

Staff Report

Meeting Date: April 1, 2026

Agenda No. Item 4.1

Agenda Item Title: Proposal for Formation of the Alexander Valley Water District, a California Water District. The proposed district territory includes agricultural and residential parcels in the Alexander Valley in northern Sonoma County comprising approximately 28,723 acres of territory generally south of the City Cloverdale and north of Healdsburg.

Environmental Determination: None (Commission action is exempt from CEQA)

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Overview

Users of water from the upper reaches of the Russian River are facing a harrowing supply crisis brought on by the impending decommissioning of Pacific Gas and Electric Company's Potter Valley Project.

While the project was constructed in 1908 for the purposes of hydropower generation, its primary benefit in the modern era has been the diversion of water from the Eel River to the Russian River, contributing to the water supply relied on by many users in southern Mendocino County and northern Sonoma County.

The Potter Valley Project includes the Scott Dam, which forms Lake Pillsbury, the Cape Horn Dam, which forms the Van Arsdale Reservoir, and a diversion tunnel and powerhouse. The Federal Energy Regulatory Commission issued the current license for the Potter Valley Project on October 4, 1983. That license expired on April 14, 2022. Though the decision is controversial, PG&E intends to surrender its license rather than continuing to operate and maintain the Potter Valley Project. PG&E is planning on removing the Cape Horn Dam, and both Lake Pillsbury and the reservoir drained, along with removal of fish screens and spillways, allowing for the free flow of the Eel River.

Pending permitting, the Eel Russian Project Authority (ERPA) that was established as a Joint Powers Authority by Sonoma Water, Sonoma County, and the Inland Water & Power Commission of Mendocino County in 2023 proposes to reconfigure the diversion tunnel for a New Eel-Russian Facility, but there is not yet an agreement with PG&E regarding its water rights. There is an agreement with other stakeholders (California Department of Fish and Wildlife, California Trout, Eel-Russian Project Authority, County of Humboldt, Mendocino County Inland Water and Power Commission, Round Valley Indian Tribes, County of Sonoma, Sonoma Water, and Trout Unlimited) as to how the water rights for the diversion would be managed. PG&E is not a party to that agreement.

Even with a new diversion regime, the water users in Potter Valley, the Cities of Cloverdale and Ukiah, three local tribes, sixty mutual or private water companies, and residential, winery and agricultural users along the upper reaches of the Russian River can expect orders to curtail use with or without the New Eel-Russian Facility. The State has opined that curtailments could be ordered six years out of ten, and outright moratoriums on river water use imposed two years out of ten.

The Russian River Property Owners Association ("RRPOA") represents agricultural landowners in the Alexander Valley. RRPOA has recently stepped in to manage voluntary water curtailment under orders from the state on behalf of its members.

The RRPOA has now filed a proposal with Sonoma LAFCO seeking to form the Alexander Valley Water District. The district, which will act on behalf of landowners (landowners would be eligible to serve on the board and participate in elections; registered voters would not) would ostensibly provide a suite of services, including:

- Managing curtailment activities for its constituents when mandated by the State.
- Participating in and partially funding any future diversion infrastructure and the operation of that infrastructure.
- Seeking opportunities for water supply storage through the construction of infrastructure.
- Either being a Groundwater Sustainability Agency or participating in a Joint Powers Authority that would be the Groundwater Sustainability Agency.

The proponents have submitted a complete application to LAFCO, including a Plan for Service document (Attachment 1) that describes what functions the district will undertake, and how it will be financed and governed. The application included petitions completed by just over half of the landowners in the proposed district territory, representing over half of the area of the territory.

The Plan for Service also includes a illustrative map of the proposed district (the proponents have signed an indemnity waiver indicating that they understand recordation of approval of the formation cannot be filed absent a map meeting the State Board of Equalization standards; producing this map is likely to be quite costly so the applicants are seeking a sense of whether they will be granted approval before preparing the map).

