

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

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PROPOSAL NO.: LAFCO 3114

HEARING DATE: January 19, 2011

RESOLUTION NO. 3122

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3114 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE CRESTLINE VILLAGE WATER DISTRICT (sphere of influence expansion by approximately 1,911+/- acres, reduction by approximately 160+/- acres, and affirmation of the balance as shown on the attached maps).

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

WHEREAS, a service review mandated by Government Code 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 the 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, a public hearing by this Commission was called for December 8, 2010, continued to January 19, 2011 at the time and place specified in the notice of public hearing and in the order continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing; and,

WHEREAS, at this hearing, this Commission certified that the sphere of influence update including sphere amendments is statutorily exempt from environmental review pursuant to the provisions

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of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on January 19, 2011. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; 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 Crestline Village Water District (hereafter shown as the "District") shall be amended as shown on the maps attached as Exhibit "A" to this resolution, defined as follows:

- (1) Expand the District's sphere of influence to include Area 1 (approximately 160+/- acres), Area 2 (approximately 160+/- acres), Area 3 (approximately 400+/- acres), Area 5 (approximately 81+/- acres), Area 7 (approximately 990+/- acres), and Area 8 (approximately 120+/- acres);
- (2) Reduce the District's existing sphere of influence to exclude Area 4 (approximately 40+/- acres), and Area 6 (approximately 120+/- acres); and
- (3) Affirm the balance of the District's existing sphere of influence.

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated November 30, 2010, considered on December 8, 2010, and received and filed by the Commission on January 19, 2011, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

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

The land ownership distribution and breakdown within the District's boundary and sphere. Roughly 81% is privately owned with the remainder within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use. The current sphere of influence (including district) contains 66% private lands.

In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. The District states that the full time occupancy rate is 60%. It is estimated that the seasonal factors can approximately double the peak population. By 2030, the permanent population is estimated to reach over 10,000. This figure does

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not take into account seasonal population and tourism. Even with the large increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this report.

Year	2010	2015	2020	2025	2030	2000 to 2030 growth rate
Crestline Village WD	7,500	8,124	8,799	9,530	10,323	37.6%

Source: County of San Bernardino 2007 Community Plans; County Special Districts Department; LAFCO

Notes: Does not include seasonal population or visitors

Italicized figures are calculated by LAFCO

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

The District provides retail water service to residential, commercial, and residential customers.

Pursuant to the *Urban Water Management Planning Act*, each urban water supplier shall update its plan at least once every five years on or before December 31, in years ending in five and zero, and shall file with the Department of Water Resources (DWR) a copy of the plan. In years ending in six and one, DWR submits a report to the State Legislature summarizing the status of the plans and identifies the outstanding elements of the individual plans. LAFCO has reviewed the DWR report to the Legislature for the 2005 urban water management plans, and the report identifies that the District did not submit a 2005 urban water management plan. The District adopted its 2005 Urban Water Management Plan in October and submitted it to the DWR. A copy of the 2005 plan was provided to LAFCO for this service review, a copy of which is on-file at the LAFCO staff office. Supply and demand information is analyzed in the plan. The plan indicates that there is an adequate water supply to meet the water demands of the District to 2025 and beyond.

Supply

The District has 54 approved groundwater sources located on 22 well sites, which produced 15.5 million cubic feet of water in 2004. Water produced locally from the District's wells meets applicable drinking water standards and does not require treatment, other than chlorination of some wells. Thus, the District operates no centralized, complete water treatment facilities of its own. The District chlorinates water from its Pioneer, Horst, and Wilson wells and monitors water quality at those sources. A review of the 2009 Consumer Confidence Report issued June 2010 does not identify that the water supply has had any violations or exceeded acceptable levels for contaminants and constituents. During FY 2008-09, the local wells produced 479 acre feet of water, or 61% of the total supply. The water supply can be affected in dry years, but is considered to be very reliable due to the diversity of sources.

In addition, the District obtains supplemental water supply from the Crestline-Lake Arrowhead Water Agency (CLAWA). CLAWA is the State Water Project contractor, which acts as a water wholesaler to the San Bernardino Mountains area. The District has six connections to the CLAWA water system. Supplemental water purchased from CLAWA has been treated at CLAWA's water treatment facility at Silverwood Lake. The amount of supplemental water purchased from CLAWA by the District each year can range from 20 percent to 80 percent of total supply, depending upon various factors. During FY 2008-09, purchased water from CLAWA totaled 305 acre-feet, or 39% of the total supply, for \$360,720. Future water supply projections are based upon average local well production of 19.0 million cubic feet, increasing slightly over time, plus supplemental water from

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CLAWA as required. The District has attempted to stabilize the cost impact to its customers by evaluating and adjusting the amount spent on capital improvements each year.

The potential for use of recycled water (reclaimed wastewater effluent) by the Crestline Village Water District is limited, due to a lack of uses, lack of customers for such water, and a lack of supply. Crestline Sanitation District, the wastewater agency in the community, disposes of its wastewater effluent outside the Crestline Village Water District's service area, and intends to continue doing so in the future.

Demand

The District currently has roughly 4,935 active service connections. Connections are mainly comprised of residential, some commercial, and no industrial connections. Water demand was 37 million cubic feet in 2004, of which 86 percent was delivered to residential customers. Future demand will increase as a result of development, conversion of seasonal residences to full-time occupancy, and annexations to the District's service area. Overall, water demand is projected to increase based upon the 1.3 percent population growth rate forecasted in the County General Plan. The District's projected demand is expected to be met by supply on an average year basis. The District adopted a Water Conservation Program in 1991. The minimum level of the program constantly promotes the conservation of the District's water resources.

Facilities

The District operates 12 water storage tanks with a total storage capacity of approximately 6.6 million gallons. Pumping and pressure reducing facilities are used where needed. There are approximately 90 miles of water lines of varying ages, types, and conditions.

