



Municipal Service Review and Sphere of Influence Update

Pinyon Pines County Water District

LAFCO 2026-02-4

Public Review Draft Report

June 12, 2026

This Public Review Draft MSR/SOI Update Report is being circulated for consideration by the Riverside LAFCO Commission at a public hearing, date to be determined. Any agencies and members of the public wishing to provide comments on the Public Review Draft MSR Report will be taken in writing up to two weeks prior to the meeting date and will be included in the public hearing package. Comments received after that period will be provided to the Commission for the public hearing and will also become part of the public record.

Written comments can be submitted by email at info@lafco.org, or mailed/delivered to the LAFCO office- 6216 Brockton Ave, Suite 111-B, Riverside, CA 92506

PREPARED FOR:

RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

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EXECUTIVE SUMMARY

California state law establishes Local Agency Formation Commissions (LAFCOs) within each county for the purpose of establishing boundaries and spheres of influence (SOIs) for cities and special districts under their purview, and to authorize the provision of services within the approved service areas. A Municipal Service Review (MSR) is a state required comprehensive study of services within a designated geographic area. The service review requirement is codified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), Government Code section 56000 et seq.

This report prepared by Riverside LAFCO (LAFCO) contains the MSR and SOI Update for the Pinyon Pines County Water District, the first in the 5-year MSR/SOI Update cycle for all water & wastewater Districts countywide. This initial District has been prioritized at the request of the 4th District County Supervisor's office due to resident concerns expressed regarding services and infrastructure. The proposed MSR and SOI Update determinations are located at the end of this MSR/Update report, with recommended SOI update in this Executive Summary.

All County Water Districts (CWD) are formed and operate under the California Water Code sections 30000-33901. These CWDs operate with a Board of Directors made up of elected or appointed volunteer registered voters or landowners within that specific CWD jurisdictional boundary. CWDs are generally funded through charges for services, although some receive limited funding through county property tax revenues. Though CWDs are not governed directly by the state, they are subject to the state law that requires legal and open meetings, elections, and mandates certain responsibilities.

Municipal Service Review Determinations

CKH requires LAFCOs to review and update SOIs not less than every five years and to conduct municipal services reviews before updating SOIs. The service reviews provide LAFCOs with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

Government Code section 56430 requires LAFCOs to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determinations with respect to each of the following topics:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.

6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR process does not require LAFCOs to initiate changes of organization based on service review findings. It only requires that LAFCOs make determinations regarding the provision of public services per Government Code section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15306.

CEQA Guidelines section 15306 consists of “basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.” The ultimate outcome of conducting a service review, however, may result in LAFCOs making recommendations on a change of organization or reorganization.

Sphere of Influence Determinations

In 1972, LAFCOs were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by CKH, “a ‘sphere of influence’ means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (Government Code section 56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development.

The requirement for conducting MSRs was established as an acknowledgment of the importance of SOIs and recognition that periodic reviews and potential updates of SOIs should be conducted. LAFCOs are required to make five written determinations in accordance with Government Code section 56425 when establishing, amending, or updating an SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The proposed MSR and SOI Update determinations are located at the end of this report. The recommended SOI Update by staff for the Pinyon Pines County Water District (PPCWD or District) are provided below. The SOI recommendations and additional supporting information is discussed in greater detail at the end of the report.

Pinyon Pines Water District - the current overall SOI should be considered for amendment to be eliminated, and the SOI set as coterminous with the current District boundaries. This would also necessitate establishing permanent extra-territorial service extensions to the two campgrounds and the County Fire station within the current SOI. Additionally, the District should be encouraged to consult with the Desert Water Agency for potential consolidation and dissolution.

MSR Approach and Review Opportunities

All information readily available in historical files or on the PPCWD website was reviewed for applicability to the MSR/SOI update technical analysis and report. Any information missing or requiring clarification was then sent to the PPCWD in the form of a questionnaire, requesting the information/clarification. Once the PPCWD's information was in hand, an Administrative Draft MSR/SOI Update report was developed.

After development of the Administrative Draft report, the Draft report was made available to the 4th District County Supervisor's office for their review and comment. Upon receipt of comments, a Public Review MSR/SOI Update report is developed for publication and comments by the public and any agency/organization. A Public Hearing MSR/SOI Update report is then generated addressing any comments received during the public review process, and scheduled for a noticed public hearing before the LAFCO Commission. Additional comments are taken during the public hearing and addressed.

Upon final action taken by the LAFCO Commission for the MSR and SOI recommendations & determinations, a Final Report incorporating any revisions and/or direction provided by the LAFCO Commission is completed and published. Any SOI recommendations and/or determinations not adopted with the MSR will be brought back to the Commission at a subsequent public hearing for final SOI adoption.

It should be noted that the District failed to provide virtually any information or documentation requested in order to complete a thoroughly accurate Municipal Service Review for this agency. This lack of transparency on the part of the District is noted throughout the MSR as applicable. Virtually all information in this MSR report was obtained either off the District's limited website, from previous MSRs in 2005 and 2019, other limited information that has been provided by the 4th District County Supervisor office directly, some recent late submitted information by the District after what appears to have been stimulated by the 4th District County Supervisor office, and information obtained through other LAFCO staff research.

An example of this is the list of documents that were initially requested in the questionnaire response received on April 1, 2026. The District reported in response to the initial questionnaire that "all on website in appropriate box". Following is the

actual reported status of these requested documents as noted on the April 1, 2026 Questionnaire Response. :

- Current Benefit and/or Special Assessment levy information including rates on any assessed property- **There was no information on the website.**
 - Current Rate & Fee Schedules for all services provided- **There was no information on the website other than within the Water Ordinance which is on the website and listed the charges for services, however, no clarification if these are the current charges.**
 - CAFRs (Audit Reports and Financial Statements) for FYs ending June 30, 2022, June 30, 2023, and June 30, 2024. Also include FY Ending June 30, 2025 if available- **The 2- year audit for FYE 2022 and 2023 were on the website, however no response to the FYE 2024 and 2025 audit or status.**
 - Analysis/forecast of pension and OPEB obligations, including unfunded liabilities if not included in the annual audit report and financial statements- **There was no information on the website.**
 - Capital Improvement Plans- **There was no information on the website.**
 - Organizational/staffing charts or other documents reflecting authorized positions and current staffing levels- **There was no information on the website.**
 - Annual Reports- **The only Annual report on the website is the Annual Water Report.**
 - Master/Strategic Plans- **There was no information on the website.**
 - Policies and Procedures- **There was no information on the website.**
 - Personnel Policies- **There was no information on the website.**
 - Accreditations/Certifications- **There was no information on the website.**
 - Most recent Bond Statement for any outstanding bonds issued by the District- **There was no information on the website.**
- Any Grand Jury report after 2015 requiring agency response, and the response- **There was no information on the website.**
- Other: Any additional documents the District considers relevant for purposes of this MSR/SOI Update- **There was no information on the website. However several documents were obtained by LAFCO staff that should have been provided as they are critically relevant to the MSR/SOI Update analysis.**

Subsequent to the initial questionnaire response, the District resubmitted an updated questionnaire on June 6, 2026, providing some additional responses and documents. It is unknown what stimulated this additional submittal, however, the MSR reflects the updated information where appropriate. Included in the documentation are two State

Water Resources Control Board Technical Assistance Work Plans (SWRCB-TA) 7306A dated January 21, 2026 and (SWRCB-TA) 7374-A dated February 16, 2026 providing information regarding infrastructure cost and technical infrastructure upgrades information and planning efforts to obtain funding for system repairs and upgrades, and/or consolidation with a private water company. This information is discussed further in the MSR report as appropriate. However, the SWRCB-TA 7374-A document contains no cost information for the technical assistance to be provided and is not signed by anyone. It is listed as an amendment to an original agreement executed on August 3, 2023, of which no copy has been provided. Additionally, the document lists as the “recipient”, a Jeffery Cooper, Senior Vice President. It is unknown who this person is and what relation he has to the PPCWD. Therefore, it is unknown if SWRCB-TA 7374-A represents an approved technical assistant work plan, and shall be considered as such.

