

**EXECUTIVE OFFICER'S AGENDA REPORT
JANUARY 26, 2011**

TO: LAFCO Commissioners

FROM: Sara Lytle-Pinhey, Assistant Executive Officer *SLP*

SUBJECT: MSR No. 10-05, SOI Update 2010-06: 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, which require the Commission to conduct Municipal Service Reviews and Sphere of Influence Updates for all cities and special districts every five years. 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 boundary for this area is *not* regulated by LAFCO).

DISCUSSION

The Municipal Service Review and Sphere of Influence Update process provides an opportunity for districts to share accurate and current data, accomplishments and information regarding the services they provide. Since the previous update, the Modesto Irrigation District has completed a Joint Urban Water Management Plan with the City of Modesto, started work on a Comprehensive Water Resources Management Plan, and begun expansion of the Modesto Regional Water Treatment Plant. The District also completed its 16-mile long Westley-Rosemore Transmission Line, a natural gas-fueled power plant in Ripon, and is currently in the process of building the Woodland 3 Reciprocating Engine Project.

The proposed Municipal Service Review and Sphere of Influence Update is attached to this report as Exhibit 1. The relevant factors and determinations as put forth by the Cortese-Knox-Hertzberg Act are discussed for the District. No changes are being proposed for the District's Sphere of Influence.

ENVIRONMENTAL REVIEW RECOMMENDATIONS

The California Environmental Quality Act requires that an environmental review be undertaken and completed for the Sphere of Influence study. The Municipal Service Review and Sphere of Influence Update qualifies for a General Exemption from further CEQA review based upon 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.

Since there are no land use changes or environmental impacts, as no suggested boundary changes are associated with this informational report, a Notice of Exemption is the appropriate environmental document.

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

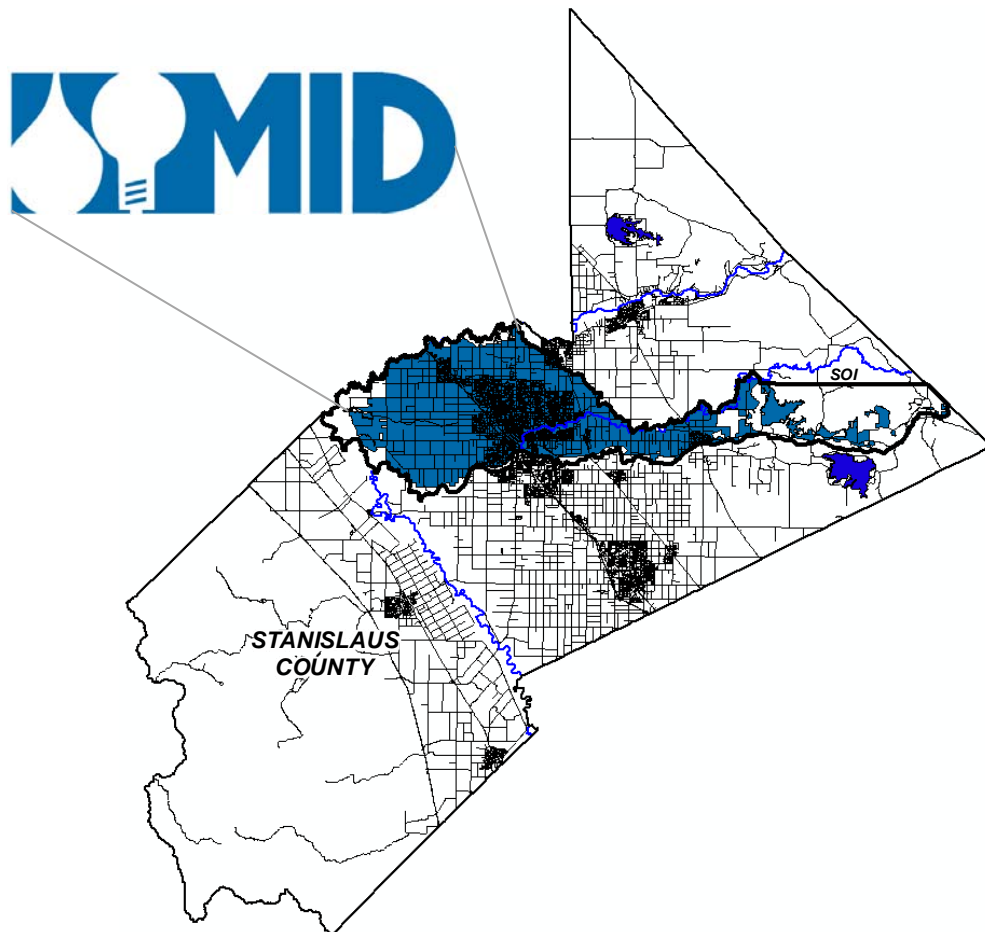
Approve Option 1. Based on the information presented, Staff recommends approval of Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District. Therefore, Staff recommends that the Commission adopt Resolution No. 2011-01 which:

1. Determines that the Municipal Service Review and Sphere of Influence Update qualify for a General Exemption from further California Environmental Quality Act (CEQA) review based on CEQA Regulation §15061(b)(3);
2. Makes determinations related to the Municipal Service Review, as required by Government Code Section 56430; and,
3. Determines that the Sphere of Influence for the Modesto Irrigation District should be affirmed as it currently exists.

Attachments:

- Exhibit 1 - Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District*
- Exhibit 2 - Resolution No. 2011-01*

**MUNICIPAL SERVICE REVIEW AND
SPHERE OF INFLUENCE UPDATE FOR THE:**



MODESTO IRRIGATION DISTRICT

Prepared By:

**Stanislaus Local Agency Formation Commission
1010 Tenth Street, Third Floor
Modesto, CA 95354
Phone: (209) 525-7660**

Adopted: _____

STANISLAUS

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Municipal Service Review and Sphere of Influence Update For the Modesto Irrigation District

Introduction

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 Act (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for all applicable jurisdictions in the County. A Sphere of Influence is defined by Government Code 56076 as “a plan for the probable physical boundary and service area of a local agency, as determined by the Commission.” The Act further requires that a Municipal Service Review (MSR) be conducted prior to or, in conjunction with, the update of a Sphere of Influence (SOI).

