

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: AUGUST 9, 2004

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer



TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: **Agenda Item #7:** LAFCO 2926 – Service Review and Sphere Of Influence Update for the East Valley Water District

INITIATED BY:

San Bernardino Local Agency Formation Commission

RECOMMENDATION:

1. Determine that LAFCO 2926 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
2. Make findings related to a service review required by Government Code Section 56430 and determine that the sphere of influence for the East Valley Water District should be amended as follows:
 - a. Expand the District's sphere of influence along its southern boundary to include (1) the existing territory of the City of Highland generally south of Third Street, east of Alabama Street, and (2) the parcel located at the southwest corner of the intersection of Third Street and Alabama Street within the City of San Bernardino;
 - b. Reduce the District's sphere of influence within the San Bernardino National Forest located northerly of the existing District and City of Highland boundary (approximately 3,000 acres); and,
 - c. Confirm the balance of the existing sphere of influence assignment for the District.

3. Adopt LAFCO Resolution #2836 setting forth the Commission's findings and determinations on this issue.

BACKGROUND INFORMATION:

LAFCO 2926 was initiated by the Commission on January 15, 2003 in response to state mandates requiring service reviews and sphere of influence updates for all cities and special districts on a five-year schedule and is the service review and sphere of influence update for the East Valley Water District (EVWD). Included as Attachment #1 to this report is a map which identifies the boundaries and existing/proposed sphere of influence for the EVWD. Attachment #2 is an outline of what services a County Water District can perform and its general government structure. Attachment #3 to this report is a District Summary Profile Sheet and the response provided by the EVWD to the LAFCO survey of the factors required by Government Code Section 56430 for a service review.

As LAFCO staff began this service review/sphere update for the EVWD, we looked to the policies and procedures adopted by the Commission for its sphere of influence program (copy included as Attachment #4). One of the guiding principles in these documents is that the sphere of influence should be based upon a community-by-community approach, and that the family of agencies serving a community should, unless unique circumstances warrant, maintain a coterminous sphere of influence. The EVWD serves within two defined communities – the entirety of the Highland community (the whole of the City of Highland) and a portion of the San Bernardino community (portions of the City generally east of Waterman Avenue, north of Third Street, and the unincorporated sphere areas of the City of San Bernardino adjacent to the City of Highland). Therefore, the sphere of influence/service review for this agency does not lend itself completely to the Commission's philosophy of a community-by-community approach.

LAFCO staff, City of Highland staff and the staff of the EVWD have met on two occasions to discuss the implications of the Commission's community-by-community approach to the sphere of influence as it relates to the Highland community within the eastern portion of the District. No concern or dialogue has been provided by the City of San Bernardino staff on this proposal.

As LAFCO staff reviewed the eastern sphere of influence of the EVWD and the City of Highland, it became clear that changes were appropriate for both agencies. LAFCO staff proposed a minor sphere amendment to expand the City of Highland sphere of influence to include approximately 200 acres within two areas on the north and northeast (LAFCO 2927), and changes to the EVWD sphere. Those changes include: (a) a reduction to the EVWD sphere of influence to exclude approximately 3,000 acres (this amendment will remove National Forest lands not anticipated to require municipal levels of service) and (b) the expansion of the sphere to include the territory of the City of Highland boundary located southerly of Third Street, easterly of Alabama Street.

As these changes were being reviewed with District staff, an additional change was proposed in response to requests of the San Bernardino International Airport governing body, the Inland Valley Development Agency (IVDA). Their request is to receive water and sewer service from EVWD to the parcel identified as “Parcel B-1C” for the proposed Jet and Rocket Engine Test Site project (Attachment #5 provides the request and background information).

As these recommendations were being formulated, LAFCO staff participated in a joint meeting of the City Council of the City of Highland and the Board of Directors of the EVWD to review with them the changes to bring the two spheres of influence into contiguity within the community of Highland along its eastern boundary. No concern was expressed by the District Board to the changes proposed for the District’s sphere assignment.

Staff has addressed the communities for this District and their relationship to the sphere of influence update/service review and is recommending the following changes for the EVWD sphere of influence:

1. The major change proposed for the District is the reduction of the sphere of influence related to the territory within the San Bernardino National Forest which has been a part of the District’s sphere since its establishment in 1974. This amendment will reduce the sphere by approximately 3,000 acres within the northwest sphere territory making the sphere designation coterminous with that proposed for the City of Highland and including only those lands anticipated for development. The 3,000 acres excluded are designated as Resource Conservation by the County General Plan, not anticipating any significant level of development.
2. A minor sphere change to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street.
3. A minor sphere change to include Parcel B-1C as requested by the IVDA for receipt water and sewer service.
4. Affirmation of the balance of the District’s sphere of influence.

The District indicates that it does not anticipate submission of any other sphere of influence amendments within the next five years.

SERVICE REVIEW:

The EVWD is an independent special district formed under the provisions of County Water District Law, Water Code Sections 30000 through 33900. EVWD has service territory within both the Cities San Bernardino and Highland, and the unincorporated areas between the two cities. The report prepared by the EVWD (included as a part of Attachment #3) addressing the service review survey is comprehensive in its review of the factors required by Government Code Section 56430 and will not be reiterated in this report. A summary of the major points of consideration within the response provided by EVWD is outlined as follows:

1. Infrastructure Needs and Deficiencies – The District has adopted a Capital Improvement Plan that identifies needed infrastructure development and maintenance for its water and wastewater collection systems. The Plan has been developed utilizing the Master Plans prepared for these services. The age and condition of the District’s water system overall is identified as being in “good condition”, noting that the most recent water audit for the District shows 6% of total production of water is unaccounted for, with 3% of that total attributed to leaks.
2. Financial Constraints and Opportunities – The District’s source of revenues includes sales of water, fees, permits, customer/developer connection charges, penalties and interest income. Reserve accounts are maintained to provide additional operating revenue and to meet expenses of capital improvement projects. The District does not receive a share of the ad valorem property tax. In 2001, the District issued \$12,000,000 in Certificates of Participation for the construction of a four million gallon reservoir and pump station and to refinance a previously issued debt instrument. The District has a Moody’s Rating Commitment assignment of A2, and a Standard and Poor’s rating of A indicating good financial performance.
3. Cost Avoidance Opportunities and Shared Facilities Opportunities – The District strives to identify ways to share facilities and resources with other local agencies. The District participates in a Joint Powers Agreement (JPA) for the provision of a regional wastewater treatment plant. This original JPA was entered into in 1957 between the District and the City of San Bernardino. The City of San Bernardino and City of Colton entered into a JPA to provide for the operation of a Rapid Infiltration/Extraction Tertiary Treatment System (commonly called RI/X) for treatment of waste from their respective sewage treatment plants. EVWD is a participant in this JPA through its association with the City of San Bernardino in the earlier JPA. The District maintains a system of interties for the purpose of mutual aid with adjacent water agencies.

4. Government Structure Options – The District was formed in 1954 and has operated successfully for 50 years. The District is a regional water purveyor providing service to the City of Highland, portions of the City of San Bernardino and unincorporated areas. This division of the District’s service area does not lend itself to a merger, formation of subsidiary district or other change, making it a regional service provider.
5. Local Accountability and Governance – The District is governed by a five member Board of Directors, elected at-large. The District conducts its business at regularly scheduled meetings at its administrative facilities open to the public. The District maintains a website which provides an opportunity for customer feedback and assistance. Each new customer receives an information packet which includes information on the District’s background, water conservation recommendations, explanation of water rates, sewer rates, and billing procedures.
6. When Special Districts were seated on the San Bernardino LAFCO in 1976, the listing of services and functions was prepared, as required by law, acknowledging the services actively provided by the special districts at that time. Through this process, EVWD is currently authorized the active services and functions as follows:

SERVICE	FUNCTIONS
Water	Retail, agricultural, domestic, replenishment
Sewer	Sewage collection
Park and Recreation	Development, maintenance in conjunction with water facilities

Latent powers are those powers authorized to a special district through its principal act, but which are not being actively provided. According to the WVWD’s principal act, the County Water District Law (Water Code Sections 30000 to 33900), the latent powers of the District are:

SERVICE	FUNCTIONS
Electrical Power Supply	Generate and sell electric power supplied in connection with a water or water conservation project
Fire Protection	All functions of a Fire Protection District as outlined in Section 13801 of the Health and Safety Code (Fire Protection District Law) except it cannot perform the function within an existing agency with fire protection services
Sanitation	Acquire construct and operate facilities for the collection and disposal of garbage, waste or trash, or contract with others for this service
Drainage	Drainage and reclaiming lands within the District

It is noted that at this time, none of the adjacent or overlaying agencies have identified any concerns with the existing sphere of influence, or the proposed expansion or reduction areas for the East Valley Water District.

CONCLUSION:

Based on the information outlined above and the response from the EVWD, staff recommends that the Commission: (1) reduce the District's sphere by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland, and excluding lands not designated for urban use; (2) expand the District's sphere to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (3) expand the District's sphere to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (4) affirm the balance of the District's sphere of influence. Staff recommends that the Commission adopt Resolution #2836 setting forth written responses to the statutory factors related to service reviews and sphere of influence studies.

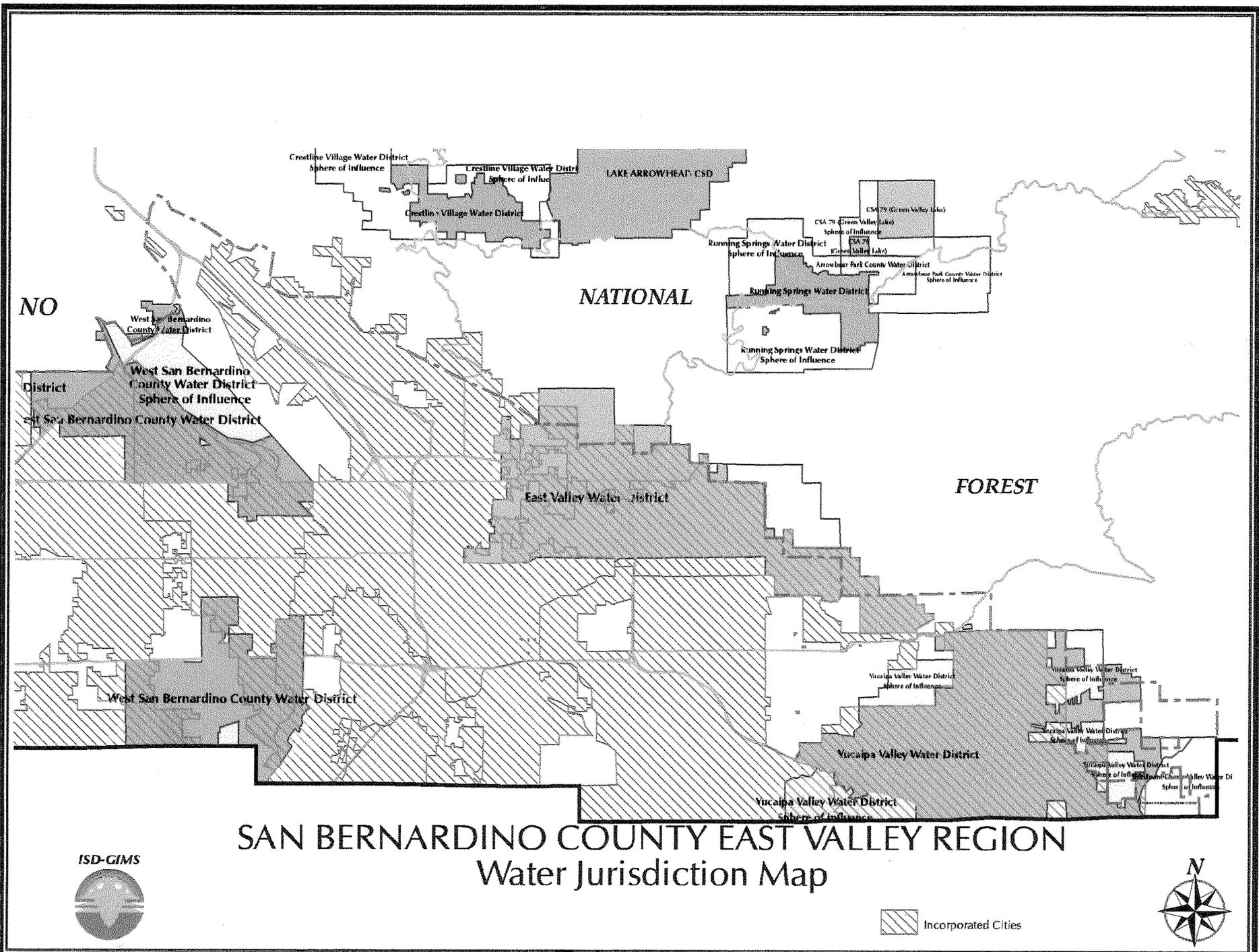
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Attachments:

