

**EXECUTIVE OFFICER'S AGENDA REPORT
AUGUST 25, 2010**

TO: LAFCO Commissioners

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

SUBJECT: MSR No. 10-04, SOI Update 2010-05: Municipal Service Review and Sphere of Influence Update for the Oakdale 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 Oakdale Irrigation District, which provides irrigation water, domestic water, and wholesale electrical power. The majority of the District is located in northeastern Stanislaus County, with a portion of territory in San Joaquin County. The District operates under Irrigation District Law, Division 11 of the Water Code, §20500 et. seq.

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 Oakdale Irrigation District has adopted a Water Resources Plan which evaluated the District's water resources, facilities, and operations.

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:

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- Option 1:** APPROVE the Municipal Service Review and Sphere of Influence Update for the Oakdale 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

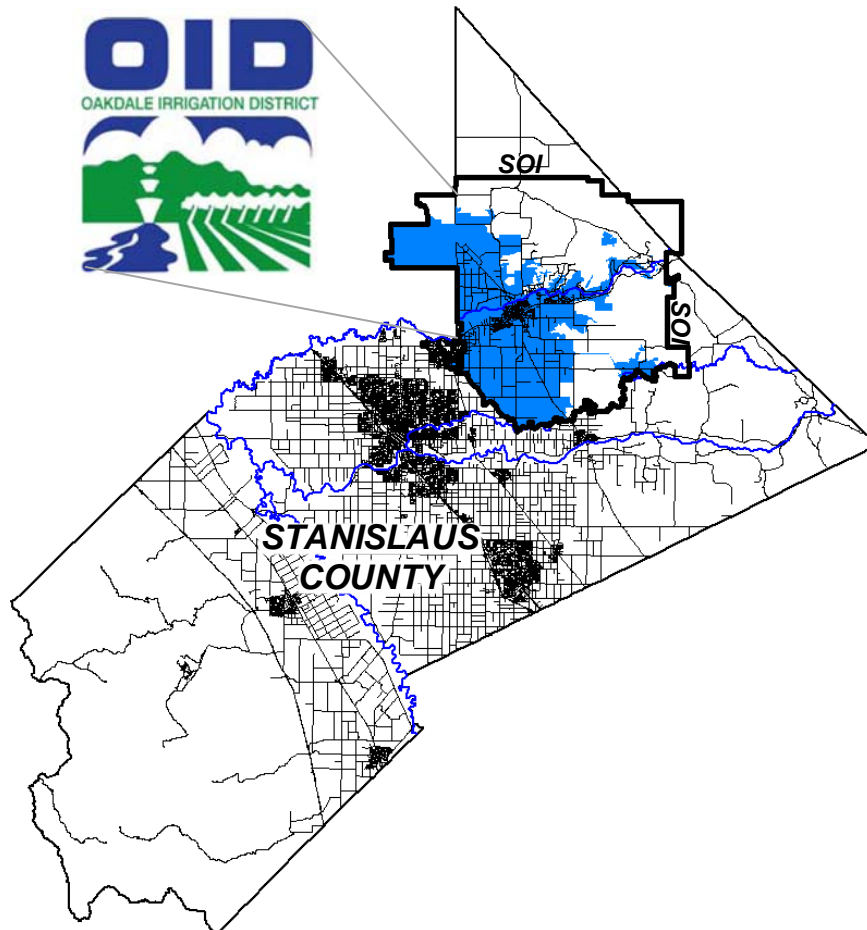
Approve Option 1. Based on the information presented, Staff recommends approval of Municipal Service Review and Sphere of Influence Update for the Oakdale Irrigation District. Therefore, Staff recommends that the Commission adopt Resolution No. 2010-13 which:

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 Oakdale Irrigation District should be affirmed as it currently exists.

Attachments:

- Exhibit 1 - Municipal Service Review and Sphere of Influence Update for the Oakdale Irrigation District*
Exhibit 2 - Resolution No. 2010-13

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE:



OAKDALE IRRIGATION DISTRICT

Prepared By:

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

Adopted: _____

STANISLAUS

LOCAL AGENCY FORMATION COMMISSION

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Marjorie Blom, Executive Officer
Sara Lytle-Pinhey, Assistant Executive Officer
Dean Wright, Commission Counsel
Debbie Hamilton, Commission Clerk

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Municipal Service Review and Sphere of Influence Update For the Oakdale 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 Oakdale Irrigation District, located in the northeastern portion of the County. The Service Review will also provide a basis for the District and LAFCO to evaluate, and if appropriate, make changes to the District's 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 Updates concurrently to ensure efficient use of resources. For the Oakdale 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 Oakdale Irrigation District.

Authority

The Oakdale Irrigation District was organized under the Wright Act and operates under Irrigation District Law, Division 11 of the Water Code, §20500 et. seq. In addition, the District is considered to be a “registered voter district”, as the board of directors is elected by registered voters from five geographical divisions within the District’s boundaries.

