

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

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO 3140

HEARING DATE: February 17, 2010

RESOLUTION NO. 3087

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3140 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE HI-DESERT WATER DISTRICT (expansion of approximately 480 acres in Section T02N, R06E, San Bernardino Meridian; and affirmation of the balance of the existing sphere of influence as shown on the attached maps).

On motion of Commissioner Cox, duly seconded by Commissioner Pearson, 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 February 17, 2010 at the time and place specified in the notice of public 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 statutorily exempt from CEQA and such exemption was adopted by this Commission on February 17,

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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 Local Agency Formation Commission and considered by this Commission, it is determined that the following sphere of influence determinations should be made for the Hi-Desert Water District (hereafter shown as the "District"):

- (1) Expand the sphere of influence to include approximately 480 acres of Section 29 T2N, R6E, San Bernardino Meridian, and
- (2) Affirm the balance of the existing sphere of influence for the District

as more specifically depicted on the maps attached hereto as Exhibit "A" and "A-1"; 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 February 10, 2010 and received and filed by the Commission on February 17, 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:**

The District has provided a 2008 estimate of roughly 23,211 persons within its boundaries. This figure is statistically similar to the figure of 24,221 when utilizing the Department of Finance figure for the Town of Yucca Valley and for the unincorporated area as outlined in the Town's *Municipal Service Review*. As of March 16, 2009, there were 11,697 registered voters within the District.

Population growth through 2035 is anticipated to reach 38,634. The build-out population within the District's boundaries is estimated to be 79,678 based on the assigned land use designations (62,223 in the Town; 17,455 for the unincorporated area). It is unlikely that buildout population will be reached by the 2030 horizon of this review.

Development within the District increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The majority of the single family residences constructed in the past two years have been infill and the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the District is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination.

Any future projects will increase the need for municipal services within the District's existing boundaries. However, the single most tangible factor that could limit growth will be the availability of water.

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

Water

The District had 9,699 active service connections in 2009. Of the active connections, 94% are residential and multi-family, 4% are commercial, and 2% are other uses. Consequently, the

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District's service connections are projected to increase to 10,500 connections by 2010, approximately 12,000 connections by 2015, 13,000 connections by 2020, and 15,000 connections by 2030. Annual average growth rate under these assumptions is approximately 2.3%.

Supply

Water supplied to Yucca Valley is extracted from the Warren Valley Groundwater Basin and the Ames Basin. The District is the principal water purveyor servicing the Yucca Valley area, the other being County Service Area 70 Improvement Zone W-4 serving the Pioneertown area located within the District's western sphere of influence. The District obtains all of its water supplies from 18 wells (13 active) that pump groundwater from the Warren Valley Groundwater Basin, with two located in the Ames basin on the mesa to the north. The wells have a combined per day capacity of 9.2 million gallons.

According to a U.S. Geological Survey study published in 1972, the Warren Valley Groundwater Basin was reported to be small and not exceeding 200 acre-ft/yr of natural recharge. Groundwater in storage in 1958 was computed to be 106,000 acre-ft. It was concluded that the consumptive-use in the basin from 1958 through 1972, still yielded at least 96,000 acre-ft of groundwater in storage.

Current estimated production is approximately 3,000 acre-feet per year (afy). According to the District, it also has rights for up to 800 afy from the adjacent Ames Valley Basin. In 1987, the District drilled a well outside the Warren Valley Basin that is capable of producing 1,500 afy. The well site was placed within the sphere of influence of the Bighorn - Desert View Water Agency. This well was drilled on Bureau of Land Management property. The well can produce up to 2,100 afy from the Ames Valley Groundwater Basin, which much of District's Mesa area overlies.

According to a USGS Water-Resources Investigation Report, from the late 1940s through 1994, water levels in the Warren sub-basin declined as much as 300 feet due to groundwater extraction. In response, the District instituted an artificial recharge program in 1995 to replenish the groundwater basin using imported California State Water Project water. With little natural recharge, the imported water has been used to offset and eliminate any continued cumulative contribution to overdraft of District operations. This water is piped to the project area and recharged into the Warren Valley Basin through a series of recharge basins in the Town of Yucca Valley along Yucca Creek Wash. In 2007 and 2008, the District purchased from Mojave Water Agency 4,955 and 4,270 acre-feet of imported water from the State Water Project, respectively.

