



Local Agency Formation Commission
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DATE: July 18, 2019 (Agenda)

TO: LAFCo Commissioners

FROM:  Bill Nicholson, Executive Officer

RE: Consider Initiation of a "Special Study" under section 56378(a) of the Government Code for the Celeste County Water District - Possible Dissolution or Consolidation with the City of Merced
(Agenda Item VI.D)

Consideration of the dissolution or consolidation of the Celeste County Water District with the City of Merced has been under consideration by Merced LAFCo for over five years as the district is essentially inactive, although it does not meet the definition of "inactive" used by the State Controller's Office. This small primarily residential neighborhood located on the north side of State Highway 140 and west of Kibby Road – which is across Highway 140 from the Merced City limits - is a Disadvantaged Unincorporated Community (below 80% of the State median income) which receives sewer and water service from the City of Merced as a result of a grant and loan issued to the Celeste County Water District back in 1976. (An area map and district boundary map are attached to this Memo.)

Being a low income community, the LAFCo Commission agreed to include a special study in the work program in 2014-15 to evaluate alternatives for dissolving the district rather than requiring the district to pay an application fee. However, due to competing workload and alternative funding opportunities that were being promoted through special State grant legislation available to LAFCo, after completing initial research into the district and dissolution process, no progress was made on completing the special study.

This year, the special grant legislation included in AB 1252 (Rivas) has again hit a roadblock with the \$1.5 million in funding being left out of the State budget. Therefore, the District Chairman, Oscar Guillen, in a recent meeting with Commissioner Espinosa and Executive Officer Nicholson, asked if there was any help LAFCo could provide at this time to initiate the study and also to look into improving the water pressure in the community for fire flow capacity. Commissioner Espinosa requested that this item be presented at the next Commission meeting.

As further background, in conducting initial research into a district dissolution, it was discovered that a "successor agency" needs to be appointed by LAFCo to wrap up any affairs of the district, and while normally this would be the County when the district is located in unincorporated County territory, it only makes sense in this case for the City to be the successor agency since they operate the sewer and water facilities for which the District was formed. However, in meeting with City Planning and Engineering staff, there is a concern over responsibility and possible liability that would fall to the City should they take over ownership of the former district's infrastructure when it is not up to current fire flow standards.