Purpose

Irrigation districts are formed for the provision of sufficient water in the district for any beneficial use. An irrigation district has the power to control, distribute, store, spread, sink, treat, purify, recapture, and salvage any water including, but not limited to, sewage waters for beneficial use of users of the district or its inhabitants. The district may, if they so choose, provide for flood control and can engage in the generation, transmission, distribution, sale and lease of electric power (Water Code §22075-22186).

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. irrigation, domestic water, and electrical power) 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 – Oakdale Irrigation District

Formation

The Oakdale Irrigation District (OID) was formed on November 1, 1909.

Services

OID currently provides agricultural irrigation and domestic water services to its customers. The District's water supply comes from the Stanislaus River (under well-established water rights), recapture of drainage water, and pumping from deep groundwater wells. The District's distribution systems include the Goodwin Diversion Dam on the Stanislaus River below the Tulloch Dam, at which point water is diverted into the District's main canal systems.

The District is also a wholesale power distributor through its Tri-Dam Project. The Oakdale Irrigation District and the South San Joaquin Irrigation District (SSJID) jointly own and operate storage reserves (Tri-Dam Project) and have storage rights in the federally-owned New Melones Reservoir. The two Districts, under the Tri-Dam Project, own, operate, and maintain three hydro-electrical power facilities: one each at Donnell's Reservoir, Beardsley Lake, and Tulloch Lake. The Project's principal activities are the storage and delivery of water to each District and the hydraulic generation of power. As of January 1, 2009, the Districts market the power through a consultant, Shell Energy North America.

Additionally, through the Tri-Dam Power Authority, the two Districts own, operate, and maintain the Sand Bar Project, a hydro-electric facility downstream of Beardsley Lake which became operational in 1986. Pacific Gas and Electric (PG&E) has contracted to purchase all of the power produced by this facility.

The District also manages several domestic water systems, which are part of nine private and publicly owned systems that exist in an unincorporated area east of the City of Oakdale. Two of the systems are owned by OID, while seven of the systems are owned by homeowner groups who have entered into an "improvement district" arrangement with OID to manage their water systems for State compliance.

Location and Size

The majority of the District is located in northeastern Stanislaus County. The District also covers territory in San Joaquin County. The District boundaries comprise approximately 72,928 acres. The District maintains more than 330 miles of laterals, pipelines, and tunnels, 24 production wells, and 42 reclamation pumps.

Sphere of Influence

The District's Sphere of Influence incorporates approximately 159,595 acres (or 86,667 acres beyond the existing District boundaries). A map outlining the District's boundaries and SOI is attached under Appendix "A". The city limits of Oakdale and the unincorporated communities of Knights Ferry and Valley Home are located within the District's Sphere of Influence. The majority of the city limits of Riverbank are excluded from the District's SOI, with the exception of those areas remaining in the District's boundary in this area.

Governance

A five member Board of Directors governs the District. Registered voters within a geographical area or “Division”, elect the board members. Meetings are held on the first and third Tuesdays of every month at 9:00 a.m. in the District office located at 1205 East “F” Street in Oakdale. All meetings are open to the public. Agendas are prepared and posted by 9:00 a.m. on the Thursday before each meeting on the bulletin board in the lobby of the District office. The District also has a website (www.oakdaleirrigation.com) that is user-friendly and provides information such as the history of the District, current Board agendas, water updates, and quarterly newsletters.

Personnel

The District currently has 69 full-time and 1 part-time employees.

Mission Statement

“To protect and develop Oakdale Irrigation District water resources for the maximum benefit of the Oakdale Irrigation District community by providing excellent irrigation and domestic water service.”

Partnership Agencies

The District maintains positive and collaborative relationships with other agencies, such as: South San Joaquin, Merced, Modesto, and Turlock Irrigation Districts, Stockton East Water District, Stanislaus County, City of Oakdale, Oakdale Rural Fire Protection District, City of Riverbank, Pacific Gas and Electric (PG&E), State Water Resources Board, Bureau of Reclamation, California Department of Water Resources (DWR), Association of California Water Agencies (ACWA), California Special Districts Association (CSDA), San Joaquin River Group Authority, and the Tuolumne/Stanslaus Groundwater Management Group.

Funding Sources

The majority of the District’s revenue is from power sales as a result of OI and South San Joaquin Irrigation District’s Tri-Dam Project and Tri-Dam Power Authority. Other sources include income from water transfers to the Stockton East Water District and Bureau of Reclamation, irrigation water sales, County property tax appropriations, interest revenue, and domestic water revenue.

Service Review Determinations

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

1. Growth and Population Projections for the Affected Area

The Oakdale Irrigation District currently serves over 2,900 customers with irrigation water for agricultural purposes and 762 customers with domestic water for residential purposes. On an annual basis, the District provides irrigation water for 20 to 30 out-of-district agreements, depending on water availability.

