

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

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PROPOSAL NO.: LAFCO 3027

HEARING DATE: JANUARY 20, 2010

RESOLUTION NO. 3081

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3027 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE INDIAN WELLS VALLEY WATER DISTRICT(acknowledgement of a sphere of influence in San Bernardino County to include its current boundaries and extending to the north to include Sections 25 and 36 of Township 26 South, Range 40 East Mountain Diablo Meridian).

On motion of Commissioner Mitzelfelt duly seconded by Commissioner Biane 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 January 20, 2010 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 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;

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

RESOLUTION NO. 3081

statutorily exempt from CEQA and such exemption was adopted by this Commission on January 20, 2010. The Executive Officer was directed to file a Notice of Exemption within five working days of its adoption;

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the San Bernardino Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the Indian Wells Valley Water District (hereafter shown as the District) shall be acknowledged in San Bernardino County to include its current boundaries and extending to the north to include Sections 25 and 36 of Township 26 South, Range 40 East Mountain Diablo Meridian as more specifically depicted on the map attached hereto as Exhibit "A", and;

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 January 13, 2010 and received and filed by the Commission on January 20, 2010, 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:

In Kern County, the City of Ridgecrest decreased in population from 28,295 in 1990 to 24,927 in 2000. Since 2000, the population has returned to its 1990 level with a 2009 population of 28,353 in 2009, according to the State Department of Finance. The primary cause for the fluctuation in population is changes in employment at the Naval Weapons Center – China Lake. As detailed in the Kern LAFCO service review for the District, according to the Kern Final 2007 Destination 2030 Regional Transportation Plan, population within the City is anticipated to increase annually by 1.49% through 2030 as follows:

2010: 27,900 2020: 31,800 2030: 36,200

In San Bernardino County, the population from 2005 is roughly 253, according to the District. The District indicates that the San Bernardino portion will experience little growth since it is bordered on the north and east by the Naval Weapons Center – China Lake and by Bureau of Land Management lands on the south. The District, utilizing Kern Council of Governments and Census projections, has provided the 2005 population and growth projections for the District as a whole as follows:

Year	2005	2010	2015	2020	2025	2030
Population	27,920	30,500	33,300	36,400	37,300	38,500

LAFCO has not received any project notices since 2005 from the County of San Bernardino Planning Department regarding General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential and commercial development in this area.

Although the projections from the Kern LAFCO report and the District vary, the difference is not statistically significant. Nonetheless, the population of the District will increase through 2030 and any changes in employment at the Naval Weapons Center will directly affect the population of the District. According to a *Los Angeles Times* article, 1,000 civilian jobs are anticipated to be added by 2011. Additionally, the Sierra Sands Unified School District is investing \$25 million to modernize its schools, and the Ridgecrest Regional Hospital is spending \$70 million to add units to its 80-bed facility by 2010.

RESOLUTION NO. 3081

At present, the land uses within the San Bernardino portion of the District and its sphere of influence include residential and vacant lands. The County of San Bernardino has assigned general plan land use designations of Resource Conservation and Rural Living. The land ownership breakdown within the District's boundary and sphere is identified in the table below. It is not anticipated that the portion within San Bernardino County will experience significant growth given the current land use patterns.

Land Owner	Sq Miles (Boundary & Sphere)	Percentage
US Bureau of Land Management	2.11	34.00%
Private	1.51	24.33%
Military	2.59	41.67%
Total	6.21	100.0%

source: County of San Bernardino, Information Services Department

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

Water Plans and Requirements

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. The DWR report to the Legislature for the 2005 urban water management plans was reviewed, and the report identifies that the District did not submit a 2005 urban water management plan. The District states that it did submit a 2005 plan to DWR. A copy of the 2005 plan is on-file at the LAFCO staff office.

