

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: FEBRUARY 13, 2019 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #10: Update on LAFCO 3187 –
Countywide Service Review for Water Continued Monitoring

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Note receipt of status report and file.
2. Set the next status report for the August 2019 hearing for Daggett Community Services District.
3. Direct that no further monitoring occur for County Service Area 70 Zone W-4 (Pioneertown).

BACKGROUND:

July 2017: Service Review

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

1. Monitor two board-governed agencies and provide an update to the Commission in six months:
 - 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.

Additionally, due to significant challenges identified in the service review coupled with public comments, LAFCO staff also provided the Commission with an update on County Service Area 70 Zone W-4 (Pioneertown) as part of this report.

March 2018: First Updates to the Commission

The first updates were provided in March 2018. Significant progress was made in improving the County Service Area 70 Zone CG system in Cedar Glen; therefore, the Commission closed monitoring of CSA 70 Zone CG.

August 2018: Second Updates to the Commission

Following the August 2018 update, the Hesperia Water District and CSA 70 Zone J (Oak Hills) in September 2018 amended its separation agreement by adding an additional 105 properties to the agreement and further details the services that Zone J will provide until physical separation of the water system occurs in the annexed areas. This amended agreement satisfies LAFCO staff’s concerns. Therefore, further monitoring of Zone J is not recommended.

February 2019 Update: Third Updates to the Commission

This staff report includes updates for:

- Daggett Community Services District
- County Service Area 70 Zone W-4 (Pioneertown)

Daggett Community Services District

July 2017: Service Review Summary

Below is the summary from the water service review for Daggett 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. Further, the Commission directed LAFCO staff to coordinate with Mojave Water Agency to seek further assistance for the Daggett Community Services District through MWA's Small Water Assistance Program.*

February 2019 Update: Third Update to the Commission

Below is an update from Mojave Water Agency ("MWA") pertaining to its and California Rural Water Association's ("CRWA") continued efforts towards helping and assisting Daggett CSD.

Prop. 1 Technical Assistance Funding Project

The Technical, Managerial and Financial report is ready to submit to the State Board. This report will be submitted when MWA obtains confirmation that the project will be acceptable by Division of Financial Assistance.

The District has a CEQA consultant ready to begin the environmental review. The CEQA report will have the Notice to Proceed when they get confirmation of the project that will be acceptable by Division of Financial Assistance.

IRWMP USDA Emergency Community Water Assistance Grants (ECWAG)

The MWA and CRWA team is working with the District to get the 2017 Audit materials for the ECWAG Application. The USDA has been waiting for additional information, however MWA is also waiting on the USDA, which was delayed due to the Federal Government shutdown.

Mojave IRWM Plan Rate Study and Analysis

RDN Inc. has prepared a comprehensive Rate Study for Daggett CSD. The comprehensive Rate Study has been reviewed and accepted by the District, which was funded for by Proposition 1 Disadvantaged Community Involvement funds through the Mojave Integrated Regional Water Management Plan.

The District Board is working to schedule the Prop 218 public meetings before they can implement the proposed rate increases. The Daggett CSD Board has indicated that they want to have \$100k in reserves within five years.

Status of Consolidation Study and Prop 1

MWA has not heard anything from anyone at the State as to the status of the Consolidation Study and Report.

LAFCO Analysis

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 that is not provided service through wells or the Daggett CSD. A potential consolidation of the two systems could be undertaken by 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 continues, many things need to occur for the Daggett water system to be sustainable. LAFCO staff recommends that the Commission direct staff to return at the August 2019 hearing with an update on the Daggett CSD system.

County Service Area 70 Zone W-4 (Pioneertown)

July 2017: Service Review Summary

Below is the summary from the water service review for CSA 70 Zone W-4:

- 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.

February 2019 Update: Third Update to the Commission

The County Special Districts Department submitted the following update:

The Pioneertown Pipeline Project was successfully rebid and the Special Districts Department (SDD) received six construction bids. On November 6, 2018, the County Board of Supervisors approved the bid and awarded a contract to Sukut Construction LLC in the amount of \$4,623,425 as the lowest responsible bidder.