Water losses within the system have historically averaged 15 percent of the total water supply; however, the District is currently nearing the end of the twenty-year capital investment program and is reporting only a 6.33 percent loss of the total water supply in the year 2005. Major investments have been made in the District's water system, including aggressive pipeline replacement, leak detection programs, and improvements involving existing and new storage facilities. The District has replaced approximately 98 percent of the system pipeline. The District has also been aggressively renovating existing storage tanks that have experienced failure of existing internal protective coatings. The storage tank program is approximately 90 percent completed. Additional improvements to tanks include seismic upgrading, recoating of existing tanks, as well as the construction of the new Zurich reservoirs in the final years of the program. The additional water storage capacity will increase system reliability in emergencies and increase fire flow capacity. The District obtained funding from the federal Farmers Home Administration (currently known as the Rural Economic and Community Development Services) in 1979-1980, and also obtained funding from the California Department of Water Resources under the Safe Drinking Water Act in 1980-1981.

The remaining portion of mainline and storage tank upgrading and replacement to be completed will be paid from water revenues. The planned costs from 2009 through 2014 are as follows:

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Water main projects, installing 7,450 feet	\$ 424,650
Well Exploration and Development	250,000
Upgrading existing water storage tanks	290,000
Proposed new water storage tanks	575,000
Replace Meters with Radio Read Meter System	1,800,000
Heavy Equipment Replacement	300,000
	<u>\$ 3,639,650</u>

source: FY 2008-09 Financial Statements

3. Financial ability of agencies to provide services:

For this section of the report, LAFCO has reviewed the District's budgets, audits, and State Controller reports for special districts. Annual financial reporting for the District ends April 30 and not June 30 similar to other local governments.

In reviewing the financial documents, the District's net assets have increased by 14% since FY 2005-06 as shown on the chart below. As of April 30, 2010, the District had \$13.54 million in net assets. Not including capital assets value and debt, the District had roughly \$4.13 million in restricted and unrestricted net assets. Of this amount \$3.92 million is unrestricted.

	2005-06	2006-07	2007-08	2008-09	2009-10
Net Assets					
Invested in capital assets – net of related debt	9,499,646	9,974,132	9,871,423	9,573,862	9,406,696
Restricted for debt service	213,240	213,239	214,055	213,800	213,527
Unrestricted	2,162,938	2,780,492	2,896,810	3,595,808	3,916,158
Total Net Assets	\$11,875,824	\$12,967,863	\$12,982,288	\$13,383,470	13,536,381

Crestline Village County Water District Facilities Corporation

The District is responsible for one component unit. The Crestline Village County Water District Facilities Corporation (Corporation) was organized under the General Nonprofit Corporation Law of the State of California on January 8, 1979. The Corporation was organized primarily to render favorable financial assistance to the District by providing financing for reservoirs, pipelines and appurtenant works for the treatment, storage and distribution of water. The Corporation is exempt from federal income tax and the California franchise tax.

The Corporation has sold to Farmers Home Administration (FmHA) \$1,250,000 of the District Water Facilities Corporation Leasehold Mortgage Bonds Issue of 1979. The Corporation has spent the \$1,250,000 for construction of the FmHA Phase I - Division 10 water system improvements. The project was completed on November 20, 1980.

Upon completion of the project, the Corporation, at no profit, has leased the water system improvements to the District. The District is making semi-annual rental payments to the Corporation in amounts necessary to meet the debt service and reserve fund requirements of the bond agreement. At the end of forty years, the Phase I water system will belong to the District for a token amount to be paid at that time.

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The Corporation has set up a general fund, a debt service fund and a construction fund to handle the accounting activity of this entity. These funds are blended in the District's financial statements.

Revenues

Operating revenue includes revenues from water sales and services. Non operating revenues include taxes and assessments, investment income, and gain on sale of assets.

1. Water Sales

Rates for water use are comprised of a consumptive component and a monthly charge. The monthly charge is charged to all active water accounts in an attempt to equally spread the fixed costs of the District to all customers.

2. Water Availability Assessment

The Water Availability Assessment, also referred to as a standby charge, is an annual assessment by the District on each property within the District's boundaries. All funds derived from the assessment are restricted for improvements to the water system; i.e., new water mains, fire hydrants, service laterals, upgrading of storage tanks, etc.

In September, 1985, the California Legislature amended the State Water Code pertaining to Water Standby or Availability Assessment charges, increasing the maximum permissible charge from \$10.00 per acre or per parcel of less than one acre to \$30.00. On April 17, 1986, the Board of Directors established an availability assessment on all parcels within the District in the following amounts:

- Improved parcels - \$15.00 per parcel for the first acre or portion thereof;
- Unimproved parcels - \$30.00 per parcel for the first acre or portion thereof; and
- Additional Acreage - \$15.00 per acre for each acre or portion thereof exceeding one acre. All parcels larger than one acre in size will be computed to the nearest one-tenth acre.

3. Share of the one percent general tax levy

In 1977-78, before Proposition 13, all landowners within the boundaries of the District paid a tax rate of \$0.595 per \$100 of assessed valuation, as identified in the County's 1977-78 tax rate book, for the purpose of paying all obligations of the District.

Following Proposition 13, the Legislature enacted statutes to implement its provisions. Under these statutes, a local government's share of the one percent general levy was based on the share of the property tax going to that local government before Proposition 13 (excluding bond debt). The District receives a share of the one percent ad valorem property tax, \$240,907. In contrast to other areas of the county, assessed valuations have increased each of the past four fiscal years, although collections may be down.

The figure below is taken from the FY 2009-10 financial statements and provides a breakdown of the revenues and expenditures for FY 2008-09 and FY 2009-10.

