562	71,591
Office and administrative	19,122	17,771	23,615	22,934	26,365
Legal	42,501	31,650	34,095	21,993	46,248
Engineering	-	-	-	-	11,931
Audit and actuary	5,000	5,250	6,500	5,750	6,000
Contracted management and staffing	-	-	-	40,534	123,290
Insurance	8,584	8,181	8,438	7,878	10,943
Operation and maintenance	16,492	12,643	12,099	10,098	7,171
System repairs	3,674	47,280	17,006	12,541	6,840
Source of supply	1,081,463	548,232	502,759	529,264	553,635
Capital expenditures	-	1,372	8,923	9,859	-
Sites Reservoir and GWSA	48,714	40,558	36,362	28,099	2,938
Debt service	193,385	193,385	170,435	170,436	170,435
Other	16,048	-	2,132	-	8,117
Total Expenses	<b>1,552,630</b>	<b>1,040,263</b>	<b>959,487</b>	<b>979,948</b>	<b>1,045,504</b>
Net Income/Loss	<b>(100,685)</b>	<b>(78,999)</b>	<b>201,213</b>	<b>268,321</b>	<b>443,050</b>
Beginning balance, modified accrual	905,136	804,451	725,452	926,665	1,194,986
Ending balance, modified accrual	<b>\$ 804,451</b>	<b>\$ 725,452</b>	<b>\$ 926,665</b>	<b>\$ 1,194,986</b>	<b>\$ 1,638,036</b>

**Discussion:**

- a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. The District's revenues and expenditures, in total, have been fairly stable during the past 5 years, except where noted below. Cumulative net income during this time was \$732,900. The District's revenues are primarily from water sales to agricultural customers and property assessments to fund debt service and fixed costs. Total revenue has ranged from \$.961M in 2016 to \$1.488M in 2019. Expenditures during normal rainfall years averaged about \$1M. Over 50% of expenditures are attributable to securing water resources, 16% for debt service, 15% for staffing and the remainder for operations, professional services and administrative expenses.

The District's financial health is dependent on securing an adequate water supply to sell to its customers. During the past drought the District had to rely on more costly water purchases in 2015 costing an additional \$500K and in 2016 water sales decreased from \$1.1M in 2015 to \$630K. During these two years the District lost a combined \$180K.

DWD operating costs are fairly inelastic, except for cost fluctuations in the method by which the U.S. Bureau of Reclamation allocates costs to CVP contractors on the Tehama-Colusa Canal. Water sales and property assessments generate almost all of DWD's operating revenues and are sufficient to provide services at appropriate levels of services. CVP water allocation shortages and cropping patterns impact revenues, but the District has maintained service levels in shortage years based on a water allocation system. The District has been historically successful securing grant funding for studies and capital projects, including preparation of the District's Groundwater Management Plan. While DWD does not have a diverse revenue portfolio, District finances are stable due to its operations as a CVP contractor. As long as the District is able to secure adequate supplies of water and mitigate other unforeseen losses the District should remain stable.

- b) *Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?*

No. The District maintains its own accounting system and conducts all of its banking external the County Treasury. The District relies on the County to enroll property assessments for debt service and to fund fixed costs. Transactions are accounted for on a full accrual basis. The District has an annual audit that is routinely completed less than two months after the close of the fiscal year, which is extraordinary. A review of the District's trial balances did not disclose any issues that need to be investigated. The District's accounting is not complex and is maintained in a very straight-forward manner.

- c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

No. The District's administrative staff and general manager review financial reports monthly. Review of the trial balances and audited financial statements did not find any significant anomalies that required further investigation.

- d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

No. The District's Board receives monthly financial reports which consist of a balance sheet, profit and loss statement, budget to actual report, check listing and a deposit detail listing.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. The District's primary source of revenue is from water sales and property assessments. Water sales comprises about 70% of the District's revenue. The top three customers account for approximately 27% and the top six account for approximately 45%. According to District management, the likelihood of any of these large customers of going out of business is remote due to the fact that these high volume customers are large successful farms operating for many generations. Also, the enactment of the Sustainable Groundwater Management Act will likely limit their ability to pump groundwater in the future.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

No. Rates are calculated annually based on estimated rates to be charged from water suppliers and the District's anticipated annual expenses, net of other revenue. The District over the past five years has accumulated \$733K of additional funds and has available resources of over \$1.6M as of December 31, 2019.

