


**RUNNING SPRINGS WATER DISTRICT**

**MEMORANDUM**

**DATE:** August 29, 2012

**TO:** Board of Directors

**FROM:** Ryan Gross, General Manager 

**SUBJECT:** CONSIDERATION OF STAFF AND COMMITTEE RECOMMENDATIONS ON DIRECTION FOR CONSOLIDATION OF SPECIAL DISTRICTS

**BACKGROUND AND CHRONOLOGY OF EVENTS**

Several meetings have been held with the Local Agency Formation Commission (LAFCO), Arrowbear Park County Water District (Arrowbear) Board Members and staff, Neil Derry's Field Representative, Dave Prusch and Ron Pearne, County Service Area (CSA) 79 Advisory Commission.

At the July 7, 2011 meeting, Arrowbear indicated they were not ready for consolidation at that time. They did express an interest in submitting a Request for Proposal (RFP) to contract for fire service with the Running Springs Fire Department (RSFD). The Running Springs LAFCO Committee Members indicated they would entertain the idea of contracting for fire service with Arrowbear if and when a RFP was submitted.

It was subsequently decided by the LAFCO Committee to concentrate consolidation talks with CSA 79 exclusively. A letter was sent to Arrowbear's Board President expressing Running Springs Water District's (RSWD or District) desire to curtail any further consolidation talks.

A meeting was held on September 9, 2011 with the LAFCO Committee and District Staff to discuss possible new District boundaries and review preliminary CSA 79 budget numbers. A new boundary was agreed to by the attendees and presented to the CSA 79 Advisory Commission.

A tour was conducted of the CSA 79 Sewer Collection System on September 15, 2011. District Engineer, Brian Thomas, Collection Division Supervisor, Isaiah Hall and General Manager, Sam Massey accompanied San Bernardino County Special District Water/Sanitation Supervisor Jim Payfer and CSA 79 Staff on the tour.

A meeting was held on Friday, October 14, 2011 with the CSA 79 Advisory Commission, RSWD LAFCO Ad Hoc Committee and District personnel to review the proposed new District Boundary and other related material. Proposed Fire and Wastewater Collection Division Budgets were reviewed along with a 5-year plan to bring Green Valley Lake (GVL) closer to RSWD standards.

A Green Valley Lake Consolidation Community Meeting was held on Saturday, December 3, 2011 @ 6:00 PM at the Green Valley Lake Mutual Water Company Club House. RSWD personnel, LAFCO Ad Hoc Committee, CSA-79 Advisory Committee Member Ron Pearne and Kathleen Rollings-McDonald from LAFCO were present to answer questions concerning the proposed consolidation. There were nearly 100 individuals in attendance. A detailed presentation of the consolidation process was given followed by a lengthy question and answer period. At the end of the meeting, those in attendance were asked if they were in support of moving forward with the consolidation process. The vast majority present expressed their support to continue exploring the possibility of consolidation between the two Districts.

A meeting was held with Supervisor Rutherford, her staff and the Consolidation Committee on Friday, February 15, 2012. Manager Massey was unable to attend because of scheduling conflicts. President Ayers updated the Board on the discussions that took place with the Supervisor at the February Board Meeting.

A formal request was made to Special Districts asking for copies of all video inspections of sewer mains, force mains, manholes and lift station wet wells conducted in the last ten years. Also requested were repair records performed on the sewer collection system, force mains and lift stations conducted during the same time period.

On February 16, 2012, we received a letter from County Counsel in regards to our California Public Records Act Request. They respectfully declined to comply with our request for the videos and documents. They suggested we narrow our request to identify specific records within a more limited span of time.

Manager Massey subsequently spoke with Steve Samaras, Operations Manager with Special Districts. He agreed to supply us with the requested information from 2005 to 2012. He stated it would take quite some time to assemble the requested information, but would start to deliver it to the District in approximately 3 to 4 weeks.

On March 1, 2012, we received a follow-up letter from County Counsel reiterating the conversation Manager Massey had with Mr. Samaras. The letter stated they would comply with the modified request with an estimated response time of 3 to 4 weeks.

At the February 15, 2012 meeting with Supervisor Rutherford, she requested financial and budgetary information from the District. Documents including the 2011/12 Budget and a copy of the 2010/11 Annual Financial Report were given to Supervisor Rutherford's District Representative Lewis Murray to deliver to the Supervisor.

President Ayers, Director Bennett and Manager Massey attended a Running Springs Area Chamber of Commerce (RSACC) meeting on March 22, 2012. Information concerning the advantages of consolidation was discussed with the RSACC members followed by a question and answer period. The information presented was well received and RSACC agreed to write Supervisor Rutherford a letter of support for the consolidation process.

A second request was made by Supervisor Rutherford through her District Representative Lewis Murray asking additional questions concerning the consolidation. Director Bennett composed a letter addressing those concerns and the letter was forwarded to the Supervisor's office on March 29, 2012.

