

Palmdale Water District Municipal Service Review

Prepared for:



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Post Preparation Update of the MSR
October 2012

At the time the Palmdale Water District MSR was prepared in July, 2012, the City of Palmdale and the Palmdale Water District were in litigation. This litigation has since been resolved. While the resolution of the litigation is positive, it in no way changes the outcome of the Report or the findings or recommendations presented in it.

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I. Executive Summary

A Municipal Service Review (MSR) is a comprehensive study to determine the adequacy of governmental services being provided by the local agencies under the Local Agency Formation Commission (LAFCO). The MSR is used by LAFCO, other governmental agencies, and the public to better understand and improve the provision of services and to identify opportunities for greater cooperation between service providers. The purpose of this MSR is to evaluate the Palmdale Water District (District) for Local Agency Formation Commission for the County of Los Angeles (LAFCO).

An MSR allows the LAFCO to evaluate how agencies currently provide municipal services within the MSR study area and to evaluate the impacts on those services from future growth and other changes that may occur in the study area over the next 10 to 20 years. The MSR report is also required to identify potential opportunities to address any shortfalls, gaps, opportunities for increased efficiency and/or impacts on services and governmental structure that may currently exist or are anticipated in the future. MSRs are also required to be conducted prior to, or concurrent with, sphere of influence (SOI) updates.

Beginning in 2001, Local Agency Formation Commissions (LAFCOs) were mandated to review and, as necessary, update the SOI of each city and special district. SOIs are boundaries, determined by LAFCO, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless the LAFCO first conducts a MSR. The mandate to conduct MSRs is part of the Cortese-Knox-Hertzberg (CKH) Act of 2000. Per Section 56425 of the CKH Act, LAFCO must review and if necessary, update each SOI at least every five years.

The MSR and SOI update are one of many LAFCO responsibilities, but is often considered the most important as it provides the mechanism to shape the orderly and logical development of the local government agencies. The MSR process consists of three primary processes:

- ▶ **The Municipal Service Review Report** reviews the agency/focus area of service delivery. Additionally, the agency's infrastructure, governance functions, and capacity based on projected growth in the area are evaluated along with any identified issues, needs and/or deficiencies. The MSR process then requires responses to specific questions or "determinations" as described below:

- ▶ Growth and population projections for the affected area.
 - ▶ Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
 - ▶ Financial ability of agencies to provide services.
 - ▶ Status of, and opportunities for, shared facilities.
 - ▶ Accountability for community service needs, including governmental structure and operational efficiencies.
 - ▶ Any other matter related to effective or efficient service delivery, as required by the LAFCO Commission.
 - ▶ The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- ▶ **The Stakeholder Input Process** provides a forum for representatives from the stakeholder agencies, to provide information in preparation of the MSR and to identify issues gaps or opportunities for efficiencies not otherwise reflected in this report. A summary of the stakeholder input and comments are included in **Section 3: Key Findings and Research**.
- ▶ **The Sphere of Influence Update** is the third part of the MSR process. Based on the information in the MSR report, LAFCO Staff's recommendation, and stakeholder input the LAFCO Commission will make a decision to retract, expand, or maintain the existing SOI boundaries.

1.1 Palmdale Water District MSR Summary

This MSR evaluates the study area defined by the jurisdictional boundary of the District.

The District is located within the Antelope Valley in Los Angeles County, approximately 60 miles north of the City of Los Angeles and 50 miles west of the City of Victorville.

The entire District encompasses an area of approximately 140 square miles overlying more than thirty non-contiguous areas scattered throughout the southern Antelope Valley. In addition to the Primary Service Area, there is a federal land area of approximately 65 square miles upstream of Littlerock Dam in the Angeles National Forest. The District's Sphere of Influence (SOI) is coterminous with the District's service boundary.

The District currently receives water from three sources including: groundwater, Littlerock Dam Reservoir, and imported water from the State Water Project (SWP). Groundwater is obtained from the

Antelope Valley Groundwater Basin via 25 active wells scattered throughout the District. The District's local surface water supply is from Littlerock Dam Reservoir. This water is transferred from the reservoir to Lake Palmdale for treatment and distribution. The District's imported water is provided by the SWP and is conveyed to Lake Palmdale, which acts as a fore bay for the District's 35 million gallon per day (mgd) water treatment plant. Lake Palmdale can store approximately 4,250 acre-feet (AF) of SWP and Littlerock Dam Reservoir water.

The Antelope Valley Groundwater Basin is currently in an overdraft situation and is in the process of adjudication, which will limit and possibly decrease the allowable annual extraction of groundwater for the District and all other groundwater pumpers. The adjudication is still pending in Superior Court. Since the adjudication has not yet been completed, each groundwater pumper currently has an un-quantified right to pump water for beneficial use. At some future time, however, the court will determine all the water rights in the basin, and will order either the reduction of groundwater extractions to levels that will stabilize or reverse groundwater level declines, or the purchase of imported water to replace over extraction of groundwater, or both. Such adjudication proceedings can take from 10 to 15 years, or longer, to resolve.

Given the ongoing water adjudication process and the analysis provided below, a recommendation has been made to maintain the District's existing SOI and Service boundary. Please refer to **Section 10.1: Sphere of Influence (SOI) and District Recommendation.**

Growth and population projections

The District's service area population is expected to more than double over the next 25 years, which is expected to more than double the District's water demands. However, the District has developed a Strategic Water Resources Plan, which takes into consideration the projected future population, anticipated water demand, and anticipated future water supplies to ensure that the District is able to continue to provide a safe and reliable source of water.

Present and planned capacity of public facilities including infrastructure needs or deficiencies

The District is currently able to meet its water demands through a combination of groundwater, water obtained from the Littlerock Dam Reservoir, and imported water from the State Water Project.

The District currently does not have recycled water supplies, but is in the process of developing the use of non-potable water to offset potable water demand and to diversify its water supply options. Additionally, the District is developing new sources of supply via groundwater banking and anticipated new supplies from transfer and exchange opportunities, please refer to **Section 5: Infrastructure Needs and Deficiencies**.

The ongoing Antelope Valley Groundwater Basin adjudication is expected to result in a reduction in the District's ground water extractions or the purchase of imported water to replace groundwater level declines.

Financial ability of agencies to provide services

The District has the financial capacity to continue to provide services to its service area.

Status of, and opportunities for, shared facilities

The District currently has an emergency water interconnection with Antelope Valley East Kern (AVEK) and an agreement with Littlerock Creek Irrigation District (LCID) to provide water treatment to water that LCID receives from the SWP. The District was also a participant in the preparation of the "Antelope Valley Integrated Regional Water Management Plan" (AVIRWMP), which was a study that sought to identify how agencies in the Antelope Valley Groundwater Basin could achieve savings by using a basin-wide approach to water planning and facilities construction.

Water supply is the only significant constraint to cost avoidance and financing opportunities. The supply issue is the paramount concern of the region, and this issue is greatly exacerbated by the fact that the groundwater basin is not adjudicated.

Accountability of community service needs

The District is governed by a five-member Board of Directors, each elected by voters within five separate voting divisions within the District. The governing board meets on the second and fourth Wednesday evenings of each month. The District's board meetings are publicly notified through newspaper publications and the District's Web site, and are open to the public.

The District is proactive in ensuring that its operations and finances are made easily available to the public through its website (www.palmdalewater.org). The website is well designed making it easy to find information regarding the District's board,

water rates, upcoming events, water conservation measures and tips, development projects, planning reports, financial reports including past and present fiscal budgets and financial audits, and general contact information.

Any other matter related to effective or efficient service delivery

Based on the analysis provided in this report, the District appears to be well-regulated and an active and effective partner with other agencies in planning for the many challenges of this complex area. It is recommended that LAFCO take no action other than affirming the present SOI of the District, which is coterminous with the District's service boundaries.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Senate Bill 244, recently enacted on February 10, 2011, imposed state mandates on local governments, including cities, counties and LAFCOs. This bill requires LAFCO to make determinations regarding "disadvantaged unincorporated communities." A "disadvantaged community" is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. "Severely disadvantaged community" means a community with a median household income less than 60 percent of the statewide average (Water Code Section 79505.5).

The District's Primary Service Area is generally located within 27 census tracts six of which are considered to be disadvantaged communities while five are considered to be severely disadvantaged communities. Please refer to **Section 10: Determinations and Findings**.

Palmdale Water District

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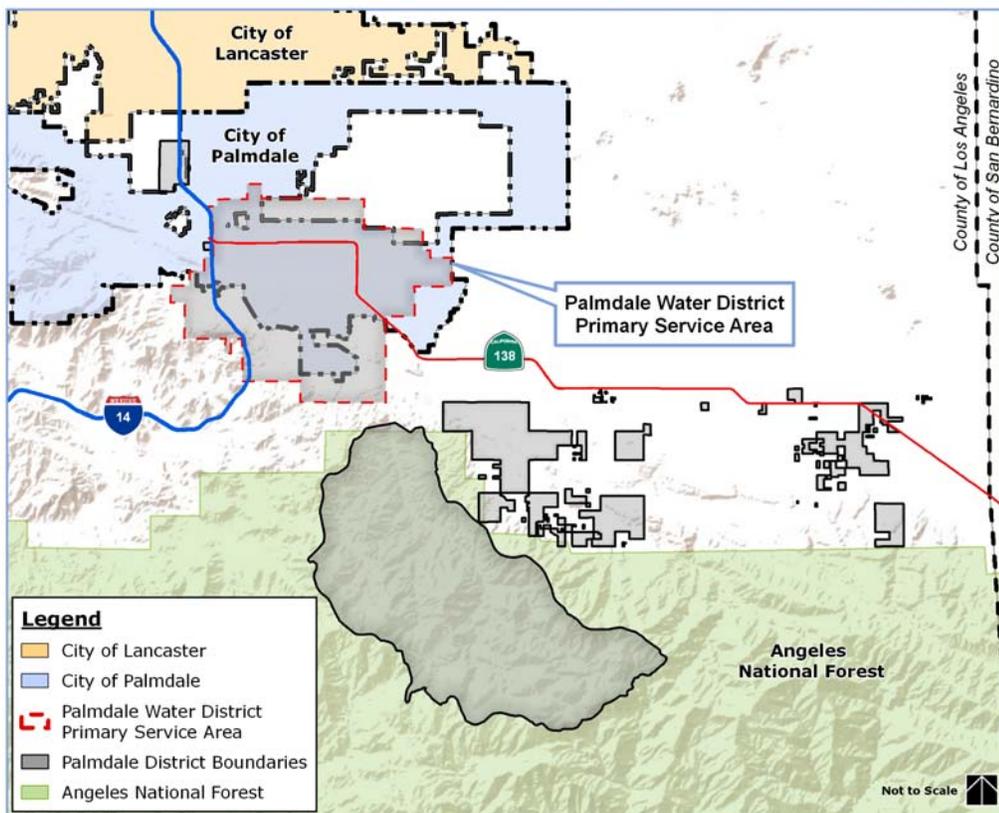
2. Agency Profile

The Palmdale Water District (District) is located within the Antelope Valley in Los Angeles County, approximately 60 miles north of the City of Los Angeles and 50 miles west of the City of Victorville. The City's nearest neighbor, Lancaster, is approximately 10 miles to the north. The Antelope Valley Freeway (State Route 14) runs north-south and Pearblossom Highway (State Route 138) meanders in the east-west direction through the District.

The entire District encompasses an area of approximately 140 square miles. The District's "Primary Service Area" is located almost entirely within the jurisdictional boundaries of the City of Palmdale, and extends on its southern and eastern boundaries into the unincorporated areas of Los Angeles County that are within the City of Palmdale's SOI. The District's Primary Service Area encompasses approximately 47 square miles of mainly developed areas.

In addition to the Primary Service Area, the District's boundaries includes thirty non-contiguous areas scattered throughout the Southern Antelope Valley and a federal land area of approximately 65 square miles upstream of Littlerock Dam in the Angeles National Forest. **Figure 2-1: Vicinity Map** depicts the District's service boundaries.