- g) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

Yes. Currently the District does not have a reserve policy nor capital improvement plan that would assess the overall balance required to finance needed system improvement and replacement and unforeseen catastrophic events. The District is currently developing a Strategic Plan that will address financing system improvements and eventual replacement. The District currently has a total balance available of \$1.638M of which \$44,857 has been set aside for "System Emergency". The adequacy of the reserve and other available funds is not known until the Strategic Plan is completed. **The Reserve Account includes LAIF \$565,004.11, Umpqua CD#0583 \$66,546.11, Umpqua CD#0628 \$68,174.12 and Umpqua CD#4062 \$44,856.93; the last CD listed is referred to as "System Emergency" above.**

- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

No. The District currently has three long-term liabilities and their balances as of December 31, 2019 are as follows: \$158,549 retiree health insurance (OPEB); \$1,533,919 owed for the construction of the water delivery system; and a \$2,282,815 liability for the District's share of Central Valley Project costs.

- OPEB. The District provides lifetime healthcare benefits for eligible retirees and their spouses through CalPERs. Eligible employees receive \$100 month starting at retirement and increase 5% annually. Currently the District finances benefits on a pay-as-you-go basis. Since the District does not have many employees and the plan requires at least 25 years of service to receive benefits it is remote that this liability will increase rapidly.
- Water Delivery System. This obligation is financed with a property assessment collected by the Yolo County Tax Collector repaid in semi-annual installments of \$85,218 (\$170,435 annually), at no interest through December 2028.
- Central Valley Project share of cost. This obligation is repaid from projected deliveries of water at varying rates per acre foot. The District pays this debt through their irrigation water rate to the Bureau of Reclamation (BOR) and through construction relief. The District is planning to refinance

this debt to prepay the BOR in return for continuing water rights that would not require to be renegotiated at specific intervals.

- i) *Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

Yes. In addition to the District's by-laws the district only has the following policies: Rules and regulations for water customers, annexation policy, investment policy, purchasing policy, personnel policies and record retention policy. Basic policies should address governance, general administration, personnel and payroll, financial and accounting. See below for specific policies that are recommended for the District to develop.

### **Financial Ability MSR Determination**

Overall Dunnigan Water District (DWD) is in good financial shape. DWD has an available/unencumbered balance of \$1.638M as of December 31, 2019 and manageable debt. Expenditures and revenues have been fairly stable with revenues significantly exceeding expenditures the last three years. To mitigate financial instability attributable to future droughts DWD is in process to secure reliable future water sources. DWD has been participating as an investor in the Sites Reservoir Project to secure additional supply and is working on refinancing its Central Valley Project share of cost liability to prepay the Bureau of Reclamation under the WIIN Act. As part of the repayment the District will secure water rights that do not have to be renegotiated at specific intervals. As long as DWD is able to adapt to changing weather conditions by securing reliable and consistent water supplies it should remain financially stable.

### **Financial Ability MSR Recommendations**

- The District should discuss with the new auditors whether there is an asset that could be capitalized related to the Central Valley Project liability. If there is, the addition of a capital asset would significantly improve the District's ***financial*** net position.
- The District should continue to review and develop policies related to governance, general administration, payroll processing, finance and accounting to help guide its decision making in a rational and consistent manner. Policies the District should consider are as follows:
  - Governance policies. These would include the Brown Act requirements, director attendance and conduct at meetings.
  - General and administrative policies. These would include design, content and maintenance of websites, whistleblower policy, email and internet policy, conflict of interest policies.
  - Payroll policies. These would include frequency of payroll, method of processing payroll, staff involved and approval of payrolls, use of time sheets or other time keeping system, etc.
  - Accounting policies. These would include a chart of accounts, basis of accounting, recording of all transactions, the use of estimates, segregation of duties, transaction approval, recording and control of inventory and the fiscal year closing process.
  - Financial policies. These would include banking, use of reserves, collection of accounts receivable, rate and fee setting, allowable expenditures, employee and director travel reimbursements, capital assets, budget, debt, use of credit cards and accountability and audit.
- As part of the Strategic Planning process, the District should develop a capital improvement plan (CIP) and a mechanism to set aside funds to finance future system improvements and eventual replacement.