The legislative authority for conducting Service Reviews is provided in Government Code §56430 of the CKH Act. The Act states, that “in order to prepare and to update spheres of influence in accordance with §56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area...” A Service Review must have written determinations that address the following factors:

Service Review Factors to be Addressed

1. Growth and Population Projections for the Affected Area
2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies
3. Financial Ability of Agencies to Provide Services
4. Status of, and Opportunities for, Shared Facilities
5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies
6. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

State Guidelines and Commission policies encourage cooperation among a variety of stakeholders involved in the preparation of a Service Review. This Service Review will analyze the existing and future services for the Modesto Irrigation District. The Service Review will also provide a basis for the District and LAFCO to evaluate, and if appropriate, make changes to the Sphere of Influence.

Sphere of Influence Update Process

A special district is a government agency that is required to have an adopted and updated Sphere of Influence (SOI). Section 56425(g) of the CKH Act calls for Spheres of Influence to be reviewed and updated every five years, as necessary. Stanislaus LAFCO processes the Service Review and Sphere of Influence Update concurrently to ensure efficient use of resources. For the Modesto Irrigation District, the Service Review and Sphere of Influence Update provide the basis for reaffirming the District’s SOI.

Background

Throughout the years, water and California have been linked. No resource is more vital to California than water, from the agricultural areas, urban centers, and industrial plants, to open space and recreational areas, the distribution of water has been critical to all land uses.

In California, there are hundreds of special water districts with a great diversity of purposes, governance structures, and financing mechanisms. Some districts are responsible for one type of specific duty, while other districts provide multiple public services, as is the case for the Modesto Irrigation District.

Authority

The Modesto Irrigation District was organized under the provisions of the California Irrigation District Law (Division 11 of the Water Code, §20500 et. seq). In addition, the District is a “registered voter district”, as registered voters elect the board of directors from five geographical divisions within the District’s boundaries.

Purpose

The specific powers that an irrigation district may exercise include: supply water for beneficial purposes; provide for any and all drainage made necessary by the irrigation provided for by the district; purchase or lease electric power and provide for the acquisition, operation, and control of plants for the generation, transmission, and provision of electric power; provide, maintain and operate flood control works in districts having 200,000 acres or more; reclaim waste for beneficial use; sewage disposal if provided by majority at election; construct, maintain, and operate recreational facilities in connection with dams, reservoirs, or other work owned and constructed by the district.

Water Code §22120 allows a district to sell, dispose of, and distribute electric power for use outside its boundaries. However, MID’s authority to sell power outside its political boundaries is limited by Public Utilities Code §9610. That section allows MID to provide electric service within an area of approximately 400 square miles to the north of its political boundaries, as well as to the Mountain House Community Services District, and up to 8 megawatts of power to the Contra Costa Water District.

Classification of Services

As part of this service review, the District has provided a listing of the services provided within its boundaries. The District is authorized to provide the functions or classes of services (e.g. electricity, irrigation and domestic water) as identified in this report. Due to recent changes in the Cortese-Knox-Hertzberg Act, the District would have to seek LAFCO approval to exercise other latent powers (i.e. services) not currently provided.

Service Review – Modesto Irrigation District

Formation

The Modesto Irrigation District (MID) was formed on July 18, 1887.

Services

The District currently distributes water for irrigation purposes, delivers treated water to the City of Modesto on a wholesale basis, and generates and distributes retail electrical power. Stormwater and agricultural drainage services are also provided.

- Water Resources and Delivery

The District's source of water is the Tuolumne River, which begins with melting snow on the slopes of 13,090-foot Mt. Lyell in Yosemite National Park. Before it joins the San Joaquin River on the valley floor, the Tuolumne River water is stored in reservoirs. The stored water is used to produce electricity and is used for irrigation and drinking water for MID, Turlock Irrigation District (TID) and the City/County of San Francisco. The 158-mile Tuolumne River also provides recreational opportunities.

The following water facilities are utilized by the District: Don Pedro Reservoir, which provides water storage as well as other benefits such as flood control, hydropower, and recreation; the La Grange Dam, which diverts water for MID and TID; and the Modesto Reservoir, which regulates canal flows and stores water.

Irrigation Water

The District has provided irrigation water for agriculture since 1904, and currently delivers irrigation water to approximately 3,104 customers farming 57,955 acres. Irrigated crops include almonds, pasture lands, walnuts, hay, peaches, corn, alfalfa, wine grapes, oats, and vegetable crops.

Domestic Water

The District provides wholesale domestic water service to only one customer – the City of Modesto. MID also served the Del Este Water Company when the District began wholesale domestic water service in 1994. The Del Este water distribution system was subsequently acquired by the City of Modesto.

MID's wholesale domestic water facilities include the Modesto Regional Water Treatment Plant located at Modesto Reservoir, east of the City of Waterford. The plant is currently undergoing an expansion which will double its capacity to 60 million gallons per day. A treated water transmission pipeline extends from this plant to a terminal reservoir and pump station located in east Modesto. Several smaller transmission pipelines connect the terminal reservoir and pump station to the City of Modesto's water distribution system.

The District also provides retail domestic water service to approximately 68 customer connections in the unincorporated community of La Grange. The La Grange water system

is co-owned by MID and the Turlock Irrigation District (TID) under a contract dating back to 1921. TID operates and maintains the La Grange domestic water system.

- Electric Delivery and Transmission Services

In 1923, the District, together with TID, completed construction of the original Don Pedro Dam and electrical powerhouse. Ownership of the Don Pedro project was based on the land area of the two districts. As a result, both districts operate the dam and share in its irrigation water and power output according to a ratio of 31.54 percent for MID and 68.46 percent for TID. Currently, the Modesto Irrigation District supplies electricity to over 111,000 retail customers.

Electrical Power Facilities

In 1971, a new larger Don Pedro Dam was completed, which inundated the original dam and enlarged the reservoir's capacity seven times. The new powerhouse increased hydroelectric generation by nearly the same amount. Lake Don Pedro and the Modesto Reservoir, which are also part of the District's irrigation system, serve as popular recreation areas for boaters, campers, anglers and water skiers.

Other electrical power facilities operated by the District include: the Woodland Generation Station, which is a clean-burning gas plant, and the McClure 112-megawatt power plant. Additionally, in 2006, the District constructed a new 95-megawatt, natural gas-fueled power plant in Ripon.

Electric Utility Public Benefit Programs

In accordance with state law, the District devotes a percentage of its electric revenue to public benefit programs, such as energy efficiency and conservation; low-income assistance; renewable energy resources and technology; and research and development or demonstration projects.

- Other MID Programs

Through the "Mpowered" program, MID offers rebates, energy audits, customer education and information to its electrical customers. The "Shave the Energy Peak" or STEP program is a demand-side management program which allows MID operators to reduce electricity demand by cycling air conditioners during peak use periods. (Over 13,000 customers are currently enrolled in the STEP program.)

