

# **QUAIL VALLEY WATER DISTRICT**

## **A Vast Canyon with Little Water**

### **PREFACE:**

There is a small water district in the hills east of Tehachapi that serves only 58 connections. The Quail Valley Water District (District) covers 22 square miles with 700 parcels, and has one of the most expensive water rates in Kern County. This may not be due to the cost of producing water, but rather the cost to distribute water through miles of pipelines to such a small number of residents.

### **PURPOSE OF INQUIRY:**

The 2016-2017 Kern County Grand Jury (Grand Jury) Special Districts Committee (Committee) received a complaint and conducted an investigation into the operation and management of the Quail Valley Water District pursuant to Penal Code §§925 and 933.5.

### **PROCESS:**

The Committee reviewed the District website, inspected the District, and interviewed the District Manager (DM) and District Secretary at the Quail Valley Water District Office, 24750 Sand Canyon Road, Tehachapi, California 93561. The Committee performed internet searches on California Government Codes, California Water Codes, and reviewed the District's financial statements and past minutes.

### **BACKGROUND AND FACTS:**

The Quail Valley Water District was formed November 16, 1966, under California Water Code §29532. The District encompasses an area of 22 square miles located northeast of the City of Tehachapi, in the Sand Canyon area of Kern County. The District was formed to obtain, develop, and deliver domestic water within their boundaries. The District is governed by a five member elected Board of Directors comprised of landowners within the District. Board Members are elected to a four year term.

- A. On January 10, 2016, the District Board adopted RESOLUTION NO. 01—2016, accepting the donation of Lot 30 of Tract 3312 from a local resident.
- B. California Water Code 31000, et seq.:
  - Section 31040, "A district may take any property necessary to carry out the business of the district by grant, purchase, gift, devise, condemnation, or lease with or without the privilege of purchase."

- Section 31041, “A district may hold, use, enjoy, lease or dispose of property within or without the district necessary to the full exercise of its powers.”
  - Section 31045, “A district may, on terms and conditions agreed upon by the board of directors of the municipal water district formed pursuant to the Municipal Water District Act of 1911:”
    - “(a) Transfer, sell, lease, or convey to the municipal water district any works, land, or structures within any improvement district formed pursuant to any of the provisions of this division.”
- C. Within the boundaries of the District; private wells and Pinon Valley Water Company also supply water for a small number of residents.
- D. The District supplies potable water with no fire hydrants. All new private wells must be permitted and approved by the District.
- E. Within the District boundaries, the District owns Lot 197 of Tract 3312, comprised of five acres. This is the site for the Mountain Valley Water System which has five connections, including three active connections in the Mountain Valley Home Owners Association (HOA). This system is a small tank that is not connected to the Quail Valley East or West Water Systems. The District pays the HOA a \$120 association fee per year.

## FINDINGS:

- F1. On September 24, 2016, the District Board adopted RESOLUTION NO. 05-2016, declaring Lot 30 of Tract 3312 as surplus, while simultaneously authorizing the sale of the same property.
- a. **“NOW, THEREFORE, BE IT RESOLVED AND ORDERED,** The Board of Directors of Quail Valley Water District declares Lot 30 of Tract 3312, unincorporated area of Kern County, California, to be surplus property of Quail Valley Water District; and **FURTHER,** accepts the offer of [name deleted] to purchase Lot 30 of Tract 3312 for the sum of \$2,500.00.”
  - b. “Vote was, AYES: five, NOES: None”
- F2. The District Manager bought lot 30 to qualify to run for election to the Board of the Mountain Valley Home Owners Association.
- F3. The District Manager uses personal finances and equipment to subsidize the District’s financial situation. The DM loaned the District \$10,000, which was repaid in January of 2017. The DM sold a 1985 Ford C700 truck to District for \$500, with an option to repurchase at the same price. The District employees use the DM’s tools and equipment for repairing the District’s water system.

The DM uses a personal vehicle for meter reading, inspections, and other District travel, and requests mileage reimbursement.

- F4. There are currently 58 active water metered connections within the District.
- F5. The District employs a full-time District Manager, a half-time District Secretary, and a part-time field employee.
- F6. District Board meetings are held on the last Saturday of the month, with no scheduled meetings in November and December due to the holidays. Board Members are not compensated for meetings. The flag salute is not a part of the meeting.
- F7. The meters are read manually once a month. The District offers monthly invoices by email, and also accepts payments by credit card through the use of QuickBooks.
- F8. The District has not yet considered forming a Strategic Plan for its Sustainable Groundwater Management (SGM) Program.
- F9. The District has entered into an agreement with the "*California State Water Resources Control Board under the provisions of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006*, under Public Resources Code, §75022," for a \$5.8 million grant, (reimbursement on approval) to meet the State Water Quality Standards. Eight miles of new pipe will be added to the East and West Water System connections, and a water treatment plant will be added to remove iron and manganese from the water. The project will also allow three wells to exceed the State Water Standards for arsenic, fluoride and antimony to be placed in stand-by service mode. To date, approximately \$600,000 of the \$5.8 million grant has been spent. The District has a \$1 million line of credit to pay the construction costs while waiting for reimbursement. The contract for the Grant was executed on December 8, 2015, for a term of three years. Phases 2, 3, and 4 have yet to go to bid. The engineering firm is working on the final design and bid documents.
- F10. The Grant requires the District to have an annual year-end audit at a cost of \$5,500 per year.
- F11. The District Board Policies and Procedures are still under review for modifications. These policies have not been adopted by the Board.
- F12. On November 21, 2016, the Board received the *Basic Financial Statements and Supplementary Information, Year Ended June 30, 2016*, from their Certified Public Accountant. To date, neither the District Board, nor the DM, or the Kern County Auditor-Controller-County Clerk has addressed the

Management Discussion and Analysis, or the Notes to Financial Statements of the financial report.

