

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

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DATE: MARCH 6, 2006

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer 

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #6: Consideration of LAFCO 2919 – Service Review and Sphere of Influence Update for San Bernardino Valley Water Conservation District (Continued Hearing)

INITIATED BY:

Local Agency Formation Commission

RECOMMENDATION:

The staff recommendation is that the Commission approve the concept that a basin-wide water conservation entity should be pursued and take the following actions:

1. Determine that the designation of a zero sphere of influence for the San Bernardino Valley Water Conservation District is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
2. Designate a zero sphere of influence for the San Bernardino Valley Water Conservation District indicating that it is the position of the Commission that the District should ultimately consolidate with another; and,
3. Adopt LAFCO Resolution #2893 setting forth the Commission's findings and determinations related to this consideration.

However, if the Commission determines that the Stakeholders Committee report, the response from the San Bernardino Valley Water Conservation District and additional materials show affirmation of the District's existing sphere of influence or a coterminous sphere of influence is the appropriate action, it may take the

following actions to close this consideration:

1. Determine that the affirmation of the District's existing sphere of influence or the amendment to a coterminous sphere of influence through LAFCO 2919 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
2. Make the findings related to a service review required by Government Code Section 56430 and determine that the sphere of influence for the San Bernardino Valley Water Conservation District should be affirmed in its present configuration or amended to be coterminous with the District's boundaries; and,
3. Defer adoption of the resolution making these determinations to the consent calendar for the April 19, 2006 Commission hearing.

BACKGROUND:

At the February 15, 2006 hearing, the Commission continued consideration to March 15th at the request of Supervisor and Commissioner Hansberger. The Staff Report from the February 15th hearing, without attachments, is included as Attachment #1; the letter from the City of Redlands received at the February 15th hearing is included as Attachment #2; and the draft Resolution No. 2893 implementing the staff's recommendation is include as Attachment #3.

Staff will respond to questions on the materials at the hearing. As noted above, the staff recommendation remains unchanged.

KRM/

Attachments:

1. Staff Report dated February 6, 2006 for LAFCO 2919 Without Attachments
2. Letter from City of Redlands dated February 15, 2006
3. Draft LAFCO Resolution #2893

**Staff Report Dated
February 6, 2006 for LAFCO 2919
Without Attachments**

Attachment 1

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

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San Bernardino, CA 92415-0490 • (909) 387-5866 • Fax (909) 387-5871
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DATE: FEBRUARY 6, 2006
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #6: Consideration of LAFCO 2919 – Service Review and Sphere of Influence Update for San Bernardino Valley Water Conservation District (Continued Hearing)

INITIATED BY:

Local Agency Formation Commission

RECOMMENDATION:

That the Commission:

1. Determine whether or not to continue the matter to the March 15, 2006 hearing as requested by Commissioner Hansberger.
2. If the determination is to continue with its consideration at the February hearing and, after reviewing the report of the Stakeholders Committee and the San Bernardino Valley Water Conservation District response, the Commission supports the staff's position that the concept of a basin-wide water conservation entity should be pursued, staff recommends that it:
 - a. Determine that the designation of a zero sphere of influence for the San Bernardino Valley Water Conservation District is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
 - b. Designate a zero sphere of influence for the San Bernardino Valley Water Conservation District indicating that it is the position of the Commission that the District should ultimately consolidate with another agency; and,

- c. Adopt LAFCO Resolution #2893 setting forth the Commission's findings and determinations related to this consideration.
3. However, if the Commission determines that the Stakeholders Committee report, the response from the San Bernardino Valley Water Conservation District and additional materials show affirmation of the District's existing sphere of influence or a coterminous sphere of influence is the appropriate action, it may take the following actions to close this consideration:
- a. Determine that the affirmation of the District's existing sphere of influence or the amendment to a coterminous sphere of influence through LAFCO 2919 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
 - b. Make the findings related to a service review required by Government Code Section 56430 and determine that the sphere of influence for the San Bernardino Valley Water Conservation District should be affirmed in its present configuration or amended to be coterminous with the District's boundaries; and,
 - c. Defer adoption of the resolution making these determinations to the consent calendar for the March 15, 2006 Commission hearing.

BACKGROUND:

Attachment #1 to this report is a letter, dated January 25, 2006, from Supervisor and Commissioner Hansberger requesting that the Commission accept the materials presented related to this item and then continue its consideration to the March 15, 2006 Hearing so that he may participate in the consideration. A decision on this request will be the first determination required of the Commission. Staff has no recommendation on this matter as it is a policy decision for the Commission.

