

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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

SUBJECT: Agenda Item # 7: LAFCO 3133 – Service Review and Sphere of Influence Update for Crestline Sanitation District

INITIATED BY:

San Bernardino Local Agency Formation Commission

INTRODUCTION

The Commission has adopted policies related to its sphere of influence program determining that it will utilize a community-by-community approach to sphere of influence identification. To date, the Commission has conducted service reviews for each of the four mountain communities.

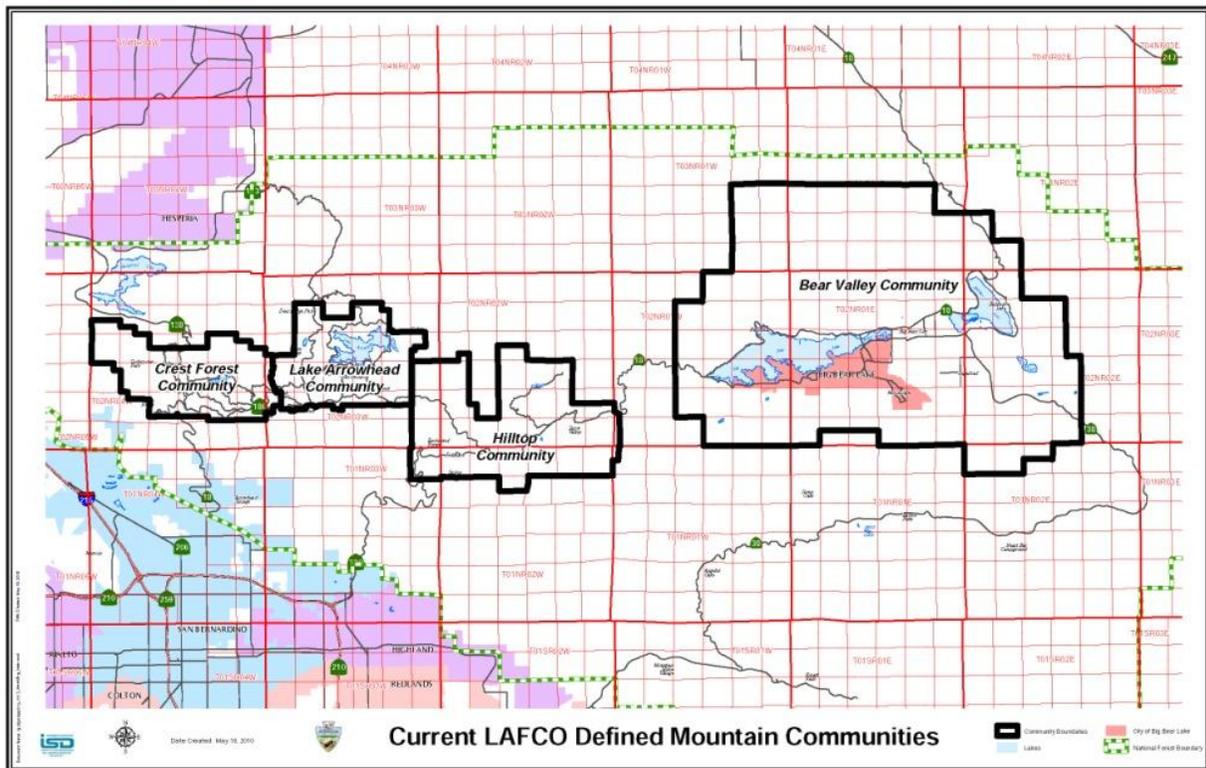
At the December 8, 2010 hearing, the Commission began its consideration of the Service Review and Sphere of Influence Update for the Crestline Sanitation District, a service provider within the Commission defined Crest Forest community. The Commission continued the item on four separate occasions to allow for completion of contract negotiations between the Crestline Sanitation District and the State of California Parks Department related to the operation of the Cleghorn Treatment Plant, with CalFire for the Pilot Rock facility, and with Las Flores Ranch for disposal of treated effluent on its properties. At this time contracts have been negotiated with the State of California Department of Parks and Recreation for continued operation of the Cleghorn Plant and with the Las Flores Ranch on a year-to-year basis for disposal of its effluent on the Ranch properties.

In discussion with CALFire it has been learned that the previously agreed upon rate between previous administrators of CALFire and the County to charge a minimum rate of \$650 per month or actual cost above this amount is not considered a contract. CALFire considers this to be the provision of a utility not requiring a contract. Discussion with the administrators have indicated that if a new contract is to be entered into to identify the practice, it would require the solicitation of bids, per State requirements, for a service only Crestline Sanitation District can provide through its outfall line. To alleviate the problem, they wish to continue the status quo and will be providing a letter outlining this position. Since no one can determine the actual start of the previous contract which lapsed approximately ten years ago, LAFCO staff can surmise that the service preceded the 2001 date to essentially grandfather the contract.

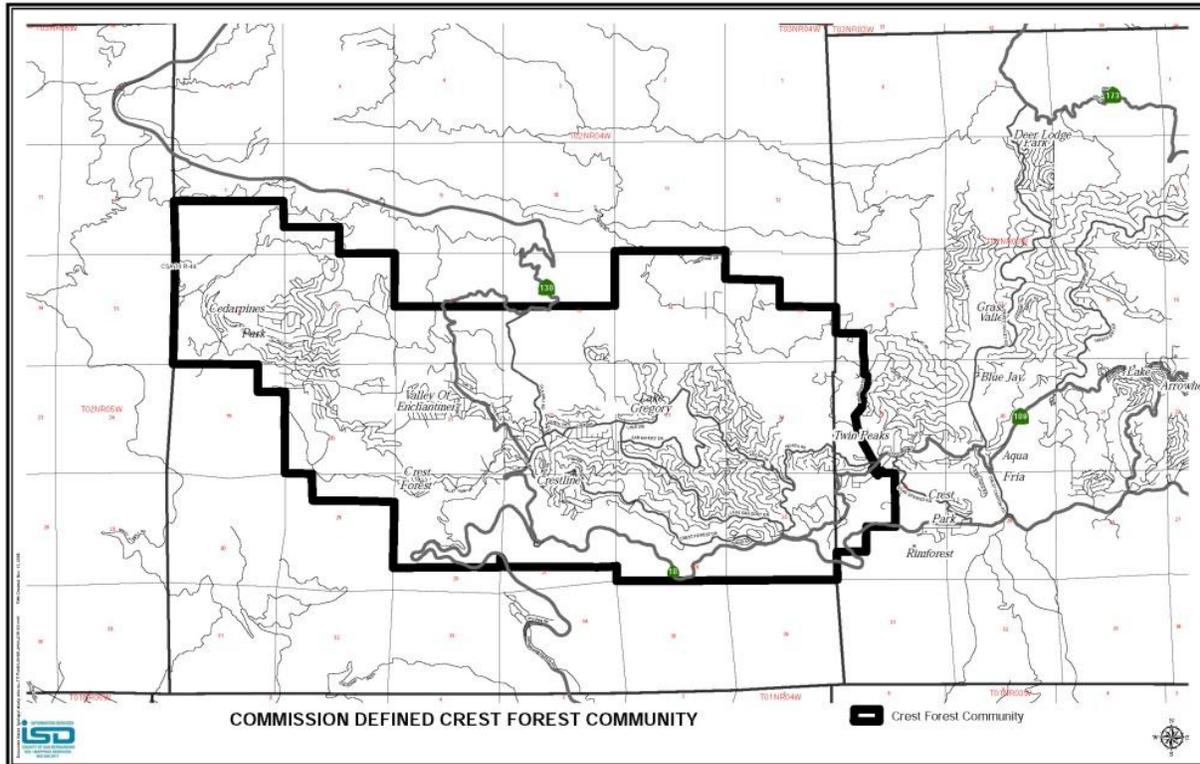
So, the Commission can now move forward with its consideration of the service review and sphere of influence update for the Crestline Sanitation District.

