

Clayton Water District Municipal Service Review



Prepared For:

Madera Local Agency Formation Commission
200 West 4th St.
Madera, CA 93637
(559) 675-7821

Prepared by:

Precision Civil Engineering, Inc.
1234 O Street
Fresno, California 93721
Phone (559) 449-4500
Fax (559) 449-4515

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1 - Introduction

1.1 - Municipal Service Review Purpose

The Madera Local Agency Formation Commission (LAFCo) is an independent agency that has contracted services with the County of Madera (the County). In accordance with California Government Code Section 56001, Madera LAFCo aims to coordinate changes within local and government boundaries. It is responsible for preparing spheres of influence (SOI) determinations for local agencies within the County (Section 56425). A SOI determines probable physical boundaries and the service area of a local agency. The Municipal Service Review (MSR) is an assessment of the existing government agencies and their ability to effectively provide services to its residents and users. MSRs must be completed prior to the update of a SOI or before any reorganization of district boundaries takes place.

The MSR in this report is prepared with accord to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), which requires all LAFCos to prepare a MSR for each of its cities and special districts (Section 56000). It is intended to provide all relevant information relating to the operation of the Clayton Water District ("District") in order to review possible amendments to its SOI or reorganization, consolidation of or annexation to the District.

1.2 - LAFCo

California Government Code Sections 56300 et seq. set forth LAFCo's powers, procedures, and functions. LAFCos have the power to "approve or disapprove with or without amendment, wholly, partially, or conditionally" proposals concerning the formation of cities and special districts, annexation or detachment of territory to cities and special districts, and other changes in organization of local government agencies.

All counties of the state have a LAFCo. Madera LAFCo is comprised of five members: two members are from the County Board of Supervisors, two represent the cities in the county, and one member represents the public at large. The members from the County Board of Supervisors are selected by that board (Section 56325). The members from the City Council are designated by the City Selection Committee (Section 56325). The public member is appointed by the other four commissioners (Section 56325). There are also three alternate commissioners; one for each of the categories of members.

LAFCo has the power to determine the SOI for each of its water districts. The SOI is the territory that will eventually be within each district's boundary. If LAFCo chooses to adopt a "zero" sphere (not adopt a SOI for a district), its plan for that district is that it be consolidated into another district. In order for a district's SOI to be amended, an MSR is required. The results of the MSR could determine whether or not districts should be combined or possibly dissolved. They can be combined by consolidation

or by dissolution and annexation. Madera LAFCo has the power to initiate proposals for special district consolidation or dissolution. However, it cannot initiate an annexation on its own (CKH Section 56375).

Consolidation is defined as the uniting or joining of two or more special districts into a single district (CKH Section 56030). This result means that all the powers, rights, duties, obligations, functions, and properties of the previous districts that have been joined shall be transferred to a new consolidated district. The newly formulated district takes over duties and responsibilities; the former districts no longer exist.

Districts may also be combined by the dissolution of one district and the annexation of the dissolved district's territory into another district. Annexation is the adding of territory into the domain of a city, county or special district. In a reorganization involving dissolution and annexation, one district no longer exists and the other is expanded. LAFCo must find that the reorganization is consistent with the determinations of an approved MSR, as well as local policies and CKH.

In order for LAFCo to approve either a consolidation or a reorganization consisting of dissolution and annexation, proof must be provided that the public service costs will be less than or similar to the cost of alternative means of providing the same service. The proposal must also promote public access and accountability for community service needs and financial resources. A Plan for Services shall be prepared pursuant Section 56653 that justifies whether land should be annexed to a district.

1.3 - Required Topic Areas of Analysis

This MSR contains analysis and conclusions, referred to in this document as determinations, regarding the six topic areas set forth in the CKH Act. They focus on the essential operational and management aspects of the service provider and review the provider's ability to meet the demands of the residents and businesses within the analyzed area. The topic areas as required by Section 56430 are:

1. Growth and Population Projections;
2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including 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.
3. Financial Ability to Provide Services;
4. Status of, and Opportunities for, Shared Facilities; and
5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies;

6. Identified Disadvantaged Unincorporated Communities (DUC).

Definitions and explanations for these topic areas are provided below, as defined by LAFCo.

Growth and Population Projections

Service efficiency is linked to a service provider's ability to plan for future needs while meeting existing service demands. A service provider must meet current customer needs, and also be able to determine where future demand may occur. This section reviews demand projections and service needs based upon existing and anticipated growth patterns and population projections.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including 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.

Infrastructure can be evaluated in terms of condition, capacity, availability, quality and relationship to operational, capital improvement and finance planning. This section assesses the adequacy and quality of the service providers' physical infrastructure, and analyzes whether or not sufficient infrastructure and capital are in place (or planned for) to accommodate planned future growth and expansions.

Disadvantaged Unincorporated Communities – DUCs

The CKH Act requires LAFCo to make determinations regarding DUCs when considering a change of organization, reorganization, SOI expansion, and when conducting municipal service reviews. DUCs are defined as inhabited territory that constitutes all or a portion of a community with an annual median household income that is less than 80 percent of the statewide annual household income (MHI).

State law requires identification and analysis of service issues within DUCs as part of municipal service reviews and sphere of influence reviews. State law also places restrictions on annexations to cities if the proposed annexations are adjacent to a DUC.

For any updates to a SOI of a local agency (city or special district) that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, LAFCo shall consider and prepare written determinations regarding the present and planned capacity of public facilities and adequacy of public services, and infrastructure needs or deficiencies for any disadvantaged unincorporated community within or contiguous to the SOI of a city or special district.

Financial Ability to Provide Services

This section analyzes the financial structure and health of the District with respect to the provision of services. Included in this analysis is the consideration of rates, service operations, and the like, as well as other factors affecting the District's financial health and stability, including factors affecting the financing of needed infrastructure improvements and services. Compliance with existing State requirements relative to financial reporting and management is also discussed.

Status of, and Opportunities for, Shared Facilities

This section examines opportunities and practices that may help reduce or eliminate unnecessary costs. Any opportunities for sharing facilities are assessed and evaluated for efficiency and potential to better deliver services.

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

This section addresses the adequacy and appropriateness of the District's existing boundaries and spheres of influence, and evaluates the ability of the District to meet its service demands under its existing government structure. Also included in this section is an evaluation of compliance by the District with public meeting and records laws.

2 - Clayton Water District

2.1- Location

The Clayton Water District (CLWD) covers an area of approximately 1,200 acres (three parcels of land), located adjacent to the Madera/Fresno County boundary defined by the San Joaquin River. It is in western Madera County, east of Newcomb Avenue (Township 11 South, Range 13 East). The location of the District within Madera County can be seen in Figure 2- 1.

2.2 - Background

The Clayton Water District was formed in the 1980's in an effort to provide surface water to its lands. This District is a landowner-voter district formed to facilitate contracting with the United States Bureau of Reclamation for a surface water entitlement, as well as, to obtain any excess waters from the San Luis Reservoir and the CVP for use on its lands. The District chose to use groundwater instead of pursuing contracting surface water due to economics and limited availability. This caused the District to become inactive and it has relied solely on groundwater for irrigation.

The 2,567 acres of Triangle T Ranch was located within the Clayton Water District, but in 2015 it petitioned to be detached and placed in the proposed Triangle T Water District of approximately 15,689 acres (16 parcels). John Hancock Life Insurance Company requested the formation of the Triangle T Water District and an established SOI boundary. It also asked that the SOI boundaries of the Clayton Water District be amended, along with those of the Chowchilla Water District and the Madera Irrigation District. Illustrations of the Clayton Water District before and after the Triangle T Ranch detachment are shown in Figure 2- 2 and Figure 2- 3, respectively. The proposed Triangle T Water District and the proposed Clayton Water District detachment are shown below in Figure 2- 4 and Figure 2- 5, respectively.

The owners of land in the Clayton Water District and the proposed Triangle T Water District were asked by LAFCo to reach an agreement and join together as one district. The proposed boundaries of the Triangle T Water District would surround the Clayton Water District. Thus, a merger of both districts seemed to be a viable solution. However, the two districts have different farming practices and goals regarding their property. The Clayton Water District pumps from shallow rechargeable aquifers rather than deep wells and uses available flood waters to recharge these aquifers.

The solution, if opposition against a joint district continued and the Triangle T Water District was approved, would be that the boundaries of both districts are set so that each has the opportunity to expand in their respective directions. John Hancock Life Insurance Company was working on a project to construct a pipeline from the Central California Irrigation District's Poso Canal through Cross Country Creek and Vlot Brothers' property to the Triangle T Ranch. Denying the opportunity for the Cross

Creek Property to work with the proposed Triangle T Water District would pose problems for this project. However, Triangle T Water District's proposal meant the annexation of the properties north of Cross Creek with Clayton Water District would be possible only through a non-contiguous annexation. This would result in having properties in the Clayton Water District on both sides of the Cross Creek Property.

Being a part of a California water district allows property owners to participate in contracting for surface water and funding improvements on properties within the District through assessments. Approval of the Triangle T Water District meant addressing subsidence issues in its area, including the possibility of it becoming a Groundwater Sustainability Agency. An agreement between property owners not to include Cross Creek in the Triangle T Water District and still allow the pipeline project connecting the Triangle T Ranch to Poso Canal, would allow the Clayton Water District to have future contiguous annexations. Nevertheless, California water districts are permitted to have non-contiguous properties as long as they remain within two miles of existing district boundaries. Therefore, if there were no agreement, approval of the Triangle T Water District would still allow the Clayton Water District to annex properties to the north of Cross Creek.

After several hearings, the petitions to detach land from the Clayton Water District and form the Triangle T Water District were approved by LAFCO on January 25th, 2017. The SOI of the Clayton Water District was amended to remove the 2,567 acres owned by John Hancock Life Insurance Company from within its boundaries and place it within the newly formed Triangle T Water District. LAFCO ruled that Cross Creek could not become part of the Triangle T Water District, as this would limit Clayton Water District's ability to expand to the north. However, John Hancock Life Insurance Company, Cross Creek, Vlot and Central California Irrigation District reached an agreement so that the pipeline could be installed.