The current consideration is a continued hearing by the Commission. At the September 21, 2005 Commission hearing, the action taken was to indicate the Commission's intent to adopt the staff's recommendation, which was to determine that the Commission's decision was exempt from CEQA and to adopt a zero sphere of influence for the San Bernardino Valley Water Conservation District (hereinafter SBVWCD) and continue the matter to the February 15, 2006 hearing to request that a committee of stakeholders respond to three questions:

1. The effectiveness and efficiency of a potential future successor agency through consolidation;
2. Can the pre-1914 water rights of the SBVWCD be transferred in any future consolidation; and,

3. The preservation of the Wash Plan or Plan B currently in progress.

At the November 16, 2005, hearing an additional question was posed to the Committee for discussion and response:

Is there any incompatibility in having the San Bernardino Valley Municipal Water District (hereinafter MUNI) administer both the Western Judgment and the Conservation District's traditional water recharge role, or in having MUNI serve both as the importer of State Project Water and the party primarily controlling the native water for groundwater recharge?

In addition, at the November hearing the makeup of the stakeholders Committee was expanded by the Commission to specifically include the Western Municipal Water District and the City of Highland. Copies of the minutes related to these hearings are included as a part of Attachment #2 to this report.

As directed by the Commission at the September 21, 2005 hearing and thereafter, the Committee has met on numerous occasions and discussed the four questions on which they were charged to respond. Attached to this staff report is a copy of the Committee Report (Attachment #3) representing the majority position of its membership outlining the response to the four questions.

Attachment #4 to this report is the response submitted on February 6th by the SBVWCD. Staff was able to review the materials submitted by the SBVWCD in a cursory manner, but would like to clarify one point at this time related to the materials submitted. The portion of the document entitled "Position Paper on LAFCO Matter 2919", on page 3, states that the City of Riverside "is (1) not within the boundaries of the Municipal Water District and (2) pays no taxes...". Staff would clarify that the City of Riverside has extensive land holdings within San Bernardino County that are a part of the Municipal Water District throughout the Santa Ana River area and pays taxes. Specifically, staff has reviewed two parcels owned by the City of Riverside against the County of San Bernardino's Assessment Rolls and Tax Bills. This review shows the following:

ASSESSOR PARCEL NUMBER	OWNER NAME	LAND VALUE 2004-05	GENERAL TAX LEVY 2004-05	SBVMWD DEBT SERVICE
0141-421-18	City of Riverside	\$18,500	\$185.00	\$25.90
0141-431-18	City of Riverside	\$ 3,906	\$30.96	\$4.95

So the statement that if the groundwater charge were to be removed from the City of Riverside, "all other taxpayers in the Municipal Water District will subsidize the City of Riverside" is inaccurate. It should also be noted that the City of Riverside currently has well sites within the boundaries of SBVWCD, as evidenced by their payment of the District's groundwater assessment charge; therefore, their payment of general levy taxes would also support the SBVWCD.

LAFCO staff has attended all of the Committee meetings, provided staff support in the preparation of the Committee Report, and has reviewed the response presented by the SBVWCD. The information provided has not changed the staff's position that the Bunker Hill Basin should be considered as a single unit when evaluating agencies with recharge responsibilities or operations. It remains our position that the ability to maximize recharge efforts should be coordinated at the regional level, or basin-level. Given the discussion in the past regarding the expansion of the SBVWCD sphere of influence to include the whole of the Basin and the absence of support or desire for such action by SBVWCD or the water producers, the consolidation of the SBVWCD with a regional entity was, and still is, considered the appropriate planning decision by LAFCO staff. As outlined in the staff reports presented on this matter, following discussion with other regional entities with recharge authority, the potential for consolidation with either San Bernardino County Flood Control District or MUNI, the appropriate agency to be considered for consolidation was determined to be MUNI. The Flood Control District indicated, as included in the staff report for the August 17, 2005 hearing, that its mission of moving water through the area of the Santa Ana River as quickly and safely as possible did not coincide with the mission of SBVWCD to hold those waters for recharge of the Basin.

As outlined in the prior reports, the staff's position responds to the basic question which has been articulated throughout these considerations:

“Why are there three overlapping agencies within this portion of the Bunker Hill Basin of the eastern San Bernardino Valley authorized to provide water conservation services? And is this appropriate?”

