(FOR LAFCO USE ONLY)

# Justification for Proposal and Preliminary Environmental Description Form

**INTRODUCTION:** The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the Commission, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

## GENERAL INFORMATION

1. NAME OF PROPOSAL: Consolidation of the Baldy Mesa Water District and the Victor Valley Water District and the establishment of the successor district as a subsidiary district of the City of Victorville.

2. NAME OF APPLICANT: Douglas B. Robertson, Deputy City Manager

   MAILING ADDRESS:

   P.O. Box 5001
   Victorville, CA 92393-5001

   PHONE: (760) 955-5036

   FAX: (760) 269-0010

   E-MAIL ADDRESS: drobertson@ci.victorville.ca.us

3. GENERAL LOCATION OF PROPOSAL: Within the incorporated boundary and sphere of influence of the City of Victorville

4. Does the application possess 100% written consent of each landowner in the subject territory?
   YES ___ NO x If YES, provide written authorization for change.

5. Indicate the reasons that the proposed action has been requested. Consolidation of government functions, increased efficiency, opportunities for shared facilities.

6. Would the proposal create a totally or substantially surrounded island of unincorporated territory?
   YES ___ NO x If YES, please provide a written justification for the proposed boundary configuration.

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## LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres):
   Approximately 53,800 acres

2. Current dwelling units in area:
   Approximately 30,000

3. Approximate current population in area:
   88,000

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s):
   Rural residential, very low density residential, low density residential, medium density residential, high density residential, mixed density residential, office professional, commercial, light industrial, heavy industrial, public/institutional, open space, specific plan

   San Bernardino County General Plan designation(s) and uses permitted by this designation(s):
   Rural living, single residential, institutional
   Single family residences, government facilities

5. Describe any special land use concerns expressed in the above plans.
   None

6. Indicate the existing land use.
   Single and multi-family residences, offices, commercial businesses, industrial manufacturing and distribution, airport, government facilities

   What is the proposed land use?
   No changes proposed

7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation. Provide a response to the following:

   a. Has pre-zoning been completed? YES ___ NO ___
   b. If the response to "a" is NO, is the area in the process of pre-zoning? YES ___ NO ___

   Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.
   Not applicable.

_____
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8. On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:

- [x] Agricultural Land Uses
- [ ] Agricultural Preserve Designation
- [ ] Williamson Act Contract
- [ ] Area where Special Permits are Required
- [ ] Any other unusual features of the area or permits required: _____

9. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract.

Not applicable.

10. Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire, or schools)? YES ___ NO X If YES, please explain.

## ENVIRONMENTAL INFORMATION

1. Provide general description of topography. Generally flat with slight sloping from southwest to northeast to Mojave River

2. Describe any existing improvements on the site as % of total area.

| | | | |
|---|---|---|---|
| Residential | 50 % | Agricultural | 1 % |
| Commercial | 20 % | Vacant | 25 % |
| Industrial | 4 % | Other | 0 % |

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3. Describe the surrounding land uses:

NORTH Residential, vacant land, mining

EAST Residential, commercial

SOUTH Commercial, residential, vacant land

WEST Residential, industrial, vacant land

4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).

None; continue existing improvement plans

5. Will service extensions accomplished by this proposal induce growth on this site? YES ___ NO X Adjacent sites? YES ___ NO X Unincorporated ___ Incorporated ___

6. Is this project a part of a larger project or series of projects? YES ___ NO X If YES, please explain.

## NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

NAME Douglas B. Robertson TELEPHONE NO. (760) 955-5036

ADDRESS:
P.O. Box 5001, Victorville, CA 92393-5001

NAME Andre de Bortnowsky TELEPHONE NO. (818) 704-0195

ADDRESS:
23801 Calabasas Road, Suite 1015, Calabasas, CA 91302

NAME _____ TELEPHONE NO. _____

ADDRESS:

(FOR LAFCO USE ONLY)

## CERTIFICATION

I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief. I understand that if this proposal is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

DATE May 17, 2005

SIGNATURE OF APPLICANT

Douglas B. Robertson
PRINTED NAME OF APPLICANT

Deputy City Manager
TITLE

PLEASE CHECK SUPPLEMENTAL FORMS ATTACHED:

- [x] ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
- [ ] SPHERE OF INFLUENCE CHANGE SUPPLEMENT
- [ ] CITY INCORPORATION SUPPLEMENT
- [ ] FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
- [ ] ACTIVATION OF LATENT POWERS SUPPLEMENT

APPLICATION TO BE SUBMITTED TO:

LOCAL AGENCY FORMATION COMMISSION
175 WEST FIFTH STREET, SECOND FLOOR
SAN BERNARDINO, CA 92415-0490
PHONE: (909)387-5866 • FAX: (909) 387-5871
E-mail address: lafco@lafco.co.san-bernardino.ca.us

KRM – REV

(FOR LAFCO USE ONLY)

# SUPPLEMENT
# ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS

**INTRODUCTION:** The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the Commission, staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

1. Please identify the agencies involved in the proposal by proposed action:

| CONSOLIDATE | ESTABLISH AS SUCCESSOR |
|---|---|
| Baldy Mesa Water District | Victorville Water District |
| Victor Valley Water District | Victorville Water District |
| | (subsidiary of City of Victorville) |

2. Will the territory proposed for change be subject to any new or additional special taxes, any new assessment districts, or fees?

   No

3. Will the territory be relieved of any existing special taxes, assessments, district charges or fees required by the agencies to be detached?

   No

4. Provide a description of how the proposed change will assist the annexing agency in achieving its fair share of regional housing needs as determined by SCAG.

   Not applicable

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## 5. PLAN FOR SERVICES:

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

1. A description of the level and range of each service to be provided to the affected territory.

2. An indication of when the service can be feasibly extended to the affected territory.

3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.

4. The estimated cost of extending the service and a description of how the service or required improvements will be financed. A discussion of the sufficiency of revenues for anticipated service extensions and operations is also required.

5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.

6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

**CERTIFICATION**

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 5/17/05

SIGNATURE OF APPLICANT

/krm – 12/8/2000

## WRITTEN COMMUNICATIONS

PRESENTATION OF PLAN OF SERVICE REPORT RECOMMENDING THE CONSOLIDATION OF THE BALDY MESA WATER DISTRICT AND VICTOR VALLEY WATER DISTRICT INTO ONE SUBSIDIARY WATER DISTRICT OF THE CITY OF VICTORVILLE

City Manager Roberts stated that at the last City Council meeting on April 19, 2005, Resolution No. 05-71 was adopted directing staff to prepare the application and Plan for Service to be submitted to the Local Agency Formation Commission (LAFCO).

Walter Kieser, Managing Principal for Economic and Planning Systems, gave a brief overview of the Plan for Service that will be submitted to LAFCO. The Plan for Service is a document that LAFCO will use in considering the merits of the request for consolidation. It focuses on cost issues, feasibility issues and potential impacts of consolidation.

The following citizens spoke against the consolidation of the water districts:

David Billings, 13647 Dean Place, Victorville
Deborah Benson, 13100 Sundown Court, Victorville
Jill Hubbard, 15925 Fresno, Victorville

The City Council accepted the Plan for Service and directed that it be filed with LAFCO.

## CERTIFICATION

I, CAROLEE BATES, City Clerk of the City of Victorville, DO HEREBY CERTIFY that the foregoing is a true and correct copy of an excerpt from the unofficial minutes of the regular meeting of the City Council of the City of Victorville held on May 3, 2005, the original of which is on file in the office of the City Clerk of the City of Victorville.

DATED: May 16, 2005

Carolee Bates

CAROLEE BATES
CITY CLERK

Economic &
Planning Systems

*Real Estate Economics*
*Regional Economics*
*Public Finance*
*Land Use Policy*

# LAFCO REVIEW DRAFT

# PLAN FOR SERVICE REPORT

Prepared for:

City of Victorville

Prepared by:

Economic & Planning Systems, Inc.

May 2005

EPS #15017

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## LAFCO REVIEW DRAFT

This Local Agency Formation Commission (LAFCO) Review Draft of the Victorville Water Plan for Service is intended to provide a presentation regarding the rationale for consolidation, how consolidation of the existing water service agencies would occur, and a related analysis of costs, impacts, and feasibility. Following review and comment by LAFCO and members of the public, a Final Plan for Service will be prepared by the Consultant as a part of the City's application to consolidate the existing water service agencies into a new subsidiary water district.

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# I. INTRODUCTION AND BACKGROUND

This Plan for Service describes how two existing independent water districts currently serving the City of Victorville and the City's water service at the Southern California Logistics Airport will be consolidated into a single subsidiary water district. The City of Victorville, in the face of requirements from the Local Agency Formation Commission to evaluate and improve the efficiency of local government (pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), has initiated proceedings to achieve this consolidation and creation of a new subsidiary water district (a subsidiary district is a special district governed by board of directors comprised of a city council serving ex officio).