The District's service area customers include municipal, residential, irrigation, commercial, industrial, and institutional users. The District has meters on all residential, commercial, and landscape service connections and requires meters on all new connections. The District does not provide water service to any agricultural accounts. In 2010 the District served a population of approximately 109,395 persons through 26,041 service connections. The District's SOI is coterminous with the District's service boundaries.



2.1 History

The Palmdale Irrigation District (renamed as the Palmdale Water District in 1973) was formed in 1918, in an effort to raise public funds for water infrastructure improvements. Following the provisions of Division 11 in the Water Code of the State of California, Palmdale Irrigation District was formed to irrigate over 4,500 acres of agricultural lands within its boundaries. Under this provision, the irrigation district can acquire, control, conserve, store, and distribute water for beneficial use within the district.

One significant infrastructure improvement was the construction of Littlerock Dam and Reservoir. This improvement was completed in 1924 and held a water storage capacity of 4,200-acre feet. However over the years the design of the dam fell into controversy and was declared unsafe in 1932. In 1940 the reservoir could not maintain its water capacity due to a buildup of sediment. Standby water wells were developed to help provide additional water supplies.

In the 1950's the local aerospace industry emerged at "Air Force Plant 42", and the shift from supplying agricultural water to supplying domestic water began.

In 1962, it was recognized that some District owned and operated facilities are located on federally owned lands and that the water shed and drainage area that supplies said facilities is also located on federally owned land, both of which are in the Angeles National Forest. Under Section 26907 of the Water Code of the State of California, these publically held lands were included in the boundaries of the District to meet the interests of both the District and the public. On September 24, 1962 a resolution was adopted to include an approximately 65 square mile area of public land in the Angeles National Forest in the District's boundaries. Please refer to **Appendix A** to view a copy of the resolution.

To continue to meet the water demands of the District, the Irrigation District entered into an agreement with the State on February 2, 1963 to acquire water from the State Water Project (SWP), becoming a State Water Contractor. The capacity of Palmdale Lake was increased to handle the additional volume of water from the State Water Project and a water treatment facility was constructed. At the time, the Irrigation District's boundaries were expanded to encompass about 34,000 acres.

The 1963 contract with SWP included provisions to tie the contract to the District's service boundaries. These provisions include Article 15 and Special Provision 45 (please refer to **Appendix B**). In particular, these provisions state:

"While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature."

In July 1963, approximately 88 private property owners filed landowner petitions to be annexed into the Palmdale Irrigation District (now the Palmdale Water District). The inclusion of these properties added the non-contiguous or "checkerboard" areas that are scattered throughout the Southern Antelope Valley.

By 1966, the District was providing only municipal and industrial water. The name of the Irrigation District was changed to "Palmdale Water District" (PWD) in 1973 to reflect this new direction. From 1965 through 1985, the controversy over the seismic safety of Littlerock Dam continued, and water demands increased significantly. A 12 million-gallon per day water

treatment plant was constructed in 1987, and by 1993 had to be expanded to process 28 million gallons of water per day.

In 1995 rehabilitation was completed to Littlerock Dam to provide seismic safety, increase water storage capacity, and renovate the recreation area. The rehabilitation efforts included raising the spillway height 12 feet to double the capacity of the Reservoir. The United States Forest Service maintains the recreation area at Littlerock Dam & Reservoir, and the District controls the level of the Reservoir and the operation of the Dam itself.

2.2 Palmdale Water District - Today

Today, the District serves an area of approximately 140 square miles of land in northeastern Los Angeles County, consisting of more than 30 non-contiguous areas scattered throughout the Antelope Valley with the District's Primary Service Area within the City of Palmdale. The District has, over 403 miles of pipeline, 24 active water wells, 14 pumping stations, and 22 water tanks with a combined total capacity of 52.6 million gallons of water.

It is important to recognize that while the thirty non-contiguous areas scattered throughout the Southern Antelope Valley are within District's boundaries, the District currently has no water infrastructure nor does it provide any water services to the area. These non-contiguous areas along with all properties within the district pay an assessment, based on property value, on their property taxes. This money goes to the District to pay for fixed assets related to the delivery of water from the SWP to the District. These properties have a proportionate share of entitlement to the District's "Table A" allocation under the District's SWP contract with the State Department of Water Resources. This contract between the District and the State Department of Water Resources extends to the year 2035, at which point the bonds used to fund the fixed assets related to the delivery of water from the SWP will be paid off.

The benefit these non-contiguous property-owners receive is that they could be provided with water services in the future. They are entitled to the District's water, which could be delivered in the following ways:

- ▶ Water from the District could be delivered to these non-contiguous property owners via another wholesaler in the area including but not limited to Antelope Valley East Kern (AVEK) or Littlerock Creek Irrigation District.
- ▶ If there were enough interested property owners to make it economically feasible, the District could build a turn-out to the

nearby aqueduct, treat the water at a new treatment plant, and deliver it to the non-contiguous property owners.

In 2009, the District expanded its water treatment plant to allow up to 35 million gallons of water per day (mgd) to be processed using state of the art disinfection methods. In addition, a plan to remove sediment from Littlerock Dam & Reservoir to increase its storage capacity is under way in conjunction with replacing water mains from the 1950's through available grant funding.

The District's service area population is expected to more than double over the next 25 years, which is expected to more than double the District's water demands. In order to meet the anticipated future water demands the District has prepared a Strategic Water Resources Plan, which takes into consideration the use of imported water from the State Water Project (SWP), groundwater, local runoff, recycled water, conservation, and water banking and considers and evaluates these options with respect to cost, reliability, flexibility, implementation, and sustainability.

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**Table 2-1:
District Summary Chart**

Agency Information		Service Area Information			
Address:	2029 East Avenue Q Palmdale, CA 93550	Service Area:	140 sq. miles		
Contact:	Dennis D. LaMoreaux	2010 Population:	109,395		
Phone:	(661) 947-4111 x 1017	Projected Population:			
Website:	www.palmdalewater.org	2015	164,312		
		2020	195,404		
		2025	225,208		
		2030	253,791		
		2035	280,206		
Financial Information (FY 2012)					
Revenues (including interest income):	\$22,053,600.00	Expenses:	\$22,053,600.00		
Reserves at year end:	\$6,442,636.00	Capital Improvement & Infrastructure Spending Budget	\$102,600,000.00		
System Information					
Number of Employees:	86 full time, 2 part time, and 1 contract emp				
Number of Connections:	26,041				
Number of Connections per Employee:	292				
Number of Groundwater Wells:	25 active wells				
Miles of Pipe:	400				
Storage Capacity:	50 million gallons (mg)				
Typical Monthly Residential Water Bill (1" connection, 20 hcf, no elevation bo Surcharge, Tier 1 fees)					
Fixed Distribution and Customer Charge:	\$47.44	Water Charge:	\$17.40	Monthly Bill:	
Service Area Water Supply and Demand					
Water Supply Sources (AFY)	2010	2015	2020	2025	2030
Groundwater	8,000	12,000	12,000	12,000	12,000
State Water Project (SWP)	9,800	12,800	12,800	12,800	12,800
Littlerock Dam Reservoir	2,000	4,000	4,000	4,000	4,000
Recycled Water	0	1,000	3,000	6,000	9,000
Groundwater Banking	0	2,600	4,100	5,100	8,100
Anticipated New Sources	0	2,600	4,100	5,100	8,100
Total Supply	19,800	35,000	40,000	45,000	55,000
Demand Projection	19,800	35,000	40,000	45,000	55,000
Total Demand	19,800	35,000	40,000	45,000	55,000

Table Notes:

- 1) All numbers are rounded to the nearest 100 AF
- 2) Assumes groundwater is available at the existing pumping rate
- 3) Projected groundwater pumping will consist of native groundwater, imported replenishment, and banked supplies
- 4) Projected SWP water delivery at 60 percent of Table A amount available
- 5) Palmdale Water District Urban Water Management Plan – June 2011

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3. Key Findings and Research

The purpose and intent of municipal service review is to gather data and information to document an agencies capacity to provide efficient and cost-effective water services to property owners, residents, and businesses within the District's service boundaries. To meet this requirement, Los Angeles County LAFCO and the Hogle-Ireland and Mocalis Group team prepared this service review based on sound, defensible data and information, with a focus on ensuring the future provision of safe and efficient water services, and through an open and inclusive process with input from the affected and surrounding agencies.

In order to create a comprehensive, future-focused service review, the project team met with representatives from the District, City of Palmdale, and the Los Angeles County Waterworks District No. 40. The purpose of these discussions was to encourage the affected agency and stakeholder groups to:

- ▶ Identify new strategic approaches and joint opportunities for regional collaboration.
- ▶ Discuss service, infrastructure and governance efficiencies, deficiencies and/or opportunities for improvement.
- ▶ Introduce other pertinent information that may have been overlooked in the preparation and approval of this municipal service review report.

3.1 Affected Agency and Stakeholder Groups

During May and June of 2012, the project team met with the following stakeholders:

**Table 3-1:
Affected Agency and Stakeholder Groups**

Agency	Representative	Title	Meeting Date
Palmdale Water District	Dennis D. LaMoreaux	General Manager	5/24/2012
	Matthew Knudson	Engineering Manager	
City of Palmdale	David Childs	City Manager	5/17/2012
	Michael J. Mischel	City Engineer	
	James Ledford	Mayor	
Los Angeles County Waterworks District No. 40	Adam Ariki	Assistant Division Chief	6/5/2012

During each of the meetings the affected agency and related stakeholders were presented a letter (please see **Appendix C**) to introduce the MSR process and have a frank discussion regarding the provision of existing and future water services. After each of the meetings, representatives were provided with a questionnaire to solicit additional information regarding growth and population projections, present and planned capacity of public facilities, opportunities for shared facilities, and any additional information that was not discussed during the in-person meetings. Copies of the completed questionnaires are included in **Appendix C**.

The stakeholder agencies were able to provide valuable information about their past and present interactions with the District, interconnections between the stakeholder agencies and the District, existing and future population projections, and the operability of the District in relationship to their own water service provisions.

Key findings from each of the stakeholder interviews include:

Palmdale Water District (District)

- ▶ The District is one of three principal agencies that provide water services to the City of Palmdale along with Antelope Valley East Kern and Los Angeles County Waterworks District No. 40.
- ▶ Approximately 60% of the District’s service connections are located within the incorporated area of the City of Palmdale.
- ▶ Groundwater is obtained from the Antelope Valley Groundwater Basin via 25 active wells scattered throughout the District.

- ▶ The Antelope Valley Groundwater Basin is currently not adjudicated.
- ▶ In 2004, the Los Angeles County Waterworks District No. 40 filed a civil complaint for the adjudication of all the groundwater rights in the Antelope Valley Groundwater Basin.
- ▶ The District later joined in the adjudication along with Rosamond Community Services District, Quartz Hill Water District, the City of Palmdale, and the City of Lancaster.
- ▶ The Antelope Valley Groundwater Basin has a safe yield of 110,000 AF.

- ▶ The District has been approached by the developer of the proposed Quail Valley project, which is located at the southwest area of the District's service area.
 - ▶ The development is partially inside the District service area and partially outside of the District's service area. The developer has preliminarily requested service for the entire project the District. The District and the developer are still working through the feasibility of this proposal.

- ▶ The District is a member agency of the Antelope Valley State Water Contractors Association that continues to plan for joint conjunctive use projects in the Antelope Valley.

- ▶ The District has adopted a Strategic Water Resources Plan (SWRP) that identifies a recommended strategy that would increase potential water supplies in the District's service area from 30,000 AFY to 65,000 AFY to meet projected demand in 2035.

- ▶ The District is scheduled to prepare an updated rate study prior to the end of 2014.

City of Palmdale

- ▶ The City of Palmdale is not a water purveyor. The City of Palmdale relies on the Palmdale Water District, Los Angeles County Waterworks District No. 40, and Antelope Valley East Kern to provide water services to its jurisdictional boundaries.

- ▶ The City of Palmdale has had conflicts with the District over water rate increases and the development of recycled water opportunities.
 - ▶ The City of Palmdale and the District are currently involved in litigation regarding each of the aforementioned conflicts.