Staff's response is that the regional service of water recharge should be addressed regionally and the overlapping of agencies is not appropriate.

The staff's review of the factors related to a municipal service review, as identified in Government Code Section 56430, and a sphere of influence update, as identified in Government Code Section 56425, has been provided to the Commission previously in reports presented on March 16th, August 17th, and September 21st 2005 and are not reiterated in this report.

CONCLUSION:

Based upon the information included in the reports presented to the Commission during its hearings on the Municipal Service Review and Sphere of Influence Update, LAFCO 2919, the Committee Report, and response by the SBVWCD, along with the policy directions of the State Legislature to LAFCO to develop the most efficient and effective service boundaries for agencies, LAFCO staff's recommendation remains that the Commission should amend the sphere of

influence of the SBVWCD to a zero sphere, indicating that its planning perspective is that, over time, the agency should join with another.

Staff reiterates that its recommendation does not initiate the consolidation; it does not change the area in which the SBVWCD currently provides its services; does not change its current operations or responsibilities related to the Wash Plan, Big Bear Watermaster, or Exchange Plan administration; nor does it eliminate the groundwater charge. Its intent is to fulfill the Commission's planning function as outlined by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The staff's position is not taken on the basis that the District is mismanaged or derelict in the performance of its responsibilities; the District is well-managed and performs its responsibilities. It is taken in response to State directives to look at the efficient and effective operations in a regional context.

However, if after reviewing the materials and the presentations at the hearing, the Commission does not support the staff's recommendation and believes that sufficient information has been presented to support retention of the District's sphere of influence, it can:

1. Affirm the District's existing sphere which includes approximately 1,980 acres outside its existing boundaries within the Santa Ana River, stretching from approximately Boulder Avenue on the east to the junction of the I-215 and I-10 freeways on the west; or,
2. It can establish a sphere of influence coterminous with the District's existing boundaries. This action would remove the ability of the District to expand its boundaries without a subsequent sphere of influence application and review.

KRM/

Attachments:

1. Letter from Commissioner Hansberger Requesting Continuance of the Consideration
2. Minutes from Commission Hearings Dated March 16, 2005, August 17, 2005, September 21, 2005, and November 16, 2005
3. Committee Report
4. SBVWCD Response to Committee Report
5. Maps of San Bernardino Valley Water Conservation District and Related Agencies
6. Responses from Commission Environmental Consultant, Tom Dodson of Tom Dodson and Associates
7. Draft LAFCO Resolution #2893

**Letter from
City of Redlands Dated
February 15, 2006**

Attachment 2

City of
Redlands
Municipal Utilities Department
WATER - WASTEWATER - SOLID WASTE - AIRPORT - CEMETERY - CITRUS

February 15, 2006

Chairman Paul Biane
LAFCO Commissioners
175 West Fifth St., Second Floor
San Bernardino, CA 92415-0490

RECEIVED
FEB 15 2006

LAFCO
San Bernardino County

Re: SBVWCD Municipal Service Review

Dear Chairman Biane and LAFCO Commissioners,

Thank you for the opportunity to comment again on the Municipal Service Review for the San Bernardino Valley Water Conservation District (WCD). The City of Redlands has been an active participant in this process for many months. Our participation came as a result of a request from LAFCO to take a position on the possible consolidation of the WCD. Discussions at Council meetings in July and August 2005 culminated in the Redlands City Council recommendation that LAFCO consolidate the WCD with the San Bernardino Valley Municipal Water District (Muni). The obvious cost saving advantage of a consolidated agency, without the loss of effective groundwater recharge, was the main driving factor supporting the Council's action.

Since that time, the City has followed these proceedings closely because of the serious cost and efficiency implications for the City's nearly 80,000 water customers. As a member of the Advisory Committee appointed by LAFCO to determine whether a consolidation of the WCD with Muni is appropriate from a water resource, cost, and organizational structure perspective, the City continues to be concerned with the lack of recognition by the WCD of the inherent efficiencies of a consolidation. Therefore, I would like to take this opportunity to clarify some of the allegations in the latest submittal from the WCD. (These comments would have been submitted in time to be a part of the official Commission packet, but the WCD submittal was not available in time for our response to be included.)