1. Location and Vicinity Maps of the Existing Sphere of Influence and Proposed Sphere of Influence for the East Valley Water District
2. Outline of County Water Districts
3. Summary District Profile Sheet and Survey Response from the East Valley Water District
4. Commission Policy Regarding Sphere of Influence Determinations
5. IVDA Request for Service to Parcel B-1C
6. Response from Tom Dodson and Associates
7. Draft Resolution #2836

**Location and Vicinity Maps of the
Existing Sphere of Influence and
Proposed Sphere of Influence for
the East Valley Water District**

Attachment 1

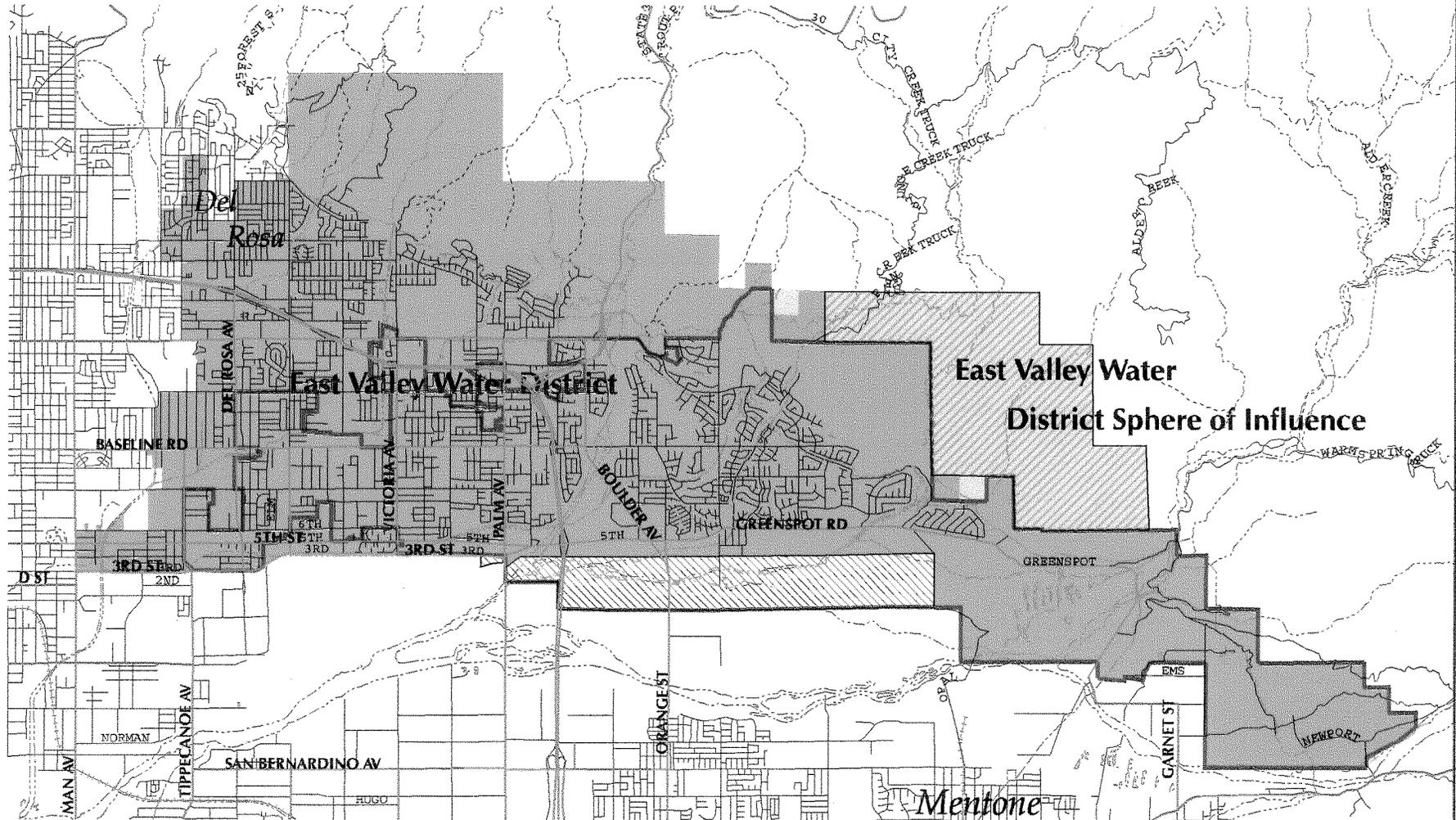


SAN BERNARDINO COUNTY EAST VALLEY REGION Water Jurisdiction Map



 Incorporated Cities





**EAST VALLEY WATER DISTRICT
Proposed Sphere Expansion & Reduction**

- EVWD District Boundary
- Current EVWD Sphere of Influence
- Prop. EVWD Sphere Reduction
- Prop. EVWD Sphere Expansion



Highland City Limit



Map Prepared On July 20, 2004

Outline of County Water Districts

Attachment 2

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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• (909) 387-5866 • FAX (909) 387-5871
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COUNTY WATER DISTRICT

(Water Code Sections 30000 through 33900)

WHAT IS A COUNTY WATER DISTRICT?

A County Water District (commonly referred to simply as a "Water District") is a legal subdivision of the State of California formed essentially for the purpose of providing retail water service to the residents within its boundaries. The first introduction of "County Water District Law" was in 1949.

The control and provision of water service within the State of California has a long and colorful legislative history. County Water District law is only one of many different forms of legislation providing for retail water service. Some of these other types are: California Water District, Irrigation District, Municipal Water District, Special Act Water Agency, and County Waterworks District. Other types of districts may also provide water service among their other services authorized by law.

WHO GOVERNS A COUNTY WATER DISTRICT?

The governing body, which is established by law to administer the operation of a water district, is a five member, elected board of directors. Directors of a water district, whether appointed to fill a vacancy or elected, must be a registered voter within District boundaries.

Following formation, the District can be divided into five divisions that will each elect a member of the Board of Directors. Such a change must be decided by election of the District as a whole.

WHAT KINDS OF SERVICES CAN A COUNTY WATER DISTRICT PROVIDE?

A Water District can provide one, or any combination, of the following services:

- Furnish sufficient water in the district for any present or future beneficial use. To accomplish this purpose, the District has the power for storage and conservation of water and water rights, and the operation of water works;

- Acquisition, construction, and operation of facilities for the collection, treatment and disposal of sewage, waste and storm water;
- Generate and sell electric power supplied in connection with a water or water conservation project;
- Draining and reclaiming lands within the District;
- Provide fire protection services as outlined commencing with Section 13801 of the Health and Safety Code;
- Acquire, construct, maintain and operate facilities appropriate or ancillary to the recreational use of water within the District; and,
- Acquire, construct, and operate facilities for the collection and disposal of garbage, waste or trash; or contract with others for this service.

In addition to the above listed powers, an existing District can request that the State authorize (through passage of special legislation) other services to meet a specific community need. For example, one Water District in an isolated area of San Bernardino County has the ability to provide road maintenance and improvement services to meet the specific needs of its community.

HOW CAN YOU BE ANNEXED INTO (INCLUDED IN) AN EXISTING WATER DISTRICT?

A Water District's boundaries can be expanded to include additional territory within its sphere of influence which is:

- Incorporated or unincorporated territory;
- Contiguous or non-contiguous territory;
- Land in any county contiguous to the County wherein the district was formed. Lands within another County Water District can not be included without the support of that District.

Proceedings for the annexation process are handled under the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Govt. Code Section 56000 et seq.) which is administered by the Local Agency Formation Commission.

**Summary District Profile Sheet
and Survey Response from the
East Valley Water District**

Attachment 3

EAST VALLEY WATER DISTRICT

CONTACT PERSON:

Robert Martin, General Manager

ADDRESS:

1155 Del Rosa Avenue, San Bernardino
(on August 20, 2004 will move to interim facilities at:
3654 E. Highland Avenue, Suite #18
Highland, California 92346-2607)

Mailing Address: P O Box 3427
San Bernardino, CA 92413
Phone: (909) 885-4900
FAX:

WEBSITE ADDRESS: www.eastvalley.org
E-MAIL ADDRESS: information@eastvalley.org

DATE OF FORMATION:
February 1, 1954

PRINCIPAL ACT:
County Water District Law, Water Code Sections 30000 to 33900

IMPROVEMENT DISTRICTS: YES NO

GOVERNING BODY:

5 member Board of Directors, elected at-large

MEMBERSHIP:

George E. "Skip" Wilson	President
Kip E. Sturgeon	Vice-President
Donald D. Goodin	Director
Edward S. "Steve" Negrete	Director
Glenn R. Lightfoot	Director

PUBLIC MEETINGS:

Board meets 2nd and 4th Tuesdays at 2:00 p.m. at District offices

AREA SERVED

28 Square Miles (17,970 acres)

Sphere of Influence Area estimated at a total of 34 square miles (21,760 acres)

POPULATION

66,000 Defined by 2000 Census

(primarily within the City of Highland, portion of the City of San Bernardino, and some unincorporated area)

SERVICES PROVIDED:

CURRENTLY AUTHORIZED POWERS (SERVICES):

SERVICE	FUNCTIONS
Water	Retail, agricultural, domestic, replenishment
Sewer	Collection
Park and Recreation	Development, maintenance in conjunction with water facilities

LATENT POWERS (SERVICES) those services authorized by the Agency's principal act, but not activated through the LAFCO process:

SERVICE	FUNCTIONS
Electric supply	Generate and sell electric power supplied in connection with a water or water conservation project
Drainage	Drainage and reclaiming lands within the District
Fire Protection	Provide fire protection services as outlined in Section 13801 of the Health and Safety Code (Fire Protection District law) – but not within the boundaries of an existing fire provider
Sanitation	Acquire, construct and operate facilities for the collection and disposal of garbage, water or trash; or contract with others for this service

SERVICES PROVIDED OUTSIDE AGENCY BOUNDARIES: None identified

Special Charges for service outside boundaries: None identified

SPHERE OF INFLUENCE:

ESTABLISHED:

LAFCO NUMBER	RESOLUTION NO./ DATE ADOPTED	LOCATION
LAFCO 1460	Res. No. 1067, April 10, 1974	Includes territory of District and other areas as negotiated

CHANGES:

LAFCO NUMBER	RESOLUTION NO./ DATE ADOPTED	TYPE OF CHANGE	LOCATION
LAFCO 2480	Res No. 2175, November 16, 1988	Expansion	Area generally located northwest of the Santa Ana River, north of the City of Redlands boundary
LAFCO 2827	Res. No. 2568, November 19, 1997	Expansion	Greenspot/Sunrise Ranch area, northerly of the community of Mentone

BUDGETARY INFORMATION: Not Provided

LAFCO MUNICIPAL SERVICE REVIEW

*A Municipal Service Review document prepared in accordance with AB 2838, signed by
Governor Gray Davis on September 26, 2000
"Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000"*

A review of:

East Valley Water District
P.O. Box 3427
1155 Del Rosa Avenue
San Bernardino, CA 92413
(909) 885-4900

East Valley Water District

APRIL 2003

SERVICE REVIEW BACKGROUND AND OBJECTIVES

On September 26, 2000, Governor Gray Davis signed into law AB 2838 (Hertzberg). The legislation resulted from recommendations of the Commission of Local Governance for the 21st Century, published in their report "Growth Within Bounds", January 20, 2000. The Act, titled the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 is codified as California Government Code §56000 et seq. It is referred to as the most significant reform to local government reorganization law in California since the 1963 statute that created Local Agency Formation Commissions (LAFCOs).

Pursuant to Government Code §56000, the Governor's Office of Planning and Research (OPR) is required to prepare guidelines for LAFCOs to conduct reviews of local municipal services. The final draft of these guidelines was published in October 2002. Prior to the new law, LAFCOs were permitted to conduct service reviews and these were primarily carried out as part of a reorganization effort. Now, LAFCOs are required to conduct municipal service reviews prior to considering the establishment or update of a Sphere of Influence (SOI). LAFCOs are only required to conduct service reviews for those agencies that have a SOI.