Applicable statutes for development of MSRs and SOI Updates which above is applicable are Government Code section 56425 for SOIs, and Government Code section 56430 for MSRs. Specific statutes related to requirements of agencies to provide information to LAFCO regarding studies are enumerated in the following Government Code sections

56378. (a) *In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may request land use information, studies, joint powers agreements, and plans of cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies and state agencies and departments. Cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies, and state agencies and departments, shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person. In making these studies, the commission may cooperate with the county planning commissions.*

56386. (a) *The officers and employees of a city, county, or special district, including any local agency, school district, community college district, and any regional agency, or state agency or department, as may be necessary, and employees of a city, county, or special district, including any local agency, school district, community or any other public agency shall furnish the executive officer with any records or information in their possession which may be necessary to assist the commission and the executive officer in their duties, including, but not limited to, the preparation of reports pursuant to Sections 56665 and 56800.*

All of these Government Code sections above are contained in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). As noted above, and throughout the report, are areas where the District failed to comply with these statutes.

OVERVIEW / BACKGROUND

Several questions were asked of the PPWCD regarding formation information, a District overview and historical information and some background. Additionally, information was requested regarding population served, area served, and population demographics. The District's response was "Website". However, there is no information of this nature on the District website.

Although requested, the District did not initially provide any current population estimates for the District service area. However, the recently received SWRCB-TA 7374-A document notes an estimated population for the District. Additionally, the District reported that formation and historical/background information was reported in the SWRCB-TA 7306-A document. However, other than water related infrastructure issues, no other Background or Historical Information was provided.

The PPCWD was officially formed in 1969 as an independent special district under the Water Code section 30321.5. The District encompasses approximately one-half square mile (320 acres), within the Pinyon Pines Community. Population served within the District was estimated at approximately 232 (per both SWRCB-TA 7306-A and SWRCB-TA 7374-A). The PPCWD is located at an elevation of 4000 ft in the Santa Rosa San Jacinto National Monument Park. Water comes from a crevice deep in Santa Rosa Mountain and is brought to the community through a horizontal well at about 6000 feet up the mountain.

Historical & Background Information (Local Community Website and LAFCO Documents)

*The Pinyon Pines Water District was started after World War Two around 1945. Art Nightingale, local entrepreneur, purchased about 600 acres going up the side of Santa Rosa Mountain. Included in that acreage was a spring called Pigeon Springs. This is where the current water supplying the community of Pinyon Pines comes from. It was started even earlier around 1928 when highway 74 was being constructed where a tank was installed just north of the Pinyon Flats campground where the highway workers stayed. The tank location was moved 3 times before it ended up where it is now on Stone Crest Road, behind a blocked-in cement reservoir that was also built and used. Water was brought into the community that was a development started and owned by Mr. Nightingale in the 1930s. He passed away in the late 1960s, which is when the Water District was formed. A contract was signed with the Department of National Forestry stating that in exchange for the water rights and right-of-way that he would supply water to the Pinyon Flats Campground. The Pinyon Pines Property Association was the party that applied for the formation of the District in 1969. In 2005 the boundaries of the water district were expanded to officially include two campgrounds and the fire station. **Information was obtained off a community website.***

PPCWD's Sphere of Influence (SOI) is primarily coterminous with its current service boundary, with the exception of a large area south of the southern District boundary.

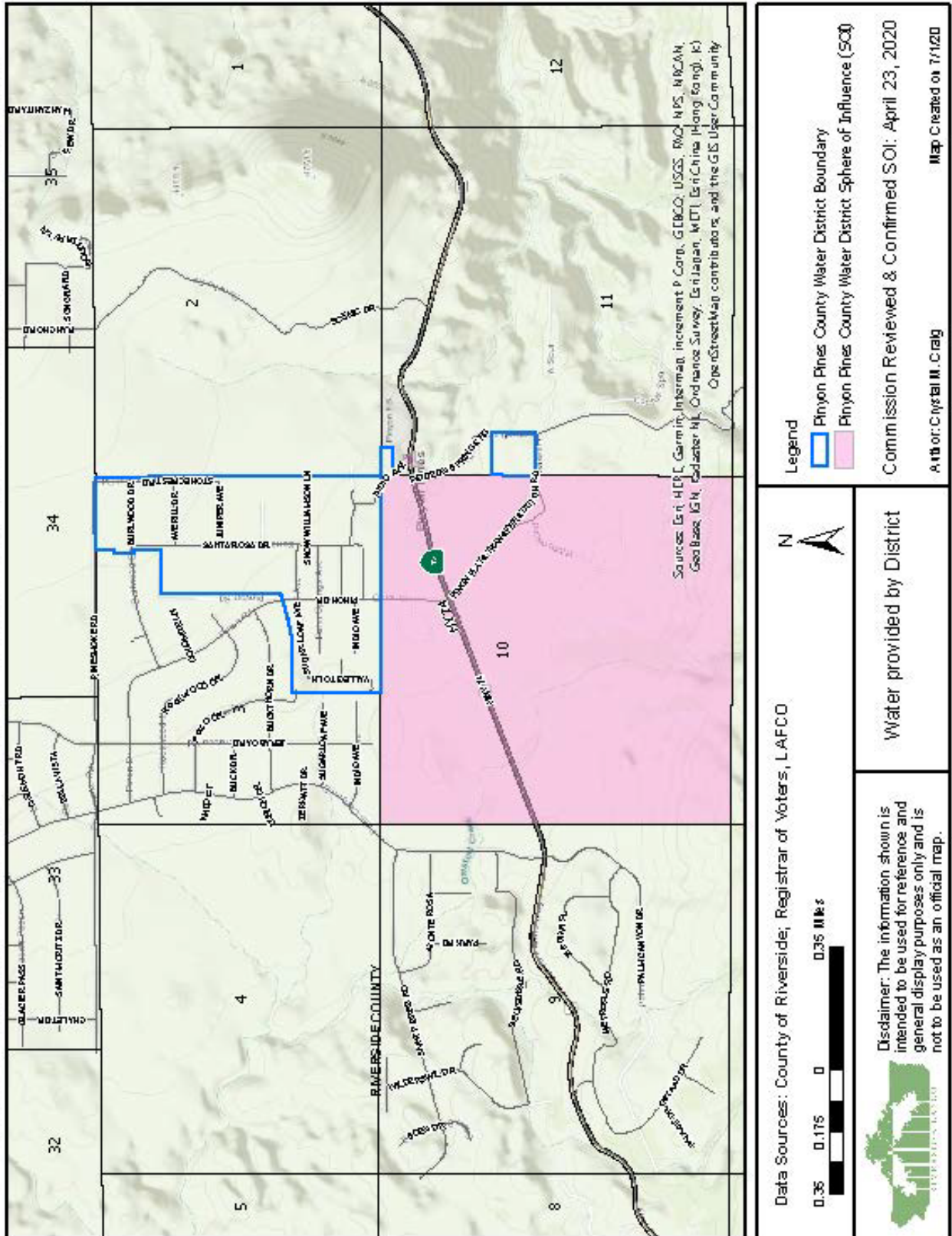
On the following pages, **Table 1-1** provides a snapshot profile of the PPCWD, and **Figure 1-1** provides a map of the District's current boundary and SOI.