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires each Local Agency Formation Commission (LAFCO) to perform "municipal service reviews" every five years, with the first round due in 2006. The purpose of the municipal service reviews is to promote local government reorganization that improves local government efficiency and effectiveness. The topics to be considered during these reviews include financing constraints and opportunities, cost avoidance opportunities, opportunities for shared facilities, and consolidation or reorganization of service providers.

The first chapter of the Cortese-Knox-Hertzberg Local Government Reorganization Act includes findings, declarations, state interests, and priorities. In these broad statements of intent, the Legislature concludes: "that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services;...". The legislature further found that a "single multipurpose governmental agency... may be the best mechanism for establishing community service priorities especially in urban areas." This contrasts with the legislature's view of rural communities where it recognized the critical role of many limited purpose agencies.

Victorville began this transition many years ago by converting, with LAFCO approval, the Fire, Recreation and Park, and Sanitary Districts to subsidiary districts. This consolidation of government functions has provided substantial savings over the years through the elimination of duplicate functions in all of the agencies. A similar opportunity for more effective local government and cost savings exists through the consolidation and formation of a new subsidiary water district.

In November 2004 the City was contacted by the San Bernardino County LAFCO Executive Officer requesting use of the City Council chambers for meetings with staff representatives from local agencies located throughout the north San Bernardino County

area. The purpose of these meetings would be for LAFCO staff to discuss the service review process and to compile documents for the five-year service review as required by the Cortese-Knox-Hertzberg Local Government Reorganization Act.

In anticipation of the proposed LAFCO meetings, in February 2005, Mayor Rothschild requested the formation of an ad hoc committee consisting of two members of the Board of Directors of the Baldy Mesa Water District, two members of the Victor Valley Water District, and two members of the City Council. The purpose of the ad hoc committee was to discuss the upcoming municipal service review in an effort to coordinate any areas of overlapping responsibility and provide LAFCO with data and a Plan for Service. The Baldy Mesa Water District expressed interest, whereas the Victor Valley Water District chose to review and analyze any plans for service prior to its participation. The City subsequently hired Economic & Planning Systems, Inc. (EPS), to perform these studies and compile the results into a Plan for Service report that meets LAFCO specifications.

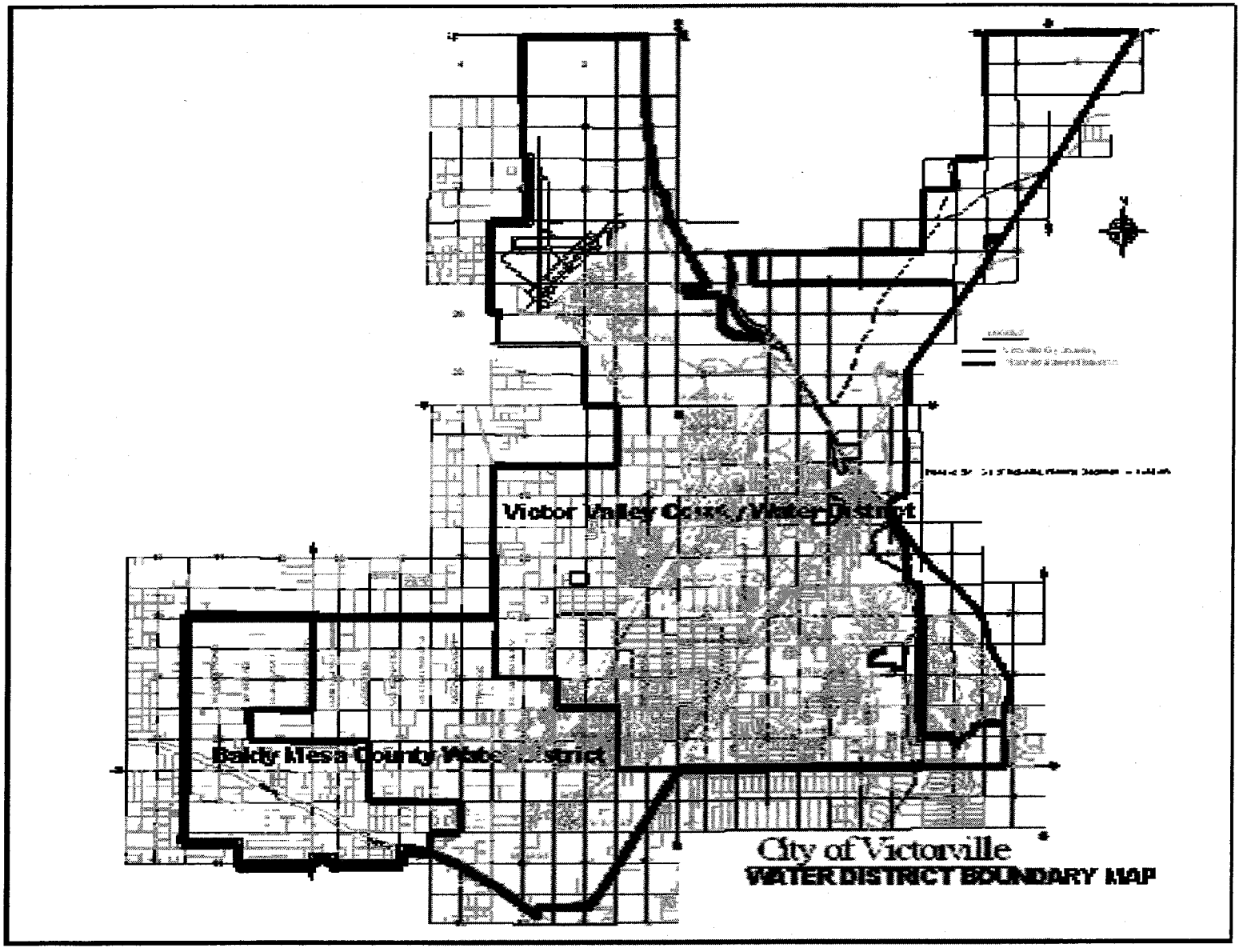
The water service reorganization being proposed by the City of Victorville is consistent with the legislative intent of LAFCO and specifically the intent of the Municipal Service Review (MSR) process added to the Government Code Section 56000 in the year 2000. Normally, such reorganization would follow completion of an MSR for the City; however, in this case, the City is pursuing reorganization presuming that any MSR conducted in Victorville would lead to the conclusion that operational and governance efficiencies from such reorganization are likely. The consolidation of the Victor Valley Water District and the Baldy Mesa Water District and creation of a new unified subsidiary water district in Victorville offers a range of opportunities to improve the efficiency, governmental responsiveness, and cost-effectiveness of water service in the Victorville area. The current fragmented organization poses a number of problems including inconsistent water rate structures in the City, difficulties (and expense) in managing existing water quality problems, and lack of adequate water conservation initiatives and incentives.

The City will, under the direction of LAFCO, continue to prepare its MSR in a timely manner concurrently with the proposed reorganization. The resulting report will be simpler because instead of evaluating two water districts and the City there will only be a single subsidiary district.

## EXISTING WATER SERVICE

The City of Victorville and its immediate environs is currently served by three water service entities, two independent water districts, the Baldy Mesa Water District and the Victor Valley Water District, and the City of Victorville, who provides water service to the Southern California Logistics Airport. A sub-regional agency, the Mojave Water Agency provides oversight for water use in the north County area. **Figure 1** provides a map of the existing service boundaries, overlying the City's municipal boundary.

Figure 1. City of Victorville Water District Boundary Map



## BALDY MESA WATER DISTRICT

The Baldy Mesa Water District is an independent special district that operates under the authority of Division 12 of the California Water Code. The District provides water service to approximately 6,250 customer connections within its 26 square mile service area, which intersects the southwestern portion of the incorporated boundary of the City of Victorville. The District was incorporated in 1965 and is governed by a five-member board of Directors, elected at large from within the District's service area. A General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District has 22 budgeted staff positions organized in three departments. The District derives its water from deep wells located within its boundary. These wells tap a large aquifer fed by the Mojave River watershed.

## VICTOR VALLEY WATER DISTRICT

The Victor Valley Water District is an independent special district that operates under the authority of Division 12 of the California Water Code. The District provides water service to approximately 21,500 customer connections within its 54-square mile service area, which comprises a substantial portion of the incorporated boundary of the City of Victorville. The District was incorporated in 1932 and is governed by a five-member board of Directors, elected at large from within the District's service area. A General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District has 55 budgeted staff positions organized in five departments. Similar to the Baldy Mesa Water District, the Victor Valley Water District derives its water from deep wells located within its boundary. These wells tap a large aquifer fed by the Mojave River watershed.

