Surface Water & Groundwater Services Municipal Service Review (MSR) and Sphere of Influence (SOI) Update

LAFCo No. 25-05

Yolo County Flood Control and Water Conservation District

Prepared by:

Yolo Local Agency Formation Commission

Adopted July 23, 2026

1. MSR/SOI BACKGROUND

ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended ("CKH Act") (California Government Code §§56000 et seq.), is LAFCo's governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that "one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities."

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute but are meant to address the "probable physical boundaries and service area of a local agency" (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo's SOI determinations.

PURPOSE OF A MUNICIPAL SERVICE REVIEW

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a Municipal Services Review (MSR) in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study's determinations must be made in the following areas:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
3. Present and planned capacity of public facilities, adequacy of public services, and 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;
4. Financial ability of agencies to provide services;
5. Status of, and opportunities for, shared facilities;
6. Accountability for community service needs, including governmental structure and operational efficiencies; and
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

PURPOSE OF A SPHERE OF INFLUENCE

In 1972, LAFCos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, "'sphere of influence' means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission" (§56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. Likewise, they are also designed to discourage urban sprawl and the premature conversion of agricultural and open space resources to urbanized uses.

The role of SOIs in guiding the State's growth and development was validated and strengthened in 2000 when the Legislature passed Assembly Bill ("AB") 2838 (Chapter 761, Statutes of 2000), which was the result of two years of labor by the Commission on Local Governance for the 21st Century, which traveled up and down the State taking testimony from a variety of local government stakeholders and assembled an extensive set of recommendations to the Legislature to strengthen the powers and tools of LAFCos to promote logical and orderly growth and development, and the efficient, cost-effective, and reliable delivery of public services to California's residents, businesses, landowners, and visitors. The requirement for LAFCos to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that regular periodic updates of SOIs should be conducted on a five-year basis (§56425(g)) with the benefit of better information and data through MSRs (§56430(a)).

Pursuant to Yolo County LAFCO policy an SOI includes an area adjacent to a jurisdiction where development might be reasonably expected to occur in the next 20 years. A MSR is conducted prior to, or in conjunction with, the update of a SOI and provides the foundation for updating it.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

3. YOLO COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT

AGENCY PROFILE

The State Legislature created the Yolo County Flood Control & Water Conservation District (YCFC&WCD) as an independent special district in 1951, at the request of the Yolo County Board of Supervisors. It encompasses almost one-third of Yolo County with a service area of over 200,000 acres including the Capay Valley, UC Davis, and the cities of Davis, Winters, and most of Woodland.

Cache Creek Dam

Although formed with no water rights, the District acquired the Clear Lake Water Company in 1967 which included the Cache Creek and Capay Diversion Dams and water rights having a priority of 1912. Clear Lake provides an active storage of 320,000 acre-feet natural flow on Cache Creek that is a critical irrigation delivery system for Yolo County's agricultural base.