Both parties are confident that the litigation will be settled by the end of 2012.

4. Growth and Population Projections

As previously discussed, the District's Primary Service Area is located almost entirely within the jurisdictional boundaries of the City of Palmdale, and extends on its southern and eastern boundaries into the unincorporated area of Los Angeles County that are within the City of Palmdale's SOI. The District is bordered to the south and west by the San Gabriel Mountain Range, to the north by the City of Lancaster, and to the east by the unincorporated community of Little Rock. The County of San Bernardino is located immediately to the east. The District's Primary Service Area encompasses approximately 47 square miles of mainly developed area in the City of Palmdale and its surrounding SOI.

4.1 Regional Summary

In accordance with the 2012 Southern California Association of Governments (SCAG) Regional Transportation Plan (RTP), the unincorporated area of Los Angeles County had a 2008 population of 1,052,800 persons and a projected 2035 population of 1,399,500 persons. This population increase of 346,700 represents a growth rate of approximately 32% percent from 2008 to 2035. It is important to recognize that the unincorporated area of Los Angeles County encompasses an approximately 2,600 square mile area. The unincorporated area of Los Angeles County is unofficially grouped into 137 non-contiguous areas, some of the unincorporated areas are as small as a few blocks, some are urban centers with more than 150,000 residents and some, with sparse populations, cover hundreds of square miles in the high desert.

Given the vast size and varying demographics of the unincorporated area of Los Angeles County, a more realistic estimate of the future population projections of the District can be derived by evaluating the population projections of the Cities of Palmdale and Lancaster.

Based on the SCAG RTP population, household, and employment projections the cities surrounding the District are projected to experience moderate to little growth over the next 23 years. **Table 4-1: City of Palmdale and Lancaster Population Growth Projections** provides a breakdown of the anticipated population, households, and employment projections for each of these two cities.

**Table 4-1:
Cities of Palmdale and Lancaster Population Growth Projections**

	SCAG 2008 Regional Transportation Plan (RTP)	SCAG 2020 RTP Projection	SCAG 2035 RTP Projection	Overall Increase
City of Palmdale				
Population	149,200	179,300	206,100	56,900
Households	41,900	51,300	58,800	16,900
Employment	32,700	38,900	47,200	14,500
City of Lancaster				
Population	154,500	174,800	201,300	46,800
Households	46,300	52,200	58,800	12,500
Employment	49,700	51,900	54,200	4,500

Table Notes:

1) Southern California Association of Governments (SCAG) 212 Regional Transportation Plan (RTP) Growth Forecast

4.2 Local Summary

As previously discussed, the District’s Primary Service Area does not coincide with the boundaries of the City of Palmdale, therefore population projections prepared on an individual City basis cannot be directly used to estimate the population serviced by the District. The District’s projected population is based on the District’s Strategic Water Resources Plan (SSWRP), which uses SCAG data to estimate the projected population through 2035. It is projected that the District’s service area population is expected to more than double over the next 25 years, which is expected to more than double the District’s water Demands. **Table 4-2: District Population** provides a summary of the District’s anticipated population growth through 2035.

**Table 4-2:
District Population**

	2010	2015	2020	2025	2030	2035
Palmdale Water District	109,395	164,312	195,404	225,208	253,791	280,206

Table Notes:

1) Strategic Water Resources Plan, Palmdale Water District, 2009

Comparing the project population growth rates of the District to the Cities of Palmdale and Lancaster, it is anticipated that the District will experience a population increase of approximately 256%, the City of Palmdale will experience a population increase of approximately 138%, and the City of Lancaster will experience a population increase of approximately 131%. **Figure 4-1: SCAG RTP Estimated Population Projections** provides a comparison of the District's anticipated growth rates compared to the Cities of Palmdale and Lancaster.

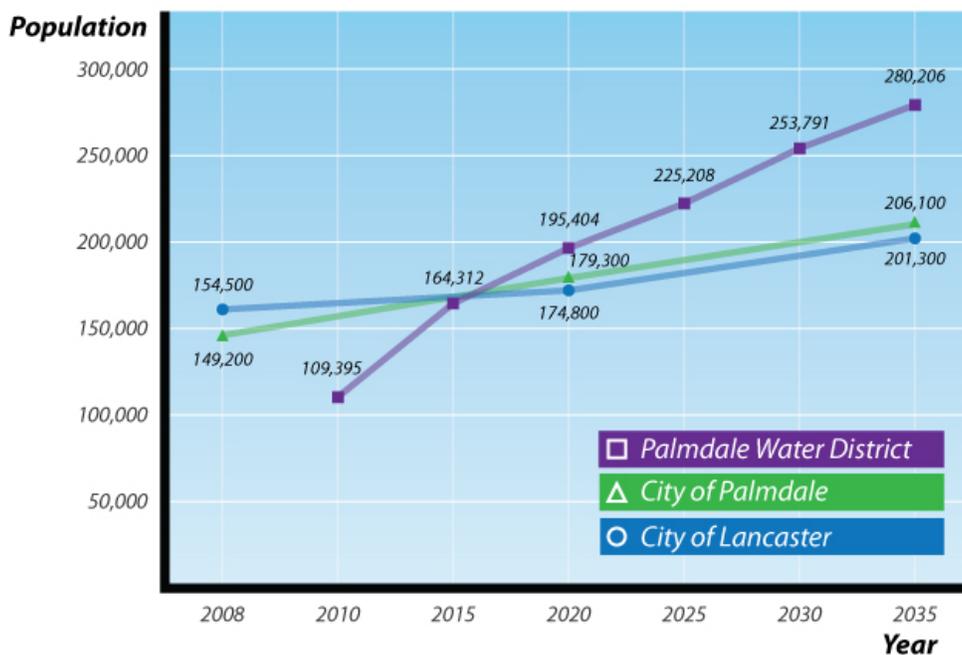


Figure 4-1:
SCAG RTP Estimated
Population Projections

5. Infrastructure Needs and Deficiencies

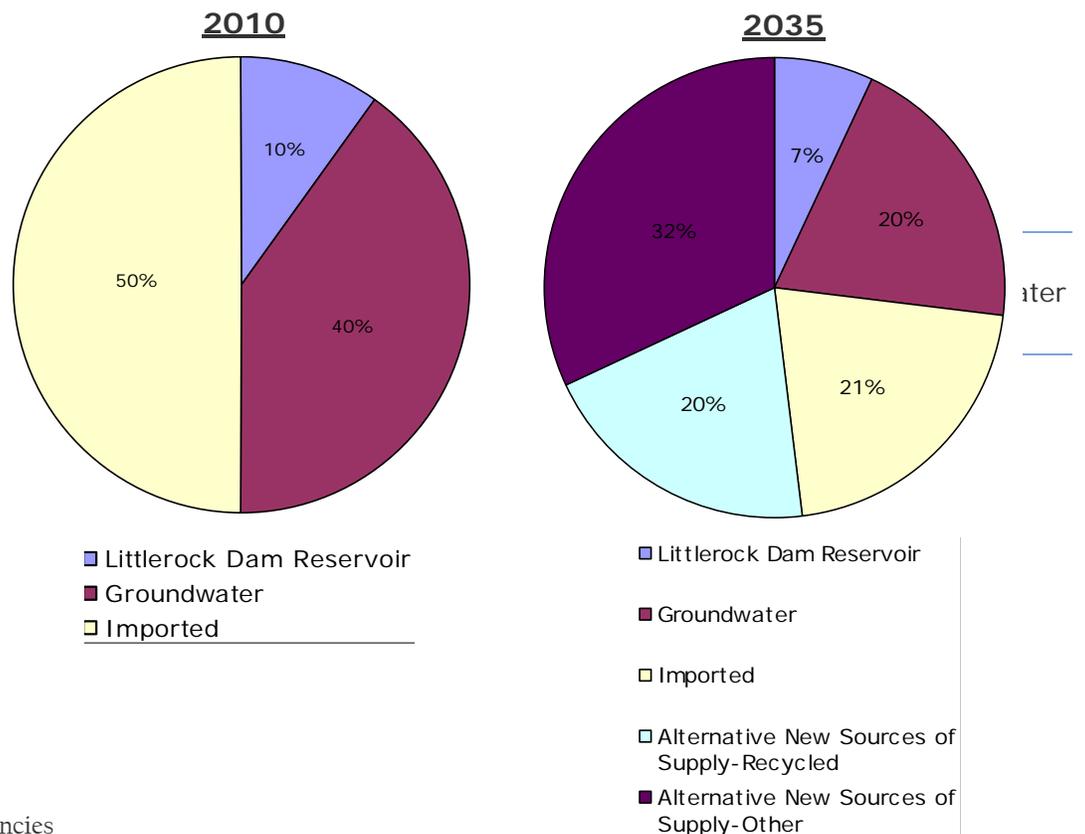
5.1 Water Sources

The District currently receives water from three sources including:

- ▶ Groundwater,
- ▶ Littlerock Dam Reservoir, and
- ▶ Imported water from the SWP.

The District currently does not have recycled water supplies, but is in the process of developing the use of non-potable water to offset potable water demand and to diversify its water supply options. Additionally, the District is developing new sources of supply via groundwater banking and anticipated new supplies from transfer and exchange opportunities.

The District's current and planned sources of water are summarized in **Figure 5-1: Current and Planned Water Sources** below and further described in **Section 5.3: Existing Supplies and Facilities**.



5.2 Water Supply and Demand

As previously discussed, the District relies on a combination of groundwater, the Littlerock Dam Reservoir, and imported water from the SWP. Groundwater is obtained from the Antelope Valley Groundwater Basin via 25 active wells scattered throughout the District's service area. The District's local surface water supply is from Littlerock Dam reservoir. This water is transferred from the reservoir to Lake Palmdale for treatment and distribution. The District's imported water is provided by the SWP and is conveyed to Lake Palmdale which acts as a fore bay for the District's 35 million gallon per day (mgd) water treatment plant. Lake Palmdale can store approximately 4,250 AF of SWP and Littlerock Dam Reservoir water.

Furthermore, due to the ongoing Antelope Valley Groundwater basin adjudication, the amount of water the District will be able to pump from the basin is currently unknown. However, it is anticipated that the court will determine all the water rights in the basin and will order either the reduction of groundwater extractions to levels that will stabilize or reverse groundwater level declines, or the purchase of imported water to replace over extraction of groundwater, or both.

The District primarily delivers potable water to municipal, residential, irrigation, commercial, industrial, and institutional groups within its service area. In 2010 the District had 26,041 services connections, which generated a water demand of 19,800 AF. In 2035 it is anticipated that the district will have 79,007 service connections and an annual water demand of 60,000 AF. A summary of the District's existing and future water supply and demand is provided in **Table 5-1: Service Area Supply and Demand** below.

**Table 5-1:
Service Area Water Supply and Demand**

Service Area Water Supply and Demand					
Water Supply Sources (AFY)	2010	2015	2020	2025	2030
Groundwater	8,000	12,000	12,000	12,000	12,000
State Water Project (SWP)	9,800	12,800	12,800	12,800	12,800
Littlerock Dam Reservoir	2,000	4,000	4,000	4,000	4,000
Recycled Water	0	1,000	3,000	6,000	9,000
Groundwater Banking	0	2,600	4,100	5,100	8,000
Anticipated New Sources	0	2,600	4,100	5,100	8,000
Total Supply	19,800	35,000	40,000	45,000	55,000
Demand Projection	19,800	35,000	40,000	45,000	55,000
Total Demand	19,800	35,000	40,000	45,000	55,000

Table Notes:

- 1) All numbers are rounded to the nearest 100 AF
- 2) Assumes groundwater is available at the existing pumping rate
- 3) Projected groundwater pumping will consist of native groundwater, imported replenishment, and banked supplies
- 4) Projected SWP water delivery at 60 percent of Table A amount available
- 5) Palmdale Water District Urban Water Management Plan – June 2011

5.3 Existing and Proposed Supplies and Facilities

Existing Water Sources

Groundwater

Groundwater pumping currently makes up a significant portion of the District’s water supply portfolio, accounting for 40% of water supplies during a normal year. The District’s groundwater supply is the Antelope Valley Groundwater Basin where there are 25 active wells currently drawing from the aquifer. This water is treated with chlorine disinfection and pumped directly into the District’s potable distribution system. Since 1995, the District has produced on average 10,310 AF of groundwater per year. The availability of groundwater supply for the District does not vary throughout the course of a year, however due to the ongoing adjudication proceedings, the availability of groundwater may vary depending on the court’s determination.

