

**EXECUTIVE OFFICER'S AGENDA REPORT
JUNE 27, 2018**

TO: LAFCO Commissioners

FROM: Javier Camarena, Assistant Executive Officer

SUBJECT: MSR NO. 2018-02, SOI UPDATE 2018-03: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR ROCK CREEK WATER 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, as needed. This current review is a routine update to the previous document adopted by the Commission in 2013 for the Rock Creek Water District. The District provides irrigation water to agricultural lands located on the northeastern portion of the County and also operates a small hydroelectric power generation facility.

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. LAFCO Staff sent the District requests for information, researched District reports and reviewed the District's most recent audits and financial statements. Once this data was collected, a revised Municipal Service Review and Sphere of Influence Update document was completed.

Minor changes have been made to the document. The proposed Municipal Service Review and Sphere of Influence Update are 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 at this time.

The District currently has adequate capacity to provide the necessary irrigation services to customers within its existing service area. The District delivers agricultural irrigation water to its customers via the Salt Spring Valley Reservoir, which is located due east of the town of Milton, in Calaveras County.

ENVIRONMENTAL REVIEW RECOMMENDATIONS

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

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

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

ALTERNATIVES FOR COMMISSION ACTION

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

- Option 1:** APPROVE the Municipal Service Review and Sphere of Influence Update for the Rock Creek Water 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 Rock Creek Water District. Therefore, Staff recommends that the Commission adopt Resolution No. 2018-11 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 Rock Creek Water District should be affirmed as it currently exists.

Attachments:

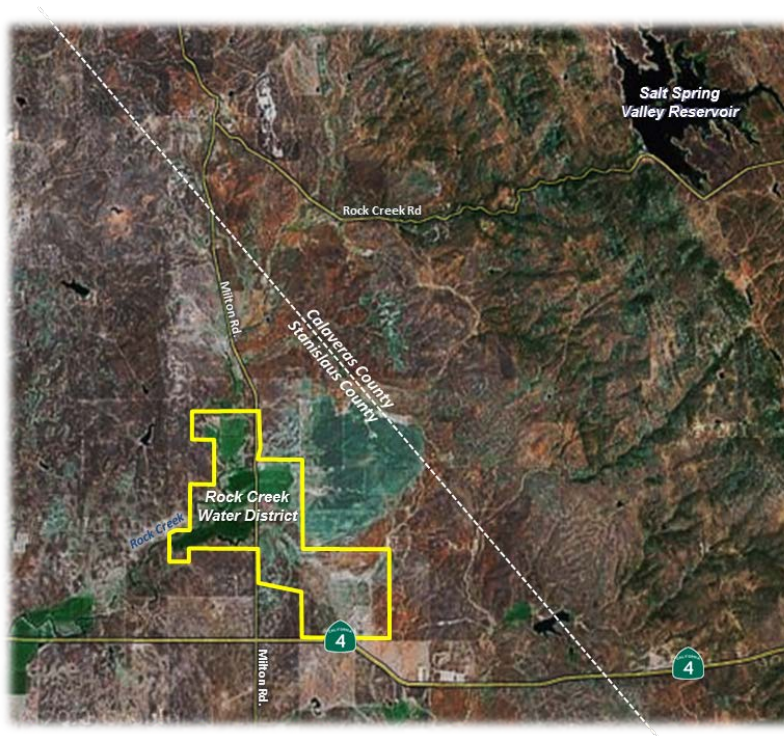
- Exhibit 1 - Municipal Service Review and Sphere of Influence Update for the Rock Creek Water District*
Exhibit 2 - Resolution No. 2018-11

EXHIBIT 1

Draft Municipal Service Review & Sphere of Influence Update - Rock Creek Water District

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MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE



ROCK CREEK WATER DISTRICT

Prepared By:

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

Adopted: TBD

STANISLAUS

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Municipal Service Review and Sphere of Influence Update For the Rock Creek Water 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 a municipal service review is provided in Government Code Section 56430 of the CKH Act. The Act states, that "in order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area..." MSRs must have written determinations that address the following factors in order to update a Sphere of Influence. These factors were recently amended to include identification of disadvantaged unincorporated communities within or contiguous to the sphere of influence of an agency.

Municipal Service Review Factors to be Addressed

1. Growth and Population Projections for the Affected Area
2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence
3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in Any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence
4. Financial Ability of Agencies to Provide Services
5. Status of, and Opportunities for, Shared Facilities
6. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies
7. 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 municipal service review. This MSR will analyze the existing and future services for the Rock Creek Water District. The MSR 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. 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 municipal service reviews and sphere of influence updates concurrently to ensure efficient use of resources. For rural special districts, such as the Rock Creek Water District, which do not have the typical municipal-level services to review, this document will be used to determine what type of services the district is expected to provide and the extent to which it is actually able to do so. For this special district, the sphere will delineate its service capability and expansion capacity, if applicable.