LOCATION AND DESCRIPTION

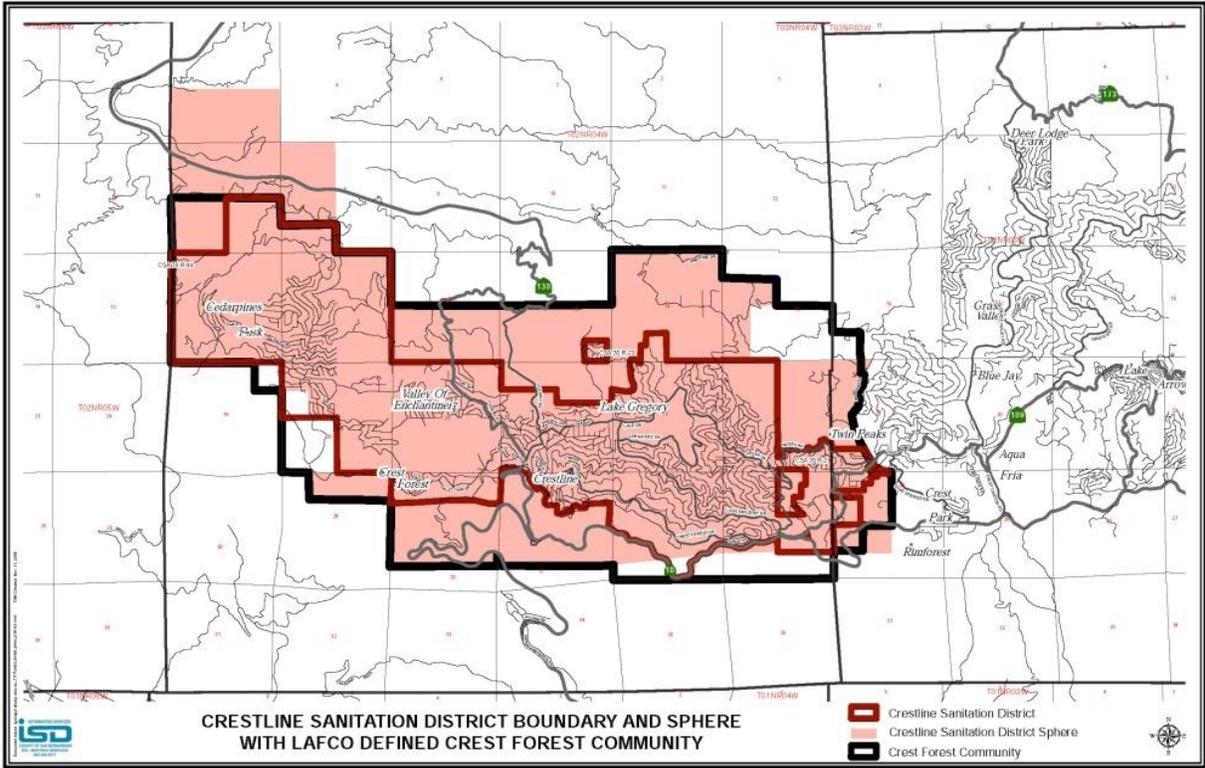
The overall service review and sphere study area encompasses the Crest Forest community, as defined by the Commission. Below is a map that illustrates the LAFCO defined communities in the Mountain region.



The Crest Forest community, as defined by the Commission, is located in the mountain region of the County and includes most of the Crest Forest Community Plan area (designated within the County General Plan) situated along State Highways 18 and 138. Within the general Crest Forest community are the unincorporated areas known as Arrowhead Highlands, Cedarpines Park, Crestline, Lake Gregory, Skyland, Valley of Enchantment, Valley of the Moon, and Valley View Park. Geographical features include the county-owned Lake Gregory, operated as a regional park.



The District is located in the Crest Forest community and its boundary encompasses approximately 8.6 square miles generally running east from Saw Pit Canyon to Twin Peaks, and north from Highway 18 to Mile High Park. The District's sphere of influence is roughly 15 square miles and includes Lake Gregory and the areas commonly known as Skyland, Crestline, Crest Forest, Valley of Enchantment, Valley View Park, and Arrowhead Highlands. A map of the District and its sphere, which also displays the LAFCO defined Crest Forest community, is shown below and is included as a part of Attachment #3.



COMMUNITY HISTORY

The following provides a historical perspective of the community. The first section is a narrative history is taken from the Crest Forest Community Plan¹.

In the 1840s, the mountains became popular for their beauty – gaining a reputation as a summer vacation spot – and also for their timber, which turned into a valuable commodity. In 1851, the Mormons built roads to facilitate the efficiency of lumber production. “Rim of the World Drive” (State Highway 18) generally follows the route of this early road.

In 1891, Congress enacted the Forest Reserve Act, and in 1893 the San Bernardino Forest Reserve was established due to general neglect of conservation practices and environmental needs. Local citizens began to recognize the value of the mountains as a watershed to protect and foster growth in the valley. By 1906, Henry Guernsey developed 50 foot by 100 foot lots for a “summer city in the pines,” or a second-home area, which is now Crestline.

Completion of the 101 Mile Rim of the World Highway in 1915 improved access to the mountains. In 1923, a summer and winter resort began in Skyland. The grassy knoll near Seeley Creek was subdivided, and became “The Valley of Enchantment.” Use of the mountains for recreation by visitors greatly increased with improvement in the road systems and automobiles, and a rapidly expanding population in southern California. By 1928, the Crest Forest area was being advertised as a summer retreat for San Bernardino businessmen. Homes were being built in Crestline, Skyland and the adjoining forest.

From 1936 to 1938, the Works Projects Administration of the federal government constructed the dam that created Lake Gregory, named after Arthur Gregory. The Crest Forest County Water District was instituted to maintain the area, which spanned over 100 surface acres of water and a 3.5 mile shoreline. In 1946 the Crestline Sanitation District was formed, and the original treatment plant at Houston Creek was constructed by 1950. Seeley Creek and Cleghorn treatment plants were constructed in 1974, however, by 1977 the Crest Forest County Water District was dissolved and Lake Gregory was deeded to the County as a regional park.

Over the years, the Crest Forest area has gradually developed into less of a resort or second-home community and more of a bedroom community, composed of predominately low-density, single-family residential areas. The Crest Forest Community Plan area is oriented towards family recreation, with Lake Gregory serving as the main tourist attraction.

A brief history of the major governmental events for this community and its relationship with the Local Agency Formation Commission is described below, listed chronologically by end date:

¹ County of San Bernardino. 2007 General Plan. Crest Forest Community Plan. Adopted 13 March 2007.

- 1929 The County Board of Supervisors and the electorate approved the formation of the Crest Forest Fire Protection District.
- 1936 The County Board of Supervisors and the electorate approved the formation of the Crest Forest County Water District to take over (from private ownership) the management of Lake Gregory and the recreational areas surrounding the lake.
- 1946 The County Board of Supervisors and the electorate approved the formation of the Crestline Sanitation District as a board-governed special district to provide sewer service to the Crest Forest Community.
- 1954 The County Board of Supervisors and the electorate approved the formation of the Crestline Village County Water District to provide water service to the Crestline Village area.
- 1955 The County Board of Supervisors and the electorate approved the formation of the Cedarpines Park and Recreation District.
- 1966 The Commission approved applications converting the independent Crest Forest Lighting District and Crestline Lighting District into board-governed agencies - County Service Area 54 (LAFCO 397) and County Service Area 55 (LAFCO 399), respectively.
- 1967 The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 18 to provide financing for road maintenance in the Cedarpines Park area.
- 1969 The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 68 (LAFCO 790) to provide financing for road maintenance in the Valley of the Moon area.
- 1970 The Commission established a zone of influence for Crest Forest Fire Protection District, extending down the north face of the mountain toward Summit Valley and Las Flores Ranch. This action was a result of a proposal to annex Summit Valley to the district, which did not move forward.
- 1973-74 The Commission established the spheres of influence for the Crest Forest Fire Protection District (LAFCO 1345), the Crestline Sanitation District (LAFCO 1346), Crestline Village County Water District (LAFCO 1347), Cedarpines Park and Recreation District (LAFCO 1349), and County Service Area 18 (LAFCO 1350). The spheres of influence were established as coterminous with the respective boundaries for County Service Area 54 (LAFCO 1351), and County Service Area 55 (LAFCO 1352), and County Service Area 68 (LAFCO 1353). No sphere of influence was given to Crest

Forest County Water District (LAFCO 1348) because of the pending dissolution of the district (see LAFCO 1727).

1976 When special districts were seated on San Bernardino LAFCO, all special districts were limited to the functions/services actively provided at that time. The independent special districts responded to LAFCO's request for statements regarding service provision as:

- Crest Forest Fire Protection District - fire protection
- Crestline Village County Water District - water
- Crest Forest County Water District - water, park and recreation

The County responded to LAFCO's request for statements regarding service provision by board-governed districts as:

- Crestline Sanitation District - sewer
- Cedarpines Park and Recreation District - park and recreation
- County Service Area 18 – road, water
- County Service Areas 54 and 55 - streetlighting
- County Service Area 68 - road

Pursuant to adoption of the *Rules And Regulations of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts* in 1976 and amendments thereafter, the functions and services active for districts have been specified on the document entitled "Exhibit A" and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

1977 The Commission reviewed and the County Board of Supervisors approved the dissolution of the Crest Forest County Water District (LAFCO 1727) transferring assets, liabilities, functions, responsibilities, and programs of the district to the County (operated by the County Regional Parks). The district was experiencing financial challenges and provided water only for recreation use.