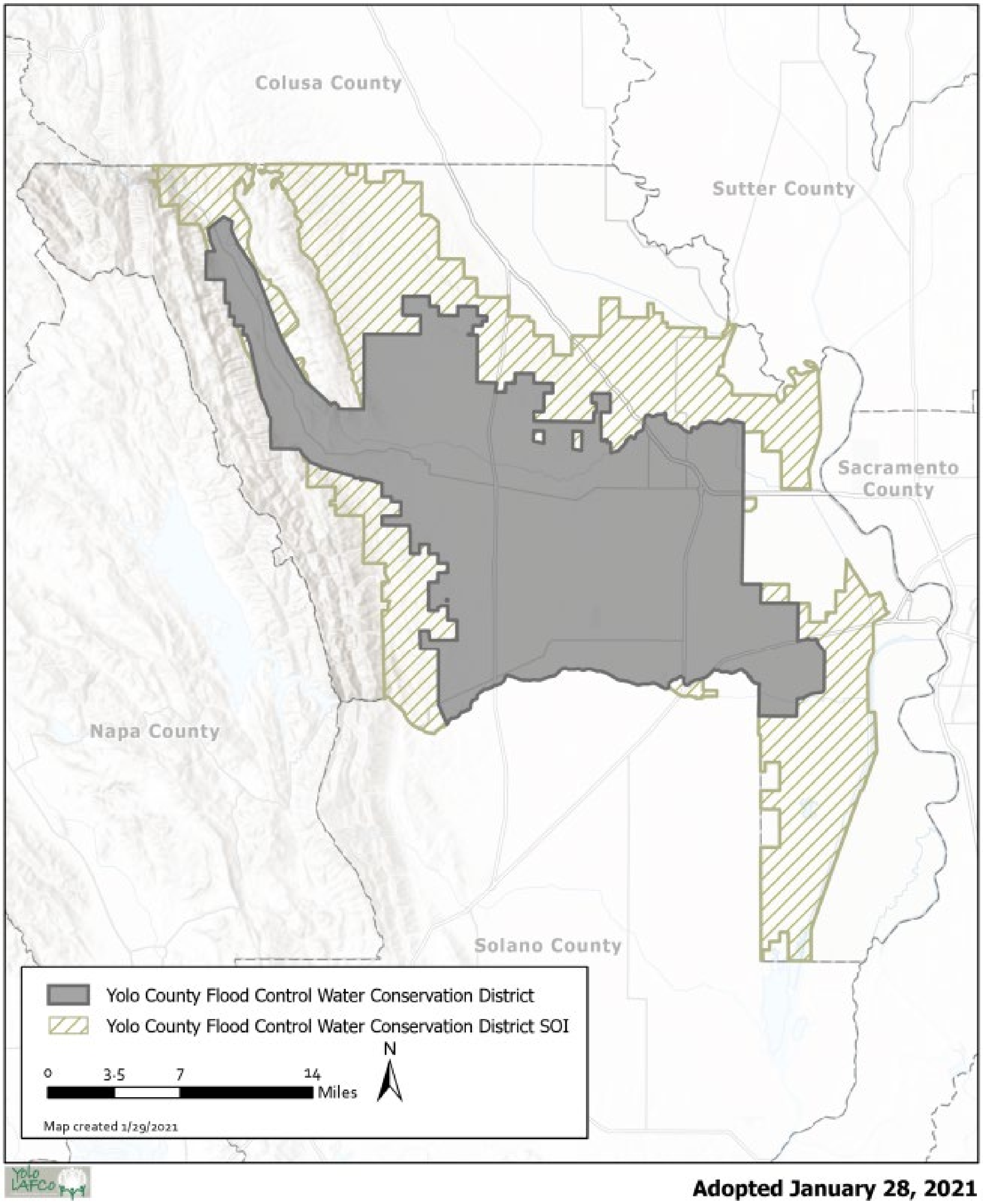
Additional water supplies were aquired with the completion of the Indian Valley Dam in 1974. The District also operates a campground at the Indian Valley Reservoir and produces power for Valley Clean energy after a hydroelectric plant retrofit to the dam in 1982.

1983 Flood – Lower

YCFC&WCD is authorized in its enabling legislation to control flood and storm waters within and flowing into the district to reduce the waste of water and protect life and property from floods within the District. The District was the lead agency in many studies and projects to that end including evaluating flooding and draining problems with studies in the 1950s, 1980s, and up until 1997. After adopting its Water Management Plan in October 2000 however, the District stepped back from its leading role in flood control to focus on groundwater management planning as provided by AB 3030. It has been a partner in the intermittent floodSAFE Yolo programs.

As a member of the Water Resources Association of Yolo County, the District assisted with the development of the Yolo County Integrated Regional Water Management Plan which was completed in 2007 and the formation of the Yolo Subbasin Groundwater Agency (YSGA). The YSGA contracts with the YCFC&WCD to provide services and program implementation.

Figure 7. Yolo County Flood Control and Water Conservation District Boundaries and SOI



MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potential areas of concern, as indicated by answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by "Not a Concern" answers, the Commission may find that a MSR update is not warranted.

☐	Growth and Population	☒	Shared Services
☐	Disadvantaged Unincorporated Communities	☒	Accountability
☐	Facilities and Services	☐	Other
☒	Financial Ability		

LAFCo Municipal Service Review:

☐ On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).

☒ The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION Growth and population projections for the affected area.	**Significant Concern**	**Potential Concern**	**Not a Concern**
a) Will development and/or population projections over the next 5-10 years impact the subject agency's service needs and demands?	☐	☐	☒
b) Do changes in service demand suggest a change in the agency's services?	☐	☐	☒

Discussion:

The California Department of Finance estimates that Yolo County's population of 225,904 residents grew by 4.39% or 9,501 people between 2020 to 2026. The growth includes approximately 3,000 new residents in the unincorporated areas of Yolo County and 3,500 in Woodland, Winters, and Davis combined. The majority of the County's population lives within the District's boundaries. YCFC&WCD's services are primarily focused on providing irrigation water for agriculture with some hydroelectric power generation and sale, recreational opportunities, and flood control. These services are not strongly correlated to population so that population growth does not present a significant concern.

Growth and Population MSR Determination

The population of Yolo County continues to grow with the majority of residents living within the district boundaries of the YCFC&WCD. However, services provided by the District are not strongly impacted by population growth.

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

		Significant Concern	Potential Concern	Not a Concern
a)	If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	☐	☐	☒
b)	If "yes" to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community?	☐	☐	☒

Discussion:

The YCFC&WCD provides agricultural and wholesale municipal & industrial (M&I) water; dam operation; canal and slough maintenance; flood control; recreation; hydroelectric power generation and sale. YCFC&WCD has the water rights to Clear Lake in Lake County and sells wholesale water to the three agencies that provide water to the City of Clearlake which has disadvantaged communities; however, those organizations treat the water and provide municipal water services. Additionally, those agencies are under the purview of Lake County LAFCo.

