

2023-2024 KERN COUNTY GRAND JURY



STALLION SPRINGS COMMUNITY SERVICES DISTRICT

**Release Date
January 22, 2024**

STALLION SPRINGS COMMUNITY SERVICES DISTRICT



Source – Bing Images

What will the more than 380 sewer users in Stallion Springs Community Services District do if the Wastewater Treatment Plant fails to come into State compliance by 2025?

SUMMARY:

The over 50-year-old Wastewater Treatment Plant with its increased operational costs and desperate need for major plant improvements may be on the brink of disaster. Many sewer customers are unaware of the severity of the situation due largely to the lack of communication from the Stallion Springs Community Services District (CSD) management. Forty acres of land was purchased for over two million dollars putting the CSD, and consequently its residents, in debt. Although the purchase netted the district with a high producing water well deemed the “Jewel of the Valley,” it raises the question of what to do with the surplus acreage. A badly needed blending facility, which will dilute contaminants from the various available water sources, is struggling through the planning stage. The solid waste disposal site, previously an unhealthy and unsightly dump, has been cleaned up with tighter regulations. However, an omission in the ordinance has resulted in a contentious situation with some residents. To their credit, the CSD’s several departments are working diligently together to help bring a higher quality of life to the community.

PURPOSE OF INQUIRY:

The 2023-2024 Kern County Grand Jury (Grand Jury) investigated the CSD per Penal Code §933.5 and in response to many complaints from residents on several issues. Each complaint was reviewed in detail.

METHODOLOGY:

The Grand Jury conducted its investigation using the internet, audit reports, CSD documents, interviews, and site visits. Research was conducted using the internet to obtain applicable laws and regulations, previous Grand Jury Reports, and the CSD website including the Bridge Newsletter. Seventeen interviews were conducted by phone or in person with the Board of Directors, CSD employees, residents, businesses and outside firms.

The Grand Jury conducted four site visits that included the Sewer Treatment Plant, parks, CSD offices, library, residential neighborhoods and businesses. The Grand Jury also attended a CSD board meeting.

DISCUSSION OF FACTS:

The Stallion Springs Community Services District was formed in 1970 to provide services to this growing mountain community. Stallion Springs is located about 50 miles east of Bakersfield and 20 minutes from shopping and medical services in the City of Tehachapi. The CSD currently has more than 3,000 residents with a median age of 47. The community is situated in a beautifully wooded area at approximately 3,400 feet elevation encompassing 16.5 square miles. The CSD boasts some of the best hiking, biking and horseback trails in the County.

The CSD provides water, trash, green waste, sewer, police, road maintenance, snowplowing and weed abatement. It also has a Parks and Recreation department with a pool, gym facilities and a lake for fishing. New playground equipment was gifted from a neighboring community with a Proposition 68 Grant for both Horsethief and Man O'War parks. A library staffed by volunteers is in a new facility at the edge of town. Although the fire station is owned by the CSD, it is staffed by the Kern County Fire Department.



CSD pool and Horsethief Park picnic area – pictures taken by Grand Jury



New playground equipment and CSD Library – pictures taken by Grand Jury




Stallion Springs Oktoberfest and iconic Covered Bridge – pictures from Stallion Springs Website

- A. The 2017-2018 Kern County Grand Jury’s report recommended the implementation of a back-up system for computer data storage. The CSD was very receptive to the recommendation, and it was implemented.
- B. The Wastewater Treatment Plant is an over 50-year-old facility. It needs major upgrades to meet state requirements no later than 2025 per Time Schedule Order issued to the CSD dated July 20, 2020, by the Central Valley Regional Water Quality Control Board.
 1. Per the Plan of Study for the Wastewater Treatment Plant Upgrade Project, technical reports dating back to 2011, have indicated exceedances of ammonia in the effluent discharges into Chanac Creek.
 2. A grant application has been submitted to the Clean Water State Revolving Fund (CWSRF) to fund the upgrades needed for wastewater treatment compliance.
 3. The CWSRF Grant would fund a project to install tertiary treatment to comply with pH and ammonia levels to eliminate discharging effluent into Chanac Creek. Also included would be projects for a mechanical dewatering facility, sewer system leak test and an alternative treatment system (potentially a Membrane

Bioreactor or a Sequencing Batch Reactor). The CWSRF Grant Application is about two years into a three-year process for possible approval.