1978 The Commission reviewed and the County Board of Supervisors approved the reorganization to annex the Silverwood Lake area to County Service Area 38 (and its improvement zone G) and detach the territory from Crest Forest Fire Protection District (LAFCO 1812).

1979 Crestline Village County Water District acquired the facilities of the Lake Gregory Water Company and accepted responsibility for providing retail water service in the Lake Gregory area.

1980 A sphere expansion for Crestline Village County Water District was approved (LAFCO 1990) and the Commission reviewed and the County Board of Supervisors, as the conducting authority, approved the annexations of

Cedarpines Crest (LAFCO 1991A) and the Lake Gregory Area (LAFCO 1991B) to the district.

- 1981 The Board of Supervisors, as the governing body for county service areas, initiated a reorganization application to consolidate the streetlighting services of two county service areas due to reduced property tax revenues following passage of Proposition 13 (LAFCO 2146). The County's rationale for the consolidation was for greater flexibility in allocation of resources, reduction in overhead and more consistent administration of streetlighting services. The Commission approved the proposal to dissolve County Service Area 55 and annex that territory into County Service Area 54.
- 1983 The Board of Supervisors, as the governing body for county service areas, initiated the expansion of powers for County Service Area 18 to include park and recreation services (LAFCO 2196) and the reorganization to include annexation to County Service Area 18 and dissolution of Cedarpines Park and Recreation District (LAFCO 2197)
- 2008 The reorganization of the San Bernardino County Fire Protection District (LAFCO 3000), effective July 1, 2008, included the dissolution of County Service Area 70 Zone PM-1 (a special taxing entity for paramedic services in the Lake Arrowhead area) and the formation of the San Bernardino County Fire Protection District Service Zone PM-1. During the processing of the County Fire Reorganization, it was identified that the territory of CSA 70 Zone PM-1 overlaid a portion of the Crest Forest Fire Protection District. The boundaries of the new Service Zone PM-1 were modified to exclude the territory within the existing boundaries of the Crest Forest Fire and a condition of approval was added to transfer the existing PM-1 special tax (\$17.30 per parcel) within that area to the Crest Forest Fire Protection District for its funding of paramedics.
- 2008-10 On November 4, 2008, Measure R was passed within the community of Crestline. This measure established a governance committee, whose purpose was to conduct a study and make a recommendation to the County Board of Supervisors on whether or not the Crestline Sanitation District should change its governance to an independent special district governed by a locally elected board of directors composed of residents of the district. The recommendation was to move forward with a transition to an independently governed special district.
- On August 3, 2010, the electorate voted (90% yes) to change the district's governance from being board-governed to independent (Measure T) and elected its first board of directors.
- On September 28, 2010, the County Board of Supervisors transferred the rights, title, and interest in property, lines, contracts, and vehicles that belonged to the district as well as the transfer of funds to the district.

Effective October 1, 2010, the Crestline Sanitation District is an independent special district with a five-member board of directors. Currently, the District is authorized by LAFCO to provide sewer pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

CRESTLINE SANITATION DISTRICT Service Review and Sphere of Influence Update

INTRODUCTION:

LAFCO 3133 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Crestline Sanitation District (“District”).

The District was formed in 1946 by the County Board of Supervisors to provide sewer service to the area generally identified as “Lake Gregory”. For 64 years the District was a dependent district governed by the County Board of Supervisors. On November 4, 2008, Measure R was passed by the community of Crestline. This measure established a Governance Committee, whose purpose was to conduct a study and recommend to the County Board of Supervisors whether or not the District should change its governance to a district governed by a locally elected board composed of residents of the District.

On August 3, 2010, the electorate voted (90% yes) to change the district’s governance from being board-governed to independent. Effective October 1, 2010, the District is an independent special district with a five-member board of directors and operates under the *County Sanitation District Act*, Health and Safety Code 4700 et seq. Currently, the District is authorized by LAFCO the function and service of sewer pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

As discussed in detail in the Sphere of Influence Update section of this report, staff is recommending that the Commission modify the Crestline Sanitation District’s sphere of influence to include the following amendments:

1. Expand the District’s sphere to include two non-contiguous areas located adjacent to the City of Hesperia. The properties are owned by district which it uses for effluent disposal.
2. Modify the District’s sphere to encompass the Crest Forest community, as defined by the Commission, which is a combination of the existing spheres of influence for Crestline Village Water District and the Crestline Sanitation District (water and sewer service providers for the area), expanded to include surrounding private lands, and adjusted to match existing parcel delineation.

SERVICE REVIEW

At the request of LAFCO staff, County Special Districts Department, on behalf of the then board-governed district, prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response to LAFCO’s original and updated requests for materials includes, but is not limited to, the narrative response to the factors for a service

review, response to LAFCO staff's request for information, and financial documents (included as Attachment #3).

Nearing completion of the original report, the District became an independent district effective October 1, 2010. At that time, the District General Manager stated that the materials prepared by County Special Districts Department were adequate for this service review. Since that time, the District has submitted updated materials for this continuing review. LAFCO staff responses to the mandatory factors for consideration for a service review (as required by Government Code 56430) are identified below and incorporate the District's response and supporting materials.

I. Growth and population projections for the affected area.

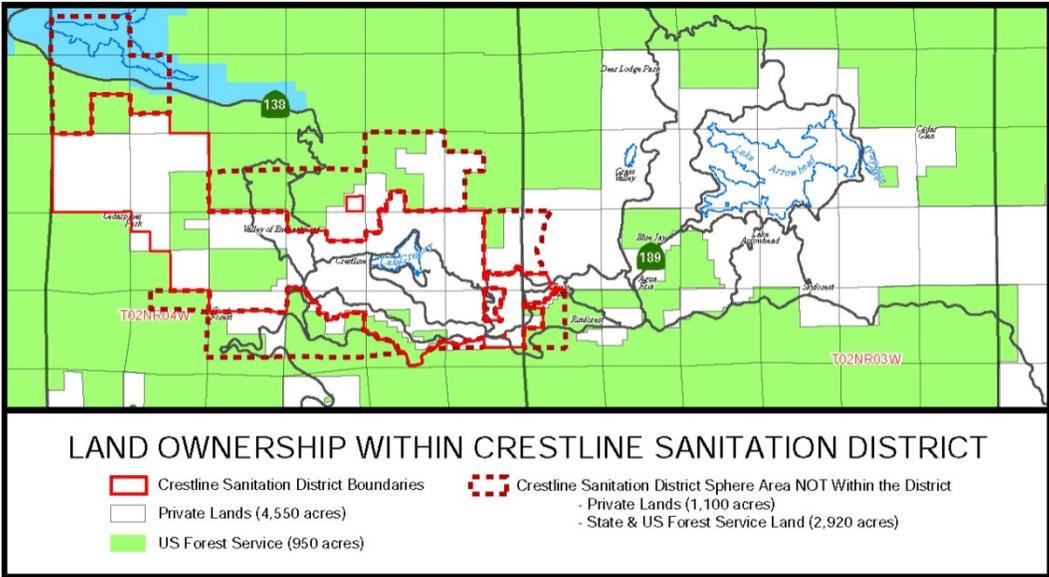
Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development.

Land Ownership

The land ownership distribution and breakdown within the District's boundary and current sphere are identified on the map below. Within its entire sphere, roughly 59% of the land is privately owned and the remainder, 41%, within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

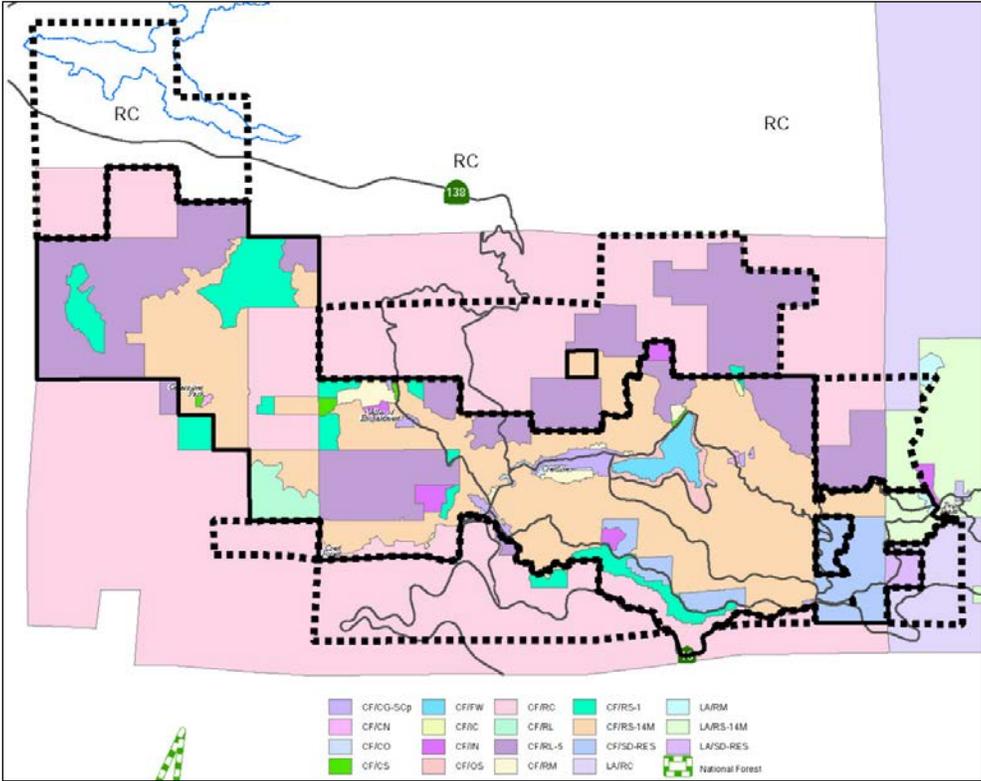
**Land Ownership Breakdown (in Acres)
 Within the Crestline Sanitation District**