## CITY WATER SERVICE

The City of Victorville currently provides domestic water to the Southern California Logistics Airport (the former George Air Force Base). This service was established during the transition of the Base from Air Force operations to the Local Reuse Authority. At the present time the City maintains the water delivery system originally constructed on the Base and purchases water from the City of Adelanto and the Victor Valley Water District. At the present time there are approximately 100 connections (customers) at the Base that consume some 500 acre feet of water annually. The City has assigned 3.5 budgeted staff positions to its water service operation.

# II. WATER SERVICE ISSUES AND PROSPECTS

There are a number of key issues facing water service in Victorville, regardless of government organization. These issues exist within the context of a growing demand for water service to support Victorville's growing population and economy.

1. Water Quality Improvements. During the late 1990s the federal government tightened the standard for arsenic to 10 PPB and set a compliance deadline of January 2006. Moreover the State of California is developing its own standard that is likely to be more stringent than the federal standard. Improvements to treatment facilities to achieve this standard have yet to occur. Meeting these standards and thereby protecting public health can occur in a timelier manner and be substantially less costly to the rate payers if done in a comprehensive manner, including redistributing water resources and shared facilities.

2. Recharging Groundwater Supplies. The groundwater basin is in overdraft and is slowly being depleted. Maintaining adequate water reserves over time will require recharging the basin with surface water. The Mojave Water Agency has an allocation of California Water Project water for this purpose (75,000 acre feet) but has not begun meaningful recharge in Victorville because of disputes among the Water Districts regarding access to the recharged waters given existing well head geography. Consolidation will eliminate these disputes and allow recharge and access to this imported surface water.

3. Water Conservation. No significant conservation efforts have come to fruition in the Victorville area. Consolidation offers opportunities for the City new subsidiary district to establish community-wide and consistent water conservation measures linking the water service, land use, and progressive rate structure policies.

4. Use of Reclaimed Water. At the present time the Victor Valley Wastewater Reclamation Authority operates a sewage treatment facility that generates over 10 MGD of tertiary treated water. This water is highly suitable for landscape irrigation. At the present time the City has been deterred in many areas from using this water for these purposes because it competes with the use of potable water provided by the Water District. Consolidation will allow the use of reclaimed water for irrigation purposes saving potentially millions of gallons of potable water, reducing the draw on groundwater resources and lowering the amount of water needed to be produced or making the water available for other productive purposes.

# III. OPERATING PLAN

The operating plan provides a framework for how the new Water District could operate. Generally, it is anticipated that the new District will simply continue the operations of the existing entities in a manner that assures that ongoing maintenance and operations would remain much as they are today. Management and administration would be streamlined with some management and overhead functions provided to the District by the City. These changes offer opportunities for substantial cost savings. For example, the management and administrative functions can be provided within the capacity of existing City departments with costs applied back to the District (e.g., billing, human resources, legal services, information technology). Analysis conducted for this Plan for Service documents the amount of potential savings. Actual cost savings will depend upon decisions made by the City at the time of the reorganization, should it proceed. It is possible that additional costs savings (e.g., in operations) will be identified at that time.

## CONTINUITY OF SERVICE AND OPERATIONS

Upon consolidation of the two existing water districts and formation of the new subsidiary water district all water service operations will continue unimpeded. Existing staff, contract services, agreements, and vendor relationships will be maintained in a manner that assures no impact on the quality or quantity of water service to ratepayers. While there may be some immediate cost savings, it will require a period of months to achieve the potential cost savings identified in this Plan for Service.

## ORGANIZATIONAL PLAN

For purposes of analysis and as a guide for subsequent management decisions a preliminary organization plan has been prepared by the Consultant. In general, the organizational structure closely follows that of the Victor Valley Water District, the larger of the two water districts. The organizational plan assumes that certain management and administrative functions can be provided by respective City departments, with costs applied to the District. An inter-agency service agreement will specify the terms of City services to the District. Highlights of the Organizational Plan include:

- The City Council of the City of Victorville will serve as the Water District Board of Directors, ex officio.
- The City Manager will serve as the General Manager. An Assistant General Manager employed by the District will provide day-to-day management oversight.
- Department Managers employed by the District (Operations, Engineering, Administration, and Finance) will oversee staff within their departments.

- Existing employees of the two existing water districts and the City's water service will fill operational and administrative positions in the new subsidiary District. The new district's operational staff can be augmented by City Public Works staff during periods of high work load, emergencies, or special projects.

- Certain administrative functions will be provided to the District by respective City Departments. For example, the City Attorney will provide legal services, the Finance Department will provide billing and accounting support, Information Services will provide data processing and computer systems support, etc.

## ANALYSIS OF WATER DISTRICT STAFFING AND COSTS

A preliminary analysis of the new organizational plan contrasted with operations of the existing water districts is shown on **Table 1**. This analysis indicates the opportunity, on a conservative basis, to achieve a net annual savings of approximately $900,000 through consolidation. A detailed costs analysis is included as **Appendix A**. While these estimated cost savings are modest, totaling less than 5 percent of the total existing budgets of over $19 million, they do indicate that a consolidated water service would be more cost effective. Moreover, detailed operational analysis conducted during the transition period may discover the potential for additional operating cost savings.

**Table 1**
**Water Districts/Department 2004-05 Expenditures (Existing vs. Consolidation)**
**Victorville Water Service Consolidation Study, EPS#15017**
(In Constant Dollars)

| Categories | Existing Expenditures | | | | Consolidated Expenditures | Total Potential Cost Reduction (Recurring) |
|---|---|---|---|---|---|---|
| | VVWD | BMWD | City | Total | | |
| One-time Start-up Costs (1) | n/a | n/a | n/a | n/a | $150,000 | |
| Department Staff (2) | | | | | | |
| Administration | | | | | | |
| Office Operations | $757,456 | $540,484 | $41,732 | $1,339,672 | $585,669 | $754,003 |
| Human Resources | $82,737 | $0 | $0 | $82,737 | $0 | $82,737 |
| Finance | $373,855 | $103,486 | $0 | $477,341 | $334,560 | $142,781 |
| Customer Service | $334,834 | $64,214 | $0 | $399,048 | $409,051 | ($10,003) |
| Subtotal | $1,548,882 | $708,183 | $41,732 | $2,298,798 | $1,329,280 | $969,518 |
| Operations | | | | | | |
| Production | $920,305 | $428,871 | $211,604 | $1,560,781 | $1,765,461 | ($204,680) |
| Water Quality | $281,871 | $0 | $0 | $281,871 | $327,021 | ($45,150) |
| Field Equipment | $402,597 | $76,150 | $0 | $478,747 | $552,587 | ($73,840) |
| Subtotal | $1,604,773 | $505,021 | $211,604 | $2,321,399 | $2,645,069 | ($323,670) |
| Engineering | $162,952 | $197,931 | $0 | $360,883 | $417,119 | ($56,236) |
| Cost Applied | n/a | n/a | n/a | n/a | $100,000 | ($100,000) |
| Department Staff Total | $3,316,607 | $1,411,136 | $253,337 | $4,981,079 | $4,641,467 | $489,612 |
| Services and Supplies (3) | | | | | | |
| Source of Supply | $1,614,900 | $1,408,300 | $420,000 | $3,443,200 | $3,443,200 | $0 |
| Transmission & Distribution | $3,683,900 | $457,700 | $96,100 | $4,237,700 | $4,237,700 | $0 |
| Customer Accounts | $94,500 | $176,900 | $0 | $271,400 | $271,400 | $0 |
| General & Adm | $981,800 | $284,200 | $56,000 | $1,322,000 | $937,550 | $384,450 |
| Services and Supplies Total | $6,375,100 | $2,327,100 | $572,100 | $9,274,300 | $8,889,850 | $384,450 |
| Other (4) | $3,163,500 | $1,685,600 | $0 | $4,849,100 | $4,815,100 | $34,000 |
| Total Expenditures | $12,855,207 | $5,423,836 | $825,437 | $19,104,479 | $18,496,417 | $908,062 |

(1) This is a one-time cost assumed to be incurred on the first year of operation following consolidation.
(2) Based on filled positions (source: City of Victorville); see Table A-8.
(3) Based on budgeted expenditures (2004-05 budgets).
(4) Includes interest, depreciation, debt-service, etc.

The cost differences between the current three water service agencies and a consolidated water district illustrated in **Table 1** derive primarily from reduced administrative costs. The source of specific cost savings described below.