4. A grant writing firm has been retained by the CSD to secure and manage grants for the District.
5. A Sewer Rate Increase Study in accordance with State Proposition 218 (Prop. 218) was conducted and a five-year incremental rate increase was approved by the CSD Board of Directors in 2019. The study recommended adjusting sewer rates when allowed based on annual revenue vs. expenditures. The CSD gave the required 45-day notice per Prop. 218 to the more than 380 residential sewer customers which also gave them the right to protest the increase. However, the 120 protests received were not sufficient to reject the increase.
6. Despite warnings from their external auditing firm to the CSD that operational expenditures were exceeding revenues, the CSD failed to increase rates annually to offset increased expenditures. This resulted in a deficit requiring rates to be increased to the 2023-2024 limit from \$110.00 bi-monthly to \$191.43 effective August 2023, with a 30-day notice per Prop. 218, resulting in a 74% increase in rates in one billing cycle. (see Figure 1: 30-day notice postcard mailed to sewer customers)



NOTICE FOR RESIDENTIAL SEWERED PARCELS ONLY:

Through the adoption of Proposition 218, which added Article XIII D, Section 6 to the State of California's Constitution, public agencies are required to hold a "majority protest" hearing before they may adopt an increase in certain property related fees and charges. Such study was done in 2019 and voted on by residents allowing for the following increases:

<u>Year</u>	<u>Bi-Monthly Rate per residence</u>
19/20	\$140.86
20/21	\$164.68
21/22	\$182.55
22/23	\$186.95
23/24	\$191.43

The district attempted to avoid an increase in your sewer rates for the last several years, however it has become apparent we cannot continue to operate under the current rates. At the June 20th, 2023, Regular Board Meeting the Board of Directors approved a sewer rate increase based on our Prop 218 study results for Fiscal Year 2023/2024 of an increase to \$191.43 Bi-Monthly.

NOTE: This increase will be effective immediately and will show on your August bill.

For questions, please feel free to contact me at: 661-822-3268 EXT 224 or at vstevens@stallionspringscsd.com

Figure 1

- C. The CSD General Manager is resigning effective December 2023, and a replacement has been named.
- D. The CSD Board affirmed that they would be following the CA Public Contract Code §22030 as stated in Title 5 of the CSD procurement policy with regards to procuring bids for capital projects.
- E. A special meeting was held in November of 2019 to hear a presentation from the successful bidder for the water meter replacement project, which was subsequently approved by the CSD Board.
- F. The CSD Board has followed the Brown Act requirements with one notable exception: an open public comment session at the August 2023 board meeting was terminated abruptly by a board member. However, the subject of the comment was put on the September 2023 board meeting agenda.
- G. The CSD maintains a comprehensive website which includes *The Bridge Newsletter*, keeping residents informed on activities and community events, as well as agendas and minutes from board meetings.
- H. Records destruction agenda item at the August 2023 board meeting did not list contents of boxes to be destroyed. CA Govt Code §60201 states that a Special District: “Maintains a list by category of the types of records destroyed or disposed of that reasonably identifies the information contained in the records in each category.
- I. The CSD website does not provide access to its Policies and Procedures that govern the District.
- J. The CSD Board adopted Ordinance 160 on April 17, 2018, which includes enforcement of Administrative Citations.
- K. A loan for approximately two million dollars was secured in December 2018 to purchase 40 acres of land and improvements that now house the CSD library on Pellisier Road, two miles from Stallion Springs. The primary purpose of the purchase was to obtain a high producing water well. Most of the acreage is being leased to a farming firm for one dollar per year to manage weeds and control dust. A previous General Manager at the March 19, 2019 Board Meeting presented alternate uses including solar energy, groundwater recharge or sale of some acreage.
- L. External financial audits are accurate, up to date, and filed timely with the Kern County Auditor’s office and the State Controller’s Office.
- M. The CSD Police Department maintains 24/7 law enforcement within Stallion Springs.
 - 1. The Police Department is understaffed.
 - 2. The Police Department participates in Mutual Aid with surrounding jurisdictions.
- N. The CSD Public Works Department handles a multitude of required duties with minimal staffing.

