



BOARD OF DIRECTORS  
Connie S. Griffin  
Leslie Brister  
Steven C. Farrell  
Robert Kinzel  
Kenneth L. Stone

GENERAL MANAGER  
Alan E. Clanin

To: Valley View Park Mutual Water Company  
Board of Directors  
From: Alan E. Clanin, General Manager  
Date: January 17, 2020  
Subject: Proposal to Serve Valley View Park Mutual Water Company

Crestline Village Water District (District) has taken the position regarding annexation and serving water to the Valley View Park Mutual Water Company (VVPMWC) that is we are here to serve.

Crestline Village Water District will supply clean safe potable water in accordance with the rules and regulations of the District. Following the completed annexation process, the District will consider all customers and properties within the the Valley View Park Mutual Water Company service area to be customers of Crestline Village Water District; therefore, Crestline Village Water District proposes the following:

1. Our revenues come from the area inside our district boundaries and are restricted to spending those revenues for the purpose of supplying water in our district area. Valley View Park will deposit with the District the amount of \$10,000 dollars to cover expenses incurred in time and research for the annexation of the Valley View Park Mutual Water Company area. Funds from the deposit shall be carefully monitored for the intended use and any unused portion of the deposit shall be refunded to Valley View Park Mutual Water Company in the event annexation does not occur.
2. Although the Crestline Village Water District Sphere of Influence already includes the Valley View Park area, the District would need to apply to Local Agency Formation Commission to annex the area into our District boundaries. All annexation fees, studies and additional or unforeseen costs incurred for this application will be paid by Valley View Park Mutual Water Company.

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3. All Shareholders shall relinquish any and all shares or claims of Valley View Park Mutual Water Company ownership.
4. Valley View Park Mutual Water Company would need to vacate its right to serve water to the community before the District would be able to serve water to that area.
5. Valley View Park Mutual Water Company will be free of debt unless otherwise disclosed to the District.
6. Valley View Park Mutual Water Company will be free of any current or impending legal matters. All active or anticipated legal suits or matters will disclosed to the District and settled to the satisfaction of the District prior to annexation.
7. Valley View Park Mutual Water Company will relinquish to Crestline Village Water District any and all current assets stated in the 2019 Financial Statement, including but not limited:
  - a) All real property,
  - b) All Deeds or Certificates of Ownership for lands or property,
  - c) All cash in banks or other places,
  - d) All vehicles, tools, maps or drawings pertaining to the VVPMWC System,
  - e) All financial records for a period of no less than five years,
  - f) All records of current customers.
8. All outstanding payables and deposits be surrendered to the District.
9. A leak survey shall be performed by the District. All leaks shall be repaired at the expense of VVPMWC until the system loss is below the 10% AWWA standard.
10. A fire flow survey shall be performed by the District.
11. All cross-connection control backflow devices required by the California Code of Regulations Title 17 and the San Bernardino County Fire Department will be installed or tested no later than three (3) months from the annexation completion date.
12. Any and all expenses resulting from the necessity to improve existing infrastructure to District standards or install new infrastructure including but not limited to water main replacement, water meter replacement, water main extensions, water reservoir retrofit or replacement, water supply systems or appurtenances that is not covered by the funds transferred to the District during annexation may require an additional monthly assessment amortized over a specific period of time to facilitate such repairs.

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13. The annexation process is dependent on the transfer of services from Crestline-Lake Arrowhead Water Agency (CLAWA) and Water System permits from the State of California. Any additional fees not covered by the funds transferred to the District during annexation for the transfer of the CLAWA service or State Permits may require an additional monthly assessment.
  
14. Valley View Park Mutual Water Company shall defend, indemnify, and hold harmless the Crestline Village Water District and its agents, officers, and employees from and against any claim, action, or proceeding against the District or its agents, officers, or employees to attack, set aside, void, or annul the annexation by the District, including, without limitation, an action by or against LAFCO or any advisory agency, appeal board, or legislative body concerning the annexation. This defense and indemnification shall include the payment of all legal costs incurred on behalf of the District in connection with the defense of any claim, action or proceeding challenging the annexation. The District will promptly notify Valley View Park of any claim, action, or proceeding and will cooperate fully in the defense. In the event a legal challenge is successful, and an award of attorney fees is made to the challenger, the Valley View Park shall be responsible to pay the full amount of such an award.



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To: Crestline Village Water District  
Board of Directors  
From: Alan E. Clanin, General Manager  
Crestline Village Water District  
Date: January 17, 2020  
Subject: Consolidation with Valley View Park

The Crestline Village Water District Board of Directors (District) has agreed to the request of Valley View Park Mutual Water Company (VVPMMC) to explore the potential for annexation and consolidation.

