

3181

Plan for Service and Fiscal Impact Analysis
Reorganization to include Annexations to the
Bighorn-Desert View Water Agency, Formation of
Improvement District of BDVWA and Dissolution of
County Service Area 70 Zone W-1

Prepared for:

Bighorn Desert View Water Agency
622 Jemez Trail
Yucca Valley, CA 92284
Attn: Marina West, General Manager

April 18, 2014

SRHA Job # 1268

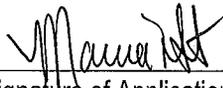
STANLEY R. HOFFMAN
A S S O C I A T E S

11661 San Vicente Blvd. Suite 306
Los Angeles, California 90049-5111
310.820.2680-p, 310.820.8341-f
www.stanleyhoffman.com

CERTIFICATION

The Bighorn Desert View Water Agency (BDVWA) hereby certifies that this document presents the data and information required for the Plan for Service and Fiscal Impact Analysis for the reorganization to include BDVWA Annexations (Areas 1, 2, 3, and 4), Formation of Improvement District of BDVWA, and dissolution of County Service Area 70 Zone W-1 to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

4/28/2014
Date


Signature of Application

Marina D. West, General Manager
Bighorn Desert View Water Agency

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EXECUTIVE SUMMARY

Proposed Reorganization. The Bighorn Desert View Water Agency (BDVWA) proposes to annex four separate areas (one large area and three small island areas) into its existing boundary and dissolve County Service Area 70 Zone W-1, as shown in Figure 1. Annexation Area 1, the largest area at 5,624 acres, is currently being provided with water service by the County CSA 70 Zone W-1. The BDVWA currently provides water service to 17 of the 24 parcels within the island annexation areas 2, 3 and 4 through a contract with the County on behalf of CSA 70 Zone W-1.

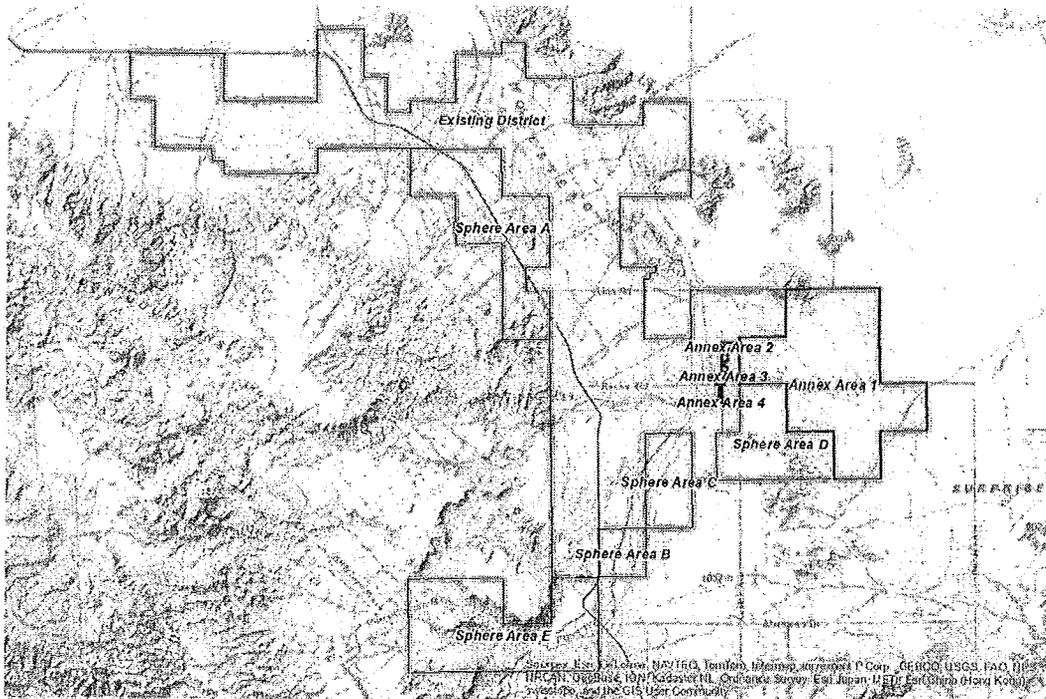
The Bighorn-Desert View Agency is a special district of the State of California which operates under the Bighorn-Desert View Water Agency Law, an Uncodified Act of the Statutes of 1969, Chapter 1175, effective August 31, 1969. The Agency Law was modernized under SB 246 (Fuller) effective January 1, 2014.

The Bighorn Desert View Water Agency is currently responsible for providing water services within its existing boundary. These services would be authorized to be extended by the Bighorn Desert View Water Agency to the four separate areas upon annexation.

The purpose of this study is to show that the proposed water services and necessary infrastructure improvements can be provided to developments within the proposed annexation areas as needed.

Existing Development. Table 1 shows total parcels and acres by land use for each annexation area. Based on 2013 data from the County of San Bernardino's Geographic Information System (GIMS), there are a total of 1,401 parcels and 5,701 acres in the four annexation areas; 1,377 parcels and 5,624 acres (over 98 percent) are located within Annexation Area 1. Most of the developed acres are for single-family residential uses, although a small amount is designated as duplex residential uses. About 965 acres in Annexation Area 1, or 17 percent of the total acres, are government lands (Bureau of Land Management). Vacant and unknown land uses comprise about 2,260 acres, or about 40 percent of the total acreage.

**Figure 1
Overall Study Area
Bighorn Desert View Water Agency**



Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

**Table 1
Existing Land Uses
Proposed Annexation Area
San Bernardino County**

Land Use	Parcels	Building Sq. Ft.	% of Total Sq. Ft.	Parcel Acres	% of Total Acres
Annexation Area 1					
Duplex Residential	1	1,922	0.3%	5	0.1%
Government	147	0	0.0%	965	16.9%
Single-Family Residential	616	544,108	97.3%	2,394	42.0%
Unknown	1	0	0.0%	5	0.1%
Vacant	612	0	0.0%	2,255	39.6%
Annexation Area 1 Subtotal	1,377	546,030	97.6%	5,624	98.6%
Annexation Area 2					
Single-Family Residential	4	4,060	0.7%	15	0.3%
Vacant	2	0	0.0%	10	0.2%
Annexation Area 2 Subtotal	6	4,060	0.7%	25	0.4%
Annexation Area 3					
Single-Family Residential	11	7,311	1.3%	28	0.5%
Vacant	6	0	0.0%	22	0.4%
Annexation Area 3 Subtotal	17	7,311	1.3%	50	0.9%
Annexation Area 4					
Single-Family Residential	1	2,042	0.4%	2	0.0%
Annexation Area 4 Subtotal	1	2,042	0.4%	2	0.0%
Total Annexation	1,401	559,443	100.0%	5,701	100.0%

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

Projected Recurring Fiscal Impacts. As shown in Table 2, the projected recurring fiscal impacts are positive for both the existing BDVWA properties being served and the properties within the proposed annexation areas. The recurring net operating surplus is estimated at \$172,062 with about 72 percent from properties within the existing water agency and 28 percent from the properties within the proposed annexation areas. As shown in Table 2, the estimated net surplus is about 9 percent of the total operating revenues. This assumes that the operating revenues and costs for the BDVWA and the proposed annexation areas were structured to represent approximately the same operating relationships in preparing the projection. It is also assumed that there is no significant new growth over the next five (5) years in the local area. This is based on reviewing the water connections over recent years that suggests a slowdown of new connections over this period.

**Table 2
Projected Recurring Fiscal Impacts
Bighorn Desert View Water Agency**

	BDVWA Totals	W-1 Totals	TOTAL
TOTAL REVENUE - OPERATING	\$1,061,952	\$343,663	\$1,405,615
<i>ADMINISTRATION EXPENSE</i>	625,160	162,236	787,396
<i>OPERATION EXPENSE</i>	415,730	219,582	635,312
<i>NET Operating Revenue</i>	21,062	-38,155	-17,093
TOTAL REVENUE - NON-OPERATING	\$326,425	\$189,180	\$515,605
<i>DEBT-EXPENSE</i>	-224,300	-102,150	-326,450
<i>NET Non-Operating Revenue</i>	\$102,125	\$87,030	\$189,155
TOTAL FY 13/14 PROJECTED RESERVES	\$123,187	\$48,875	\$172,062
<i>Total Operating and Non-Operating Revenues</i>	\$1,388,377	\$532,843	\$1,921,220
<i>% of Total Operating & Non-Operating Revenue</i>	8.9%	9.2%	9.0%

Source: Bighorn Desert View Water Agency

CHAPTER 1 INTRODUCTION

1.1 Purpose of the Study

The Local Agency Formation Commission (LAFCO) for San Bernardino County requires a Plan for Service and Fiscal Impact Analysis be prepared and certified when the jurisdiction is affected by a proposed change in boundaries, formation, or change of organization. The Bighorn Desert View Water Agency (BDVWA) proposes to annex four areas into its existing boundary and dissolve CSA 70 Zone W-1, as shown in Figure 1-1. Annexation Area 1, the largest area at 5,624 acres, is currently being provided with water service by the County CSA 70 Zone W-1. The BDVWA also provides domestic water service to 17 of the 24 parcels within the island annexation areas 2, 3 and 4 by contract.

The BDVWA is currently responsible primarily for providing water services within its existing boundary. The County of San Bernardino provides other services, such as general government, selected countywide services, sheriff patrol, and land management and development services. In addition, various County special districts provide fire and emergency services, transportation and roads, libraries, flood control and school districts. These services provided by the County of San Bernardino and selected special districts are not proposed to change.

The purpose of this study is to show that the selected infrastructure improvements and services can be provided to developments within the annexation areas that meet the appropriate service criteria. Per the LAFCO August 2012 *Policy and Procedure Manual*, the Plan for Service must include the following components:

- a. *A description of the level and range of each service to be provided to the affected territory.*
- b. *An indication of when those services can feasibly be extended to the affected territory.*
- c. *An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.*
- d. *The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.*
- e. *An indication of whether the affected territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.*

- f. If retail water service is to be provided through this change of organization, provide a description of the timely availability of water for projected needs within the area based upon the factors identified in Government Code Ch3 65352.5.*

1.2 Rationale for the Proposed Annexation Areas

Background. The Board of Directors first indicated a formal interest in reorganization (i.e. annexation) with County Service Area 70/Zone W-1 Landers/Goat Mountain (W1) operated by the County Special Districts Department (SDD) at a formal Goal Setting Workshop held February 10, 2012. By mid-2012, at the conclusion of its Service Review and Sphere of Influence Update mandated by State law, the Local Agency Formation Commission (LAFCO) had expanded the Sphere of Influence (SOI) of BDVWA to include the W1 service area. About the same time, staff received a series of questions from a W1 customer regarding operations and maintenance of BDVWA and associated costs. By July 2012, W1 had raised water rates and the cost between the two entities began to deviate.

Not long after the W1 rate increase was approved, a “citizen’s task force” of approximately ten (10) W1 customers assembled to begin more serious inquiries about an annexation into BDVWA. Staff advised that in order for the BDVWA Board of Directors to proceed they would need some sort of assurance that there was widespread support for the proposed reorganization. At the Board of Directors Special Meeting of November 19, 2013 the “citizen’s task force” submitted approximately 70 new signatures specifically in favor of the proposed reorganization. Following discussion, the Board voted 5/0 in favor of staff providing more information regarding procedures and costs to pursue annexation of W1 into BDVWA). The Board requested this information be presented at the January 28, 2014 meeting of the full board. As of this application, more than a hundred citizen petitions in favor of the annexation have been received.