Historically the District’s groundwater supplies accounted for 33 to 41 percent of their overall water supplies between 2006 and 2010. Pumping in the Antelope Valley Groundwater Basin is expected to increase and remain at a constant 12,000 AF, based on pumping capacity and as shown in **Table 5-1: Service Area Water Supply and Demand** above. Given the District’s efforts to diversify its water supply portfolio in the next several years, groundwater levels are expected to be managed. Project

groundwater supplies will consist of a combination of native groundwater, imported replenishment, and other banked supplies.

Local Surface Water

Build in 1922 Littlerock Dam Reservoir provides the District's local surface water supply source. This reservoir is located in the hills southwest of the District. Recent renovations to Littlerock Dam reservoir have increased its storage capacity to 3,500 AF, or 1.1 billion gallons of water.

Littlerock dam reservoir is fed by natural run-off from snow packs in the local San Gabriel Mountains and from rainfall. The principal tributary streams to the District service area are Littlerock and Big Rock Creeks, which flow north from the San Gabriel Mountains along the southern District boundary. Numerous intermittent streams also flow into the service area, however run-off is meager.

The Littlerock Dam Reservoir intercepts flows from the Littlerock and Santiago Canyons. Runoff from the 65 square mile watershed in the Angeles National Forest to the reservoir is seasonal and varies widely from year to year.

The water is transferred from Littlerock Dam Reservoir to Palmdale Lake. Although Littlerock Creek flows mainly during winter and springs months, this influx is buffered somewhat by Littlerock Dam Reservoir, allowing this water to be available throughout the year.

Imported Water

Imported water from the SWP is the District's current primary source of water supply, providing approximately 50% of the District's water. The District is one of 29 contracting agencies entitled to receive water from SWP. The District has been able to take delivery of SWP water since 1985 from the East branch of the California Aqueduct, which passes through the District's service area. The District receives its entitlement from a connection on the East Branch, where SWP water is conveyed to Lake Palmdale via a 30-inch diameter pipeline. Lake Palmdale acts as a fore bay for the District's 35 mgd water treatment plant and stores approximately 4,250 AF of SWP water and Littlerock Dam reservoir water.

The District is contractually entitled to receive 21,300 AF per year of SWP water. Availability of SWP water varies from year to year and depends on precipitation, regulatory restrictions, legislative restrictions, and operational conditions. It is important to

recognize that water from the SWP have become more unreliable since the early 1990s as a result of significant droughts, water right issues, and environmental restrictions. The SWP supply must pass through California's Sacramento-San Joaquin Delta (Delta), which is the largest estuary in the state and the source of many conflicts between urban, agriculture, and environmental interests. Due to endangered species act requirements, Delta water exports were significantly curtailed in recent years. The issues in the Delta are expected to continue unless a comprehensive solution is implemented restoring the Delta's ecosystem and providing additional conveyance and storage to reduce impacts of water exports on fisheries and habitats.

Over the last decade, the District has received between 41% and 77% percent of its 21,300 AF contractual amount.

Future Water Sources

Recycled Water

The District currently does not have a recycled water program. However, due to current and anticipated growth, as well as increasing uncertainty of the District's ability to meet local water demands with imported water and groundwater, the District is taking proactive steps towards expanding the use of non-potable water to meet a variety of non-potable and indirect potable uses. The District has been actively working with Los Angeles County Waterworks, City of Palmdale, City of Lancaster, and Los Angeles County Sanitation Districts to develop a regional recycled water system.

The District's municipal recycled and non-potable water opportunities represent the primary non-potable reuse potential for the District, which includes municipal/industrial, agricultural uses, and groundwater recharge. Though there currently aren't any identified industrial uses for recycled water within the District, new developments in the future could use non-potable water.

Groundwater Banking

The District currently does not operate a systematic banking program but is actively pursuing this future water supply source. Groundwater banking will be an important strategy for the District to maintain and improve water supply reliability. The water to be banked will come from above-average year supplies or be purchased from other sources. The District is currently exploring banking opportunities within and outside the Antelope Valley.

Transfer and Exchange Opportunities

The projected water demands for the District will exceed the existing available water supply in the foreseeable future. As such the District has evaluated various transfer and exchange opportunities that will aid in meeting projected water demands.

Table 5-2 Projected Water Supply of Future Projects provides a summary of the District’s future water supplies.

**Table 5-2:
Service Area Water Supply and Demand**

Potential Project Constraints	2015	2020	2025	2030	2035
Availability of supplies, water quality, and regulatory requirements	1,000	3,000	6,000	9,000	12,000
Regulatory requirements, outcome of adjudication, and suitability of local geology	2,600	4,100	5,100	8,600	9,600
Availability and price	2,600	4,100	5,100	8,600	9,600
	6,200	11,200	16,200	26,200	31,200

Water District Urban Water Management Plan – June 2011

6. Financing Opportunities or Constraints

6.1 Revenues

The District's operating revenue is generated through monthly water service charges, water sales, and related services. For the Budget year ending December 31, 2011, the District had total operating revenues of \$21,660,444.

6.2 Expenses

For the Budget year ending December 31, 2011, the District had total operating expenses of \$20,480,879.

**Table 6-1:
Palmdale Budget Summary**

Revenue			
	Actual 2010	Budget 2011	Budget 2012
Total Revenue	\$21,640,582	\$21,660,444	\$22,053,600
Expenses			
Total Expenses	\$23,092,131	\$20,480,879	\$22,053,600

Table Notes:

1) Palmdale Water District – 2010, 2011, and 2012 Annual Budget

6.3 Financial Ability of Agency to Provide Services

Based on the analysis provided above, the District has the financial capacity to continue to provide services on the same level as it has in the past and has the financial capacity to support anticipated future growth.

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7. Economies of Service

Due to the multiplicity of agencies and jurisdictions in the Antelope Valley Groundwater Basin, and the very complex relationships of service facilities, no achievable economies of service were identified.

7.1 Cost Avoidance Opportunities

Water supply is the only significant constraint to cost avoidance and financing opportunities. The supply issue is the paramount concern of the region, and this issue is greatly exacerbated by the fact that the groundwater basin is not adjudicated.

The agencies in the Antelope Valley collaborated in the preparation of an area-wide study titled, "Antelope Valley Integrated Regional Water Management Plan" (AVIRWMP), which was prepared in 2007. The participating agencies included Antelope Valley-East Kern Water Agency; Antelope Valley State Water Contractors Association; City of Lancaster; City of Palmdale; Littlerock Creek Irrigation District; Los Angeles County Sanitation Districts No. 14 and 20; Los Angeles County Waterworks District No. 40; Palmdale Water District; Quartz Hill Water District; and Rosamond Community Services District.

One of the basic purposes of the AVIRWMP study was to identify how agencies in the Antelope Valley Groundwater Basin could achieve savings by using a basin-wide approach to water planning and facilities construction. Effective collaboration between agencies has been frustrated by the fact that the basin is not adjudicated.

A civil complaint was filed in 2004 by County of Los Angeles Waterworks District No. 40, later joined by Palmdale Water District, for the adjudication of all groundwater rights in the Antelope Valley Groundwater Basin. Litigation of this nature can take from 10 to 15 years, or longer, to resolve.

A second litigation, involving the City of Palmdale and Palmdale Water District regarding Water Budget Rate Structure, is reportedly nearing resolution. Neither agency would share any details of what the resolution involves, citing issues of confidentiality.

7.2 Surrounding Water Districts & Rates

It is important to recognize that the District is both adjacent to and within close proximity to several competing water districts. These districts include Antelope Valley East Kern (AVEK) Los Angeles County Waterworks District No. 40 (LACWD No. 40), and the Littlerock Creek Irrigation district (LCID). Each of these water districts are briefly described below.

Antelope Valley East Kern (AVEK)

AVEK encompasses 2,300 square miles in the Mojave Desert of California, northeast of Los Angeles, and includes over twenty municipal users as well as Edwards Air Force Base, Palmdale Air Force, and U.S. Borax. AVEK is a wholesale water supplier that has the third largest water entitlement of the 29 SWP water agencies in California. Only the Metropolitan Water District and the Kern County Water Agency have larger entitlements.

In addition to its service area, AVEK does provide water service to areas that are within the District's boundaries that cannot currently be served directly by the District. The water service is provided under agreements with the District that allow for the exchanges of State Water project water. The water services are provided by AVEK due to the lack of infrastructure for the District to service the area directly.

The District also provides similar water services to areas that are within AVEK's boundaries that cannot currently be served directly by AVEK. An interconnection also exists between AVEK and the District for reciprocal emergency water supplies.

AVEK does not directly provide water to residential consumers and therefore has not been included in the rate comparison show in **Table 6-2 Water District Rate Comparison**.

Los Angeles County Waterworks District No. 40 (LACWD No. 40)

The LACWD is a division of the Los Angeles County Department of Public Works that supplies water to approximately 200,000 people. LACWD is divided into five districts with LACWD No. 40 as the largest. LACWD No. 40 was established on November 4, 1993 and includes approximately 55,627 service connections and a population of approximately 173,494 persons. LACWD No. 40 – Region 34 is responsible for providing water services to a portion of the Cities of Palmdale and Lancaster as well as several unincorporated areas of Los Angeles County.

LACWD No. 40 charges a fixed monthly charge of \$43.95 for a 1" service connection, which includes the meter charge as well as a

monthly allowance of 10 hundred cubic feet (hcf) of water. The quantity charge for each HCF of water used in a month in excess of the monthly allowance is \$1.962.

Littlerock Creek Irrigation District (LCID)

The Littlerock Creek Irrigation District was formed in March 1892 and provides water services to an approximately 11,200 acre area. The LCID's service area includes portions along the southeast corner of the City of Palmdale as well as the unincorporated area of Los Angeles County.

From its formation until around 1980, LCID was largely a farming community. With the decline in agriculture and the increase in residential housing starting in the early 1980's, the district saw a change in the type of water it needed to supply going from raw untreated surface water for agriculture to needing more potable clean healthy drinking water. The District now has a total of four deep water wells for residential use and five one-million gallon storage tanks. The LCID has an agreement with the District to take their SWP and Littlerock Dam water, process it through the District's treatment plant and return it as potable drinking water.

The LCID charges a fixed distribution and customer charge of \$46.83 for a 1" service connection and \$0.78 for each HCF of water used.

Palmdale Water District (District)

The Palmdale Water District calculates the water allocation differently for residential accounts than it does for commercial accounts. Residential users are charged \$47.44 per month for a 1" service connection. Water usage charges are determined using an indoor 60 gallons per capita per day and outdoor allocations. The outdoor allocation is based on landscaped area, actual ETO readings, and other related factors. The District also adds a \$0.20 per HCF to fund water quality activities.

In November of 2000, the District established a surcharge to pass on the increased costs of delivering water to customers in higher elevation zones. This District is divided into four elevation service zones. The northern most area is defined as the "Base Area", while moving south the Zone structure includes "Area 1", "Area 2", and "Area 3". The District's elevation booster surcharge is based on each HCF of water consumed and is described in **Table 7-1: Palmdale Elevation Booster Surcharge** below:

**Table 7-1:
Palmdale Elevation Booster Surcharge**

Area	Elevation Booster Surcharge (\$/HCF)
Base Area	\$0.00
Area 1	\$0.16
Area 2	\$0.35
Area 3	\$0.70

Table Notes:

1) Palmdale Water District – 2010, 2011, and 2012 Annual Budget

Table 7-2: Water District Rate Comparison provides a summary of the charges anticipated from the District, LACWD No. 40, and LCID assuming that 20 HCF of water is used at a single-family residence with a 1" connection. It is further assumed that for the District, there are no elevation booster surcharges and that the 20 HCF used falls under the Tier 1 rate fee.

