

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF BOARD GOVERNED COUNTY SERVICE AREAS  
AND RECORD OF ACTION**

June 25, 2024

**FROM**

**NOEL CASTILLO, Director, Department of Public Works – Special Districts**

**SUBJECT**

Letter of Intent with Golden State Water Company for County Service Area 70 F Little Morongo and County Service Area 70 W-3 Hacienda Heights Water Systems

**RECOMMENDATION(S)**

Acting as the governing body of County Service Area 70 F Little Morongo and County Service Area 70 W-3 Hacienda Heights, approve Letter of Intent (**Agreement No. 24-539**), including non-standard terms, with Golden State Water Company to establish terms and conditions for negotiation of a formal agreement for the potential acquisition of County Service Area 70 F Little Morongo and County Service Area W-3 Hacienda Heights currently owned by County Service Area 70 F Little Morongo and County Service Area 70 W-3 Hacienda Heights and operated and managed by the San Bernardino County Department of Public Works – Special Districts, Water and Sanitation Division.

(Presenter: Noel Castillo, Director, 387-7906)

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Improve County Government Operations.**

**Provide for the Safety, Health and Social Service Needs of County Residents.**

**Pursue County Goals and Objectives by Working with Other Agencies and Stakeholders.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). Should a formal agreement be reached for acquisition of County Service Area 70 F Little Morongo and/or County Service Area W-3 Hacienda Heights, it will be presented to the Board of Supervisors for approval.

**BACKGROUND INFORMATION**

The State Water Resources Control Board (SWRCB) has determined that due to the level of uranium that exceeds the maximum contaminant level in California, the best option for County Service Area 70 F Little Morongo (CSA 70 F) and County Service Area 70 W-3 Hacienda Heights (CSA 70 W-3) is to consolidate with Golden State Water Company (GSWC).

GSWC is a Class A public utility regulated by the California Public Utilities Commission (CPUC), with 39 water systems and almost 200 licensed operators. GSWC has experience with owning and operating water systems in California, which require treatment for groundwater contaminants such as uranium. GSWC has positive relationships with regulatory authorities at the state and local levels to provide quality to disadvantaged communities.

**Letter of Intent with Golden State Water Company for County Service Area 70 F Little Morongo and County Service Area 70 W-3 Hacienda Heights Water Systems  
June 25, 2024**

In the proposed transaction, the San Bernardino County Department of Public Works – Special Districts (Department) intends to transfer its public water systems, including various assets including water rights, infrastructure, equipment, and permits to GSWC. The price for the transaction will be determined based on the condition of the water system discovered during due diligence and agreed upon pursuant to an appraisal, valuation, and negotiation by both parties.

Approval of the Letter of Intent (LOI) will establish certain terms and conditions for negotiation of a formal agreement for the potential acquisition of County Service Area 70 F Little Morongo and County Service Area W-3 Hacienda Heights. Except for certain provisions related to confidentiality and the length of the LOI term, the LOI is not binding until the execution of the definitive formal agreement. The transaction is subject to due diligence by GSWC and approval from governing bodies and authorities, including the CPUC and the San Bernardino County Department of Public Health. The terms and conditions of the transaction would then be finalized in a definitive asset purchase agreement negotiated between GSWC and the Department. Upon transfer, GSWC will own and operate the water systems, subject to regulation by the CPUC.

During the term of the LOI, both parties agree to exclusively discuss the potential transaction and refrain from engaging with other entities that could interfere with or prevent the transaction, and to treat the information related to the transaction as confidential. The LOI shall be in effect for a period of 360 days, commencing on the date first executed by both GSWC and the Department, unless extended by mutual written agreement of the parties.

Pursuant to County Policy 11-05, agreements containing non-standard terms must be approved by the Board. The LOI with GSWC includes a term that differs from the standard County agreement. The non-standard term is the following:

1. The term of the LOI's confidentiality and non-disclosure provisions is 360 days from the LOI's effective date.
  - The County's standard term is that the agreement should be unilaterally revocable by the County subject to 30 days advance notice.
  - Potential Impact: Agreeing to this term prevents the County from unilaterally terminating the LOI as to the confidentiality and non-disclosure provisions; however, the County is not required to enter into a formal agreement by the expiration of the LOI.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Aaron Gest, Deputy County Counsel, 387-5455) on May 21, 2024; Risk Management (Greg Ustaszewski, Staff Analyst II, 386-9008) on May 23, 2024; Finance (Jessica Trillo, Administration Analyst, 387-4222) on June 4, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on June 10, 2024.

**Letter of Intent with Golden State Water Company for County Service  
Area 70 F Little Morongo and County Service Area 70 W-3 Hacienda  
Heights Water Systems  
June 25, 2024**

Record of Action of the Board of Supervisors  
Board Governed County Service Areas

**APPROVED (CONSENT CALENDAR)**

Moved: Curt Hagman   Seconded: Joe Baca, Jr.  
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: June 25, 2024



cc:   PW/SD - Castillo w/ agree  
      Contractor c/o PW/SD w/ agree  
      File w/ agree  
JLL   06/27/2024