Water System

The District supplies domestic water to customers in the City of Ridgecrest and surrounding areas. The sole supply source is the Indian Wells Valley Groundwater Basin (a basin that is not adjudicated). The District utilizes 11 wells that can produce up to 17 million gallons per day. According to the Kern LAFCO report, the District has stated that an additional 2,320 gallons per minute in production is needed to meet maximum daily demand with a 20% redundancy. Should one or two wells become unavailable during a maximum pumping day, the ability to meet demand would be compromised. In addition, there are two wells in standby status with one of the wells, Well 19, anticipated to be placed in inactive status and then destroyed.

The remaining facilities include ten water storage reservoirs with a combined storage capacity of 16.6 million gallons and over 1 million linear feet of transmission pipelines. The system is divided into five separate pressure zones which utilize six booster pumping plants. Water deliveries range from an average of 125 million gallons a month in the winter to 360 million gallons during the summer.

As of December 31, 2008, the number of active service connections was 11,643 with 188 inactive connections. Of the active connections, 101 are in San Bernardino County.

RESOLUTION NO. 3081

Rates are on a tiered structure which can promote conservation. According to the District's rate ordinance, the District participates in the sale of bulk water. For more information regarding water hauling, see the Water Discussion section of this report.

Water Quality

The following summary regarding arsenic is taken from the 2008 Annual Water Quality Report.

In 2006 the Environmental Protection Agency reduced the maximum contaminant level (MCL) of arsenic in drinking water from 50 parts per billion (ppb) to 10 ppb based on public health protection, technical feasibility, and cost. The level of arsenic in our water has not changed, but the standard has changed.

The District began compliance testing in December 2007. At that time, Wells 9A, 11 and 13 were put on quarterly monitoring. While Well 11 is still being monitored for compliance, Wells 9A and 13 violated the MCL based on samples collected in March, July and October 2008. The State of California adopted the new arsenic level of 10 ppb in November 2008 and began requiring water systems with water sources higher than 10 ppb to inform all their customers. As a result, the District began sending notices to their customers every 3 months. The District will continue to send these notices until our arsenic removal facilities are operational in 2010.

To comply with this new drinking water standard, the District will construct two treatment plants. Each will have the ability to treat water from two wells. Construction is estimated to begin late 2009/early 2010. The total cost of the two treatment plants and related pipelines is estimated at \$8 million.

Other than arsenic violations in Wells in 9A and 13, no other violations are identified in the 2008 Annual Water Quality Report. A review of the records on file since 2000 with the Lahontan Regional Water Quality Control Board does not identify any enforcement actions regarding the District.

Capital Improvements

During FY 2008-09, the District invested \$2.1 million in mainline replacement, automated meter reading units, and security improvements.

Since the close of the 2008-09 fiscal year, in September 2009, the District entered into a 30 year Certificate of Participation debt agreement for \$20 million at an interest rate of 5.14%. The COP funds will be used to cover \$15.1 million in capital projects including arsenic treatment plants, the D-zone tank reservoir and well improvements, and \$2.9 million will be used to re-finance the 1999 Series Bond. However, the costs of the projects exceed the COP funds. The District has identified the capital costs of the projects to be:

- \$12.1 million for the arsenic treatment plant
- \$6.5 million for water supply improvement
- \$1.5 million for the D-zone tank reservoir
- \$321,000 for finalization of brackish water treatment pilot program
- \$100,000 for development of an aquifer storage and recovery project

RESOLUTION NO. 3081

Mojave Water Agency (San Bernardino County)

The District is within the boundaries of a state water contractor in each county (Mojave Water Agency in San Bernardino County and Kern County Water Agency). The California Aqueduct travels in a southeasterly direction through Bakersfield in Kern County and enters San Bernardino County in an easterly direction just north of Phelan. However, the service areas of the District in both counties are over 75 miles away from the California Aqueduct. Further, three groundwater basins separate the service area of the District and the discharge locations of the supplemental water. Therefore, accessibility to supplemental water is not feasible at this time. According to property tax data available from the San Bernardino County Assessor, Mojave Water Agency (MWA) receives a share of the one percent general levy from the properties within San Bernardino County. Also, these properties pay for MWA Bond Debts 1 and 2 for MWA's obligations for the State Water Project contract.