Ownership Type	Boundary	Sphere (outside boundary)	Total Area
Private	4,550	1,100	5,650
Public Lands – Federal (BLM), State, & others	950	2,920	3,870
Total	5,500	4,020	9,520



Land Use

The study area includes territory within Lake Gregory and the areas commonly known as Skyland, Crestline, Crest Forest, Valley of Enchantment, Valley View Park, and Arrowhead Highlands. Below is a map that identifies the County of San Bernardino’s land use designations within the study area.



The private lands within the District have land use designations of predominantly residential (RS-14M [allowing lots of a minimum of 14,000 square feet] and RL-5 [allowing lots of five acre minimums]), with scattered commercial along State Route 138 and along Lake Drive west of Lake Gregory. The public lands within the District are designated Resource Conservation. The existing sphere area outside of the district is generally residential (for the private lands) and resource conservation and/or open space (for the public lands).

Population Projections

In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. It is estimated that the seasonal factors can approximately double the peak population.

In 2000, the population within the District’s boundaries was 9,625. Based on the 2010 Census, the current population for the area is 10,446. This represented an average annual growth rate of approximately 0.8 percent within the given period.

The projected growth for the District’s boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the County’s unincorporated area for the given periods, and the use of average annual growth rate. By 2040, the population within the District is estimated to reach 14,313. This represents a projected annual growth rate of approximately 1.4 percent between 2010 and 2040, which also represents a total population increase of 37 percent from 2010. Of note, SCAG projections for this area coalesce with the actual historic increase percentages for this community. LAFCO staff has not adjusted these population projections.

**Population Projection 2010-2040
 Within the Crestline Sanitation District**

Census²				Population Projection				
1990	2000	2010	2015	2020	2025	2030	2035	2040
7645	9,625	10,446	10,620 ³	10,796	11,584 ⁴	12,431	13,339	14,313

² Data derived from the 1990, 2000, and 2010 Census for the Crestline Sanitation District area.

³ 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG’s 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2010 and 2020 data.

⁴ 2025, 2030, 2035 and 2040 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG’s 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2020 and 2035 data.

Build-out

The table below provides the potential build-out within the District’s territory. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use⁵. Maximum build-out potential is substantially constrained by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

**Land Use Maximum Build-Out
 Within the Crestline Sanitation District**

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU’s)
County Area Residential Land Use			
Resource Conservation	890	0.025	22
RL-5 (Rural Living 5 acres)	1,128	0.2	226
RL (Rural Living 2.5 acres)	94	0.4	38
RS-1 (Single Residential, 1 acre)	364	1.0	364
RS-14M (Single Residential, 14,000 sq.ft.)	2,383	3.0	7,149
RM (Multiple Residential)	68	16.0	1,088
SD-RES (Special Development)	258		
District Total Residential	5,185		8,887

The population projections identified earlier indicates that the population within the District’s territory will be 14,313 by 2040. Based on the maximum residential build-out within the District’s territory, the projected maximum population is anticipated to reach 22,573⁶. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the District’s territory will be 5,635 with a maximum potential build-out to reach approximately 8,887. These imply that the study area will reach 63 percent of its potential household and population capacity by 2040.

**Population and Household Projection
 Within the Crestline Sanitation District**

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	14,313	22,573	0.63
Households	5,635	8,887	0.63

⁵ The information related to densities does not take into consideration the housing units within the Marine Base.

⁶ Source: Persons per household @ 2.54 based on the ratio for the Mountain Region as identified in the County’s General Plan.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The District provides collection, treatment, and disposal of wastewater for residential and commercial customers in the general Lake Gregory area. The District's system has 6,356 connections available, and in 2010 there were 4,854 residential and commercial properties connected to the system.

At present the District has approximately 90 miles of sewer lines ranging from 8 to 15 inches in size. Many of these lines are old and require continuous preventative maintenance. Other areas more recently sewered require increased administrative and field hours for connection permits and sewer inspections. These systems have also increased the time required to perform the necessary operation and maintenance (O&M). The District owns and operates three wastewater treatment plants known as the Huston Creek Treatment Plant, the Seeley Creek Treatment Plant, and the Cleghorn Treatment Plant. In addition, the District disposes of treated effluent from the Pilot Rock Treatment Plant (owned by the California Department of Forestry) that is pumped into the District's effluent out fall. The effluent outfall traverses around Silverwood Lake and disposal of effluent from these four facilities occurs at the Las Flores Ranch in Summit Valley north of Lake Silverwood Dam. Waste solids after processing are hauled by the District to a composting facility in Redlands.

System Challenges

In the *Crestline Sanitation District Governance Commission Report* dated February 2010, District staff indicated that the current system's limited capacity at times has difficulty meeting the needs of the community, particularly during the rainy season when a substantial amount of ground water seepage is introduced into the system. This has caused the present sewage system to operate near capacity.

The California Regional Water Quality Control Board, Lahontan Region informed the County in 2001 that the Crestline Sanitation District needed to expand. Monthly flow rates for Huston Creek have exceeded the State permitted 75% capacity flow rate every winter (525,000 gallons per day) from 2001 through 2008, due to inflow and infiltration from winter rains. Houston Creek Plant expansion is to be funded through a loan from the State Water Resources Control Board, Clean Water Revolving Fund as well as District funds.

The *Report* estimates that there are approximately 2,500 equivalent dwelling units on septic systems within the district boundaries. Areas on septic now include: Cedarpines Park, Arrowhead Highland, Dart Canyon, Horseshoe Bend and Strawberry Flats. If these dwelling units with septic tanks were to be required to be added to the District's system by the Lahontan Regional Board, then its capacity would be adversely affected. Further, if either the Strawberry Flats (Twin Peaks area) or Arrowhead Highlands (along Crest Forest Drive) were required to be connected, the District has identified that expansion of Huston Creek Treatment would be immediately necessary.

The Las Flores Ranch located near Hesperia is where the District has discharged its effluent via an outfall line since the 1970s. The outflow from all of the treatment plants travels through an outflow line that runs around Silverwood Lake and ends at the District-owned property located adjacent to Las Flores Ranch. The District outflow water is used on Las Flores Ranch for irrigation purposes. The outflow line failed during the winter rains of 2004-2005 and the District was fined by the California Regional Water Quality Control Board, Lahontan Region. During the Commission's discussions of the Crestline Sanitation District in December 2010, the issue of the lack of a current contract with Las Flores Ranch for disposal of the District's effluent was reviewed. At the time, the District began negotiations with owners of Las Flores Ranch to review and consider a new contract. During April 2012 the District provided LAFCO staff with a new contract for the discharge of the treated effluent on Las Flores Ranch properties, which is a year-to-year agreement. The District has no current plan to address its disposal needs should the contract be terminated and does not have sufficient storage capacity on its own properties to hold its treated effluent. LAFCO staff remains concerned that should the contract not be renewed, one year is insufficient time to address how to handle the disposal of the District's treated effluent. Staff questions whether this ongoing risk for the District should be considered acceptable.

District System

The remainder of this section provides more detailed information on the District's system.

Pump Stations

The District has two primary sewage pump stations and one small backyard pump station serving three residences within the collection system. The Lake Gregory Pump Station is located on the east side of Lake Gregory and receives raw sewage from Assessment Districts 2, 11, 12 and the Pinecrest area. The pump station was built in 1968 and was expanded in 1988 to accommodate flows from Camp Pinecrest. The Forest Shade Pump Station was constructed in 1979 to eliminate possible sewage overflows to Lake Gregory during storm conditions and to serve future unsewered areas. It operates only when sewage backs up in the gravity trunk main along Lake Gregory and overflows into the wet well. The Bernard Drive Pump Station was constructed prior to 2000 and provides sewer service to three homes on Bernard Drive that previously had been served by gravity until the gravity pipeline was washed out and no longer provided service.