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<u>REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</u>	<u>April 30, 2010</u>	<u>April 30, 2009</u>
Operating Revenues:		
Water sales	\$ 2,576,168	\$ 2,649,380
Water services	93,304	98,654
Total Operating Revenues	<u>2,669,472</u>	<u>2,748,034</u>
Operating Expenses:		
Source of supply - labor and maintenance	77,675	69,200
Source of supply - purchased water	385,748	360,720
Pumping - labor and maintenance	13,549	14,736
Pumping - power purchased	60,947	64,987
Water treatment	20,465	15,696
Transmission and distribution	181,502	170,101
Customer accounts	61,563	60,653
Administrative and general	1,546,588	1,475,137
Depreciation and amortization	562,884	574,005
Total Operating Expenses	<u>2,910,921</u>	<u>2,805,235</u>
Operating Loss	(241,449)	(57,201)
Nonoperating Revenues	402,563	472,207
Nonoperating Expenses	<u>(47,736)</u>	<u>(54,047)</u>
Income before contributions	113,378	360,959
Property contributions (contributions in aid of construction)	<u>39,533</u>	<u>40,223</u>
Change in Net Assets	<u>\$ 152,911</u>	<u>\$ 401,182</u>

Long-Term Debt

The long-term outstanding debt of the District is comprised of a 2004 Water Refunding Loan Agreement and a 1979 Leasehold Mortgage Bond. The following figure is taken from the FY 2009-10 financial statements and details the remaining payments through 2020.

NOTE 3: LONG-TERM DEBT (continued)

The annual requirements to amortize all debts as of April 30, 2010, including interest payments of \$175,056 are as follows:

Period Ending April 30,	2004 Water Refunding Loan Agreement		CVCWD Water Facilities Corporation Leasehold Mortgage Bonds of 1979		Totals		Combined Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	117,380	14,848	45,000	25,625	162,380	40,473	202,853
2012	121,764	10,464	45,000	23,375	166,764	33,839	200,603
2013	126,310	5,918	50,000	21,000	176,310	26,918	203,228
2014	64,913	1,201	50,000	18,500	114,913	19,701	134,614
2015	-	-	50,000	16,000	50,000	16,000	66,000
2016 to 2019	-	-	230,000	36,500	230,000	36,500	266,500
2020	-	-	65,000	1,625	65,000	1,625	66,625
Totals	<u>\$ 430,367</u>	<u>\$ 32,431</u>	<u>\$ 535,000</u>	<u>\$ 142,625</u>	<u>\$ 965,367</u>	<u>\$ 175,056</u>	<u>\$ 1,140,423</u>

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Other Information

Regular Audits

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the State Controller and county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, as of September 10, 2010 the last audit received was for FY 2008-09 on September 21, 2009.

Pension and Post-Employment Benefits

A review of the most current financial statements available identifies that there is a zero net pension obligation. When the District joined California Public Employees Retirement System ("PERS") in 2007, it contributed \$500,000 from its Unrestricted Net Assets to reduce the side fund amount to cover prior service for employees.

In addition to PERS retirement, the District provides post-retirement medical benefits through the Association of California Water Agencies (ACWA) to eligible employees and qualified dependents who retire from the District. The benefits provide retired employees with the same medical insurance coverage available to current employees. Retirees with 10 to 40 years of service will receive 25 to 100 percent paid medical benefits. The District does not have an established funding policy for its retiree healthcare plan. For FY 2009-10, the annual required contribution cost was \$178,496. Of the required contribution amount, the District contributed \$50,133, or 28%.

4. Status of, and opportunities for, shared facilities:

At this time the District has no facilities that are shared with other entities. There are no overlapping services that would make it beneficial to have shared facilities. Although there is no formal inter-tie with another agency for water, the District does have six connections with Crestline-Lake Arrowhead Water Agency in order to receive State Water Project water.

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

Local Government Structure and Community Service Needs

The District is an independent special district governed by a five-member board of elected at-large. Elections are held every two years on odd numbered years. The last election was held in 1997 when five candidates ran for three board positions. Since that time, directors have been appointed by the Board of Supervisors in-lieu of an election due to the number of candidates seeking office. As of June 2008, there were 4,161 registered voters within the District. The current board, their positions, and terms of office are shown below:

Board Member	Title	Term
William J. Huckell	President	2011
Steven C. Farrell	Vice President	2013
Kenneth L. Stone	Director	2011
Darel V. Davis	Director	2013
Rosemarie Wiegand	Director	2013

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Regular Board meetings occur on the third Tuesday of each month at 3:00 p.m. at the District headquarters. The District regularly communicates with its customers by including messages on its water bills and including informational inserts with the bills. The District also maintains a website, www.cvwater.com.

Officers of the Crestline Village County Water District Water Facilities Corporation at April 30, 2010 were: Howard Hendricks, President; Frederick O'Connor, Vice-President; and Karl Bauerschmidt, Secretary/Treasurer.

Operational Efficiency

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

- As a member of the California Urban Water Conservation Council and a signatory to the Memorandum of Understanding Regarding Urban Water Conservation in California, the District has conservation programs in place to make a good faith effort to implement a number of particular Best Management Practices.
- Beginning May 5, 2007, the District contributes to the California Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investments and administrative agent for participating public entities with the State of California. As of that date, the District terminated the Crestline Village Water District Money Public Pension Plan.
- The District participates in a joint powers agreement with the California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance entity. Participating entities are insured up to \$70 million per occurrence.

Government Structure Options

There are two types of government structure options:

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

Out-of-Agency Service Agreements:

The District does not provide services outside of its boundary.

