

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #5: Update on LAFCO 3187 – Countywide Service Review for Water Continued Monitoring (Continued from February 21, 2018 hearing)

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Note receipt of status report and file.
2. Close monitoring of County Service Area 70 Zone CG (Cedar Glen).
3. Set the next status report for the August 2018 hearing for County Service Area 70 Zone J, County Service Area Zone W-4, and Daggett Community Services District.

BACKGROUND:

At the February 21, 2018 hearing, the Commission continued this item to the March hearing. The report in its entirety is presented below.

As a part of its Countywide Service Review for Water (LAFCO 3187), LAFCO at its July 19, 2017 hearing directed staff to:

1. Monitor two board-governed agencies and provide an update to the Commission at the February 2018 hearing:
 - A. County Service Area 70 Zone CG (Cedar Glen)
 - B. County Service Area 70 Zone J (Oak Hills)

2. Coordinate with Mojave Water Agency (“MWA”) to seek further assistance for the Daggett Community Services District through MWA’s Small Water Assistance Program.

Resolution No. 3248 for LAFCO 3187 memorialized the Commission’s actions, and this staff report provides the updates directed by the Commission.

Additionally, during the service review’s presentation significant public comment was provided regarding the water quality challenges of County Service Area 70 Zone W-4 (Pioneertown). The service review classifies CSA 70 W-4 as a “hot spot”, and the Commission questioned if there was a LAFCO solution for the matter. Staff responded that multiple agencies are involved, including the Federal Environmental Protection Agency, and that the Commission cannot initiate a change of organization related to this matter. However, due to significant challenges identified in the service review coupled with public comments, LAFCO staff is also providing the Commission with an update on CSA 70 W-4.

County Service Area 70 Zone CG (Cedar Glen)

Agency and Area Description

County Service Area 70 Zone CG (“Zone CG”) is governed by the County Board of Supervisors, and is located in the Mountain Region adjacent to the Lake Arrowhead community. In 2005 the County Board formed CSA 70 Zone CG for the purposes of providing water and future road maintenance service to the area impacted by the Old Fire of 2003 (Cedar Glen Disaster Recovery Redevelopment Project Area). The Zone provides water service to the community of Cedar Glen and serves approximately 1,221 customers (330 connections).

Service Review Recap

Below is the summary from the water service review for Zone CG:

- Issue - County Service Area 70 Zone CG (Cedar Glen) experiences ongoing challenges due to County’s purchase of a failing water system as detailed in Section IV.
- Staff Recommendation - *Direct staff to continue to monitor the Zone CG system and provide an update to the Commission by February 2018.*

Update

The County Special Districts Department is continuing to improve the water system with many projects to ensure that customers in Cedar Glen have a safe potable water supply now and in the future. The Department has already completed numerous pipeline projects, valve and hydrant projects, and the construction of Western Tank. The following is a list of current projects now in process:

Project	Location	Project Stage	Anticipated Construction Completion
Cypress Tank Construction	Located on Cypress Road	Construction phase	March 2018
Cypress Tank Pipeline Project	Located on Cypress Road	Design phase – 100%	October 2018
Hook Creek Pneumatic Tank Site	Located on Hook Creek Road	Design phase – 100% completed	October 2018
Horizontal Well Site - Pump Station	Located off of Pineridge	Design phase – 100% completed	December 2018
Cypress Tank Site – Pump Station	Located on Cypress Road	Design phase – 100% completed	January 2019

LAFCO Analysis

As a part of the Countywide Service Review for Water, Zone CG was classified as a “hot spot” due to the infrastructure challenges it faces. No Commission action was recommended as the water system is a county service area zone, which do not have spheres of influence.

The County Special Districts Department has provided information that shows improvements to the failing system that the County purchased. Therefore, LAFCO staff recommends that no further formal monitoring occur.

County Service Area 70 Zone J (Oak Hills)

Agency and Area Description

County Service Area 70 Zone J (“Zone J”) is governed by the County Board of Supervisors,. The zone provides funding for retail water service to 12,143 customers (3,282 connections) in Oak Hills within the Hesperia community.