1. Elimination of costs associated with the Boards of Directors. At the present time the two districts each support five-member boards of directors. The consolidated district would be governed by the City Council, eliminating the need for these boards and the costs associated with supporting their activities. This will increase the workload of the Victorville City Council and management staff; however, there appears to be capacity for them to absorb this additional effort. Cost savings from eliminating the boards of directors are estimated to exceed $100,000 annually. If the City chooses to establish a water service advisory committee related costs would be a deduction from these estimated savings.

2. Elimination of certain contract positions and services. The two districts both have general managers that are contract employees. These positions would be eliminated through consolidation. Senior staff in the subsidiary district would report to the City's Director of Public Works, who would have management responsibility for the subsidiary district. There may be other contract services that are overlapping that could be reduced, as well. Net cost savings from eliminating the contract employees are estimated to be nearly $400,000 annually.

3. Lateral transfer of certain administrative staff members to comparable positions in City operating departments. Some existing administrative staff would be redundant in the consolidated operation. In addition to transferring redundant administrative staff to other positions in City government, additional cost savings may be possible. Net cost savings from transferring administrative staff and providing certain administrative services to the new subsidiary district are estimated to be nearly $600,000 annually.

4. Reduction of office-related maintenance and operating costs. It is likely that the consolidated water district will operate out of a single location within the City and consolidate maintenance and storage functions. Consolidating office functions, equipment storage, fueling, etc. would result in additional savings. Assuming office and maintenance operations can be consolidated annual cost savings is estimated to be approximately $300,000.

5. Providing certain overhead services to the new district through a contract with the City. The City will charge the new subsidiary district for administrative services provided. It is assumed that a services agreement would specify the terms of these services. The agreement would allow City staff, on an hourly rates basis, to provide services to the District. These "cost applied" services are estimated to cost the district $100,000 per year.

6. Employees of the new subsidiary district will receive higher retirement benefits. At the same time as overall cost savings are likely, per employee costs in the new subsidiary district, assuming a benefits package the equivalent of existing City employees, will be higher due to the better benefit package offered by the City. For example, the City's retirement benefit is based upon 2.5 percent at 55 rather than the 2.0 percent currently offered by the two water districts. This increased retirement benefit will cost the new district an estimated additional $400,000 per year in employee-related expenditures.

## TRANSFER AND DISPOSITION OF ASSETS AND LIABILITIES

By statute, all assets and liabilities of consolidating organizations accrue to the new entity. Thus the new subsidiary district will receive title to all assets of the existing districts and will become responsible for subsequent capital improvements required to maintain water supply for ratepayers within the City and in extraterritorial areas. Terms and conditions imposed by LAFCO on the reorganization will specify such transfer and restrictions.

### ASSETS

Assets of the two districts include cash reserves, buildings and other real property, water production equipment (pumps, storage tanks, etc.), transmission lines and rights-of-way, rolling stock, tools, and office furniture, fixtures, and equipment. Recent accounting standards introduced by Governmental Accounting Standards Board, known as GASB #34, specify how assets are to be managed as a part of government agency accounting. Pursuant to GASB #34, the districts have inventoried and valued their assets.

### LIABILITIES

In addition to what are assumed to be normal accounts payable liabilities and customer deposits, the Victor Valley Water District has no reported liabilities. The Baldy Mesa Water District, in addition to these incidental liabilities, has several financial obligations pending including a certificate of participation and a loan from a revolving fund. Additionally, the District has sponsored two assessment districts that raised funds for installing water service to specific properties. The proposed reorganization may not, by statute, alter these financial obligations in any fashion; they will become the obligations of the successor district. LAFCO Terms and Conditions will clarify any details of such transfer of obligation.

### Special Assessment District Improvement Act Bonds

The Baldy Mesa Water District has sponsored two assessment districts, Assessment District #1 and Assessment District #2R, to fund infrastructure (transmission lines, etc.) to specific areas within the District. Assessment District #1 improvements are completed; however, several outstanding payments are overdue from landowners. Bond holders are pursuing payment through the legal remedies set forth in the original issue. Assessment District #2R improvements are largely completed and assessments are scheduled to continue through 2014. The general credit of the District is obligated only to the extent that liens foreclosed against properties involved in the assessment districts are insufficient to retire the outstanding bonds.

### Certificate of Participation

The Baldy Mesa Water District issued a $2.5 million certificate of participation (COP) in 1998. This funding provided water system improvements to a developing portion of the District. Annual payments on this lease are in the range of $190,000 and are scheduled to continue through the year 2025. This lease commitment is secured by a pledge of a lien upon the net revenues of the Baldy Mesa Water District; however, they are funded by "stand-by" charges levied upon benefiting property owners.

### Notes Payable

Baldy Mesa Water District signed a note payable for the purpose of financing the purchase of water rights in 2004. Annual payments on this note are in the range of $327,500, and are scheduled to continue through the year 2014. This lease commitment is secured by a pledge of a lien upon the net revenues of the Baldy Mesa Water District.

## CAPITAL INVESTMENTS

Each of the existing water districts and the City, in compliance with GSAB #34, are depreciating their assets and showing these costs as a budgeted item. In effect, this budget line item funds an account that can be used for replacement of capital equipment as it passes its useful lifespan. The Districts also have ongoing capital improvement construction efforts to meet the demand of new customers and to better serve existing customers.

The new consolidated special districts will continue funding asset replacement efforts and will pursue the capital improvements initiated by the two existing districts. The new consolidated water district will develop a unified connection fee structure, raising funding from new development, and will have capacity to raise funding through revenue-based bonds. This funding would support required investments in water treatment, additional water supplies, and in water conservation related improvements.

# IV. TRANSITION AND STAFFING PLAN

The Victorville City Council has made a public commitment to district employees that they will all be offered jobs comparable to the ones that they now hold at a similar (or improved) salary and benefits package. Employment will either be with the new subsidiary district or with other City departments. Analysis conducted by the City's Human Resources Department indicates that comparable positions are available (open) with the City and that lateral transfers will result in comparable salaries, protection of all existing accrued benefits (e.g., vacation days, retirement deposits, etc.) and continuing benefits that meet or exceed those currently enjoyed.

Five principles will guide this transition process and related staffing decisions:

1. Water service and ongoing capital improvement projects would continue unimpeded.

2. Transition will be expeditious; it is proposed that the transition of governance would occur immediately following a LAFCO final decision, staff reorganization would occur over a 90-day period.

3. Efficiencies will be gained by transferring overlapping positions and utilizing City administrative services.

4. Employee positions, salary and benefits will be maintained or improved.

5. Assets of the existing water districts will be retained and deployed for the benefit of ratepayers.

The City proposes that the consolidation and establishment of the new district would occur within 60 to 90 days of LAFCO action. During this period the transition plan would be finalized and implemented, including reassignment and transfer of existing staff members. As described in the Operating Plan above, it is expected that the consolidated water district will require fewer staff members than currently employed by the three existing operations. While substantial reductions in operating staff (e.g., maintenance workers, meter installers, etc.) are unlikely, there will be opportunities to reduce administrative staff because they have overlapping functions or can be replaced by existing City staff that can provide certain overhead functions on a "cost applied" basis (e.g., network administration, human resources, etc.).

Preliminary analysis suggests that the staff of the new subsidiary district could be 65 versus the 80 currently employed in the three current water service agencies. Actual staffing reductions and related savings will be determined during the transition period and thereafter as the new operation gets underway. It is possible that additional cost savings through redeployment of operational staff can occur.

The water rates charged to customers will also be evaluated during the transition period. While preliminary analysis indicates the potential for cost savings, rates will likely remain the same as levied by the existing water districts through fiscal year 2005-06. While the long term goal will be to establish a single rate structure throughout the City, current asset and liability distinctions between the existing districts may require a zone-based rate structure reflecting these distinctions. Given the capital costs facing the community water treatment and additional surface water purchases a plan for achieving these objectives in the most cost-effective manner should be a high priority of the new subsidiary district.

# V. FISCAL FEASIBILITY AND POTENTIAL IMPACTS

The fiscal feasibility and potential impacts analysis is derived from the proposed operating plan discussed in Section III. The fiscal feasibility analysis provides a short-term forecast of the consolidated water district budget, including the costs of service and expected revenues over an initial three years of operations. The impact analysis addresses potential impacts of the reorganization and how the proposal addresses them. Specifically, the impact analysis evaluates the potential impacts of the proposed reorganization upon rate payers, existing district employees, and creditors of the districts, the City, other potentially affected agencies, and any other stakeholders identified. Environmental review will be conducted by LAFCO, as the lead agency for CEQA.

## FISCAL FEASIBILITY

As noted above, and as exhibited in their respective operating budgets, the existing water districts have been well-managed and are fiscally sound entities. Consolidation offers the opportunity for cost savings while maintaining the fiscal well-being of Victorville's water services. A short-range (three fiscal years) cost forecast of the consolidated water district's budget has been prepared to demonstrate its fiscal feasibility. This forecast is based upon the existing costs of operation of the two water districts and the City's water service costs applied to expected growth in water connections.