- F13. On the date of the Grand Jury inspection, the connection fee for water service was \$6,500. Starting April 1, 2017, the connection fee will return to the former rate of \$9,500, of which \$7,000 is allocated to the Capital Investment Fund for the District.
- F14. The Total Revenue for 2016 was \$113,052, a decrease of \$18,839 from the prior year (down 14.3%).
- F15. The current water rate for a 5/8 X 3/4 inch metered connection is \$77.60 per month and \$4.99 per 100 cubic-feet (748 gallons). Compared to other water districts, this rate is one of highest for Kern County (See Appendix A).

### **COMMENTS:**

The Committee thanks the District Manager and District Secretary for their assistance and cooperation. The Committee understands that the District has a large service area with few connections, which drives the cost of water higher than most districts. When the \$5.8 million grant is completed, the District will be better able to serve the community.

### **RECOMMENDATIONS:**

- R1. The District should update its Board Policies and Procedures and address transactions regarding the sale of surplus property. (Findings 1 and 11)
- R1. The District should implement any recommendations and/or findings from the Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports. (Findings 10 and 12)
- R2. The Kern County Auditor-Controller-County Clerk should review and comment on the findings from the annual Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports. (Finding 12)

## **NOTES:**

- The Kern County Auditor-Controller-County Clerk and the Quail Valley Water District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: [www.co.kern.ca.us/grandjury](http://www.co.kern.ca.us/grandjury).
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: [www.co.kern.ca.us/grandjury](http://www.co.kern.ca.us/grandjury).

## **RESPONSE REQUIRED WITHIN 60 DAYS (Kern County Auditor-Controller-County Clerk):**

## **RESPONSE REQUIRED WITHIN 90 DAYS (Quail Valley Water District):**

**PRESIDING JUDGE  
KERN COUNTY SUPERIOR COURT  
1415 TRUXTUN AVENUE, SUITE 212  
BAKERSFIELD, CA 93301**

**CC: FOREPERSON  
KERN COUNTY GRAND JURY  
1415 TRUXTUN AVENUE, SUITE 600  
BAKERSFIELD, CA 93301**

## APPENDIX: A



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PUBLIC AGENCY

# QUAIL VALLEY WATER DISTRICT

## APPENDIX A 2017

### WATER RATES-Potable

1.4.3.	Monthly Meter Charge (5/8"X3/4")	\$77.66	Each Month
1.4.3.	Monthly Meter Charge (3/4")	\$77.66	Each Month
1.4.3.	Monthly Meter Charge (1")	\$89.31	Each Month
1.4.4.1.	Consumption Charge	\$4.99	Each 100 cuft (748 Gal)

### WATER RATES-Non Potable

1.4.3.	Monthly Meter Charge (1")	\$115.50	Each Month
1.4.4.2.	Consumption Charge	\$3.74	Each 100 cuft (748 Gal)

### MISCELLANEOUS FEES

1.5.4.	Emergency Shutoff Charge	\$150.00	Each Occurrence
1.5.5.	Meter Test Charge	\$250.00	Each Occurrence
1.5.2.	48 Hour Notice	\$30.00	Each Occurrence
1.6.2.7.	Returned Check Charge	\$30.00	Each Occurrence

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[www.qvwd.org](http://www.qvwd.org)

1.6.3.3.	<b>Late Charge</b>	10% of balance due for first 30 days	1-1/2% each additional 30 day period
1.5.7.	<b>Re-connection Charge</b> (service disconnected for non-payment, unauthorized use, etc.)	\$250.00	Each Occurrence
1.5.6.	<b>Missing or Damaged Lock Charge</b>	\$30.00	Each Occurrence
1.5.8.	<b>Remove Meter Charge</b> (meter removed to prevent unauthorized use of water following disconnection of service and subsequent unauthorized use of water)	\$400.00	Each Occurrence
1.5.1.	<b>Account Setup / Transfer Charge</b>	\$150.00	Each Occurrence
1.5.3.	<b>Damage To District Property</b>	Actual Cost To Repair	

#### NEW SERVICE CONNECTION

1.13.	<b>Connection Fee 5/8"X3/4" Meter</b>	\$2,500.00	Each Connection
1.13.	<b>Connection Fee 3/4" Meter</b>	\$3,000.00	Each Connection
1.13.	<b>Connection Fee 1" Meter</b>	\$3,500.00	Each Connection
1.16.	<b>Capital Improvement Fee 5/8"X3/4" Meter</b>	\$7,000.00	Each Connection
1.16.	<b>Capital Improvement Fee 3/4" Meter</b>	\$10,500.00	Each Connection
1.16.	<b>Capital Improvement Fee 1" Meter</b>	\$17,500.00	Each Connection
1.15.	<b>Assessment Parity Charge</b>	\$200.00	Per Acre In Excess of 3 Acres
1.18.	<b>Contribution for Existing Facilities</b>	\$4.00	Per Inch Diameter Per Foot Length