

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

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DATE: JULY 12, 2010

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #10: LAFCO 3107 - Service Review for Crestline-Lake Arrowhead Water Agency

INITIATED BY:

San Bernardino Local Agency Formation Commission

INTRODUCTION:

San Bernardino LAFCO has chosen to undertake its service reviews on a regional basis. In November 2007 the Commission initiated the service reviews for the Mountain Region, generally defined as north of the southern base of the San Bernardino Mountains and east of the Cajon Pass. LAFCO 3107 consists of a service review pursuant to Government Code 56430 and sphere of influence ("sphere") update pursuant to Government Code 56425 for the Crestline-Lake Arrowhead Water Agency ("CLAWA").

CLAWA is a special act water agency, which means that specific legislation created the agency¹, empowering it with the ability to provide wholesale and retail water, power generation, reservoir recreation, and reclamation services to residents within its boundaries. However, CLAWA only actively provides wholesale and retail water service as reflected in the authorized function and service of Water pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

CLAWA is one of 29 State Water Contractors with access to the State Water Project and imports supplemental water to the mountain top for wholesale delivery to public water

¹ Senator Stanford Shaw introduced SB 8, signed into law in 1959, to create the Crestline-Lake Arrowhead Water Agency. *Stats.1962, 1st Ex.Sess., c. 40, p. 278*; Uncodified Acts No. 9099a; Water Code Appendix §104.

districts and private water companies within its boundaries as well as utilizing a portion of the water to provide retail service under the auspices of the Agency. As a regional agency, in cooperation with other water entities CLAWA is responsible for managing the water resources within its boundaries to ensure a sustainable supply of water for the benefit of its constituents. It also supplies retail water to over 1,200 connections. CLAWA is an independent district and is governed by a five-member board of directors.

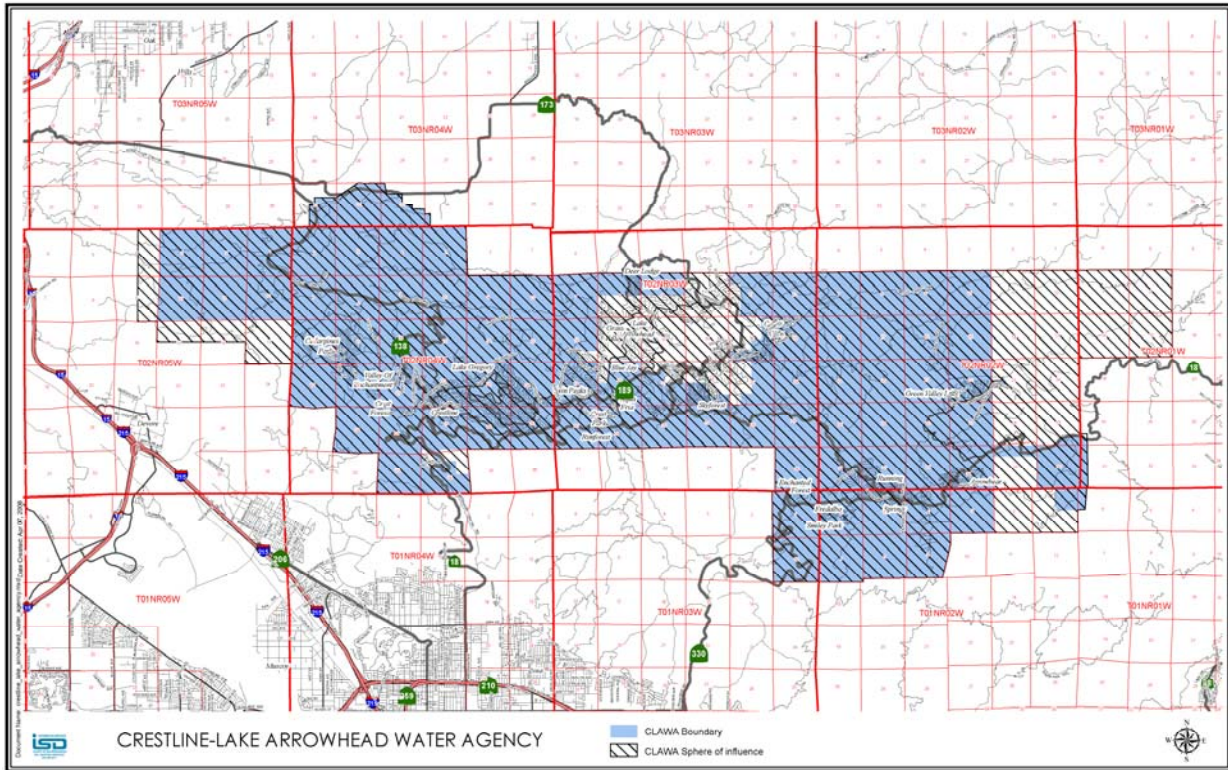
As described in this report, LAFCO staff recommends affirmation of CLAWA's existing sphere of influence.

LOCATION AND BOUNDARIES:

CLAWA encompasses approximately 111 square miles and is located in the Mountain Region of the county, which includes most of the Community Plan areas identified for Crest Forest, Lake Arrowhead, and Hilltop and a small section of the western portion of the Community Plan area identified for Bear Valley. The area includes Silverwood Lake, Lake Gregory and Lake Arrowhead and three main clusters of unincorporated communities:

- In the western area are the communities of Crestline, Skyland, Valley of Enchantment, Lake Gregory, Valley of the Moon, Arrowhead Highlands, Valley View Park, and Cedarpines Park, generally within the Crest Forest Community Plan area.
- In the central area are the communities of Rimforest, Twin Peaks, Blue Jay, Crest Park (Meadowbrook), Skyforest, Cedar Glen, Deer Lodge Park, and Lake Arrowhead, generally within the Lake Arrowhead Community Plan area.
- In the eastern area are the communities of Running Springs, Fredalba, Smiley Park, Arrowbear Lake, and Green Valley Lake, generally within the Hilltop Community Plan area.

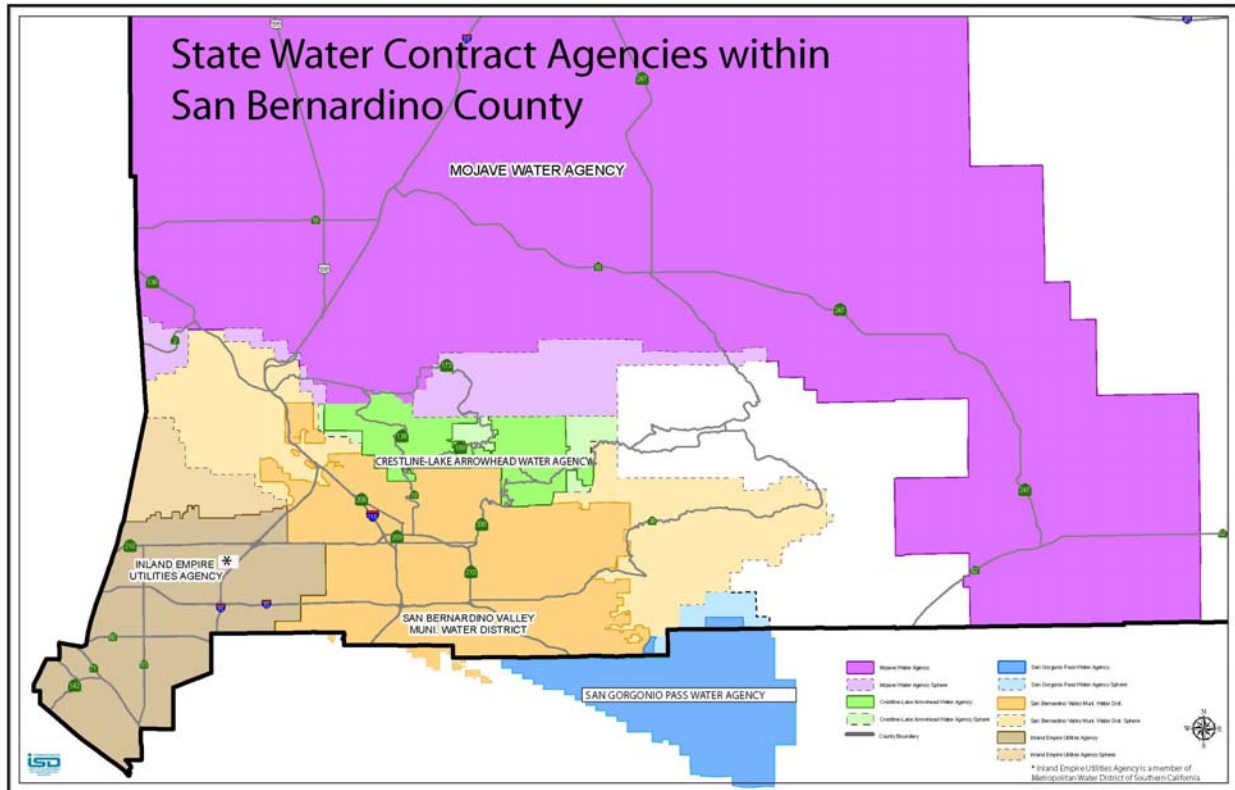
The overall service review and sphere study area is generally bordered by a combination of section lines and parcel lines along Butler Peak and Slide Peak (Snow Valley Ski Resort area) on the east; a combination of section lines and parcel lines along Sugarpine Mountain, Monument, Marshall, Arrowhead, Mill and Keller Peaks (generally along Hwy 18 and Hwy 330) on the south; a combination of section lines and parcel lines generally along Cajon and Cleghorn Mountains on the west; and a combination of section lines and parcel lines along Silverwood Lake, Pilot Rock, Mt. Marie Louise, Deer Mountain, and Ingham Peak on the north. Below is a map of CLAWA's boundaries and its sphere of influence which is also included as Attachment #1.



As shown on the map above, there are three areas that are in CLAWA's sphere but not within its current boundary:

- A total of three square miles of primarily National Forest lands in the Cleghorn Pass and Sugarpine Mountain areas, at the agency's western and southwestern edges, along with a small area south of Crestline.
- The "Lake Arrowhead exclusion": This area is in the central part of CLAWA's sphere and is identified as the community known as Arrowhead Woods. Arrowhead Woods conforms to the area of the Arrowhead Lake Association (property owner association that owns Lake Arrowhead and Lake Arrowhead dam) and County Service Area 70 Zone D-1 (owner and operator of New Lake Arrowhead Dam). Arrowhead Woods consists of the area surrounding Lake Arrowhead and is served water by the Lake Arrowhead Community Services District.
- 14 square miles of National Forest land in the Butler Peak/Keller Peak area, at the Agency's east end;

Below is a map of the State Water Contractors within the County, included as a part of Attachment #2, which includes CLAWA, Mojave Water Agency, San Bernardino Valley Municipal Water District, Inland Empire Utilities Agency (IEUA is a member of the Metropolitan Water District of Southern California), and San Gorgonio Pass Water Agency. The San Bernardino Valley Municipal Water District and Mojave Water Agency boundaries and spheres about CLAWA's boundary and sphere.



AGENCY HISTORY:

The history of CLAWA is tied to the history of the Crest Forest, Lake Arrowhead, and Running Springs/Arrowbear Park/Green Valley Lake communities, the Mountain region of the County, Silverwood Lake, and the State Water Project. This section of the report briefly describes the history of these subjects in relation to CLAWA from information gathered from the Department of Water Resources², CLAWA website³, materials submitted from CLAWA, and CLAWA Law, unless otherwise cited.