The marginal cost of adding connections was determined by considering how line item costs are affected by growth: some costs are relatively "fixed" while others are "variable" and increase proportionally to increases in water connections (see **Appendix A**). While this is not a precise forecast, given variation in water consumptions and possible operating efficiencies, it does provide a conservative estimate of increasing costs.

Population growth in Victorville has been substantial in the past few years as the regional economy has continued to support robust demand for new homes. This growth is expected to continue, although year-to-year growth will vary with current economic conditions. It is currently expected that recent growth trends will continue for the next several years; approved subdivision maps and building permit data suggest growth exceeding 3,000 units per year through 2008, along with a complementary amount of commercial and industrial development. This expected short-term growth exceeds regional forecasts for Victorville that do not reflect short term market trends.

The forecast of costs for the new subsidiary district, compared to the aggregate budgets of the existing water service agencies, is shown on **Table 2**. Cost estimates assume no major changes in operating cost structure during the next three years; however, as previously noted, it is possible that certain expenditures (e.g., water treatment systems

**Table 2**
**Summary of Expenditure Forecast (2004/05-2007/08)**
**Victorville Water Service Consolidation Study, EPS#15017**
In Nominal Dollars (1)

| Categories | Base Value (2) 2004/05 | Forecast (3) 2005/06 | 2006/07 | 2007/08 |
|---|---|---|---|---|
| One-time Start-up Costs | n/a | $154,365 | n/a | n/a |
| Department Staff | | | | |
| Administration | n/a | $1,367,960 | $1,407,766 | $1,448,730 |
| Operations | n/a | $2,912,114 | $3,379,488 | $4,053,488 |
| Engineering | n/a | $429,257 | $441,748 | $454,602 |
| Cost Applied | n/a | $102,910 | $105,904 | $108,986 |
| Subtotal | $5,723,918 | $4,812,241 | $5,334,906 | $6,065,806 |
| Services and Supplies | | | | |
| Source of Supply | $3,443,200 | $3,786,565 | $4,386,264 | $5,220,704 |
| Transmission & Distribution | $4,237,700 | $4,685,566 | $5,475,253 | $6,610,085 |
| Customer Accounts | $271,400 | $300,496 | $351,915 | $426,358 |
| General & Adm | $1,322,000 | $974,564 | $1,022,515 | $1,008,691 |
| Subtotal | $9,274,300 | $9,747,191 | $11,235,947 | $13,265,838 |
| Other (4) | $4,849,100 | $5,313,301 | $6,188,756 | $7,432,597 |
| Total Expenditures | $19,847,318 | $20,027,098 | $22,759,609 | $26,764,241 |

(1) Nominal dollars includes an inflation factor (2.4 percent) and a real cost factor (0.5 percent).
(2) 2004/05 figures reflect a summary of the budgets of the respective water service agencies.
(3) Forecast costs reflect consolidated service cost savings.
(4) Includes interest, depreciation, debt-service, etc.

for arsenic removal) may be necessary. Revenues are assumed to balance costs because rates, net of other revenues (e.g., property taxes, rental income, etc.) must not exceed costs.

Given these considerations and analysis it is concluded that the consolidated subsidiary district would be fiscally feasible during the three year forecast period and beyond, at a cost (and related rate structure) at or below that of the status quo (continuation of the three existing water service agencies).

## POTENTIAL IMPACTS

Consolidation of the water districts will affect a number of different "stakeholders" involved in the water service. The following section addresses these potential impacts and the prospects for the stakeholders following the proposed reorganization.

### RATEPAYERS

A key motive for the reorganization effort, as cited by the City Council, is to provide high quality water service to Victorville's ratepayers at the lowest possible price. The analysis conducted as a part of this Plan for Service indicate, as discussed above, that there are opportunities to achieve operational efficiencies and to more comprehensively manage impending capital costs. Assuming that these cost savings are realized it follows that rates will be less under a consolidated district than under the two districts. During the transition period rates would remain as budgeted for the 2005-2006 fiscal year.

As noted above, it will eventually be possible to establish a consistent rate structure throughout the City, although due to the existing disparities between the two districts regarding assets and liabilities it is likely that a differential rate structure will be needed for a transitional period until these disparities can be equalized. Consolidation will also provide greater flexibility in dealing with water shortages, equipment failures, and other unforeseen events regardless of where these problems occur.

There are several portions of the existing water districts within and adjoining the City's incorporated boundary (but within its Sphere of Influence) that are presently unincorporated. The new subsidiary district will continue to deliver water to these customers under the same rate structure applied currently within the incorporated boundary. Accordingly, any cost savings achieved through the consolidation will be shared with the ratepayers not living within the City limit.

## DISTRICT EMPLOYEES

As noted above, the City of Victorville has publicly committed to sustaining all employees of the existing water districts, exclusive of contract employees, with new positions in the new consolidated district or in other city positions with similar job descriptions and compensation levels. According to the City's Human Resources Director this commitment can be realized in a manner beneficial to the existing district employees and the City that finds itself in need of experienced employees. In addition to comparable positions, salaries, and benefits, the City has committed to honor all earned benefits including accrued vacation balances, accrued sick leave balances, etc. The key additional cost of the reorganization will involve increasing retirement benefits from the current 2.0 percent at 55 to 2.5 percent at 55.

## CREDITORS

As noted above, State statutes require that the interests of all creditors be protected during local government reorganization. This statute, combined with specific terms and conditions imposed on the reorganization by LAFCO, will assure no impact whatsoever on the existing creditors of the districts.

## CITY OF VICTORVILLE

The City of Victorville, as the governing entity of the subsidiary district, will take on governance responsibilities for the new subsidiary district and will have a fiduciary responsibility to assure that the district is professionally operated and commitments made at the time of formation are honored. These responsibilities come with some risk; the City, indirectly, will become responsible for maintaining large array of water service infrastructure and the liabilities that run with such an operation.

# VI. MSR FINDINGS

The following findings address the criteria set for in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. LAFCO, as a part of its MSRs is required to evaluate the efficiency and effectiveness of local government by making nine determinations.

## DETERMINATIONS

1. Infrastructure Needs and Deficiencies

The water districts own and operate wells, storage and distribution systems, power plants, and administrative and maintenance facilities. In the near future the Victor Valley Water District and the Baldy Mesa Water District face substantial water treatment expenditures ($10 million to $20 million) needed to meet emerging State and federal water quality standards. The flexibility regarding water supply (e.g., pooling and reallocating source water, etc.) and the ability to build a single facility rather than two offers opportunities to reduce the need for treatment and thus lower costs of such treatment, possibly saving several million dollars.

2. Growth and Population Projections

As discussed above, substantial growth is projected in Victorville. During the past few years growth has been rapid, with 2,102 units constructed in 2003 and 2,699 units in 2004. This recent upsurge, linked to robust housing demand throughout the State, more than triples the prior average trend-line growth rate. Regional forecasts indicate the potential for continued growth and development commitments, indicated by approved subdivision maps and building permit activity suggest a continued upsurge in growth over the next several years. The ability of the consolidated water service to achieve reclamation and conservation objectives will improve its ability to deliver water to the growing community.

3. Financing Constraints and Opportunities

The two water districts presently face no particular financing constraints; while the Baldy Mesa Water District is carrying some debt, it is well within industry standards. Victor Valley Water District carries no debt and has substantial cash reserves. The consolidated water district, as a larger entity and backed by the City, would have a full range of funding options available with a favorable credit rating.

4. Cost Avoidance Opportunities

Significant cost avoidance opportunities are available to the ratepayers of the two districts and the City service area if consolidation occurs as documented in the Plan for Service. Key avoided costs would include consolidating governance and management costs, eliminating redundant administrative positions, and making use of certain City administrative capabilities.

5. Opportunities for Rate Restructuring

If cost savings identified in the Plan for Service are realized it follows that water rates would be lower under consolidation than would otherwise be the case. As noted above, cost, asset, and liability distinctions between the two districts may require a period of transition but the ultimate goal will be a unified rate and fee structure throughout the new consolidated district serving the entirety of Victorville and its environs.

6. Opportunities for Shared Facilities

There are substantial opportunities to share facilities including administrative and maintenance facilities as well as production, storage, and treatment systems. An integrated water system would be more robust and cost effective to operate. Using existing connections and appropriate engineering, the water system could become more robust by connecting the existing Baldy Mesa Water District system, the Victor Valley Water District system, and the system at the SCLA with an additional connection through neighboring Adelanto.