**Table 7-2:
Water District Rate Comparison**

LACWD 40 (Region 34)	
Rate Tier	Rate as of 2012
Tier 1 (10 HCF + Monthly Service Charge)	10 @ \$40.64
Tier 2 (\$1.304 * +11 HCF)	10 @ \$1.962 = \$19.62
Total	\$60.26
LCID	
Rate Tier	Rate as of January 2012
Tier 1	20 @ \$0.78 = \$15.60
Fixed Distribution and Customer Charge	\$46.83
Total	\$62.43
Palmdale Water District	
Rate Tier	Rate as of 2012c
Tier 1	20 @ \$0.67 = \$13.40
Fixed Distribution and Customer Charge	\$47.44
Water Quality (\$0.20 per HCF)	\$0.20 @ 20 = \$4.00
Total	\$64.84

7.3 Opportunities for Shared Facilities

The AVIRWMP study referenced above is far too lengthy to be attached hereto.

7.4 Evaluation of Management Efficiencies

The District, which became a public agency in 1918, has approximately 27,000 connections serving a population of 115,000 in an area of 187 square miles within over thirty non-contiguous areas. It is one of the 3 main agencies providing water to the City of Palmdale, where it serves a population of approximately 69,000 through 16,200 connections in the southwest portion of the City.

The District provides water in the High Desert region to areas that are not capable of being served by the Antelope Valley-East Kern Water Agency and Los Angeles County Waterworks District No. 40 (LACWWDN40). The District is a State Water Project contractor that provides both wholesale and retail water and is also a processor of water to Littlerock Creek Irrigation District and AVEK.

An evaluation of the District's management efficiencies fails to reveal any gross deficiencies. To the contrary, the District employs an effective outreach program to its consumers, and is an active participant in regional planning efforts. It has reciprocal agreements with the Antelope Valley-East Kern Water Agency, Waterworks District No. 40, Littlerock Creek Irrigation District, and two private mutual water companies to improve efficiencies.

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8. Government Structure Options

The purpose of evaluating government structure options as part of the Municipal Service Review (MSR) is to encourage the current and future orderly formation of local government agencies, create logical boundaries, and promote the efficient delivery of services. This MSR is an informational document that will be used by the Los Angeles County LAFCO staff and Commission, agencies and organizations, stakeholders, and the public to discuss future governance options for the District. One of the required components to be addressed in the MSR is a list of all possible government structure options including an analysis of all possible advantages and disadvantages of agency reorganization.

There are several advantages and disadvantages that may occur from reorganization including:

Advantages

- ▶ Reduction in cost or fees due to economies of scale
- ▶ Improved service delivery in terms of both water delivery and administrative functions including customer service and billing
- ▶ Simplification of jurisdictional boundaries.

Disadvantages

- ▶ Political opposition
- ▶ Loss of local control and accountability
- ▶ No or limited cost savings
- ▶ Discontinuity of services during the reorganization process

The LAFCO Commission is not required to implement any of the governmental structure options described in this report. However, the LAFCO Commission must update or reaffirm the sphere of influence of the District, which as it exists today is concurrent with the District's boundaries.

It is important to note that at the time this report was prepared, the District had no plans to expand or retract its sphere of influence or service boundary.

8.1 Options

There doesn't appear to be any options available at this time for restructuring the Palmdale Water District. In fact, there doesn't appear to be any need for such restructuring.

Even if it were suggested that restructuring might be in the public interest, the position of the District is that its boundaries cannot

be altered through the MSR process because of a contract dated February 2, 1963 between the District and the State of California Department of Water Resources, which reads in part:

"15. AREA SERVED BY AGENCY. (b) State Approval of Change in Boundaries or Organization of Agency. While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature."

If the District's position is legally correct, it appears that the only viable option available to LAFCO is to maintain the status quo.

9. Local Accountability and Governance

The District is governed by a five-member board of directors, elected from within each of the five electoral divisions in the District. Members for each of the divisions must reside in the division they represent and are elected by voters within that division. All board members serve a four-year term.

Table 9-1: Palmdale Water District Governance below provides a summary of the governance and local accountability of the District.

**Table 9-1:
Palmdale Water District Governance**

Date formed:	1918	
Statutory Authorization:	Irrigation District Act (California State Water Code Section 20500 et seq.)	
Board Meetings:	Twice a Month	
	Board of Directors	Title
	Gordon Dexter	President
	Gloria Dizmang	Vice President
	Robert E. Alvarado	Secretary
	Kathy Mac Laren	Treasurer
	Steve Cordova	Board Member
	A Director's fee averages \$375.00 per month. Other benefits provided to board members include health insurance and travel expenses.	

Table Notes:

1) Palmdale Water District Website, August 9, 2012 - <http://www.palmdalewater.org/Board.aspx>

The governing board is responsible for a complete range of public governance actions and holds regularly scheduled meetings on the second and fourth Wednesday evenings to inform the public about the District and recent water activities. The District's board meetings are publicly notified through newspaper publications and the District's Web site, and are open to the public.

The District evolved from several private water companies. The first water agency, the Palmdale Irrigation Company, was established in 1886 to acquire land and water, and then rent, lease, and sell both as they were developed. The District was originally named the Palmdale Irrigation District, and was formed

in 1918 by a public vote. In 1973 the name of the Irrigation District was changed to the Palmdale Water District.

10. Determinations and Findings

California Government Code Section 56430 provides that LAFCOs, upon receipt and consideration of an MSR, are required to adopt written findings addressing each of the following six topics:

1. Growth and population projections for the affected area.
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
3. Financial ability of agencies to provide services.
4. Status of, and opportunities for, shared facilities.
5. Accountability of community service needs, including governmental structure and operational efficiencies.
6. Any other matter related to effective or efficient service delivery, as required by the LAFCO Commission.

Below is a summary of what each determination will assess as well as an overview of the findings for each determination.

1. Growth and population projections for the affected area.

This determination requires an analysis of current and future population and demographic characteristics related to city and special district service plans and delivery. Local and regional growth projections should be analyzed for compatibility with planned facilities.

Population studies prepared by the City of Palmdale cannot be used directly to estimate the population served by the District, because the District's Primary Service Area boundary does not coincide with the City boundary. The District's projected population through 2035 is based on the District's Strategic Water Resources Plan (SWRP) which used Southern California Association of Governments (SCAG) data. It is estimated that the population within the District will reach approximately 164,312 by 2015 and 280,206 by 2035. **Table 10-1: District Population Projections** provides the current and projected future population for the District's service area.

**Table 10-1:
District Population Projections**

	2010	2015	2020	2025	2030	2035
Palmdale Water	109,395	164,312	195,404	225,208	253,791	280,206

Notes:
Palmdale Water Resources Plan, Palmdale Water District, 2009

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

The purpose of this determination is to evaluate existing infrastructure to determine existing sufficiency and future demand. The analysis will address future planned expansions within the MSR study area, both locally and regionally.

The District’s service area customers include municipal, residential, irrigation, commercial, industrial, and institutional users. The District has meters on all residential, commercial and landscape service connections in the service area and requires meters on all new connections. The District provides potable water service to its residential, commercial, industrial, and institutional customers within its service area, and serves supplemental water to several customers outside its Primary Service Area in accordance with agreements made with the Antelope Valley East Kern Water Agency (AVEK).

The District currently receives water from three sources: Groundwater, Littlerock Dam Reservoir, and imported water from the State Water Project. The ability of the District to reliably meet future water demands with its current water supplies is not certain. Therefore the District is diversifying its water supply sources to meet its service area’s future water demands by using three new sources: 1) recycled water, 2) groundwater banking, and 3) anticipated new sources. Anticipated new sources consist of transfer and exchange opportunities that will be used to meet future water demands with the District’s service area.

3. Financial ability of agencies to provide services.

The purpose of this determination is to analyze the present and future ability of the District to financially support the current and long-term municipal service needs.

When significant conservation programs are undertaken, a budget deficit is likely to occur. If and when this occurs, the District would need to take corrective action to balance the public benefits of conservation programs against the demands of a balanced budget. The District has annual revenue of approximately twenty million dollars. Surplus revenues are carried over in a reserve fund for maintenance, capital improvement and budget deficits. The District has the financial capacity to continue to provide services to its service area.

4. Status of, and opportunities for, shared services.

The purpose of this determination is to analyze potential opportunities, if any, for enhancing operational efficiencies by sharing services and/or facilities.

Water supply is the only significant constraint to cost avoidance and financing opportunities. The supply issue is the paramount concern of the region, and this issue is greatly exacerbated by the fact that the groundwater basin is not adjudicated.

As cited earlier, the agencies in the Antelope Valley collaborated in the preparation of an area-wide study titled, "Antelope Valley Integrated Regional Water Management Plan" (AVIRWMP), which was prepared in 2007.

One of the basic purposes of the AVIRWMP study was to identify how agencies in the Antelope Valley Groundwater Basin could achieve savings by using a basin-wide approach to water planning and facilities construction. Effective collaboration between agencies has been frustrated by the fact that the basin is not adjudicated.

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

The purpose of this determination is to evaluate the current and alternative government structure of the District. This evaluation includes opportunities for public participation provided by the District.

The District is governed by a five-member Board of Directors, each elected by voters within five separate voting divisions within the District. The governing board is responsible for a complete range of public governance actions and holds regularly scheduled meetings on the second and fourth Wednesday evenings of each month, to inform the public about the District and recent water activities. The District's board meetings are publicly notified through newspaper publications and the District's Web site, and are open to the public.

The District is proactive in ensuring that its operations and finances are made easily available to the public through its website (www.palmdalewater.org). The website is well designed making it easy to find information regarding the District's board, water rates, upcoming events, water conservation measures and tips, development projects, planning reports, financial reports including past and present fiscal budgets and financial audits, and general contact information.

6. Any other matter related to effective or efficient service delivery, as provided by Commission policy.

The purpose of this determination is to provide an analysis of any other matters as related to the data analysis provided in the previous sections of this report, the affected and stakeholder agency interviews, and distributed questionnaires.

Please refer to **Section 10.1: Sphere of Influence (SOI) and District Recommendation** below.

7. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Senate Bill 244, recently enacted on February 10, 2011, imposed state mandates on local governments, including cities, counties and LAFCOs. This bill requires LAFCO to make determinations regarding "disadvantaged unincorporated communities." Disadvantaged

unincorporated communities are defined as territory that constitutes all or a portion of a “disadvantaged community” including 12 or more registered voters or some other standard as determined by the LAFCO Commission. A “disadvantaged community” is defined as a community with an annual median household income that is less than 80 percent of the statewide annual median household income. “Severely disadvantaged community” means a community with a median household income less than 60 percent of the statewide average (Water Code Section 79505.5).

The legislation will impact LAFCO operations in three respects:

1. Municipal Service Review (MSR) determinations.
2. Sphere of Influence updates on or after July 1, 2012
3. Annexation approval restrictions of territory adjacent to disadvantaged communities.

Item numbers one and two are further described below, however as this MSR does not concern the approval of an annexation, item number three will not be discussed in this report.