Rationale. The proposed reorganization (annexation into BDVWA, formation of Improvement District and dissolution of W-1) would allow the BDVWA to take over the responsibility of providing water services in the County’s CSA 70 Zone W-1 water service area, labeled as Annexation Area 1, 2, 3, and 4 in Figure 1-1. These changes would not impact the BDVWA’s existing sphere of influence (SOI) boundary; all four areas are currently located within the SOI. The three island areas – Areas 2, 3, and 4– total 79 acres and are island areas surrounded by existing BDVWA boundaries. Seventeen (17) of the 24 properties in these three (3) islands currently receive water services from BDVWA including the US Postal Office, Landers, CA. Figure 1-2 presents a sub-regional map that shows the four (4) annexation areas in more detail; and Figure 1-3 illustrates the various island parcels based on the 2014 County Assessor parcel

file and the 17 parcels out of total 24 parcels that are currently receiving water service from the BDVWA. Those parcels that are the real property of CSA 70 Zone W-1 would be transferred to the BDVWA as a part of the annexation proceedings.

The reorganization of these four areas is strongly supported by current residents, who favor the local services and lower rates already provided to their neighboring areas by the BDVWA. The major reasons for the dissolution of CSA 70 Zone W-1 and annexation into BDVWA include:

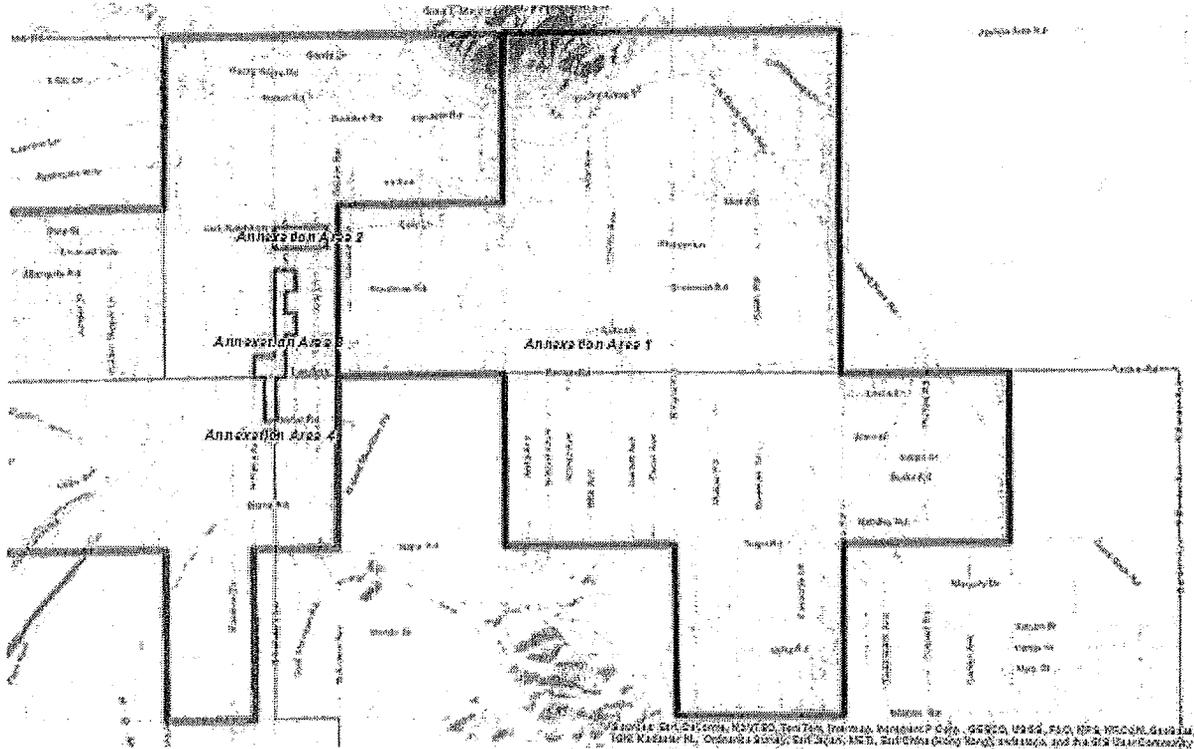
- More transparency and local control over their water service
- More timely staff response to periodic problems or issues that may arise
- Lower and more stable water rates based on the BVDWA history of water service to its customers since 1990
- Local control of groundwater supplies
- Improved system reliability
- Consolidation of assets (e.g., equipment, property, cash)
- Increasing the number of service connections (spreading overhead across a broader customer base)
- Potential increase in system income
- Improved credit status

Appendix A presents resolutions of support from the Morongo Basin Municipal Advisory Council (3rd District Supervisor James Ramos) and the Landers Community Association.

1.3 Organization of the Report

Chapter 1 explains the purpose of the study and the rationale for annexation of the proposed areas into the BDVWA and dissolution of CSA 70 Zone W-1. Chapter 2 provides a description of the existing residential and non-residential development within the area and the growth potential in the annexation area over a projected five-year period. Chapter 3 describes the water services provided both “before” and “after” the proposed annexation. Chapter 4 presents the fiscal impact analysis of the new services for the annexation areas. The report concludes with supporting appendices and a list of the project references used in the preparation of this report.

Figure 1-2
Bighorn Desert View Water Agency Proposed Annexation Areas
County of San Bernardino



Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

CHAPTER 2 PROJECT DESCRIPTION

2.1 Existing Development

Table 2-1 shows existing land uses for the proposed annexation areas, based on information from the County of San Bernardino's Geographic Information Systems (GIMS) file. Annexation Area 1 is the largest with approximately 5,624 parcel acres, forming 98.6 percent of the total proposed annexation areas. Single-family residential uses within Annexation Area 1 comprise about 2,394 parcel acres, or 39.6 percent, of the total parcel acres in the proposed annexation area. Government land (965 acres) - which is mostly vacant and under the jurisdiction of the Bureau of Land Management -- forms about 16.9 percent of the total parcel acres in the proposed annexation. There is a category of "unknown" land uses, which represent parcels that were not coded with land uses in GIMS. Annexation Areas 2, 3 and 4 include 24 parcels and 77 parcel acres. These annexation areas primarily include single-family residential land uses and vacant parcels, as shown in Table 2-1. There is a total of about 559,443 building square feet for all of the annexation areas, with single-family residential in Annexation Area 1 forming about 97.3 percent of the total building square feet.

**Table 2-1
Existing Land Uses
Proposed Annexation Areas
San Bernardino County**

Land Use	Parcels	Building Sq. Ft.	% of Total Sq. Ft.	Parcel Acres	% of Total Acres
<u>Annexation Area 1</u>					
Duplex Residential	1	1,922	0.3%	5	0.1%
Government	147	0	0.0%	965	16.9%
Single-Family Residential	616	544,108	97.3%	2,394	42.0%
Unknown	1	0	0.0%	5	0.1%
Vacant	612	0	0.0%	2,255	39.6%
Annexation Area 1 Subtotal	1,377	546,030	97.6%	5,624	98.6%
<u>Annexation Area 2</u>					
Single-Family Residential	4	4,060	0.7%	15	0.3%
Vacant	2	0	0.0%	10	0.2%
Annexation Area 2 Subtotal	6	4,060	0.7%	25	0.4%
<u>Annexation Area 3</u>					
Single-Family Residential	11	7,311	1.3%	28	0.5%
Vacant	6	0	0.0%	22	0.4%
Annexation Area 3 Subtotal	17	7,311	1.3%	50	0.9%
<u>Annexation Area 4</u>					
Single-Family Residential	1	2,042	0.4%	2	0.0%
Annexation Area 4 Subtotal	1	2,042	0.4%	2	0.0%
Total Annexation	1,401	559,443	100.0%	5,701	100.0%

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

2.2 General Plan Land Uses

Table 2-2 presents General Plan land uses for the proposed annexation areas. Annexation Area 1 shows about 46.3 percent of total land use as Rural Living (minimum lot size of 2.5 acres) and 52.4 percent as Rural Living 5 (minimum lot size of 5 acres). The remaining 1.3 percent is formed by Rural Living and Commercial planned land uses in Annexation Areas 2, 3, and 4.

Table 2-2
General Plan Land Uses
Proposed Annexation Areas
San Bernardino County

Land Use	Parcels	Parcel Acres	% of Total Acres
<u>Annexation Area 1</u>			
Rural Living	732	2,639	46.3%
Rural Living 5	<u>645</u>	<u>2,985</u>	<u>52.4%</u>
<i>Annexation Area 1 Subtotal</i>	<i>1,377</i>	<i>5,624</i>	<i>98.6%</i>
<u>Annexation Area 2</u>			
Rural Living	<u>6</u>	<u>25</u>	<u>0.4%</u>
<i>Annexation Area 2 Subtotal</i>	<i>6</i>	<i>25</i>	<i>0.4%</i>
<u>Annexation Area 3</u>			
Rural Living	6	14	0.2%
Commercial	<u>11</u>	<u>36</u>	<u>0.6%</u>
<i>Annexation Area 3 Subtotal</i>	<i>17</i>	<i>50</i>	<i>0.9%</i>
<u>Annexation Area 4</u>			
Rural Living	<u>1</u>	<u>2</u>	<u>0.0%</u>
<i>Annexation Area 4 Subtotal</i>	<i>1</i>	<i>2</i>	<i>0.0%</i>
<i>Total Annexation</i>	<i>1,401</i>	<i>5,701</i>	<i>100.0%</i>

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

2.3 Projected Five-Year Growth

Population and Households. Table 2-3 shows population and households for 2010, according to the BDVWA and the Census. Data from the 2010 Census showed higher estimates for population and households, resulting in persons per household ratio of 2.16, versus the BDVWA's ratio of 2.13.

Table 2-4 shows active service connections, occupancy multiplier, and occupancy modifier, persons per household and estimated population. The BDVWA's estimates for fiscal year 2010 to 2011 were calibrated according to the U.S. Census, yielding an estimated population of 3,042 within the Agency's service area boundary.

**Table 2-3
Population and Households: 2010
Bighorn Desert View Water Agency**

	Population	Households	Persons per Household
BDVWA FY 2010-2011	2,572	1,207	2.13
Census 2010	3,042	1,409	2.16

Sources: Stanley R. Hoffman Associates, Inc.
Bighorn Desert View Water Agency (BDVWA)
U.S. Census Bureau, 2010

**Table 2-4
Estimated Population: 2010
Bighorn Desert View Water Agency**

	Active Service Connection	Occupancy Multiplier	Occupancy Modifier	Persons per Household	Estimated Population
FY 2010-2011 ¹	1,593	75.8%	1,207	2.13	2,572
Calibration According to U.S. Census ²	1,593	88.5%	1,409	2.16	3,042

1. Estimated population was calculated by BDVWA staff using the number of active service connections on January 1 (prior to FY start July 1), multiplied by 75.8 percent, multiplied by the number of persons per household.
2. Estimated population was reported by the U.S. Census Bureau in 2010.