The County of San Bernardino Local Agency Formation Commission (LAFCO) initiated service reviews, using the draft guidelines prepared by OPR, in 2002, for all cities and special districts in the valley area of the County. This report meets the Final Draft Guidelines of October 2002 and has been prepared to assist LAFCO in the periodic review of the East Valley Water District's ("District") SOI and to evaluate the level of service and efficiencies of services provided to existing and future customers.

INTRODUCTION – AGENCY BACKGROUND

The East Valley Water District was organized in 1954 as a County Water District in San Bernardino County. The District was originally formed to provide domestic water service to the unincorporated and agriculture-based communities of Highland and East Highlands. Over the years, some of the District's service area was annexed to the City of San Bernardino, but water service remained the responsibility of the District primarily due to logistics and cost.

The District also provides wastewater collection services within its SOI. Wastewater treatment is provided by a Joint Powers Authority (JPA) that operates a regional plant. The District is a member of the JPA and owns a certain capacity right in the regional treatment plant, which is operated by the City of San Bernardino Water Department.

In 1987, the City of Highland incorporated. The city grew from a U.S. Census population of 34,439 in 1990 to an estimated population of 41,935 in 1998; a growth rate averaging 2.5% per year. The City's 2000 U.S. Census population was 44,605 (U.S. Census Bureau) and the buildout population is estimated between 63,000 and 69,000 based on the current General Plan land use designations.

Most of the developable area within the District is also within the City of Highland. The District currently provides water and wastewater collection service within its service area (which includes a portion of the City and the County of San Bernardino) to an estimated population of 66,000.

The ultimate buildout population of the District's service area will be dependent upon future annexations and the potential for changes to land use designations over time. The District's previously agriculture-dominated area is now urbanized with few remaining orange groves. The District's service area is approximately 17,970 acres, or 28 square miles. Recent GIS work completed for the District's Wastewater Collection System Master Plan (Psomas, 2002) determined the Sphere of Influence to be approximately 34 square miles.

In 1982, the name of the District was changed from East San Bernardino County Water District to East Valley Water District (EVWD).

Mission Statement

Our Mission at East Valley Water District is to provide our customers with a safe and reliable water supply that is delivered at a fair and cost-effective price.

I. INFRASTRUCTURE NEEDS AND DEFICIENCIES

“Purpose: to evaluate the infrastructure needs and deficiencies in terms of capacity, condition of facilities, service quality and levels of service and its relationship to existing and planned service users.”

A. Capital Improvement Plans to Meet Future Growth

The East Valley Water District has adopted a Capital Improvement Plan (CIP) that identifies needed infrastructure for the water and wastewater collection systems based on the Master Plans developed for each. The Wastewater Collection Master Plan was last updated in 2002 and the Water Master Plan was last updated in 1988. Both plans are prepared to give the District the ability to project future development and determine how their water and wastewater systems will need to expand to accommodate that growth. The Five-Year CIP details the budget necessary to meet the capital project requirements. The most recent CIP is attached to this document. These projects are included in each annual budget for proposed funding and implementation.

B. Age and Condition – Water System

Existing transmission and distribution lines are in place to serve the existing and immediately anticipated growth. The District currently owns an estimated 270 miles of pipeline. Lines vary in age from one to 74 years and in size from 4-inch to 30-inch.

Overall, the District’s water distribution system is in good condition. The most recent water audit conducted by the District indicated that approximately six percent of the total water produced is unaccounted for, with a total of three percent estimated as attributable to leaks within the system. Given that three percent of the unaccounted for water is attributable to leaks within the system, the remaining three percent is attributed to non-metered uses and metering error. Uses which are not metered but that can consume large quantities of water are:

- Flushing of new lines – from new construction
- Fire use, including training
- Street sweeping
- Illegal use of water by construction contractors
(the District normally meters water provided to construction sites but cannot enforce all unauthorized uses of the water).

The District responds immediately to notices that a leak is occurring. Field personnel are trained to recognize potential main line leaks. Leaks are repaired until the problem becomes chronic and then the pipelines are replaced. Additionally, the District maintains an active main replacement program. This is a cost-effective means of reducing water loss due to leakage.

The District has an ongoing meter calibration, repair and replacement program. When failed meters are discovered, lost revenue from erroneous billings (for up to a one-year period) is regained by estimating water usage with historical billing data. Likewise, the District may credit customers for high reading meters. The District replaces bad meters as identified, and all customer meters on a 10-year rollover program.

In 1996, a program was initiated to replace all 5/8" residential meters with 3/4" meters as a part of the ongoing meter replacement program. The District has found that with the current system pressures, significant loss of metered water occurs from magnetic shear. This phenomenon causes meter dials to spin too slowly when irrigation systems kick on and thus, all water used is not metered or subsequently billed. The capturing of this unaccounted for water on meter records has improved the District's ability to determine actual per capita use and determine future demand requirements. This replacement program is a cost-effective means of reducing water loss as well as erroneous billings.

To determine the extent of and potential for system leaks, or inflow/infiltration problems, the District conducts a regular system audit and mass balancing of water production to water use records. The goal is to minimize water losses and thereby increase overall system efficiencies. Annual reports are prepared and presented to the General Manager. These system audits are an integral part of the routine system reporting function and are not separately accounted for. The cost-effectiveness is determined by the District's ability to plan for and implement programs that provide for a more efficient means of reducing water loss. Sufficient revenue is and will continue to be allocated for the audit programs.

C. Age and Condition – Wastewater Collection System

Existing wastewater (sewer) collection pipelines are in place to serve the existing and immediately anticipated growth. The District currently owns an estimated 197 miles of pipeline. Lines vary in age from one to 49 years and in size from 6-inch to 24-inch.

The District collects wastewater from within its service area, which then flows by gravity to the City of San Bernardino's 48-inch trunk line in Waterman Avenue. The District is a member of a Joint Powers Authority for wastewater treatment, which is provided by two regional facilities operated by the City of San Bernardino Water Department. Wastewater collected by the District is generated by residential, commercial, public facility and industrial land uses within Highland, San Bernardino, and the County.

At the time the 2002 Wastewater Collection System Master Plan was prepared, there were 17,246 active and 857 inactive connections to the system. The majority of the system has performed well with no major problems. Maintenance activities occur on a regular District schedule. The few restricted flow and high flow problem areas identified in the Master Plan have been included in the District's budget for replacement or repair.

D. Supply and Demand Information

The District primarily encompasses the City of Highland and includes portions of the City of San Bernardino and unincorporated areas of the County. These three community areas have experienced different growth patterns over the past 20 years; most growth affecting the District has occurred in the City of Highland. The East Highlands Ranch placed significant demands on the District and resulted in a substantial increase in the customer base. The Sunrise Ranch (an approximate 5 square mile area), further east and south of the East Highlands Ranch was recently annexed by the City of Highland and the District. Future development of this area will place new demands for service on the District. No public water or wastewater collection services presently exist in the Sunrise Ranch area.

All of the District's non-agricultural customers are metered; therefore, water use is determined by meter records that are read and entered monthly. Meter readings include source meters as well as customer meters. The District's service meter types include Single-family Residential, Multiple-family Residential, Commercial, and Irrigation/Landscape. There are no industrial users; the few light industrial users are included with commercial as well as the few governmental/institutional water users.

The active service meters in June 2000 were 19,558 and in June 2002 were 20,026.

Past, Current and Projected Water Use (million gallons)							
Water Use Sectors	1991 ^a	1995	2000 ^b	2005	2010	2015	2020
Single family residential	829.35	3,034.48	3,790.96	3,984.34	4,187.58	4,401.19	4,625.69
Multi-family residential	3,404.95	1,081.55	1,347.33	1,416.06	1,488.29	1,564.21	1,644.00
Commercial	1,272.04	628.01	741.41	779.23	818.98	860.75	904.66
Irrigation/Landscape	0	380.31	498.69	524.13	550.86	578.96	608.50
Wholesale to Others ^c	129.92	891.89	669.05				
Unaccounted-for system losses (est. 2%/yr)	9.84	87.81	127.57	134.08	140.91	148.10	155.66
Total	5,646.10	6,104.05	7,175.01	6,837.84	7,186.62	7,553.21	7,942.51
Total in Acre-feet	17,327.3	18,732.7	22,019.4	20,984.6	22,042.7	23,180.0	24,374.7

^a Classifications of water use/meter types changed.

^b Actual through October 2000 plus estimates based on Nov/Dec 1999.

^c Not included in projections for planning purposes.

Approximately 87 percent of the District's metered customers are residential. The land use development trend within the valley area of San Bernardino County, and the District's service area has historically been from agriculture to residential. Therefore, a continuing increase in residential customers is expected. Based on the year 2000 metered data, average daily use is 236 gallons per capita per day (gpcpd).

The table below compares current and projected water supply and demand beginning in the year 2000. It indicates that in average precipitation years, the District has sufficient water to meet its customers' needs, through 2020.

Projected Supply and Demand Comparison					
	2000	2005	2010	2015	2020
Supply totals	53,075	60,829	64,189	64,189	64,189
Demand totals	22,019	20,985	22,043	23,180	24,375
Difference	31,056	39,844	42,146	41,009	39,814
Units of Measure: Acre-feet/Year					

Source: Urban Water Management Plan – Year 2000

E. Future Development

As an element in determining the future wastewater collection needs for the District, the buildout land use conditions were projected and are documented in the 2002 Wastewater Collection System Master Plan. The following table and figure, showing land use designations within the District's SOI are from the Master Plan.

BUILDOUT CONDITIONS – LAND USE <i>(rounded to nearest acre)</i>				
Land Use Designation	Count (parcels)	EVWD Service Area (acres)	EVWD SOI (acres)	Total Acreage
Agriculture	152	801	0	801
Commercial	2,242	1,121	0	1,121
Industrial	938	472	0	472
Institutional	58	266	0	266
Multi-Family Res.	2,976	1,136	0	1,136
Open Space	550	3,475	2339	5,814
Public/Quasi Public	306	265	0	265
School	249	361	0	361
Single-Family Res.	19,574	8,863	0	8,863
Two Family Res.	405	146	0	146
Water Facility	65	53	0	53
TOTALS	27,515	16,957	2,339	19,297

Future development within the Sunrise Ranch area and the District's undeveloped Sphere of Influence will be dependent upon growth demands within the City of Highland. The recent annexation area, as well as the yet-to-be annexed SOI area is virtually vacant, open space land. The Sunrise Ranch area also includes some agriculture and five residential units with an estimated current population of 15; there are no commercial or other land uses. The City of Highland pre-zoned the 3,220-acre recent annexation area within its Sphere of Influence that previously carried land use designations determined by the County. The future uses of this area are designated for:

Figure - Buildout Land Use

- Open Space
- Agricultural/Equestrian
- Rural Living//Agricultural/Equestrian

Based on the current designations, the resulting population at buildout of the area would be 3,198.

Along with the lack of development in the area, there is no current demand for services. The only organized system of service provided is through the Tres Lagos Mutual Water Company that was formed by the Landmark Development Company and area residents to provide for the future domestic water service needs of residential development.

The District does not currently have facilities in the area of the annexation. The current distribution system ends at Cone Camp Road (just west of the annexation area). The District owns and operates a well within the area of consideration and has property for the development of water reservoirs and pump stations within its SOI. The future extension of services will require the evaluation of potential well sites along with development of a distribution system to be paid for by the developers of the property.

Based upon the current land use designations of the annexation area, the use of septic systems for wastewater disposal may be permitted. Therefore, extension of the District's sewer collection system is presently not anticipated. The Cone Camp Road line could be extended to meet needs that may occur if land use designations change in the future.

F. Reserve Capacity and Policy

Water System

Operation of the District's water system is regulated by the California Department of Health Services (DHS) through the issuance of a Water Supply Permit. The DHS makes bi-annual inspections of the water supply system to determine sources of supply, system demands, reserve capacities, and system deficiencies. A requirement of a water supplier's permit with DHS is that the Maximum Day Demand (MDD) (the amount of water demanded by the system's customers at peak times and the amount of water required to meet fire flows), can be met with the system's largest source of water off-line, or not available.

The last inspection of the District's system was conducted in March 2001 and a report was submitted in July 2001. The report concludes that the District is able to meet the MDD standard. The 2000 MDD was 32.14 MGD and the total source capacity was 40.42 MGD. With the highest production well off-line, the total source capacity was 36.31 MGD.

The District completes an Annual Report to the Drinking Water Program – For Large Water Systems for submittal to DHS. The 2002 Annual Report indicates the MDD in 2002 occurred on September 24, 2002 and was 27.06 MGD.