Before 1850, the San Bernardino Mountain area was practically uninhabited. In 1851, logging from Waterman Canyon to the crest of the San Bernardino Mountains began. By 1854 the San Bernardino Mountains were a main source of lumber for Southern California and small communities formed in the mountains. In 1891, a group of investors implemented a plan to contain the water draining into the Little Bear Valley as a part of a larger irrigation project. The dam was completed in 1907 and created Lake Arrowhead. Further development occurred due to the construction

² California Department of Water Resources. Bulletin 119-19. "The Feasibility of Serving the Crestline-Lake Arrowhead Water Agency Area from the State Water Project". 1965.

³ Spindler, Jennifer. Untitled. Excerpt from project at California State University San Bernardino Water Resources Institute. Undated. As accessed from the CLAWA website on 27 April 2010. Last update unknown. www.clawa.org.

of the 101-mile Rim of the World Highway in 1915 and Arrowhead Village in 1921. In 1925, a smaller lake was formed by damming Green Valley Creek, located at the eastern end of CLAWA's territory. This lake, Green Valley Lake, created another recreational center for the mountains. Post-WWII development ensued and resulted in a population boom for the area.

To address the water challenges throughout the state, in 1957 the California Department of Water Resources issued the "California Water Plan". In order to provide for a system to provide supplemental water delivery to Southern California, in 1959 the *Burns-Porter Act* passed the State Legislature, authorizing construction of the State Water Project (formerly known as the Feather River Project). In November 1960, the voters approved the project and the bond to finance the State Water Project.

During this same time, local concern over the declining ground water occurred due to the expansion in population. A 1961 California Department of Water Resources study⁴ found that local groundwater supplies were declining confirming local suspicions. One year later, CLAWA was formed by an act of the California Legislature for the primary purpose of bringing supplemental water to the Crestline, Lake Arrowhead, and Hilltop communities. The original legislation introduced by Senator Shaw included the Arrowhead Woods area within CLAWA's boundaries. However, the major property owner in Lake Arrowhead requested to be excluded from CLAWA's boundaries, confident that local water supplies in Lake Arrowhead would be sufficient to satisfy the consumptive needs of that area. While this exclusion was granted, the water allocation was not reduced which has benefited CLAWA in times of State Water Project reductions. Section 46 of CLAWA Law provides the Legislature's findings as to why CLAWA was formed as a special act agency and not as a county water district.

The Legislature hereby finds that in the County of San Bernardino there are urgent problems of water conservation, development of water resources, and securing adequate water supplies which are unique to San Bernardino County, and that the county water districts, municipalities, and irrigation districts which now exist within portions of the county, have acquired property and works, developed a limited water supply, and have incurred indebtedness, but have been and are unable alone economically to plan and develop an adequate water supply, or adequately and feasibly to conserve the water supply of the agency; that to accomplish these ends it is necessary to have a political entity encompassing areas within the mountain area and that there is a great scarcity of water within the county for municipal, irrigation, and other uses and there is an urgent need that an adequate supply of water be obtained. Investigation has shown conditions in the county to be peculiar to it and it hereby declared that general law cannot be applicable to the county and that the enactment of this special law is necessary for the planning conservation, development, distribution, control and use of said water for the public good and for the protection of life and property therein.

In 1963, the electorate approved a measure to activate CLAWA and authorize the execution of a contract to participate in the State Water Project. As of the activation

⁴ California Department of Water Resources. "The Feasibility of Serving the Crestline-Lake Arrowhead Water Agency Area from the State Water Facilities". 1961.

date, the property owners within CLAWA were obligated to pay for their share of the construction costs for the California Aqueduct. To finance the infrastructure to construct the treatment plant and transmit the supplemental water, the electorate in 1965 approved a \$7.5 million bond. The first water delivery to CLAWA through the State Water Project occurred in 1971-72.

CLAWA Law and its contract with the State prohibit CLAWA from delivering any portion of its imported water supply for use outside of its boundaries. However, as noted throughout this report, in 2005 CLAWA entered into a three-party agreement with the San Bernardino Valley Municipal Water District ("Muni") and the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, and treatment and transportation of that water through the CLAWA's transmission system (as capacity may be available in CLAWA's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead.

A brief history of the major governmental events for CLAWA and its relationship with the Local Agency Formation Commission is described below, listed chronologically by end date:

- 1962-63 CLAWA was formed by an act of the California Legislature in 1962 and approved by the electorate in 1963 (917 for and 39 against)⁵ to bringing supplemental water to the Crest Forest, Lake Arrowhead (excluding Arrowhead Woods), and Running Springs/Arrowbear/Green Valley Lake communities.

- 1973 The sphere for CLAWA was established in 1973 (LAFCO 1327) in conjunction with the establishment of the spheres of influence for the Mojave Water Agency, San Bernardino Valley Municipal Water District, and Chino Basin Municipal Water District (now known as Inland Empire Utilities Agency). At that time, LAFCO staff requested that the agencies meet to determine their general areas of service and propose sphere boundaries. These agencies, including CLAWA, agreed to the proposed sphere boundaries based on hydrological divides, and the Commission established the spheres as shown on the State Water Contractor map in this report and included as a part of Attachment #2.

- 1974 The Commission received a land-owner application to detach 111 acres from CLAWA (LAFCO 1463). The District indicated that it could eventually provide water to the ranch, but the stated reason by the applicant for detachment was that their ranch had its own water supply adequate for the needs of the ranch and they did not want to pay for connection to the water system, should the lines be extended. Because the territory was within the boundary of a state water contractor, written consent for detachment was required, and received, from the State Department of Water Resources subject to the territory detached remaining subject to taxation and/or assessment by the Agency for the Agency's obligation for bonded indebtedness and for the contractual

⁵ Spindler, Jennifer.

obligation to the State Department of Water Resources. Therefore, this territory continues to pay the bonds for the State Water Project even though it can not access that water.

1975 CLAWA initiated a proposal to annex 19 acres, consisting of 57 dwelling units, of the area known as the Green Valley Park (LAFCO 1536). The stated reason for the annexation application was for CLAWA to sell supplemental water to the Green Valley Mutual Water Company, which planned to use the water to supplement the domestic water supply and for fire protection. CLAWA's resolution of application to LAFCO stated that the area to be annexed will pay an annexation charge of \$7,533.00 to reimburse the Agency and its taxpayers pursuant to the Agency's Rules and Regulations. The Commission approved the annexation.

1976 CLAWA initiated a proposal to annex 60 acres of the area known as Grandview Road (LAFCO 1595). The stated reason for the annexation application was for CLAWA to provide retail water service to the properties in the area. CLAWA's resolution of application to LAFCO stated that the area to be annexed will pay an annexation charge of \$1,702.08 to reimburse the Agency and its taxpayers pursuant to the Agency's Rules and Regulations. The Commission approved the annexation.

When special districts were seated on the San Bernardino LAFCO Commission, all special districts were limited to the functions/services actively provided at that time. CLAWA responded to LAFCO's request and identified that its only active function was water. Pursuant to adoption of the *Rules And Regulations of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts* in 1976 and amendments thereafter, the functions and services active for districts have been specified and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

2005 At the request of the owner of the Snow Valley Mountain Ski Resort, CLAWA initiated a sphere expansion application (LAFCO 2987) and annexation application (LAFCO 2988) to support the construction of a water pipeline and related improvements. This would allow CLAWA to provide the Snow Valley Mountain Ski Resort with a supplemental source of water for snow-making purposes. The sphere of influence application included the expansion of 280 acres to CLAWA and concurrently removed the same area from the sphere of San Bernardino Valley Municipal Water District. The annexation application expanded CLAWA's boundaries by 1,235 acres and the property owners were obligated to pay the annexation charge of \$153,250 pursuant to the Agency's guidelines. The requirement for annexation was due to restrictions in CLAWA's State Water contract, which states that is unable to provide water outside of its boundaries. The Commission approved the sphere expansion and annexation applications.

SERVICE REVIEW

At the request of LAFCO staff, CLAWA prepared a service review consistent with San Bernardino LAFCO policies and procedures. CLAWA's response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to LAFCO staff's request for information, water system information, and financial documents (included as Attachments 3-6) and the Service Review forms required by the Commission. LAFCO staff responses to the mandatory factors for consideration for a service review (as required by Government Code 56430) are identified below and incorporate CLAWA's response and supporting materials.

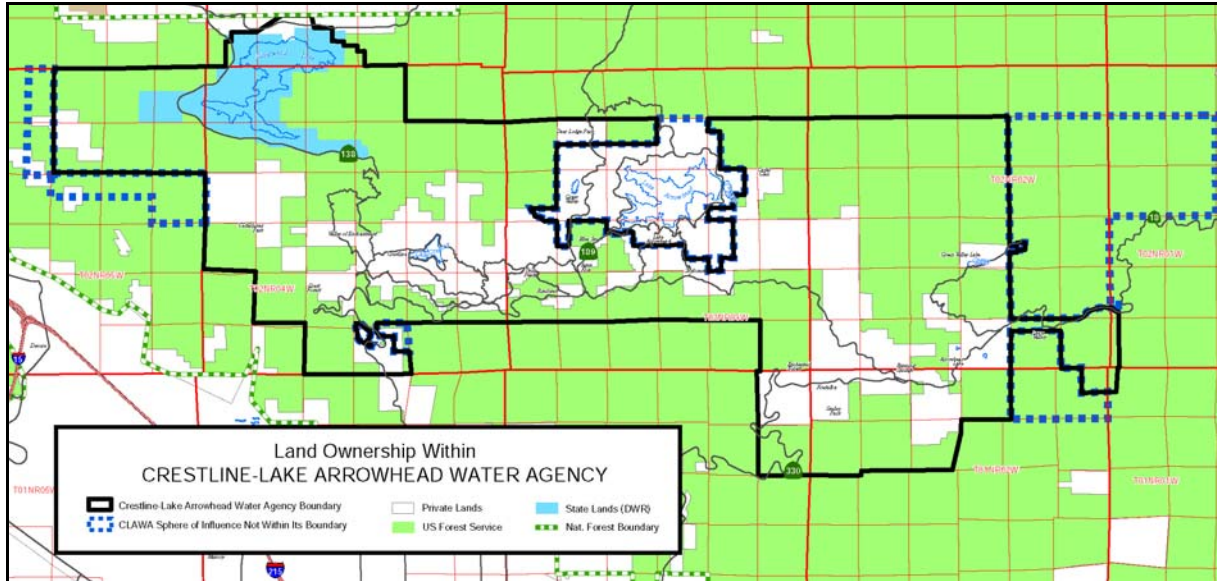
I. Growth and population projections for the affected area.

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. The land ownership distribution and breakdown within the District's boundary are identified on the table and map below. Roughly two-thirds of CLAWA's area is within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use. However, one of the largest development components in this portion of the mountains, Arrowhead Woods, is not a part of the District or its growth projections.

Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

Land Owner	Boundary (sq miles)	Sphere – outside boundary (sq miles)	Total (sq miles)	%
State (Silverwood Lake)	5.0	0.0	5.0	4.6%
US Forest Service	54.7	17.2	71.9	65.1%
Private	25.9	7.7	33.6	30.3%
Total	85.6	25.0	110.6	100.0%

Source: County of San Bernardino Information Services Department



In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. The CLAWA service area includes commercial uses oriented to tourists and seasonal residents as well as year-round residents. However, development in CLAWA is primarily single-family residential with roughly 93 percent of all homes being single-family dwellings. CLAWA currently has an estimated permanent population of approximately 36,000 (with 11,961 registered voters as of May 2008). However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. It is estimated that the seasonal factors can approximately double the peak population to an estimated 69,000.

