

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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**DATE:** AUGUST 14, 2019  
**FROM:** SAMUEL MARTINEZ, Executive Officer  
MICHAEL TUERPE, Project Manager  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #10: Update on LAFCO 3190 –  
Countywide Service Review for Wastewater Continued Monitoring

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## **RECOMMENDATION:**

Staff recommends that the Commission take the following actions:

1. Note receipt of status report and file.
2. Direct that no further monitoring occur for the Victor Valley Wastewater Reclamation Authority.

## **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 the Victor Valley Wastewater Reclamation Authority ("VWVRA") and provide an update to the Commission in six months. Below is a summary of VWVRA issues (from the wastewater service review) that require monitoring:

*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 VWVRA board of directors; and*
- (3) Unresolved differences with Federal Emergency Management Agency regarding grant for constructing the Mojave Upper Narrows tunnel project.*

At the February 2019 hearing, staff provided the Commission with the first update for VWVRA. That update recommended no further monitoring for Item 1.

## **August 2019: Second Update to the Commission**

For this second update, VVWRA provided the following information to Items 2 and 3 identified above:

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

“The City of Hesperia has resumed payments to VVWRA, the funds withheld were connected with a dispute regarding a flow diversion by another member entity. That underlying dispute is also being resolved with the parties exchanging offers of settlement.”

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

“The California Office of Emergency Services (“CalOES”), managed the FEMA grant to VVWRA on behalf of FEMA. CalOES has recommended to FEMA that VVWRA be paid in full for the expenditures on the project, except for disallowance of approximately \$7,500. FEMA has indicated agreement with CalOES’ recommendation, but FEMA is prevented from disbursing the funds until the Office of the Inspector General (“OIG”) close its investigation. Since CalOES’ recommendation was issued, the OIG has not provided any information regarding its investigation, has not interviewed any VVWRA personnel or provided any reports.”

### Additional Information

VVWRA staff has also provided information on its rate increase.

“VVWRA Board of Commissioners has approved and enacted the VVWRA Operating Budget for Fiscal Year 2019/20 with an 8% revenue increase for User Charges and Capacity Fees on July 18, 2019. The first Public Hearing on the matter will take place on August 15, 2019 with new User Charges and Capacity Fees being proposed to take effect on November 1 and December 1, 2019 respectively. These proposed rate increases will not immediately make-up for the uncollected revenue or balance the FY19/20 Budget, this increase is part of a tiered approach in securing financial stability that contemplates future increases as well.”

## **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 VVWRA. These matters are being managed by VVWRA, and staff recommends that the Commission direct that no further monitoring occur for VVWRA.

SM/MT