Huston Creek Treatment Plant

Originally constructed in 1952 to accommodate domestic sewage flow from Assessment District No. 1, the plant has been modified, improved and expanded several times, the latest modification occurring in 2001. The plant is the largest of the District's three treatment facilities with a design capacity of 0.7 mgd. This plant also serves as a central sludge dewatering facility for primary and secondary sludge produced at all three of the District's treatment plants and (by contract) the Pilot Rock Plant. The Huston Creek WWTP is a fixed-film secondary treatment plant. Chlorine is used to disinfect the effluent. Wastewater

enters the plant through two parallel gravity sewer mains. Treated effluent is discharged to a gravity effluent outfall system.

The Huston Creek Treatment Plant is the only plant within the District that accepts septic tank wastes from local septic tank pumpers. The District receives approximately 300,000 gallons per year of septage, primarily during the summer months. The Huston Creek Treatment Plant capacity used has not been identified. However, the District's WWTP Evaluation from 2008 identified that the flows to the plant range from 0.4 MGD to 1.04 MGD while the plant's design is rated for 0.7 MGD, no further information related to capacity available was identified by LAFCO staff. Expansion of this facility is anticipated to occur as outlined above and is needed as the flow rates identify.

Seeley Creek Treatment Plant

The Seeley Creek WWTP is the second largest of the District's three treatment facilities with a design capacity of 0.5 mgd. This facility went through a major plant expansion in 1985 and, accordingly, it can be considered to be the newest of the three treatment plants. Seeley Creek was originally constructed in 1974 as a 0.20-mgd package activated sludge facility to treat flows from Assessment District No 5. The treatment system consisted of an in-ground circular tank containing an activated sludge aeration basin, secondary clarifier, chlorine contact chamber and digester.

As flow approached design capacity, the District constructed a 0.1 MG flow equalization basin in 1983. The flow equalization basin captured the peak flow and released it during low flow, thus extending the overall treatment capacity and efficiency of the treatment plant. This system served its purpose for the next two years leading up to the 1985 construction of a new 0.5-mgd facility. The new facility utilized a fixed film process to provide secondary treatment followed by chlorine disinfection. This process allowed gravity flow, increased reliability and reduced operation and maintenance costs. Solids dewatering is accomplished at the Huston Creek WWTP. Effluent is discharged to the Seeley Creek gravity outfall system. Seeley Creek WWTP is at 30% capacity and no expansion is anticipated.

Cleghorn Treatment Plant

The Cleghorn Plant is the smallest of the District's three wastewater treatment plants with a design capacity of 0.2 mgd. The facility was originally constructed in 1974 by the District to serve the needs of the California Department of Parks and Recreation campgrounds at Lake Silverwood and the administrative and housing facilities upstream of the plant. The Cleghorn WWTP is owned and operated by the District, but is located on lands owned by the State. By agreement, the State Parks and Recreation Department reimburses the District for annual operation and maintenance costs. The State Parks and Recreation Department still maintains and operates the collection system that includes five lift stations. Only one of these pump stations has emergency power, which is supplied from the Cleghorn Plant. Periodic dewatering, cleaning and recoating is carried out on a scheduled basis to avoid failures.

The Cleghorn Wastewater Treatment Plant is an extended aeration (i.e., oxidation ditch) activated sludge plant with effluent chlorine disinfection. All wastewater flow from the majority of the park campground enters the plant through a 4-inch force main. An 8-inch gravity main serves the administration center, staff housing and group campgrounds. Final effluent is pumped via force main into the District's effluent outfall system for disposal at the Los Flores site. Cleghorn WWTP is at 10% capacity and no expansion is anticipated.

Effluent Outfall System

Treated effluent from all three District facilities and the effluent pumped from the Pilot Rock Conservation Camp Treatment Facility (0.01-mgd capacity) are conveyed via pipeline to the Las Flores Ranch north of Lake Silverwood. There, the effluent is used for pasture irrigation. The pipeline was built in 1970 to transport effluent around Lake Silverwood. The pipeline from the Huston Creek facility is 23,400 feet in length, ranges in size from 12 to 21 inches in diameter and has accommodated up to 6.0 mgd. The Seeley Creek facility outfall line is 6,000 feet in length, ranges in size from 10 to 15 inches in diameter and connects to the pipeline from Huston Creek along Highway 138. An emergency storage pond, about 1500 feet downstream of the Seeley Plant, can store 0.20 MG during an emergency. The combined pipeline also has a capacity of 5.0 mgd, has a total length of 34,200 feet in length and ranges in size from 10 to 21 inches in diameter. The total length of outfall system from the Huston Creek plant to the effluent disposal site is approximately 11 miles.

Effluent Disposal Site

The effluent outfall system terminates at a receiving channel and flood-irrigates a pasture area of the Las Flores Ranch in Summit Valley. During emergency, the flow can also be diverted to the adjacent sand beds for percolation. The District has an agreement with the Las Flores Ranch to accept treated effluent. This contract is on a year-to-year basis ending in December of each year. The most recent contract term expires December 31, 2012. Disposal is upon land owned by the District and Las Flores Ranch. The disposal facilities have one monitoring well upstream and three monitoring wells located downstream from the discharge area. Groundwater from these wells is tested quarterly. All District facilities are operated under discharge monitoring requirements issued by the Lahontan Regional Water Quality Control Board. The District has delivered reclaimed wastewater to the Mojave Basin Area for disposal in the following amounts⁷:

Water Year	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Acre-feet	944	833	1,198	819	674	799	714	839

III. Financial ability of agencies to provide services.

For this section of the report, staff has reviewed the District's budgets, audits, and State Controller reports for special districts.

⁷ Mojave Basin Watermaster. Watermaster reports for Water Years 2002-03 through 2009-10.

Long-term debt

On January 16, 1997, the District received a revolving fund loan from the State Water Resources Control Board in the amount of \$2,159,508. The proceeds of the loan were used to fund construction of the Huston Creek treatment plant effluent storage reservoir. Of the \$2,159,508 loan amount, \$359,925 was funded by local matching funds. The loan will be repaid in March 2018. At June 30, 2011, the outstanding principal balance is \$706,431. A summary of loan payments for the remaining fiscal years is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 95,833	\$ 12,142	\$ 107,975
2013	97,480	10,495	107,975
2014	99,156	8,819	107,975
2015	100,860	7,115	107,975
2016	102,594	5,382	107,976
2017 - 2018	210,508	6,443	216,951
Total	\$ 706,431	\$ 50,396	\$ 756,827

Net Assets

In reviewing the financial documents, net assets have increased nominally since FY 2006-07, as shown on the chart below. As of June 30, 2011, the District had \$16.4 million in net assets, of which \$7.7 million is unrestricted. As for restricted assets, the District issued bonds to finance certain sewer improvements. All the District's bonds matured as of July 2, 1996. The portion of the matured bonds held by the County Treasurer amounting to \$48,939 through FY 2008-09 was reported as restricted cash.

	2006-07	2007-08	2008-09	2009-10	2010-11
Current assets	7,641,764	7,174,921	7,108,316	7,307,511	7,877,384
Capital assets, net	8,514,046	9,385,098	9,945,851	9,668,141	9,412,011
Total assets	16,155,810	16,560,019	\$17,054,167	\$16,975,652	\$17,289,395
Current liabilities	256,898	559,909	440,029	162,812	200,024
Long-term liabilities	984,324	893,267	800,645	706,431	703,919
Total liabilities	1,241,222	1,453,176	1,240,674	869,243	\$903,943
Total Net Assets	\$14,914,558	\$15,106,843	\$15,813,493	\$16,106,409	\$16,385,452
Net Assets:					
Invested in capital assets – net of related debt	7,440,204	9,385,098	9,945,851	8,867,496	8,705,580
Restricted	48,939	48,939	48,939	0	0
Unrestricted	7,425,445	5,672,806	5,818,703	7,238,913	7,679,872
Total Net Assets	\$14,914,558	\$15,106,843	\$15,813,493	\$16,106,409	\$16,385,452

Cash Flows and Investments

Considering net assets does not indicate if an agency has enough liquidity to operate short and long-term operations. As shown below, cash and investments decreased in FY 2007-08 and FY 2008-09, but have increased the past two fiscal years and are at the highest levels in this five-year range.