Sources: Stanley R. Hoffman Associates, Inc.
Bighorn Desert View Water Agency (BDVWA)
U.S. Census Bureau, 2010

Table 2-5 shows the number of census blocks, total population, housing units, and households for the annexation areas, district sphere, and existing water district. With total population estimated at 3,042 in the existing district and 820 population in the annexation areas, this would result in a 27.0 percent increase in population for the BDVWA upon annexation. Housing units and households would increase by about 26.2 percent upon annexation within the overall Bighorn-Desert View Water Agency. As shown in Table 2-5, Area 1 contains an estimated 97.3 percent of the total population and 96.2 percent of the total households in the four annexation areas.

**Table 2-5
Study Area Demographics: 2010
San Bernardino County**

Study Area	Census Blocks	Total Population	Housing Units	Households
Annexation Area 1	197	798	645	355
Annexation Area 2	1	6	3	3
Annexation Area 3	7	8	7	7
Annexation Area 4	<u>1</u>	<u>8</u>	<u>4</u>	<u>4</u>
<i>Annexation Subtotal</i>	206	820	659	369
District Sphere Area A	33	3	2	2
District Sphere Area B	1	0	0	0
District Sphere Area C	8	25	11	11
District Sphere Area D	10	2	2	1
District Sphere Area E	<u>22</u>	<u>61</u>	<u>52</u>	<u>36</u>
<i>District Sphere Subtotal</i>	74	91	67	50
Existing District	728	3,042	2,517	1,409
<u>Total District</u>	<u>728</u>	<u>3,042</u>	<u>2,517</u>	<u>1,409</u>
<u>Total Annexation</u>	<u>206</u>	<u>820</u>	<u>659</u>	<u>369</u>
% Increase after Annexation	28.3%	27.0%	26.2%	26.2%

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)
U.S. Census Bureau, 2010

Table 2-6 shows active water service connections for fiscal years 1990 through 2014. From 1990 to 2014, 162 new service connections were added at an average of 6.75 connections per year. From 2000 to 2014, 119 service connections were added at an average of 8.5 connections per year. Over the past five years, from 2008 to 2014, only 5 total service connections were recorded, which is less than 1 service connection per year.

Table 2-6
Active Water Service Connections: FY 1990 to 2014
Bighorn Desert View Water Agency

Fiscal Year		Active Service Connections	% Annual Change
1990	1991	1,435	n/a
1991	1992	1,595	11.1%
1992	1993	1,634	2.4%
1993	1994	1,643	0.6%
1994	1995	1,651	0.5%
1995	1996	1,578	-4.4%
1996	1997	1,563	-1.0%
1997	1998	1,541	-1.4%
1998	1999	1,543	0.1%
1999	2000	1,507	-2.3%
2000	2001	1,478	-1.9%
2001	2002	1,505	1.8%
2002	2003	1,531	1.7%
2003	2004	1,514	-1.1%
2004	2005	1,525	0.7%
2005	2006	1,565	2.6%
2006	2007	1,597	2.0%
2007	2008	1,620	1.4%
2008	2009	1,592	-1.7%
2009	2010	1,592	0.0%
2010	2011	1,593	0.1%
2011	2012	1,594	0.1%
2012	2013	1,595	0.1%
2013	2014	1,597	0.1%
2014	2015	1,597	0.0%

Sources: Stanley R. Hoffman Associates, Inc.
 Bighorn Desert View Water Agency

2.4 Assessed Valuation

Table 2-7 shows assessed valuation (the sum of land values and improvement values) by annexation area. As the largest annexation area, Area 1 totals about \$35.6 million. The three islands are valued at about \$1.0 million, bringing the assessed valuation for all four annexation areas to about \$36.5 million.

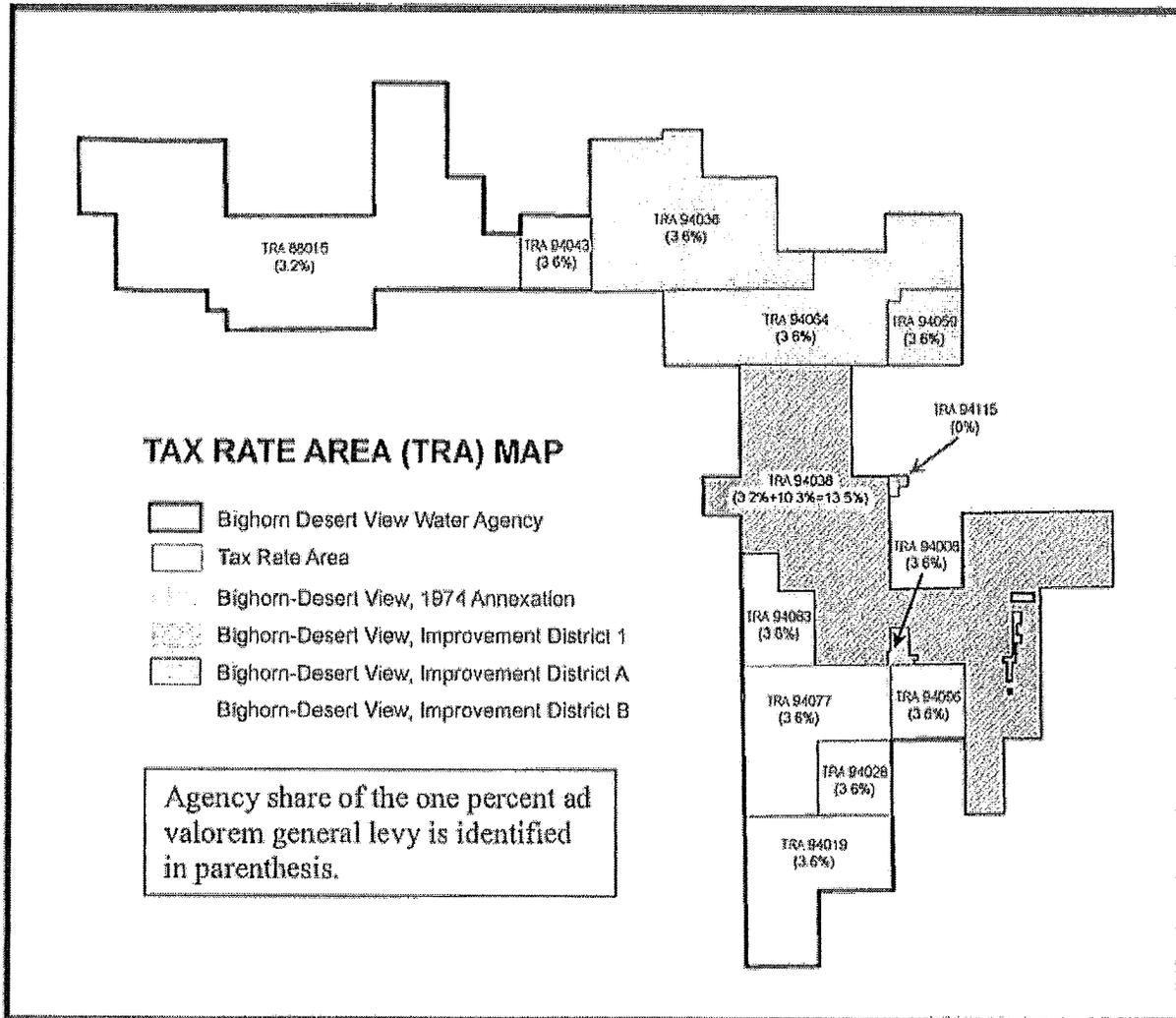
Figure 2-1 presents a map of the tax rate areas (TRAs) that within BDVWA's existing boundary. As shown in Table 2-8, the Annexation Areas 1 to 4 are within TRA 94027, 94029, and 94058, and are currently allocated about 6.08 percent of the 1.0 percent property tax; this property tax allocation would transfer to the BDVWA upon annexation. Based on the existing valuation, this would yield estimated property taxes of about \$22,180 being transferred to the BDVWA upon annexation, as shown in Table 2-9. Additionally, as shown in Table B-1, other revenues would be transferred upon annexation, such as Standby income from per acre charges estimated at \$74,000 for non-serviced parcels, and Debt Service revenues estimated at \$93,000 for voter approved ad valorem property tax allocations.

Table 2-7
Assessed Valuation: 2013
San Bernardino County
(In Constant 2013 Dollars)

Study Area	Land Value	Improvement Value	Total
Annexation Area 1	\$13,965,850	\$21,602,520	\$35,568,370
Annexation Area 2	\$110,251	\$242,372	\$352,623
Annexation Area 3	\$176,622	\$271,874	\$448,496
Annexation Area 4	\$25,000	\$85,000	\$110,000
Total	\$14,277,723	\$22,201,766	\$36,479,489

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Geographic Information Systems (GIMS)

Figure 2-1
 Tax Rate Area (TRA) Map for BDVWA
 San Bernardino County



Source: Homestead Valley Community

**Table 2-8
Tax Rate Area (TRA) Allocations: 2013
TRA 94027, 94029, and 94058
San Bernardino County**

Agency Code	Agency	TRA 94027 Allocation	TRA 94029 Allocation	TRA 94058 Allocation
AB01 GA01	San Bernardino County General Fund	0.16376199	0.15386347	0.15386541
AB02 GA01	Educational Revenue Augmentation Fund (ERAF)	0.23284054	0.23299371	0.23299741
BF06 GA01	Flood Control, Zone 6	0.01213767	0.01213105	0.01212812
BF08 GA01	Flood Control District, Administration, Zones 3-6	0.00092951	0.00093017	0.00092962
BL01 GA01	San Bernardino County Free Library	0.01491180	0.01489967	0.01489676
BS01 GA01	County Superintendent of Schools, Countywide	0.00527623	0.00527968	0.00527959
BS01 GA02	County Superintendent, ROP	0.00090609	0.00090518	0.00090483
BS01 GA03	County Superintendent, Physically Handicapped	0.00207879	0.00207682	0.00207648
BS01 GA04	County Superintendent, Mentally Retarded	0.00166808	0.00166756	0.00166679
BS01 GA05	County Superintendent, Development Center	0.00054401	0.00054444	0.00054472
SC18 GA01	Copper Mountain Community College District	0.05740807	0.05737545	0.05736181
SU36 GA01	Morongo Unified School District	0.27899541	0.27883360	0.27876539
UD50 GA01	CSA 70	0.00000000	0.00000000	0.00000000
UD82 GA01	CSA 70, Zone W-1 - Big Horn	0.06080006	0.06076608	0.06075150
UF01 GA04	San Bernardino County Fire Protection District, South Desert Service Area	0.12513083	0.12506096	0.12502968
UF01 GA05	San Bernardino County Fire Protection District, Administration	0.02763483	0.02762165	0.02761538
WH02 GA01	Hi-Desert Memorial Hospital	0.01932517	0.01931421	0.01930935
WR03 GL01	Mojave Desert Resource Conservation District	0.00016393	0.00021389	0.00039403
WY20 GI01	Mojave Water Agency	0.00548699	0.00552241	0.00548313
	Total	1.00000000	1.00000000	1.00000000

1. Upon annexation, this property tax rate would transfer to the Bighorn Desert View Water Agency.

Sources: Stanley R. Hoffman Associates, Inc.