Geographic and demographic data regarding the proposed district are shown below:

Land area	Approximately 28,723 acres
Parcels	Approximately 2100
# Landowners	Approximately 1500
# Registered Voters	Approximately 2400

Commissioners have met with the proponents individually; an ad hoc committee met with the applicants several times; and the full Commission participated in a study session regarding the proposal on November 2023. (Attachment 6 is a transcript of the study session.)

Staff has issued notice of a public hearing for the commission to begin considering the proposal. Staff is recommending that the Commission conduct a public hearing at today’s meeting, and is seeking guidance from the commission regarding whether the commission wishes to approve, conditionally approve, or deny the proposal. Because staff has not prepared a draft resolution given the expected complexity of deliberations, it is recommended that the Commission **continue this hearing to the May 6, 2026** meeting for final consideration.

California Water District Law (Cal. Water Code, Division 13)

- Generally, California Water Districts are empowered to develop water supplies and facilities, to sell water to customers as a utility. The petition states in relevant part:

the reason for the proposed AVWD is to enable local management of water resources through a California Water District with all the powers and duties of such an agency. (Wat. Code §§ 34000 to 38501.) The AVWD will cooperate with other agencies and landowners in the conjunctive management of surface water and groundwater resources through data management, optimization of groundwater recharge, conservation, and funding infrastructure consistent with water district powers (Wat. Code §§ 35400-35509)
- The petition also states that the agency “will participate in creating a Groundwater Sustainability Agency” to regulate groundwater under the Sustainable Groundwater Management Act.

Policy and Legal Issues

Adequacy of the Proposal with respect to what is normally contemplated in the California Water District Law

- The proposed district not only lacks a proposal for metering and billing for water, it has been actively resisting the request that it come back with a proposal for metering wells within the districts. The proposed district does not contain what would normally be required for a California Water District in that it does not indicate that the district has a water supply and is not proposing a means of charging users for water.
- The proposal does not include the funding, construction, and operation of any infrastructure.

Proposed Services: Need and Adequacy

- As noted above, the proposed district does not have existing water rights, but proposes to participate in ERPA, including funding infrastructure and operations of a diversion facility in the future. It may be premature to contemplate a diversion regime that would include an allocation of water supply to the district.
- The proponents indicate that the district will participate in a Groundwater Sustainability Agency; the State has not designated the two groundwater basins underlying the proposed district territory (the Alexander Area Sub-basin and the Cloverdale Area Sub-basin) as impaired and does not appear to be contemplating such a designation at this time. Therefore, proposing this service could be deemed as premature. A Groundwater Sustainability Agency could be established without a mandate from the State, but it does not appear that there are any plans by other agencies to create a Joint Powers Authority to be the Groundwater Sustainability Agency. For constitutional reasons, the proposed AVWD may not itself be the Groundwater Sustainability Agency, although a small number of water district blithely ignore this legal problem.

- The Plan for Service also indicates that the proposed district will expand and manage the “Russian River Voluntary Water Sharing Program” an effort authorized by the State Water Resources Control Board. The voluntary program has been implemented in the past and allowed users with senior water rights to transfer them to other users that would otherwise be subject to curtailment, by entering into an agreement with the State Water Resources Control Board. The district proponents do not propose anything beyond the activities that have been borne recently by the RRPOA. In particular, no new metering or monitoring regime is proposed, nor are capital or programmatic expenditures adequate to expand this program. However, a multi-stakeholder Steering Committee report from the prior effort concluded that there was the following “informational gaps that need addressed”: “Accurate use data for participants (i.e. real-time metering and reporting) to facilitate and make threshold determinations more efficient, accurate, and timely. This information is also necessary to confirm thresholds are being met, as well as to free up additional Program supply when demand is below determined threshold.”¹
- The proponents also seek the authority to pursue an “Alexander Valley Groundwater Recharge Program”. Presumably, these projects will be funded through district constituent taxes or assessments, or grant funding, and take place in the future.
- Of the four proposed AVWD services and functions, only management of the Russian River Voluntary Water Sharing Program is suitable for near term implementation, but the AVWD representatives have actively resisted metering to facilitate this agency service.