Cash & Investments	2006-07	2007-08	2008-09	2009-10	2010-11
Cash & cash equivalents	6,814,089	6,301,570	5,989,382	6,392,176	886,231
Restricted Cash	48,939	48,939	48,939	48,939	0
Investments					6,018,912
Total Cash & Investments	\$6,863,028	\$6,350,509	\$6,038,321	\$6,441,115	\$6,905,143

As shown in the charts above and below, Cash and Investments equaled Cash and Cash Equivalents for 2006-07 through 2009-10 – when the County Treasury acted as the District's depository. In FY 2010-11 when the District became an independent special district, its funds were transferred from the County Treasury – which invested funds in a pool on behalf of all County entities and trust agencies. Subsequent to the transfer and in control of its own finances, the District invested roughly \$6 million. This shift accounts for the changes from Cash and Cash Equivalents into Investments.

Cash Flows – activities:	2006-07	2007-08	2008-09	2009-10	2010-11
Operating	(847,819)	(595,126)	(710,696)	(344,297)	(243,049)
Non-capital financing	1,290,374	1,245,282	1,266,777	1,147,179	1,130,761
Capital & related financing	(481,239)	(1,512,072)	(1,115,135)	(483,387)	(421,949)
Investing	346,408	349,397	246,866	83,299	(6,020,647)
Total Cash & Cash equivalents	\$6,863,028	\$6,350,509	\$6,038,321	\$6,441,115*	\$886,231

* Identified incorrectly in the FY 2009-10 financial statements as \$6,038,321.

Revenues and Expenditures

The chart below aggregates the Operating and Non-operating activities for the past five years. However, a comparison for salary and benefits before and after the District's independence by line-item is not readily identified. The County classified the salary and benefits activities as a professional service since the County transferred funds from the District to its shell agency, County Service Area 70, which would then provide salary and benefits payments. Nonetheless, for this time period, annually there is a loss from operations with a gain from non-operating activities, resulting in an annual positive change. Important to note, is the trend of a decrease in the loss from operations with a reduction in the gain from non-operating activities. Overall, the District's Total gain has decreased for each of the past three years.

	2006-07	2007-08	2008-09	2009-10	2010-11
Operating Revenue					
Charges for services	\$2,333,309	\$2,197,759	\$2,669,143	\$2,326,064	\$2,304,777
Permit & inspection fees	--	--	--	--	25,253
Special assessments	--	--	46,554	--	--
Connection fees	--	--	--	--	9,987
Other service			--	--	155,184
Total Operating Revenue	2,333,309	2,197,759	2,715,697	2,326,064	2,495,201
Operating Expenses					
Salaries & benefits	--	--	--	1,955,157	1,726,655
Professional services	2,121,169	2,274,804	2,200,881	0	316,053
Services & supplies	673,166	705,500	691,253	766,289	642,569
Utilities	113,880	92,721	93,074	0	139,227
Depreciation	560,285	548,696	495,364	483,748	570,103
Total Oper. Expenses	3,468,500	3,621,721	3,480,572	3,205,194	3,394,607
Loss from Operations	(1,135,191)	(1,423,962)	(764,875)	(879,130)	(899,406)
Non-Operating Revenues (Expenses)					
Investment earnings	362,609	340,185	208,544	70,905	50,238
Property taxes	962,619	1,124,303	1,114,378	1,039,504	994,471
Other taxes	82,644	0	19,142	15,596	0
Special assessments	57,812	43,698	0	35,330	46,630
Federal/State assistance	13,480	13,593	104,541	13,217	13,443
Other revenue	194,625	2,256	0	10,169	87,429
Interest expense	(19,970)	(18,457)	(16,919)	(15,353)	(13,762)
Gain on sale of assets	0	15,651	7,330	2,678	0
Other	0	94,988	34,509	0	0
Total Non-Operating Revenues (Expenses)	1,653,819	1,616,217	1,471,525	1,172,046	1,178,449
Change in Net Assets	\$518,628	\$192,255	\$706,650	\$292,916	\$279,043

Appropriations Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative)⁸, the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIII B allows the District to designate a portion of fund balance of general contingencies to be used in future years without

⁸ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

limitation. Government Code Section 7910⁹ expands upon the Gann Initiative and requires each local government to annually establish its appropriation limit by resolution.

In reviewing the question of the current appropriation limit with the District staff, it was indicated that the district did not take action to accept the County's existing appropriation limit after transition for FY 2010-11 and none was adopted during the budget approval process for FY 2011-12. However, once the matter was identified with the District it has sought to prepare the limit for the current fiscal year through its accounting firm. Attachment #7 to this report identifies the calculation for the Fiscal Year 2011-12 Appropriation limit anticipated to be adopted by the District on April 12, 2012. This action does not resolve the issue for the prior fiscal year, however.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial statements for the past five fiscal years identifies that proceeds of taxes did not exceed appropriations. In the audits for 2010 and 2011, the audit firm identified that the District had not exceeded the appropriation limit even though the District had not approved the constitutionally mandated limit. This seems to be a recurring theme for the audits of special districts; statements are included regarding appropriation limits that cannot be substantiated.

It is the request of LAFCO staff that the District provide a copy of the resolution once adopted which sets the appropriation limit for FY 2011-12 and that a copy of the resolution for FY 2012-13 be provided during the District's upcoming budget review.

Post-Employment Benefits

Pension

The District is a participating member of the San Bernardino County Employees' Retirement Association (SBCERA). The District's financial statements do not identify if the District is fully funded or has met its annual contribution obligations.

Other Post-Employment Benefits

The financial statements do not identify if the District offers other post-employment benefits.

Filing Requirements

Government Code Section 26909 requires districts to file a copy of its annual audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the FY 2010-11 financial statements are due July 2012.

IV. Status of, and opportunities for, shared facilities.

⁹ Added by Stats.1980, c. 1205, p. 4059, § 2. Amended by Stats.1988, c. 1203, § 1; Stats.2007, c. 263 (A.B.310), § 25.

Under agreement, the District currently owns and operates the Cleghorn Treatment plant at the Silverwood Lake and provides, on request, staff and equipment support on the State Parks and Recreation Department's collection system.

The District accepts the California Division of Forestry, Pilot Rock Conservation Camp's effluent discharge into the District outfall and dewater, disposes, and hauls the camps waste biological solids. The District receives payment for these services based upon monthly invoices provided to CALFire at an agreed upon rate of a minimum of \$650 per month or actual cost above that amount.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

Effective October 1, 2010, the District is an independent special district governed by a five-member board of directors. The first board was elected on August 3, 2010 and determined its staggered terms. The current board composition is shown below.

Board Member	Title	Term Expiration
Matthew L. Philippe	Chairman	December 2015
Penny J. Shubnell	Vice Chairman	December 2015
Ken Nelsen	Secretary	December 2013
Sherri L. Fairbanks	Director	December 2015
Jack P. Winsten	Director	December 2013

The District's office is located in Crestline at 24516 Lake Drive. Regular meetings of the board are scheduled for the second Thursday of the month at 3:00p.m.

Operational Efficiency

Operational efficiencies are realized through several joint agency practices, for example:

The District is also active in the Water Environment Federation, California Water Environment Association, California Association of Sanitation Agencies, Southern California Alliance of Publicly Owned Treatment Works, American Water Works Association, Tri-TAC (a technical advisory committee representing three California associations: League of California Cities, California Association of Sanitation Agencies, California Water Environment Association), as well as other organizations involved in the water and wastewater industries.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Under agreement, the District currently owns and operates the Cleghorn Treatment plant at Silverwood Lake and provides, on request, staff and equipment support on the State Parks and Recreation Department’s collection system.

The District accepts the California Division of Forestry, Pilot Rock Conservation Camp’s effluent discharge into the District outfall and hauls, dewateres and disposes of the camps waste biological solids. The original contract for this service lapsed several years ago. However, it is known that it was entered into prior to 2001 and therefore is grandfathered without requirement to comply with the provisions of Government Code Section 56133. In requesting an updated contract for this service, the General Manager of the Crestline Sanitation District and administrators of CALFire have indicated that it would be cumbersome and difficult to enter into a new contract pursuant to existing State contracting requirements. These include the mandatory requirement for solicitation of bids for the service – one which only Crestline Sanitation District has an existing outfall line to address. They have indicated their request to continue the utility agreement currently in place which requires the payment of a minimum charge of \$650 per month or the actual cost of providing the service. The District and CALFire have indicated that they will provide a letter stipulating this agreement; as of the date of the mailing of the staff report the letter has not been received.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible scenarios.

- Formation of a Community Services District. The option of forming a single, multi-purpose special district, through reorganization of the existing service providers, is a preferred form of government that is feasible for the Crest Forest community. The agencies within the community could be reorganized into a community services district (CSD), which would assume the responsibility for providing the services provided by the agencies proposed to be reorganized (i.e. Crestline Sanitation District, Crestline Village Water District, Crest Forest Fire, CSA 18, etc.). The new CSD would assume the responsibilities and all functions, obligations, assets, liabilities, and equipment of the agencies that are to be reorganized. This scenario would provide for an efficient service delivery pattern for the full range of services available within the community through a single agency.