3. Financial ability of agencies to provide services:

The District's primary source of revenue is from the sale of water. It does not receive a share of the general property tax levy. The largest expenses are the delivery of water and personnel. A review of the District's financial statements for FY 2006-07, 2007-08, and 2008-09, show that revenues were in excess of expenditures for FY 2006-07 and 2007-08. However, in FY 2008-09, water sales decreased and expenditures increased which resulted in expenditures greater than revenues by \$391,464. Should the trend of expenditures being greater than revenues continue, the District will experience administrative and operational challenges.

FY 2008-09 Audit

A review of the FY 2008-09 audit identifies the following highlights:

- Total assets were valued at roughly \$48 million
- Total liabilities were valued at roughly \$12 million
- Total net assets were valued at \$36 million and changed less than 1% from prior fiscal year
- Total revenues for the year equaled \$8,190,456, which is \$661,000 less than revenues collected from prior year.
- Total expenses for the year equaled \$8,581,920, which is \$97,000 more than prior year.
- Total expenses incurred were \$391,464 more than total revenues.

As identified in the FY 2008-09 audit, the District has plans to adopt Governmental Accounting Standards Board (GASB) 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" for the plan year beginning July 1, 2009. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare, healthcare subsidies, and other non-pension benefits.

Long-term Debt

Shortly after the District annexed into San Bernardino County, new water mains and appurtenances were installed to replace the deteriorated water distribution system of the H.L.M. Water Company. Funding for the construction and replacements were from the District's Assessment District 82-1 in San Bernardino County. A review of the District's audits and San Bernardino Assessor data does not show Assessment District 82-1 as an existing assessment district.

RESOLUTION NO. 3081

For FY 2008-09, long-term debt was reduced by \$792,000 to \$10.8 million in outstanding bonds and notes. As of June 30, 2009, the long term debt consisted of the following:

	2009	2008
Loans:		
Proposition 55, Safe Drinking Water Act Loan	\$3,011,487	\$3,185,076
Proposition 44, Water Conservation Construction Loan	145,847	184,419
Total Loans	3,157,334	3,369,495
Revenue Bonds:		
California Statewide Communities Development Authority Water and Wastewater Revenue Bonds, Series 1999A	3,125,000	3,365,000
Water Revenue Refunding Bonds, Series 2003	4,480,000	4,820,000
Total Revenue Bonds	7,605,000	8,185,000
Total Long-Term Debt	\$10,762,334	\$11,554,495

The 1999 bonds identified in the chart above were issued as a pooled financing program. The bond instruments were issued on behalf of the District, Lake Arrowhead Community Services District, and the City of Ripon.

Statutory and Constitutional Requirements

- The District does not receive a share of the general property tax levy. Therefore, it is not subject to an appropriations limit.
- Section 26909 of the Government Code requires regular audits of district accounts and records. According to records from the State Controller, the last audit received was for FY 2008-09.

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

The District and the Naval Weapons Center at China Lake constructed two emergency water system interconnections in 1987. The maximum transfer rate is 3,000 gallons per minute with a maximum daily capacity of 4.3 million gallons. The interconnections permit either entity to deliver water to the other as needed to meet water supply requirements during emergencies caused by well pumping plant or transmission pipeline failure. They are not intended to augment the normally available water supply of either entity.

In 1991, the District entered into an agreement with the North American Chemical Company (Kern County) that established interconnections between the respective water systems for emergency purposes only. The interconnection facilities are now owned by Searles Valley Minerals Inc.

