

**EXECUTIVE OFFICER'S AGENDA REPORT
FEBRUARY 22, 2017**

TO: LAFCO Commissioners

FROM: Javier Camarena, Assistant Executive Officer

SUBJECT: MSR NO. 17-01, SOI UPDATE 17-01: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE MODESTO IRRIGATION DISTRICT

INTRODUCTION

This proposal was initiated by the Local Agency Formation Commission in response to State mandates that require the Commission to conduct municipal service reviews and sphere of influence updates for all cities and special districts every five years, as needed. The current review covers the Modesto Irrigation District, which provides irrigation water, domestic water, and electrical power services. The District operates under Irrigation District Law, Division 11 of the Water Code, §20500 et. seq. The District's boundaries are located in Stanislaus County, generally between the Tuolumne and Stanislaus Rivers. The District also has an electrical service area which extends beyond its boundary and into San Joaquin County. The electrical service boundary is not regulated by LAFCO.

DISCUSSION

The Municipal Service Review and Sphere of Influence (MSR-SOI) Update process provides an opportunity for districts to share accurate and current data, accomplishments and information regarding the services they provide. LAFCO Staff sent MID requests for information, researched District reports and reviewed MID's most recent audits and financial statements. Once this data was collected, a revised Municipal Service Review and Sphere of Influence Update document was drafted.

Since the previous MSR-SOI Update, MID has developed and completed a number of projects. Projects related to irrigation water include the following: the MID Upper Main Canal Tunnel Gate Rehabilitation Project, Waterford Upper Main Canal Headworks Rehabilitation Project, Ditch Tender Remote SCADA Access Project, Modesto Reservoir Outlet Automation Project, Lateral 5 Pump Automation Project, Waterford Lower Main Lateral Lining Project, MID Lower Main Canal Pump Automation Project, and the Langdon-Merle Rehabilitation Project.

Projects related to domestic water include Phase 2 of the Modesto Regional Water Treatment Plant, which was completed in June of 2016. The plant is capable of producing 60 million gallons per day of treated water to the City's drinking water supply.

In 2011 the District completed the Woodland 3 Reciprocating Engine Project, consisting of six small natural gas reciprocating engines to back up existing wind and planned solar resources. In 2016, the Project produced 60.5 gigawatt-hours of energy.

Current state legislation requires the District to obtain 33% of its electricity from renewable sources by 2020 and 50% by 2030. MID's current portfolio contains approximately 24% renewable energy.

Minor changes have been made to the document since the previous update to reflect recent additions to State law, including the requirement that LAFCOs identify "disadvantaged unincorporated communities" within or contiguous to city and district spheres of influence. Pursuant to Government Code §56033.5, a "disadvantaged unincorporated community" is defined as inhabited territory (12 or more registered voters), or as determined by commission policy, that

constitutes all or a portion of a community with an annual median household income that is less than 80% of the statewide annual median household income (AMI). Staff utilizes available information from the Census, including American Community Survey data, as well as a mapping tool developed by the Department of Water Resources that identifies known Census Designated Places that meet the income criteria for disadvantaged communities. In this case, there are several areas identified as Disadvantaged Unincorporated Communities (DUCs) as defined in Section 56033.5 of the Cortese-Knox-Hertzberg Act of 2000. These communities include the town of Empire and the Airport, West Modesto, and Rouse Neighborhoods. No additional DUCs have been identified within the District's sphere of influence. There are several DUCs adjacent to the District's boundaries. However, those areas are located within the Turlock Irrigation District's boundaries.

The early 2010's have been severe and record breaking dry years for California. Due to such dry conditions, MID is operating in an extremely conservative matter during the irrigation season. Fortunately, the 2016/2017 winter season has seen wetter weather. However, MID has implemented special drought operation rules and programs to help utilize irrigation water as efficiently as possible.

The proposed Municipal Service Review and Sphere of Influence document is attached to this report as Exhibit 1. The relevant factors as set forth by the Cortese-Knox-Hertzberg Act are discussed for the District. No changes are being proposed for the District's Spheres of Influence at this time. The document serves to affirm the District's current Sphere of Influence.

ENVIRONMENTAL REVIEW RECOMMENDATIONS

Pursuant to the California Environmental Quality Act (CEQA), the adoption of a municipal service review is considered to be categorically exempt from the preparation of environmental documentation under a classification related to information gathering (Class 6 - Regulation §15306). Further, LAFCO's concurrent reaffirmation of an existing sphere of influence qualifies for a General Exemption as outlined in CEQA Regulation §15061(b)(3), which states:

The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

As there are no land use changes, boundary changes, or environmental impacts associated with the Municipal Service Review and Sphere of Influence Update, an exemption from further environmental review is appropriate.

ALTERNATIVES FOR COMMISSION ACTION

After consideration of this report and any testimony or additional materials that are submitted, the Commission should consider choosing one of the following options:

- Option 1:** APPROVE the Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District.
- Option 2:** DENY the update.
- Option 3:** If the Commission needs more information, it should CONTINUE this matter to a future meeting (maximum 70 days).

RECOMMENDED ACTION

Approve Option 1. Based on the information presented, Staff recommends approval of Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District. Therefore, Staff recommends that the Commission adopt Resolution No. 2017-02, which:

1. Determines that the Municipal Service Review and Sphere of Influence Update qualifies for a General Exemption from further California Environmental Quality Act (CEQA) review based on CEQA Regulations Sections 15306 and 15061(b)(3).
2. Makes determinations related to the Municipal Service Review and Sphere of Influence Update as required by Government Code Sections 56425 and 56430.
3. Determines that the Sphere of Influence for Modesto Irrigation District should be affirmed as it currently exists.
4. Directs Staff to circulate the subject resolution depicting the District's adopted Sphere of Influence to all affected agencies.

Attachments:

Exhibit 1 - Draft Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District

Exhibit 2 - Draft Resolution No. 2017-02 (Modesto Irrigation District)