Disadvantaged Unincorporated Communities MSR Determination

The YCFC&WCD provides non-potable water for agricultural uses and wholesale M&I water but does not directly provide municipal services related to sewer, potable water, or structural fire protection. Therefore, this determination is not applicable to YCFC&WCD.

3. PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs.

		Significant Concern	Potential Concern	Not a Concern
a)	Are there any deficiencies in the **infrastructure**, **equipment**, and **capacity of agency facilities** to meet existing service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)?	☐	☐	☒
b)	Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	☐	☐	☒
c)	Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	☐	☐	☒
d)	Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs (i.e. temperature, drought, flooding, and wildfires)?	☐	☐	☒

Discussion:

The broad authorities listed in the Yolo County Flood Control and Water Conservation District Act include "the acquisition, controlling, conservation, diversion, storage and disposition of storm, flood, and other surface waters" and the power to levy and collect a charge for the use and protection of groundwater. Services provided by the District include the provision of agricultural and municipal and industrial water; dam operations; canal and slough maintenance; flood control; recreation; and hydroelectric power generation and sale.

Major facilities managed by YCFC&WCD include three dams. Both the Cache Creek Dam and Capay Diversion Dam were obtained by the District when it acquired the Clear Lake Water Company in 1967. The Cache Creek Dam was built in 1912 though Clear Lake is a natural lake and outflow is actually constrained by the Grigsby Riffle about three miles upstream of the dam. The Capay Diversion Dam was built in 1914 and modernized in 1994 with the addition of an inflatable dam above the original concrete dam. The bladder was replaced in 2024. The inflatable bladder can be raised or lowered in 30 minutes to divert water from Cache Creek into two main YCFC&WCD distribution canals, the Winters Canal and West Adams Canal.

The third dam, the Indian Valley Dam, was completed in 1974 and began operations in 1975. It was retrofitted with a hydroelectric plant in 1982. The District operates the power plant, and maintains a campground at the Indian Valley Reservoir.

The District's water distribution system includes more than 160 miles of irrigation and drainage facilities, most of which consist of earthen or unlined channels. YCFC&WCD has trained staff sufficient to meet service needs within the District service area.

<u>Water Services</u>

YCFC&WCD provides non-potable agricultural and wholesale water to 162 agricultural customers and 35 municipal and industrial customers, which includes sales of wholesale water to the three agencies that provide water to the City of Clearlake. Surface water supplies include Cache Creek, Clear Lake (150,000 acre-feet maximum capacity), and Indian Valley Reservoir (300,600 acre-feet maximum capacity). The District acquired Clear Lake in 1967 with a water rights priority of 1912.

Water releases from Clear Lake by YCFC&WCD are regulated by the Solano Decree (1978, revised 1995), which are based on water levels measured by the "Rumsey Gage." The Solano Decree regulates summer water levels and establishes allowable releases for the year based on the spring water level. If the gage level is at or above 7.56 feet Rumsey on May 1, up to 150,000 acre-feet of water may be released. Conversely, if the gage level does not reach above 3.22 feet Rumsey on May 1, no water may be released that year. Gage levels between those extremes result in an appropriate allowable release.

Irrigation water delivery is based on demand each year upon request of farmers. District water users must file applications for water service on or before March 15 of each year. When the water supply is less than demand, YCFC&WCD allocates water by dividing it among the signed-up acreage and an allocation is determined. Water is allocated on a per acre basis and customers manage their total allocation within the irrigation season. Customers can transfer their allocation or choose not to use it and return it to the district pool for all landowners to use. Once the District determines the total water available and total demand, detailed metering and records are maintained and shared with users on a monthly basis, and the District complies with all state regulations for water right reporting.

During water shortages, landowners rely more heavily on groundwater supplies through private production wells than in normal years. In an effort to prevent overdrafting of groundwater resources, YCFC&WCD has served as the regional leader in groundwater management studies, best practices, and monitoring. The District led the effort to develop the Yolo Subbasin Groundwater Agency (YSGA) which officially formed on June 19, 2017, for the purpose of acting as the Groundwater Sustainability Agency (GSA) for the Yolo Subbasin. With State approval of the Yolo Subbasin Groundwater Sustainability Plan in October 2023, the YSGA is considered the exclusive GSA for the Yolo Subbasin.