For population projections for the boundary and sphere, LAFCO staff is utilizing two data sources, as shown on the figures below. Since the CLAWA boundary generally encompasses three of the four Community Plan areas of the mountain region, the first data source is the population total of all three Community Plan areas. The second data source is the CLAWA 2005 Urban Water Management Plan. The two data sources have statistically differing figures up until 2015⁶ but are statistically similar from 2015 to the 2030 planning horizon of this service review. By 2030, the permanent population is estimated to reach over 46,000. This figure does not take into account seasonal population and tourism. Even with the large increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this report.

⁶ The CLAWA Urban Water Management Plan utilizes Census tracts which do not conform to the CLAWA boundary, and therefore includes additional populated area.

Community Plan	2000	2005	2010	2015	2020	2025	2030	2000 to 2030 growth rate
Crest Forest	10,606	11,295	12,030	12,812	13,644	14,531	15,592	47.0%
Hilltop	6,026	6,508	7,029	7,591	8,198	8,854	9,683	60.7%
Lake Arrowhead								
Arrowhead Woods	8,275	9,173	10,168	11,271	12,494	13,850	15,353	85.5%
Remainder of Comm. Plan	4,398	4,894	5,446	6,061	6,744	7,505	8,156	85.5%
TOTAL	29,305	31,871	34,673	37,735	41,081	44,740	48,784	66.5%

Community Plan	Build-out	2030 as % of Build-out
Crest Forest	25,257	62%
Hilltop	27,376	35%
Lake Arrowhead		
Arrowhead Woods	42,333	36%
Remainder of Comm. Plan	22,794	36%
TOTAL	117,760	41%

Source: County of San Bernardino 2007 Community Plans; LAFCO

Notes: Does not include seasonal population or visitors

Italicized figures are calculated by LAFCO staff

Hilltop Community Plan represents Arrowbear/Green Valley Lake/Running Springs

Methodology for LAFCO staff calculations⁷

UWMP	2000	2005	2010	2015	2020	2025	2030	2000 to 2030 growth rate
CLAWA	32,500	34,500	37,000	39,000	41,000	43,500	46,110	41.9%

source: CLAWA 2005 UWMP; LAFCO

note: italicized figures are calculated by LAFCO staff.

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

For this section of the service review, LAFCO staff utilizes CLAWA's narrative responses to the Service Review Forms, its 2005 Urban Water Management Plan, and CLAWA Law.

CLAWA provides retail and wholesale water within its boundaries utilizing waters transported from Silverwood Lake. CLAWA Law also allows it to perform the following services, although authorization to perform the services would be subject to LAFCO approval:

- Power generation – Hydroelectric power generation
- Recreation – Operation of public recreational facilities appurtenant to reservoirs

⁷ Methodology for LAFCO staff calculations.

Population between 2005 and 2030 represent the average five year growth rate from 2000 to 2030.

Lake Arrowhead: Arrowhead Woods comprises 65.3% of the permanent population with the Lake Arrowhead Community Plan.

- Reclamation – Treatment and reclamation of sewage and storm water. However, within its boundaries and sphere of influence, there are three agencies that provide this service within the region: Crestline Sanitation District, Running Springs Water District (through a JPA with Arrowbear Park and CSA 79), and Lake Arrowhead Community Services District.

Supply

CLAWA's sole source of supply for wholesale and retail service is surface water from Silverwood Lake, which is part of the East Branch of the California State Water Project ("SWP"). The waters of Silverwood Lake come primarily from the SWP with additional incoming flow from Houston Creek. CLAWA does not currently use any groundwater, nor are there any projected future plans for CLAWA to use groundwater. In addition to the water annually imported by CLAWA, water purveyors in the CLAWA service area produce approximately 1200-1600 acre-feet annually from local groundwater sources.

State Water Project

CLAWA is one of 29 state water contractors and has entered into a contract with the Department of Water Resources for the availability to import up to 5,800 acre-feet of water per year from the SWP (also known as "Table A" water). CLAWA Law and its contract with the Department of Water Resources prohibit CLAWA from delivering any portion of its imported water supply for use outside of its boundaries.

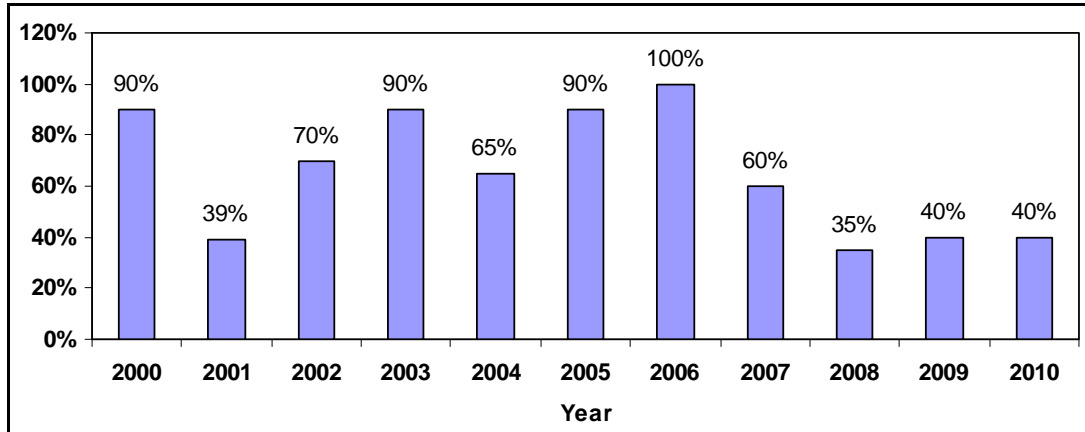
As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert communities due to its limited nature. This statement is also true for the San Bernardino Mountain because it is one of the most densely populated mountain areas within the country and relies upon imported water from the State Water Project for domestic use. Therefore, the most significant regional issue is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that SWP deliveries will be impacted by two significant factors. First, it is projected that climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

The figure below shows the allocation percentage that State Water Contractors have been allowed to purchase since 1998. For example, CLAWA is entitled to purchase up to 5,800 acre-feet of imported water per year. As of May 4, 2010, the allocation percentage for 2010 is 40%⁸; therefore, CLAWA can purchase up to 2,320 acre-feet. This sharp reduction in supplemental water supply will reduce the amount of water that CLAWA can deliver to its retail and wholesale customers. This prompts water purveyors to scale back consumption annually, to aggressively promote water conservation measures, and to buy more expensive imported

⁸ State of California. Department of Water Resources. "Spring Storms Boost 2010 Water Delivery Projection to 40 Percent", Press Release. 4 May 2010.

water. Finding efficiencies in managing limited supply sources is critical for the future of the community.

**Department of Water Resources State Water Project
Allocation Percentages Statewide (2000-2010)**



Source: Department of Water Resources

To date, CLAWA has indicated that the SWP allocation reductions have not adversely impacted the agency's ability to serve its retail and wholesale customers. CLAWA's retail deliveries averaged roughly 270 acre-feet/year for the past 10 years, which is a fraction of total water deliveries (16% of total deliveries to CLAWA from Lake Silverwood). Wholesale deliveries comprise the majority of CLAWA's water deliveries and the local retailers use this water to supplement their own local groundwater resources. Information is not available from CLAWA's retail customers to break down each purveyor's local groundwater supply. However, CLAWA staff indicates that the local groundwater supply has been sufficient to date to satisfy local demand. Given this, retail and wholesale demand has not exceeded CLAWA's SWP allocation to date.

However, conditions could change which would hinder local and imported supply. Multiple dry years would affect local supply. Multiple dry years in Northern California and/or additional judicial rulings limiting pumping of SWP water would reduce imported supply. Occurrence of either of these scenarios would increase reliance on and challenge CLAWA's imported supply. The Department of Water Resources has assured that water requests by CLAWA for SWP water would be honored to a minimum of 1,950 acre-feet per year even during extended droughts for domestic, health/safety, and fire fighting purposes. Assuming a worst-case scenario that no local water supplies are available, this is the estimated total worst-case water supply projection.

CLAWA's SWP contract allows it to carry-over the unused portion of its allocation in the San Luis Reservoir in Merced County for use by CLAWA in a later year. The carry-over of water is subject to Department of Water Resources determining that there is adequate storage space in the reservoir. Anticipating that local and imported supply is not static, CLAWA has indicated that as of March 2010, it had 2,398 acre-feet of accumulated carry-over water at

San Luis Reservoir for use in subsequent years if needed, dependent upon storage space in the reservoir.

The importance of supplemental water to this area of the mountain top is not limited to residential water. The overall Crestline-Lake Arrowhead area has experienced large fires within the past few decades and these fires directly affected the water supply. The Panorama Fire in 1980 was fought with 12.3 acre-feet of CLAWA water, the Old Fire in 2003 was fought with 61.4 acre-feet, and the Grass Valley and Slide Fires were fought with 36.8 acre-feet.

Houston Creek

The secondary water source is Houston Creek, which also flows into Silverwood Lake. The reliability of supply from Houston Creek is dependent upon local precipitation, surface water management, and possibly groundwater production by others. Prior to 1991, the water from Houston Creek was un-appropriated. In that year, CLAWA applied for, and received, appropriative rights (diversion permits) up to 1,302 acre-feet/year, as issued by the State Water Resources Control Board. Average Houston Creek allocations over the past 15 years are approximately 424 acre-feet/year.

Water from Houston Creek in conjunction with the SWP deliveries creates an additional source and lessens reliance solely on the SWP. Due to the recent reductions in SWP deliveries, CLAWA has been able to use water from Houston Creek to supplement its supply.

Water Supply Projections

As shown in the chart below, CLAWA's 2005 Urban Water Management Plan assumes that the SWP will be able to allocate an average of 70% per year. However, the recent federal judicial rulings and environmental concerns have reduced the allocation to 35%, 40%, and 40% for the past three years. Continued reduction of SWP allocations coupled with the anticipated population growth will challenge CLAWA's ability to provide wholesale and retail water in the future.

Table 4 Current and Projected Water Supplies					
Water Supply Sources	2005	2010	2015	2020	2025
Available from DWR ^{1,2}	3,800	4,060	4,060	4,060	4,060
Locally produced groundwater	0	0	0	0	0
Locally Surface Water ³	433	433	433	433	433
Transfers					
Exchanges In					
Recycled Water	0	0	0	0	0
Other					
Total	4,233	4,493	4,493	4,493	4,493
Units of Measure: Ac-ft/Year					
¹ 2005 availability based upon approved DWR Table A allocation percentage of 65%					
² Future availability based upon SWP long term reliability of 70%					
³ Average total surface water available from Houston Creek via Lake Silverwood from 1989-2004					

Source: CLAWA 2005 Urban Water Management Plan

Conservation and Emergency

Water shortages at the state level have the potential to disrupt CLAWA's water supply. In response to previous SWP allocation reductions, CLAWA's Board has adopted Water Conservation Ordinances to prohibit certain water wasting uses during shortage conditions for its retail customers, and if necessary to allocate its available supplies among its customers. In 1991, CLAWA adopted Ordinance Nos. 44 & 45 which established a water conservation plan (Appendix E of 2005 Urban Water Management Plan). These ordinances prohibit water waste during times of water shortage and discourage excessive water use at any time, including, but not limited to washing of autos or buildings. The ordinances also include surcharges for water use in excess of a basic allocation. Also in 1991, CLAWA submitted a comprehensive conservation plan to the State Water Resources Control Board (Appendix F of 2005 Urban Water Management Plan). These ordinances and conservation plan remain in effect today and CLAWA's Board can implement the provisions of those plans as necessary.