Table 1-1- Profile- Pinyon Pines County Water District

General Information			
Agency Type	Municipal – County Water District		
Principal Act	California Water Code sections 30000-33901		
Date Formed	1969		
Services Provided	Domestic Water Service		
Location	62011 Stonecrest, Mountain Center, CA 92561 (760) 349-3261		
Sq. Miles/Acres	Approximately one-half square mile (320 acres)		
Contact	Thomas Huss, General Manager/Secretary districtoffice@pinyonpinesc wd.ca.gov		
Website	www.pinyonpinesc wd.ca.gov		
Population Served	Estimated 232 (per the SWRCB TA Work Plan)		
Last SOI Update	2020		
Governance/Staffing			
Governing Body	5-member Board of Directors, elected at large		
Terms	4-year staggered terms		
Meeting Information	First Sunday of each month at 9:00am at 63701 Vallecito, Mountain Center CA 92561 (Holiday weekends the meeting moves to the second Sunday) in Pinyon.		
Total Staff	3 employees		
Staff Categories	General Manager, Assistant Manager, Secretary/Treasurer		
Facilities/Other Infrastructure			
Facilities	One Well, 85 feet deep		
Other Infrastructure	Well pumps and support equipment, conveyance piping		
Financial Information- FY 22/23 Audited Financial Statements			
	Revenues	Expenditures	Net Surplus/(Deficit)
Enterprise Fund	\$69,867	\$54,613	\$15,254
	FY 22/23	Long-term Planned Expenditures	
Capital Expenditures	None	None identified by the District	
Unrestricted Net Position (Fund Balance)	\$33,950	June 30, 2023 Financial Statement	
Capital Assets (Net)	\$3,778	June 30, 2023 Financial Statement	
Net Position	\$37,728	June 30, 2023 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2023			
Long-term Liabilities	None		
Unfunded Pension Liability	None		
Unfunded Other Post-Employment Benefits (OPEB) Liability	None		
<p>Note: PPCWD audits are performed bi-annually. The audits for FY 21/22 and FY 22/23 are the most recent audits currently made available.</p> <p>Note: Capital Assets consist of land which is not depreciated, and Utility Plant property consisting of pumping and conveyance system infrastructure and equipment, which is depreciated.</p> <p>Note: PPCWD has no pension or OPEB unfunded liabilities.</p>			

Figure 1-1- Boundary/SOI Map – Pinyon Pines County Water District

Pinyon Pines County Water District and Sphere of Influence



GROWTH AND POPULATION PROJECTIONS

The following information has been extracted from previous MSRs as the District did not respond to questions related to growth other than to state there is no growth or plans for expansion. It is unknown if this information remains accurate as the District failed to respond to the questions regarding this information.

The PPCWD was reported to serve an estimated population of approximately 232 (per both SWRCB-TA 7306-A and SWRCB-TA 7374-A) over a geographical area of approximately 320 acres. The PPCWD serves 82 connections within the District boundaries, including 80 residential connections within the District boundaries, and two U.S. Forest Service campgrounds (Pinyon Flats and Ribbonwood Equestrian campgrounds), and the Riverside County Fire Department Station #30, all outside the District boundaries and in the District SOI. The SWRCB-TA 7374-A notes the Median Household Income (MHI) as of May 14, 2026 was \$51,518.

Although the PPCWD does not retain any land use planning and entitlement authority as those functions are reserved the cities, and the county for unincorporated areas, generally any water district should reasonably anticipate and forecast future demands, and must be prepared to anticipate that water services may see increased demands proportionate with any future population growth that may occur within the District boundaries.

However, the District did report no growth is expected, and according to the 2005 MSR, the County Department of Health notified the District in 1989 no new service connections would be allowed due to past shortages of water.

ACCOUNTABILITY AND GOVERNANCE

Governance

The PPCWD is governed by a five-member Board of Directors (Board), elected at large to four-year staggered terms. The District website notes that the PPCWD Board meets on the first Sunday of each month at 9:00am at 63701 Vallecito, Mountain Center CA 92561 (holiday weekends the meeting moves to the second Sunday) in Pinyon. All meetings of the Board are required to be in accordance with the Brown Act, and the regulations contained therein, in particular with respect to tele/videoconference meetings. ***It should be noted that in the June 6, 2026 questionnaire resubmittal, the question regarding Governance Board meetings was answered as “not applicable”.***

The District failed to respond to several questions regarding the Board of Directors other than to state that it is all on the District website. Review of the website shows that this is not the case as follows:

The District did not initially respond to questions of Board Officers and the District website does not identify which Board members are currently holding any Officer positions. According to the recently provided information on June 6, 2026 questionnaire resubmittal, Board Officers are a President and Vice-President, and three Directors. Additionally, there are no

term expiration dates on the website and that information previously requested and not provided was subsequently provided in the June 6, 2026 questionnaire resubmittal. Lastly, the District did not respond initially to requested information regarding if any standing or ad-hoc committees were in place, or any information regarding the status of Board ethics training and Form 700 filings, nor is that information on the District website. ***In the June 6, 2026 questionnaire resubmittal, the question regarding standing or ad hoc committees and ethics training was answered as “not applicable”. The response did acknowledge that all Form 700s are current.***

<u>PPCWD Board of Directors</u>	<u>Term Expires</u>
Jeffrey Crowe	2028
David Pickard	2028
BJ Janelle	2027
Connie Mack	2027
Tamar Tweedie	2027

A recent vacancy was filled with the appointment of Tamar Tweedie to the Board. Additionally, the General Manager, who is certified by the SWRCB in the “Drinking Water Operator Certification Program” serves the role of Secretary.

As noted in this section information that was not initially provided or incorrectly reported, was somewhat provided in the June 6, 2026 submittal.

Website Transparency

The PPCWD website appears to be the primary vehicle for disseminating information to the District constituency, however is very basic and limited in content. The website provides District information such as address and phone numbers and the District email address, listing of Board members and the General Manager email addresses, and Board meeting schedule and location. Links are provided to the most current agenda, minutes of past meetings, the current District budget, the District Water Ordinance which includes current water service fees, the most recent audit documents, treasurer’s report, compensation information from the State Controller’s website which is always 2 years old, and the latest Annual Water Quality Report. However, that is all that is on the District website. There is no other information regarding District activities that may be relevant to the customers.

The 2022 & 2023 bi-annual audit and budget are available on the District website. However, no previous audits or budgets are maintained on the website for constituent review. An action was taken at the April 12, 2026 Board of Directors meeting according to the meeting minutes regarding the 2024 & 2025 audit, however it is unclear of the status since the minutes do not reflect the nature of the resolution that was adopted, and the agendas do not include copies of resolutions under consideration. These audits provide critical information for constituents to review past financial activities of the District.