Flood Control

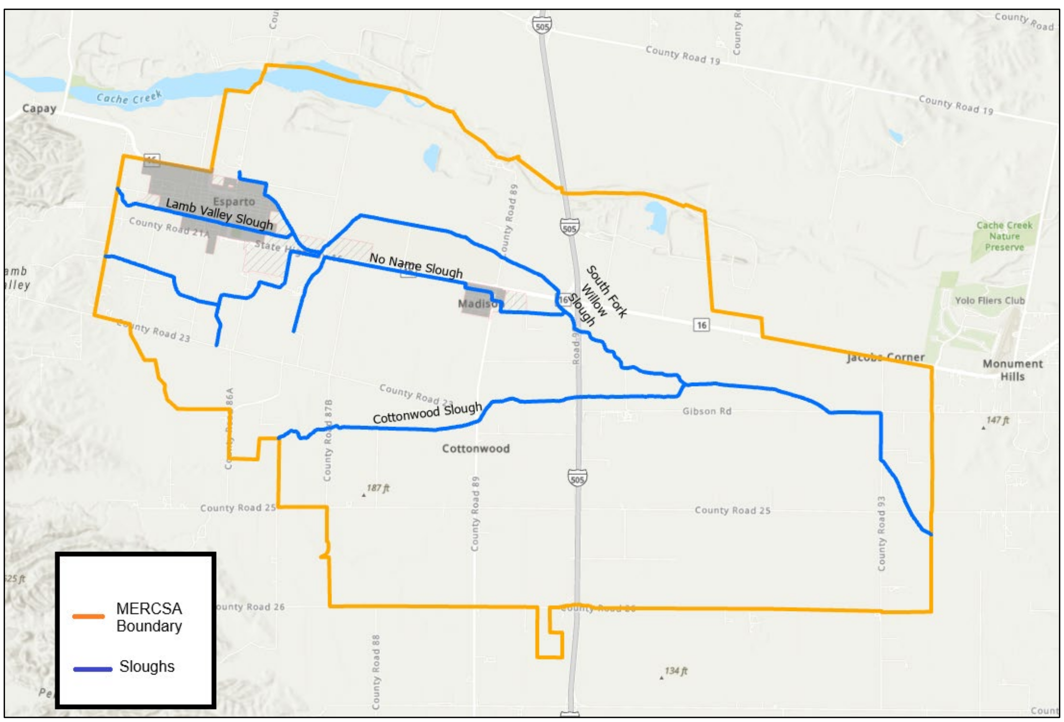
The District's participation in flood control has varied over its existence. Section 3(r) and (s) of the YCFC&WCD District Act state that the powers provided to YCFC&WCD allow it, either on its own or in coordination with other agencies, to control flood and storm water flowing into and within the district to reduce the waste of water and to protect life and property from floods within the district.

YCFC&WCD has often taken the leadership role in flood management in Yolo County particularly after flooding events in the 1950s, 1980s, and 1990s. In 1989, the District embraced its role in flood control including publishing *WMP 89-01-2*, a Water Management Program for Cache Creek, which revised the District's goals statement to assure "adequate control of flooding and drainage" while proposing a drainage plan for its service area in collaboration with Yolo County and the Cities of Woodland, Davis, and Winters. The WMP also discussed potential ways to finance projects.

Following the WMP, the District led the Floodplain Management Working Group, which produced a report on *Storm Drainage and Flooding in Yolo County* in 1997. The report acknowledged the District's broad authority to manage water resources including flood control facilities. It noted that other agencies were much more limited in their purview and restated that "since no other had or planned to deal with drainage in a comprehensive manner, (the District) had elected to broaden its responsibility and operations to fill the void." However, no source of long-term funding for flood control appears to have been pursued.

With the adoption in 2000 of a new *Water Management Plan*, YCFC&WCD stepped back from its leadership role in flood control management efforts to focus on new groundwater management requirements from the state, presumably due to lack of funding. However, the District has continued to be involved in flood control through the floodSAFE Yolo program discussed in section 5 of this chapter and assuming slough maintenance and drainage services for the Madison drainage area which was part of the former Madison-Esparto Region County Service Area (MERCSA).

Figure 8. Madison Drainage Area



After MERCSA was dissolved in 2017, YCFC&WCD assumed the storm drainage control services of the Madison CSA portion of consolidated county service area. Esparto Community Services District assumed the detention basin and parks services of the Esparto CSA portion of MERCSA. YCFC&WCD maintains the major sloughs in the area (Figure 8) including Lamb Valley Slough which runs through the unincorporated community of Esparto. The region has had past flooding in Madison, the east side of Esparto, and along Lamb Valley Slough between Fremont Street and Yolo Avenue. Additionally, Highway 16 between Esparto and Madison continues to flood resulting in recent road closures in 2019 and 2023 according to the Storm Events Database maintained by the National Centers for Environmental Information.

Power Generation and Other Services

Additional services provided at Indian Valley Reservoir include a campground and a three megawatt hydroelectric facility, which allows YCFC&WCD to sell hydropower during irrigation releases. The hydroelectric facility consists of two large-scale turbine generators and one low-flow turbine generator, the latter of which is used for minimum stream flow releases. YCFC&WCD has a contract to sell the power to Valley Clean Energy, a local electrical Community Choice Aggregator.