MID also sponsors safety education programs, including the use of a mascot named "Splasher" to promote canal safety and "BeAware Bear" for electrical safety.

Location and Size

The majority of the District is located in northern Stanislaus County. The District's water service area boundaries comprise of approximately 101,700 acres. The District maintains over 200 miles of canals and pipelines, which are operated on a gravity flow system. The canals were completed in 1903 and the first official MID irrigation season opened in 1904. The District also owns and operates irrigation groundwater wells and drainage wells.

Sphere of Influence

The District's Sphere of Influence (SOI) is slightly larger than its District boundaries, and reflects expansion areas for irrigation service (see "Map 1", attached). The city limits of Modesto (north of the Tuolumne River), Riverbank (south of the MID Main Canal), Waterford, and the unincorporated communities of Empire and Salida are located within the District's Sphere of Influence boundary.

When the Sphere of Influence was first adopted by LAFCO for the Modesto Irrigation District in 1984, two separate spheres were considered--one for irrigation and one for electricity. However, since the District does not need LAFCO approval for changes to its electrical service area, only a sphere for irrigation services was adopted.

The Modesto Irrigation District's electric service area is depicted on "Map 2", attached. The laws governing an irrigation district allow a district to provide electric power outside its boundaries. Therefore, it is recommended that the current SOI be affirmed.

Governance

A five-member Board of Directors governs the District. Registered voters within a geographical area or "Division", elect the board members. Regularly scheduled Board meetings are held at 9:00 a.m. on the second Tuesday of each month at the MID main office located at 1231 11th Street, Modesto. Additional meetings are generally scheduled on other Tuesdays, and may be scheduled at other times, as necessary.

The District has established a website (www.mid.org), which is user-friendly and provides information such as: district news, services, education, board agendas, rates and fees, and annual reports.

Personnel

The District currently has 445 employees.

Mission Statement

"MID will provide electric, irrigation and domestic water services for its customers, delivering the highest value at the lowest cost possible through teamwork, technology, innovation and commitment."

Partnership Agencies

The District maintains positive and collaborative relationships with other agencies, such as: the cities of Modesto, Oakdale, Riverbank, and Waterford, Stanislaus County, Turlock Irrigation District (TID), Merced Irrigation District, the City/County of San Francisco (CCSF), Pacific Gas & Electric Company (PG&E), Sacramento Municipal Utility District (SMUD), Calaveras County Water District, Mountain House Community Services District, Don Pedro Recreation Agency, and other local, state, and federal agencies.

Funding Sources

The District's source of revenue is derived from the following sources: power sales (residential, commercial, and industrial), wholesale power, domestic water, irrigation water, interest

earnings, and other income (including improvement district fees and customer fees). The District does not collect special assessments, nor does it receive a share of the county property tax revenues.

Service Review Determinations:

The following provides an analysis of the six categories or components required by §56430 for a Service Review for the Modesto Irrigation District:

1. Growth and Population Projections for the Affected Area

The District currently serves about 3,100 customers with irrigation water for agricultural purposes, one wholesale domestic water customer (City of Modesto), and 68 retail customers in La Grange that are jointly served by MID and TID with domestic water for residential purposes.

According to the District's yearly audit report, water revenues from agricultural water have remained relatively constant over the past few years, while wholesale domestic water revenue has decreased during this time.

The District currently provides electric service to 111,379 retail customers, including over 400 in the new Mountain House community in San Joaquin County. The District notes that retail electric consumption has remained relatively flat as the housing market slowed in the District's service territory.

MID's revenue estimates are influenced by growth projections for Stanislaus County (including the communities of Salida and Empire) and the cities of Modesto, Riverbank, and Waterford. Currently, MID assumes that little or no economic growth will take place during 2011.

2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies

Irrigation

The District utilizes long-term planning documents in order to assess current capacity and future needs for services. In 2007, with assistance from the Irrigation Training and Research Center (ITRC), the District began work on a Comprehensive Water Resources Management Plan to assess long-term needs and opportunities for water delivery service. As part of the implementation of this plan, the District installed a new irrigation control SCADA (Supervisory Control and Data Acquisition) system and automation upgrades.

Wholesale Domestic Water

In conjunction with the City of Modesto, the District prepared a Joint Urban Water Management Plan, finalized in 2007, which examined the supply and demand of domestic water for the City of Modesto.

The Modesto Regional Water Treatment Plant, completed in 1994, could be expected to supply the City of Modesto's growing demand for potable water which has resulted from poor water well quality and the increase in growth anticipated by the City's Modesto Urban Area General Plan. The plant produces, on average 30 million gallons per day of treated water, roughly 40 percent of the City's total drinking water supply. An expansion of the plant

is currently underway to double its capacity to 60 million gallons per day. (Completion of the expansion has been delayed until 2011 in order to correct infrastructure deficiencies.)

Electric Service

As part of MID's capital improvement program, the District completed installation of a 16-mile long Westley-Rosemore Transmission Line. The transmission line brings up to 350 megawatts of power to the District from throughout California and the western United States.

The District is also in the process of building the Woodland 3 Reciprocating Engine Project, consisting of six small natural gas reciprocating engines to back up existing wind and planned solar resources. Woodland 3 will add 49.6 megawatts of power, enough to serve over 16,000 homes during the summer and will be completed in 2011.

Current state legislation requires the District to obtain 33% of its electricity from renewable sources by 2020. MID's current portfolio contains 18% renewable energy and the District expects this amount to increase to 26-27% in 2011.

3. Financial Ability of Agencies to Provide Services

The District's annual budget process is designed to screen out unnecessary costs and is submitted to the Board of Directors for review and approval. Rates and fees for services are adjusted periodically to meet budget needs. MID currently has a hiring freeze and has limited spending on local electrical infrastructure to \$20 million.

The cost of power supply is the largest expenditure in the MID budget. Since 2000, MID has utilized half of its reserve levels in order to cover unexpected increases in power costs and help lessen the need for rate increases.

The District routinely buys, sells, and exchanges electric power and transmission capacity with other utilities located throughout the Western United States and Canada in order to reduce operating costs, provide improved facility utilization and revenue, and increase operating reliability. MID is also one of the wholesale power providers for the Merced Irrigation District's electric utility.