First, the WCD continues to assert that "no credible evidence" supporting a zero sphere of influence has been provided to you. Unbelievably, this statement is made after their own customers representing the vast majority of groundwater produced within the WCD boundary have determined that, in fact, significant economic and organizational efficiencies would result



from a consolidation. An analysis showing as much as \$1 million in annual savings from a consolidation was the basis for every retail and wholesale water purveyor on the Committee to vote that "efficiencies and cost savings can be achieved through a consolidation." These are people who make a living focusing on the efficient delivery of services and represent some of the most knowledgeable people in the area on the subject of water resources.

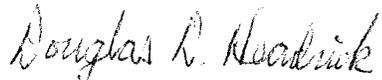
The WCD also asks "Why has a routine service review morphed into a consolidation effort?" I believe that multiple references in the voluminous record provided by LAFCO staff and the water agencies show that the answer to that question is simply, with all due respect, there is a lack of "value added" by the WCD. For the first 60 years of its existence the WCD operated as a lean, efficient water recharge agency with 2 or 3 employees conducting the operations as necessary. However, over the last 15 years the WCD has undertaken an aggressive expansion program resulting in a tripling of their expenditures. Much of these cost increases have rested on the backs of the customers of the water purveyors within the WCD boundary, including the City of Redlands through the payment of a groundwater assessment. Further, from the WCD's own financial records provided to LAFCO, the increases in staff costs are even more dramatic. Over this same 15 year period, salary and benefit costs have quadrupled even though the WCD continues to maintain that its primary mission, recharging native water, has not changed since it was formed. It is interesting to note that the WCD's paid consultant determined that Muni's, not the WCD's, salary and benefit costs were increasing at an accelerated rate.

The WCD submittal also attempts to refute the findings of the LAFCO appointed Advisory Committee and goes so far as to question the integrity of those involved because of two Memorandums of Understanding between Muni and the Cities of Redlands and Riverside. While I cannot speak directly to the bases for the City of Riverside's MOU, I can certainly speak to the one the City of Redlands approved. The MOU is simply a way for the City to ensure that, should LAFCO decide to consolidate the WCD with Muni, it would know exactly how it would be impacted. Most observers would consider this evaluation of future impacts a prudent and sensible course of action. As a matter of fact, it is much like the process that the LAFCO Commission adopted when you appointed the Advisory Committee last September. You were and are simply attempting to make the most informed decision possible. There is nothing underhanded or deceitful about your attempt to gather information to base your decision on just as there was none associated with the MOUs, no matter how hard the WCD tries to make it so.

In closing, we have heard representatives of the WCD call this Municipal Service Review process many things. An attack, a conspiracy, a personal vendetta, a power grab, a land grab, and a money grab just to name a few. Unfortunately we have not heard them call this process exactly what it is; an effort by a group of concerned public agencies to promote the efficient delivery of governmental services - nothing more and nothing less. Therefore, the City of Redlands respectfully requests that the LAFCO Commission support the joint recommendations from your Staff and the Advisory Committee and designate a zero sphere of influence for the WCD indicating that it is the position of the Commission that the WCD should ultimately consolidate with another agency.

Thank you again for the opportunity to provide information in regards to the Municipal Service Review of the WCD. As a member of your Advisory Committee and representative of the City of Redlands, I remain available to answer any questions you may have.

Sincerely,

Handwritten signature of Douglas R. Headrick in cursive script.

Douglas Headrick, PE
Chief of Water Resources

**Draft LAFCO
Resolution No. 2893**

Attachment 3

PROPOSAL NO.: LAFCO 2919

HEARING DATE: MARCH 15, 2006

RESOLUTION NO. 2893

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 2919, A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT (a sphere of influence reduction to a zero sphere of influence for the District).

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

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

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

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

WHEREAS, public hearings by this Commission were held on March 16, August 17, September 21 and November 16, 2005, and February 15, 2006, at the time and place specified in the original notice of public hearing and in an order or orders continuing the hearing; and,

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

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on March 15, 2006. The Clerk was directed to file a Notice of Exemption within five working days of adoption; and,

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WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the San Bernardino Valley Water Conservation District shall be reduced to a "zero" sphere of influence with the direction that the consolidation of the District with the San Bernardino Valley Municipal Water District should be pursued; and,

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

1. Infrastructure Needs and Deficiencies.

The District has outlined its plans to reconstruct the percolation basins within the Borrow Site for the Seven Oaks Dam and has plans to construct seven basins upon adoption and completion of the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan (commonly known as "Plan B"). The District has outlined in its materials that its basic infrastructure of canals and percolation basins were constructed in 1930's and continue to comprise the District's primary infrastructure. These facilities total 75 percolation basins with a total wetted area of approximately 198 acres and surface storage capacity of approximately 2,000 acre feet. The materials submitted by the District indicate no requirement for new facilities or deficiencies in its existing infrastructure.