Service Review Recap

Below is the summary from the water service review for Zone J:

- Issue - All sources have hexavalent chromium above MCL; Zone J is currently working on a hexavalent chromium compliance plan under Senate Bill 385 to achieve compliance; previous service review determined the need to resolve boundary conflicts between the Hesperia Water District and Zone J in the Maple/Topaz strip which is currently a part of the City of Hesperia.
- Hot Spot Identification – CSA 70 Zone J has been identified in this service review as a hot spot due to the issues identified above and detailed in Section V.

- Staff Recommendation - Indicate 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.

Although LAFCO staff is working with the Hesperia Water District and CSA 70 Zone J on a mechanism to resolve the boundary conflicts, staff recommends that the Commission direct staff to continue to monitor the Zone J system and provide an update to the Commission by February 2018.

Update

County Special Districts Department provide the following update to the Zone J system:

While the district currently does not exceed the MCL for total chromium and is not currently in violation of hexavalent chromium, the Department continues to evaluate the elevated hexavalent chromium in CSA 70 J and continues to monitor the State's re-evaluation of the hexavalent chromium MCL. The Department conducted three pilot studies in CSA 70 J in 2017 to evaluate the removal of hexavalent chromium, including: Layne Christensen Company conducted Zone Testing at Well #1; Layne Christensen Company conducted a pilot of Weak Based Anion hexavalent chromium removal; and Water Remediation Technology (WRT) pilot tested packed-bed media filtration for hexavalent chromium removal. The Department is continuing to keep apprised of the State's action regarding this issue and should the State set an MCL for hexavalent chromium, the Department is evaluating and monitoring Coachella Valley Water District's pilot test in which stannous chloride is being used to convert chromium-6 to chromium-3, which is a nutrient that the body needs to process certain sugars, fats, and proteins.

The Department is continuing to work with the City of Hesperia [Hesperia Water District] on a Joint Powers Agreement to manage the water system and water exchange in those areas where CSA 70 J is providing water service within the City of Hesperia. County Counsel has reviewed the agreement and it was sent to the City of Hesperia. The City had comments and questions that the County is currently answering. The County is anticipating to have the agreement sent back to the City in March 2018 for their review

LAFCO Analysis

As a part of the Countywide Service Review for Water, Zone J was classified as a "hot spot" due to the water quality challenges it faces, as well as lingering boundary irregularities that have patch work fixes. No Commission action was recommended as the water system is a county service area zone, which do not have spheres of influence.

The County Special Districts Department has provided information identifying that the water contaminants do not currently exceed the MCL. However, staff's understanding of the State's reevaluation of the hexavalent chromium MCL is that the State will be re-adopting a lower MCL level but with adequate substantiation to support that level. As for the boundary

irregularities and water exchange with the City of Hesperia subsidiary Hesperia Water District, progress towards forming a JPA is occurring.

While progress has been made, LAFCO staff recommends that the Commission direct staff to return at the August 2018 hearing, with an update on the Zone J system and the potential contractual relationship with the Hesperia Water District.

Daggett Community Services District

Agency and Area Description

Daggett is an unincorporated community located in the North Desert Region of San Bernardino County. The town is located along Interstate 40, ten miles east of Barstow. The community has a population of approximately 300 residents. The community was founded in 1883 just after the discovery of silver in the mines near Calico to the north. The Daggett Community Services District (“CSD”) is authorized by LAFCO to provide water, streetlighting, fire protection, and park and recreation services. The CSD’s water service area includes 26 square miles, extending into the Yermo CSD territory which includes Yermo High School and the Silver Valley Unified School District offices. The CSD serves potable water through 196 residential and commercial service connections serving a population of approximately 500 residents. The CSD’s groundwater basin is adjudicated, and Mojave Water Agency is the Watermaster.