Discussion

Access To Future Water Diversions

The proponents of formation of the district state that no organization represents the interests of Alexander Valley water users with regard to securing potential water supply from the nascent Eel Russian Project Authority. The formation proponents opine that it is only as an independent special district that they can participate in discussions regarding the New Eel-Russian Facility and potential future water diversion agreements.

The proponents state that the district could go beyond being an ERPA customer and propose that AVWD will “represent their interests in that effort, potentially becoming a member of the Regional Entity.” Neither ERPA nor any of its member entities has expressed any interest in having a new AVWD member to the existing Joint Powers Authority. The ERPA board is currently made up of two representatives from the Mendocino County Inland Water and Power Commission, one from Sonoma Water, one from the County of Sonoma, and one from Round Valley Indian Tribes. It is not the case that Sonoma County agricultural interests are unrepresented.

¹ 2022 Upper Russian River Voluntary Water Sharing Program Implementation Report (January 31, 2023), https://www.waterboards.ca.gov/drought/russian_river/docs/2022/2022-wsp-implement-report.pdf

Again, ERPA is actively working towards the construction of the New Eel-Russian Facility, but it cannot be certain whether and in what form that facility would be constructed. The availability of water rights for the proposed district is uncertain.

The proponents do not propose the installation of metering or the implementation of a water use monitoring regime in the context of providing this proposed service. Metering would be appropriate not only for any proposal to buy water from ERPA, but also for all the other proposed activities of the district.

Groundwater Sustainability and Management

Whether in the context of a “Local Groundwater Investigation and Management” or participation in a Groundwater Sustainability Agency, the proponents of formation of the district decline to state whether a metering and usage monitoring component will be implemented.

Given that designation of the two sub-basins by the State as impaired does not appear imminent, proposing to participate in a Groundwater Sustainability Agency could be deemed either premature (no efforts are underway to form a Joint Powers Authority) or improper (the proposed district should not itself be the Groundwater Sustainability Agency, as that would give regulatory powers to a district in which only landowners could vote). The Plan for Service, which includes no metering installation, appears to preclude provision of meaningful groundwater management services.

Water Curtailment Management Services

The Plan for Service proposes that the district take over the current voluntary water sharing program currently managed by RRPOA. Given the alarm over the potential decrease or even end of diversions from the Eel River, the proponents note that curtailment and moratorium orders are likely to be essentially an annual occurrence in the future, which might lead to mandatory rather than voluntary compliance programs.

The formation proponents have not suggested how the district might respond to a stricter curtailment program, and have resisted metering to support the provision of this service.

Groundwater Recharge

No funding or budget is identified for the groundwater recharge projects that are proposed for implementation by the district, and crucially, no metering is proposed to support the informational needs of such a program.

Summary

Of the four proposed services for the proposed district, only one can be characterized as a near term need (water use curtailment), with the remainder potentially future needs. Three of the four proposed services would require or would be greatly enhanced by the installation of metering, but none is proposed by the applicants.

Issues With Voting Restricted To Landowners And Votes Counted Based On Land Value

- The applicants are seeking approval of the formation of a California Water District.
- Based on constitutional restrictions, the Commission should condition the district to not be the Groundwater Sustainability Agency.

Discussion

The proposed Alexander Valley Water District would conduct elections pursuant to the following rule: “Each voter shall have one vote for each dollar’s worth of land to which he or she holds title.” (Water Code § 35003.) Because universal suffrage is widely held democratic value, the existence of water districts where only landowners are entitled to vote are the subject of significant legal controversy. Notwithstanding this controversy, there is an exception to the “one person, one vote” for some water districts.