However, while the artificial recharge program resulted in water-level recovery of about 250 feet between 1995 and present, nitrate (NO₃) concentrations in some wells also increased from 10 mg/L to more than the U.S. EPA maximum contaminant level of 44 mg/L. Due to nitrates present in some wells, water pumped from wells 12E and 17E are treated at the nitrate removal facility. The capacity of the treatment facility is 2,500 gallons per minute, and the treated water is blended with water from well 16E before being pumped in the system for distribution.

Water Distribution System

The District states that its facilities range from over 60 to just a few years old. The majority of the District's 316 miles of pipelines were initially constructed in the 1940's, but beginning in 1997 the District has been aggressively replacing approximately 10 miles of pipe a year from uncoated steel to PVC. The *Water System Master Plan* states that roughly 56% of the pipelines have an unknown installation date. The pipes range in size from 2 to 12 inches in diameter, with the majority being six

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and eight inches. In FY 2008-09, the District's Capital Replacement Program installed 16,600 linear feet of new water transmission and distribution mains. Since 1972, the District has installed roughly 380,000 liner feet of pipe (72 miles).

Most of the District's reservoirs and pump stations were built in the 1980s. The 16 storage reservoirs have a combined 12.90 million gallons of storage and range in capacity from 0.15 million gallons to 2.2 million gallons. While not scheduled for replacement, the District has a maintenance plan in place and facilities issues are addressed expeditiously. The District states that it has an aggressive approach to maintenance and upkeep of the system that has kept the system in overall good condition.

Consumption rates are amongst the lowest in the state, being 121 gallons per day per capita versus the statewide average of 192 gallons per day per capita. Additionally, the District estimates that roughly 75% of customers have retrofitted their properties with low-flow toilets.

The system has two emergency inter-tie connections. The first is with the Bighorn-Desert View Water Agency. This connection is only active for delivery from Bighorn-Desert View Water Agency to Hi-Desert Water District. Since 1995, the availability to deliver water from Hi-Desert Water District to Bighorn-Desert View Water Agency has been compromised due to the pump-tie being no longer functional. The second inter-tie connection is with the Joshua Basin Water District through hydrant transfer via pump and hose connections.

Future Water Facilities

In order to address future development, additional water, sewer and water reclamation infrastructure will be needed. Capital Improvement Plans for the infrastructure are included in the District's current *Water System Master Plan*. The facilities needed include a comprehensive sewer system, a wastewater reclamation plant, water conveyance pipelines, water storage reservoir and a water system booster station.

The Lower Ridge Reservoir project consists of the construction of a new 250,000 gallon reservoir and associated earthwork, concrete, asphalt, water piping, valves, electrical, fencing, and general site improvements. The proposed reservoir will provide operational, emergency and fire flow storage for the pressure zone on the western end of Yucca Valley. The project is in the bid phase and a request for proposals has been noticed.

Watermaster Activities

Pursuant to the Judgment in the case of *Hi-Desert Water v Yucca Water Company, Ltd*, in 1992 the court appointed the District as the Watermaster of the Warren Basin. The Watermaster is responsible to report annually on the condition of the Warren Basin, including all groundwater information, usage, precipitation, and production values.

Currently the Watermaster Board of Directors consists of eight members: five members from the District Board of Directors, one non-voting representative from Blue Skies Country Club, one non-voting representative from the Institute of Mental Physics and one non-voting representative from the 16 minimal producers.

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Sewer

The District is authorized Sewer as an active function by LAFCO, but the service has not been provided to date.

Currently, the Water District's entire service area and sphere area relies on septic tanks and subsurface disposal to treat and dispose of wastewater. Individual package treatment plants have been required for restaurants and new commercial uses since 2005. To protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater, as mandated by the Colorado Regional Water Quality Control Board, the District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project" (See Agenda Item 11 – LAFCO 3084). In addition, the proposed project will generate treated effluent for percolation into the groundwater basin. The District has been planning in anticipation of actively providing sewer service and has completed its *Wastewater Collection and Treatment Master Plan (1998)*, *Guidelines and Standards for Sanitary Sewer Facilities (2007)*, *Sewer Master Plan (2009)*, and *Pre-Design Report (2009)*. Copies of these documents are on-file at the LAFCO staff office.

