

Staff Report

Meeting Date: May 6, 2026

Agenda No. Item 4.2

Agenda Item Title: (Continued from April 1, 2026, meeting): 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 27,857 acres of territory generally south of the City Cloverdale and north of Healdsburg. (File No. 2025-03)

Environmental Determination: None (CEQA exemption dependent on Commission approval or disapproval)

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Overview

At its April 1, 2026 meeting the Commission considered a proposal sponsored by the Russian River Property Owners Association for the formation of the Alexander Valley Water District. The Commission considered a staff report (Attachment 1), heard from the applicants and the general public, and discussed the proposal.

After a lengthy hearing, the item was continued to today's meeting, with the opportunity to again solicit input from staff, legal counsel, the applicants, and members of the public. Staff is recommending that the Commission move towards a decision regarding the proposal. Staff has prepared both a resolution denying the application and one that approves it with a series of terms and conditions.

Commissioners raised a series of concerns with the proposal, including governance (whether a landowner or voter district is preferable), whether the proposed services are appropriate, whether the proposed territory of the district is appropriate, and an array of additional issues (budget, assessment of taxes, etc.).

In the case of governance, staff has prepared a modest addition to the original analysis. For other matters, suggested terms and conditions that might be imposed as part of an approval attempt to address Commissioner concerns.

Landowner vs. Voter District

The Commission appeared to wrestle with competing views regarding the type of district best suited to deliver the proposed services to constituents in the proposed district territory, with some stating strong views that a voter-led district would be preferable to the proposed landowner-led district.

Staff offers two data points to provide context to this discussion:

- Geographic and demographic data regarding the proposed district were provided in the initial staff report, and are shown below:

Land area	Approximately 27,857 acres
Parcels	1608
# Landowners	Approximately 1079
# Registered Voters	1818

Staff notes that there are 68% more registered voters than landowners within the proposed district territory and concludes that a voter-led district would nominally be more representative of the constituencies within the proposed area. Additionally, the larger voter pool would provide a broader pool of candidates for the district board.

(It is perhaps worth mentioning that a portion of the voters in the proposed territory are also landowners; staff did not attempt to determine this proportion.)

- Staff also conducted a review of landowners within the proposed district territory, in an attempt to gauge the portion of landowners that are corporately held.

Based on the data supplied from the applicant, Staff determined the total assessed land value of all parcels easily identifiable as owned by an individual or entity and ranked the 25 landowners with the highest assessed land value.

Of these top 25 landowners, almost all are business entities, and staff estimate that these 2.5% of owners own 15% of the total parcels, 34.6% of the total acreage, and 36% of the total assessed land value. Thus, roughly 2% of the landowners will have 36% of the votes in the District.

- Should the Commission conclude that a voter district is preferable to a landowner district, Staff is recommending that the Commission deny the proposal. If the Commission does so, the applicants are barred from filing a substantially similar proposal for one year. However, a proposal for a voter district would be considered substantially different, obviating the mandatory filing delay.

The repercussions for the proponents in this instance would be the requirement to collect petitions in support of the new proposal from voters. The Plan for Service could be repurposed, and the proposed district might be eligible to act as a Groundwater Sustainability Agency (GSA) rather than being limited to participating in a multi-agency GSA.

Proposal Processing

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.”

Imposition of Terms and Conditions

- The Commission has broad authority to amend or impose terms and conditions on the 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. As a policy matter, this is also an environmental justice issues that must be considered under Government Code section 56668(p).
- 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.

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.

Counsel for the applicants has stated he disagrees that this term and condition is required. LAFCO Counsel is prepared to ask for the opinion of the Attorney General on this matter. However, as a policy matter, this issue also presents environmental justice issues about fairness and broad involvement in the regulation of groundwater that must be considered under Government Code section 56668(p).

Approval of Assessments

The proponents intend to seek authorization for an assessment to provide revenue to support the operations of the district. Staff believe 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.

Mapping

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.

“Extraterritorial Service”

In their Plan for Service and in a set of proposed terms and conditions, the applicants have proposed that the district be granted the right to offer its services beyond the district’s boundaries.

Specifically, the proponents requested that the boundary of the District shall be subject to the following conditions:

- The AVWD will administer the Russian River Water Sharing Program that shall include participants throughout the entire Russian River watershed within Sonoma County.
- The AVWD may administer on Water Demand Management Programs for Russian River Frost Protection Regulation within the entire Russian River watershed within Sonoma County.

This proposal is contrary to the authority of the Commission under the Cortese Knox Hertzberg law – it is solely the Commission’s discretion to evaluate the provision of services outside of an agency’s boundaries. These are also extraterritorial services that do not fit into the legal provisions addressing extended services “in anticipation of a later change of organization” or “to respond to an existing or impending threat to the health or safety.” If Russian River watershed services are contemplated, a different boundary and proposal would be appropriate.

In order to make it clear that the Commission is retaining these authorities, a term has been drafted for inclusion in the draft resolution.

Appropriations Limit

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.

Sphere of Influence

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.

Director Elections

The applicants have indicated that they would propose a nomination and election process to select the district board. A term has been included in the draft resolution to reflect this approach.

Boundary of District

Commissioners raised concerns about the proposed boundary of the District. The boundary can be altered by the Commission.

Staff do not have a proposal to amend the boundary of the proposed district. No terms and conditions have been proposed. In general, the proposed district map tracks is

based on the following logic: “Unincorporated Parcels within the Alexander Valley SGMA Basins Excluding Tribe Trust Lands and Uplands South of Franz Creek.” Alternative logics could include watershed boundaries and the entirety of the basin.

Expanding the boundary may require discussions with other agencies.

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. (A condition with regard to metering has not been included in the draft resolution approving the proposal.)

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 the following recourse options:

- 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 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

- If the Commission determines that a voter district would provide superior governance for the proposed district, staff recommends denying the proposal, and incorporating a finding that a voter district would not be substantially similar, and would not be subject to the one-year bar on filing substantially similar applications.

The Commission may also deny the proposal based on determinations that the plan for service does not portend a successful formation, with effective and efficient provision of services, and for other policy reasons.

- Staff recommends that if the Commission grants approval of the proposal, a series of terms and conditions be imposed, as described in this report and reflected in the draft resolution of approval. The Commission may amend or add to these terms and conditions as it sees fit. Modest amendments may be accommodated at the meeting, allowing for approval and a move to a protest proceeding. Major amendments and additions may be accommodated by a continuation of the item, allowing staff and counsel to prepare a modified resolution.

Attachments

1. Staff Report from April 1, 2026 Commission Meeting
2. Draft Resolution of Denial of the Proposal
3. Draft Resolution of Approval of the Proposal, with terms and conditions.
4. Additional public comment