1. Municipal Services Reviews - §56430

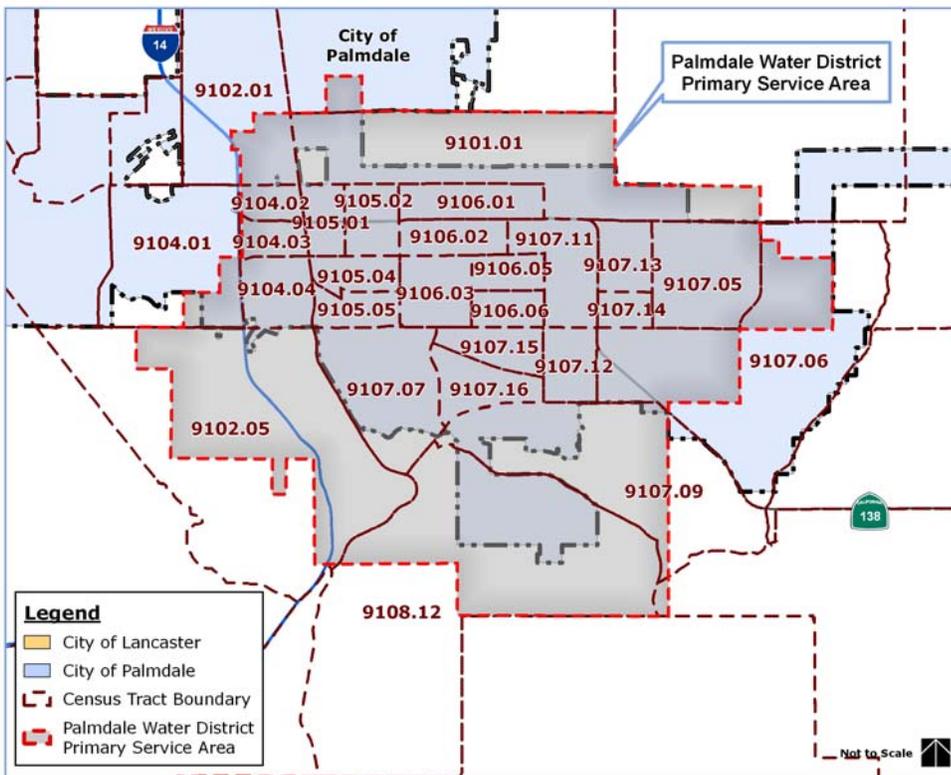
The Commission is required to prepare specific written determinations on infrastructure needs or deficiencies related to sewer, water, and fire protection services in any disadvantaged unincorporated community within or contiguous to the sphere of influence of a city or special district that provides those services.

2. Spheres of Influence - §56425

After July 1, 2012 the Commission is required to adopt additional determinations for an update of a sphere of influence of a city or special district that provides public facilities, or services related to sewer, water, or fire protection. The Commission must make determinations regarding the present and probable need for those public facilities and services in any disadvantaged unincorporated communities within the existing sphere of influence.

In accordance with the 2010 United States Census, the median statewide household income is \$54,459. Eighty percent of the median statewide household income is \$43,567. As the District does not conform to city

boundaries, census tracts were used to determine the median household income. The Primary Service Area of the District includes 27 census tracts. It is important to note that these census tracts are not contiguous with the District's service boundary as shown in **Figure 10-1: Census Tract Locations** below. Of the 27 census tracts six are considered to be disadvantaged communities while five are considered to be severely disadvantaged communities. Each of the 27 census tracts are further described in **Table 10-2: Census Tract Annual Median Household Income** below.



**Table 10-2:
Census Tract Annual Median Household Income**

Census Tract	Statewide Annual Median Income	Annual Median Household Income	Percentage of Annual Statewide Annual Median Income
9101.01	\$54,459.00	\$21,583.00	40%
9102.01		\$49,730.00	91%
9102.05		\$87,022.00	160%
9104.01		\$70,000.00	129%
9104.02		\$28,016.00	51%
9104.03		\$28,510.00	52%
9104.04		\$45,083.00	83%
9105.01		\$21,570.00	40%
9105.02		\$30,740.00	56%
9105.04		\$38,388.00	70%
9105.05		\$52,396.00	96%
9106.01		\$40,052.00	74%
9106.02		\$34,258.00	63%
9106.03		\$52,295.00	96%
9106.05		\$54,063.00	99%
9106.06		\$67,670.00	124%
9107.05		\$66,064.00	121%
9107.06		\$61,172.00	112%
9107.07		\$38,690.00	71%
9107.09		\$88,229.00	162%
9107.11	\$48,739.00	89%	
9107.12	\$67,292.00	124%	
9107.13	\$57,803.00	106%	
9107.14	\$48,488.00	89%	
9107.15	\$48,089.00	88%	
9107.16	\$66,914.00	123%	
9108.12	\$105,568.00	194%	

Table Notes:

1) 2010 United States Census

10.1 Sphere of Influence (SOI) and District Recommendation

Because the District appears to be well-regulated and an active and effective partner with other agencies in planning for the many challenges of this complex area, it is recommended that LAFCO take no action other than affirming the present SOI of the District. This determination is influenced by the following findings:

- ▶ There is existing on-going litigation that may have a substantial effect upon the District and the other agencies within the Antelope Valley Groundwater Basin. The details of the litigation are not known to the project team, because the litigants cited issues of confidentiality when queried about the details, but there was agreement between the parties that the litigation is very important. Because the litigation may have the possibility of changing some basic relationships, it seems appropriate to not make any substantive changes at this juncture.
- ▶ The agencies within the Basin are actively addressing the problems in the area, and nothing has become evident that might result in negative outcomes if the only action that LAFCO takes is to reaffirm that the District's SOI remains coterminous with the District's boundaries.

Appendix A – Angeles National Forest Resolution

Parcel 1: All of that area included within the Littlerock Reservoir, Dam and Dam Site located in Sections 27 and 34, Township 5 North, Range 11 West, S.B.B.M., and that portion of said facilities located in unsurveyed Township 4 North, Range 11 West, S.B.B.M., all as shown on Pacifico Mountain Quadrangle 7.5 Minute Series Map edited and published by the Geological Survey dated 1959;

BR D1772PG493

Parcel 2: That portion of the Federally-owned land which contains the Littlerock Reservoir water shed and drainage area including but not limited to Littlerock and Sanitago Canyon Creeks and their tributaries as may be delineated from the topography shown on the following Geological Survey Quadrangle Topographic Maps, mapped, edited and published by the United States Geological Survey in 1959:

- (1) USGS Pacifico Mountain Quadrangle;
- (2) USGS Chiloa Flat Quadrangle;
- (3) USGS Juniper Hills Quadrangle;
- (4) USGS Waterman Mountain Quadrangle;
- (5) USGS Valyermo Quadrangle;
- (6) USGS Crystal Lake Quadrangle.

RECORDED IN OFFICIAL RECORDS
OF LOS ANGELES COUNTY, CALIF.
552 Min. 10 A.M. SEP 28 1962
Prst
RAY E. LEE, County Recorder

* * * * *

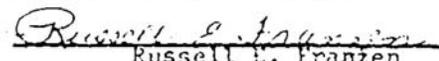
I, JAMES J. SLOAN, Secretary of the Board of Directors of Palmdale Irrigation District, do hereby certify that the foregoing is a true copy of a Resolution and Order duly adopted by said Board of Directors at a regular meeting thereof duly held and convened on the 24th day of September, 1962, at which more than a quorum of said Board was present and acting throughout.

Dated this 24th day of September, 1962.


James J. Sloan
Secretary

I, RUSSELL E. FRANZEN, President of the Board of Directors of Palmdale Irrigation District, do hereby certify that the foregoing is a true copy of a Resolution and Order duly adopted by said Board of Directors at a regular meeting thereof duly held and convened on the 24th day of September, 1962, at which more than a quorum of said Board was present and acting throughout.

Dated this 24th day of September, 1962.


Russell E. Franzen
President

4562

MSR

Appendix B – SWP Contract

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
PALMDALE IRRIGATION DISTRICT
FOR A WATER SUPPLY

THIS CONTRACT, made this 2nd day of February 1963 pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Palmdale Irrigation District

a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Palmdale, California, herein referred to as the "Agency".

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the Agency; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the Agency is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. DEFINITIONS

When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) Bond Act

"Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8 (commencing at Section 12930) of Part 6 of Division 6 of the Water Code.

(b) System

"System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) Delta

"Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) Contractor

"Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) Project Facilities

"Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the Agency. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) Project Conservation Facilities

"Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

Art. 17

15. AREA SERVED BY AGENCY

(a) State Approval of Sale of Water by Agency Outside Boundaries

Project water delivered to the Agency pursuant to this contract shall not be sold or otherwise disposed of by the Agency for use outside the Agency without the prior written consent of the State.

(b) State Approval of Change in Boundaries or Organization of Agency

While this contract is in effect no change shall be made in the Agency either by inclusion or exclusion of lands, by partial or total consolidation or merger with another district, by proceedings to dissolve, or otherwise, except with the prior written consent of the State or except by act of the Legislature.

(c) Map of Agency

The Agency shall provide the State with a map satisfactory to the State indicating the major existing distribution facilities and the boundaries of the Agency at the time the contract is signed and supplementary maps whenever a boundary change is made.

16. CONTINUITY AND DEPENDABILITY OF WATER SUPPLY

(a) Limit on Total of all Maximum Annual Entitlements

The Agency's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) State to Perfect Water Rights

The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) State to Report on Ability to Meet Future Water Demands

Commencing within two (2) years from the year of initial project water delivery to the Agency, the State shall submit to the agency at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Construction of Additional and Supplemental Conservation Facilities

Bond funds required to be expended for the construction of additional facilities of the System under

the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: *Provided*, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) Furnishing of Supplemental Water

In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the Agency and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. CONSTRUCTION OF PROJECT FACILITIES

(a) Determination of Aqueduct Capacities

Subject to the rights of the Agency under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the Agency as, in the judgment of the State, will best serve the interests of the Agency and all other contractors entitled to delivery of project water from or through said facilities: *Provided*, That within three (3) months after the effective date of this contract the Agency shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

(b) Criteria for Determining Capacity of Transportation Facilities

Subject to Article 45, the State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the Agency and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes: *Provided*, That regulatory storage reservoirs included

E. SPECIAL PROVISIONS AND TABLES

45. SPECIAL PROVISIONS

(a) On or before June 30, 1963, the Agency shall furnish to the State its written request specifying the year in which the first delivery of project water from the East Branch Aqueduct as defined in Table H of this contract shall be made to the Agency. The timing of first deliveries of project water from said Branch Aqueduct shall be as so requested by the Agency: *Provided*, That in the event said request is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through said Branch Aqueduct, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the Agency and such other contractors from said Branch Aqueduct shall be as established by mutual agreement among the State, the Agency, and said contractors: *Provided further*, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said Branch Aqueduct in accordance with such construction schedules as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnels and which have executed contracts with the State on or before June 30, 1963.

(b) The State shall provide sufficient capacity in the transportation facilities to deliver the Agency's Maximum Annual Entitlement at a continuous flow subject to the provisions of Article 17 (b). No capacity shall be provided for peaking.

(c) The annexations to the Agency, authorized by Resolution No. 63-1 of the Board of Directors of the Agency dated January 14, 1963, are deemed to be approved by the department within the meaning of Article 15(b) and are generally described as the South Antelope Valley lands annexation, comprising approximately 100 square miles, situated easterly of the Agency and along the southern part of Antelope Valley.

(d) Notwithstanding the provisions of Article 2, this contract shall not become effective until approved by the District Securities Commission.