Climate Adaptation

YCFC&WCD's service area has been designated as relatively high risk to very high risk for both drought and inland flooding by the Federal Emergency Management Agency. It is expected that climate change will only increase the frequency of extreme dry events and extreme wet events and the rapid transition between them. The District has policies to address how agricultural water will be allocated during dry years and has taken a leadership role in monitoring groundwater and assisting with the formation of the Yolo Subbasin Groundwater Agency with the growing threat of extreme drought.

The District also has areas of moderate to very high fire severity as designated by CAL FIRE in the Capay Valley and has taken steps to address climate adaptation in its assessment of infrastructure and current service needs. After YCFC&WCD experienced two large fires at Indian Valley Reservoir, which burned power poles, the transmission line, and related power infrastructure, the District has replaced its wood power poles with metal poles in 2018 to better withstand wildfire events. Only the Cache Creek Dam has remaining wooden poles.

Capacity and Adequacy of Public Facilities and Services MSR Determination

YCFC&WCD has adequate water rights, capacity, and infrastructure to meet its service needs. Major facilities managed by YCFC&WCD include three dams, and a network of mostly earthen canals and laterals. YCFC&WCD has a contract for selling power from the Indian Valley hydroelectric facility to Valley Clean Energy, a locally governed electricity provider in Yolo County.

The District has sufficient capacity to meet current irrigation water needs and has planned for future climate challenges by creating a reserve fund for drought resiliency and by replacing most of its wooden power poles with fire-resistant metal poles.

The YCFC&WCD District Act authorizes the District to provide flood control services and YCFC&WCD assumed responsibility for the Madison drainage area in 2017. It currently maintains the sloughs but given the history of flooding in the area, the District should continue to monitor the need for more substantial drainage improvements.

4. FINANCIAL ABILITY Financial ability of agencies to provide services.		Significant Concern	Potential Concern	Not a Concern
a)	Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	☐	☐	☒
b)	Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	☐	☐	☒
c)	Is the organization's revenue sufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar service organizations?	☐	☒	☐
d)	Does the subject agency have a capital improvement plan (CIP)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy to fund it?	☐	☐	☒
e)	Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	☐	☐	☒
f)	Can the subject agency improve its use of generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any unfunded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?	☐	☐	☒
g)	Does the agency staff need to review financial data on a regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County's financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?	☐	☐	☒
h)	Does the agency board need to receive regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?	☐	☐	☒

The YCFC&WCD maintains its accounting data on an accrual basis of accounting under generally accepted accounting principles (GAAP). The data presented below is based on the accrual basis data converted to the modified accrual basis. The modified accrual basis of accounting focuses on the near-term financial health of the District. The modified accrual basis of accounting includes the purchase of capital assets and loan principal repayments as expenditures which the accrual basis does not.

Statement of Revenues, Expenditures, and Fund Balance

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues					
Operating revenues					
Water sales	4,632,221	1,625,122	325,334	6,106,670	7,058,871
Power sales	343,338	39,456	0	283,109	468,054
Recreation fees	13,461	7,447	0	6,290	11,343
Operating subtotal	4,989,020	1,672,025	325,334	6,396,069	7,538,268
Non-operating revenue					
Property taxes	1,465,099	1,628,692	1,753,937	2,720,707	2,919,238
Grants	428,442	645,184	75,000	671,121	628,422
Miscellaneous	629,480	647,137	862,535	1,912,480	1,166,503
New debt proceeds	0	5,974,358	0	0	0
Capital contribution:	5,827	3,529	10,556	37,261	85,618
Non-operating subtotal	2,528,848	8,898,900	2,702,028	5,341,569	4,799,781
Total Revenues	$7,517,868	$10,570,925	$3,027,362	$11,737,638	$12,338,049
Expenses					
Operating expense					
Source of supply	482,143	552,597	541,718	608,093	608,367
Transmission	1,202,742	946,829	850,284	2,207,307	1,513,770
Environmental	8,775	6,066	4,910	6,223	5,623
Hydroelectric	76,279	25,625	24,625	59,500	48,861
General/Admin	1,798,124	1,945,864	1,659,433	1,697,453	2,077,809
Maintenance	274,336	414,160	326,943	351,098	423,147
Water studies	452,334	352,494	246,778	350,316	448,049
YSGA	224,330	200,360	219,184	336,462	567,178
FloodSAFE	98,749	10,641	3,121	0	0
MERCSA	38,783	14,868	12,118	11,070	8,510
Drought mitigation	0	23,666	116,158	24,466	0
Capital outlay		270,758	1,206,728	1,629,778	2,944,988
Property taxes	238,239	253,180	257,078	280,644	286,339
Operating subtotal	4,894,834	5,017,108	5,469,078	7,562,410	8,932,641
Non-operating expense					
Debt service-princip	224,985	2,379,822	242,060	247,562	253,188
Debt service-interest	65,260	132,657	128,508	122,976	115,071
Non-operating subtotal	594,225	376,632	397,842	326,071	412,211
Total expense	5,779,304	7,906,219	6,237,488	8,259,019	9,713,111
Change in Fund Balance	453,077	2,664,706	-3,210,126	3,478,619	2,624,938
Beginning Fund Balance	4,633,369	5,086,446	7,751,152	4,541,026	8,019,645
Ending Fund Balance	5,086,446	7,751,152	4,541,026	8,019,645	10,644,583