The most likely events which could cause CLAWA to sustain a catastrophic interruption in water supply are wildland fires, earthquakes, and system failure. CLAWA has recently prepared emergency response plans and participated in the preparation of a regional hazard mitigation plan. Each of these plans attempts to mitigate the effects of these catastrophic interruptions in water supply.

The primary effect of fires and earthquakes on water supply is the interruption of power throughout the San Bernardino Mountains. During the 2003 "Old Fire", most of CLAWA's service area was without power for approximately two weeks. CLAWA was able to

successfully mitigate this situation by installing permanent standby generators at each of its main treatment, pumping, and operations facilities. The primary concern related to earthquakes is the potential damage to CLAWA's treatment, storage and distribution facilities. In order to minimize system damage during an earthquake, CLAWA's facilities have been designed in accordance with current safety requirements and have generally been constructed with multiple units to minimize the system disruption if a single unit is damaged.

CLAWA may implement water conservation measures, development conditions, and similar regulations only with respect to the water users that CLAWA directly serves on a retail basis. The water purveyors who purchase water from CLAWA may undertake their own water management and conservation programs, which would apply to their direct customers.

Demand

Within CLAWA there are more than twenty public and private water purveyors and camps depending on wholesale supplemental water from CLAWA, along with approximately 1,200 retail customers within four improvement districts with a direct connection to CLAWA.

CLAWA pumps surface water from Silverwood Lake, treats and disinfects the water at a "multi-barrier" treatment plant located near the south shore of the Lake, then pumps the treated water uphill to CLAWA's storage and pipeline distribution system which extends from Job's Peak, near Cedarpines Park, eastward to Green Valley Lake. Once the water is treated and pumped up the mountain, it can then be delivered to its wholesale purveyors and retail customers. However, some retail water purveyors may provide additional treatment for their own local water supplies and blend the supplemental supply with their groundwater resources. A review of the 2007, 2008, and 2009 Water Quality Reports does not identify any contaminant violations.

Retail Connections

According to CLAWA, there are approximately 14,750 active service connections within its boundaries. Of this figure, approximately 92 percent are served retail water by CLAWA's purveyor customers. The remaining 1,210 connections are served directly by CLAWA to an estimated population of 2,750 permanent residents, although the seasonal population of CLAWA's retail customers can increase to approximately 5,500 due to the vacation or second home nature of much of the community. CLAWA indicates that its retail connections have increased only slightly within the past 10 years. The population growth in CLAWA has been within the service areas of the other retail water providers rather than CLAWA's retail improvement districts.

Ninety-three percent (93%) of CLAWA's retail service is classified as general or residential. The remaining seven percent is comprised of commercial, agricultural/irrigation, and camps. CLAWA does not have any industrial connections.

The CLAWA original concept was to sell treated water only on a wholesale basis to retail purveyors within CLAWA's service area, and only on a supplemental basis as needed to

supplement water produced from local wells. In subsequent years, some of the retail purveyors experienced financial difficulties and there were no other public water providers in the area at that time. As a result CLAWA formed Improvement Districts "A", "B" "C" and "D" in order to improve the respective facilities and provide retail water. Within each of these improvement districts, CLAWA agreed to assume operation of the retail systems from a private or mutual water company provided that the cost of upgrading those systems to agency standards were borne by the customers in those areas. Each of the improvement districts is treated by CLAWA as if it was a separate water purveyor, with water sold from the CLAWA's general system to each improvement district at the standard rate for wholesale water, and with rates and charges within each improvement district adjusted as necessary to pay that improvements district's costs. CLAWA maintains separate accounting records for each improvement district. Retail water is currently provided by CLAWA to the following areas:

- Improvement District A - Little Bear (55 connections)

On June 15, 1972, an agreement was signed with Little Bear Canyon Park, creating Improvement District "A". In consideration of CLAWA providing retail water facilities, \$11,400 was paid by the Water Company as a contribution in aid of construction for the necessary distribution system. A review of the California Secretary of State and Department of Corporations websites does not identify Little Bear Canyon Park as an active entity.

- Improvement District B - Great View (22 connections), Horseshoe Bend (44), Arrowhead Highlands (145), Strawberry Flats (186), Cottage Grove (46), Blue Jay (46), Burnt Mill (63), and Lake Arrowhead Crest Estates (102)

Improvement District B consists of several small and distinct water systems that were privately owned, which the owners asked the Agency to take over between 1972 and 1977. Additionally, the Blue Jay, Strawberry Flat and Lake Arrowhead Crest Estates Water Systems were transferred from Improvement District A to Improvement District B as of July 1, 1977. On June 2, 1977, Improvement District B was formed by the agency to accept *Safe Drinking Water Act* funding from the State of California, to utilize such funding for the rebuilding of retail water distribution facilities within the improvement district and to establish a fiscal structure for repayment of such funding over an extended period. At a special election on July 12, 1977, the voters of Improvement District B authorized the acceptance of a \$1,250,000 loan from the State of California Safe Drinking Water Bond Fund and a tax rate not to exceed \$1.75 per \$100 assessed valuation within the district to repay the loan.

During the fiscal year ended June 30, 1978, the Agency entered into agreements with four additional water service entities within the boundaries of Improvement District B, whereby certain funds and their entire water systems were donated to the agency and the agency assumed the obligation of providing water service to these areas.

- Improvement District C – Meadowbrook/Crest Park (190 connections)

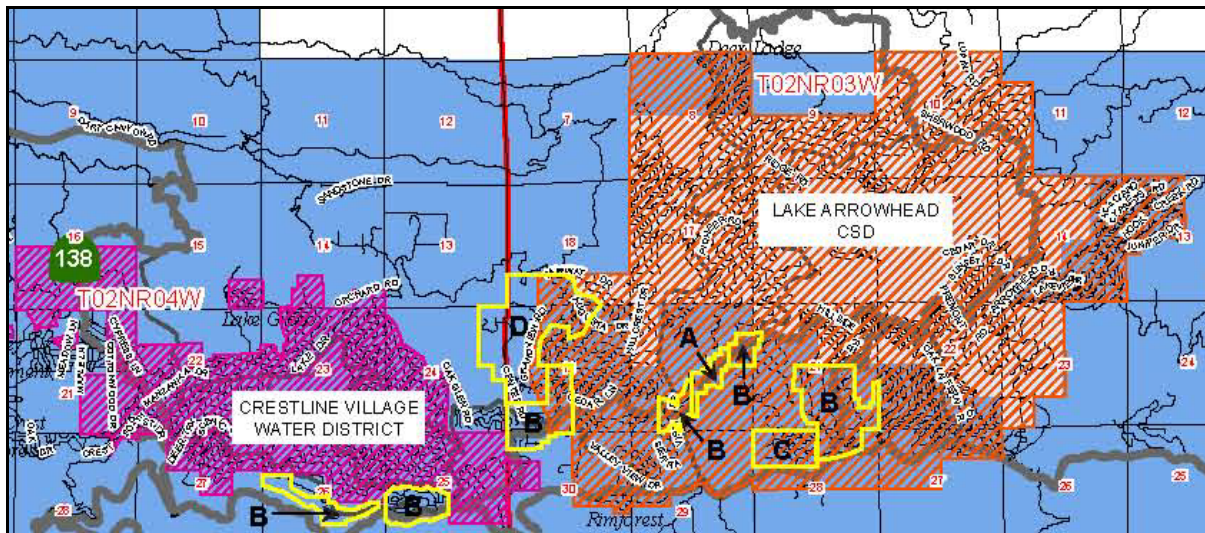
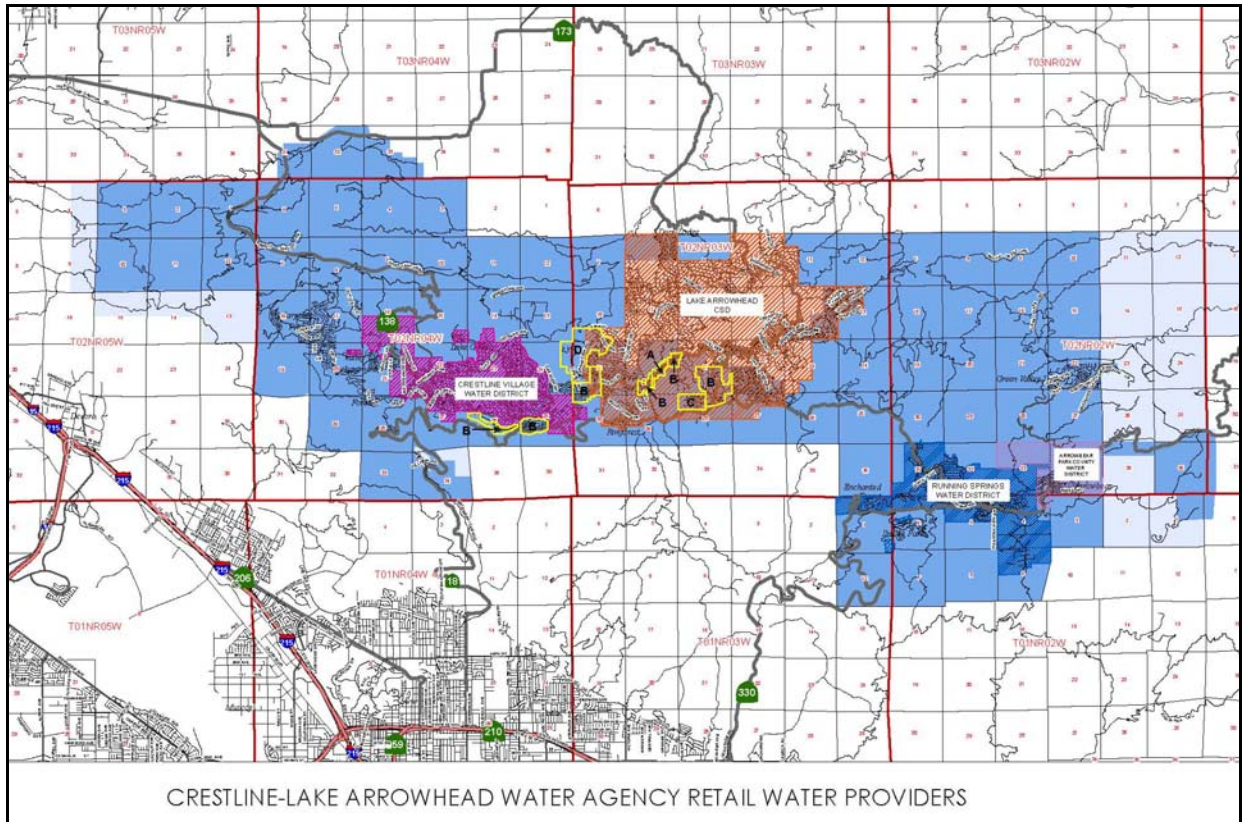
CLAWA entered into an agreement with Meadowbrook Water Company on April 3, 1982, accepting the transfer of their water system and assuming the obligation for providing water service and improving the water system to the extent possible from funds derived from operation of the system or assessments levied upon the property. On June 3, 1982, Improvement District C was formed to provide public funding for the rebuilding of these water facilities and establish a fiscal structure for repayment of such funding. A review of the California Secretary of State and Department of Corporations websites does not identify Meadowbrook Water Company as an active entity.

On November 1, 1983, CLAWA executed a contract with the State of California Department of Water Resources under the *California Safe Drinking Water Bond Law of 1976* (Proposition 3), for a loan in the amount of \$721,906 to assist in financing construction of the "Meadowbrook Project".