RESOLUTION NO. 3081

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

Local Government Structure and Community Service Needs

Indian Wells Valley Water District is an independent district and is governed by a five-member board of directors. Members are voted by the electorate or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. According to the District, there have been five elections within the past 10 years. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Leroy Corlett	President	2012
Peter Brown	Vice President	2010
Margaret L. (Peggy) Breeden	Director	2012
Donald J. Cortichiato	Director	2012
Harold W. Manning	Director	2010

Board meetings are held the second Monday of the month at 7pm at the District office in Ridgecrest, Kern County and are open to the public. An attorney is present at all public meetings. The District has a website for the public to seek information or voice concerns (www.iwvwd.com). The District operates with an annual balanced budget that is adopted at a public hearing, and the board is provided with quarterly finance reports.

Kern Grand Jury

The Kern Grand Jury reviewed the District in 2004-05. Among the Grand Jury findings and comments related to the District were:

- \$54,000 a year to cover medical costs for the Board of Directors is excessive.
- Board receives a reasonable amount of compensation for meeting attendance.
- District appears to be a well run organization that makes mistakes but learns from them and takes positive and constructive actions to not repeat them.
- The largest problem currently facing the District is public education in regards to water contamination, arsenic levels, and conservation. They appear to be making great strides in this area with an excellent and informative website and a quarterly newsletter.

Operational Efficiency

The District is a member of the following joint powers agreements:

- Association of California Water Agencies (ACWA) for a health and welfare insurance.
- Special District Risk Management Association (SDRMA) for property and liability insurance and workers compensation.
- The District has entered into an agreement to jointly finance the creation and publication of a conservation book for distribution in California high desert communities. The project's participants are the District, Rosamond Community Services District, Palmdale Water District, City of Palmdale, Kern County Water Agency and Naval Air Weapons Station China Lake.
- The Indian Wells Valley Water District is located in the Indian Wells Valley groundwater basin. This basin is the sole source of water for the City of Ridgecrest and its outlying areas,

RESOLUTION NO. 3081

the community of Inyokern, and the Naval Air Weapons Station. In the Indian Wells Valley, the Indian Wells Valley Cooperative Groundwater Management Group is currently addressing methods to quantify recharge into the basin. This group was formed in 1985 to encourage water conservation and preservation of the water resources within the Indian Wells Valley. The group is a public water data-sharing group consisting of the major water producers, government agencies, and citizens. Members include, but are not limited to, the Bureau of Land Management, City of Ridgecrest, Kern County, Eastern Kern County Resources Conservation District, Indian Wells Valley Water District, Kern County Water Agency, and the Naval Air Weapons Station, and Searles Valley Minerals Company. Additional information can be obtained from the group's website: www.iwvgroundwater.org.

The District utilizes the Indian Wells Valley Cooperative Groundwater Management Group for the submission of cooperative applications for grants. In addition, as a signatory to the Indian Wells Valley Cooperative Groundwater Management Plan, other agencies provide in-kind services related to groundwater quality and groundwater data collection. The Kern County Water Agency provides services related to database management for all of the signatories to the Plan.

Additionally, a groundwater model of the basin is being developed through a cooperative effort between the Indian Wells Valley Water District, the Navy, and Searles Valley Minerals. Currently, the Indian Wells Valley Water District is conducting an aquifer storage and recovery site evaluation and will soon begin a brackish water treatment pilot study in the Northwest Well Field. The Indian Wells Valley Water District has specific plans that establish emergency command teams; coordination procedures with local law enforcement, fire, medical, and other services; communications procedures; and stages of action.

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 states that it does not provide services outside of its boundaries. However, it has established water rates for bulk hauled water for domestic household purposes and for commercial establishments.

Government Structure Options:

Kern County is the principal county for the District. Therefore, change of organization proceedings would be conducted by Kern LAFCO unless Kern LAFCO agrees to having exclusive jurisdiction vested in San Bernardino LAFCO and San Bernardino LAFCO agrees to assume jurisdiction pursuant to Government Code 56388.

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

RESOLUTION NO. 3081

1. Present and Planned Uses:

At present, the land uses within the San Bernardino County portion of the District include residential and vacant lands. The County of San Bernardino has assigned general plan land use designations of Resource Conservation and Rural Living. The land ownership breakdown within the district's boundary and sphere is identified in the table below. It is not anticipated that the portion within San Bernardino County will experience significant growth given the current land use patterns.