PALMDALE IRRIGATION DISTRICTRESOLUTION NO. 63-1

WHEREAS, the Palmdale Irrigation District by an action duly taken by its Board of Directors at a Special Meeting held March 20, 1962, agreed to receive and honor inclusion petitions for the purpose of obtaining and supplying Supplemental Water received from the owners of property located within that portion of the South Antelope Valley which was excluded from the Antelope Valley-East Kern Water Agency (Statutes 59, Chapter 2146) by the Legislature of the State of California at the time that said Agency was formed, to-wit, all of the following described land (except that which is within the Los Angeles County Waterworks Districts Nos. 24 and 27 as their boundaries exist on the effective date of this act) beginning at the NW corner of Sec. 22, T6N, R12W, SBBM; thence southerly along the west line, sects. 22, 27, 34 to the north line, T5N, thence westerly on the north line of T5N to the NW corner of Sec. 4, T5N, R12W, SBBM; thence southerly along the section lines in T5N, R12W to the southerly boundary of the Antelope Valley Soil Conservation District as same existed on March 14, 1959; thence southerly, easterly, and northerly along said last mentioned boundary and following the same in all of those various courses to the east 1/4 corner of Sec. 13, T5N, R8W, SBBM; thence westerly along the center section lines of Secs. 13, 14, 15, 16, 17, 18, T5N, R8W, Secs. 13, 14, 15, 16, 17, 18, T5N, R9W, and Secs. 13, 14, 15, T5N, R10W; thence northerly along the westerly lines of Secs. 15, 10 and 3, T5N, R10W; thence easterly along the north line of T5N to the SE corner, Sec. 34, T6N, R10W; thence northerly along easterly lines of Sec. 34 and 27 to the NE corner of Sec. 27, T6N, R10W; thence westerly along the north section lines of Secs. 27, 28, 29, 30, T6N, R10W, and along the north lines of Secs. 25, 26, 27, T6N, R11W, to the SE corner of Sec. 21, T6N, R11W; thence northerly along the east line of Sec. 21 to the NE corner of said Sec. 21; thence westerly along the north lines of Secs. 21; 20 and 19, T6N, R11W, and along the north line of Sec. 24, T6N, R12W, to the south 1/4 corner of Sec. 13, T6N, R12W; thence northerly along the center line of said section 13 to the center of said Sec. 13; thence westerly to the W 1/4 corner of Sec. 13; thence southerly to the SW corner of said Sec. 13; thence westerly along the northern line of Secs. 23 and 22, T6N, R12W, SBBM, to the point of beginning;

EXCEPT lands now located within a District or Agency that has the right, power and intention to contract or has contracted with the State of California, Department of Water Resources, for Supplemental Water. Such described land is hereafter referred to as "excluded land"; and

WHEREAS, since that time a substantial portion of the owners of said excluded land have petitioned this District for the inclusion of their lands into the District for the purpose of obtaining a Supplemental Water supply from the District under its pending water supply contract with the State of California, Department of Water Resources; and

WHEREAS, inclusion proceedings on said petitions have either been completed or are now being progressed; and

WHEREAS, the Palmdale Irrigation District is of the opinion that it would be of benefit to both the District and to the owners of the remaining land in said area that was excluded from the Antelope Valley-East Kern Water Agency by the Legislature when said Agency was formed if said land is included within said District

Resolution No. 63-1

even after the District's contract for a Supplemental Water supply with the Department of Water Resources is completed.

NOW, THEREFORE, BE IT RESOLVED, that inclusion petitions for excluded land which is not within the boundaries of another contracting agency or district will be received and honored by said District either before or after the District's contract with the Department of Water Resources is completed and that said lands will be included within the District and receive and share in the District's contract water supply under the same terms and conditions as other lands now situate within the District.

Palmdale Water District Municipal Service Review

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Russell E. Franzen

Russell E. Franzen
President of its Board of Directors

James J. Sloan

James J. Sloan
Secretary of its Board of Directors

Appendix C – Agency Correspondence



Hogle-Ireland
Planning & Development Consulting

Irvine 949.553.1427	Riverside 951.787.9222	Pasadena 626.356.4460
-------------------------------	----------------------------------	---------------------------------

Advance Planning | Community Design & GIS | Community Engagement | Contract Staffing | Entitlement Services | Environmental Planning

May 17, 2012

David Childs, City Manager
City of Palmdale
38250 Sierra Highway
Palmdale, CA 93550

Dear Mr. Childs:

Our meeting with you on May 17, 2012 is for the purpose of reviewing the last Mandatory Service Review (MSR) of the Palmdale Water District, dated August 17, 2004. State law requires an updated MSR every five years, and the Los Angeles Local Agency Formation Commission has retained Hogle-Ireland to prepare an updated MSR for the Palmdale Water District.

Some of the agencies we will be meeting with concerning the Palmdale Water District include your City; the Littlerock Creek Irrigation District; the Antelope Valley East Kern Water District; and Los Angeles Waterworks District 40.

What we hope our meeting with you will produce is a frank discussion on what may have happened or transpired concerning your City and the Palmdale Water District since its last MSR that may affect your City, which should be considered in an updated MSR.

In case you do not have a copy of the last MSR, we can provide you with a digital copy upon your request.

If you should have any questions prior to the meeting, please call me at our Irvine Office at 949-553-1427.

Sincerely,

Robert Kain, Project Manager
Hogle-Ireland, Inc.



June 5, 2012

Adam Akiri, Principal Engineer
LA Waterworks District 40
1000 S. Fremont Ave.
Bldg. A9, 4th Floor
Alhambra, CA 91803

Dear Mr. Akiri

Our meeting with you on June 5, 2012 is for the purpose of reviewing the last Mandatory Service Review (MSR) of the Palmdale Water District, dated August 17, 2004. State law requires an updated MSR every five years, and the Los Angeles Local Agency Formation Commission has retained Hogle-Ireland to prepare an updated MSR for the Palmdale Water District.

Some of the agencies we will be meeting with concerning the Palmdale Water District include the City of Palmdale, the Antelope Valley East Kern Water District; and Los Angeles Waterworks District 40.

What we hope our meeting with you will produce is a frank discussion on what may have happened or transpired concerning your District and the Palmdale Water District since its last MSR that may affect your District, which should be considered in an updated MSR.

In case you do not have a copy of the last MSR, we can provide you with a digital copy upon your request.

If you should have any questions prior to the meeting, please call me at our Irvine Office at 949-553-1427.

Sincerely,

Robert Kain, Project Manager
Hogle-Ireland, Inc.

Palmdale Water District
2012 MSR

1. How much population growth is anticipated within the agency service area and sphere of influence over the next 5, 10, 15 years?

The following table shows the projected population within PWD’s sphere of influence. This information was taken from the 2010 Urban Water Management Plan (UWMP).

2010 UWMP POPULATION PROJECTIONS

	2010	2015	2020	2025	2030	2035
Palmdale Water District	109,395	164,312	195,404	225,208	253,791	280,206
Annual Increase Over 5 Year Period	0.0%	10.0%	3.8%	3.1%	2.5%	2.1%

2. How much is municipal service demand anticipated to increase within the agency’s sphere of influence over the next 5, 10, 15 years?

The following table shows the projected water demand within PWD’s sphere of influence. This information was taken from the 2010 Urban Water Management Plan (UWMP).

2010 UWMP WATER DEMAND PROJECTIONS

	2010	2015	2020	2025	2030	2035
Acre Feet Per Year (AFY)	19,800	35,000	40,000	45,000	55,000	60,000

3. To what extent are the service providers able to meet anticipated growth in demand?

The District has adopted a Strategic Water Resources Plan (SWRP) that identifies a recommended strategy that would increase potential water supplies in PWD’s service area from 30,000 Acre Feet/Year (AFY) to 65,000 AFY to meet projected demand in 2035. The SWRP identifies a means to meet 2035 water demand levels and eliminate that water balance deficit in the PWD service area, and identifies a recommended program of projects and actions to accomplish these goals.

The District also has adopted a Water System Master Plan that identifies facilities that are necessary to treat, store, and distribute projected water demands. The Water System Master Plan includes the following:

- Evaluation of the existing water system performance
- Evaluation of the future water system needs
- Development of a Capital Improvement Plan for future system improvements including facility costs
- Develop a financial plan for allocating costs of system modifications

Palmdale Water District 2012 MSR

4. What are the present and planned land uses within the existing sphere of influence?

The District's existing water service area is located almost entirely within the City limits of the City of Palmdale, and extends on its southern and eastern boundaries into the unincorporated areas of Los Angeles County that are within the City's sphere of influence. The District is bordered to the south and west by the San Gabriel Mountain Range, the north by the City of Lancaster, and the east by the unincorporated community of Little Rock. The County of San Bernardino is located immediately to the east. The District encompasses 47 square miles of mainly developed areas of the City and surrounding sphere of influence, with agricultural uses around its perimeter.

The City of Palmdale and the County have independent planning documents that guide the development of urban, agricultural, commercial, and other land uses within their jurisdictional boundaries.

5. What contiguous unincorporated areas could potentially be included in the agency's sphere of influence?

The District has been approached by a developer working on the development of the proposed Quail Valley Project, which is located at the southwest area of the District's service area. The development is partially inside the District service area and partially outside the District service area. The developer has preliminarily requested service for the entire project from PWD. PWD and the developer are still working through the feasibility of this proposal.

There is also a more recent inquiry from a developer working on a single family residential development north of the previously mentioned development that is entirely outside the District's service area and is located on the north side of Avenue S west of the District's boundary.

6. Which service provider(s) is (are) best equipped to serve the unincorporated areas contiguous to the agency boundaries?

The Quail Valley Project development described above is partially inside the District service area and partially outside the District service area and because the District has existing facilities in the area adjacent to the proposed development, PWD is most likely the best equipped to serve said development. The proposed demands for the Quail Valley Project have also been included in the District water supply planning documents.

7. What is the current capacity of public facilities and adequacy of public services that the local agencies are providing?

The District's current water supplies are as follows:

■ ▲ ■ ▭ ▭

Appendix C – Agency Correspondence
Palmdale Water District
2012 MSR

- State Water Project: 21,300 Acre Feet per Year
- Littlerock Reservoir Diversion Right: 5,500 Acre Feet per Year
- Groundwater Pumping Capacity: 12,000 Acre Feet per Year

The District continues to adequately provide water service and meet the demands of our existing and future customers through sound operation and planning of water supply, treatment, storage, and distribution facilities.

8. What opportunities exist for service providers in and near the agency boundaries to share public facilities to more effectively and efficiently deliver service?

PWD is a member agency of the Antelope Valley State Water Contractors Association that continues to plan for joint conjunctive use projects in the Antelope Valley.

PWD provides water service outside its boundaries. The water service is provided to properties that are adjacent to its boundaries and are within the boundaries of Antelope Valley - East Kern Water Agency (AVEK), another State Water Project contractor. The water service is provided under agreements with AVEK that allow for the exchanges of State Water Project water. The water services are provided by the District due to lack of infrastructure for AVEK or LACWW40 to service directly.

AVEK also provides similar water service to areas that are within PWD's boundaries that cannot currently be served directly by PWD.

9. Do the service providers of interest have adequate public facilities and other infrastructure to accommodate anticipated growth in service demand in the area?

Yes, the District has adopted a Strategic Water Resources Plan (SWRP) that identifies a recommended strategy that would increase potential water supplies in PWD's service area from 30,000 Acre Feet/Year (AFY) to 65,000 AFY to meet projected demand in 2035. The SWRP identifies a means to meet 2035 water demand levels and eliminate that water balance deficit in the PWD service area, and identifies a recommended program of projects and actions to accomplish these goals.

The District also has adopted a Water System Master Plan that identifies facilities that are necessary to treat, store, and distribute projected water demands. The Water System Master Plan includes the following:

- Evaluation of the existing water system performance
- Evaluation of the future water system needs
- Development of a Capital Improvement Plan for future system improvements including facility costs

Palmdale Water District 2012 MSR

- Develop a financial plan for allocating costs of system modifications

10. What opportunities for rate restructuring exist?

The year 2000 water rate increase and restructuring introduced a five-tier increasing block rate system, an additional four-tiered elevation rate system, and preapproved increases for the next five years. The year 2005 water rate changes included updates from the year 2000 water rate study and again set five years of preapproved increases. However, in 2006, a California Supreme Court ruling invalidated any further increases without the District complying with Proposition 218 procedures to adjust the water rates. The District completed a Proposition 218 process in May 2009 that included water rate increases and restructured the water rate system. The water rate structure changed to water budgets for District customers that tailored the increasing block tiers to their water needs. This also set out five years of preapproved water rate increases as had been completed in earlier five-year plans. These consisted of a 14% increase in 2010 and 8% increases in the next three years. Changes in District financing plans and operations costs allowed the Board of Directors to eliminate the 14% increase in 2010 and reduce the 8% increase for 2011 to 5%. The 8% increase approved through the 2009 Proposition 218 process for 2012 was also avoided in the 2012 Budget. The District is scheduled to prepare an updated rate study prior to the end of 2014.

11. What government structure options exist relevant to the provision of water service in the areas of agencies, and what are the advantages and disadvantages of consolidating or reorganizing service providers?