Wastewater Collection and Treatment Systems

Wastewater treatment is provided by a regional wastewater treatment plant, located downstream and outside of the District's sphere of influence. A Joint Powers Agreement (JPA) was reached in 1957 between the East Valley Water District and the neighboring City of San Bernardino for the City to treat all sewage generated within the East Valley Water District service area. Consequently, the District is not responsible for the disposal of treated wastewater. As of December 2002, approximately 13.0 MGD of sewage collected by the District is treated at the regional plant.

In 1995, the City of San Bernardino began operation of a Rapid Infiltration/Extraction Tertiary Treatment System (RI/X) to provide advanced treatment of up to 41.0 MGD of secondary effluent from the existing plants of the City of San Bernardino and the City of Colton. A JPA was formed for operation of this regional tertiary plant; the District is a member through its JPA with the City of San Bernardino. The RI/X plant is located approximately six miles westerly and downstream of the District's western-most boundary. The City of San Bernardino estimates that in 2002 6.5 MGD of design capacity remains at the regional plant and additional capacity is presently being constructed at the RI/X plant. It is anticipated that this capacity will be sufficient for at least the next ten years. The East Valley Water District uses additional capacity through the JPA as needed to provide treatment for the wastewater generated from its collection system. The District is billed for the actual amount of effluent treated.

The District does not have a formal policy for reserve capacity in the wastewater collection system, however planning procedures identify any system deficiencies and needed facilities to meet projected growth. The Wastewater Collection System Master Plan 2002 provides a plan for the future facility needs through buildout of the District's service area. These projects are then included annually in the District's Capital Improvement Program and budget.

The 2002 Master Plan recommends solutions for existing and future deficiencies identified from the hydraulic modeling of the primary wastewater system. The plan recommends three wastewater collection system programs designed to meet various operational needs. These are:

1. Existing capital improvements for immediate consideration
2. Future capital improvements for development in the year 2010
3. Additions of future facilities to meet the new Sunrise Ranch annexation

The existing capital improvements are designed to correct hydraulic deficient primary sewers; cost details are provided for each improvement location. The deficient pipe(s) are sized to accommodate system flows at buildout as well as to correct existing

deficiencies. The future capital improvements are designated to correct hydraulic deficient sewers using a phasing system to allow for future evaluation. These projects are scheduled to be implemented in the year 2010 and detailed costs are provided. Since the future development of the Sunrise Ranch area is not known, the Master Plan used the service area buildout to determine the sewer system extensions needed to serve this area. An estimated 0.46 MGD of flow would be generated from the area if it is eventually sewered.

II. GROWTH AND POPULATION PROJECTIONS

"Purpose: to evaluate service needs based upon existing and anticipated growth patterns and populations projections."

A. Existing and Projected Population

The year 2002 estimated population within the District's SOI and service area is 66,000. The District's 1987 Water Master Plan predicted that the build-out population for the District's existing Sphere of Influence would be approximately 88,500 by the year 2015. During the late 1980's, California and San Bernardino County were experiencing relatively high growth rates and thus population projections were higher for the 1990's than what actually occurred. Current regional growth rates are projected using the Southern California Association of Governments' (SCAG) growth rate for San Bernardino County of 2.4 percent per annum. This growth rate is less than the City of Highland's projected rate of 2.7 percent, and results in a straight line District population projection starting in the year 2000, of 87,870 in 2015 and 98,933 in 2020. The City of Highland grew from a population of 34,439 in 1990 to an estimated population of 41,935 in 1998 (CA Dept of Finance, U.S. Census); a growth rate averaging 2.5 percent per year.

The City of Highland's buildout population, based on current General Plan land use designations, is approximately 62,343 (including the recent annexation area). The City's current population is estimated at 45,081. Most of the developable area within the District is also within the City of Highland. Therefore, a buildout population of over 100,000 is not likely for the District. The ultimate buildout population of the District's service area will be dependent upon the potential for changes to land use designations on undeveloped land, over time. The Water Master Plan's projection of a service population of 88,500 in 2015 is used as the target, with the additional 3,198 population in a recently annexed area occurring before 2020. Projections of population based on the 2.4 percent growth rate and a buildout population estimate based on current land uses designations are shown in the following tables taken from the East Valley Water District 2000 Urban Water Management Plan.

Population Projections Based on 2.4 Percent Growth Rate – Straight Line Projection					
	2000	2005	2010	2015	2020
Service Area Population	61,566	69,317	78,044	87,870	98,933

Population Projections Based on Buildout Potential with Current Land Use Designations					
	2000	2005	2010	2015	2020
Service Area Population	61,566	69,317	78,044	87,244	91,698

B. Significant Growth Areas

In September 2002, LAFCO approved a reorganization proposal that resulted in an additional 3,220 acres of unincorporated land annexed to the City of Highland and the East Valley Water District. The reorganization area is virtually vacant or agricultural land, including five residential units with an estimated current population of 15, and no commercial uses. The City of Highland pre-zoned this 3,220-acre area within its Sphere of Influence that previously carried land use designations determined by the County. A General Plan Amendment process was conducted by the City during April and May of 2000. The following land uses, as reported in the September 8, 2000 LAFCO staff report for the September 20th action, will guide the development of this area, under the land use jurisdictional authority of the City of Highland.

Open Space: The City's designation of Open Space generally corresponds to the County's designation of Floodway in and around the Santa Ana River wash area. The assignment of this land use designation by the City is estimated to include 1,040 acres. The City's General Plan indicates that the purpose of this land use designation is the provision of recreational facilities, preservation of environmental values, managed production of resources and protection of public safety. Only uses consistent with the provision of recreation and community/cultural activities and which are consistent with the protection of the public health and safety may be considered appropriate, subject to applicable Highland General Plan provisions and City ordinances.

Agricultural/Equestrian: The area designated by the City as Agricultural/Equestrian is generally located north of Greenspot Road, west of the Santa Ana River and is estimated to include 420 acres. This land use designation is defined as: "Areas appropriate for rural and equestrian-oriented residential development. The maximum residential density within the Agricultural/ Equestrian designation is up to two dwelling units per acre (2 du/ 1.0 acre). The Agricultural/Equestrian land use category permits and protects the keeping of large animals, as well as the ability of landowners to carry on light agricultural activities. By the LAFCO staff's calculation, using the factors outlined in the Highland General Plan, (an average occupancy of 3.04 persons), it is estimated that the future population of this area is 2,432.

Rural Living/Agricultural/Equestrian: The area designated by the City as Rural Living/Agricultural/Equestrian includes the areas commonly known as Greenspot and Sunrise Ranches and includes approximately 1,760 acres. According to the General Plan Amendment processed by the City, "The rural living category allows both agricultural and non-agricultural activities to take place along with many other compatible land uses. The Rural Living category permits limited uses such as agriculture, mining and quarrying, energy production operations, public and private recreation areas, rural residences and vacation cabins, and watershed, wildlife, and open space. Using the anticipated occupancy factor of the Highland General Plan and the number of dwelling units shown in the General Plan Amendment, the estimated future population of this area is 766.

In the LAFCO application review process, it was noted that the County had expressed that the City's primary pre-zoning designation of one unit per five acres (Rural Living) within the eastern portion (Greenspot) of the area may not be the ultimate land use designation, and that the City should carefully coordinate future land use decisions with the County. The City responded that no development plans were currently pending and that future land use decisions will depend on landowner desires, service capabilities, and economic factors. Based on the current designations, the resulting population at buildout of the area would be 3,198.

The remaining area of the District's SOI, to the north and west of the Sunrise Ranch annexation area (see Land Use figure), is presently zoned for open space and therefore, minimal or no growth is presently anticipated for the future. No other major areas exist for either annexation or expansion of the District's service area. In fill projects or increased density on existing developed properties would not substantially affect the District's ability to provide services.

III. FINANCING OPPORTUNITIES AND CONSTRAINTS

"Purpose: to evaluate factors that affect the financing of needed improvements."

A. Finance Plans

As summarized in Section I, the District identifies its capital project improvement requirements for meeting existing and future customer demands through the process of long-range master planning. Projects are identified on a time-line and each annual budget allocates revenues for the completion of those projects needed within a specific fiscal year. The District's sources of revenue include sales of water, fees, permits, customer/developer connection charges, penalties and interest income. Reserve accounts are maintained to provide additional operating revenue if required and to meet expenses of capital improvement projects.

The District's 2002-2003 Budget includes the following capital projects:

- Blending facilities
- Sewer main upgrades
- Water meter replacement
- Safety equipment
- Emergency response planning
- Reservoir relining
- Water main replacements
- Capital repairs (water & sewer)
- Video security system

These projects all have budgets of less than \$0.50 million. For major projects, such as the design and construction of a new water storage reservoir, the District is able to issue debt. In 2001, the District issued \$12,000,000 in Certificates of Participation for the construction of a four million gallon reservoir and pump station and to refinance a previously issued debt instrument. The Moody's Rating Committee assigned an underlying A2 rating (issuers rated A "offer good financial security"). Standard and Poor's provided an A rating on the \$12 million certificates which reflects:

- good financial performance;
- a manageable capital plan with minimal future debt needs;
- a stable, primarily residential customer base, with affordable rates; and
- ample water supply and treatment capacity.

B. Revenue Sources

The District's primary source of operational revenue is rates and fees collected from its customer base. The remaining source of operational revenue is interest income from investment of reserve funds. The Board of Director's ability to increase revenue for operations is therefore limited to rate and fee adjustments.

Water and sewer rates are reviewed annually and set by ordinance and resolution of the Board of Directors. Projected demands and facility needs determined by the water and sewer master plans are reviewed in establishing the rates to provide for cost recovery. Rates and fees established by the Board and collected for construction, operation, and maintenance of the water system include:

- System charge
- Fire flow test charge
- Water service connection charge
- Front footage charge
- Fire hydrant installation charge
- Inspection charge
- Engineering services charge
- Disconnect/reconnect charge
- Unauthorized use of water charge
- Construction water charge
- Fire flow test charge
- Consumption charge
- Fire service standby charge
- Fire service connection charge
- Water main extension charge
- Special facility charge
- Water system design charge
- Valve deposit
- Meter test charge
- Temporary service charge
- Service initiation charge

Rates and fees established by the Board and collected for construction, operation, and maintenance of the sewer collection and treatment system include:

- Monthly sewer charge
- Special facility charge
- Engineering services charge
- Disconnect/reconnect charge
- Sewage treatment capacity charge
- Sewer service connection charge
- Inspection charge
- Manhole structure deposit
- Service initiation charge

The District also collects delinquency charges, returned check charges and security deposits. Fees and charges are established by the Board to raise sufficient revenue to finance the public facilities necessary to provide adequate service, or to modify or construct additional public facilities to provide adequate service. Fees and charges do not exceed the total cost of such facilities.

There are presently no assessment districts within East Valley Water District. A small assessment district is being processed to facilitate the consolidation of a small mutual water company

IV. COST AVOIDANCE OPPORTUNITIES

"Purpose: to identify practices or opportunities that may help eliminate unnecessary costs."

A. Overlapping/Duplicative Services

The East Valley Water District was originally formed as a California County Water District and currently provides domestic water service and sewer collection within the now incorporated City of Highland. The District also provides service to unincorporated areas of the County as well as a portion of the City of San Bernardino. Prior to 1987, the City of Highland was an unincorporated area of the County. Certain areas were provided service by the City of San Bernardino, others by mutual water companies. With incorporation of the City, the small areas served by the City of San Bernardino remained with their current service provider in lieu of the water purveyors undertaking extensive changes to their respective infrastructure systems. Both the City of San Bernardino and the East Valley Water District have adopted policies to allow for the provision of service outside the established boundaries of their service areas.

Existing mutual water companies still in operation within the District's boundaries include:

- Arroyo Verde MWC
- Baseline Gardens MWC
- Eastwood Farms MWC

Other than these mutuals and the small areas served by the City of San Bernardino, no other water purveyor provides water service within the boundaries of the East Valley Water District.

B. Joint Agency Practices

Wastewater treatment service is provided by a regional wastewater treatment plant, located downstream and outside of the District's sphere of influence. A Joint Powers Agreement (JPA) was reached in 1957 between the East Valley Water District and the neighboring City of San Bernardino for the City to treat all sewage generated within the East Valley Water District service area.

In 1995, the City of San Bernardino began operation of a Rapid Infiltration/Extraction Tertiary Treatment System (RI/X) to provide treatment of up to 41.0 MGD of secondary effluent from the existing plants of the City of San Bernardino and the City of Colton. A JPA was formed for operation of this regional tertiary plant; the District is a member through its JPA with the City of San Bernardino.