3. Financial ability of agencies to provide services:

Revenues

The District's revenue falls into two general categories, operating revenue and non-operating revenue. Operating revenue consists of revenue based on water consumption as well as revenue from fees (connection, new accounts, delinquency, etc), meter sales and returned checks. Non-operating revenue consists of property taxes (\$1.6 million in 2008), retail water sales and other minor sources such as bottled water sales and interest on bank balances. Revenues could theoretically be increased by raising water consumption rates or increasing fees on services such as connections or on delinquencies; however, the District states that rates increases will not be considered without a rate study.

The District also maintains a Wastewater Enterprise Fund separate from the District's General Fund as a means to isolate revenue and costs for the planned Sewer and Wastewater Reclamation Project. This Sewer Project's revenues are a combination of loans from the General Fund and grants from agencies such as US Bureau of Reclamation, the US Environmental Protection Agency and the State Water Resources Control Board.

The District's non-operating revenues, such as property taxes, surcharge, or surcharge recovery revenues are pledged to pay down the District's debt service expenses and for the District's capital improvement program. Non-operating revenues net of non-operating expenses decreased by \$298,066 in FY 2008-09 due primarily to a decrease in investment earnings of (\$162,084) and a decrease in tax revenue recovery surcharge of (\$260,317) from 2008.

Expenditures

The District's major expenditures are water purchases, pumping and treatment, transmission, customer service and general administrative expenses. The District's operating expenses have exceeded its operating revenues before depreciation and amortization expense for the past three audit years as bulleted below.

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- In FY 2006-07 by 3.0% or (\$222,328) due primarily to increase water procurement costs.
- In FY 2007-08 by 15.8% or (\$1,096,595) due primarily to a decrease in operating revenue from water sales and an increase wastewater operational costs.
- In FY 2008-09 by 15.2% or (\$1,081,247) due primarily to operating expenses related to increased salaries and benefits and wastewater operational costs.

Non-operating revenues make up the difference of operating expenses exceeding operating revenues. The District's net income from non-operating revenues and debt service expenses produced a positive return of \$1,941,421 and \$2,239,517 in fiscal years 2009 and 2008, respectively. The District has pledged certain non-operating property tax and surcharge revenue items to pay for the District's debt service expense and/or to be used for the District's capital improvement program.

Long-term Debt

Long-term debt of the District totals \$9,026,595 (roughly \$425 per capita) and is comprised of:

- \$4.5 million in loans payable
 - \$3.3 million for 1986 California Department of Water Resources (DWR) loan: liability of the former Yucca Valley Water Company for financing the construction of capital improvements so that the Company could comply with California Safe Drinking Water Standards. The loan has an interest rate of 4.14% and is scheduled to mature in 2024.
 - \$1.2 million for DWR loan: In 1994 the Mojave Water Agency contracted with the DWR for a loan to assist in the financing the construction of the Morongo Basin Pipeline Extension (Reach I and II Extensions) and the Warren Valley Recharge Project. In 1996, the District requested an amendment to the contract for a partial assignment of the loan and project facilities from MWA to the District. The amendment resulted in a \$3.7 million 20-year loan to the District and transferred the Reach II Extension and Recharge Project to the District. The loan has an interest rate of 3.00% and is schedule to mature in 2015.
- \$3.3 million in bonds payable
 - \$1.0 million in 1982 Lease Revenue Bonds – In 1982 bonds were issued to provide funds for water capital improvements. The bonds have an interest rate of 5.00% and are scheduled to mature in 2022.
 - \$2.3 million in 1998 Revenue Refunding Bonds – The bonds have an interest rate of 3.80% to 5.00% and are schedule to mature in 2021.

The Joshua Basin - Hi-Desert Financing Authority (Authority) was established in 1998 as a joint exercise of powers authority organized under the laws of the State of California and comprised of the Joshua Basin Water District and the Hi-Desert Water District. The Authority was formed to assist in the financing of various capital improvements and the facilities. The District's facilities consist primarily of

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eight water storage tanks and the District's office building and shop on Old Woman Springs Road. In 1998, the Authority issued \$3,590,000 in Revenue Refunding Bonds to initiate an advance refunding (defeasance) of the 1991 Certificates of Participation.