- The District should consider developing a catastrophic reserve to fund unforeseen events. The reserve policy should include a calculated target and funding strategy.
- DWD should consider using the Yolo County Treasury to invest surplus funds to increase investment earnings.

**5. SHARED SERVICES AND FACILITIES**

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

No. When the Dunnigan Water District's longtime General Manager retired in 2018, after a brief replacement with an Assistant General Manager district employee, it decided to contract with Reclamation District 108 for staff and district management services. This is called a "functional consolidation" where the District remains legally separate, but functionally is operated by another agency. Therefore, the Dunnigan Water District is already sharing services with a neighboring district. It also shares services via its memberships in the Tehama-Colusa Canal Authority JPA, Yolo Subbasin Groundwater Agency JPA, Sites Project Authority JPA and Water Resources Association.

**Shared Services MSR Determination**

In 2018, the Dunnigan Water District contracted with Reclamation District 108 for staff and management services, which is very capable of providing this service. Therefore, the Dunnigan Water District is already sharing services with a neighboring district. It also shares services via its memberships in the Tehama-Colusa Canal Authority JPA, Yolo Subbasin Groundwater Agency JPA, Sites Project Authority JPA and Water Resources Association.

**6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES**

Accountability for community service needs, including governmental structure and operational efficiencies.

	YES	MAYBE	NO
a) Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE UPDATE**

c) Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency need policies (as applicable) regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, contract bidding and handling public records act requests?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i) Does the agency need to improve its system of keeping records safe from damage (i.e. fire or water damage)? Are back up systems needed?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*  
 No. Please see the responses to 4f and 5a.
- b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*  
 No. The DWD's Board seats are all filled and have some longevity in their positions. Board members currently receive \$50 per meeting and \$100 a day for attending a full day meeting or conference not to exceed 6 days per month. The Board of Directors' regular board meeting is held the second Wednesday of the month at 3817 1st Street, Dunnigan, CA 95937 at 1:30 p.m. Board members are required to stay current with required ethics and harassment training. The District is a member of the Association of California Water Agencies (ACWA).
- c) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*  
 No. Agency officials are current with Form 700s according to the DWD General Manager.
- d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*  
 No. **DWD has one employee that operates and maintains the water conveyance system.** The District has contracted with RD 108 for staff and management since 2018. RD 108 is a capable

organization with expertise and capacity to operate DWD. Therefore, there are no issues with staff turnover or operational efficiencies.

- e) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. DWD routinely has audits performed annually and completed within two months after the close of the fiscal year.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

Yes. The District has an annual audit that is routinely completed less than two months after the close of the fiscal year, which is extraordinary. However, the District should consider establishing an audit committee and audit procurement policies that would ensure that the auditors selected can perform a quality audit and that auditors are required to be rotated after a specified number of years. The auditor used through the 2019 fiscal year has audited the district for over 10 years.

- g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. The DWD had a 90% transparency score in 2018 but it fell to 36% in 2019 because the previous content needed to be taken down because it was not ADA compliant. This District is currently working with its website provider to resolve<sup>5</sup>.

- h) *Does the agency need policies (as applicable) regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, contract bidding and handling public records act requests?*

No. The DWD has an employee handbook and purchasing policies which address these issues.

- i) *Does the agency need to improve its system of keeping records safe from damage (i.e. fire or water damage)? Are back up systems needed?*

No. According to the General Manager, DWD recently completed a records digitizing project to backup hard copy records. All digital records are also backed up for redundancy.