On December 13, 2018, the State Water Resources Control Board’s Division of Financial Assistance (SWRCB-DFA) notified SDD that it had approved \$5.4 million in grant funding for the Pioneertown Pipeline Project. The SWRCB-DFA also notified SDD that a Notice to Proceed could be issued and that all construction costs would be eligible for reimbursement. A Notice to Proceed was issued to Sukut Construction on December 20, 2018, during a pre-construction meeting held with Sukut Construction. On January 7, 2019, Sukut Construction began the submittal process, preparation of drawings, and placing orders for materials. The project completion date is anticipated to be around the end of June 2019, although a potential delay related to unexpected long lead-time items have been noted and are aggressively being worked on by SDD staff and the contractor.

LAFCO Analysis

Significant movement has taken place to obtain financing and construction is set to begin. The Commission does not have direct purview over CSA 70 Zone W-4 - no Commission action was recommended in the service review 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 the Hi-Desert Water District.

LAFCO staff recommends that no further monitoring of CSA 70 Zone W-4 occur.

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.

Staff recommends that the Commission:

1. Set the next status report for the August 2019 hearing for Daggett Community Services District.
2. Direct that no further monitoring occur for County Service Area 70 Zone W-4 (Pioneertown).

SM/MT

Attachment:

1. LAFCO Staff Report from August 2018 Hearing (with links to the attachments)

**LAFCO Staff Report from
August 2018 Hearing
(with links to the attachments)**

Attachment 1

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DATE: AUGUST 8, 2018 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: Update on LAFCO 3187 –
Countywide Service Review for Water Continued Monitoring

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Note receipt of status report and file.
2. Set the next status report for the February 2019 hearing for County Service Area 70 Zone W-4 (Pioneertown) and Daggett Community Services District.
3. Set the next status report for the February 2019 hearing for County Service Area 70 Zone J (Oak Hills). Should the amended agreement between County Special Districts Department and the City of Hesperia/Hesperia Water District be received by LAFCO in the interim, then an update at the February 2019 hearing would not occur.

BACKGROUND:

July 2017: Service Review

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

1. Monitor two board-governed agencies and provide an update to the Commission in six months:
 - 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.

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 also provided the Commission with an update on Zone W-4 as part of this report.

March 2018: First Updates to the Commission

The first updates were provided in March 2018 (staff report included as Attachment #1 to this report). Significant progress was made in improving the County Service Area 70 Zone CG system in Cedar Glen; therefore, the Commission closed monitoring of Zone CG.

August 2018: Second Updates to the Commission

The following includes the second updates to the Commission from LAFCO 3187 and includes the following agencies:

- County Service Area 70 Zone CG (Cedar Glen)
- Daggett Community Services District
- County Service Area 70 Zone W-4 (Pioneertown)

County Service Area 70 Zone J (Oak Hills)

July 2017: Service Review Summary

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.
- 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.

March 2018: First Update to the Commission

The County Special Districts Department 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.

August 2018: Second Update to the Commission

Water Quality

County Special Districts Department has finalized its last pilot study on July 5, 2018 after meeting and reviewing it with the State on June 29, 2018 (see Attachment #2). No further actions are planned until such time as an MCL for Hexavalent Chromium is established.

Agreement with City of Hesperia/Hesperia Water District

Special Districts Department provided the following update:

“Based on the advice of County Counsel, the [Water and Sanitation] Division has made a few more format changes to the Agreement with the City of Hesperia so now it will be an amendment to the original 2004 agreement. This will be amendment number 2 and it adds annexation area [LAFCO] 3166 to the agreement and also addresses the water exchange details necessary to continue providing water service to the annexed areas until Hesperia physically separates the water systems. The language of the amendment is essentially the same as the MOU that we previously drafted. This amendment was sent back to the City of Hesperia earlier this week. If Hesperia has no further changes then they’ll provide a date for their City Council to approve and we’ll then send the amendment to LAFCO for consideration of the Commission.”

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.

County Special Districts Department has finalized its last pilot study, and is waiting for the revised MCL for Hexavalent Chromium to be established by the State.