Discussion:

The District's major sources of revenue are from water sales and property taxes. There is an additional special benefit assessment in 2023 for capital improvement funds. It also currently receives roughly $68,000 property tax from the former Madison-Esparto Regional County Services Area for maintenance and clearing of sloughs in that region.

In non-drought years, water sales and property tax make up approximately 80% of total revenue. YCFC&WCD had a negative income in FY23 largely due to drought conditions in 2022 which restricted water sales and led to low reservoir levels and no hydroelectric power sales. However, a return to more typical rain pattern resulted in a full reservoir and unrestricted water sales which allowed operating revenue to rebound.

Likewise, operating expenditures, which decreased as a result of several factors including a decrease in administrative and water resources salaries and positions, and lower distribution costs due to no water operations in FY23, have increased along with revenue.

The District Directors adopted an agricultural water rate of $55.90 per acre foot in 2023 to mitigate revenue loss from drought and flood and wildfire damage. This was a change from the previous rate which was a sliding scale that ranged from $24 to $44 per acre foot. The new agricultural rate includes a component for building drought reserves and a component for reimbursing the District for use of short-term capital funds used during the drought years. The Drought Reserve fund target is $8.6 million. Once the target minimum is met, the charge will be removed, lowering the agricultural water rate.

The financial system is audited annually. The last MSR/SOI reported some crossover of funds with Yolo Subbasin Groundwater Agency (YSGA) due to YSGA contracting with the District for program activities. The YSGA now has separate accounts and has adopted a separate funding mechanism to be more independent of YCFC&WCD.

The District has adequate controls in place to prevent errors and safeguard its assets. It also produces robust monthly reports that are reviewed by the General Manager, Assistant General Manager, and the Board of Directors. The reports include a budget-to-actual income statement with supporting budget-to-actual variance analysis notes, a schedule of cash and investment balances, capital projects status report, accounts receivable analysis schedule and various comparative schedules. Additionally, the District has annual audits conducted by external auditors.

The Board of Directors receive monthly financial reports via email when each month is closed and at the monthly board meetings. The financial report includes a budget-to-actual income statement with supporting budget-to-actual variance analysis notes, a schedule of cash and investment balances, capital projects status report, accounts receivable analysis schedule and various comparative schedules. The Board also reviews all invoices over $5,000.

The District has a long-term loan from Zion Bancorporation that was issued in 2021 to assist in financing for the Indian Valley Hydroelectric Rehabilitation and Moore Siphon Replacement projects and to pay off a loan from the State Water Resources Control Board (SWRCB). The loan is expected to be paid off by 2042. The District has been fiscally conservative in taking on debt or receiving capital financing.

As of April 30, 2025, YCFC&WCD has a total unrestricted fund balance of over $10 million. Approximately $7.8 million is designated to four funds with $3.5 million designated for Drought Reserve Funds, $3.3 million to Capital Improvement Funds, $598,309 to COVID-19 Relief, and $319,632 to Capital Recovery Fund. The District has restricted funds for its retirement plan and does not have any debt related to retirement or retiree health insurance (OPEB).

YCFC&WCD's investment policy provides the basis for the management of a prudent investment program. As of April 2025, it had a $6.2 million investment divided between the Yolo County investment pool and the Local Agency Investment Fund (LAIF). The District appears to have adequate controls in place for proper review of receipts, disbursements, and other system functions and is currently documenting the controls and procedures in case of any unexpected staff turnover.

Financial Ability MSR Determination

Yolo County Flood Control and Water Conservation District is in a strong financial position and is mitigating for potential financial instability due to drought years that impact its water sales and other operations by restructuring its fees and maintaining flexible operations. The District is conservative on taking on debt or receiving capital financing. It has designated funds for capital improvements and drought reserves. The District reports that the tax revenue provided for the Madison drainage area taken over in 2017 is not sufficient to cover the services provided, however these costs have not consistently been tracked separately from other slough cleaning work.