Service Review – Rock Creek Water District

Authority

The District was organized under the California Water Code, Division 13, §34000 – 38501 (also known as the “Water District Act”). In addition, the Rock Creek Water District is considered a “landowner voter district”, as board members are elected by landowners within the District’s boundaries.

Background

No resource is more vital to California than water. From the agricultural areas, urban centers, 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, as in the case of the water district reviewed in this report, while other districts provide a wide range of public services.

Purpose

Water Districts that are formed pursuant to the Water District Act may be formed for purposes such as: to produce, store and distribute water for irrigation, domestic, industrial and municipal uses; to drain and reclaim lands; to collect, treat and dispose of sewage, waste and storm water; to generate hydroelectric power; to allocate water to crops and acreage; and, for districts that adopt a groundwater management plan, to protect groundwater from contamination.

Governance

A five member Board of Directors who are elected by landowners within the District boundaries, governs the District. Meetings are held on the third Tuesday of each month at 6:00 p.m. at the residence of Roma Orvis, located at 9601 E. Highway 4.

Formation

The Rock Creek Water District was formed on April 2, 1941.

Location and Size

The District encompasses approximately 1,844 acres, located in the rolling foothills at the base of the Sierra Nevada Mountain Range, in northeastern Stanislaus County, north of Highway 4. In 1949, the District annexed the Salt Spring Valley Reservoir, located in Calaveras County and all of its ditches.

Sphere of Influence

The Rock Creek Water District's Sphere of Influence (SOI) was originally adopted by the Commission in 1985. The most recent update, which proposed no changes to the District's SOI, was adopted in 2013. The current update serves to reaffirm the District's SOI, consistent with Government Code Section 56425. The District's Sphere of Influence is coterminous with its current boundaries.

Personnel

The District employs one part-time person, who operates the hydroelectric power generation facility during irrigation season. The District contracts out for legal, engineering and bookkeeping services.

Classification of Services

As part of the original MSR completed for the District, the District provided a listing of the services provided within their boundaries. The District is authorized to provide the functions or classes of services 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 not currently provided.

Services

The District delivers agricultural irrigation water to its customers via the Salt Spring Valley Reservoir, which is located due east of the town of Milton, in Calaveras County. The District annexed the reservoir in 1949, which included all of the ditches/pipelines. In addition, the District also sells irrigation water to one customer outside its Sphere of Influence. This agreement was part of an original pumping rights contract from the 1940s. The District also owns and operates a small hydroelectric power generation facility located at one of the main irrigation ditches. The District is authorized by the Federal Energy Regulatory Commission to sell power generated by this facility (up to 650 kw hours) to Pacific Gas & Electric (PG&E).

The District is part of a Groundwater Sustainability Agency (GSA) consisting of three regional partners, the Calaveras County Water District, Stanislaus County and Rock Creek Water District. The partnership was formed as required by the Sustainable Groundwater Management Act (SGMA) which requires local agencies with managing sustainable groundwater.

Support Agencies

The District maintains positive collaborative relationships with other agencies, including: Pacific Gas and Electric (PG&E), California Department of Water Resources, Federal Energy Commission, the US Fish and Wildlife Service, Calaveras County Water District and Stanislaus County.

Funding Sources

The District receives assessments and fees for providing agricultural water to its customers. The District also receives a large portion of its revenue from the sale of hydro-electrical power to PG&E. Revenues are also received from lease of the resort area near the Salt Spring Valley Reservoir.

Service Review Categories & Determinations

The following provides determinations related to the seven factors required by Section 56430 for a Municipal Service Review for the Rock Creek Water District:

1. Growth and Population Projections for the Affected Area

The District serves a rural area, in the northeastern portion of Stanislaus County, north of Highway 4, in the Rock Creek area. The area is designated as Agriculture on the County's General Plan and does not expect any significant population growth. The District currently serves four retail customers with irrigation water for agricultural purposes. Under a water rights agreement dating back to the 1940s, the District also serves one customer outside its boundaries (Groves Ranch).

2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

Based on annual median household income and as defined in Section 56033.5 of the Cortese-Knox-Hertzberg Act of 2000, no Disadvantaged Unincorporated Communities (DUCs) have been identified within or contiguous to the District's sphere of influence.

3. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies Related to Sewers, Municipal Water and Industrial Water, and Structural Fire Protection in Any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence

At the present time, the District has both the ability and the capacity to serve its service area and has no unmet infrastructure needs or deficiencies. There are no known DUCs within or contiguous to the District's sphere of influence. Additional services, such as sewer, domestic water and structural fire protection, are provided through other special districts or by way of private systems.

4. Financial Ability of Agencies to Provide Services

Currently, the District appears to have the necessary financial resources to fund adequate levels of irrigation service within the District's boundaries. There is no overlapping or duplication of services within the District boundaries. The District maintains its rate schedule to charge the minimum fees as possible.

5. Status of, and Opportunities for, Shared Facilities

At this time, the District does not share any facilities with other districts or agencies.

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

It is reasonable to conclude that the District can adequately serve the area under its jurisdiction. A five member Board of Directors, elected by the landowners, governs the District. The Board conforms to the provisions of the Brown Act requiring open meetings. The District has a small, yet adequate staff to provide the necessary services to its customers.

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

None.

Sphere of Influence Update

In determining a sphere of influence (SOI) of each local agency, the Commission shall consider and prepare determinations with respect to each of the following factors, pursuant to Government Code Section 56425:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The following determinations are made consistent with Government Code Section 56425 and local Commission policy for the Rock Creek Water District.

Sphere of Influence Determinations

1. Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The Rock Creek Water District's Sphere of Influence (SOI) includes approximately 1,844 acres and is coterminous with the District's boundaries. Territory within the District boundaries consists of agricultural and rural land use areas. These uses are not expected to change. In addition, the District does not have the authority to make land use decisions. The responsibility for land use decisions within the District boundaries is retained by the County.

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

The District's present and probable need for facilities and services in the area is not expected to change, as the District's landowners are dependent on the irrigation water they receive.

3. Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or is Authorized to Provide

The District currently has adequate capacity to provide irrigation water to areas within its existing sphere of influence.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

There are no communities of interest within the District boundaries or Sphere of Influence.

5. For an Update of a Sphere Of Influence Of A City Or Special District That Provides Public Facilities Or Services Related To Sewers, Municipal And Industrial Water, Or Structural Fire Protection, The Present And Probable Need For Those Public Facilities And Services Of Any Disadvantaged Unincorporated Communities Within The Existing Sphere Of Influence.

No Disadvantaged Unincorporated Communities (DUCs) have been identified within or contiguous to the District's Sphere of Influence as defined in Section 56033.5 of the CKH Act. Additional services, such as sewer, domestic water and structural fire protection, are provided through other special districts or by way of private systems.

**APPENDIX “A”
DISTRICT SUMMARY PROFILE**

District:	ROCK CREEK WATER DISTRICT
Location:	Majority of District located in the northeastern portion of Stanislaus County, north of Highway 4, in the Rock Creek area.
Service Area:	Approximately 1,844 acres
Population*:	25 (estimate)
Land Use:	Agricultural
Date of Formation:	April 2, 1941
Enabling Act:	California Water Code, Division 13, Section 34000 et. seq. (Water District Act)
Governing Body:	5 Member Board of Directors, elected by landowners within District boundaries
Administration:	One part-time employee; the District also contracts out for engineering, legal and bookkeeping services
District Services:	Provision of irrigation water to agricultural lands and District-supplied electrical services via its own hydroelectric power generation facility
Budget:	Revenues: \$49,342 (Based on 2015 Audit) Expenses: \$80,046 (Based on 2015 Audit)
Revenue Sources:	Sale of Water and Hydro-Electrical Power

*Source: Population estimated utilizing Census 2010 data, 2010 aerial imagery, and the Stanislaus County ratio of 3.07 persons per household.

APPENDIX “B”