- Improvement District D – Grandview (153 connections)

Improvement District D was formed by CLAWA Board resolution on August 4, 1988, to finance and construct water storage, transmission and distribution facilities within the Grandview service area. Water rates for retail water service and capital facility charges to be collected in the Grandview service area are used to refund monies advanced by the agency's general fund and finance additional construction in the improvement district's service area. At that time, and presently, Improvement Zone D is partially within the boundaries of Lake Arrowhead Community Services District. Why the choice of CLAWA was made over Lake Arrowhead Community Service District was made is not known.

The map below shows CLAWA and its four improvement zones, and the other public water retailers within CLAWA's boundaries (included as a part of Attachment #2). Since CLAWA provides wholesale water to over twenty public and private water purveyors and camps, the map below is limited to public water agencies. The second map provides a smaller scale illustration of the improvement zones.



Past and Current Demand

The agency's average demand over the past 15 years has been approximately 1,500 acre-feet per year (26% of SWP amount) and peaked at 2,563 acre-feet (43% of SWP amount) in 2004.

As stated, 92 percent of the customers within CLAWA's service area are served by other retail water purveyors but approximately 65 to 75 percent of CLAWA's water is delivered to its wholesale customers. This is due to the fact that each of CLAWA's retail customers has their own source of local supply and utilizes CLAWA's water as supplemental to their own local supply. Information is not available from CLAWA's purveyor customers to break down each purveyor's water use by customer. The chart below shows, as an example, the water deliveries to its retail and wholesale customers.

TABLE 8
 CLAWA's 2003 Water Deliveries by Customer Category

CUSTOMERS	CLAWA's 2003 WATER DELIVERIES	
	Water Deliveries (ac-ft)	Percent of Water Deliveries (%)
Improvement District "A"	10	0.5
Improvement District "B"	173	8.4
Improvement District "C"	29	1.4
Improvement District "D"	135	6.5
Wholesale Customers	1,617	78.1
Other Retail Customers	107	5.1
Total Water Use	2,071	100

Source: Albert A. Webb Associates (2003 Annual Report to CDHS)

Source: 2005 Urban Water Management Plan

The "Other Retail Customers" shown in the chart above are comprised of 158 connections to the various camps, Forest Service facilities and small private or mutual water companies within the District. A complete listing of these service connections is on file in the LAFCO office.

Seasonal changes in water demand in the CLAWA area are quite different from the normal seasonal variation in water use by customers of average water purveyors, which reflect monthly changes in water use for landscape irrigation, swimming pools, car washing, space cooling, etc. The CLAWA area experiences huge seasonal swings in the number of people it serves with peaks in both summer and winter due to the second home/resort nature of many of its communities. CLAWA must be able to reasonably project and accommodate these varying water demands in order to serve its retail and wholesale customers.

Future Demand

The State Water Project allocation as of May 2010 is 40%, which permits CLAWA 2,320 acre-feet. This amount, when combined with the average Houston Creek allocation over the past 15 years of 424 acre-feet totals 2,744 acre-feet. For 2008 and 2009, total deliveries by CLAWA were 1,886 acre-feet and 1,629 acre-feet, respectively. Recent

demand has been less than the available supply due to favorable local supply conditions. In turn, wholesale demand from CLAWA has been reduced. However, continued reduction of SWP allocations coupled with the anticipated population growth will challenge CLAWA's ability to provide the wholesale and retail water in the future.

Water Rates

All of the separate retail water purveyors within CLAWA's boundaries are charged the same rate for wholesale water service no matter where they are located. The wholesale water rate has not been adjusted for over 15 years and is \$1,150 per acre-foot. A sampling of the residential retail water rates of the larger agencies within the CLAWA service area is identified in the chart below.

Residential Water Rate Comparison (2010)

(rates measured in units, or one hundred cubic feet)

Agency	Water Use Rate				Monthly Meter Charge (3/4" Meter)	Monthly Avg. Cost (20 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
Alpine Water Users Association	\$3.30	6.60	-	-	\$30.00	\$112.50
Arrowbear Park County Water District	-	4.90	-	-	19.50	88.10
Cedar Pines Park Mutual Water Co.	5.50	7.00	10.00	-	30.76	179.76
County Service Area 70 Zone CG	4.69	5.21	5.73	6.30	61.80	158.72
Crestline-Lake Arrowhead Water Agency (Improvement Districts A & C) ¹	-	\$7.25	-	-	15.00	141.88
Crestline-Lake Arrowhead Water Agency (Improvement District B) ¹	-	\$5.00	-	-	10.00	97.50
Crestline-Lake Arrowhead Water Agency (Improvement District D) ^{1,2}	-	\$7.25	-	-	25.00	151.88
Crestline Village Water District	4.20	6.30	-	-	19.75	118.45
Green Valley Mutual Water Company	2.40	7.75	-	-	30.50	137.35
Lake Arrowhead Community Services District (Arrowhead Woods)	0.68	1.74	6.21	12.93	20.60	79.27
Lake Arrowhead Community Services District (Deer Lodge Park)	3.27	3.90	-	-	22.52	94.22
Running Springs Water District	3.26	-	-	-	18.15	83.35

Rates rounded to the nearest hundredth

¹ CLAWA retail rates are for 5/8" meter
² \$25 monthly meter charge includes \$10 charge for loan repayment

Facilities

CLAWA has stated that the condition of its water system facilities (transmission and retail systems) is very good; and the agency provides both routine and major maintenance to its

facilities, as required to extend infrastructure life and to provide a reliable level of service. The initial water transmission system extending from Lake Silverwood was constructed between 1967 and 1972, utilizing the proceeds of a \$7,500,000 bond issue approved by the voters. In 1971 the supplemental water deliveries of the State Water Project commenced through the completion and filling of Silverwood Lake by the Department of Water Resources. The pipelines, as originally sized and constructed, can deliver the ultimate design capacity of 5,800 acre-feet/yr (the SWP contract entitlement amount) where necessary across CLAWA's service area. The wholesale water system also delivers water to CLAWA's retail water systems through master meter turnouts. Maintenance, replacements and capital additions to CLAWA's water transmission infrastructure (Phased Program) for their water treatment plant, booster stations, storage reservoirs, etc. will be funded when required by a combination of grants, debt, reserves, and operating revenues. However, additions are planned and constructed whenever additional capacity is required for CLAWA's Water Treatment Plant, booster stations, storage reservoirs, etc. There are no physical inter-ties with other agencies for emergency purposes. During the processing of this service review, Agency staff informed LAFCO staff that potentially the Agency could take water back from retail purveyors in an emergency but it would require plumbing modifications and California Department of Public Health approval. All water served by the Agency comes from Lake Silverwood and is fully treated before being pumped to customers.

CLAWA's retail systems (Improvement Districts A, B, C & D) were constructed between 1977 and 1987, utilizing grants, loans and bond funds approved by the voters/customers within each improvement district. CLAWA owns and operates the retail water systems comprising their Improvement Districts, including pipelines, fire hydrants, metered services, reservoirs and appurtenant facilities.

CLAWA also maintains approximately 250 fire hydrants across its boundaries. Many of the hydrants are on land otherwise inaccessible by water pipelines (forest land, etc.). As a result of these hydrants, CLAWA provides the mountain communities with an added source of fire protection.

Arrowhead Woods and Contract with Lake Arrowhead CSD and San Bernardino Valley Municipal Water District

When CLAWA was originally proposed for formation in the State Legislature, its boundaries included Lake Arrowhead and the surrounding community of Arrowhead Woods. At the last minute, however, the major property owner of Lake Arrowhead elected to exclude the Lake Arrowhead community (Arrowhead Woods) from CLAWA's boundaries, confident that local water supplies in Lake Arrowhead would be sufficient to satisfy the consumptive needs of that community. The amended legislation excluded the Lake Arrowhead community but the original State Water Project entitlement amount (Table A water) of 5,800 acre-feet/year remained. The result through the years has been a lesser population repaying the debt service of the original 5,800 acre-feet/year entitlement.

During the recent period of drought, the level of Lake Arrowhead dropped dramatically causing many of the Arrowhead Woods residents to complain. As a result of inquiries made regarding the extraction of water from the Lake, the Department of Water Resources

reconfirmed its original permit and ordered that the level of the lake be maintained for recreational uses, restricting the extractions for water consumption. The lake level was determined to be set at a specific elevation point. This prompted the Lake Arrowhead Community Services District (as the water purveyor for the area) to scale back consumption, to aggressively promote water conservation measures, and to find efficiencies in managing the limited supply. However, Arrowhead Woods is not within the boundaries of CLAWA, and pursuant to CLAWA Law and its contract with the State, the agency could not provide supplemental water outside of its boundaries.

To address water shortage concerns in Lake Arrowhead while also strengthening the reliability of CLAWA's supply to its own customers, in 2005 CLAWA entered into short term agreements with San Bernardino Valley Municipal Water District ("Muni") and with the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, treatment and transportation of that water through CLAWA 's transmission system (as capacity may be available in the CLAWA 's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead. A significant element of the arrangement is that CLAWA has pre-purchased 7,600 acre-feet of water from Muni, which will be taken from Muni's future allocations of imported water from the State Water Project. During August 2005, and in accordance with the agreement, CLAWA paid to Muni the total sum of \$4,006,680 as full payment for the Exchange Water, approximately \$527 per acre foot. This amount is shown in CLAWA's financial statements as "Pre-purchased Banked Water" in the Consolidated Statements of Net Assets.

This arrangement does not involve the delivery of any portion of CLAWA's State Water Project water, since the water comes from Muni, but it commits virtually all of CLAWA's off-peak treatment and transmission system capacity for the delivery of treated water to LACSD. The term of the arrangement is for approximately ten to fifteen years, or until the total of 7,600 acre-feet of water purchased from Muni has been delivered to LACSD. However, the arrangement has produced only a temporary solution to the water supply issues confronting the Lake Arrowhead area. CLAWA anticipates that the parties may wish to extend the short-term arrangement into a long-term arrangement designed to address the water shortage concerns in the Arrowhead Woods area.

CLAWA has issued the following as an explanation of the project and the significant terms of the arrangement⁹:

- 1. Muni receives an annual allocation of imported water from the State Water Project. Its allocated water flows into Silverwood Lake, then through the San Bernardino Tunnel for delivery to Muni in the valley below. Unlike CLAWA, Muni has the unique right to sell and deliver its annual allocation of State water to areas beyond its boundaries.*
- 2. CLAWA has facilities in place to take water from Silverwood Lake, treat the water at its treatment plant on the south shore of the lake, pump the water uphill nearly 2,000 feet to Crestline, store the treated water, and then pump it eastward*

⁹ CLAWA. "News and Notes". website, www.clawa.org, Accessed 27 April 2010, Last update unknown.

through transmission pipelines to a location near the retail water system of the LACSD.