Land Owner	Sq Miles (Boundary & Sphere)	Percentage
US Bureau of Land Management	2.11	34.00%
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Military	2.59	41.67%
Total	6.21	100.0%

source: County of San Bernardino, Information Services Department

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

The land use in the San Bernardino County area is mostly public lands with some residential. It is not anticipated that the portion within San Bernardino County will experience significant growth given the current land use patterns to warrant an increased need for service. Further, there is no need for services by the District on the military or Bureau of Land Management lands. For those within the District but not within one of its service zones, the District participates in the sale of bulk water, according to the District's rate ordinance.

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

The District supplies domestic retail water to customers in the City of Ridgecrest and surrounding areas. The sole supply source is the Indian Wells Valley Groundwater Basin. The District utilizes 11 wells that can produce up to 17 million gallons per day. According to the Kern LAFCO report, the District has stated that an additional 2,320 gallons per minute in production is needed to meet maximum daily demand with a 20% redundancy. Should one or two wells become unavailable during a maximum pumping day, the ability to meet demand would be compromised. In addition, there are two wells in standby status with one of the wells, Well 19, anticipated to be placed in inactive status and then destroyed.

Other than arsenic violations in Wells in 9A and 13, no other violations are identified in the 2008 Annual Water Quality Report. A review of the records on file since 2000 with the Lahontan Regional Water Quality Control Board does not identify any enforcement actions regarding the District.

The remaining facilities include ten water storage reservoirs with a combined storage capacity of 16.6 million gallons and over 1 million linear feet of transmission pipelines. The system is divided into five separate pressure zones which utilize six booster pumping plants. Water deliveries range from an average of 125 million gallons a month in the winter to 360 million gallons during the summer.

During FY 2008-09, the District invested \$2.1 million in mainline replacement, automated meter reading units, and security improvements.

RESOLUTION NO. 3081

Since the close of the 2008-09 fiscal year, in September 2009, the District entered into a 30 year Certificate of Participation debt agreement for \$20 million at an interest rate of 5.14%. The COP funds will be used to cover \$15.1 million in capital projects including arsenic treatment plants, the D-zone tank reservoir and well improvements, and \$2.9 million will be used to re-finance the 1999 Series Bond. However, the costs of the projects exceed the COP funds. The District has identified the capital costs of the projects to be:

- \$12.1 million for the arsenic treatment plant
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- \$321,000 for finalization of brackish water treatment pilot program
- \$100,000 for development of an aquifer storage and recovery project

4. Social and Economic Communities of Interest:

The social and economic communities of interest are the City of Ridgecrest and the Naval Air Weapons Center – China Lake. The District is within the Kern Community College District and Sierra Sands Unified School District. The Sierra Sands Unified School District headquarters is located in Ridgecrest, Kern County, and all of its schools are located in Kern County.