Manager Massey spoke with Steve Samaras, Operations Manager with Special Districts on April 3, 2012. Mr. Samaras indicated the CSA 79 documents that the District had requested were ready to be reviewed and or copied at their Victorville Office. A meeting was set for April 19, 2012 for Supervisor Hall and Supervisor Miller to inspect the documents and to copy any that they deemed pertinent to the consolidation process. This meeting date was subsequently changed to May 3, 2012 because of scheduling conflicts with Special Districts.

District Supervisors Hall and Miller traveled to the Victorville Special District Office on May 3, 2012 where they proceeded to make over 1,000 copies of documents and videos pertaining to CSA 79. These documents and videos were reviewed over the next several months to try and ascertain the relative condition of the sewer system.

After reviewing several videos, Supervisor Hall determined that it would be necessary to obtain sewer system maps to determine locations referenced on the videos. A second California Public Records Act Request was sent to Special Districts requesting various maps of the CSA 79 sewer system.

Ron Pearne learned of our need to obtain CSA 79 sewer system maps and offered a set he had in his possession. Supervisor Hall has been utilizing these maps while reviewing the videos.

A consolidation meeting was held on June 11, 2012 where Isaiah informed the committee that approximately 25% of the sewer system video footage he had reviewed to date (1,500 linear feet) appeared to be in need of repair or replacement based on the condition at the time the video was taken and on RSWD standards. Assuming that the remainder of the system was in a similar condition, costs to make system repairs could possibly exceed \$10 million over several years.

The committee decided that a meeting should be scheduled with Supervisor Rutherford after we receive the analysis being conducted by Phil Waller with Rogers, Anderson, Malody & Scott, LLP (RAMS) on the one year financial projection associated with the sanitation and fire services.

A Consolidation Committee Meeting was held on July 18, 2012 to review the RAMS financial projection and other issues of concern that each of the consolidation committee members had. A copy of the RAMS financial projection is included as an Attachment 1.

On August 9, 2012, the CSA 79 Regular Advisory Committee met at the Green Valley Lake Fire Station to elect its committee members and discuss CSA 79 sewer system projects, consolidation with Running Springs Water District and the CSA 79 2010/2011 budget. President Ayers, Manager Gross and Chief Grabow attended that meeting and provided an update to the Board of Directors at the regular Board meeting on August 15.

**CSA 79 SANATATION SYSTEM FACTS AND STATISTICS**

1. 35 miles of sewer pipeline (40 year old truss pipe)
2. 4 sewer lift stations
3. 491 sewer manholes
4. 134 sewer clean outs
5. Current monthly sanitation user fee is \$63.24 per equivalent dwelling unit (EDU)
6. Current EDUs = 1,252
7. FY 2012/2013 CSA 79 revenue projected to be \$952K (Refer to Attachment 2)
8. Currently \$1.38 million in CSA 79 operating, CIP, replacement and expansion reserves
9. Current projects include: \$60,000 slip lining (1/2 mile), 50 manholes to be lined, Awanee Lift Station Improvements and pump replacement
10. Operational Activity Report for July 2012 is included as Attachment 3
11. Special District representatives have stated that there have been no fines assessed against CSA 79 in the last 10 years and that there have been very few sanitary sewer overflows (SSOs).

**CURRENT STATUS OF RSWD STAFF REVIEW OF CSA 79 SEWER SYSTEM**

As of August 2012 approximately 2 miles or 6% of the CSA 79 sewer pipeline inspection video had been reviewed in 8 of the 14 systems by RSWD staff. Of the 8 systems reviewed, 60 sections of pipe ranging from 6 to 10 inches in diameter were reviewed from video taken between 2009 thru late 2011. Only 2 of the 60 sections reviewed appeared to not be in need of repairs or replacement to reduce infiltration and inflow (I&I).

Based on this preliminary review it is the District staff's opinion that the system may require significant repair and/or replacement to get closer to RSWD standards and reduce I&I to an acceptable level. However, without a current comprehensive video inspection and cleaning it would be difficult to accurately estimate the cost of the necessary improvements to bring the system closer to RSWD standards but based on the information available it would likely be more than 5 years and greater than \$10 million. This would likely require the formation of an assessment district and issuance of improvement bonds to the residents of the Green Valley Lake and Snow Valley service areas.

Attachment 4 contains a flow comparison from April and October of 2010 to illustrate the wet weather flows received from CSA 79 indicating excessive I&I.

Attachment 5 contains screen shots from the video inspection records that District staff has reviewed identifying 114 potential problem areas in only 6% of the system that may or may not have been addressed since the video inspection was done. To date no maintenance or repair records have been acquired in order to determine if any of these areas have been addressed.

## **RSWD STAFF AND COMMITTEE MEMBER COMMENTS, CONCERNS AND OUTSTANDING ISSUES**

### **Original Expectations:**

- Consolidation of the three districts would reduce duplication of operational costs such as audit reports, legal, mandated studies, management, etc.
- The GVL sewer system was in need of repair and upgrades but those could be accomplished with the existing sewer rate in GVL due to the cost savings.
- The County Supervisor would support whatever the communities wanted.
- The costs associated with developing the new consolidated district would be reimbursed by the GVL service fees.
- Since RSWD provides first responder fire and paramedic service to the entire area, consolidation would incorporate the fees and taxes for the area currently served.
- Consolidation would rectify RSWD being a “donor service” for Arrowbear, Green Valley Lake and Snow Valley.