Government Structure Options:

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

- Formation of a Community Services District. The option of forming a single, multi-purpose special district, through reorganization of the existing service providers, is a preferred form of

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

In addition, such a formation would solidify the community as outlined in the preamble to CSD law, which states that a CSD can be:

- “... (1) *A permanent form of governance that can provide locally adequate levels of public facilities and services;*
(2) *An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district;*
(3) *A form of governance that can serve as an alternative to the incorporation of a new city;*
(4) *A transitional form of governance as the community approaches cityhood.*

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

- Consolidation of all public water agencies and/or service areas. One possible scenario would be to consolidate all of the public water agencies providing retail water service within the boundaries of the Crestline-Lake Arrowhead Water Agency (CLAWA). These agencies include Arrowbear Park County Water District, County Service Area 70 Zone CG, CLAWA, Crestline Village Water District, LACSD, Running Springs Water District, and the Rim Forest portion of the City of Big Bear Lake Department of Water and Power. This option could reduce duplication of administrative efforts and provide the opportunity for economies of scale. Further, it would provide a single voice for this part of the mountain region regarding water issues. This option could also alleviate the need for short-term solutions for water delivery. This is a feasible option in an economic sense, and appears more practical for the Crest Forest and Lake Arrowhead communities. However, the details of a possible consolidation would need to consider the other services provided by the agencies and if annexation of additional territory would be included. Further, this option, as outlined to LAFCO, is not practicable at this time due to the political divisions within the community.
- Annexation of sphere territory. The District has several areas within its sphere of influence that have private water systems. The District does not actively pursue increasing its water service area to include these areas, but states that it is ready and willing to serve these areas if asked to or if they are required by regulator agencies to seek other service options.
- Consolidation with the Crestline Sanitation District. The District was formed under *County Water District Law* and currently only provides water service to its customers. However, the District and the Crestline Sanitation District could consolidate with the District as the successor agency (since

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county water districts can provide sewer, not vice versa). If this were to occur, the District's boundaries and sphere of influence would need to be adjusted to match Crestline Sanitation District's boundaries. This scenario could allow for scales of economy and promote a single voice for water and wastewater services in the community.

- Annexation of Dart Canyon. Most of the land surrounding the current sphere of influence is within the San Bernardino National Forest. However, outside of the District's current boundary and sphere of influence is one area of privately owned land, immediately adjacent to the current sphere. This is the area of Dart Canyon, where future development can be expected to occur (in the north half of Sections 13 and 14, T2N R4W). Since there is no other water purveyor to serve this area, the District states that it may eventually annex this area within its service boundary.
- Maintenance of the status quo. At this time, the agencies, landowners, or residents have not formally expressed interest in any of the options outlined above.

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

1. Present and Planned Uses:

The present land uses in the District's service area is residential, business and light commercial. The planned uses are the same. While there is some undeveloped land in the area, it is expected that the land use would fall in the same categories as described above when these properties are developed.

2. Present and Probable Need for Public Facilities and Services:

The District has constructed its water system to meet the current and future needs of the area in its sphere of influence. As surrounding areas are annexed into the District or developed, additional facilities may need to be constructed to service the needs of the annexed areas.

3. Present Capacity of Public Facilities and Adequacy of Public Services

The District's facilities have been designed to meet the water needs within its service area. There are adequate facilities and water supply to meet the anticipated needs within the District as the area build out.

4. Social and Economic Communities of Interest:

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

5. Additional Determinations

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Sun*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As

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outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency have been reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Crestline Village Water District shall be limited to the following:

FUNCTIONS	SERVICES
Water	Retail, domestic, operation of water, conservation, reclamation

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to expand the Crestline Village Water District's sphere of influence by approximately 1,911+/- acres, reduce its existing sphere of influence by approximately 160+/- acres, and affirm the balance of the sphere of influence.

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 this to be the sphere of influence for the Crestline Village 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 Crestline Village 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 affirmation of the 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: Bagley, Cox, Curatalo, Derry, Mitzelfelt Coleman, Williams
NOES:	COMMISSIONERS: None
ABSENT:	COMMISSIONERS: McCallon (Williams voting in his stead)


STATE OF CALIFORNIA)
) ss.

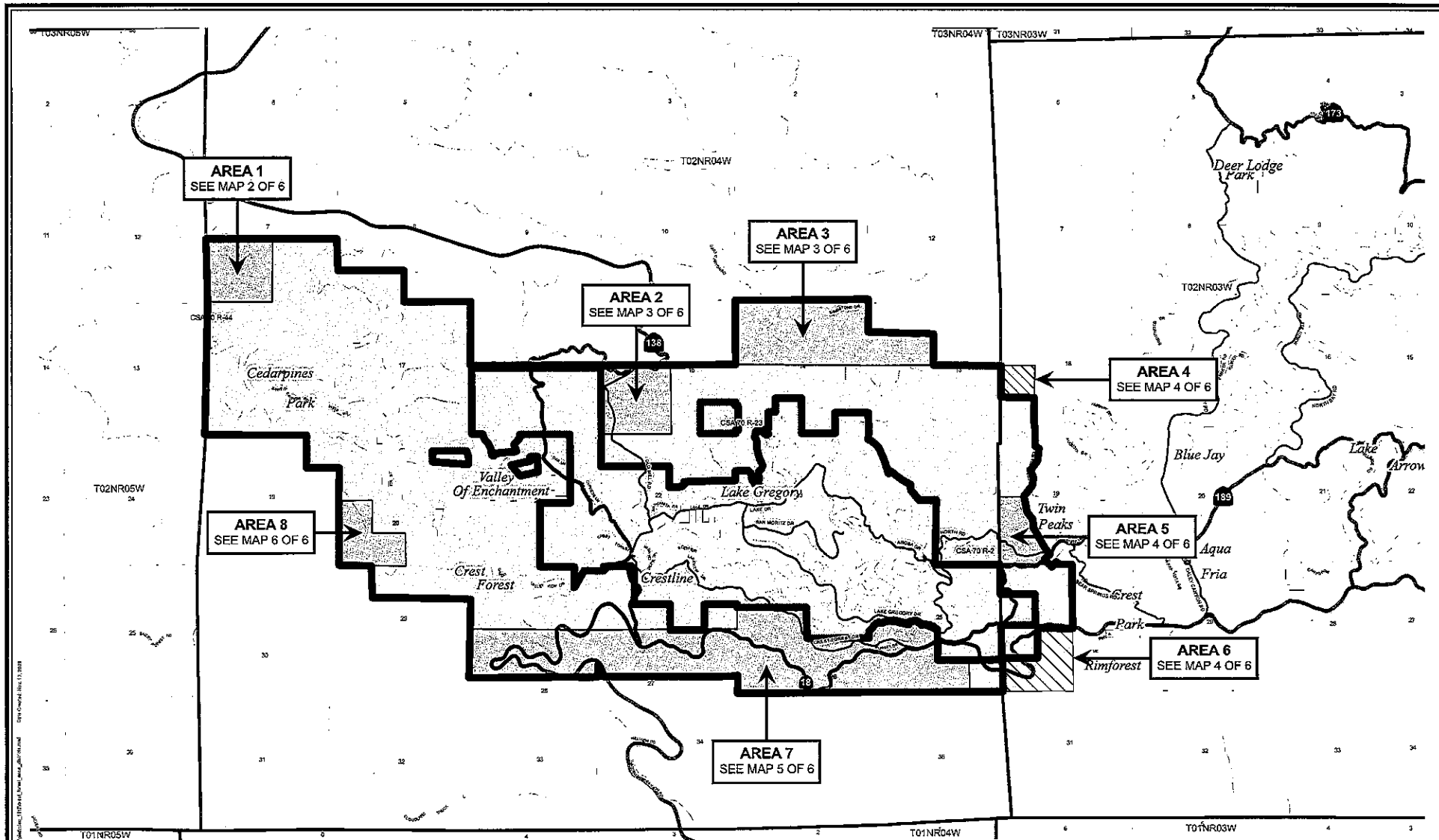
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COUNTY OF SAN BERNARDINO)