5. Additional Determinations

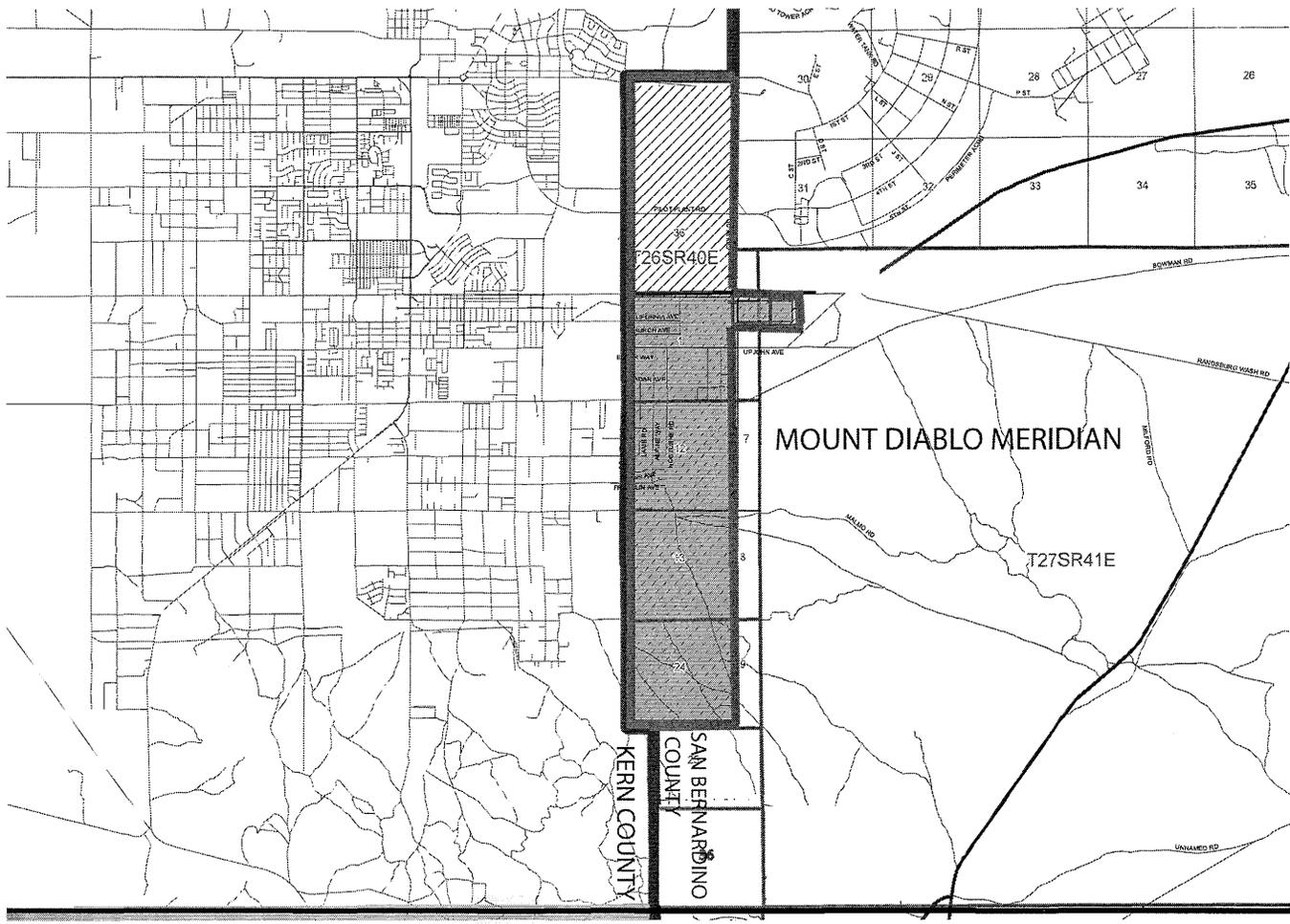
- Legal advertisement of the Commission's consideration has been provided through publication in *The Daily Independent* through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- 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 were reviewed and considered by the Commission in making its determinations.

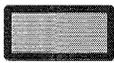
WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the nature, location, and extent of any functions or classes of services provided by the Indian Wells Valley Water District are established by Kern LAFCO, being the LAFCO of the principal county, as being retail water.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to acknowledge the sphere of influence of the Indian Wells Valley Water District in San Bernardino County to include its current boundaries and extending to the north to include Sections 25 and 36 of Township 26 South, Range 40 East Mountain Diablo Meridian, as outlined on the attached exhibit to this resolution.

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 Indian Wells 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

LAFCO 3027 - SERVICE REVIEW AND SPHERE OF INFLUENCE
UPDATE FOR INDIAN WELLS VALLEY WATER DISTRICT
(SAN BERNARDINO COUNTY)



-  Indian Wells Valley Water District (San Bernardino County)
-  IWVWD Sphere (San Bernardino County)
-  county line

Map prepared by San Bernardino LAFCO 1-10-10