The Authority leases certain facilities from the District pursuant to a Facilities Lease, dated January 1, 1998, by and between the Authority and the District, and leases back to the District the facilities pursuant to a Lease Agreement, dated January 1, 1998, by and between the Authority and the District. The District is legally required to make lease payments in each year in consideration for the use and occupancy of the facilities from operating sources in an amount sufficient to pay the annual principal and interest requirements on the bonds. The bonds are scheduled to mature in 2021. Interest is payable semi-annually on August 1st February 1st each year at a rate of 3.80% to 5.00% while principal payments are made on February 1st each year.

- \$1.2 million in notes payable:
 - \$725,000 in a 1978 Farmer's Home Loan Administration note in drought relief notes to provide funds for water capital improvements for the District. The note has an interest rate of 5.00% and is scheduled to mature in 2018.
 - \$75,515 for a contract for nitrate removal.
 - The District also has a note receivable for \$350,000 executed in February 2008 from the Town of Yucca Valley in order to aid the District in the construction and operation of a wastewater treatment and collection system. The interest on the note accrues at a daily rate using the PMIA Average Monthly Effective Yield as published by the State Treasurer's Office. The note is due in full on or before January 31, 2013 with interest.

Morongo Basin Project and Surcharge

The District is a project participant in the Mojave Water Agency's Improvement District M State Water Project (Morongo Basin Project). The Mojave Water Agency was authorized to issue \$66,500,000 of general obligation bonds to build a pipeline connection from the State Water Project's California Aqueduct in Hesperia to the Morongo Basin. The project was completed in June 1996, and to date \$51,780,000 in bonded debt has been issued to cover the costs of the construction. The District and the other project participants have agreed to pay their proportional portion of the construction, operation and financing costs for the entire project. Therefore, the District is charging all of its customers a monthly surcharge to pay for the District's participation in the Morongo Basin Project. The total surcharge revenue for the years ended June 30, 2009 and 2008 was \$527,101 and \$531,664, respectively. For auditing purposes, the agreement is being treated as a 25-year operating lease since title to the pipeline connection assets will not be transferred to the District. The District's commitment under the agreement is 17.70% of the annual bonded debt service requirements (principal and interest). At June 30, 2009 and 2008, the District has recorded a prepaid asset on the statement of net assets in the amount of \$713,661 and \$467,612, respectively, related to the Morongo Basin Project and Surcharge.

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Gann Limit (Appropriations Limit)

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules of other refund agreements. As a part of the budget process, the District annually adopts an appropriations limit. For FY 2009-10, the limit has been set at \$6,183,426. The budgeted revenue for property tax is \$1,454,369 which is a fraction of the limit.

Additional Financial Information

The District has received an award of financial reporting achievement by the Government Finance Officers Association of the United States and Canada for the past three audits conducted.

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

The system has two emergency inter-tie connections. The first is with the Bighorn-Desert View Water Agency. This connection is only active for delivery from Bighorn-Desert View Water Agency to Hi-Desert Water District. Since 1995, the availability to deliver water from Hi-Desert Water District to Bighorn-Desert View Water Agency has been compromised due to the pump-tie being no longer functional. The second inter-tie connection is with the Joshua Basin Water District through hydrant transfer via pump and hose connections.

In FY 2008-09, the District started a joint planning effort for the Integrated Regional Wastewater Management Plan with the City of Twentynine Palms, Joshua Basin Water District, Bighorn Desert View Water Agency, Twentynine Palms Water District, Town of Yucca Valley, and County of San Bernardino. This is currently a joint planning effort, and one of the goals is to collaborate on a regional strategy for Wastewater Management which, in the future, could lead to shared facilities or closer coordination of services and activities.