3. *CLAWA has purchased from Muni the right to take 7,600 acre-feet of imported water over a period of 15 years from Muni's future allocations of water from the State Water Project.*
4. *CLAWA has entered into an agreement with LACSD for the purchase, treatment, pumping, transportation and delivery of that water to LACSD's retail water system through CLAWA facilities as capacity in those facilities may be available. This capacity is in excess of the capacity needed by CLAWA to treat and deliver water to its own customers. None of the water delivered to LACSD pursuant to this arrangement will come from CLAWA's annual allocation of water from the State. All of it will come from Muni's allocation.*
5. *CLAWA's charge to LACSD for the purchase, treatment, pumping, storage, transportation and delivery of this water consists of several elements as follows:*
 - a. *The price which CLAWA must pay to Muni in the year of delivery for water taken from Muni's allocation of imported water that year, which is equal to Muni's actual charges paid to the State for the water (not including Muni's capital costs). That charge is estimated to be \$527.19 per acre-foot, but may vary from year to year, to reflect what Muni must pay to the State that year for water delivered to Silverwood Lake.*
 - b. *\$100 per acre-foot of water delivered to LACSD, to recover lost earnings on funds advanced by CLAWA to pre-purchase 7,600 acre-feet of water.*
 - c. *Approximately \$2,000 per acre-foot for the cost of treating the water, pumping it up the mountain to the LACSD system, and recovery of an amortized portion of the capital cost of CLAWA's intake facilities, treatment plant, pump stations, reservoirs and pipeline facilities to treat, pump, store, transport and deliver the water to the LACSD's retail water system. This charge is subject to adjustment each year to reflect changes in the actual cost of energy incurred in treating, pumping and transporting the water.*

The total charge to LACSD is roughly \$2,627 per acre-foot (subject to annual adjustment) for purchase, treatment, pumping, storage, transportation, and delivery of the supplemental water. As of June 30, 2009, LACSD has purchased 1,221.59 acre-feet from CLAWA, at an estimated cost of \$2,787.83 per acre-foot. A summary of the LACSD purchases of Exchange Water is shown in the figure below:

Year Ending June 30	Lake Arrowhead CSD Purchase		Exchange Water Remaining
	acre-feet	cost	
2007	81.49	\$230,012	7,518.51
2008	970.52	\$2,716,345	6,547.99
2009	169.58	\$459,237	6,378.41

Source: Financial Statements for FY 2007-08 and FY 2008-09

III. Financial ability of agencies to provide services.

For this report, staff has reviewed the agency's budgets and audits (excerpts included as Attachment #6), and State Controller reports for special districts. The Agency has been operating with an annual positive change in net assets since at least 2006, with net assets increasing by roughly \$2.3 million for the past two audits fiscal years. Not including capital assets value and debt, the Agency has \$23.9 million in restricted and unrestricted net assets. Of this amount \$15.9 million is unrestricted. CLAWA's long-term debt is relatively low in comparison with other water agencies and in comparison with total assets and annual cash flow. The combined outstanding balances for bonds related to two retail improvement districts total \$505,000 as of June 30, 2009. Both bonds are schedule to mature in 2014.

In reviewing the financial documents, the agency has been operating with an annual positive change in net assets since at least 2006. For FY 2007-08 and FY 2008-09, net assets increased by \$2,107,206 and \$165,183, respectively. As of June 30, 2009, CLAWA had \$51 million in net assets broken down as follows:

1. Invested in Capital Assets – Net of Debt: \$27.1 million

This balance is a combination of capital assets (\$27.15 million) minus outstanding balance of the Water Refunding Bonds (\$0.5 million).

2. Restricted: \$8.0 million

The agency has restricted net assets of \$8.0 million, which consists of two components. The first component represents tax proceeds that were levied for State Water Project payments which totals \$7.7 million. This reserve is maintained to absorb temporary increases in charges from the Department of Water Resources and thus to help stabilize CLAWA tax rates. The second component pertains to Improvement District C and represents tax proceeds levied for the repayment of Water Refunding Bonds. The balance restricted for Improvement District C was \$325,000 at June 30, 2009.

3. Unrestricted: \$15.9 million

CLAWA had unrestricted Net Assets of \$15.9 million at June 30, 2009. The Board of Directors has established policies and guidelines outlining specific needs and objectives of the agency for which the unrestricted net assets will be utilized.

Revenues

Revenues are derived primarily from 1) water sales, 2) stand-by charges, 3) share of the one percent general levy, 4) tax rates set by CLAWA to pay its obligations of the State Water Contract, and 5) taxes levied on improvement districts.

1. Water sales

The wholesale water rate charged to purveyors can be adjusted as needed. The current water rate charged to purveyors is \$1,150 per acre foot, and has not been adjusted in more than 15 years. Retail water rates are analyzed annually and the revenues derived from each of the four improvement zones are separately accounted.

CLAWA's annual operating revenue, which represents water sales, decreased by \$2.8 million or 54% from FY 2007-08 to FY 2008-09 due primarily to a decrease in water sales to Lake Arrowhead Community Services District.

2. Stand-by charges

The current standby charge, adopted by CLAWA, is charged on the annual tax bill and is assessed by parcel or possessory interest and is calculated as \$30 for the first acre and \$5 for each additional acre. The standby availability charge can be increased subject to the procedures set forth in the Uniform Standby Charge Procedures Act and Proposition 218. Pursuant to existing CLAWA policies:

- Properties connected to CLAWA's retail water system or are located within the boundaries of a retail water purveyor which has a wholesale connection from CLAWA are charged the standby charge annually.
- Properties not connected to a water system are not charged for the annual standby charge; however, the charges are accrued and are deferred. At the time a water connection is provided, all deferred standby charges become due and payable immediately and the property is required to begin paying the annual standby charge thereafter.

3. Share of the one percent general tax levy

In 1977-78, before Proposition 13, all landowners within the boundaries of CLAWA paid a tax rate of \$1.62 per \$100 of assessed valuation, as identified in the County's 1977-78 tax rate book, for the purpose of paying all obligations of the agency. This single rate funded the agency's obligations for repayment of the State Water Project and to provide for administration of the agency.

Following Proposition 13, the Legislature enacted statutes to implement its provisions. Under these statutes, a local government's share of the one percent general levy was based on the share of the property tax going to that local government before Proposition 13 (excluding bond debt). Currently, all landowners within CLAWA pay two taxes defined by CLAWA as follows:

- *General Tax Levy (Share of the one percent ad valorem)* - CLAWA receives a share of the one percent ad valorem property tax, \$759,000 for FY 2008-09. In contrast to other areas of the county, assessed valuations within CLAWA have increased each of the past four fiscal years, rising 4% - 12% annually.

- *CLAWA Department of Water Resources Contract – Tax rates set by CLAWA to pay debt service for the State Water Contract*

The tax rate for debt service of the State Water Contract can be adjusted on an annual basis and is contingent on the projected State Water Project costs and assessed property values. During FY 2008-09 CLAWA levied property taxes of \$0.05 per \$100 of assessed valuation for the State Water Contract. The tax rate for the State Water Contract debt service was decreased beginning FY 2004-05 and has remained unchanged to date. The table below is from the FY 2008-09 Financial Statement and shows the assessed valuation and tax rates for the past five years.

	2008-09	2007-08	2006-07	2005-06	2004-05
Net secured	\$2,753,262,073	\$2,651,736,087	\$2,418,204,317	\$2,143,350,764	\$1,926,131,433
Net unsecured	30,271,299	25,544,468	24,433,981	22,019,557	20,388,452
Total	\$2,783,533,372	\$2,677,280,555	\$2,442,638,298	\$2,165,370,321	\$1,946,519,885
Tax Rate	\$.050	\$.050	\$.050	\$.050	\$.050

4. Tax Levied on Improvement Districts – Taxes are levied on Improvement Districts B and C for debts incurred to build the systems. Improvement Districts A and D do not have any incurred debts.
 - a. An additional ad valorem property tax was approved by the voters within Improvement District B on July 2, 1977 (pre-Prop 13). The tax rate can differ from year to year, based on changes in assessed value. This levy was \$0.0477 per \$100 assessed valuation for debt service on the Water Refunding Bond, approximately \$80,000 for FY 2008-09.
 - b. A special tax of \$175 per parcel was approved by the voters within Improvement District C in 1982/1983 (post-Prop 13). This levy is for debt service on the Water Refunding Bond, approximately \$63,500 for FY 2008-09. The District provides for an annual appropriation limit for this special tax.

To illustrate the revenues generated, LAFCO staff has provided a chart showing the amounts and respective percentages of the revenue categories for the past two audited fiscal years. As shown on the chart for FY 2007-08 and FY 2008-09, wholesale water sales decreased dramatically from roughly \$4.55 million to \$1.79 million. This decrease is due primarily to a reduction in water sales to Lake Arrowhead Community Services District from \$2.72 million to \$460,000.

	FY 2007-08		FY 2008-09	
	Amount	Perc. of Total	Amount	Perc. of Total
Operating Revenue:				
Water sales - wholesale	\$4,549,973	48%	\$1,787,631	28%
Water sales - retail	674,740	7%	624,898	10%
Other services	7,950	0%	14,150	0%
	<u>5,232,663</u>	<u>56%</u>	<u>2,426,679</u>	<u>37%</u>
Non-Operating Revenues:				
Interest	742,231	8%	424,217	7%
Property tax - debt service	1,635,057	17%	1,766,387	27%
Property tax - 1% general	766,638	8%	769,022	12%
Water standby charges	1,001,556	11%	967,731	15%
Other activities	8,402	0%	15,217	0%
	<u>4,153,884</u>	<u>44%</u>	<u>3,942,574</u>	<u>61%</u>
Contributions:				
Capacity charges	31,171	0%	31,067	0%
In aid of construction	0	0%	97,869	2%
	<u>31,171</u>	<u>0%</u>	<u>128,936</u>	<u>2%</u>
TOTAL	<u>\$9,417,718</u>	<u>100%</u>	<u>\$6,498,189</u>	<u>100%</u>

source: CLAWA FY 2008-09 Financial Statement, pg 8-9.; Percents calculated by LAFCO staff.

Deferred Revenue

CLAWA provides exchange water to Lake Arrowhead Community Services District ("LACSD") under an agreement which requires LACSD to purchase a minimum number of acre-feet of such water each year. Revenue from the sale of exchange water is recognized at the time when the exchange water is delivered. CLAWA has \$1.8 million of deferred revenue at June 30, 2009 under the agreement, for exchange water to be delivered to LACSD.

Expenditures

To illustrate CLAWA's expenses, LAFCO staff has provided a chart showing the amounts and respective percentages of the expenditure categories for the past two fiscal years. As with operating revenues, operating expenses decreased from 2008 primarily to a decrease in water sales to Lake Arrowhead Community Services District. Information explaining the increases in Administrative and transmission and distribution costs were not provided.

	FY 2007-08		FY 2008-09	
	Amount	Perc. of Total	Amount	Perc. of Total
Operating Expenses:				
Source of supply	\$1,402,914	19%	\$1,046,124	17%
Pumping	1,770,056	24%	1,067,505	17%
Water treatment	1,063,974	15%	759,068	12%
Transmission & distribution	414,855	6%	514,498	8%
Customer accounts	3,749	0%	6,128	0%
Admin & general	1,502,242	21%	1,699,446	27%
Depecciation, amortization	1,088,029	15%	1,187,250	19%
	<u>7,245,819</u>	<u>99%</u>	<u>6,280,019</u>	<u>99%</u>
Non-Operating Expenses:				
Interest on debt	43,927	1%	38,600	1%
Other	20,766	0%	14,387	0%
	<u>64,693</u>	<u>1%</u>	<u>52,987</u>	<u>1%</u>
TOTAL	<u><u>\$7,310,512</u></u>	<u><u>100%</u></u>	<u><u>\$6,333,006</u></u>	<u><u>100%</u></u>

source: CLAWA FY 2008-09 Financial Statement, pg 8-9.; Percents calculated by LAFCO staff.

Long-Term Debt

CLAWA's long-term debt, outside its obligation for the SWP, consists of Water Refunding Bonds within Improvement Districts B and C. The combined outstanding balances total \$505,000 as of June 30, 2009. In FY 2008-09, principal payments were made on the two loans of \$42,845 and \$39,514, respectively. Both bonds are schedule to mature in 2014.