**Background:**

Crestline Village Water District was formed in 1954 to supply water to the Crestline area that was served by the Crestline Village Mutual Service Company. In 1979, the Lake Gregory area was annexed after the Lake Gregory Land and Water Company defaulted on its obligation to provide an adequate water supply to its service area and the District was asked to serve the area by the State Health Department. The other smaller areas that have been annexed into the District in recent years have been the result of requests by the mutual water companies or by health authorities.

The District's position regarding annexing and serving water to additional areas has been that we are here to serve, if it is requested by the water company's board of directors, a majority of the shareholders or a state or local health authority and it makes sense for our district to serve the area.

Our Sphere of Influence already includes the Valley View Park area and therefore there is no need to apply to LAFCO for the purpose of annexation into our Sphere of Influence however, we would need to apply to LAFCO to annex the area into our District boundaries and VVPMMC would need to vacate its right to serve water to the community before our District would be able to serve water to that area.

Crestline Village Water District must consider how serving another area will affect our current customers. Our revenues come from the area inside our district boundaries and we are restricted to spending those revenues for the purpose of supplying water in our district area. When we have annexed other areas, the water users and property owners in those areas were required to

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pay for any required improvements, any existing debt and any expenses that were incurred in annexing that area.

Crestline Village Water District does not have a formal policy or procedure relating to the negotiation process in regards to annexation. Valley View Park Mutual Water Company does offer a functioning water system that does have 218 water services that will generate income.

While there is anticipated improvements needed to bring the VVPMWC up to District standards, I believe the District has acquired enough information to begin the negotiation process.

**Recommendation:**

Approve the Proposal to Serve Valley View Park Mutual Water Company and authorize the General Manager to negotiate terms of annexation and acquisition of Valley View Park Mutual Water Company.

# Letter of Intent

## Potential Consolidation of Valley View Park Mutual Water Company (VVPMWC) with Crestline Village Water District (CVWD)

### Introduction

According to a report by the US Water Alliance and the UNC Environmental Finance Center titled *Strengthening Utilities Through Consolidation: The Financial Impact*, “The water sector is at a crossroads. Most water systems in use today were built for communities that look different than the ones they now support. Potential financial benefits from water utility consolidation include:

- Economies of scale and operating efficiencies;
- Increased access to capital at a lower cost;
- Lower or equal customer rates for a specified level of service;
- Revenue stability;
- Reduced exposure to regulatory penalties;
- Improved planning and risk management; and
- Increased opportunities for economic development.”

### Proposal

The Board of Directors of the Valley View Park Mutual Water Company (VVPMWC) propose initiation of negotiations to determine feasibility of a consolidation with the Crestline Village Water District (CVWD) in order to present to their shareholders for approval the details of said consolidation.

It would be understood by both parties that this potential consolidation is not the result of either parties’ failure to provide the desired services in a high-quality, fiscally sound manner.

VVPMWC is currently debt free and free from any known liabilities. It is the understanding and desire of both parties that this is a mutually beneficial consolidation for both parties and their stakeholders. VVPMWC shareholders would receive, in return for the transfer of their system assets, real property assets, and future revenues, future support and stability through economies of scale and operating efficiencies from CVWD’s existing operational capabilities. With the equalization of rates for VVPMWC’s shareholders to CVWD’s current rates (an average increase of around \$8.20 per month for VVPMWC’s shareholders). A consolidation would result in CVWD receiving an additional \$132,631 (approximate) in annual revenues (with minimal related operating expenses). Additional benefits to CVWD would include around 2M gallons per year of locally produced well water with potential for even more from current VVPMWC well assets.

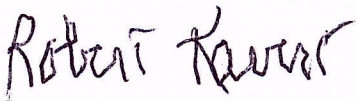
In light of the benefits to both entities, The Board of Directors of the VVPMWC propose that the consolidation costs be divided equally among both entities. Potential consolidation cost may

include, but are not necessarily limited to: study costs, LAFCO fees, meter system synchronization, etc. CVWD would agree to give VVPMWC reasonable advanced notice or estimates of said costs. VVPMWC would agree to deposit with CVWD their share of said estimated costs with CVWD acting as the agent for payment for said costs.

**Current Rate Comparison**

	CVWD	VVPMWC		
Base	\$25.50	\$30.00		
Water Incl. (HCF)	0.00	6.00		
Water/HCF	\$4.20	\$5.00		
Assessment		\$12.50		
HCF/mo	Total Bill		Difference for VVPMWC	
3.00	\$38.10	\$42.50	-\$4.40	-10%
6.00	\$50.70	\$42.50	\$8.20	19%
10.00	\$67.50	\$62.50	\$5.00	8%
12.00	\$75.90	\$72.50	\$3.40	5%

Sincerely,



Robert Kavert  
 President, Board of Directors  
 Valley View Park Mutual Water Company