The District was established in 1918 as the Palmdale Irrigation District. The primary function of the District is to provide retail water service to the central and southern portions of the City of Palmdale and adjacent unincorporated areas of Los Angeles County. Under the provisions of the California Water Code relating to the establishment of irrigation districts, the District has the power to carry out any act to provide sufficient water for present and future beneficial uses, including construction and operation of facilities to store, regulate, divert and distribute water for use within its boundaries. A Board of Directors, elected at large, with one representative from each of the five divisions, governs the District.

The District acts as a retailer of water supplies for municipal, residential, irrigation, commercial, industrial, and institutional users.

There are three mutual water companies (El Dorado, Westside Park, and Joshua Acres) that fall within the District's existing State Water Contract boundary where the mutual water companies provide retail service to the stakeholders.

Several years ago, the District analyzed the option of taking over retail service to the customers within the El Dorado and Westside Park Mutual Water Companies, but the stakeholders at the

Palmdale Water District
2012 MSR

time were not interested in pursuing this option. The challenge associated with this option is the construction of a pipeline to connect the two water systems together.

Another potential is the District providing retail operations in the Juniper Hills/Pearblossom area that is currently within the Districts State Water Contract boundary but does not have facilities to provide retail service. The challenge associated with providing retail service in this area is the cost associated with the construction of a water delivery system.

12. To what extent are service providers in the area of interest accountable to population being served?

PWD is very accountable to the customers it serves and an example of accountability is the recent changes in the Board of Directors that may be attributed to unpopular direction and/or decisions made by the Board. The Board of Directors that govern the District is accountable to the population that elects them.

13. What governance structures currently exist among the service providers of interest?

The District was established in 1918 as the Palmdale Irrigation District. The primary function of the District is to provide retail water service to the central and southern portions of the City of Palmdale and adjacent unincorporated areas of Los Angeles County. Under the provisions of the California Water Code relating to the establishment of irrigation districts, the District has the power to carry out any act to provide sufficient water for present and future beneficial uses, including construction and operation of facilities to store, regulate, divert and distribute water for use within its boundaries. A Board of Directors, elected at large, with one representative from each of the five divisions, governs the District.

The District acts as a retailer of water supplies for municipal, residential, irrigation, commercial, industrial, and institutional users.

14. What is the consultant's evaluation of current and potential management efficiencies as they relate to optimal service provision and optimal spheres of influence?

N/A



Hogle-Ireland
Planning & Development Consulting

Irvine 949.553.1427
Riverside 951.787.9222
Pasadena 626.356.4460

Advance Planning | Community Design & GIS | Community Engagement | Contract Staffing | Entitlement Services | Environmental Planning

June 5, 2012

Adam Akiri, Principal Engineer
LA Waterworks District 40
1000 S. Fremont Ave.
Bldg. A9, 4th Floor
Alhambra, CA 91803

Dear Mr. Akiri

As you may be aware as part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 LA LAFCO is mandated to conduct Municipal Service Review (MSR) every five years. LA LAFCO has retained Hogle-Ireland, Inc. in conjunction with the Mocalis Group I, LLC to prepare a MSR for the Palmdale Water District. The LAFCO Commission must make determinations on six (6) topics required under the CKHA Act for purposes of adopting the MSR:

1. Growth and population projections in the affected area
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
3. Financial ability of agencies to provide services.
4. Status of, and opportunities for, shared facilities.
5. Accountability for community service needs, including governmental structure and operational efficiencies.
6. Any other matter related to effective or efficient service delivery, as required by Commission.

To assist us with the completion of the MSR and to better understand issues related to the provision of service in the area we are asking for you to provide, to the best of your ability, responses to the questions listed on the following page.

Thank you for your assistance,

Robert Kain
Project Manager
Hogle Ireland, Inc.

Jim Mocalis
President
Mocalis Group I, LLC

www.hogleireland.com

2860 Michelle Drive, Suite 100 | Irvine, CA 92606
t: 949.553.1427 | f: 949.553.0935

1. How much population growth is anticipated within the agency service area and sphere of influence over the next 5, 10, 15 years?

District No. 40 – Population Projection				
2010	2015	2020	2025	2030
261,800	309,200	355,800	401,500	445,200

2. How much is municipal service demand anticipated to increase within the agency’s sphere of influence over the next 5, 10, 15 years?

District No. 40 – Water Demand Projection (Acre-Feet)				
2010	2015	2020	2025	2030
45,500	74,500	88,490	102,580	116,420

3. What is the current adequacy of service provided within the agency boundaries?

“District No. 40 requires new water supplies in order to meet any of its new projected demand.” (Sect. 7.3.1, IRUWMP)

4. To what extent are the service providers able to meet anticipated growth in demand?

Growth will require new water supplies and infrastructures. “These supplies [projected demand] are anticipated to be acquired using the New Water Supply Fee (Developer Fee) described in Section 3.3 (of the 2010 IRUWMP).” (Sect. 7.3.1, IRUWMP)

5. What are the present and planned land uses within the existing sphere of influence?

Single-Family Residential, Multi-Family Residential, Commercial, Heavy Industry, Light Industry, Mixed Use, Non-Urban Residential, Public Areas, and Healthcare

6. What contiguous unincorporated areas could potentially be included in the agency’s sphere of influence?

California Water Code Section 32400 (re: County Water Districts) states, “Land not a part of the district whether or not contiguous to it or to other portions added to the district, and consisting of any portion of the county wherein the district was formed or of any municipality therein, or of land in any county contiguous to the county wherein the district was formed or of any municipality therein, may be included within the district.”

Policy No. 3.095, “City Annexations and Spheres of Influence,” of the Los Angeles County Board of Supervisors Policy Manual, establishes policies for the review and consideration of city annexation proposals and for the establishment and updating

of city spheres of influence by LAFCO, which determine where future annexations are likely to occur.

7. Which service provider(s) is (are) best equipped to serve the unincorporated areas contiguous to the agency boundaries?

California Water Code Section 32400 (re: County Water Districts) states, "Land not a part of the district whether or not contiguous to it or to other portions added to the district, and consisting of any portion of the county wherein the district was formed or of any municipality therein, or of land in any county contiguous to the county wherein the district was formed or of any municipality therein, may be included within the district."

8. What is the current capacity of public facilities and adequacy of public services that the local agencies are providing?

What kind of capacity is the question referring to (i.e., storage, conveyance, etc.)?

We are providing adequate service.

9. What opportunities exist for service providers in and near the agency boundaries to share public facilities to more effectively and efficiently deliver services?

Working together with other agencies to prepare Integrated Urban Water Management Plans and Integrated Regional Water Management Plans for the Antelope Valley has facilitated regional planning efforts.

Interagency cooperative agreements and memorandums of understanding are other ways agencies can work together to share in the planning, design, construction, and operation of mutually beneficial facilities.

In accordance with Government Code Section 6500 et. al. (Joint Exercise of Powers Act), the County may form a joint-powers authority with another public agency. Under such an agreement, local governments enter into a cooperative agreement to provide any service that either of them could provide on their own.

10. Do the service providers of interest have adequate public facilities and other infrastructure to accommodate anticipated growth in service demand in the area?

Developers will build the public facilities and infrastructure required to accommodate the anticipated growth in service demand.

11. What cost avoidance opportunities, financing constraints and financing opportunities exist in providing water service to the area of interest?

Waterworks District No. 40, Antelope Valley, has avoided costs by transforming eight (8) former Districts into sub-Regions and consolidating them into District 40.

California Proposition 218, a law requiring local governments to have a vote of affected property owners for any proposed new or increased assessment before it could be levied, could be viewed as a financial constraint.

Examples of financing opportunities include state and federal funding opportunities, bonds, developer participation, and cooperative agreements with partner agencies.

12. How do cost avoidance opportunities, financing constraints and financing opportunities affect the optimal service delivery to areas contiguous to the agency?

The only significant constraint is water supply.

13. What opportunities for rate restructuring exist?

Assembly Bill No. 2882 was passed in 2008 and added Chapter 3.4 (Sections 370-374) to Division 1 of California Water Code, authorizing a public entity to adopt allocation-based conservation water pricing as a means of reducing wasteful or unreasonable uses of water.

14. What government structure options exist relevant to the provision of water service in the areas of agencies, and what are the advantages and disadvantages of consolidating or reorganizing service providers?

Assembly Bill No. 2882 was passed in 2008 and added Chapter 3.4 (Sections 370-374) to Division 1 of California Water Code, authorizing a public entity to adopt allocation-based conservation water pricing as a means of reducing wasteful or unreasonable uses of water.

California Public Utilities Code Sections 1501-1507 address duplication of service.

15. To what extent are service providers in the area of interest accountable to the population being served?

The District will exercise reasonable diligence and care under normal operating conditions to deliver a continuous supply of water to the customer at a reasonable pressure, and avoid unnecessary shortage or interruption in the service (Part 1, Section C of the Los Angeles County Waterworks Districts Rules and Regulations).

16. What governance structures currently exist among the service providers of interest?

The Board of Supervisors of the County of Los Angeles is the governing body of each District pursuant to Division 16 of the State of California Water Code.

17. What is the consultant's evaluation of current and potential management efficiencies as they relate to optimal service provision and optimal spheres of influence?

Please identify the consultant and clarify the meaning of management efficiencies.

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CITY OF PALMDALE

1. How much population growth is anticipated within the agency service area and sphere of influence over the next 5, 10, 15 years?

Based on Palmdale Water District's 2010 Urban Water Management Plan, population growth over 2010 figures are as follows:

2015 – 164,312 – 10%
2020 – 195,404 – 3.8%
2025 – 225,208 – 3.1%
2030 – 253,791 – 2.5%

2. How much is municipal service demand anticipated to increase within the agency's sphere of influence over the next 5, 10, 15 years?

Based on Palmdale Water District's 2010 Urban Water Management Plan:

2010 – 19,800 AFY
2015 – 35,000 AFY
2020 - 40,000 AFY
2025 – 45,000 AFY
2030 – 55,000 AFY

3. What is the current adequacy of service provided within the agency boundaries?

Palmdale Water District is able to meet current demand service and based on their Strategic Water Resources Plan, they are able to meet future demand.

4. To what extent are the service providers able to meet anticipated growth in demand?

Palmdale Water District is able to meet anticipated growth based on their Strategic Water Resources Plan.

5. What are the present and planned land uses within the existing sphere of influence?

Palmdale Water District's existing water service area is mostly located within City limits. The City General Plan and Land Use Plan are on file with the City.

6. What contiguous unincorporated areas could potentially be included in the agency's sphere of influence?

There are proposed developments south and east of the existing Anaverde Development that could annex into Palmdale Water District's service area.

7. Which service provider(s) is (are) best equipped to serve the unincorporated areas contiguous to the agency boundaries?

Palmdale Water District

8. What is the current capacity of public facilities and adequacy of public services that the local agencies are providing?

The City of Palmdale is not a water purveyor.

9. What opportunities exist for service providers in and near the agency boundaries to share public facilities to more effectively and efficiently deliver services?

- a. The use of recycled water
- b. Use of water banks

10. Do the service providers of interest have adequate public facilities and other infrastructure to accommodate anticipated growth in service demand in the area?

Recycled water facilities need to be constructed. Water banks need to be developed.

11. What cost avoidance opportunities, financing constraints and financing opportunities exist in providing water service to the area of interest?

Not Applicable

12. How do cost avoidance opportunities, financing constraints and financing opportunities affect the optimal service delivery to areas contiguous to the agency?

Not Applicable

13. What opportunities for rate restructuring exist?

Not Applicable

14. What government structure options exist relevant to the provision of water service in the areas of agencies, and what are the advantages and disadvantages of consolidating or reorganizing service providers?

Palmdale Water District was established as an Irrigation District.

15. To what extent are service providers in the area of interest accountable to the population being served?

Palmdale Water District is governed by a five member board elected by the people.

16. What governance structures currently exist among the service providers of interest?

Palmdale Water District was established as an Irrigation District.

17. What is the consultant's evaluation of current and potential management efficiencies as they relate to optimal service provision and optimal spheres of influence?

Not Applicable

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