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 January 19, 2011

DATED: January 20, 2011


KATHLEEN ROLLINGS-McDONALD
Executive Officer



**LAFCO 3114 – SERVICE REVIEW AND SPHERE OF INFLUENCE
UPDATE FOR CRESTLINE VILLAGE WATER DISTRICT**





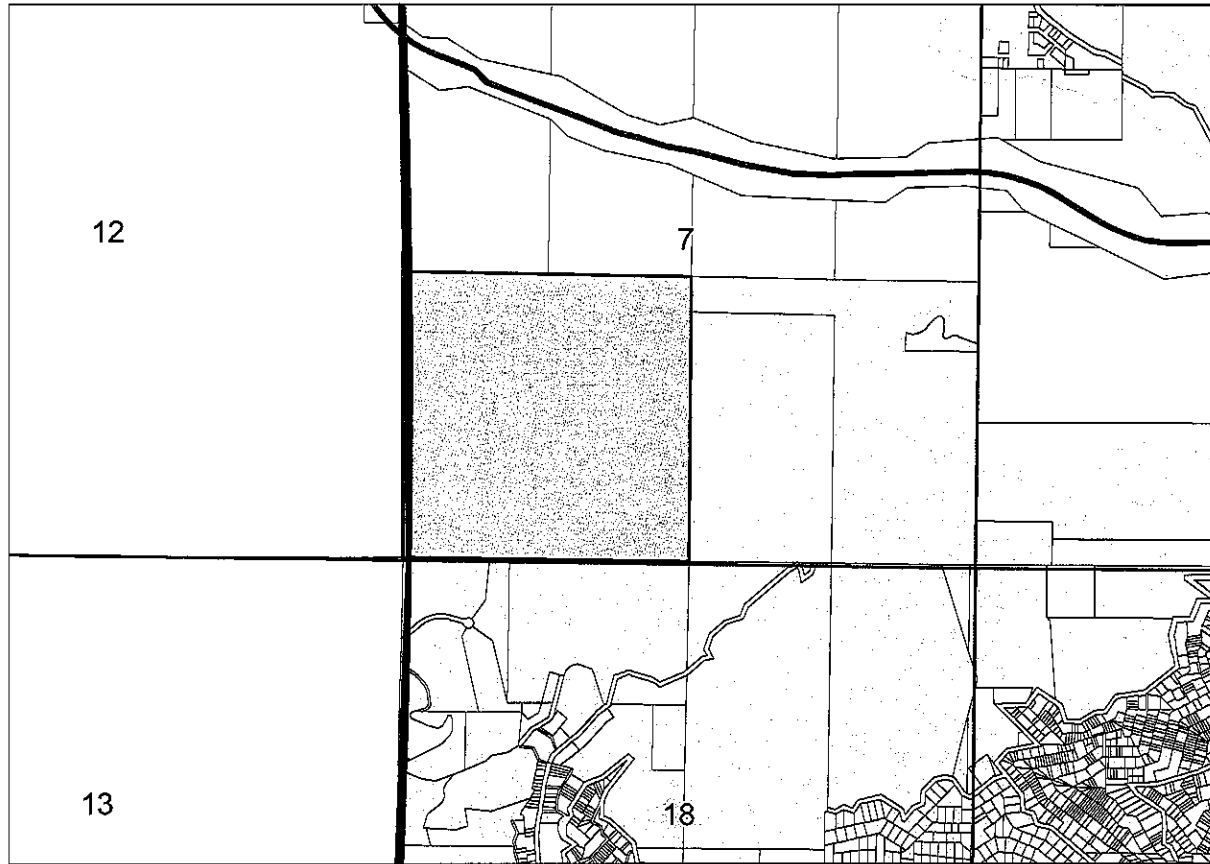
-  Crestline Village Water District
-  Crestline Village Water District Sphere
-  Sphere Expansion Areas
-  Sphere Reduction Areas