The District updates its customer records as necessary for billing purposes. Part of that

update includes parcel size, location, and crop type of lands served with OID water. As land use conversions take place, the water needs of OID's customer base can substantially change. This information, combined with data from the Department of Water Resources, the Department of Finance, and the U.S. Census Bureau allows the District to develop land use trends and forecasts. The District projects that by 2025, approximately 10 percent of the total current OID lands will likely be lost due to urbanization by the City of Oakdale. The District also projects an increase in irrigated agriculture outside the current District boundaries, which may provide opportunities for District expansion.

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

OID's existing and planned public facilities and services are designed to supply irrigation and related drainage with the priority of serving those properties within District boundaries prior to out-of-district approvals. In late 2005, the District completed a Water Resources Plan (WRP). The WRP evaluated the District's water resources, facilities, and operations. It also prioritized recommendations for future OID facility improvements.

The District's WRP concluded that many of its conveyance systems are in poor condition and must be replaced or modified to meet water delivery service needs. The WRP anticipated that over the next 20 years the District would need to invest \$168 million on rehabilitation and improved service projects including, main canal and tunnel major improvements, additional flow-control and measurement structures, additional groundwater wells, and accelerated irrigation service turn-out replacements.

3. Financial Ability of Agencies to Provide Services

In 2009, power generation from both the Tri-Dam Power Project and the Tri-Dam Power Authority accounted for approximately 38 percent of the District's total revenue. Water transfer agreements and agricultural water delivery charges contribute approximately 49 percent of the net revenue, while domestic water charges and taxes provide only a slight contribution to the total revenue.

The District's adopted Water Resources Plan (WRP) includes a financial plan to achieve infrastructure and modernization needs currently identified by the District. In 2009, the District issued \$32 million in bonds to assist in financing several components of the WRP, including the North Side Regulating Reservoir (completed in 2010), a water reclamation project, and repairs to high hazard areas on its main canal and tunnels.

OID appears to be financially sound with strong and stable sources of revenue, substantial reserves, and a superior credit rating. The District's long-range planning programs allow the District to plan and budget for needed improvements to services and facilities in a balanced way that is consistent with its anticipated revenue. The District's budget process is designed to screen out unnecessary costs and is submitted to the Board of Directors for review and approval.

4. Status of, and Opportunities for, Shared Facilities

The District and the South San Joaquin Irrigation District jointly own and operate three storage reservoirs (Tulloch, Beardsley, and Donnell's). The District also jointly owns, operates, and maintains the Donnell's, Beardsley, and Tulloch power plants along with a separate power facility (Sand Bar Project) with the South San Joaquin Irrigation District. In

addition, both Districts own, operate and maintain the Joint Main Canal running along the north side of the Stanislaus River Canyon. This canal carries 100% of South San Joaquin Irrigation District's water to its service area and provides 40% of OID's deliveries for those lands within its boundaries along the north side of Stanislaus River.

The District has also contributed funding to the City of Oakdale for water safety and water conservation programs; to the Oakdale Fire Department for water rescue training and materials; and to the Oakdale Rural Fire Protection District for a new water rescue boat. Under a development agreement, the District shares eight water wells with the Oakdale Rural Fire Protection District, which allows the fire district to refill their fire trucks during emergencies. The District also has a joint easement with the City of Oakdale for the Burchell Hills Specific Plan Area Bike Path.

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 also has established a website (www.oakdaleirrigation.com) that is user-friendly and provides information such as the history of the District, current Board agendas, water updates, and quarterly newsletters.

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

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

In 2010, the District completed construction on the North Side Regulating Reservoir. (This is in addition to two other regulating reservoirs serving other parts of the District.) The efficiencies of the North Side Regulating Reservoir are expected to better manage mismatches in supply and demand. Other efficiencies are being achieved through automation of water control gates. The District plans to install approximately 37 of these gates in the next year, which are expected to substantially eliminate lateral canal spill and assist in better on-farm control and higher on-farm efficiency.

Sphere of Influence Update

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.

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 in Appendix "A".

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

Determinations:

1. Present and Planned Land Uses

The Oakdale Irrigation District's current boundary is comprised of approximately 72,928 acres, with a Sphere of Influence (SOI) area that includes an additional 86,667+/- acres. The land uses within the District's boundaries and Sphere of Influence consist of agricultural, rural residential, suburban and urban land use areas. These uses are not expected to change, except in the Spheres of Influence of the cities of Oakdale and Riverbank. In addition, 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, Calaveras, San Joaquin counties, and the cities of Oakdale and Riverbank.

