

# City of Hesperia STAFF REPORT



**DATE:** November 15, 2022

**TO:** Mayor and Council Members  
Chair and Board Members, Hesperia Water District

**FROM:** Nils Bentsen, City Manager

**SUBJECT:** Proposed Termination of Victor Valley Wastewater Reclamation Authority (VWRA) Service Agreement and Other Controlling Agreements

---

## **RECOMMENDED ACTION**

It is recommended that the City Council and Hesperia Water District Board direct the City Manager (General Manager of the Hesperia Water District) to officially notify the Victor Valley Waste Reclamation Authority (VWRA) and member agencies, that the City of Hesperia (Hesperia Water District) will exit VWRA by providing its 30-year notice to terminate the service agreement and any other controlling agreements.

## **BACKGROUND**

Hesperia is one of four members of the VWRA Joint Powers Authority. Other members include the County of San Bernardino, the Town of Apple Valley and the City of Victorville. For the past decade a legal conflict amongst member agencies originating from the City of Victorville's construction of a wastewater plant and flow diversion from VWRA to that plant existed. This action by the City of Victorville violated the Joint Powers Authority agreement. Additionally, during this period on April 5, 2016, the Victorville City Council voted to exit the VWRA Joint Powers Authority which requires a 30-year notification.

Over a year ago, VWRA reached a settlement with the City of Victorville and the City of Hesperia thus ending the long legal dispute. Victorville did not rescind its 30-year exit notification to VWRA as part of this settlement.

## **ISSUES AND ANALYSIS**

VWRA operations are primarily funded by treatment of flow. Each member agency pays the same rate to treat the flow of wastewater. The more an agency sends to VWRA the more they must pay to treat the flow. Additionally, infrastructure built by VWRA is generally paid with connection fees.

Currently, the City of Victorville accounts for about 60% of the flow of wastewater to VWRA. Accordingly, Victorville pays roughly 60% of the revenue to VWRA because they use 60% of the service. At this time Victorville has less than 24 years left before they exit VWRA. When this happens the remaining three agencies will have to run the Joint Powers Authority with a significant loss of revenue.

It is impossible to determine with any level of accuracy what VWRA's financial situation will look like in 24 years or to predict the condition of its infrastructure at that time. What is clear is that the remaining member agencies will bear the operational costs, unfunded pension

obligations and any debt owed. This is a significant risk to future Hesperia rate payers and the Hesperia Water District.

Further, VVWRA has struggled to meet its stated commitments to Hesperia. The City has spent over \$10 million dollars constructing the largest reclaimed water infrastructure in the Mojave River Valley, intending to pay for the investment with the sale of reclaimed water. VVWRA made commitments that it could provide one million gallons per day of reclaimed water initially and up to 1.7 million gallons per day could be provided with some minor upgrades to the sub-regional plant if requested.

The City made that request on September 26, 2018. VVWRA did not provide any significant reclaimed water to Hesperia for about four years after the sub-regional plant was completed. Subsequently, payments on the debt had to be paid without the revenue of the reclaimed water sales. For approximately five months Hesperia has been receiving reclaimed water from VVWRA. Production of this reclaimed water has slowly ramped up over this time. However, the reclaimed water deliveries seem to have peaked at about 400,000 gallons per day. This is significantly less than the commitments made to Hesperia by VVWRA.

Last year the City notified VVWRA that one of two options would have to materialize, or Hesperia would vote on exiting the VVWRA Joint Powers Authority before the end of 2022. The first option would require the City of Victorville to rescind its exit notification to VVWRA. This has not happened. The second option is for a new JPA agreement to be in place that is acceptable to the City and reconfirms all members to VVWRA, thus eliminating Victorville's exit notification. This has not happened. If Hesperia gives its 30-year exit notification, it can be rescinded if one or both above options occur.

### **FISCAL IMPACT**

The impact will depend on the financial condition of VVWRA 30 years from now. Potentially this could save rate payers and Hesperia Water District many millions of dollars over time.

### **ALTERNATIVE(S)**

1. Provide alternative direction to staff.