Counsel provides the following legal short summary, with more discussion in an attached legal memorandum:

- The equal protection clause of the Fourteenth Amendment of the United States Constitution triggers an electoral “one person, one vote” requirement that generally does not allow elections in which only landowners may vote.
- The Supreme Court has also held that a water district with very limited powers presents an exception to this general rule.
- Allowing a water district that does not have elections based on “one person, one vote” principles to become a Groundwater Sustainability Agency significantly expands the regulatory powers and duties of the district, in a manner that likely would violate the equal protection requirements of the federal and California constitutions.
- The California Supreme Court has held that the “one person, one vote” issue has no relevance to appointed boards. Accordingly, there would be no constitutional issue with the proposed water district participating in a Joint Powers Authority with other agencies that was the Groundwater Sustainability Agency.
- For this reason, a condition on the creation on the agency is appropriate, precluding the proposed water district from being the Groundwater Sustainability Agency, but allowing it to be a member of Joint Powers Authority that would be that agency.

The California Water District law would only allow this district to convert from landowner restricted voting to registered voter elections if "at least 50 percent of the assessable area within the district is devoted to and developed for residential, industrial, or nonagricultural commercial use, or any combination thereof," *and* if 25% of the registered voters petition to change the elections. (Water Code sections 35040 – 35060.) Thus, as a practical matter, having a different type of election would likely require a different type of district. There are other types of water districts that do not restrict elections to landowners.

Proposed Budget

- The proposed budget presented in the plan for service document filed by the applicants is somewhat detailed, but does not include a number of cost categories. Nevertheless, staff believes that the proposed budget is of the appropriate order of magnitude. If the formation is approved, the district might anticipate a shortfall in operational funding.

Discussion

The Plan for Service includes a rudimentary budget for the district that includes annual expenditures that increase over five fiscal years, primarily to support a staff of three. The respective annual amounts in the budget over five years are as follows:

Year 1	Year 2	Year 3	Year 4	Year 5
\$693,525	\$796,307	\$816,005	\$836,195	\$856,890

Staff notes that the proposed budget is not fully detailed. Potential expenditure categories that are not addressed include:

- Inter-governmental transfers, including LAFCO assessments, Assessor fees for supporting elections, and Assessor fees for collecting special taxes or assessments.
- Costs for participating in a Groundwater Sustainability Agency as a partner agency in a Joint Powers Authority if a GSA is formed. Agencies participating in Joint Powers Authorities formed to assume the role of the Groundwater Sustainability Agency elsewhere in the County initially contributed tens of thousands of dollars annually to support the work of the Joint Powers Authority. Rather than budgeting to fund another agency – i.e., budgeting for contributions from this proposed district to the Groundwater Sustainability Agency Joint Powers Authority -- the proposal is instead for other agencies to make grants or "inter-agency contributions" to this district. The three other GSAs in the County have annual budgets exceeding \$1 million, which are now supported by taxation of groundwater users.

- Capital costs of any kind – for contributions to new diversion infrastructure, for storage projects, for water metering, and for capital projects such as monitoring wells for a potential GSA.

Revenue

- The petition includes a proposed Proposition 218 assessment, and the signatures supporting the petition indicate assent to this assessment. There is no analysis, however, supporting the legality of the assessment. The plan for service includes a budget that does not have a clear relationship to the assessment described in the petition.
- A limited amount of funds (\$40k to \$50k) appear to be expected from regulatory fees, likely related to permit costs. A fee study would need to be conducted to support this revenue.

