

**DRAFT – ACTION MINUTES OF THE – DRAFT  
LOCAL AGENCY FORMATION COMMISSION  
HEARING OF JULY 19, 2017**

**REGULAR MEETING**

**9:00 A.M.**

**July 19, 2017**

**PRESENT:**

**COMMISSIONERS:**

**Jim Bagley  
Kimberly Cox, Chair  
Jim Curatalo  
Steve Farrell, Alternate**

**Robert Lovingood  
Aquanetta Warren, Alternate  
Diane Williams**

**STAFF:**

**Kathleen Rollings-McDonald, Executive Officer  
Clark Alsop, LAFCO Legal Counsel  
Samuel Martinez, Assistant Executive Officer  
Michael Tuerpe, Project Manager  
Jeffrey Lum, LAFCO Analyst  
La Trici Jones, Commission Clerk  
Bob Aldrich, LAFCO Consultant**

**ABSENT:**

**Larry McCallon  
James Ramos, Vice-Chair**

**Janice Rutherford, Alternate**

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION COMMISSION  
– CALL TO ORDER – 9:00 A.M. – NORTON REGIONAL EVENT CENTER**

Chair Cox calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

Chair Cox calls for comments from the public regarding the closed session items. There are none.

**ADJOURN TO CLOSED SESSION OF THE LOCAL AGENCY FORMATION  
COMMISSION – 9:04 A.M.**

a. Conference with Legal Counsel – Existing Litigation (Government Code Section 54956.9(d)(1)) – San Antonio Heights Association v. County of San Bernardino et al, San Bernardino County Superior Court Case No. CIVDS1712771

b. Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation (Government Code Section 54956.9(d)(2)) – One case significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: (one case)

**CONVENE PUBLIC SESSION – 9:35 A.M.**

Chair Cox asks LAFCO Legal Counsel Clark Alsop to report on the closed session. Mr. Alsop states that no reportable action was taken in closed session.

**ANNOUNCEMENT OF CONTRIBUTIONS**

Chair Cox requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past 12 months to any member of the Commission to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved. There were none.

**CONSENT ITEMS:**

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

- ITEM 1.** Approval of Minutes for Regular Meeting of May 17, 2017
- ITEM 2.** Approval of Executive Officer's Expense Report
- ITEM 3.** Ratify Payments as Reconciled for Month of May and June 2016 and Note Cash Receipts
- ITEM 4.** Unaudited Year-End Financial Report for Fiscal Year 2016-17
- ITEM 5.** Approval of Fiscal Year 2008-09 Financial Records Destruction Pursuant to Commission Policy

Commissioner Lovingood moves approval of the Consent Calendar, second by Commissioner Williams. There being no opposition, the motion passes with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, Warren (voting on behalf of McCallon) and Williams. Noes: None. Abstain: None. Absent: McCallon, Ramos

**PUBLIC HEARING ITEMS**

**ITEM 6. CONSENT ITEMS DEFERRED FOR DISCUSSION:**

None

**ITEM 7. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3187 – COUNTYWIDE WATER SERVICE REVIEW (RETAIL, WHOLESALE, RECYCLED); AND (2) LAFCO 3187 – COUNTYWIDE SERVICE REVIEW FOR WATER SERVICES (RETAIL, WHOLESALE, RECYCLED) (VALLEY, MOUNTAIN, NORTH DESERT, SOUTH DESERT REGIONS)**

Executive Officer Kathleen Rollings-McDonald introduces the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. The item has been advertised through publication in newspapers of general circulation within the County as a whole identified as the *Big Bear Grizzly*, *Daily Press*, *Desert Dispatch*, *Hi-Desert Star*, *Inland Valley Daily Bulletin*, *Mountain News* and *San Bernardino Sun*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission policy, in-lieu of individual notice, the notice of hearing publication was provided through an eight page legal ad.

Ms. Rollings-McDonald states that this report is the initial service review of the second cycle which follows the Commission determination that addressing individual services on a countywide basis most efficiently utilizes staff time and resources and that this approach was approved by the Commission in April 2016. She states the service review is segregated by region and that the report, due to its size and complexity, was published early to allow for sufficient review by the Commission, the public, affected agencies and other interested parties.