Customer/Constituency Communication

As noted above, the PPCWD website has a District phone number listed, and Board and General Manager direct emails for contact and basic Board meeting and financial

information. However, there is nothing on the website regarding any other information concerning District activities that could be of interest to the District customers. ***The PPCWD did not respond to the initial request for information regarding communication and outreach to the customers, nor voter participation outreach in the governance process. In the June 6, 2026 questionnaire resubmittal, the question regarding communication and outreach to the customers and voter participation was answered as “not applicable”.***

Customer/Constituency Accountability

As noted above, the PPCWD does post the most current meeting agenda on the District website for Board meetings. However, no written staff reports or other documentation related to the agenda are posted, and no previous agendas are included on the website for the public to view past activities. Additionally, the agendas do not include an agenda item for taking non-agenda public comments which is contrary to the statutory requirements contained in Government Code section 54954.3

The minutes of the meetings are posted with several months maintained on the website, however, the minutes are very basic and do not provide enough information for a constituent to ascertain any discussion of an item. The minutes generally just list the item, the motion and second, and the vote. No mention of any discussion or dialogue on the subject matter. Additionally, the minutes do not reflect any public comments that may have been made at Board meetings.

A significant issue with regard to this clear transparency problem regarding public speakers is the November 3, 2024 Board meeting whereby a public speaker spoke on an issue of concern. However, the minutes of that meeting do not reflect any reference to any public speaker providing public comments at that meeting. This example raises serious concerns regarding transparency of the District to the public. (Please refer to the video link posted below under the FINANCIAL OVERVIEW section, subsection titled “*Capital Assets and Capital Improvement Program*”)

Additionally, the following YouTube link to the September 7, 2024 Board meeting provides another example of lack of transparency and an apparent hostility toward public comments. There was no mention of any public comments in the minutes of this Board meeting either.

[Sept 7th 2024 Board Meeting](#) (CTRL + Click to follow the link)

Agency-Wide Performance

In the initial questionnaire requests were made regarding District self-evaluation of operations, performance measures for determining service adequacy, long term objectives and forecast of service needs. The District failed to respond to any of the 6 specific questions except one regarding self-evaluation. That response was N/A.

The District confirmed in the June 6, 2026 questionnaire resubmittal that it does not perform any evaluations regarding performance, has no performance measures in place, and does not track workload. With respect to long-term objectives or goals, or forecast of service

needs, the only response in the June 6, 2026 is that these are performed in house, however no information provided as to any process utilized. Although this is a small water district with limited capacity, some sort of evaluation of services, operations and review of service needs should be performed periodically.

Four specific requests in the initial questionnaire for information regarding customer service and filing/resolution of complaints, process for handling complaints, and how many have been filed in the last two years. The District response was “Website”. However, there is no information regarding customer service or complaints on the District website.

Based on the lack of response, it is unclear as to what type of complaints, how often, and how complaints are resolved by the District. One can only assume that customers must directly contact the General Manager or the Board of Directors for filing a complaint, however, the District should have a general policy regarding complaint resolution.

Three specific requests for information on employee evaluations regarding are the performed, how often, who performs were responded to by the District as “N/A”.

The District has a total of 3 employees, inclusive of the General Manager. As there was no information regarding evaluations provided and the response was essentially “not applicable”, it can only be assumed that these evaluations most likely are not conducted.

In the June 6, 2026 questionnaire resubmittal, the customer complaint question was noted as contained in Ordinance #15, the District Rules and Regulations ordinance. However, review of the ordinance reveals no reference anywhere of filing or addressing complaints, nor any of the original questions regarding complaint resolution process. Additionally, in the questionnaire resubmittal, the questions regarding employee evaluations was that the District does not perform any.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

The PPCWD provides domestic water services to the community of Pinyon Pines. The water source is solely ground water from one District owned well located south of Pinyon Pines, approximately 2,000 feet above the community at the 6,200 foot elevation in the Santa Rosa Mountains. Domestic water is the only service provided by the District. The land surrounding the well is owned and maintained by the US Forestry Service and restricts activities that could contaminate the well.

Request was made of the PPCWD regarding services provided, type and address of fixed assets and facilities and information on other infrastructure/equipment owned and operated by the District, however the District only listed “water” as the District response. That was the same response in both the initial and the June 6, 2026 resubmittal questionnaires. Additionally the District was requested to address five specific questions regarding capacity for continued provision of services, potential growth, areas, potential for shared services and potential future growth (note the

extensive existing SOI). The District response to the group of questions was “no expansion”.

Facilities/Infrastructure & Required & Planned Improvements

The District did not respond to the initial request for information regarding facilities and infrastructure owned or maintained, and did not provide this information in the June 6, 2026 questionnaire resubmittal, however, the information below was obtained through various outside sources of information as noted below.

PPCWD is listed by the Riverside County Assessor property data as owning the property at 62011 Stonecrest, Mountain Center, CA 92561. This address is also listed on the minutes, Annual Water Quality Report, and other District documents and is presumed to be the office/business address of the District. It is unclear if any other facilities or equipment such as the well pump and support equipment is housed at that site.

PPCWDs list the property at 63701 Vallecito, Mountain Center CA 92561 for all Board meetings. The Riverside County Assessor property data list this property as owned by a current Board member. It is unclear if any equipment is located at this address.

PPCWD owns and maintains certain infrastructure inclusive of the water well, pump and other machinery, and the water piping conveyance system. As noted in the annual audit reports, Capital Assets consist of land which is not depreciated, and Utility Plant property essentially consisting of pumping and conveyance system infrastructure and equipment, which is depreciated.

The District did not respond to the information request regarding funding adequacy for long term maintenance or replacement of water conveyance infrastructure, and no reserve funding is noted in the audit information nor the currently available District budgets.

Given the responses from the District, and the current level of depreciation of the equipment and infrastructure noted in the audit reports, significant concerns exist with regard to the ability of the District to support any future needed long-term maintenance and infrastructure or equipment replacements or upgrades. This significant issue was also raised by a public constituent of the District at the November 3, 2024 Board meeting as noted in the following FINANCIAL OVERVIEW under “Capital Assets and Capital Improvement Plan” discussion.

There is no reference on the District website, and no information provided, regarding any plan for future infrastructure or equipment replacements when this becomes necessary.

However, a report provided by the 4th District County Supervisor office which is titled “Pinyon Pines Water District System Evaluation”, dated February 2025, and prepared by SUSP Engineering provides a detailed analysis of the existing infrastructure, noting significant issues regarding service pressure deficiencies and in particular, fire flow capacity and pressure issues. The report provides recommendations for improvements necessary for resolving the deficient and aging infrastructure. Additionally, the June 6, 2026 submittal of the SWRCB-TA 7374-A notes the process

for planning only for future repairs and upgrades, although no funding has been noted as being allocated.

These very detailed and most recent documents regarding significant issues with the service capability and infrastructure and potential costs associated with corrective requirements are significantly relevant to assessing service capability. Further discussion follows in the related discussions in the “FINANCIAL OVERVIEW” section. Again, as with the SUSP report, these documents were withheld by the District initially from submittal to LAFCO for what purpose, and is very troubling.

Service Adequacy

The PPCWD currently appears to maintain barely sufficient capacity to provide the sole domestic water service to the current connections. However, as noted in the SWRCB-TA 7306-A and SWRCB-TA 7374-A documents, and as documented by resident complaints, fire flow and pressure issues are significant problems. The District does reflect in Board meeting minutes the level of the tanks that feed from the well, and the flow rate. Due to restrictions placed on the District by the County in 1989 (discussed below) which have not been rescinded, there appears to be no capacity for any increase in service demands which severely restricts the ability to balance revenues and costs without significant rate increases over time.

Additionally, in the District’s Ordinance #15 mandates that no swimming or other pools, and lawn sprinkler or other irrigation systems shall be connected to the District water system. Therefore, the property owners would be required to have their own wells or other sources of water for these purposes.

Service disruption due to any drought related events or major infrastructure failure will likely have a significant impact on providing water to the community. Additionally, PPCWD has no reserves set aside for long-term infrastructure and equipment replacement/maintenance or available in the event of a major failure of any portion of the water conveyance system.