#### **Accountability, Structure and Efficiencies MSR Determination**

The DWD's Board seats are all filled and have some longevity in their positions. The Board meets monthly and members stay current with Form 700s and required ethics/harassment training. The District has contracted with RD 108 for staff and management since 2018, which is a capable organization with expertise and capacity to operate DWD. DWD routinely has audits performed annually and completed within two months after the close of the fiscal year, which is extraordinary. However, a new auditor should be selected as the current one has audited DWD for over 10 years. The DWD had a 90% website transparency score in 2018 but it fell to 36% in 2019 because the previous content needed to be taken down because it was not ADA compliant. This District is currently working with its website provider to resolve. DWD recently

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<sup>5</sup> Zoom meeting with Bill Vanderwaal, General Manager, August 27, 2020.

completed a records digitizing project to backup hard copy records. The DWD has an employee handbook and purchasing policies. All digital records are also backed up for redundancy.

**Accountability, Structure and Efficiencies Recommendations**

- The District should develop an audit procurement policy that at a minimum would include the following: establishment of an audit committee, audits are to be performed in accordance with generally accepted government auditing standards (GAGAS), auditing agreements should be multiyear and require a rotation of auditors after a specific number of years, and the audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor’s ability to perform a quality audit and that price should not be allowed to serve as the sole criterion.
- Improve the District’s website content and keep current per the latest Web Transparency Scorecard posted on the Yolo LAFCo website.

**7. OTHER ISSUES**

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Is there any other matter related to effective or efficient service delivery, as required by commission policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Is there any other matter related to effective or efficient service delivery, as required by commission policy?*

No. The previous MSR/SOI prepared for the Dunnigan Water District predated the checklist format and specific recommendations for District implementation were not listed.

**Other Issues MSR Determination**

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

**SPHERE OF INFLUENCE UPDATE**

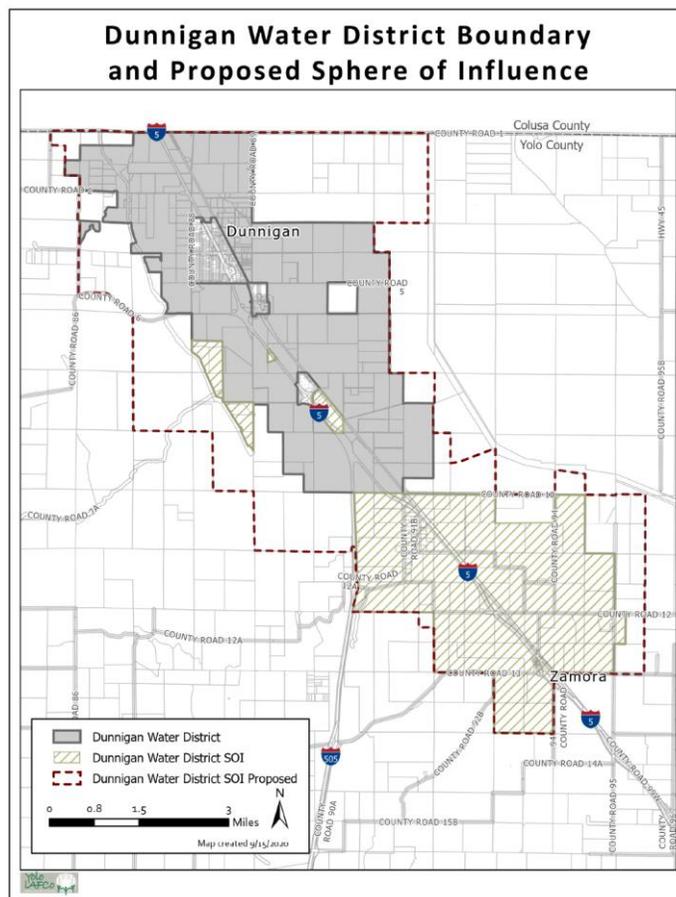
On the basis of the Municipal Service Review:

- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.
- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

**SPHERE OF INFLUENCE MAP(S)**

The current Sphere of Influence (SOI) is approximately 8,000 acres and the proposed SOI would expand to the north, west and southeast along I-5 to Zamora to approximately 18,000 acres in size. The expanded SOI is proposed to include:

- Territory to enable possible future annexation on the northeast and western sides of the District;
- Territory formerly in the Yolo-Zamora Water District (dissolved in 2014) and along the Colusa Basin Drain, which may be interested in investing in Sites Reservoir Project which would require annexation into a district, such as DWD.