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

The District is an independent special district governed by a five-member board of directors. Members are either selected by vote of the electorate or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. The District board also sits as the board of directors for the agencies for which it is responsible for: Hi-Desert Improvement Corporation and Warren Valley Basin Watermaster. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Sarann Graham	President	2012
Dan Munsey	Vice-President	2010
Roger Mayes	Director	2010
Bob Statum	Director	2012
Sheldon Hough	Director	2010

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The board meets the first and third Wednesday of the month at 6:00pm at the District headquarters. The board meetings are shown on Time Warner Cable Channel 10 on Wednesdays and Thursdays at 7:00 p.m. one week after the regularly scheduled meetings. The meetings are open and accessible to the public with a point of contact provided for any information requests.

The District provides a variety of mechanisms for the public to provide feedback regarding operations. The District's website provides e-mail and phone numbers for feedback. Comments and questions received are tracked and responded to by the appropriate District staff. The District has a Public Information Officer that coordinates media activities and coverage of District projects and events. A District-conducted 2008 Customer Survey revealed an 85% satisfaction rate with the District.

Specific to the Sewer and Wastewater Reclamation Project, the District has developed a public outreach plan that includes interactions with the public at the variety of fronts and includes many opportunities for the public to provide feedback, ask questions and receive information. For the proposed Wastewater Treatment and Water Reclamation facility, the District formed an 18-member Wastewater Public Advisory Committee.

The District employs approximately 44 regular employees organized in six departments, a reduction of three employees from the previous year.

Operational Efficiency

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

- The District is member of the Association of California Water Agencies (ACWA) Joint Power Insurance Authority. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.
- The District is working with the Colorado Regional Water Quality Control Board and the Town of Yucca Valley to protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater. The District is lead agency for a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project".
- Worker's compensation insurance is purchased through the Special District Risk Management Authority (SDRMA).
- Within the past two years, the District has reorganized the customer service division. Customers now have the option of paying their bills at the District office, drop box at the District parking lot, via phone, website, or automatic account debit.
- The Hi-Desert Water District worked closely with the former Yucca Valley Fire Protection District to provide water refill stops for the fire fighting aircraft and fire trucks that provided fire protection to the community from the Sawtooth Complex Fire in July 2008.
- Additionally, the District recently started a joint planning effort for an Integrated Wastewater Management Plan with the City of Twentynine Palms, Joshua Basin Water District, Bighorn-Desert View Water Agency, Twentynine Palms Water District, Town of Yucca Valley, and the County.

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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 has identified that it does not have any water lines outside of its boundaries, but it does provide retail water for bulk hauling.

Government Structure Options:

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

- Expansion of boundaries. The District, residents, or landowners could submit an application to expand the boundaries of the District to the west to include the Pioneertown area. Such an application would be processed to include the dissolution of the County Service Area 70 Improvement Zones W-4 with the District identified as the successor agency. The District would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 improvement zone. The District has not expressed desire to explore this option. Expansion to the north, east, or south is not an option because the District is bound by either another water district or the Joshua Tree National Park.
- Hi-Desert Water District becoming a subsidiary district of the Town. In order for the District to become a subsidiary district of the Town, at least 70% of registered voters in the District must reside in the Town and at least 70% of the District's territory must also be within the boundaries of the Town.
 - Registered Voters – The Town and the Districts have indicated that the numbers of registered voters in their agencies are 10,220 and 11,697, respectively. At 87%, the District meets the threshold for registered voters within the boundaries of the Town.
 - The District encompasses approximately 56 square miles and approximately 32 square miles of the District is within the Town. At 57%, the District does not meet the threshold for territory within the boundaries of the Town.
- Consolidation with one of the bordering water districts. Consolidation with either the neighboring Bighorn-Desert View Water Agency or Joshua Basin Water District, or both, would allow for economies of scale and allow for a more consolidated voice to address water issues. In 1989, an application was submitted by the Hi-Desert Water District and the Joshua Basin Water District to consolidate the districts into a single county water district. The LAFCO hearing was continued due to a pending recall of several of the directors of the Joshua Basin Water District and to allow time for the reorganized board of directors to formally express an opinion on the consolidation. The recall was successful; both districts

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requested withdrawal of the consolidation application and the Commission granted the request. The Commission believes a similar sentiment would be shared with the Bighorn-Desert View Water Agency. Therefore, this option is unlikely at this time, even if it would pose benefits to the customers and citizens of the area.