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

The District has developed a Water Resources Plan (WRP) to address the District's water resource needs into the future. Components of the Plan include: public outreach, resource inventory (surface, groundwater), water balance, infrastructure plan, and water rights portfolio. The WRP also projects the reasonable number of acres within the SOI that could be annexed to OID's boundaries while maintaining service levels to existing lands within the District's boundaries.

The present and probable need for the District's ability to continue to provide public facilities and services in the area is affected by the fact that the cities of Oakdale and Riverbank's Spheres of Influence overlap into the District. In addition, the District has a diminishing

Sphere of Influence in that as territory annexes to the City of Riverbank, it detaches from the District.

The District's Sphere of Influence excludes territory within the current city limits of Riverbank, at the District's request. This is because the distribution system in the Riverbank area is old and some of the areas were being subdivided into very small ranchettes, which are difficult to serve. In order to avoid dual water systems as territory is annexed to the City, it is detached from the District, and as a result of the above it is getting more difficult to move irrigation water through the urban area to the District's territory to the west. These problems are not as severe in Oakdale where the system has been designed to better serve lands around the City and not be disrupted by City growth. However, a policy of detaching City territory and City annexations from the District may be considered in the future.

Continued urban development within the District's current service area may lead to future annexations within the Sphere of Influence area as appropriate. In order to annex additional territory however, the District must provide and/or demonstrate that there are sufficient quantities of water to serve additional territory without affecting the present service area and/or existing customers. The availability of current water supplies each year is affected by numerous factors, including annual rainfall and snowfall, and environmental factors such as: climate demand, water conservation efforts, crop changes, contractual obligations for existing water transfers, etc.

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

The District has strong surface water rights, including annual diversion rights from the Stanislaus River of 300,000 acre-feet (normal year). The District utilizes a Surface Water Shortage Policy in order to address service delivery issues during times when quantity of water right available to the District is insufficient to meet the water demands of the crops grown.

As part of the Water Resources Plan (WRP), the District selected an alternative which focuses on maximizing improvements in the District and provides for moderate expansion in the SOI. Since the WRP's adoption in late 2005, the District has been actively reinvesting in its canal system based on improvement needs, as prioritized in the WRP. The improvements are intended to enhance customer service, use water more efficiently, increase drought protection, and reduce the amount of water leaving the district without benefiting OID customers.

4. Communities of Interest in the Area

The following jurisdictions can be categorized as Communities of Interest in the area: the cities of Oakdale and Riverbank, and the unincorporated communities of Knights Ferry, Valley Home, and the rural residential area known as East Oakdale. The Spheres of Influence for both the City of Oakdale and Riverbank overlap into the District's boundaries, which may affect the District's ability to provide services to these areas as urbanization occurs.

**APPENDIX “A”
DISTRICT SUMMARY PROFILE**



District: **OAKDALE IRRIGATION DISTRICT**

Formation: November 1, 1909

Location: Majority of the District is located in northeastern Stanislaus County. The District also covers territory in San Joaquin County, with portions of its Sphere of Influence also extending into Calaveras, and Tuolumne Counties

Boundary: 72,928+/- acres

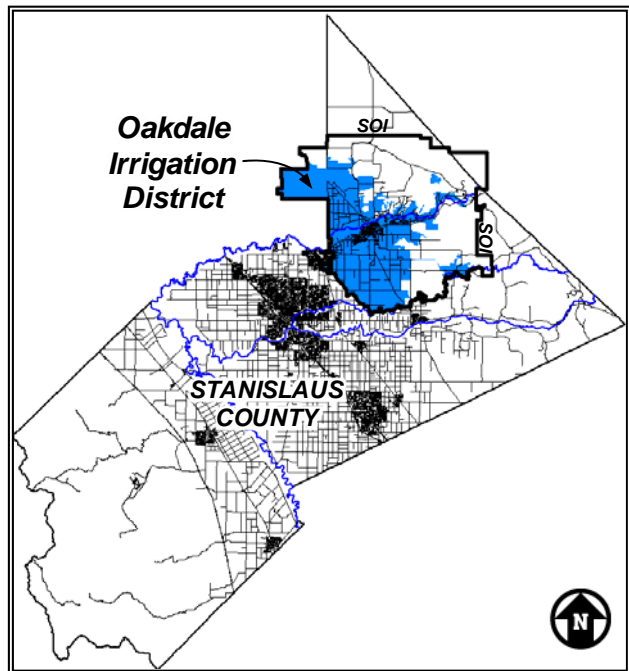
Sphere of Influence: 159,595+/- acres total
(or 86,667 acres beyond the District boundary)

Customers: 2,900+ agricultural,
762+ domestic accounts

Land Use: Agricultural, rural residential, suburban and urban

District Services: Irrigation water, domestic water, and wholesale electrical power

Enabling Act: California Water Code, Division 11, Irrigation Districts, §20500-29978