7. Government Structure Options

Consolidation and creation of a new successor water district is the proposed mechanism for achieving cost savings and management effectiveness. Other options are available, such as functional integration of operations or simple consolidation of the two existing districts without creation of a new successor subsidiary district; however, these options may not have the same level of opportunity to improve efficiency and effectiveness of water service in the Victorville area.

8. Evaluation of Management Efficiencies

As independent special districts the Baldy Mesa Water District and the Victor Valley Water District appear to be well-operated and effective, notwithstanding the need to address major water service issues addressed earlier. Consolidation offers the opportunity to improve management efficiency simply by having a single governing entity (the City Council) and management unit.

9. Local Accountability and Governance

The Act recognizes the preference for single, multi-purpose entities to deliver municipal services to urban areas rather than a group of independent political units. Linking land use regulation and utility provision tends to improve accountability because it avoids conflicts between land use decisions and provision of adequate infrastructure.

Economic &
Planning Systems
*Real Estate Economics*
*Regional Economics*
*Public Finance*
*Land Use Policy*

# APPENDIX A

# COST ANALYSIS

**Table A-1**
**Summary of Expenditure Forecast (2004/05-2007/08)**
**Victorville Water Service Consolidation Study, EPS#15017**
In Nominal Dollars (1)

| Categories | Base Value (2) 2004/05 | Forecast (3) 2005/06 | 2006/07 | 2007/08 |
|---|---|---|---|---|
| One-time Start-up Costs | n/a | $154,365 | n/a | n/a |
| Department Staff | | | | |
| Administration | n/a | $1,367,960 | $1,407,766 | $1,448,730 |
| Operations | n/a | $2,912,114 | $3,379,488 | $4,053,488 |
| Engineering | n/a | $429,257 | $441,748 | $454,602 |
| Cost Applied | n/a | $102,910 | $105,904 | $108,986 |
| Subtotal | $5,723,918 | $4,812,241 | $5,334,906 | $6,065,806 |
| Services and Supplies | | | | |
| Source of Supply | $3,443,200 | $3,786,565 | $4,386,264 | $5,220,704 |
| Transmission & Distribution | $4,237,700 | $4,685,566 | $5,475,253 | $6,610,085 |
| Customer Accounts | $271,400 | $300,496 | $351,915 | $426,358 |
| General & Adm | $1,322,000 | $974,564 | $1,022,515 | $1,008,691 |
| Subtotal | $9,274,300 | $9,747,191 | $11,235,947 | $13,265,838 |
| Other (4) | $4,849,100 | $5,313,301 | $6,188,756 | $7,432,597 |
| Total Expenditures | $19,847,318 | $20,027,098 | $22,759,609 | $26,764,241 |

(1) Nominal dollars includes an inflation factor (2.4 percent) and a real cost factor (0.5 percent).
(2) 2004/05 figures reflect a summary of the budgets of the respective water service agencies.
(3) Forecast costs reflect consolidated service cost savings.
(4) Includes interest, depreciation, debt-service, etc.

**Table A-2**
**Water District Consolidation Expenditure Forecast**
**Victorville Water Service Consolidation Study, EPS#15017**
In Nominal Dollars (1)

| | Base Year Costs | | | Forecast | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2004/05 Consolidated (2) | | | 2005/06 (3) | | 2006/07 (3) | | 2007/08 (3) | |
| **Categories** | Fixed | Variable | Var./ Connec. | Fixed | Variable (4) | Fixed | Variable (4) | Fixed | Variable (4) |
| One-time Start-up Cost (5) | $150,000 | $0 | $0 | $154,365 | $0 | $158,857 | $0 | $163,479 | $0 |
| Department Staff | | | | | | | | | |
| Administration | $1,329,280 | $0 | $0 | $1,367,960 | $0 | $1,407,766 | $0 | $1,448,730 | $0 |
| Operations | $211,604 | $2,433,464 | $92 | $217,762 | $2,694,353 | $224,098 | $3,155,390 | $230,619 | $3,822,868 |
| Engineering | $417,119 | $0 | $0 | $429,257 | $0 | $441,748 | $0 | $454,602 | $0 |
| Cost Applied | $100,000 | $0 | $0 | $102,910 | $0 | $105,904 | $0 | $108,986 | $0 |
| Subtotal | $2,058,003 | $2,433,464 | $92 | $2,117,889 | $2,694,353 | $2,179,516 | $3,155,390 | $2,242,938 | $3,822,868 |
| Services and Supplies | | | | | | | | | |
| Source of Supply | $330,000 | $3,113,200 | $118 | $339,603 | $3,446,962 | $349,485 | $4,036,780 | $330,000 | $4,890,704 |
| Transmission & Distribution | $82,600 | $4,155,100 | $158 | $85,004 | $4,600,563 | $87,477 | $5,387,776 | $82,600 | $6,527,485 |
| Customer Accounts | $0 | $271,400 | $10 | $0 | $300,496 | $0 | $351,915 | $0 | $426,358 |
| General & Adm | $812,950 | $124,600 | $5 | $836,606 | $137,958 | $860,950 | $161,565 | $812,950 | $195,741 |
| Subtotal | $1,225,550 | $7,664,300 | $291 | $1,261,212 | $8,485,979 | $1,297,912 | $9,938,035 | $1,225,550 | $12,040,288 |
| Other (6) | $230,700 | $4,584,400 | $174 | $237,413 | $5,075,887 | $244,321 | $5,944,434 | $230,700 | $7,201,897 |
| Total Expenditures | $3,664,253 | $14,682,164 | $557 | $3,770,878 | $16,256,220 | $3,880,606 | $19,037,859 | $3,862,667 | $23,065,053 |

(1) Nominal dollars includes an inflation factor (2.4 percent) and a real cost factor (0.5 percent).
(2) See Table A-4; this data reflects cost savings applied to existing FY 04/05 budget.
(3) See Table A-3 for the water connection forecast.
(4) Assumes variable costs increase proportionately to the increase in connections.
(5) This is a one-time cost assumed to be incurred on the first year of operation following consolidation.
(6) Includes interest, depreciation, debt-service, etc.

**Table A-3**
**Water Connection Forecast**
**Victorville Water Service Consolidation Study, EPS#15017**

| District | 2004/05 (1) | 2005/06 | 2006/07 | 2007/08 |
|---|---|---|---|---|
| Victor Valley Water District | 20,000 | - | - | - |
| Baldy Mesa Water District | 6,250 | - | - | - |
| City of Victorville | 100 | - | - | - |
| Victorville Water District (2) | - | 28,350 | 31,350 | 34,850 |
| Total | 26,350 | 28,350 | 31,350 | 34,850 |

(1) Based on the respective district budgets.
(2) Assumes new connections of 2,000 in FY 2005/06; 3,000 in FY 2006/07; and 3,500 in FY 2007/08.

**Table A-4**
**Water Districts/Department 2004-05 Expenditures (Existing vs. Consolidation)**
**Victorville Water Service Consolidation Study, EPS#15017**
(In Constant Dollars)

