


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 #11: Update on LAFCO 3190 –
Countywide Service Review for Wastewater 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 the Victor Valley Wastewater Reclamation Authority.
3. Direct that no further monitoring occur for the City of Victorville/Victorville Water District.

BACKGROUND:

August 2018: Service Review

As a part of its Countywide Service Review for Water (LAFCO 3190), the Commission at its August 15, 2018 hearing directed staff to monitor two agencies and provide an update to the Commission in six months:

- a) City of Victorville/Victorville Water District
- b) Victor Valley Wastewater Reclamation Authority (“VWRA”)

Victor Valley Wastewater Reclamation Authority

August 2018: Service Review Summary

Below is the summary from the wastewater service review for VVWRA:

Issue – Negative impact to revenue cash flows affecting ability to service debt for the following reasons: (1) City of Victorville diverted approximately 1 MGD of flow reducing revenue; (2) City of Hesperia withholding payment due to disagreement with VVWRA board of directors; and (3) Unresolved differences with Federal Emergency Management Agency regarding grant for constructing the Mojave Upper Narrows tunnel project.

Hot Spot Identification - VVWRA has been identified in this service review as a hot spot due to the issues identified in Section VII of this report.

Staff Recommendation - *Staff recommends that the Commission continue to monitor the Victor Valley Wastewater Reclamation Authority, and direct staff to return to the Commission six months following completion of this service review.*

February 2019: First Update to the Commission

VVWRA provided the following information to the challenges identified above for this update:

- (1) City of Victorville diverted approximately 1 MGD of flow reducing revenue.

A revised Joint Powers Agreement has been prepared. One final item required negotiation with the member entities which occurred on February 4, with finalization at a subsequent date.

- (2) City of Hesperia withholding payment due to disagreement with VVWRA board of directors.

The City of Hesperia has indicated that they will resume payment of all user fees in February however they will continue to withhold connection fees until Item 1 is finalized.

- (3) Unresolved differences with Federal Emergency Management Agency regarding grant for constructing the Mojave Upper Narrows tunnel project.

The Office of the Inspector General is conducting an additional investigation into one of the contractors on the project. FEMA has indicated that they will make a determination once that investigation concludes.

LAFCO Analysis

At this time, Items 2 and 3 above are not satisfied and have a negative impact to revenue cash flows which continue to affect VVWRA's ability to service debt. Therefore, staff recommends that the Commission set the next status report for the August 2019 hearing.

City of Victorville/Victorville Water District

August 2018: Service Review Summary

Below is the summary from the wastewater service review for the Victorville systems:

Issue – Increasing operation and maintenance payments affecting debt service and needed capital expenditures.

Hot Spot Identification – The City of Victorville has been identified in this service review as a hot spot due to the issues identified in Section VII of this report.

Staff Recommendation – *Staff recommends that the Commission continue to monitor the Victorville Water District and the City of Victorville, and direct staff to return to the Commission six months following completion of this service review.*

February 2019: First Update to the Commission

The City provided information for this status update. A portion of the response is provided below.

Ordinance No. 2378 was passed on June 19, 2018 by the requisite two-thirds vote of the City Council, with the Proposed Rates becoming effective for all billings made on or after August 1, 2018, and on each July 1 thereafter, for the years of 2019, 2020, 2021 and 2022. The approved Sewer Service Rates were fixed to yield special purpose revenues in amounts sufficient to: pay the operating expenses of the sewer system; adequately fund and cover the costs of sewage treatment and disposal facilities so they may be operated safely and reliably; provide for the construction, ownership, operation, repair, maintenance, and replacement of sewer system infrastructure; pay the interest and principal on any bonded debt of the sewer system and maintain the financial stability of the operation thereof; comply with state and federal regulatory sewage treatment and disposal requirements; and provide adequate reserves in the City's sewer fund for emergencies and unforeseen costs.

The City's current budget and yearly expenditures are within the framework of the approved Rate Study, with capital improvement projects progressing as planned. The City completed a sewer relining project on January 7, 2018, consisting of 11,390 lineal feet of sewer main that was relined at a cost of \$321,168. Another project is planned to advertise in March of 2019 to replace 6,543 lineal feet of deteriorated sewer main at an estimated cost of \$1,499,000. The City also recently completed an assessment of its entire gravity sewer system (440 miles) at a cost of approximately \$4.2 million. This project consisted of cleaning and videoing the entire pipeline system, and a comprehensive evaluation of all video to determine and document structural deficiencies and prioritize repairs.

LAFCO Analysis

Due to the rate increase that recently passed, improvements are being made to the wastewater systems as well as increasing the depleted reserves. LAFCO staff's position is that the City/Water District wastewater systems have the necessary mechanisms in place to further improvements and cash position. Therefore, LAFCO staff recommends no further monitoring of the City/Water District wastewater systems.

CONCLUSION:

Due to issues identified in the Countywide Service Review for Wastewater in August 2018, the Commission directed staff to return in six months with updates for two systems.

Staff recommends that the Commission:

1. Set the next status report for the August 2019 hearing for the Victor Valley Wastewater Reclamation Authority.
2. Direct that no further monitoring occur for the City of Victorville/Victorville Water District.

SM/MT