

Omochumne Hartnell Water District Expansion Staff Analysis

Omochumne-Hartnell Water District (OHWD) is considering whether to annex non-District lands in response to requests from landowners in those areas. While no decisions has been made regarding the extent and scope of the annexation, in general concept the proposal would expand OHWD boundaries to include certain agricultural and agricultural residential areas immediately adjacent to the existing District lands and located west of Highway 99 (see attached map). These areas are not within the boundaries of any other water district.

	Total Area (ac.)	Parcels	Irrigated Acreage(ac.)
OHWD (current)	26189	1268	14351
Expansion Area (proposed)	25511	433	18839

Staff have prepared the following analysis as the OHWD Board considers whether to proceed with the proposed annexation of these lands.

Benefits of Expansion/Annexation

Annexation of these areas has the potential to benefit existing District landowners as well as the annexed lands. Certain District landowners already own lands in the areas proposed to be annexed, in the case of other parcels, the lands are owned by landowners new to the District. The land uses across both groups are largely the same (agricultural and agricultural residential), and the landowners tend to share common concerns on issues of water management and conservation. However, these landowners do not have consolidated representation in the various water management efforts occurring in Sacramento County.

The expansion would make OHWD the largest agricultural and agricultural residential water district in Sacramento County. One benefit of the proposed annexation would be that coordinating under a single jurisdictional entity would empower this group to speak with one coordinated voice on issues of concern for the area. There are many efforts concerning water occurring in Sacramento County. These efforts include, but are not limited to, the Water Forum, the Harvest Water Project, conjunctive use (i.e. flood protection, groundwater recharge) projects by Sacramento County and the City of Sacramento, and water banking. Agriculture and agricultural residential landowners have long expressed concerns about their relative lack of representation within these efforts. By encompassing these lands within a uniform District, the affected landowners would have a coordinated venue in which to participate in water management issues, both within the District and County-wide. Omochumne Hartnell Water District is currently a Groundwater Sustainability Agency for the District's current boundaries, and is therefore responsible for implementing the Sustainable Groundwater Management Act (SGMA) within its boundaries. If the annexation proceeds, OHWD anticipates that it would take on this responsibility for the newly annexed lands, as well. This effort would require coordination between OHWD, DWR, the existing GSAs in that area.

OHWD has several groundwater recharge projects it is implementing as well as groundwater and river monitoring, in support of these implementation efforts. Those efforts benefit OHWD landowners as well as the surrounding basin, and would operate to the benefit of the annexed lands, as well.

Fiscal Impacts of Annexation/Expansion

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Currently OHWD relies on an ad valorem tax base that was developed when the District was formed in 1956. This tax base is on the land value and calculated through a formula developed by the County of Sacramento after Proposition 13 was passed in 1978 and modified by proceeding proposition requiring minimum school funding. This funding currently pays for district staff, including district legal and engineering; along with the operations of the flashboard dams in the Cosumnes River, groundwater recharge projects, and grant applications for funding projects within the current district boundaries. The District collects approximately \$171,000 a year from this tax for its General Fund. In 2021, OHWD imposed a fee on its irrigated acreage to fund its SGMA implementation and compliance efforts. The District collects approximately \$124,000 annually from that fee.

Any new lands incorporated into the District through annexation would be required to fund the costs of District services (including water management and SGMA compliance) within those areas. To ensure that current District funds are not used to subsidize the expansion of services, the District would separately account for expenditures associated with this area, which would need to be recovered following the annexation. Annexation would be contingent on the imposition of appropriate new fees to fund services to the newly added lands. OHWD would need to conduct a Fee Study to determine the correct fee to be imposed to cover SGMA related costs and any administrative costs related to the new Expansion Area.

The Expansion Area is currently subject to fees levied by Sacramento Central Ground Water Authority (SCGA); landowners in this area pay approximately \$170,000 annually to SCGA. OHWD's landowners do not pay a fee directly to SCGA. Annexation of the Expansion Area by OHWD would require negotiation and discussion between SCGA to account for the decrease in revenue and expenses to SCGA and the increase in revenue and expenses to OHWD. This transition is not expected to result in a net change to the SCGA budget, or to the actual costs absorbed by landowners.

Effect on OHWD Board Elections

Currently, OHWD Board members are elected at large by the all the landowners in the District for 4-year terms. Elections are held every other odd year for the Board of Directors positions, with 3 members being elected on one cycle and 2 members elected on the next cycle. Expansion of the District would not expand the existing Board, nor would it change the structure of the election cycles (which are set by California law). If OHWD annexed the Expansion Area, those landowners would have the ability to vote for the Board of Directors, and serve on the Board, in the same manner as existing landowners within the District.

Disadvantages of Annexation/Expansion

There are potential disadvantages to the proposed annexation, as well. Most significantly, the proposed annexation expands the size of the overall District, and could therefore result in higher administrative costs to the entire District. Annexation and the associated fees would need to be carefully considered to ensure that OHWD administration continues to be carried out as efficiently and cost-effectively as possible. Addition of more acreage with OHWD would also require reconsideration and possible amendment of the existing Groundwater Sustainability Fees, to ensure that this fee levy appropriately captures the costs of providing services to these areas. On a less tangible level, the proposed annexation could result in less District and Expansion Area engagement with the SCGA signatories, particularly the

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City members of that Board. The OHWD Board would need to consider and account for these potential disadvantages in deciding how to proceed.