

**YOLO LOCAL AGENCY FORMATION COMMISSION**

**Resolution № 2020-05**

**Adopting the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Dunnigan Water District (LAFCo No. S-055)**

**WHEREAS**, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Sections 56000 et seq. (unless otherwise indicated all statutory references are to the Government Code); and,

**WHEREAS**, Section 56425 provides that the local agency formation commission (LAFCo) in each county shall develop and determine the sphere of influence (SOI) of each local governmental agency within the county, and enact policies designed to promote the logical and orderly development of areas within the spheres of influence; and,

**WHEREAS**, Section 56430 requires that LAFCos conduct a municipal service review (MSR) prior to, or in conjunction with, consideration of actions to establish or update a SOI in accordance with Sections 56076 and 56425; and,

**WHEREAS**, in 2020, the Yolo LAFCo conducted a review of the municipal services and SOI of the Dunnigan Water District (District), and based on the results of the MSR determined that the SOI for the District should be updated; and,

**WHEREAS**, staff has reviewed the SOI Update and determined that it does not have the potential to cause a significant effect on the environment, and is therefore not subject to the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15301; and, based thereon, the Executive Officer will file a Notice of Exemption; and,

**WHEREAS**, the Executive Officer set a public hearing for September 24, 2020, for consideration of the draft MSR/SOI Update and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and,

**WHEREAS**, on September 24, 2020, the draft MSR/SOI Update came on regularly for hearing before Yolo LAFCo, at the time and place specified in the notice; and,

**WHEREAS**, at said hearing, Yolo LAFCo reviewed the draft MSR/SOI Update, and the Executive Officer's Report and Recommendations; each of the policies, priorities and factors set forth in Government Code Section 56430 and LAFCo's Guidelines and Methodology for the Preparation and Determination of Municipal Service Reviews and Spheres of Influence; and all other matters presented as prescribed by law; and,

**WHEREAS**, at that time, an opportunity was given to all interested persons, organizations, and agencies to present oral or written testimony and other information concerning the proposal and all related matters; and,

**WHEREAS**, the Commission received, heard, discussed, and considered all oral and written testimony related to the SOI update, including but not limited to protests and objections, the

Executive Officer's report and recommendations, the environmental determinations, and the MSR.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** that the Yolo Local Agency Formation Commission hereby adopts Resolution 2020-05 adopting the Municipal Service Review and Sphere of Influence Update for the Dunnigan Water District with the boundaries as shown in Exhibit A, subject to the following findings and recommendations:

## **FINDINGS**

1. Finding: Approval of the Municipal Service Review is consistent with all applicable state laws and local LAFCo policies.

Evidence: The project was prepared consistent with the requirements in the Cortese-Knox-Hertzberg Act for a MSR and all applicable Yolo LAFCo policies and adopted Standards for Evaluation. The MSR includes written determinations as required by Section 56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

2. Finding: Approval of the SOI Update for the Dunnigan Water District does not have the potential to cause a significant effect on the environment, and is therefore not subject to CEQA in accordance with CEQA Guidelines Section 15301 (Existing Facilities) and Section 15061(b)(3) (common sense exemption). A Notice of Exemption will be filed with the County Recorder.

Evidence: The SOI Update could allow for future annexation of additional territory into the Dunnigan Water District and, therefore, may result the US Bureau of Reclamation (USBR) permitting usage of the District's existing conveyance facilities and water allocation imported via the Tehama-Colusa Canal. This additional territory would be served by the existing USBR Central Valley Project water allocation of up to 19,000 acre feet per year. It also may allow existing agricultural landowners to be served by a future allocation from the proposed Sites Reservoir project. However, this project is speculative at this time and will be required to undergo its own NEPA/CEQA review process. Regardless, future annexation would potentially allow the permitting of existing agricultural lands to be served by surface water supplies instead of relying on groundwater pumping, however, the key consideration is the fact that the SOI Update involves no expansion of the existing agricultural use and is exempt under CEQA Guidelines Section 15301. The Dunnigan Water District does not supply potable drinking water and, therefore, the SOI Update will not be growth inducing or otherwise result in any expansion of use. Conjunctive surface and groundwater use is an environmental benefit as compared to the current practice of solely pumping groundwater.

3. Finding: Approval of the SOI Update for the Dunnigan Water District is in compliance with the Yolo LAFCo Project Policies Criteria for Spheres of Influence (Policy 6.3) as follows:
  - Retention and strengthening of community identities, as well as increasing efficiency and conserving resources, by providing essential services within a framework of controlled growth;
  - Identification of the county's prime agricultural land and protection of this land through all available devices, such as including controlling the provision of services, requiring infill development first, and preferring non-prime land for growth. Other open-space

resources such as stream banks, flood plains, and present and future recreation areas should also be protected for public benefit;

- Creation of realistic and controlled, yet flexible, planning areas into which anticipated services can be expanded as growth requires and as the communities' resources provide;
- Provision of infrastructure systems such as streets, sewers, water, open space for parks and recreation as a product of growth, rather than growth inducing;
- Encouragement of city annexation or incorporation as a means of supplying the full range of urban services as required; and
- Evaluation of the availability and need for basic services in each community and forecast these to meet anticipated population growth, and recommend creation, expansion, consolidation and/or reorganization of districts when need for such change is indicated.

Evidence: These policies apply to all city and special district SOIs but are largely not applicable to a district that provides non-potable water supporting continued agricultural use. The proposed SOI Update will serve to retain the rural agricultural farming community in a more sustainable manner utilizing conjunctive surface and groundwater use instead of the current practice of solely pumping groundwater. It will provide a flexible planning area where services can be expanded as surface water resources allow. The conveyance systems are either already existing or, if extended, would not be growth inducing because the water supports agricultural uses and is non-potable. District expansion is anticipated to support agricultural use, not population growth or urban expansion.