Currently, the District sells treated surface water to the City of Modesto on a wholesale basis, and utilizes the revenue to pay off the existing bonds, which financed the original construction of the domestic water facilities. The process is "revenue neutral" for the District, as the revenues received from the City pay for plant operations and bond retirement, with no profit.

Several new state requirements and fees have recently gone into effect, or are anticipated, including but not limited to: water rights and fees, water quality, salmon predation by non-native species, smart grid and demand reduction, greenhouse gas reduction, green energy, and chemical security. These new unfunded mandates could require the District to raise rates and fees to compensate for increased costs.

The District participates in a variety of joint agency practices, which maximize cost avoidance opportunities (e.g., Stanislaus and Tuolumne Rivers Groundwater Association, Transmission Agency of Northern California, Modesto-Santa Clara-Redding Public Power Agency, San Joaquin River Group Authority). MID also shares staff with unique skills and training, specialized equipment, spare parts and materials with other public agencies and

utilities to minimize costs and to improve response to routine and emergency customer needs.

4. Status of, and Opportunities for, Shared Facilities

MID has many jointly owned facilities with other public agencies and also participates in many joint powers agencies (JPAs) that own facilities. Some of MID's major jointly owned and JPA facilities include:

- Don Pedro Dam and Reservoir (31.54% MID, 68.46% TID).
- Don Pedro Power Plant (31.54% MID, 68.46% TID).
- La Grange Reservoir (50% MID, 50% TID).
- Westley-Parker-Walnut 230kV transmission line (50% MID, 50% TID).
- Westley-Tracy 230kV transmission line and substation original facilities (50% MID, 50% TID).
- New Hogan Power Plant (0% MID, 100% Calaveras County Water District). MID built, operates and maintains the plant and is entitled to the power output for a 50 year term.
- California Oregon Transmission Project 500 kV lines and substations (MID share about 260 MW through the Transmission Agency of Northern California JPA.)
- San Juan (New Mexico) Power Plant Unit No.4 (MID shares about 68 MW through the Modesto-Santa Clara-Redding JPA).
- Mead-Phoenix-Adelanto 500kV transmission lines and substations (MID shares about 150 MW through the Modesto-Santa Clara-Redding JPA).
- Shared right-of-way.

MID also has agreements with the City of Modesto, the City of Riverbank, the Oakdale Irrigation District and Stanislaus County that permit limited use of MID canals for the conveyance of storm water drainage.

5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

A five-member Board of Directors governs the District. Registered voters within a geographical area or "Division", elect the board members. The Board conforms to the provisions of the Brown Act requiring open meetings. The District has also established a website (www.mid.org) which is user-friendly and provides information such as the history and services of the District, water updates, news, education, board agendas, rates and fees, and annual reports.

It is reasonable to conclude that the District has the organizational capability to adequately serve the areas under its jurisdiction. The District has the necessary resources and staffing levels to operate in a cost-efficient and professional manner.

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

None.

Sphere of Influence Update for the Modesto Irrigation District

In determining the Sphere of Influence (SOI) of each local agency, the Commission shall consider and prepare determinations with respect to each of the following factors:

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 they are relevant to the agency.

This document proposes no changes to the District's existing Sphere of Influence. Rather, it serves to reaffirm the existing SOI boundary. As part of this process, Staff researched the history of the establishment of the District's SOI. A map of the current District boundary and Sphere of Influence is attached as Appendix "A".

The following determinations for the Modesto Irrigation District Sphere of Influence update are made in conformance with Government Code §56425 and Commission policy.

Determinations:

1. Present and Planned Land Uses in the Area

The Modesto Irrigation District's current irrigation water service area is comprised of approximately 101,700 acres. An additional 41,600 acres lie within the District's Sphere of Influence (SOI). The land uses within the District boundaries and SOI consist of agricultural, rural residential, suburban and urban land use areas. Planned uses for the area are described in the general plans of Stanislaus County (including the Salida Community Plan), and the cities of Modesto, Waterford, and Riverbank. The District does not have the authority to make land use decisions, nor does it have authority over present or planned land uses within its boundaries. The responsibility for land use decisions within the District boundaries are retained by Stanislaus County and the cities of Modesto, Riverbank, and Waterford.

2. Present and Probable Need for Public Facilities and Services in the Area

The District has provided irrigation water for agriculture since 1904, and currently delivers irrigation water to over three thousand customers farming nearly 58,000 acres. The present and future public service needs within the District's (irrigation water) boundaries are characteristic of agricultural areas. The types of public services needed in these areas are of the type, which enhance the use of the land for agricultural purposes. As discussed in the Service Review section, the District is utilizing a Comprehensive Water Resources Management Plan in order to improve operational efficiency.

Since 1995, the District has provided domestic water and currently supplies 40% of the drinking water for the City of Modesto via the Modesto Regional Water Treatment Plant

(MRWTP). As a result of increased water quality regulations and water demands, the plant's capacity is currently being expanded to 60 million gallons per day (mgd). This is expected to meet the demands associated with the City of Modesto's Urban Area General Plan.

As discussed in the Service Review section, the District is actively increasing its renewable energy profile in order to meet state mandates for 33 percent renewable energy sources by 2020.

3. Present Capacity of Public Facilities and Adequacy of Public Services Provided

The District presently has adequate capacity and/or plans to provide the necessary public facilities and services within its existing sphere of influence. For example, the District's capital improvement program outlines the need for new electric delivery and transmission infrastructure, including the 16-mile, Westley-Rosemore line which was completed since the last MSR/SOI update and runs from MID's switchyard in western Stanislaus County to its Rosemore Substation.

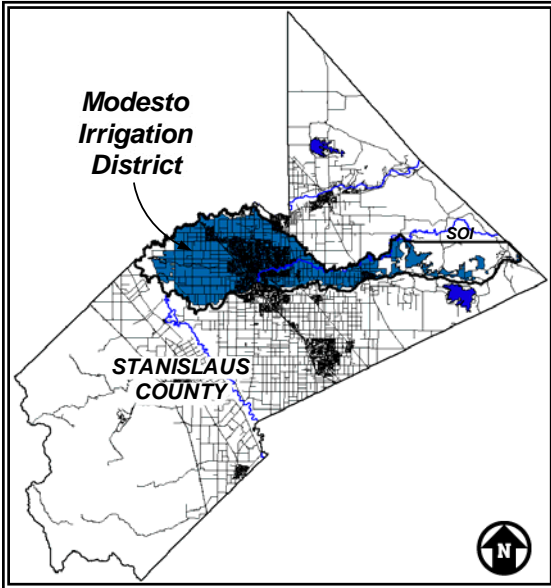
This greater transmission capacity will assist the District in providing more reliable electric service and give added flexibility to import power from elsewhere. Additionally, the District maintains a variety of power resources in a variety of locations in order to not be dependent on any one resource.