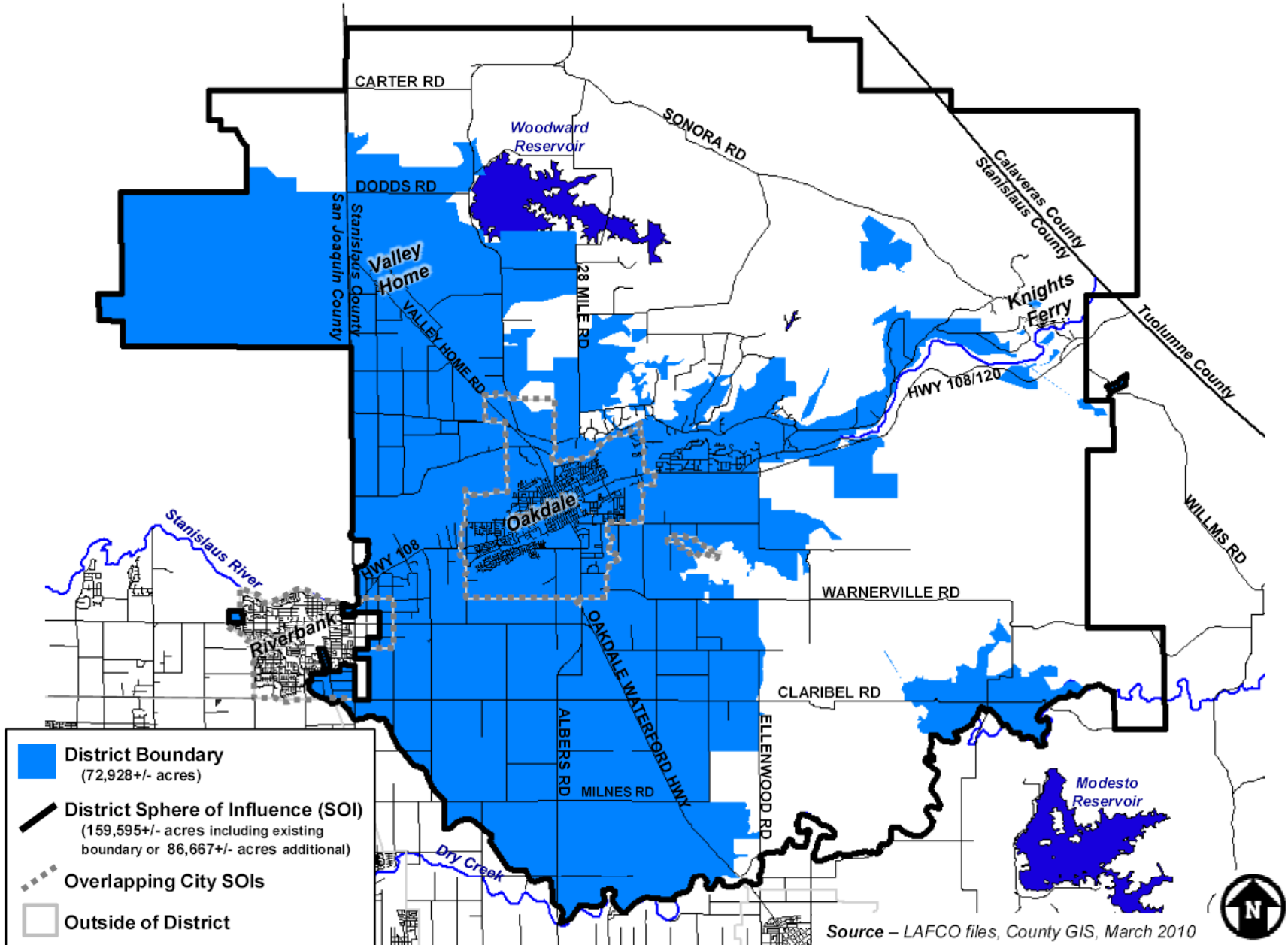
Governing Body: Five Board of Directors, elected by registered voters within five divisions of the District boundaries

Administration: 70 Employees: 69 full-time and 1 part-time

Budget: Calendar Year 2010
Revenues: \$25.1 million (including bond proceeds)
Expenditures: \$24.9 million (including bonded projects)
Capital Improvements: \$10 million

Revenue Sources: Wholesale power, irrigation water sales, water transfers, County property tax appropriations, and domestic water sales

OAKDALE IRRIGATION DISTRICT BOUNDARY AND SPHERE OF INFLUENCE



Source – LAFCO files, County GIS, March 2010

**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 Oakdale Irrigation District

Description: The Stanislaus Local Agency Formation Commission has prepared a Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Oakdale Irrigation District. The District is legally authorized to provide irrigation water, domestic water services, and wholesale electrical power, and, as a special district, 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 be reaffirmed and 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 August 25, 2010. 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 Service Review do not involve, authorize or permit the siting or construction of any facilities associated with the District. No change to the Sphere of Influence of the District is recommended at this time.