In addition, such a formation would solidify the community as outlined in the

preamble to CSD law, which states that a CSD is:

“... (1) *A permanent form of governance that can provide locally adequate levels of public facilities and services.*

(2) *An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district.*

(3) *A form of governance that can serve as an alternative to the incorporation of a new city.*

(4) *A transitional form of governance as the community approaches cityhood.*

For San Bernardino LAFCO, the establishment of a Community Services District has been used to establish independent government structures that allow for the fostering and nurturing of communities for a possible future incorporation, maintaining their separate identity. With the support of the Crest Forest community such a distinction could be achieved for the area; however, no clear expression of interest has been conveyed to LAFCO staff during this consideration. However, the establishment of the community designation for Crest Forest is a potential first step in this process.

- Consolidation with the Crestline Village Water District. The Crestline Village Water District was formed under *County Water District Law* and currently only provides water service to its customers. However, the Water District and the Crestline Sanitation District could consolidate with the Water District as the successor agency (since county water districts can provide sewer, not vice versa). If this were to occur, the Water District's boundaries and sphere of influence would need to be adjusted to match Crestline Sanitation District's boundaries. This scenario could allow for scales of economy, allow for the joint use of maintenance personnel and administrative functions for billing, legal, board administration, and promote a single voice for water and wastewater services in the community.
- Regional cooperation for distributing reclaimed and/or recycled water. Crestline-Lake Arrowhead Water Agency (CLAWA) does not perform reclamation services; although CLAWA Law allows for it to perform reclamation services (treatment and reclamation of sewage and storm water) within its boundaries and the request for authorization to perform the services would be subject to LAFCO approval. However, within its boundaries and sphere of influence there are three agencies that provide this service: Crestline Sanitation District (collection and treatment), Running Springs Water District (collection and treatment; also a JPA with Arrowbear Park Water District and CSA 79), and Lake Arrowhead Community Services District (collection and treatment).

As a regional agency, in cooperation with other water entities CLAWA is responsible for managing the water resources within its boundaries to ensure a sustainable supply of water for the benefit of its constituents. As such, CLAWA could help coordinate a regional plan for distribution of reclaimed water in the mountains. Such

a structure could reduce duplication of planning efforts and provide the opportunity for economies of scale while maintaining the independence of each district.

- Annexation of sphere territory. Should any area currently within the District's sphere but outside of its current boundary require sewer service, the residents, landowners, or the District could submit an application for annexation. However, it is estimated that there are approximately 2,500 equivalent dwelling units on septic systems within the district's existing boundaries. These areas are more likely to connect to the District's system before any future territory seeks to annex for service.
- Maintenance of the status quo. The lack of interest in the scenarios listed above makes them unlikely options at this time. Therefore, staff recommends maintenance of the current structure. However, as detailed below, staff is recommending sphere of influence amendments to encompass the Crest Forest community and include non-contiguous property near Hesperia that is used as a disposal site.

SPHERE OF INFLUENCE UPDATE

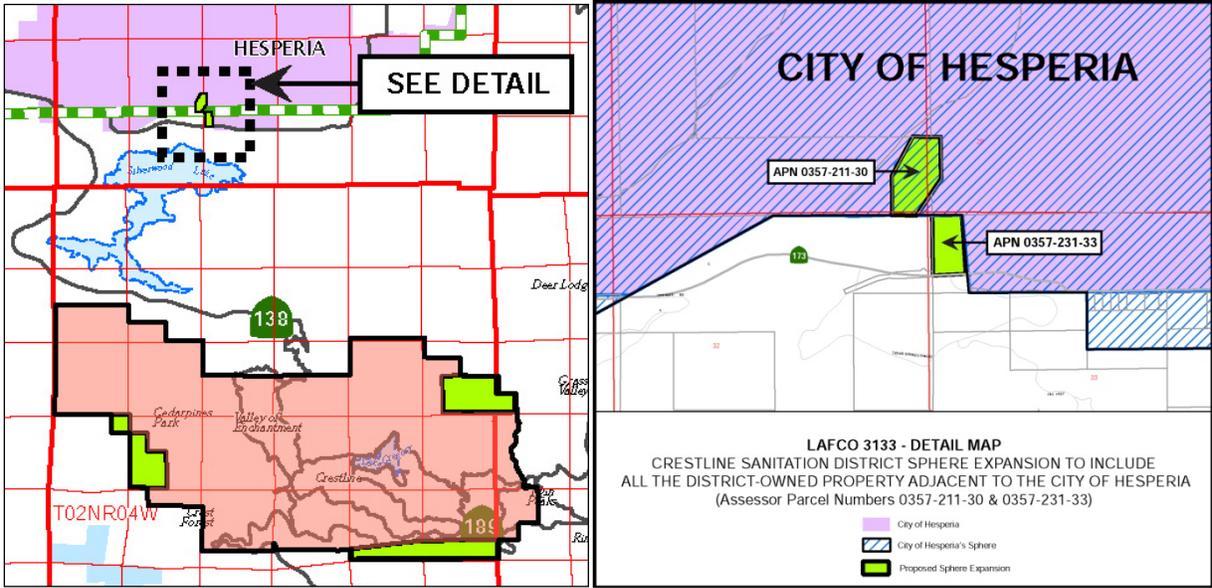
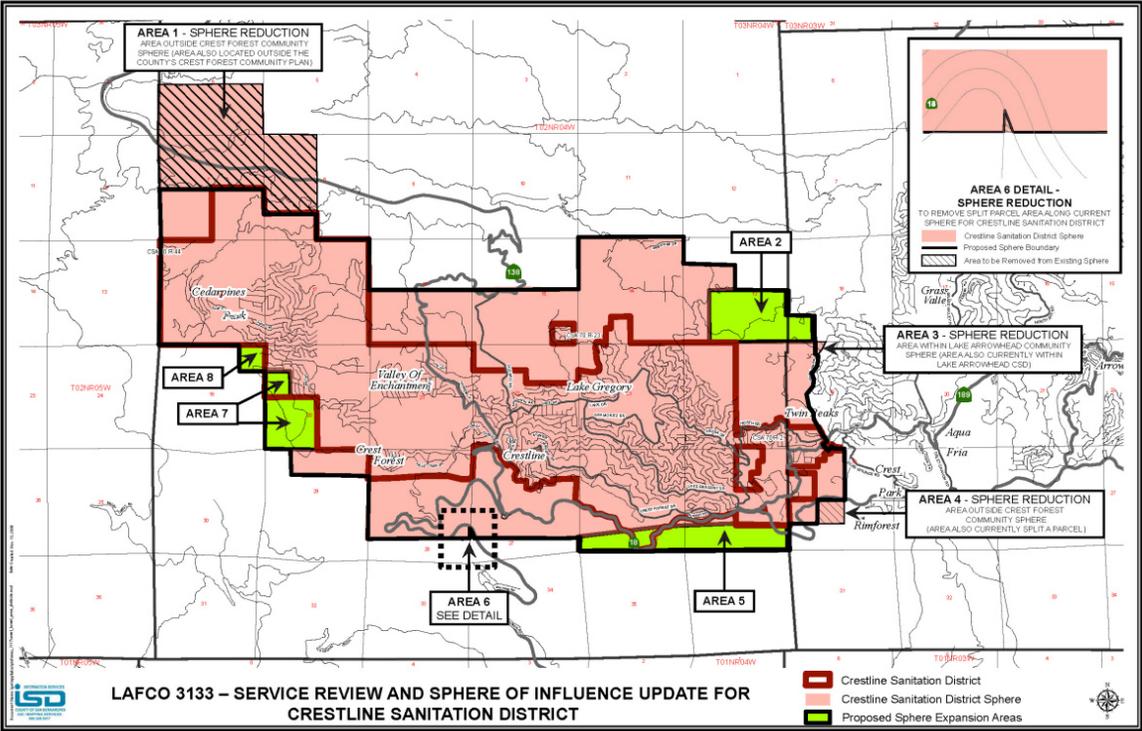
Sphere of Influence

The Commission's policy guidelines for spheres of influence outline its strategy to utilize a "community-by-community" approach to consideration. This practice requires the Commission to look at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission's concept is to define a community and adjust the spheres of influence for all related service providers to that community. Such a determination provides direction to both current and future residents as to the agencies designed to serve them. On December 8, 2010, the Commission defined the Crest Forest community, which is a combination of the existing spheres of influence for Crestline Village Water District and the Crestline Sanitation District (water and sewer service providers for the area, expanded to include surrounding private lands, and adjusted to match existing parcel delineation.