As stated previously, the District and the City of Modesto are currently expanding the Modesto Regional Water Treatment Plant (MRWTP), located at the Modesto Reservoir. The expansion will double the size of the current plant from 30 million gallons per day to 60 million gallons per day and is expected to be completed in 2011.

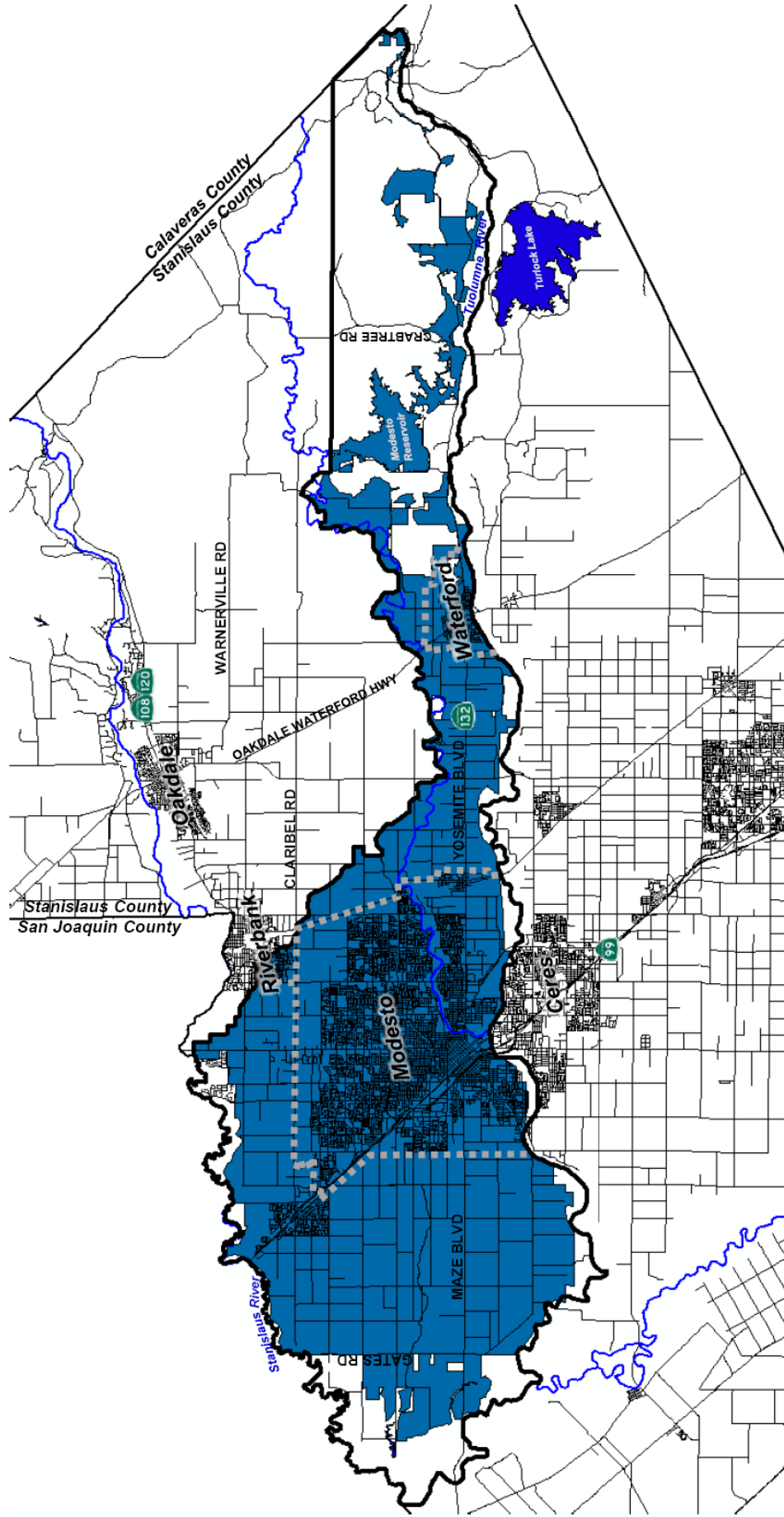
4. Communities of Interest in the Area

The following jurisdictions can be categorized as Communities of Interest in the area: the cities of Modesto, Oakdale, Riverbank, and Waterford, and the unincorporated communities of Empire, Salida, and La Grange, in Stanislaus County. The District also provides electricity to the cities of Escalon and Ripon, and the unincorporated community of Mountain House in San Joaquin County.

APPENDIX "A" DISTRICT SUMMARY PROFILE

District:	MODESTO IRRIGATION DISTRICT (MID)	
Formation:	July 18, 1887	
Location:	The District's boundary includes certain acreage between the Stanislaus, San Joaquin, and Tuolumne Rivers, adjacent to the Oakdale Irrigation District in Stanislaus County. MID also has an electrical service area that extends beyond this boundary to the north, into San Joaquin County, a small portion of Tuolumne County, as well as the Mountain House area.	
Service Area:	Irrigation - 101,700+/- acres (159 square miles) Electrical - 362,880+/- acres (567 square miles)	
Customers:	3,104 irrigation accounts 111,379 electrical accounts	
Land Use:	Agricultural, rural residential, suburban and urban	
District Services:	Distribution of water for irrigation and domestic purposes and provision of electricity	
Enabling Act:	California Water Code, Division 11: Irrigation Districts, §20500-29978	
Governing Body:	Five-member Board of Directors, elected by the registered voters within five geographic divisions of the District's boundaries	
Administration:	445 employees	
Budget:	<u>Calendar Year 2010</u> Revenues: \$498,092,395 Expenditures: \$481,572,918	
Revenue Sources:	Power sales (residential, commercial and industrial), wholesale power, domestic water, irrigation water, and interest earnings	