On December 20, 2016 the Board of the Clayton Water District took action to file a request to activate the District's latent powers which was approved by LAFCO on February 22nd, 2017. This act resulted in an expansion of interest from owners to the north to annex into the Clayton Water District. LAFCO's reactivation of the District's latent powers allows it to:

1. Acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes, and any drainage or reclamation works connected therewith or incidental thereto.
2. Hold elections to determine whether or not bonds shall be issued to pay the costs of construction of irrigation works within the District.
3. Enter upon any land within the District for District purposes.
4. Take conveyances, contracts, leases, or other assurances for property acquired by the District pursuant to Division 13.
5. Execute contracts.
6. Sue and be sued.

7. Levy and collect assessments and standby charges.
8. Disseminate information to the public concerning the rights, properties, and activities of the District.
9. Adopt and enforce District rules or regulations pertaining to the sale or distribution of water within the District.
10. Elect and apply to be or participate in a Groundwater Sustainability Agency as that term is defined in the Sustainable Groundwater Management Act (Water Code Sections 35400-35413, 10723, 10721(j)).

On July 9, 2018 the Clayton Water District filed a proposal with the Madera Local Agency Formation Commission to expand the District's sphere of influence. The sphere of influence expansion would encompass approximately 14,685 acres.

The District also concurrently filed an annexation application, proposing to annex 47 parcels encompassing approximately 9,458 acres (See Table 2-1). The annexation application involves 2,451 acres within Madera County and 7,006 acres within Merced County.

The annexation of these properties is exempt from the California Environmental Quality Act (CEQA) per Sections 15307 and 15308, which, respectively, state that "actions for the protection, restoration or enhancement of a natural resource/environment are exempt from CEQA. The annexation will allow the District to pursue the purchase of surface water, which will aid in the protection, restoration, and enhancement of groundwater resources.

The SOI expansion is exempt per Section 15601 for projects not having the potential for a significant effect on the environment. It is also exempt per Section 15262 for possible future projects or actions involving only feasibility or planning studies for possible future actions which the agency, board or commission has not approved, adopted or funded and does not require preparation of an EIR, but does require consideration of environmental factors; and where the exceptions listed in CEQA Guidelines Section 15003.2 would not apply.

Table 2-1 Annexation Parcel List

CLAYTON WATER DISTRICT			
Parcels Proposed for Annexation in Madera and Merced Counties			
MADERA COUNTY			
	APN	LANDOWNER	ACRES
1.	020-120-012-000	Blech	181.67
2.	020-110-002-000	Brasil	86.89
3.	020-140-002-000	Brasil	97.68
4.	020-110-010-000	Brasil	124.52
5.	020-140-011-000	Harman	34.30
6.	020-140-012-000	Harman	178.70
7.	020-140-008-000	Harman	137.96
8.	020-200-006-000	Harman	93.00
9.	020-150-009-000	Menefee	79.51
10.	020-150-002-000	Menefee	477.96
11.	020-170-003-000	Soares	476.37
12.	020-170-009-000	Soares	160.00
13.	020-181-004-000	Soares	320.00
14.	020-140-010-000	Wickstrom	2.40
Madera County Total Acreage			2450.96
MERCED COUNTY			
	APN	LANDOWNER	ACRES
15.	074-130-014-000	Baker	157.00
16.	074-160-046-000	Baker	629.00
17.	074-170-014-000	Baker	5.00
18.	074-170-015-000	Baker	13.00
19.	074-150-006-000	Baker	194.00
20.	074-150-003-000	Baker	42.00
21.	074-160-036-000	Baker	104.00
22.	074-160-022-000	Baker	105.00
23.	074-170-020-000	Brasil	57.14
24.	074-160-048-000	Brasil	26.00
25.	074-170-004-000	Brasil	229.00
26.	074-160-003-000	Gomes	167.00
27.	074-160-004-000	Gomes	163.10
28.	074-160-026-000	Gomes	92.00
29.	074-160-037-000	Gomes	278.00
30.	074-160-052-000	Gomes	20.00
31.	074-160-053-000	Gomes	20.00
32.	074-160-054-000	Gomes	473.00
33.	074-170-021-000	Harman	226.00

34	074-170-023-000	Harman	75.50
35.	074-130-010-000	Menefee	430.00
36.	074-170-012-000	Menefee	333.00
37.	074-160-012-000	Menefee	71.00
38.	074-150-004-000	Menefee	461.00
39.	074-150-008-000	Menefee	273.00
40.	074-150-010-000	Menefee	385.00
41.	074-140-025-000	Menefee	162.00
42.	074-130-013-000	Nyman	204.00
43.	074-140-024-000	Nyman	634.00
44.	074-140-035-000	Nyman	638.60
45.	074-170-018-000	Wickstrom	4.80
46.	074-170-019-000	Wickstrom	218.00
47.	074-170-024-000	Wickstrom	116.20
Merced County Total Acreage			7006.34
TOTAL ANNEXATION			9457.30
Existing District Acreage			1143.34
Total District Acreage After Annexation			10600.64