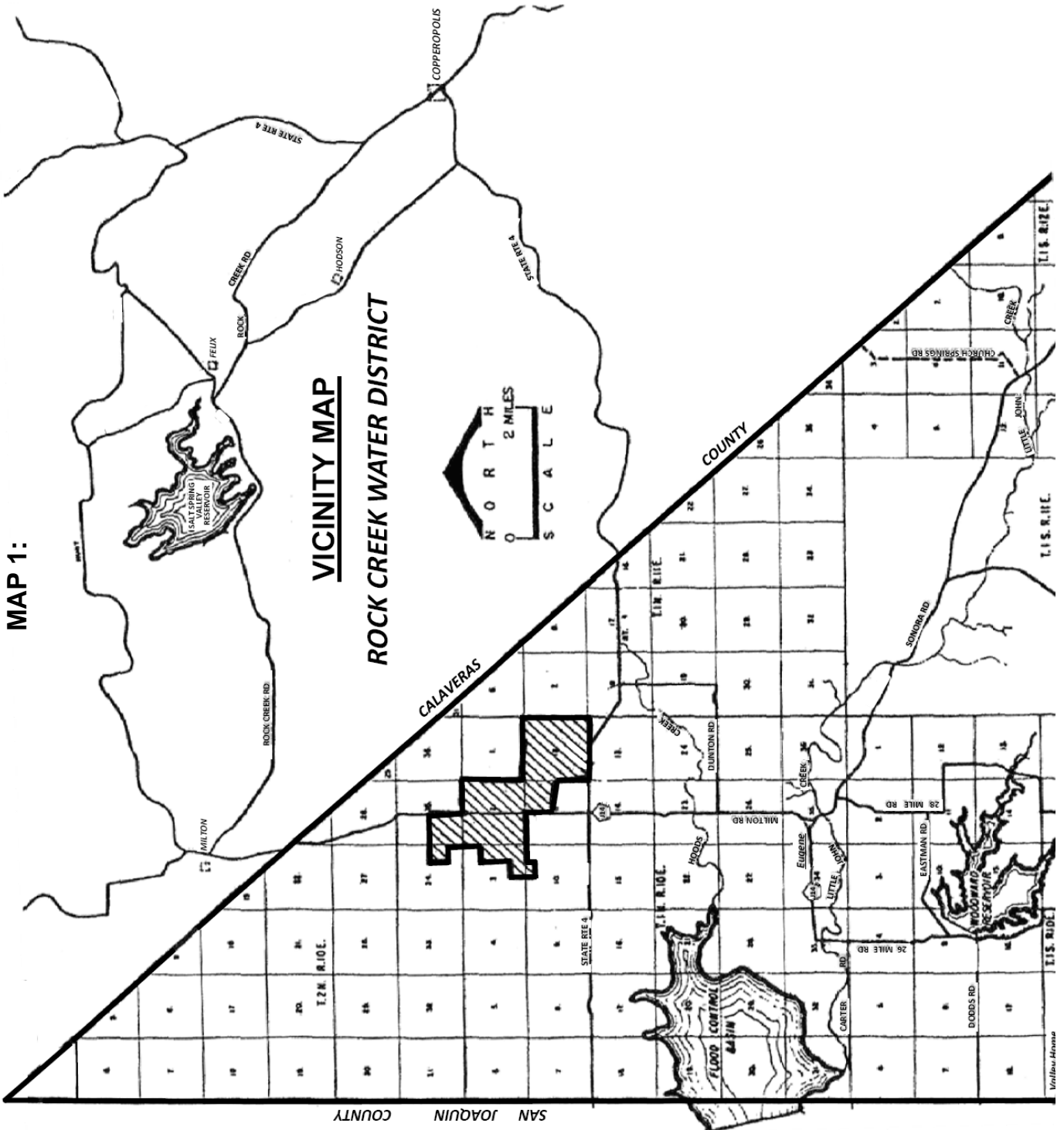
REFERENCES

1. Rock Creek Water District. *Financial Statements*. December 31, 2015.
2. Rock Creek Water District. *Resolution 2008-02: Amendment of Bylaws*. November 15, 2008.
3. Stanislaus LAFCO. *Executive Officer’s Agenda Report: Consideration and Adoption of a Sphere of Influence for the Rock Creek Water District*. May 22, 1985.
4. Stanislaus LAFCO. *Municipal Service Review and Sphere of Influence Update - Rock Creek Water District*. June 26, 2013.
5. State of California Legislative Analyst’s Office Report. *Water Special Districts: A Look at Governance and Public Participation*. March 2002.
6. State of California, State Water Resources Control Board - Division of Water Rights Website (www.swrcb.ca.gov/waterrights).
7. United States Census Bureau. 2010.