2. Growth and Population.

The District provides service to approximately 78 square miles (approximately 50,000 acres) within its current boundaries which includes portions of the incorporated and unincorporated areas of the Cities of Colton, San Bernardino, Highland, Loma Linda, Redlands, and Yucaipa. The materials submitted by the District indicates that its services primarily support the communities of San Bernardino, Loma Linda, Redlands and Highland and unincorporated areas of Mentone and islands within the Cities. The 2000 Census indicates a population of approximately 340,000 individuals within these communities in San Bernardino County and anticipates a 35% growth rate by 2020 to a population of 460,000. In addition its services support wells within the Bunker Hill Basin, owned by the City of Riverside, the Meeks and Daley Water Company, and Gage Canal Company, which serve as the primary water supply for the City of Riverside and other areas within Riverside County. The City of Riverside's population in the 2000 Census was 256,352 with a projected 2020 population of 338,712. Therefore, the water extraction from the Bunker Hill Basin is anticipated to support a projected population of 798,712 in the year 2020.

The establishment of a zero sphere of influence is proposed to point toward the consolidation of the San Bernardino Valley Water Conservation District with the San Bernardino Valley Municipal Water District to better serve the whole of the Bunker Hill Basin which supports the populations identified above.

3. Financing Opportunities and Constraints.

The primary funding mechanisms for the District are:

- Mining Revenues (estimated at \$784,748 for FY 2004-05)
- Groundwater Assessments (\$493,906 for FY 2004-05)
- Interest (\$155,898 for FY2004-05)

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- A share of the 1% general ad valorem levy (estimated at \$53,140 for FY 2004-05)

The establishment of a zero sphere of influence for the San Bernardino Valley Water Conservation District points toward the consolidation of this agency with the San Bernardino Valley Municipal Water District in order to allow consolidating the requirements for water replenishment/recharge of the Bunker Hill Basin under a single entity. Such an action would mean that the revenue stream from the groundwater assessments would discontinue as the San Bernardino Valley Municipal Water District does not have the legal authority to assess this charge. Further review with the Districts and water stakeholders within the area needs to be undertaken to assure that there will be no loss of service with consolidation and reduction in revenue stream.

4. **Cost Avoidance Opportunities.**

The District has indicated that it has participated in a number of joint efforts with other agencies to assist in the performance of its focus on water recharge/replenishment of the basin – these include the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan – a partnership with the Bureau of Land Management, the Cities of Redlands and Highland, mining interests, water agencies, the California Department of Fish and Game, the Santa Ana River-Mill Creek Cooperative Water Project – facilitates the transfer and/or exchange of water between ten public and private water agencies, the High Groundwater Mitigation Project – an effort to reduce the water level within the “pressure zone” of the southern City of San Bernardino and the Drought Mitigation Project.

There are two agencies which overlay the entirety of the SBVWCD which also have “water conservation” as an authorized power or function – the San Bernardino County Flood Control District and the San Bernardino Valley Municipal Water District. The San Bernardino County Flood Control District has indicated that water conservation or recharge/replenishment is a secondary focus of its operations, its primary function being to provide for the control of floodwaters for the health and safety of the County and its residents. The San Bernardino Valley Municipal Water District has indicated that its responsibilities for the maintenance of the Bunker Hill Basin provide a need to incorporate the water recharge/replenishment activities of all the water stakeholders in the Bunker Hill Basin into its master plans for the Basin.

5. **Rate Restructuring.**

The District operates a groundwater assessment pursuant to the provisions of Section 75500 et seq. of the Water Code. This rate is annually set by the Board of Directors through a process as prescribed by law. The groundwater assessment was established in 1993 as a funding mechanism to offset reductions in mining revenues and the reductions in property tax revenues received by the District. Based upon information on the history of this groundwater assessment, there has been a 66% increase since its inception in 1993. It would be anticipated that future increases would be anticipated to “help defray the costs for replenishment” operations. If consolidation with the San Bernardino Valley Municipal Water District were to occur, with that District identified as the successor entity, the groundwater assessment would be abolished, as such is not authorized under Municipal Water District law.