**MAP 1:
MODESTO IRRIGATION DISTRICT
BOUNDARY AND SPHERE OF INFLUENCE**

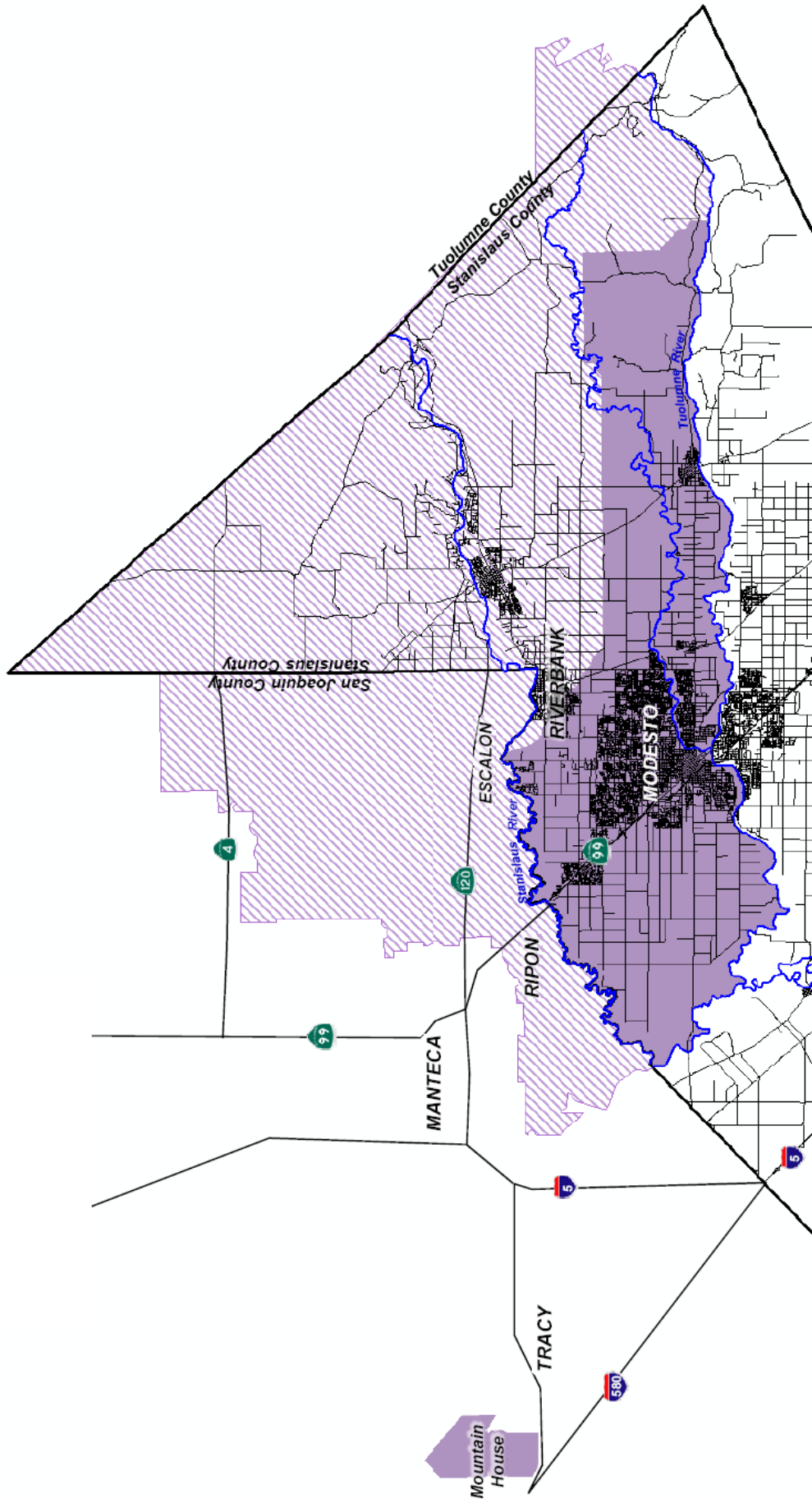


	District Boundary (101,700+/- acres)		Overlapping City SOIs
	District Sphere of Influence (SOI) (143,300+/- acres including existing boundary or 41,600+/- acres additional)		Outside of District



Source – LAFCO files, County GIS, July 2010

**MAP 2:
MODESTO IRRIGATION DISTRICT
ELECTRICAL SERVICE AREA**



Area in Which Only MID Provides Electric Service
 Area in Which Both MID and PG&E Provide Electric Service



For illustration purposes only. For more information about the electrical service areas, contact the Modesto Irrigation District.

**APPENDIX “B”
NOTICE OF EXEMPTION**

TO: Lee Lundrigan – County Clerk-Recorder
1021 “I” Street
Modesto, CA 95354

FROM: Stanislaus LAFCO
1010 Tenth Street, 3rd Floor
Modesto, CA 95354
(209) 525-7660

Title: Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Modesto Irrigation District

Description: The Stanislaus Local Agency Formation Commission has prepared a Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Modesto Irrigation District. The District is legally authorized to provide irrigation, domestic water, and electricity/power services and, as a special district, it is required to have an adopted and updated SOI. The Cortese-Knox-Hertzberg Act of 2000 calls for the Service Review to be completed prior to or concurrent with the SOI Update. The Service Review evaluates the public services provided by the District and provides the information base for updating the District’s Sphere of Influence. It is recommended that the SOI boundary for the District remain unchanged.

Public Agency Approving Project: The Stanislaus Local Agency Formation Commission (LAFCO). The date of the LAFCO hearing on this proposal is scheduled for January 26, 2011. Contact Person: Sara Lytle-Pinhey, Assistant Executive Officer, (209) 525-7660.

Environmental Determination: The purpose of the environmental review process is to provide information about the environmental effects of the actions and decisions made by LAFCO and to comply with the California Environmental Quality Act (CEQA). In this case it has been determined that this project is exempt from CEQA pursuant to §15061(b)(3) of the State Guidelines. The Stanislaus Local Agency Formation Commission will file this Notice of Exemption upon approval of the MSR and SOI Update for the District.

Reasons for Exemption: It has been determined with certainty that there is no possibility that the project may have a significant effect on the environment and therefore it is found to be exempt from CEQA pursuant to §15061(b)(3) of the State Guidelines. The proposed Sphere of Influence Update and Municipal Services Review does not involve, authorize or permit the siting or construction of any facilities associated with the District. No changes to the Sphere of Influence of the District are recommended.