- O. The CSD Parks and Recreation Department provides many amenities enjoyed by the community. The Department also organizes activities and events for all ages.
- P. The CSD has followed all laws regarding the elections and appointments of board members, which is managed by the Kern County Elections Division.

FINDINGS:

- F1. The Wastewater Treatment Plant has been neglected resulting in an urgent situation to become State compliant.
- F2. The State Time Schedule Order deadline is quickly approaching (2025), with insufficient CSD funds to make necessary improvements to satisfy the State mandates.
- F3. The failure to implement scheduled sewer rate increases, which have now expired, has caused operational and capital improvement costs to be underfunded requiring a new Prop 218 study to be conducted.
- F4. The progress of the Grant application submitted to the CWSRF in November 2021 is not being routinely monitored.
- F5. If grants are rejected, then a loan may be more economical for the sewer customers over the necessity of installing an engineered system on their parcels, which could cost between \$ 10,000 - \$ 20,000. An example of the loan repayment:

\$3,000,000 Loan for Upgrade of Wastewater Treatment Plant
Example at 6% interest

10 year	
Monthly Payment \$33,306 divided by 380 users	\$87.65
Bi-monthly	\$175.30
20 year	
Monthly Payment \$21,492 divided by 380 users	\$56.56
Bi-monthly	\$113.12

Generated by Grand Jury

- F6. The reasons for the sewer rate increases not being implemented annually, and the financial situation of the Wastewater Treatment Plant, were not communicated effectively to the affected customers.
- F7. It is not practical to expect residents to attend board meetings as their only source of information due to scheduling and space limitations, leaving them uninformed.
- F8. The CSD followed CA Public Contract Code §22030 regarding the water meter replacement project; however, residents were not completely informed of the bidding process, causing distrust.

- F9. The CSD failed to identify the contents of records to be destroyed in the Board Meeting agenda of August 2023, creating suspicion.
- F10. The Policies and Procedures governing the District are not available on the CSD website, resulting in a lack of transparency.
- F11. CSD Ordinance 160 does not explain the Administrative Citation enforcement process regarding collection of fines, trash facility access suspension and termination of services, causing complaints.
- F12. Much of the 40 acres of property on Pellisier Road purchased by the CSD may be underutilized.
- F13. The library, situated two miles from the center of Stallion Springs, is not easily accessible to residents with limited transportation.
- F14. The Stallion Springs Police Department is engaged with the community and performs its duties professionally and impartially with limited personnel and struggles to be competitive.
- F15. The Public Works Department is doing an excellent job for the community with minimal staffing.

COMMENTS:

The Grand Jury would like to thank the dedicated leaders and staff of the CSD, as well as the residents of Stallion Springs. Everyone was cooperative with answering our questions and supplying us with a plethora of information. Our visit was made more enjoyable by the three polite young men on bicycles and a young bear cub that kept us captive as it guarded the exit from the Public Works office. The cub was not a cooperative interviewee.



Picture sourced from Bing images

RECOMMENDATIONS:

The 2023-2024 Kern County Grand Jury recommends that:

- R1. A contingency plan to service affected sewer customers in the event of treatment facility closure due to non-compliance should be put in place by the CSD no later than July 1, 2024. (Finding 1)
- R2. The CSD **initiate** a new sewer rate increase study in accordance with Prop. 218 by July 1, 2024, to ensure that future operating costs and capital improvements are funded. (Finding 3)
- R3. The CSD **implement** future scheduled increases as recommended by all Prop. 218 studies. (Finding 3)
- R4. The CSD assign a watchdog no later than July 1, 2024, to track the grant application process monthly and report to the General Manager. (Finding 4)
- R5. The CSD should, by July 1, 2024, diligently investigate the feasibility of securing a loan for State mandated Wastewater Treatment Plant capital improvements. (Finding 5)
- R6. The CSD should keep affected customers informed of any deferred sewer rate increases within 30 days of deferment. (Finding 6)
- R7. Effective by July 1, 2024, the CSD should timely communicate important issues with all affected residents, using bill inserts, The Bridge Newsletter and/or Town Hall meetings. (Finding 7)
- R8. The CSD keep the affected customers informed semi-annually of the Wastewater Treatment Plant's financial situation, effective July 1, 2024. (Finding 7)
- R9. Effective by July 1, 2024, the CSD should hold Town Hall or Special meetings to promote transparency with the residents for future major projects requiring bids. (Finding 8)
- R10. The CSD ensure that records are properly labeled per CA Govt Code §60201 in the board meeting agendas and allow time for approval from the Board prior to destruction, effective July 1, 2024. (Finding 9)
- R11. The CSD update their website to include Policies and Procedures by July 1, 2024. (Finding 10)
- R12. The CSD Board amend Ordinance 160 to specifically state the authority of the district to suspend health related services (water, sewer, or trash) as permitted by law, in the enforcement of Administrative Citations. This recommendation should be implemented by July 1, 2024. (Finding 11)
- R13. The CSD revisit alternate uses by July 1, 2024, of the surplus acreage as explored by the previous General Manager on the board meeting agenda of March 19, 2019. (Finding 12)

R14. The CSD consider the feasibility by July 1, 2024, of relocating the library to a more accessible location for the residents of Stallion Springs. (Finding 13)

R15. The CSD consider by July 1, 2024, initiating a special assessment tax to fund additional staff for Police and Public Works. (Findings 14 and 15)

NOTES:

- The Stallion Springs Community Services 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.kerncounty.com/government/other-agencies/grand-jury
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website www.kerncounty.com/government/other-agencies/grand-jury

RESPONSE DEADLINE:

- **REQUIRED WITHIN 90 DAYS FROM:** Stallion Springs Community Services District Board of Directors
- **RESPONSES ARE REQUIRED PURSUANT TO CAL. PENAL CODE §§933(c) AND 933.05 WITHIN 90 DAYS TO:**
- **PRESIDING JUDGE
SUPERIOR COURT OF CALIFORNIA
COUNTY OF KERN
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**
- **FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

Reports issued by the Grand Jury do not identify individuals interviewed. Cal. Penal Code §929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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GLOSSARY:

Administrative Citation:

A citation issued by an enforcement officer for a code violation.

Blending facility:

Equipment used to mix sources of clean water to dilute contaminants to acceptable levels.

Bridge Newsletter:

An online and printed publication of the CSD to inform residents of current events.

Brown Act:

The Ralph M. Brown Act is a California law that guarantees the public's right to attend and participate in meetings of local legislative bodies. Located in California Government Code 54950 et seq., it is an act of the 1952 California State Legislature authored by Assembly Member Ralph M. Brown.

Central Valley Regional Water Quality Control Board:

California's largest regional water quality control board encompassing all or part of 38 counties whose specific responsibilities and procedures are contained in the Porter-Cologne Water Quality Control Act.

Clean Water State Revolving Fund:

A self-perpetuating loan assistance authority for water quality improvement projects administered by the EPA.

Groundwater recharge:

A process where surface water moves downward into the earth to replenish aquifers.

Membrane Bioreactor:

Technology used for performing secondary treatment of municipal wastewater.

Ordinance 160:

A Stallion Springs CSD law establishing procedures for processing code enforcement administrative citations.

Proposition 218:

California State amendment passed in 1996. Restricts local government revenue raising ability.

Proposition 68:

Parks and Water Bond Act passed in 2018 to fund improvement grants.

Sequencing Batch Reactor:

An activated sludge system applied in wastewater treatment.

Tertiary:

Third in the process of wastewater treatment.

Time Schedule Order:

Central Valley Regional Water Quality Control Board order to comply with specific actions by certain dates.

Wastewater Treatment Plant:

A CSD facility consisting of lift station pumps, digesting ponds, agitators and drying beds to convert raw sewage into dry solids and clean effluent.