Executive Officer Rollings-McDonald states that one section of the service review addresses the changing landscape of water-related legislation and includes discussion on the following: AB 54 which requires mutual water companies to provide LAFCOs with service area maps and other operational data; SB 244 which requires water supply assessments for disadvantaged unincorporated communities; AB 402, a pilot program for San Bernardino and Napa LAFCOs, which allows for service delivery outside of an agency's sphere of influence on a contractual basis; SB 88 which provides incentives for small water system consolidations; and, the Sustainable Groundwater Management Act of 2014 which provides a framework for sustainable management of groundwater supplies by local authorities.

Ms. Rollings-McDonald provides an overview of the service review preparation, stating that stakeholder groups were formed in each of the four regions to provide staff with guidance, feedback, and peer review of draft versions of the report. She states that during preparation of the report, staff learned a number of things, including but not limited to: Metropolitan Water District of Southern California (hereafter identified as "MET") does not have a sphere of influence within San Bernardino County; 80 percent of San Bernardino County is vacant and is outside local land use control being owned by another level of government; the mountain communities in San Bernardino County are the most densely populated mountain communities west of the Mississippi River; the definition of disadvantaged unincorporated communities (DUCs) is not consistent among State agencies; SB 88 has the potential to be a useful tool in assisting small water systems; there remains a lack of understanding among counties and cities regarding implementation of the California Land Conservation Act ("Williamson Act"); and, many of the water systems identified in the first round of service reviews with service-related issues continue to experience problems.

Ms. Rollings-McDonald identifies two areas of concern – the Rockets, Fireworks and Flare site in Rialto and County Service Area 70 CG (Cedar Glen) in the Mountains. She states that in both cases remediation efforts are underway, and these areas are not considered "hot spots" as those have been defined by staff. She also notes many of the positive

programs underway among water agencies including the coordination among agencies with groundwater basins, Mojave Water Agency's Small Water Systems Assistance Program and the Environmental Protection Agency's use of the Twentynine Palms Water District as a test agency to assist small, low income districts to economically remove arsenic from their water systems.

Project Manager Michael Tuerpe presents the balance of the staff report. He states that the report's objectives are twofold: to update the mandated service review determinations, and to initiate sphere of influence updates and other system monitoring where necessary. He indicates that the service report addresses 112 community water systems which include 53 cities and special districts, 28 private water companies and 31 mutual water companies. He states that select transient and non-transient water systems were also incorporated into the service review.

Mr. Tuerpe provides a summary of the report's appendices and states they include agency/public comments, regional updates, city and district updates and a listing of community water systems, wholesalers and JPAs. He shows the Commission examples of updated information charts included in the service review's appendices.

Mr. Tuerpe provides an overview of the Valley Region and states that the region is generally divided between two wholesalers – the MET through its member agency, the Inland Empire Utilities Agency, on the west, and San Bernardino Valley Municipal Water District on the east. He states that there are 18 water purveyors in the Valley Region. He indicates that there are two clarifications he would like to make for the record: first, Monte Vista Water District has indicated that one-third of the water distributed by the Inland Empire Utilities Agency's member agencies is imported from MET, and, second, the Fontana Water Company provided a corrected typical residential water bill.

Discussion ensues regarding the City of Redlands map depicting its water service area. Executive Officer Rollings-McDonald states that the map does not accurately reflect the City's service area in its eastern sphere of influence. She states that LAFCO staff is working with City of Redlands staff to develop an accurate map. Ms Rollings-McDonald states that an updated map will be included in the final version of the service review.

Project Manager Tuerpe states that there is a one identified "hot spot" in the Valley Region – the San Antonio Canyon Mutual Service Company. He states that this is a private retailer and is not under direct LAFCO purview. Mr. Tuerpe indicates that this private retailer has insufficient source capacity, a lack of drought interim measures, and no assured emergency inter-ties. He notes that consolidation of San Antonio Mutual Service Company with the Mt. Baldy Homeowners Association would allow eligibility for SB 88 funding to upgrade facilities.

Mr. Tuerpe states that MET is a special district subject to LAFCO purview, and that LAFCO is obligated to establish a sphere for MET. He notes that MET staff has identified support for a sphere conterminous with the sphere of its member agency – the Inland Empire Utilities Agency.

Executive Officer Rollings-McDonald clarifies that San Bernardino LAFCO, due to its existing contracts with surrounding neighbors (with the exception of Kern County) is the

principal LAFCO for determining a sphere of influence for MET. These contracts were entered into due to each LAFCO's familiarity with land use issues and service providers within their County.

Project Manager Tuerpe summarizes two staff recommendations for agencies which include: (1) the initiation of an annexation of approximately 17 parcels and ancillary roadways to MET and its member agency – the Inland Empire Utilities Agency ; and (2) a reorganization between MET and Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District to rectify property tax and service related issues. Mr. Tuerpe states that MET has indicated no objection for both reorganizations, and that efforts are already underway by the affected agencies to process the reorganization of the boundaries and spheres of influence.