Financial Ability Recommendations

1. Improve the accounting for the Madison drainage area funds to determine if the tax revenue is sufficient to cover services or not. This data would inform whether to pursue Prop 218 to increase funding or to triage services.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	Significant Concern	Potential Concern	Not a Concern
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	☐	☒	☐

Discussion:

YCFC&WCD is a model district in forming partnerships and sharing services to fill gaps in a number of areas of water resource management, environmental stewardship, and flood management. For three decades, the YCFC&WCD played a regional leadership role with the Water Resources Association of Yolo County (WRA), which developed the Integrated Regional Water Management Plan (IRWMP) in 2007 to address water management needs including: Groundwater Monitoring Program; Surface Water Monitoring Program; Groundwater Model Enhancement Program; Water Resources Infrastructure Database Enhancement Program; and Aquatic Habitat and Fish Opportunities Assessment. The WRA was also involved in the Sustainable Groundwater Management Act and was a leader in partnering with other agencies in Yolo County to form the Yolo Subbasin Groundwater Agency (YSGA). In 2022, the WRA was dissolved, and its purpose and members were integrated into the YSGA. YCFC&WCD is a member of YSGA and provides administrative and technical support services for the JPA.

YCFC&WCD has also worked with other local jurisdictions through two iterations of the floodSAFE Yolo program in 2008 and 2019. To address local flood concerns and potentially access new state general obligation bond funds, YCFC&WCD, Yolo County, and the City of Woodland provided an initial investment for the floodSAFE Yolo Pilot Program which ran from 2008-2010. The pilot program developed a work plan that prioritized updated hydrologic models used for floodplain mapping and development of a city and county drainage manual, but the program ended after two years due to financial shortfalls resulting from the Great Recession.

In 2019, the District joined Yolo County in restarting the program as floodSAFE Yolo 2.0. YCFC&WCD reports that several projects have been completed prior to or after the program lost funding in 2020 including flood risk improvements for the town of Madison and levee restoration at Huff’s Corners. However, despite identifying potential revenue sources to sustain its efforts, it did not secure on-going funding.

In the end of year report for fiscal year 2019-2020, floodSAFE Yolo 2.0 considered three potential funding sources: (1) creating a rural assessment district in specific areas like the Madison drainage area; (2) a county-wide assessment; or (3) forming a new regional flood management agency.

Although there are specific agencies that deal with flood concerns along the Sacramento River within Yolo County including the reclamation districts and West Sacramento Flood Control Agency, the majority of Yolo County's population, which resides within YCFC&WCD's boundaries, do not have a responsible agency. The District has been a partner in two versions of floodSAFE Yolo which, as discussed above, considered several governance structures and sources of sustaining funding. Of these, the third option, forming a JPA with the County and four cities, was identified as the most promising way forward with broad support from the partner agencies. However, the study suggests an annual revenue of $1 million was needed to support such an effort which is a significant challenge.

Additionally, in 2026 the District is leading an effort to collaborate with rural landowners, Center for Land-Based Learning, Yolo RCD, Cache Creek Conservancy, Yolo County, and other interested stakeholders to plan, prioritize, and implement nature-based solutions in Willow Slough watershed to mitigate flooding impacts and increase groundwater recharge. The District secured facilitation funding from the Resources Legacy Fund to organize the effort, which included interviews, a summary report, a workshop presentation, and a site visit. The District is interested in securing implementation funding for working with landowners and agency partners to improve the sloughs within the Willow Slough Watershed.

Considering climate change predictions, this is a critical time to consider ways to fund the floodSAFE Yolo program so it can continue its important work. The cities of Davis, Winters, and Woodland are under increasing pressure to reconsider their urban limit lines to meet State requirements for new housing which requires regional coordination of storm drainage. In a similar manner to developing the Yolo Subbasin Groundwater Agency to address groundwater protection, YCFC&WCD, Yolo County and the City of Woodland should seek a broader membership for the floodSAFE Yolo partnership to keep the work moving forward by inviting other cities within Yolo County as well as affected Community Services Districts, and other groups with flood concerns to support the floodSAFE Yolo program. Having a larger number of participants with interest in regional flood protection may provide a critical mass to sustain the program.

Shared Services MSR Determination

YCFC&WCD is a model district in forming partnerships and sharing services to fill gaps in several areas of collaborative water resource management, environmental stewardship, and flood management. The District provides shared services to several local agencies and is also a member of and provides contract staffing to the Yolo Subbasin Groundwater Agency JPA.

Flood management continues to be an area of concern in Yolo County. YCFC&WCD has worked with other local jurisdictions through two iterations of the floodSAFE Yolo program in 2008 and 2019 until funding ran out. This is a very important program considering climate change and flood risks between Cache Creek and Putah Creek, and funding should continue to be explored to revitalize this program.

Shared Services and Facilities Recommendations

2. Continue to collaborate with Yolo County and the City of Woodland to evaluate funding options to revitalize and sustain the floodSAFE Yolo program. Consider additional partners, such as the Cities of Davis and Winters, Esparto CSD and other affected parties to address regional drainage and flooding concerns for central Yolo County.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies.