- Joint Powers Agency for Sewer Treatment. The Mojave Water Agency (MWA) is authorized by LAFCO an active sewer function, and being a regional entity it could help shepherd the development of a regional wastewater treatment facility.

A similar situation occurred in the late 1970s in the Victor Valley region of the County. To meet the requirements of the federal Clean Water Act and provide wastewater treatment for the growing population, the communities of the Victor Valley requested that the Mojave Water Agency (MWA), being a regional entity, help shepherd the development of a regional wastewater treatment facility. In accepting the request, MWA was designated by the Lahontan Regional Water Quality Control Board as the responsible entity for the design of the Victor Valley Regional Wastewater Reclamation Project. A few years later, the communities of the Victor Valley completed the creation of the joint powers authority, which became known as the Victor Valley Wastewater Reclamation Authority (VWVRA). VWVRA was expressly created for the purpose of providing the operation and management of the treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. On June 1, 1978, VWVRA assumed the assets and authority for the Project, and MWA divested itself from the Project and the provision of sewer service.

A similar circumstance could occur in the Morongo Basin portion of MWA. In 2007, LAFCO authorized the sewer function for the Joshua Basin Water District to include operation of package treatment plants. At this time, Joshua Basin Water District does not actively have collection pipelines or a treatment facility. On February's agenda, the Hi-Desert Water District is requesting expansion of the service description of its sewer function in order to actively provide the service. The District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project". The project anticipates a treatment facility to treat the collected effluent within the project's boundaries. Both districts, or more, could form a joint powers agency for treatment of wastewater from within both agencies. In general, each district would collect wastewater within its own boundaries through collection systems owned independently, and transport the collected wastewater to the Hi-Desert Water District's proposed treatment plant. Governance of the joint powers agency would be the participating agencies. Such an agreement could reduce duplication of treatment plants and provide the opportunity for economies of scale while maintaining the independence of each district.

- Maintenance of the status quo. The Commission does not recommend any organizational changes to the District's structure for the reasons 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 Town's General Plan describes the Town as a primarily rural residential community. Although the General Plan provides for a wide range of housing options, up to 14 units per acre, the majority

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of the development has been single family residential. Development within the Town increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The Town states that the majority of the single family residences constructed in the past two years have been infill and that the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the Town is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination.

In the western sphere of influence area outside of the Town, the County's General Plan has assigned land use designations of Resource Conservation (one unit to 40 acres) and Rural Living-5 (one unit to five acres). The majority of the northern portion of the District (Yucca Mesa) area has been assigned a land use designation by the County's General Plan of Rural Living (one unit to five acres and one unit to ten acres) with two distinct areas of Single Family Residential – 14m, which allow up to three units to the acre. Other designations include Resource Conservation, Neighborhood Commercial, and Institutional.

The sphere expansion area has County General Plan land use designations of Rural Living and Resource Conservation.

Any future projects will increase the need for retail water within the District's existing boundaries as well as within the surrounding unincorporated territory. However, the single most tangible factor that could limit growth will be the availability of water.

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

Future Water Facilities

In order to address future development, additional water, sewer and water reclamation infrastructure will be needed. Capital Improvement Plans for the infrastructure are included in the District's current *Water System Master Plan*. The facilities needed include a comprehensive sewer system, a wastewater reclamation plant, water conveyance pipelines, water storage reservoir and a water system booster station.

The Lower Ridge Reservoir project consists of the construction of a new 250,000 gallon reservoir and associated earthwork, concrete, asphalt, water piping, valves, electrical, fencing, and general site improvements. The proposed reservoir will provide operational, emergency and fire flow storage for the pressure zone on the western end of Yucca Valley. A project is in the bid phase and a request for proposals has been noticed.

Sewer

The District is authorized the function and service for Sewer by LAFCO, although it has not provided the service to date.

Currently, the Water District's entire service area and sphere area relies on septic tanks and subsurface disposal to treat and dispose of wastewater. Individual package treatment plants have been required for restaurants and new commercial uses since 2005. To protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater, as mandated by the Colorado Regional Water Quality Control Board, the District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project". In addition, the proposed project will generate treated effluent for percolation into the groundwater basin.