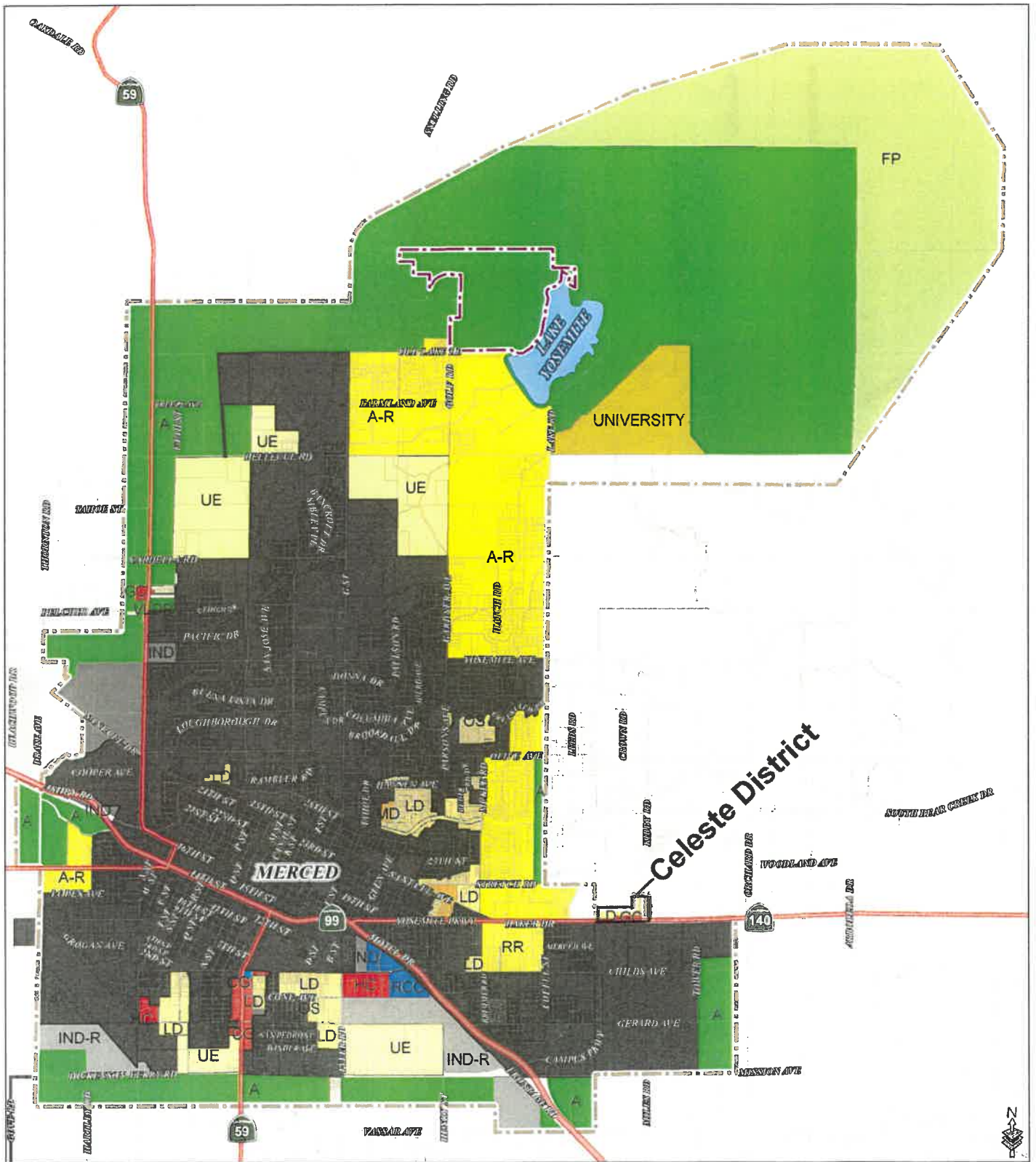
It is this type of issue that would be investigated in the special study with identification of alternatives and possible funding sources as potential solutions. While the actual cost of the study is not known, if the Celeste County Water District were to apply for the study, we would charge a standard boundary change application fee of \$2,700 plus a sphere of influence amendment fee of \$2,700 at a minimum, although more staff time will be required for research and coordination with the City of Merced and the State Water Board.

Mr. Guillen and possibly other Board members will be present at the July 18th Commission meeting to provide more information, and Staff can give more history should the Commission have questions.

Recommended Action

Consider directing LAFCo staff to initiate a special study under Government Code section 56378(a) for the dissolution or consolidation of the Celeste County Water District, and to return to the Commission with an estimated budget and schedule at the next Commission meeting for formal initiation.

Enclosures: Area map and Celeste County Water District Boundary Map



City Planning Area - Merced

URBAN DESIGNATIONS

- City Planning Area
- Urban Community Study Area
- Yosemite Lake Estates
- City Limit

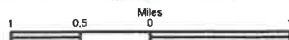
GENERAL PLAN

- A - Agricultural
- A-R - Agricultural-Residential

- CG - Commercial General
- CN - Commercial Neighborhood
- FP - FootHill Pasture
- GC - General Commercial
- HC - Heavy Commercial
- HD - High Density Residential
- IND - Industrial
- IND-R - Industrial Reserve

- LD - Low Density Residential
- MD - Medium Density Residential
- MU - Mixed Use
- NC - Neighborhood Commercial
- OS - Open Space
- P/G - Public/Government
- QP - Quasi Public Facilities
- RC - Regional Commercial

- RCC - Regional Community Commercial
- RR - Residential-Reserve
- UE - Urban Expansion Area
- UNIVERSITY - University
- UR - Urban Reserve
- VLDR - Very Low Density Residential



Celeste District

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