Commitments and Agreements

State Department of Water Resources Commitments

On June 22, 1963, CLAWA entered into a contract with the State Department of Water Resources to receive an annual entitlement for water from the State Water Project. The agency assumed a proportionate share of capital costs and minimum operations, maintenance, power and replacement costs of the State facilities, in addition to paying variable operations, maintenance, power and replacement costs on a per-acre-foot charge for water deliveries received. CLAWA's future commitment for State Water Project costs over the years 2009 to 2035, according to payment schedule dated June 30, 2009, is estimated as follows:

Transportation charge:	
Capital cost component	\$ 4,338,429
Minimum operations, maintenance, power and replacement component	12,691,289
Variable operations, maintenance, power and replacement component	<u>23,657,542</u>
	40,687,260
Delta water charges	5,857,327
Water system revenue bond surcharge	<u>2,442,526</u>
Total	<u><u>\$ 48,987,113</u></u>

Source: FY 2008-09 Financial Statement

Purchased Water Agreements

During August 2005, and in accordance with the agreement between CLAWA, San Bernardino Valley Municipal Water District, and Lake Arrowhead Community Services District, CLAWA paid to San Bernardino Valley Municipal Water District the total sum of \$4,006,680 as full payment for the Exchange Water. This amount is currently shown on the Consolidated Statements of Net Assets as Pre-purchased Banked Water. Concurrently, on July 7, 2005, CLAWA entered into an agreement to provide for the treatment, delivery and sale of 7,600 acre-feet of Exchange Water to the Lake Arrowhead Community Services District through the year ended December 31, 2020.

Post-Employment Benefits

A review of the financial statements for the past three years identifies a zero net obligation for both pensions and other post-employment benefits.

Additional Information

CLAWA Budgets

In reviewing the agency's budgets submitted for this review, the budgets do not have actual data (year-end final figures) for previous year activity. LAFCO staff recommends that the budgets include at least one year's worth of actual financial data, as recommended by the *Best Practices* of the Government Finance Officers Association.

Regular Audits

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the State Controller and county auditor within 12 months of the end of the fiscal year. According to a review of records from the State Controller, there is no record of an audit being filed. According to records from the County Auditor, the last audit received was for FY 2007-08 on December 17, 2008. LAFCO staff recommends that the Agency forward a copy of its most recent audit to the State Controller and County Auditor.

Appropriations (GANN) Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), CLAWA is subject to the Gann limit. Therefore, an agency is restricted as to the amount of annual expenditures from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund agreements. A review of the financial statements for the fiscal years ended June 30, 2008 and 2009 show that proceeds of taxes did not exceed appropriations and the agency's expenditures did not exceed its adopted appropriation limit.

IV. Status of, and opportunities for, shared facilities.

All of the water supplied by CLAWA is treated to the California Department of Public Health standards at the agency's Silverwood Water Treatment Plant. This eliminates the need for each separate retail water purveyor within the agency to construct and operate their own treatment plant; however, some retail water purveyors may need some level of water treatment for their own local water groundwater supplies.

As discussed above, CLAWA has entered into short term agreements with San Bernardino Valley Municipal Water District ("Muni") and with the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, then treatment and transportation of that water through CLAWA's transmission system (as capacity may be available in the Agency's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead.

CLAWA does not have any physical inter-ties with other agencies for emergency water delivery. During the processing of this service review, Agency staff informed LAFCO staff that potentially the Agency could take water back from retail purveyors in an emergency but it would require plumbing modifications and California Department of Public Health approval. All water served by the Agency comes from Lake Silverwood and is fully treated before being pumped to customers.

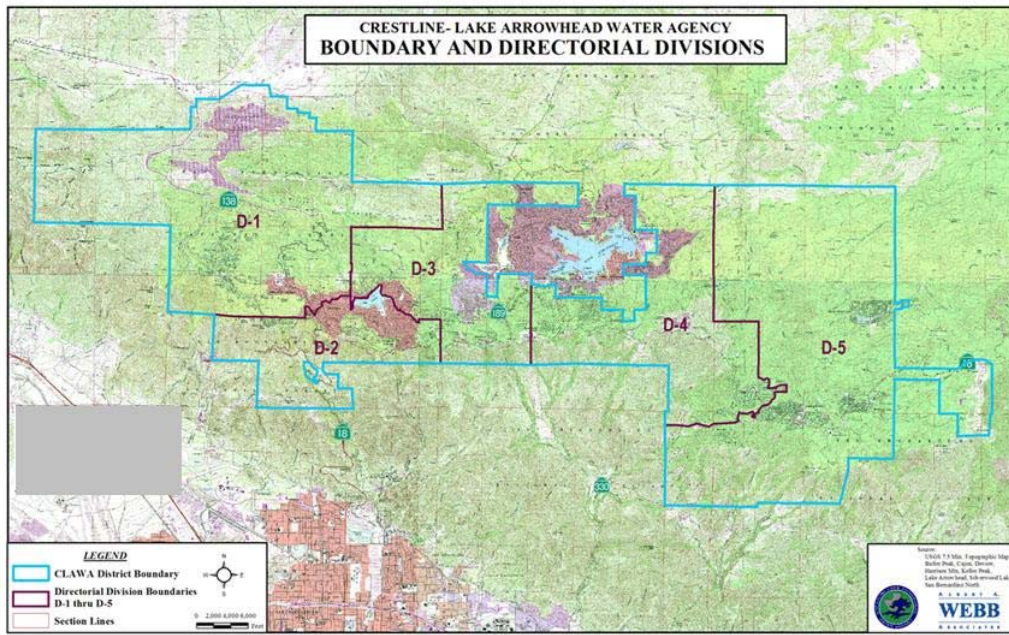
V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

CLAWA is an independent special district governed by a five-member board of directors each representing a division. Members are either selected by vote of the electorate at the November consolidated election in odd numbered years or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. According to records of the San Bernardino County Registrar of Voters since 1996, the last election for the CLAWA board of directors was November 2003. The current board has been appointed in-lieu of election, and their division, positions, and terms of office are shown below:

Board Member	Division	Title	Term
Thomas Sutton	1	Director	2011
Norman Meek	2	Treasurer	2013
Stephan Pleasant	3	President	2011
Bruce Risher	4	Vice-President	2013
Kenneth Eaton	5	Director	2011

The following map delineates the existing divisions within CLAWA:



Regular Board meetings occur on the first Thursday of each month. Notice of each Board meeting is posted for public review and on the agency website at least 72 hours in advance and is also mailed to anyone who may have requested notice in writing. Once each year the Board also conducts a public hearing on its annual water standby charges as well as its budget. CLAWA's office is located in Crestline and is open Monday through Friday 8:00 a.m. to 5:00 p.m. In addition, CLAWA maintains an answering service to respond to reports of emergencies outside of normal business hours.

Operational Efficiency

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

- CLAWA is one of 29 State Water Contractors who have entered into a contract with the State Department of Water Resources to receive an annual entitlement for water from the State Water Project. As such, CLAWA assumed a proportionate share of capital costs and minimum operations, maintenance, power and replacement costs of the State facilities, in addition to paying variable operations, maintenance, power and replacement costs on a per-acre-foot charge for water deliveries received.
- CLAWA has also become a member of the California Urban Water Conservation Council by executing the Memorandum of Understanding Regarding Urban Water Conservation in California. The Council is a voluntary organization whose members agree to implement reasonable water conservation measures. The Memorandum of Understanding identifies specific Best Management Practices (BMPs) for water conservation. All signatory agencies have agreed to make a good faith effort to implement these BMPs.

- CLAWA participates in the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Each agency's contribution rates is determined annually by PERS.
- CLAWA participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.
- CLAWA has entered into short term agreements with San Bernardino Valley Municipal Water District ("Muni") and with the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, then treatment and transportation of that water through CLAWA's transmission system (as capacity may be available in the Agency's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

CLAWA Law and its contract with the State Department of Water Resources prohibit CLAWA from delivering any portion of its imported water supply for use outside of its boundaries. However, as noted throughout this report, there is a three-party agreement between CLAWA, San Bernardino Valley Municipal Water District ("Muni"), and the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, treatment and transportation of that water through the CLAWA's transmission system (as capacity may be available in CLAWA's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead.

Government Structure Options:

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

- Annexation of areas within its sphere of influence. CLAWA, residents, or landowners could submit an application to expand the boundaries of CLAWA to annex territory that is within its existing sphere of influence. CLAWA would then be responsible for extending its services to the area. Any additional customers within CLAWA's boundaries would add demand against its set supply from Silverwood Lake and Houston Creek.

While CLAWA is willing to continue cooperation with the Lake Arrowhead Community Services District to assist in delivering supplemental water obtained by alternative means, CLAWA's Board strongly opposes annexation of the Arrowhead Woods area. CLAWA staff has provided two main reasons for the opposition to annexation of the Arrowhead Woods area (copy of letter included as a part of Attachment #3). First, imported water supply may not be sufficient to satisfy existing and anticipated demand for supplemental water and the agency would not be comfortable adding demand with no additional supplemental supply. Second, the additional population would alter the board representation with the Lake Arrowhead community possibly comprising two of the five board memberships.

Should Arrowhead Woods ever be annexed into CLAWA, LAFCO staff's analysis indicates that board divisions would need to be realigned to allow for proportional representation. All levels of public agencies are evolving entities and boundary and representation modifications are a common occurrence.

A 2003 study funded by CLAWA indicates that if Arrowhead Woods were to be annexed to the agency, the annexation fee to be paid to CLAWA would be approximately \$39.7 million. This figure was based upon CLAWA's rules and regulations, which state that an annexation fee shall equal the sum of back property taxes and back standby charges. With roughly 9,500 parcels¹⁰ composing the Arrowhead Woods area, the average annexation fee to CLAWA would be roughly \$4,200. Additionally, this figure was derived in 2003 and would increase each year as property taxes and standby charges are levied. However, according to CLAWA's FY 2008-09 Financial Statements, CLAWA's future commitment for State Water Project costs over the years 2009 to 2035 is estimated at \$49.9 million. For illustrative purposes, by simply adjusting the 2003 estimated \$39.7 million annexation fee for inflation, the Arrowhead Woods area would be charged \$47.0 million in 2010. Therefore, the general statement can be made that annexation of Arrowhead Woods to CLAWA along with the annexation fees would roughly equal CLAWA's commitment for State Water Project costs through 2035 and remove that obligation from CLAWA's current residents and landowners. If such annexation were to be proposed, an improvement district could be formed to isolate the Arrowhead Woods area, much like Improvement Districts A, B, C and D, to be responsible for the future State Water Project costs. This scenario would afford the Arrowhead Woods with accessibility to supplemental water and substantially reduce

¹⁰ The 2003 study funded by CLAWA identifies that roughly 9,500 parcels are within the Arrowhead Woods exclusion area. A parcel count provided by the County of San Bernardino Information Services Department in May 2010 identifies that there are 9,852 parcels within this area.

or even eliminate the future State Water Project costs that those currently within CLAWA's boundaries pay. No opinion regarding this possibility has been received by LAFCO staff from either CLAWA or those representing the Arrowhead Woods area.