Signature: *Sara Lytle-Pinhey*

Date: 12/8/10

Name & Title: Sara Lytle-Pinhey
Assistant Executive Officer

APPENDIX “C”

REFERENCES

1. Association of California Water Agencies (ACWA) (www.acwanet.com).
2. Baker Tilly Virchow Krause, LLP, “Independent Auditors’ Report – Modesto Irrigation District”, May 5, 2010.
3. California Department of Water Resources (www.dwr.water.ca.gov).
4. California State Water Resources Control Board (www.swrcb.ca.gov).
5. City of Modesto / Modesto Irrigation District, “Joint Urban Water Management Plan 2005 Update”, May 2007.
6. Irrigation Training And Research Center, California Polytechnic State University, “Comprehensive Water Resources Management Plan – Phase 1”, February 2008.
7. Modesto Irrigation District, 2010 Budget Summary.
8. Modesto Irrigation District, “2008 Annual Report”.
9. Modesto Irrigation District, “2009 Annual Report”.
10. Modesto Irrigation District, “Fingertip Facts”, August 2010.
11. Modesto Irrigation District website (www.mid.org).
12. Previous MSR/SOI Update for the Modesto Irrigation District, Adopted by Stanislaus LAFCO on October 27, 2004.
13. State of California Legislative Analyst’s Office Report – “Water Special Districts: A Look at Governance and Public Participation, March 2002”.
14. State of California State Controllers Office, “Special Districts Annual Report, Fiscal Year 2007-08”, February 12, 2010.
15. U.S. Bureau of Reclamation (www.usbr.gov).

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DRAFT

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: January 26, 2011

NO. 2011-01

SUBJECT: MSR No. 10-05 and SOI Update No. 2010-06 – Making Written Determinations and Approving the Municipal Service Review and Sphere of Influence Update for the Modesto Irrigation District

On the motion of _____, seconded by Commissioner _____, and approved by the following vote:

Ayes: Commissioners:
Noes: Commissioners:
Absent: Commissioners:

THE FOLLOWING RESOLUTION WAS ADOPTED:

WHEREAS, a Municipal Service Review mandated by California Government Code Section 56430 and a Sphere of Influence Update mandated by California Government Code Section 56425, has been conducted for the Modesto Irrigation District, in accordance with the Cortese-Knox-Hertzberg Reorganization Act of 2000;

WHEREAS, at the time and in the form and manner provided by law, the Executive Officer has given notice of the January 26, 2010 public hearing by this Commission on this matter;

WHEREAS, the subject document is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines;

WHEREAS, Staff has reviewed all existing and available information from the District and has prepared a report including recommendations thereon, and related information as presented to and considered by this Commission;

WHEREAS, at the hearing, all persons present were given an opportunity to hear and be heard in respect to any matter in relation to the review, in evidence presented at the hearing;

WHEREAS, the following determinations are made in conformance with Government Code Section 56430 and local Commission policy:

- 1. Growth and Population Projections for the Affected Area: The District currently serves about 3,100 customers with irrigation water for agricultural purposes, one wholesale domestic water customer (City of Modesto), and 68 retail customers in La Grange that are jointly served by MID and TID with domestic water for residential purposes.

According to the District's yearly audit report, water revenues from agricultural water have remained relatively constant over the past few years, while wholesale domestic water revenue has decreased during this time.

The District currently provides electric service to 111,379 retail customers, including over 400 in the new Mountain House community in San Joaquin County. The District notes that retail electric consumption has remained relatively flat as the housing market slowed in the District's service territory.

MID's revenue estimates are influenced by growth projections for Stanislaus County (including the communities of Salida and Empire) and the cities of Modesto, Riverbank, and Waterford. Currently, MID assumes that little or no economic growth will take place during 2011.

2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies:

Irrigation--

The District utilizes long-term planning documents in order to assess current capacity and future needs for services. In 2007, with assistance from the Irrigation Training and Research Center (ITRC), the District began work on a Comprehensive Water Resources Management Plan to assess long-term needs and opportunities for water delivery service. As part of the implementation of this plan, the District installed a new irrigation control SCADA (Supervisory Control and Data Acquisition) system and automation upgrades.

Wholesale Domestic Water--

In conjunction with the City of Modesto, the District prepared a Joint Urban Water Management Plan, finalized in 2007, which examined the supply and demand of domestic water for the City of Modesto.

The Modesto Regional Water Treatment Plant, completed in 1994, could be expected to supply the City of Modesto's growing demand for potable water which has resulted from poor water well quality and the increase in growth anticipated by the City's Modesto Urban Area General Plan. The plant produces, on average 30 million gallons per day of treated water, roughly 40 percent of the City's total drinking water supply. An expansion of the plant is currently underway to double its capacity to 60 million gallons per day. (Completion of the expansion has been delayed until 2011 in order to correct infrastructure deficiencies.)

Electric Service--

As part of MID's capital improvement program, the District completed installation of a 16-mile long Westley-Rosemore Transmission Line. The transmission line brings up to 350 megawatts of power to the District from throughout California and the western United States.

The District is also in the process of building the Woodland 3 Reciprocating Engine Project, consisting of six small natural gas reciprocating engines to back up existing wind and planned solar resources. Woodland 3 will add 49.6 megawatts of power, enough to serve over 16,000 homes during the summer and will be completed in 2011.

Current state legislation requires the District to obtain 33% of its electricity from renewable sources by 2020. MID's current portfolio contains 18% renewable energy and the District expects this amount to increase to 26-27% in 2011.

3. Financial Ability of Agencies to Provide Services: The District's annual budget process is designed to screen out unnecessary costs and is submitted to the Board of Directors for review and approval. Rates and fees for services are adjusted periodically to meet budget needs. MID currently has a hiring freeze and has limited spending on local electrical infrastructure to \$20 million.

The cost of power supply is the largest expenditure in the MID budget. Since 2000, MID has utilized half of its reserve levels in order to cover unexpected increases in power costs and help lessen the need for rate increases.

The District routinely buys, sells, and exchanges electric power and transmission capacity with other utilities located throughout the Western United States and Canada in order to reduce operating costs, provide improved facility utilization and revenue, and increase operating reliability. MID is also one of the wholesale power providers for the Merced Irrigation District's electric utility.

Currently, the District sells treated surface water to the City of Modesto on a wholesale basis, and utilizes the revenue to pay off the existing bonds, which financed the original construction of the domestic water facilities. The process is "revenue neutral" for the District, as the revenues received from the City pay for plant operations and bond retirement, with no profit.

Several new state requirements and fees have recently gone into effect, or are anticipated, including but not limited to: water rights and fees, water quality, salmon predation by non-native species, smart grid and demand reduction, greenhouse gas reduction, green energy, and chemical security. These new unfunded mandates could require the District to raise rates and fees to compensate for increased costs.