Discussion

The discussion of revenue is in two places. First, the petition contains a very brief Plan for Providing Services that states the following:

the parties signing this Petition, being owners of a majority of the land area (acreage) and majority of assessed land value within the proposed AVWD, do consent to the District levying an initial special assessment on all qualifying District lands and consent to authorize the County of Sonoma to collect such assessments along with other County taxes and assessments as follows:

- a. For irrigated lands that rely on groundwater or surface water, an initial assessment for costs associated with establishing the services of the proposed AVWD, the Sustainable Groundwater Management Act (“SGMA”) (Wat. Code § 10720 et seq.), and GSA-related expenses which shall not exceed \$20 per acre per year; and*
- b. For non-irrigated lands that do not rely on groundwater, or any surface water supplies other than that needed for watering of livestock, and which lands remain in grazing or other open space uses, an initial assessment associated with establishing the services of the AVWD and compliance with SGMA and GSA-related expenses which shall not exceed \$1 per acre per year; and*
- c. For commercial and industrial lands that rely on groundwater or surface water for process-related purposes, an initial assessment of costs associated with establishing the services of the AVWD, SGMA, and GSA-related expenses which shall not exceed \$100 per acre per year; and*

- d. *For occupied residential parcels, an initial assessment for costs associated with establishing the services of the AVWD and with compliance with SGMA and GSA-related expenses, which shall not exceed \$50 per occupied residential dwelling per year.*
- e. *Parcels with multiple uses and parcels supplying water outside the district will pay a tiered assessment based upon the forgoing use-based assessment rate limits.*

Second, and separately, the proponents have also submitted an “Alexander Valley Water District Plan for Service & Feasibility Analysis” that was not part of the circulated petition. An excerpt of the budget in this document is below:

Board & Administration Cost Total			\$530,500	\$546,638	\$560,103	\$573,906	\$588,054
Water Resources Programs							
Program Management Staff	Real Cost inflator	2.5%	\$70,000	\$71,750	\$73,544	\$75,383	\$77,267
Program-Related Costs:							
Water Sharing Program	Program implementation schedule and funding available will determine program cost increases		\$30,000	\$40,000	\$41,000	\$42,025	\$43,076
Russian River Diversion Project			\$0	\$25,000	\$25,625	\$26,266	\$26,922
Groundwater Studies			\$30,000	\$25,000	\$25,625	\$26,266	\$26,922
Groundwater Recharge Program			0	\$50,000	\$51,250	\$52,531	\$53,845
Program Cost Total	Real Cost inflator	2.5%	\$130,000	\$211,750	\$217,044	\$222,470	\$228,032
Contingency and Reserve	% of Costs	5.0%	\$33,025	\$37,919	\$38,857	\$39,819	\$40,804
Total Costs			\$693,525	\$796,307	\$816,005	\$836,195	\$856,890
Special Taxes and Assessments							
Special Benefit Assessment	2.5%		\$696,900	\$714,323	\$732,181	\$750,485	\$769,247
User Charges and Fees			\$0	\$40,000	\$45,000	\$50,000	\$55,000
Grants and Inter-Agency Contributions			\$0	\$50,000	\$50,000	\$50,000	\$50,000
Contingency/Reserve Draw			\$0	\$0	\$0	\$0	\$0
Total Revenues			\$696,900	\$804,323	\$827,181	\$850,485	\$874,247

Legal Adequacy of Assessment

In order to assess the amounts discussed in the petition, the proponents will need to comply with the constitutional requirements in Proposition 218 (the “Right to Vote on Taxes Act”), which among several other things, made it much more difficult to legally defend assessments. The proponents will need to prepare an engineer’s report and then comply with the following substantive requirements:

- *Identify all benefitted parcels.* All parcels that will have a special benefit conferred upon them and upon which an assessment will be imposed must be identified in the engineer’s report and included in the assessment district. Parcels owned by

the government cannot be excluded unless clear and convincing evidence demonstrates such a parcel receives no special benefit.

- *Distinguish general from special benefit.* The general benefits must be distinguished from the special benefits conferred on the parcels.
- *Proportionality.* The proportionate special benefit derived by each parcel must be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided.
- *Reasonable cost.* The assessment must be apportioned so that the amount assessed to a parcel does not exceed the reasonable cost of the proportional special benefit conferred on that parcel and does not include any costs attributable to general benefits. Thus, the portion of a project cost associated with general benefit must be funded from nonassessment revenues, and an agency which lacks other funds may not be able to use assessment financing, as few cases sustain a conclusion any given government endeavor has no general benefit. (Cal. Const., art. XIII D, § 4, subd. (a).)