EXHIBIT A

EXHIBIT A

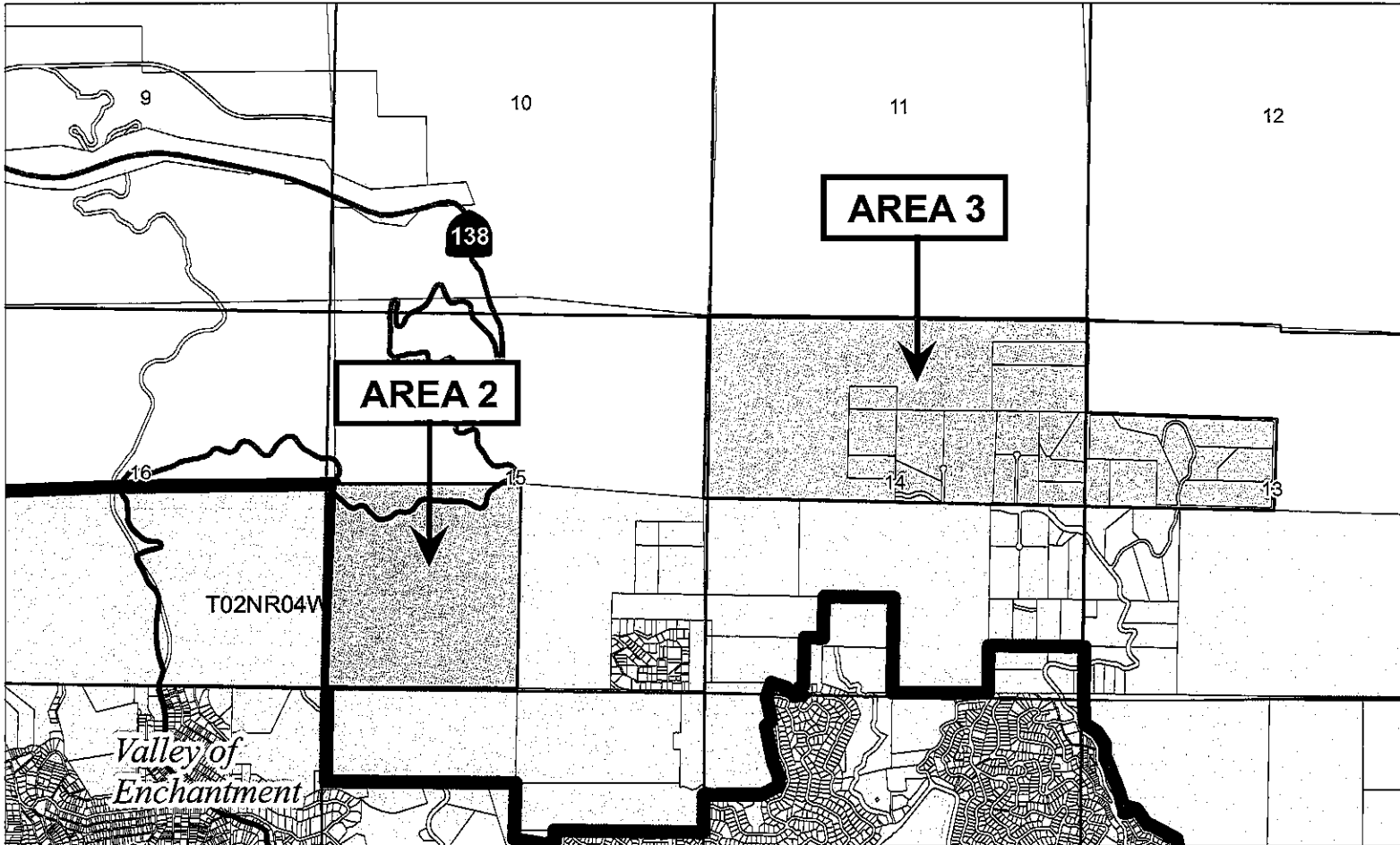


LAFCO 3114 - SPHERE OF INFLUENCE MODIFICATIONS (EXPANSIONS/REDUCTIONS) FOR CRESTLINE VILLAGE WATER DISTRICT

AREA 1 - Sphere Expansion for Crestline Village Water District

Portion of Section 20, Township 2 North, Range 4 West, San Bernardino Meridian, containing 160 acres, more or less.

-  Sphere Expansion
-  Sphere Reduction
-  Existing Sphere
-  District Boundary



LAFCO 3114 - SPHERE OF INFLUENCE MODIFICATIONS (EXPANSIONS/REDUCTIONS) FOR CRESTLINE VILLAGE WATER DISTRICT

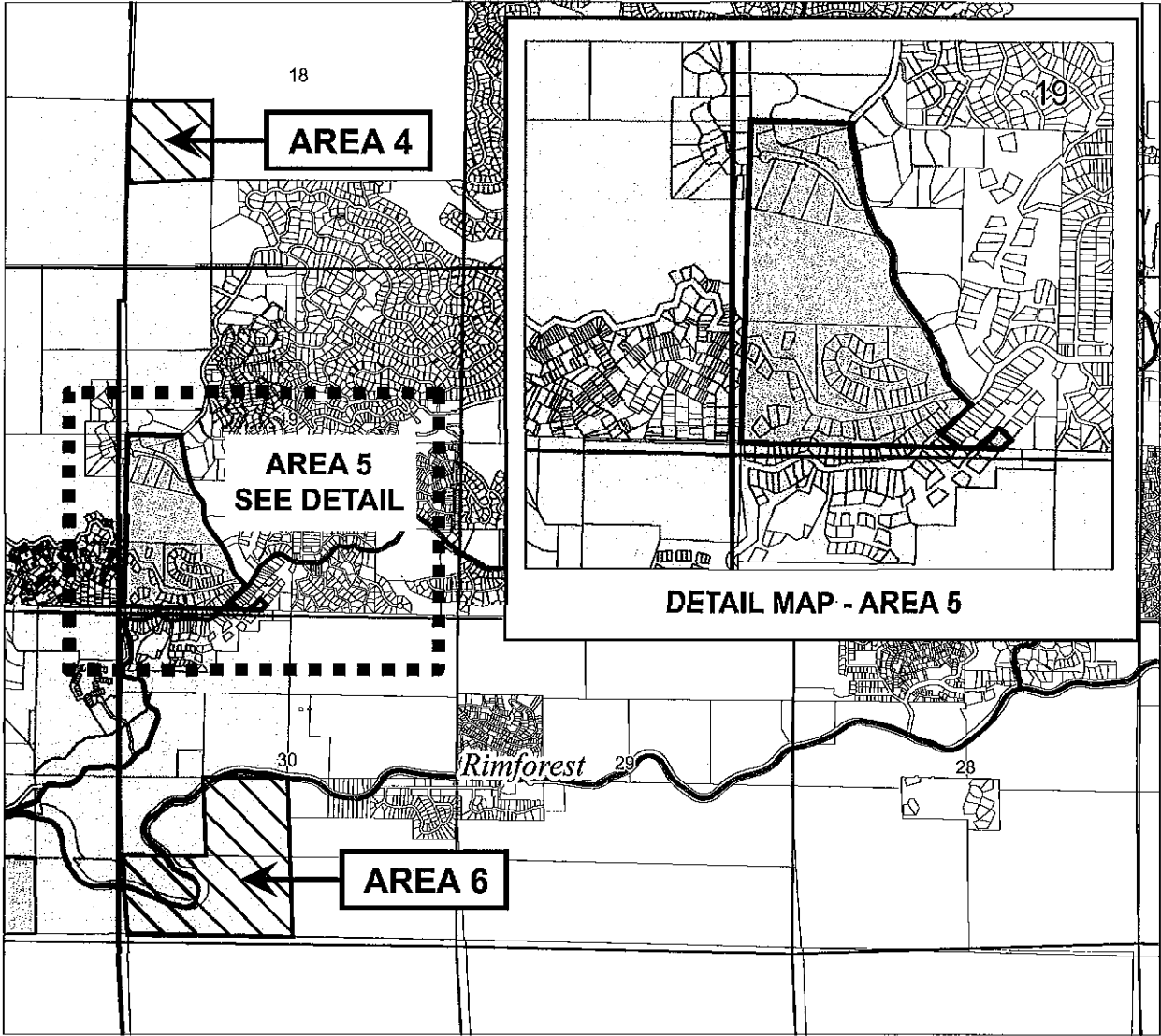
AREA 2 - Sphere Expansion for Crestline Village Water District