**POTENTIALLY SIGNIFICANT SOI DETERMINATIONS**

The SOI determinations below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

- Present and Planned Land Uses
- Need for Public Facilities and Services
- Capacity and Adequacy of Provide Services
- Social or Economic Communities of Interest
- Disadvantaged Unincorporated Communities

**1. PRESENT AND PLANNED LAND USES**

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

	YES	MAYBE	NO
a) Are there any present or planned land uses in the area that would create the need for an expanded service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the SOI conflict with planned, orderly and efficient patterns of urban development?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is there a conflict with the adopted SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the SOI result in the loss of prime agricultural land or open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Would the SOI impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water census, fire, parks and recreation boundaries?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical SOI boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Would the proposed SOI conflict with a Census boundary, such that it would compromise the ability to obtain discrete data?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a-g) *Are there any present or planned land uses in the area that would create the need for an expanded service area? Would the SOI conflict with planned, orderly and efficient patterns of urban development? Is there a conflict with the adopted SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy? Would the SOI result in the loss of prime agricultural land or open space? Would the SOI impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water census, fire, parks and recreation boundaries? Are there any natural or made-*

*made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical SOI boundary? Would the proposed SOI conflict with a Census boundary, such that it would compromise the ability to obtain discrete data?*

No. The Dunnigan Water District provides non-potable irrigation water to agricultural land. The agricultural land already exists and is not a result of new development. Landowners are merely seeking District resources to irrigate with surface water instead of ground water. The 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 Sites Reservoir Project recently went through a Value Planning session where they have revised where the water from the reservoir will be discharged into the river, it will now be run down the Tehama-Colusa Canal, into a proposed pipeline at Dunnigan that conveys the water down to the Colusa Basin Drain and into the Sacramento River<sup>6</sup>. The Sites Project is expected to be in service as soon as 2027 but not later than 2030 and landowners will have the opportunity to sign up as early as September 1st of this year and into the future, pending availability. This additional water source could serve the additional landowners, especially those in the previous Yolo-Zamora Water District territory that never acquired a water allocation.

**Present and Planned Land Uses SOI Determination**

The Dunnigan Water District provides non-potable irrigation water to agricultural land. The agricultural land already exists and is not a result of new development. Landowners are merely seeking District resources to irrigate with surface water instead of ground water. 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 to be expanded by approximately 10,000 acres because the Sites Project is expected to be in service as soon as 2027 but not later than 2030 and landowners will have the opportunity to sign up as early as September 1st of this year and into the future, pending availability. This additional water source could serve the additional landowners, especially those in the previous Yolo-Zamora Water District territory that never acquired a water allocation.

**2. NEED FOR PUBLIC FACILITIES AND SERVICES**

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

	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) Would the SOI conflict with the Commission's goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the SOI expand services that could be better provided by a city or another agency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Does the SOI represent premature inducement of growth or facilitate conversion of agriculture or open space lands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Does the SOI conflict with the Regional Housing Needs Analysis (RHNA) or other SACOG growth projections?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<sup>6</sup> Sites Project Value Planning Alternatives Appraisal Report, April 2020

**YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE UPDATE**

e) Are there any areas that should be removed from the SOI because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Have any agency commitments been predicated on expanding the agency's SOI such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a-d) *Would the SOI conflict with the Commission's goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth? Would the SOI expand services that could be better provided by a city or another agency? Does the SOI represent premature inducement of growth or facilitate conversion of agriculture or open space lands? Does the SOI conflict with the Regional Housing Needs Analysis (RHNA) or other SACOG growth projections?*

No. This SOI would provide for annexation so additional agricultural lands could be irrigated by District surface water resources. 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.

e) *Are there any areas that should be removed from the SOI because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?*

No. Increased water supply is anticipated due to the Sites Reservoir Project moving forward. An increased SOI would support agricultural lands and provide for more sustainable water resources.

f) *Have any agency commitments been predicated on expanding the agency's SOI such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?*

No. This question is not applicable to the District services.