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

According to a USGS Water-Resources Investigation Report, from the late 1940s through 1994, water levels in the Warren sub-basin declined as much as 300 feet due to groundwater extraction. In response, the District instituted an artificial recharge program in 1995 to replenish the groundwater basin using imported California State Water Project water. With little natural recharge, the imported water has been used to offset and eliminate any continued cumulative contribution to overdraft of District operations. This water is piped to the project area and recharged into the Warren Valley Basin through a series of recharge basins in Town of Yucca Valley along Yucca Creek Wash. In 2007 and 2008, the District purchased from Mojave Water Agency 4,955 and 4,270 acre-feet of imported water from the State Water Project, respectively.

The District states that its facilities range from over 60 to just a few years old. The majority of the District's 316 miles of pipelines were initially constructed in the 1940's, but beginning in 1997 the District has been aggressively replacing approximately 10 miles of pipe a year from uncoated steel to PVC. The *Water System Master Plan* states that roughly 56% of the pipelines have an unknown installation date. The pipes range in size from 2 to 12 inches in diameter, with the majority being six and eight inches. In FY 2008-09, the District's Capital Replacement Program installed 16,600 linear feet of new water transmission and distribution mains. Since 1972, the District has installed roughly 380,000 liner feet of pipe (72 miles).

Most of the District's reservoirs and pump stations were built in the 1980s. The 16 storage reservoirs have a combined 12.90 million gallons of storage and range in capacity from 0.15 million gallons to 2.2 million gallons. While not scheduled for replacement, the District has a maintenance plan in place and facilities issues are addressed expeditiously. The District states that it has an aggressive approach to maintenance and upkeep of the system that has kept the system in overall good condition.

4. Social and Economic Communities of Interest:

Social communities of interest include the Town of Yucca Valley and the Yucca Mesa and Pioneertown areas. Economic communities of interest are the commercial activities along the Highway 62 corridor. The District is within the Morongo Unified School District, which serves the entire Morongo Basin.

5. Additional Determinations

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Hi-Desert Star*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
- 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 will need to be reviewed and considered by the Commission in making its determinations.