Figure 2-1 Site Location within Madera County

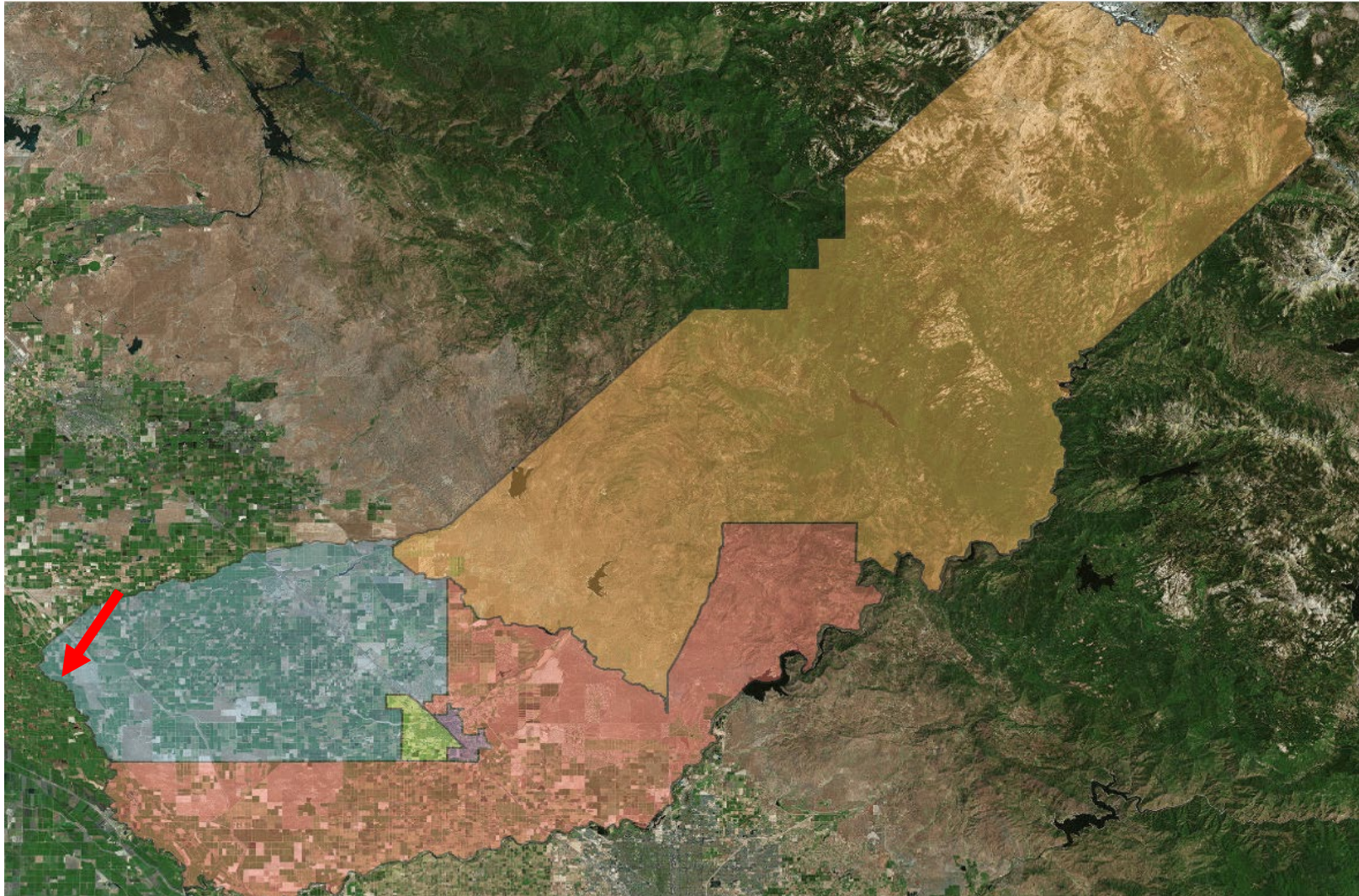


Figure 2-2 Clayton Water District Before Triangle T Detachment

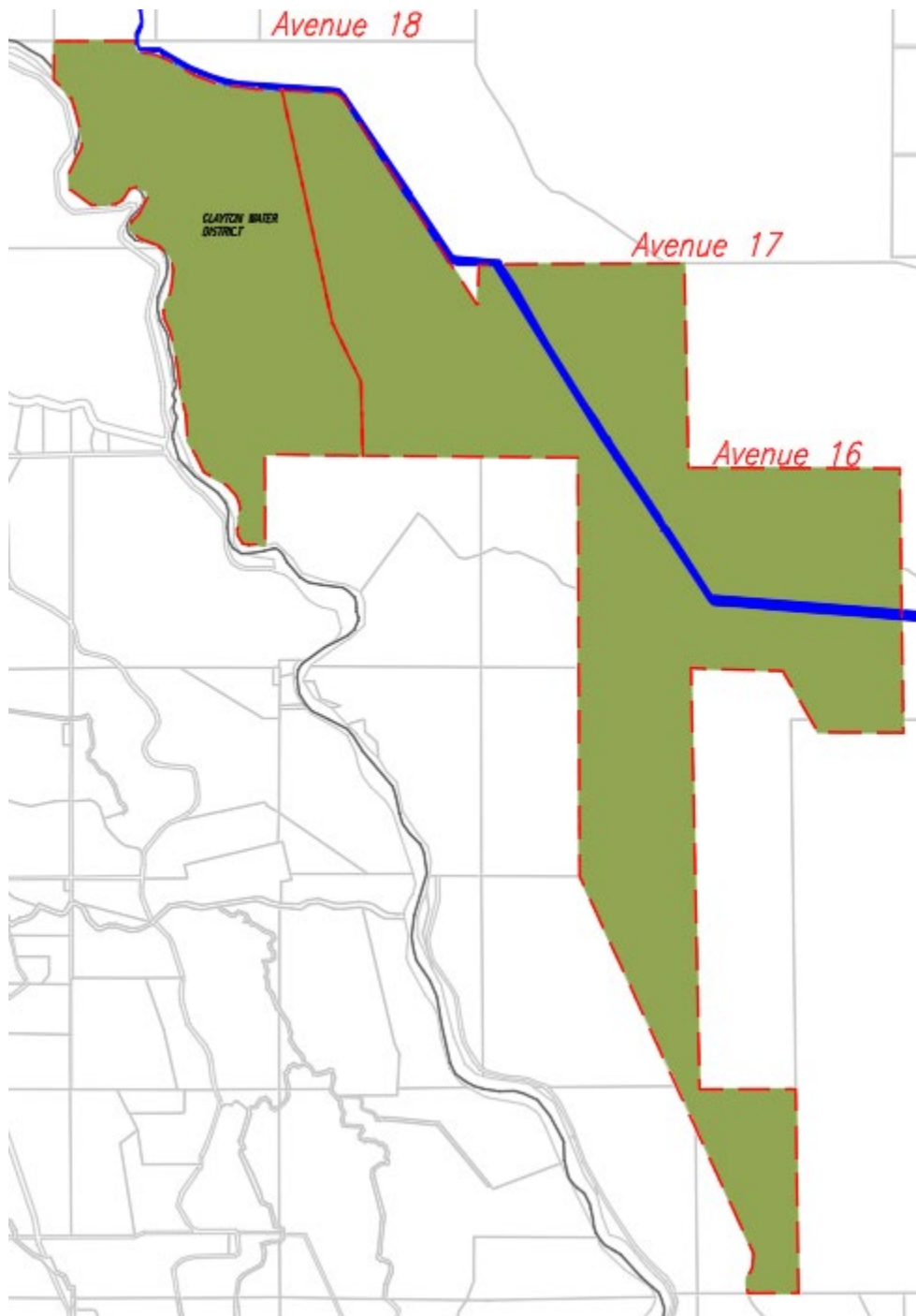


Figure 2-3 Clayton Water District After Triangle T Detachment

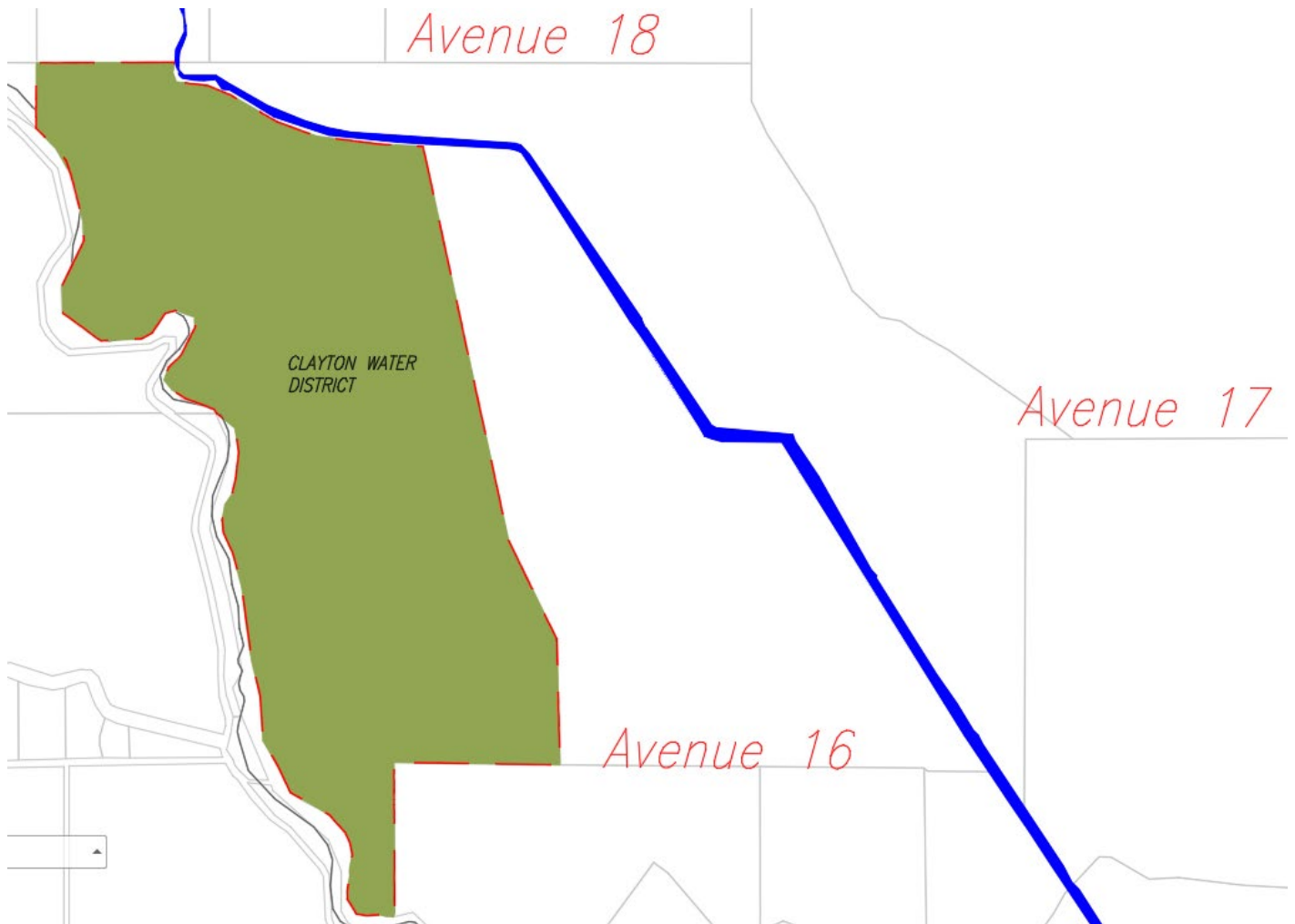


Figure 2-4 Triangle T District Formation

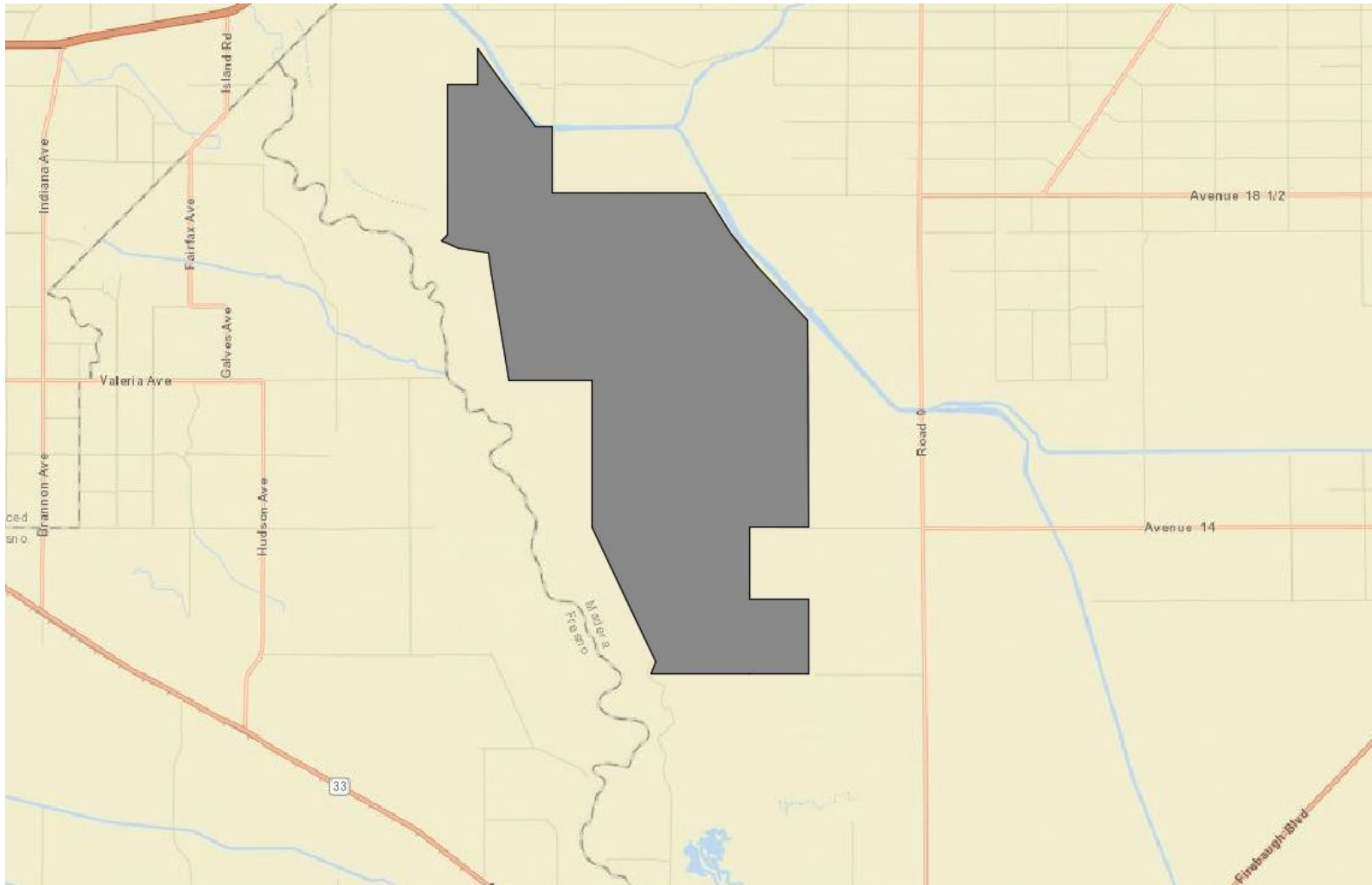
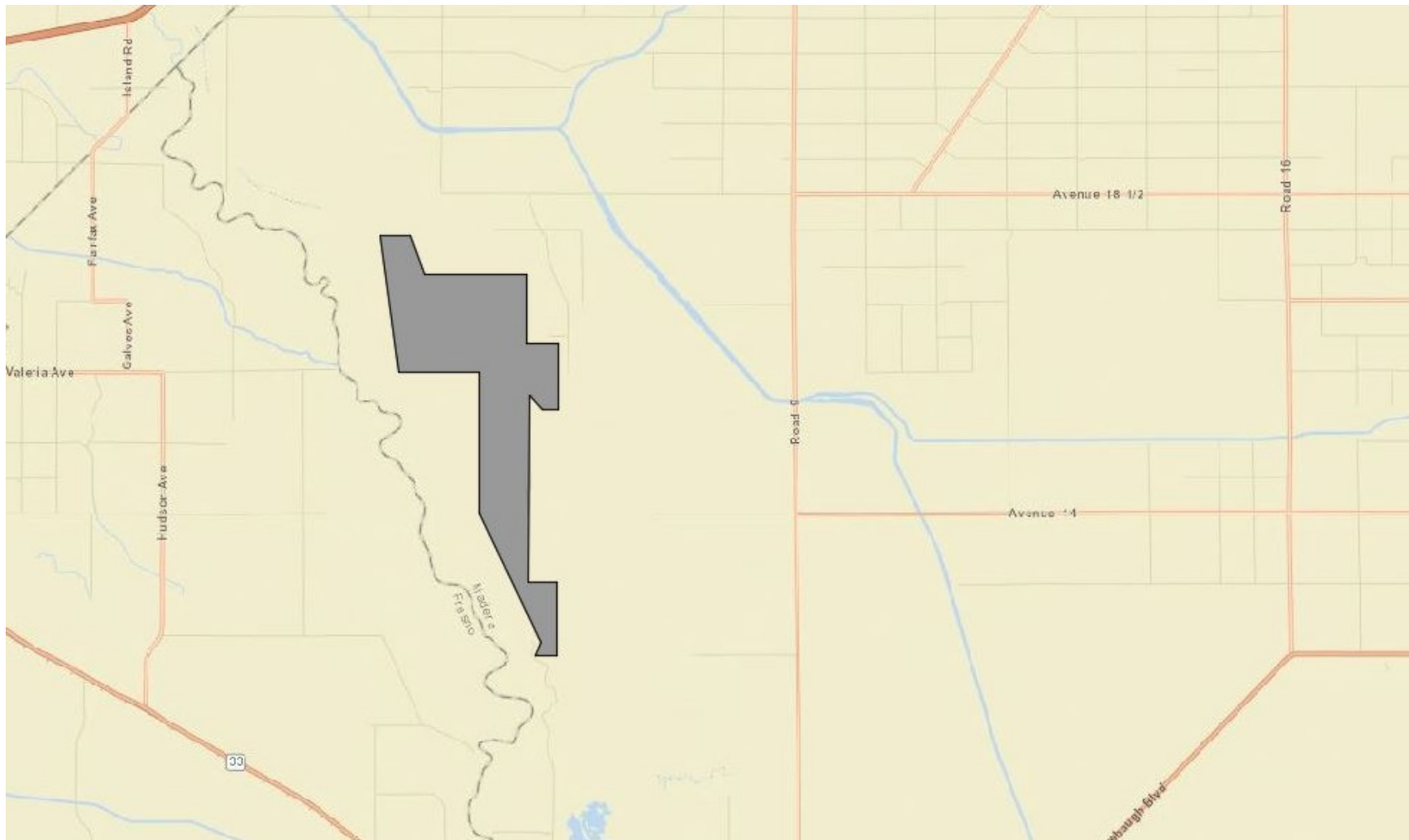


Figure 2-5 Clayton Water District Triangle T Detachment



3 - Topic Areas of Analysis

3.1 - Growth and Population Projections

The purpose of this section is to evaluate service demands and needs based on the District's existing and anticipated growth patterns and projections. LAFCo's MSR guidelines require a determination of historic and anticipated projected growth and absorption patterns within a service provider's boundaries and SOI. LAFCo must also evaluate the impact and compatibility of these growth patterns on the land use plans, services and local government structures and growth patterns.

The Clayton Water District is located in Census Tract 4 of Madera County, which has a population density of 6.3 persons per square mile, covers a total of 247.8 miles, and has a total population of about 1,552 people. The District is made up of 1,200 acres or 1.875 square miles; therefore, by census estimation they should be comprised of about 12 people. However, there are no people currently living within the District. Census predicts a 0% change of annual rate of population. Therefore, it is safe to assume that there should not be significant change in the population within the District.

The territory within the Clayton Water District consists of a single-family farms committed to long term agriculture. The District is in the process of annexing more property into it. If such proceedings occur, there will be a slight increase in the population within the District. Parties interested in joining the Clayton Water District include single family farms, so the increase in population will be slight. After annexation, the District estimates that approximately 25 people will be living within its boundaries. However, there are no anticipated negative changes of significance to service the demands and needs of those living within the District.

Determination

There are no people currently living within the Clayton Water District. After annexation the anticipated population within the District will be approximately 25 people. These are people already living in these areas. There is no anticipated population growth for the area.

3.2 - Existing Facilities and Assets

The purpose of this section is to analyze the adequacy and quality of service providers within the District.

Currently, there is one single-family farm within the Clayton Water District. There are nine shallow wells on site which the family uses for agricultural purposes. As a California Water District, the District has the right to contract for imported surface water.

Determination

The District has nine shallow and deep wells on site used for agricultural purposes.

3.3 - DUCs

The District does not provide any public services related to sewer, municipal and industrial water, or structural fire protection. Therefore, there it is not feasible for the agency to be reorganized such that it can extend service to any adjacent disadvantaged unincorporated communities. According to US Census Bureau 2016 data, there are no adjacent DUCs located within, or contiguous to the District service boundary area or sphere of influence, see Figure 3- 2.

Determination

There are no adjacent DUCs located within, or contiguous to the District service boundary area or sphere of influence.

3.4 - Plan for Future Services

Clayton Water District intends to pursue the purchase of imported water to augment water supplies now available to and used by owners of land within the District. The District has looked into and there are no possible opportunities to join other water districts; therefore, the District will also consider construction of conveyance infrastructure to distribute that water from the Eastside Bypass (or other locations from which the water can be delivered and distributed) to landowners. Conveyance infrastructure may need to be constructed from nearby irrigation and water districts to serve landowners of Clayton Water District wishing to annex into the District. Possible sources of such supplemental water include San Luis Canal Company, Central California Irrigation District, Merced Irrigation District, and the Chowchilla Water District.