Portion of Section 15, Township 2 North, Range 4 West, San Bernardino Meridian, containing 160 acres, more or less

AREA 3 - Sphere Expansion for Crestline Village Water District

Portions of Section 13 and 14, Township 2 North, Range 4 West, San Bernardino Meridian, containing 400 acres, more or less.





LAFCO 3114 - SPHERE OF INFLUENCE MODIFICATIONS (EXPANSIONS/REDUCTIONS) FOR CRESTLINE VILLAGE WATER DISTRICT

AREA 4 - Sphere Reduction for Crestline Village Water District

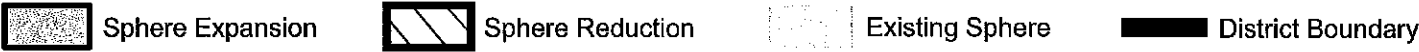
Portion of Section 18, Township 2 North, Range 3 West, San Bernardino Meridian, containing 40 acres, more or less

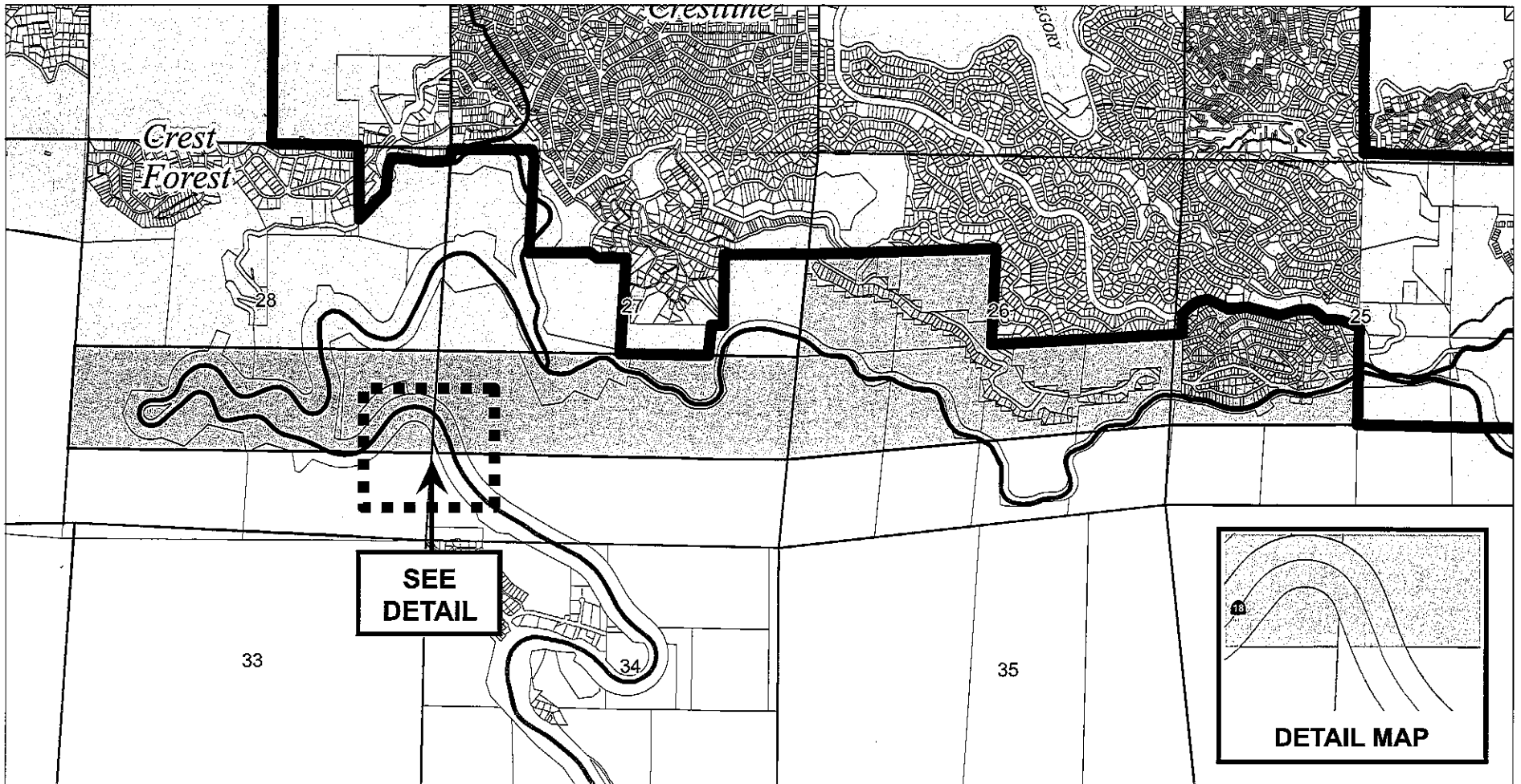
AREA 5 - Sphere Expansion for Crestline Village Water District