Mr. Tuerpe outlines for the Commission recent discussions between the City of Colton and the Riverside Highland Water Company. He states that the City is considering providing water and sewer to an area within the City of Grand Terrace which is within the Riverside Highland Water Company territory. Mr. Tuerpe states that this is consistent with Government Code Section 56133.5 which establishes a pilot program for Napa and San Bernardino LAFCOs to authorize service extensions outside of an agency's sphere based on specific criteria, including that the proposed service extension was identified and evaluated in a service review. Mr. Tuerpe states that the City would be responsible for submission of the application for this service contract.

Mr. Tuerpe lists staff's recommendations for the Valley Region for Commission consideration which include: updating service review determinations to incorporate new population and disadvantaged unincorporated community data; updating regional and wholesale information; updating agency profile sheets; and, Commission initiation of the establishment of a sphere of influence for MET within San Bernardino County to be conterminous with the sphere of influence of its member agency, the Inland Empire Utilities Agency.

Chair Cox asks for any Commissioner comments. There are none.

Project Manager Tuerpe provides an overview of the Mountain Region. He states that there are no identified "hot spots" within this region, but notes that County Service Area 70 Zone CG (Cedar Glen) has ongoing challenges. He states that when the County purchased the system it was a failing system, but the County has made progress in addressing many of the system deficiencies. He recommends that the Commission direct staff to continue to monitor the CG-70 system, and return to the Commission with an update no later than the February 2018 Commission hearing.

Mr. Tuerpe states that in 1989, the City of Big Bear Lake Department of Water and Power (hereafter DWP) acquired water system and service area previously assigned to the Southern California Water Company by the State Public Utilities Commission (PUC). Mr. Tuerpe notes that at the time the precise boundary of the acquired territory was unclear. He states that in 2012, LAFCO conducted the first cycle service review which defined the service area and contractual boundary for the DWP. He states that to fulfill the requirements of Government Code Section 56133.5, this service review identifies the areas where the DWP serves outside the City sphere of influence, that an updated map will be

included in the final version of the service review and the DWP can file for certification of the contractual service area under Government Code Section 56133.5.

Project Manager Tuerpe provides an overview of successes in the Mountain Region as a result of the 2010-2011 service reviews, which include: the dissolution of the Crest Forest Fire Protection District and annexation to County Fire; the consolidation of street lighting agencies; and, the assumption of service for the Rim Forest system of the DWP by the Lake Arrowhead CSD.

He states that staff has identified future opportunities in the Mountain Region which include: the potential consolidation of Crestline Village Water District and the Crestline Sanitation District; the potential consolidation or formation of a community services district which includes CSA 70 Zone CG, Lake Arrowhead Community Services District and the Crestline-Lake Arrowhead Water Agency Improvement Districts; and the potential consolidation of the Running Springs Water District, Arrowbear Park County Water District, and CSA 79 (sewer only).

Mr. Tuerpe lists staff's recommendations for the Mountain Region for Commission consideration which include: updating service review determinations to incorporate new population and disadvantaged unincorporated community data; updating regional and wholesale information; updating agency profile sheets; and, directing staff to continue to monitor CSA 70 CG, with the first Commission update scheduled for February 2018.

Chair Cox asks for any Commissioner comments.

Commissioner Farrell congratulates staff on the depth and detail of the service review. He questions some of the data in the agency profiles to which Executive Officer Rollings-McDonald responds that the data was provided by the agencies themselves, however staff is responsible for any typographical errors.

The Commission recesses at 10:15am and returns at 10:30a.m.

Commissioner McEachron did not return to the dais after the Commission recess.

Project Manager Tuerpe provides an overview of the North Desert Region noting that it is the largest region geographically and the second largest in terms of population. He describes the area geographically, including its five subareas: Phelan, Pinon Hills and Victor Valley; Apple and Lucerne Valleys; Helendale, Barstow, Daggett and Yermo; Baker; and the Northwest County area.

Discussion ensues regarding the North Desert Region's identified "hot spots" which include: County Service Area 70 Zone J (Oak Hills); CSA 42 (Oro Grande); City of Adelanto; Sheep Creek Water Company; Apple Valley Foothill and Apple Valley Heights County Water Districts; Desert Springs Mutual Water Company; Daggett Community Services District; Bar Len Mutual Water Company; Baker Community Services District; and, Indian Wells Valley Water District. Mr. Tuerpe describes each hot spot and their individual system deficiencies.