C. Reliance on Other Agencies

The District has water supply inter-ties to two adjacent water purveyors (the City of San Bernardino and the City of Riverside) to meet emergency needs. The inter-tie with San Bernardino at Plant 107 also provides water that the District uses for a blending source to reduce nitrate levels and maintain a source of production. Water is exchanged frequently (through Plant 11A and Plant 107) with the City of San Bernardino. The District and the City exchange water annually, averaging approximately 250 – 400 million gallons, or 767 – 1,227 acre-feet per year.

The District also maintains a system with several other adjacent water agencies for mutual aid purposes. These opportunities for transfers are used infrequently (emergency purposes) and have no associated water rates.

D. Growth Management Strategies

The District is the primary water provider and sewer collection agency within the City of Highland. Service is also provided to areas of the City and County of San Bernardino. General Plans and Development codes of the County and the two cities guide land development within the District. Each of these agencies have review and approval authority for development plans.

Coordination between planning, building, and fire departments and the District for development review or permit issuance is minimal. “Will Serve” letters from the District are required by all agencies prior to the issuance of building permits. Specific projects, as defined by SB221 and SB610 require that the District provide the Lead Agency with a Water Supply Assessment to ensure available water for existing customers and the project over a 20-year period. Since all agencies with planning jurisdiction enforce water conservation requirements, this level of coordination is acceptable to the District and does not presently threaten the District’s water supplies for the foreseeable future.

As described earlier, the major area within the District’s SOI that has not been annexed is Open Space and anticipated to remain so well into the future. The growth associated with the development of the Sunrise Ranch annexation area will have minimal impact to the District’s service capabilities.

E. Levels of Service

The District provides levels of water and sewer collection service that meet public health and safety standards. The systems operate well with no major operational problems. As required by the State Department of Health Services, the District prepares an annual Consumer Confidence Report providing information on drinking water sources and quality for its customers. The District strives to provide services beyond the regulatory requirements and provide high levels of customer service. Each year, a summary of customer complaints is compiled for the Annual Report to the Drinking Water Program. The District currently has 18,385 active meter connections, 96% of which are residential

customers. The 2002 report documented the following 634 customer complaints reported during the period of January – December 2002:

Taste/Odor	13
Color	18
Turbidity	0
High Pressure	29
Low Pressure	123
Water leaks	187
Illnesses	0
Other*	78

*mainly air in line problems

The District responds to and investigates all water-related customer complaints.

F. Per-Unit Service Costs

The District contracts for certain services to realize cost savings that would impact the rate structures. Services that could be performed by additional staff are contracted out. These include building and facility maintenance and landscaping, janitorial services, and paving.

V. RATE RESTRUCTURING

"Purpose: to identify opportunities to positively impact rates without decreasing service levels"

The District's water and sewer rates are established to recover system operating costs, debt service requirements, and administrative costs. The annual budgeted expenses, system master plans, and capital improvement programs are used as the basis of projecting necessary revenue. Rates are reviewed annually and adjustments are made as necessary to allow for the protection of public health and maintain a satisfactory level of customer service. Using the Consumer Price Index for rate structuring would not be feasible since many of the District's expenses can vary significantly year to year.

The District conducted a survey of other local retailers in reviewing its sewer and water rates for 2003. The survey was based on an average residential consumption of 27.6 hundred cubic feet (hcf) of water. The results of the survey are presented below.

MONTHLY WATER & SEWER BILL COMPARISON		
2003 Survey – EVWD		
(based on average 27.6 hcf water consumption)		
Agency	Water	Sewer
Yucaipa Valley Water District	\$28.80	\$20.35
City San Bernardino	\$30.64	\$14.60
City Rialto	\$23.78	\$21.08
City Redlands	\$32.14	\$12.05
West Valley Water District	\$30.04	\$21.08
East Valley Water District	\$31.29	\$19.10
Cucamonga County Water District	\$38.31	\$11.50
Elsinore Valley Municipal Water District	\$44.03	\$27.45
Western Municipal Water District	\$43.91	\$20.00
<i>Average</i>	\$33.66	\$18.58

The District is close to the average of these nine agencies with similar service levels for water and sewer service. The District does not receive any property tax revenue. Some of the above agencies receive property tax revenues that may result in lower water and/or sewer rates. The District's goal is to provide customers with excellent service at a reasonable cost. The District produces and delivers approximately 748 gallons of water (one billing unit) to its customers for the cost of \$0.88.

The District's reserve funds are set aside to contribute to the costs of major capital improvement projects. At June 30th, 2002, the District had approximately \$12.6 million in reserve funds.

VI. OPPORTUNITIES FOR SHARED FACILITIES

"Purpose: to evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems".

A. Shared Facilities

When opportunities arise for the District to benefit from inter-agency or regional facilities, such projects are evaluated to determine their cost benefits. In the past, opportunities explored have included cost sharing of pipelines, reclaimed water projects, and water treatment facilities.

As stated previously, the District is a member of a JPA for the regional treatment of wastewater. This facility sharing project is the most cost-effective method for the District; there are no plans for the future construction and operation of a District wastewater treatment plant.

The District has emergency water supply interties to the City of San Bernardino and the City of Riverside. The inter-tie at Plant 107 also provides water that the District uses for a blending source to reduce nitrate levels and maintain a source of production. Water is exchanged frequently (through Plant 11A and Plant 107) with the City of San Bernardino. The District and the City exchange water annually, averaging approximately 250 – 400 million gallons, or 767 – 1,227 acre-feet per year.

In 1994, the District completed construction of its first surface water treatment plant. The Philip A. Disch treatment plant is located near Highland Avenue and Boulder Avenue and has the capacity to treat 4 mgd of surface water from the Santa Ana River. The plant is also designed to take direct deliveries of State Project Water. The plant has the infrastructure to expand the capacity to 8 mgd. During the 1980's and 1990's, the local region experienced drought periods (less than 85 percent of average precipitation) in eight different water years. The District met its customers' needs through careful conjunctive management of groundwater and surface water supplies, and by purchasing imported water for direct delivery to the water treatment plant.

The District's primary source of water is groundwater from the San Bernardino Basin. The basin is estimated to have the capacity to store approximately 5 million acre-feet of water. The cumulative change in groundwater storage is a measure of the volume of water lost or gained in the San Bernardino Basin area as compared to the base year. The Engineering Investigation prepared by the San Bernardino Valley Water Conservation District (SBVWCD) uses a base year of 1993 (the year selected to represent when the basin was assumed to be "full"). The annual change in storage is simply a measure of the volume of water lost or gained in the basin during a year. For the year ending Fall 2002, the change in storage from the prior year was a decrease of 89,300 acre-feet. Over the 10-year period of 1992 to 2002, the average annual change in storage has been a decrease of 28,900 acre-feet. During this period, there were four

consecutive years of drought conditions and the cumulative change in storage is estimated at a decrease of 301,500 acre-feet. Groundwater recharge activities that directly benefit the East Valley Water District are presently carried out by the San Bernardino Valley Municipal Water District (SBVMWD) and the SBWCD. In 2002, the District assisted with the cost of providing temporary pipelines and water to increase the recharge capability for storing State Project Water in the Bunker Hill Basin; facility costs were shared with the SBWCD.

B. Duplication of Facilities

The District's Sphere of Influence is bounded to the west by the ~~SOI~~ of the City of San Bernardino, to the north by the San Bernardino National Forest and the City of San Bernardino, to the south by the cities of San Bernardino and Redlands, and to the east by the National Forest and the City of Redlands. The cities of Redlands and San Bernardino both provide water service, sewer collection service, and wastewater treatment service to their customers. Both cities, like the District have customers both within and outside their service area boundaries. Joint agreements with adjacent utilities exist so that the duplication of facilities or construction of unnecessary additional facilities do not occur.

VII. GOVERNMENT STRUCTURE OPTIONS

"Purpose: to consider the advantages and disadvantages of various government structures to provide public services".

A. Agency Recommendation

The East Valley Water District was formed as a Special District in 1954 and has since operated under the same governmental structure. There have been no boundary disputes among the District and neighboring water or sewer providers. Boundary lines between the City of Highland, the City of San Bernardino, and small areas of unincorporated islands have been a concern of residents. If the boundaries of concern were "cleaned up," the impact to the District would be minimal.

A reorganization to merge the District with the City of San Bernardino would mean residents of the City of Highland would receive their water and sewer utility services from a neighboring city. This merger option does not have much merit worth considering. The City of Highland does not provide any water or sewer service and has not indicated a desire to do so. If such a merger were to be considered, the City would essentially take over all operations, facilities, and personnel of the District since the City does not have an existing utility department. Such action would not result in any benefit (i.e. reduction of service duplications) to either entity or to the customers of the District. Often, municipalities that provide water and/or sewer service use the revenues from the utilities to offset costs in the General Fund. This could result in increased customer fees and charges for the provision of water and/or sewer services.

B. Hurdles to Consolidation/Reorganization

Hurdles that would result from a merger of the District and the City of Highland would be the administrative logistics of changing the entity. The effort would be costly and would result in no benefit or gain to either entity or to the District's existing customers.

VII. EVALUATION OF MANAGEMENT EFFICIENCIES

"Purpose: to evaluate whether organizational changes to governmental structure can be made to improve the quality of public services in comparison to cost".

A. Training Opportunities

In 1971, laws and regulations governing the certification for the operation of potable water treatment facilities were enacted. These regulations established at what level water treatment facilities should be manned; established minimum qualifications for testing at each of the five grade levels, and established criteria for the renewal and revocation of certificates. These regulations govern a program consisting of approximately 13,000 certified water treatment operators.

In 1998, the Federal Environmental Protection Agency released Guidelines for the Certification and Recertification of Operators of Community and Nontransient Noncommunity Public Water Systems. Based on these guidelines, the state regulations governing the certification of potable water treatment operators were revised to include distribution operators. These regulations became effective on January 1, 2001.

Certain of the District's employees hold certificates issued by the State Department of Health Services for both Water Treatment and Water Distribution Operators. There are currently 33 of the 57 employees who hold certificates, ranging from Grade 1 through Grade 5. Employees are required, as a part of their job descriptions to maintain specific certificates and must be recertified in accordance with DHS requirements.

The DHS certification program requires education, training and college courses. As a part of the employee benefit package, the District currently offers an education reimbursement program.

The District has an Injury and Illness Prevention Program (IIPP) that establishes the guidelines for staff training to avoid and prevent work-related injuries and illness. The IIPP provides for specific and regular training sessions for employees working in the field that may be exposed to chemicals, confined spaces, or other potentially hazardous working conditions.

B. Staffing Levels

The District's current full-time staff totals 57 and are assigned to the following departments:

Administration	3
Customer Service	7

Engineering/Production	15
Field Service/Meter Shop	25
Finance	7

C. Technology

Customer Billing System

The District recently updated its customer billing system and financial accounting software. Future upgrades will include radio transmitted meter reads and on-line payment capabilities for District customers.

Telemetry

The District's water supply and distribution system is operated using a radio controlled telemetry system. The system includes numerous controls and alarm capabilities.

Water Quality Treatment

The District manages water through a system of pipelines, wells, reservoirs, pumping stations, and a treatment plant. California has some of the most stringent water quality standards in the nation. The Safe Drinking Water Act provides standards for public drinking water. Primary standards set maximum levels for contaminants that may be a threat to health. Secondary standards set recommended maximum levels for contaminants that affect water's taste, color, odor or appearance. Additional standards help prevent sources of our drinking water from becoming contaminated.

The Clean Water Act aims to make all surface water safe for swimming and fishing by setting quality standards, improving wastewater treatment, regulating disposal of industrial wastes and controlling runoff from streets and fields. The Environmental Protection Agency (EPA) manages these acts and helps protect water supplies through grants, training programs, and research.

The District must monitor and test for quality at all well sites, the treatment plant, in pipelines, and for some regulatory programs in the customers' homes. All samples for testing are sent to independent State certified laboratories. The District's groundwater is of high quality, however, certain areas have been contaminated from past land use activities. These sources of water are either treated, blended with higher quality sources, or the specific wells are no longer used.

As laboratory testing improves and State and Federal drinking water standards become more strict, the District is required to test for and remove contaminants that were not previously known to exist in the groundwater. The District has become a leader in obtaining research funding and programs to determine the health and cost implications

of contaminants such as radon, arsenic, and perchlorate. For the past two years, the District has sponsored a conference bringing together from across the nation, more than 400 professionals to discuss perchlorate research, effective water treatment technologies, health effect issues, case studies, economic impacts, public awareness and program funding.