		Significant Concern	Potential Concern	Not a Concern
a)	Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	☐	☐	☒
b)	Does the agency need to secure independent audits of financial reports that meet California State Controller requirements (GOV Code Section 26909)? Are the same auditors used for more than six years? Are audit results <u>not</u> reviewed in an open meeting?	☐	☐	☒
c)	Is the agency insured or in a risk management pool to manage potential liabilities?	☐	☐	☒
d)	Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	☐	☐	☒
e)	Are there any issues with staff capacity/turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?	☐	☐	☒
f)	Does the agency have adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct?	☐	☐	☒
g)	Does the organization need to improve its public transparency via a website (see https://www.yololafco.org/yolo-local-government-website-transparency-scorecards)?	☐	☒	☐

Discussion:

YCFC&WCD's special legislation forming the District establishes that Board vacancies are filled by the Yolo County Board of Supervisors, one member for each BOS district. The District's Board is filled with very capable members that show stability and longevity with the District. Board members are trained regarding the organization's program requirements and financial management.

The District has 30 employees with short-term interns who provide operations assistance. Staff are capable and trained. There do not appear to be any chronic issues with staff turnover. The board has included an employee capacity plan including employee retention, redundancy, and succession planning as part of its three-year strategic plan to be completed by 2027.

The District routinely undergoes annual audits conducted by qualified independent external auditors. The current auditor, MUN CPAs, has been used since 2021. Completed audits are presented to the District board at open meetings. Audits over the past seven years have been conducted by two different audit firms. The District is considering adopting a policy of changing auditing firms or lead auditors every three years.

On the most recent Yolo LAFCo Website Transparency Scorecard, the YCFC&WCD received a score of 75%. The District has a very good website but lacks specific information on existing contracts and upcoming contract opportunities. If the District doesn't typically seek contracts, it could note this on the website. It also lacked specific information on how to make public records requests. Additionally, the District should consider posting its policies on the website.

The District maintains most of its records on a local server and backs up to cloud storage. Physical records kept at the district office are stored in fire-safe cabinets.

Accountability, Structure and Efficiencies MSR Determination

The YCFC&WCD was created by special legislation and is a well-managed and well-resourced special district. The District's Board is filled with very capable members that show stability and longevity with the District. Board members are trained regarding the organization's program requirements and financial management. The District has 30 employees with interns that assist with operations. Staff are capable and there do not appear to be any chronic issues with staff turnover. The board is working on succession planning. The District undergoes annual audits conducted by independent external auditors. The YCFC&WCD's website should add information on contracts, how to make public records requests, and additional policies. Additional information regarding Yolo LAFCo's website transparency scorecard can found at: https://www.yololafco.org/yolo-local-government-website-transparency-scorecards.

Accountability, Structure and Efficiencies Recommendations

3. Yolo County Flood Control & Water Conservation District should continue to add website content as needed to improve its 75% score per the latest website transparency scorecard found at https://www.yololafco.org/yolo-local-government-website-transparency-scorecards.

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	Significant Concern	Potential Concern	Not a Concern
a) Are there any recommendations from the agency's previous MSR that have not been implemented?	☐	☐	☒

Discussion:

The previous MSR/SOI prepared for the YCFC&WCD included the following recommendations:

2021 MSR Recommendations	Implemented?
1. Financial transactions that relate directly to the YSGA should not be recorded in the YCFC&WCD ledgers.	Yes
2. Develop a policy or procedure to identify and record Federal and State revenue consistently as either non-operating grants or contributed capital based on the purpose of the grant	Yes
3. Consider assessing a base service fee that would protect the District's financial condition from periods of extended drought.	Yes
4. Develop a formal capital improvement plan that includes a financing plan (i.e. long-range planning, not just on an annual basis).	In Progress
5. Create a reserve policy that includes specific set asides, which are formally recorded in the accounting system, for financing a capital improvements plan, general reserve, and a catastrophic loss reserve to mitigate against loss of revenue and to finance unexpected large infrastructure losses due to disasters.	Yes
6. Complete the ongoing process to document the accounting controls, procedures and policies in case of any unexpected staff turnover.	In Progress
7. YCFC&WCD should consider adopting a policy that it rotates auditors at least every 6 years.	Yes
8. The YCFC&WCD improved its transparency score from 67% in 2018 to 82% in 2019, however, there is still some room for improvement.	Partial
9. Take appropriate measures to safeguard any essential paper records in the office from fire or water damage	Yes

The YCFC&WCD has separated its accounting from the Yolo Subbasin Groundwater Agency and has successfully implemented fees to ensure that it can weather drought years. It continues to update its website to meet full transparency requirements and is adopting policies to improve long-term planning.

Other Issues MSR Determination

YCFC&WCD has implemented or is making progress on all the recommendations from the 2021 MSR. There are no other issues related to effective or efficient service delivery, as required by Commission policy.

SPHERE OF INFLUENCE STUDY

On the basis of the Municipal Service Review:

☒ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.

☐ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.