The 2019 MSR does reference a District Master Plan updated in 2018 which established District goals and objectives, however this Master Plan is not on the District website nor was it provided by the District as one of the various documents requested.

The District submits the required Annual Water Quality Report, with the most recent report for 2025. This report reflects the status of any contaminants within the water system as measured against set standards. The latest report reflects no violations of standard thresholds.

In January 2023, the Riverside County Department of Environmental Health (RCDEH) issued Compliance Order No. 05_63_23R_002 “Minimum Pressure and Permit Conditions Violations for 2022” outlining non-compliance with various state statutes and regulations regarding water pressures and deteriorating infrastructure. A requirement to provide a corrective action plan by April of 2023 and a requirement to be in compliance by January 2026 was included. A compliance plan was finally completed in December of 2025 by GHD Inc., and includes a schedule of October of 2028 to finally come into compliance pending

funding availability. The District is engaged with the Safe and Affordable Funding for Equity and Resilience (SAFER) program and the Financial Assistance Application Submittal Tool (FAAST) sponsored by the State Water Resources Control Board (SWRCB).

Lastly, staff has been made aware of complaints of water pressure issues and infrastructure concerns being made publicly and to the 4th District Supervisor office which accentuates concerns regarding adequacy of providing adequate services to the existing customers.

Cooperative Programs- Local and Regional/Joint Powers Authorities/Other

PPCWD reported that the District does not contract for any services, nor does the District contract out services to other agencies. The District further reported to questions of participation in any cooperative programs or regional planning programs as “not applicable” and “none”.

The District reported in the initial response to the questionnaire, no membership with any joint powers authorities (JPA), however per the audit documents, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority for general liability, workers compensation and property insurance. ***This failure to acknowledge membership in these critical JPAs is quite inexplicable. In the June 6, 2026 questionnaire resubmittal the District did list the two JPAs as well as NV5 which is not a JPA. NV5 is referenced in the SWRCB-TA 7374-A and appears to be an engineering consulting firm that would perform engineering and financial analysis of a potential consolidation with a mutual water company discussed later in the MSR.***

FINANCIAL OVERVIEW

It should be noted that almost all of the financial information and discussion throughout this Financial Overview section of this MSR report was derived from the most recent District audit reports available and the current District budget. However, some information requested from the District was either incorrectly represented by the District as on the District website, or was simply not provided. Specifics of this are discussed in the relevant discussions within this section.

PPCWD operates as an “enterprise fund” meaning cost of services provided are recovered by user fees or assessments for those obtaining services.

The PPCWD conducts an independent audit bi-annually. The most recent previous audits for Fiscal Year Ending (FYE) 2022 and 2023 are the only audit information provided and is on the District website. It is unknown when the next bi-annual audit for FYE 2024 and 2025 will be available. The most recent audit for FYE 2022 and 2023 reflects an “unmodified” opinion as noted:

“In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the District as of June 30, 2023 and 2022, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.”

The financial performance of the PPCWD as a whole is reflected in its most recent available audit for FYE June 30, 2023. The audit notes completion of FY 22/23 with its total Enterprise Fund an overall operating surplus of \$15,254. Total Net Position of \$37,728. Cash and cash equivalents held as of June 30, 2023 was \$23,392 per the audit. The most recent District Treasurer's report for April 2026 reflects a checking account balance of approximately \$15,680. There is no reference to any other accounts held, if any. The District has no debt nor long-term obligations, and does not have any pension or OPEB obligations.

The primary revenue sources for the District are derived from user fees and charges in the form of Metered Water Sales. Additionally Standby Assessments are special assessments collected through the property tax system. According to the FY 22/23 audit data, the Metered Water Sales Fees accounted for 92.4 per-cent of revenues while the Standby Assessments and revenue accounted for the balance. For FY 22/23 total revenues as reported by the audit were \$69,867.

Operational expenditures for FY 22/23 per the audit were administrative and general costs inclusive of staffing representing 94.5 per-cent of overall expenditures, and water supply/treatment costs comprising the balance. For FY 22/23, total expenditures as reported by the audit were \$54,613.

However, of significant concern are the current budgets available on the District website for FY 24/25 and FY 25/26. These budgets reflect significant deficit spending over the two budget years which significantly draws down the fund balance for the District. Additionally, fees for water service have been increased since the 2019 MSR as the current Water Ordinance #15 specifies the higher fees. As previously noted, the status of the public hearing held on June 7, 2026 for the \$30 per parcel standby charge assessment is unknown if it was adopted.

As noted in the annual audit reports, as of June 30, 2023 the PPCWD had \$1,800 in non-depreciable capital assets, and \$195,497 of depreciable assets with a current net valuation of \$4,026. Capital Assets consist of land which is not depreciated, and Utility Plant property essentially consisting of pumping and conveyance system infrastructure and equipment, which is depreciated.

Request was made regarding a Capital Improvement Plan (CIP) for future upgrades or replacement of infrastructure and/or equipment. The District responded "website" however there is no information on the District website regarding a CIP. Additionally, a request was made regarding sufficient funding levels for future upgrades and any financial challenges of providing services if funding is insufficient. The District response was "not applicable".

Given the responses from the District, and the current level of depreciation of the equipment and infrastructure, significant concerns are raised with regard to the ability of the District to support any future required long-term maintenance and infrastructure or equipment replacements or upgrades, and no reserve funding is noted in the audit information nor the currently available District budgets. This significant issue was also raised by a public constituent of the District at the November 3, 2024 Board meeting as noted previously.

As noted previous, the District is attempting to obtain state funding for infrastructure upgrades due to the current non-compliance order from the RCDEH however to date, no apparent funding has been made available for actual necessary infrastructure upgrades.

The District did not respond to the initial request for information regarding any activities related to gaining efficiencies other than this statement- “we would like not to have to pay LAFCO fees”. This District position is also included in the FY 21/22-22/23 bi-annual audit Management’s Discussion and Analysis section.

It should be noted that Government Code section 56381 requires all public agencies in each county (county, cities, independent special districts) contribute a proportionate share of funding for LAFCO activities not covered by LAFCO proposal application and other fees. This annual allocation is developed and collected by the Riverside County Auditor-Controller. The Auditor-Controller is allowed to charge and administrative fee that they retain for this process.

For small Districts such as PPCWD that meet certain LAFCO policy criteria, LAFCO only collects the LAFCO fee, and then pays all or a portion of the Auditor-Controller administrative costs on behalf of the District. For the FY 25/26 period PPCWD paid a total of \$13.55 in LAFCO fee and \$13.55 in the Auditor Controller Fee for a total of \$27.10. LAFCO paid \$181.07 for the balance of the District’s Auditor-Controller administrative fees.

The District did eventually note in the June 6, 2026 questionnaire resubmittal reliance on technical assistance from NV5, always pursuing additional revenue streams, however did not describe further, and the District acknowledged insufficient resources for maintaining infrastructure and facilities.

Overall, the financial position of the PPCWD is considered barely stable from an operational standpoint, however with very minimal cash available to offset any short-term funding reductions. Additionally, as noted in this section, and in the Services-Facilities-Infrastructure section above, there is no Capital Asset replacement or long-term infrastructure maintenance reserve funding available in the event of a major failure of any portion of the water conveyance system.

The District recently held on June 7, 2026 a public hearing to vote on implementation of a Water Standby assessment fer FY 2026/27 in the amount of \$30 per parcel with some caveats based on size of parcel. As of publication of this draft MSR, no information has been received on the Board action of approval or denial.