San Bernardino County Auditor-Controller, Property Tax Division, Report PI739DYL, Allocation Percentage Calculation, Tax Roll 2013

San Bernardino County Auditor-Controller, Property Tax Division, Report PI120, Master Agency List, November 12, 2013

**Table 2-9
Estimation of Property Taxes to be transferred to BDVWA upon Annexation
San Bernardino County**

Calculation	Description
\$36,479,489	Assessed Valuation
1.00%	Basic Property Tax Rate
\$364,795	Basic 1% Property Tax Amount
6.08%	CSA 70 Zone W-1's Share
\$22,180	Estimated Property Taxes upon Annexation

Source: Stanley R. Hoffman Associates, Inc.

2.5 Summary of Assets of CSA 70/W-1

According to the FY 2013 financial audit, W1 has physical assets totaling \$2,472,825 minus accumulated depreciation. Most of the asset value is tied to “improvements to land” which is presumed to represent the “water system”. The “water system” would include distribution mainlines, water tanks, wells, booster stations, pressure reducing stations and all the appurtenances to them such as fire hydrants, pumps and valves. Other asset categories outlined in the audit are: land (\$3,500), structures and improvements (\$109,058), vehicles (\$82,936) and construction in progress (\$439).

It appears that since June 30, 2008 only one capital asset has been acquired by W1, a vehicle. The asset was added during fiscal year 2010-11.

According to the FY 2013 financial audit, W1 has cash and cash equivalents totaling \$1,278,068.

Other assets which belong to W1 include but are not limited to:

- **Ames/Reche Groundwater Rights:** On March 13, 2012 the County of San Bernardino Board of Supervisors executed, on behalf of CSA 70/Zone W-1, the *Ames/Reche Groundwater Storage and Recovery Program and Management Agreement* as well as a Monitoring Program Plan. The Agreement recognizes the production rights of the W-1 water system and provides a regional groundwater spreading grounds facility for the storage of State Water Project (SWP) deliveries. The specific terms of SWP deliveries and rights are outlined in the 1991 *Agreement for Construction, Operation and Financing of the Morongo Basin Pipeline* and associated amendments. BDVWA believes that this issue needs to be addressed as part of the dissolution/annexation proceedings and once finalized should be filed with the Court to supplement the Judgment now being processed on behalf of the parties.
- **Morongo Basin Pipeline Rights:** CSA 70/Zone W-1 is a party to the 1991 *Agreement for Construction, Operation and Financing of the Morongo Basin Pipeline* and associated amendments. Currently, W-1 has a 1% share in the MBP allocations and capacity rights. W-1 has an annual debt obligation to Mojave Water Agency of approximately \$8,100. BDVWA believes that the rights and obligations under the Agreement would transfer to BDVWA upon completion of the dissolution/annexation. LAFCO will have to review the contract obligations and debts during the process and BDVWA suggests that MWA be provided with appropriate notice as outlined in Section 18, paragraph (a), subparagraph (2) although LAFCO may be specifically exempt from such notices.
- **Morongo Basin Pipeline Refund:** Mojave Water Agency reports that a refund of approximately \$25,000 is owed to Zone W-1 and Zone W-4. These monies were collected based on the allocation percentages outlined in the 1991 MBP Agreement so in theory at least 4/5th of the amount is owed to W-1. This amount might be more considering that W-4 relinquished 100% of its pipeline allocations and debt service back

to MWA. In either event, as of April 10, 2014, MWA had not yet dispersed the funds and BDVWA believes it needs to be identified as an asset of W-1 which is still currently an outstanding "receivable" and the exact amount owed to W-1 must be reconciled as part of the dissolution/annexation proceedings.

- On November 19, 2013 the County of San Bernardino Board of Supervisors authorized the transfer of funds (\$2,300,000) from an "Augmentation Reserve Fund" to a CSA 70 "Operating Fund" for the specific purpose of purchasing water rights to be leased on an annual basis to those systems needing such rights. Since the Augmentation Reserve Fund could include funding from W-1 then any water rights purchased would be transferred to BDVWA and the exact amount must be reconciled as part of the dissolution/annexation proceedings.

The list of assets may not be complete and may be amended to include anything that LAFCO determines in the future may be the property of W1.

2.6 Plan for Transition to a New Water Service Provider

BDVWA understands that a successful transition to a new service provider can be confusing and frustrating for the customer. Therefore, BDVWA has attempted to describe the various aspects of the transition and how they will be fulfilled. The outline of transition tasks is solely based on the assumption that change of ownership will occur on January 1, 2015.

Administration

- The Bighorn-Desert View Water Agency is a special district of the state of California which operates under the Bighorn-Desert View Water Agency Law an Uncodified Act of the Statutes of 1969, Chapter 1175, effective August 31, 1969. The Agency Law was modernized under SB 246 (Fuller) effective January 1, 2014. The BDVWA is governed by a five member board elected at large which will continued to oversee the management of the annexed territory under the established governance structure.
- The BDVWA General Manager will provide day-to-day management oversight.
- Existing BDVWA employees will assume day-to-day operations and new employees will be added as necessary to accommodate the additional workload. The proposed budget contains funding for up to three full time equivalent positions for this purpose. Existing employees are also familiar with the geography of the W1 service area as well as features of system operations and physical facilities due to long-time participation in the Ames Valley Water Basin groundwater monitoring program.
- BDVWA will determine the appropriate time to advertise and recruit new employees to assist with the added workload.
- When appropriate, BDVWA will apply for change of ownership status with the CA Department of Public Health and work towards bringing the W1 water system into compliance with outstanding deficiencies summarized elsewhere in this report. The CA State Water Resources Control Board will also be contacted regarding a change in ownership with respect to the annual Notice of Groundwater Extraction.

- BDVWA would update its Emergency Response Plan to include W1.
- BDVWA would have to amend its property liability and automotive insurance to include the W1 system.
- Annually BDVWA performs a number of administrative functions related to the operation of the water system which would also apply to the W1 system. These functions would be integrated into the existing structure and include, but are not limited to the following: setting the Ad Valorem tax for the debt service; establishing the appropriation limit; adopting an annual budget; processing delinquent accounts for property tax lien; and completing an annual audit.

Accounts Receivable (AR)

- BDVWA uses the same billing software as W1 therefore transitioning customer account information will require little effort and will include populating the accounts with the historical details such as bill and payment history, customer account comments, water usage history, field work orders, etc. The software programmers have indicated that it will take about 30 days to get the data, integrate it into the BDVWA billing system and test the system prior to a “go live” date.
- About one-half of the new customers will assigned a slightly different account number which could lead to customer frustration but the billing system can identify a customer based on name, physical address, assessor’s parcel number or meter number if the exact account number is not known by the customer.
- BDVWA bills its customer’s bi-monthly as does the CSA. Assuming change of ownership is on January 1, 2015 the bi-monthly bill for November and December would have been mailed by on December 31, 2014 by the CSA. While the next regular bill would be scheduled for February 27, 2015. However, BDVWA will be splitting the customer base in half to integrate these new accounts with the existing billing framework leaving one half of the customer with a new meter/billing cycle. BDVWA intends to read the customer meters within the first week of acquiring the water system to record starting usage. It is envisioned that this will be very helpful should there be issues reconciling receipts owed to W1 vs. BDVWA following transition. BDVWA will also read ½ of the meters at the end of January and those customers will be billed for one-month of service from January 1 to January 31, 2015.
- As part of the transition timetable, BDVWA staff intends to post a billboard on Reche Road providing brief updates on the annexation process. During the annexation, this billboard might indicate progress to date. At the time of change in service provider, BDVWA will post the phone number on this bulletin board for emergency and routine calls indicating the annexation has been completed.
- At the time of change in service provider, BDVWA intends to send a notification to all property owners and customers of the change in service provider and contact information as well as a “Frequently Asked Questions” (FAQ) sheet.
- Following completion of proceedings, BDVWA will need to coordinate with the County on an orderly transfer of all fixed assets including transfer of title to all real property.

- Following completion of proceedings, BDVWA will need to coordinate with the DMV on the transfer of title to all transportation equipment acquired.
- Following completion of proceedings, BDVWA will have to coordinate with the auditor/controller's and treasurer's offices for a safe and timely transfer of all accounts including but not limited to debt service, general levy, stand-by assessments, liens for delinquent water bills.
- Following completion of proceedings, a final audit of W1 will be required to determine additional cash receipts owed to BDVWA to complete the transfer of cash from accounts including but not limited to cash reserves, customer deposit monies, customer account credit monies, and any customer account receivables that are inadvertently mailed to the County office.

Accounts Payable (AP)

- Following completion of proceedings, BDVWA will have to work with the County on the orderly transfer of all vendor responsibilities such as electrical service accounts with Southern California Edison for pumping plants.
- AP staff presumes that field materials for the operation and maintenance of the W1 can be acquired thorough existing vendors. Therefore, AP work load won't necessarily increase the number of transactions, just the total amount of each transaction. BDVWA has its own vendor base for acquisition of field and office materials and may not continue with any of the same vendors the County has been utilizing.
- Coordinate with County after January 1 to pay expenses incurred before December 31.
- Coordinate the transfer of existing public works contracts, if necessary.
- Reconcile payroll up to December 31.

Operations and Maintenance

- Once the transition is complete, BDVWA field staff will begin daily oversight of the W1 water system. The daily activities include checking all pumps and reservoirs, monitoring system chlorine residuals, and collecting routine samples for laboratory analysis in accordance with an approved Sampling Plan for both bacteriological and general chemistry.
- Field staff will initially be engaged in surveying the condition of the W1 water system to determine priority for replacement/refurbishment.
- Preventative maintenance programs would be initiated for valve maintenance, flushing, fire hydrant maintenance, pressure reducing stations, pumps, wells, reservoirs, etc.
- Water meters will be read on a routine basis in accordance with the billing schedule. Water meters will undergo testing and will be replaced as needed.
- Field staff will respond to customer inquiries and requests as necessary.

CHAPTER 3 WATER SERVICES BEFORE AND AFTER ANNEXATION

3.1 Before Annexation

The BDVWA is located in the South Desert region of San Bernardino County north and east of the incorporated Town of Yucca Valley. Currently, the BDVWA provides water service to approximately 1,597 active residential customers, 400 infrequent/inactive customers, and 100 bulk-hauling customers within its forty-four (44) square-mile service area.

Figure 3-1 presents a map of Annexation Areas 1 to 4, and shows parcel boundaries and total acres for each area. CSA 70 W-1 land outlined in purple, totals about 5,858 acres. Government parcels, totaling about 966 acres and shaded gray, are owned by the Bureau of Land Management. These acreages differ slightly from the totals listed Tables 1 and Table 2-1 (Existing Land Uses), which is likely due to variance in right-of-way calculations.

Area 1. Annexation Area 1, the largest area of the proposed annexation, is San Bernardino County's CSA 70 Zone W-1 water service area. Of the 1,377 parcels in Area 1, the County provides water services to the developed parcels within its boundary.

Areas 2, 3, and 4. Areas 2, 3, and 4 are the island annexation areas within the existing BDVWA boundary. Seventeen (17) parcels out of 24 parcels that form these islands currently receive water services from the BDVWA.

3.2 After Annexation

Upon annexation, the BDVWA would provide water services to all parcels within its boundary.