Mr. Tuerpe notes that the Apple Valley Heights County Water District submitted a comment letter clarifying that the District's current grant application includes funding for new storage

tanks and a new transmission line leading to an intertie with Golden State Water Company. In addition, the comment letter indicates that the typical monthly residential water bill is \$95.35, not the \$105.85 listed in the service review. Mr. Tuerpe states that the issues of this district stem from decades of lack of adequate rates to cover future capital upgrades and that whereas the sanitary survey report identifies adequate management of the District it is the infrastructure of the district that is the issue.

Project Manager Tuerpe states that the Liberty Utilities System is currently involved in a condemnation proceeding initiated by the Town of Apple Valley, and if condemnation is successful, the Town of Apple Valley would be obligated to serve the area which is located outside the Town's sphere of influence. Mr. Tuerpe states that information is outlined in the staff report, is consistent with the requirements of Government Code Section 56133.5 which establishes a pilot program for Napa and San Bernardino LAFCOs to authorize service extensions outside of an agency's sphere based on specific criteria, including that the proposed service extension was identified and evaluated in a service review.

Mr. Tuerpe lists staff's recommendations for the North Desert Region for Commission consideration which include updating previous service review determinations to incorporate: new population and disadvantaged unincorporated community data; updated regional and wholesale information; information from the Agency's Profile Sheets, and hot spot substantiation where applicable.

Mr. Tuerpe states that additional staff recommendations for the North Desert Region include: indicating the Commission's intent to initiate a sphere of influence review to reduce the City of Adelanto's sphere of influence following the completion of the wastewater and fire service reviews; reaffirming the Commission's position that Apple Valley Foothill, Apple Valley Heights, and Mariana Ranchos County Water Districts be assigned a combined sphere of influence signaling the Commission's preference that the three districts consolidate; indicating the Commission's preference that the Hesperia Water District and Zone J implement a mechanism (e.g., joint powers agreement or memorandum of understanding) to provide stability to the water source and boundary challenges in the overall Hesperia and Oak Hills communities; direct staff to continue to monitor the CSA 70 Zone J system and provide an update to the Commission by February 2018; and reaffirming the Commission's position that the Daggett CSD and the Yermo CSD have a combined sphere of influence signaling the Commission's position for consolidation.

Commissioner Cox asks for any Commission comments.

Commissioner Bagley asks when a service review for the City of Adelanto will be conducted to which Executive Officer Rollings-McDonald responds that service reviews are now done regionally by service and not on a community-by-community basis as was the practice during the first cycle of service review considerations. Commissioner Bagley expresses concern over the long-term sustainability of the City of Adelanto.

Commissioner Lovingood states that while the City's fiscal numbers appear positive, the issue deserves continuing discussion.

Commissioner Warren leaves the dais at 11:22 a.m.

Executive Officer Rollings-McDonald states that budgets show projections of expenditures which are currently positive, but audits actually show how funds are spent. For Adelanto, audits for the last three years have not been completed so the staff and Commission can not fully understand the City's current fiscal status.

Chair Cox clarifies that once the countywide service review for wastewater is completed in the winter of 2018, the Commission will provide staff with further direction with respect to the City of Adelanto. Commissioner Bagley requests that the recommendation be modified to reflect the return following the wastewater service review.

Chair Cox comments that from her perspective the consolidation of Daggett CSD and Yermo CSD will not solve the water issues in those communities.

Commissioner Lovingood leaves the dais at 11:45 a.m.

Project Manager Tuerpe provides an overview of the South Desert Region and notes that the region is the second largest geographically in San Bernardino County and generally includes the area of Mojave Water Agency District M, Morongo Valley, Twentynine Palms and the River Communities which include the communities of Needles and Havasu Lake.

Discussion ensues regarding the South Desert Region's identified "hot spots" which include: the Morongo Valley Cluster (County Service Area 70 Zone F, County Service Area 70 Zone W-3, and Golden State Water Company Morongo Del Norte) and County Service Area 70W-4 (Pioneertown). Mr. Tuerpe describes each hot spot and their individual system deficiencies.

Mr. Tuerpe states staff's recommendations for the South Desert Region for Commission consideration include updating previous service review determinations to incorporate: new population and disadvantaged unincorporated community data; updated regional and wholesale information; information from the Agency's Profile Sheets, and hot spot substantiation where applicable.

Chair Cox opens the public hearing and requests comments.