**Need for Public Facilities and Services SOI Determination**

This SOI would provide for annexation so additional agricultural lands could be irrigated by District surface water resources. 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. Increased water supply is anticipated due to the Sites Reservoir Project moving forward. An increased SOI would support agricultural lands and provide for more sustainable water resources.

**3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES**

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

	YES	MAYBE	NO
a) Are there any issues regarding the agency's capacity to provide services in the proposed SOI territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's willingness and ability to extend services?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Are there any issues regarding the agency’s capacity to provide services in the proposed SOI territory?*

No. The average consumption of Central Valley Project (CVP) water, from 1982 to 2018, is 1.09 acre-feet per acre, which is approximately 57% of its US Bureau of Reclamation allocation. Increasing the DWD Sphere of Influence by the proposed 837 acres would increase the acreage by approximately 8.4%, resulting in sufficient supplies for the Project during normal years. Increasing the utilization of CVP water will recharge the basin, reducing the need for groundwater pumping in dry and multiple dry years. In addition, increased water supply is anticipated in year 2027-2030 due to the Sites Reservoir Project moving forward. An increased SOI would support agricultural lands and provide for more sustainable water resources.

b) *Are there any issues regarding the agency’s willingness and ability to extend services?*

No. The US Bureau of Reclamation and the Dunnigan Water District have agreed to serve these parcels subject to LAFCo annexation. Each parcel will be able to connect to the Dunnigan Water District distribution system where it crosses or directly borders the parcel. The US Bureau of Reclamation includes LAFCo approval of the annexation prior to “complete” the project. The parcels will be able to obtain surface water supplied by Dunnigan Water District diverted from the Sacramento River and delivered via the Tehama-Colusa Canal to the Dunnigan Water District distribution system.

**Capacity and Adequacy of Provided Services SOI Determination**

The US Bureau of Reclamation has sufficient water allocation to serve the SOI territory. The US Bureau of Reclamation and the Dunnigan Water District have agreed to serve these parcels subject to LAFCo annexation. Each parcel will be able to connect to the Dunnigan Water District distribution system diverted from the Sacramento River and delivered via the Tehama-Colusa Canal. In addition, increased water supply is anticipated in year 2027-2030 due to the Sites Reservoir Project moving forward. An increased SOI would support agricultural lands and provide for more sustainable water resources.

**4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST**

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) Are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (same as MSR checklist question 2b)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (same as MSR checklist question 2b)?*

Please see response to MSR checklist question 2b.

**Social or Economic Communities of Interest SOI Determination**

The Dunnigan Water District provides non-potable agricultural irrigation water only. The existence of any social or economic communities of interest are not relevant to this agency’s municipal service.

**5. DISADVANTAGED UNINCORPORATED COMMUNITIES**

For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) Does the subject agency provide public services related to sewers, municipal and industrial water or structural fire protection (same as MSR checklist question 2a)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If yes, does the proposed SOI exclude any disadvantaged unincorporated community (per MSR checklist question 2b) where it either may be feasible to extend services or it is required under SB 244 to be included?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Does the subject agency provide public services related to sewers, municipal and industrial water or structural fire protection (same as MSR checklist question 2a)?*

No. Please see agency description of services provided.

b) *If yes, does the proposed SOI exclude any disadvantaged unincorporated community (per MSR checklist question 2b) where it either may be feasible to extend services or it is required under SB 244 to be included?*

No. Please see the response to MSR Checklist question 2c.

**Disadvantaged Unincorporated Communities SOI Determination**

The Dunnigan Water District provides non-potable agricultural irrigation water only. The existence of any disadvantaged unincorporated communities is not applicable to this agency's services.