Advantages. For customers of W1 the consolidation results in a number of positive benefits to the community:

- **Local Control:** Citizens would enjoy a governance structure comprised of elected officials that reside within the boundaries of the new entity. BDVWA Board meetings are held locally within the community. Board agendas focus solely on the provision of water service within the boundaries of its service area.
- **More Oversight:** Citizens will have direct access to the governance of BDVWA operations via access to agendas, meetings, detailed budgets and detailed audits. They have the ability to keep a closer watch on expenditures and activities of the Board of Directors. They do not have this transparency with the Special Districts Department simply due to its size and governance structure beneath the County Board of Supervisors.

- **Local Access:** The business office for BDVWA is located within the community making it more accessible for customers to pay their bill, ask questions, and execute public information requests.
- **Operational Efficiencies:** Following consolidation, BDVWA staff will be 100 percent dedicated to servicing the territory of BDVWA. Equipment and resources will not be “shared”, pooled or re-directed to other zones across the county.
- **Emergency Response:** BDVWA is active in all levels of emergency response planning within the Morongo Basin including partnerships with associated water agencies, participation with local associations’ emergency committees, federal NIMS compliance and formalized mutual aid MOU’s with CalWarn and the Emergency Response Network of the Inland Empire (ERNIE).
- **With operational efficiencies comes cost savings for all customers through the concept of “economies of scale”.** In this case, the cost advantages are gained by increasing the number of customers contributing to operations and maintenance while maintaining other overhead costs. For instance, rather than two governing boards, there will be only one. Rather than two separate transactions to a vendor for the same item, such as fuel or field materials, there will still be one transaction just of a larger total sum. Overhead is another area where cost savings will be achieved as insurance, electricity/propane for buildings, and legal fees are not necessarily increasing but are being spread across a broader customer base.
- **Cost Savings:** It is proposed that rates and charges for W1 customers be adjusted to the current BDVWA rates. This is an immediate savings of 6 percent (3/4-in meter) to 44 percent (1-in meter) on the Basic Service Charge and 37 percent (tier 1) to 52 percent (tier 3) on the water consumption charge.
- **Transaction Time:** The agency would be significantly smaller than the whole of the Special Districts Department which should result in increased response time as the phone and transaction traffic should be decreased.

For BDVWA customers, the benefits of a consolidations are as follows:

- **Operational Efficiencies:** The consolidation will require the addition of some staff which will result in more flexibility for the whole Agency in allocating resources day-to-day especially during emergencies.
- **Cost Savings:** Overhead costs will be distributed across a larger customer base keeping rates and charges stable than without the additional customer base.
- **Stability/Unification:** Enlarging the territory of the Agency may fend-off a takeover from a larger water agency. The communities of Landers, Flamingo Heights and Johnson Valley would be unified under BDVWA.

- No pension liability for existing SDD employees. SDD reports that W1 has zero employees. W1 is simply charged a fee for the labor resources allocated to it on a day-to-day basis.
- **Disadvantages.** The California Rural Water Association does not identify any disadvantages of consolidation, but BDVWA recognizes that for W1 customers, the disadvantages of the proposed reorganization could be:
 - Change in service provider usually means changes in procedure and communications and for a short period of time may cause confusion and frustration.
 - It is possible that some customers of W1 would not approve of a consolidation. If the consolidation is successful then these customers may have negative feelings towards it.

For BDVWA customers, the disadvantages of a consolidation are as follows:

- **Response Time:** A larger agency may take more time to respond to customer inquiries as phone and transaction traffic will increase.
- **Failure to succeed:** Process could fail by a majority vote of the LAFCO Commission or by a 50 percent+1 protest vote of the registered voters OR property owners. This would have a financial ramification for BDVWA as the cost to attempt annexation is currently estimated at \$60,000.

3.3 Other System Considerations

Transfer and Disposition of W1 Assets and Liabilities. By statute, all assets and liabilities of consolidating organizations accrue to the new entity. Thus BDVWA will receive title to all assets of W1 and will become responsible for subsequent capital improvements required to maintain water supply for ratepayers within W1. At this time, staff does not know the exact value of all assets that will transfer to BDVWA aside from the physical water system, and therefore has made some assumptions regarding routine maintenance, facility reimbursement, and capital equipment needs. BDVWA has retained Mr. Phillip H. Waller, CPA of Rogers, Anderson, Malody & Scott, LLP, to assist with this process. All cash transferred from W1 to BDVWA will be allocated into the existing reserve account structure according to the adopted BDVWA Financial Reserve Policy.

Water Rights. On March 13, 2012, W1 executed and became party to the Ames/Reche Groundwater Storage and Recovery Program and Management Agreement and by this agreement has an annual groundwater production allocation of 267 acre feet. A formal judgment is pending at this time. Due to conservation efforts within the W1 service area, W1 would need to increase demand by approximately 125 acre feet (nearly double) before importation of State Water

Project water would be mandated. This allows sufficient time for growth and rate adjustments to accommodate the added cost of imported water supplies. These production rights would be transferred to BDVWA upon completion of the dissolution and annexation proceedings.

W1 has a 1 percent share of the capacity in the Morongo Basin Pipeline. This share would transfer to BDVWA upon completion of the dissolution and annexation proceedings. BDVWA would become responsible for the annual debt service to MWA. The debt service of \$8,100 has been included in the expense budget.

Foreseeable Capital Equipment. At this time staff assumes that W1 does not own any equipment. Of course, assets will be determined at some point in the process. Therefore, staff expects equipment requirements to include, but not necessarily limited to the following:

- One new vehicle for each Distribution System Operator hired.
- Tools to equip each new Distribution System Operator for daily work.
- One new backhoe.

Based on the analysis that W1 would join BDVWA with a reserve account of approximately \$1.2 million then W1 would be able to provide the resources to acquire this equipment on behalf of the acquired system.

Emergency Response. Emergency response procedures for W1 will be integrated into BDVWA's existing Emergency Response and Emergency Chlorination Plans. BDVWA is a member of both Cal WARN and the Emergency Response Network of the Inland Empire (ERNIE). BDVWA is in compliance with the National Incident Management System (NIMS) and staff has been trained in compliance with both NIMS and the Standardized Incident Management System (SIMS). BDVWA has been awarded a Hazard Mitigation Planning Grant and will spearhead a regional stakeholder group to prepare this plan. BDVWA is working with Hi Desert Water District to re-activate an emergency tie-in between their water systems. W1 has a fixed emergency generator at its Landers facility.

System Operations. Staff proposes that the W1 water system be operated, initially, as a stand-alone water system until such time as BDVWA becomes proficient in its overall operation, condition and it has been brought into compliance by resolving outstanding deficiencies noted in the 2012 Department of Public Health, Facility Sanitary Survey Inspection Report. Thereafter, staff will be better able to assess the most efficient way to combine the systems, if at all. Under this scenario the DPH will require a simple "Change of Ownership Permit". BDVWA has

submitted a comprehensive project description for the engineering evaluation and construction of a system integration plan into the Mojave Water Agency Integrated Regional Water Management Plan in hopes of approval of the annexation and to gain access to available grant funding opportunities.

BDVWA has existing staff and expertise to assume operation of the W1 system. Agency employees possess distribution operator and water treatment certifications exceeding state requirements. Additional staff will need to be hired due to the increased preventative maintenance and customer service workload from the 30 percent size adjustment.

Water System General Information

- The DPH reports that AutoCAD system maps exist for the W-1 system. If this is not accurate, BDVWA retains the services of a CAD contractor who is capable of constructing such maps.
- The DPH reports that “wells, booster and storage facilities were found, in 2012, to be well maintained during the survey”.

System Operation and Maintenance

Routine activities will include monitoring the operation of the water distribution system, daily inspection of pumping and storage facilities, water quality sampling, meter reading, cross connection control program, education/safety training, security, record keeping, customer service, water conservation awareness and leak response/repair.

Preventative maintenance programs include valve exercising, fire hydrant maintenance, pumps (booster and well), wells, pressure regulating stations, reservoir and other inspections, flushing and meter testing, data gathering and reporting.

All routine and preventative maintenance activities will be incorporated into existing operations. The additional work load will be handled through the addition of at least one new staff position which has been included in the proposed budget.

Funds for the preventative maintenance will come from both the annual operating budget and unrestricted reserve funds.

System Deficiencies

Staff has prepared responses to those deficiencies noted in the 2012 DPH facility inspection.

Water Quality

- Unless completed by the County Special Districts staff, BDVWA sees the need to immediately resolve all outstanding system deficiencies as defined in Dec. 2012 Dept. of Health Services Sanitary Survey of the W1 System. At a minimum this will include:
 - Submission of Bacteriological Sampling Plan in compliance with the Groundwater Rule. Estimated staff time of less than 40 hours.
 - Relocate wellhead sample spigots such that raw water samples are not contaminated with chlorine and thus unrepresentative of the groundwater system.
 - Installation of two to three additional sampling stations in the W-1 distribution system to insure proper chlorine residual at the furthest reaches of the system and to monitor for coliform bacteria in accordance with Best Management Practices to insure public safety as recommended in the DPH report.
 - Initiate an annual flushing program for the W1 system. DPH reports numerous deficiencies with water quality monitoring. Staff had already discovered errors in the preparation of the annual W1 Consumer Confidence Report (CCR). Staff concludes that verification of all water quality sampling requirements is required and that adjustments may be necessary but not difficult or time consuming.

Routine Maintenance Programs

- Initiate maintenance programs for isolation valves, air vacuum valves, fire hydrants, and residential flow meters.

Foreseeable Capital Improvements

- The BDVWA has submitted a formal project proposal list to the Mojave Water Agency as part of their Integrated Regional Water Management Plan process whereby BDVWA can be considered as part of their annual grant funding cycle. This allows BDVWA to gain access to State grant funding opportunities for small water systems/disadvantaged communities. In their proposal, BDVWA anticipated the need for the intertie between the two water systems, and capital refurbishment projects if the annexation proposal is approved.
- Pressure Reducing Stations. There are five Pressure Reducing Stations (PRV) in the W-1 system. CA DPH report (2012) states that “pressure reducing stations” were refurbished since 2002. The Special Districts Department Capital Improvement Budget identifies PRV’s for overhaul, but these improvements have yet to be made. Field inspections will be necessary to determine the status of the PRV’s but staff concludes that the W-1 PRV’s are of similar age to BDVWA’s and therefore will require overhaul on a routine interval for proper operation. The PRV stations that have not been overhauled will be placed on an overhaul schedule consistent with BDVWA’s program of 1 to 2 stations per year. The cost of a PRV overhaul is approximately \$5,000 to \$10,000 per station.