INDIVIDUALS AND AGENCIES CONTACTED

1. Don Harper. Board of Directors, Rock Creek Water District.

MAP 1:



**MAP 2: ROCK CREEK WATER DISTRICT
BOUNDARIES AND SPHERE OF INFLUENCE**

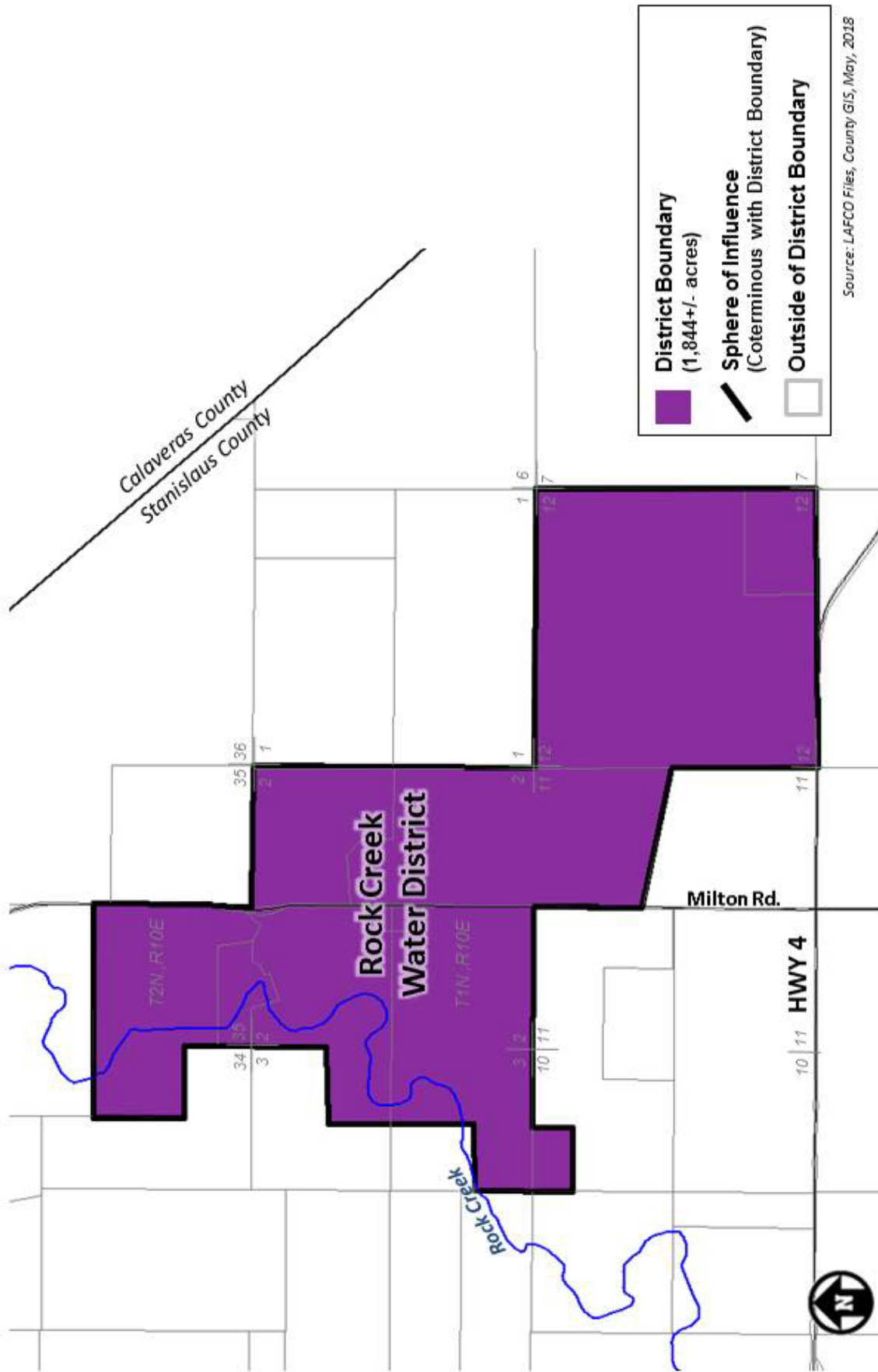


EXHIBIT 2

Draft LAFCO Resolution 2018-11

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**STANISLAUS COUNTY LOCAL AGENCY
FORMATION COMMISSION**

RESOLUTION

DATE: June 27, 2018

NO. 2018-11

SUBJECT: Municipal Service Review No. 2018-02 and Sphere of influence Update No 2018-03: Rock Creek Water 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 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 Rock Creek Water 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 June 27, 2018 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, the Commission has duly considered the draft Municipal Service Review and Sphere of Influence Update on the Rock Creek Water District and the determinations contained therein;

WHEREAS, the Rock Creek Water District was established to provide irrigation water services within its boundaries;

WHEREAS, pursuant to Government Code Section 56425(h), the range of services provided by the Rock Creek Water 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 Service Review prepared in compliance with State law for the review and update of the Rock Creek Water 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 Rock Creek Water District should be affirmed as it currently exists, as more specifically described on the map contained within the 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 Rock Creek Water District.

ATTEST: _____
Sara Lytle-Pinhey, Executive Officer