Although there are some examples of water districts that are attempting to rely on assessments in a similar manner to what is proposed here, it is difficult to legally defend assessments that are not combined with other revenues due to the constitutional prohibition on funding “general benefits” through assessments.

In addition, it is not clear why the different amounts per acre for different land uses -- proposed (and assented to) in the petition -- would meet Proposition 218’s proportionality requirements.

In short, it is unclear whether a defensible engineer’s report can be prepared based on the assessment proposal in the petition.

Summary of Fiscal Considerations

It is rarer in California for public agencies to seek assessments rather than special taxes. While the threshold for voter approval for assessments is lower (fifty percent plus one compared to two-thirds plus one for special taxes), Proposition 218 has made it far more difficult to justify and defend assessment rates, particularly where the assessment is the most substantial source of revenue. Proposition 218 does not allow assessments to fund “general benefits.”

Staff believes that any approval of the district formation proposal should require that the applicants secure approval for taxes or assessments that would sufficiently fund the proposed district expense budget. As a practical matter, this must be a post-formation condition, because the district does not have the ability to pass assessments (or taxes) before it exists.

Lastly, the proponents have not requested an initial appropriations limit for the District. LAFCO is required to list an appropriations limit as a condition of approval.

Comments from Affected Agencies and Interested Parties

Staff has included written correspondence from affected agencies and interested parties (Attachment 5) that was received prior to March 24, 2026. Correspondence received after that date will be provided to the Commission at the hearing.

Request For Direction Regarding Potential LAFCO Actions For Consideration At Next Meeting

No action is agendized for this meeting, and instead, given the complexities of this matter, Staff asks that this meeting be continued to the following LAFCO meeting. Staff also asks that the Commission provide direction as to what actions it would like:

- The Commission has three potential courses of action with regard to the district formation proposal: approval, approval with conditions and/or modifications, or denial.
- If the Commission approves, or approves with conditions, staff will conduct a protest proceeding open to registered voters and landowners within the proposed district territory.
- If the approval is not reversed in the protest proceeding, staff will work with the County Assessor to conduct an election by landowners within the proposed district boundary. The election will consist of two or three measures: the first is simply whether the district should be formed, the second would seek approval of a special tax or assessment, and the third would be for selection of district board members. Alternately, the County Board of Supervisors can name the initial board.
- If the Commission denies the proposal, the applicants are barred from filing a substantially similar proposal for one year.

Discussion

The Commission has considered many fire and emergency services agency reorganizations in recent years, but only one district formation proposal.

The process for considering a formation proposal is essentially the same as for a reorganization (dissolution or detachment and subsequent annexation), with the addition of an election process.

First, the Commission has discretion to approve the proposal, approve it with modifications (notably in terms of geographic territory, authorized services, and other terms and conditions), or deny the proposal.

Approval or conditional approval will trigger a protest proceeding open to both landowners and registered voters within the proposed territory. The result of the protest proceeding will either confirm the commission's approval; require an election, whereby registered voters will consider the formation; or an outright negation of the commission's approval.

The Principal Act for a California Water District also requires an election, with only landowners eligible to participate. The election consists of two or three matters: a referendum on the formation of the proposed district; approval of a special tax or assessment to support the operations of the district; and an election for the initial directors of the district. The last matter can be obviated if the County Board of Supervisors is tasked with naming the initial directors for the district.

Should the Commission deny the proposal outright, the proponents are barred from filing a "substantially similar proposal" for one year. A substantially different proposal might include a different service territory, or a different set of authorized services.

Proposal Processing Funding

The applicants provided a deposit of \$10,000 against actually incurred proposal processing expenses, per the commission's fee schedule.