Signature: *Sara Lytle-Pinhey*
Name & Title: Sara Lytle-Pinhey
Assistant Executive Officer

Date: 6/10/10

APPENDIX “C”

REFERENCES

1. Association of California Water Agencies (ACWA) (www.acwanet.com).
2. California Department of Water Resources (www.dwr.water.ca.gov).
3. California State Water Resources Control Board (www.swrcb.ca.gov).
4. Oakdale Irrigation District, “2009 Comprehensive Annual Financial Report”, May 12, 2010.
5. Oakdale Irrigation District, Board Resolution No. 96-39: “Establishing an Annexation Policy for Annexation of Lands into the District,” July 16, 1996.
6. Oakdale Irrigation District, “Rules & Regulations Governing the Operation and Distribution of Irrigation Water Within the Oakdale Irrigation District Service Area”, 2005 Working Draft.
7. Oakdale Irrigation District, “Surface Water Shortage Policy”, December 2008.
8. Oakdale Irrigation District, “Water Resources Plan”, November 2005 (www.oidwaterresources.org).
9. Oakdale Irrigation District website (www.oakdaleirrigation.com).
10. Previous MSR/SOI Update for the Oakdale Irrigation District, Adopted by Stanislaus LAFCO on June 23, 2004.
11. South San Joaquin Irrigation District website (www.ssjid.com).
12. State of California Legislative Analyst’s Office Report – “Water Special Districts: A Look at Governance and Public Participation, March 2002”.
13. State of California State Controllers Office, “Special Districts Annual Report, Fiscal Year 2007-08”, February 12, 2010.
14. Tri-Dam Project (www.tridamproject.com).
15. U.S. Bureau of Reclamation (www.usbr.gov).

INDIVIDUALS AND AGENCIES CONTACTED

1. Steve Knell, General Manager/Secretary to the Board, Oakdale Irrigation District.
2. Kathy Cook, Chief Financial Officer/Treasurer, Oakdale Irrigation District.
3. John Davids, Assistant Engineer, Oakdale Irrigation District.

DRAFT

**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: August 25, 2010

NO. 2010-13

SUBJECT: MSR No. 10-04 and SOI Update No. 2010-05 – Making Written Determinations and Approving the Municipal Service Review and Sphere of Influence Update for the Oakdale Irrigation District

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

Ayes: Commissioners:
Noes: Commissioners:
Absent: Commissioners:
Ineligible: 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 Oakdale 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 August 25, 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 Oakdale Irrigation District currently serves over 2,900 customers with irrigation water for agricultural purposes and 762 customers with domestic water for residential purposes. On an annual basis, the District provides irrigation water for 20 to 30 out-of-district agreements, depending on water availability.

The District updates its customer records as necessary for billing purposes. Part of that update includes parcel size, location, and crop type of lands served with OID water. As land use conversions take place, the water needs of OID's customer base can substantially change. This information, combined with data from the Department of Water Resources, the Department of Finance, and the U.S. Census Bureau allows the District to develop land use trends and forecasts. The District projects that by 2025, approximately 10 percent of the total current OID lands will likely be lost due to urbanization by the City of Oakdale. The District also projects an increase in irrigated agriculture outside the current District boundaries, which may provide opportunities for District expansion.

2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies: OID's existing and planned public facilities and services are designed to supply irrigation and related drainage with the priority of serving those properties within District boundaries prior to out-of-district approvals. In late 2005, the District completed a Water Resources Plan (WRP). The WRP evaluated the District's water resources, facilities, and operations. It also prioritized recommendations for future OID facility improvements.

The District's WRP concluded that many of its conveyance systems are in poor condition and must be replaced or modified to meet water delivery service needs. The WRP anticipated that over the next 20 years the District would need to invest \$168 million on rehabilitation and improved service projects including, main canal and tunnel major improvements, additional flow-control and measurement structures, additional groundwater wells, and accelerated irrigation service turn-out replacements.

3. Financial Ability of Agencies to Provide Services: In 2009, power generation from both the Tri-Dam Power Project and the Tri-Dam Power Authority accounted for approximately 38 percent of the District's total revenue. Water transfer agreements and agricultural water delivery charges contribute approximately 49 percent of the net revenue, while domestic water charges and taxes provide only a slight contribution to the total revenue.

The District's adopted Water Resources Plan (WRP) includes a financial plan to achieve infrastructure and modernization needs currently identified by the District. In 2009, the District issued \$32 million in bonds to assist in financing several components of the WRP, including the North Side Regulating Reservoir (completed in 2010), a water reclamation project, and repairs to high hazard areas on its main canal and tunnels.

OID appears to be financially sound with strong and stable sources of revenue, substantial reserves, and a superior credit rating. The District's long-range planning programs allow the District to plan and budget for needed improvements to services and facilities in a balanced way that is consistent with its anticipated revenue. The District's budget process is designed to screen out unnecessary costs and is submitted to the Board of Directors for review and approval.