Table 1-2 on the following page provides a snapshot of key financial data from the most recent fiscal years audited financial statement information is available. An analysis of the data related to several key financial status and financial health indicators also follows on the next page.

Table 1-2- Financial Information – Pinyon Pines County Water District

Financial Information (Audited Financial Statements)			
	FY 21/22	FY 22/23	FY 23/24
Enterprise Fund Revenues/Transfers	\$60,527	\$69,867	N/A
Enterprise Fund Expenditures/Transfers	\$66,083	\$54,613	N/A
Enterprise Fund Surplus/(Deficit)	(\$5,556)	\$15,254	N/A
Capital Outlay	None	None	N/A
Debt Service Expenditures	None	None	N/A
Long-term Liabilities	None	None	N/A
Unrestricted Fund Balance (Net Position)	\$18,448	\$33,950	N/A
Restricted Fund Balance (Net Position)	None	None	N/A
Capital Assets	\$4,026	\$3,778	N/A
Unfunded Pension Liability	None	None	N/A
Unfunded OPEB Liability	None	None	N/A
Net Position	\$22,474	\$37,728	N/A
<p>Note- FY 23/24 audited financial statements are not yet available until the District releases the next bi-annual audit which includes FY 24/25.</p> <p>Note- Capital Assets is comprised of land which is not subject to depreciation.</p> <p>Note- PPCWD incurs no Pension nor OPEB liabilities.</p>			

There are nine primary areas of criteria that have been utilized for this report to assess the present and future financial condition of any special district's ability to provide efficient service operations and are discussed following:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time.

As only two audited fiscal years information is available, it is difficult to draw a conclusion of revenue trends. However when viewed with the FY 24/25 and FY 25/26 budgets, revenues appear to remain fairly consistent. The Enterprise Fund revenues are completely dependent on customer charges for water services and standby charge assessments for funding the services provided. The information available indicates the District does not receive revenues from other sources.

However, the FY 24/25 and FY 25/26 budgets reflect deficit spending when coupled with flat line revenues which purports a negative cash flow trend. Given the small level of retained revenue overall, any downward cash flow trend, coupled with no reasonable amount of cash reserve, could severely impact the District's ability to provide adequate maintenance and necessary major infrastructure refurbishments when required. Passage of the proposed \$30 per parcel assessment will increase available cash, however it is uncertain as to what level it will stabilize cash flow given the seriousness of the infrastructure issues previously addressed.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

88.7% and 92.4% for FY 21/22 and FY 22/23 as per the audit for those fiscal years, and 89.6% for both FY 24/25 and FY 25/26 budgeted respectively of the total PPCWD revenues are derived from charges for metered water services. Remaining revenues are derived from Standby Assessments.

There is virtually no opportunity for diversification of revenues as the District's funding is primarily charges for service and assessments for providing water only and no other services. The only avenues for future major infrastructure and equipment replacement/refurbishment are moving forward with a ballot measure for a significant special assessment to raise the revenues to establish an infrastructure maintenance reserve, raising the water fees for service to balance the operational budget, and seeking significant grants for the infrastructure reserve.

The District did not respond to initial requests for information related to additional funding sources to maintain services and infrastructure. However, the June 6, 2026 questionnaire resubmittal did include documents attempting to seek state grant funding for infrastructure improvements.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain.

The PPCWD retained an Unrestricted Net Position Fund Balance at the end of FY 22/23 of \$33,950 which equates to a 62.2 percent ratio to total expenditures of \$54,613. This does represent a significant positive ratio of fund to annual expenditures. However, as noted above, budgeted deficit pending coupled with a small overall cash fund balance available will dramatically reduce that ratio to unacceptable ratios quickly if the budgets remain out of balance.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio.

The PPCWD has no bond or secured debt. Therefore, there is no ratio to assess, which in turn is considered a positive aspect to overall financial stability. Additionally, the District does not retain any long-term liabilities. However, lacking any reserve for funding potential infrastructure major maintenance may necessitate future debt service requirements if the need arises.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

PPCWD's FY 22/23 ending overall net position was calculated by the auditors at \$37,728 with \$33,950 as unrestricted fund balance. As compared to annual revenues and expenditures, this overall net position is relatively good.

However, given the issues previously raised with budgeted deficit spending and lack of any substantial reserve funding for capital infrastructure major maintenance requirements that will eventually be required, this net position would be considered inadequate due to no reserve funding has been generated or maintained for these future inevitable requirements.

Pension and OPEB Unfunded Liabilities

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many public agencies in California today. When reporting required under Government Accounting Standards Board (GASB) Statement #68 was implemented, many public agencies were awakened by the reality of the long-term unfunded liability aspect of their respective pension and OPEB obligations.

The PPCWD has no unfunded pension or OPEB liabilities. The District does not provide retirement or post-employment benefits.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital

investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

As noted in the annual audit reports, as of June 30, 2023 the PPCWD had \$1,800 in non-depreciable capital assets, and \$195,497 of depreciable assets with a current net valuation of \$4,026. Capital Assets consist of land which is not depreciated, and Utility Plant property essentially consisting of pumping and conveyance system infrastructure and equipment, which is depreciated.

Request was made regarding a Capital Improvement Plan (CIP) for future upgrades or replacement of infrastructure and/or equipment. The District responded “website” however there is no information on the District website regarding a CIP. Additionally, a request was made regarding sufficient funding levels for future upgrades and any financial challenges of providing services if funding is insufficient. The District response was “not applicable”.

Documents were received from the 4th District Supervisor office that provided significant information regarding infrastructure funding requirements to upgrade and repair the aging infrastructure, and the June 6, 2026 questionnaire resubmittal included additional documentation confirming such potential costs.

As noted above, certain documents that the District possessed and relevant to the initial requests made were withheld from LAFCO. It is unclear to what purpose the District withheld these documents. These documents do confirm the potential multi-million dollar costs to appropriately upgrade the degraded and severely aging infrastructure. The District does not appear to be very forthcoming concerning acknowledging the infrastructure issues to the detriment of the property owners/customers in the District.

Given the responses from the District, and the current level of depreciation of the equipment and infrastructure, significant concerns are raised with regard to the ability of the District to support any future needed long-term maintenance and infrastructure or equipment replacements or upgrades. This significant issue was also raised by a public constituent of the District at the November 3, 2024 Board meeting as note in this YouTube link below.

[Pinyon Board Meeting Nov 3 2024](#) (CTRL + Click to follow the link)

Fee Structure for Services Provided

Most public agencies charge fees for various direct benefit services provided. Fees are required to reflect the general overall cost of a specific service provided to individual constituents.

The PPCWD charges fees for metered water services which comprises approximately 89-94% of the District total revenue.

The PPCWD did not provide any information or current fee schedule although requested. The District responded that this information is on the District website,

however there is no direct link to the fee schedule. The current fee schedule was located buried in Ordinance #15, Rules and Regulations for the Pinyon Pines County Water District.

Per the current District Ordinance #15 on the District website, base and metered water service rates are shown below, and are based on a single family home. It is unknown when the last rate increase was implemented.

<u>Tier</u>	<u>Consumption (CF)</u>	<u>Rate</u>
Base	0 - 500	\$55.00
Tier 1	501 - 800	\$0.02 per cu. ft.
Tier 2	800 - 1,000	\$0.30 per cu. ft.
Tier 3	1,000 - above	\$0.60 per cu. ft.

Cost Avoidance Programs

Cost Avoidance programs can take many shapes in an agency depending on the services the agency provides. However, having in place these programs and focusing on implementing and maintaining the programs will enhance the financial position of the agency in the long term.