Portion of Section 19, Township 2 North, Range 3 West, San Bernardino Meridian, containing 81 acres, more or less.

AREA 6 - Sphere Reduction for Crestline Village Water District

Portion of Section 30, Township 2 North, Range 3 West, San Bernardino Meridian, containing 120 acres, more or less







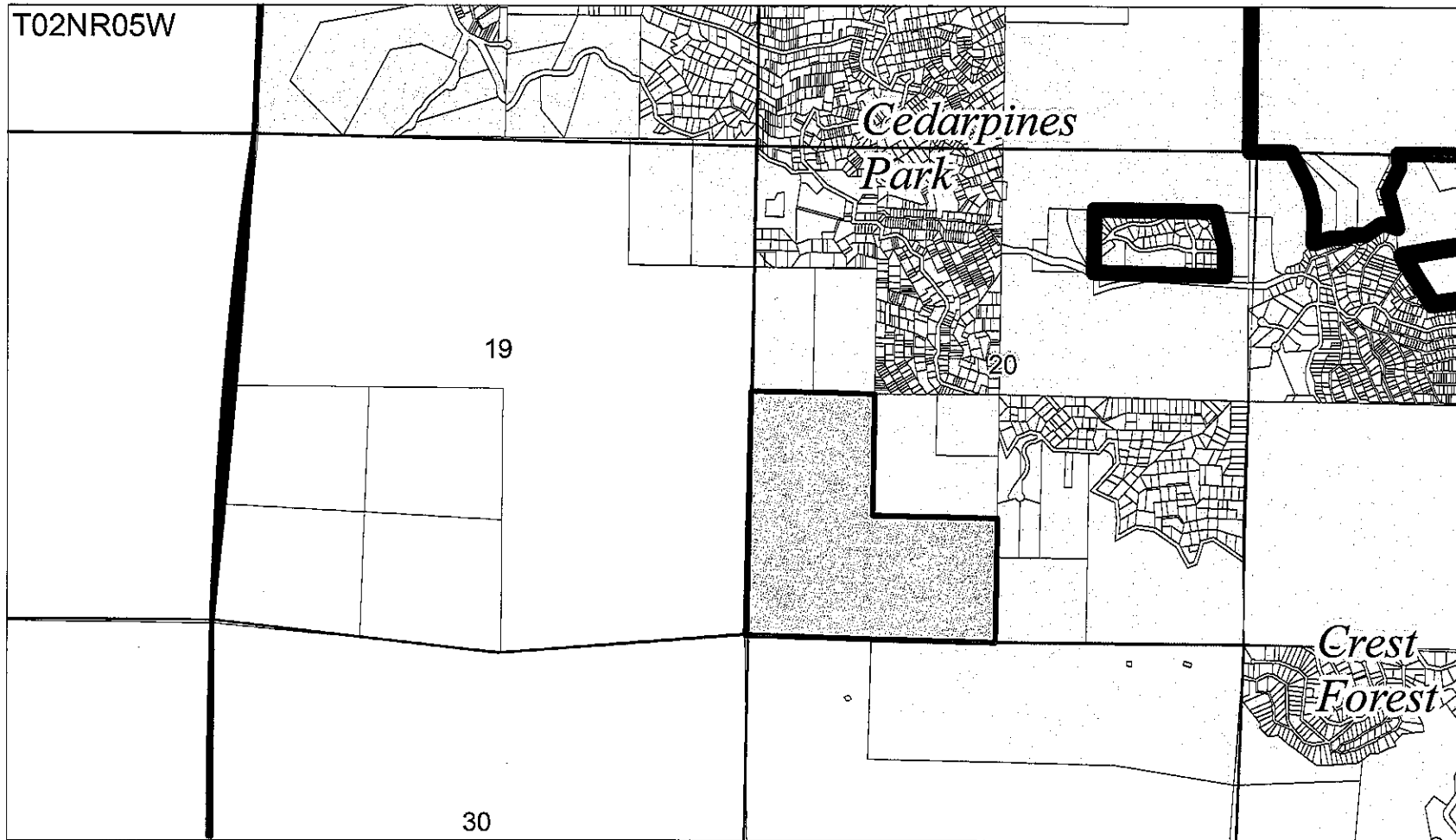


LAFCO 3114 - SPHERE OF INFLUENCE MODIFICATIONS (EXPANSIONS/REDUCTIONS) FOR CRESTLINE VILLAGE WATER DISTRICT

AREA 7 - Sphere Expansion for Crestline Village Water District

Portions of Section 25, 26, 27, and 28, Township 2 North, Range 4 West, San Bernardino Meridian, containing 990 acres, more or less.

-  Sphere Expansion
-  Sphere Reduction
-  Existing Sphere
-  District Boundary



LAFCO 3114 - SPHERE OF INFLUENCE MODIFICATIONS (EXPANSIONS/REDUCTIONS) FOR CRESTLINE VILLAGE WATER DISTRICT

AREA 8 - Sphere Expansion for Crestline Village Water District

Portion of Section 20, Township 2 North, Range 4 West, San Bernardino Meridian, containing 120 acres, more or less.

-  Sphere Expansion
-  Sphere Reduction
-  Existing Sphere
-  District Boundary