The District plans to extend a pipeline along Highway 152 to the Poso Canal (a Central California Irrigation District facility) or another feasible location on the west side of the San Joaquin River. Water will be diverted during flood events from the Eastside Bypass, and CLWD has submitted an application with the State Water Resources Control Board to permit these diversions. There will be six diversions in Merced County and two in Madera County. The design of eventual conveyance infrastructure will depend on the location of the land to which water is conveyed. Obviously, land near the San Joaquin River (or other sources) will require relatively modest construction, while land further east from the river would be more elaborate. Cost projections for new infrastructure is beyond the scope of this MSR and shall be up for discussion with the District's Board once further cost studies have been conducted.

The District's plans are to pump from rechargeable aquifers (above the Corcoran clay) and to reduce pumping from the deeper aquifer (below the Corcoran clay) whenever possible. Available flood waters will be used to recharge these shallow aquifers. There may also be land within the District that can be used for recharge of surface water so that the shallow aquifers are replenished. This strategy, if built and applied properly, may reduce the rate of subsidence in the area and restore the shallow aquifers. It is important to recognize that a portion of the Clayton Water District will remain on deep wells until such time as the District can construct facilities to serve properties (many located east of the Eastside Bypass) with surface water supplies.

There may be costs related to recharge, extraction and conveyance of water. These costs would be paid by landowners in proportion to their use of those facilities. Furthermore, the District is having discussions with other entities, such as the Chowchilla Water District, regarding additional surface water supplies. The District anticipates the costs for this water to be \$300-\$400 per acre-foot. These costs will be paid by the landowners in the District in proportion to the water that they receive. A fee structure will be set up by the Board once the District begins contracting these additional surface water supplies. Future fees and landowner approved assessments shall comply with Proposition 26 and Proposition 218 or may be accomplished through contracts running with lands in the District.

The District also has the opportunity to participate in the Sustainable Groundwater Management Act (SGMA) process in the Chowchilla Sub-basin. On January 24th, 2017, the District and the County of Madera entered into a Memorandum of Understanding (MOU) that will ensure that the District will carry out its duties consistent with the activities of the County acting as a Groundwater Sustainability Agency (GSA) to implement the Groundwater Sustainability Plan (GSP) that will affect the land within the District and the entire Sub-basin.

The District has elected not to serve as a GSA in its current capacity, but would like to partner with the County. The County intends to serve as a GSA for a portion of the Chowchilla Subbasin of the San Joaquin Valley Groundwater Basin (Subbasin No. 5-22.05) as identified by the Department of Water Resources (DWR), which is entirely within the boundaries of the County. The Clayton Water District and the County entered into an MOU to address those areas within the County that are within the boundaries of the District, currently and as those boundaries may be amended in the future. Through the MOU, the County and the District intend to address the terms and conditions of GSA coverage by the County, and implementation of the GSP within the boundaries of the District.