The direct and staff costs to process the proposal to date have exceeded that amount (direct fees, including Assessor charges for validating petitions, legal counsel costs, and mailing charges for notices have exceeded \$10,000).

Staff will seek an additional deposit from the applicants to cover expenditures to date and forecasted expenditures. The Commission's fee schedule dictates that: "If actual costs exceed the deposit amount, LAFCO will invoice an applicant for the additional costs. Processing of an application may be suspended until payment is received."

Potential Conditions of Approval

- The Commission has broad authority to amend or condition approval of the proposal to form the District. As with all legal obligations, lack of compliance could require enforcement, and enforcement might require litigation.
- The Commission has the authority to amend the boundaries of the proposed district as well as the authority to define the scope of services that the district can provide. (The District can seek later approval to provide new or additional services from the Commission.)
- To avoid constitutional issues, the District should be conditioned to disallow it from being a Groundwater Sustainability Agency under SGMA. This condition would not preclude the District from participating in a Joint Powers Authority that serves as the Groundwater Sustainability Agency.

- Staff notes that significant amendments to the district Plan for Service may render the petitioners support for the proposal compromised. However, constituents of the district, both landowners and registered voters, will have the opportunity to consider the amended plan through a protest proceeding. Additionally, landowners will have the opportunity to participate in an election to determine support or lack of support for formation.
- A number of terms and conditions of approval related to processing should likely be imposed, which are discussed below.
- If the applicants do not support amendments or conditions imposed by the Commission, they have the recourse of withdrawing their proposal.

Discussion

The Commission's consideration here and elsewhere are quasi-legislative, and the Commission has discretion and authority to modify and condition approval of proposals. The Commission may amend the authorized powers (or services) of a district, as well as its boundaries.

It should be noted that once formed, a district may seek amendments to its boundaries and sphere of influence by seeking approval from the commission. Similarly, a district may seek to activate "latent powers" – services that were not approved by the commission but that are within the scope of the district's enabling act – through application to the commission.

Condition: Participation in GSA

Staff recommend including a condition barring the district from acting as the Groundwater Sustainability Agency. At the Commission's discretion, this condition would not bar the district from participation in a Groundwater Sustainability Agency through a Joint Powers Authority.

Conditions: Approval of Assessments

The proponents intend to seek authorization for an assessment to provide revenue to support the operations of the district. Staff believes that any approval of the formation should require that the assessment (or alternatively, a special tax) be passed within one year of the date of the formation of the district, with the option for the Executive Officer to grant extensions. The Commission should consider requiring that the only business activities that the district may conduct if it is unable to comply is to seek dissolution.

Conditions: Mapping and Approval of Taxes/Assessments

The applicants sought a waiver from staff regarding preparation of a map of the district boundaries that complies with the State Board of Equalization standards. Conducting this work can be quite expensive. A waiver has been executed indicating that recordation of any approval of the formation will not occur absent appropriate mapping.

The formation of the district should be conditioned on having the mapping appropriately completed within one year.

Conditions: Groundwater metering

The proponents have resisted agreeing to any requirement that the district require metering for wells. The Commission's conditioning authority is limited by the statutory prohibition that it "shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements." (Gov't Code section 56375(a)(6).) While a requirement that the district adopt a metering ordinance does not appear to violate this prohibition, if this condition were to be important to the Commission, the Commission may want to seek the proponents' voluntary assent to be bound by the requirement.

Enforcement of Terms and Conditions

Staff notes that even for boundaries and authorized powers, and certainly for other types of terms and conditions, LAFCO may face compliance issues. Depending upon the situation, the Commission would have several recourses in this situation:

- Work with the district to remind it of its legal obligations.
- Instigate a commission-initiated dissolution of the district. Staff notes that a dissolution order includes a protest proceeding provision whereby constituents of the district can overturn a dissolution.
- The commission can pursue litigation to enforce requirements it imposes on local agencies. Depending on the situation, other parties may have standing to enforce terms and conditions through litigation as well.