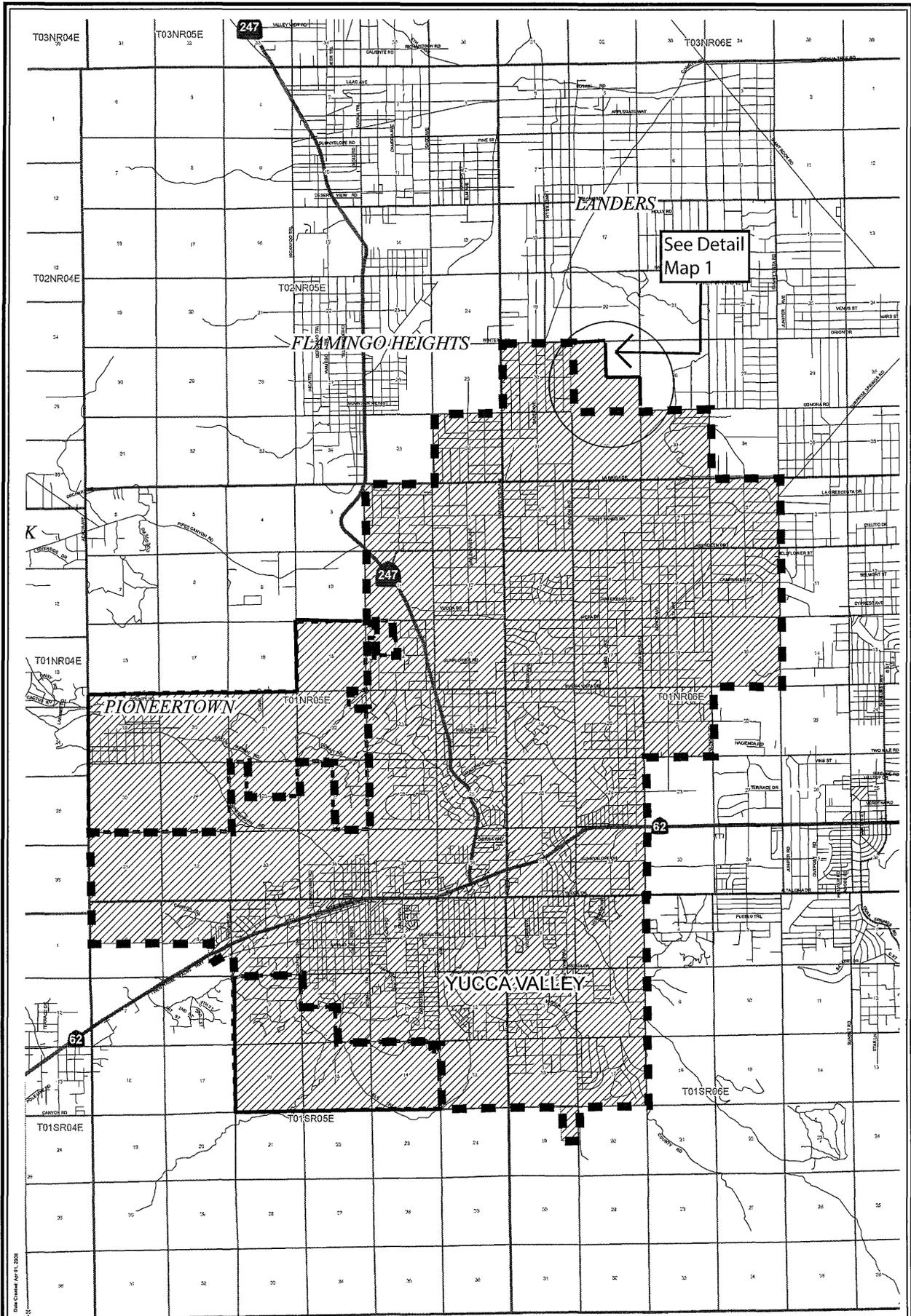
RESOLUTION NO. 3087

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 February 17, 2010

DATED: FEBRUARY 18, 2010



KATHLEEN ROLLINGS-McDONALD
Executive Officer



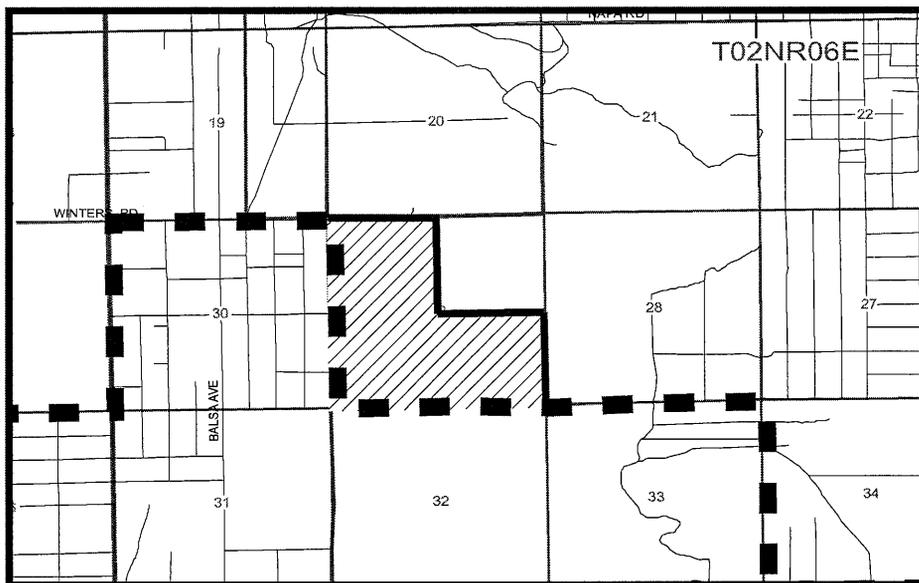
LAFCO 3140 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE
 FOR HI-DESERT WATER DISTRICT

-  Hi-Desert Water District Boundary
-  Hi-Desert Water District Sphere of Influence

Date Created: 06/01/2008
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LAFCO 3140 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR HI-DESERT WATER DISTRICT DETAIL MAP 1



-  HI-DESERT WATER DISTRICT BOUNDARY
-  HI-DESERT WATER DISTRICT SPHERE EXPANSION