The County and District agree upon the following objectives:

- a) To achieve sustainable groundwater management pursuant to SGMA in those portions of the Chowchilla Subbasin that are within the exterior boundaries of

- the District and that the County is willing to cover as part of a GSA, which boundaries are identified in Appendix C.
- b) To work together to establish GSP that covers the CLWD Management Area through SGMA and the County's land use planning authority and police powers.
 - c) To establish a process to ensure there are no conflicts between the implementation of a GSP for the District Management Area and the County's exercise of its land use planning authority.
 - d) To work cooperatively with adjacent GSAs to achieve sustainable groundwater management in the Chowchilla Subbasin.

The District agrees that the County shall cover the District for GSA purposes, but that the District shall implement the GSP within the District boundary, and that such implementation will not abrogate the County's General Plan or conflict with the County's exercise of its land use planning authority; provided, that the County's General Plan and the County's exercise of its land use planning authority comply with all applicable laws, statues, and regulations.

The District will extend to the Merced Subbasin and will participate in the SGMA process either formally through representation on a GSA Board of Directors, or informally by representation by Merced County. The District actively attends SGMA meetings in both Subbasins at this time and is contributing to the project list within the Groundwater Sustainability Plan via Merced County.

The District contemplates annexation of non-contiguous land of interested owners north of Clayton Water District, including land north of Cross Creek property. Landowners willing to annex into Clayton Water District do so to complete projects benefiting the area, and to work with like-minded landowners. As more landowners join the district, more board members will be added and thus, there will be more representation that embodies goals of the entire district.

Property owners asking to join the Clayton Water District are the Harman, Brasil, Soares, Menefee, Gomes, Nyman, Baker, Wickstrom, and Blech. This accounts for a total of approximately 3,595 acres in Madera County and 7,006 acres in Merced County. Like the Clayton Water District, these property owners obtain their water from shallow aquifers and deep wells. Therefore, their infrastructure and groundwater management needs are the same. This will allow the District to provide similar services to all the landowners within the District. These landowners believe in being part of a District where they will have more voting rights and excessive fees are not likely to be imposed, since there will not be one dominant land owner. Properties involved in the proposed annexation to the Clayton Water District are illustrated in Figure 3- 1 below.

Determination

The District has no opportunities to join other water districts. They plan to extend a pipeline along Highway 152 to the Poso Canal on the west side of the San Joaquin River, divert flood waters from the Eastside Bypass, as well as consider construction of other conveyance infrastructure. The District plans to pursue the purchase of imported water to augment water supplies. Other like-minded family farm property owners wish to annex into the District and participate in equal and fair funding of these projects.

3.5 - Financial Ability to Provide Services

LAFCo requires that the District have, or be able to obtain, sufficient capital to accommodate future planned growth and expansions. All funds to operate the District are voluntarily paid by its landowners. The District’s attorney reported that the District has no costs for its current operations or management and that it has no paid employees. Board members volunteer their time to study and carry out the objectives of the District, at no cost to it.

Most of the District's only expenditures for the past few years have been for legal services (in order to reactivate its latent powers), as shown in Table 3- 1. Funds needed for any new studies or to construct new facilities shall be paid directly by the landowners of the District through contracts running with the land. Additional surface water supplies may be available at prices estimated to be about \$300-\$400 per acre-ft. The landowners will pay these costs in proportion to their use; during which an assessment fee structure for the District may be set up based on Proposition 218 voter approval. CLWD will seek grant funding opportunities including the Proposition 1 funding for infrastructure permitting and construction and has submitted projects to be eligible for funding under any Sustainable Groundwater Management Act implementation funding in the future.

The Clayton Water District was approved by LAFCo to reactivate its latent powers. Therefore, the District will be able to contract for the delivery of surface water and obtain surplus water to provide for the hydrological needs of those within its boundaries.

Table 3-1 CLWD Expenditures

EXPENSES		
YEAR	LEGAL FEES	MANAGEMENT CONSULTING
2015	\$ 3,481.00	
2016	\$ 42,780.00	
2017	\$ 23,514.50	
2018	\$20,656.10	\$19,402.79

Determination

The expenditures in the past few years have been for legal and consulting services in order to reactivate its latent powers and for general management; paid for by the District’s landowners. The District itself has no current expenses for operations and management since they have no paid employees, only consultants. Once additional properties are annexed into the District, a fee structure and/or assessment will be established by contracts running with the lands in the District, or in compliance with Proposition 218 in order to fund new conveyance infrastructure and other services.

The District will actively seek grant funding opportunities to fund permitting and infrastructure costs associated with projects.

3.6 - Facilities and Opportunities for Shared Facilities

The District does not currently share any facilities with any other agencies. All of the equipment, turn-out facilities and water conveyance facilities enjoyed by or used by the District in terms of having water delivered to its boundaries are already in place. Future opportunities for shared facilities include potential projects undertaken by the District or surrounding jurisdictions pursuant to Proposition 1 and/or the Sustainable Groundwater Management Act of 2014 for groundwater recharge.

The Clayton Water District intends to purchase imported water to increase the water supplies currently available to its landowners with future District assessment fees. It will consider construction of conveyance infrastructure to distribute water to its landowners. Possible sources of supplemental water include water conveyed through the San Joaquin River, the San Luis Canal Company, the Central California Irrigation District, the Merced Irrigation District, the Columbia Canal Company, and the Chowchilla Water District.

Determination

The District will consider construction of conveyance infrastructure to distribute water to its landowners. Possible sources of supplemental water include water conveyed through the San Joaquin River, the San Luis Canal Company, the Central California Irrigation District, the Merced Irrigation District, the Columbia Canal Company, and the Chowchilla Water District.

3.7 - Opportunities for Rate Restructuring

Currently, the Clayton Water District does not set or collect any rate for its water services. Construction of new conveyance facilities and surface water supplies will generate some costs, but those will be paid for by the landowners through assessment fees. All fees and contracts shall comply with Proposition 26 and Proposition 218. Funding for operations, projects and administration may also be accomplished by contracts running with the lands within the District's boundary.

Determination

Construction of new conveyance facilities and surface water supplies will generate some costs that will be paid for by the landowners through assessments.

3.8 - Governance

The Board of the District is composed of the District's landowners. There are currently three board members:

1. Larkin Harman – President
2. Robin Clayton – Vice President

3. Connley Clayton – Secretary/Treasurer

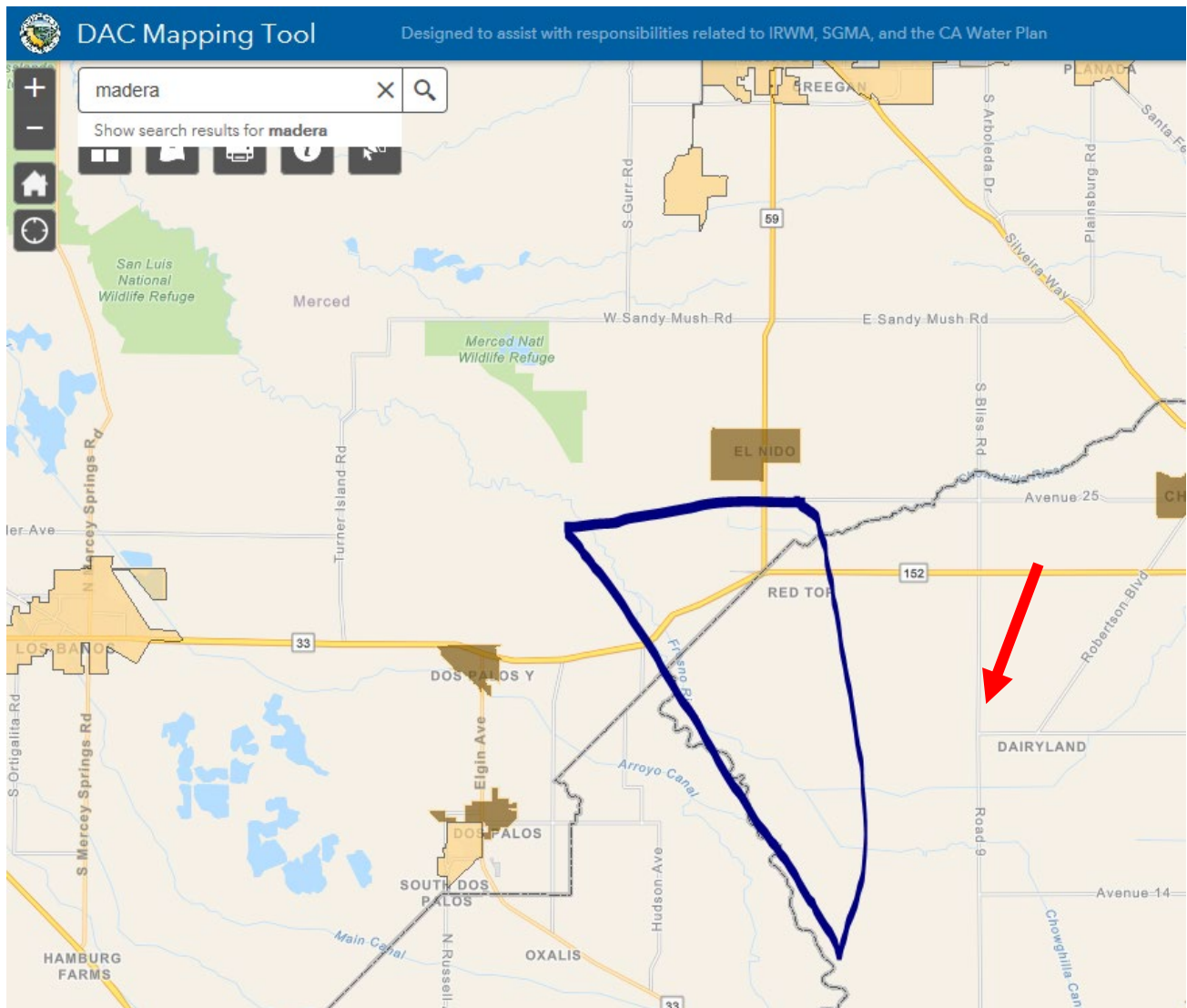
If the annexation of property as proposed by this project is approved, the District Board will be expanded to five members. Members are elected in compliance with the California Water Code, the Government Code, the Elections Code, and the Clayton Water District's bylaws.