The October 2002 conference technical sessions focused on the newest research and development on perchlorate. The conference also presented a general framework of the issues concerning perchlorate contamination at both the state and federal levels. A portion of the conference included discussion on the discovery of new contaminants, contamination levels and regulatory impacts and issues.

New regulations require that the surface water available to the District must be processed through the District's treatment plant for the removal of certain contaminants. This plant is highly automated, saving money by limiting the need for staff supervision. Automated test equipment monitors the water quality at all times. The treatment plant produces very high quality water that exceeds all current and anticipated drinking water standards.

Disaster Response Plan

In the event of a natural or man-made disaster that could affect the District's ability to provide potable water supply for up to 30 days, the following measures will be implemented as required:

- 1) The District's Boil Water Notification Program will be activated
- 2) Notice will be provided to local radio stations and newspapers
- 3) The Sheriff's Department and City of Highland Police Department will be contacted to broadcast messages throughout neighborhoods
- 4) Customers will be notified of supplemental sources of water for cooking and drinking (e.g. swimming pools, water heaters or bottled water)
- 5) Irrigation uses of water will immediately be prohibited.

Enforcement will occur through a cooperative effort with the Sheriff's Department, the City of Highland and San Bernardino Police Departments and the media. The Mutual Aid Agreement with the Upper Santa Ana Water Resources Association will be implemented. The District's general manager will contact general managers from surrounding agencies to obtain assistance in providing manpower for repairs and/or a supplemental supply of water.

A public information program will be initiated and the District's General Manager will appear on local television. Daily reports will be provided to the local newspapers and radio stations.

IX. LOCAL ACCOUNTABILITY AND GOVERNANCE

“Purpose: to evaluate the accessibility and levels of public participation associated within the agency’s decision-making and management processes.”

A. Governing Body

The Board of Supervisors of San Bernardino County approved a petition for the formation of the East Valley Water District (formerly East San Bernardino County Water District) under a division of the Water Code of the State of California and ordered an election held January 12, 1954. The electors approved the formation of the District with the County Board of Supervisors. Incorporation of the District was approved by the State of California on February 1, 1954.

The East Valley Water District is a Special District and operates in conformance with the Water Code. Sections of the code guide the governance of the Directors and the agency, addressing District elections, Board elections of officers, board meetings, and voting by Directors.

The East Valley Water District Board consists of five Directors, elected from the District. The Board meets regularly twice a month on the second and fourth Tuesdays at 2:00 pm. Regular Board meetings are noticed and open to the public. Public notices of the meetings are posted at the front window of the District’s offices and are listed on the Districts website (eastvalley.org). Agendas are mailed to those who make a formal request.

B. Customer Feedback

Customers are able to contact the District with complaints during regular business hours and to contact the District for responses to service emergencies 24 hours per day. All customer complaints are responded to either with a telephone call or a visit by field personnel.

C. Access

The District’s offices are presently located in the southwestern portion of its service area at a major intersection that is easily accessible. All District administrative and field personnel are located at 1155 Del Rosa Avenue; the property is owned by the District. The customer service counter is accessible in compliance with the Americans With Disabilities Act. Customer service hours are Monday through Friday, from 8:00 am to 5:00 pm. Employees are on-call for emergency services seven days a week, 24 hours a day.

Web Site

The District maintains a web site (evwd.org) that provides an opportunity for customer feedback and customer assistance. The Customer Service page includes Billing Rates, Troubleshooting, Rules and Regulations, and a Third Party Notification Service. The Third Party Notification Service is established so that "If we ever need to send you a Past Due Notice for an unpaid utility bill, this special free service will reduce the chance of having your water/sewer service turned off unnecessarily. This special service allows you to name someone as your designated "Third Party" to receive a copy of the Past Due Notice. This person then can remind you of the pending shut-off...just in case you forget, lose, or do not understand the Notice. We hope that our customers who are elderly, handicapped, or have any difficulty understanding the Past Due Notice will find this service useful. Please bring this service to the attention of anyone you know who could benefit from it".

Printed Materials

Since February 1985, all new customers to the District have been given an information packet. This packet includes general information on the District's background, water conservation recommendations, landscape irrigation, explanations of water rates, sewer rates and current billing procedures. This information has been incorporated into a brochure that can also be used for distribution to the Chamber of Commerce and community groups.

The District's Annual Water Quality Report also provides water use information to its customers. In addition to an explanation of the District's annual water quality sampling results, information is provided on available water sources, supply issues, and general public issues of concern. *The Pipeline* has been a regular publication of the District since 1994. This newsletter is published semi-annually and appraises customers of current issues related to this District. During times of California drought conditions, or locally threatened water supplies, this newsletter is used to inform customers of water saving recommendations.

School Education

The District participates with other local water agencies in Water Awareness Month activities. These activities have included the distribution of public education materials at conferences, radio spots (e.g. public service announcements), and participation in community school programs. The District also sponsors an annual poster contest for the elementary grades within its service area.

During drought conditions that may be affecting other areas of the State, the District will often be requested by school districts to provide a presentation on water awareness. These presentations will educate students on local water supply conditions and stress the wise use of water at all times. In addition to school education during periods of water shortages throughout the State, the District will provide speakers when requested by

local schools. The presentations focus on the wise use of water, water supply and water quality conditions related to the District. Participation has been at the elementary and middle school levels.

Since 1999, the District has also been active at the higher education level by participating in activities at California State University San Bernardino. The District has been active on the Advisory Board on the Water Resources Institute.

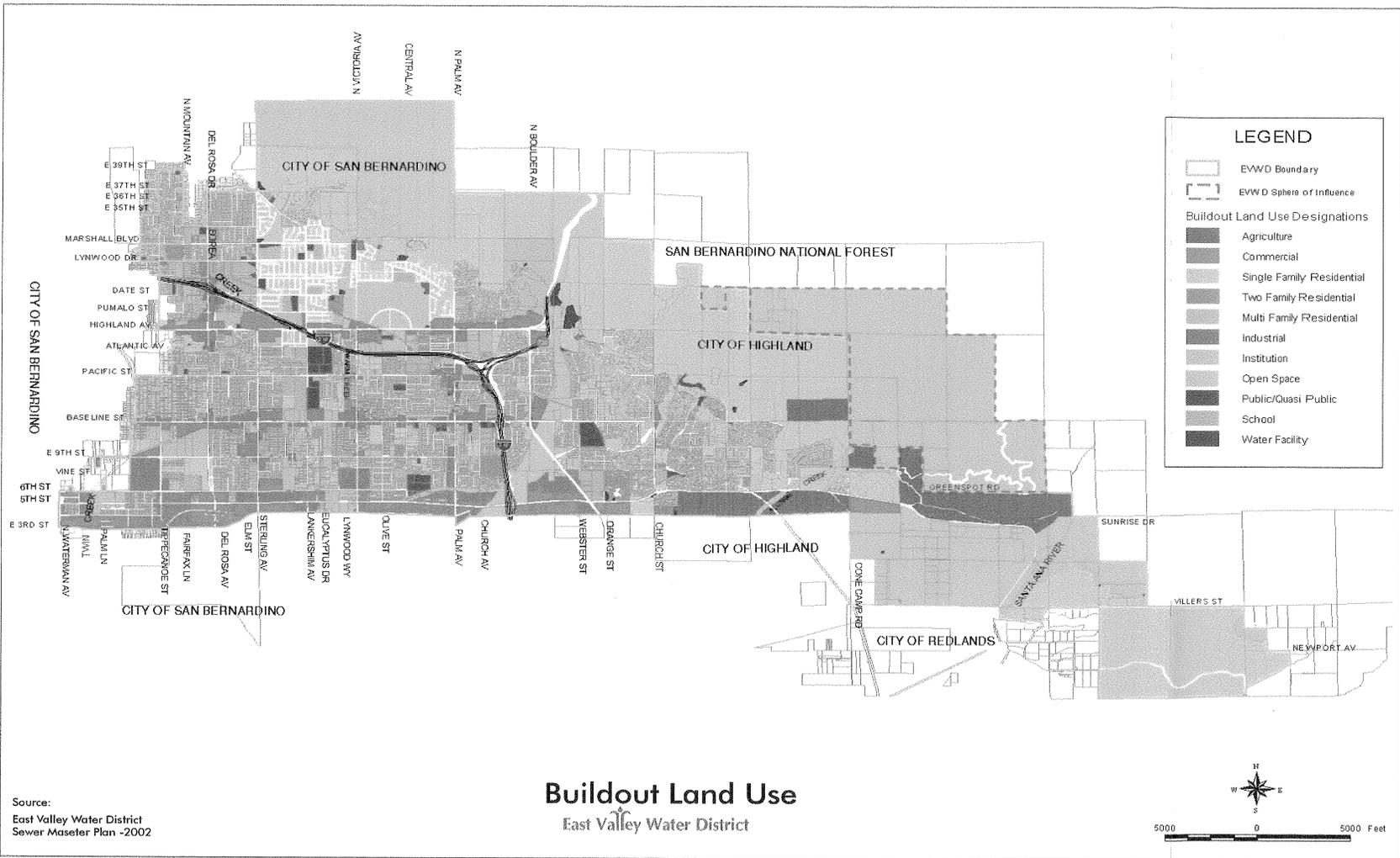
Community Involvement

In the past, the District has supported the local community while developing public recognition, by sponsoring an advertising board at the minor league baseball stadium. The District also provides presentations to local community groups and service clubs, and is a member of the local speaker's bureau.

The District sponsors tours of its facilities throughout the year. These are provided to various members of the community, such as City Councils, County Board of Supervisors, Chambers of Commerce and senior groups. The tours serve to educate the public regarding the importance of the District's water supply, the facilities required to provide potable water, and regulatory influences on the cost of providing water.

D. Regular Progress Reports

The Board of Directors meetings include regular reports and summaries regarding finances, operations, and facility improvement needs. The budgets are discussed in open session and all Board agenda items, not subject to Closed Session are available for public inspection.



LEGEND

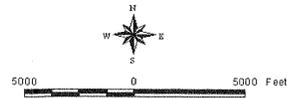
- EVWD Boundary
- EVWD Sphere of Influence

Buildout Land Use Designations

- Agriculture
- Commercial
- Single Family Residential
- Two Family Residential
- Multi Family Residential
- Industrial
- Institution
- Open Space
- Public/Quasi Public
- School
- Water Facility

Source:
 East Valley Water District
 Sewer Masefer Plan -2002

Buildout Land Use
 East Valley Water District



**Commission Policy Regarding
Sphere of Influence
Determinations**

Attachment 4

SPHERE OF INFLUENCE

PURPOSE

(Adopted January 18, 1995, by LAFCO Resolution #2499)

Government Code Section 56076 defines a sphere of influence as "a plan for the probable physical boundaries and service area of a local agency, as determined by the commission." It is an area within which a city or district may expand, over an undefined period of time, through the annexation process. In simple terms, a sphere of influence is a planning boundary within which a city or district is expected to grow into over time.

The purpose of a sphere of influence is to encourage the "logical and orderly development and coordination of local government agencies so as to advantageously provide for the present and future needs of the county and its communities." The following enumerated items comprise the statement of purpose adopted by San Bernardino LAFCO for spheres of influence:

1. To promote orderly growth of communities, whether or not services are provided by a city or district (board governed or independently governed);
2. To promote coordination of cooperative planning efforts among the county, cities, special districts, and identifiable communities by encouraging compatibility in their respective general plans;
3. To guide timely changes in jurisdiction by approving annexations, reorganizations, etc., within a sphere of influence only when reasonable and feasible provision of adequate services is assured;
4. To encourage economical use and extension of facilities by assisting governmental agencies in planning the logical and economical extension of governmental facilities and services, thereby avoiding duplication of services;
5. To provide assistance to property owners in relating to the proper agency to comprehensively plan for the use of their property;
6. To review, update, and/or change existing spheres of influence periodically to reflect planned, coordinated changes in factors which impact on spheres of influence; and
7. To encourage the establishment of urban-type services only within an adopted sphere of influence.

The Commission emphasizes that a sphere of influence is a planning tool and the establishment of a sphere of influence, or the inclusion of territory within a sphere of influence of an existing governmental entity, does not automatically mean that the area is being proposed for annexation or development.

Establishment of a Sphere:

As outlined under state law, the Commission is designated as the public body responsible for determining spheres of influence for each city and district within its jurisdiction.