The District participates in a variety of joint agency practices, which maximize cost avoidance opportunities (e.g., Stanislaus and Tuolumne Rivers Groundwater Association, Transmission Agency of Northern California, Modesto-Santa Clara-Redding Public Power Agency, San Joaquin River Group Authority). MID also shares staff with unique skills and training, specialized equipment, spare parts and materials with other public agencies and utilities to minimize costs and to improve response to routine and emergency customer needs.

4. Status of, and Opportunities for, Shared Facilities: MID has many jointly owned facilities with other public agencies and also participates in many joint powers agencies (JPAs) that own facilities. Some of MID's major jointly owned and JPA facilities include:
 - Don Pedro Dam and Reservoir (31.54% MID, 68.46% TID).
 - Don Pedro Power Plant (31.54% MID, 68.46% TID).
 - La Grange Reservoir (50% MID, 50% TID).
 - Westley-Parker-Walnut 230kV transmission line (50% MID, 50% TID).

- Westley-Tracy 230kV transmission line and substation original facilities (50% MID, 50% TID).
- New Hogan Power Plant (0% MID, 100% Calaveras County Water District). MID built, operates and maintains the plant and is entitled to the power output for a 50 year term.
- California Oregon Transmission Project 500 kV lines and substations (MID share about 260 MW through the Transmission Agency of Northern California JPA.)
- San Juan (New Mexico) Power Plant Unit No.4 (MID shares about 68 MW through the Modesto-Santa Clara-Redding JPA).
- Mead-Phoenix-Adelanto 500kV transmission lines and substations (MID shares about 150 MW through the Modesto-Santa Clara-Redding JPA).
- Shared right-of-way.

MID also has agreements with the City of Modesto, the City of Riverbank, the Oakdale Irrigation District and Stanislaus County that permit limited use of MID canals for the conveyance of storm water drainage.

5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies: A five-member Board of Directors governs the District. Registered voters within a geographical area or "Division", elect the board members. The Board conforms to the provisions of the Brown Act requiring open meetings. The District has also established a website (www.mid.org) which is user-friendly and provides information such as the history and services of the District, water updates, news, education, board agendas, rates and fees, and annual reports.

It is reasonable to conclude that the District has the organizational capability to adequately serve the areas under its jurisdiction. The District has the necessary resources and staffing levels to operate in a cost-efficient and professional manner.

6. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy: None.

WHEREAS, the following determinations are made in conformance with Government Code Section 56425 and local Commission policy in determining a sphere of influence for the Modesto Irrigation District:

1. Present and Planned Land Uses: The Modesto Irrigation District's current irrigation water service area is comprised of approximately 101,700 acres. An additional 41,600 acres lie within the District's Sphere of Influence (SOI). The land uses within the District boundaries and SOI consist of agricultural, rural residential, suburban and urban land use areas. Planned uses for the area are described in the general plans of Stanislaus County (including the Salida Community Plan), and the cities of Modesto, Waterford, and Riverbank. The District does not have the authority to make land use decisions, nor does it have authority over present or planned land uses within its boundaries. The responsibility for land use decisions within the District boundaries are retained by Stanislaus County and the cities of Modesto, Riverbank, and Waterford.
2. Present and Probable Need for Public Facilities and Services in the Area: The District has provided irrigation water for agriculture since 1904, and currently delivers irrigation water to over three thousand customers farming nearly 58,000 acres. The present and future public

service needs within the District's (irrigation water) boundaries are characteristic of agricultural areas. The types of public services needed in these areas are of the type, which enhance the use of the land for agricultural purposes. As discussed in the Service Review section, the District is utilizing a Comprehensive Water Resources Management Plan in order to improve operational efficiency.

Since 1995, the District has provided domestic water and currently supplies 40% of the drinking water for the City of Modesto via the Modesto Regional Water Treatment Plant (MRWTP). As a result of increased water quality regulations and water demands, the plant's capacity is currently being expanded to 60 million gallons per day (mgd). This is expected to meet the demands associated with the City of Modesto's Urban Area General Plan.

As discussed in the Service Review section, the District is actively increasing its renewable energy profile in order to meet state mandates for 33 percent renewable energy sources by 2020.

3. Present Capacity of Public Facilities and Adequacy of Public Services Provided: The District presently has adequate capacity and/or plans to provide the necessary public facilities and services within its existing sphere of influence. For example, the District's capital improvement program outlines the need for new electric delivery and transmission infrastructure, including the 16-mile, Westley-Rosemore line which was completed since the last MSR/SOI update and runs from MID's switchyard in western Stanislaus County to its Rosemore Substation.

This greater transmission capacity will assist the District in providing more reliable electric service and give added flexibility to import power from elsewhere. Additionally, the District maintains a variety of power resources in a variety of locations in order to not be dependent on any one resource.

As stated previously, the District and the City of Modesto are currently expanding the Modesto Regional Water Treatment Plant (MRWTP), located at the Modesto Reservoir. The expansion will double the size of the current plant from 30 million gallons per day to 60 million gallons per day and is expected to be completed by 2011.

4. Communities of Interest in the Area: The following jurisdictions can be categorized as Communities of Interest in the area: the cities of Modesto, Oakdale, Riverbank, and Waterford, and the unincorporated communities of Empire, Salida, and La Grange, in Stanislaus County. The District also provides electricity to the cities of Escalon and Ripon, and the unincorporated community of Mountain House in San Joaquin County.

WHEREAS, the Modesto Irrigation District provides irrigation and domestic water, and electrical power services;

WHEREAS, pursuant to Government Code Section 56425(h), the range of services provided by the Modesto Irrigation District are limited to those as identified above, and such range of services shall not be changed unless approved by this Commission; and



WHEREAS, no changes to the District's Sphere of Influence are proposed or contemplated through this review.

NOW, THEREFORE, BE IT RESOLVED by the Commission:

1. Certifies that the project is statutorily exempt under the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines.
2. Approves the Municipal Service Review prepared in compliance with State law for the review and update of the Modesto Irrigation District Sphere of Influence, and written determinations prepared by the Staff and contained herein.
3. Determines that except as otherwise stated, no new or different function or class of services shall be provided by the District, unless approved by the Commission.
4. Determines, based on presently existing evidence, facts, and circumstances filed and considered by the Commission, that the Sphere of Influence for the Modesto Irrigation District should be affirmed as it currently exists, as more specifically described on the map contained within the Municipal Service Review document.
5. Directs the Executive Officer to circulate this resolution depicting the adopted Sphere of Influence Update to all affected agencies, including the Modesto Irrigation District.

ATTEST: _____
Marjorie Blom,
Executive Officer