- Consolidation with a bordering State Water Contractor. A second scenario would be to consolidate CLAWA with the State Water Contractors abutting its boundary and sphere. These agencies are the Mojave Water Agency and the San Bernardino Valley Municipal Water District. Even though economies of scale could be achieved, there is no apparent rationale to support such an action. First, the boundaries and spheres of these three agencies are generally divided by either hydrological divides or the National Forest boundary. Second, each agency has its own unique water needs and methods of storage. Third, neither Mojave Water Agency nor San Bernardino Valley Municipal Water District provides retail water. However, should consolidation be desired, it would require an application to LAFCO with a plan outlining the terms of the consolidation and a financial feasibility report which would be reviewed by the Commission.
- Consolidation of all public water agencies and/or service areas. Another scenario would be to consolidate all of the public water agencies providing retail water service within CLAWA's boundaries. These agencies include Arrowbear Park County Water District, County Service Area 70 Zone CG, CLAWA, Crestline Village Water District, Lake Arrowhead Community Services District, and Running Springs Water District. This option could reduce duplication of administrative efforts and provide the opportunity for economies of scale. Further, it would provide a single voice for this part of the mountain region regarding water issues. This option could also alleviate the need for short-term solutions for water delivery. This is a viable option, and appears more practical for the Crest Forest and Lake Arrowhead communities. However the details of a possible consolidation would need to consider the other services provided by the agencies and if annexation of additional territory would be included.
- Regional cooperation for distributing reclaimed and/or recycled water. CLAWA does not perform reclamation services; although CLAWA Law allows for it to perform reclamation services (treatment and reclamation of sewage and storm water) within its boundaries and the request for authorization to perform the services would be subject to LAFCO approval. However, within its boundaries and sphere of influence there are three agencies that provide this service: Crestline Sanitation District (collection and treatment), Running Springs Water District (collection and treatment; also a JPA with Arrowbear Park Water District and CSA 79), and Lake Arrowhead Community Services District (collection and treatment).

As a regional agency, in cooperation with other water entities CLAWA is responsible for managing the water resources within its boundaries to ensure a sustainable supply of water for the benefit of its constituents. As such, CLAWA could help coordinate a regional plan for distribution of reclaimed water in the mountains. Such a structure could reduce duplication of planning efforts and provide the opportunity for economies of scale while maintaining the independence of each district.

- Transfer of Retail Water Service. At the time that CLAWA created Improvement Districts A, B, C, and D there was no other public water agency available to provide the service. However, in 1983, the Lake Arrowhead CSD was expanded to include the boundaries of the Lake Arrowhead Sanitation District and assumed that agency's services. LACSD currently provides water service to the Arrowhead Woods area (its original service area) and the territory within Deer Lodge Park. It could assume the retail responsibility for Improvement District A and C, the majority of Improvement District B and the developed portions of Improvement District D. Such reorganization would allow for CLAWA to maintain its primary purpose, the delivery of supplemental water to this portion of the Mountain Region.
- Maintenance of the status quo. Maintenance of the existing organizational structure will maintain the delivery of supplemental water in the area and provide for the provision of continuing retail water service through CLAWA. This is the position support by CLAWA staff.

At this time, LAFCO staff is not recommending any structural or organizational changes for the District.

SPHERE OF INFLUENCE UPDATE

Sphere of Influence

LAFCO staff is not proposing amendment of the sphere of influence as designated for CLAWA and CLAWA has requested maintenance of its sphere. Therefore, staff recommends that the Commission affirm the existing sphere of influence for the Crestline-Lake Arrowhead Water Agency.

The sphere for CLAWA was established in 1973 in conjunction with the establishment of the spheres of influence for the Mojave Water Agency (MWA), San Bernardino Valley Municipal Water District, and Chino Basin Municipal Water District (now known as Inland Empire Utilities Agency). At that time, LAFCO staff requested that the agencies meet to determine their general areas of service and propose sphere boundaries based upon engineering concerns for delivery of supplemental water. These agencies, including CLAWA, agreed to the proposed sphere divisions based on hydrological divides.

There are four distinct areas that are not within CLAWA's boundaries but within its sphere of influence (central, west, northeast, and southeast).

- Central Sphere Area (Arrowhead Woods)

As outlined in other portions of this report, CLAWA has stated that it strongly opposes annexation of Arrowhead Woods and any annexation to the agency would increase demand with no additional supply to serve the already stressed supplemental supply. Further, this report has provided information to support CLAWA's claim regarding its current supply and demand. However, Government Code Section 56076 defines a sphere of influence as a "plan for the probable physical boundaries and service area of a local agency, as determined by the commission". Therefore, if CLAWA opposes annexation of the area, the question should be asked why Arrowhead Woods should remain a part of the CLAWA sphere.

Arrowhead Woods is in need of a supplemental water supply. The three-party agreement is a short-term solution to this problem with the contract expiring in 2020. Further, there are no known discussions on providing a long-range and comprehensive solution to the water challenges in the mountain area after 2020. Removal of this area from the CLAWA sphere would create a pocket of territory entirely surrounded by the boundary or sphere of a State Water Contractor. Given the area's need for supplemental water, it should remain within the sphere of influence of a State Water Contractor. Without placement into another State Water Contractor's sphere, removal from the CLAWA sphere at this time would be pre-mature due to the three-party water exchange agreement and the historical, political, and community issues regarding this area and CLAWA.

- West, Northeast, and Southeast Sphere Areas

Two of the areas are wholly surrounded by the boundary or sphere of a State Water Contractor and were established due to hydrologic divides. The third area, the

northeast area, is surrounded by the boundary or sphere of a State Water Contractor on three sides. Removal of any of these areas from the CLAWA sphere would create a pocket within the county of an area surrounded by the boundary or sphere of a State Water Contractor. Anticipating water delivery challenges to continue in the future, maintenance of these areas within the CLAWA sphere would keep these areas within a sphere of influence of a State Water Project provider.

Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)).

LAFCO staff recommends the Commission affirm the function and services provided by the District in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* as follows:

FUNCTIONS

SERVICES

Water

Acquisition, wholesale, retail, domestic

FACTORS OF CONSIDERATION:

CLAWA was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

1. **The Present and Planned Uses in the Area**

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. The land ownership distribution and breakdown within the District's boundary are identified on the table below. More than two-thirds of CLAWA's service area is within the San Bernardino National Forest. Forest lands are devoted primarily to resource protection and recreational use. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

Land Owner	Boundary (sq miles)	Sphere – outside boundary (sq miles)	Total (sq miles)	%
State (Silverwood Lake)	5.0	0.0	5.0	4.6%
US Forest Service	54.7	17.2	71.9	65.1%
Private	25.9	7.7	33.6	30.3%
Total	85.6	25.0	110.6	100.0%

Source: County of San Bernardino Information Services Department

In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. The CLAWA service area includes commercial uses oriented to tourists and seasonal residents as well as year-round residents. However, development in CLAWA is primarily single-family residential with roughly 93 percent of all homes being single-family dwellings, many of which are second or vacation homes.

2. The Present and Probable Need for Public Facilities and Services in the Area

The State Water Project allocation as of May 2010 is 40%, which permits CLAWA 2,320 acre-feet for 2010. This amount, when combined with the average Houston Creek allocation over the past 15 years of 424 acre-feet totals 2,744 acre-feet. For 2008 and 2009, total deliveries by CLAWA were 1,886 acre-feet and 1,629 acre-feet, respectively. Recent demand has been less than the available supply due to favorable local supply conditions. In turn, wholesale demand from CLAWA has been reduced. However, continued reduction of SWP allocations coupled with the anticipated population growth will challenge CLAWA's ability to provide the wholesale and retail water in the future.

The present and probable need for supplemental water service in the Arrowhead Woods area (7.4 square miles) of CLAWA's sphere has been addressed through the three-party agreement between CLAWA, San Bernardino Valley Municipal Water District ("Muni"), and the Lake Arrowhead Community Services District ("LACSD") for the purchase of water from Muni, then treatment and transportation of that water through the CLAWA's transmission system (as capacity may be available in CLAWA's system during periods of off-peak demands) for delivery of that treated water into the LACSD's system for its use in lieu of water from Lake Arrowhead. However, the three-party agreement is a short-term solution with the contract expiring in 2020. Further, there are no known discussions on providing a long-range and comprehensive solution to the water challenges in the mountain area after 2020. For the balance of CLAWA's sphere, there is no known present or probable need for CLAWA's water service.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides

The present capacity of CLAWA's water system facilities is sufficient to reliably meet existing water demands/services, operating with acceptable load factors. The ultimate design capacity of CLAWA's water transmission system is compatible with their contract with Department of Water Resources for an imported water supply of up to 5,800 acre-feet per year from the State Water Project. CLAWA has stated that the condition of its water system facilities (transmission and retail systems) is very good; and the agency provides both routine and major maintenance to its facilities, as required to extend infrastructure life and to provide reliable level of service. However, CLAWA does not have any physical inter-ties with other agencies for emergency water delivery.

To date, CLAWA has indicated that the SWP allocation reductions have not adversely impacted the agency's ability to serve its residential and wholesale customers. CLAWA's retail deliveries averaged roughly 270 acre-feet/year for the past 10 years, which is a fraction of its SWP allocation. Wholesale deliveries comprise the majority of CLAWA's water deliveries and the local retailers use this water to supplement their own local well water. The local well supply has been sufficient to date to satisfy local demand. Therefore, retail and wholesale demand has not exceeded CLAWA's SWP allocation to date.

All of the water supplied by CLAWA is treated to the California Department of Public Health standards at the agency's Silverwood Water Treatment Plant. This eliminates the need for each separate retail water purveyor within the agency to construct and operate their own treatment plant; however, some retail water purveyors may need some level of water treatment for their own local groundwater supplies.

4. The Existence of any Social or Economic Communities of Interest

CLAWA includes most of the Community Plan areas identified for Crest Forest, Lake Arrowhead, and Hilltop and a small section of the eastern portion of the Community Plan area identified for Bear Valley. Within CLAWA's sphere of influence outside of its boundaries is the community known as Arrowhead Woods. Within its sphere of influence and boundaries are three main clusters of unincorporated communities:

- In the western area are the communities of Crestline, Skyland, Valley of Enchantment, Lake Gregory, Valley of the Moon, Arrowhead Highlands, Valley View Park, and Cedarpines Park.
- In the central area are the communities of, Rimforest, Twin Peaks, Blue Jay, Crest Park (Meadowbrook), Skyforest, Cedar Glen, Deer Lodge Park, and Lake Arrowhead.
- In the eastern area are the communities of Running Springs, Fredalba, Smiley Park, Arrowbear Lake, and Green Valley Lake.

The economic communities of interest include the mountain resorts, lakes, and the related commercial activities and businesses.

ADDITIONAL DETERMINATIONS

1. The Commission's Environmental Consultant, Tom Dodson and Associates, has determined that affirmation of the current sphere of influence is statutorily exempt from environmental review. Mr. Dodson's response is included as Attachment #7.
2. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Alpenhorn News*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-

lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

3. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
4. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. For environmental review certify that the affirmation of the sphere of influence as outlined in the staff report for this consideration is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.
2. Receive and file the service review for the Crestline-Lake Arrowhead Water Agency, and make the findings related to the service review required by Government Code 56430 as outlined in the staff report.
3. Affirm the existing sphere of influence for the Crestline-Lake Arrowhead Water Agency making the determinations required by Government Code 56425 as outlined in the staff report.
4. Adopt Resolution No. 3093 reflecting the Commission's determinations.

KRM/SM/MT

ATTACHMENTS

1. [Map – Current Boundary and Sphere](#)
2. Maps
 - a. [State Water Contractors](#)
 - b. [Retail Water Providers](#)
3. [Service Review and Sphere Update Response](#)
4. [Excerpt from 2005 Urban Water Management Plan](#)
5. [Contracts with Lake Arrowhead CSD and San Bernardino Valley Municipal Water District](#)
6. [Financial Information: Excerpts from Audit and Budget](#)
7. [Environmental Response from Environmental Consultant, Tom Dodson and Associates](#)
8. [Resolution No. 3093 for LAFCO 3107](#)