As a function of incorporation and as outlined in Government Code Section 56426.5, the Commission must establish a sphere of influence for a newly-incorporated city within one year of its incorporation effective date. Usually within six months of a city's effective date, the LAFCO staff notifies the city of the requirement pursuant to state law. The sphere proposal may be initiated by the Commission, the city council, or the County Board of Supervisors, through adoption of a resolution of the governing body.

State law also stipulates that a sphere of influence will not be established or changed without specific review and study independent of any action before the Commission at the time. Public hearings are held to review sphere of influence proposals such as establishment, amendment, or in connection with any proposed annexation, which may or may not involve another agency's sphere of influence.

Factors of Consideration:

As part of a sphere of influence review and as outlined in Government Code Section 56425, LAFCO is required to review four "factors of consideration" in connection with any sphere of influence proposal. The factors of consideration are as follows:

1. The present and probable land uses within the area, including agricultural and open space lands;
2. The present and probable need for public facilities and services in the study area;
3. The present capacity of public facilities and the adequacy of public services that the agency provides or is authorized to provide; and
4. The existence of any social or economic communities of interest in the study area.

In these categories of review, a city or district must show that its planning activities can be beneficial to the area, and that the initiation of those activities is appropriate. None of the above factors by themselves shall be deemed to be a determining factor in the establishment or revision of a sphere of influence for a city, district, or community area, but shall be reviewed as part of the total project.

The factors of consideration noted above are addressed individually within the staff's report for each sphere of influence proposal.

COMMISSION POLICY GUIDELINES FOR SPHERES OF INFLUENCE

The approaches and/or methods listed below are policies adopted by San Bernardino LAFCO. The policies guide the Commission's review in its determination of spheres of influence, periodic reviews and/or updates, and any amendments of those sphere boundaries.

Concurrent Sphere Reviews:

The Commission may include additional agencies as part of its review of a sphere of influence proposal. In considering the sphere of influence of a community, the Commission will concurrently evaluate all agencies serving that community, and as a policy guideline, it will need to establish a single, coterminous sphere for all such agencies.

Community-by-Community Approach:

As previously mentioned, the community-by-community approach is a guide used to establish spheres of influence. The idea was adopted by San Bernardino LAFCO prior to the mandate for spheres of influence, and includes the practice of looking at a total area, which could be considered a community, and defining its boundaries. This approach also considers the existence of inter-related economic, environmental, geographic, and social interests, and attempts to harmonize the conflicting plans and services of the various service entities. Under this approach, an attempt is made to keep the spheres of influence of the various service districts as nearly the same as possible.

Coterminous Boundaries:

The Commission may establish a sphere of influence which is coterminous with existing city/district boundaries when it is not feasible for the public agency to expand beyond its present boundaries. However, as outlined in state law, a sphere of influence must be established for each city and district, regardless whether the sphere boundary is the same as the city or district boundary.

Environmental Review for a Sphere:

A sphere of influence proposal requires review of the environmental aspects of the proposed sphere. The environmental review process is a requirement outlined in the California Environmental Quality Act (CEQA) that applies to the review of sphere of influence proposals. In compliance with CEQA and the State CEQA Guidelines, San Bernardino LAFCO adopted its own

Guidelines and Policies Implementing CEQA on June 22, 1990 with a subsequent amendment adopted on January 18, 1995. The Commission's Guidelines and Policies tailor the general provisions of CEQA to LAFCO's specific functions as both a "Responsible" and a "Lead" agency. The Guidelines and Policies also provide specific procedures used by San Bernardino LAFCO to implement CEQA.

Each sphere of influence proposal involving establishment, expansion, reduction, or submitted as part of the annexation proposal, must be reviewed by the Commission's environmental consultant. As a requirement of LAFCO's review, the environmental assessment must be completed prior to the Commission's review of the item.

Exclusion of Territory:

Under certain circumstances, a sphere of influence may exclude portions of the existing boundaries of a city or district. The Commission encourages reorganization and special studies in this situation to make final determination of which city or district should serve.

For example, certain portions of the City of San Bernardino are surrounded on three sides by the City of Highland, as there are certain portions of the City of Highland that are surrounded on three sides by the City of San Bernardino. In these situations, a sphere of influence study may be initiated to determine which public agency could better serve the area of review. The sphere of influence study would include a review of the possibility of excluding territory from one jurisdiction and the placement of the same territory in another jurisdiction's sphere of influence. The purpose of excluding territory would be an attempt to straighten irregular boundaries, and eliminate confusion arising from multiple jurisdictions.

Modification of a Sphere Review Area:

During the review of a sphere of influence proposal, the Commission may modify the area of review by expanding or reducing the area of review. The expansion or reduction of a sphere can be for several reasons, such as to include areas that may be better served by a public agency, or exclude areas that may be better served by another public agency.

Periodic Review/Update of a Sphere:

As a function of its duties and responsibilities, LAFCO is required to periodically review and/or update spheres of influence. Government Code Section 56425 requires the Commission to review and update, if necessary, all spheres of influence for cities and special districts at least once every five years.

The periodic sphere review does not preclude a public agency (city or district), or an individual from initiating a sphere proposal. The purpose of the periodic sphere review plan is to keep abreast of changes occurring within the public agencies under the jurisdiction of LAFCO.

Requirement for a Sphere Review in Relationship to Annexation:

State law precludes the Commission from approving annexation proposals lying outside of current sphere of influence boundaries for the affected city or district. If an annexation proposal lies outside the sphere of influence of a city or district, the annexation proposal must also include a sphere review. The joint sphere and annexation review is to maintain consistency in city or district boundaries and their sphere boundaries, for the extension and provision of services as it relates to proposed annexation sites.

Responsibility/Obligation for a Sphere Area:

When a sphere of influence is assigned, a city or district is required to commence long range land use and service planning activities, thereby enabling it to respond to any annexation requests it might receive from landowners or residents within the sphere. By accepting a sphere of influence, a city or district agrees to plan for the provision of services.

Urban Development within a City Sphere:

LAFCO takes the position that any new urban development which occurs within a city sphere of influence should take place as close to the city's urban area as possible. This position is emphasized for two reasons: First, so that contiguous areas may easily be annexed to the city; and secondly, so that the new urban area can be served by reasonable extension of the city's already developed municipal services.

**IVDA Request for Service to
Parcel B-1C**

Attachment 5



San Bernardino International Airport



May 3, 2004

Mr. Michael Gallo
Kelly Space & Technology
294 South Leland Norton Way, Suite 3
San Bernardino, California 92408

RE: JRETS EAST

Dear Mr. Gallo:

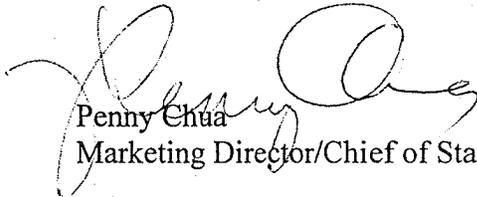
At the Inland Valley Development Agency (IVDA) Board Meeting on April 28, 2004, Resolution No. 2004-05 of the IVDA approving transfer of jurisdiction of property located at southwest corner of the intersection of Third Street and Alabama Avenue from San Bernardino Municipal Water Department to East Valley Water District to provide water services to the property was adopted.

As previously discussed, Parcel B-1C East, the site for the proposed Jet and Rocket Engine Test Site (JRETS) project, was one of the areas approved to be served by East Valley Water District. Attached is an executed copy of the resolution for your records.

If you have any questions, please contact me at (909) 382-4100 x 243.

Sincerely,

INLAND VALLEY DEVELOPMENT AGENCY


Penny Chua
Marketing Director/Chief of Staff

PC:aa

Enc

cc: Eric Ray
✓ Robert Martin, East Valley Water District

I:\Wordoc\2004\Penny\May\0011.Mike Gallo

RESOLUTION NO. 2004-05

**RESOLUTION OF THE INLAND VALLEY DEVELOPMENT AGENCY
CONFIRMING THE COMMENCEMENT OF CERTAIN
WATER AND SEWER SYSTEM TRANSFER NEGOTIATIONS
AND AUTHORIZING THE TRANSFER OF SERVICE
JURISDICTION FOR CERTAIN PROPERTIES PRESENTLY
WITHIN THE WATER AND SEWER SERVICE AREAS
OF THE INLAND VALLEY DEVELOPMENT AGENCY**

WHEREAS, the Inland Valley Development Agency ("IVDA") presently operates the water and sewer systems on the former Norton Air Force Base ("Norton") pursuant to one or more license agreements with the United States Air Force ("USAF") subject to the transfer thereof by one or more bills of sale from the USAF to the IVDA at a later date; and

WHEREAS, the Staff and consultants of the IVDA were previously authorized by the IVDA to analyze various alternatives for the continued provision of water and sewer service to the Norton properties and the costs associated with each alternative for the continued provision of water and sewer service to the Norton properties; and

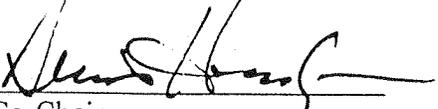
WHEREAS, the Staff and consultants duly considered whether it would be advantageous for all parties concerned that there be either a system owned and operated by the IVDA, separate systems of the City of San Bernardino Water Department and the East Valley Water District or a water system owned solely by the City of San Bernardino Water Department; and

WHEREAS, the Staff and consultants have recommended to the IVDA that the entire water system located on the former Norton properties be transferred to the City of San Bernardino Water Department and that area B-1C East on the corner of 3rd Street and Alabama Street ("B-1C East") should be transferred to the East Valley Water District for water service; and

WHEREAS, the Staff and consultants have further recommended to the IVDA that the sewer system located on the former Norton properties in addition to the transmission line extending westerly from the Norton properties at Lena Road also be transferred to the City of San Bernardino and that the sewer service for the above mentioned area B-1C East likewise be transferred to the East Valley Water District; and

WHEREAS, it is desirable to inform the USAF of the intent of the IVDA as to the transfer of water and sewer service for area B-1C East from the IVDA to the East Valley Water District.

PASSED, APPROVED AND ADOPTED this 28th day of April, 2004.



Co-Chair
Inland Valley Development Agency



Co-Chair
Inland Valley Development Agency

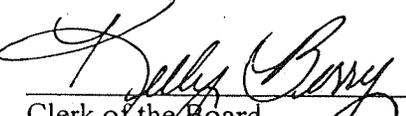
(Seal)
Attest:



Clerk of the Board
Inland Valley Development Agency

I, Kelly Berry, Clerk of the Board of the Inland Valley Development Agency (IVDA) do hereby certify that the foregoing Resolution No. 2004-05 was duly and regularly passed and adopted by the IVDA at a regular meeting thereof, held on the **28th** day of **April, 2004**, and that the foregoing is a full, true and correct copy of said Resolution and has not been amended or repealed.

(Seal)
Attest:



Clerk of the Board
Inland Valley Development Agency



San Bernardino International Airport



MAY 28 2004

EAST VALLEY
WATER DISTRICT

May 25, 2004

Bob Martin, General Manager
East Valley Water District
P.O. Box 3427
San Bernardino, CA 92413

RE: TRANSFER OF SERVICE JURISDICTION

Dear Mr. Martin:

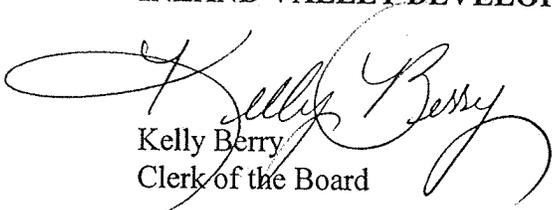
In furtherance of your meeting with Donald L. Rogers on this date, enclosed please find the following documents for your records:

1. Staff Report dated April 28, 2004 (date on which the transfer of jurisdiction issue was taken before the Inland Valley Development Agency Board);
2. Certified Copy of the Board meeting minutes for the April 28, 2004 meeting;
3. Certified Copy of Resolution No. 2004-05; and
4. Legal Description of Parcel B-1C East

Should you require additional information, please do not hesitate to contact our offices.