| Categories | Existing Expenditures | | | | Consolidation Expenditures | | | | Total Potential Cost Reduction |
|---|---|---|---|---|---|---|---|---|---|
| | VVWD | BMWD | City | Total | VVWD | BMWD | City | Total | |
| One-time Start-up Costs (1) | n/a | n/a | n/a | n/a | n/a | n/a | n/a | $150,000 | ($150,000) |
| Department Staff (2) | | | | | | | | | |
| Administration | | | | | | | | | |
| Office Operations | $757,456 | $540,484 | $41,732 | $1,339,672 | $477,082 | $108,587 | $0 | $585,669 | $754,003 |
| Human Resources | $82,737 | $0 | $0 | $82,737 | $0 | $0 | $0 | $0 | $82,737 |
| Finance | $373,855 | $103,486 | $0 | $477,341 | $334,560 | $0 | $0 | $334,560 | $142,781 |
| Customer Service | $334,834 | $64,214 | $0 | $399,048 | $335,788 | $73,263 | $0 | $409,051 | ($10,003) |
| Subtotal | $1,548,882 | $708,183 | $41,732 | $2,298,798 | $1,147,430 | $181,849 | $0 | $1,329,280 | $969,518 |
| Operations | | | | | | | | | |
| Production | $920,305 | $428,871 | $211,604 | $1,560,781 | $1,068,449 | $485,407 | $211,604 | $1,765,461 | ($204,680) |
| Water Quality | $281,871 | $0 | $0 | $281,871 | $327,021 | $0 | $0 | $327,021 | ($45,150) |
| Field Equipment | $402,597 | $76,150 | $0 | $478,747 | $465,157 | $87,429 | $0 | $552,587 | ($73,840) |
| Subtotal | $1,604,773 | $505,021 | $211,604 | $2,321,399 | $1,860,628 | $572,837 | $211,604 | $2,645,069 | ($323,670) |
| Engineering | $162,952 | $197,931 | $0 | $360,883 | $191,052 | $226,067 | $0 | $417,119 | ($56,236) |
| Cost Applied | n/a | n/a | n/a | n/a | n/a | n/a | n/a | $100,000 | ($100,000) |
| Department Staff Total | $3,316,607 | $1,411,136 | $253,337 | $4,981,079 | $3,199,110 | $980,753 | $211,604 | $4,641,467 | $339,612 |
| Services and Supplies (3) | | | | | | | | | |
| Source of Supply | $1,614,900 | $1,408,300 | $420,000 | $3,443,200 | $1,614,900 | $1,408,300 | $420,000 | $3,443,200 | $0 |
| Transmission & Distribution | $3,683,900 | $457,700 | $96,100 | $4,237,700 | $3,683,900 | $457,700 | $96,100 | $4,237,700 | $0 |
| Customer Accounts | $94,500 | $176,900 | $0 | $271,400 | $94,500 | $176,900 | $0 | $271,400 | $0 |
| General & Adm | $981,800 | $284,200 | $56,000 | $1,322,000 | $764,000 | $117,550 | $56,000 | $937,550 | $384,450 |
| Services and Supplies Total | $6,375,100 | $2,327,100 | $572,100 | $9,274,300 | $6,157,300 | $2,160,450 | $572,100 | $8,889,850 | $384,450 |
| Other (4) | $3,163,500 | $1,685,600 | $0 | $4,849,100 | $3,129,500 | $1,685,600 | $0 | $4,815,100 | $34,000 |
| Total Expenditures | $12,855,207 | $5,423,836 | $825,437 | $19,104,479 | $12,485,910 | $4,826,803 | $783,704 | $18,496,417 | $608,062 |

(1) This is a one-time cost assumed to be incurred on the first year of operation following consolidation.
(2) Based on filled positions (source: City of Victorville); see Table A-8.
(3) Based on budgeted expenditures (2004-05 budgets).
(4) Includes interest, depreciation, debt-service, etc.

**Table A-5**
**Water Districts/Department Staff Summary (1)**
**Victorville Water Service Consolidation Study, EPS#15017**

| Categories | Existing FTE | | | | Consolidation FTE | | | | Reduced FTE |
|---|---|---|---|---|---|---|---|---|---|
| | VVWD | BMWD | City | Total | VVWD | BMWD | City | Total | |
| Administration | | | | | | | | | |
| Office Operations/Mgmt | 10.0 | 8.0 | 0.5 | 18.5 | 6.0 | 2.0 | 0.0 | 8.0 | 10.5 |
| Human Resources | 1.0 | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Finance | 6.0 | 1.0 | 0.0 | 7.0 | 4.0 | 0.0 | 0.0 | 4.0 | 3.0 |
| Customer Service | 7.0 | 1.0 | 0.0 | 8.0 | 6.0 | 1.0 | 0.0 | 7.0 | 1.0 |
| Subtotal | 24.0 | 10.0 | 0.5 | 34.5 | 16.0 | 3.0 | 0.0 | 19.0 | 15.5 |
| Operations | | | | | | | | | |
| Production | 16.0 | 8.0 | 3.0 | 27.0 | 16.0 | 8.0 | 3.0 | 27.0 | 0.0 |
| Water Quality | 5.0 | 0.0 | 0.0 | 5.0 | 5.0 | 0.0 | 0.0 | 5.0 | 0.0 |
| Field Equipment | 8.0 | 1.0 | 0.0 | 9.0 | 8.0 | 1.0 | 0.0 | 9.0 | 0.0 |
| Subtotal | 29.0 | 9.0 | 3.0 | 41.0 | 29.0 | 9.0 | 3.0 | 41.0 | 0.0 |
| Engineering | 2.0 | 3.0 | 0.0 | 5.0 | 2.0 | 3.0 | 0.0 | 5.0 | 0.0 |
| Department Staff Total | 55.0 | 22.0 | 3.5 | 80.5 | 47.0 | 15.0 | 3.0 | 65.0 | 15.5 |

(1) Based on filled positions (source: City of Victorville).

**Table A-6**
**Fringe Benefit Comparison**
**Victorville Water Service Consolidation Study, EPS#15017**

| Item | VVWD | | | BMWD | | | City | | |
|---|---|---|---|---|---|---|---|---|---|
| | Low | High | Avg | Low | High | Avg | Low | High | Avg |
| Cal Pers | 2% | 2% | 2% | 2% | 2% | 2% | 2.5% | 2.5% | 2.5% |
| Pers Retirement (Employer Cost) | 7% | 7% | 7% | 8% | 8% | 8% | 11% | 11% | 11% |
| Longevity Benefits | n/a | n/a | n/a | n/a | n/a | n/a | 0% | 50% | 25% |
| Social Security Contribution | 6.2% | 6.2% | 6% | 6.2% | 6.2% | 6% | n/a | n/a | n/a |
| Medical Insurance (1) | $8,082 | $8,082 | $8,082 | $8,985 | $8,985 | $8,985 | $7,512 | $7,512 | $7,512 |
| Car Allowance | $0 | $430 | $215 | n/a | n/a | n/a | $0 | $400 | $200 |

(1) Medical coverage appears to be equal in benefits; cost difference is a function of organization's size, etc.

**Table A-7 (3 pages)**
**Water Districts/Department 2004-05 Expenditures**
**Victorville Water Service Consolidation Study, EPS#15017**
(In Constant Dollars)

| # | District | Category | Cost Type (1) | Item | 2004-05 Budget | Cost Reduction Factor (2) | Consolidated Expenditures |
|---|---|---|---|---|---|---|---|
| 1 | VVWD | Transmission & Distribution | V | Groundwater Makeup/Repl | $541,200 | 100% | $541,200 |
| 2 | VVWD | Transmission & Distribution | V | Water Quality | $110,700 | 100% | $110,700 |
| 3 | VVWD | Customer Accounts | V | Accounting Charges | $72,000 | 100% | $72,000 |
| 4 | VVWD | General & Adm | F | Employee Recruit & Hire | $22,300 | 100% | $22,300 |
| 5 | VVWD | General & Adm | F | Insurance | $103,800 | 100% | $103,800 |
| 6 | VVWD | General & Adm | F | Legal | $102,000 | 100% | $102,000 |
| 7 | VVWD | General & Adm | F | Consulting | $150,000 | 100% | $150,000 |
| 8 | VVWD | Transmission & Distribution | F | Facilities Maintenance | $81,800 | 100% | $81,800 |
| 9 | VVWD | Transmission & Distribution | V | Operations Maintenance | $1,172,400 | 100% | $1,172,400 |
| 10 | VVWD | Transmission & Distribution | V | Vehicle Maintenance | $49,300 | 100% | $49,300 |
| 11 | VVWD | Transmission & Distribution | V | Maintenance Contracts | $1,521,500 | 100% | $1,521,500 |
| 12 | VVWD | General & Adm | F | Utilities | $63,500 | 50% | $31,750 |
| 13 | VVWD | General & Adm | F | Telephone | $69,600 | 50% | $34,800 |
| 14 | VVWD | Source of Supply | V | Production Power | $1,416,300 | 100% | $1,416,300 |
| 15 | VVWD | General & Adm | F | Janitorial Supplies | $2,400 | 100% | $2,400 |
| 16 | VVWD | General & Adm | F | Computer Supplies | $67,200 | 100% | $67,200 |
| 17 | VVWD | General & Adm | F | Office Supplies & Equip | $117,500 | 50% | $58,750 |
| 18 | VVWD | General & Adm | V | Postage & Shipping | $79,400 | 50% | $39,700 |
| 19 | VVWD | Source of Supply | V | Chemical Supplies | $54,100 | 100% | $54,100 |
| 20 | VVWD | Source of Supply | V | Operation Supplies | $59,700 | 100% | $59,700 |
| 21 | VVWD | Source of Supply | V | Vehicle Supplier/Fuel | $84,800 | 100% | $84,800 |
| 22 | VVWD | Department Staff | V | Salaries & Wages | $2,762,600 | n/a | n/a |
| 23 | VVWD | Department Staff | V | Overtime Salaries | $109,300 | n/a | n/a |
| 24 | VVWD | Department Staff | V | Employee Benefits | $1,258,900 | n/a | n/a |
| 25 | VVWD | Customer Accounts | V | Credit & Collections | $22,500 | 100% | $22,500 |
| 26 | VVWD | General & Adm | F | Public Relations | $57,800 | 100% | $57,800 |
| 27 | VVWD | Transmission & Distribution | V | Conservation | $250,000 | 100% | $250,000 |
| 28 | VVWD | General & Adm | V | Employee Development | $58,500 | 100% | $58,500 |
| 29 | VVWD | General & Adm | V | Employee Relations | $4,000 | 100% | $4,000 |

(1) F - Fixed Cost; V- Variable Cost; used to forecast marginal costs.
(2) "Cost Factor" reflects assumptions regarding potential cost savings due to consolidation. Reductions are possible due to redundancy or economies of scale afforded by the City.