### **Currently:**

- Arrowbear decided to withdraw from the consolidation process.
- In GVL, the portion of the pipes that the staff have been able to evaluate appear to be in much worse condition than was anticipated.
- The possible cost of upgrading the GVL system could reach \$15 million.
- The current County Supervisor has not been willing to either support or oppose the consolidation and continues to request additional information.
- The costs to prepare budgets, evaluate the GVL system and attend meetings is being borne by the RSWD.

- Since the initial evaluation of the GVL system revealed that it is probably in need of extensive and expensive repairs, it no longer seems reasonable to continue the consolidation effort unless a thorough video of the system is completed along with an engineer's report of the necessary upgrades the system would need, including cost estimates.
- There is no funding source for any additional studies.

#### **Other Major Issues of Concern**

1. Cost incurred by RSWD for the last 2 years to study the consolidation project is approximately \$15,000 as of August 2012. Additional cost if this process moves forward would be approximately \$7,000 to \$10,000 for LAFCO application process plus an additional \$10,000 to \$15,000 for additional studies such as a formal Plan for Service and Feasibility Study.
2. County Fire Chief believes LAFCO study does not address consolidating fire services therefore he will apparently oppose expanding RSFD service area to include the Green Valley Lake area.
3. Estimated cost to provide repairs to significantly reduce I&I into the collection system could exceed \$10 million and require 5 years plus (refer to current status above).
4. Current monthly sanitation user fee is \$63.24 per dwelling unit. To adequately address I&I these costs will likely escalate possibly beyond affordable but to adequately address this issue a more comprehensive and current video inspection would need to be performed.
5. See CSA 79 Sanitation System Facts and Statistics above.
6. RAMS projection of net revenues for the first year of consolidation is \$11,000 for sanitation and \$130,000 for fire for a total of \$141,000.
7. CSA 79 provides service to 1,252 EDUs. Delinquent accounts and vacant property would need to be considered.
8. According to audit report, CSA 79 does not pursue uncollectibles and instead uses the property tax roll as the method to collect fees for services. The percent of customer accounts that are delinquent would need to be determined.
9. Current RSWD contract with CSA 79 will expire on May 9, 2017. The terms of this contract will need to be re-negotiated to address current conditions and regulatory environment.
10. What costs would CSA 79 customers support for their sanitation system improvements? Would RSWD be the target of constant anger associated with system upgrades and maintenance?

11. CSA 79 has not provided any significant repair records so their systems integrity will always be the subject of major concern.
12. If consolidation does not occur with the added CSA 79 fire tax RSFD will be at risk in the future since County Fire already provides service to the mountain area. The question is the consolidation with CSA 79 collection system worth the funds the consolidation of the fire services would receive? \$680,000 for equipment replacement would require 5 years using the projected revenues of \$130,000 from the fire tax fund.
13. The five year plan formulated to address consolidation and the estimated monthly service charge of \$63.24 and reduce to RSWD current monthly service fee was figured prior to documentation of the collection system provided by County Special Districts and evaluated by RSWD staff.
14. County Supervisor has been reluctant to take a position on the consolidation and continues to ask for additional meetings and studies which are driving up the cost to RSWD.
15. CSA 79 system would require a complete video inspection to identify all maintenance issues which is estimated to cost \$400,000.
16. If CSA 79 system is in fact discovered to be in need of significant repair/replacement it would require a large sum to finance the work whose responsibility would it be to sell the bonds and the responsibility associated with the bonds throughout their life? (i.e. failure to pay/default).
17. Regulatory reporting documentation such as the CSA 79 Sewer System Management Plan (SSMP), maintenance records or any spill reporting have not been able to be reviewed by RSWD staff. There is a concern with staff that this may be an extra burden that is unable to be defined at this time.
18. There have been improvements/benefits since the consolidation talks have begun that directly affect the GVL residents which are:
  - a. MAC has been revived and the appointment of Lewis Murray as the commission secretary will give the community a direct contact with their supervisor's office, hopefully addressing the communities concerns in a more timely manner.
  - b. The County Fire Chief has promised to improve the services they provide to the GVL community.
  - c. The problems identified with the sewer collection system have come to the surface and the community is now becoming aware of the issues.

**Conclusion**

Expansion of the RSFD fire service area to include Green Valley Lake is the most beneficial to both districts and appears feasible at this time. Annexation of CSA 79 Sanitation service area into RSWD service area could be considered in the future if and when the system is improved to the point of financial viability for both districts.

**REQUESTED BOARD ACTION**

Provide staff with direction on whether or not to continue with investigating potential consolidation of services with CSA 79 and County Fire.

**ATTACHMENTS**

Attachment 1 – RAMS July 17, 2012 Financial Projection for CSA 79 Sanitation & County Fire Consolidation of Services

Attachment 2 – CSA 79 FY 2013 Budget

Attachment 3 – Operational Activity Report for July 2012

Attachment 4 – Flow Comparison

Attachment 5 – CSA 79 Sewer Pipeline Video Inspection Screen Shots