Very truly yours,

INLAND VALLEY DEVELOPMENT AGENCY


Kelly Berry
Clerk of the Board

Enclosures

I:\WORDDOC\2004\Kelly\May\005L.BobMartin_EVWD.05.25.04.doc

LEGAL DESCRIPTION
"B-1C EAST"

In the City of San Bernardino, County of San Bernardino, State of California, being a portion of "IRP SITE 2" as shown on Record of Survey, filed in Book 113, at pages 15 through 22 of Records of Survey, in said County, described as follows:

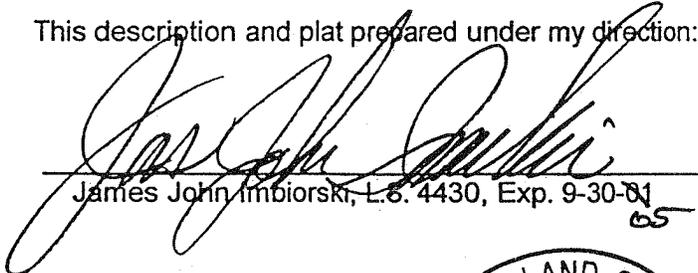
Commencing at the northeast corner of Fractional Section 8 Township 1 South, Range 3 West, San Bernardino Meridian; thence South 00° 52' 21" East along the east line of said Fractional Section 8 a distance of 50.10 feet to a point on the easterly projection of the southerly line of East 3rd Street (100 feet wide); thence North 87° 17' 22" West along said projection, 40.26 feet to the point of intersection of the west line of Alabama Avenue (80 feet wide) with said southerly line of East 3rd Street; thence continuing North 87° 17' 22" West along said southerly line, 1074.87 feet to the **TRUE POINT OF BEGINNING**; thence South 00° 34' 38" West, 539.29 feet; thence North 72° 42' 16" East, 600.82 feet; thence North 84° 56' 48" East, 510.52 feet to a point on said west line of Alabama Avenue; thence North 00° 39' 59" West along said west line, 264.86 feet to said point of intersection with the southerly line of East 3rd Street; thence North 87° 17' 22" West along said southerly line, 1074.87 feet to the **TRUE POINT OF BEGINNING**.

Subject to a Grant of Easement to the County of San Bernardino, per Book 4175, Page 390, Official Records of said County.

The land herein described contains approximately 9.20 acres.

All bearings and distances in this description are grid, based on the California Coordinate System (NAD 83), Zone 5. To obtain ground distances, divide the grid distance shown herein by 0.99993157.

This description and plat prepared under my direction:


James John Imborski, L.S. 4430, Exp. 9-30-05

2/27/03
Date

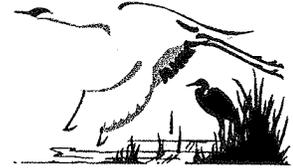
AE J.N. 92-89-18



**Response from Tom Dodson
and Associates**

Attachment 6

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tstonramp.com



August 4, 2004

RECEIVED
AUG 06 2004

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
175 West Fifth Street, Second Floor
San Bernardino, CA 92415-0490

LAFCO
San Bernardino County

Dear Kathy:

LAFCO 2926 consists of a service review for the East Valley Water District (District) pursuant to Government Code Section 56430 and Sphere of Influence Study Pursuant to Government Code 56425. If approved by the Commission, the service and Sphere review would not result in any change to the services by the District, but it would modify the District's Sphere of Influence by expanding the Sphere southerly near Alabama and Third Streets (Cities of San Bernardino and Highland) and reduce the Sphere in the foothill area, north and east of the City of Highland. Based on the above proposal, it appears that LAFCO 2926 can be implemented without causing any physical changes to the environment or any adverse environmental impacts.

The service and Sphere review does not appear to have any potential to alter the existing physical environment in any manner. Without a potential for causing physical changes in the environment, I recommend that the Commission find that a Statutory Exemption applies to LAFCO 2926 under the Section 15061 (b) (3) which states: "A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion, and recommendation to the Commission, that this circumstance applies to LAFCO 2926.

Based on a review of LAFCO 2926 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 2926 does not constitute a project under CEQA and adoption of the Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with the CEQA process for this action. The Commission can approve the review and findings for this action and I recommend that you notice LAFCO 2926 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

A copy of this exemption should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in black ink that reads "Tom Dodson". The signature is written in a cursive, slightly slanted style.

Tom Dodson

Draft Resolution No. 2836

Attachment 7

PROPOSAL NO.: LAFCO 2926

HEARING DATE: AUGUST 18, 2004

RESOLUTION NO. 2836

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 2926, A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE EAST VALLEY WATER DISTRICT.

On motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, a service review mandated by Government Code Section 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by this Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, the public hearing by this Commission was held upon the date and at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the review, in evidence presented at the hearing; and,

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption is hereby

RESOLUTION NO. 2836

adopted by this Commission. The Clerk has been directed to file a Notice of Exemption within five working days of adoption of this resolution; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the East Valley Water District should be amended as follows: (a) reduced by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland; (b) expanded to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (c) expanded to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (d) affirm the balance of the sphere of influence area as it currently exists, as more specifically described on the map attached to this resolution; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56430 and local Commission policy:

1. **Infrastructure Needs and Deficiencies.** The District has an adopted Five-Year Capital Improvement Plan that identifies needed infrastructure for its water and wastewater collection systems. The plan includes a budget for water and wastewater capital infrastructure improvements and new projects. The Plan is based upon information obtained from the water master plan (last updated in 2002) and wastewater master plan (last updated in 1988). Copies of this information are available for review at the District's office and summaries are available in the LAFCO office. The District provides levels of water and sewer collection service that meet public health and safety standards. The system operates well with no major operational problems identified.

2. **Growth and Population.** The District's estimated population within its boundaries and sphere of influence is 66,000. Based upon the current growth rates experienced by the Southern California region as a whole, and the Southern California Association of Governments (SCAG) specifically, the District has an anticipated growth rate of 2.4% per year. This is slightly less than the City of Highland growth rate of 2.7%. This growth projection anticipates that the District's population will be 87,870 in 2015 and 98,933 in 2020. Most of the developable land of the District is within the City of Highland which has a current population estimated at 45,081. The City of Highland's current General Plan anticipates a build out of 62,343.

3. **Financing Opportunities and Constraints.** The District maintains sound financial procedures for planning and investment security. It maintains a safe investment portfolio based on the protection of the publicly invested funds. In 2001, the District issued \$12,000,000 in Certificates of Participation for the construction of a reservoir, pump station and to refinance a previously issued debt instrument. The Moody's Rating Committee assigned an A2 rating and Standard & Poor's bond rating of A, which reflects that the District has "good financial performance, a manageable capital plan with minimal future debt needs, and a stable, primarily residential customer base, with affordable rates, and ample water supply and treatment capacity".

4. **Cost Avoidance Opportunities.** The current domestic water providers within the boundaries of the East Valley consist of the East Valley Water District, Arroyo Verde

RESOLUTION NO. 2836

Mutual Water Company, Baseline Gardens Mutual Water Company, Eastwood Farms Mutual Water Company, and Tres Lagos Mutual Water Company. The District and the Water Companies work together to provide service to the community. The District is the sole agency that provides wastewater service within its boundaries. The District has been a part of a Joint Powers Agency (JPA) with the City of San Bernardino since 1957 to provide for the regional wastewater treatment plant operated by the City of San Bernardino Municipal Water Department. In 1995, the Cities of San Bernardino and Colton formed a JPA to operate the Rapid Infiltration/Extraction Tertiary Treatment System (RI/X) to provide treatment of up to 41.0 million gallons daily of secondary effluent received from the exiting plants of the City of San Bernardino and the City of Colton. The District is a member of this JPA through its preceding JPA with the City of San Bernardino for the sewage treatment plant.

5. **Rate Restructuring.** The District Board of Directors reviews its rate structure annually and adjustments are made as necessary to allow for the protection of the public health, maintain satisfactory customer service, and to recover system operating costs, debt service requirements and administrative costs. The District has evaluated the use of the consumer price index or rate comparisons, however, these do not allow for the variations in annual expenses to be addressed. A survey of local retailers was conducted in 2003 and the District is close to the average of the nine agencies with similar service levels.

6. **Opportunities for Shared Facilities.** The District continuously strives to identify ways to share facilities and resources with other local agencies to insure the most cost-effective, efficient service delivery to its customers. The District has emergency water supply interties with the City of San Bernardino and City of Riverside. The District and City of San Bernardino exchange water frequently, averaging between 767 to 1,227 acre feet per year, allowing the District to maintain source production and blend water when necessary to reduce nitrate levels.

7. **Government Structure Options.** The District has operated successfully as a single-purpose special district for 50 years, during which time the District's customer base and service area have expanded significantly. No other relevant issues concerning this factor have been identified.

8. **Management Efficiencies.** The District's employees required to maintain specific certifications are acknowledged within their job descriptions. These certifications require ongoing training such as supplemental education, training and college courses. The District provides, as part of the employee benefit package, an education reimbursement program. Updated standards for water quality through the Clean Water Act and the Safe Drinking Water Act require that the District must monitor and test water quality at all well sites, the treatment plant, in pipelines, and for some regulatory programs within the customer's homes. The District's response indicates that as laboratory testing has improved and State and Federal Drinking water standards become stricter, the District is required to test for and remove contaminants that were not previously known to exist in the groundwater. The District has become a leader in obtaining research funding and programs to determine the health and cost implications of a vast array of potential contaminants. The District has sponsored for the last two (2) years a conference bringing together professional representatives from across the nation to discuss perchlorate

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research, effective water treatment technologies, health effect issues, case studies, economic impacts, public awareness and program funding.

9. **Local Accountability and Governance.** The District is governed by a five-member Board elected at-large. The District does a good job communicating with its customers through newsletters, information packets, website pages, participation in local schools in the Water Awareness Month activities and public meetings. The District has an operating website and conforms to provisions of the Brown Act requiring open meetings. No other relevant issues concerning this factor have been identified; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56425 and local Commission policy:

1. **PRESENT AND PLANNED LAND USES**

The full range of urban, suburban, and rural land uses are included within the boundaries and current sphere of influence of the East Valley Water District. The sphere of influence update and service review have no potential to change present or planned land uses within the sphere, since the changes proposed would be to provide for contiguity with the City of Highland sphere of influence and include a single additional parcel within the City of San Bernardino. The EVWD endorses this approach by indicating that no other sphere of influence changes are contemplated within the next five years.

2. **PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA**

The District has adopted Master Plans for its services of water and wastewater, which address this issue. Copies of these documents are on file in the District office.

3. **PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES PROVIDED**

The change to the District sphere of influence proposed through this review relates to three areas of consideration to allow for contiguity with the City of Highland sphere of influence in compliance with the Commission's community-by-community approach to spheres of influence. In addition, the parcel proposed for inclusion currently within the City of San Bernardino boundaries has been requested by the Inland Valley Development Authority and landowner on the basis of proximity to the District's services. The District has adopted Master Plans for service which address the service issues for water and wastewater. These documents are on file in the District office.

4. **COMMUNITIES OF INTEREST IN THE AREA**

The changes proposed to the District's sphere of influence are in response to the community of interest for Highland and addresses a consolidation of the sphere of influence within this community of interest. The area of the District within the City

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of San Bernardino and its unincorporated sphere is proposed for change only for the single parcel located at the southwest corner of Third and Alabama Streets.

5. OTHER FINDINGS

- A. Notice of the hearing was published as required by law in The Sun, and the Highland Community News, newspapers of general circulation in the area. As required by state law, individual notification was provided to affected and interested local agencies, County departments, and those individuals wishing mailed notice.
- B. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination; and,

WHEREAS, the following functions and services are provided by the District, as outlined in the Rules and Regulations affecting the functions and services of Special Districts (originally adopted on November 10, 1976, as amended); and Exhibit "A" of the Rules and Regulations lists each special district and its services and functions pursuant to the requirements of Section 6 of the Rules and Regulations; and,

WHEREAS, the Local Agency Formation Commission of the County of San Bernardino is required to review and update the Exhibit "A" of the Rules and Regulations of Special Districts to outline the services provided. The Exhibit "A" of the Rules and Regulations is amended to read as follows:

SERVICE	FUNCTIONS
Water	Retail, agricultural, domestic, replenishment
Sewer	Sewage collection
Park and Recreation	Development, maintenance in conjunction with water facilities

WHEREAS, pursuant to the provisions of Government Code Section 56425(h), the range of services provided by the East Valley Water District is limited to those identified above, and such range of services shall not be changed unless approved by this Commission; and,

WHEREAS, having reviewed and considered the findings as outlined above, the Commission modifies the District sphere of influence as follows: (a) Reduction of the District's sphere by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland; (b) expansion to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (c) expansion to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (d) uphold and affirm the balance of the sphere of influence for the East Valley Water District as it currently exists. The sphere of influence as modified is depicted on the map attached to this resolution.

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NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory described on the attached map as being within the sphere of influence of the East Valley Water District, it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the East Valley Water District shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's determination of this sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of August 18, 2004.

DATED:

KATHLEEN ROLLINGS-McDONALD
Executive Officer