Service Review Recap

Below is the summary from the water service review for the CSD:

- Issue - Classified as a disadvantaged community; lacks intertie with an adjacent agency; significant deficiencies identified in sanitary survey report; located within the Mojave Basin Baja subarea which is at 45% ramp down; significant financial challenges identified in audits; prior service review identified concerns with the aging pipes; lack of adequate managerial oversight.
- Staff Recommendation - *Reaffirm the Commission’s position that Daggett CSD and Yermo CSD have a combined sphere of influence signaling the Commission’s position for consolidation.*

Senate Bill 88 (2015) authorizes the State Water Board to order consolidation with a receiving water system where a public water system¹, or a state small water system² within a disadvantaged community³, consistently fails to provide an adequate supply of safe drinking water. This law expedites permanent solutions for failing water systems and those

¹ A public water system is a system that supplies water that has 15 or more service connections or regularly serves 25 individuals daily at least 60 days out of the year.

² A state small water system is a system which provides water to the public that serves 5 to 14 service connections and does not serve more than an average of 25 people for more than 60 days of the year.

³ “Disadvantaged community” means a disadvantaged community, as defined in Section 79505.5 of the Water Code, which is located in an unincorporated area or is served by a mutual water company.

that have run out of water. Consolidation may involve physical consolidation of the participating water systems, management of the participating water systems, or both.

Update

The CSD is taking any and all efforts not to be on the radar for a potential SB 88 consolidation required by the State Water Board with the adjacent Yermo System of Liberty Utilities (private water company). MWA and the California Rural Water Association (“CRWA”) are actively engaging with the CSD on its water and managerial challenges.

For water challenges, a Proposition 1 Technical Assistance Grant was awarded to the CSD in the amount of \$325,657 from the State Water Resources Control Board in December 2016. The Technical Assistance Funding Agreement describes water distribution system and water quality deficiencies as well as anticipated solutions to these issues. California Rural Water Association (“CRWA”) is the non-profit that is performing the technical assistance work with the CSD. CRWA has been intermittently on-site at the CSD since late 2017 performing multiple tasks that are outlined in the approved Needs Assessment and Work Plan.

According to the data provided by MWA, water quality treatment does not appear to be a viable option for the CSD and that locating good quality groundwater in the service area, or near the service area, of Daggett CSD was necessary. In January 2018, MWA provided CRWA with data of wells and associated water quality within or near the CSD.

The next steps are for submission of an Engineering Report to the SWRCB which would identify a plan of action to include new well locations. If approved, the construction schedule for the potential project would be based on a timeline established by SWRCB.

As for managerial challenges, CRWA assisted the CSD in developing mechanisms for more efficient billing, organization, and rate setting. However, the CSD is a small office and recently hired a new general manager. Further, LAFCO has requested the 2015 and 2016 audits from the CSD, and the CSD was not able to provide these documents. Therefore, managerial challenges persist.

LAFCO Analysis

As a part of the Countywide Service Review for Water, the Commission reaffirmed its position that Daggett CSD and Yermo CSD have a combined sphere of influence signaling the Commission’s position for consolidation. Although a consolidation of Daggett CSD and Yermo CSD would provide pooled resources for improved management of the entities the communities have expressed distaste for such a measure. Historically San Bernardino LAFCO has been reluctant to move forward to initiate a consolidation, opting instead to try to encourage districts or communities to resolve their issues. Initiation by the Commission to consolidate would bypass the boards and place the matter for final approval by a protest vote of the registered voters. Further, a proposal initiated by the Commission (consistent with the recommendations or conclusions of the Water Service Review) and subsequently

approved by the Commission would change the protest process to a lower threshold. Therefore, this option has the least chance of success.

However, the adjacent Yermo CSD is not a water provider; rather, Liberty Utilities (a private company) is the water provider for a portion of the Yermo community, not provided service through wells or the Daggett CSD. Any potential consolidation of the two systems would be through the State Water Board under the provisions of SB 88.

The managerial issues persist at the Daggett CSD and require outside assistance. In addition, assistance from outside entities is needed to increase the water system's supply source, safety, and effectiveness.