The PPCWD did not respond to this request, and there is no documentation available on the District website addressing any activities related to cost avoidance. The District response on the June 6, 2026 questionnaire resubmittal was “Not Applicable”.

Opportunities for Improvement

The PPCWD did not respond to the initial request, and there is no documentation available on the District website addressing any activities related to opportunities for improvement. The District response on the June 6, 2026 questionnaire resubmittal was “Questionable”, with no explanation.

Based on the above, it can only be concluded that the District does not engage in any cost avoidance or improvement initiatives.

DISADVANTAGED UNINCORPORATED COMMUNITIES (DUCs)

There are no DUCs within, nor adjacent to, the PPCWD jurisdictional boundaries.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

The most recent two MSRs for the PPCWD were conducted in 2005 and 2019. Issues related in each MSR are as follows:

- Both MSRs referenced water supply issues have curtailed any future growth within the District, with no plans in place to increase water supply to support. **This status remains unchanged.**

- The 2019 MSR noted issues regarding deficit spending and utilization of fund balance to balance the budget. **This status remains unchanged based on the FY 24/25 and FY 25/26 budget documents.**
- The 2019 MSR notes that a CIP was in place for the period of 2010-2018, however no improvements were made and no future projects planned due to lack of funds. **This status remains unchanged, and the District did not provide a copy of any recent CIP if it exists.**

GOVERNMENT STRUCTURE ALTERNATIVES

There are no internal government structure alternatives that are considered applicable for this District due to the unique and limited services the District provides. The District currently provides services intended, however has significant infrastructure issues preventing adequate services and lack of any reserve funding.

An alternative government structure would be the consolidation of the PPCWD with the Desert Water Agency and dissolution of PPCWD which is discussed in the Sphere of Influence Analysis section following the below MSR Recommended Determinations.

However, as an immediate issue, it is apparent that transparency is a significant issue with the District and should be addressed by the current governing Board of Directors.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) Growth and Population Projections

- PPCWD was reported to serve an estimated population of approximately 232 over a geographical area of approximately 320 acres.
- PPCWD currently services 80 residential connections, Riverside County Fire Station #30 and the Pinyon Flats and Ribbonwood Equestrian Campgrounds, with no current plans to increase service connections.
- PPCWD's current service area most likely has some potential for growth, however current water capacity issues have stymied any future growth. This situation constricts the ability for property owners to construct Accessory Dwelling Units (ADUs) on owned properties to a large extent.
- Although PPCWD does not retain any land use planning and entitlement authority as those functions are reserved for the cities, and the county for unincorporated

areas, the District must anticipate and forecast future demands and plan accordingly.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the District's SOI.*

- There are no Disadvantaged Unincorporated Communities within or adjacent to the PPCWD boundaries and SOI.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities*

- PPCWD maintains barely sufficient water capacity for servicing existing customer connections, however, is restricted in accommodating future connections due to water capacity.
- According to the County Assessor property tax records, PPCWD owns the property at 62011 Stonecrest, Mountain Center, CA 92561 which contains physical structures and is listed as the business address for the District on documents on the District website.
- PPCWD owns and maintains certain infrastructure inclusive of the water well, pump and other machinery, and the water piping conveyance system. As noted in the annual audit reports, Capital Assets consist of land, and Utility Plant property consisting of pumping and conveyance system infrastructure and equipment.
- Service disruption due to any drought related events or major infrastructure failure will likely have a significant impact on providing water to the community.
- PPCWD failed to provide information as requested regarding adequacy of existing services. Services appear to be marginally adequate at this time with the exception of system pressure and fire flow issues. Significant issues exist regarding system pressures and fire flow minimum requirements.
- The District has been under a non-compliance order from the Riverside County Department of Environmental Health since January 2023 due to violations of regulatory state statutes and regulations and conditions within the District and permit conditions.
- There are no Disadvantaged Unincorporated Communities within or adjacent to the District.

4) *Financial Ability of the District to Provide Services*

- Overall, the financial position of PPCWD is considered very marginally stable from an operational standpoint, however with critically minimal cash reserves to offset any short-term funding reductions.
- PPCWD budgets for FY 24/25 and FY 25/26 reflect significant deficit spending which if not mitigated will significantly reduce the already limited fund balance available.
- PPCWD has no reserves set aside for long-term infrastructure and equipment replacement/maintenance or available in the event of a major failure of any portion of the water conveyance system.
- PPCWD's primary revenue source for operations and maintenance is through water service fees. It is unknown when fees were last raised.
- PPCWD does not receive any property tax for covering administrative and operational functions. The District does receive a limited amount of special assessment tax revenue in the form of Standby Charges.
- PPCWD has no debt nor long-term obligations, nor any pension or OPEB obligations.

5) *Status of, Opportunities for Shared Facilities*

- There is no foreseeable opportunity for shared facilities as the District provides only water services to a small number of connections.
- The District facilities would not be suitable for sharing with other agencies
- The District appears to utilize a residential property for Board meetings based on the address for these activities as identified by the Riverside County Assessor parcel information.

6) *Accountability for Community Service Needs, Including Governmental Structure, and Operational Efficiencies.*

- The PPCWD is governed by a five-member Board of Directors elected to four-year staggered terms.
- The PPCWD retains a very small part-time staff to provide water services to the community.
- The PPCWD website provides very minimal information related to water services, financial information, and for Board and administrative activities.

- Only the current meeting agendas are posted on the District website, with no written staff reports attached. No previous meeting agendas are posted on the website. Additionally, there is no item on the agenda for public comments.
- Meeting minutes are posted on the District website and include many past meetings. However, the minutes are very basic, and do not provide any discussion information, just the vote taken.
- There is direct email contact information listed on the district website for Board members and the District General Manager.
- The website includes current budget information and one past bi-annual audit which are critical financial accountability documents. However, there are no historical previous copies of these documents on the website for easy access by the public.
- The website does include the most recent (2023) staff compensation page from the state compensation reporting website.

7) *Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.*

- Based on information made available to LAFCO concerning customer complaints, documented written complaints, and the previously mentioned videos of two past Board meetings, concerns exist with service adequacy, ability to respond to a major infrastructure disruption as reserve funding is non-existent, and budgeted deficit spending. Additionally, the outstanding and overdue non-compliance order from the RCDEH relating to water pressure and fire flow issues is a significant concern.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

PPCWD's SOI is primarily coterminous with its current overall jurisdictional boundary, with an SOI that is situated covering a large area south of the District's southern boundary.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. Barring a significant reason otherwise, the current overall SOI outside the District's jurisdictional boundaries should be considered for amendment to be eliminated, and the SOI set as coterminous with the current District boundaries. This would also necessitate establishing permanent Extra-Territorial Service Extensions to the two campgrounds and the County fire station within the current SOI.

Additionally, it has been determined that the entirety of the PPCWD and the District SOI are fully within the Desert Water Agency's (DWA) SOI. The PPCWD should be encouraged to

consult with the DWA for potential consolidation and dissolution as the DWA has greater capability to provide appropriate management and infrastructure funding for the current and potentially future ratepayers/customers. The District should be encouraged to consult with the DWA for potential consolidation and dissolution as an appropriate remedy to the management and infrastructure issues currently occurring within the PPCWD.