The District's attorney reports that all District landowners are involved on the Board of the District and it has 100% participation in all decisions affecting the District. As more land owners are annexed into the District, more board members will be added thereby providing more representation of all landowners. Over the last year, the District conducted regular board meetings. Those regular meetings are now on the first Wednesday of every month at 11 A.M. at the office of Baker, Manock and Jensen (5260 North Palm Ave, Fresno, CA 93704). The board agenda is posted outside their office and emailed to all interested parties. The District has a website under construction and, once completed, the agenda will be posted there as well.

Determination

The Board of the District is composed of the District's landowners. There are currently three board members. Upon annexation of property as proposed by this project, the District Board will initially be expanded to five members. Members are elected in compliance with the California Water Code, the Government Code, the Elections Code, and the Clayton Water District's bylaws.

Figure 3-2 DUC in San Joaquin Valley



4 - Status Quo

4.1 - Advantages

If the Clayton Water District were to remain as it is, it could still exercise its powers to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, industrial, and municipal purposes, and any drainage or reclamation works connected therewith or incidental thereto. It can also attempt to purchase surface waters for use on its lands. The District has the ability to contract for surface water and fund improvements on District properties through assessments, which will aid in achieving sustainability under SGMA. The District also has the power to become a Groundwater Sustainability Agency.

4.2 - Disadvantages

Excessive deep aquifer groundwater pumping in the region lowers the groundwater table, which can cause land subsidence issues. In some areas, the Clayton Water District's water supply is reduced since it relies primarily on shallow groundwater wells and although, it plans to use available surface water to recharge its aquifer, it is located near an area where excessive pumping of deep aquifer wells occurs. If the District were to remain as it is, it may have to arrange for and pay the costs to convey or transport water for its services without additional financial help. It is in the best interest of the District to self-regulate in order to prevent any regulatory impediments from the State.

5 - Consolidation

An alternative for the District would be to consolidate with a nearby agency: the Chowchilla Water District, the Triangle T Water District or the Merced Irrigation District. If the Clayton Water District consolidated with another district, then the District's powers, rights, duties, obligations, functions, and properties would be transferred to the new consolidated district. The newly-created district would assume the duties of the District, which would no longer exist. The purpose of this section is to discuss the advantages and disadvantages of possible consolidation with a nearby district.

5.1 - Advantages

Advantages of consolidating with each district are as follows:

Chowchilla Water District

The Chowchilla Water District (CWD) was formed in 1949 in accordance with State law. The CWD was formed to manage a surface water supply entitlement intended for agricultural use. Until formation, the lands within the Chowchilla Water District boundaries had previously been a part of the Madera Irrigation District. In 1950, the CWD signed its original water service contract for water delivery from the Friant Division of the Central Valley Project with the U.S. Bureau of Reclamation. In 1968 the CWD signed a second water service contract for water delivery from the Buchanan Unit of the Central Valley Project with the U.S. Bureau of Reclamation. In 1988 the Chowchilla Water District expanded through consolidation with La Branza Water District to form its current boundaries.

The Chowchilla Water District serves approximately 85,000 acres that includes territory in both Merced and Madera counties. The CWD service boundaries are generally bounded by Avenue 18, Sandy Mush Road 4, and the Santa Fe Railroad Tracks. The primary land uses within the CWD are agriculture and open space. CWD provides irrigation water to agricultural properties and distributes it to approximately 400 farms throughout its territory.

The mission of the Chowchilla Water District is to protect, enhance, and manage the surface and groundwater resources of the CWD in order to meet the present and future water needs of the people and lands within the CWD through outstanding customer service, commitment to quality, and leadership in the water resources industry.

Consolidating with CWD may mean that the Clayton Water District can obtain a water supply through CWD from two sources: Madera Canal and Buchanan Dam. CWD utilizes portions of the Chowchilla River, Ash Slough and Berenda Slough to convey irrigation water to CWD's irrigation water distribution system, which consists of 150 miles of unlined canals and 49 miles of pipeline.

Triangle T Water District

The Clayton Water District and the Triangle T Water District (TTWD) are neighbors, so consolidation would seem a viable solution. The originally proposed boundaries for the TTWD were set to include the Cross Creek property and thus surround Clayton Water District. It made sense for Cross Creek to be included in the TTWD since they were constructing a pipeline through their property. If the two districts joined they could have future contiguous expansions.

Merced Irrigation District

Merced Irrigation District (MID) was formed in 1919 and encompasses 164,000 gross acres. Total irrigable lands in the Merced Irrigation District amount to 138,000 acres in Merced County. Advantages of consolidation with Merced Irrigation are minimal due to the distance between the existing district in Madera County and the MID boundary.

5.2 - Disadvantages

Disadvantages of consolidating with each district are as follows:

Chowchilla Water District

In order to consolidate, the Clayton Water District would need to become a part of the CWD, which means that Clayton Water District would become part of a much larger district and the former district would no longer exist. Another disadvantage is that the CWD already has its own board members, and Clayton Water District landowners would have minimal voting rights in a consolidated district due to the limited acreage in comparison to the size of CWD.

Currently there is no opportunity to join CWD, as the CWD has made a policy decision to postpone annexations until addressing the groundwater management within its existing boundary. However, there is a possibility for the District to obtain excess water from CWD in the future.

Triangle T Water District

The District would need to become a part of TTWD, which means that it would become part of a newly-created district and the former districts would no longer exist. The two districts have different farming practices and goals regarding their property, which can cause conflict during negotiations for the new district. The CLWD gets their water from shallow aquifers and wants to use available surface water to replenish the aquifer whenever possible, thereby moving away from deep wells. This was recognized in January 2017 when the Madera Local Agency Formation Commission (LAFCo) made the decision to form the TTWD and to leave the CLWD intact.

Merced Irrigation District

The District would become a part of Merced Irrigation District, which means that it would cease to exist. Like with other large districts, the CLWD would struggle to be represented adequately on the MID Board of Directors. Total Acreage proposed to be annexed in Merced County amounts to 7,006 acres, and is located west of the southern portion of MID. Currently, the MID is not accepting any annexation requests.

6 - Annexing

6.1 - Advantages

The Clayton Water District would still be able to exercise its powers and contract to acquire excess waters. Annexing other properties means that the District will grow, which means other property owners could help share costs in order to construct the necessary infrastructure, and thereby provide a lower rate structure. Properties to the north of Clayton Water District have riparian rights in addition to the proximity to the Eastside Bypass which may allow for the diversion of flood waters when available that could help the District acquire the necessary water to provide for its users. The District's Board would remain intact and voting rights would continue in accordance with District Bylaws. There are several property owners willing to annex approximately 9,457 acres, which will make the District much larger. The District would then be made up of landowners who pursue similar farming practices and goals for the District, which will make it much better balanced. The increase in lands and owners would allow the cost of future infrastructure to be proportioned equally at potentially lower rates.

6.2 - Disadvantages

Properties willing to annex into the Clayton Water District are not directly adjacent to the District's current boundary, which means the annexation would be non-contiguous. Additional lands depending on the location would need additional infrastructure to serve these lands.

7 - Conclusion and Recommendations

7.1 - Conclusion

The Clayton Water District was formed to import water with supply contracts and governmental permits sufficient to serve the water needs of its landowners. No other district within western Madera/Merced County has similar rights to import water and address these needs. Therefore, it is necessary that the District manage all water sources within its jurisdiction including: stormwater, through raw water conveyance, agricultural irrigation, percolation basins, and other facilities. If another district were to provide these services, it would create costly inefficiencies, which LAFCo is charged with preventing. Fees at another, larger, district are likely to be greater than in the newly formulated Clayton Water District because that district would have more expenses and different needs. Infrastructure will need to be constructed whether they join a different water district or expand; however, costs beyond that are anticipated to be greater if they were to join a much larger district.

Farming practices within the Clayton Water District and the Triangle T Water District were found to be considerably different. The Clayton Water District gets its water from shallow aquifers and not deep well pumping. Thus, it was determined appropriate to allow them both to co-exist. Excessive deep aquifer groundwater pumping in the region can cause land subsidence issues. It is in the best interest of the District to self-regulate in order to prevent any regulatory interference from the State.

Clayton Water District has the ability to contract for imported surface water. It will complete all necessary environmental reviews, and acquire the necessary governmental permits for importing and delivering water, which will make it the most efficient and effective provider of all water services within its boundaries. It is expected that management of water resources within the District will have positive, indirect impacts on all land within its borders.

The District also seeks to obtain seasonal flood waters from the Eastside Bypass to provide water to the landowners in the District. Lands within the District currently rely exclusively on groundwater for irrigation. Annexing property to the north of its present boundary means not only that the District would grow, but also that the owners of that property could arrange delivery of water from other sources and through other conveyance mechanisms for the entire District and all annexed properties.

The Clayton Water District and the County of Madera entered into a Memorandum of Understanding on January 24th, 2017 that will ensure the District will carry out duties in accord with the activities of the County acting as the GSA. The District intends on participating in the SGMA in the Chowchilla and Merced Sub-basins. If necessary, the District could act as a Groundwater Sustainability Agency to carry out the

Groundwater Sustainability Plan that shall affect the land within the District and the Sub-basins.