While progress has been made, LAFCO staff recommends that the Commission direct staff to return at the August 2018 hearing, with an update on the Daggett CSD system.

County Service Area 70 Zone W-4 (Pioneertown)

Agency and Area Description

The domestic water system of County Service Area 70 Zone W-4 (Zone W-4), which has been maintained and managed under the County Special Districts Department's Water and Sanitation Division since 1980, has 120 service connections in the desert community of Pioneertown northwest of Yucca Valley. Zone W-4 is within the sphere of influence of Hi-Desert Water District, but not it's boundary.

Service Review Recap

Below is the summary from the water service review for the CSD:

- Issue - Notice of Violation issued in March 2016 by U.S. EPA indicating water system in violation of Safe Drinking Water Act for exceeding MCL for arsenic, fluoride and uranium; state grant funding provides customers with bottled water supplies every two weeks.
- Staff Recommendation – *No Commission action because zones do not have spheres of influence. See "Opportunities" below.*
- Opportunities - Classified as a small water system and eligible for SB 88 funds; funding requires consolidation with an adjacent system; CSA 70 W-4 under consideration for potential SB 88 consolidation with Hi-Desert Water District.

Update

On October 31, 2017, the County Board of Supervisors took actions related to the Zone W-4 water system, to include:

- Approving the submittal of a grant application to the United States Department of Agriculture (USDA)-Rural Development requesting federal funding in the amount of \$2,500,000 for the Pioneertown Pipeline and Water System Improvement Project.
- Approving the Water Exchange Agreement with the Hi-Desert Water District (HDWD) allowing Zone W-4 access to groundwater within the Warren Valley Sub-basin in exchange for an equal amount of groundwater provided to HDWD from within the Ames/Reche Basin pursuant to the water rights of Zone W-4 for a term of 20 years, with an annual service and exchange charge to Zone W-4 of \$1,000 that increases by 5% after each five years of the agreement.

The Water Exchange Agreement with HDWD is a required stipulation to both SWRCB and USDA grant funding, as the Project is not viable without securing a clean water source.

On December 12, 2017, the HDWD approved the Water Exchange Agreement with the County. The board agenda items from the County and HDWD are included as attachments to this report. According to County Special Districts Department, a project job walk was conducted on March 7, 2018.

LAFCO Analysis

As a part of the Countywide Service Review for Water, Zone W-4 was classified as a “hot spot” due to the water quality challenges it faces. No Commission action was recommended as the water system is a county service area zone, which do not have spheres of influence. Further, Zone W-4 is already within the sphere of influence of HDWD. Therefore, the service review did not have any recommendations for Commission action.

While progress has been made, LAFCO staff recommends that the Commission direct staff to return at the August 2018 hearing, with an update on the Zone W-4 system.

CONCLUSION:

Due to issues identified in the Countywide Service Review for Water in July 2017, the Commission directed staff to return in six months with updates for three water systems. Additionally, staff included an update for the CSA 70 Zone W-4 system due to the gravity of the situation related to water quality.

Significant progress has been made on improving the County Service Area 70 Zone CG system; therefore, LAFCO staff recommends no further monitoring. LAFCO staff does recommend, however, that the Commission direct staff to return at the August 2018 hearing, with an update on Daggett Community Services District, CSA 70 Zone J, and CSA 70 Zone W-4 systems.

KRM/MT

Attachments:

1. LAFCO Resolution 3248 for LAFCO 3187 and Executive Summary from LAFCO 3187
2. County Service Area 70 Zone CG (Cedar Glen)
 - a. Map
3. County Service Area 70 Zone J (Oak Hills)
 - a. Map
4. Daggett Community Services District
 - a. Map
5. County Service Area 70 Zone W-4 (Pioneertown)
 - a. Map
 - b. County of San Bernardino Board Item 53 from October 31, 2017
 - c. Hi-Desert Water District Board Item from December 12, 2017
 - d. Copy of Contract between the County and Hi-Desert Water District