Terms and conditions imposed pursuant to Government Code section 56886 can be drafted with varying levels of flexibility. For example, the Commission can set deadlines, and allow for extensions. The Commission can restrict the type of work that a District can do until it meets milestones. The Commission can similarly require that a district conduct no work other than seeking dissolution if it violates conditions that are important to the Commission.

Constituent and Applicant Acceptance of Terms and Conditions

Staff would like to remind the commission that potential constituents of the district signed petitions in support of the proposal based on the type of district proposed, the area, and the set of service authorizations (powers) being sought.

Large-scale and/or major changes to the proposal imposed through terms and conditions by the commission might lead to a different level of support from potential constituents. Similarly, the applicants may not support the terms and conditions that might be imposed by the commission as part of an approval.

For the potential constituents of the district, there are one and likely two opportunities to review a conditioned approval: a protest proceeding and an election.

The protest proceeding would be open to both landowners and registered voters within the proposed district territory, and proceeds as it has for the agency reorganizations that the commission has approved. Note that the protest proceeding is the only avenue for registered voters within the proposed district territory to participate.

Assuming that the protest proceeding does not meet the criteria for an outright vacation of the commission's approval, an election will take place, with only landowners eligible to participate.

For the applicants, if terms and conditions imposed by the commission are unacceptable, the option available is to withdraw the proposal.

California Environmental Quality Act (CEQA) Compliance

The nature of CEQA compliance will depend upon the Commission decision, but the project is likely to be exempt from CEQA review for the following reasons:

- Disapprovals are exempt from CEQA.
- If the Commission approves the proposal, it will likely be exempt from CEQA because a "project" does not include "[t]he creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." (CEQA Guidelines, section 15378(b)(4).)

Summary Of Staff Recommendations

- Given the complexity of the proposal, and the significant issues described in this report, staff is not making a recommendation to the Commission and has not prepared a draft resolution. Staff is seeking guidance from the Commission and recommends continuing consideration of the proposal to the May 6, 2026 meeting so that a resolution reflecting the Commission's decision can be prepared.
- Staff recommends that potential approval of the formation should include a focused description of the services that the district is authorized to provide. These could include all or a subset of the powers that the applicants are seeking for the district.

The proposal should be conditions such that the district cannot act as the Groundwater Sustainability Agency.

- Staff recommends that approval of the proposal should be subject to a condition that a special tax or assessment be approved by district constituents. This would be a post-formation condition, which would require dissolution if the condition is not met. The condition may allow for reasonable extensions by either the Executive Officer or the Commission itself.
- The applicants have executed a waiver with LAFCO indicating that they understand that mapping of the proposed district boundaries must be completed meeting the State Board of Equalization standards, with the intent of doing so only if the Commission grants approval or conditional approval of the proposal. A standard condition should therefore be imposed requiring that the mapping be completed and terminating the reorganization prior to the filing of the Certificate of Completion (the final official act that creates the district) if it is not.
- Several other issues still remain:
 - The applicants have not indicated what sphere of influence they are seeking for the district. In the absence of that, staff recommends setting the district sphere as coterminous with the district boundary.
 - Applicants have not indicated how they would propose selecting the initial board of directors, either through an election or by appointment by the county Board of Supervisors. In the absence of that, staff recommends that the initial slate of directors be chosen through an election.
 - The applicants have not indicated what appropriations limit to set for the proposed district. In the absence of that, staff recommends setting the initial appropriations limit at the level of the projected fifth-year budget for the district.

Attachments

1. Petition for the Formation of the Alexander Valley Water District
2. Plan for Service filed by proponents, including description of proposed services, financial projections, and a figurative map of the proposed district.
3. Legal Memorandum Regarding Constitutional Issues with The Alexander Valley Water District Proposal
4. Principal Act: California Water District
5. Written Correspondence from Affected Agencies and Interested Parties received prior to March 24, 2026
6. Transcript of Commission Study Session, November 2023.