- **Water Meters.** County Special District's CIP reports that a meter replacement program is necessary but there is no evidence that this program has been implemented. BDVWA proposes to "pull and test" program on the existing meters to determine functionality/accuracy before undertaking a mass "pull and replace" program. Staff resources have been included in the budget for this purpose.
- **Reservoirs.** SDD CIP reports that the reservoirs require refurbishment. Given similar age and operation of BDVWA's reservoirs and given that SDD reservoirs are galvanized, BDVWA proposes that refurbishment is not as significant as that undertaken last fiscal year by BDVWA. Furthermore, the Department of Public Health (2012) reports that the reservoir R-2 Tank A was refurbished since 2002. They report that the remaining two reservoirs do not require coatings as do the BDVWA tanks and that the exteriors are in "good condition". The only issue was excessive dust on the tank surfaces which simply requires overflow.
- **Mainlines.** DPH report summarizes the condition of the system as follows: "...adequate pressure is maintained throughout the distribution system. Distribution mains are 29 years old, below the typical life expectancy estimate for well-maintained mains of 35-40 years. The number of mainline leaks does not indicate the distribution system is failing." Furthermore, W1 reports an insignificant number of mainline leaks (fewer than 5 since 2005).
- **Service Lines.** Staff concludes that due the similar age and construction materials of the W-1 system to BDVWA's service line construction (HDPE by Orangeburg) and leak experience would not be expected to exceed our own experience. Annually BDVWA repairs and replaces service lines as a matter of routine maintenance.
- **System Intertie.** There is no physical intertie between the BDVWA and the W1 system. DPH recommends emergency interties between adjoining systems. Staff envisions an engineering study will be necessary to determine if there should be an emergency intertie and where it should be located or if the systems should be physically integrated for overall enhanced distribution performance of the new system. If the systems become operationally integrated then an emergency intertie is not needed. However, there would still not be an emergency intertie to BDVWA. At this time, staff is in discussions with Hi Desert Water District to reactivate the intertie that was operational in the 1990's. HDWD is taking the lead on design of this bi-directional intertie and request for funding both projects has been approved for inclusion in the 2014 Mojave Water Agency (MWA) Integrated Regional Water Management Plan (IRWMP).
- **Master Planning.** Should BDVWA find that the County doesn't have a current water master plan then a request for funding has been approved for inclusion in the 2014 MWA IRWMP to address it.

System Administration. W1 uses the DataStream utility billing software as does BDVWA. Inquiries with DataStream reveal that integration of W1 into an existing billing and service order system will require minimum effort. Billing, customer service, and other administrative tasks will be integrated into existing operations. The additional workload may be absorbed due to other administrative changes occurring now such as outsourced billing. Nevertheless, the proposed budget does include one full-time staff position to accommodate any unforeseen administrative workload that may transpire after the consolidation and BDVWA has a complete understanding of the resources required to provide efficient and effective service.

System Summary. All information concerning the water distribution system was gleaned from either annual reports submitted to DPH by SDD or inspection reports of the DPH. The W1 water system is classified by the DPH as a “D2” system. The BDVWA water system is also classified as a “D2” system. This classification sets the criteria for operator certification/licensing. BDVWA staff possesses all required distribution certifications and treatment certifications that meet or exceed the requirements including D5, D3, D2, and T2 classifications.

To our knowledge, the W1 water system is approximately 32 years old as is the BDVWA water system. According to the DPH reports certified SDD staff, the W1 distribution system was constructed with 6- to 12-inch asbestos cement pipe with 323 isolation valves with associated air/vac valves and dry barrel fire hydrants. There are also 5 pressure regulating stations and 12 dead-ends. The water service laterals are hi density polyethylene (HDPE - Orangeburg). W1 also reports there are 6 backflow devices in its cross connection control plan. There are three production wells, three reservoirs and one booster station. The wells were drilled in 1963, 1979, and 1996. In 2012, W1 reported a production amount of 140 acre-feet per year compared to 420 acre-feet produced by BDVWA wells. This construction and operational configuration is similar in all ways to BDVWA. According to the 2012 evaluation by DPH the W1 system has enough storage capacity and well capacity to meet maximum day demand even with its largest well out of service. It should be noted that these calculations do not take into account fire flow as reported by the DPH.

Conclusion. Based on the research completed to date, staff concludes that BDVWA can provide increased transparency, local control of governance, a cost effective solution to the citizens of W1 consistent with the surrounding community while providing operational flexibility and rate stability to its own customers.

CHAPTER 4 FISCAL IMPACT ANALYSIS FOR THE PROPOSED ANNEXATION AREA

4.1 Summary of Budget Analysis

The proposed budget demonstrates that BDVWA could operate and maintain the W1 system with as many as three new full time employees based on rates and charges consistent with BDVWA's current fee structure. The budget further demonstrates that a revenue surplus of about 9 percent would be generated annually which would be consumed for planned future capital improvements (CIP) and mid-term replacement/refurbishment (RR) needs over time.

Projected Recurring Fiscal Impacts. As shown in Table 2, the projected recurring fiscal impacts are positive for both the existing BDVWA properties being served and the properties within the proposed annexation areas. The recurring net operating surplus is estimated at \$172,062 with about 72 percent from properties within the existing water agency and 28 percent from the properties within the proposed annexation areas. As shown in Table 2, the estimated net surplus is about 9 percent of the total operating revenues. This assumes that the operating revenues and costs for the BDVWA and the proposed annexation areas were structured to represent approximately the same operating relationships in preparing the projection. It is also assumed that there is no significant new growth over the next five (5) years in the local area. This is based on reviewing the water connections over recent years that suggests a slowdown of new connections over this period.

**Table 4-1
Budget Summary
Bighorn Desert View Water Agency**

	BDVWA Totals	W-1 Totals	TOTAL
TOTAL REVENUE - OPERATING	\$1,061,952	\$343,663	\$1,405,615
<i>ADMINISTRATION EXPENSE</i>	625,160	162,236	787,396
<i>OPERATION EXPENSE</i>	415,730	219,582	635,312
<i>NET Operating Revenue</i>	21,062	-38,155	-17,093
TOTAL REVENUE - NON-OPERATING	\$326,425	\$189,180	\$515,605
<i>DEBT EXPENSE</i>	224,300	102,150	326,450
<i>NET Non-Operating Revenue</i>	\$102,125	\$87,030	\$189,155
TOTAL FY 13/14 PROJECTED RESERVES	\$123,187	\$48,875	\$172,062
<i>Total Operating and Non-Operating Revenues</i>	\$1,388,377	\$532,843	\$1,921,220
<i>% of Total Operating & Non-Operating Revenue</i>	8.9%	9.2%	9.0%

Source: Bighorn Desert View Water Agency

4.2 Budget Assumptions and Highlights

A number of assumptions were made in preparation of the financial projections, as shown in Table 4-2 and discussed below:

- According to latest report submitted to the CA Department of Public Health (DPH) by SDD, W-1 had 647 meters (460 active and 187 inactive). BDVWA has approximately 1927 meters (1561 active and 366 inactive). Therefore, the W-1 system would increase the size of BDVWA by 34 percent.
- 1% General Ad Valorem Property Tax. The budget assumes that a portion of the 1% General Ad Valorem property tax levy will be reassigned to BDVWA and therefore this revenue, estimated at \$22,180 per year, has been assumed as “non-operating”. BDVWA assumes that the County Board of Supervisors will approve this reassignment so the revenue can be allocated for this purpose. The County Board of Supervisors must agendaize and approve the reassignment of this share of the 1% General Ad Valorem property tax to Bighorn-Desert View Water Agency as the successor agency to CSA 70 Zone W-1 prior to the consideration of this proposal by the LAFCO Commission.
- Debt Service. The budget assumes that Bighorn-Desert View Water Agency would assume responsibility for the existing debt service, a bond sold to construct the existing W1 water system (e.g. via establishment of an Improvement District). The balance of the debt is approximately \$405,000 and the debt will be retired in 2019. The annual principal and interest is approximately \$94,000. The debt service is essentially covered by the special property tax assessments collected specifically for this purpose. BDVWA presumes that the dissolution/annexation process will reassign the property tax receipts to BDVWA so the debt can be paid using taxes allocated for that purpose.
- Stand-by Revenue. The budget assumes that the CSA 70/Zone W-1 per-parcel stand-by special property tax levied on parcels within W1 will be transferred to BDVWA. The amount is estimated as \$74,000 per year and the budget has assigned this income as “non-operating”. BDVWA assumes that the dissolution/annexation process will reassign the per-parcel stand-by special property tax receipts to BDVWA so the revenue can be allocated for this purpose.
- Delinquent Water Charges. The budget assumes that BDVWA will experience a delinquency rate similar to W1 due to non-payment of routine charges and annually will assess parcels through the property tax assessment process. Therefore, the budget projected a 20% delinquency rate when revenue was calculated. BDVWA assumes that delinquent water charges and/or special property tax assessments, including past, present and future receipts, be reassigned to BDVWA as the successor entity.
- Expense Budget. A base expense budget was prepared initially assuming all line items will increase by 30 percent with other conservative yet realistic assumptions as follows:
 - Some expense line items would not result in at least a 30 percent increase in costs to BDVWA such as governing board costs, building maintenance, workman’s

compensation and some consumables. Following further scrutiny, adjustments were made to some expense budget line items.

- Some expense line items are conservatively estimated to be greater than 30 percent such as labor with associated benefits, power, fuel, and routine maintenance supplies.
- The expense budget conservatively assumes three full-time equivalent employees will be required to operate and manage the W1 system. The expense budget is very conservative in the cost of these employees. It assumes two field employees and one administrative employee. It further assumes these positions are paid at the top of the second tier per the BDVWA Employee Handbook Range and Step Scale. It also presumes eligibility in the BDVWA retirement program (CalPERS 3 percent at 60) and that each employee would exercise their right to the medical and dental benefits for at least three dependents.
- Revenue Budget. The revenue budget assumes that only 80 percent of the customers are paying the Basic Service Charge consistent with BDVWA's experience. It further assumes that W1 is billed for 80 percent of the groundwater extracted as reported for the Ames Valley Water Basin Agreement monitoring plan. These are very conservative assumptions and exceed BDVWA's own experience in revenue collection.
 - Standby revenues for the W1 system were obtained from the County Tax Assessors office.
 - Delinquent water charges are assessed annually on the tax bill. Over the past five years the lien amount for W1 has been approximately \$25,000 per County of San Bernardino Auditor/Controller tax collector. The total amount of outstanding liens is currently unknown but estimated at less than \$100,000.