Several adjacent and nearby landowners have requested to be annexed to Clayton Water District. The annexation will require modification of the current boundaries, and sphere of influence. The proposed SOI after annexation of all properties is illustrated in Appendix B - CLWD Sphere of Influence. The annexation of additional parcels will allow for more participants and reduced cost share of any expenditures. The anticipated costs for future expenditures are beyond the scope of this MSR and will need to be determined once the District has better determination district needs, including infrastructure improvements. Costs for District expenditures maybe funded through a Proposition 218 fee structure, contracts running with the land, and grant funding

7.2 - Recommendations

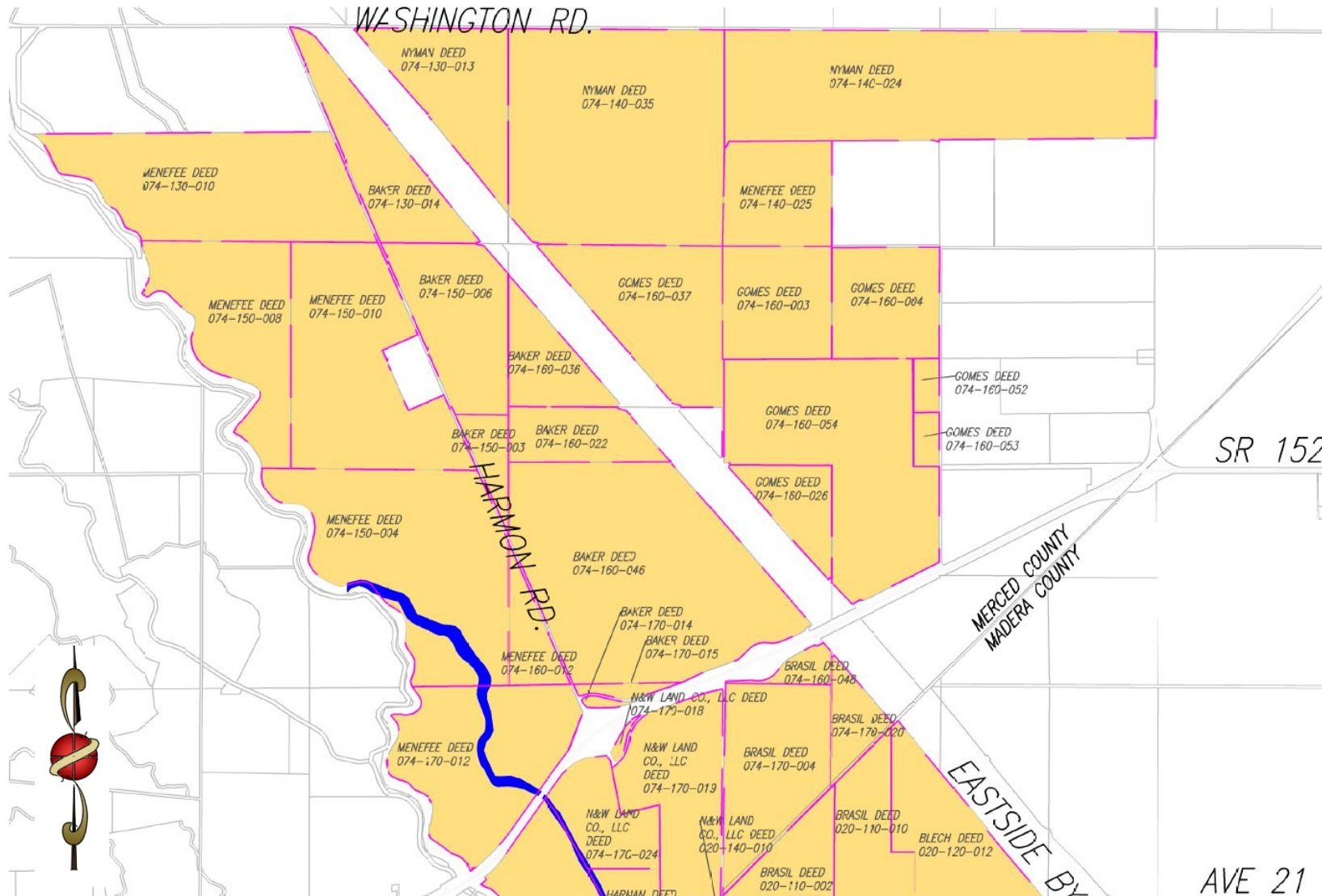
The following is recommended:

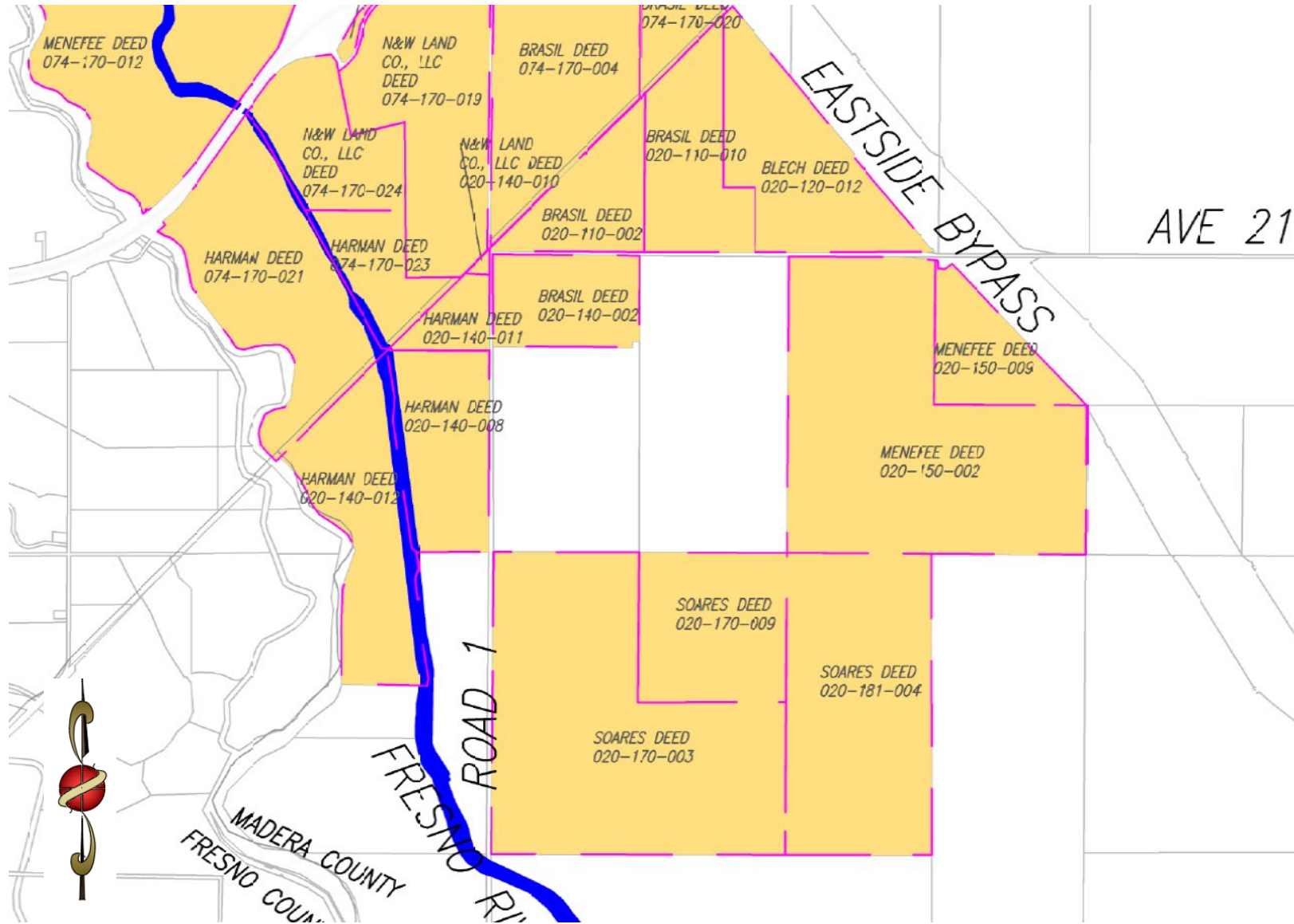
1. Adopt required written determinations and accept the analysis and conclusion of the MSR prepared for the Clayton Water District (Section 56430).
2. Find that the District's proposed sphere of influence boundary is appropriate and necessary, the District is working towards the provision of planned efficient services in this territory, and the current location of the District SOI is a benefit to those that may receive services and/or property owners within the area. Adopt the proposed expanded sphere of influence boundary as shown on Appendix B to allow for the annexation or consolidations of other properties within the District.
3. Find that the District's proposed annexation is appropriate and necessary, that the District is working towards the provision of planned efficient services in this territory, and that the district boundary is a benefit to those that may receive services and/or property owners within the area. Approve the proposed annexation of 9,457 acres into the Clayton Water District as shown on Figure 3-1.
4. Approve the expansion to the Sphere of Influence as shown on Appendix B as requested by taking the following actions:
 - a. Under the California Environmental Quality Act find that Section 15601(b)(3) of CEQA Guidelines exempts this project from the environmental review by following the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. It has been determined that there is no possibility that this project may have a significant effect on the environment and thus, is not subject to CEQA.
5. Approve an annexation to the Clayton Water District Boundary and by taking the following actions:
 - a. The annexation of these properties is exempt from the California Environmental Quality Act (CEQA) per Sections 15307 and 15308, which, respectively, state that "actions for the protection, restoration

or enhancement of a natural resource/environment are exempt from CEQA. The annexation will allow the District to pursue the purchase of surface water, which will aid in the protection, restoration, and enhancement of groundwater resources.