Therefore, staff is recommending that the Commission modify the Crestline Sanitation District's sphere of influence to encompass the Crest Forest community, as defined by the Commission. In order to accomplish this, the following sphere of influence amendments (reductions and expansions) are recommended:

- Reduce the District's existing sphere of influence to exclude Area 1 (approximately 880 acres), Area 3 (approximately 8.05 acres) Area 4 (approximately 40 acres), and Area 6 (approximately 0.25 acres); and,
- Expand the District's sphere of influence to include Area 2 (approximately 280 acres), Area 5 (approximately 320 acres), Area 7 (approximately 200 acres), and Area 8 (approximately 40 acres).

In addition, staff is recommending expanding the District's sphere of influence to include two parcels (total of approximately 32.2 acres) that are adjacent to the City of Hesperia. The properties are owned by the District and are used for effluent disposal. The proposed sphere modifications are shown on the maps below (included in Attachment #3).



Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). A County Sanitation District operates under

County Sanitation District Law as outlined in Health and Safety Code Section 4700 et seq. Authorized services include, but are not limited to, sewage, wastewater, and stormwater collection, treatment and disposal, refuse collection services (outside an existing provider), and provision of retail water service (for areas not included in another retail water purveyor).

LAFCO staff recommends the Commission affirm the sewer function and clarify the service description for the District to include recycled water. In a letter received by the Commission dated March 17, 2011, the District outlined its request that the provision of recycled water be included as an authorized service. A copy of the letter is included as Attachment #8. The District has identified that it is contemplating the expansion of its Huston Creek Wastewater Treatment Plant which will required upgrading the treatment process. This will treat the water to Title 22 quality which can be used for recycling purposes. Prior to 2004, reclaimed (recycled) water was not permitted by the Lahontan Regional Water Quality Control Board in the Mountain region. However, the Lake Arrowhead CSD requested amendment to the State Water Quality Control Board Lahontan Region Basin Plan to allow the use of reclaimed water for outdoor irrigation at elevations above 3,200 feet. This request was approved in 2004. The use of recycled water within the District’s boundaries will reduce the amount of discharge to the Las Flores Ranch area ultimately. Included in Attachment #5 is information from the Mojave Water Agency Annual Reports which identify the wastewater imports to the basin. LAFCO staff has asked the question, but has not received a definitive answer as to the impacts of reducing the wastewater exports. However, as outlined in the narrative above, the risks involved in the annual yearly agreements with the Las Flores Ranch for disposal of the treated effluent would be ameliorated a bit. No information regarding concerns on this reduction have been received from the Mojave Basin Watermaster.

Staff is recommending that the Commission affirm the sewer function and clarify the service description for the District to listed in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* as follows:

FUNCTIONS

SERVICES

Sewer

~~Collection, transportation, treatment, disinfection, reclamation, disposal~~
Collect, treat, and/or dispose of sewage, wastewater, recycled water, and storm water

FACTORS OF CONSIDERATION

Government Code Section 56425 requires the Commission to make four specific determinations related to a sphere of influence update. The staff’s responses to those factors are as follows:

I. Present and Planned Uses in the Area, Including Agricultural and Open-Space Lands.

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is substantially constrained by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. The private lands within the district have land use designations of predominantly residential (RS-14M and RL-5), with scattered commercial along State Route 138 and along Lake Drive west of Lake Gregory. The public lands within the district are designated Resource Conservation. The existing sphere area outside of the district is generally residential (for the private lands) and resource conservation and/or open space (for the public lands).

The land ownership distribution and breakdown within the District's boundary and sphere are identified on map below. Roughly 80% is privately owned with the remainder within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use. The current sphere of influence (including district) contains 60% private lands.

II. Present and Probable Need for Public Facilities and Services in the Area.

The California Regional Water Quality Control Board, Lahontan Region has ordered areas within the District's boundary to be connected to a sewer system. With growth within its boundaries estimated to increase 37% from 2010 to 2030, it is anticipated that additional areas will be required to connect to the sewer system.

The *Crestline Sanitation District Governance Commission Report* estimates that there are approximately 2,500 equivalent dwelling units on septic systems within the district boundaries. Areas on septic now include: Cedarpines Park, Arrowhead Highland, Dart Canyon, Horseshoe Bend and Strawberry Flats. If these dwelling units with septic tanks were to be required to be added to the District's system by the Lahontan Regional Board, then its capacity would be adversely affected. Further, if either the Strawberry Flats (Twin Peaks area) or Arrowhead Highlands (along Crest Forest Drive) were required to be connected, the District states that expansion of Huston Creek Treatment would be immediately necessary.

III. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide.

At present the District has approximately 90 miles of sewer lines ranging from 8 to 15 inches in size. Many of these lines are old and require continuous preventative maintenance. Other areas more recently sewered require increased administrative and field hours for connection permits and sewer inspections. These systems have also increased the time required to perform the necessary operation and maintenance (O&M).

In the *Crestline Sanitation District Governance Commission Report* dated February 2010, District staff indicated that the current system's limited capacity at times has difficulty meeting the needs of the community, particularly during the rainy season when a substantial amount of ground water seepage is induced into the system. This has caused the present sewage system to operate at near capacity.

The California Regional Water Quality Control Board, Lahontan Region informed the County in 2001 that the Crestline Sanitation District needed to expand its treatment facilities. Monthly flow rates for Huston Creek have exceeded the State permitted 75% capacity flow rate every winter (525,000 gallons per day) from 2001 through 2008, due to inflow and infiltration from winter rains.

IV. Existence of any Social or Economic Communities of Interest in the Area.

The District comprises the majority of the Crest Forest community. The social and economic communities of interest are the Rim of the World Unified School District, Lake Gregory and areas commonly known as Crestline, Valley of Enchantment, Aqua Fria, Blue Jay, Twin Peaks, Cedarpines Park, and Rim Forest.

CONCLUSION:

Staff recommends that the Commission:

1. Amend the sphere of influence to include:
 - a. Expansion of the District's sphere to include two parcels adjacent to the City of Hesperia. The properties are owned by the District and used for effluent disposal.
 - b. Modification of the District's sphere to encompass the Crest Forest community, as defined by the Commission, which is a combination of the existing spheres of influence for Crestline Village Water District and the Crestline Sanitation District (water and sewer service providers for the area), expanded to include surrounding private lands, and adjusted to match existing parcel delineation.
2. Affirm the sewer function and expand the service description to reflect the current service provision and the anticipation of recycled water..

ADDITIONAL DETERMINATIONS

1. The Commission's Environmental Consultant, Tom Dodson and Associates, has indicated his position that the options outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews is included in their respective attachments to this report.
2. As required by State Law, notice of the original hearing was provided through publication in a newspaper of general circulation, the *San Bernardino Sun*. The current consideration has been advertised in *The Alpenhorn*, a newspaper of general circulation within the area as required by State Law, due to LAFCO 3133's removal from the Commission's hearing calendar. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
3. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on November 17, 2010 LAFCO staff met with the District and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions of the District.
4. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATIONS

Staff recommends that the Commission take the following actions:

1. Receive and file the service review for the Crestline Sanitation District, and make the determinations related to the service review for the District required by Government Code 56430 as outlined in the staff report.
2. For environmental review certify that the sphere of influence amendments (expansions and reductions) and the service description modification for the Crestline Sanitation District (LAFCO 3133) are statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.
3. Approve the sphere of influence amendments which include expansions and reductions for the Crestline Sanitation District.
4. Amend the "Rules and Regulations Affecting Special Districts" by modifying the Crestline Sanitation District's service description of its Sewer Function by adding

“Collect, treat, and/or dispose of sewage, wastewater, recycled water, and storm water” and removing “Collection, transportation, treatment, disinfection, reclamation, disposal”.

5. Adopt Resolution No. 3123 reflecting the Commission’s determinations as required by Government Code Section 56430 and 56425.

KRM/SM/MT

ATTACHMENTS

1. [Map – Crest Forest Community](#)
2. [Map – Existing Sphere of Influence and Proposed Sphere Expansion](#)
3. [Updated Financial Information: Budget and Audit](#)
4. [Staff Report Dated November 30, 2010 for Crest Forest Community and Attachments Related to Crestline Sanitation District](#)
5. [Copies of District Agreements with State of California Department of Park and Recreation and Las Flores Ranch](#)
6. [Appropriation Limit Calculations for District for FY 2011-12](#)
7. [Copy of Letter Dated March 17, 2011 Requesting Inclusion of Recycled Water as a Service Authorized the District and Wastewater Import Data for the Mojave River Watermaster](#)
8. [Response from Commission’s Environmental Consultant](#)
9. [Draft Resolution No. 3123 for LAFCO 3133](#)