**Table 4-2
Agency Receivables Report for Tax Charge Year: 12 (2 of 3)
San Bernardino County**

PIT79

SAN BERNARDINO COUNTY AUDITOR-CONTROLLER
PROPERTY TAX DIVISION

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10/31/12
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AGENCY RECEIVABLES REPORT FOR TAX CHARGE YEAR 12

AGENCY: 0022 CRA 74 ZONE 4-1 - BLD 0000
ADDRESS:

ACCOUNT/ STATISTICS	TYPE	GROSS RECEIVABLES	BEGINNING		NET RECEIVABLES	GROSS APPORTIONMENTS	YEAR-TO-DATE			OUTSTANDING NET RECEIVABLES
			DEDUCTION TYPE	DEDUCTION AMOUNT			RECOVERY	DEDUCTION TYPE	DEDUCTION AMOUNT	
APOR MTHD YR 1996						.01				.01
APOR MTHD YR 1997						.01				.01
APOR MTHD YR 1998						.01				.01
APOR MTHD YR 1999						.01				.01
APOR MTHD YR 2000		.02			.02	.05				.03
APOR MTHD YR 2001						.04				.04
APOR MTHD YR 2002						.05				.05
APOR MTHD YR 2003						.10				.10
APOR MTHD YR 2004		.81			.91	.13				.12
APOR MTHD YR 2005		.31			.31	.22				.22
APOR MTHD YR 2006		.22			.22	.58				.66
APOR MTHD YR 2007		.27			.27	1.94				1.67
APOR MTHD YR 2008		.85			.85	6.04				5.19
APOR MTHD YR 2009		3.12			3.42	11.07				7.65
APOR MTHD YR 2007		1.23	COLL CHGS	.01	7.22	11.32				4.16
APOR MTHD YR 2008		25.57	COLL CHGS	.05	24.52	7.03				17.49
APOR MTHD YR 2009		8.17	COLL CHGS	.02	8.15	8.12				1.81
APOR MTHD YR 2010		142.16	COLL CHGS	.38	141.81	19.57	COLL CHGS	.03	19.50	123.26
APOR MTHD YR 2011		74.74	COLL CHGS	.18	74.56	38.92	COLL CHGS	.01	38.91	35.65
APOR MTHD YR 2012						47.48	COLL CHGS	.12	47.36	
DEL PEN-SUPP										
APOR MTHD YR 1999						.01				.01
APOR MTHD YR 1990						.01				.01
APOR MTHD YR 1997						.02				.02
APOR MTHD YR 1998						.02				.02
APOR MTHD YR 1999						.02				.02
APOR MTHD YR 2000						.05				.05
APOR MTHD YR 2001						.09				.09
APOR MTHD YR 2002						.11				.11
APOR MTHD YR 2003						.68				.68
APOR MTHD YR 2004						1.92				1.92
APOR MTHD YR 2005						5.13	COLL CHGS	.01	5.12	
APOR MTHD YR 2006						8.77	COLL CHGS	.02	8.75	
APOR MTHD YR 2007						8.43	COLL CHGS	.02	8.41	
APOR MTHD YR 2008						3.72	COLL CHGS	.01	3.71	
APOR MTHD YR 2009						1.84				1.84
APOR MTHD YR 2010						1.51				1.51
APOR MTHD YR 2011						1.63				1.63
SUPP HOX										
APOR MTHD YR 2007		.01			.01					.01
APOR MTHD YR 2008		.02			.02	.02				.02
APOR MTHD YR 2009		.38			.38	.37				.01
APOR MTHD YR 2010		3.84			3.84	3.77				.07
APOR MTHD YR 2011		3.53			2.33	2.87				.06
SUPP HOX ADV										
APOR MTHD YR 2011		.01			.01					.01
GRAND TOTAL		27,247.61			38.02	27,606.47	249.47	269.89	22,393.13	683.34
CURRENT ROLL										
SECURED		25,520.34	PRCC COST	180.00	25,340.34	2,303.02		180.00	2,123.02	18,217.32
ERIOR ROLL										
SECURED						17,764.55			17,764.55	
DEL PEN-REQ						6,120.92			6,120.92	
GRAND TOTAL		25,520.34			180.00	33,094.82		180.00	33,024.82	18,217.32
DEL PEN-REQ										
SECURED		74,528.00	PRCC COST	180.00	74,348.00	57,769.90		180.00	57,589.90	16,758.10
ERIOR ROLL										
SECURED						8,022.35			8,022.35	
DEL PEN-REQ						4,530.78			4,530.78	
GRAND TOTAL		74,528.00			180.00	71,202.03		180.00	71,022.03	16,758.10

Source: San Bernardino County Auditor-Controller

Table 4-2
Agency Receivables Report for Tax Charge Year: 12 (3 of 3)
San Bernardino County

PI 979

SAN BERNARDINO COUNTY AUDITOR-CONTROLLER
PROPERTY TAX DIVISION

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AGENCY RECEIVABLES REPORT FOR TAX CHARGE YEAR: 12

AGENCY: 0000 CBA TO ZONE 4-1 - BIG BORN
ADDRESS:

ACCOUNT/ STATISTICAL TYPE	DEBIT	DEFERRED			NET RECEIVABLES	APPORTIONMENTS	YEAR-TO-DATE			NET RECEIVABLES	OUTSTANDING NET RECEIVABLES
		DEFERRED	DEFERRED	DEFERRED			DEBIT	CREDIT	NET		
		TYPE	AMOUNT	RECEIVABLES		RECOVERED	TYPE	AMOUNT	RECEIVABLES		
AGENCY TOTAL			489.76	214,000.86	334,000.48	13,772.74		220.30	210,584.36		13,050.89
									AGENCY LOAN BALANCE		.00

Source: San Bernardino County Auditor-Controller

APPENDIX A RESOLUTIONS OF SUPPORT

Figure A-1 (1 of 4) Resolution of Support Morongo Basin Municipal Advisory Council

March 18, 2014

Third District County Supervisor James C. Ramos
San Bernardino County Government Center
385 N. Arrowhead Ave., Fifth Floor
San Bernardino, CA 92415-0110

**RE: The people of Landers request your support
for our bid to break away from Special Districts Water Service**

Dear Supervisor Ramos:

As your chairman for the Morongo Basin Municipal Advisory Council and I am writing on behalf of the MAC as well as the citizens of Landers to request your support for our initiative to break away from County Special Districts Water Service and become customers of our local provider, the Bighorn-Desert View Water Agency.

Enclosed please find:

- An original signed copy of the MB MAC resolution in support of the citizen initiated plan for the dissolution of County Service Area 70 Zone W-1 and the annexation to Bighorn-Desert View of all associated infrastructure and assets owned by the affected ratepayers.
- An original signed copy of a resolution in support of same from the Landers Association, along with a cover letter urging your support for the annexation.
- A packet from Bighorn-Desert View Water to me as chair of the MAC with details of the planned annexation including an executive summary and background report, a breakdown of projected annexation costs to the Water Agency, tables of the water rate histories from Bighorn-Desert View and CSA70W-1, and a map of the area of concern.
- A copy of a recent news report from the *HI-Desert Star* as further evidence of the overwhelming community support for the planned annexation.

A review of these materials will leave no doubt that under this proposal the people here will finally be represented by a local provider offering transparency, local governance, access to meetings and customer service, as well as significantly lower water rates. It is for these reasons that our citizen's delegation approached Bighorn-Desert View requesting the Agency bring us into their jurisdiction.

Figure A-1 (2 of 4)
Resolution of Support
Morongo Basin Municipal Advisory Council

Landers Water
Page 2

We spent months lobbying them. LAFCO expanded their sphere of influence to include us, and last month their board voted to come to our rescue and begin plans for a takeover. A couple dozen of us attended that meeting and with their unanimous vote, we all stood and applauded. (*Rarely does one find that kind of public enthusiasm for a water board decision!*)

A delegation of CSA70 W-1 customers met with LAFCO's Kathleen Rollins-McDonald in December. She answered many of our questions and was encouraging. She suggested that your blessing of this plan would mitigate our most pressing concerns. Specifically, LAFCO's 8 to 12 month review process might be shortened, and more importantly, with word from your office, we could expect cooperation from County Special Districts as opposed to foot dragging and resistance.

James, we ask for your blessing and hope you will encourage Special Districts not to resist our effort to gain control of our water service. The people of Landers are united in solid support of what is a logical, workable plan. We know that its passage will improve the lives of countless people here who could really use a break. And we are grateful for your attention to this matter.

Sincerely,



Mike Lipsitz
Chair, Morongo Basin MAC
Landers Honorary Mayor
CSA70 W-1 Ratepayer

Figure A-1 (3 of 4)
Resolution of Support
Morongo Basin Municipal Advisory Council

RESOLUTION No. MB-MAC 003

A RESOLUTION OF THE BOARD OF THE MORONGO BASIN MUNICIPAL ADVISORY COUNCIL IN SUPPORT OF AN APPLICATION BY THE BOARD OF DIRECTORS OF THE BIGHORN-DESERT VIEW WATER AGENCY REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO INITIATE PROCEEDINGS FOR A REORGANIZATION TO INCLUDE ANNEXATION TO THE BIGHORN-DESERT VIEW WATER AGENCY AND DISSOLUTION OF COUNTY SERVICE AREA 70 ZONE W-1 AS MORE SPECIFICALLY DESCRIBED BELOW

WHEREAS, The Morongo Basin Municipal Advisory Council is an advisory body of local citizens appointed by the San Bernardino County Board of Supervisors with the purpose of representing the community to the Board; and,

WHEREAS, The Bighorn-Desert View Water Agency is a special district of the state of California operating under the Bighorn-Desert View Water Agency Law and formed by the consolidation of agencies authorized pursuant to former Part 9.2 (commencing with Section 33300) of Division 12 of the Water Code; and

WHEREAS, the Bighorn-Desert View Water Agency has received correspondence from over one hundred (100) citizens receiving water service from the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) requesting that Bighorn-Desert View Water Agency provide their water service; and

WHEREAS, a Landers Community Task Force assembled to research the specific requirements of detachment from the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) and annexation into Bighorn-Desert View Water Agency and concluded that the most streamlined process would be for Bighorn-Desert View Water Agency to initiate the application because of its own experience in operating a water system; and

WHEREAS, on January 28, 2014 the Bighorn-Desert View Water Agency Board of Directors unanimously voted to proceed with annexation of the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) service territory; and

WHEREAS, more specifically the Board of Directors of the Bighorn-Desert View Water Agency desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code for a reorganization consisting of four (4) areas to be annexed to the Bighorn Desert View Water Agency for a total of approximately 5,858 acres, with the largest area at 5,773.8 acres, generally east of Landers Lane and intersected in an east/west direction by Reche Road. The other three (3) areas are relatively smaller and are 56.6, 25.2, and 2.8 acres, generally located south of Reche Road and along either side of Landers Lane; and,

WHEREAS, an Exhibit of the boundaries of the areas proposed to be annexed to the Bighorn Desert View Water Agency is attached hereto as Exhibit A and by this reference incorporated herein; and,

Resolution No. MB-MAC 003

Figure A-1 (4 of 4)
Resolution of Support
Morongo Basin Municipal Advisory Council

WHEREAS, the proposed reorganization is consistent with the negotiated and agreed upon boundaries of the Bighorn Desert View Water Agency sphere of influence; and

WHEREAS, the Bighorn Desert View Water Agency desires that the proposed reorganization be subject to the standard terms and conditions imposed by the Local Agency Formation Commission; and

WHEREAS, the Bighorn-Desert View Water Agency desires the support of the Morongo Basin Municipal Advisory Council in its role as representative body to the Board of Supervisors; and

WHEREAS, the reasons for the proposed annexation are as follows:

- a) To respond to landowner requests for local control; and
- b) To provide for increased transparency through focused governance; and
- c) To provide more cost-effective delivery of water services; and
- d) To plan responsibly for the future of the Bighorn Desert View Water Agency community

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF THE MORONGO BASIN MUNICIPAL ADVISORY COUNCIL SUPPORTS AN APPLICATION BY THE BIGHORN-DESERT VIEW WATER AGENCY TO INITIATE PROCEEDINGS WITH THE LOCAL AREA FORMATION COMMISSION TOWARDS THE REORGANIZATION OF TERRITORY DESCRIBED AS COUNTY SERVICE AREA 70/ZONE W-1 (GOAT MOUNTAIN/LANDERS) INTO THE SERVICE AREA OF THE BIGHORN-DESERT VIEW WATER AGENCY.

PASSED AND ADOPTED by the Board of the Morongo Basin Municipal Advisory Council at a regular

meeting held on this 10 day of March 2014, by the following vote:

AYES: 8
NOES: 1
ABSENT: 1
ABSTAIN:

By:  _____
Mike Lipsitz, Chair

ATTEST:



Dr. Max Rossi, Secretary

Figure A-2 (1 of 2)
Resolution of Support
Landers Association, Inc.