4. Status of, and Opportunities for, Shared Facilities: The District and the South San Joaquin Irrigation District jointly own and operate three storage reservoirs (Tulloch, Beardsley, and Donnells). The District also jointly owns, operates, and maintains the Donnells, Beardsley, and Tulloch power plants along with a separate power facility (Sand Bar Project) with the South San Joaquin Irrigation District. In addition, both Districts own, operate and maintain

the Joint Main Canal running along the north side of the Stanislaus River Canyon. This canal carries 100% of South San Joaquin Irrigation District's water to its service area and provides 40% of OID's deliveries for those lands within its boundaries along the north side of Stanislaus River.

The District has also contributed funding to the City of Oakdale for water safety and water conservation programs; to the Oakdale Fire Department for water rescue training and materials; and to the Oakdale Rural Fire Protection District for a new water rescue boat. Under a development agreement, the District shares eight water wells with the Oakdale Rural Fire Protection District, which allows the fire district to refill their fire trucks during emergencies. The District also has a joint easement with the City of Oakdale for the Burchell Hills Specific Plan Area Bike Path.

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 also has established a website (www.oakdaleirrigation.com) that is user-friendly and provides information such as the history of the District, current Board agendas, water updates, and quarterly newsletters.

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

6. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy: In 2010, the District completed construction on the North Side Regulating Reservoir. (This is in addition to two other regulating reservoirs serving other parts of the District.) The efficiencies of the North Side Regulating Reservoir are expected to better manage mismatches in supply and demand. Other efficiencies are being achieved through automation of water control gates. The District plans to install approximately 37 of these gates in the next year, which are expected to substantially eliminate lateral canal spill and assist in better on-farm control and higher on-farm efficiency.

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 Oakdale Irrigation District:

1. Present and Planned Land Uses: The Oakdale Irrigation District's current boundary is comprised of approximately 72,928 acres, with a Sphere of Influence (SOI) area that includes an additional 86,667+/- acres. The land uses within the District's boundaries and Sphere of Influence consist of agricultural, rural residential, suburban and urban land use areas. These uses are not expected to change, except in the Spheres of Influence of the cities of Oakdale and Riverbank. In addition, 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, Calaveras, San Joaquin counties, and the cities of Oakdale and Riverbank.

2. Present and Probable Need for Public Facilities and Services in the Area: The District has developed a Water Resources Plan (WRP) to address the District's water resource needs into the future. Components of the Plan include: public outreach, resource inventory (surface, groundwater), water balance, infrastructure plan, and water rights portfolio. The WRP also projects the reasonable number of acres within the SOI that could be annexed to OID's boundaries while maintaining service levels to existing lands within the District's boundaries.

The present and probable need for the District's ability to continue to provide public facilities and services in the area is affected by the fact that the cities of Oakdale and Riverbank's Spheres of Influence overlap into the District. In addition, the District has a diminishing Sphere of Influence in that as territory annexes to the City of Riverbank, it detaches from the District.

The District's Sphere of Influence excludes territory within the current city limits of Riverbank, at the District's request. This is because the distribution system in the Riverbank area is old and some of the areas were being subdivided into very small ranchettes, which are difficult to serve. In order to avoid dual water systems as territory is annexed to the City, it is detached from the District, and as a result of the above it is getting more difficult to move irrigation water through the urban area to the District's territory to the west. These problems are not as severe in Oakdale where the system has been designed to better serve lands around the City and not be disrupted by City growth. However, a policy of detaching City territory and City annexations from the District may be considered in the future.

Continued urban development within the District's current service area may lead to future annexations within the Sphere of Influence area as appropriate. In order to annex additional territory however, the District must provide and/or demonstrate that there are sufficient quantities of water to serve additional territory without affecting the present service area and/or existing customers. The availability of current water supplies each year is affected by numerous factors, including annual rainfall and snowfall, and environmental factors such as: climate demand, water conservation efforts, crop changes, contractual obligations for existing water transfers, etc.

3. Present Capacity of Public Facilities and Adequacy of Public Services Provided: The District has strong surface water rights, including annual diversion rights from the Stanislaus River of 300,000 acre-feet (normal year). The District utilizes a Surface Water Shortage Policy in order to address service delivery issues during times when quantity of water right available to the District is insufficient to meet the water demands of the crops grown.

As part of the Water Resources Plan (WRP), the District selected an alternative which focuses on maximizing improvements in the District and provides for moderate expansion in the SOI. Since the WRP's adoption in late 2005, the District has been actively reinvesting in its canal system based on improvement needs, as prioritized in the WRP. The improvements are intended to enhance customer service, use water more efficiently, increase drought protection, and reduce the amount of water leaving the district without benefiting OID customers.