For lingering boundary issues between County Special Districts Department and the City of Hesperia/Hesperia Water District, the City is anticipated to consider the agreement for approval in late August. The County Board would then need to approve the agreement. LAFCO staff anticipates that the amended agreement will be received by LAFCO in the near future for review.

While progress has been made, LAFCO staff recommends that the Commission direct staff to return at the February 2019 hearing with an update on the Zone J system. Should the amended agreement between County Special Districts Department and the City of Hesperia/Hesperia Water District be received by LAFCO in the interim, then an update at the February 2019 hearing would not occur.

Daggett Community Services District

July 2017: Service Review Summary

Below is the summary from the water service review for Daggett 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. Further, the Commission directed LAFCO staff to coordinate with Mojave Water Agency to seek further assistance for the Daggett Community Services District through MWA's Small Water Assistance Program.*

March 2018: First Update to the Commission

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). Mojave Water Agency ("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. CRWA is the non-profit that is performing the technical assistance work with the CSD.

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.

August 2018: Second Update to the Commission

Mojave Water Agency has provided the following update on Daggett CSD's participation in MWA's Small Water System Assistance Program.

- Since the last LAFCO update, the Engineering Report created by California Rural Water Association ("CRWA") has been finalized and submitted to the State Water Resources Control Board.
- CRWA staff spent a day with Daggett CSD staff to inspect and identify production wells both currently in production and not in service. This gave CRWA a better understanding of the wells in the area and which Daggett CSD wells are not in service. They also looked for viable locations for a new production well based off of water quality and water level data provided by Mojave Water Agency.
- CRWA met with Mojave Water Agency staff to discuss alternative water supplies in the region as well as the water rights situation that is currently effecting Daggett CSD.
- Engagement of Daggett CSD Board and staff have increased since the Small Water System Assistance Program and CRWA has been more involved. They now have a State Water Resources Control Board Distribution 1 operator on staff.
- Daggett CSD has brought on a tank manufacturer, Paso Robles Tank, to assess their storage tank conditions and propose possible solutions.

The next step for Daggett CSD is to utilize Proposition 1 grant funding. They are slated to undergo a rate study with a rate increase that can comply with Proposition 218. MWA and CRWA will continue to be actively engaged with the Daggett CSD on their technical, managerial, and financial challenges into the future.

LAFCO Analysis

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 that is not provided service through wells or the Daggett CSD. A potential consolidation of the two systems could be undertaken by 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 February 2019 hearing with an update on the Daggett CSD system.

County Service Area 70 Zone W-4 (Pioneertown)

July 2017: Service Review Summary

Below is the summary from the water service review for CSA 70 Zone W-4:

- 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.

March 2018: First Update to the Commission

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.

August 2018: Second Update to the Commission

At its June 26, 2018 hearing, the County Board of Supervisors:

- Rejected all bids submitted for the Pioneertown Water Pipeline Project and found they are nonresponsive for omitting one or more of the specialty contractors licenses as required by the bid documents.
- Approved revised plans and specifications for the Pioneertown Water Pipeline Project and authorize the Special Districts Department to advertise for competitive bids.

Sealed bids are currently scheduled to be submitted by 2:00 p.m. on August 15, 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 the bid process is moving forward, LAFCO staff recommends that the Commission direct staff to return at the February 2019 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.

Staff recommends that the Commission:

- Set the next status report for the February 2019 hearing for County Service Area 70 Zone W-4 (Pioneertown) and Daggett Community Services District.
- Set the next status report for the February 2019 hearing for County Service Area 70 Zone J (Oak Hills). Should the amended agreement between County Special Districts Department and the City of Hesperia/Hesperia Water District be received by LAFCO in the interim, then an update at the February 2019 hearing would not occur.

SM/MT

Attachments:

1. [LAFCO Staff Report from March 2018 Hearing \(with links to the attachments\)](#)
2. [County Service Area 70 Zone J \(Oak Hills\) - Pilot Study Report July 2018 \(without appendices\)](#)
3. [County Service Area 70 Zone W-4 \(Pioneertown\) - County Board Agenda Item 68 from June 26, 2018](#)