March 16, 2014

Honorable James Ramos, 3rd District Supervisor
385 N. Arrowhead Ave., Fifth Floor
San Bernardino, CA 92415-0110

RE: Request your support for annexation of CSA 70/Zone W-1 (Goat Mountain/
Landers) by Bighorn-Desert View Water Agency on behalf of Landers citizens of
Zone W-1

Hon. James Ramos,

I am writing as President of the Landers Association and representative of the citizens of Landers to request your support for the annexation of County Special Districts W-1 service by the Bighorn-Desert View Water Agency (BDVWA).

On October 12,, 2013 the Landers Association unanimously voted in support for this plan. A copy of that resolution is attached. There is no doubt annexation is in the best interest of the people of Landers. We hope that we can count on your formal support for the annexation.

The citizens of W-1, a disadvantaged rural community, deserve lower rates like those enjoyed by our neighbors already being served by BDVWA, greater transparency and a stronger voice in the governance of their most precious and vital resource, water.

Sincerely,

Beverly Burkitt
President, Landers Association

1 attachment

Figure A-2 (2 of 2)
Resolution of Support
Landers Association, Inc.

Statement of Support from the Landers Association
for annexation of County Special Districts Service Area
70 Zone W1 by the Bighorn-Desert View Water Agency

WHEREAS 640 water connections in the eastern part of Landers are served by County Service Area 70 Zone W-1 at a significantly higher rate than is enjoyed by the rest of the Landers Community, and

WHEREAS this service area was created to fill void when no other provider was available, and

WHEREAS that void no longer exists because Bighorn-Desert View Water Agency is ready, willing and able to provide water service to the 640 properties affected, and

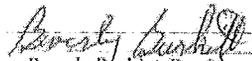
WHEREAS the County Service Area 70 Zone W-1 maintains no local office, no community involvement, no lines of communication, no leak detection assistance, no transparency in their operations, no open board meetings, and no meaningful financial disclosures while Bighorn-Desert View Water Agency does offer all of the above, and

WHEREAS the County Service Area 70 Zone W-1 received a 20% rate hike this year and plans a 20% rate hike next year and a 10% rate hike in 2015, while Bighorn-Desert View Water Agency has no planned rate increases, and

WHEREAS the Local Agency Formation Commission has expanded the Bighorn-Desert View Water Agency's sphere of influence to include the area now served by County Special Districts

TH EREFORE BE IT RESOLVED that in the interest of this community's general welfare, economic stability and self-governance the Landers Association fully supports the annexation of Service Area 70 Zone W-1 by the Bighorn-Desert View Water Agency.

PASSED AND ADOPTED by the Board of the Landers Association at a regular meeting held on this 12th day of October 2013, by unanimous vote:


Beverly Burkitt, President

ATTEST


Linda Willguet, Secretary

California State Senate



JEAN FULLER
SENATOR, EIGHTEENTH DISTRICT

BOARDS:
WILDLIFE CONSERVATION BOARD
CALIFORNIA COMMISSION
ON DISABILITY ACCESS

CAUCUSES:
LEGISLATIVE WOMEN'S CAUCUS
OUTDOOR SPORTING CAUCUS
RURAL CAUCUS

COMMITTEES:
RULES
VICE CHAIR
ENERGY, UTILITIES &
COMMUNICATIONS
VICE CHAIR
NATURAL RESOURCES &
WATER
ENVIRONMENTAL QUALITY

JOINT COMMITTEES:
LEGISLATIVE AUDIT
RULES
BUDGET

April 14, 2014

Kathleen Rollings-McDonald, Executive Officer
San Bernardino Local Area Formation Commission
215 North D Street, Suite 204
San Bernardino, CA 92415-0490

Re: Bighorn-Desert View Water Agency's application for annexation of CSA 70 Zone W1 from County Special Districts.

Dear Ms. Rollings-McDonald:

I am writing to express my strong support for the Bighorn-Desert View Water Agency's application to annex County Service Area 70 Zone W1 from County Special Districts.

The County Special District has been providing water service for the Eastern part of Landers at a significant disproportionate rate than the rest of Landers. They raised Area 70 Zone W1's water rate 20% in 2013 and plan to further increase rates 20% this year and 10% more in 2015.

Bighorn-Desert View Water Agency has experience with successfully operating a water system and plans responsibly for the community's future water needs. Bighorn-Desert can provide a more cost-beneficial delivery of water services for the 640 properties affected.

I fully support Bighorn-Desert View Water Agency's application for annexation of CSA 70 Zone W1 and thank you for your consideration.

Sincerely,

Jean Fuller
Senator, 18th District

JFrc

APPENDIX B BUDGETARY INFORMATION

Table B-1
Revenue Summary
Bighorn Desert View Water Agency

REVENUE SUMMARY

Description	BDVWA Amount	W-1 Amount *	Total Amount
<u>OPERATING INCOME</u>			
Metered Water Sales	445,517	159,063	604,580
Basic Service Charge	576,235	171,600	747,835
Other Operating Income	37,200	13,000	50,200
Interest Income Unrestricted	3,000		3,000
Grants and Funding Partners			
Subtotal	\$1,061,952	\$343,663	\$1,405,615
<u>NON-OPERATING INCOME</u>			
BH Debt Income FMHA DA01	175,900		175,900
DV FMHA Revenue Bond (bill surcharge)	48,825		48,825
General Tax Income (1%) Imp. "A" GA02	51,600		51,600
General Tax Income (1%) BM/DV GA01	50,100		50,100
Stand-By Income		74,000	74,000
Debt Service W-1 Water System		93,000	93,000
General Tax Income (1%) W-1		22,180	22,180
Subtotal	\$326,425	\$189,180	\$515,605
Total: Operating/Non-Operating Revenue	\$1,388,377	\$532,843	\$1,921,220
<u>NON-OPERATING INCOME - New Services</u>			
Meter Connect Fees (SL Install Fees)	1,255	1,255	2,510
Basic Facilities Charge (Buy In)	4,098	4,098	8,196
Restricted Revenue: Capital Improvements	Subtotal	\$5,353	\$10,706
Total Revenue	\$1,393,730	\$538,196	\$1,931,926
* W-1 Metered water sales based on 80% of 3-yr. average reported production (2010 to 2012 = 121.7 AF) Basic Service Charge based on 20% delinquent customers or 520 meters.			
Source: BDVWA			
<hr/> <hr/>			
TOTAL FY 13/14 PROJECTED RESERVES	\$123,187	\$48,875	\$172,062

Source: Bighorn Desert View Water Agency

**Table B-2
Administrative Expense
Bighorn Desert View Water Agency**

ADMINISTRATIVE EXPENSE *

Account	Description	2013-2014		Total
		BDVWA Amount	W-1 Amount	
56001	Directors Fees	37,000	3,700	40,700
56002	Director Meeting Expense		0	0
56003	Administrative Compensation	275,000	45,240	320,240
56005	Administrative Meeting Expenses	0	1,000	1,000
56006	Contractual Services- Auditor	30,000	8,884	38,884
56007	Contractual Services- Legal	15,000	5,000	20,000
56008	PERS	47,050	5,600	52,650
56009	Payroll Tax	10,150	2,919	13,069
56011	Telephone & Fax	6,700	0	6,700
56012	Mailing Expenses	4,360	0	4,360
56014	Contractual Services- Other	18,800	3,500	22,300
56016	Property/Liability Insurance	26,000	8,048	34,048
56017	Workers Comp. Insurance	6,500	3,000	9,500
56018	Dues & Subscriptions	10,050	2,876	12,926
56020	Power- Office & Yards	5,600	1,556	7,156
56022	Bad Debt Expense	2,000	348	2,348
56025	Propane	1,800	0	1,800
56030	Office Supplies	6,700	500	7,200
56100	Employee Benefits Insurance	95,400	66,000	161,400
56110	Employee Education	3,000	945	3,945
56200	Office Equipment Expense	8,500	0	8,500
56300	Customer Relations	9,050	1,988	11,038
56400	Other Administrative Expenses	1,500	0	1,500
58100	Elections Costs	5,000	1,132	6,132
	Total Administrative Expense	\$625,160	\$162,236	\$787,396

* Administration expenses estimated from either 30% of BDVWA 3-yr average
OR, applying a "Get Real Index" which increased or decreased amount accordingly

Source: Bighorn Desert View Water Agency

**Table B-3
Operations Expense
Bighorn Desert View Water Agency**

Account	Description	2013-2014		Total
		BDVWA Amount	W-1 Amount	
54102	Operations Compensation	154,565	115,000	269,565
54103	Uniforms	2,650	757	3,407
54105	Auto Controls	2,640	778	3,418
54106	Vehicle/Tractor/Equip Expense	6,000	3,185	9,185
54107	Vehicle Expense- Fuel	24,600	6,679	31,279
54109	Field Materials and Supplies	25,000	12,500	37,500
54111	Water Testing	4,525	1,688	6,213
54112	Contractual Services- Engineering	55,000	27,500	82,500
54114	Water System Repairs	25,000	12,500	37,500
54115	Building Maintenance/Repair	19,750	1,000	20,750
54117	Ames Basin Monitoring		-	0
54119	Communications Expense	1,500	859	2,359
54121	Disinfection Expense	5,000	1,636	6,636
54125	Power- Wells/Booster Pumps	63,000	32,000	95,000
54130	Other Operations Expense	15,000	3,500	18,500
55001	Bulk Pumping Plant Expense	6,500	-	6,500
55002	Bulk Operations and Maintenance	5,000	-	5,000
	Total Operations Expense	\$415,730	\$219,582	\$635,312

* Operations expenses estimated from either 30% of BDVWA 3-yr average
OR, applying a "Get Real Index" which increased or decreased amount accordingly

Source: Bighorn Desert View Water Agency

**Table B-4
Debt Expense
Bighorn Desert View Water Agency**

DEBT EXPENSE

Account	Description	BDVWA Annual Amount	W-1 Annual Amount	Total Debt
22300	BH ID 1 Debt Principal	81,000		81,000
57000	BH ID 1 Debt Interest Payment	28,000		28,000
21101	DV Debt Principal	29,000		29,000
59100	DV Debt Interest Payment	13,000		13,000
57350	MWA Morongo Basin (ID M) Pipeline Debt	73,300		73,300
				-
	W1 Debt Service Prin/Interest		94,000	94,000
	Mojave Water Agency		8,150	8,150
				-
	Total Debt Expense	\$224,300	\$102,150	\$326,450

*Assumes no debt service payments from LAIF reserves
MWA Pipeline debt is paid from Operating Revenue.

Source: Bighorn Desert View Water Agency

APPENDIX C PROJECT REFERENCES

Bighorn Desert View Water Agency
(760) 364-2315
Marina West, PG General Manager
bdvwa2@mindspring.com

San Bernardino County LAFCO
(909) 383-9900

Kathleen Rollings-McDonald, Executive Officer
kmcdonald@lafco.sbcounty.gov

Sam Martinez, Assistant Executive Officer
smartinez@lafco.sbcounty.gov

Statistical Research, Inc.

Doug Mende, Director of Geographic Information Systems (GIS)
(909) 335-1896
dmende@sricrm.com