4. Communities of Interest in the Area: The following jurisdictions can be categorized as Communities of Interest in the area: the cities of Oakdale and Riverbank, and the unincorporated communities of Knights Ferry, Valley Home, and the rural residential area known as East Oakdale. The Spheres of Influence for both the City of Oakdale and Riverbank overlap into the District's boundaries, which may affect the District's ability to provide services to these areas as urbanization occurs.

WHEREAS, the Oakdale Irrigation District was established to provide irrigation and domestic water, and wholesale electrical power services;

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

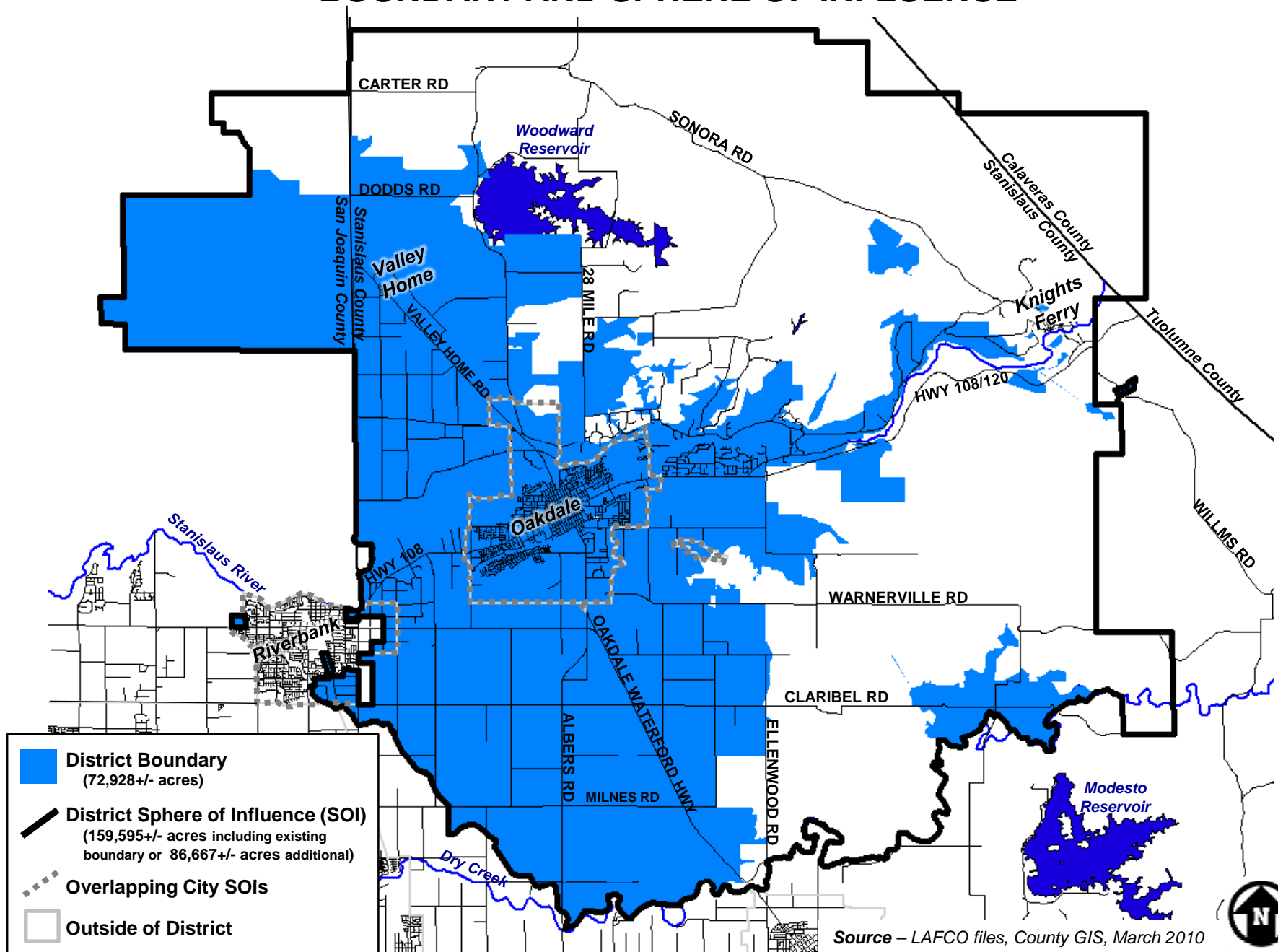
WHEREAS, no changes to the District's Sphere of Influence are proposed or contemplated through this review.

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 Oakdale 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 Oakdale 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 Oakdale Irrigation District.

ATTEST: _____
Marjorie Blom
Executive Officer

OAKDALE IRRIGATION DISTRICT BOUNDARY AND SPHERE OF INFLUENCE



Source – LAFCO files, County GIS, March 2010