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In addition, the District receives revenues from aggregate mining as a royalty rate set by lease contracts with specific durations. At the time that the contracts are due for renewal, adjustments in the lease rates could be applied. Existing contracts are with Cemex USA and Redlands Aggregate. In addition, the District has on account a \$5,000,000 deposit from Robertson's Redi-Mix mining company as a pre-deposit for future mining royalties on lands to be leased in the future. The use of these revenues is dependent upon completion of the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan (Plan B) which anticipates the exchange of lands between the Bureau of Land Management and SBVWCD to solidify habitat preservation areas within the Santa Ana River and establish areas for aggregate extraction.

6. Opportunities for Shared Facilities.

The materials submitted by the District identify that it has shared its facilities for spreading of water for recharge with other parties within the groundwater basin. The District's facilities consist of a series of diversion structures on the Santa Ana River and Mill Creek used with a system of canals to transport water to percolation facilities. The San Bernardino County Flood Control District has detention basins along the course of the Santa Ana and in other tributary flood control facilities which can be used for recharge purposes. Responses to requests for information from other agencies have indicated that there are a number of facilities within this region that provide for shared facilities and resources to support and enhance recharge activities.

7. Government Structure Options.

The District was originally established in 1931 by election and took over the operation and assets of its predecessor, the Water Conservation Association in the Santa Ana River. In 1935 it acquired the water rights of the East Lugonia Mutual Water Company to provide for spreading and percolation within Mill Creek, a tributary to the Santa Ana River. In the materials submitted by the District, it indicates that it has been operating successfully for over 70 years and that its structure offers flexibility and a focused mission. The materials indicate that the hurdles to consolidation/reorganization are that it would require a vote by the registered voters within its boundaries and that the local groundwater producers would be reluctant to see such a change.

However, AB 2067 (Harmon) signed into law on September 10, 2004 and effective January 1, 2005 changed the possibilities for reorganization of this district. That change included the ability to consolidate special districts formed under different principal acts if certain findings can be made. In this instance, the election requirements would depend upon levels of protest as is the standard measure in any LAFCO proceeding. The alternatives for such a reorganization to combine agencies providing the same types of service would be: consolidation with the San Bernardino County Flood Control District, or consolidation with the San Bernardino Valley Municipal Water District.

Staff has reviewed these alternatives plus a possible sphere of influence expansion to encompass the whole of the Bunker Hill Basin with the affected Districts, the major water producers within the District, and by circulation of the staff report with those assessed the groundwater charge. In gathering and evaluating the materials for this municipal service review, LAFCO has solicited the positions of the affected districts and provided that to the Commission. No support for expansion of the District's sphere of influence has been received, no support for consolidation with the San Bernardino

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County Flood Control District has been received, some support for consolidation with the San Bernardino Valley Municipal Water District has been received and some support for maintenance of the status quo has been received.

8. Management Efficiencies.

In response to questions regarding staffing levels, the District has responded that it is operated by a small, highly trained organization that includes a General Manager, Assistant General Manager, Administrative Services Manager, Project Manager, GIS/CADD Analyst, two (2) administrative assistants and two (2) Operation Specialists. The District adopts an annual budget which includes a review process at committee level, then public workshop with the Board of Directors and final adoption. The budget review includes discussion of long-range planning. As identified in the staff report, the financial materials submitted by the District identify that for every \$1.00 spent on groundwater replenishment in Fiscal Year 2004-05 it cost \$1.26 in administrative charges.

Through consideration of a potential consolidation with the San Bernardino Valley Municipal Water District, the full-time employees of the SBVWCD would be transferred as required by law. Consideration should also be given to the possible retention of a portion of the existing board of directors to allow for a smooth transition and an understanding of the operations of the District while achieving a reduction in administrative costs.

9. Local Accountability and Governance.

The District is governed by a seven (7)-member Board of Directors, elected from within divisions. Each member of the Board is required to be registered voters within his/her division of the District. The Board of Directors is elected to four-year fixed terms. While there is a requirement for an election in odd-numbered years, actual elections conducted by the District during the last twenty years total six. The elections conducted were:

Division #1 (Redlands)	1983 and 1999
Division #5 (Mentone)	1989
Division #6 (North San Bernardino)	1993, 1997 and 2001

No election has been held for Divisions #2, #3, #4 and #7 in the past twenty years according to the records of the County Registrar of Voters. These divisions were appointed in-lieu of election. Divisions #1, #3, #5, and #7 are due for election at the November 2005 consolidated election. As of August 4th, according to the County Registrar of Voters website, only one candidate has filed for Division #5. There was a mandatory redistricting required of the District following its 1993 annexation of the North San Bernardino area which became Division #6 identified above.