## **RECOMMENDATIONS**

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

3. As part of the Strategic Planning process, the District should develop a capital improvement plan (CIP) and a mechanism to set aside funds to finance future system improvements and eventual replacement.
4. The District should consider developing a catastrophic reserve to fund unforeseen events. The reserve policy should include a calculated target and funding strategy.
5. The District should consider using the Yolo County Treasury to invest surplus funds to increase investment earnings.
6. The District should develop an audit procurement policy that at a minimum would include the following: establishment of an audit committee, audits are to be performed in accordance with generally accepted government auditing standards (GAGAS), auditing agreements should be multiyear and require a rotation of auditors after a specific number of years, and the audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor's ability to perform a quality audit and that price should not be allowed to serve as the sole criterion.
7. Improve the District's website content and keep current per the latest Web Transparency Scorecard posted on the Yolo LAFCo website.

**PASSED AND ADOPTED** by the Yolo Local Agency Formation Commission, State of California, this 24th<sup>th</sup> day of September 2020, by the following vote:

Ayes:  
Noes:  
Abstentions:  
Absent:

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Olin Woods, Chair  
Yolo Local Agency Formation Commission

Attest:



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Christine Crawford, Executive Officer  
Yolo Local Agency Formation Commission

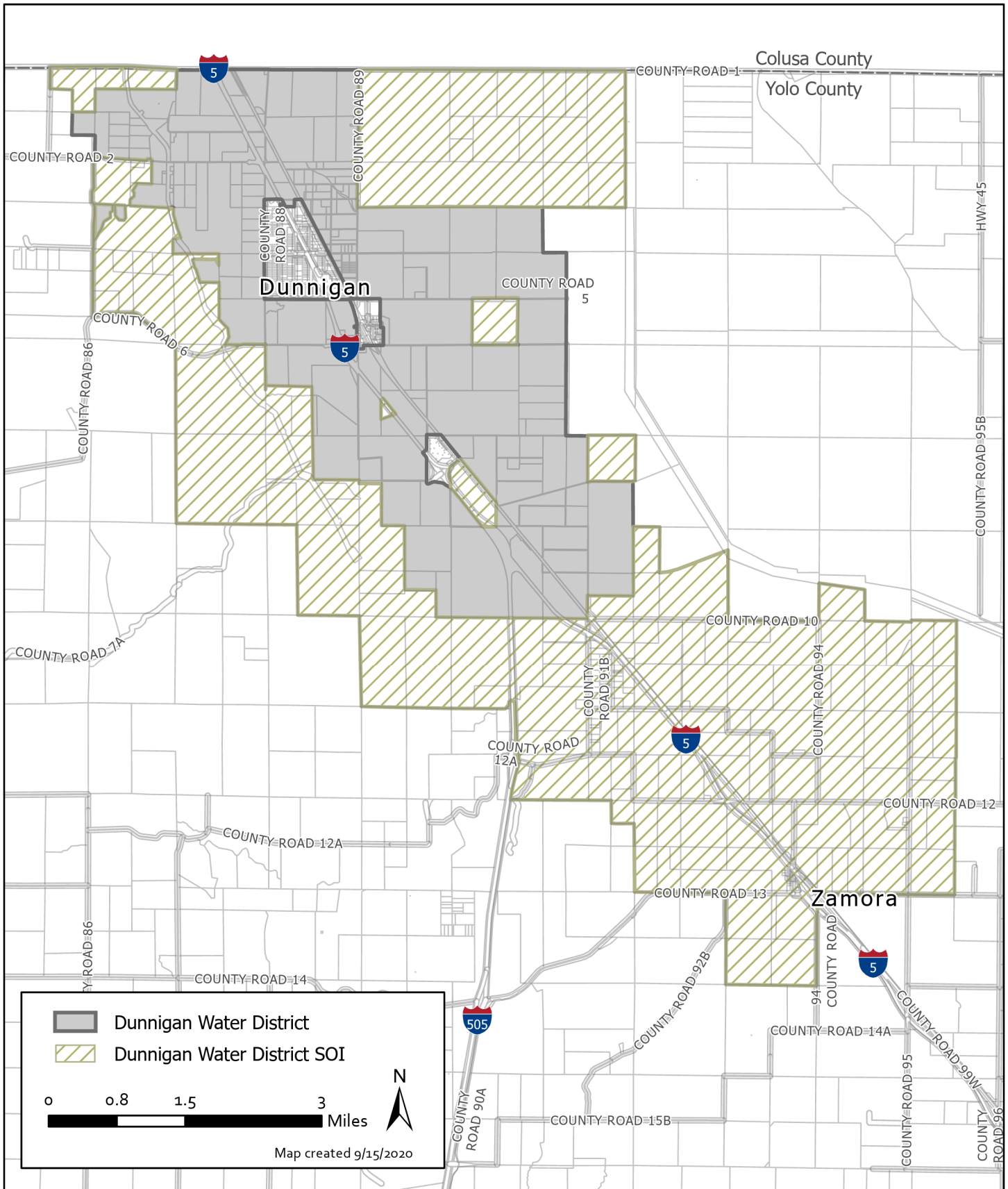
Approved as to form:



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Eric May, Commission Counsel

# Dunnigan Water District Boundary and Sphere of Influence



Adopted by Yolo LAFCo on September 24, 2020