6. Re-evaluate in five years.

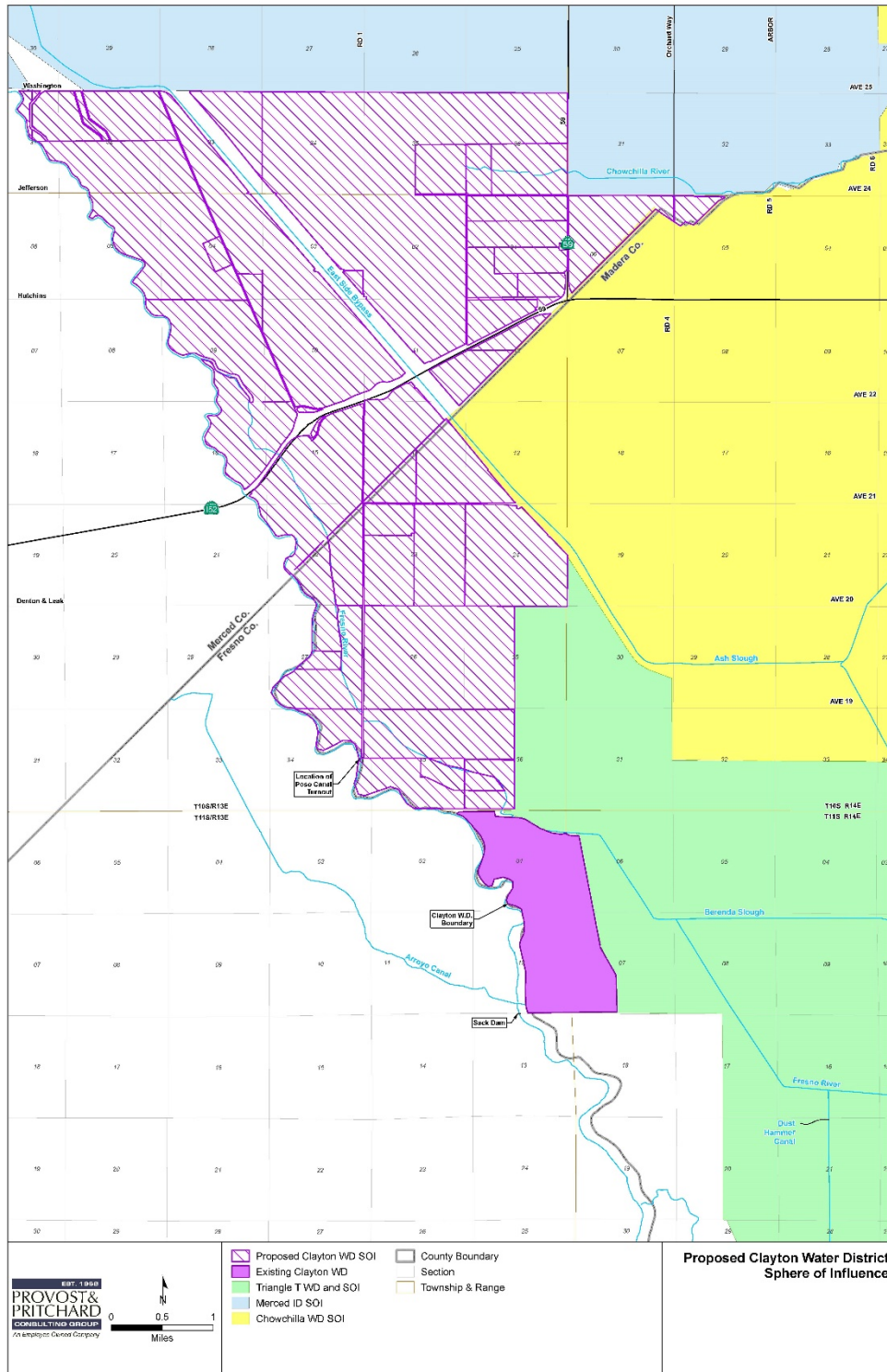
Appendix A - CLWD with Proposed Annexed Properties



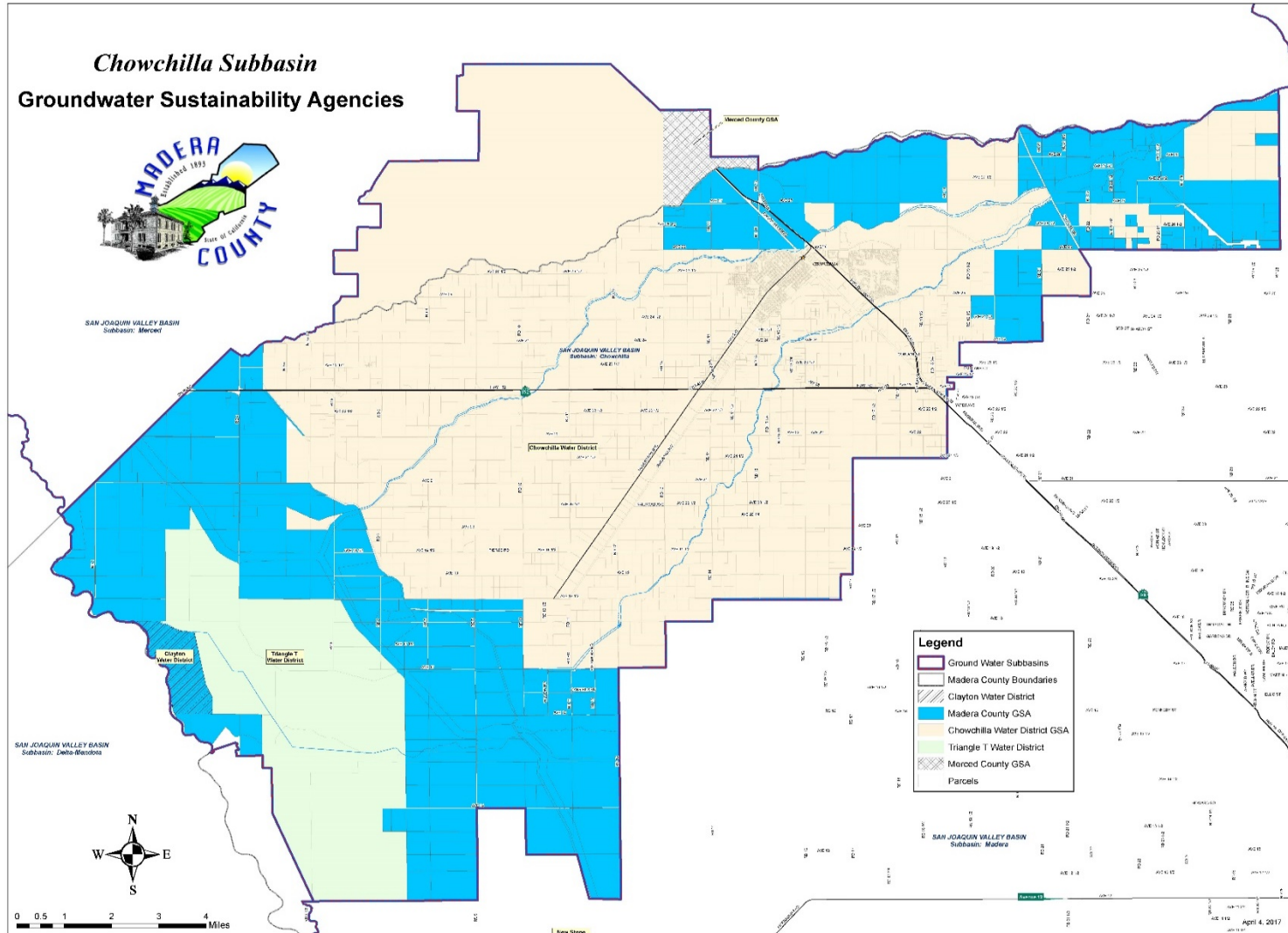




Appendix B - CLWD Sphere of Influence



Appendix C - CLWD MOU Management Area



Appendix D – Properties in the Sphere of Influence

APN	OWNER'S NAMES	ADDRESS	ACRES	ASSESSED LAND VALUE	ASSESSED IMPROVEMENT VALUE
074-160-019	BRASIL GUILHERME T & TERESA TRUSTEE	13701 S HIGHWAY 59, EL NIDO CA 95317	70.60	\$ 244,455.00	\$ 208,906.00
074-160-039			116.00	\$ 401,912.00	\$ 45,860.00
074-160-040			115.00	\$ 508,832.00	\$ 2,207,133.00
075-090-002	COELHO FRANK & SONS LP	12775 ANCHOR ST, EL NIDO CA 95317	59.00	\$ 778,031.00	\$ 297,202.00
074-140-030	GARY M LORENZO INC	3990 THRIFT RD, MERCED CA 95341	80.40	\$ 387,118.00	\$ 208,712.00
074-140-031			159.00	\$ 169,378.00	\$ 268,186.00
074-140-032			238.00	\$ 385,831.00	\$ 565,078.00
020-200-005	JOHN HANCOCK LIFE INS CO	301 E MAIN ST, TURLOCK CA 95380	92.61	\$ 197,449.00	\$ 31,522.00
020-200-007			189.07	\$ 403,504.00	\$ 5,661.00
020-200-004			65.95	\$ 140,844.00	\$ 11,801.00
074-150-009	MENEFEE RIVER RANCH CO	1624 E PACHECO BLVD, LOS BANOS CA 93635	35.00	\$ 51,132.00	\$ -
074-160-006	PBP PROPERTIES	28382 VIA ANZAR, SAN JUAN CAPISTRANO CA 92675	154.00	\$ 736,455.00	\$ 138,503.00
074-160-007			159.00	\$ 248,965.00	\$ 24,415.00
074-160-042	PISTORESI JULIO & MARION TRUSTEES	29808 AVENUE 12, MADERA CA 93638	63.00	\$ 193,148.00	\$ 47,401.00



074-160-023	SELLICK BRENT & JANET M	411 BRANHAM LN E, SAN JOSE CA 95111	16.00	\$ 6,515.00	\$ -
074-160-058	TAYLOR HUGH C TRUSTEE	859 E PARTRIDGE LN, FRESNO CA 93730	120.89	\$ 270,834.00	\$ 269,016.00
074-160-059			21.06	\$ 258,432.00	\$ 36,823.00
074-130-007	TRI-IEST DAIRY	16500 AVENUE 14, MADERA CA 93637	22.70	\$ 53,368.00	\$ -
074-130-009	UNITED STATES OF AMERICA	2800 COTTAGE WAY STE E2711, SACRAMENTO CA 95825	398.00	\$ -	\$ -
075-090-005	VANDER DUSSEN MICHAEL & WNEDY TRUSTEES	729 E JEFFERSON RD, EL NIDO CA 95317	314.00	\$ 1,233,477.00	\$ 1,545,028.00
020-140-003	VLOT BOUWDEWYN C & DARCY TRUSTEE	PO BOX 476, CHOWCHILLA CA 93610	216.88	\$ 467,262.00	\$ 572,900.00
020-170-008			286.12	\$ 576,493.00	\$ 128,709.00
020-170-010			36.56	\$ 546,272.00	\$ 22,057.00
020-181-005			478.18	\$ 1,010,742.00	\$ 227,607.00
020-200-001			118.05	\$ 272,083.00	\$ 277,954.00
074-160-050			141.56	\$ 1,346,737.00	\$ -
020-140-004	VLOT DIRK J & VALERIE J TRUSTEE	PO BOX 367, CHOWCHILLA CA 93610	318.19	\$ 673,703.00	\$ 243,106.00
TOTAL:			4,084.82	11,562,972.00	7,383,580.00