*Source: Respective Water District/Department 2004-05 Budget.*

**Table A-7 (3 pages)**
**Water Districts/Department 2004-05 Expenditures**
**Victorville Water Service Consolidation Study, EPS#15017**
(In Constant Dollars)

| # | District | Category | Cost Type (1) | Item | 2004-05 Budget | Cost Reduction Factor (2) | Consolidated Expenditures |
|---|---|---|---|---|---|---|---|
| 30 | VVWD | General & Adm | V | Meetings & Travel | $6,000 | 0% | $0 |
| 31 | VVWD | General & Adm | F | Dues, Mbrships, Subscript | $31,000 | 100% | $31,000 |
| 32 | VVWD | Department Staff | V | Retiree Benefits | $98,200 | n/a | n/a |
| 33 | VVWD | General & Adm | F | Board of Directors | $46,800 | 0% | $0 |
| 34 | VVWD | Other | V | Depr & Amort | $3,734,400 | 100% | $3,734,400 |
| 35 | VVWD | Other | V | Contingency | $34,000 | 0% | $0 |
| 36 | VVWD | Other | V | Interest | $24,000 | 100% | $24,000 |
| 37 | VVWD | Transmission & Distribution | V | HDPP Operations | -$43,000 | 100% | -$43,000 |
| 38 | VVWD | Other | V | Expense Capitalization | -$633,900 | 100% | -$633,900 |
| 39 | VVWD | Other | V | Gain/(Loss Disposed Assets | $5,000 | 100% | $5,000 |
| 40 | VVWD | Other | V | Adjustments | $0 | 100% | $0 |
| 41 | BMWD | Source of Supply | V | Source of Supply | $1,078,300 | 100% | $1,078,300 |
| 42 | BMWD | Department Staff | V | Source of Supply-Labor & Benefits | $178,800 | n/a | n/a |
| 43 | BMWD | Transmission & Distribution | V | Booster Pumping | $46,800 | 100% | $46,800 |
| 44 | BMWD | Department Staff | V | Booster Pumping-Labor & Benefits | $4,800 | n/a | n/a |
| 45 | BMWD | Transmission & Distribution | V | Transmission & Distribution | $156,300 | 100% | $156,300 |
| 46 | BMWD | Department Staff | V | Transmission & Distribution-Labor & Benefits | $52,200 | n/a | n/a |
| 47 | BMWD | Transmission & Distribution | V | Engineering | $21,700 | 100% | $21,700 |
| 48 | BMWD | Department Staff | V | Engineering-Labor & Benefits | $176,700 | n/a | n/a |
| 49 | BMWD | Customer Accounts | V | Customer Accounts | $176,900 | 100% | $176,900 |
| 50 | BMWD | Department Staff | V | Customer Accounts-Labor & Benefits | $389,100 | n/a | n/a |
| 51 | BMWD | General & Adm | F | Directors | $49,100 | 0% | $0 |
| 52 | BMWD | General & Adm | F | Administration & General | $235,100 | 50% | $117,550 |
| 53 | BMWD | Department Staff | F | Administration & General-Labor & Benefits | $401,600 | n/a | n/a |
| 54 | BMWD | Transmission & Distribution | V | Vehicles & Equipment | $56,400 | 100% | $56,400 |
| 55 | BMWD | Department Staff | V | Vehicles & Equipment-Labor & Benefits | $11,800 | n/a | n/a |
| 56 | BMWD | Transmission & Distribution | V | Meter Installation | $176,500 | 100% | $176,500 |
| 57 | BMWD | Department Staff | V | Meter Installation-Labor & Benefits | $30,400 | n/a | n/a |
| 58 | BMWD | Other | F | Interest & Principal - 1998 Bond Iss | $190,000 | 100% | $190,000 |
| 59 | BMWD | Other | V | Depreciation | $1,454,900 | 100% | $1,454,900 |
| 60 | BMWD | Source of Supply | F | La Salle - Water Puch. | $330,000 | 100% | $330,000 |
| 61 | BMWD | Other | F | Citizens Bank - Storage Tank Loan | $40,700 | 100% | $40,700 |

(1) F - Fixed Cost; V- Variable Cost; used to forecast marginal costs.
(2) "Cost Factor" reflects assumptions regarding potential cost savings due to consolidation. Reductions are possible due to redundancy or economies of scale afforded by the City.

*Source: Respective Water District/Department 2004-05 Budget.*

**Table A-7 (3 pages)**
**Water Districts/Department 2004-05 Expenditures**
**Victorville Water Service Consolidation Study, EPS#15017**
(In Constant Dollars)

| # | District | Category | Cost Type (1) | Item | 2004-05 Budget | Cost Reduction Factor (2) | Consolidated Expenditures |
|---|---|---|---|---|---|---|---|
| 62 | City | Department Staff | V | Regular Wages | $133,314 | n/a | n/a |
| 63 | City | Department Staff | V | Overtime | $8,000 | n/a | n/a |
| 64 | City | Department Staff | V | Part Time Wages | $36,175 | n/a | n/a |
| 65 | City | Department Staff | V | Stability | $407 | n/a | n/a |
| 66 | City | Department Staff | V | Fringe Benefits, General | $67,300 | n/a | n/a |
| 67 | City | Department Staff | V | Payroll Taxes, General | $4,322 | n/a | n/a |
| 68 | City | General & Adm | V | Electricity | $4,000 | 100% | $4,000 |
| 69 | City | General & Adm | V | Water Usage | $300 | 100% | $300 |
| 70 | City | General & Adm | V | Natural Gas | $3,400 | 100% | $3,400 |
| 71 | City | General & Adm | V | Telephone | $1,300 | 100% | $1,300 |
| 72 | City | General & Adm | V | Postage | $100 | 100% | $100 |
| 73 | City | General & Adm | V | Departmental Supplies | $3,500 | 100% | $3,500 |
| 74 | City | General & Adm | V | Small Tools/Equip under $5,000 | $8,800 | 100% | $8,800 |
| 75 | City | Transmission & Distribution | V | Equipment Expense | $6,000 | 100% | $6,000 |
| 76 | City | Transmission & Distribution | V | Fuel-Vehicle | $2,000 | 100% | $2,000 |
| 77 | City | Transmission & Distribution | V | Vehicle Expense | $5,000 | 100% | $5,000 |
| 78 | City | General & Adm | V | Training & Education | $1,000 | 100% | $1,000 |
| 79 | City | General & Adm | F | Building Maintenance | $1,000 | 100% | $1,000 |
| 80 | City | General & Adm | F | Household Supplies | $400 | 100% | $400 |
| 81 | City | General & Adm | F | Contract/Professional Services | $21,900 | 100% | $21,900 |
| 82 | City | Transmission & Distribution | V | Equipment Rental | $1,000 | 100% | $1,000 |
| 83 | City | Transmission & Distribution | V | Safety Equipment | $1,800 | 100% | $1,800 |
| 84 | City | General & Adm | F | Travel Expenditures | $3,500 | 100% | $3,500 |
| 85 | City | General & Adm | F | Memberships | $1,200 | 100% | $1,200 |
| 86 | City | General & Adm | F | Advertising | $100 | 100% | $100 |
| 87 | City | General & Adm | F | Legal | $3,500 | 100% | $3,500 |
| 88 | City | General & Adm | F | Federal, State & Local Fees | $2,000 | 100% | $2,000 |
| 89 | City | Transmission & Distribution | F | Grounds Maintenance | $800 | 100% | $800 |
| 90 | City | Transmission & Distribution | V | Infrastructure Repairs | $50,000 | 100% | $50,000 |
| 91 | City | Transmission & Distribution | V | Improvements Not Buildings | $17,500 | 100% | $17,500 |
| 92 | City | Transmission & Distribution | V | Equipment | $12,000 | 100% | $12,000 |
| 93 | City | Transmission & Distribution | V | Infrastructure Install-General | $0 | 100% | $0 |
| 94 | City | Source of Supply | V | Purchased Water | $420,000 | 100% | $420,000 |

(1) F - Fixed Cost; V- Variable Cost; used to forecast marginal costs.
(2) "Cost Factor" reflects assumptions regarding potential cost savings due to consolidation. Reductions are possible due to redundancy or economies of scale afforded by the City.

*Source: Respective Water District/Department 2004-05 Budget.*