Ben Miller, Pioneertown resident and member of the Pioneertown Water Committee, provides a history of water issues in Pioneertown and the need for assistance in finding a solution to the ongoing water quality problems..

Claudia Sall, Pioneertown resident, comments on the increasing cost of the water pipeline project to solve the water quality issues in Pioneertown currently being considered through the County Special Districts Department.

Project Manager Tuerpe concludes his presentation by reviewing the staff recommendations for each region. He also recommends that the Commission take the following actions: (1) for environmental review; certify that the service review is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five days, (2) accept and file the Countywide Water Service Review which

sets forth the written statements for the six determinations outlined in Government Code Section 56430 made by the Commission and (3) take the actions identified in the report for the affected agencies for follow-up actions with the modification to indicate the Commission's intent to reduce the City of Adelanto sphere of influence following completion of the Countywide Wastewater Service Review in the winter of 2018.

Mr. Tuerpe notes that groundwork has begun on the Wastewater Service Review with completion anticipated in winter 2018. He further states that the Fire Protection and Emergency Response Service Review is projected to be completed by the summer of 2018.

Chair Cox asks for additional Commissioner comments.

Discussion ensues regarding Pioneertown and the challenges to solve the water issues in that community.

Chair Cox asks for any additional speakers; there being none Chair Cox closes the public hearing.

Chair Cox states that she would like to acknowledge the small system operators who do a commendable job with very limited resources. She notes that they aren't often recognized for the yeoman's work they do in their small, mostly disadvantaged communities.

Commissioner Williams compliments staff on the content and detail of the service review.

Commission Curatalo requests the recommendations be read prior to the Commission's vote.

Project Manager Tuerpe restates staff's recommended actions (1), (2) and (3).

Commissioner Curatalo moves approval of Item 7 as modified and outlined by LAFCO staff, seconded by Commissioner Williams. There being no opposition, the motion passes with the following roll call vote: Ayes: Bagley, Cox, Curatalo, and Williams. Noes: None. Abstain: None. Absent: Lovingood, McCallon, Ramos

**ITEM 8. CANDIDATE ELECTION FOR BOARD OF DIRECTORS OF THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY**

Executive Officer Rollings-McDonald presents a brief summary of this item and outlines staff's recommendation to: (1) select incumbents Jean Bracy of the Mojave Desert Air Quality Management District and Mike Scheafer of the Costa Mesa Sanitary District to serve as Directors on the Special District Risk Management Authority Board of Directors, and (2) adopt LAFCO Resolution No. 3246 reflecting that decision.

Commissioner Curatalo moves approval of Item 8, second by Commissioner Williams. There being no opposition, the motion passes with the following roll call vote: Ayes: Bagley, Cox, Curatalo, and Williams. Noes: None. Abstain: None. Absent: Lovingood, McCallon, Ramos, Warren

**INFORMATION ITEMS**

**ITEM 9 LEGISLATIVE UPDATE ORAL REPORT**

Executive Officer Rollings-McDonald states that the Commission received a letter of opposition to AB 1361 from the CALAFCO legislative ad hoc committee. AB 1361 would authorize municipal water districts to provide water to tribal lands outside of their district. She notes that AB 464, a CALAFCO sponsored bill addressing plans of service, was signed by the Governor and AB 479 regarding district representation is moving forward.

**ITEM 10 EXECUTIVE OFFICER'S ORAL REPORT**

Executive Officer Rollings-McDonald states that LAFCO staff will be moving into their new office in the Santa Fe Depot on July 26. She notes that a Protest Hearing was conducted on July 11 for LAFCO 3216, the annexation of Upland into the County Fire Protection District. She states that there was insufficient protest and the annexation was completed on July 13. Ms. Rollings-McDonald apprises the Commission of upcoming projects which include a detachment from the Cucamonga Valley Water District, an annexation to the Lake Arrowhead Community Services District, an island annexation to the City of Chino and an annexation of the Hesperia Fire Protection District to County Fire.

**ITEM 11 COMMISSIONER'S COMMENTS**

Chair Cox asks if there are any Commissioner comments. There are none.

**ITEM 12 COMMENTS FROM THE PUBLIC**

Chair Cox asks if there are any comments from the public. There are none.

**THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION, THE HEARING IS ADJOURNED AT 12:41 P.M.**

**ATTEST:**

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**KATHLEEN ROLLINGS-McDONALD**  
Executive Officer

**LOCAL AGENCY FORMATION COMMISSION**

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**KIMBERLY COX, Chair**