Lastly, contained within the SWRCB-TAs 7306-A and 7374-A is a reference to studying an alternative to consolidate with the Alpine Village Water Company (AVWC), a mutual water company serving the Alpine Village area with 60 residential connections. Although this mutual water company might have some capacity, the SWRCB-TA 7306-A notes that the AVWC has storage capacity to support just the current connections to existing customers. It is unclear if a proposed "consolidation" would entail a PPCWD dissolution under a consolidation into the AVWC, or just a connection to the AVWC system as a potential Extra-Territorial Service extension.

The preliminary costs for either option to connect into the AVWC system and meet all capacity and fire flow requirements which is estimated in the SWRCB-TA 7306-A document at over \$26,000,000. The SWRCB-TA 7306-A also indicates that the AVWC system and associate water source wells have at times experienced various contaminants exceeding regulatory limits. The concern noted is potential corrosive activity further damaging the PPCWD existing aging infrastructure. Consolidation into DWA has been discounted as not feasible, and was not studied as an alternative, however, no clear justification was provided other than location of infrastructure.

SWRCB-TA 7374-A includes an analysis to be developed for consolidation of PPCWD with AVWC, and discusses LAFCO involvement after a preliminary feasibility is completed. It is also noted that the SWRCB has never contacted LAFCO concerning the processes required to even consolidate or provide an Extra-Territorial Service Agreement. This contact should have occurred already so there is a full understanding of just exactly what the analysis is contemplating and any LAFCO related items are properly included and addressed up front.

Staff has concluded based on the above issues cited in both SWRCB-TAs, that consolidation or an Extra-Territorial Service Extension with AVWC is not a viable alternative.

The following SOI Options are based on the restrictions on any ability to assume any further service expansion due to the lack of sufficient water supply to provide expanded services. ***The District did not respond to the request for any adjustment to the current SOI.***

Sphere of Influence Options

Three Options are identified with respect to the PPCWD's SOI.

Option #1: Maintain the PPCWD SOI as primarily coterminous with the current jurisdictional boundaries, and with the area south of the District boundary with no changes.

Option #2: Amend the PPCWD SOI to eliminate the area south of the District boundary and establish the SOI as coterminous to the current District boundary. This would also entail

designating the three locations in the current SOI as permanent Extra-Territorial Service extensions of water services from the District.

Option #3: Implement Option #2, and encourage PPCWD to consult with DWA for potential consolidation and dissolution.

STAFF RECOMMENDATION: Staff recommends adoption of Option Three as appropriate based on the SOI Analysis previously discussed.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

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

- The PPCWD is not an authorized land use planning authority. The cities and the County of Riverside for unincorporated areas are responsible for land use planning within their respective jurisdictions.
- Current land use and zoning within the PPCWD service boundaries is primarily rural and open space.
- It is unlikely future land use decisions will reflect anything other than the current land uses already existing.

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

- Current services are considered barely adequate to support the current connections. Significant issues regarding low pressure and fire flow within the water system requires significant improvement.
- Long term, PPCWD does not have sufficient capacity to support future growth.
- Any expansion of water services will require sufficient water resources to support growth, and sufficient revenues to support the cost of any service expansion.
- Service disruption due to any drought related events or major infrastructure failure will likely have a significant impact on providing water to the community.

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

- Limited capacity of the PPCWD infrastructure exists to support providing adequate water services to the current connections.

- Significant issues regarding system pressure and fire flow have been ongoing and continue to persist.
 - Long term, the District does not have sufficient capacity to support any future growth or expansion of water services.
 - Lack of reserve funding for future infrastructure major repairs that will eventually become necessary may create significant water shortage issues for the community served.
- 4) ***The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.***
- The community within the PPCWD is a community of interest in that it is very small and in a very rural area. However, there is no indication of any socio-economic issues related to the area .
- 5) ***For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.***
- There are no disadvantaged unincorporated communities within or adjacent to the PPCWD boundaries.

OBSERVATIONS & RECOMMENDATIONS

The following observations and recommendations are provided for consideration by the Commission:

Observations:

The District has clearly demonstrated a general lack of responsiveness to a state mandated MSR/SOI Update process and has violated several statutes related to an agency's responsibility for providing information for these reports. As previously noted, these statutes from the Government Code are section 56425 (*covering SOI Updates*) & section 56430 (*covering MSRs*).

Specific statutes related to requirements of agencies to provide information to LAFCO regarding studies are:

56378. (a) *In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may request land use information, studies, joint powers agreements, and plans of cities, counties, districts, including school*

districts, community college districts, joint powers agencies and joint powers authorities, regional agencies and state agencies and departments. Cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies, and state agencies and departments, shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person. In making these studies, the commission may cooperate with the county planning commissions.

56386. (a) *The officers and employees of a city, county, or special district, including any local agency, school district, community college district, and any regional agency, or state agency or department, as may be necessary, and employees of a city, county, or special district, including any local agency, school district, community or any other public agency shall furnish the executive officer with any records or information in their possession which may be necessary to assist the commission and the executive officer in their duties, including, but not limited to, the preparation of reports pursuant to Sections 56665 and 56800.*

The lack of any type of effort in responding to the questions seeking current information for the MSR report is unparalleled in any history regarding MSRs for all of the other independent special districts and all of the cities in the County of Riverside. One can only conclude that if this is the approach by the District to managing a statutory obligation to a state mandated oversight Commission, what type of management of the District is being performed?

The PPCWD response to the initial questionnaire regarding opportunities for efficiency improvements was met with “we would like to not have to pay LAFCO.” The tone of this response clearly demonstrates the District’s adversity to being periodically reviewed by an independent outside agency with statutory oversight authority as required by state statutes, and LAFCO’s responsibilities in carrying out that statutory requirement.

It should be noted that Government Code section 56381 requires all public agencies in each county (county, cities, independent special districts) contribute a proportionate share of funding for LAFCO activities not covered by LAFCO proposal application and other fees. This annual allocation is developed and collected by the /county Auditor-Controller. The Auditor-Controller is allowed to charge and administrative fee that they retain for this process.

For small Districts such as PPCWD that meet certain LAFCO policy criteria, LAFCO only collects the LAFCO fee, and then pays all or a portion of the Auditor-Controller administrative costs on behalf of the District. For the FY 25/26 period, PPCWD paid a total of \$13.55 in LAFCO fee and \$13.55 in the pro-rated Auditor Controller Fee for a total of \$27.10. LAFCO paid \$181.07 for the balance of the District’s Auditor-Controller administrative fees on behalf of PPCWD.

It is inconceivable why the District has such a tone toward a \$13.55 payment to LAFCO (\$27.10 with the pro-rated Auditor Controller administrative fee) from their budget as mandated by state statutes. The lack of transparency and apparent hostility by the District toward a statutorily required review by an oversight agency designated by state statutes is very troubling.

Lastly, it is also very troubling that the District clearly withheld documents relevant to the issues related to infrastructure degradation and more importantly system pressure and fire flow capacity problems that have been an ongoing issue. This should be considered a flagrant violation of the public's trust in the District.

With regard to the issue of non-responsiveness to the initial LAFCO questionnaire, requiring the 4th District Supervisor office to intervene due to numerous complaints received regarding the District to receive any supplemental information, it begs the question. Why was the late information purposely withheld and not provided initially? Clearly this is an issue that should be of deep concern.

Recommendation:

The Commission might consider strongly urging the District Board of Directors to review its approach to ensuring compliance with the statutory obligations of the District with regard to the statutes noted above for future inquiries from LAFCO.

Additionally, the District Board of Directors should be encouraged to consult with the Desert Water Agency for potential consolidation and dissolution in order to provide appropriate level of management oversight and transparency for the current ratepayers/customers, and to better address the current infrastructure issues impacting appropriate service levels.