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

1. The present and planned land uses in the area, including agricultural and open-space lands:

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The present and planned land uses in the area comprising the existing boundaries and sphere of influence of the San Bernardino Valley Water Conservation District represent varying levels and intensities of urban development within unincorporated County areas as well as portions of the Cities of Colton, San Bernardino, Highland, Loma Linda, Redlands, and Yucaipa. This area includes approximately 78 square miles (50,000 acres) within San Bernardino County. This portion of the San Bernardino Valley is transitioning from an agrarian economy to an urban one which will affect the levels of water usage and define the level of service for water replenishment/recharge within this portion of the Bunker Hill Basin.

2. The present and probable need for public facilities and services in the area:

The present and probable need for water recharge/replenishment activities to sustain the overall Bunker Hill Basin will continue and expand as the population of this portion of the Valley grows and the agrarian land uses transitions to urban uses. The entire basin is experiencing drought conditions, water contamination issues and growth in the use of the groundwater supply. The services of water recharge/replenishment as utilized under the water conservation powers of the San Bernardino Valley Water Conservation District is a need throughout the entirety of the basin in a coordinated effort, not isolated to the area within the boundaries of the District.

3. The present capacity of public facilities and adequacy of public services that the agency to be expanded provides or is authorized to provide:

Within the current boundaries of the San Bernardino Valley Water Conservation District it provides the service of water recharge/replenishment through the use of its allocation of the native surface waters of the Santa Ana River and/or, when necessary, State Project Water during drought conditions. The services of water recharge/replenishment are also provided within this area by the overlapping agencies of the City of Redlands, the East Valley Water District, the Bear Valley Mutual Water Company and the San Bernardino Valley Municipal Water District.

4. The existence of any social or economic communities of interest in the area.

The Water Conservation District purpose is regional in scope as its mission statement specifies:

"The mission of the San Bernardino Valley Water Conservation District is to ensure recharge of the Bunker Hill Groundwater Basin in an environmentally and economically responsible way, using local native surface water to the maximum extent practicable.

We strive to improve the supply and quality of groundwater, balancing such demands with those of land, mineral and biological resources."

However, the Bunker Hill Basin is much larger than the boundaries and/or sphere of influence of the District and for this type of regional service the boundary of the Basin would be considered a single community of interest. Since the efforts of the District support the entirety of the Basin, either the sphere of influence of the agency should be expanded to include the whole of the Basin or the possibility of consolidation with the San Bernardino Valley Municipal Water District, an entity with responsibility for the entirety of the Bunker Hill Basin, through such responsibilities as administration of the *Orange County Judgment* and the *Western Judgment*, responsibility for the State Project

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within the eastern portion of the San Bernardino Valley, etc., would be the appropriate decision.

5. OTHER FINDINGS

- A. Notice of the original March 16, 2005 hearing was published as required by law and directed by the Commission in The Sun, and the Riverside Press Enterprise, newspapers of general circulation in the area. As required by state law, individual notification of all hearings was provided to affected and interested local agencies, County departments, and those agencies and individuals wishing mailed notice.
- B. Comments from water stakeholders and the affected and interested local agencies have been reviewed and considered by the Commission. Protest has been received and considered by the Commission in making its determination; and,

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

WHEREAS, the Local Agency Formation Commission of the County of San Bernardino is required to review and update the Exhibit "A" of the Rules and Regulations of Special Districts to outline the services provided by the San Bernardino Valley Water Conservation District:

SERVICE	FUNCTIONS
Water Conservation	Appropriation, acquisition, and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits, spreading basins, and sinking basin in order to conserve, store, spread and sink water.
Surveys of Water Supply and Resources	Make surveys and investigation of the water supply and resources of the Water Conservation District.

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

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines that a zero sphere of influence for the San Bernardino Valley Water Conservation District is appropriate, signaling the Commission's position that the consolidation of the San Bernardino Valley Water Conservation District with the San Bernardino Valley Municipal Water District should be evaluated.

